

RAYONG PURIFIER PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

1. GENERAL INFORMATION

1.1 Rayong Purifier Public Company Limited (hereinafter referred to as “the Company”) was incorporated as a limited company under Thai laws on 27 January 1995, converted to a public limited company on 1 August 2003 and listed on the Stock Exchange of Thailand on 24 November 2003. The Company’s registered office, which is the head office, is located at 19 SCB Park Plaza East, Ratchadapisek 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. In addition, the Company has oil depots dispersed across the various regions of Thailand. The Company operates its business in Thailand and its principal activity is the manufacture and trading of fuel oil and petrochemical products.

The Company’s major shareholder is Petro-Instrument Company Limited, a limited company under Thai laws, which as at 31 December 2005 and 2004 held 30.27 and 30.47 percent of the issued and paid-up capital of the Company, respectively.

1.2 During the first quarter of 2004, the Company closed its refinery for 24 days for annual repair and maintenance, from 21 January 2004 to 13 February 2004.

2. BASIS OF CONSOLIDATION

2.1 The consolidated financial statements include the financial statements for the years ended 31 December 2005 and 2004 of Rayong Purifier Public Company Limited and its subsidiaries as follows: -

Company’s name	Nature of business	Percentage of shareholding		Place of incorporation	Subsidiary’s total assets as a percentage to the consolidated total assets		Subsidiary’s total revenues as a percentage to the consolidated total revenues	
		2005	2004		2005	2004	2005	2004
Yothin Petroleum Co., Ltd.	Trading of fuel oil	100	100	Thailand	4.6	2.3	4.4	6.0
SCT Petroleum Co., Ltd. and its subsidiaries	Trading of fuel oil	100	-	Thailand	6.8	-	42.2	-
RPC Asia Co., Ltd.	Manufacture & trading of petroleum and petrochemical products	100	100	Thailand	0.4	0.1	0.5	-
VTN-P Petrochemical	Manufacture & trading of	60	60	Vietnam	11.8	6.4	-	-

Joint Venture Co., Ltd. petrochemical products

- 2.2 In January 2005, the Company acquired an additional 70 percent of the issued and paid-up capital of SCT Petroleum Co., Ltd. (“SCT”). SCT has seven, 100-percent held subsidiaries, and as a result of this investment the status of these companies changed from associated companies to that of subsidiaries.

The net asset value of SCT and its subsidiaries at the acquisition date (the date of their changes in status from associated companies to subsidiaries) consisted of the following: -

	(Unit: Baht)
Cash and cash equivalents	12,182,710
Trade accounts receivable - net	84,211,888
Inventories	1,352,000
Other current assets	6,202,541
Pledged deposits at financial institution	1,801,000
Equipment - net	76,673,375
Other non-current assets	653,370
Trade accounts payable	(127,084,419)
Short-term loans	(10,590,000)
Liabilities under finance leases	(19,298,410)
Other current liabilities	(12,794,022)
Net asset value	<u>13,310,033</u>
Net asset value in proportion to the Company’s equity interest (70 percent)	9,317,023
Excess of the net asset value over cost	<u>2,317,058</u>
Cash paid for acquisition of investment in subsidiary	6,999,965
Less: Cash and cash equivalents of subsidiary	<u>(12,182,710)</u>
Cash receipt from acquisition of investment in subsidiary	<u>(5,182,745)</u>

The excess of the net asset value of the subsidiary over cost of the investment at the acquisition date was recognised as income in full in the statement of earnings because the amount is immaterial.

- 2.3 The financial statements of the subsidiary, which operates overseas, are translated to Thai Baht using the closing exchange rate for assets and liabilities and the average exchange rate for revenues and expenses. Exchange differences are presented under the caption of “Translation adjustments” in shareholders’ equity.

2.4 Outstanding balances between the Company and the subsidiaries, profit included in inventories, significant intercompany transactions, and investments in subsidiaries in the Company's records and shareholders' equity of the subsidiaries are eliminated from the consolidated financial statements.

2.5 The operating results of the subsidiaries are included in the consolidated financial statements since the date of acquisition by the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547, and have been prepared under the historical cost convention except as disclosed in the accounting policies below.

Significant accounting policies adopted by the Company and its subsidiaries are summarised below: -

3.1 Revenue recognition

Sales are recognised when goods are delivered and the significant risks and rewards of ownership of the goods have been passed to the buyer, and represent the invoiced value, excluding value added tax, after deducting goods returned, discount and allowance.

Revenue from transportation service represents the invoiced value of service rendered.

Interest and other services are recognised as income on an accrual basis.

3.2 Cash and cash equivalents

Cash and cash equivalents comprise cash and deposits at financial institutions with an original maturity of 3 months or less and without commitment.

3.3 Trade accounts receivable and allowance for doubtful accounts

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may incur in collection of receivables. The allowance is based on collection experience and current status of receivables outstanding at the balance sheet date. Bad debts will be written off for the accounts considered uncollectible.

3.4 Inventories

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

3.5 Investments

Investments in subsidiaries in the Company's financial statements and investments in associated companies are stated under the equity method of accounting. Under this method, the investment is recorded at cost. For each subsequent period, the investment is adjusted to incorporate the Company's proportionate share of the operating results in the subsidiaries and associated companies.

Investment in non-marketable equity security, which the Company holds as long-term investment, is valued at cost.

3.6 Property, plant and equipment, and depreciation

Land is stated at cost. Plant and equipment are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price, construction cost and any directly attributable cost of bringing the asset to working condition for its intended use. Expenditures for additions, improvement and renewals are capitalised as cost of assets. Repairs and maintenance are charged to the earnings statement when incurred. Depreciation of plant and equipment is calculated by reference to cost on a straight-line basis over the following estimated useful lives: -

Building improvements	-	Lease periods
Buildings	-	15 - 25 years
Machinery and equipment	-	5 - 15 years
Office furniture, fixture and equipment	-	3 - 10 years
Motor vehicles	-	5, 8 years

No depreciation has been provided for land and construction in progress.

3.7 Intangible assets and amortisation

Intangible assets are stated at cost less accumulated amortisation. Amortisation is calculated by reference to cost on a straight-line basis over the expected future period of economic benefit of each type of intangible asset, as follows: -

Land use right	- 44 years
Land leasehold rights	- Lease periods (3 years and 26 years)
Oil station leasehold rights	- 9.17 - 12.17 years
License fee for production simulation software	- 8.14 years

A subsidiary in Vietnam amortises land use right over the remaining 44 years of its investment license, in accordance with the rights, responsibilities and obligations under the investment license.

Intangible assets which are expected to provide future economic benefits for more than 20 years are to be tested for impairment annually, at each balance sheet date.

3.8 Borrowing costs

Interest and other financial costs related to loans obtained for the construction of fixed assets are capitalised as a part of the cost of the fixed assets. The capitalisation of the borrowing costs will be discontinued when the construction is completed and ready for intended use.

3.9 Finance leases

The Company and its subsidiaries recorded finance leases as assets and liabilities in the balance sheet at amounts equal at the inception of the lease to the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease. The interest charge is recorded to periods during the lease term on the remaining balance of the liability for each period.

3.10 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates for certain accounting transactions, affecting amounts reported in the financial statements and notes related thereto. Subsequent actual results may differ from these estimates.

3.11 Foreign currencies

Foreign currency transactions incurred during the year are translated into Baht at the rates ruling on the transaction dates. Monetary assets and liabilities in foreign currency outstanding on the balance sheet date are translated into Baht at the rates ruling on the balance sheet date. Exchange gains and losses are included in determining earnings.

3.12 Corporate income tax

Corporate income tax has been calculated on the net earnings for the year after adding back certain expenses and provisions which are disallowable for tax computation purposes and excluding dividends received from subsidiaries and associated companies and share of profit (loss) from investments accounted for under equity method.

3.13 Employees' benefits

The Company, the subsidiaries and their employees have jointly registered a provident fund scheme under the Provident Fund Act B.E. 2530. The fund is monthly contributed by employees at the rate of 5 percent of their salaries, and by the Company and the subsidiaries at the rates of 5 - 10 percent of the employees' salaries and will be paid to the employees upon termination in accordance with the rules of fund. The fund is managed by Siam Commercial Bank Public Company Limited.

3.14 Financial instruments

The Company and its subsidiaries have no policy to speculate in or engage in the trading of any financial derivative instruments.

Financial instruments carried in the balance sheets include cash and cash equivalents, receivables, payables, loans and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The Company and its subsidiaries are exposed to risks from changes in market interest rates and in foreign currency exchange rates, and from non-performance of contractual obligations by counterparties. The Company and its subsidiaries use derivative instruments, as and when they consider appropriate, to manage such risks.

3.15 Earnings per share

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

Diluted earnings per share is calculated by dividing net earnings for the year by the sum of the weighted average number of ordinary shares in issue during the year and the weighted average number of ordinary shares which might need to be issued for the conversion of all dilutive potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the potential ordinary shares were issued.

4. TRADE ACCOUNTS AND NOTES RECEIVABLE

Trade accounts and notes receivable as at 31 December 2005 and 2004 are classified by aging as follows: -

(Unit: Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
<u>Trade accounts and notes receivable - others</u>				
Not over 3 months	206,961,300	169,702,961	135,703,449	164,572,257
Over 3 months to 6 months	2,006,730	-	203,130	-
Over 6 months to 12 months	2,199,905	-	-	-
Over 12 months	14,151,644	6,750,158	642,857	1,415,084
Total	225,319,579	176,453,119	136,549,436	165,987,341
Less: Allowance for doubtful accounts	(10,235,129)	(4,082,317)	(617,250)	(617,250)
Trade accounts and notes receivable - others, net	215,084,450	172,370,802	135,932,186	165,370,091
<u>Trade accounts and notes receivable - related parties</u>				
Not over 3 months	-	104,776,949	241,388,542	130,060,197
Trade accounts and notes receivable - related parties	-	104,776,949	241,388,542	130,060,197

5. PLEDGED DEPOSITS AT FINANCIAL INSTITUTIONS

As at 31 December 2005 and 2004, the Company has pledged these fixed deposits to secure credit facilities granted by several financial institutions.

6. RELATED PARTY TRANSACTIONS

The relationship between the Company and related parties are summarised below: -

<u>Name</u>	<u>Relationship</u>
Yothin Petroleum Co., Ltd.	Subsidiary
RPC Asia Co., Ltd.	Subsidiary
VTN-P Petrochemical Joint Venture Co., Ltd. ("VTN-P")	Subsidiary
SCT Petroleum Co., Ltd.	Subsidiary
Isan Rungreang Petroleum Co., Ltd.	Subsidiary
Mitsumphan Petroleum Co., Ltd.	Subsidiary
Metro Petroleum Co., Ltd.	Subsidiary
Jatuchak Oil Co., Ltd.	Subsidiary
Benja Petroleum Co., Ltd.	Subsidiary
Burapha Rungroch Petroleum Co., Ltd.	Subsidiary
Jaturatis Transport Co., Ltd.	Subsidiary
Petro-Instrument Co., Ltd.	30.27 percent (2004: 30.47 percent) of shares held in the Company
Machine Automation Joint Stock Company	14 percent of shares held in VTN-P
SCT Sahaphan Co., Ltd.	Common directors
Jazzy Creation Co., Ltd.	Common directors
Mr. Sumit Chanmetee	The Company's director

In June 2004, the Company transferred all ordinary shares of Siam Gulf Petrochemical Co., Ltd. to a group of unrelated individuals and it has no influence over decision-making in relation to the financial and operating policies of that company through the Board of Directors of that company. The Company has therefore not treated this company as a related company since June 2004.

In November 2004, SCT Petroleum Co., Ltd. (SCT) sold its 30 percent interest in the ordinary shares of SCT Sahaphan Co., Ltd. to an unrelated individual. However, SCT has influence over decision-making in relation to the financial and operating policies of that company through the Board of Directors of that company. The Company has therefore treated this company as a related party.

During the years, the Company had significant business transactions with related parties. Such transactions are summarised below: -

					(Unit: Baht)
	CONSOLIDATED		THE COMPANY ONLY		Pricing policy
	2005	2004	2005	2004	
<u>Transactions with subsidiaries</u>					
(Eliminated from consolidated financial statements)					
Sales	-	-	5,480,053,148	549,557,711	Note 1
Management fee income	-	-	36,197,254	-	Note 2
Other income - other services	-	-	35,715,249	11,374,526	Contract price
Advertising and promotion expenses	-	-	-	9,654,479	Contract price
Transportation expense	-	-	144,821,492	-	Contract price
Purchase of goods	-	-	7,517,936	-	At cost
Other expenses	-	-	5,261,103	726,546	Actual cost
Purchase of fixed assets	-	-	3,338,395	-	Carrying value
Interest income	-	-	548	-	5.0% p.a.
<u>Transactions with related parties</u>					
Sales	-	4,621,689,237	-	4,610,441,710	Note 1
Management fee income	2,628,009	-	2,628,009	-	Note 2
Other income - other services	-	2,253,447	-	2,192,362	Contract price
Sale of fixed assets	136,311	-	-	-	Market price
Dividend income	-	2,400,000	-	2,400,000	As declared
Purchase of goods	52,296	15,523,703	-	15,523,703	Market price
Transportation expense	-	116,772,782	-	113,609,382	Contract price
Other expenses	1,190,186	1,242,662	1,064,637	283,927	Actual cost
Consulting fee	-	226,010	-	-	Contract price
Advertising expense	340,110	1,821,600	310,110	1,821,600	Contract price
Interest expense	42,378	-	42,378	-	2.61 - 2.72% p.a.
Purchase of fixed assets	26,111,856	-	821,913	-	Contract price/ Market price
Purchase of investment	6,897,970	-	6,897,970	-	Baht 5 per share
Note 1	<ul style="list-style-type: none"> - The selling price is set out based on the market price with discount for oil wholesale business, provided according to the volumes of order. - The selling price is set out based on the market price with the fixed rate marketing margin discount for oil retail business. - The selling price is set out based on the market price for overseas sales and oil transportation businesses. 				
Note 2	<ul style="list-style-type: none"> - Calculation based on quantities of products sold for wholesale and retail oil businesses. - Calculation at fixed rates for overseas sales and oil transportation businesses. 				

In addition, the Company purchased machines and refinery processing equipment from local suppliers on behalf of VTN-P, reimbursing all expenses it incurred from that subsidiary at actual cost. The value of the associated transactions for the year 2004 amounted to Baht 25.5 million.

The outstanding balances of related party transactions have been separately shown in the balance sheets as follows: -

(Unit: Baht)

	<u>CONSOLIDATED</u>		<u>THE COMPANY ONLY</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<u>Trade accounts and notes receivable - related parties</u>				
Yothin Petroleum Co., Ltd.	-	-	96,105,190	26,822,657
SCT Petroleum Co., Ltd.	-	-	23,115,660	-
Isan Rungreang Petroleum Co., Ltd.	-	25,749,210	11,396,100	25,749,210
Mitsumphan Petroleum Co., Ltd.	-	39,688,200	53,337,742	39,688,200
Metro Petroleum Co., Ltd.	-	36,234,730	18,123,870	36,234,730
Jatuchak Oil Co., Ltd.	-	-	5,922,580	-
Benja Petroleum Co., Ltd.	-	1,360,950	3,890,160	1,360,950
Burapha Rungroch Petroleum Co., Ltd.	-	-	28,129,820	-
Jaturatis Transport Co., Ltd.	-	1,743,859	1,367,420	204,450
Total	-	104,776,949	241,388,542	130,060,197
<u>Amounts due from related parties</u>				
Yothin Petroleum Co., Ltd.	-	-	543,247	3,343,105
RPC Asia Co., Ltd.	-	-	128,400	57,183
SCT Petroleum Co., Ltd.	-	1,624,506	226,498	1,624,506
Isan Rungreang Petroleum Co., Ltd.	-	18,997	1,070,206	18,997
Mitsumphan Petroleum Co., Ltd.	-	55,239	695,398	55,239
Jaturatis Transport Co., Ltd.	-	71,243	1,248,810	66,856
Metro Petroleum Co., Ltd.	-	-	109,269	-
Burapha Rungroch Petroleum Co., Ltd.	-	-	355,668	-
Benja Petroleum Co., Ltd.	-	-	56,945	-
Jutuchak Oil Co., Ltd.	-	-	129,877	-
SCT Sahaphan Co., Ltd.	618,113	-	618,113	-
VTN-P Petrochemical Joint Venture Co., Ltd.	-	-	21,861,922	28,805
Total	618,113	1,769,985	27,044,353	5,194,691

(Unit: Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
<u>Short-term loans to related party</u>				
Jaturatis Transport Co., Ltd.	-	-	2,000,000	-
Total	-	-	2,000,000	-
<u>Advances for purchase of assets - related party</u>				
Machine Automation Joint Stock				
Company	8,389,845	3,883,397	-	-
Total	8,389,845	3,883,397	-	-
<u>Amounts due to related parties</u>				
Yothin Petroleum Co., Ltd.	-	-	169,469	6,238,428
SCT Petroleum Co., Ltd.	-	59,843	3,852,000	-
Jaturatis Transport Co., Ltd.	-	17,081,525	19,683,680	17,081,525
SCT Sahaphan Co., Ltd.	790,960	-	3,424	-
Petro-Instrument Co., Ltd.	-	-	-	-
Jazzy Creation Co., Ltd.	196,880	520,020	196,880	520,020
Total	987,840	17,661,388	23,905,453	23,839,973

During the year, movement of loans to and loans from related parties was as follows: -

(Unit: Million Baht)

	Balance as at		Balance as at		Interest rate
	1 January	During the year		31 December	
	2005	Increase	Decrease	2005	
<u>The Company Only</u>					
Short-term loans to related party					
Jaturatis Transport Co., Ltd.	-	2.0	-	2.0	5.0% p.a.
Total	-	2.0	-	2.0	
<u>Consolidated/The Company Only</u>					
Short-term loans from related party					
Mr. Sumit Chanmetee	-	50.0	(50.0)	-	2.61 - 2.72% p.a.
Total	-	50.0	(50.0)	-	

7. INVENTORIES

(Unit: Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Finished goods - fuel oil	813,557,420	633,320,038	750,230,498	622,619,332
Work in process	13,384,069	-	-	-
Raw materials	317,434,017	160,523,221	313,433,461	160,523,221
Supplies	5,279,519	3,996,974	4,644,418	3,996,974
Total	<u>1,149,655,025</u>	<u>797,840,233</u>	<u>1,068,308,377</u>	<u>787,139,527</u>

Inventories as at 31 December 2005 included oil of Baht 593.1 million (2004: Baht 501.4 million) reserved in accordance with the Ministry of Commerce regulations. Baht 89.9 million (2004: Baht 168.3 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.

The Company entered into an agreement with a financial institution to pledge all the Company's raw materials and finished goods as security for the credit facilities obtained from that financial institution, as referred to in Notes 12 and 14.

8. INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD

Investments accounted for under equity method comprise investments in ordinary shares of the following companies: -

(Unit: Baht)

Company's name	Nature of business	Place of incorporation	Paid-up capital		Investment proportion		Investment			
			2005	2004	2005 Percent	2004 Percent	Cost method		Equity method	
							2005	2004	2005	2004
Consolidated										
<u>Associated company</u>										
SCT Petroleum Co., Ltd. and its subsidiaries	Trading of fuel oil	Thailand	-	Baht 10 million	-	30	-	3,000,000	-	3,993,010
Total investment accounted for under equity method							-	3,000,000	-	3,993,010
The Company Only										
<u>Subsidiaries</u>										
Yothin Petroleum Co., Ltd.	Trading of fuel oil	Thailand	Baht 50 million	Baht 50 million	100	100	49,999,300	49,999,300	29,441,978	33,586,597
SCT Petroleum Co., Ltd. and its subsidiaries	Trading of fuel oil	Thailand	Baht 10 million	-	100	-	9,999,965	-	23,422,465	-
RPC Asia Co., Ltd.	Manufacture & trading of petroleum and petrochemical products	Thailand	Baht 10 million	Baht 2.5 million	100	100	9,999,200	2,499,800	9,860,301	2,412,417
VTN-P Petrochemical Joint Venture Co., Ltd.	Manufacture & trading of petrochemical products	Vietnam	USD 3.5 million	USD 3.5 million	60	60	86,589,330	86,589,330	68,689,369	75,308,978
							156,587,795	139,088,430	131,414,113	111,307,992
<u>Associated company</u>										
SCT Petroleum Co., Ltd. and its subsidiaries	Trading of fuel oil	Thailand	-	Baht 10 million	-	30	-	3,000,000	-	3,993,010
Total investments accounted for under equity method							-	3,000,000	-	3,993,010
							156,587,795	142,088,430	131,414,113	115,301,002

RPC Asia Co., Ltd.

On 11 March 2004, a meeting of the Company's Board of Directors approved the establishment of RPC Asia Co., Ltd., with the Company to hold 100 percent of its registered capital of Baht 10 million. The subsidiary was registered as a company with the Ministry of Commerce on 27 July 2004 and is to engage in the manufacture and trading of petroleum and petrochemical products.

On 14 June 2005, a meeting of the Board of Directors of the subsidiary approved the calling up of share capital amounting to Baht 7.5 million, and as a result its paid-up capital increased from Baht 2.5 million to Baht 10.0 million. The subsidiary received payment for the shares in July 2005.

SCT Petroleum Co., Ltd.

On 17 December 2004, a meeting of the Company's Board of Directors approved the Company's purchase of 1.4 million shares of SCT Petroleum Co., Ltd. from existing shareholders of this company, at par value of Baht 5 per share, a total of Baht 7.0 million. The payment of the shares price and the transfer of the shares were made in January 2005. The shares acquisition increased the Company's equity interest from 30 percent to 100 percent.

SCT Petroleum Co., Ltd. has seven, 100-percent held subsidiaries, which are the following: -

- Mitsumphan Petroleum Co., Ltd.
- Metro Petroleum Co., Ltd.
- Isan Rungreang Petroleum Co., Ltd.
- Burapha Rungroach Petroleum Co., Ltd.
- Benja Petroleum Co., Ltd.
- Jatuchak Oil Co., Ltd.
- Jaturatis Transport Co., Ltd.

VTN-P Petrochemical Joint Venture Co., Ltd.

On 13 May 2004, a meeting of the Company's Board of Directors approved an increase in the Company's shareholding in VTN-P Petrochemical Joint Venture Co., Ltd., ("VTN-P") from 20 percent to 60 percent of its registered capital. The Company received approval from the relevant government agency in Vietnam for the change in shareholding structure.

During the second and third quarters of 2004, the Company made additional investments in this company amounting to Baht 12.3 million and Baht 42.8 million, respectively, increasing the Company's equity interest from 20 percent to 56.01 percent.

The net asset value of VTN-P at the acquisition date (the date of its change in status from an associated company to a subsidiary) consisted of the following: -

	(Unit: Baht)
Cash and cash equivalents	17,338,464
Inventories	1,840,252
Advance payment for purchase of goods	10,627,519
Property, plant and equipment - net	67,662,311
Other assets	1,065,869
Trade accounts payable	(154,928)
Other accounts payable	(1,929,808)
Other liabilities	<u>(19,237)</u>
Net asset value	<u>96,430,442</u>
Net asset value in proportion to the Company's equity interest (56.01 percent)	54,008,830
Less: Investment in subsidiary brought forward	(5,135,359)
Add: Excess of the cost of investment over net asset value	<u>6,249,450</u>
Cash paid for acquisition of investment in subsidiary	55,122,921
Less: Cash and cash equivalents of subsidiary	<u>(17,338,464)</u>
Net cash paid for acquisition of investment in subsidiary	<u><u>37,784,457</u></u>

The excess of the cost of investment in the subsidiary over its net asset value at the acquisition date was recognised as an expense in full in the statement of earnings because the amount is immaterial.

During the fourth quarter of 2004, the Company made additional investment in the subsidiary amounting to Baht 26.3 million, increasing the Company's equity interest from 56.01 percent to 60 percent.

VTN-P was granted an investment license by the People's Committee of Can Tho City, a body authorised by the Ministry of Planning and Investment of Vietnam. Under the investment license, which is valid for a period of 50 years ending 2049, the tax incentives and commitments of VTN-P are as follows: -

- a) The income tax rate is fifteen percent.
- b) Exemption from corporate income tax for a period of four years, beginning with the first profitable year, and then a fifty percent reduction of income tax for a further four years.
- c) Exemption from import tax on equipment and machinery imported for use in the operation of the business.
- d) Imported materials are exempted from import tax for a period of five years from commencement of production. Following that, although import tax must be paid on all raw materials, spare parts, accessories, and materials imported to produce goods for export, when the relevant products are exported, an appropriate amount of import tax will be refunded.
- e) If the imported goods referred to in c) and d) are sold in Vietnam, import taxes, value added tax and income taxes must be paid in conformity with Vietnamese law.
- f) Commitments in respect of rental payable to a government agency for leased land on which the assets of VTN-P are located. Rental is charged at rates stipulated in the investment license.

As at 31 December 2005, VTN-P is in the process of conducting a test run of production. Management expect that production for commercial purposes could be commenced in early 2006.

9. LONG-TERM INVESTMENT - OTHER

(Unit: Baht)

	CONSOLIDATED/ THE COMPANY ONLY	
	<u>2005</u>	<u>2004</u>
<u>Investment in ordinary shares</u>		
Siam Gulf Petrochemical Co., Ltd.	59,913,509	59,913,509
Total	<u>59,913,509</u>	<u>59,913,509</u>

On 13 May 2004, a meeting of the Company's Board of Directors approved the sale of the investment in 1.4 million ordinary shares of Siam Gulf Petrochemical Co., Ltd. to a group of unrelated individuals, at a price of Baht 90 million. The buyers agreed to pay a first installment of Baht 27 million within 10 June 2004 and a second installment of Baht 63 million within 10 June 2005. The Company entered into an agreement to sell/purchase the investment on 27 May 2004 and transferred all ordinary shares to the buyers on 10 June 2004.

On 6 June 2005, the buyers submitted a letter to the Company requesting a relaxation of the second installment payment and the Company approved an extension of the payment period until 9 August 2005, on the condition that Baht 0.6 million of additional interest is to be paid within 15 July 2005 for the default on share payment for the period as from 10 June 2005 to 8 August 2005. Subsequently, on 9 August 2005, the buyers paid the second installment to the Company and the Company released the share certificates placed as collateral to the buyers.

The above agreement stipulates certain conditions, such as that the buyers must guarantee the associated company's repayment of the loans obtained from the Company, the pledge of share certificates in proportion to the payment as collateral for the second share payment installment, the Company's right to purchase the shares back from the buyers for a certain period at the price stipulated in the agreement, the Company's right to purchase raw materials from the associated company in the quantity and at the price specified in the agreement, and that the Company is to provide technical support in relation to the project of the associated company.

To comply with the accounting treatment stipulated for "Transfers of financial assets" under the Accounting Profession Act B.E. 2547, the Company recorded the Baht 90 million (2004: Baht 27 million) of cash received from the share sale under the above agreement as "Current liabilities" in the balance sheets and did not write it off from investment in the balance sheets. This is because it did not constitute a true sale whereby the asset can be written off from the accounts, since the Company has a call option to purchase the shares at a price stipulated in the agreement in the future and the buyers have an obligation to return the shares to the Company if the call option is exercised. In addition, the Company will acquire the shares pledged as collateral if the buyers default on payment.

The Company did not account for its investment in this company under the equity method and, from June 2004, classified the investment as "Long-term investment - other" in the balance sheets because the Company no longer has influence over decision-making in relation to the financial and operating policies of that company through the Board of Directors of that company.

Currently, this company is in the process of conducting a test run of production. Its management expect that production for commercial purposes could be commenced in early 2006.

10. PROPERTY, PLANT AND EQUIPMENT

(Unit Baht)

	CONSOLIDATED						Total
	Land	Buildings and building improvements	Machinery and equipment	Office furniture, fixture and equipment	Motor vehicles	Construction in progress	
Cost							
31 December 2004	102,908,526	128,664,958	696,917,430	39,301,869	12,234,461	151,627,893	1,131,655,137
Reclassification	-	-	(26,274)	231,339	(205,065)	-	-
Acquisition of subsidiary	-	2,011,249	3,155,656	5,573,509	94,113,135	151,634	105,005,183
Translation adjustment	-	58,226	-	19,802	36,876	3,653,168	3,768,072
Acquisitions	-	-	-	134,528	-	223,363,140	223,497,668
Transfer in (out)	-	121,629,679	170,594,429	6,601,087	1,337,556	(328,748,006)	(28,585,255)
Disposals	-	(1,720,483)	(163,644)	(6,795,844)	(13,971,221)	(350,429)	(23,001,621)
31 December 2005	102,908,526	250,643,629	870,477,597	45,066,290	93,545,742	49,697,400	1,412,339,184
Accumulated depreciation							
31 December 2004	-	43,738,435	271,932,957	27,783,970	6,350,830	-	349,806,192
Acquisition of subsidiary	-	307,987	773,163	3,058,042	24,192,616	-	28,331,808
Translation adjustment	-	-	-	2,523	7,990	-	10,513
Depreciation for the year	-	15,672,998	68,388,286	6,127,202	19,017,319	-	109,205,805
Depreciation for disposals	-	(1,720,464)	(38,146)	(4,117,158)	(8,076,396)	-	(13,952,164)
31 December 2005	-	57,998,956	341,056,260	32,854,579	41,492,359	-	473,402,154
Net book value							
31 December 2004	102,908,526	84,926,523	424,984,473	11,517,899	5,883,631	151,627,893	781,848,945
31 December 2005	102,908,526	192,644,673	529,421,337	12,211,711	52,053,383	49,697,400	938,937,030
Depreciation for the year							
2004							80,142,616
2005							109,205,805

A part of depreciation for the year 2005 amounting to Baht 82.1 million (2004: Baht 60.9 million) in the consolidated financial statements has been charged to cost of production and the remaining part of Baht 27.1 million (2004: Baht 19.2 million) has been charged to selling and administrative expenses.

(Unit: Baht)

THE COMPANY ONLY							
	Land	Buildings and building improvements	Machinery and equipment	Office furniture, fixture and equipment	Motor vehicles	Construction in progress	Total
Cost							
31 December 2004	102,908,526	111,220,197	686,292,595	36,703,954	7,325,490	55,647,722	1,000,098,484
Purchases	-	-	-	-	-	24,708,903	24,708,903
Transfer in (out)	-	6,261,411	38,375,411	6,374,650	1,337,556	(52,349,028)	-
Disposals	-	(1,720,483)	-	(1,355,423)	(2,014,721)	-	(5,090,627)
31 December 2005	102,908,526	115,761,125	724,668,006	41,723,181	6,648,325	28,007,597	1,019,716,760
Accumulated depreciation							
31 December 2004	-	42,071,414	268,829,937	26,754,144	4,820,651	-	342,476,146
Depreciation for the year	-	10,900,702	61,182,140	5,403,486	1,419,113	-	78,905,441
Depreciation for disposals	-	(1,720,464)	-	(1,102,865)	(1,841,537)	-	(4,664,866)
31 December 2005	-	51,251,652	330,012,077	31,054,765	4,398,227	-	416,716,721
Net book value							
31 December 2004	102,908,526	69,148,783	417,462,658	9,949,810	2,540,839	55,647,722	657,622,338
31 December 2005	102,908,526	64,509,473	394,655,929	10,668,416	2,250,098	28,007,597	603,000,039
Depreciation for the year							
2004							75,470,825
2005							78,905,441

A part of depreciation for the year 2005 amounting to Baht 63.8 million (2004: Baht 60.9 million) in the Company's financial statements has been charged to cost of production and the remaining part of Baht 15.1 million (2004: Baht 14.6 million) has been charged to selling and administrative expenses.

During the year 2005, a subsidiary had capitalised interest and financial costs amounting to Baht 6.5 million (2004: Baht 0.2 million) as part of the cost of construction in progress (the Company Only : Nil).

As at 31 December 2005, certain plant and equipment items of the Company and its subsidiaries have been fully depreciated but are still in use. The original cost, before deducting accumulated depreciation, of those assets amounted to Baht 24.6 million (2004: Baht 15.6 million).

As at 31 December 2005, certain motor vehicles, with a net book value of Baht 19.2 million (2004: Baht 4.7 million) in the consolidated financial statements, and Baht 0.6 million (2004: Baht 2.2 million) in the Company's financial statements, have been placed as collateral under finance leases with repayment periods of 36 - 48 months.

11. INTANGIBLE ASSETS

(Unit: Baht)

	CONSOLIDATED				Total
	Land use right	Land leasehold rights	Oil station leasehold rights	License fee for production simulation software	
Cost					
31 December 2004	-	1,500,000	-	1,955,760	3,455,760
Acquisitions	-	473,000	3,453,600	-	3,926,600
Transfer from construction in progress	28,585,255	-	-	-	28,585,255
31 December 2005	28,585,255	1,973,000	3,453,600	1,955,760	35,967,615
Accumulated depreciation					
31 December 2004	-	173,076	-	1,348,369	1,521,445
Amortisation for the year	272,325	97,433	41,207	240,192	651,157
31 December 2005	272,325	270,509	41,207	1,588,561	2,172,602
Net book value					
31 December 2004	-	1,326,924	-	607,391	1,934,315
31 December 2005	28,312,930	1,702,491	3,412,393	367,199	33,795,013
Amortisation for the year					
2004					297,885
2005					651,157

(Unit: Baht)

	THE COMPANY ONLY		
	Land leasehold rights	License fee for production simulation software	Total
Cost			
31 December 2004	1,500,000	1,955,760	3,455,760
Acquisitions	473,000	-	473,000
31 December 2005	1,973,000	1,955,760	3,928,760
Accumulated depreciation			
31 December 2004	173,076	1,348,369	1,521,445
Amortisation for the year	97,433	240,192	337,625
31 December 2005	270,509	1,588,561	1,859,070
Net book value			
31 December 2004	1,326,924	607,391	1,934,315
31 December 2005	1,072,491	367,199	2,069,690
Amortisation for the year			
2004			297,885
2005			337,625

12. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

The Company

The Company has overdraft and revolving loan facilities from various financial institutions. These facilities are secured by the pledge of fixed deposits, raw materials and finished goods, and the transfer of the rights over collection of revenues under agreements for the sale/purchase and consignment of crude oil between the Company and another company.

The loan agreement contains certain covenants pertaining to, among other things, the maintenance of a certain long-term debt to equity ratio, restrictions on capital expenditure, restrictions on the payment of dividends, restrictions on incurring obligations over the Company's assets and not using the loans for other than the approved purposes.

Subsidiaries

VTN-P Petrochemical Joint Venture Co., Ltd. and RPC Asia Co., Ltd. have overdraft and revolving loan facilities from various financial institutions. These facilities are guaranteed by the Company.

13. SHORT-TERM LOANS - OTHERS

These represent promissory notes which the Company and subsidiaries issued to another individual. The loans carry interest at the rates of 5.0 - 5.5 percent per annum (2004: 5.5 - 6.0 percent per annum) and are repayable within one year.

14. LONG-TERM LOANS

The Company

On 14 March 2002, the Company entered into a loan agreement with a financial institution for a credit facility of Baht 841 million. This consists of long-term baht loans amounting to Baht 565 million for use for specific purposes, Baht 176 million in revolving loans for bank guarantees, packing credit, and discounted export bill facilities, and credit facilities amounting to Baht 100 million for hedging risk with forward foreign currency contracts.

As at 31 December 2005 and 2004, details of long-term baht loans are as follows: -

- a) Tranche A of Baht 225 million, to be used for payment of long-term loans from another financial institution. The loan has a grace period for principal repayment of 6 months from the date of the first draw down and is repayable in equal semi-annual installments of 11.111 percent of the amount of the first draw down of principal. As at 31 December 2005, the outstanding balance of the loan amounted to Baht 49.9 million (2004: Baht 99.9 million).
- b) Tranche B of Baht 140 million, to be used to fund the expansion of production capacity. The loan has a grace period for principal repayment of 12 months from the date of the first draw down and is repayable in equal semi-annual installments of 12.5 percent of the amount of the first draw down of principal. As at 31 December 2005, the outstanding balance of the loan amounted to Baht 25.5 million (2004: Baht 51.0 million).

- c) Tranche C of Baht 200 million, to be used to source and set aside reserves of oil in accordance with legal requirements. The loan has a grace period for principal repayment of 12 months from the date of the first draw down and is repayable in equal semi-annual installments of 12.5 percent of the amount of the first draw down of principal. As at 31 December 2005, the outstanding balance of the loan amounted to Baht 50.0 million (2004: Baht 100.0 million).

The loans carry interest at the rates of 5.5 - 5.75 percent per annum for a period of 2 years from the date of the first draw down, and subsequently at the Minimum Loan Rate (MLR) minus 1.5 percent per annum. Interest is payable on a monthly basis.

The facilities are secured by the pledge of raw materials and finished goods and the transfer of the rights over collection of revenues under agreements for the sale/purchase and consignment of crude oil between the Company and another company. In addition, the loan agreement contains certain covenants pertaining to, among other things, the maintenance of a certain long-term debt to equity ratio, restrictions on capital expenditure, restrictions on the payment of dividends, restrictions on incurring obligations over the Company's assets and not using the loans for other than the approved purposes.

VTN-P Petrochemical Joint Venture Co., Ltd.

On 3 September 2004, VTN-P Petrochemical Joint Venture Co., Ltd. entered into a loan agreement with the Export and Import Bank of Thailand, obtaining a credit facility of USD 3.5 million for use in the construction of its refinery. Under the loan agreement, the draw down period is from October 2004 to April 2005, and there is a grace period for principal repayment of 12 months from the date of the first draw down or 6 months from commencement of operations, whichever is earlier. The loan is repayable in semi-annual installments of USD 0.35 million, between April 2006 and October 2010, and carries interest at LIBOR plus 1.875 percent per annum, payable on 30 April and 31 October of every year.

On 26 April 2005, the subsidiary was granted approved by the Export and Import Bank of Thailand to extend the end of the draw down period from April 2005 to June 2005. Subsequently, on 27 June 2005, the subsidiary was granted another extension of the end of the draw down period, to the end of July 2005.

The above loan agreement stipulates certain conditions, such as that the Company's equity interest in the subsidiary must be not less than 50 percent, and restrictions on the payment of dividends, and incurring obligations.

The loan is guaranteed by the Company, and secured by the shareholders' support agreement, and the assignment of the beneficial rights under the insurance policies covering the assets of the subsidiary to the lender.

As at 31 December 2005 and 2004, the outstanding balances of the loan amounted to Baht 144.4 million (USD 3.5 million) and Baht 51.1 million (USD 1.3 million), respectively.

15. SHARE CAPITAL

On 25 November 2004, an extraordinary general meeting of the Company's shareholders approved a change in the par value from Baht 5 per share to Baht 1 per share, which increased the number of shares comprising the registered and paid-up capital from 83,110,000 shares to 415,550,000 shares. The Company registered the change in the par value of share with the Ministry of Commerce on 25 November 2004.

On 8 April 2005, the Annual General Meeting of the Company's shareholders approved an increase in the registered share capital from Baht 415,550,000 to Baht 424,040,000 through the issue of 8,490,000 ordinary shares with a par value of Baht 1 each to support the exercise of the warrants, as discussed in Note 16. The Company registered the increase in its share capital with the Ministry of Commerce on 18 April 2005.

In November 2005, the Company received subscription to 2,822,686 shares at Baht 1 per share, as a result of the exercise of warrants (RPC-W1), a total of Baht 2,822,686. As a result, the Company's issued and paid-up share capital as at 31 December 2005 increased to Baht 418,372,686. The Company registered the increase in its share capital with the Ministry of Commerce on 7 December 2005.

Reconciliation of number of ordinary shares

	<u>2005</u>	<u>2004</u>
		(Unit: Shares)
<u>Registered share capital</u>		
Number of ordinary shares at the beginning of year	415,550,000	83,110,000
Increase from change in the par value of share	-	332,440,000
Registered capital increase	8,490,000	-
Number of ordinary shares at the end of year	<u>424,040,000</u>	<u>415,550,000</u>

	(Unit: Shares)	
	<u>2005</u>	<u>2004</u>
<u>Issued and paid-up share capital</u>		
Number of ordinary shares at the beginning of year	415,550,000	83,110,000
Increase from change in the par value of share	-	332,440,000
Increase from warrants exercised	<u>2,822,686</u>	<u>-</u>
Number of ordinary shares at the end of year	<u>418,372,686</u>	<u>415,550,000</u>

16. WARRANTS

On 1 August 2005, the Company issued 8,490,000 registered and non-transferable warrants to directors, advisors, management and employees of the Company and its subsidiaries. The warrants are divided into three issues, with issue No. 1 comprising 2,830,108 warrants, issue No. 2 comprising 2,829,987 warrants and issue No. 3 comprising 2,829,905 warrants, with an offer price of Baht 0 each. The life of the warrants is not more than 36 months, ending 30 November 2007, the warrants have an exercise ratio of 1 warrant to 1 new ordinary share and the exercise price is Baht 1 per share (unless there is any adjustment of the exercise price or exercise ratio). The periods to exercise each issue are as follows: -

- Issue No. 1 : 30 November 2005
- Issue No. 2 : 30 November 2006
- Issue No. 3 : 30 November 2007

The above warrants are not listed in the Stock Exchange of Thailand.

Movement of the warrants is as follows: -

	<u>Units</u>
Warrants issued on 1 August 2005	8,490,000
Warrants exercised during the year	(2,822,686)
Warrants expired during the year	<u>(7,422)</u>
Balance of warrants as at 31 December 2005	<u>5,659,892</u>

17. RECONCILIATION OF DILUTED EARNINGS PER SHARE

	CONSOLIDATED / THE COMPANY ONLY					
	For the years ended 31 December					
	Net earnings		Weighted average number of ordinary shares		Earnings per share	
	2005	2004	2005	2004	2005	2004
	Baht	Baht	shares	shares	Baht	Baht
Basic earnings per share						
Net earnings	367,082,397	424,290,586	415,799,326	415,550,000	0.88	1.02
Effect of dilutive potential ordinary shares						
Warrants (RPC-W1)	-	-	2,902,610	-		
Diluted earnings per share						
Net earnings of ordinary shareholders assuming the conversion of dilutive potential ordinary shares	367,082,397	-	418,701,936	-	0.88	-

18. STATUTORY RESERVE

In accordance with Section 116 of the Public Limited Company Act B.E. 2535, the Company is required to set aside a reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any) until the reserve reaches 10 percent of the registered share capital. This reserve is not available for dividend distribution.

During the year 2005, the Company set aside Baht 849,000 to the statutory reserve.

19. DIVIDEND PAID

Dividends of the Company which were declared in 2005 and 2004 consist of the following: -

	Approved by	(Unit: Baht)	
		Total dividends	Dividend per share
Final dividends on 2004 earnings	Annual General Meeting of the shareholders on 8 April 2005	166,220,000	0.40 ⁽¹⁾
Interim dividends in respect of the earnings for the period as from 1 January 2005 to 30 June 2005	Board of Directors' meeting on 9 August 2005	145,442,500	0.35 ⁽¹⁾
Total 2005		311,662,500	0.75 ⁽¹⁾

		(Unit: Baht)	
	Approved by	Total dividends	Dividend per share
Final dividends on 2003 earnings	Annual General Meeting of the shareholders on 20 April 2004	83,110,000	1.00 ⁽²⁾
Interim dividends in respect of the earnings for the period as from 1 January 2004 to 30 June 2004	Board of Directors' meeting on 30 August 2004	103,887,500	1.25 ⁽²⁾
Total 2004		<u>186,997,500</u>	<u>2.25⁽²⁾</u>

(1) with a par value of Baht 1 each
(2) with a par value of Baht 5 each

20. SALES

Sales for the years ended 31 December 2005 and 2004 are as follows: -

		(Unit: Baht)		
	CONSOLIDATED		THE COMPANY ONLY	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Sales	15,502,038,233	11,580,333,086	14,123,848,471	11,541,376,866
Less: Oil sales back transactions	(880,758,700)	(1,764,213,377)	(880,758,700)	(1,764,213,377)
Sales - net	<u>14,621,279,533</u>	<u>9,816,119,709</u>	<u>13,243,089,771</u>	<u>9,777,163,489</u>

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 earnings statement.

21. DIRECTORS' REMUNERATION

Directors' remuneration represents the benefits paid to the Company's directors in accordance with Section 90 of the Public Limited Company Act B.E. 2535, exclusive of salaries and related benefits payable to executive directors.

22. EMPLOYEES AND RELATED COSTS

	<u>CONSOLIDATED</u>		<u>THE COMPANY ONLY</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Number of employees at the end of year	595	388	301	222
Employee costs for the year (Thousand Baht)	201,223	168,531	180,831	152,884

During the year 2005, the Company and its subsidiaries contributed Baht 7.8 million (2004: Baht 5.9 million) to the provident fund, which were included in the above employee costs.

23. FINANCIAL INFORMATION BY SEGMENT

The operations of the Company and its subsidiaries can be divided into two business segments, comprising the manufacturing and trading of petroleum and petrochemical products and the provision of oil transportation service, which are carried on in two geographic areas of Thailand and Vietnam. The financial information of the Company and its subsidiaries by geographical and business segment for the years ended 31 December 2005 and 2004, is as follows: -

(Unit: Million Baht)

	For the years ended 31 December											
	Vietnam		Thailand				Total		Elimination		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Sales and services												
Domestic	7	-	18,148	9,483	208	-	18,363	9,483	(5,650)	(550)	12,713	8,933
Overseas	-	-	1,965	883	-	-	1,965	883	-	-	1,965	883
Total sales and services	<u>7</u>	<u>-</u>	<u>20,113</u>	<u>10,366</u>	<u>208</u>	<u>-</u>	<u>20,328</u>	<u>10,366</u>	<u>(5,650)</u>	<u>(550)</u>	<u>14,678</u>	<u>9,816</u>
Gross profit margin	<u>-</u>	<u>-</u>	<u>919</u>	<u>998</u>	<u>41</u>	<u>-</u>	<u>960</u>	<u>998</u>	<u>(146)</u>	<u>-</u>	<u>814</u>	<u>998</u>
Other income											21	14
Selling and administrative expenses											(314)	(389)
Directors' remuneration											(12)	(27)
Share of loss from investments accounted for under equity method											-	(6)
Interest expense											(21)	(20)
Corporate income tax											(127)	(146)
Net loss of minority interest											6	-
Net earnings for the year											<u>367</u>	<u>424</u>
Inventories	55	1	1,096	797	-	-	1,151	798	(1)	-	1,150	798
Property, plant and equipment - net	234	94	654	688	51	-	939	782	-	-	939	782
Other assets	60	83	1,320	1,273	40	-	1,420	1,356	(544)	(148)	876	1,208

Total assets

<u>349</u>	<u>178</u>	<u>3,070</u>	<u>2,758</u>	<u>91</u>	<u>-</u>	<u>3,510</u>	<u>2,936</u>	<u>(545)</u>	<u>(148)</u>	<u>2,965</u>	<u>2,788</u>
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24. LETTER OF GUARANTEES

- a) As at 31 December 2005, there were outstanding bank guarantees of Baht 123.8 million (2004: Baht 133.6 million) issued by banks on behalf of the Company in respect of certain performance bonds required in the normal course of the Company's business.
- b) As at 31 December 2005, the Company issued letters of guarantee amounting to USD 7.0 million (2004: USD 4.5 million) to the Export and Import Bank of Thailand to secure the credit facilities of its overseas subsidiary. These guarantees are effective for as long as the underlying obligations have not been discharged by that subsidiary. No guarantee fee has been charged by the Company. In addition, all shareholders of the subsidiary entered into a Shareholder Guarantee Agreement with the Company to secure the credit facilities of the subsidiary in proportion to their shareholdings.
- c) As at 31 December 2005, the Company issued letters of guarantee amounting to USD 3.5 million to the Export and Import Bank of Thailand and Baht 120.0 million to BankThai Public Company Limited to secure the credit facilities of RPC Asia Co., Ltd. ("subsidiary"). The guarantees are effective for as long as the underlying obligations have not been discharged by the subsidiary. No guarantee fee has been charged by the Company.
- d) As at 31 December 2005, SCT Petroleum Co., Ltd. ("SCT") issued letters of guarantee to a leasing company to secure the liabilities of Jaturatis Transport Co., Ltd. ("subsidiary") under financial leases. The guarantees are effective for as long as the underlying obligations have not been discharged by that subsidiary. The balance of the related liabilities under financial leases as at 31 December 2005 amounted to Baht 8.9 million.

25. COMMITMENTS

As at 31 December 2005, the Company and its subsidiaries have the following commitments: -

- a) Capital commitments of Baht 3 million, USD 1 million and VND 365 million (2004: Baht 2 million, USD 2 million and VND 476 million) in respect of construction of their plants, and oil depots and the purchase of machinery.
- b) Commitments totalling Baht 68 million (2004: Baht 64 million) under long-term rental and service agreements relating to the lease of office space, equipment, motor vehicles and oil depots from the years 2006 to 2027.

- c) Commitments totalling Baht 48 million (2004: Baht 38 million) under long-term rental and service agreements relating to the lease of oil stations from the years 2006 to 2017.
- d) On 22 December 2005, the Company entered into an agreement to appoint a securities company as its financial advisor for conducting a valuation study of Siam Gulf Petrochemical Co., Ltd. for the purpose of share acquisition. The agreement covers a period of 12 months as from the date of the agreement or the date a meeting of the Company's Board of Directors grants approval for the share acquisition (whichever is earlier). Under the agreement, the fee is Baht 1.5 million and is payable when a meeting of the Company's Board of Directors grants approval for the share acquisition.
- e) Under a shareholders' support agreement, the Company and shareholders of one subsidiary (VTN-P Petrochemical Joint Venture Co., Ltd.) have commitments to provide adequate financial support to that subsidiary, including the provision of working capital, in proportion to their shareholdings, if the cost of a project exceeds USD 7.0 million. This complies with a condition stipulated in the loan agreement between the subsidiary and the Export and Import Bank of Thailand.
- f) In 1995, the Company entered into an agreement with PTT Public Company Limited to purchase raw materials in a quantity and at a price stipulated in the agreement, which is for a period of 15 years 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.

26. FINANCIAL INSTRUMENTS

Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade accounts and notes receivable and short-term loans. However, due to the Company and its subsidiaries' prudent credit policies and the majority of customers are creditworthy, the Company and its subsidiaries do not anticipate material losses from their debt collection. The maximum exposure to credit risk is the book value of assets after deduction of allowance for doubtful accounts as presented in balance sheet.

Interest rate risk

The interest rate risk is the risk that future movements in market interest rates will affect the results of the Company and its subsidiaries' operations and their cash flows. The Company and its subsidiaries' exposure to interest rate risk relates primarily to deposits at financial institutions, short-term lending, overdrafts, short-term borrowing and long-term borrowing. However, the Company and its subsidiaries do not use derivative financial instruments to hedge such risk. The details of loans from/to are set out in Notes 6, 12, 13 and 14.

Foreign currency risk

The Company's and subsidiaries' exposure to foreign currency risk relates principally to their assets and liabilities which are denominated in foreign currencies. The Company and subsidiaries have entered into forward foreign currency contracts with maturities of less than one year to hedge foreign currency risk, in which the remaining balance amounted to USD 2.0 million as at 31 December 2005. Applicable forward selling rates are Baht 40.90 - 41.43 per USD 1.

The following is a summary of significant unhedged foreign currency-denominated assets and liabilities as at 31 December 2005: -

(Unit: Thousand)

Foreign currency	CONSOLIDATED		THE COMPANY ONLY	
	Assets	Liabilities	Assets	Liabilities
USD	627	4,975	890	-

Fair value

As the majority of financial assets are short-term and interest rates on loans are close to market interest rates, the management therefore believes that, the carrying values of the Company's and its subsidiaries' financial assets and liabilities do not materially differ from their fair values.

27. SUBSEQUENT EVENTS

On 20 February 2006, a meeting of the Company's Board of Directors passed the following significant resolutions: -

- a) Propose the payment of a dividend of Baht 0.70 per share, a total of Baht 291,872,940, from the 2005 earnings, for approval by the 2005 Annual General Meeting of the shareholders, which will be held on 31 March 2006. Baht 0.35 per share was distributed as an interim dividend, and the remaining Baht 0.35 per share, or a total of Baht 146,430,440 is to be paid at this time. Of this it is proposed that Baht 0.10 per share, or a total of Baht 41,837,269, be paid in cash and a stock dividend be distributed in a ratio of 1 dividend share for every 4 existing shares with a par value of Baht 1 per share, or a total of Baht 104,593,171. Dividends will be paid to any fractions of 4 shares in cash, at Baht 0.25 per share. It is proposed the dividend be paid on 28 April 2006.
- b) Approval for an increase in the registered share capital of the Company from Baht 424,040,000 to Baht 530,048,171 through the issue of 106,008,171 ordinary shares with a par value of Baht 1 each. Of these, 104,593,171 shares are for the distribution of a stock dividend, as discussed in Note a) and 1,415,000 shares to support changes in the exercise ratio of the ESOP No. 1 warrants that impact from the distribution of a stock dividend, as discussed in Note a).

28. PRESENTATION

The presentation of the financial statements has been made in compliance with the stipulations of the notification of the Department of Business Development dated 14 September 2001, as empowered under the Accounting Act B.E. 2543.

Certain amounts in the financial statements for the year ended 31 December 2004 have been reclassified to conform to the current year's classification, with no effect on previously reported net earnings or shareholders' equity.

29. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Company's Board of Directors on 20 February 2006.