

RAYONG PURIFIER PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

1. GENERAL INFORMATION

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 2006 and 2005 held 30.27 percent of the issued and paid-up capital of the Company.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547. 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, issued under the Accounting Act B.E. 2543.

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

3. BASIS OF CONSOLIDATION

3.1 The consolidated financial statements include the financial statements of Rayong Purifier Public Company Limited and the following subsidiaries:

Company's name	Nature of business	Percentage of shareholding		Place of incorporation	Assets as a percentage to the consolidated total assets as at 31 December		Revenues as a percentage to the consolidated total revenues for the years ended 31 December	
		2006	2005		2006	2005	2006	2005
Pure Thai Energy Co., Ltd. (formerly known as "Yothin Petroleum Co., Ltd.")	Trading of fuel oil	100	100	Thailand	6.5	4.6	8.4	4.4
SCT Petroleum Co., Ltd. and its subsidiaries	Trading of fuel oil	100	100	Thailand	8.8	6.8	41.1	42.2
RPC Asia Co., Ltd.	Manufacture & trading of petroleum and petrochemical products	100	100	Thailand	0.3	0.4	-	0.5
VTN-P Petrochemical Joint Venture Co., Ltd.	Manufacture & trading of petrochemical products	60	60	Vietnam	7.1	11.8	0.2	-
Pure Sammakorn Development Co., Ltd.	Real estate rental and service	51	-	Thailand	1.8	-	-	-

3.2 The financial statements of the overseas subsidiary company are translated into Thai Baht at the closing average exchange rate as to assets and liabilities, and at monthly average exchange rates during the year as to revenues and expenses. The resultant differences have been shown under the caption of "Translation adjustment" in shareholders' equity.

3.3 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.

4. ADOPTION OF NEW ACCOUNTING STANDARDS

In October 2006, the Federation of Accounting Professions issued Notification No. 26/2006 regarding Accounting Standard No. 44 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" (Amendment No. 1), under which investments in subsidiaries, jointly controlled entities and associates are to be presented in the separate financial statements under the cost method rather than the equity method. Entities which are not ready to adopt the cost method in 2006 can continue to use the equity method through the end of 2006 and adopt the cost method as from 1 January 2007.

In this regard, the Company has elected to adopt the change in 2007. Adoption of the change in 2007 will necessitate the restatement of the Company's 2006 separate financial statements to be presented for comparative purposes along with the financial statements for 2007. The effect of net income and the net worth in the separate financial statements for the year ended 2006 is in the consideration process.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 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 basis accrual when service has been rendered.

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 as interest accrues based on the effective rate method.

Dividends

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

5.2 Cash and cash equivalents

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

5.3 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 debtor aging.

5.4 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.

5.5 Investments

Investments in subsidiaries in the Company's financial statements and investments in associated companies are accounted for under the equity method.

Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for loss on diminution in value (if any).

5.6 Property, plant and equipment, and depreciation

Land is stated at cost. Plant and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any). 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 income statement when incurred. Depreciation of plant and equipment is calculated by reference to their costs on a straight-line basis over the following estimated useful lives:

Building improvements	-	5 - 15 years
Buildings	-	20 - 25 years
Machinery and equipment	-	5 - 15 years
Office furniture, fixture and equipment	-	3 - 10 years
Motor vehicles	-	5, 10 years

Depreciation is included in determining income.

No depreciation is provided on land and construction in progress.

5.7 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.

The amortisation is included in determining income.

5.8 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.

5.9 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.

5.10 Finance leases

Leases of equipment which transfer substantially all the risks and rewards of ownership 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 statement over the lease period. The equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease period.

5.11 Foreign currencies

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

5.12 Impairment of assets

The Company and subsidiaries assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company and its subsidiaries make an estimate of the asset's recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement. An asset's recoverable amount is the higher of fair value less costs to sell and value in use.

5.13 Employees' benefits

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

5.14 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.

5.15 Corporate income tax

Income tax of the Company and subsidiaries in Thailand is provided for in the accounts based on the taxable profits determined in accordance with tax legislation.

5.16 Derivatives

Forward exchange contracts

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

5.17 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

6. TRADE ACCOUNTS RECEIVABLE

The outstanding balances of trade accounts receivable as at 31 December 2006 and 2005 are aged, based on due date, as follows:

	(Unit: Baht)			
	Consolidated		The Company only	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<u>Trade accounts receivable - non-related parties</u>				
Not over 3 months	416,238,829	206,961,300	341,335,345	135,703,449
3 - 6 months	2,980,397	2,006,730	213,480	203,130
6 - 12 months	4,312,461	2,199,905	143,220	-
Over 12 months	12,866,738	14,151,644	752,670	642,857
Total	436,398,425	225,319,579	342,444,715	136,549,436
Less: Allowance for doubtful accounts	(11,122,874)	(10,235,129)	(617,250)	(617,250)
Trade accounts receivable - non-related parties, net	<u>425,275,551</u>	<u>215,084,450</u>	<u>341,827,465</u>	<u>135,932,186</u>

(Unit: Baht)

	Consolidated		The Company only	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<u>Trade accounts receivable - related parties</u>				
Not over 3 months	110,038	-	254,202,676	241,388,542
3 - 6 months	2,013	-	1,053,120	-
6 - 12 months	2,016	-	-	-
Trade accounts receivable - related parties	<u>114,247</u>	<u>-</u>	<u>255,255,796</u>	<u>241,388,542</u>

7. PLEDGED DEPOSITS AT FINANCIAL INSTITUTIONS

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

8. RELATED PARTY TRANSACTIONS

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

<u>Name</u>	<u>Relationship</u>
Pure Thai Energy Co., Ltd. (formerly known as “Yothin Petroleum Co., Ltd.”)	Subsidiary
RPC Asia Co., Ltd.	Subsidiary
VTN-P Petrochemical Joint Venture Co., Ltd. (“VTN-P”)	Subsidiary
SCT Petroleum Co., Ltd. (“SCT”)	Subsidiary
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
Petro-Instrument Co., Ltd.	30.27 percent of shares held in the Company
Machine Automation Joint Stock Company	14 percent of shares held in VTN-P

<u>Name</u>	<u>Relationship</u>
Sammakorn Plc.	49 percent of shares held in PSDC and common directors
SCT Sahaphan Co., Ltd.	Common directors
Jazzy Creation Co., Ltd.	Common directors
Blue Planet Travel Co., Ltd.	Common directors
Bac Brother Co., Ltd.	Common directors
Globalization Economic and Promotion Network Co., Ltd.	Common directors

During the years, the Company and its subsidiaries had significant business transactions with related parties. These transactions, which have been concluded on commercial terms and bases agreed upon in the ordinary course of businesses between the Company and those companies. Below is a summary of those transactions.

	(Unit: Baht)				
	Consolidated		The Company only		Transfer pricing policy
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	
<u>Transactions with subsidiaries</u>					
(Eliminated from the consolidated financial statements)					
Sales	-	-	6,797,139,594	5,480,053,148	Note 1
Management fee income	-	-	40,088,473	36,197,254	Note 2
Interest income	-	-	1,541,945	548	5.0% p.a. and LIBOR 1 month plus 2.0% p.a.
Other income - other services	-	-	3,287,105	35,715,249	Contract price
Purchases of goods	-	-	236,531,772	7,517,936	At cost
Purchases of fixed assets	-	-	66,808	3,338,395	Net book value
Purchases of investment	-	-	25,499,600	-	Baht 100 per share
Transportation expense	-	-	185,632,696	144,821,492	Contract price
Other expenses	-	-	1,600,623	5,261,103	Actual cost
<u>Transactions with related parties</u>					
Management fee income	3,563,680	2,628,009	3,563,680	2,628,009	Note 2
Sales of fixed assets	-	136,311	-	-	Market price
Purchases of goods	-	52,296	-	-	Market price
Purchases of fixed assets	5,750,158	26,111,856	1,429,749	821,913	Contract price/ Market price
Purchase of investment	-	6,897,970	-	6,897,970	Baht 5 per share
Other expenses	1,766,898	1,190,186	1,484,854	1,064,637	Actual cost
Advertising and promotion expenses	1,021,250	340,110	1,021,250	310,110	Contract price
Interest expense	-	42,378	-	42,378	2.61% - 2.72% p.a.

- Note 1
- 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 business.

- Note 2
- Calculation based on quantities of products sold for oil wholesale and retail businesses.
 - Calculation at fixed rates for overseas sales and oil transportation business.
 - Calculation based on quantities of delivered products for oil transportation business.

In December 2006, the Company has entered into an agreement with Globalization Economic and Promotion Network Co., Ltd. (“GEPN”), requesting a subsidiary of GEPN provides land in China. The price is agreed at cost based on contractual basis. Under the agreement, the Company has paid Baht 10 million in advance to GEPN. As at 31 December 2006, the outstanding balance of this transaction is presented under the caption of “Advance to related party” in the balance sheet.

In addition, the Company purchased machines and refinery processing equipment from local and overseas 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 2006 amounted to Baht 5.6 million (2005: Nil).

The balances of the accounts as at 31 December 2006 and 2005 between the Company and those related companies are as follows:

	Consolidated		The Company only	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
(Unit: Baht)				
<u>Trade accounts receivable - related parties</u>				
Subsidiaries				
Pure Thai Energy Co., Ltd.	-	-	178,462,940	96,105,190
SCT Petroleum Co., Ltd.	-	-	14,477,340	23,115,660
Isan Rungreang Petroleum Co., Ltd.	-	-	6,847,820	11,396,100
Mitsumphan Petroleum Co., Ltd.	-	-	20,040,686	53,337,742
Metro Petroleum Co., Ltd.	-	-	17,914,550	18,123,870
Jatuchak Oil Co., Ltd.	-	-	44,360	5,922,580
Benja Petroleum Co., Ltd.	-	-	16,414,980	3,890,160
Burapha Rungroch Petroleum Co., Ltd.	-	-	-	28,129,820
Jaturatis Transport Co., Ltd.	-	-	1,053,120	1,367,420
Total trade accounts receivable - subsidiaries	-	-	<u>255,255,796</u>	<u>241,388,542</u>
Related company				
Sammakorn Plc.	114,247	-	-	-
Total trade account receivable - related company	<u>114,247</u>	-	-	-
Total trade accounts receivable - related parties	<u>114,247</u>	-	<u>255,255,796</u>	<u>241,388,542</u>

	Consolidated		The Company only	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
(Unit: Baht)				
<u>Amounts due from related parties</u>				
Subsidiaries				
Pure Thai Energy Co., Ltd.	-	-	5,157,952	543,247
RPC Asia Co., Ltd.	-	-	642,000	128,400
SCT Petroleum Co., Ltd.	-	-	4,745,760	226,498
Isan Rungreang Petroleum Co., Ltd.	-	-	3,819,477	1,070,206
Mitsumphan Petroleum Co., Ltd.	-	-	4,546,318	695,398
Jaturatis Transport Co., Ltd.	-	-	13,004,843	1,248,810
Metro Petroleum Co., Ltd.	-	-	1,773,472	109,269
Burapha Rungroch Petroleum Co., Ltd.	-	-	1,614,095	355,668
Benja Petroleum Co., Ltd.	-	-	584,060	56,945
Jutuchak Oil Co., Ltd.	-	-	1,710,984	129,877
VTN-P Petrochemical Joint Venture Co., Ltd.	-	-	28,407,156	21,861,922
Pure Sammakorn Development Co., Ltd.	-	-	365,765	-
Total amounts due from subsidiaries	-	-	<u>66,371,882</u>	<u>26,426,240</u>
Related companies				
SCT Sahaphan Co., Ltd.	-	618,113	-	618,113
Sammakorn Plc.	8,347,522	-	-	-
Total amounts due from related companies	<u>8,347,522</u>	<u>618,113</u>	<u>-</u>	<u>618,113</u>
Total amounts due from related parties	<u>8,347,522</u>	<u>618,113</u>	<u>66,371,882</u>	<u>27,044,353</u>
<u>Advance to related party</u>				
Related company				
Globalization Economic and Promotion Network Co., Ltd.	10,000,000	-	10,000,000	-
Total advance to related party	<u>10,000,000</u>	<u>-</u>	<u>10,000,000</u>	<u>-</u>
<u>Short-term loans to related parties</u>				
Subsidiaries				
Jaturatis Transport Co., Ltd.	-	-	-	2,000,000
VTN-P Petrochemical Joint Venture Co., Ltd.	-	-	28,764,400	-
Total short-term loans to related parties	<u>-</u>	<u>-</u>	<u>28,764,400</u>	<u>2,000,000</u>

(Unit: Baht)

	Consolidated		The Company only	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<u>Advances for purchases of inventories - related parties</u>				
Subsidiaries				
SCT Petroleum Co., Ltd.	-	-	21,455,091	-
Mitsumphan Petroleum Co., Ltd.	-	-	38,037,200	-
Isan Rungreang Petroleum Co., Ltd.	-	-	42,379,860	-
Total advances for purchases of inventories - related parties	-	-	101,872,151	-
<u>Advances for purchases of assets - related party</u>				
Related company				
Machine Automation Joint Stock Company	-	8,389,845	-	-
Total advances for purchases of assets - related party	-	8,389,845	-	-
<u>Trade accounts payable - related parties</u>				
Subsidiaries				
SCT Petroleum Co., Ltd.	-	-	7,892,590	-
Mitsumphan Petroleum Co., Ltd.	-	-	1,101,760	-
Isan Rungreang Petroleum Co., Ltd.	-	-	914,300	-
Total trade accounts payable - related parties	-	-	9,908,650	-
<u>Amounts due to related parties</u>				
Subsidiaries				
Pure Thai Energy Co., Ltd.	-	-	122,453	169,469
SCT Petroleum Co., Ltd.	-	-	-	3,852,000
Jaturatis Transport Co., Ltd.	-	-	26,509,409	19,683,680
Pure Sammakorn Development Co., Ltd.	-	-	8,542,500	-
Total amounts due to subsidiaries	-	-	35,174,362	23,705,149
Related companies				
SCT Sahaphan Co., Ltd.	-	790,960	-	3,424
Jazzy Creation Co., Ltd.	36,112	196,880	27,553	196,880
Petro-Instrument Co., Ltd.	1,633,580	-	1,633,580	-
Blue Planet Travel Co., Ltd.	127,300	-	127,300	-
Sammakorn Plc.	43,079	-	-	-
Machine Automation Joint Stock Company	398,272	-	-	-
Total amounts due to related companies	2,238,343	987,840	1,788,433	200,304
Total amounts due to related parties	2,238,343	987,840	36,962,795	23,905,453

During the year 2006, movements of short-term loans to related parties were as follows:

	(Unit: Million Baht)				
	Balance as at 1 January 2006	During the year		Unrealised loss on exchange	Balance as at 31 December 2006
		Increase	Decrease		
<u>The Company Only</u>					
Short-term loans to related parties					
Jaturatis Transport Co., Ltd.	2.0	-	(2.0)		-
VTN-P Petrochemical Joint Venture Co., Ltd.	-	29.9	-	(1.2)	28.7
Total	2.0	29.9	(2.0)	(1.2)	28.7

Directors and management's remuneration

In 2006 and 2005 the Company and subsidiaries paid salaries, bonus, meeting allowance and other allowances to their directors and management totaling Baht 51 million and Baht 53 million, respectively.

Guarantee obligations with related parties

The Company had outstanding guarantees with its related parties as described in Note 31 to the financial statements.

9. INVENTORIES

	(Unit: Baht)			
	Consolidated		The Company only	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Finished goods - fuel oil	877,476,176	813,557,420	812,544,679	750,230,498
Work in process	-	13,384,069	-	-
Raw materials	287,159,583	317,434,017	283,904,704	313,433,461
Supplies	5,331,615	5,279,519	4,845,918	4,644,418
Total	1,169,967,374	1,149,655,025	1,101,295,301	1,068,308,377

Inventories as at 31 December 2006 included oil of Baht 570 million (2005: Baht 593.1 million) reserved in accordance with the Ministry of Commerce regulations. Baht 95.4 million (2005: Baht 89.9 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 16 and 18.

10. SHORT-TERM LOAN - OTHER

On 14 January 2006 the Company entered into a Petroleum Product Business Joint Venture Agreement with T.C.S. Oil Company Limited (T.C.S.) 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 T.C.S. The loan is subject to fixed interest rate at 5 percent per annum, 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 T.C.S., as specified in the agreement, upon receipt of full loan repayment.

As at 31 December 2006 the Company provided Baht 10.6 million to T.C.S.

11. OTHER CURRENT ASSETS

(Unit: Baht)

	Consolidated		The Company only	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Prepaid excise tax	88,772,529	84,719,453	88,772,529	84,719,453
Value added tax refundable	183,650,903	91,964,568	178,660,922	83,933,888
Prepaid corporate income tax	16,426,995	-	15,909,834	-
Advances for purchases of inventories				
- non-related parties	120,968,587	-	-	-
Others	52,971,885	65,319,463	35,505,881	14,014,746
Total	<u>462,790,899</u>	<u>242,003,484</u>	<u>318,849,166</u>	<u>182,668,087</u>

12. INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD

These represent investments in ordinary shares in the following subsidiaries:

(Unit: Baht)

Company's name	Paid-up capital		Shareholding percentage		Investment				Dividend received	
	2006	2005	2006	2005	Cost method		Equity method		2006	2005
			Percent	Percent	2006	2005	2006	2005		
<u>The Company Only</u>										
<u>Subsidiaries held by the Company</u>										
Pure Thai Energy Co., Ltd.	50,000,000	50,000,000	100	100	49,999,300	49,999,300	9,515,186	29,441,978	-	-
SCT Petroleum Co., Ltd. and its subsidiaries	10,000,000	10,000,000	100	100	9,999,965	9,999,965	36,868,191	23,422,465	-	-
RPC Asia Co., Ltd.	10,000,000	10,000,000	100	100	9,999,200	9,999,200	10,135,534	9,860,301	-	-
VTN-P Petrochemical Joint Venture Co., Ltd.	USD 3,500,000	USD 3,500,000	60	60	86,589,330	86,589,330	31,570,677	68,689,369	-	-
Pure Sammakorn Development Co., Ltd.	50,000,000	-	51	-	25,499,600	-	22,829,928	-	-	-
Total investments accounted for under equity method					<u>182,087,395</u>	<u>156,587,795</u>	<u>110,919,516</u>	<u>131,414,113</u>	<u>-</u>	<u>-</u>

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 Rungroch Petroleum Co., Ltd.
- Benja Petroleum Co., Ltd.
- Jatuchak Oil Co., Ltd.
- Jaturatis Transport Co., Ltd.

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>

	(Unit: Baht)
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><u>(5,182,745)</u></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 income because the amount is immaterial.

VTN-P Petrochemical Joint Venture Co., Ltd.

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.

During the year 2006, VTN-P is in the process of conducting a test run of production. Management expects that production for commercial purposes could be commenced in 2007.

Pure Sammakorn Development Co., Ltd.

On 11 May 2006, a meeting No. 2/2006 of the Board of Directors of the Company approved a joint investment between the Company and Sammakorn Public Company Limited (SAMCO) to establish Pure Sammakorn Development Co., Ltd. (PSDC) to develop land in Bangkok and its environs into a community mall and fuel oil station “Pure”. The Company and SAMCO entered into the Business Joint Venture Agreement on 15 June 2006, to establish the new company with a registered capital of Baht 50 million, with the Company holding 51 percent and SAMCO 49 percent. PSDC will operate at the beginning of 2007.

During the year 2006, PSDC called up all share capital, which the Company paid Baht 16,957,100 for the share capital of this investment. The outstanding balance of share subscription of Baht 8,542,500 is presented under the caption of “Amounts due to related parties” in the Company’s financial statements.

13. LONG-TERM INVESTMENT - OTHER

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 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.

On 21 December 2006, a meeting of the Company's Board of Directors approved the cancellation of option to purchase the shares. The Company therefore wrote off this investment from the balance sheet and recognised gain on sales from this long-term investment of Baht 30 million in the income statement.

14. 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 2005	102,908,526	250,643,629	870,477,597	45,066,290	93,545,742	49,697,400	1,412,339,184
Translation adjustment	-	(15,719,518)	(17,302,411)	(32,822)	(129,067)	(486,773)	(33,670,591)
Acquisitions	-	-	8,387,819	-	-	138,366,450	146,754,269
Transfer in (out)	33,174,794	60,351,347	22,878,979	20,786,006	914,015	(138,105,141)	-
Disposals	-	(617,581)	(305,004)	(168,650)	(4,480,707)	(5,101,779)	(10,673,721)
31 December 2006	<u>136,083,320</u>	<u>294,657,877</u>	<u>884,136,980</u>	<u>65,650,824</u>	<u>89,849,983</u>	<u>44,370,157</u>	<u>1,514,749,141</u>
Accumulated depreciation							
31 December 2005	-	57,998,956	341,056,260	32,854,579	41,492,359	-	473,402,154
Translation adjustment	-	(317,109)	(538,313)	(5,814)	(40,871)	-	(902,107)
Depreciation for the year	-	23,130,219	75,286,139	7,087,844	18,352,500	-	123,856,702
Depreciation for disposals	-	(233,680)	(151,990)	(105,352)	(4,210,509)	-	(4,701,531)
31 December 2006	<u>-</u>	<u>80,578,386</u>	<u>415,652,096</u>	<u>39,831,257</u>	<u>55,593,479</u>	<u>-</u>	<u>591,655,218</u>
Net book value							
31 December 2005	<u>102,908,526</u>	<u>192,644,673</u>	<u>529,421,337</u>	<u>12,211,711</u>	<u>52,053,383</u>	<u>49,697,400</u>	<u>938,937,030</u>
31 December 2006	<u>136,083,320</u>	<u>214,079,491</u>	<u>468,484,884</u>	<u>25,819,567</u>	<u>34,256,504</u>	<u>44,370,157</u>	<u>923,093,923</u>
Depreciation for the years							
2005 (Baht 82.1 million included in manufacturing cost, and the balance in selling and administrative expenses)							<u>109,205,805</u>
2006 (Baht 84.0 million included in manufacturing cost, and the balance in selling and administrative expenses)							<u>123,856,702</u>

(Unit: Baht)

	The Company only						Total
	Land	Buildings and building improvements	Machinery and equipment	Office furniture, fixture and equipment	Motor vehicles	Construction in progress	
Cost							
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
Acquisitions	-	-	-	-	-	44,256,812	44,256,812
Transfer in (out)	25,824,995	6,512,678	15,721,008	8,693,672	-	(56,752,353)	-
Disposals	-	-	-	(130,590)	(4,042,793)	(5,101,779)	(9,275,162)
31 December 2006	128,733,521	122,273,803	740,389,014	50,286,263	2,605,532	10,410,277	1,054,698,410
Accumulated depreciation							
31 December 2005	-	51,251,652	330,012,077	31,054,765	4,398,227	-	416,716,721
Depreciation for the year	-	11,530,113	61,828,760	5,137,352	1,035,093	-	79,531,318
Depreciation for disposals	-	-	-	(69,914)	(3,772,596)	-	(3,842,510)
31 December 2006	-	62,781,765	391,840,837	36,122,203	1,660,724	-	492,405,529
Net book value							
31 December 2005	102,908,526	64,509,473	394,655,929	10,668,416	2,250,098	28,007,597	603,000,039
31 December 2006	128,733,521	59,492,038	348,548,177	14,164,060	944,808	10,410,277	562,292,881
Depreciation for the years							
2005 (Baht 63.8 million included in manufacturing cost, and the balance in selling and administrative expenses)							78,905,441
2006 (Baht 64.3 million included in manufacturing cost, and the balance in selling and administrative expenses)							79,531,318

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

As at 31 December 2006, certain plant and equipment items of the Company and its subsidiaries have been fully depreciated but are still in use. The original cost of those assets amounted to Baht 63.9 million (2005: Baht 24.6 million) and Baht 63 million (2005: Baht 24.5 million) in the Company's financial statements.

As at 31 December 2006, certain motor vehicles, with a net book value of Baht 10.2 million (2005: Baht 19.2 million) in the consolidated financial statements, and Baht 0.3 million (2005: Baht 0.6 million) in the Company's financial statements, have been placed as collateral under finance leases with repayment periods of 36 - 48 months.

15. 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 2005	28,585,255	1,973,000	3,453,600	1,955,760	35,967,615
Acquisitions	-	-	2,720,482	-	2,720,482
Disposal	-	-	(453,600)	-	(453,600)
Translation adjustment	(3,848,015)	-	-	-	(3,848,015)
31 December 2006	24,737,240	1,973,000	5,720,482	1,955,760	34,386,482
Accumulated amortisation					
31 December 2005	272,325	270,509	41,207	1,588,561	2,172,602
Amortisation for the year	562,210	215,359	387,959	240,193	1,405,721
Translation adjustment	(36,659)	-	-	-	(36,569)
31 December 2006	797,876	485,868	429,166	1,828,754	3,541,664
Net book value					
31 December 2005	28,312,930	1,702,491	3,412,393	367,199	33,795,013
31 December 2006	23,939,364	1,487,132	5,291,316	127,006	30,844,818
Amortisation for the years (included in selling and administrative expenses)					
2005					651,157
2006					1,405,721

(Unit: Baht)

	The Company only		
	Land leasehold rights	License fee for production simulation software	Total
Cost			
31 December 2005	1,973,000	1,955,760	3,928,760
31 December 2006	1,973,000	1,955,760	3,928,760
Accumulated amortisation			
31 December 2005	270,509	1,588,561	1,859,070
Amortisation for the year	215,358	240,193	455,551
31 December 2006	485,867	1,828,754	2,314,621
Net book value			
31 December 2005	1,702,491	367,199	2,069,690
31 December 2006	1,487,133	127,006	1,614,139
Amortisation for the years (included in selling and administrative expenses)			
2005			337,625
2006			455,551

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

(Unit : Baht)

	Interest rate (percent per annum)	Consolidated		The Company Only	
		2006	2005	2006	2005
Bank overdrafts	4.25 - 6.0	142,377,323	38,044,125	142,377,323	38,044,125
Short-term loans from financial institutions	4.5 - 5.9	585,000,000	107,127,381	585,000,000	47,000,000
Total bank overdrafts and short-term loans from financial institutions		727,377,323	145,171,506	727,377,323	85,044,125

The Company

The Company has overdraft and revolving loan facilities from various financial institutions. These facilities are secured by the pledge of fixed deposits.

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.

17. SHORT-TERM LOANS PAYABLE - OTHERS

These represent promissory notes which the Company and subsidiaries issued to another individual. The loans carry interest at the rates of 5.0 percent per annum (2005: 5.0 - 5.5 percent per annum) and are repayable within one year.

18. LONG-TERM LOANS

(Unit: Baht)

	Consolidated		The Company only	
	2006	2005	2006	2005
Long-term loans	121,361,288	269,892,504	-	125,457,304
Less: Current portion	(30,288,949)	(154,344,344)	-	(125,457,304)
Non-current portion	91,072,339	115,548,160	-	-

Movements in the long-term loans account during the year ended 31 December 2006 were summarised below.

(Unit: Baht)

	Consolidated	The Company only
Balance as at 1 January 2006	269,892,504	125,457,304
Less: Repayment	(130,898,644)	(125,457,304)
Less: Unrealised gain on exchange	(17,632,572)	-
Balance as at 31 December 2006	121,361,288	-

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.

Long-term baht loans carry interest 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.

During the year 2006, the final installment of this loan was repaid and the above pledge therefore automatically expired.

The Company has entered into credit facilities agreements with various financial institutions, under which it has facilities totaling Baht 4,428 million which have not been drawn down as at 31 December 2006. These credit facilities are uncollateralised.

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 July 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 October 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.

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 2006 and 2005, the outstanding balances of the loan amounted to Baht 121.4 million (USD 3.3 million) and Baht 144.4 million (USD 3.5 million), respectively.

19. OTHER CURRENT LIABILITIES

(Unit: Baht)

	Consolidated		The Company only	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Advances received from customers	20,493,680	43,031,635	15,116,321	41,875,050
Accrued excise tax	37,302,232	58,587,135	37,302,232	58,587,135
Corporate income tax payable	2,165,839	37,920,501	-	36,545,244
Accrued expenses	27,968,116	23,579,091	4,488,452	19,927,670
Others	10,925,330	7,774,034	7,603,458	5,205,009
Total	<u>98,855,197</u>	<u>170,892,396</u>	<u>64,510,463</u>	<u>162,140,108</u>

20. SHARE CAPITAL

2005

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 21. The Company registered the increase in its share capital with the Ministry of Commerce on 18 April 2005.

In November 2005, the Company received additional capital totaling Baht 2,822,686 as a result of the exercise of 2,822,686 RPC-W1 warrants at a price of Baht 1 per share, increasing its paid-up capital to Baht 418,372,686. The Company registered the increase in share capital with the Ministry of Commerce on 7 December 2005.

2006

On 31 March 2006, the Annual General Meeting of the Company's shareholders approved 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, 104,593,171 shares of which are for the distribution of stock dividends, and 1,415,000 shares of which are to support changes in the exercise ratio of the ESOP No. 1 warrants which were affected by the distribution of stock dividends. The Company registered the increase in its share capital with the Ministry of Commerce on 7 April 2006.

During the year 2006, the Company distributed stock dividends of 104,593,070 shares with a par value of Baht 1 each, totaling Baht 104,593,070. The Company registered the increase in its share capital with the Ministry of Commerce on 7 April 2006.

In November 2006, the Company received additional capital totaling Baht 3,294,677 as a result of the exercise of RPC-W1 warrants of 3,294,677 shares at a price of Baht 1 per share, increasing its paid-up capital to Baht 526,260,433 as at 31 December 2006. The Company registered the increase in its share capital with the Ministry of Commerce on 4 December 2006.

Reconciliation of number of ordinary shares

	(Unit: Shares)	
	<u>2006</u>	<u>2005</u>
<u>Registered share capital</u>		
Number of ordinary shares at the beginning of year	424,040,000	415,550,000
Registered capital increase	106,008,171	8,490,000
Number of ordinary shares at the end of year	<u>530,048,171</u>	<u>424,040,000</u>
<u>Issued and paid-up share capital</u>		
Number of ordinary shares at the beginning of year	418,372,686	415,550,000
Stock dividends	104,593,070	-
Increase from exercised warrants	3,294,677	2,822,686
Number of ordinary shares at the end of year	<u>526,260,433</u>	<u>418,372,686</u>

21. 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.

Consequently, a resolution of the 2006 Annual General Meeting of the Company's shareholders, held on 31 March 2006, approved an adjustment in the exercise ratio under ESOP No. 1. Summary of the adjustment is shown below.

Existing exercise ratio	1 warrant can be used to buy 1 ordinary share
New exercise ratio	1 warrant can be used to buy 1.25 ordinary shares
Effective date	31 March 2006
Existing number of shares reserved	
for exercise right	8,490,000 shares
Additional shares	1,415,000 shares
Total shares reserved as at approved date	9,905,000 shares

Movement of the warrants is as follows:

	<u>Units</u>
Balance of warrants as at 31 December 2005	5,659,892
Warrants exercised during the year	<u>(2,635,761)</u>
Balance of warrants as at 31 December 2006	<u>3,024,131*</u>

- * Balance of warrants as at 31 December 2006 is included warrants allocated to Securities re-purchasers of 194,226 units.

22. 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 in issue during the year.

Diluted earnings per share is calculated by dividing the net income for the year by the weighted average number of ordinary shares in issue during the year plus the weighted average number of ordinary shares which would need to be issued to convert 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.

The computation of basic earnings per share and diluted earnings per share is calculated by adjusting the number of ordinary shares in proportion to the change in the number of shares as a result of stock dividends. The Company recalculated earnings per share for the year ended 31 December 2005 and the number of ordinary shares used in the computation of earnings per share has been adjusted, as if the stock dividends had been distributed since the beginning of the reported year.

Reconciliation between basic earnings per share and diluted earnings per share is presented below.

	Consolidated / The Company only					
	For the years ended 31 December					
	Net income		Weighted average number of ordinary shares		Earnings per share	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	Baht	Baht	shares	shares	Baht	Baht
Basic earnings per share						
Net income	183,383,151	367,082,397	523,255,152	520,392,396	<u>0.35</u>	<u>0.71</u>
Effect of dilutive potential ordinary shares						
Warrants (RPC-W1)	-	-	263,724	2,075,197		
Diluted earnings per share						
Net income of ordinary shareholders assuming the conversion of dilutive potential ordinary shares	<u>183,383,151</u>	<u>367,082,397</u>	<u>523,518,876</u>	<u>522,467,593</u>	<u>0.35</u>	<u>0.70</u>

Weighted average number of ordinary shares is calculated as follows:

	(Unit: Shares)	
	31 December	
	<u>2006</u>	<u>2005</u>
Issued and paid-up ordinary shares as at the beginning of year	418,372,686	415,550,000
Number of stock dividends	104,593,070	104,593,070
Weighted average number of ordinary shares issued during the year	<u>289,396</u>	<u>249,326</u>
Issued and paid-up ordinary shares as at the end of year	<u><u>523,255,152</u></u>	<u><u>520,392,396</u></u>

23. 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 income 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 years 2006 and 2005, the Company set aside Baht 10,600,817 and Baht 849,000, respectively to the statutory reserve.

24. DIVIDEND PAID

Dividends of the Company which were declared in 2006 and 2005 consist of the following:

Dividends	Approved by	(Unit: Baht)	
		Total dividends	Dividend per share
Final dividends on 2005 income*	Annual General Meeting of the shareholders on 31 March 2006	146,430,440	0.35
Interim dividends in respect of the income for the period as from 1 January 2006 to 30 June 2006	Board of Directors' meeting on 9 August 2006	130,741,438	0.25
Total dividends for 2006		<u><u>277,171,878</u></u>	<u><u>0.60</u></u>

* The details of final dividends on 2005 income are provided below.

- a) Cash dividend was paid at the rate of Baht 0.10 per share, or a total of Baht 41,837,269.

- b) Payment of stock dividends of 104,593,070 ordinary shares of the Company (with a par value of Baht 1 each) was made to the shareholders of the Company at the ratio of 4 exiting shares to 1 new share, totaling Baht 104,593,070, or equivalent to Baht 0.25 per share. If a shareholder had fraction of remaining shares of less than 4 shares, the shareholder would receive dividend in the form of cash dividend of Baht 0.25 per share.

(Unit: Baht)

Dividends	Approved by	Total dividends	Dividend per share
Final dividends on 2004 income	Annual General Meeting of the shareholders on 8 April 2005	166,220,000	0.40
Interim dividends in respect of the income 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
Total dividends for 2005		<u>311,662,500</u>	<u>0.75</u>

25. SALES

Sales for the years ended 31 December 2006 and 2005 are as follows:

(Unit: Baht)

	Consolidated		The Company only	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Sales	19,817,334,739	15,502,038,233	17,175,147,775	14,123,848,471
Less: Oil sales back transactions	<u>(363,683,300)</u>	<u>(880,758,700)</u>	<u>(363,683,300)</u>	<u>(880,758,700)</u>
Sales - net	<u>19,453,651,439</u>	<u>14,621,279,533</u>	<u>16,811,464,475</u>	<u>13,243,089,771</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 income statement.

26. COST OF SALES

Cost of sales of the year 2006 was higher than normal because, in the third quarter of 2006, a supplier unexpectedly delivered raw materials of a different quality to that specified in the agreement, with a different nature from the 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 26.7 million later. As at 31 December 2006, the outstanding balance of this transaction is included in the caption of “Other non-current assets” in the balance sheet.

27. EMPLOYEES AND RELATED COSTS

	Consolidated		The Company only	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Number of employees at the end of year (person)	773	595	300	301
Employee costs for the year (Thousand Baht)	216,729	190,243	182,363	169,851

28. 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 percent of basic salary. The fund, which is managed by Siam Commercial Bank Public Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2006, the Company and its subsidiaries contributed Baht 8.6 million (2005: Baht 7.8 million) to the fund.

29. CORPORATE INCOME TAX

Corporate income tax has been calculated on the net income 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 income (loss) from investments accounted for under equity method.

30. 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 segments for the years ended 31 December 2006 and 2005, is as follows:

(Unit: Million Baht)

	Vietnam		Thailand				Total		Elimination		Total	
	Manufacture & trading of petroleum and petrochemical products		Manufacture & trading of petrochemical products		Oil transportation		Total		Elimination		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Sales and services from external customers												
Domestic	-	-	15,447	12,650	48	57	15,495	12,707	-	-	15,495	12,707
Overseas	38	7	3,969	1,964	-	-	4,007	1,971	-	-	4,007	1,971
Total sales and services from external customers	38	7	19,416	14,614	48	57	19,502	14,678	-	-	19,502	14,678
Inter-segment sales and services												
Domestic	-	-	7,071	5,498	194	151	7,265	5,650	(7,265)	(5,650)	-	-
Total inter-segment sales and services	-	-	7,071	5,498	194	151	7,265	5,650	(7,265)	(5,650)	-	-
Total revenues	38	7	26,487	20,112	242	208	26,767	20,327	(7,265)	(5,650)	19,502	14,677
Segment operating income (loss)	(37)	(14)	254	504	16	14	233	504	-	(1)	233	503
Unallocated income (expenses):												
Other income											40	6
Interest expense											(42)	(21)
Corporate income tax											(70)	(128)
Net loss attributable to minority interest											22	7
Net income for the year											183	367
Inventories	4	55	1,166	1,096	-	-	1,170	1,151	-	(1)	1,170	1,150
Property, plant and equipment - net	205	234	682	654	36	51	923	939	-	-	923	939
Other assets	26	60	1,854	1,320	38	40	1,918	1,420	(686)	(544)	1,234	876
Total assets	235	349	3,702	3,070	74	91	4,011	3,510	(686)	(545)	3,327	2,965

Transfer prices between business segments are as set out in Note 8 to the financial statements.

31. LETTER OF GUARANTEES

- a) As at 31 December 2006, there were outstanding bank guarantees of Baht 93.6 million (2005: Baht 123.8 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) The Company issued letters of guarantee amounting to USD 7 million (2005: USD 7 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) 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) 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 2006 amounted to Baht 3.2 million (31 December 2005: Baht 8.9 million).

32. COMMITMENTS

As at 31 December 2006, the Company and its subsidiaries have the following commitments:

- a) Capital commitments of Baht 58 million (2005: 3 million, USD 1 million and VND 365 million) in respect of construction of oil stations, community mall, plants, oil depots and the purchase of machinery.

- b) The Company and subsidiaries have commitments totaling Baht 139 million (2005: Baht 68 million) under long-term rental and service agreements relating to the lease of land, office space, equipment, motor vehicles and oil depots from the years 2007 to 2031.
- c) The subsidiaries have commitments totaling Baht 55 million (2005: Baht 48 million) under long-term rental and service agreements relating to the lease of oil stations from the years 2007 to 2020.
- d) 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 million. This complies with a condition stipulated in the loan agreement between the subsidiary and the Export and Import Bank of Thailand.
- e) 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 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.

33. FINANCIAL INSTRUMENTS

33.1 Financial risk management

The Company's and subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 48 "*Financial Instruments: Disclosure and Presentations*", principally comprise cash and cash equivalents, trade accounts receivable, short-term and long-term loan receivables, investments, and short-term and long-term loan payables. 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, notes and other 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 receivables, loan receivables, other receivables and notes receivable as stated in the balance sheet.

Interest rate risk

The Company's and subsidiaries' exposures to interest rate risk relate primarily to their deposits at financial institutions, loans receivable, bank, overdrafts, and loans payable with interest. However, since most of the Company's 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 2006 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 1 year	1-5 years	Over 5 years	Floating interest rate	Non- interest bearing		
	(Million Baht)						
Financial assets							
Cash and cash equivalents	-	-	-	81	-	81	0.5 - 0.75
Current investments	-	-	-	21	-	21	4.48 - 4.51
Trade accounts receivable							
- Non-related parties	-	-	-	-	425	425	-
- Related parties	-	-	-	-	0.1	0.1	-
Amounts due from related parties	-	-	-	-	8	8	-
Pledged deposits at financial institutions	150	-	-	-	-	150	3.25 - 5.00
Short-term loans receivable	11	-	-	-	-	11	5.00
Long-term loan receivable	-	-	-	1	-	1	MOR
	<u>161</u>	<u>-</u>	<u>-</u>	<u>103</u>	<u>433.1</u>	<u>697.1</u>	

	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 liabilities							
Bank overdrafts and short-term loans from financial institutions	585 ⁽¹⁾	-	-	142 ⁽²⁾	-	727	(1) and (2)
Trade accounts payable							
- non-related parties	-	-	-	-	1,048	1,048	-
Amounts due to related parties	-	-	-	-	2	2	-
Short-term loans payable	52	-	-	-	-	52	5.0
Other accounts payable	-	-	-	-	44	44	-
Long-term loans payable	-	-	-	121	-	121	LIBOR + 1.875
Liabilities under finance leases	-	3	-	-	-	3	3.99 - 7.55
	<u>637</u>	<u>3</u>	<u>-</u>	<u>263</u>	<u>1,094</u>	<u>1,997</u>	

⁽¹⁾ Average interest rate is 4.5 - 5.9 percent per annum

⁽²⁾ Average interest rate is 4.25 - 6.0 percent per annum

Foreign currency risk

The Company's and subsidiaries' exposures to foreign currency risk arise mainly from trading transactions and loans 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 2006 are summarised below.

Foreign currency	Financial assets	Financial liabilities	Average exchange rate as at 31 December 2006
	(Million)	(Million)	(Baht per 1 foreign currency unit)
US dollar	8.5	3.4	35.86 - 36.23

The Company has entered into forward foreign currency contracts to hedge foreign currency risk, in which the remaining balance amounted to USD 8.2 million as at 31 December 2006. Applicable forward selling rates are Baht 35.12 - 36.62 per USD 1.

33.2 Fair values of financial instruments

Since the majority of the Company's and subsidiaries' financial instruments are short-term, loans receivable and payable bear interest rates which are close to the market rate. The Company and subsidiaries expect that their fair values are not 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.

34. SUBSEQUENT EVENTS

On 22 February 2007, a meeting of the Company's Board of Directors passed a resolution to propose the payment of a final dividend of Baht 0.10 per share, a total of Baht 52,626,043, from the 2006 net income, for approval by the 2006 Annual General Meeting of the shareholders, which will be held on 5 April 2007.

35. RECLASSIFICATION

Certain amounts in the financial statements for the year ended 31 December 2005 have been reclassified to conform to the current year's classifications, with no effect on previously reported net income or shareholders' equity.

36. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Company's Board of Directors on 22 February 2007.