

**The Bangchak Petroleum Public Company Limited  
and its Subsidiaries**

Annual financial statements  
and  
Audit report of Certified Public Accountant

For the years ended  
31 December 2010 and 2009

## **Audit report of Certified Public Accountant**

### **To the shareholders of the Bangchak Petroleum Public Company Limited**

I have audited the accompanying consolidated and separate balance sheets as at 31 December 2010 and 2009, and the related statements of income, changes in equity and cash flows for the years then ended of The Bangchak Petroleum Public Company Limited and its subsidiaries, and of The Bangchak Petroleum Public Company Limited, respectively. The Company's management is responsible for the correctness and completeness of information presented in these financial statements. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the consolidated and separate financial statements referred to above present fairly, in all material respects, the financial positions as at 31 December 2010 and 2009 and the results of operations and cash flows for the years then ended of The Bangchak Petroleum Public Company Limited and its subsidiaries, and of The Bangchak Petroleum Public Company Limited, respectively, in accordance with generally accepted accounting principles.

(Vairoj Jindamaneepitak)  
Certified Public Accountant  
Registration No. 3565

KPMG Phoomchai Audit Ltd.  
Bangkok  
15 February 2011

# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Balance sheets

As at 31 December 2010 and 2009

| Assets                             | Note | Consolidated<br>financial statements |                       | Separate<br>financial statements |                       |
|------------------------------------|------|--------------------------------------|-----------------------|----------------------------------|-----------------------|
|                                    |      | 2010                                 | 2009                  | 2010                             | 2009                  |
|                                    |      | (Baht)                               |                       |                                  |                       |
| <b>Current assets</b>              |      |                                      |                       |                                  |                       |
| Cash and cash equivalents          | 5    | 9,109,013,095                        | 2,136,226,731         | 8,503,955,407                    | 1,710,655,824         |
| Current investments                | 6    | 9,277,752                            | 8,400,163             | -                                | -                     |
| Trade accounts receivable          |      |                                      |                       |                                  |                       |
| Related parties                    | 4,7  | 1,593,110,679                        | 764,467,776           | 2,256,318,433                    | 1,381,982,395         |
| Other parties                      | 7    | 4,132,852,213                        | 4,139,645,931         | 4,057,976,964                    | 4,119,035,657         |
| Inventories                        | 8    | 15,132,818,729                       | 14,053,694,650        | 14,588,313,599                   | 13,624,876,047        |
| Material and supplies              |      | 533,641,814                          | 338,122,747           | 527,920,815                      | 336,957,057           |
| Oil Fuel Fund subsidies receivable |      | 521,189,086                          | 485,252,075           | 521,189,086                      | 485,252,075           |
| Other current assets               | 4,9  | 1,110,697,938                        | 1,172,805,966         | 1,054,103,621                    | 1,121,366,230         |
| <b>Total current assets</b>        |      | <b>32,142,601,306</b>                | <b>23,098,616,039</b> | <b>31,509,777,925</b>            | <b>22,780,125,285</b> |
| <b>Non-current assets</b>          |      |                                      |                       |                                  |                       |
| Investments in subsidiaries        | 10   | -                                    | -                     | 197,539,500                      | 197,539,500           |
| Other long-term investments        | 6    | 287,382,207                          | 200,257,215           | 287,382,207                      | 199,357,215           |
| Tariff prepayment                  | 4    | 15,163,200                           | 19,901,700            | 15,163,200                       | 19,901,700            |
| Property, plant and equipment      | 11   | 27,903,545,531                       | 28,570,850,803        | 27,073,141,575                   | 27,711,312,306        |
| Leasehold rights                   | 12   | 954,016,761                          | 1,025,002,923         | 954,016,761                      | 1,025,002,923         |
| Intangible assets                  | 13   | 74,729,539                           | 88,840,795            | 73,867,231                       | 87,647,920            |
| Investment in service stations     | 14   | 215,644,676                          | 238,902,314           | 215,644,676                      | 238,902,314           |
| Deferred tax assets                | 15   | 175,320,491                          | 158,328,410           | 175,320,491                      | 158,328,410           |
| Other non-current assets           | 4,16 | 685,019,795                          | 490,294,819           | 678,109,992                      | 482,954,458           |
| <b>Total non-current assets</b>    |      | <b>30,310,822,200</b>                | <b>30,792,378,979</b> | <b>29,670,185,633</b>            | <b>30,120,946,746</b> |
| <b>Total assets</b>                |      | <b>62,453,423,506</b>                | <b>53,890,995,018</b> | <b>61,179,963,558</b>            | <b>52,901,072,031</b> |

The accompanying notes are an integral part of these financial statements.

# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Balance sheets

As at 31 December 2010 and 2009

| Liabilities and equity                      | Note | Consolidated<br>financial statements |                       | Separate<br>financial statements |                       |
|---|------|--------------------------------------|-----------------------|----------------------------------|-----------------------|
|   |      | 2010                                 | 2009                  | 2010                             | 2009                  |
|   |      | (Baht)                               |                       |                                  |                       |
| <b>Current liabilities</b>                  |      |                                      |                       |                                  |                       |
| Bank overdrafts and short-term loans        |      |                                      |                       |                                  |                       |
| from financial institutions                 | 17   | 40,000,000                           | 900,000,000           | -                                | 800,000,000           |
| Trade accounts payable                      |      |                                      |                       |                                  |                       |
| Related parties                             | 4,18 | 9,347,034,229                        | 5,354,318,449         | 9,448,296,084                    | 5,438,686,027         |
| Other parties                               | 18   | 886,984,345                          | 714,877,468           | 646,077,128                      | 584,276,472           |
| Other accounts payable                      |      |                                      |                       |                                  |                       |
| to related parties                          | 4    | 186,133,768                          | 10,393,170            | 186,133,768                      | 10,393,170            |
| Current portion of long-term loans          |      |                                      |                       |                                  |                       |
| from financial institutions                 | 17   | 2,662,116,916                        | 922,542,537           | 2,587,414,538                    | 887,261,287           |
| Excise tax and Oil Fuel Fund payable        |      | 815,229,753                          | 598,358,345           | 815,229,753                      | 598,358,345           |
| Income tax payable                          |      | 536,208,053                          | 1,356,306,408         | 532,686,643                      | 1,350,461,634         |
| Liabilities on hedging contracts            |      | 314,669,490                          | 246,527,725           | 314,669,490                      | 246,527,725           |
| Other current liabilities                   | 4,19 | 2,807,076,442                        | 2,841,208,008         | 2,648,116,464                    | 2,705,197,701         |
| <b>Total current liabilities</b>            |      | <b>17,595,452,996</b>                | <b>12,944,532,110</b> | <b>17,178,623,868</b>            | <b>12,621,162,361</b> |
| <b>Non-current liabilities</b>              |      |                                      |                       |                                  |                       |
| Long-term loans from financial institutions | 17   | 14,978,618,763                       | 12,060,989,628        | 14,504,038,953                   | 11,531,770,878        |
| Convertible debentures                      | 4,17 | 1,936,570,000                        | 2,036,570,000         | 1,936,570,000                    | 2,036,570,000         |
| Deferred tax liabilities                    | 15   | 13,085,480                           | 16,356,850            | 13,085,480                       | 16,356,850            |
| Liabilities on long-term lease              |      | 291,391,648                          | 352,936,704           | 291,391,648                      | 352,936,704           |
| Other non-current liabilities               | 4,20 | 586,419,357                          | 526,423,896           | 564,933,539                      | 509,912,061           |
| <b>Total non-current liabilities</b>        |      | <b>17,806,085,248</b>                | <b>14,993,277,078</b> | <b>17,310,019,620</b>            | <b>14,447,546,493</b> |
| <b>Total liabilities</b>                    |      | <b>35,401,538,244</b>                | <b>27,937,809,188</b> | <b>34,488,643,488</b>            | <b>27,068,708,854</b> |

The accompanying notes are an integral part of these financial statements.

# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Balance sheets

As at 31 December 2010 and 2009

| Liabilities and equity  | Note  | Consolidated<br>financial statements |                       | Separate<br>financial statements |                       |
|---|-------|--------------------------------------|-----------------------|----------------------------------|-----------------------|
|   |       | 2010                                 | 2009                  | 2010                             | 2009                  |
| <i>(Baht)</i>   |       |                                      |                       |                                  |                       |
| <b>Equity</b>   |       |                                      |                       |                                  |                       |
| Share capital   | 21    |                                      |                       |                                  |                       |
| Authorised share capital  |       | <u>1,531,643,461</u>                 | <u>1,531,643,461</u>  | <u>1,531,643,461</u>             | <u>1,531,643,461</u>  |
| Issued and paid-up share capital                                      |       | 1,176,822,958                        | 1,169,829,952         | 1,176,822,958                    | 1,169,829,952         |
| Additional paid-in capital  |       |                                      |                       |                                  |                       |
| Share premium   | 21,22 | 8,272,622,542                        | 8,179,615,548         | 8,272,622,542                    | 8,179,615,548         |
| Share premium on subsidiary<br>of the Company                         |       | 18,621,225                           | 18,621,225            | -                                | -                     |
| Unrealised surplus  |       |                                      |                       |                                  |                       |
| Surplus on revaluation of property,<br>plant, and equipment           | 22    | 4,108,125,747                        | 4,477,247,790         | 4,108,125,747                    | 4,477,247,790         |
| Capital surplus on registered<br>and paid-up share reduction          | 22    | 189,617,759                          | 189,617,759           | 189,617,759                      | 189,617,759           |
| Retained earnings   |       |                                      |                       |                                  |                       |
| Appropriated  |       |                                      |                       |                                  |                       |
| Legal reserve   | 22    | 153,164,346                          | 153,164,346           | 153,164,346                      | 153,164,346           |
| Unappropriated  |       | <u>12,968,789,521</u>                | <u>11,676,691,109</u> | <u>12,790,966,718</u>            | <u>11,662,887,782</u> |
| <b>Total equity attributable to equity<br/>holders of the Company</b> |       | <b>26,887,764,098</b>                | <b>25,864,787,729</b> | <b>26,691,320,070</b>            | <b>25,832,363,177</b> |
| Minority interests  |       | <u>164,121,164</u>                   | <u>88,398,101</u>     | <u>-</u>                         | <u>-</u>              |
| <b>Total equity</b>   |       | <b>27,051,885,262</b>                | <b>25,953,185,830</b> | <b>26,691,320,070</b>            | <b>25,832,363,177</b> |
| <b>Total liabilities and equity</b>                                   |       | <b>62,453,423,506</b>                | <b>53,890,995,018</b> | <b>61,179,963,558</b>            | <b>52,901,072,031</b> |

(Signed) Krairit Nilkuha  
(Krairit Nilkuha)  
Chairman

(Signed) Anusorn Sangnimnuan  
(Anusorn Sangnimnuan)  
President

The accompanying notes are an integral part of these financial statements.

**The Bangchak Petroleum Public Company Limited and its Subsidiaries**

**Statements of income**

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

|  | Note | Consolidated<br>financial statements |                       | Separate<br>financial statements |                       |
|--|------|--------------------------------------|-----------------------|----------------------------------|-----------------------|
|  |      | 2010                                 | 2009                  | 2010                             | 2009                  |
| (Baht)   |      |                                      |                       |                                  |                       |
| Revenue from sale of goods<br>and rendering of services            | 4,33 | 136,369,388,669                      | 108,681,229,134       | 134,638,172,504                  | 107,678,233,690       |
| Cost of sale of goods<br>and rendering of services                 | 4    | (130,019,702,976)                    | (101,009,520,691)     | (129,115,258,254)                | (100,588,183,031)     |
| <b>Gross Profit</b>  |      | <b>6,349,685,693</b>                 | <b>7,671,708,443</b>  | <b>5,522,914,250</b>             | <b>7,090,050,659</b>  |
| Other income   | 4,26 | 716,930,348                          | 224,617,498           | 705,176,323                      | 229,071,377           |
| <b>Profit before expenses</b>                                      |      | <b>7,066,616,041</b>                 | <b>7,896,325,941</b>  | <b>6,228,090,573</b>             | <b>7,319,122,036</b>  |
| Selling expenses   | 4,27 | (2,204,887,663)                      | (2,077,638,845)       | (1,701,850,449)                  | (1,605,918,650)       |
| Administrative expenses  | 4,28 | (1,098,513,563)                      | (1,012,838,464)       | (1,050,075,653)                  | (970,993,825)         |
| Management benefit expenses  | 29   | (79,484,798)                         | (59,945,193)          | (79,379,798)                     | (59,900,193)          |
| Reversal of allowance for loss from<br>inventory write - down      |      | -                                    | 948,227,619           | -                                | 942,158,173           |
| Gain from crude and product<br>oil price hedging contract          |      | 27,633,506                           | 5,630,745,713         | 27,633,506                       | 5,630,745,713         |
| Gain (loss) on foreign exchange                                    |      | 931,763,918                          | (56,822,728)          | 931,725,849                      | (56,822,728)          |
| Reversal of allowance for loss (loss)<br>from impairment of assets |      | 146,244,762                          | (5,004,768)           | 146,244,762                      | (5,004,768)           |
| <b>Profit before finance costs<br/>and income tax expense</b>      |      | <b>4,789,372,203</b>                 | <b>11,263,049,275</b> | <b>4,502,388,790</b>             | <b>11,193,385,758</b> |
| Finance costs  | 31   | -898,936,747                         | -558,067,395          | -861,988,180                     | -553,808,565          |
| <b>Profit before income<br/>tax expense</b>                        |      | <b>3,890,435,456</b>                 | <b>10,704,981,880</b> | <b>3,640,400,610</b>             | <b>10,639,577,193</b> |
| Income tax expense   | 32   | -1,001,861,751                       | -3,182,135,916        | -991,610,856                     | -3,164,689,091        |
| <b>Profit for the year</b>   |      | <b>2,888,573,705</b>                 | <b>7,522,845,964</b>  | <b>2,648,789,754</b>             | <b>7,474,888,102</b>  |
| <b>Profit (loss) attributable to:</b>                              |      |                                      |                       |                                  |                       |
| Equity holders of the Company                                      |      | 2,812,809,230                        | 7,524,263,084         | 2,648,789,754                    | 7,474,888,102         |
| Minority interests   |      | 75,764,475                           | -1,417,120            | -                                | -                     |
| <b>Profit for the year</b>   |      | <b>2,888,573,705</b>                 | <b>7,522,845,964</b>  | <b>2,648,789,754</b>             | <b>7,474,888,102</b>  |
| <b>Earnings per share (Baht)</b>                                   |      |                                      |                       |                                  |                       |
| Basic  | 34   | 2.40                                 | 6.57                  | 2.26                             | 6.53                  |
| Diluted  | 34   | 2.17                                 | 5.75                  | 2.05                             | 5.72                  |

(Signed) Krairit Nilkuha  
(Krairit Nilkuha)  
Chairman

(Signed) Anusorn Sangnimnuan  
(Anusorn Sangnimnuan)  
President

The accompanying notes are an integral part of these financial statements.

**The Bangchak Petroleum Public Company Limited and its Subsidiaries**

**Statements of changes in equity**

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

|      |  | <b>Consolidated financial statements</b> |                                 |  |  |  |                    |                       |   |                       |                       |
|------|--|--|---------------------------------|--|--|--|--------------------|-----------------------|---|-----------------------|-----------------------|
|      |  | <u>Share premium</u>                     |                                 | <u>Unrealised surplus</u>                        |  | <u>Retained earnings</u>   |                    |                       |   |                       |                       |
|      |  | Issued and<br>paid-up<br>share capital   | Share premium<br>of the Company | Share premium<br>on subsidiary<br>of the Company | Surplus on<br>revaluation<br>of property,<br>plant, and<br>equipment | Capital surplus<br>on registered<br>and paid-up<br>share reduction | Legal reserve      | Unappropriated        | Total equity<br>attributable<br>to equity holders<br>of the Company | Minority<br>interests | Total equity          |
| Note |  |  |                                 |  |  |  |                    |                       |   |                       |                       |
|      |  | <i>(Baht)</i>                            |                                 |  |  |  |                    |                       |   |                       |                       |
|      | <b>Balance at 1 January 2009</b>                                 | <b>1,119,132,050</b>                     | <b>7,505,333,450</b>            | <b>18,621,225</b>                                | <b>4,856,479,716</b>   | <b>189,617,759</b>   | <b>153,164,346</b> | <b>5,881,772,402</b>  | <b>19,724,120,948</b>   | <b>39,144,921</b>     | <b>19,763,265,869</b> |
|      | Minority interest's share capital in subsidiary                  | -  | -                               | -  | -  | -  | -                  | -                     | -   | 50,670,300            | 50,670,300            |
|      | Issue of share capital from redemption of convertible debentures | 21 50,697,902                            | 674,282,098                     | -  | -  | -  | -                  | -                     | 724,980,000   | -                     | 724,980,000           |
|      | Transaction not recognised in the income statement               |  |                                 |  |  |  |                    |                       |   |                       |                       |
|      | - Depreciation on the property revaluation                       | 11 -                                     | -                               | -  | (379,231,926)  | -  | -                  | -                     | (379,231,926)   | -                     | (379,231,926)         |
|      | Dividend paid to common shareholders                             | 35 -                                     | -                               | -  | -  | -  | -                  | (1,729,344,377)       | (1,729,344,377)   | -                     | (1,729,344,377)       |
|      | Profit (loss) for the year                                       | -  | -                               | -  | -  | -  | -                  | 7,524,263,084         | 7,524,263,084   | (1,417,120)           | 7,522,845,964         |
|      | <b>Balance at 31 December 2009 and 1 January 2010</b>            | <b>1,169,829,952</b>                     | <b>8,179,615,548</b>            | <b>18,621,225</b>                                | <b>4,477,247,790</b>   | <b>189,617,759</b>   | <b>153,164,346</b> | <b>11,676,691,109</b> | <b>25,864,787,729</b>   | <b>88,398,101</b>     | <b>25,953,185,830</b> |
|      | Issue of share capital from redemption of convertible debentures | 21 6,993,006                             | 93,006,994                      | -  | -  | -  | -                  | -                     | 100,000,000   | -                     | 100,000,000           |
|      | Transaction not recognised in the income statement               |  |                                 |  |  |  |                    |                       |   |                       |                       |
|      | - Depreciation on the property revaluation                       | 11 -                                     | -                               | -  | (369,122,043)  | -  | -                  | -                     | (369,122,043)   | -                     | (369,122,043)         |
|      | Dividend paid to preferred shareholders                          | -  | -                               | -  | -  | -  | -                  | -                     | -   | (41,412)              | (41,412)              |
|      | Dividend paid to common shareholders                             | 35 -                                     | -                               | -  | -  | -  | -                  | (1,520,710,818)       | (1,520,710,818)   | -                     | (1,520,710,818)       |
|      | Profit for the year  | -  | -                               | -  | -  | -  | -                  | 2,812,809,230         | 2,812,809,230   | 75,764,475            | 2,888,573,705         |
|      | <b>Balance at 31 December 2010</b>                               | <b>1,176,822,958</b>                     | <b>8,272,622,542</b>            | <b>18,621,225</b>                                | <b>4,108,125,747</b>   | <b>189,617,759</b>   | <b>153,164,346</b> | <b>12,968,789,521</b> | <b>26,887,764,098</b>   | <b>164,121,164</b>    | <b>27,051,885,262</b> |

The accompanying notes are an integral part of these financial statements.

# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Statements of changes in equity

For the years ended 31 December 2010 and 2009

|  | Note | Separate financial statements    |                      |  |   |                                    | Total equity attributable to equity holders of the Company |                       |
|--|------|----------------------------------|----------------------|--|---|------------------------------------|--|-----------------------|
|  |      | Issued and paid-up share capital | Share premium        | Unrealised surplus<br>Surplus on revaluation of property, plant, and equipment | Capital surplus on registered and paid-up share reduction<br>(Baht) | Retained earnings<br>Legal reserve |  | Unappropriated        |
| <b>Balance at 1 January 2009</b>                                 |      | <b>1,119,132,050</b>             | <b>7,505,333,450</b> | <b>4,856,479,716</b>   | <b>189,617,759</b>  | <b>153,164,346</b>                 | <b>5,917,344,057</b>                                       | <b>19,741,071,378</b> |
| Issue of share capital from redemption of convertible debentures | 21   | 50,697,902                       | 674,282,098          | -  | -   | -                                  | -  | 724,980,000           |
| Transaction not recognised in the income statement               |      |                                  |                      |  |   |                                    |  |                       |
| - Depreciation on the property revaluation                       | 11   | -                                | -                    | (379,231,926)  | -   | -                                  | -  | (379,231,926)         |
| Dividend paid to common shareholders                             | 35   | -                                | -                    | -  | -   | -                                  | (1,729,344,377)  | (1,729,344,377)       |
| Profit for the year  |      | -                                | -                    | -  | -   | -                                  | 7,474,888,102  | 7,474,888,102         |
| <b>Balance at 31 December 2009 and 1 January 2010</b>            |      | <b>1,169,829,952</b>             | <b>8,179,615,548</b> | <b>4,477,247,790</b>   | <b>189,617,759</b>  | <b>153,164,346</b>                 | <b>11,662,887,782</b>                                      | <b>25,832,363,177</b> |
| Issue of share capital from redemption of convertible debentures | 21   | 6,993,006                        | 93,006,994           | -  | -   | -                                  | -  | 100,000,000           |
| Transaction not recognised in the income statement               |      |                                  |                      |  |   |                                    |  |                       |
| - Depreciation on the property revaluation                       | 11   | -                                | -                    | (369,122,043)  | -   | -                                  | -  | (369,122,043)         |
| Dividend paid to common shareholders                             | 35   | -                                | -                    | -  | -   | -                                  | (1,520,710,818)  | (1,520,710,818)       |
| Profit for the year  |      | -                                | -                    | -  | -   | -                                  | 2,648,789,754  | 2,648,789,754         |
| <b>Balance at 31 December 2010</b>                               |      | <b>1,176,822,958</b>             | <b>8,272,622,542</b> | <b>4,108,125,747</b>   | <b>189,617,759</b>  | <b>153,164,346</b>                 | <b>12,790,966,718</b>                                      | <b>26,691,320,070</b> |

The accompanying notes are an integral part of these financial statements.



# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Statements of cash flows

For the years ended 31 December 2010 and 2009

|  | Consolidated                 |                              | Separate                     |                              |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
|  | financial statements         |                              | financial statements         |                              |
|  | 2010                         | 2009                         | 2010                         | 2009                         |
|  | (Baht)                       |                              |                              |                              |
| <i>Cash flows from operating activities</i>  |                              |                              |                              |                              |
| Profit for the year  | 2,888,573,705                | 7,522,845,964                | 2,648,789,754                | 7,474,888,102                |
| <i>Adjustments for</i>   |                              |                              |                              |                              |
| Depreciation   | 1,696,597,751                | 837,473,262                  | 1,647,281,581                | 828,688,096                  |
| Amortisation   | 173,552,487                  | 172,894,731                  | 173,040,176                  | 172,329,874                  |
| Reversal of Bad debt and doubtful debts of trade<br>and other accounts receivables | (5,787,808)                  | (40,797,603)                 | (6,176,546)                  | (43,077,801)                 |
| Unrealised loss (gain) on foreign exchange   | (374,527,881)                | 241,313,745                  | (374,489,812)                | 241,313,745                  |
| Reversal of loss from inventory write - down                                       | -                            | (948,227,619)                | -                            | -942,158,173                 |
| (Reversal of loss) loss from impairment of assets                                  | -146,244,762                 | 5,004,768                    | -146,244,762                 | 5,004,768                    |
| Loss on disposal of property, plant and equipment                                  | 10,051,117                   | 18,078,187                   | 11,181,954                   | 18,002,571                   |
| Reserve for pension fund   | 57,130,617                   | 62,729,959                   | 57,130,617                   | 62,729,959                   |
| Deferred revenue   | -1,580,008                   | (1,585,709)                  | -1,580,008                   | -1,585,709                   |
| Dividend received  | -                            | -                            | -17,640,000                  | -                            |
| Finance costs  | 898,936,747                  | 558,067,395                  | 861,988,180                  | 553,808,565                  |
| Income tax expense   | 1,001,861,751                | 3,182,135,916                | 991,610,856                  | 3,164,689,091                |
|  | <u>6,198,563,716</u>         | <u>11,609,932,996</u>        | <u>5,844,891,990</u>         | <u>11,534,633,088</u>        |
| <i>Changes in operating assets and liabilities</i>                                 |                              |                              |                              |                              |
| Trade accounts receivable  | -854,872,192                 | -795,810,563                 | -813,549,671                 | -1,040,848,743               |
| Inventories  | -1,079,124,079               | -7,188,979,113               | -963,437,552                 | -6,939,404,534               |
| Other current assets   | -65,705,669                  | 398,301,105                  | -67,566,975                  | 408,120,724                  |
| Other non-current assets   | -223,089,191                 | 19,753,890                   | -238,601,477                 | 19,620,974                   |
| Trade accounts payable   | 4,158,085,734                | 1,565,228,815                | 4,064,781,543                | 1,570,860,726                |
| Other current liabilities  | 737,481,826                  | 749,574,020                  | 712,720,950                  | 634,237,580                  |
| Other non-current liabilities  | -57,297,405                  | -32,924,523                  | -62,988,873                  | -27,010,427                  |
| Interest paid  | -876,042,096                 | -778,639,774                 | -838,405,466                 | -759,598,788                 |
| Income tax paid  | -1,838,205,944               | -1,563,083,464               | -1,829,643,565               | -1,551,985,538               |
| <b>Net cash provided by operating activities</b>                                   | <b><u>6,099,794,700</u></b>  | <b><u>3,983,353,389</u></b>  | <b><u>5,808,200,904</u></b>  | <b><u>3,848,625,062</u></b>  |
| <i>Cash flows from investing activities</i>  |                              |                              |                              |                              |
| Increase in current investments  | -877,589                     | -680,397                     | -                            | -                            |
| Increase in long-term investments  | -82,348,023                  | -42,506,896                  | -83,248,023                  | -42,506,896                  |
| Net cash outflow from issue of<br>subsidiary's share capital                       | -                            | -                            | -                            | -118,229,700                 |
| Dividend received  | -                            | -                            | 17,640,000                   | -                            |
| Purchase of property, plant and equipment  | -1,318,558,399               | -3,379,738,497               | -1,298,538,932               | -2,744,875,864               |
| Proceeds from sale of property, plant and equipment                                | 32,441,501                   | 5,284,632                    | 31,310,659                   | 5,281,361                    |
| Increase in leasehold right  | -15,934,400                  | -24,753,513                  | -15,934,400                  | -24,753,513                  |
| Purchase of intangible assets  | -18,182,710                  | -15,568,006                  | -17,841,133                  | -15,207,501                  |
| <b>Net cash used in investing activities</b>                                       | <b><u>-1,403,459,620</u></b> | <b><u>-3,457,962,677</u></b> | <b><u>-1,366,611,829</u></b> | <b><u>-2,940,292,113</u></b> |

The accompanying notes are an integral part of these financial statements.

# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Statements of cash flows

For the years ended 31 December 2010 and 2009

|   | Consolidated         |                      | Separate             |                       |
|---|----------------------|----------------------|----------------------|-----------------------|
|   | financial statements |                      | financial statements |                       |
|   | 2010                 | 2009                 | 2010                 | 2009                  |
|   | (Baht)               |                      |                      |                       |
| <i>Cash flows from financing activities</i>     |                      |                      |                      |                       |
| Decrease in bank overdrafts and                 |                      |                      |                      |                       |
| short-term loans from financial institutions    | -860,000,000         | -370,000,000         | -800,000,000         | -470,000,000          |
| Proceeds from long - term loans                 | 5,590,000,000        | 1,940,700,000        | 5,590,000,000        | 1,510,000,000         |
| Repayment of long - term loans                  | -932,796,486         | -603,500,000         | -917,578,674         | -603,500,000          |
| Dividend paid to common shareholders            | -1,520,710,818       | -1,729,344,377       | -1,520,710,818       | -1,729,344,377        |
| Dividend paid to preferred shareholders         | -41,412              | -                    | -                    | -                     |
| Proceeds from issue of subsidiary's             |                      |                      |                      |                       |
| share capital                                   | -                    | 50,670,300           | -                    | -                     |
| <b>Net cash provided by (used in)</b>           |                      |                      |                      |                       |
| <b>  financing activities</b>                   | <b>2,276,451,284</b> | <b>-711,474,077</b>  | <b>2,351,710,508</b> | <b>-1,292,844,377</b> |
| <b>Net increase (decrease) in</b>               |                      |                      |                      |                       |
| <b>  cash and cash equivalents</b>              | <b>6,972,786,364</b> | <b>-186,083,365</b>  | <b>6,793,299,583</b> | <b>-384,511,428</b>   |
| Cash and cash equivalents at beginning of year  | 2,136,226,731        | 2,322,310,096        | 1,710,655,824        | 2,095,167,252         |
| <b>Cash and cash equivalents at end of year</b> | <b>9,109,013,095</b> | <b>2,136,226,731</b> | <b>8,503,955,407</b> | <b>1,710,655,824</b>  |

### *Non-cash transactions*

On 3 July 2009, the Company issued 50.70 million new ordinary shares at the par value of Baht 1 each, totalling Baht 50.70 million to support the conversion of Convertible Debentures. The convertible value of each debenture is Baht 14.30 per common share, which results in a share premium totaling Baht 674.28 million.

On 4 October 2010, the Company issued 6.99 million new ordinary shares at the par value of Baht 1 each, totalling Baht 6.99 million to support the conversion of Convertible Debentures. The convertible value of each debenture is Baht 14.30 per common share, which results in a share premium totaling Baht 93.01 million.

The accompanying notes are an integral part of these financial statements.

**The Bangchak Petroleum Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the years ended 31 December 2010 and 2009**

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# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2010 and 2009

These notes form an integral part of the financial statements.

The financial statements were authorized for issue by the Board of Directors on 15 February 2011.

### 1 General information

The Bangchak Petroleum Public Company Limited, the “Company”, is incorporated in Thailand and has its registered office as follows:

Head office : 555/1, Energy Complex Building A, Floor 10th, Vibhavadi Rangsit Road, Chatuchak, Bangkok.

Refinery plant : 210 Moo 1, Soi Sukhumvit 64, Sukhumvit Road, Bangchak, Phakanong, Bangkok.

The Company was listed on the Stock Exchange of Thailand on 23 April 1993.

The Company is a company in the PTT Public Company Limited (“PTT”) group of companies. PTT is incorporated in Thailand and is the major shareholder of the Company, holding 28.29% of the Company’s issued and paid-up share capital as of 31 December 2010.

The principal businesses of the Company are operating an oil refinery and marketing the finished products through its service stations under its company’s brand. The Company’s oil market includes consumers in various sectors, such as transportation, aviation, shipping, construction, industrial and agriculture. The sale of oil is also made through the major and the minor oil traders.

Details of the Company’s subsidiaries as at 31 December 2010 and 2009 were as follows:

| Name of the entity   | Type of business  | Country of incorporation | Ownership interest (%) |       |
|--|---|--------------------------|------------------------|-------|
|  |   |                          | 2010                   | 2009  |
| <i>Direct subsidiaries</i>                                     |   |                          |                        |       |
| The Bangchak Green Net Co., Ltd.                               | Manage Company service stations and consumer goods retailer | Thailand                 | 49.00                  | 49.00 |
| The Bangchak Biofuel Co., Ltd.                                 | Production and distribution of Biodiesel                    | Thailand                 | 70.00                  | 70.00 |
| <i>Indirect subsidiary</i>                                     |   |                          |                        |       |
| The Bangchak Green Line Co., Ltd. (During liquidation process) | Fuel transportation   | Thailand                 | 49.00                  | 49.00 |

# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2010 and 2009

### 2 Basis of preparation of the financial statements

The financial statements issued for Thai reporting purposes are prepared in the Thai language. This English translation of the financial statements has been prepared for the convenience of readers not conversant with the Thai language.

The financial statements are prepared and presented in Thai Baht. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest million unless otherwise stated. They are prepared on the historical cost basis except as stated in the accounting policies.

The financial statements are prepared in accordance with Thai Financial Reporting Standards (“TFRS”); guidelines promulgated by the Federation of Accounting Professions (“FAP”); applicable rules and regulations of the Thai Securities and Exchange Commission; and with generally accepted accounting principles in Thailand.

During 2010, the FAP announced the re-numbering of the following TFRS.

| Former no. | Revised no. | Topic   |
|------------|-------------|---|
| TAS 11     | TAS 101     | Doubtful Account and Bad Debts                          |
| TAS 40     | TAS 105     | Accounting for Investment in Debt and Equity Securities |
| TAS 48     | TAS 107     | Financial Instruments Disclosure and Presentation       |

The Group has adopted the revised Framework for the Preparation and Presentation of Financial Statements (revised 2009), which was issued by the FAP during 2010 and effective on 26 May 2010. The adoption of the revised framework does not have any material impact on the consolidated or separate financial statements.

The FAP has issued during 2010 a number of new and revised TFRS which are not currently effective and have not been adopted in the preparation of these financial statements. These new and revised standards and interpretations are disclosed in note 39.

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2010 and 2009

### 3 Significant accounting policies

#### (a) *Basis of consolidation*

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the “Group”).

##### *Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

##### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

#### (b) *Foreign currencies*

##### *Foreign currency transactions*

Transactions in foreign currencies are translated to Thai Baht at the foreign exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Thai Baht at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of income.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to Thai Baht using the foreign exchange rates ruling at the dates of the transactions.

#### (c) *Derivative financial instruments*

Derivative financial instruments are used to manage exposure to foreign exchange, interest rate and commodity price risks arising from operational, financing and investment activities. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

##### *Hedge of future foreign currency transactions*

Forward foreign exchange contracts protect the Company from movements in exchange rates by establishing the rates at which foreign currency assets will be realized or foreign currency liabilities will be settled. Forward foreign exchange contracts are recognized in the financial statements on inception. The premium or discount on the establishment of each agreement is amortized on a straight-line method over the contract period.

**The Bangchak Petroleum Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the years ended 31 December 2010 and 2009**

*Hedge of interest rates*

Interest differentials under swap arrangements are accrued and recorded as adjustments to the interest expense relating to the hedged loans.

*Hedge of Crack Spread*

Difference between the fixed prices of contracts and the settlement prices are recognised in the statement of income in the period in which the contracts mature.

**(d) *Cash and cash equivalents***

Cash and cash equivalents comprise cash balances, call deposits and highly liquid short-term investments. Bank overdrafts that are repayable on demand are a component of financing activities for the purpose of the statement of cash flows.

**(e) *Trade and other accounts receivable***

Trade and other accounts receivable are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

**(f) *Inventories***

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost principle, and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and to make the sale.

**(g) *Investments***

*Investments in subsidiaries*

Investments in subsidiaries in the separate financial statements of the Company are accounted for using the cost method.

*Investments in other debt and equity securities*

Debt securities that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are stated at amortised cost, less any impairment losses. The difference between the acquisition cost and redemption value of such debt securities is amortised using the effective interest rate method over the period to maturity.

Equity securities which are not marketable are stated at cost less any impairment losses.

# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2010 and 2009

### *Disposal of investments*

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

If the Group disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

### **(h) Property, plant and equipment**

#### *Owned assets*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses except for machinery, equipment refinery plants and platinum catalyst which are stated at their revalued amounts. The revalued amount is the fair value determined on the basis of the property's existing use at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

#### *Revalued assets*

Revaluations are performed by independent professional valuers with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the reporting date.

Any increase in value, on revaluation, is credited to equity under the heading 'revaluation surplus' unless it offsets a previous decrease in value recognised in the statement of income in respect of the same asset. A decrease in value is recognised in the statement of income to the extent it exceeds an increase previously recognised in equity in respect of the same asset. The revaluation surplus is utilised by reference to the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost and credited to revaluation surplus. Upon disposal of a revalued asset, any remaining related revaluation surplus is transferred from equity to retained earnings and is not taken into account in calculating the gain or loss on disposal.

#### *Depreciation*

Depreciation is charged to the statement of income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

|   |               |
|---|---------------|
| Buildings   | 20 - 30 years |
| Machinery, equipment refinery plants and terminal | 5 - 30 years  |
| Marketing and office equipment                    | 5 - 20 years  |
| Vehicles  | 5 years       |

No depreciation is provided on freehold land, platinum catalyst and assets under construction.

### **(i) Leasehold right**

Leasehold rights are the rights obtained from the land lease contracts, which are amortised on a straight-line method over the contractual period.

Leasehold rights are presented at cost deducted by accumulated amortisation.



# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2010 and 2009

### (j) *Intangible assets*

#### *Other intangible assets*

Other intangible assets that are acquired by the Group, which have finite useful lives, are stated at cost less accumulated amortisation and impairment losses. Other intangible assets are amortised in the statement of income on a straight-line basis over their estimated useful lives from the date that they are available for use. The estimated useful lives are as follows:

|  |         |
|--|---------|
| The right to use and the cost of development<br>of computer software | 5 years |
|--|---------|

### (k) *Impairment*

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in the statement of income unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

#### *Calculation of recoverable amount*

The recoverable amount of held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of the estimated future cash flows discounted at the original effective interest rate. Receivables with a short duration are not discounted.

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### *Reversals of impairment*

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. For financial assets carried at amortised cost, the reversal is recognised in the statement of income.

Impairment losses recognised in prior periods in respect of other non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### (l) *Interest-bearing liabilities*

Interest-bearing liabilities are recognised initially at fair value less attributable transaction charges. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of income over the period of the borrowings on an effective interest basis.

**The Bangchak Petroleum Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the years ended 31 December 2010 and 2009**

**(m) Trade and other accounts payable**

Trade and other accounts payable are stated at cost.

**(n) Employee benefits**

*Defined contribution plans*

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of income as incurred.

*Employee Joint Investment Program (EJIP)*

Obligations for contributions to Employee Joint Investment Program (EJIP) are recognised as an expense in the statement of income as incurred.

*Retirement gratuity fund*

Obligations for retirement gratuity fund are computed on the benefit formula at balance sheet date and are recognised as an expense in the statement of income. Benefits are payable upon retirement, disability, death or resignation.

**(o) Provisions**

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**(p) Share capital**

*Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

**(q) Revenue**

Revenue excludes value added taxes and other sales taxes and is arrived at after deduction of trade discounts.

*Sale of goods and services rendered*

Revenue is recognised in the statement of income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs or the probable return of goods. Service income is recognised as services are provided.

*Income from operating right*

**The Bangchak Petroleum Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the years ended 31 December 2010 and 2009**

Income from operating right is recognised in accordance with the substance of the contract.

*Interest and dividend income*

Interest income is recognised in the statement of income as it accrues. Dividend income is recognised in the statement of income on the date the Group's right to receive payments is established.

**(r) Expenses**

*Lease payments*

Payments made under operating leases are recognised in the statement of income on a straight line basis over the term of the lease or lease incentives receive in accordance with lease agreement. Contingent rentals are charged to the statement of income for the accounting period in which they are incurred.

*Finance costs*

Interest expenses and similar costs are charged to the statement of income for the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

**(s) Income tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

*Current tax*

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

*Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**4 Related party transactions and balances**

Related parties are those parties linked to the Group and the Company as shareholders or by common shareholders or directors or related to the major shareholder of the Company. Transactions with

# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2010 and 2009

related parties are conducted at prices based on market prices or, where no market price exists, at contractually agreed prices.

Relationships with related parties that control or jointly control the Company or are being controlled or jointly-controlled by the Company or have transactions with the Company/Group were as follows:

| <b>Name of entities</b>                        | <b>Country of incorporation/<br/>nationality</b> | <b>Nature of relationships</b>                            |
|--|--|---|
| PTT Plc.                                       | Thailand   | Major shareholder, some common directors                  |
| Fuel Pipeline Transportation Ltd.              | Thailand   | Shareholding, representative from the Company as director |
| PTT Exploration and Production Plc.            | Thailand   | Major shareholder as the Company's shareholder            |
| PTT ICT Solutions Co., Ltd.                    | Thailand   | Major shareholder as the Company's shareholder            |
| PTT International Trading Pte. Ltd.            | Singapore  | Major shareholder as the Company's shareholder            |
| PTT Aromatics and Refining Plc.                | Thailand   | Major shareholder as the Company's shareholder            |
| IRPC Plc.                                      | Thailand   | Major shareholder as the Company's shareholder            |
| Thai Oil Plc.                                  | Thailand   | Major shareholder as the Company's shareholder            |
| Energy Complex Co., Ltd.                       | Thailand   | Major shareholder as the Company's shareholder            |
| NPC Safety and Environmental Service Co., Ltd. | Thailand   | Related Company of Major Shareholder                      |
| Thai Lube Base Plc.                            | Thailand   | Related Company of Major Shareholder                      |
| Thai Oleochemicals Co., Ltd.                   | Thailand   | Related Company of Major Shareholder                      |
| PTTEP Siam Co., Ltd.                           | Thailand   | Related Company of Major Shareholder                      |

The pricing policies for particular types of transactions are explained further below:

| <b>Transactions</b>             | <b>Pricing policies</b>                   |
|---------------------------------|---|
| Sale of goods                   | Market price/ Contractually agreed prices |
| Rendering of service            | Contractually agreed prices               |
| Purchase of goods/raw materials | Market price/ Contractually agreed prices |
| Receiving of services           | Contractually agreed prices               |
| Technical assistance fee        | Contractually agreed prices               |
| Royalty expense                 | Contractually agreed prices               |

Significant transactions for the years ended 31 December 2010 and 2009 with related parties were as follows:

| <b>Consolidated<br/>financial statements</b> |      | <b>Separate<br/>financial statements</b> |      |
|--|------|--|------|
| 2010   | 2009 | 2010                                     | 2009 |

# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2010 and 2009

|   | Consolidated<br>financial statements |           | Separate<br>financial statements |           |
|---|--------------------------------------|-----------|----------------------------------|-----------|
|   | 2010                                 | 2009      | 2010                             | 2009      |
|   | <i>(in million Baht)</i>             |           |                                  |           |
| <b>Major Shareholder</b>                                  |                                      |           |                                  |           |
| Sales of goods  | 17,410.49                            | 10,931.90 | 17,410.90                        | 10,931.90 |
| Purchases of raw material                                 | 82,747.69                            | 68,144.23 | 82,747.69                        | 68,144.23 |
| Other income  | 119.87                               | 130.59    | 119.87                           | 130.59    |
| Service expense   | 230.71                               | 287.51    | 230.71                           | 287.51    |
| Loss from crude and product oil price<br>hedging contract | 3.78                                 | 5.46      | 3.78                             | 5.46      |
| Interest expense  | 17.57                                | 17.57     | 17.57                            | 17.57     |
| Other expense   | 8.59                                 | 0.22      | 8.59                             | 0.22      |
| <b>Subsidiaries</b>                                       |                                      |           |                                  |           |
| Sales of goods  | -                                    | -         | 18,345.38                        | 15,409.93 |
| Purchases of goods  | -                                    | -         | 1,698.19                         | 119.35    |
| Other income  | -                                    | -         | 20.59                            | 14.16     |
| Dividend income   | -                                    | -         | 17.64                            | -         |
| Interest expenses   | -                                    | -         | 0.72                             | 0.83      |
| Other expenses  | -                                    | -         | 12.12                            | -         |
| <b>Other related parties</b>                              |                                      |           |                                  |           |
| Sale of goods   | 1,863.02                             | 269.09    | 1,863.02                         | 269.09    |
| Purchases of raw material and product                     | 9,821.12                             | 12,374.52 | 9,821.12                         | 12,374.52 |
| Other income  | 4.67                                 | 4.37      | 4.67                             | 4.37      |
| Pipeline transportation expenses                          | 135.33                               | 115.43    | 135.33                           | 115.43    |
| Other expenses  | 21.77                                | 0.43      | 21.77                            | 0.43      |

Balances as at 31 December 2010 and 2009 with related parties were as follows:

|   | Consolidated<br>financial statements |                      | Separate<br>financial statements |                        |
|---|--------------------------------------|----------------------|----------------------------------|------------------------|
|   | 2010                                 | 2009                 | 2010                             | 2009                   |
|   | <i>(in million Baht)</i>             |                      |                                  |                        |
| <b>Trade accounts receivable from related parties</b>             |                                      |                      |                                  |                        |
| <b>Major Shareholder</b>  |                                      |                      |                                  |                        |
| PTT Plc.  | 1,592.78                             | 764.14               | 1,538.68                         | 764.14                 |
| <b>Subsidiaries</b>   |                                      |                      |                                  |                        |
| The Bangchak Green Net Co., Ltd.                                  | -                                    | -                    | 710.88                           | 615.59                 |
| The Bangchak Biofuel Co., Ltd.                                    | -                                    | -                    | 6.43                             | 1.92                   |
| <b>Other related party</b>  |                                      |                      |                                  |                        |
| Fuel Pipeline Transportation Ltd.                                 | 0.33                                 | 0.33                 | 0.33                             | 0.33                   |
|   | <u>1,593.11</u>                      | <u>764.47</u>        | <u>2,256.32</u>                  | <u>1,381.98</u>        |
| Less allowance for doubtful accounts                              | -                                    | -                    | -                                | -                      |
| <b>Net</b>  | <u><b>1,593.11</b></u>               | <u><b>764.47</b></u> | <u><b>2,256.32</b></u>           | <u><b>1,381.98</b></u> |
| Bad and doubtful debts expense for the<br>years ended 31 December | -                                    | -                    | -                                | -                      |

# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2010 and 2009

|   | Consolidated<br>financial statements |                 | Separate<br>financial statements |                 |
|---|--------------------------------------|-----------------|----------------------------------|-----------------|
|   | 2010                                 | 2009            | 2010                             | 2009            |
| <i>(in million Baht)</i>                        |                                      |                 |                                  |                 |
| <b>Trade accounts payable - related parties</b> |                                      |                 |                                  |                 |
| <b>Major Shareholder</b>                        |                                      |                 |                                  |                 |
| PTT Plc.  | 8,644.69                             | 3,911.21        | 8,644.69                         | 3,911.21        |
| <b>Subsidiaries</b>                             |                                      |                 |                                  |                 |
| The Bangchak Green Net Co., Ltd.                | -                                    | -               | 3.57                             | 1.83            |
| The Bangchak Biofuel Co., Ltd.                  | -                                    | -               | 97.70                            | 82.54           |
| <b>Other related parties</b>                    |                                      |                 |                                  |                 |
| Thai Oil Plc.                                   | 605.31                               | 549.88          | 605.31                           | 549.88          |
| IRPC Plc.                                       | -                                    | 354.71          | -                                | 354.71          |
| Thai Lube Base Plc.                             | 0.34                                 | 0.33            | 0.34                             | 0.33            |
| PTT Aromatics and Refining Plc.                 | 96.69                                | 538.19          | 96.69                            | 538.19          |
| <b>Total</b>                                    | <b>9,347.03</b>                      | <b>5,354.32</b> | <b>9,448.30</b>                  | <b>5,438.69</b> |
| <b>Other accounts payable - related parties</b> |                                      |                 |                                  |                 |
| <b>Major Shareholder</b>                        |                                      |                 |                                  |                 |
| PTT Plc.  | 170.74                               | -               | 170.74                           | -               |
| <b>Other related parties</b>                    |                                      |                 |                                  |                 |
| Fuel Pipeline Transportation Ltd.               | 15.33                                | 10.39           | 15.33                            | 10.39           |
| Energy Complex Co., Ltd.                        | 0.06                                 | -               | 0.06                             | -               |
| <b>Total</b>                                    | <b>186.13</b>                        | <b>10.39</b>    | <b>186.13</b>                    | <b>10.39</b>    |
| <b>Other current assets</b>                     |                                      |                 |                                  |                 |
| <b>Major Shareholder</b>                        |                                      |                 |                                  |                 |
| PTT Plc.  | 83.85                                | -               | 83.85                            | -               |
| <b>Tariff prepayment</b>                        |                                      |                 |                                  |                 |
| <b>Other related party</b>                      |                                      |                 |                                  |                 |
| Fuel Pipeline Transportation Ltd.               | 106.78                               | 117.20          | 106.78                           | 117.20          |
| Less allowance for doubtful accounts            | (91.62)                              | (97.30)         | (91.62)                          | (97.30)         |
| <b>Net</b>                                      | <b>15.16</b>                         | <b>19.90</b>    | <b>15.16</b>                     | <b>19.90</b>    |
| <b>Non-current assets</b>                       |                                      |                 |                                  |                 |
| <b>Other related party</b>                      |                                      |                 |                                  |                 |
| Energy Complex Co., Ltd.                        | 4.51                                 | 4.51            | 4.51                             | 4.51            |
| <b>Other current liabilities</b>                |                                      |                 |                                  |                 |
| <b>Major Shareholder</b>                        |                                      |                 |                                  |                 |
| PTT Plc.  | 7.41                                 | 7.41            | 7.41                             | 7.41            |
| <b>Subsidiary</b>                               |                                      |                 |                                  |                 |
| The Bangchak Green Net Co., Ltd.                | -                                    | -               | 26.86                            | 26.15           |
| <b>Total</b>                                    | <b>7.41</b>                          | <b>7.41</b>     | <b>34.27</b>                     | <b>33.56</b>    |
| <b>Convertible debentures</b>                   |                                      |                 |                                  |                 |
| <b>Major Shareholder</b>                        |                                      |                 |                                  |                 |
| PTT Plc.  | 585.60                               | 585.60          | 585.60                           | 585.60          |

# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2010 and 2009

|   | Consolidated<br>financial statements |      | Separate<br>financial statements |      |
|---|--------------------------------------|------|----------------------------------|------|
|   | 2010                                 | 2009 | 2010                             | 2009 |
|   | <i>(in million Baht)</i>             |      |                                  |      |
| <b><i>Other non-current liabilities</i></b> |                                      |      |                                  |      |
| <b>Other related party</b>                  |                                      |      |                                  |      |
| Fuel Pipeline Transportation Ltd.           | 5.82                                 | 6.30 | 5.82                             | 6.30 |

### ***Tariff prepayment***

The Company has provided financial support to the Fuel Pipeline Transportation Ltd. (FPT) in the form of advance payment of fuel transportation fee (Tariff Prepayment) as per the written agreement dated 14 June 1996. Subsequently, the Company, together with the other FPT creditors agreed on 3 March 1999 to restructure the FPT's loan. Prior to the loan restructure, the amount owed to the Company as Tariff Prepayment was Baht 245.80 million. On 30 April 1999, Baht 48.75 million was converted to capital stock (preferred stock) with remaining loan outstanding totalling Baht 197.05 million. The loan shall be repaid in accordance with FPT's cash flow while the interest on the tariff prepayment and the custody fee (difference in interest rate of MLR-2%) will be paid on a monthly basis. Subsequently, FPT was able to repay some parts of the loan, however, due to financial difficulties it could not comply with the agreed terms. An amendment to the original agreement was made on 28 March 2002. Under the revised agreement, the remaining loan principle of Baht 187.29 million will be repaid on a monthly basis over a total number of 153 periods, with the first payment made on 30 April 2002. The interest rate will be based on MLR with relaxation of 1% per annum starting from 29 March 2002. The difference in the interest shall be established as a receivable in a suspense account which will be written-off provided FPT complies with the agreement, without default, over a three-year consecutive period.

On 29 December 2009, the Company and other FPT creditors had additionally amended the restructuring agreement to comply with FPT's ability to pay debt. The Company and other FPT creditors agreed to give up interest receivable and changed repayment schedule as stipulated in the restructuring agreement without additional debt relief.

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

#### ***Fuel Pipeline Transportation Agreement***

During 1997, the Company entered into a fuel pipeline transportation agreement with a related company. The related company will provide transportation service of fuel products to Don-muang and Suvarnabhumi International Airport and transportation service for petroleum products to fuel depot at Bang-pa-in. The agreement has no specified expiry date and can be terminated by either party by giving at least 60 days written notice for termination to the other party.

#### ***Feedstock Supply Agreement***

During 2006, the Company entered into Feedstock Supply Agreement, to enhance the Company's feedstock supply, whereby the major shareholder will supply crude oil and other feedstocks for the refinery process commencing from 16 May 2006 and shall be in effect for a period of twelve years after PQI's commercial operation date.

# **The Bangchak Petroleum Public Company Limited and its Subsidiaries**

## **Notes to the financial statements**

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

### ***Crude Oil Supply and Oil-Products Sales and Purchase Agreement***

During 2006, the Company entered into Sale and Purchase Agreement with the major shareholder, to accommodate the additional Gasoline production outputs from the PQI project after commercial operation date. The major shareholder will purchase minimum level of 30% of refined petroleum products (not include aviation fuel and fuel oil) from the refinery. This agreement shall be in effect for a period of twelve years after PQI's commercial operation date.

Since 2007, the Company has entered into five oil products purchase agreements with related companies. The related companies will provide oil products at quantities and prices as stipulated in the agreement. The agreement has no specified expiry date and can be terminated by either party by giving at least 90 days written notice for termination to the other party.

### ***Bio-diesel Sales and Purchase Agreement***

During 2008, the Company entered into a Bio-diesel Sales and Purchase Agreement with a subsidiary for a period of seven years to start from the commencement of the Bio-diesel Plant's commercial operations (currently, under construction). The Company will purchase bio-diesel oil at yearly average volumes not less than 60% of maximum bio-diesel production capacity at the market prices as stipulated in the agreement

### ***Gas Sales and Purchase Agreement***

During 2008, the Company entered into Gas Sales and Purchase Agreement with the major shareholder for the refinery process for a period of ten years commencing on the first date of Gas delivery by the major shareholder and the Company receive this gas with the service fee as stipulated in the agreement.

### ***Service Station Operating Right Agreement***

During 2010, the Company entered into Service Station Operating Right Agreement which include the right to operate within service station with a subsidiary for a period of three years. The subsidiary agreed to pay the fee at agreed prices as stipulated in the agreement. For mutual interest under the agreement, the subsidiary agreed to purchase the finish oil products at contractually agreed prices.

### ***Store Operation Right Agreement***

During 2010, the Company entered into Store Operation Right Agreement with a subsidiary for a period of three years to operate retail stores within service stations under the Company's brand. The subsidiary agreed to pay the fee under agreed prices as stipulated in the agreement.

### ***Cogeneration Purchase and Sale Agreement***

On 25 February 2008, the Company entered into Cogeneration Project Agreement with the major shareholder under which the major shareholder invested in the construction of a cogeneration power plant to generate 19.7 MW of electricity and 90 metric tons per hour of steam to sell to the Company. It started its commercial operation in June 2010. The market prices are as stipulated in the agreement.

### ***Petroleum and Gas Tank Storage Service Agreement***

The Company entered into Petroleum and Gas Tank Storage Service Agreement with the major shareholder for a period of 15 years from 1 January 2009 to 31 December 2023 with the service fee as stipulated in the agreement.

### ***Office Rental and Service Agreements***



# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Notes to the financial statements

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

The Company entered into office rental and service agreements with a related company for a period of 3 years commencing from 1 January 2010 to 31 December 2012 and with a renewable option for another period of 3 years. Office rental fees and conditions are as stipulated in the agreement.

#### *Establishment and Management Service Agreement for NGV Service Station*

The Company entered into establishment and management service agreement for NGV service station with the major shareholder. The major shareholder has the right to utilise the lands and/or lands with building. The Company will receive the fee for land utilisation and management fee for service station as stipulated in the agreements. Establishment agreements shall be in effect for a period of 8 – 23 years which will be expired between 2016 - 2031. Management service agreement for service station shall be effect for 1 year which will be annually reviewed.

## 5 Cash and cash equivalents

|                                      | <b>Consolidated</b>         |                             | <b>Separate</b>             |                             |
|--------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                      | <b>financial statements</b> | <b>financial statements</b> | <b>financial statements</b> | <b>financial statements</b> |
|                                      | 2010                        | 2009                        | 2010                        | 2009                        |
|                                      | <i>(in million Baht)</i>    |                             |                             |                             |
| Cash on hand                         | 25.48                       | 19.55                       | 1.48                        | 1.14                        |
| Cash at banks - current accounts     | 477.79                      | 566.55                      | 343.98                      | 439.56                      |
| Cash at banks - savings accounts     | 2,205.74                    | 1,550.13                    | 1,758.50                    | 1,269.96                    |
| Highly liquid short-term investments | 6,400.00                    | -                           | 6,400.00                    | -                           |
| <b>Total</b>                         | <b><u>9,109.01</u></b>      | <b><u>2,136.23</u></b>      | <b><u>8,503.96</u></b>      | <b><u>1,710.66</u></b>      |

The currency denomination of cash and cash equivalents as at 31 December was as follows:

|                             | <b>Consolidated</b>         |                             | <b>Separate</b>             |                             |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                             | <b>financial statements</b> | <b>financial statements</b> | <b>financial statements</b> | <b>financial statements</b> |
|                             | 2010                        | 2009                        | 2010                        | 2009                        |
|                             | <i>(in million Baht)</i>    |                             |                             |                             |
| Thai Baht (THB)             | 9,002.20                    | 2,133.15                    | 8,397.15                    | 1,707.58                    |
| United States Dollars (USD) | 106.81                      | 3.08                        | 106.81                      | 3.08                        |
| <b>Total</b>                | <b><u>9,109.01</u></b>      | <b><u>2,136.23</u></b>      | <b><u>8,503.96</u></b>      | <b><u>1,710.66</u></b>      |

# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2010 and 2009

### 6 Investments

|   | Consolidated<br>financial statements |               | Separate<br>financial statements |               |
|---|--------------------------------------|---------------|----------------------------------|---------------|
|   | 2010                                 | 2009          | 2010                             | 2009          |
|   | <i>(in million Baht)</i>             |               |                                  |               |
| <b><i>Current investments</i></b>               |                                      |               |                                  |               |
| Short-term deposits at financial institutions   | 9.28                                 | 8.40          | -                                | -             |
|   | <b>9.28</b>                          | <b>8.40</b>   | <b>-</b>                         | <b>-</b>      |
| <b><i>Other long-term investments</i></b>       |                                      |               |                                  |               |
| Non-marketable equity securities                |                                      |               |                                  |               |
| Fuel Pipeline Transportation Co., Ltd.          | 181.75                               | 181.75        | 181.75                           | 181.75        |
| <i>Less</i> Allowance for impairment            | (181.75)                             | (181.75)      | (181.75)                         | (181.75)      |
| ASEAN Potash Mining Plc.                        | 173.24                               | 80.00         | 173.24                           | 80.00         |
| MFC Energy Fund                                 | 126.22                               | 126.22        | 126.22                           | 126.22        |
| <i>Less</i> Allowance for impairment            | (15.50)                              | (9.85)        | (15.50)                          | (9.85)        |
| <b>Non-marketable equity securities - net</b>   | <b>283.96</b>                        | <b>196.37</b> | <b>283.96</b>                    | <b>196.37</b> |
| Debt securities held to maturity                |                                      |               |                                  |               |
| Government bonds                                | 3.30                                 | 3.00          | 3.30                             | 3.00          |
| <i>Add:</i> Premium(Discount) on investments    | 0.12                                 | (0.01)        | 0.12                             | (0.01)        |
| The Express way Authority of<br>Thailand's bond | -                                    | 0.90          | -                                | -             |
| <b>Debt securities held to maturity - net</b>   | <b>3.42</b>                          | <b>3.89</b>   | <b>3.42</b>                      | <b>2.99</b>   |
| <b>Other long-term investments</b>              | <b>287.38</b>                        | <b>200.26</b> | <b>287.38</b>                    | <b>199.36</b> |
| <b>Total</b>                                    | <b>296.66</b>                        | <b>208.66</b> | <b>287.38</b>                    | <b>199.36</b> |

### 7 Trade accounts receivable

|  | Note | Consolidated<br>financial statements |                 | Separate<br>financial statements |                 |
|--|------|--------------------------------------|-----------------|----------------------------------|-----------------|
|  |      | 2010                                 | 2009            | 2010                             | 2009            |
|  |      | <i>(in million Baht)</i>             |                 |                                  |                 |
| Related parties  | 4    | 1,593.11                             | 764.47          | 2,256.32                         | 1,381.98        |
| Other parties  |      | 4,206.37                             | 4,213.62        | 4,128.63                         | 4,190.18        |
|  |      | 5,799.48                             | 4,978.09        | 6,384.95                         | 5,572.16        |
| <i>Less</i> allowance for doubtful accounts                          |      | (73.52)                              | (73.97)         | (70.65)                          | (71.14)         |
| <b>Net</b>   |      | <b>5,725.96</b>                      | <b>4,904.12</b> | <b>6,314.30</b>                  | <b>5,501.02</b> |
| Reverse of doubtful debts expense<br>for the years ended 31 December |      | <b>(0.45)</b>                        | <b>(7.69)</b>   | <b>(0.49)</b>                    | <b>(7.82)</b>   |

# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2010 and 2009

Aging analyses for trade accounts receivable were as follows:

|                                      | Consolidated<br>financial statements |                 | Separate<br>financial statements |                 |
|--------------------------------------|--------------------------------------|-----------------|----------------------------------|-----------------|
|                                      | 2010                                 | 2009            | 2010                             | 2009            |
|                                      | <i>(in million Baht)</i>             |                 |                                  |                 |
| <b>Related parties</b>               |                                      |                 |                                  |                 |
| Within credit terms                  | 1,593.11                             | 764.47          | 2,256.32                         | 1,381.98        |
| Less allowance for doubtful accounts | -                                    | -               | -                                | -               |
| <b>Net</b>                           | <b>1,593.11</b>                      | <b>764.47</b>   | <b>2,256.32</b>                  | <b>1,381.98</b> |
| <b>Other parties</b>                 |                                      |                 |                                  |                 |
| Within credit terms                  | 4,115.22                             | 4,104.76        | 4,041.87                         | 4,086.45        |
| Overdue:                             |                                      |                 |                                  |                 |
| Less than 3 months                   | 17.70                                | 32.03           | 15.57                            | 28.69           |
| 3-6 months                           | 0.03                                 | 0.42            | 0.02                             | 0.51            |
| 6-12 months                          | 0.15                                 | 0.24            | 0.15                             | 0.30            |
| Over 12 months                       | 73.27                                | 76.17           | 71.02                            | 74.23           |
|                                      | 4,206.37                             | 4,213.62        | 4,128.63                         | 4,190.18        |
| Less allowance for doubtful accounts | (73.52)                              | (73.97)         | (70.65)                          | (71.14)         |
| <b>Net</b>                           | <b>4,132.85</b>                      | <b>4,139.65</b> | <b>4,057.98</b>                  | <b>4,119.04</b> |
| <b>Total</b>                         | <b>5,725.96</b>                      | <b>4,904.12</b> | <b>6,314.30</b>                  | <b>5,501.02</b> |

The normal credit term granted by the Group ranges from 19 days to 60 days.

The currency denomination of trade accounts receivable as at 31 December was as follows:

|                             | Consolidated<br>financial statements |                 | Separate<br>financial statements |                 |
|-----------------------------|--------------------------------------|-----------------|----------------------------------|-----------------|
|                             | 2010                                 | 2009            | 2010                             | 2009            |
|                             | <i>(in million Baht)</i>             |                 |                                  |                 |
| Thai Baht (THB)             | 4,603.69                             | 4,015.01        | 5,192.03                         | 4,611.91        |
| United States Dollars (USD) | 1,122.27                             | 889.11          | 1,122.27                         | 889.11          |
| <b>Total</b>                | <b>5,725.96</b>                      | <b>4,904.12</b> | <b>6,314.30</b>                  | <b>5,501.02</b> |

## 8 Inventories

|  | Consolidated<br>financial statements |                  | Separate<br>financial statements |                  |
|--|--------------------------------------|------------------|----------------------------------|------------------|
|  | 2010                                 | 2009             | 2010                             | 2009             |
|  | <i>(in million Baht)</i>             |                  |                                  |                  |
| Crude oil                                    | 9,940.36                             | 8,991.61         | 9,859.11                         | 8,954.70         |
| Finished oil products                        | 5,144.67                             | 5,001.82         | 4,729.20                         | 4,670.18         |
| Consumer products                            | 48.72                                | 61.50            | -                                | -                |
|  | 15,133.75                            | 14,054.93        | 14,588.31                        | 13,624.88        |
| Less: allowance for obsolete and slow moving | (0.93)                               | (1.24)           | -                                | -                |
| <b>Net</b>                                   | <b>15,132.82</b>                     | <b>14,053.69</b> | <b>14,588.31</b>                 | <b>13,624.88</b> |

# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Notes to the financial statements

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

As at 31 December 2010 and 2009, the Company's inventories included petroleum legal reserve of 412.57 million litres with approximated value of Baht 7,024.59 million and 431.38 million litres with approximated value of Baht 6,903.25 million, respectively.

The cost of inventories which is recognised as an expense and included in 'cost of sale of goods' for the year ended 31 December 2010 amounted to Baht 79,472.21 million (2009: Baht 59,299.01 million).

During 2009, the Group reversed allowance for decline in value totalling Baht 948.22 million.

## 9 Other current assets

|   | Consolidated<br>financial statements |                        | Separate<br>financial statements |                        |
|---|--------------------------------------|------------------------|----------------------------------|------------------------|
|   | 2010                                 | 2009                   | 2010                             | 2009                   |
|   | <i>(in million Baht)</i>             |                        |                                  |                        |
| Receivable from oil hedging contracts                 | 116.13                               | 559.35                 | 116.13                           | 559.35                 |
| Receivable from foreign currency hedging<br>contracts | 46.55                                | -                      | 46.55                            | -                      |
| Value added tax receivable                            | 254.16                               | 452.66                 | 254.16                           | 437.09                 |
| Prepayment of corporate income tax                    | 52.38                                | 66.81                  | 50.50                            | 50.50                  |
| Prepayment of utilities                               | 82.65                                | -                      | 82.65                            | -                      |
| Insurance compensation receivable                     | 416.39                               | -                      | 416.39                           | -                      |
| Others  | 142.44                               | 93.99                  | 87.72                            | 74.43                  |
| <b>Total</b>  | <b><u>1,110.70</u></b>               | <b><u>1,172.81</u></b> | <b><u>1,054.10</u></b>           | <b><u>1,121.37</u></b> |

## 10 Investments in subsidiaries

|                       | Separate<br>financial statements |                      |
|-----------------------|----------------------------------|----------------------|
|                       | 2010                             | 2009                 |
|                       | <i>(in million Baht)</i>         |                      |
| <i>Subsidiaries</i>   |                                  |                      |
| At 1 January          | 197.54                           | 79.31                |
| Acquisitions          | -                                | 118.23               |
| <b>At 31 December</b> | <b><u>197.54</u></b>             | <b><u>197.54</u></b> |

**The Bangchak Petroleum Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the years ended 31 December 2010 and 2009**

Investments in subsidiaries as at 31 December 2010 and 2009, and dividend income for the years then ended were as follows:

|                     | <b>Separate financial statements</b> |       |                 |        |                      |                      |                 |                 |                      |                      |                     |                 |  |
|---------------------|--------------------------------------|-------|-----------------|--------|----------------------|----------------------|-----------------|-----------------|----------------------|----------------------|---------------------|-----------------|--|
|                     | Ownership interest                   |       | Paid-up capital |        | Cost method          |                      | Impairment      |                 | At cost - net        |                      | Dividend income     |                 |  |
|                     | 2010                                 | 2009  | 2010            | 2009   | 2010                 | 2009                 | 2010            | 2009            | 2010                 | 2009                 | 2010                | 2009            |  |
| <i>Subsidiaries</i> |                                      |       |                 |        |                      |                      |                 |                 |                      |                      |                     |                 |  |
| The Bangchak        |                                      |       |                 |        |                      |                      |                 |                 |                      |                      |                     |                 |  |
| Green Net Co., Ltd. | 49.00                                | 49.00 | 1.00            | 1.00   | 0.49                 | 0.49                 | -               | -               | 0.49                 | 0.49                 | 17.64               | -               |  |
| The Bangchak        |                                      |       |                 |        |                      |                      |                 |                 |                      |                      |                     |                 |  |
| Biofuel Co., Ltd.   | 70.00                                | 70.00 | 281.50          | 281.50 | <u>197.05</u>        | <u>197.05</u>        | <u>-</u>        | <u>-</u>        | <u>197.05</u>        | <u>197.05</u>        | <u>-</u>            | <u>-</u>        |  |
| <b>Total</b>        |                                      |       |                 |        | <b><u>197.54</u></b> | <b><u>197.54</u></b> | <b><u>-</u></b> | <b><u>-</u></b> | <b><u>197.54</u></b> | <b><u>197.54</u></b> | <b><u>17.64</u></b> | <b><u>-</u></b> |  |

**The Bangchak Petroleum Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the years ended 31 December 2010 and 2009**

**11 Property, plant and equipment**

**(a) The Group**

|  | Consolidated financial statements |                 |   |   |                      |                 |                                     | Total              |
|--|-----------------------------------|-----------------|---|---|----------------------|-----------------|-------------------------------------|--------------------|
|  | Land                              | Buildings       | Machinery,<br>equipment<br>refinery plants<br>and<br>terminal | Marketing<br>and office<br>equipments<br><i>(in million Baht)</i> | Platinum<br>Catalyst | Vehicles        | Construction<br>work in<br>progress |                    |
| <b><i>Cost/Revaluation</i></b>                                 |                                   |                 |   |   |                      |                 |                                     |                    |
| At 1 January 2009  | 1,369.04                          | 530.43          | 24,650.55   | 3,791.74  | 303.96               | 128.42          | 12,683.12                           | 43,457.26          |
| Additions  | -                                 | -               | 0.22  | 14.66   | -                    | 1.13            | 4,587.30                            | 4,603.31           |
| Transfers  | 3.85                              | 279.16          | 16,095.98   | 97.09   | 159.90               | 33.63           | (16,669.61)                         | -                  |
| Disposals  | -                                 | -               | (30.00)   | (79.68)   | (17.03)              | (0.38)          | (21.35)                             | (148.44)           |
| <b>At 31 December 2009 and 1 January 2010</b>                  | <b>1,372.89</b>                   | <b>809.59</b>   | <b>40,716.75</b>  | <b>3,823.81</b>   | <b>446.83</b>        | <b>162.80</b>   | <b>579.46</b>                       | <b>47,912.13</b>   |
| Additions  | -                                 | 0.08            | 1.84  | 5.29  | -                    | 7.50            | 1,460.20                            | 1,474.91           |
| Transfers  | 30.71                             | (21.52)         | 623.70  | 271.64  | 4.26                 | 24.01           | (1,099.25)                          | (166.45)           |
| Disposals  | (30.19)                           | (0.69)          | (68.03)   | (42.60)   | -                    | (24.51)         | -                                   | (166.02)           |
| <b>At 31 December 2010</b>                                     | <b>1,373.41</b>                   | <b>787.46</b>   | <b>41,274.26</b>  | <b>4,058.14</b>   | <b>451.09</b>        | <b>169.80</b>   | <b>940.41</b>                       | <b>49,054.57</b>   |
| <b><i>Depreciation and impairment losses</i></b>               |                                   |                 |   |   |                      |                 |                                     |                    |
| At 1 January 2009  | (539.95)                          | (360.47)        | (14,886.20)   | (2,338.79)  | -                    | (96.91)         | -                                   | (18,222.32)        |
| Depreciation charge for the year                               | -                                 | (19.76)         | (926.17)  | (239.60)  | -                    | (14.20)         | -                                   | (1,199.73)         |
| Impairment losses  | (14.06)                           | -               | -   | -   | -                    | -               | -                                   | (14.06)            |
| Reversal of impairment losses                                  | -                                 | -               | 0.56  | 8.54  | -                    | -               | -                                   | 9.10               |
| Transfer   | -                                 | -               | -   | -   | -                    | -               | -                                   | -                  |
| Disposals  | -                                 | -               | 28.28   | 57.07   | -                    | 0.38            | -                                   | 85.73              |
| <b>At 31 December 2009 and 1 January 2010</b>                  | <b>(554.01)</b>                   | <b>(380.23)</b> | <b>(15,783.53)</b>  | <b>(2,512.78)</b>   | <b>-</b>             | <b>(110.73)</b> | <b>-</b>                            | <b>(19,341.28)</b> |
| Depreciation charge for the year                               | -                                 | (32.37)         | (1,762.79)  | (253.77)  | -                    | (17.93)         | -                                   | (2,066.86)         |
| Reversal of accumulated depreciation<br>on revaluation surplus | -                                 | -               | 13.68   | -   | -                    | -               | -                                   | 13.68              |
| Reversal of impairment losses                                  | 127.13                            | -               | -   | 5.66  | -                    | -               | -                                   | 132.79             |
| Transfers  | -                                 | 2.19            | (1.35)  | 1.06  | -                    | (0.78)          | -                                   | 1.12               |
| Disposals  | -                                 | 0.10            | 51.53   | 33.38   | -                    | 24.51           | -                                   | 109.52             |
| <b>At 31 December 2010</b>                                     | <b>(426.88)</b>                   | <b>(410.31)</b> | <b>(17,482.46)</b>  | <b>(2,726.45)</b>   | <b>-</b>             | <b>(104.93)</b> | <b>-</b>                            | <b>(21,151.03)</b> |

**The Bangchak Petroleum Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the years ended 31 December 2010 and 2009**

|  | <b>Consolidated financial statements</b> |               |   |   |                      |              |                                     | Total            |
|--|--|---------------|---|---|----------------------|--------------|-------------------------------------|------------------|
|  | Land                                     | Buildings     | Machinery,<br>equipment<br>refinery plants<br>and<br>terminal | Marketing<br>and office<br>equipments<br><br><i>(in million Baht)</i> | Platinum<br>Catalyst | Vehicles     | Construction<br>work in<br>progress |                  |
| <i>Net book value</i>                  |  |               |   |   |                      |              |                                     |                  |
| At 1 January 2009                      | 829.09                                   | 169.96        | 9,764.35  | 1,452.95  | 303.96               | 31.51        | 12,683.12                           | 25,234.94        |
| At 31 December 2009 and 1 January 2010 | <u>818.88</u>                            | <u>429.36</u> | <u>24,933.22</u>  | <u>1,311.03</u>   | <u>446.83</u>        | <u>52.07</u> | <u>579.46</u>                       | <u>28,570.85</u> |
| At 31 December 2010                    | <u>946.53</u>                            | <u>377.15</u> | <u>23,791.80</u>  | <u>1,331.69</u>   | <u>451.09</u>        | <u>64.87</u> | <u>940.41</u>                       | <u>27,903.54</u> |

As at 31 December 2010, a subsidiary has mortgaged its land, buildings and machinery as collateral with financial institutions for credit facilities totaling Baht 784.45 million (31 December 2009: Baht 831.15 million).

Capitalised borrowing costs relating to the acquisition of the land and the construction of the new factory amounted to Baht 14.22 million (2009: Baht 358.00 million), with a capitalization rate of 4.22% (2009: 3.09% - 6.50%) (see note 31).

The gross amount of the Group's fully depreciated property, plant and equipment that was still in use as at 31 December 2010 amounted to Baht 1,978.31 million (2009: Baht 1,588.47 million).

**The Bangchak Petroleum Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the years ended 31 December 2010 and 2009**

**(b) The Company**

|  | Separate financial statements |                 |   |   |                      |                 |                                     |                    |
|--|-------------------------------|-----------------|---|---|----------------------|-----------------|-------------------------------------|--------------------|
|  | Land                          | Buildings       | Machinery,<br>equipment<br>refinery plants<br>and<br>terminal | Marketing<br>and office<br>equipments<br><br><i>(in million Baht)</i> | Platinum<br>Catalyst | Vehicles        | Construction<br>work in<br>progress | Total              |
| <b><i>Cost/Revaluation</i></b>                                 |                               |                 |   |   |                      |                 |                                     |                    |
| At 1 January 2009  | 1,323.16                      | 530.43          | 24,650.55   | 3,750.63  | 303.96               | 120.41          | 12,524.12                           | 43,203.26          |
| Additions  | -                             | -               | -   | -   | -                    | -               | 3,948.98                            | 3,948.98           |
| Transfers  | 3.85                          | 19.56           | 15,567.87   | 97.09   | 159.90               | 33.63           | (15,881.90)                         | -                  |
| Disposals  | -                             | -               | (30.00)   | (68.28)   | (17.03)              | (0.38)          | (21.35)                             | (137.04)           |
| <b>At 31 December 2009 and 1 January 2010</b>                  | <b>1,327.01</b>               | <b>549.99</b>   | <b>40,188.42</b>  | <b>3,779.44</b>   | <b>446.83</b>        | <b>153.66</b>   | <b>569.85</b>                       | <b>47,015.20</b>   |
| Additions  | -                             | -               | -   | -   | -                    | -               | 1,453.43                            | 1,453.43           |
| Transfers  | 30.71                         | 20.52           | 576.03  | 282.56  | 4.27                 | 24.01           | (1,103.13)                          | (165.03)           |
| Disposals  | (30.19)                       | (0.69)          | (68.03)   | (42.58)   | -                    | (21.68)         | -                                   | (163.17)           |
| <b>At 31 December 2010</b>                                     | <b>1,327.53</b>               | <b>569.82</b>   | <b>40,696.42</b>  | <b>4,019.42</b>   | <b>451.10</b>        | <b>155.99</b>   | <b>920.15</b>                       | <b>48,140.43</b>   |
| <b><i>Depreciation and impairment losses</i></b>               |                               |                 |   |   |                      |                 |                                     |                    |
| At 1 January 2009  | (539.95)                      | (360.47)        | (14,886.20)   | (2,303.07)  | -                    | (92.73)         | -                                   | (18,182.42)        |
| Depreciation charge for the year                               | -                             | (18.25)         | (922.49)  | (236.43)  | -                    | (13.78)         | -                                   | (1,190.95)         |
| Impairment losses  | (14.06)                       | -               | -   | -   | -                    | -               | -                                   | (14.06)            |
| Reversal of impairment losses                                  | -                             | -               | 0.56  | 8.54  | -                    | -               | -                                   | 9.10               |
| Transfer   | -                             | -               | -   | -   | -                    | -               | -                                   | -                  |
| Disposals  | -                             | -               | 28.28   | 45.78   | -                    | 0.38            | -                                   | 74.44              |
| <b>At 31 December 2009 and 1 January 2010</b>                  | <b>(554.01)</b>               | <b>(378.72)</b> | <b>(15,779.85)</b>  | <b>(2,485.18)</b>   | <b>-</b>             | <b>(106.13)</b> | <b>-</b>                            | <b>(19,303.89)</b> |
| Depreciation charge for the year                               | -                             | (19.56)         | (1,730.20)  | (251.10)  | -                    | (15.54)         | -                                   | (2,016.40)         |
| Reversal of accumulated depreciation<br>on revaluation surplus | -                             | -               | 13.68   | -   | -                    | -               | -                                   | 13.68              |
| Reversal of impairment losses                                  | 127.13                        | -               | -   | 5.66  | -                    | -               | -                                   | 132.79             |
| Transfers  | -                             | -               | -   | (0.14)  | -                    | -               | -                                   | (0.14)             |
| Disposals  | -                             | 0.10            | 51.53   | 33.36   | -                    | 21.68           | -                                   | 106.67             |
| <b>At 31 December 2010</b>                                     | <b>(426.88)</b>               | <b>(398.18)</b> | <b>(17,444.84)</b>  | <b>(2,697.40)</b>   | <b>-</b>             | <b>(99.99)</b>  | <b>-</b>                            | <b>(21,067.29)</b> |



**The Bangchak Petroleum Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the years ended 31 December 2010 and 2009**

|  | Separate financial statements |           |   |   |                      |          |                                     | Total     |
|--|-------------------------------|-----------|---|---|----------------------|----------|-------------------------------------|-----------|
|  | Land                          | buildings | Machinery,<br>equipment<br>refinery plants<br>and<br>terminal | Marketing<br>and office<br>equipments<br><i>(in million Baht)</i> | Platinum<br>catalyst | Vehicles | Construction<br>work in<br>progress |           |
| <b><i>Net book value</i></b>           |                               |           |   |   |                      |          |                                     |           |
| At 1 January 2009                      | 783.21                        | 169.96    | 9,764.35  | 1,447.56  | 303.96               | 27.68    | 12,524.12                           | 25,020.84 |
| At 31 December 2009 and 1 January 2010 | 773.00                        | 171.27    | 24,408.57   | 1,294.26  | 446.83               | 47.53    | 569.85                              | 27,711.31 |
| At 31 December 2010                    | 900.65                        | 171.64    | 23,251.58   | 1,322.02  | 451.10               | 56.00    | 920.15                              | 27,073.14 |

In 2007, the Company engaged an independent appraiser to reappraise the machinery, equipment refinery plants and platinum catalyst using depreciated replacement cost approach as per report dated 31 December 2007. As a result, surplus on revaluation increased from previously appraised by Baht 1,070.90 million as of 31 December 2007. As of 31 December 2010, outstanding balances of surplus on revaluation of property, plant, and equipment amounted to Baht 4,108.13 million (2009: Baht 4,477.25 million). Surplus on revaluation has been accounted for in accordance with the accounting policy as stipulated in Note 3 (h) and presented as a separate item under “Equity” in the balance sheet. Revaluation surplus is not available for dividend distribution.

The carrying amount that would have been recognised had the assets been carried under the cost model as at 31 December 2010 totaling of Baht 23,454.64 million (2009: 23,856.48 million).

Capitalised borrowing costs relating to the acquisition of the land and the construction of the new factory amounted to Baht 14.22 million (2009: Baht 338.96 million), with a capitalization rate of 4.22 % (2009: 3.09% – 4.43%) (see note 31).

The gross amount of the Company’s fully depreciated property, plant and equipment that was still in use as at 31 December 2010 amounted to Baht 1,955.52 million (2009: Baht 1,563.14 million).

# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2010 and 2009

### 12 Leasehold Rights

|   | <b>Consolidated<br/>and Separate<br/>financial statements</b><br><i>(in million Baht)</i> |
|---|---|
| <i>Cost</i>                                   |   |
| At 1 January 2009                             | 2,127.78  |
| Addition                                      | 27.20   |
| <b>At 31 December 2009 and 1 January 2010</b> | <b>2,154.98</b>   |
| Addition                                      | 15.93   |
| <b>At 31 December 2010</b>                    | <b>2,170.91</b>   |
| <i>Amortisation and impairment losses</i>     |   |
| At 1 January 2009                             | (1,041.04)  |
| Amortisation charge for the year              | (89.52)   |
| Reversal of loss on impairment                | 0.58  |
| <b>At 31 December 2009 and 1 January 2010</b> | <b>(1,129.98)</b>   |
| Amortisation charge for the year              | (89.63)   |
| Reversal of impairment losses                 | 2.72  |
| <b>At 31 December 2010</b>                    | <b>(1,216.89)</b>   |
| <i>Net book value</i>                         |   |
| <b>At 1 January 2009</b>                      | <b>1,086.74</b>   |
| <b>At 31 December 2009 and 1 January 2010</b> | <b>1,025.00</b>   |
| <b>At 31 December 2010</b>                    | <b>954.02</b>   |

On 27 February 2004, The Treasury Department permitted the Company to settle by instalments, the leasehold fee of Baht 551.63 million for an extension of the lease agreement of state-owned land on which the Company's refinery is located. The initial lease agreement, which due for expiration on 1 April 2015, will be extended for period of 18 years under the new lease agreement, which will expire on 31 March 2033. The Company has extended the amortisation period of existing leasehold rights to 31 March 2033, which corresponds to the period of the new agreement. The annually instalments of the leasehold fee are as followed;

| Period               | <i>(in million Baht)</i> |
|----------------------|--------------------------|
| The year 2007 - 2009 | 137.90                   |
| The year 2010 - 2012 | 183.88                   |
| The year 2013 - 2015 | 229.85                   |
|                      | <b>551.63</b>            |

As at 31 December 2010, leasehold right liability has remaining balance totalling Baht 352.94 million (2009: Baht 414.48 million).

# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2010 and 2009

### 13 Intangible assets

|   | Right to use and cost of<br>development of computer<br>software |  |
|---|---|--|
|   | <b>Consolidated<br/>financial<br/>statements</b>                | <b>Separate<br/>financial<br/>statements</b> |
|   | <i>(in million Baht)</i>  |  |
| <i>Cost</i>                                   |   |  |
| At 1 January 2009                             | 163.25  | 160.87                                       |
| Addition                                      | 15.58   | 15.21  |
| <b>At 31 December 2009 and 1 January 2010</b> | <b>178.83</b>   | <b>176.08</b>                                |
| Addition                                      | 18.19   | 17.84  |
| <b>At 31 December 2010</b>                    | <b>197.02</b>   | <b>193.92</b>                                |
| <i>Amortisation and impairment losses</i>     |   |  |
| At 1 January 2009                             | (60.80)   | (59.73)                                      |
| Amortisation charge for the year              | (29.19)   | (28.70)                                      |
| <b>At 31 December 2009 and 1 January 2010</b> | <b>(89.99)</b>  | <b>(88.43)</b>                               |
| Amortisation charge for the year              | (32.30)   | (31.62)                                      |
| <b>At 31 December 2010</b>                    | <b>(122.29)</b>   | <b>(120.05)</b>                              |
| <i>Net book value</i>                         |   |  |
| At 1 January 2009                             | <b>102.45</b>   | <b>101.14</b>                                |
| <b>At 31 December 2009 and 1 January 2010</b> | <b>88.84</b>  | <b>87.65</b>                                 |
| <b>At 31 December 2010</b>                    | <b>74.73</b>  | <b>73.87</b>                                 |

### 14 Investment in oil service stations

The investments in oil service stations comprise oil service station expansion with different approaches. The Company invests and grants others to operate or enter into a joint venture agreement, or with investment made by the operator and the Company providing support.

As at 31 December 2010, the balances outstanding in the investment in service stations account total Baht 215.64 million (2009: Baht 238.90 million). The Company amortised the investment in service stations on a straight-line basis over the term of the agreement. Amortisation charge for the year ended 31 December 2010 total Baht 43.92 million (2009: Baht 45.04 million)

### 15 Deferred tax

Deferred tax assets and liabilities determined after appropriate offsetting are included in the balance sheets as follows:

|                          | Consolidated<br>financial statements |               | Separate<br>financial statements |               |
|--------------------------|--------------------------------------|---------------|----------------------------------|---------------|
|                          | 2010                                 | 2009          | 2010                             | 2009          |
|                          | <i>(in million Baht)</i>             |               |                                  |               |
| Deferred tax assets      | 175.32                               | 158.33        | 175.32                           | 158.33        |
| Deferred tax liabilities | (13.09)                              | (16.36)       | (13.09)                          | (16.36)       |
| <b>Net</b>               | <b>162.23</b>                        | <b>141.97</b> | <b>162.23</b>                    | <b>141.97</b> |

# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2010 and 2009

Movements in deferred tax assets and liabilities during the year were as follows:

|   | Consolidated and Separate financial statements |   |                        |
|---|--|---|------------------------|
|   | At 1 January<br>2010                           | (Charged) / credited to<br>Statement of<br>income<br>(Note 32)<br>(in million Baht) | At 31 December<br>2010 |
| <b>Deferred tax assets</b>                            |  |   |                        |
| Pension fund reserve                                  | 136.99   | 17.14   | 154.13                 |
| Others  | 21.34  | (0.15)  | 21.19                  |
| <b>Total</b>  | <b>158.33</b>                                  | <b>16.99</b>  | <b>175.32</b>          |
| <b>Deferred tax liability</b>                         |  |   |                        |
| Property, plant and equipment                         | 16.36  | (3.27)  | 13.09                  |
| <b>Total</b>  | <b>16.36</b>                                   | <b>(3.27)</b>   | <b>13.09</b>           |
| <b>Net</b>  | <b>141.97</b>                                  | <b>20.26</b>  | <b>162.23</b>          |
| <b>Consolidated and Separate financial statements</b> |  |   |                        |
|   | At 1 January<br>2009                           | (Charged) / credited to<br>Statement of<br>income<br>(Note 32)<br>(in million Baht) | At 31 December<br>2009 |
| <b>Deferred tax assets</b>                            |  |   |                        |
| Pension fund reserve                                  | 118.17   | 18.82   | 136.99                 |
| Loss carryforward                                     | 332.48   | (332.48)  | -                      |
| Others  | 23.69  | (2.35)  | 21.34                  |
| <b>Total</b>  | <b>474.34</b>                                  | <b>(316.01)</b>   | <b>158.33</b>          |
| <b>Deferred tax liability</b>                         |  |   |                        |
| Property, plant and equipment                         | 19.63  | (3.27)  | 16.36                  |
| <b>Total</b>  | <b>19.63</b>                                   | <b>(3.27)</b>   | <b>16.36</b>           |
| <b>Net</b>  | <b>454.71</b>                                  | <b>(312.74)</b>   | <b>141.97</b>          |

## 16 Other non-current assets

|   | Consolidated<br>financial statements |               | Separate<br>financial statements |               |
|---|--------------------------------------|---------------|----------------------------------|---------------|
|   | 2010                                 | 2009          | 2010                             | 2009          |
|   | (in million Baht)                    |               |                                  |               |
| Fixed deposit for staff welfare   | 341.17                               | 223.64        | 341.17                           | 223.64        |
| Deposit for crude and product oil<br>hedging contracts                  | 60.02                                | -             | 60.02                            | -             |
| Deferred expenses for the issuance<br>of debentures and long-term loans | 208.18                               | 185.49        | 202.64                           | 178.90        |
| Others  | 75.65                                | 81.16         | 74.28                            | 80.41         |
| <b>Total</b>  | <b>685.02</b>                        | <b>490.29</b> | <b>678.11</b>                    | <b>482.95</b> |

**The Bangchak Petroleum Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the years ended 31 December 2010 and 2009**

**17 Interest-bearing liabilities**

|   | <b>Consolidated<br/>financial statements</b> |                  | <b>Separate<br/>financial statements</b> |                  |
|---|--|------------------|--|------------------|
|   | 2010   | 2009             | 2010                                     | 2009             |
|   | <i>(in million Baht)</i>                     |                  |  |                  |
| <b>Current</b>  |  |                  |  |                  |
| Short-term loans from financial institutions                      |  |                  |  |                  |
| secured   | 40.00  | 100.00           | -  | -                |
| unsecured   | -  | 800.00           | -  | 800.00           |
|   | <b>40.00</b>                                 | <b>900.00</b>    | <b>-</b>                                 | <b>800.00</b>    |
| Current portion of long-term loans<br>from financial institutions |  |                  |  |                  |
| secured   | 74.71  | 35.28            | -  | -                |
| unsecured   | 2,587.41                                     | 887.26           | 2,587.41                                 | 887.26           |
|   | <b>2,662.12</b>                              | <b>922.54</b>    | <b>2,587.41</b>                          | <b>887.26</b>    |
| <b>Total Current</b>  | <b>2,702.12</b>                              | <b>1,822.54</b>  | <b>2,587.41</b>                          | <b>1,687.26</b>  |
| <b>Non-current</b>  |  |                  |  |                  |
| Long -term loans from financial institutions                      |  |                  |  |                  |
| secured   | 474.58                                       | 529.22           | -  | -                |
| unsecured   | 14,504.04                                    | 11,531.77        | 14,504.04                                | 11,531.77        |
|   | <b>14,978.62</b>                             | <b>12,060.99</b> | <b>14,504.04</b>                         | <b>11,531.77</b> |
| Convertible Debenture<br>unsecured                                | 1,936.57                                     | 2,036.57         | 1,936.57                                 | 2,036.57         |
|   | <b>1,936.57</b>                              | <b>2,036.57</b>  | <b>1,936.57</b>                          | <b>2,036.57</b>  |
| <b>Total Non-current</b>  | <b>16,915.19</b>                             | <b>14,097.56</b> | <b>16,440.61</b>                         | <b>13,568.34</b> |
| <b>Total</b>  | <b>19,617.31</b>                             | <b>15,920.10</b> | <b>19,028.02</b>                         | <b>15,255.60</b> |

**The Bangchak Petroleum Public Company Limited and its Subsidiaries**  
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Details of the Group's loans from financial institutions as at 31 December were as follows:

|   | Facilities |              | Interest   |   | Consolidated financial statements |                  | Separate financial statements |                  |
|---|------------|--------------|--|---|-----------------------------------|------------------|-------------------------------|------------------|
|   | Currency   | (in million) | Interest Rates (%) p.a.  | Repayment Terms   | 2010                              | 2009             | 2010                          | 2009             |
| <i>Short-term loans from financial institutions</i> |            |              |  |   |                                   |                  |                               |                  |
| <b>The Company</b>                                  | Baht       | 10,105       | MMR  | Payable in accordance with terms in Promissory note                           | -                                 | 800.00           | -                             | 800.00           |
| <b>Subsidiary</b>                                   | Baht       | 220          | MOR - 1  | Payable in accordance with terms in Promissory note                           | 40.00                             | 100.00           | -                             | -                |
| <b>Total</b>  |            |              |  |   | <b>40.00</b>                      | <b>900.00</b>    | <b>-</b>                      | <b>800.00</b>    |
| <i>Long-term loans from financial institutions</i>  |            |              |  |   |                                   |                  |                               |                  |
| <b>The Company</b>                                  | Baht       | 7,100        | THBFIX 6M plus margin  | The principle will be repayable in 18 instalments commencing in December 2008 | 5,573.50                          | 6,212.50         | 5,573.50                      | 6,212.50         |
| <b>The Company</b>                                  | Baht       | 8,400        | THBFIX 6M plus margin  | The principle will be repayable in 15 instalments commencing in June 2010     | 7,567.95                          | 6,206.53         | 7,567.95                      | 6,206.53         |
| <b>The Company</b>                                  | Baht       | 4,200        | Fixed Interest Rate  | The principle will be repayable in 26 instalments commencing in March 2013    | 450.00                            | -                | 450.00                        | -                |
| <b>The Company</b>                                  | Baht       | 3,500        | THBFIX 6M plus margin  | The principle will be repayable in 23 instalments commencing in December 2011 | 3,500.00                          | -                | 3,500.00                      | -                |
| <b>Subsidiary</b>                                   | Baht       | 710          | Sign agreement – 2 years MLR minus 0.25<br>After – MLR minus 0.5 | The principle will be repayable in 24 instalments commencing in June 2010     | 549.29                            | 564.50           | -                             | -                |
| <b>Total</b>  |            |              |  |   | <b>17,640.74</b>                  | <b>12,983.53</b> | <b>17,091.45</b>              | <b>12,419.03</b> |
| <i>Less: Current portion</i>                        |            |              |  |   | (2,662.12)                        | (922.54)         | (2,587.41)                    | (887.06)         |
| <b>Net</b>  |            |              |  |   | <b>14,978.62</b>                  | <b>12,060.99</b> | <b>14,504.04</b>              | <b>11,531.77</b> |

# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Notes to the financial statements

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

The loan agreements contain certain conditions and restrictions such as maintaining of certain debt to equity ratio, debt service coverage ratio and current ratio.

As at 31 December 2010 the Group and the Company had unutilised credit facilities totalling Baht 15,234 million and 15,110 million, respectively (2009: Baht 16,815 million and Baht 16,530 million, respectively).

#### *Convertible Debentures*

On 29 January 2004, the Company issued 400,000 units of unsecured, convertible into common stock, subordinated registered debentures with holders' names. The instruments have a face value of Baht 10,000 per unit, with a 10-year maturing period and with interest of 3% per annum. The convertible value of the debenture is Baht 14.30 per common stock, subjected to subsequent adjustment of price according to the terms of the exercise of conversion right in the Debentures. The issuance of the convertible debentures was part of the financial restructuring plan, approved by the cabinet on 8 July 2003; in which offerings were made to investing institution in the form of depository receipt against benefits derived from the convertible debentures. The issuance of the depository receipt was made by the Siam DR Co., Ltd. (which is 99% owned by The Stock Exchange of Thailand) on the basis of one depository receipt for one convertible debenture. The Ministry of Finance guarantees the investment and offers to buy back the depository receipts at the initial offered price of Baht 10,000 per unit; as specified under the term of the depository receipts.

The holders of the depository receipts can exchange them for convertible debentures and convert the debentures into common stock. Such conversion, however, must be done on every 30<sup>th</sup> day of March, June, September and December of each year. The first conversion commenced on 30 September 2004 and will end on 30 September 2013. This is in accordance with the terms and conditions relating to depository receipts and also the convertible debentures.

On 16 May 2006, the Company issued 58,560 units of unsecured, convertible into common stock, subordinated registered debentures with holders' names. The instruments have a face value of Baht 10,000 per unit, with a 10-year maturing period and with interest of 3% per annum. The convertible value of the debenture is Baht 14 per one common stock, subjected to subsequent adjustment of price according to the terms of the exercise of conversion right in the Debentures. The issuance of the convertible debentures offered to PTT Public Co., Ltd. is part of the financing for Product Quality Improvement Project (PQI).

As of 31 December 2010, the remaining balances of Convertible Debentures were 193,657 units. The balance included 104,000 units of convertible debenture with order of conversion on 30 December 2010 without available ordinary shares. The conversion of convertible debenture at rate of Baht 14.30 per common share would be effective once the Company registered for additional authorised share capital in January 2011.

The periods to maturity of interest-bearing liabilities as at 31 December were as follows:

|                                      | <b>Consolidated</b>         |                             | <b>Separate</b>             |                             |
|--------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                      | <b>financial statements</b> | <b>financial statements</b> | <b>financial statements</b> | <b>financial statements</b> |
|                                      | 2010                        | 2009                        | 2010                        | 2009                        |
|                                      | <i>(in million Baht)</i>    |                             |                             |                             |
| Within one year                      | 2,702.12                    | 1,822.54                    | 2,587.41                    | 1,687.26                    |
| After one year but within five years | 10,135.84                   | 7,860.14                    | 9,661.26                    | 7,491.80                    |
| After five years                     | 6,779.35                    | 6,237.42                    | 6,779.35                    | 6,076.54                    |
| <b>Total</b>                         | <b><u>19,617.31</u></b>     | <b><u>15,920.10</u></b>     | <b><u>19,028.02</u></b>     | <b><u>15,255.60</u></b>     |

**The Bangchak Petroleum Public Company Limited and its Subsidiaries**  
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Secured interest-bearing liabilities as at 31 December were secured on the following assets:

|                               | <b>Consolidated<br/>financial statements</b> |               | <b>Separate<br/>financial statements</b> |          |
|-------------------------------|--|---------------|--|----------|
|                               | 2010   | 2009          | 2010                                     | 2009     |
|                               | <i>(in million Baht)</i>                     |               |  |          |
| Property, plant and equipment | 784.45                                       | 831.15        | -  | -        |
| <b>Total</b>                  | <b>784.45</b>                                | <b>831.15</b> | <b>-</b>                                 | <b>-</b> |

Interest-bearing liabilities of the Group and the Company as at 31 December 2010 and 2009 were denominated entirely in Thai Baht.

**18 Trade accounts payable**

|                 | <i>Note</i> | <b>Consolidated<br/>financial statements</b> |                 | <b>Separate<br/>financial statements</b> |                 |
|-----------------|-------------|--|-----------------|--|-----------------|
|                 |             | 2010   | 2009            | 2010                                     | 2009            |
|                 |             | <i>(in million Baht)</i>                     |                 |  |                 |
| Related parties | 4           | 9,347.03                                     | 5,354.32        | 9,448.30                                 | 5,438.69        |
| Other parties   |             | 886.99                                       | 714.88          | 646.08                                   | 584.27          |
| <b>Total</b>    |             | <b>10,234.02</b>                             | <b>6,069.20</b> | <b>10,094.38</b>                         | <b>6,022.96</b> |

The currency denomination of trade accounts payable as at 31 December was as follows:

|                             | <b>Consolidated<br/>financial statements</b> |                 | <b>Separate<br/>financial statements</b> |                 |
|-----------------------------|--|-----------------|--|-----------------|
|                             | 2010   | 2009            | 2010                                     | 2009            |
|                             | <i>(in million Baht)</i>                     |                 |  |                 |
| Thai Baht (THB)             | 10,189.51                                    | 6,069.20        | 10,049.87                                | 6,022.96        |
| United States Dollars (USD) | 44.51  | -               | 44.51                                    | -               |
| <b>Total</b>                | <b>10,234.02</b>                             | <b>6,069.20</b> | <b>10,094.38</b>                         | <b>6,022.96</b> |

**19 Other current liabilities**

|  | <b>Consolidated<br/>financial statements</b> |                 | <b>Separate<br/>financial statements</b> |                 |
|--|--|-----------------|--|-----------------|
|  | 2010   | 2009            | 2010                                     | 2009            |
|  | <i>(in million Baht)</i>                     |                 |  |                 |
| Accrued expenses                           | 536.27                                       | 645.18          | 422.15                                   | 534.45          |
| Other accounts payable                     | 1,296.17                                     | 1,308.34        | 1,286.60                                 | 1,294.32        |
| Retention                                  | 664.26                                       | 659.49          | 656.89                                   | 650.76          |
| Current portion of non-current liabilities | 79.67  | 78.91           | 78.00                                    | 78.91           |
| Value added tax payable                    | 24.62  | 0.74            | -  | -               |
| Others                                     | 206.09                                       | 148.55          | 204.48                                   | 146.76          |
| <b>Total</b>                               | <b>2,807.08</b>                              | <b>2,841.21</b> | <b>2,648.12</b>                          | <b>2,705.20</b> |



# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2010 and 2009

### 20 Other non-current liabilities

|                             | Consolidated<br>financial statements |               | Separate<br>financial statements |               |
|-----------------------------|--------------------------------------|---------------|----------------------------------|---------------|
|                             | 2010                                 | 2009          | 2010                             | 2009          |
|                             | <i>(in million Baht)</i>             |               |                                  |               |
| Provision for pension funds | 513.75                               | 456.62        | 513.75                           | 456.62        |
| Others                      | 72.67                                | 69.80         | 51.18                            | 53.29         |
| <b>Total</b>                | <b>586.42</b>                        | <b>526.42</b> | <b>564.93</b>                    | <b>509.91</b> |

### 21 Share capital

|  | Par value<br>per share<br><i>(in Baht)</i> | 2010            |                 | 2009            |                 |
|--|--|-----------------|-----------------|-----------------|-----------------|
|  |  | Number          | Baht            | Number          | Baht            |
| <i>(million shares / million Baht)</i> |  |                 |                 |                 |                 |
| <b><i>Authorised</i></b>               |  |                 |                 |                 |                 |
| At 1 January                           |  |                 |                 |                 |                 |
| ordinary shares                        | <i>1</i>                                   | 1,531.64        | 1,531.64        | 1,531.64        | 1,531.64        |
| <b>At 31 December</b>                  |  |                 |                 |                 |                 |
| ordinary shares                        | <i>1</i>                                   | <b>1,531.64</b> | <b>1,531.64</b> | <b>1,531.64</b> | <b>1,531.64</b> |
| <b><i>Issued and paid-up</i></b>       |  |                 |                 |                 |                 |
| At 1 January                           |  |                 |                 |                 |                 |
| ordinary shares                        | <i>1</i>                                   | 1,169.83        | 1,169.83        | 1,119.13        | 1,119.13        |
| Issue of new shares                    | <i>1</i>                                   | 6.99            | 6.99            | 50.70           | 50.70           |
| <b>At 31 December</b>                  |  |                 |                 |                 |                 |
| ordinary shares                        | <i>1</i>                                   | <b>1,176.82</b> | <b>1,176.82</b> | <b>1,169.83</b> | <b>1,169.83</b> |

On 4 October 2010, the Company issued 6.99 million new ordinary shares with a par value of Baht 1 each, totalling Baht 6.99 million to support the conversion of convertible debentures. The convertible value of each debenture is Baht 14.30 per common share, which results in a share premium totalling Baht 93.00 million.

On 3 July 2009, the Company issued 50.70 million new ordinary shares with a par value of Baht 1 each, totalling Baht 50.70 million to support the conversion of convertible debentures. The convertible value of each debenture is Baht 14.30 per common share, which results in a share premium totalling Baht 674.28 million.

### 22 Additional paid-in capital and reserves

#### *Share premium*

Section 51 of the Public Companies Act B.E. 2535 requires companies to set aside share subscription monies received in excess of the par value of the shares issued to a reserve account (“share premium”). Share premium is not available for dividend distribution.

**The Bangchak Petroleum Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the years ended 31 December 2010 and 2009**

*Capital surplus on registered and paid-up share reduction*

On 6 July 2004, the Company registered with the Ministry of Commerce, the reduction in the Company's registered share capital from Baht 1,032,761,220 to Baht 843,143,461 and the paid-up share capital from Baht 753,040,940 to Baht 563,423,181. These changes were due to the reduction of 189,617,759 shares held by the Siam DR Co., Ltd. to be consistent with the number of "Depository Receipts of BCP's Ordinary Shares (DR)" which were issued and offered by the Siam DR Co., Ltd. The Company received consent from the Siam DR Co., Ltd. for reducing the mentioned number of shares without capital payback. The Company proceeded the share reduction to Capital on registered and paid-up share reduction account.

*Legal reserve*

Section 116 of the Public Companies Act B.E. 2535 Section 116 requires that a company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward, to a reserve account ("legal reserve"), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

*Valuation changes*

The valuation changes account within equity cumulative net change in the valuation of property, plant and equipment included in the financial statements at valuation until such property, plant and equipment is sold or otherwise disposed of.

**23 Warrants**

On 15 May 2006, the Company issued 69,092,486 units of no offering price warrants for the purchase of Ordinary Shares to the Company's existing shareholders whose names are in the share register book as at the closing date of the share register book, which is on 20 April 2006. The allocation ratio of the existing shares to the new warrants is 10 existing shares for 1 unit of warrant, Term of Warrants 5 years, exercised price Baht 18 per share, exercised ratio 1 warrant: 1 ordinary share (the exercised price and exercised ratio may be changed in accordance with the conditions for adjustment of rights). The warrant holders are able to exercise the warrants on the last business day of March, June, September, and December throughout the term of the warrants. The first exercise date shall be on 30 September 2006, and the last exercise date shall be at the end of term of warrants, which is on 14 May 2011.

As of 31 December 2010, the remaining balance of the warrants was 69,032,486 units.

**24 Segment information**

Segment information is presented in respect of the Group's business. The primary format, business segments is based on the Group's management and internal reporting structure.

*Business segments*

The Group comprises the following main business segments:

|                  |           |
|------------------|-----------|
| <i>Segment 1</i> | Refinery  |
| <i>Segment 2</i> | Marketing |

# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Notes to the financial statements

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

Profit (loss) results, based on consolidated business segments for the years ended 31 December 2010 and 2009 were as follows:

|   | <b>2010</b>              |                    |                     | <b>Total</b>           |
|---|--------------------------|--------------------|---------------------|------------------------|
|   | <b>Refinery</b>          | <b>Marketing</b>   | <b>Eliminations</b> |                        |
|   | <i>(in million Baht)</i> |                    |                     |                        |
| Sales   | 131,481.77               | 96,914.49          | (92,026.87)         | 136,369.39             |
| Cost of sales   | <u>(128,491.54)</u>      | <u>(93,555.03)</u> | <u>92,026.87</u>    | <u>(130,019.70)</u>    |
| Gross profit  | 2,990.23                 | 3,359.46           | -                   | 6,349.69               |
| Other income  | 576.79                   | 140.14             | -                   | 716.93                 |
| Selling and administrative expenses and management benefit expenses | (797.58)                 | (2,585.30)         | -                   | (3,382.88)             |
| Gain from crude and product oil price hedging contract              | 27.63                    | -                  | -                   | 27.63                  |
| Gain on foreign exchange  | 894.68                   | 37.08              | -                   | 931.76                 |
| Reversal of allowance for loss from impairment of assets            | <u>97.63</u>             | <u>48.61</u>       | <u>-</u>            | <u>146.24</u>          |
| Profit before finance costs and income tax expense                  | <u>3,789.38</u>          | <u>999.99</u>      | <u>-</u>            | 4,789.37               |
| Finance costs   |                          |                    |                     | (898.94)               |
| Income tax  |                          |                    |                     | <u>(1,001.86)</u>      |
| <b>Profit for the year</b>  |                          |                    |                     | <b><u>2,888.57</u></b> |

|   | <b>2009</b>              |                    |                     | <b>Total</b>           |
|---|--------------------------|--------------------|---------------------|------------------------|
|   | <b>Refinery</b>          | <b>Marketing</b>   | <b>Eliminations</b> |                        |
|   | <i>(in million Baht)</i> |                    |                     |                        |
| Sales   | 104,137.75               | 75,190.64          | (70,647.16)         | 108,681.23             |
| Cost of sales   | <u>(99,785.23)</u>       | <u>(71,871.45)</u> | <u>70,647.16</u>    | <u>(101,009.52)</u>    |
| Gross profit  | 4,352.52                 | 3,319.19           | -                   | 7,671.71               |
| Other income  | 82.41                    | 142.20             | -                   | 224.61                 |
| Selling and administrative expenses and management benefit expenses | (737.48)                 | (2,412.94)         | -                   | (3,150.42)             |
| Reversal of allowance for loss from inventory write-down            | 942.16                   | 6.07               | -                   | 948.23                 |
| Gain from crude and product oil price hedging contract              | 5,630.75                 | -                  | -                   | 5,630.75               |
| Loss on foreign exchange  | (56.82)                  | -                  | -                   | (56.82)                |
| Reversal of allowance for loss from impairment of assets            | <u>(10.32)</u>           | <u>5.31</u>        | <u>-</u>            | <u>(5.01)</u>          |
| Profit before finance costs and income tax expense                  | <u>10,203.22</u>         | <u>1,059.83</u>    | <u>-</u>            | 11,263.05              |
| Finance costs   |                          |                    |                     | (558.07)               |
| Income tax  |                          |                    |                     | <u>(3,182.14)</u>      |
| <b>Profit for the year</b>  |                          |                    |                     | <b><u>7,522.84</u></b> |

# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2010 and 2009

### 25 Investment income

|                         | Consolidated<br>financial statements |              | Separate<br>financial statements |              |
|-------------------------|--------------------------------------|--------------|----------------------------------|--------------|
|                         | 2010                                 | 2009         | 2010                             | 2009         |
|                         | <i>(in million Baht)</i>             |              |                                  |              |
| <i>Dividend income</i>  | -                                    | -            | 17.64                            | -            |
| Subsidiaries            | -                                    | -            | <b>17.64</b>                     | -            |
| Other investment income | 44.89                                | 41.55        | 42.08                            | 41.55        |
| <b>Total</b>            | <b>44.89</b>                         | <b>41.55</b> | <b>59.72</b>                     | <b>41.55</b> |

### 26 Other income

|  | Consolidated<br>financial statements |               | Separate<br>financial statements |               |
|--|--------------------------------------|---------------|----------------------------------|---------------|
|  | 2010                                 | 2009          | 2010                             | 2009          |
|  | <i>(in million Baht)</i>             |               |                                  |               |
| Interest income  | 44.89                                | 41.55         | 42.08                            | 41.55         |
| Fee for land utilisation and management fee<br>for NGV service station | 71.71                                | 99.82         | 71.71                            | 99.82         |
| Dividend received  | -                                    | -             | 17.64                            | -             |
| Insurance compensation   | 366.77                               | -             | 366.77                           | -             |
| Oil reservation fee  | 70.53                                | 17.84         | 70.53                            | 17.84         |
| Others   | 163.03                               | 65.41         | 136.45                           | 69.86         |
| <b>Total</b>   | <b>716.93</b>                        | <b>224.62</b> | <b>705.18</b>                    | <b>229.07</b> |

### 27 Selling expenses

|                               | Consolidated<br>financial statements |                 | Separate<br>financial statements |                 |
|-------------------------------|--------------------------------------|-----------------|----------------------------------|-----------------|
|                               | 2010                                 | 2009            | 2010                             | 2009            |
|                               | <i>(in million Baht)</i>             |                 |                                  |                 |
| Personnel                     | 441.14                               | 426.79          | 205.98                           | 193.16          |
| Advertising                   | 207.97                               | 190.19          | 130.86                           | 132.22          |
| Depreciation and amortisation | 418.65                               | 416.25          | 415.71                           | 414.86          |
| Distribution                  | 517.90                               | 493.30          | 516.22                           | 493.30          |
| Others                        | 619.23                               | 551.11          | 433.08                           | 372.38          |
| <b>Total</b>                  | <b>2,204.89</b>                      | <b>2,077.64</b> | <b>1,701.85</b>                  | <b>1,605.92</b> |

### 28 Administrative expenses

|                               | Consolidated<br>financial statements |                 | Separate<br>financial statements |               |
|-------------------------------|--------------------------------------|-----------------|----------------------------------|---------------|
|                               | 2010                                 | 2009            | 2010                             | 2009          |
|                               | <i>(in million Baht)</i>             |                 |                                  |               |
| Personnel                     | 655.35                               | 626.45          | 614.43                           | 593.38        |
| Advertising                   | 148.91                               | 113.53          | 148.79                           | 113.53        |
| Depreciation and amortisation | 65.84                                | 53.05           | 62.82                            | 48.86         |
| Others                        | 228.41                               | 219.81          | 224.04                           | 215.22        |
| <b>Total</b>                  | <b>1,098.51</b>                      | <b>1,012.84</b> | <b>1,050.08</b>                  | <b>970.99</b> |

# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2010 and 2009

### 29 Employee benefit expenses

|                                 | Consolidated<br>financial statements |                 | Separate<br>financial statements |               |
|---------------------------------|--------------------------------------|-----------------|----------------------------------|---------------|
|                                 | 2010                                 | 2009            | 2010                             | 2009          |
|                                 | <i>(in million Baht)</i>             |                 |                                  |               |
| <b>Management</b>               |                                      |                 |                                  |               |
| Wages and salaries              | 59.85                                | 38.83           | 59.75                            | 38.79         |
| Contribution to provident funds | 3.00                                 | 2.94            | 3.00                             | 2.94          |
| Pension                         | 1.34                                 | 1.84            | 1.34                             | 1.84          |
| EJIP                            | 2.13                                 | 0.47            | 2.13                             | 0.47          |
| Others                          | 13.16                                | 15.86           | 13.16                            | 15.86         |
|                                 | <b>79.48</b>                         | <b>59.94</b>    | <b>79.38</b>                     | <b>59.90</b>  |
| <b>Other employees</b>          |                                      |                 |                                  |               |
| Wages and salaries              | 816.19                               | 775.92          | 568.23                           | 532.32        |
| Contribution to provident funds | 49.37                                | 44.52           | 46.90                            | 42.83         |
| Pension                         | 73.34                                | 72.61           | 73.34                            | 72.61         |
| EJIP                            | 54.90                                | 8.11            | 54.90                            | 8.11          |
| Others                          | 252.22                               | 278.78          | 226.57                           | 261.67        |
|                                 | <b>1,246.02</b>                      | <b>1,179.94</b> | <b>969.94</b>                    | <b>917.54</b> |
| <b>Total</b>                    | <b>1,325.50</b>                      | <b>1,239.88</b> | <b>1,049.32</b>                  | <b>977.44</b> |

The defined contribution plans comprise provident funds established by the Group for its employees. Membership to the funds is on a voluntary basis. Contributions are made monthly by the employees at rates ranging from 5% to 10% of their basic salaries and by the Group at rates ranging from 5% to 10% of the employees' basic salaries. The provident funds are registered with the Ministry of Finance as juristic entities and are managed by licensed Fund Manager.

On 6 October 2009, the Company received the approval of Employee Joint Investment Program (EJIP) from Securities and Exchange Commission (SEC) in accordance with the notification of the SEC, SorJor 12/2009, dated 10 June 2009. EJIP is an investment program for the periodic accumulative buying of the Company's shares, established to serve as another means of compensating Company employees and executives.

# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2010 and 2009

### 30 Expenses by nature

The statements of income include an analysis of expenses by function. Expenses by nature disclosed in accordance with the requirements of various TFRS were as follows:

|   | Consolidated<br>financial statements |           | Separate<br>financial statements |           |
|---|--------------------------------------|-----------|----------------------------------|-----------|
|   | 2010                                 | 2009      | 2010                             | 2009      |
|   | <i>(in million Baht)</i>             |           |                                  |           |
| <b><i>Included in cost of sales of goods:</i></b>             |                                      |           |                                  |           |
| Changes in inventories of finished goods and work in progress | 130.07                               | 2,220.78  | 59.02                            | 2,008.25  |
| Raw materials and consumables used                            | 79,810.74                            | 59,375.20 | 79,472.21                        | 59,299.01 |
| Tax expenses and oil fuel fund                                | 21,989.50                            | 14,504.80 | 21,989.50                        | 14,504.80 |
| Depreciation  | 1,364.03                             | 520.61    | 1,320.17                         | 516.77    |
| <b><i>Included in selling expenses:</i></b>                   |                                      |           |                                  |           |
| Depreciation  | 297.32                               | 291.62    | 294.38                           | 290.87    |
| <b><i>Included in administrative expenses:</i></b>            |                                      |           |                                  |           |
| Depreciation  | 35.25                                | 25.24     | 32.73                            | 21.05     |

### 31 Finance costs

|  | Note | Consolidated<br>financial statements |               | Separate<br>financial statements |               |
|--|------|--------------------------------------|---------------|----------------------------------|---------------|
|  |      | 2010                                 | 2009          | 2010                             | 2009          |
|  |      | <i>(in million Baht)</i>             |               |                                  |               |
| Interest payable to financial institutions       |      | 801.15                               | 671.00        | 765.26                           | 647.70        |
| Interest payable to Convertible Debentures       |      | 59.82                                | 62.76         | 59.82                            | 62.76         |
| Amortisation of transaction costs capitalised    |      | 2.74                                 | 12.09         | 1.68                             | 12.09         |
| Premium on hedging contracts                     |      | 20.18                                | 38.22         | 20.18                            | 38.22         |
| Others   |      | 29.27                                | 132.00        | 29.27                            | 132.00        |
|  |      | <b>913.16</b>                        | <b>916.07</b> | <b>876.21</b>                    | <b>892.77</b> |
| Capitalised as cost of assets under construction | 11   | (14.22)                              | (358.00)      | (14.22)                          | (338.96)      |
| <b>Net</b>                                       |      | <b>898.94</b>                        | <b>558.07</b> | <b>861.99</b>                    | <b>553.81</b> |

# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2010 and 2009

### 32 Income tax expense

|                                      | Note | Consolidated<br>financial statements |                 | Separate<br>financial statements |                 |
|--------------------------------------|------|--------------------------------------|-----------------|----------------------------------|-----------------|
|                                      |      | 2010                                 | 2009            | 2010                             | 2009            |
| <i>(in million Baht)</i>             |      |                                      |                 |                                  |                 |
| <b>Current tax expense</b>           |      |                                      |                 |                                  |                 |
| Current year                         |      | 1,022.12                             | 3,344.40        | 1,011.87                         | 3,326.95        |
| Under (over) provided in prior years |      | -                                    | -               | -                                | -               |
|                                      |      | <u>1,022.12</u>                      | <u>3,344.40</u> | <u>1,011.87</u>                  | <u>3,326.95</u> |
| <b>Deferred tax expense</b>          |      |                                      |                 |                                  |                 |
| Movements in temporary differences   | 15   | (20.26)                              | 312.74          | (20.26)                          | 312.74          |
| Benefit of tax losses recognised     |      | -                                    | (475.00)        | -                                | (475.00)        |
|                                      |      | <u>(20.26)</u>                       | <u>(162.26)</u> | <u>(20.26)</u>                   | <u>(162.26)</u> |
| <b>Total</b>                         |      | <u>1,001.86</u>                      | <u>3,182.14</u> | <u>991.61</u>                    | <u>3,164.69</u> |

#### Reconciliation of effective tax rate

|  | Consolidated financial statements |                      |              |                      |
|--|-----------------------------------|----------------------|--------------|----------------------|
|  | 2010                              |                      | 2009         |                      |
|  | Rate<br>(%)                       | (in million<br>Baht) | Rate<br>(%)  | (in million<br>Baht) |
| Profit before income tax expense   |                                   | 3,890.40             |              | 10,704.98            |
| Income tax using the Thai corporation tax rate                               | 30.00                             | 1,167.13             | 30.00        | 3,211.49             |
| Income not subject to tax / Expenses that are deductible at a greater amount | (5.40)                            | (210.27)             | (0.23)       | (24.21)              |
| Expenses not deductible / Other adjustments                                  | 1.23                              | 48.02                | 1.34         | 143.33               |
| Utilisation of previously unrecognised tax losses                            | (0.08)                            | (3.02)               | (1.39)       | (148.47)             |
| <b>Total</b>   | <u>25.75</u>                      | <u>1,001.86</u>      | <u>29.72</u> | <u>3,182.14</u>      |

#### Reconciliation of effective tax rate

|  | Separate financial statements |                      |              |                      |
|--|-------------------------------|----------------------|--------------|----------------------|
|  | 2010                          |                      | 2009         |                      |
|  | Rate<br>(%)                   | (in million<br>Baht) | Rate<br>(%)  | (in million<br>Baht) |
| Profit before income tax expense   |                               | 3,640.40             |              | 10,639.58            |
| Income tax using the Thai corporation tax rate                               | 30.00                         | 1,092.12             | 30.00        | 3,191.87             |
| Income not subject to tax / Expenses that are deductible at a greater amount | (4.04)                        | (147.04)             | (0.23)       | (24.21)              |
| Expenses not deductible / Other adjustments                                  | 1.28                          | 46.53                | 1.31         | 139.54               |
| Utilisation of previously unrecognised tax losses                            | -                             | -                    | (1.34)       | (142.51)             |
| <b>Total</b>   | <u>27.24</u>                  | <u>991.61</u>        | <u>29.74</u> | <u>3,164.69</u>      |

### 33 Promotional privileges

By virtue of the provisions of the Industrial Investment Promotion Act of B.E. 2520, the Group has been granted privileges by the Board of Investment relating to Petroleum Refinery process and production of Biodiesel. The privileges granted include:

- exemption from payment of import duty on machinery approved by the Board;
- exemption from payment of income tax for certain operations for a period of eight years from the date on which the income is first derived from such operations.
- exemption from payment of income tax for certain operations of not over 70% of investment cost excluding land and working capital for environment protection for a period of three years from the date on which the income is first derived from such operations.

# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2010 and 2009

As promoted companies, the Company and its subsidiaries must comply with certain terms and conditions prescribed in the promotional certificates.

Summary of revenue from promoted and non-promoted businesses:

|                      | Consolidated financial statements |                                |                          |                        |                                |                          |
|----------------------|-----------------------------------|--------------------------------|--------------------------|------------------------|--------------------------------|--------------------------|
|                      | 2010                              |                                |                          | 2009                   |                                |                          |
|                      | Promoted<br>businesses            | Non-<br>promoted<br>businesses | Total                    | Promoted<br>businesses | Non-<br>promoted<br>businesses | Total                    |
|                      | <i>(in million Baht)</i>          |                                |                          |                        |                                |                          |
| Export sales         | 11.20                             | 16,055.18                      | 16,066.38                | -                      | 16,500.44                      | 16,500.44                |
| Local sales          | 2,415.07                          | 137,931.96                     | 140,347.03               | 52.65                  | 107,589.08                     | 107,641.73               |
| Eliminations         |                                   |                                | (20,044.02)              |                        |                                | (15,460.95)              |
| <b>Total Revenue</b> |                                   |                                | <b><u>136,369.39</u></b> |                        |                                | <b><u>108,681.22</u></b> |

|                      | Separate financial statements |                                |                          |                        |                                |                          |
|----------------------|-------------------------------|--------------------------------|--------------------------|------------------------|--------------------------------|--------------------------|
|                      | 2010                          |                                |                          | 2009                   |                                |                          |
|                      | Promoted<br>businesses        | Non-<br>promoted<br>businesses | Total                    | Promoted<br>businesses | Non-<br>promoted<br>businesses | Total                    |
|                      | <i>(in million Baht)</i>      |                                |                          |                        |                                |                          |
| Export sales         | -                             | 16,055.18                      | 16,055.18                | -                      | 16,500.44                      | 16,500.44                |
| Local sales          | -                             | 118,582.99                     | 118,582.99               | -                      | 91,177.79                      | 91,177.79                |
| <b>Total Revenue</b> | <b><u>-</u></b>               | <b><u>134,638.17</u></b>       | <b><u>134,638.17</u></b> | <b><u>-</u></b>        | <b><u>107,678.23</u></b>       | <b><u>107,678.23</u></b> |

### 34 Earnings per share

#### *Basic earnings per share*

The calculation of basic earnings per share for the years ended 31 December 2010 and 2009 were based on the profit for the years attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding during the years as follows:

|   | Consolidated<br>financial statements      |                        | Separate<br>financial statements |                        |
|---|---|------------------------|----------------------------------|------------------------|
|   | 2010                                      | 2009                   | 2010                             | 2009                   |
|   | <i>(in million Baht / million shares)</i> |                        |                                  |                        |
| <b>Profit attributable to equity<br/>holders of the Company (basic)</b> | <b><u>2,812.81</u></b>                    | <b><u>7,524.26</u></b> | <b><u>2,648.79</u></b>           | <b><u>7,474.89</u></b> |
| Number of ordinary shares outstanding at<br>1 January                   | 1,169.83                                  | 1,119.13               | 1,169.83                         | 1,119.13               |
| Effect of shares issued on 3 July 2009                                  | -   | 25.28                  | -                                | 25.28                  |
| Effect of shares issued on 4 Oct 2010                                   | 1.71                                      | -                      | 1.71                             | -                      |
| <b>Weighted average number of ordinary<br/>shares outstanding</b>       | <b><u>1,171.54</u></b>                    | <b><u>1,144.41</u></b> | <b><u>1,171.54</u></b>           | <b><u>1,144.41</u></b> |
| <b>Earnings per share (basic)</b><br><i>(in Baht)</i>                   | <b><u>2.40</u></b>                        | <b><u>6.57</u></b>     | <b><u>2.26</u></b>               | <b><u>6.53</u></b>     |



# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2010 and 2009

### *Diluted earnings per share*

The calculation of diluted earnings per share for the years ended 31 December 2010 and 2009 were based on the profit for the years attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding during the years after adjusting for the effects of all dilutive potential ordinary shares as follows:

|   | <b>Consolidated</b>                       |                        | <b>Separate</b>             |                        |
|---|---|------------------------|-----------------------------|------------------------|
|   | <b>financial statements</b>               |                        | <b>financial statements</b> |                        |
|   | 2010                                      | 2009                   | 2010                        | 2009                   |
|   | <i>(in million Baht / million shares)</i> |                        |                             |                        |
| <b>Profit attributable to equity holders of the Company (basic)</b>     | <b>2,812.81</b>                           | <b>7,524.26</b>        | <b>2,648.79</b>             | <b>7,474.89</b>        |
| After-tax effect of interest on convertible debentures                  | 41.87                                     | 31.64                  | 41.87                       | 31.64                  |
| <b>Profit attributable to equity holders of the Company (diluted)</b>   | <b><u>2,854.68</u></b>                    | <b><u>7,555.90</u></b> | <b><u>2,690.66</u></b>      | <b><u>7,506.53</u></b> |
| Weighted average number of ordinary shares outstanding (basic)          | 1,171.54                                  | 1,144.41               | 1,171.54                    | 1,144.41               |
| Effect of conversion of convertible Debentures                          | 141.58                                    | 168.71                 | 141.58                      | 168.71                 |
| <b>Weighted average number of ordinary shares outstanding (diluted)</b> | <b><u>1,313.12</u></b>                    | <b><u>1,313.12</u></b> | <b><u>1,313.12</u></b>      | <b><u>1,313.12</u></b> |
| <b>Earnings per share (diluted)</b><br><i>(in Baht)</i>                 | <b><u>2.17</u></b>                        | <b><u>5.75</u></b>     | <b><u>2.05</u></b>          | <b><u>5.72</u></b>     |

### 35 Dividends

At the Board of Directors' meeting of the Company held on 25 August 2010, the Board of Director approved the appropriation of interim dividend from retained earnings as of 30 June 2010 at of Baht 0.50 per share, amounting to Baht 584.89 million. The dividend was paid to shareholders on 21 September 2010.

At the annual general meeting of the shareholders of the Company held on 8 April 2010, the shareholders approved the appropriation of annual dividend from retained earnings as of 31 December 2009 at Baht 1.80 per share, amounting to Baht 2,105.60 million. The Company had paid interim dividend for of the first half year of 2009 at Baht 1.00 per share, amounting to Baht 1,169.78 million on 7 September 2009. The remaining dividend was paid for the second half year of 2009 at Baht 0.80 per share, amounting to 935.82 million to shareholders on 22 April 2010.

At the Board of Directors' meeting of the Company held on 14 August 2009, the Board of Director approved the appropriation of interim dividend from retained earnings as of 30 June 2009 at of Baht 1.00 per share, amounting to Baht 1,169.78 million. The dividend was paid to shareholders on 7 September 2009.

At the annual general meeting of the shareholders of the Company held on 9 April 2009, the shareholders approved the appropriation of dividend from retained earnings as of 31 December 2008 at Baht 0.50 per share, amounting to Baht 559.56 million. The dividend was paid to shareholders during 2009.

# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2010 and 2009

### 36 Financial instruments

#### *Financial risk management policies*

The Group is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Group does not hold or issue derivative financial instruments for speculative or trading purposes.

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

#### *Capital management*

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity, excluding non-controlling interests and also monitors the level of dividends to ordinary shareholders.

#### *Interest rate risk*

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Group's operations and its cash flows because debt securities and loan interest rates are mainly floated. The Group is primarily exposed to interest rate risk from its borrowings. The Group mitigates this risk by ensuring that the majority of its debt securities and borrowings are at fixed interest rates and uses derivative financial instruments, principally interest rate swaps, to manage exposure to fluctuations in interest rates on specific debt securities and borrowings.

The effective interest rates of interest-bearing financial liabilities as at 31 December and the periods in which those liabilities mature or re-price were as follows:

# The Bangkok Petroleum Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2010 and 2009

| <b>Consolidated financial statements</b> |   |                        |                                       |                        |                         |
|--|---|------------------------|---------------------------------------|------------------------|-------------------------|
|  | Effective<br>interest<br>rate<br>(% per<br>annum) | Within 1<br>year       | After 1 year<br>but within 5<br>years | After 5<br>years       | Total                   |
| <i>(in million Baht)</i>                 |   |                        |                                       |                        |                         |
| <b>2010</b>                              |   |                        |                                       |                        |                         |
| <b>Current</b>                           |   |                        |                                       |                        |                         |
| Loans from Financial institutions        | 2.8 – 5.38  | 2,702.12               | -                                     | -                      | 2,702.12                |
| <b>Non-current</b>                       |   |                        |                                       |                        |                         |
| Loans from Financial institutions        | 2.8 – 5.60  | -                      | 8,784.87                              | 6,193.75               | 14,978.62               |
| Convertible debentures                   | 3.0   | -                      | 1,350.97                              | 585.60                 | 1,936.57                |
| <b>Total</b>                             |   | <b><u>2,702.12</u></b> | <b><u>10,135.84</u></b>               | <b><u>6,779.35</u></b> | <b><u>19,617.31</u></b> |
| <b>2009</b>                              |   |                        |                                       |                        |                         |
| <b>Current</b>                           |   |                        |                                       |                        |                         |
| Loans from Financial institutions        | 1.5 – 5.1   | 1,822.54               | -                                     | -                      | 1,822.54                |
| <b>Non-current</b>                       |   |                        |                                       |                        |                         |
| Loans from Financial institutions        | 3.1 – 3.6   | -                      | 6,409.17                              | 5,651.82               | 12,060.99               |
| Convertible debentures                   | 3.0   | -                      | 1,450.97                              | 585.60                 | 2,036.57                |
| <b>Total</b>                             |   | <b><u>1,822.54</u></b> | <b><u>7,860.14</u></b>                | <b><u>6,237.42</u></b> | <b><u>15,920.10</u></b> |
| <b>Separate financial statements</b>     |   |                        |                                       |                        |                         |
|  | Effective<br>interest<br>rate<br>(% per<br>annum) | Within 1<br>year       | After 1 year<br>but within 5<br>years | After 5<br>years       | Total                   |
| <i>(in million Baht)</i>                 |   |                        |                                       |                        |                         |
| <b>2010</b>                              |   |                        |                                       |                        |                         |
| <b>Current</b>                           |   |                        |                                       |                        |                         |
| Loans from Financial institutions        | 2.8 – 3.6   | 2,587.41               | -                                     | -                      | 2,587.41                |
| <b>Non-current</b>                       |   |                        |                                       |                        |                         |
| Loans from Financial institutions        | 2.8 – 4.2   | -                      | 8,310.29                              | 6,193.75               | 14,504.04               |
| Convertible debentures                   | 3.0   | -                      | 1,350.97                              | 585.60                 | 1,936.57                |
| <b>Total</b>                             |   | <b><u>2,587.41</u></b> | <b><u>9,661.26</u></b>                | <b><u>6,779.35</u></b> | <b><u>19,028.02</u></b> |
| <b>2009</b>                              |   |                        |                                       |                        |                         |
| <b>Current</b>                           |   |                        |                                       |                        |                         |
| Loans from Financial institutions        | 1.5 - 5.1   | 1,687.26               | -                                     | -                      | 1,687.26                |
| <b>Non-current</b>                       |   |                        |                                       |                        |                         |
| Loans from Financial institutions        | 3.1 - 3.6   | -                      | 6,040.83                              | 5,490.94               | 11,531.77               |
| Convertible debentures                   | 3.0   | -                      | 1,450.97                              | 585.60                 | 2,036.57                |
| <b>Total</b>                             |   | <b><u>1,687.26</u></b> | <b><u>7,491.80</u></b>                | <b><u>6,076.54</u></b> | <b><u>15,255.60</u></b> |

# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2010 and 2009

### Foreign currency risk

The Group is exposed to foreign currency risk relating to purchases and sales which are denominated in foreign currencies. The Group primarily utilizes forward exchange contracts with maturities of less than one year to hedge such financial assets and liabilities denominated in foreign currencies. The forward exchange contracts entered into at the reporting date also relate to anticipated purchases and sales, denominated in foreign currencies, for the subsequent period.

At 31 December, the Group and the Company were exposed to foreign currency risk in respect of financial assets and liabilities denominated in the following currencies:

|                                       | Note | Consolidated<br>financial statements |               | Separate<br>financial statements |               |
|---------------------------------------|------|--------------------------------------|---------------|----------------------------------|---------------|
|                                       |      | 2010                                 | 2009          | 2010                             | 2009          |
| <i>(in million Baht)</i>              |      |                                      |               |                                  |               |
| <b>United States Dollars</b>          |      |                                      |               |                                  |               |
| Cash and cash equivalents             | 5    | 106.81                               | 3.08          | 106.81                           | 3.08          |
| Trade accounts receivable             | 7    | 1,122.27                             | 889.11        | 1,122.27                         | 889.11        |
| Other current assets                  |      | 60.02                                | -             | 60.02                            | -             |
| Receivable from oil hedging contracts | 9    | 116.13                               | 559.35        | 116.13                           | 559.35        |
| Trade accounts payable                | 18   | (44.51)                              | -             | (44.51)                          | -             |
| Payable from oil hedging contracts    |      | (314.67)                             | (1.79)        | (314.67)                         | (1.79)        |
| Other current liabilities             |      | (827.30)                             | (920.00)      | (827.30)                         | (920.00)      |
| <b>Gross balance sheet exposure</b>   |      | <b>218.75</b>                        | <b>529.75</b> | <b>218.75</b>                    | <b>529.75</b> |
| Currency forwards                     |      | (401.26)                             | 891.58        | (401.26)                         | 891.58        |
| <b>Net exposure</b>                   |      | <b>-</b>                             | <b>529.75</b> | <b>-</b>                         | <b>529.75</b> |

Additionally, the Company entered into foreign currency forward exchange contracts, totalling Baht 6,005.53 million net, to hedge future sales and purchases transaction of goods with price denominated in foreign currencies and foreign currency forward contracts totalling Baht 459.20 million to hedge the construction payable for SOLAR power plant project.

### Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. However, due to the large number of parties comprising the Group's customer base, Management does not anticipate material losses from its debt collection.

### Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

# The Bangchak Petroleum Public Company Limited and its Subsidiaries

## Notes to the financial statements

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### *Determination of fair values*

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The fair value of trade and other short-term receivables is taken to approximate the carrying value.

The fair value of investments is taken to approximate the carrying value

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price at the reporting date for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of non-derivative financial liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Fair values of convertible debentures together with the carrying values shown in the balance sheets at 31 December were as follows:

|                        | <b>Consolidated</b>         |                             | <b>Separate</b>             |                             |
|------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                        | <b>financial statements</b> | <b>financial statements</b> | <b>Financial statements</b> | <b>Financial statements</b> |
|                        | Fair value                  | Carrying value              | Fair value                  | Carrying value              |
|                        | <i>(in million Baht)</i>    |                             |                             |                             |
| <b>2010</b>            |                             |                             |                             |                             |
| <b>Non-current</b>     |                             |                             |                             |                             |
| Convertible debentures | 2,535.22                    | 1,936.57                    | 2,535.22                    | 1,936.57                    |
| <b>Total</b>           | <b>2,535.22</b>             | <b>1,936.57</b>             | <b>2,535.22</b>             | <b>1,936.57</b>             |
| <b>2009</b>            |                             |                             |                             |                             |
| <b>Non-current</b>     |                             |                             |                             |                             |
| Convertible debentures | 2,135.10                    | 2,036.57                    | 2,135.10                    | 2,036.57                    |
| <b>Total</b>           | <b>2,135.10</b>             | <b>2,036.57</b>             | <b>2,135.10</b>             | <b>2,036.57</b>             |

### **37 Commitments with non-related parties**

|                            | <b>Consolidated</b>         |                             | <b>Separate</b>             |                             |
|----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                            | <b>financial statements</b> | <b>financial statements</b> | <b>financial statements</b> | <b>financial statements</b> |
|                            | 2010                        | 2009                        | 2010                        | 2009                        |
|                            | <i>(in million Baht)</i>    |                             |                             |                             |
| <b>Capital commitments</b> |                             |                             |                             |                             |
| Construction projects      | 4,477.52                    | 1,763.83                    | 4,454.49                    | 1,654.08                    |
| <b>Total</b>               | <b>4,477.52</b>             | <b>1,763.83</b>             | <b>4,454.49</b>             | <b>1,654.08</b>             |

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|   | Consolidated<br>financial statements |                 | Separate<br>financial statements |                 |
|---|--------------------------------------|-----------------|----------------------------------|-----------------|
|   | 2010                                 | 2009            | 2010                             | 2009            |
|   | <i>(in million Baht)</i>             |                 |                                  |                 |
| <b><i>Non-cancellable operating lease commitments</i></b> |                                      |                 |                                  |                 |
| Within one year   | 392.30                               | 366.93          | 392.30                           | 366.93          |
| After one year but within five years                      | 1,505.78                             | 1,433.44        | 1,505.78                         | 1,433.44        |
| After five years  | 3,076.32                             | 3,410.13        | 3,076.32                         | 3,410.13        |
| <b>Total</b>  | <b>4,974.40</b>                      | <b>5,210.50</b> | <b>4,974.40</b>                  | <b>5,210.50</b> |
| <b><i>Other commitments</i></b>                           |                                      |                 |                                  |                 |
| Bank guarantees   | 49.13                                | 71.53           | 49.13                            | 71.53           |
| <b>Total</b>  | <b>49.13</b>                         | <b>71.53</b>    | <b>49.13</b>                     | <b>71.53</b>    |

The Company entered into 12.60 million barrels oil price hedging contracts with foreign oil traders for the periods between January 2011 and December 2011.

The Company entered into foreign currency buying forward contracts cover the period to August 2011 amounting to USD 62.76 million equivalents to Baht 1,892.40 million and selling forward contracts cover the period to December 2011 amounting to USD 259.73 million equivalents to Baht 7,839.99 million.

The Company entered into an interest rate swap contract for the following loan agreements by swap from float rate to fixed rate as stipulated in the agreements. The details are as follows:

| Loan agreement facility<br>(Baht million) | Due date         |
|---|------------------|
| 1,500                                     | 31 December 2011 |
| 3,000                                     | 30 June 2013     |
| 1,500                                     | 30 June 2015     |
| 1,500                                     | 30 June 2016     |

The Company entered into a cross currency swap contract to exchange Baht for USD for partial loan settlement amounting to USD 200 million and interest rate swaps contract from THB float to USD fixed totalling USD 200 million. The contract is due on 30 June 2013.

The Company entered into foreign currency buying forward contracts totalling USD 200 million to deliver under cross currency swap contract which due on 30 June 2013.

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### 38 Contingent liabilities and contingent assets

The Company (the fifth defendant) was accused with the Ministry of Finance (the first defendant) for alleged land right transgression and demanding Baht 1,055 million in compensation. The land in question is located at the pier of the Refinery that the Company lodged against the Ministry of Finance. On 3 June 2009, the Appeal court upheld the civil court verdict to dismiss the case. This was being re-appealed with the Supreme Court and currently under petition to Supreme Court.

The Company was accused along with the Government, PTT and other private sector entities, being called upon to pay Baht 210 million in compensation for an infringement of the petty patentee's rights under the Patent Act in case of producing and selling biodiesel. The case is now being appealed with the court of first instance. The Company's Legal Office has its opinion that the Company will win the case.

The Company has utilized the tax privilege on the allowance for corporate income tax calculation for its 2006 tax payment which was in accordance with the announcement of the Director General of the Revenue Department regarding the corporate income tax (No. 156) "Criteria, procedures and conditions for the exemption of corporate income tax for the companies that registered its shares in the Stock Exchange of Thailand according to the Securities and Exchange Acts for payments of investment or extension, modification, addition or improvement of assets but not the repair of assets according to Section 65 Tri (5) of the Revenue Codes" and change in inventory costing method from first in first out to weighted average cost which was approved by The Revenue Department. The Revenue Department has examined and assessed the additional payment totalling Baht 50 million related to these matters in which the Company has already submitted and filed for appeal. The case is still under investigation by the Revenue Department.

### 39 Thai Financial Reporting Standards (TFRS) not yet adopted

The Group has not adopted the following new and revised TFRS that have been issued as of the reporting date but are not yet effective. The new and revised TFRS are anticipated to become effective for annual financial periods beginning on or after 1 January in the year indicated in the following table.

| TFRS                  | Topic   | Year effective |
|-----------------------|---|----------------|
| TAS 1 (revised 2009)  | Presentation of Financial Statements                            | 2011           |
| TAS 2 (revised 2009)  | Inventories   | 2011           |
| TAS 7 (revised 2009)  | Statement of Cash Flows   | 2011           |
| TAS 8 (revised 2009)  | Accounting Policies, Changes in Accounting Estimates and Errors | 2011           |
| TAS 10 (revised 2009) | Events after the Reporting Period                               | 2011           |
| TAS 12                | Income Tax  | 2013           |
| TAS 16 (revised 2009) | Property, Plant and Equipment                                   | 2011           |
| TAS 17 (revised 2009) | Leases  | 2011           |
| TAS 18 (revised 2009) | Revenue   | 2011           |

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| TFRS                  | Topic  | Year effective |
|-----------------------|--|----------------|
| TAS 19                | Employee Benefits  | 2011           |
| TAS 21 (revised 2009) | The Effects of Changes in Foreign Exchange Rates         | 2013           |
| TAS 23 (revised 2009) | Borrowing Costs  | 2011           |
| TAS 24 (revised 2009) | Related Party Disclosures                                | 2011           |
| TAS 26                | Accounting and Reporting by Retirement Benefit Plans     | 2011           |
| TAS 27 (revised 2009) | Consolidated and Separate Financial Statements           | 2011           |
| TAS 33 (revised 2009) | Earnings per Share                                       | 2011           |
| TAS 34 (revised 2009) | Interim Financial Reporting                              | 2011           |
| TAS 36 (revised 2009) | Impairment of Assets                                     | 2011           |
| TAS 37 (revised 2009) | Provisions, Contingent Liabilities and Contingent Assets | 2011           |
| TAS 38 (revised 2009) | Intangible Assets  | 2011           |

Management expects to adopt and apply these new TFRS in accordance with the FAP's announcement and has made a preliminary assessment of the potential initial impact on the consolidated and separate financial statements of those new standards assessed to have the greatest potential impact on the financial statements in the period of initial application. These standards are as follows:

***TAS 16 (revised 2009) – Property, plant and equipment***

The principal changes introduced by the revised TAS 16 and affecting the Group/Company are that (i) costs of asset dismantlement, removal and restoration have to be included as asset costs and subject to annual depreciation; (ii) the depreciation charge has to be determined separately for each significant part of an asset; and (iii) in determining the depreciable amount, the residual value of an item of property, plant and equipment has to be measured at the amount estimated receivable currently for the asset if the asset were already of the age and in the condition expected at the end of its useful life. Furthermore, the residual value and useful life of an asset have to be reviewed at least at each financial year-end.

The revised TAS 16 permits as a transitional provision that these changes may be introduced prospectively from the year of introduction. Management intends to adopt this transitional provision and accordingly the introduction of the revised TAS 16 from 1 January 2011 has no impact on the financial statements of 2010 or prior years.



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*TAS 19 – Employee benefits*

There is currently no Thai accounting standard covering employee benefits and the Group/Company does not presently account for the costs of post-employment benefits under defined benefit plans; other long-term employee benefits; and termination benefits until such costs are incurred except for retirement gratuity fund in accordance with the accounting policy as stipulated in note 3 (n). The new TAS 19 includes the requirements to recognise and account for such costs in the period in which the service is performed. The requirements are complex and require actuarial assumptions to measure the obligation and expense. Moreover, the obligations are measured on a discounted basis because they may be settled many years after the employees render the related service. The transitional provisions of TAS 19 permit the transitional liability to be recognised and accounted for in one of four different ways. The Group intends to adopt transitional provision retrospectively.

Management has determined that the transitional liability for employment benefits as at 1 January 2011 will increase liability approximately Baht 210.76 million for the Group and Baht 209.07 million for the Company with an equivalent decrease in retained earnings.

**40 Events after the reporting period**

On 5 January 2011, the Company registered the increased share capital with the Ministry of Commerce from Baht 1,176.82 million to Baht 1,249.55 million by issuing 72.73 million new ordinary shares with a par value of Baht 1 each, totaling Baht 72.73 million to support the conversion of Convertible Debentures.

At the Board of Directors' meeting held on 15 February 2011, the Board approved to submit for approval at the Annual General Meeting of the Shareholders, a full year 2010 dividend payment at the rate of Baht 1.05 per share, of which Baht 0.50 per share was paid as an interim dividend on 21 September 2010 as discussed in note 35. Thus, the remaining dividend will be at the rate of Baht 0.55 per share to the shareholders entitled to receive dividends. This dividend is subject to the approval of the Shareholders at the Annual General Meeting to be held on 5 April 2011.