



ANNUAL REPORT  
**2011**



**A CHALLENGING YEAR**







## Introduction to Tipco Asphalt Public Company Limited

Tipco Asphalt Public Company Limited was established in 1979. The Company, its subsidiaries and associated companies ("Tipco Asphalt Group") are the leading manufacturers and distributors of asphalt products in Thailand and Asia-Pacific.

Tipco Asphalt Products are used for building and maintaining roads, highways and airport runways. The Tipco Asphalt Group also sells non-asphalt products, such as Naphtha, Gas Oil and Fuel Oil from crude refining processes to road contractors and other manufacturing companies.

With the cooperation of one of its major shareholders, Colas S.A. of France (the world's leading road construction company), the Tipco Asphalt Group is able to deliver the highest quality and innovative products to its customers.

Despite facing major world economic crisis and national level disasters that have impacted on business and spending, through good corporate governance and committed teamwork, Tipco Asphalt Group remains strong and focused. It is confident that it can face all challenges lie ahead.





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A large industrial facility, likely an asphalt plant, is shown at night. The facility features several tall, cylindrical towers and a complex network of pipes and walkways. The scene is illuminated by warm, orange-yellow lights, which are reflected in a body of water in the foreground. The sky is a deep blue, suggesting twilight.

## Mission:

A well-recognized leading asphalt focused company in Asia Pacific.

## Vision:

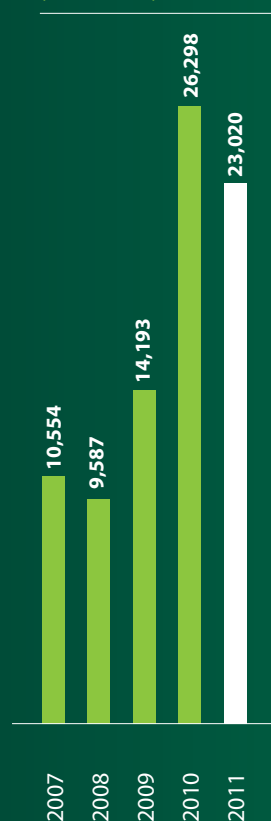
To distribute 2 million tons of asphalt products by 2015 and be the key contributor to the success of all stakeholders while maintaining the highest Corporate Social Responsibility standards at all times.

Unit: Million Baht

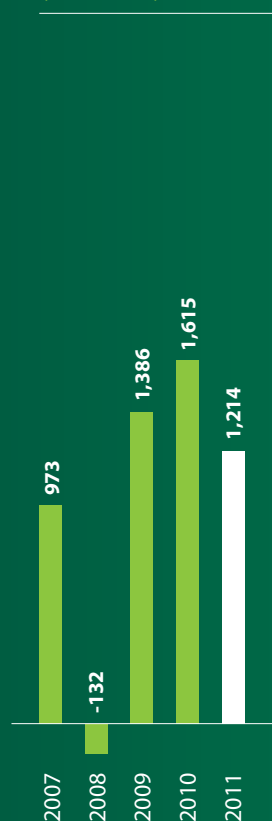
	2007	2008	2009	2010	2011
<b>Financial Highlights</b>					
Total Revenue	10,554	9,587	14,193	26,298	23,020
Gross Profit	973	-132	1,386	1,615	1,214
EBITDA	756	91	777	1,837	1,395
Net Profit	306	-1,089	494	1,008	736
<b>Financial Overview</b>					
<b>Balance Sheet</b>					
Assets	7,035	8,915	12,514	10,749	15,521
Liabilities	3,892	6,548	9,661	7,121	11,078
Shareholders' Equity	3,143	2,367	2,853	3,628	4,443
<b>Financial Ratio</b>					
Total number of shares issued (shares)	152,543,726	152,547,663	152,547,663	152,547,663	152,548,068
Book value per share (Baht)	20.61	15.52	18.70	23.78	29.12
Earnings per share (Baht)	2.01	-7.14	3.24	6.61	4.82
Dividends per share (Baht)	0.80	-	-	-	1.25
Net profit margin	2.90%	-11.59%	3.51%	3.91%	3.30%
Return on equity	9.92%	-39.53%	18.92%	31.09%	18.23%
Return on assets	4.44%	-13.66%	4.61%	8.66%	5.60%
Consolidated D/E	1.2382	2.7666	3.3859	1.9627	2.4933

# Financial Highlights:

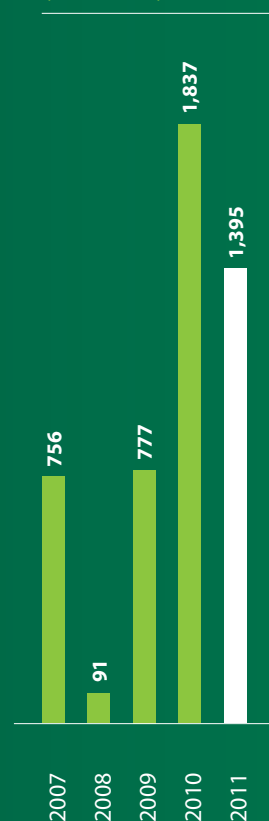
**Total Revenue**  
(Million Baht)



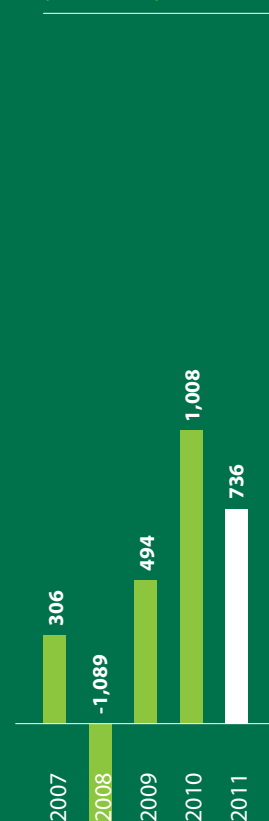
**Gross Profit**  
(Million Baht)



**EBITDA**  
(Million Baht)



**Net Profit**  
(Million Baht)



**23,019,808,342**

**Total Revenue**  
(Baht)

**1,214,402,460**

**Gross Profit**  
(Baht)

**1,394,905,111**

**EBITDA**  
(Baht)

**735,572,228**

**Net Profit**  
(Baht)



A woman with short dark hair, wearing a black blazer over a white collared shirt, stands in front of a large window. Her hands are clasped in front of her. The window looks out onto a cityscape with various buildings and greenery under a clear sky. The lighting is bright, suggesting daytime.

## Message from the Chairperson:

While facing with many challenges, I am pleased to announce that Tipco Asphalt Public Company Limited and its subsidiaries (“the Group”) managed to register a respectable performance of Baht 736 million net profit in 2011. The year was marked with crises around the world where many countries were affected by economic and financial meltdown, geopolitical and civil unrests, and natural disasters such as the tsunami in Japan and severe flooding in Thailand.



The Group faced with exceptional high volatility in world crude price attributed to the unrest in the Middle East in 2011. The rapid surge of crude price forced us to exercise extreme caution in crude procurement. Refining economics were so uncertain that it led to no crude purchase for the first 5 months of the year. The high crude price eventually began to show signs of retreat to an acceptable level during 2<sup>nd</sup> quarter for which, we ordered our first crude shipment for 2011 in May. Starting from the second half of 2011 onwards, the Group resumed its procurement of spot crude cargo actively even though Libya unrest and Euro financial crisis persisted. As a consequence, our asphalt refinery in Malaysia only processed 3.1 million barrels of crude in 2011, representing a third of its annual refining capacity. This has enabled the Group's asphalt export sales returned to its normal level with impressive performance in the international market in the second half of the year.

On the domestic market front, the Company was able to procure adequate asphalt supply from local refineries to meet all its customers demand for most of the year. While sales were a bit soft for the first 6 months of the year due to lower government budget for road maintenance, our hope to catch-up the slow sales in the first half of the year did not materialized in the 3<sup>rd</sup> and 4<sup>th</sup> quarter due to General Election held in July and most critically the effect of the worst flood in Thailand's history in October. Sales in the central plains of Thailand came to a complete halt for the whole 4<sup>th</sup> quarter 2011.

Despite all these adverse impacts, the Group asphalt product sales in 2011 still achieved an impressive volume of over 850,000 metric tons as compared to an exceptional and historic 1 million metric tons in 2010.

Further to our filing with the Stock Exchange of Thailand in September 2011 regarding the award by the arbitration tribunal in London to Thai Bitumen Co. Ltd. (TBC) on the arbitration proceeding that was filed by TBC against Glencore Singapore Limited for their failure to honor a crude supply contract in 2008, I am pleased to inform that we have received in total Baht 682 million for both the award and interest thereon in the 4<sup>th</sup> quarter of last year.

Corporate Social Responsibility ("CSR") remained one of the main focuses for the Company and its subsidiaries, especially when the country was faced with the severe flooding during October and December 2011. Through strong team work and high volunteer spirit plus excellent coordination among management, staff and their families, we packed and delivered 12,000 disaster relief packages to the disaster victims in the flooding areas in Bangkok and its suburbs. We also supplied military clothing and other necessities to the Royal Thai Army, and medical supplies to governmental hospitals. As for our flood affected staffs, their families, and general flood victims, the Company provided food, financial assistance and shelters through a committed budget of Baht 9 million, while the staff (both in Thailand and subsidiaries abroad) raised another Baht 8.6 million through auctions of personal items, flea market sales of merchandise and solicitation of donations from customers, friends, staff, directors and shareholders in the Friends Help Friends program. I am very proud of the tireless effort of our Tipco staff in making a difference for all the flood victims.

In conclusion, on behalf of Board of Directors, I would like to thank our shareholders, customers and suppliers for their continuing support. The year 2011 was a challenging year, and "teamwork" was one of the Company's key success factors in overcoming those challenges. I would like to express my sincere appreciation to the management and staff for their high team spirit in performing their duties and responsibilities harmoniously.

  
**(Mrs. Anurat Tiamtan)**  
Chairperson

# Facing **the Challenges**





**The year was marked with many crises around the world where many countries were affected by economic and financial meltdown, geopolitical and civil unrests, and natural disasters such as the tsunami in Japan and severe flooding in Thailand.**





**KEY TO SUCCESS**

# Board of Directors

**Mrs. Anne-Marie Machet**  
Independent Director

**Mrs. Anurat Tiamtan**  
Chairperson

**Mr. Pahol Chindakul**  
Independent Director





A group photograph of four men, all Independent Directors, standing in a modern office environment with large windows in the background. From left to right: Mr. Thaweesin Devahastin Na Ayudhya is wearing a light blue double-breasted suit and a patterned tie; Mr. Parnchalerm Sutatam is wearing a dark blue pinstriped suit and a gold patterned tie; Mr. Niphon Suthimai is wearing a dark green suit and a blue patterned tie; and Mr. Koh Ban Heng is wearing a dark blue suit and a red patterned tie. All four men are smiling at the camera.

**Mr. Thaweesin Devahastin Na Ayudhya**  
Independent Director

**Mr. Parnchalerm Sutatam**  
Independent Director

**Mr. Niphon Suthimai**  
Independent Director

**Mr. Koh Ban Heng**  
Independent Director



# TEAMWORK



**2011 was a challenging year  
and “Teamwork”  
was one of the Company’s  
key success factors in  
overcoming the challenges.**

**Mr. Jacques Pastor**  
Executive Director

**Mr. Hervé Le Bouc**  
Director

**Mr. Chaiwat Srivalwat**  
Managing Director

**Mr. Somchit Sertthin**  
Chief Executive Officer





A group of four men in business suits standing in a modern office setting. The man on the far left is Mr. Sitilarb Supsakorn, an Asian man with short dark hair, wearing a dark blue suit and a patterned tie. The man next to him is Mr. Emmanuel Scheer, a man with dark hair and a beard, wearing a grey suit and a striped tie. The man next to him is Mr. Hugues de Champs, a man with dark hair, wearing a dark green suit and a pink tie. The man on the far right is Mr. Jacques Leost, an older man with grey hair, wearing a dark blue suit and a striped tie. They are all standing in front of a large window with a grid pattern.

**Mr. Sitilarb Supsakorn**  
Executive Director

**Mr. Emmanuel Scheer**  
Executive Director

**Mr. Hugues de Champs**  
Executive Director

**Mr. Jacques Leost**  
Director



### 1. Mrs. Anurat Tiamtan

Chairperson  
Authorized Director  
Age 63

#### Education and Seminars on Director Roles and Responsibilities

M.S. Biochemistry, American University, Washington, D.C., USA  
B.A. (Honors) Chemistry, Kasetsart University

#### Thai Institute of Directors

2004 : Director Certification Program (DCP)

2001 : Chairman Program 2000

**Shareholding in Company** 1,000,000 shares (0.66%)

**Family Relationships with Management** Sister-in-law of Mr. Somchit Sertthin and sister of Mr. Sitilarb Supsakorn

#### Related Experience

2009 – Present >> Chairperson / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products  
2008 – Present >> Director / Siam Container Transport and Terminal Co., Ltd. / Container shipping services  
2008 – Present >> Director / Ekachai Container Terminal Co., Ltd. / Container shipping services  
2003 – Present >> Chairperson/Tipco Foods PCL/producing and exporting of canned pineapple, pineapple juice concentrate, canned fruits and beverage  
1995 – Present >> Chairperson / Thanomwongse Service Co., Ltd. / Road construction and maintenance  
1979 –2008 >> Director / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products

### 2. Mr. Pahol Chindakul

Independent Director  
Chairman of the Audit Committee  
Member of the Nomination and  
Remuneration Committee  
Age 77

#### Education and Seminars on Director Roles and Responsibilities

M.A. Sociology, Utah State University, USA  
Certificate of Economic Development and Social Change, Michigan State University, USA  
Bachelor of Commerce, Thammasat University

#### Thai Institute of Directors

2007 : Audit Committee Program (ACP)

2007 : Role of The Chairman Program

2005 : Director Accreditation Program (DAP)

2002 : Effective Audit Committee

**Shareholding in Company** 55,700 shares (0.04%)

**Family Relationships with Management –**

#### Related Experience

2006 – Present >> Chairman of the Audit Committee / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products  
2002 – Present >> Member of the Nomination and Remuneration Committee / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products  
1998 – Present >> Independent Director and Chairman of Audit Committee / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products  
1998 – 2006 >> Chairman of the Audit Committee / International Engineering PCL  
1997 – 2005 >> Chairman / International Engineering PCL

### 3. Mr.Thaweesin Devahastin Na Ayudhya

Independent Director  
Member of the Audit Committee  
Chairman of the Nomination  
and Remuneration Committee  
Age 64

#### Education and Seminars on Director Roles and Responsibilities

M.B.A., Eastern New Mexico University, USA  
M.P.A., National Institute of Development Administration (NIDA)  
B.A. Political Science, Thammasat University

#### Thai Institute of Directors

2007 : Role of the Compensation Committee (RCC)

2006 : Audit Committee Program (ACP)

2000 : Director Certification Program (DCP)

**Shareholding in Company –**

**Family Relationships with Management –**

#### Related Experience

2002 – Present >> Chairman of the Nomination and Remuneration Committee / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products  
1998 – Present >> Member of the Audit Committee / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products  
1994 – Present >> Independent Director / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products  
1994 – 2003 >> Managing Director / SCB Leasing PCL  
1990 – 1994 >> Managing Director / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products

#### 4. Mr. Parnchalerm Sutatam

Independent Director  
Member of the Audit Committee  
Age 59

#### Education and Seminars on Director Roles and Responsibilities

M.B.A., University of Bridgeport, CT, USA Thai Institute of Directors  
B.S. Accounting, Babson College, MA, USA  
2006 : Audit Committee Program (ACP)  
2005 : Director Accreditation Program (DAP)

#### Shareholding in Company –

#### Family Relationships with Management – Related Experience

2006 – Present >> Member of the Audit Committee / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products  
2004 – Present >> Independent Director / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products  
1989 – 2008 >> Advisor / Thai Seisen Co., Ltd.  
1987 – Present >> Director / Boonmitra Building Co., Ltd. / Office building for rent

#### 5. Mr. Niphon Suthimai

Independent Director  
Member of the Audit Committee  
Age 54

#### Education and Seminars on Director Roles and Responsibilities

Master Degree in Operational Research, London School of Economics, UK  
Licence de Droit (Law), Université Droit, Lyon, France

#### Thai Institute of Directors

2006 : Audit Committee Program (ACP)  
2006 : Director Accreditation Program (DAP)

#### Shareholding in Company –

#### Family Relationships with Management – Related Experience

2007 – Present >> Managing Partner / CLY International Limited  
2006 – Present >> Independent Director / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products  
2006 – Present >> Member of the Audit Committee / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products  
2005 – Present >> Consultant / Air Cargo Co., Ltd.  
2003 – 2006 >> Business Development Manager / Powertech 2004 Co., Ltd.  
1999 – Present >> Associate Director / Geodis Overseas Co., Ltd.  
1994 – 1999 >> Member of Audit Committee / Calberson Transport Co., Ltd.  
1994 – 1999 >> Managing Director / Calberson Transport Co., Ltd.  
1990 – 1994 >> Director / Calberson Thailand Co., Ltd.

#### 6. Mrs. Anne-Marie Machet

Independent Director  
Age 57

#### Education and Seminars on Director Roles and Responsibilities

M.B.A. Finance, ESCP-EAP  
Bachelor Degree in Math and Science  
International Coaching Academy – Accredited Coach in 2008

#### Thai Institute of Directors

2010 : Director Accreditation Program (DAP)

#### Shareholding in Company –

#### Family Relationships with Management – Related Experience

2010 – Present >> Independent Director / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products  
2009 – Present >> Vice President of Franco Thai Chamber of Commerce-in charge of HR Committee  
2008 – 2009 >> President of French International School of Bangkok  
2007 – 2008 >> Executive Advisor and Team Motivator / FP Coaching to Lead (Thailand)  
2006 – 2007 >> Project Manager – Change Management / HSBC (France)  
2003 – 2006 >> Training Project Manager / HSBC (France)

#### 7. Mr. Hervé Le Bouc

Director  
Authorized Director  
Age 61

#### Education and Seminars on Director Roles and Responsibilities

Ecole Supérieure des Travaux Publics

#### Shareholding in Company –

#### Family Relationships with Management – Related Experience

2008 – Present >> Director / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products  
2007 – Present >> Chairman and Chief Executive Officer / Colas Group  
2005 – 2007 >> Chairman and Chief Executive Officer / SAUR Group International Group  
2002 – 2005 >> Chief Executive Officer / SAUR Group International Group  
2001 – 2002 >> Chief Operating Officer / BOUYGUES CONSTRUCTION Energy Services  
2001 – 2002 >> Chairman of the Board / ETDE Electricity

**8. Mr. Jacques Pastor**

Executive Director  
Member of the Nomination and  
Remuneration Committee  
Authorized Director  
Age 57

**Education and Seminars on Director Roles and Responsibilities**

Advanced Management Program (AMP), Harvard Business School, MA, USA  
Ecole Nationale Supérieure d'Arts et Métiers

**Shareholding in Company –****Family Relationships with Management –****Related Experience**

2004 – Present >> Director / Thai Crushing Plant Co., Ltd. / Quarry and explosive rocks  
2004 – Present >> Director / Thai Slurry Seal Co., Ltd. / Road construction and maintenance  
2000 – Present >> Executive Director / Tipco Asphalt PCL / Manufacturer and distributor  
of asphalt products  
1993 – Present >> Asia Area Manager / Colas S.A. / Road construction and maintenance,  
manufacturer and distributor of asphalt emulsion

**9. Mr. Hugues de Champs**

Executive Director  
Authorized Director  
Director – Joint Ventures and  
Subsidiaries  
Age 43

**Education and Seminars on Director Roles and Responsibilities**

Masters degree in public and maritime works  
University of Technology Degree, Civil Engineering

**Shareholding in Company –****Family Relationships with Management –****Related Experience**

2011 – present >> Operations Manager / Colas Asia area  
2004 – 2011 >> Managing Director / Colas South Africa (Pty) Ltd  
1995 – 2004 >> Operations Manager / COLAS Asia area  
1993 – 1994 >> Project Manager / COLAS Asia area, India  
1992 – 1993 >> Project Manager / COLAS Morocco, GTR company  
1991 – 1991 >> Operation Manager in Savoies-Enrobés, Annecy COLAS Rhône-Alpes (France)  
1990 – 1991 >> Site Engineer in Grenoble / COLAS Rhone-Alpes (France)

**10. Mr. Emmanuel Scheer**

Executive Director  
Director – Finance and International  
Legal Affairs  
Authorized Director  
Age 45

**Education and Seminars on Director Roles and Responsibilities**

Master Degree in Negotiation Ecole Supérieure de Gestion, Paris, France

**Shareholding in Company –****Family Relationships with Management –****Related Experience**

2006 – Present >> Executive Director / Tipco Asphalt PCL / Manufacturer and distributor of  
asphalt products  
2002 – Present >> Finance & Administration Manager / Colas Asia, Bangkok, Thailand  
2000 – 2002 >> Corporate Controller / Colaska Inc. (Colas Group), Washington, USA  
1998 – 2000 >> Controller / Sully - Miller Contracting Co., Inc. (Colas Group), California, USA  
1996 – 1998 >> Internal Auditor / Colas S.A., Paris, France  
1994 – 1996 >> Marketing Executive / Pechiney S.A., New York, USA

**11. Mr. Sitilarb Supsakorn**

Executive Director  
Authorized Director  
Age 61

**Education and Seminars on Director Roles and Responsibilities**

B.S. Business Administration, Babson College, MA, USA

**Shareholding in Company** 1,000,000 shares (0.66%)**Family Relationships with Management** Older brother-in-law of Mr. Somchit Sertthin**Related Experience**

2004 – Present >> Director / Ekachai Container Terminal Co., Ltd. / Container shipping services  
2001 – Present >> Executive Director / Tipco Asphalt PCL / Manufacturer and distributor of  
asphalt products  
1997 – Present >> Director / Siam Container Transport and Terminal Co., Ltd. / Container  
shipping services  
1996 – Present >> Director / Thanomwongse Service Co., Ltd. / Road construction and  
maintenance  
1991 – Present >> Director / Thai Crushing Plant Co., Ltd. / Quarry and explosive rocks



**12. Mr. Somchit Serththin**

Chief Executive Officer  
Member of the Nomination and  
Remuneration Committee  
Authorized Director  
Age 60

**Education and Seminars on Director Roles and Responsibilities**

Advanced Management Program (AMP), Harvard Business School, MA, USA  
B.S. Business Administration, Babson College, MA, USA

**Thai Institute of Directors**

2003 : Director Accreditation Program (DAP)

**Shareholding in Company** 2,000,016 shares (1.311%)

**Family Relationships with Management** Brother-in-law of Mrs. Anurat Tiamtan and Mr. Sitilarb Supsakorn  
**Related Experience**

2005 – Present >> Director / Tipco Foods (Thailand) PCL / Producer and exporter of canned fruits  
1986 – Present >> Executive Director/ Tipco Asphalt PCL / Manufacturer and distributor of asphalt products  
1980 – 1986 >> Vice President and Country Corporate Manager / Chase Manhattan Bank, Taipei Branch  
1974 – 1979 >> Senior Manager / Continental Bank of Chicago

**13. Mr. Chaiwat Srivalwat**

Managing Director  
Authorized Director  
Age 52

**Education and Seminars on Director Roles and Responsibilities**

B.Eng. (Engineering), Liverpool University, England

**Thai Institute of Directors**

2003 : Director Certification Program (DCP)

**Shareholding in Company** –

**Family Relationships with Management** –

**Related Experience**

2002 – Present >> Managing Director / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products  
1996 – 2002 >> Marketing Director / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products  
1990 – 1996 >> Senior Operations Manager / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products  
1993 – 1995 >> Senior Plant Manager / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products  
1992 >> Group Plant Manager / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products  
1983 – 1991 >> Plant Manager / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products

**14. Mr. Jacques Leost**

Director  
Age 59

**Education and Seminars on Director Roles and Responsibilities**

Engineering Degree from Ecole Centrale Lille

**Thai Institute of Directors** –

**Shareholding in Company** –

**Family Relationships with Management** –

**Related Experience**

2010 – Present >> International Managing Director / Colas Group  
2002 – 2010 >> Chairman and CEO/ SAIPEM SA  
2001 >> CEO/ Bouygues Offshore /Oil & gas engineering and construction services  
1996 – 2000 >> COO/ Bouygues Offshore /Oil & gas engineering and construction services  
1994 – 1995 >> Vice President (Africa, North Sea and Mexico)/ Petromar  
1989 – 1993 >> Vice President (Africa)/ Petromar  
1984 – 1989 >> Managing Director (Angola)/ Petromar/Marine transportation  
1980 – 1984 >> Project Manager (Angola and Singapore)/ Bouygues Offshore /Oil & gas engineering and construction services  
1976 – 1979 >> Field Engineer (France)/ Bouygues Offshore /Oil & gas engineering and construction

**15. Mr. Koh Ban Heng**

Independent Director  
Age 61

**Education and Seminars on Director Roles and Responsibilities**

Post-Graduate Diploma in Business Administration, University of Singapore  
Bachelor's Degree in Applied Chemistry

**Thai Institute of Directors** –

**Shareholding in Company** –

**Family Relationships with Management** –

**Related Experience**

2011 – Present >> Director / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products  
2009 – 2011 >> Executive Director / CEO/ Singapore Petroleum Company (SPC)  
2003 – 2009 >> CEO/ Singapore Petroleum Company (SPC)  
1974 – 2002 >> Several key positions / Singapore Petroleum Company (SPC) / Integrated oil and gas company

# Executive Officers

## 1. Mr. Chayongsak Pisitpong

Executive Committee Member  
Chief Director - Finance  
Age 54

### Education and Seminars on Director Roles and Responsibilities

M.B.A., Northwest Missouri State University, USA  
M.A. Economics, University of Kansas, USA  
B.A. Business Administration, Benedictine College, KA, USA

### Thai Institute of Directors

2003 : Director Accreditation Program (DAP)

### Shareholding in Company –

### Family Relationships with Management –

### Related Experience

1995 – Present >> Chief Director - Finance / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products  
1981 – 1995 >> Vice President / Chase Manhattan Bank, Bangkok Branch

## 2. Ms. Auchcha Rattrakultrip

Director - Finance, Credit and Legal  
Age 65

### Education and Seminars on Director Roles and Responsibilities

Mini M.B.A. Economics / Business Administration  
Mini M.B.A. Commerce and Accounting / Business Administration Kasetsart University

### Shareholding in Company –

### Family Relationships with Management –

### Related Experience

2002 – Present >> Finance, Credit and Legal Director / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products  
2001 – 2002 >> Senior Manager / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products

## 3. Mr. Kasidis Chareancholwanich

Director - Domestic Sales & Marketing  
Director - Business & Support  
Age 51

### Education and Seminars on Director Roles and Responsibilities

M.B.A. Finance and Marketing, Georg-August University, Göttingen, Germany  
B.A. Business Administration, Marketing, Assumption University  
Bachelor Degree of Law, Ramkhamhaeng University

### Shareholding in Company –

### Family Relationships with Management –

### Related Experience

2008 – Present >> Director – Business and Support / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products  
2000 – 2005 >> Sales Director / ICI Paints (Thailand) Co., Ltd. / Leading international paint manufacturer and distributor

## 4. Mr. Praveen Penmanee

Director - Operations  
Age 54

### Education and Seminars on Director Roles and Responsibilities

M.B.A., National Institute of Development Administration (NIDA)  
Electrical Engineering, King Mongkut Institute of Technology - Ladkrabang Campus

### Shareholding in Company –

### Family Relationships with Management –

### Related Experience

2010 – Present >> Director - Operations / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products  
2002 – 2009 >> Production Division Manager / Guardian Industries Rayong Co., Ltd. / Global manufacturer of float glass and mirror

## 5. Mr. Koh Lai Huat

Executive Committee Member  
Director - Accounting and Budgeting  
Age 52

### Education and Seminars on Director Roles and Responsibilities

M.B.A. International Marketing and Chartered Association of Certified Accountant (UK)

### Shareholding in Company –

### Family Relationships with Management –

### Related Experience

2010 – Present >> Director - Accounting and Budgeting / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products  
2009 – Present >> Chief Financial Officer / Kemaman Oil Corporation Sdn. Bhd. / Holding company in asphalt refinery in Malaysia  
2004 – 2008 >> Chief Financial Officer / Seloga Holdings Bhd. / Holding company with subsidiaries principally involved in construction and property development

**6. Mr. Vivek Dwivedi**

Director – Marine Group  
Age 50

**Education and Seminars on Director Roles and Responsibilities**

M.B.A. Management, Sasin Graduate Institute of Chulalongkorn University  
B.S. Marine (Mechanical) Engineering, DMET, Kolkata, India

**Shareholding in Company** 20,000 shares (0.013%)

**Family Relationships with Management –**

**Related Experience**

- 2010 – Present >> Director – Shipping and Logistics / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products
- 2006 – 2010 >> General Manager -Shipping Business / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products
- 1995 – 2006 >> Senior Manager - Technical / Precious Shipping Public Company Limited / Ship owner and Holding Company

**7. Mrs. Udornporn Punpatch**

Director – Human Resources  
Age 51

**Education and Seminars on Director Roles and Responsibilities**

Master Degree in Human Resources Management, College of Management, Mahidol University. Bangkok.  
Mini-Master of Business Administration, Thammasat University, Bangkok.  
Bachelor of Industrial Psychology, Chaingmai University, Chiangmai

**Shareholding in Company** – 921 shares (0.006%)

**Family Relationships with Management –**

**Related Experience**

- 2011 – Present >> Director – Human Resources / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products
- 2007 – 2010 >> Senior Manager – Human Resources / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products
- 2000 – 2006 >> Group Manager – Human Resources Resources / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products

**8. Mr. Jacques Marechal**

Director – Finance and International  
Legal Affairs  
Age 46

**Education and Seminars on Director Roles and Responsibilities**

Corporate Finance Dauphine University

**Shareholding in Company** –

**Family Relationships with Management –**

**Related Experience**

- 2011 – Present >> Director – Finance and International Legal Affairs / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products
- 2000 – 2011 >> International Finance Manager at the Finance Department / COLAS SA, Paris, France
- 2000 – 2011 >> International Finance Manager at the Finance Department of COLAS SA, Paris, France
- 1996 – 2000 >> Deputy International Finance Manager at the Finance Department of COLAS SA, Paris, France
- 1993 – 1996 >> Financial Executive at COLAS SA, Paris, France
- 1991 – 1992 >> Treasure at the Financial Department of SACER, Paris, France
- 1989 – 1990 >> Trader Assistant in the Middle office (interest rate desk) at CIC Bank, Paris, France

**9. Mr. Ismail Bin Abdul Hamid**

Director – International Sales and  
Marketing  
Age 49

**Education and Seminars on Director Roles and Responsibilities**

Master Degree (MSc) Highway Management & Engineering, University of Birmingham, UK.  
Civil Engineering Degree(BSc) Western Kentucky University, USA

**Shareholding in Company** -

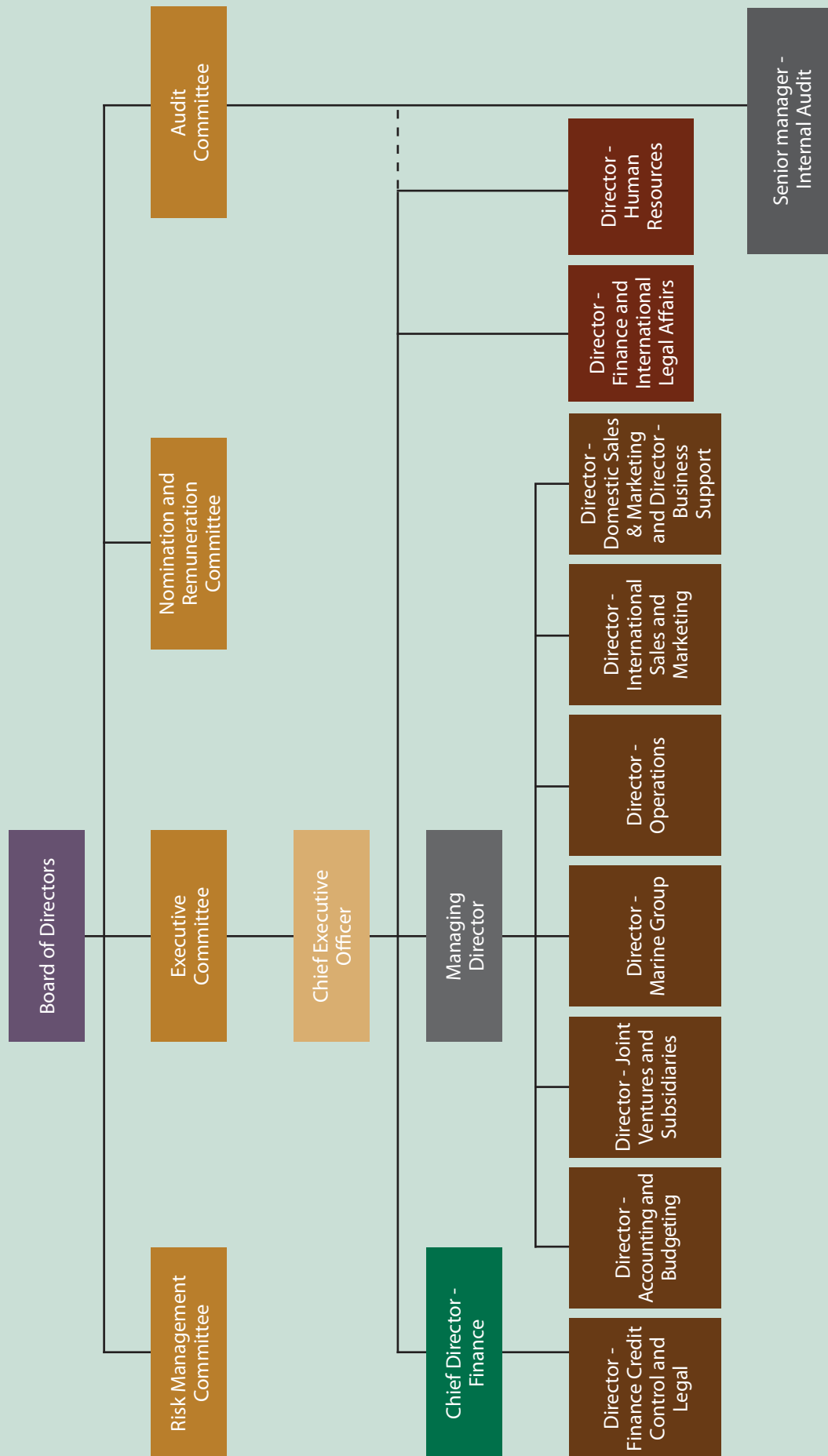
**Family Relationships with Management -**

**Related Experience**

- 2011 – Present >> Director – International Sales and Marketing / Tipco Asphalt PCL / Manufacturer and distributor of asphalt products
- 2006 – 2011 >> General Manager, Sales & Marketing / Kemaman Bitumen Company Sdn Bhd,
- 1990 – 2006 >> Sales, Marketing, Product Development and Technical Services / Shell Oil & Trading group of companies in Malaysia, France and Singapore
- 1985 – 1990 >> Consultancy and Design of Civil Engineering structures and roads / Hussien & kh Chong Engineering Consultancy / Sophia Ikhwan Bena Sdn Bhd



# Organization Structure



# Major Shareholders as at 30<sup>th</sup> December 2011

No.	Shareholders Shares	No. of ordinary	%
1.	BNP PARIBAS SECURITIES (SINGAPORE) PTE LTD-FOR COLAS S.A.	48,903,804	32.058
2.	Tipco Foods PCL	37,113,166	24.329
3.	Supsakorn Family	8,143,928	5.338
4.	Thai NVDR Co., Ltd.	4,464,963	2.927
5.	AMERICAN INTERNATIONAL ASSURANCE COMPANY, LIMITED-APEX	4,182,982	2.742
6.	Dr. Pichit Lerttamrath	2,210,000	1.449
7.	AMERICAN INTERNATIONAL ASSURANCE COMPANY, LIMITED-TIGER	1,500,016	0.983
8.	Mr. Viwat Kowitsophon	1,417,800	0.929
9.	Provident Fund Provincial Electricity Authorit	1,022,100	0.670
10.	Provident Fund Thai Airways International	725,600	0.476
11.	Others	42,863,709	28.098
Total		152,548,068	100.000

## Dividend Policy

The Company has a policy to pay dividends of not less than 60% of its company alone net profit of each fiscal year. However, the actual dividend payment depends on cash flow, investment plans of the company and its subsidiaries, terms and conditions of agreements entered into by the Company, together with all other conditions of necessity and suitability in the future.

# Tipco Asphalt Products

## Types of products produced by the Group include:

- Asphalt Cement (AC) accounted for more than 80% of asphalt sales in 2011. The Group refines its own Asphalt Cement from heavy crude oil (mainly from South America) in addition to AC it purchases from other local and international suppliers.
- Asphalt Emulsion (AE) is a mixture of Asphalt Cement, water and chemicals.
- Cutback Asphalt is a mixture of Asphalt Cement and petroleum solvents. It is used mainly for prime coating. Today it has become less popular because it is costly and unfriendly to the environment.
- Polymer Modified Asphalt (PMA) is a mixture of polymer and Asphalt Cement. It is a durable binder with elastic characteristic to ensure higher rutting resistance on highways. This special property extends the useful life of highways and airport runways.
- Premix is a ready-mix product that is sold in bags. This product is made from readily mixed Asphalt Emulsion and selected aggregates with proper gradation. It is best for small road surface repairs.
- Tipco Joint Sealer and Tipco Joint Primer are Asphalt Cement mixed with additives, which is durable for extreme hot and cold weather conditions. It is highly flexible and adheres to joint components and is used for sealing the joints between concrete slabs.
- Atmospheric Gas Oil (AGO), Vacuum Gas Oil (VGO), Kerosene and Naphtha are byproducts from Tipco Asphalt refinery. The Company sells these products to local and regional customers.

## Products for which the Group is a distributor include:

1. AC is purchased from local and international suppliers.
2. Diesel and bunker oil are purchased from oil refineries and brokers.

## Types and Sources of Products and Raw Materials

AC is a product from refining of crude oil and processing of base lubricating oil. AC is used as the raw material for manufacturing Asphalt Emulsion, Polymer Modified Asphalt and Cutback Asphalt. Currently, the Company obtains AC from its own asphalt refinery in Malaysia as well as purchases it from multiple sources simultaneously, both locally and internationally, to reduce the risk of relying on a single source and to control the cost of raw materials for manufacturing.



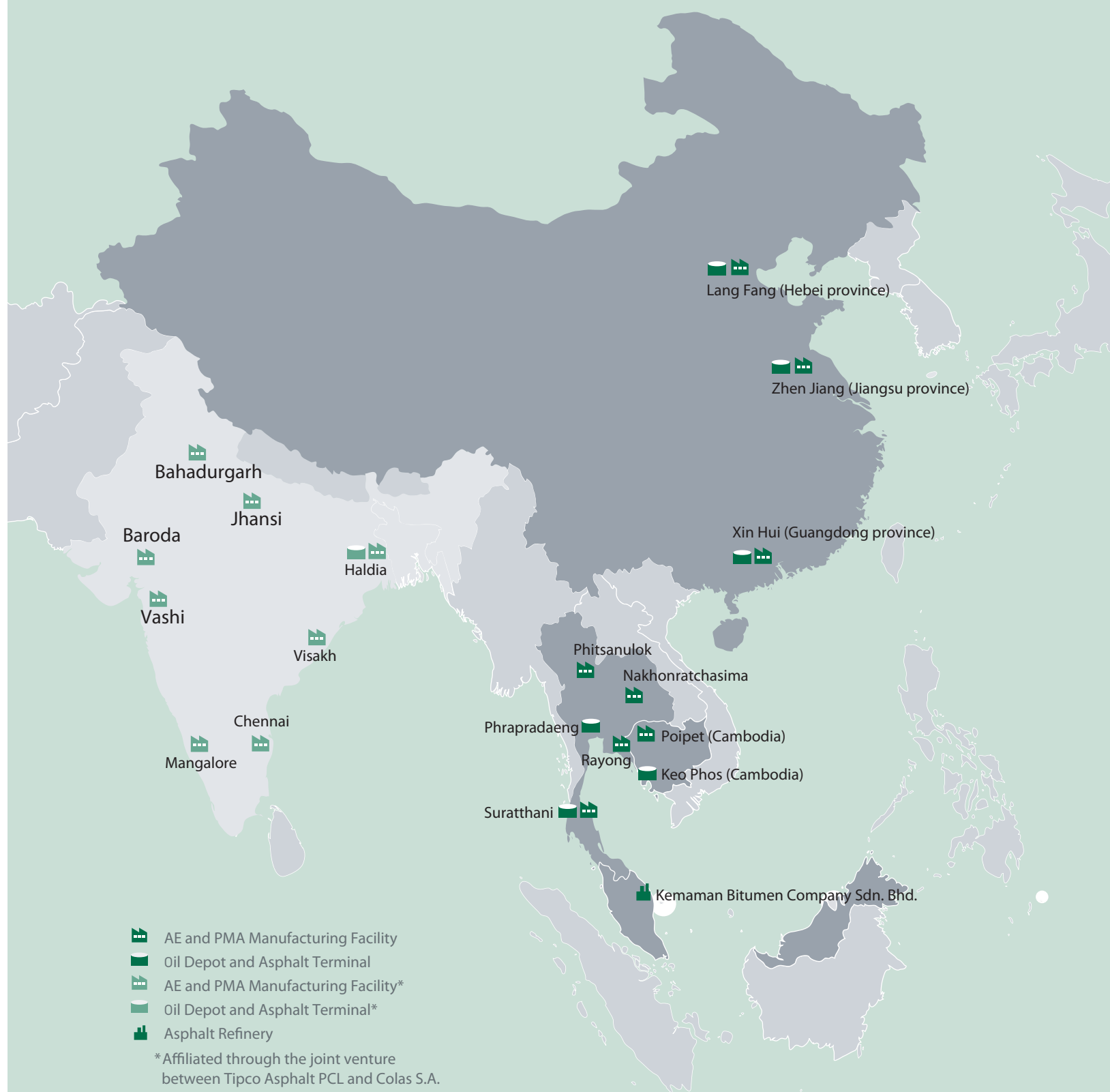
## Other Raw Materials

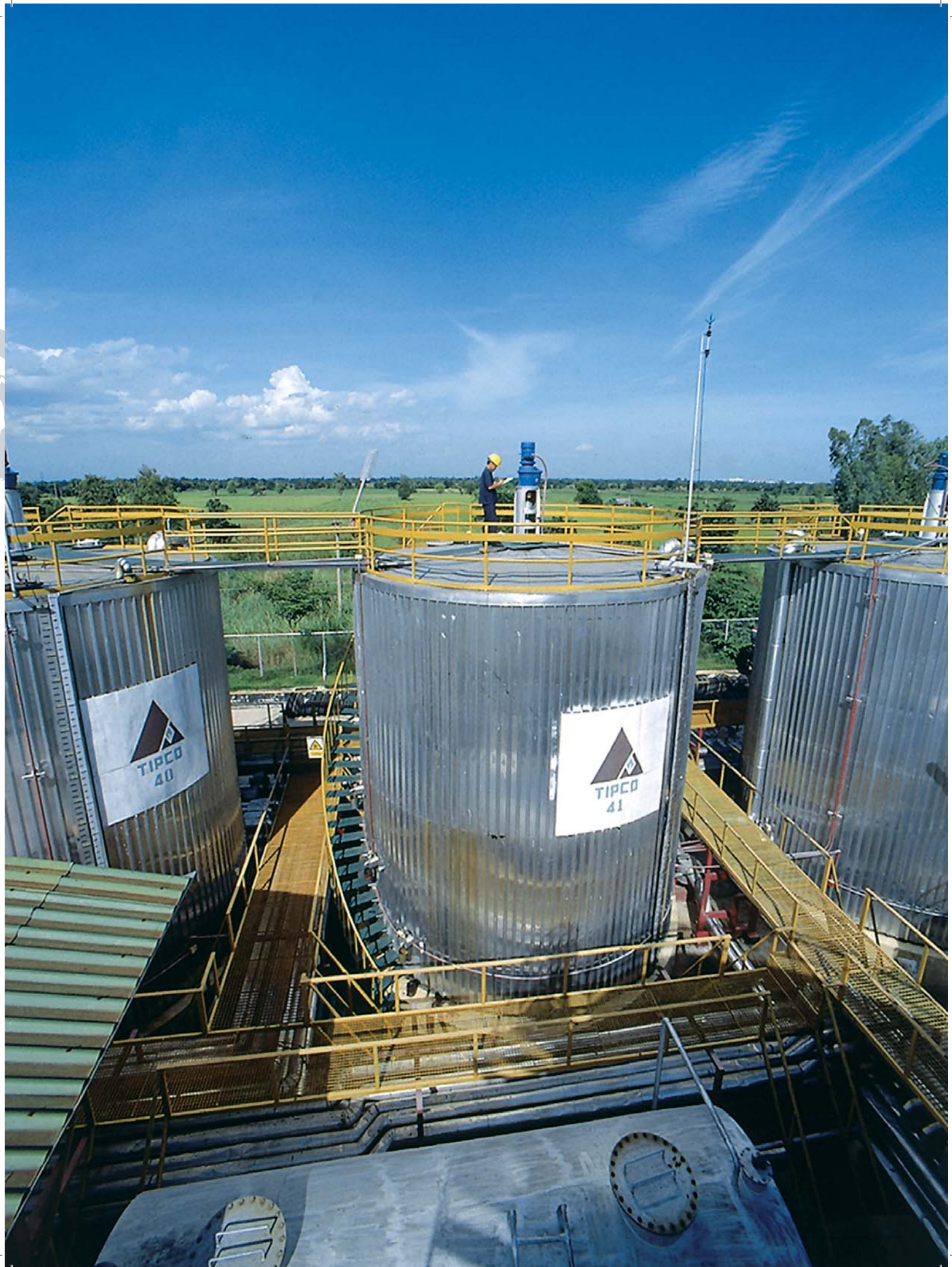
The Company imports approximately 35% of the raw materials it requires for use in the Asphalt Emulsion and Polymer Modified Asphalt manufacturing process. The remaining 65% of raw materials is sourced through local suppliers.

The two types of raw material required are as follows:

- Solvents: The price of solvents varies depending on oil prices. They are purchased from local suppliers and there is no shortage of this raw material in the market.
- Emulsifiers: There are several kinds of emulsifiers, which can be purchased locally or from international suppliers through their sales agents. The price of emulsifiers is quite stable.

# Factories, Oil Depots and Asphalt Terminals









# Business Performance

## Domestic Market

Domestic asphalt consumption in Thailand mainly depends on public-sector projects. In 2011, Thailand consumed about 610,000 tons of asphalt products for road construction and maintenance consisting of 490,000 tons of Asphalt Cement, 120,000 tons of Asphalt Emulsion and other products such as Polymer Modified Asphalt, Cutback Asphalt, Premix, Joint Sealer and Joint Primer. However, due to the flood disaster in many areas of the country in the last quarter, the public-sector projects came to a complete halt. As a result, demand of asphalt products in 2011 was 22% lower than the previous year, causing an aggressive price competition in the domestic market as there were more asphalt supplies than the demand.

As the market leader, Tipco Asphalt has maintained strong customer loyalty towards its products with quality standards, superior customer service, and prompt and punctual deliveries over the years. In 2011, the Company introduced some new applying techniques such as Warm Mix Asphalt technique which applies the hot asphalt with the lower temperature (around 30%) than Conventional Hot Mixed method. The Company had also applied following new techniques in some key projects;

### Micro Surfacing Technique

- Baromratcholnee Bridge from Pinklao (Bangkok) to Nakorn Prathom
- No. 9 Motorway Eastern ring road (Bangpa-in - Bangplee)
- Buraphavithee Express way (Bangna - Cholburi)
- Udonrattaya Express way (Bangpa-in - Pakred)
- Vibhavadi-Rangsit Road (from Don Mueng Airport to Din Daeng)

### Porous Asphalt Technique

- Entrance of the tunnel around Ratchapruk - Rama V roundabout.

### Warm Mixed Asphalt Technique

- Highway 4225, King Amphur Thapraduu, Suanmak, Trang

### Colored Asphalt Technique

- Rural Road, King Amphur Suksamran, Ranong



The Company has manufacturing facilities and asphalt terminals located in the center of every region of the country, such as Nakhonratchasima, Phitsanulok and Suratthani, with close proximity to our customers. With these four domestic manufacturing facilities strategically covering all regions, the Company can promptly deliver asphalt products to domestic customers in Thailand, as well as, to neighboring countries via its own fleet of 300 trucks. This unique logistic capability is core to Tipco Asphalt's dominance of the domestic market. Building on this capability, the Company also owns and operates six oceangoing asphalt vessels which significantly expand our presence in the export market. These vessels also import asphalt into Thailand.

Tipco Asphalt's marketing and sales teams serve more than 550 major contractors and customers across Thailand. With 30 years of solid service track record, our committed sales teams are well trained to provide quality services and give technical advice to customers. Furthermore, our sales team is also backed by dedicated technical support teams who have had long experience and knowledge of new techniques in road maintenance application and are ready to solve problems and give advice to customers at their job sites. The Company also has implemented a Customer Relationship Management (CRM) team to study the complex requirements of each group of customers in order to devise effective sales and service plans

## International Market

2011 was marked by another strong international asphalt sales for the Group despite lower sales during the first half of 2011. This was mostly due to lower production at Tipco Asphalt refinery in the first half year. On the other hand, asphalt supplies from external refineries, with a year-on-year increase of over 20%, played a significant role in supporting our international sales.

The reduced production at Tipco Asphalt Refinery in the first half of the year was mostly due to the inability to secure crude oil at the economical prices and a softer asphalt demand in South East Asia's key markets, mainly attributable to the rapid increase in crude market prices. It was only after one of the largest refinery's major accident shutdown in Singapore that triggered a negative outlook on potential products (including asphalt) shortage in ASEAN region in late 3rd Quarter. It was indeed a wake-up call for our customer. With the combined effect of a higher demand in Vietnam and Indonesia, two key markets for our international sales, and of a tighter bitumen availability following reduction of production in both Thailand and Singapore, that Tipco Asphalt refinery produced at high throughputs, supporting international sales back to levels similar to 2010.

China remained again our leading international market accounted for over 40% of our international trade. This was achieved in a rather challenging context as the demand for asphalt in China, particularly for imported asphalt, reduced significantly as China was tightening its credit policies, with negative effect on spending on road construction. The Group's sales to China were particularly high in the first half of the year with an unprecedented 8% market share of China asphalt imports.

Indonesia was for the second consecutive year our second largest export destination, however sales to that market receded by a significant amount compared to 2010 due to limited availability of asphalt during first half of the year. The Indonesia market was also affected by the delays in public spending, particularly in the first three quarters and of increased asphalt production at the only local asphalt producing refinery in that country, resulting in a 30% year-on-year decrease of Indonesian asphalt imports.

The Vietnamese market was another of our key market to see a decrease of demand in 2011 with a reduction of the local asphalt demand by almost 20%. The Group's sales to that market decreased accordingly under the growing presence of Taiwan and China as economical sources for that market

Similar to China, Australia and Laos were amongst those markets where 2011 sales increased compared to the previous year. The Group remained a key partner of Colas S.A.'s subsidiary in Australia and become the fourth largest destination for our international trade. Sales to Laos increased by almost 100% from 2010 as the country is boosting its investments on infrastructure.

Sales to the Cambodian subsidiary, Tipco Asphalt Cambodia, decreased slightly but remained at a rather healthy level

In line with our market expansion, the Group became the first ever company to export a bulk asphalt shipment to South Africa in November 2011. The cargo was imported by Colas S.A.'s subsidiary in that country.

Some of our international sales were delivered to other countries like Bangladesh, Reunion Island, Mauritius, Fiji and Tahiti.



## Crude Supply

Despite the rapid surge in crude price during the first half of 2011, the Group procured close to 4.5 million barrels of crude. 2011 made a return to a stronger procurement of South America crude oils with 4 different grades being sourced. We have also qualified 3 new feedstocks for our refinery and continue to diversify our procurement channels and bought crude oils from new suppliers and traders.

## Asphalt Refinery in Malaysia

Tipco Asphalt operates a refinery in Kemaman, Malaysia through its subsidiary, Kemaman Bitumen Company Sdn. Bhd. (Tipco Asphalt refinery). The refinery, located on 26 hectares of land in the Telok Kalong Industrial Estate, has a nameplate refining capacity of 25,000 barrels of heavy crude oil per day or the equivalent of 9 million barrels or 1.4 million tons of crude oil per year. This translates to production of about one million tons of asphalt cement per year.

The refinery processed only 3.1 million barrels of crude in 2011 or about one third of its designed capacity due to unavailability of acceptable crude in first half of 2011. The amount of asphalt in 2011 produced and sold was 273,495 tonne. The value of the asphalt and non asphalt products was approximately Baht 10,113 million.



*Tipco Asphalt Refinery  
in Kemaman, Malaysia*

## Shipping

Shipping activities complement our Group core business and form an important part of the supply chain. Tipco Asphalt shipping subsidiaries own six asphalt tankers of varying tonnage with a total cargo capacity of 20,200 Tons. The vessels are operated by in-house ship management under strict tanker quality management systems. The vessel management follows best industry practices and strives to achieve KPIs as per the TMSA (Tanker Management Self Assessment) guidelines.

The vessels trade predominantly in the Asia Pacific – Indian Ocean range. All vessels continue to achieve high utilization in 2011 despite slowdown in asphalt sales compared to 2010. This was evident in the reduced chartering activities. The current ratio of asphalt trading volumes on owned tonnage to chartered tonnage is 3.5:1. In line with the vision, the Company has planned to acquire a new vessel around mid 2012, currently being built in Japan. This will bring the total owned tonnage to about 27,000 tons. This will be the seventh vessel in the fleet and is expected to boost the trade volumes on long ton-mile destinations.

## Operations Division

The Company's manufacturing operations continues to pursue for excellence in both maintaining high standards as well as performance at all times. In order to achieve these objectives, the company has adopted the program "Quality Control Circle" or known as "QCC" to be applied at staff in supervisory level located at Nakornratchasima and Rayong plants in 2010. In 2011, the company extended this program to all others locations as one part of the evaluation of the performance of supervisors. The main purpose is to enhance the capability of supervisors and employees to understand problems better and to find solutions more efficiently. In addition, this has created positive attitude of finding ways to solve problems effectively and continue to improve the quality of our products and services which we intend to expand this into organization culture downwards to all operation levels.

The Company is committed to conduct the business to be in line with the standards of reduction in carbon emission and global warming. Phrapradaeng terminal, one of our depots, passed the criteria and is qualified for the support in the carbon reduction program by the Energy Conservation Promotion Bureau; Ministry of Energy.

To enhance our commitment on Corporate Social Responsibilities, we have implemented policies for environmental protection and entrepreneurship in accordance with the approved CSR-DIW at all plants. Our next goal is to be certified with ISO26000-2010 or IEC 26000-2553 (The standard approach to social responsibility) at all plants within 2012.

In order to comply with the regulations for tank truck delivering hazardous materials by Ministry of Industry (for transportation of hot Asphalt Cement) and to meet increasing product demand in the future, the company invested in the new semi-trailer tanker with capacity to carry Asphalt Cement up to 28 tons (from the current capacity of 20 tons). With the new design and latest technology, our tankers will improve road safety level, reduce pollution from re-heating by burning firewood and reduce heat energy output at customer's site.

Logistics and supply chain are our major concern. We collaborated with the Technology Promotion Association of Thailand - Japan (TEI) and the Logistics Bureau (Department of Primary Industries and Mines, Ministry of Industry) to study and analyze our logistics and supply chain system. This project led us improvement in logistic efficiency and minimizing cost in transportation for inbound raw material. As a result, we enhanced our competitiveness and to match our customers' needs better. Also, we invested in GPS tracking and monitoring system in all our fleets which can be monitored in real-time base.

We never compromise with quality. Replacement of the old systems with the new generation of PLC (Programmable Logic Control) and SCADA control systems for production at Nakornratchasima, Phitsanulok, and Rayong to improve our production quality with better precision, accuracy, and reduction of human errors by operators. Furthermore, the management can remote access via web base from any location.





## Revenue Structure

During 2011, 72% of total revenue derived from the sale of asphalt products. Domestic and international sales contributed approximately 35% and 65% of total sales, respectively.

Based on the Company's consolidated financial statements for the years 2009, 2010 and 2011, revenues can be summarized by business units as follows:

Unit: Million Baht

	2009		2010		2011	
	Revenue	%	Revenue	%	Revenue	%
<b>1. Asphalt Business</b>						
Tipco Asphalt PCL	5,321	37.49	7,692	29.25	6,183	26.86
Surat Bitumen Co., Ltd.	911	6.42	1,639	6.23	262	1.14
Thai Bitumen Co., Ltd.	5,521	38.90	12,874	48.95	12,088	52.51
Raycol Asphalt Co., Ltd.	651	4.58	780	2.97	734	3.19
Tipco Asphalt (Cambodia) Co., Ltd	343	2.42	424	1.61	429	1.86
Kemaman Bitumen Co. Sdn. Bhd.	525	3.70	927	3.53	868	3.77
<b>Total</b>	<b>13,272</b>	<b>93.51</b>	<b>24,336</b>	<b>92.54</b>	<b>20,565</b>	<b>89.34</b>
<b>2. Vessel Business</b>						
Tipco Maritime Co., Ltd.	6	0.04	6	0.02	6	0.03
Delta Shipping Co., Ltd.	-	-	-	-	10	0.04
Alpha Maritime Co., Ltd.	-	-	1	-	3	0.02
Bitumen Marine Co., Ltd.	38	0.26	28	0.11	36	0.16
Tasco Shipping Co., Ltd.	-	-	-	-	6	0.02
<b>Total</b>	<b>44</b>	<b>0.31</b>	<b>35</b>	<b>0.13</b>	<b>61</b>	<b>0.26</b>
<b>3. Holding Companies</b>						
Tasco International Co., Ltd.	8	0.06	-	-	-	-
Tasco International (Hong Kong) Ltd.	765	5.39	1,420	5.40	1,678	7.29
<b>Total</b>	<b>773</b>	<b>5.44</b>	<b>1,420</b>	<b>5.40</b>	<b>1,678</b>	<b>7.29</b>
<b>Total Sales and Services</b>	<b>14,089</b>	<b>99.26</b>	<b>25,791</b>	<b>98.07</b>	<b>22,304</b>	<b>96.89</b>
Other Revenue	105	0.74	507	1.93	716	3.11
<b>Total Revenue</b>	<b>14,193</b>	<b>100.00</b>	<b>26,298</b>	<b>100.00</b>	<b>23,020</b>	<b>100.00</b>







# Risk Management and Risk Factors

## Risk Management

The Company continues to strive for effective risk management with new and efficient techniques enable further strengthen the systems. Prudent risk management practices are the key to overcoming business challenges amidst the highly uncertain global economy. In line with the Company strategy on risk, Risk Management Committee remains proactive by focusing on continuous improvements in managing risk in all areas of business.

The challenges of enterprise risk management amidst diverse nature of Company business from oil refining and shipping to the sale of oil products and asphalt in the infrastructure industry are being countered by implementing comprehensive risk management programs covering specific areas of business operations. The Risk Management Committee has been functioning in compliance with the Principles of Good Corporate Governance. The risk management policy is formulated to ensure that all stakeholders follow prudent risk management practices and are fully prepared for all possible scenarios.

The composition, duties and responsibilities of the Risk Management Committee are as follows:

1. Mr. Vivek Dwivedi	Risk Committee Leader
2. Mr. Chayongsak Pisitpong	Member
3. Mr. Thierry Defrene	Member
4. Mr. Emmanuel Scheer	Member
5. Mr. Koh Lai Huat	Member
6. Mr. Abdul Malik Tahir	Member
7. Mr. Chaiyaphong Phongauksorn	Secretary

## Duties and Responsibilities

- To consider and approve the scope or framework of risk management;
- To monitor development of the scope of risk management, the risk indication process and risk assessment;
- To assess and approve the risk management plan; and
- To report to the Board of Directors concerning potential risks, as well as, on their management and also to communicate with the Audit Committee about these issues as appropriate.

In managing risks, the Risk Management Committee has created risk management teams of managers headed by a Risk Officer to carry out day-to-day operations on behalf of the committee. Such teams will adhere to risk management policies, scope or framework and process and render support, advice or guidance on risk management to all units.

Such teams will also report to the Risk Management Committee on a monthly basis about foreseeable risks in their respective departments, along with remedies and opportunities. Follow-up meetings with the Risk Management Committee are planned monthly to review corporate risks, receive feedback and work towards continuous improvement.

In addition, the Company is encouraging the proactive involvement of internal audit which gradually will add value to the risk management practices and provide checks and balances to the system.

## **Risk Factors**

### **Risks Related to Finance**

The Group's business activities are exposed to a variety of financial risks, including those related to credit, liquidity, foreign currency, interest rate and oil prices. The Group utilizes various financial instruments to manage the identified financial risks. The Group does not use financial instruments for trading or speculative purposes.

The Group's Finance Department provides technical assistance to various operating departments, coordinates access to financial markets and manages financial risks relating to the Group's overall operations. The use of financial instrument is strictly controlled by policies approved by the Company's Board of Directors. The policies provide specific direction in relation to financial risk management, including commodity hedging, foreign currency, interest, credit and liquidity risk.

#### **Credit risk**

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 while credit approvals are based on delegated limits of authority. There was no significant exposure to any group customers in 2011. Credit risk related to financial instruments is minimized by using reputable local and international banks.

#### **Liquidity risk**

The Group receives unsecured short term trade and working capital credit facilities from reputable local and international banks with combined lines of credit of over USD 1.2 million. Financing associated to crude purchase is self liquidating and short term in nature with asset conversion cycle averaging around 4 to 5 months at most.

#### **Currency risk**

The Company and its subsidiaries are exposed to foreign currency risk. This occurs as the result of purchases of raw materials and export sales. The risk is adequately mitigated with financing and export revenue in the same currency. There are also forward contracts booked for known expenses which all have maturities of less than six months.

#### **Interest rate risk**

The Company entered into interest swap to achieve fixed interest rate borrowing on its long-term loans. There are more opportunities for the Company and subsidiaries to enter into interest swap in the future.

#### **Commodity price risk**

The Company and a subsidiary are exposed to oil price fluctuation risks associated with the purchase of heavy crude oil and the sales of oil products. The Group adopts a hedging policy of protecting its value of the inventory and all contracts having maturities of less than six months.

## Risks Related to Oil Price Fluctuation

Petroleum product markets has been extremely volatile in 2011 with huge increase in prices and fluctuations within a wide range for first half of the year attributable to the unrest at Middle East countries or better known as “Arab Spring”. During this period of high price volatility, the Company “stay out” of crude oil procurement entirely due to unacceptable risk exposures until the oil world market out-look had become clearer. This Arab Spring continued longer than expected, before the high ICE Brent price retreated to below 110 from 127 and stayed in a volatility range after May 2011. In order to address and mitigate price fluctuation risks for both crude oil and finished products at all times, the Company adhered strictly to its existing hedging policies in order to protect the value of the inventory for each crude cargo. This minimized the risks inherent in these fluctuations.

## Risks Related to Sourcing Heavy Crude Oil

Tipco Asphalt refinery is designed to process heavy crude oil. Supply of heavy crude oil is limited in terms of volume and availability, either of which can be influenced both by the oil suppliers’ internal production cuts (due to operational problems) and also by higher external customer demand from other refineries. Inability to secure the right grade of crude oil in sufficient quantity at the right time and at acceptable price can leave the Company’s refinery idle and prevent Tipco Asphalt from meeting asphalt market demands.

To avoid crude shortages, the Company continues to diversify its crude oil supply sources by identifying and qualifying other heavy crude oil sources that could be successfully processed. Similar to 2010, the Company continued in 2011 to procure several new alternative feedstocks. The Company was intensively active in qualifying new feedstock and registering new crude oil suppliers. This diversification is to ensure that Tipco Asphalt refinery is not heavily reliant on few grades of heavy crude oil. Efforts will continue in 2012 to further diversify the Company’s crude supply sources. In 2011, Tipco Asphalt refinery has started various debottlenecking and upgrading programs aiming at ultimately having more flexibility on refining various types / grades of crude feedstock. In addition, the Company is working with a certain crude supplier for a long term supply agreement to ensure sufficient crude supply to the refinery in the future.

## Risk Related to Refinery Operations

Overall business risk, particularly technical and operational risk management, remains a high priority in the Tipco Asphalt refinery. During 2011, Tipco Asphalt refinery has reviewed and conducted the technical and non-technical audits to departmental level to ensure high risks appreciation of employees at every level. Key positions were filled especially in major project department and trainings including major drills were conducted to increase competency and preparedness in mitigating risks.

In addition, Tipco Asphalt refinery also took up full insurance protection for its assets and crude stock at all times including coverage for environmental spills.



## Risks Related to Supply

Fluctuations in raw material prices pose a major risk to the Group. The Group continuously seeks to mitigate supply risk by maintaining good long-term relationships with all refineries in Asia, which is accomplished through regular supply contacts and enquiries. As of now, supply risk is mitigated by the ability to source Asphalt Cement from the Group's own subsidiary asphalt refinery in Malaysia. Expanding collaborative networks with key partners helps the Group to identify new sources of supply at competitive prices.

## Risks Related to Domestic Market

The domestic market relies mainly on government budgets. Therefore, the stability of the government and the availability of the budget always play an important role in the success of the domestic market. In the second half of 2011, unfortunate flooding in Thailand had adversely affected demand.

## Risks Related to International Market

Tipco Asphalt product sales to the international market have grown significantly and achieved a dramatic increase of over 60% during 2010. In 2011 however, the sales volume shrunk in the outset of major flooding in Thailand and lack of supply from Tipco Asphalt refinery due to poor refinery margins amidst volatile crude oil prices. The efforts to diversify sales channels resulted in a balanced distribution of Company sales between available markets. Markets such as China, Indonesia, Australia and Vietnam were heavily relied upon in 2011 and will continue to be the major growth markets for the group in 2012. This increased sales level increased the risk of being able to mobilize adequate logistics and systems support. The Company coped with this by strengthening the international marketing team with additional employees to focus and penetrate new channels in the current markets. Supply shortfall was quickly addressed by procurement from third party refineries to meet the higher volume while utilizing company vessels and chartering 3<sup>rd</sup> party vessels based on delivery requirements.

## Risks Related to Shipping

The Group owns six vessels. The company is focused to maintain a quality tonnage which is managed by careful sale and purchase activities. In 2011, two quality Japanese built vessels were purchased whereas one old vessel was sold. The young quality tonnage maintained by the Company suitably supports increased sales activities in the Asia-Australia range.

All ship owning companies in the Group operate with the mission of zero accidents, zero injuries and zero oil spills. The Company ensures that all subsidiary-owned asphalt tankers are insured by first class risk coverage to protect assets against damages and also protect from third-party claims.

The biggest challenge facing the industry is a shortage of well-trained personnel. Company has made serious efforts to train and prepare shipping personnel to face industry challenges.









# Human Resources

## Number of Employees

As at December 31, 2011, the total number of employees of the Tipco Asphalt group was 713 (698 in 2010) including 562 permanent employees and 151 temporary staff. Of the total number of permanent employees, 161 are at the head office, 411 are at branch factories, and 145 work as vessel crews.

It should be noted that during the past five years, the Group did not have any litigation resulting from labor disputes.

## Employee Remuneration

The total remuneration of the Group's staff including salary, bonuses, benefits, overtime pay, allowances, other remuneration and the Company's contribution to the staff provident fund amounted to Baht 499 million in 2011, compared to Baht 466 million in 2010.

## Employee Development Policy

In 2011, the direction of employee development continued to promote core values, which are the guidelines of employee development towards an achievement of 2015 vision. The focus of 2011 was on the Teamwork core value, to foster Tipco Asphalt Culture by synergizing different beliefs and behaviors. The promotion of Teamwork culture was conducted by applying the Teamwork concept with the employee development, e.g., training, workshops, coaching, and work assignments between departments.

### Major projects in 2011 employee development included:

- Project 1. High Potential Employees Development** : The Individual Development Plan (IDP) was applied to ensure an alignment between development activities and the Group's strategies, as well as the readiness of prospect successors to key positions. Relevant training workshops arranged including the KPI Setting and Performance Alignment, and FAST Feedback : Coaching Skills for Managers.
- Project 2. Operation Excellence** : Staff from all five plants in Thailand, and head office, have attended development workshops on Quality Control Circle. At the same time, the Driver Excellence program among 180 truck drivers nationwide was set up to improve work efficiency, creating customer satisfaction, and improve driver's professionalism.
- Project 3. Performance Management System's Workshops in overseas subsidiaries: China, Malaysia and Cambodia.** Staffs of overseas subsidiaries received understanding of the performance management, as a major part of individual and work development. The workshops also helped boosting understanding of linkage between the department's action plans and the Group's strategic plans.

Moreover, the Group also integrated the teamwork development into the Corporate Social Responsibility (CSR) programs, by encouraging staffs to participate in CSR activities with local communities through out the year. An evidence of the staffs' awareness in the social support programs was the total of 17,400 man hours spent with communities in 2011.

The massive flood in late 2011 of Thailand was also a reflection of the Group's success in encouraging Teamwork. The Group had braved the massive flood by extending help to affected people. The pride came from the wholehearted participation of every staff who took part and support flood relieve activities. The Group's flood aid programs timely reached out to the affected victims. The massive flood that caused tremendous damages has become an opportunity for staff developments since they united into teams to plan and resolve problems of the flood relief programs.

The Group will continue to translate our human resource strategies into action plans and corporate environment that support its Corporate Strategy, hence, an achievement of our 2015 Vision.

## 2012 Direction in Human Resources

The Group's human resources strategies in 2012 aim to develop staffs, our human capital, to support business expansion. Opportunities will be provided to staffs to perform up to their potentials. High potential staffs will be further developed to increase readiness and career advancement. The Group will also improve positive work environment, the organization structures, and work structures in organizational and departmental levels to be ready for future challenges.

The action plans for the years 2012, according to these strategies ,shall evolve under a theme of TIPCO Core Values of **Integrity**.

Integrity can be described as the way to conduct business responsibly in the communities and society at large, which could be further translated into three behavioral competencies of leadership that the Group would like to instill amongst the staff : Customer Focus, Problem Solving and Decision Making, and Strategic Thinking and Visioning.











# The Tipco Asphalt Company Role in Social Responsibility



Tipco Asphalt has always been aware of the need of all Thai companies to follow the lead of His Majesty the King in consideration of the contribution of efforts of companies and business organizations for the benefit of all Thais and the future of the Nation. Incorporated in the Vision of our Company is a dedication to our commitment towards Thai society in general and towards the communities.

We are also committed to our valued stakeholders and by conducting our business transparently, ethically, and with genuine concern for their growth and well-being. To achieve this commitment, we focus on 7 key areas: corporate governance, human rights, fair labor practices, environmental protection, fair business practices, consumer concerns, and community involvement and development.

To actualize the Vision, Tipco Asphalt has set core strategies in social responsibility perspective focus on reduction in CO<sub>2</sub> emission and participation in community development. Responding action plans are set in various related functions such as screening criteria in recruitment for those who have volunteering spirit, manufacturing technology aim for reduction in CO<sub>2</sub> emission, promoting of Asphalt Emulsion products, organizing communication with raising awareness both within and outside the Company on social responsibility and environmental concern and, community involvement and development project

In regards to Corporate Social Responsibility, in 2008, the Nakhonratchasima Plant received certification for Corporate Social Responsibility, the Department of Industrial Works or CSR-DIW. This award placed Tipco Asphalt among one of the 28 top Thai companies to receive such certification. Later in September 2009, plants in Phitsanulok, Phrapradaeng, Surat Thani (Phunpin) and Rayong were also certified. In January 2011, Surat Thani (Thathong) has been accredited. Each year, each site has to initiate projects for monitoring activities on social responsibility and report on CSR-DIW report to maintain the CSR-DIW certification.

In 2011, our staffs in Bangkok head office have participated in many CSR projects after attending the CSR awareness raising activities, trainings, and social-aid activities, in selected areas such as Hua Rod ChakTuek Dang community, Bang Krabue community, and flood affected communities.

Moreover, Tipco Asphalt group has also committed and planned to apply for ISO26000 (Social Responsibility) accreditation in 2012. We have applied the strategic management concept and took part in Thai Pat Foundation's and Thai Industrial Standard Institute's alliance for ISO26000 organizations, which will start to operate in early 2012.

## Responsibility to the Stakeholders

The Stakeholders are a person or groups of people impacted both directly and indirectly by Tipco Asphalt's business operation, including the customers, business partners, shareholders, employees and communities. Tipco Asphalt has established action guidelines for our staff by clarifying how to manage and righteously response to different expectation of each particular group. Our actions comprise of how we should categorize, communicate, and participate with each groups. For example, our plants have been using CSR-DIW's processes to review our status, set up dialogue with communities, plan CSR projects, follow-up and review the CSR plans with communities in surrounding areas. We also conduct regular survey of our customer satisfaction and employee engagement as a way to improve our response to the Stakeholders' expectation.

## The Environment

### Production and Environmental Conscience

The world now recognizes the importance of environmental conservation and Tipco Asphalt has relentlessly worked to improve the environment, the quality of lives of employees, subcontractors and communities around the plants by using an international environmental management system, ISO 14001, as a standard. Since 2002, the Nakhonratchasima Plant has been certified in the system in the category of “Asphalt Production” and all production sites have been awarded with this certification since 2003 as well as implementing policies in quality, health and safety. It has become an intrinsic part of the culture of the Company to strictly follow the laws with our minds and hearts to minimize and control pollution affecting the air, water and soil. A management system to effectively use and reuse natural resources has been implemented. We have endorsed such efforts for the benefit of the Company, the stakeholders and society.

Another important procedure is keeping communication with staffs and related communities for “environment responsibility”, which will be continued regularly to promote awareness of the climate change, future unstability, and prospect risks. Our regular promotions include Global Warming and Water Reservation awareness trainings.

### Natural Resource Management

Fossil fuel is the main raw material used in the production of asphalt emulsion and the Company has developed plans to reduce reliance on fossil fuels where possible. Recently, there has been a development to use natural rubber, which is a natural product and replenishable, in the production of emulsion modified asphalt (EMA).

Additionally, the Company has introduced further measures. For instance, all waste water from the cafeteria and offices is processed through a grease trap to be above the legal standard before being released to the sewers to reduce the impact on the surroundings.

Energy efficiency is another area to which Tipco Asphalt has always paid attention. In the past years, some of the projects to increase efficiency on energy consumption in production process are as follows:

- Production improvement that uses less asphalt but still maintains the same product quality by utilizing heat exchange equipment which subsequently reduces energy spent to heat up asphalt before and during transportation.
- The changeover to larger asphalt tankers and trucks helps reduce the number of trips necessary for delivery. This leads to less fuel consumption and less wear and tear on truck maintenance parts. Our asphalt trucks are also installed with high-efficiency insulation, which can help minimize heat lost during delivery.
- The employment of LPG to be used with fuel oil in the production of asphalt, coupled together with electricity management to avoid the on peak demand, balance the generation of electricity by the government.
- Saving of heating energy in the production process by changing the physical form of some of the raw materials
- The switch to LPG from diesel oil to heat asphalt products as LPG is cleaner energy and reduces carbon dioxide emission
- Improvement in production and logistics planning to match supply and demand reduces the heating for raw material and product inventory
- Effective preventive maintenance of machines, burners and heat exchange equipment increases the burn rate. This presents another example of revised work culture to prevent and reduce impact on the environment.



Although the production process of the Company creates minimal water and air pollution, Tipco Asphalt is always committed to continuously avert and measure its effects on the environment as evident in the following examples:

- The improvement of the waste water treatment process to be able to reuse waste water in the production of asphalt emulsion, and the reuse of the engine oil from the maintenance operations in the production of cutback asphalt or even the taking back of the expired products, spills and leftovers from the host of asphalt tankers to the production line.
- The regular measurement of the air quality released from chimneys of the plants. Such measurements account for dust, sulfur dioxide and oxide of nitrogen. Findings have proven to be better than those required by the Ministry of Industry. The Company extends the practice further to measure the air quality of neighboring communities around each plant.
- Phitsanulok and Surat Thani (Phunpin) Plants are registered to be factory type 106. This enables them to buy used engine oil from the outside to use as raw material in the production line offering another alternative in recycling the used engine oil and generating income to the communities.

In fact, the shipping business of the Company makes its commitment apparent in preserving the atmosphere in its new construction contract with a Japanese shipyard specifying the type of engine to be of “Tier 2” standard. This standard mandates the reduction of NOX (nitrogen oxide) which is toxic to the air.

## Future Plans and Efforts to Reduce Global Warming

Tipco Asphalt is well aware of the release of carbon dioxide (CO<sub>2</sub>), one of the greenhouse gases, from the production process as a result of consuming fossil fuel such as natural gas or gasoline. The Company has established a longterm policy to reduce its impact on the environment. One of these policies is to increase the size of the asphalt tankers for product delivery to reduce the spending of fuel in transportation. Additionally, the Company has used more biodiesel to replace diesel fuel and has been successful in research and development findings to reduce heat in the production of asphalt (Warm Mix Asphalt). Finally, its factories always lead the nearby communities to plant more trees to absorb carbon dioxide.

The Company’s effort extends into product usage as well. All along, Tipco Asphalt has been trying to convince its customers to use water-based Asphalt Emulsion instead of oil-based Cutback. Not only does it help save the environment by being able to operate under the ambient temperature, it also has less composition of hydrocarbon, and, by enlarge, the cost to the customers is less.

## Certified Management System

Management System	ISO Standard	Thailand Standard	Remark
Quality	ISO 9001: 2008	TIS 9001 – 2552	
Environmental	ISO 14001: 2004	TIS 14001 – 2548	
Health and Safety		TIS 18001 – 2542	
Labor		TLS 8001 – 2546	
Energy		PROMOTION OF ENERGY CONSERVATION ACT, B.E. 2535 (1992)	
Laboratory	ISO/IEC 17025 : 2005	TIS 17025 – 2548	Nakhonratchasima Plant Only
Corporate Social Responsibility		CSR-DIW 2553	

## Consistent Community Involvement and Development

The philosophy of sustainable growth is the core belief of Tipco Asphalt in conducting strategic CSR in preserving the surroundings and engaging the surrounding community. Relying upon volunteer efforts, each and every employee is encouraged to reach out to the community. In 2011, employees participated in improving society in many aspects such as in education, sports, the environment, and cultural and community economic developments, as demonstrated by the following:

- Company visits by students from various institutions and students' participation in the plants' safety week and further involvement in the fundamental fire extinguishment program from Suranaree University, Wat Thathong and Ban Bangjak High Schools
- Our plants welcome schools and education institutes to visit, and allow visitors participation in our "Safety Week". Our visitors include the group of teachers and students from Baan Na Klang School in Nakhonratchasima, Choomchon Nikom Pattana in Rayong.
- Our plants have participated in promoting the Nhong TaGai school library's activities. The school is then awarded with Excellence Small School by the Primary Education Office Nakhon Ratchasima (Area 4).
- Continuing community programs: English is fun, and Ar-sa Tam D, which are primary school kids tutoring in Hua Rod Chat Tuek Dang community, Bang Krabue.
- In December 2011, the Tipco Asphalt has signed a memorandum of understanding with the Engineering Faculty of Chiangmai University in Chiangmai to cooperate in academic research on asphalt products.
- Providing sponsorship to local community's traditional activities such as Children Day, Songkran Festival and Water Pouring Ceremony to pay respect to the elderly, Buddhist Novince's Ordain ceremony, also a boat racing ceremony, October Festival in the south, and Loy Krathong Festival.
- Applying our technical expertise in community projects: increasing the production of brown rice by improving the efficiency of winnower at Ban Pong Mo Kao, Phitsanulok Province, including buying measurement tools for humidity & Nutritional analysis ; Community Learning Center Project at Baan-Bangprakot, Prapadang and donate medicine grinder machine for produce herb toothpaste ; Thai Herbal soap producing project with Baan-Nongtakai Group. It is a donation for designing, building and construction of as well as educate them the know-how.
- Assisting communities to replant the mangrove forest along coastal areas such as a joining with Prasamutjede Industrial and Community College in Ban Kun Samut Jean in Samutprakarn Province. A community forest plantation with local schools such as Nong Phayom School, Nikom 4 School.
- Joining with locals and government officers at Rayong Province to release local fishes in natural water resources.
- Continuous project in Wat Thathong School's environment development within the school's vicinity, including the knowledge training and garbage bank activity.

Tipco Asphalt gives priority to strictly following the laws and workplace systems of the nation. In 2011, the Phitsanulok Plant has been selected as one of the outstanding workplaces in Thailand in health, safety and environment. This award has been won for 10 consecutive years.

Furthermore, the shipping business of the Company has been practiced according to international treaties, laws and national requirements. Actually, it is our corporate culture to be concerned and to care about the environment molded from the compliance of International Safety Management (ISM) and Tanker Management Self Assessment (TMSA). Both international standards are really the tools to measure development and improvement in marine safety, for protection of injuries and even loss of lives and damage to the environment.

## Participation with communities to help flood affected people

During the hard time of Thailand's massive flood between April to November 2011, Tipco Asphalt has devoted all resources such as trucks, manpower, cash donation, to flood relief activities.

- During the big flood in the south, where Tipco Asphalt has a plant in Surat Thani province, we set up a team to inspect damages and provided aids to the affected staffs and nearby communities. Our help included a distribution of 134-set of household necessities at a total value of Baht 1 million to communities in three sub - districts Tha Kham, Khao Hua Kwai, and Tha Rong Chang.
- Provided military clothes and necessities to the Royal Thai Army in a total amount of Baht 1 million.
- Cash Donation of Baht 200,000 to the Thai Red Cross Society
- Provided medical supply worth Baht 1 million to local hospitals
- Packing and distributing of 12,000 flood - relieve bags for flood victims, at a value of Baht 3.2 million. This activity was completed by volunteers of our staffs and Tipco Tower's tenants. All bags were directly delivered by teams of volunteer staff, and our alliances such as the TV burapha's KhonKonKhon, and TNN – a cabled news network. Areas of distribution included Bangkok and vacinities e.g., Sai Mai, Wat Goa, LumLookga, Rangsit Klong3, Klong Bang Chuek Nhung, Bang Buathong and Ban Gluy-Sai Noi.
- Our joint effort with TV Burapha's Kon Kon Kon – a public TV program producer, in One-on-One project, which aims to help revive the livelihood of flood victims by building or fixing shelters, providing occupation and health care. The Company was involved in six One-on-One projects.
- Baht 8.6 million fund raising activities for the Friends Help Friend Fund. It was aimed at subsidizing the repair of staffs' and communities' residences damaged by flood.
- Phitsanulok plant's staffs volunteered in designing and building 12 units of floatable toilets for the Public Health Phitsanulok Provincial Office in flooding communities.



## 17,400 Man Hours of Community Services

To sustain our volunteering spirits as part of our organizational culture, in 2011, Tipco Asphalt set a target for individual to achieve at least 16 hours of community participation service or 8,700 hours for the year. We hoped that this target will be an opportunity for our staffs to spent time in taking part in community services and growing realization in social responsibility. At the end of 2011, a total 17,400 man hours for community aid activities were recorded.











# Corporate Governance Report

The Board recognizes the critical importance of corporate governance in supporting the Company's sustainable growth, creating shareholder value, and securing trust from all stakeholders, including shareholders, customers, employees, and the general public. The Board is determined to adhere to good corporate governance practices, for which the Company has been awarded a "very good" corporate governance rating by the Thai Institute of Directors. Such rating was based on OECD International Principles of Corporate Governance and was awarded for 3 years consecutively (2009 to 2011).



## Corporate Governance Policy

The Board has formulated the Company's corporate governance policy with guidelines covering governance structure, including roles and duties of the Board of Directors and Board committees, stakeholder rights, shareholder meetings, codes of business conduct, conflict-of-interest management, internal controls, and disclosure policy:

1. The Company recognizes its duty to treat all shareholders equally and fairly.
2. The Company recognizes its responsibility to treat all stakeholders equitably.
3. The Company welcomes those who exercise their fundamental rights to take a personal interest in its activities, whether shareholders, or stakeholders.
4. The Company will be diligent and deliberate in building and sharing value over the long term for customers, employees, partners, investors and society.
5. The Company will sustain growth and success by conducting business without conflicts of interest at any level of operations.
6. The Company will demonstrate its benefits to all stakeholders by conducting business with transparency, accountability, and disclosure.
7. To this end, the Board of Directors has established a Code of Conduct for the Company that Directors, management and staff adhere to.

The Company's corporate governance practices in 2011, in accordance with the guidelines of the Stock Exchange of Thailand, were as follows:

## Rights of Shareholders

Tipco Asphalt ensures that shareholders, both as investors and as owners of the Company, are entitled to all basic rights at acceptable and trusted standards, which include the right to freely trade or transfer their own shares, the right to receive dividends from the Company, the right to attend the shareholders' meeting, the right to propose the agenda of the meeting, the right to nominate a person to be a director, the right to express opinions independently, the right to make decisions on important affairs of the Company e.g. the election of directors, approval of significant transactions influencing the direction of the Company, amendment of Articles of Association and regulations of the Company, etc. Shareholders have the right to vote at meetings according to the number of shares owned by each shareholder, whereby one share is for one vote and no particular share allows them privilege to limit the rights of other shareholders.

Apart from the above mentioned rights of the shareholders, Tipco Asphalt has carried out additional tasks to encourage and facilitate shareholders in the exercising of their rights.

- Providing essential, clear and up-to-date information for shareholders regarding the Company's business. Even though some information is not required to be disclosed by law, if Tipco Asphalt considers that it is of significance to the shareholders, the Company will notify shareholders of the information through Tipco Asphalt's website and SET.
- All shareholders will receive significant and sufficient detailed information concerning the date and the agenda prior to the date of the shareholders' meeting. Such information will be posted on Tipco Asphalt's website around two months before the related documents are submitted to shareholders at least than 14 days prior to the meeting. The shareholders' right to attend the meetings and the right to vote on resolutions will be clearly stated in the notice of the meeting submitted by the Company.
- In a case where shareholders are unable to attend a meeting, they are entitled to appoint a representative e.g. an independent director or a person to act as their proxy, using any proxy form attached to the notice of the meeting. The Company has prepared the proxy forms in compliance with the specifications defined by the Ministry of Commerce in which the shareholders can exercise their voting rights as wished. These forms can also be downloaded from Tipco Asphalt's website. In addition, Tipco Asphalt provides shareholders with the duty stamp to be sealed on the proxy form for their convenience. Shareholders who arrive after the meeting has commenced are able to vote on the agenda item being considered provided that a resolution is not yet made. They will constitute part of the quorum starting from the agenda item that they are in attendance and may exercise their voting rights unless the meeting states otherwise.
- Prior to the meeting, shareholders of the Company have the right to suggest issues to be included in the agenda of the ordinary general meeting of shareholders for the year 2012. Shareholders have been allowed to exercise such right from 6<sup>th</sup> December 2011 to 16<sup>th</sup> January 2012 for the consideration of the Board of Directors. Should the proposed issue be included on the meeting agenda, the Company will specify in the notice of the meeting that such agenda was proposed by a shareholder. However, in case the proposed issue is rejected, the Company will inform shareholders of the reasons at the ordinary general meeting of shareholders. Moreover, any shareholder is entitled to nominate any qualified candidates for the election as a Board member in advance. The Nomination and Remuneration Committee will consider the proposed nominees together with other nominated persons according to the Company's criteria for the nomination of directors. The committee then presents the nominees to the Board for consideration before proposing them to the shareholders' meeting for approval.
- On the date of the meeting, the Company uses the barcode system for registration to ensure convenience of shareholders as each reference number is already included in the registration form and proxy form. In addition, for each agenda, the Company will collect the ballot paper from the shareholders who vote "disapprove" or "abstain" in order to deduct the votes from the total entitled voting rights. The Company also applies the barcode system to perform the calculation in order to ensure immediate voting results promptly for announcement right after the end of each agenda. Shareholders are entitled to verify each voting result after the meeting.
- One-third of the directors must retire from office on a rotation basis in each ordinary general meeting of shareholders and the election of directors to replace the retired directors takes place during the meeting. However, if the numbers of candidates exceed the number of directors required, each candidate is then elected individually. During the meeting, shareholders are entitled to freely propose the name of an individual for directorship of the Company.

- At the meetings, shareholders are allowed to freely express their opinions, give suggestions, and raise questions on any agenda item before casting votes to ensure that shareholders have sufficient detailed information on the matter. Should shareholders have questions or inquiries, specialists in specific fields are available to answer queries under the responsibility of the Board.
- An agenda on the Board's remuneration is included to inform the shareholders of the amount and type of remuneration received by each director including meeting allowance and the Board's bonus. The detailed information can be found on page 74

## Equitable Treatment of Shareholders

The Company is aware and will provide equitable treatment to every individual shareholder, major or minor, as well as institutional or foreign investors. To that effect, Tipco Asphalt strives to find means to ensure equality especially for minor shareholders. These means are:

### • Internal Information Control

The Board of Directors has established measures to control the usage and prevent the misuse of internal information (insider trading) for the personal benefit of the concerned person, namely the Board of Directors, Tipco Asphalt top executives and employees working in related departments (including their spouses and children who are minors). All concerned persons are recommended to refrain from trading the Company shares for a one-month period prior to the release of the Company's quarterly and annual financial statements (blackout period). In addition, the Board of Directors will monitor all required actions in accordance with the related standards. Any changes in shareholding of directors must be reported in the Board of Directors' meetings.

In this regard, it will be included in the agenda of the Board of Directors meeting on a quarterly basis.

### • Conflict of Interest Prevention

The Board has established policies and measures as follows:

1. Tipco Asphalt has a clear and transparent shareholder structure. There is no cross-holding of major shareholders, thereby, preventing any conflict of interests or transfer of benefits to one party or another. The shareholder structure of Tipco Asphalt and its subsidiaries is published in the Company's annual report, also the Board member's ordinary shares.
2. There is a clear separation of duties and responsibilities of the Board, the management, and shareholders, thereby, ensuring no overlapping of their duties and responsibilities. The directors or executives who may have interests in any agenda under consideration must not attend the meeting nor vote on such an agenda. This is to ensure that the Board and executives make decisions in a fair manner for the utmost benefit of shareholders.
3. The Company has an established policy governing the use of internal information and has incorporated it into employee regulations with penalties for the executives or employees in the event the internal information is disclosed to the public or used for personal benefit.
4. Tipco Asphalt Code of Conduct includes the additional guidelines that prohibit employees from using the Company's assets or spending working hours to search, contact or conduct share-trading activities on a regular basis for personal gain or for others without justifiable reasons and not for Tipco Asphalt's interests.



The Company will treat all shareholders equally and in a proper manner. By law, shareholders are provided with adequate information at least seven days before the meeting date with accurate, detailed information on the various agenda items along with a proxy form. The Company provides shareholders with proxy form to appoint another individual or one of the Company's Independent Directors to attend and vote on their behalf. Any opinions and questions relevant to the agenda from minority shareholders can be made directly to the Chairman of the Audit Committee via email to ind\_dir@tipcoasphalt.com.

## The Role of Stakeholders in Corporate Governance

Company Directors place great emphasis on appreciating the contributions of all stakeholders: shareholders, employees, customers, suppliers, creditors, business partners and even competitors. All stakeholders are invited to work with the Company toward shared goals and mutual benefits, while making Tipco Asphalt a competitive and successful business.

We therefore adhere to the principle of fulfilling corporate social responsibilities as well as contractual obligations that the Company is a party to, as they pertain to our stakeholder relationships.

- **Shareholders:** Shareholders have basic rights stipulated by law and by Company regulations, such as the right to expect a fair return, to request a determination of the number of shares, to receive share certificates, and to attend, vote and freely express their opinions at shareholders' meetings.

Tipco Asphalt also believes that shareholders, as owners of the Company, have the right to make suggestions and comments on the affairs of the Company. It is a responsibility of the Independent Directors to receive such an input. Each comment and suggestion is carefully considered and presented to the Board of Directors.

- **Employees:** The Company truly believes that employees are Tipco Asphalt's most valuable asset and is determined to ensure that every employee is proud of and confident in the organization. During 2011, Company activities promoted a collaborative working environment to drive innovation and enhance competence by preparing employees to work globally and cope with volatile economic situations.

At the same time, the Company focuses on promoting a beneficial workplace with attention to employees' health, safety, working conditions and competitive remuneration. To encourage long-term savings by employees, the Company joined the Provident Fund Scheme of BT Assets management Co., Ltd.

- **Customers:** To develop and maintain sustainable relationships, the Company is determined that customers should enjoy the maximum benefits in terms of service, quality, and price. A new Customer Support Office opened in 2011 to provide product information, solve problems, and receive any complaints in a way that can improve quality and ensure total satisfaction.
- **Business partners:** Operating within a competitive business context requires building and maintaining trust. Tipco Asphalt strictly adheres to its Company Code of Conduct, honors its promises and upholds its commitments to trading partners in all ways, including quality products and on-time delivery
- **Competitors:** The Company also operates within a competitive business context by being fair and strictly following both laws and its own Code of Conduct in its dealings in the industry and market. No disputes with competitors arose during 2011.
- **Creditors:** The Company practices business under the terms of its loans and obligations to creditors and depositors. The Company, moreover, initiates various measures to maintain good relations with creditors.

## Disclosure and Transparency

Disclosure of the Company's general and financial information is done accurately, completely and transparently in a timely manner. Disclosed information in the Annual Report and SEC Form 56-1 is reviewed by the Company's Directors, executives and members of the Audit Committee, annotated by the Board of Directors and the external auditor, and posted on the Company's website ([www.tipcoasphalt.com](http://www.tipcoasphalt.com)). Reports are also made on major shareholders, shareholding interests of Directors and Executives, remuneration of Directors and details of board meetings. The Company prohibits any Directors, executives or employees from using internal information for personal gain or benefit.

Realizing the importance of transparent information disclosure, the Company has set and supervises clear policies, approved by the Board of Directors, concerning communication with external parties. For disclosures on important information, the Company uses various communication channels and disseminates regularly through the public media. Other means by which shareholders and stakeholders are apprised or given access to Company information include:

- Disclosures filed with the Stock Exchange of Thailand (SET) such as financial statements, resignations of Directors, etc.
- Information is posted on the Company's website at [www.tipcoasphalt.com](http://www.tipcoasphalt.com), in the Investor Relations section.
- Information is disseminated electronically to employees via e-mail and the Company intranet.
- Company visits from shareholders, investors, analysts, and fund managers are welcomed.
- Information requests, comments and inquiries should be made by contacting Mr. Chaiwat Srivalwat (Managing Director) at tel. +66 2273 6646, fax. +66 2271 3417, or by email at [investor@tipcoasphalt.com](mailto:investor@tipcoasphalt.com).



## Responsibilities of the Board

### Board of Directors

The members of the Board of Directors of Tipco Asphalt PCL are as follows:

- |  |                         |
|--|-------------------------|
| 1. Mrs. Anurat Tiamtan                 | Chairperson             |
| 2. Mr. Pahol Chindakul                 | Independent Director    |
| 3. Mr. Thaweesin Devahastin Na Ayudhya | Independent Director    |
| 4. Mr. Parnchalerm Sutatam             | Independent Director    |
| 5. Mr. Niphon Suthimai                 | Independent Director    |
| 6. Mrs. Anne-Marie Machet              | Independent Director    |
| 7. Mr. Koh Ban Heng                    | Independent Director    |
| 8. Mr. Hervé Le Bouc                   | Director                |
| 9. Mr. Jacques Leost                   | Director                |
| 10. Mr. Jacques Pastor                 | Executive Director      |
| 11. Mr. Hugues de Champs               | Executive Director      |
| 12. Mr. Emmanuel Scheer                | Executive Director      |
| 13. Mr. Sitilarb Supsakorn             | Executive Director      |
| 14. Mr. Somchit Sertthin               | Chief Executive Officer |
| 15. Mr. Chaiwat Srivalwat              | Managing Director       |



## Directors with Authority to Sign on Behalf of the Company

The authorized Directors who can bind the Company consist of two groups of Directors. To bind the Company requires one Director from Group A and another Director from Group B to jointly sign and affix the Company's seal. The Directors in Group A are Mr. Jacques Pastor, Mr. Thierry Defrene, Mr. Hervé Le Bouc and Mr. Emmanuel Scheer. The Directors in Group B are Mrs. Anurat Tiamtan, Mr. Somchit Sertthin, Mr. Sittilarb Supsakorn and Mr. Chaiwat Srivalwat.

## Qualifications for Directors

To serve as members of the Board of Directors, individuals must meet the following qualifications:

1. Possess an unblemished record.
2. Apply both vision and a broad business perspective.
3. Exhibit good interpersonal skills, a sense of justice and an amenable personality.
4. Apply effective communication skills.
5. Demonstrate systematic business thinking and decision making.
6. Understand financial matters, commerce or industry, and show business management experience.
7. Have prior experience as a director of a company or state enterprise.

## Guidelines for Selection of Directors

1. Individual candidates must possess the qualifications as specified above.
2. Overall, the Board of Directors should be comprised of persons with a variety of skills that are of benefit to the determination of corporate direction and guidance.

## Term of Office for Directors and Executive Directors of the Board of Directors

1. The term of office for Directors of the Board of Directors
  - 1.1 Retirement age is 75.
  - 1.2 A member will be allowed to retain his/her directorship after his/her 75th birthday and remain as Director until his/her three-year term expires.
2. The term of office for Executive Directors
  - 2.1 Retirement age is 55.
  - 2.2 After the age of 55, the term of service can be extended (by the Board of Directors) to the age of 70 with the first extension running for four years maximum; subsequent extensions are for a period of two years each.

## Responsibilities of the Board

The Company has determined the roles, duties and responsibilities of the Board of Directors. The Board defines the Company's vision and strategies clearly, covering marketing, production, management, human resources, finance and budgeting in order to measure their performance against the Key Performance Indicators (KPI) and budget.

Furthermore, operations are periodically audited by the internal audit team, whose report of significant findings is scrutinized, and any corrective measures determined, under the close supervision of the Audit Committee and Board of Directors.

## Scope of Authority of the Board of Directors

1. The Board of Directors must conduct the business according to the Company's bylaws, objectives, regulations and shareholders' resolutions with honesty and in accordance with the Company's best interest.
2. Each Director has to inform the Company promptly if there is any conflict of interest with the Company, or if he or she holds, acquires or divests shares or debentures in the Company or its subsidiaries.
3. The Board of Directors has authority to set policies and to scrutinize investment plans of the Company. The Chief Executive Officer is authorized to control the operations of all departments to conform to the Company's policies in order to maximize efficiency in the business and for the shareholders.

## Requirement for Appointment to the Board of Directors

In selecting persons to be appointed as the Company's Directors, the Nomination and Remuneration Committee is empowered to select and screen qualified persons. However, the persons who will be appointed as the Company's Directors must have the necessary qualifications under Section 68 of the Public Companies Act B.E. 2535 (including its amendments) and the Company's Articles of Association. The requirements, nomination, appointment and dismissal of the Company's Directors are summarized as follows:

1. The number of Directors is fixed by a shareholders' meeting resolution. The total number of Directors must not be less than 10 persons but not more than 15 persons. One half of the number of Directors must reside in Thailand. The Board of Directors may authorize one or more persons to perform any act on behalf of the Board of Directors but cannot authorize any other person to perform any act as a Director. Any act carried out by such authorized person will be deemed to have been performed by the Board of Directors and the Company will be bound by such an act. In performing their duties, the Board of Directors is entitled to remuneration which will be paid in the form of salary, meeting fees, bonus and allowance.
2. A shareholders' meeting resolution, having not less than three-fourths of the total attending and eligible shareholders' votes for the Board of Directors' meeting resolution, has the power to determine the names of the authorized Directors. The authorized Directors who can bind the Company comprises of two groups of Directors and to bind the Company requires one Director from the first group and another Director from the second group to jointly sign and affix the Company's seal.
3. The shareholders' meeting must elect the Directors in accordance with the following procedures and rules:
  - 3.1 The shareholders' meeting must vote to elect Directors one person at a time
  - 3.2 In exercising the voting rights for election of each Director, each shareholder will have voting rights according to the number of shares held with one share equal to one vote.
  - 3.3 In exercising the voting rights for the election of each Director, the person who obtains the highest votes and received not less than three-fourth of the total votes of attending and eligible shareholders will be elected as a Director.
4. At every Annual General Meeting of the Shareholders, one-third of the Directors, or if it is not, a multiple of three, then the number nearest to one-third must retire from office. There must be a drawing by lots to determine the Directors who will retire in the first and second years following the registration of the Company. In each subsequent year, the Directors who occupy the position for the longest period must retire. A retiring Director is eligible for re-election.
5. Any Director wishing to resign must submit a resignation letter to the Company which will become effective on the date the Company receives the letter. A Director who resigns as described above may notify the Public Companies Registrar of his/her resignation.
6. If there is any vacancy among Directors other than retirement by rotation, the Board of Directors may at its next meeting elect a person who is qualified and is not subject to any restriction imposed under Section 68 of the Public Companies Act B.E. 2535 to fill the vacancy except where the remaining term of the vacant directorship is less than two months. The term of a new Director replacing a vacant directorship will be equal to the remaining term of that vacant directorship. The resolution of the Board of Directors as specified above must be passed by three-fourths or more of the votes cast by the remaining Directors.



7. A shareholders' meeting may remove any Director before the expiration of his/her term by passing a resolution having the approval of not less than three-fourths or more of the total attending and eligible number of shareholders and such shareholders must hold in aggregate 75% or more of the total number of shares held by attending and eligible shareholders.

### **Balance of Non-Executive Directors**

The Board of Directors has 15 members, consisting of:

Executive Directors	6
Non-executive Directors	3
Independent Directors	6

### **Separation of Position**

The positions of Chairperson of the Board of Directors and Chief Executive Officer are not held by the same individual.

### **Board Meetings**

Board meetings are scheduled to be held a minimum of four times per year. During 2011, invitation letters were sent with complete agenda details and related documents for consideration prior to the meetings. The Company maintained detailed minutes of each Board meeting. Directors approved these minutes and they are made available for review.

Attendance of Board of Directors Meetings, Audit Committee Meetings and Nomination and Remuneration Committee Meetings for 2011 by the Directors is summarized as follows:

Names	Title	Number of Meetings Attended (times)		
		Board Of Directors	Audit Committee	Nomination and Remuneration Committee
Mrs. Anurat Tiamtan	Chairperson	6/6	-	-
Mr. Pahol Chindakul	Independent Director (Chairman of Audit Committee)	6/6	11/11	3/3
Mr. Thaweesin Devahastin Na Ayudha	Independent Director (Chairman of Nomination and Remuneration Committee)	6/6	11/11	3/3
Mr. Parnchalerm Sutatam	Independent Director	6/6	11/11	-
Mr. Nipphon Suthimai	Independent Director	6/6	11/11	-
Mrs. Anne-Marie Machet	Independent Director	6/6	-	-
Mr. Koh Ban Heng <sup>1</sup>	Independent Director	2/2	-	-
Mr. Herve Le Bouc <sup>2</sup>	Director	1/6	-	-
Mr. Jacques Leost <sup>2</sup>	Director	2/3	-	-
Mr. Jacques Pastor	Executive Director	6/6	-	3/3
Mr. Hugues de Champs <sup>3</sup>	Executive Director	-	-	-
Mr. Sitilarb Supsakorn	Executive Director	6/6	-	-
Mr. Somchit Sertthin	Chief Executive Officer	6/6	-	3/3
Mr. Chaiwat Srivalwat	Managing Director	5/6	-	-
Mr. Emmanuel Scheer	Executive Director	4/6	-	-

#### Remarks:

1. Mr. Koh Ban Heng was appointed as the Company's Director at its Annual General Meeting of Shareholders No. 1/2011 held on 5<sup>th</sup> April 2011 with effect on 1<sup>st</sup> July 2011.
2. Mr. Hervé Le Bouc and Mr. Jacques Leost are Directors work and reside in France. The Company invited them to be Directors of the Company to assist in promoting confidence with its trading partners overseas. Mr. Jacques Leost was appointed as the Company's Director at its Annual General Meeting of Shareholders No. 1/2011 held on 5<sup>th</sup> April 2011.
3. Mr. Hugues de Champs was appointed as the Company's Directors in place of the resigned Mr. Thierry Defrene for the remaining term of office at The Board of Directors' meeting No. 6/2011 Thursday, 24<sup>th</sup> November 2011.

The Board of Directors has recorded the minutes of each meeting in writing and arranged for the safe keeping of such certified minutes at 25<sup>th</sup> Floor, Tipco Tower, 118/1 Rama 6 Rd., Samsen Nai, Phayathai, Bangkok 10400.

## Positions in Subsidiaries and Associated Companies

Company officers holding management and authorized positions in subsidiaries, associated companies or other companies are as follows:

Name	Tipco Asphalt PCL	Subsidiaries												Associate	Others			
		Surat Bitumen Co., Ltd.	Tipco Maritime Co., Ltd.	Delta Shipping Co., Ltd.	Alpha Maritime Co., Ltd.	Thai Bitumen Co., Ltd.	Bitumen Marine Co., Ltd.	Raycol Asphalt Co., Ltd.	Tasco Shipping Co., Ltd.	Tasco International (Hong Kong) Ltd.	Tipco Asphalt (Cambodia) Co., Ltd.	Kemaman Oil Corporation Sdn Bhd	Kemaman Bitumen Company Sdn Bhd	Colasie Co., Ltd.	Tipco Foods PCL	Thanomwongse Service Co., Ltd.	Ekachai Container Terminal Co., Ltd.	Siam Container Transport and Terminal Co., Ltd.
																	Tipco F & B Co., Ltd.	
																	Thai Slurry Seal Co., Ltd.	
																	Thai Crushing Plant Co., Ltd.	
Mrs. Anurat Tiamtan	x														x	x		x
Mr. Pahol Chindakul	/																	
Mr. Thaweesin Devahastin Na Ayudhya	/																	
Mr. Parnchalerm Sutatam	/																	
Mr. Niphon Suthimai	/																	
Mrs. Anne-Marie Machet	/																	
Mr. Koh Ban Heng	/																	
Mr. Herve Le Bouc	/																	
Mr. Jacques Leost	/																	
Mr. Jacques Pastor	//	/	/	/	/	/	/	x	/	/	/			/				/
Mr. Sitilarb Supsakorn	//	/	/	/	/	/										/	/	/
Mr. Somchit Sertthin	//	/	/	/	/	/	/		/	/				/	/		/	/
Mr. Chaiwat Srivalwat	//	x	x	x	x	x	x	/	x		/	x	x					
Mr. Hugues de Champs	//																	/
Mr. Emmanuel Scheer	//					/		/	/	/								
Mr. Chayongsak Pisitpong		/	/	/	/	/	/		/	/	/							
Ms. Auchcha Rattrakultip			/	/	/		/	/	/									/
Mr. Koh Lai Huat												/	/					

**Notes:** X = Chairperson / = Director // = Executive Director

## Independent Directors

The Board of Directors has six Independent Directors as follows:

1. Mr. Pahol Chindakul
2. Mr. Thaweesin Devahastin Na Ayudhya
3. Mr. Parnchalerm Sutatam
4. Mr. Niphon Suthimai
5. Mrs. Anne-Marie Machet
6. Mr. Koh Ban Heng

**Notes :** Mr. Koh Ban Heng was appointed as the sixth Independent Director in July 2011.

## Guidelines for Selection of Independent Directors

1. All Independent Directors have been appointed according to the Guidelines of SEC. Candidates must possess the requisite qualifications as stated by the Company. A Director should perform his or her duties and express opinions using independent judgement and integrity by taking into consideration the benefit of the Company as a priority. The individual should not consider the interests of majority shareholders, individual shareholders or himself or herself.
2. A candidate must possess the complete set of characteristics specified by the Stock Exchange of Thailand and Tipco Asphalt's Code of Good Conduct, as follows:
  - 2.1 Does not have shareholding in excess of 2% of the total number of shares with voting rights in the Company, businesses in the Group, associated companies or with persons with possible conflict of interest (including connected persons as per Measure 258 of the Securities Act);
  - 2.2 Does not have any involvement in Company management, is not an employee or consultant receiving a regular monthly salary, nor an individual with controlling authority in the Company, nor have businesses within the Group or associated companies. This extends to persons who may have possible conflict of interest, and candidates must have had no interest or stake as aforementioned for a period of not less than one year;
  - 2.3 The nominee may not have any business relation; have no interest or stake—whether direct or indirect—in financial or management matters of the Company, businesses within the Group, associated companies or persons with a possible conflict of interest of a nature that may compromise independence;
  - 2.4 The nominee must not be a close relative of management members, majority shareholders in the Company, those doing business within the Group, associated companies or persons with possible conflict of interest, nor may the individual be an appointee to maintain the interest of Directors or major shareholders;
  - 2.5 The individual is obliged to disclose any relations to the Board of Directors which may compromise independence.



## Tipco Asphalt Definition of an Independent Director

The Company adopts the above guidelines recommended by the SEC.

The Company has 6 Independent Directors. An Independent Director is a Director holding not more than 5 percent of paid - up capital of the Company; does not take part in the management of the Company; is not an employee, staff member or advisor who receives a regular salary from the Company or controlling persons or conflict persons; who have no business related to the Company such as customer, supplier, creditor, debtor; who has no direct or indirect benefit or interest in finance and management of the Company; who is not appointed as a representative to safeguard the interests of a Company director, majority shareholders or shareholders who are related to the Company's majority shareholders.

## The Company Secretary

The Board of Directors appointed Mr. Pornsatian Saowapaksoontorn, Group Manager – Corporate Affairs and Planning, on 24 November 2011 as Company Secretary to take responsibility as set forth by law. The Company Secretary reports functionally to the Chairperson of the Board of Directors and operationally to the Managing Director.

## Board Committees

The Board has appointed Board committees to study and review specific matters. At present, Tipco Asphalt has four committees appointed by the Board of Directors: the Executive Committee; the Audit Committee; the Nomination and Remuneration Committee and the Risk Management Committee.

### 1. Executive Committee

The Company established an Executive Committee to assume full executive responsibilities on behalf of the Board of Directors in order to have flexibility in management and operations.

1. Mrs. Anurat Tiamtan	Chairperson
2. Mr. Somchit Sertthin	Member
3. Mr. Jacques Pastor	Member
4. Mr. Chayongsak Pisitpong	Member
5. Mr. Chaiwat Srivalwat	Member
6. Mr. Koh Lai Huat	Member
7. Mr. Hugues de Champs	Member
8. Mr. Emmanuel Scheer	Secretary

**Note :** Mr. Hugues de Champs was appointed as the Company's Director in place of the resigned Mr. Thierry Defrene at The Board of Directors' meeting No. 6/2011 Thursday, 24 November 2011.

The Executive Committee has responsibilities as established by the Board of Directors. The Chairperson of the Executive Committee has the highest authority to set operational policies related to the Company, while the Chief Executive Officer has the highest authority for implementation.

### Scope of Authority of the Executive Committee

The Executive Committee, pursuant to the resolutions of the Board of Directors of the Company, is responsible for the following:

- Proposing agenda for meetings of the Board of Directors and counseling the Board of Directors on major decisions
- Establishing the policies and operating procedures of the Company
- Managing, making decisions and directing the business and affairs of the Company.

## 2. Audit Committee

The Company has a process that inspects and controls the business by appointing four Independent Directors to the Audit Committee.

1. Mr. Pahol Chindakul	Chairman
2. Mr. Thaweesin Devahastin Na Ayudhya	Member
3. Mr. Parnchaleram Sutatam	Member
4. Mr. Nipphon Suthimai	Member
Ms. Aree Kaewpringproed	Secretary

All members of the audit committee have adequate expertise and experience to review creditability of the financial reports.

### Terms of Office of the Audit Committee

The Audit Committee directly reports to the Board of Directors. The Audit Committee has a three-year term and new members will be appointed by the Board of Directors at the end of the term.

### Scope of Authority of the Audit Committee

The role of the Audit Committee, as assigned by the Company Board of Directors, is as follows:

1. Review the reporting of Company's financial statements for their accuracy and adequacy.
2. Review the suitability and effectiveness of the Company's internal control system, internal audits and the independence of the Internal Audit Department, while providing concurrences with the appointments, transfers and terminations of the head of the Internal Audit Department or other department responsible for internal audits.

3. Review the Company's compliance with any regulations on securities, the regulations of the Stock Exchange of Thailand, and any other regulations relevant to the Company's business.
4. Consider, select and propose the independent external auditor to the Company Board of Directors with recommendations on remuneration for the external auditor. In addition, the Audit Committee participates in meetings with the external auditor at least once a year without the presence of the Company's management.
5. Consider the Company's interrelated business transactions or any potential conflict of interest in compliance with the relevant rules and regulations of the Stock Exchange of Thailand to ensure their prudence and benefit to the Company.
6. Issue the Report of the Audit Committee, to be signed by the Chairman of the Audit Committee and disclosed in the Company's Annual Report, which will at least contain comments in the following areas:
  - 6.1 Accuracy, adequacy and creditability of the Company financial statements
  - 6.2 Adequacy of the Company's internal control system
  - 6.3 Compliance with any regulations on securities, the regulations of the Stock Exchange of Thailand and other regulations relevant to the Company's business
  - 6.4 Appropriateness of external auditor
  - 6.5 Transactions of possible conflicts of interests
  - 6.6 Meetings of the Audit Committee and contributions of members
  - 6.7 Overall comments from performing in accordance to this charter
  - 6.8 Other transactions that shareholders or other investors should be apprised of in accordance with the role and responsibility assigned by the Company's Board of Directors.
7. Perform any tasks assigned by the Company's Board of Directors, with concurrence of the Audit Committee.

### **Requirements for Appointment of the Audit Committee**

1. The Board of Directors may appoint at least three Independent Directors as the Audit Committee, provided that one of the members of the Audit Committee must have accounting knowledge. The Audit Committee must elect one of the members to be the Chairman.
2. The term of an Audit Committee member is three years.
3. The Audit Committee must be independent in carrying out the work and will be directly responsible to the Board of Directors.
4. The status of the Audit Committee member will cease upon any member's death, resignation, dismissal or retirement by rotation.

5. The Audit Committee's remuneration will be decided by the Board of Directors.
6. There must be at least four Audit Committee meetings each year, with results reported to the Board of Directors.

### 3. The Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of four Directors of whom two Directors are Independent. One of the Independent Directors is appointed as the committee Chairman.

3.1 Mr. Thaweesin Devahastin Na Ayudhya	Chairman
3.2 Mr. Pahol Chindakul	Member
3.3 Mr. Somchit Sertthin	Member
3.4 Mr. Jacques Pastor	Member

### Scope of Authority of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee's functions are:

1. To screen and select the appropriate persons as members of the Board of Directors and to present the selected individuals to the Board of Directors, who then submit names to the shareholders' meeting for approval.
2. To screen and select appropriate qualified persons to be nominated as the Chief Executive Officer, Managing Director and Executive Director and then propose their names to the Board of Directors for approval.
3. To screen the remuneration of the Company's Directors to the Board of Directors and to further propose same to the shareholders' meeting for approval.
4. To propose the remuneration packages for the Chief Executive Officer, Managing Director and Executive Directors and then make proposals to the Board of Directors for approval.

### 4. The Risk Management Committee

The detailed information can be found in Risk Management and Risk Factors section on page 37

### Good Corporate Governance Self Assessment

The Company has undertaken the Corporate Governance Self Assessment Based on the Principles of Good Corporate Governance, relying on the Stock Exchange of Thailand (SET), as a vital tool for reviewing and improving the Company's performance and providing reference data for corporate governance rating.

The exercise also helps to increase the operational effectiveness of the Company when the assessment results are analyzed and evaluated to indicate the level of achievement of objectives and opportunities for improvement.



## Board Self Assessment

The Board Self Assessment form provided by the SET is for consideration by the boards of listed companies. The main objective of the self assessment form is to evaluate the performance of the board, as a team, and of Directors, as a collective body, in light of recognized best practices and principles of good corporate governance.

The six categories covered by the Board Self Assessment Form are as follows:

1. Structure and characteristics of the board
2. Roles and responsibilities of the board
3. Conduct of board meetings
4. The board's performance of duties
5. Relationship with management
6. Self-development of Directors and executive development

The company scored 3.4 out of 4 or "Very Good" rating on the Board Self Assessment evaluation in 2011.

## Director's Orientation

For new Directors, the Company arranges orientation program to inform him/her of its business policies, capital structure, shareholding structure, business performance, information systems and related laws and regulations. Moreover, each Director receives a Director's Handbook and other information. The new Director will also receive briefing from the CEO and/or Managing Director on the Company policies, relevant information (including the capital structure, shareholders, performance, and processes in use at the Company), laws, regulations, a marketing/operational overview, and update on performance.

## Succession Plan

The Nomination and Remuneration Committee has been assigned by the Board to be responsible for a succession plan, especially to ensure that the Company has an appropriate succession plan in place for the positions of the CEO, MD and other senior executives, and to make recommendations to the Board for approval. Nomination for appropriate leaders has been recognized as a priority by the Board in order to strengthen the Company's management and ensure continued progress.

## Executive Officers

The Company's executive officers are as follows:

- |                         |                         |
|-------------------------|-------------------------|
| 1. Mr. Somchit Sertthin | Chief Executive Officer |
| 2. Mr. Jacques Pastor   | Executive Director      |

3. Mr. Chaiwat Srivalwat	Managing Director
4. Mr. Chayongsak Pisitpong	Chief Director - Finance
5. Mr. Sitilarb Supsakorn	Executive Director
6. Mr. Emmanuel Scheer	Director - Budgeting & International Legal Affairs
7. Ms. Auchcha Rattrakultrip	Director - Finance, Credit Control and Legal
8. Mr. Kasidis Chareancholwanich	Director - Domestic Sales & Marketing and Director - Business Support
9. Mr. Praveen Penmanee	Director - Operations
10. Mr. Koh Lai Huat	Director - Accounting and Budgeting
11. Mr. Vivek Dwivedi	Director - Shipping and Logistics
12. Mr. Jacques Marechal	Director - Finance and International Legal Affairs
13. Mr. Ismail Bin Abdul Hamid	Director - International Sales and Marketing
14. Mr. Hugues de Champs	Director - Joint Ventures and Subsidiaries
15. Mrs. Udomporn Punpatch	Director - Human Resources

## Performance Assessment of Top Executives

The Nomination and Remuneration Committee assesses the performance of the CEO based on the Company's operating results, implementation of the Board's policies, BSC (Balanced Score Card) performance and the overall socio-economic circumstances. The Nomination and Remuneration Committee will then consider the appropriate remuneration for the Executive Directors and propose such amount to the Board for approval.

## Policy on Directorships at Other Companies

The Board of Directors has established guidelines that none of the Company's Directors and Executives Directors may hold directorships at more than five other non Tipco Asphalt companies in addition to serving on the Board of Tipco Asphalt PCL.

## Remuneration for the Board and Executives

1. Total cash remuneration in 2011 for the Board of Directors, Audit Committee and the Nomination and Remuneration Committee was Baht 7,302,000.

Name	Position	2010 (Baht)		2011 (Baht)	
		Fixed	Variable	Fixed	Variable
1. Mrs. Anurat Tiamtan	Chairperson	400,000	400,000	400,000	400,000
2. Mr. Pahol Chindakul	Independent Director, Chairman of the Audit Committee and Nomination and Remuneration Committee Member	590,000	200,000	550,000	200,000
3. Mr. Thaweesin Devahastin Na Ayudhya	Independent Director, Audit Committee Member and Chairman of the Nomination and Remuneration Committee	518,000	200,000	484,000	200,000
4. Mr. Parnchalerm Sutatam	Independent Director and Audit Committee Member	488,000	200,000	464,000	200,000
5. Mr. Niphon Suthimai	Independent Director and Audit Committee Member	488,000	200,000	464,000	200,000
6. Mrs. Anne-Marie Machet	Independent Director	200,000	166,667	200,000	200,000
7. Mr. Koh Ban Heng	Independent Director	0	0	100,000	100,000
8. Mr. Hervé Le Bouc	Director	200,000	200,000	200,000	200,000
9. Mr. Jacques Pastor	Executive Director and Nomination and Remuneration Committee Member	220,000	200,000	220,000	200,000
10. Mr. Jacques Leost	Director	0	0	150,000	150,000
11.. Mr. Thierry Defrene	Executive Director and Director - International	200,000	200,000	200,000	200,000
12. Mr. Sitilarb Supsakorn	Executive Director	200,000	200,000	200,000	200,000
13. Mr. Emmanuel Scheer	Executive Director and Director - Budgeting & International Legal Affairs	200,000	200,000	200,000	200,000
14. Mr. Somchit Sertthin	Chief Executive Officer and Nomination and Remuneration Committee Member	220,000	200,000	220,000	200,000
15. Mr. Chaiwat Srivalwat	Managing Director	200,000	200,000	200,000	200,000
Total		4,124,000	2,766,667	4,252,000	3,050,000

- Note :**
- A total of Baht 20,000 payable in 2009 was deferred to 2010 for 2 members of Nomination and Remuneration Committee, Mr. Pahol Chindakul and Mr. Thaweesin Devahastin Na Ayudhya.
  - Mr. Koh Ban Heng and Mr. Jacques Leost received remuneration after the resolutions passed at its Annual General Meeting of Shareholders No. 1/2011 held on 5 April 2011.
  - Variable Remuneration payments not exceeding one time of the total annual fixed remuneration to all the Board of Director members shall be considered and paid by the Company. As the company was profitable in 2010, the variable remuneration of 2011 was Baht 2,766,667

2. There was no non - financial remuneration for Directors in 2011.

3. Other remuneration - None

4. Total remuneration in 2010 and 2011 for Executive Directors and Director 13 members, which included salary, bonus, retirement fund and provident fund was Baht 65.7 Million and Baht 77.88 Million respectively.

### **Litigation against the Board of Directors**

There is no record of litigation against the Board of Directors during the past twelve years.



# Internal Controls and Internal Audit

## Internal Controls

The Company's places great importance on control and internal audit both at managerial and operational levels with Procedure Manuals and Approval Authority for each level of operations for proper control.

The Company defines and develops an efficient and effective internal controls system according to international standards in terms of internal environment, risk assessment, control practices, information technology, communication systems, and continuous monitoring and assessment.

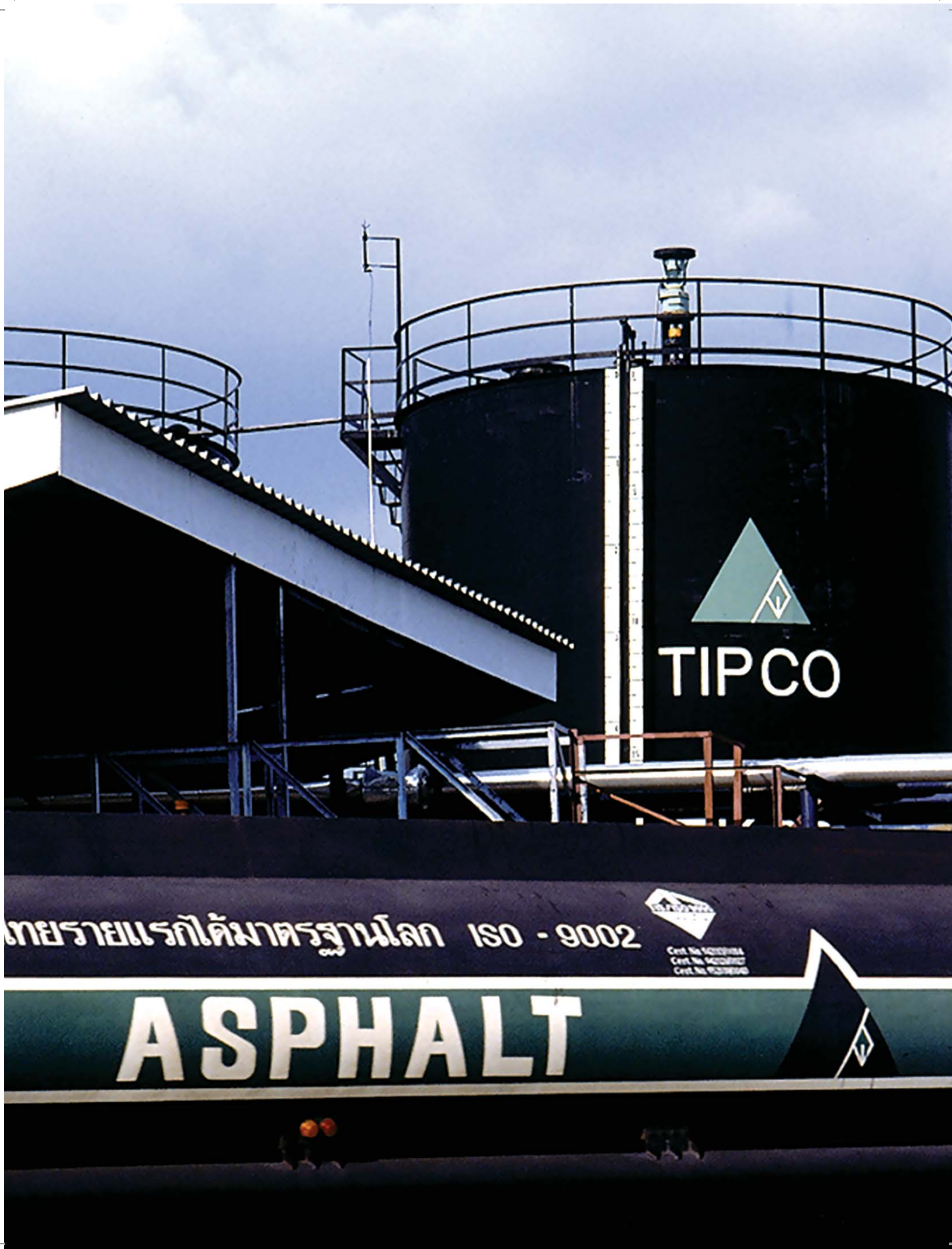
The organizational structure is designed to suit a business plan, with clear responsibility outlines, good corporate governance, and systematic risk management. Moreover, the company encourages all employees to constantly follow the internal controls. These are to be regularly updated to keep up with the changing business environment.

## Internal Audit

The Company's Internal Audit Department observes the standards of internal audit by examining internal controls, operations, security of assets and adherence to policies and procedures including those of subsidiaries. The Internal Audit Department establishes plans consistent with the past audit findings, and reports all audit results to the Audit Committee every month.

## Related Transactions

Unit: THB Million	Related Companies, Details and Amount		2011 Actual	Pricing Policy	2011	2010
<b>Sales and Services Provided to</b>	Thanomwongse Service	Sales - AC and Oil	113			
	Thai Crushing Plant	Sales - Oil	8			
	Thai Slurry Seal	Sales - AC and Oil	137			
	Tipco Foods PCL	Sales - Oil	21	Market price/	2,702	2,122
	Tipco F&B Co., Ltd.	Sales - Oil	3	contract price		
	Colas S.A. (Colas S.A. Sami Bitumen Technology and Highway Resources)	Sales - AC	2,411			
	Colas S.A. (Highway Resources)	Freight Charge	9			
	<b>Subtotal</b>		<b>2,702</b>			
	Colas S.A. (AD Shipping and Retalink)	Vessel management services	5			
	Thanomwongse Service	Administrative services	2	Market price/	8	7
<b>Services Provided to</b>	Thai Slurry Seal	Administrative services	1	contract price		
	<b>Subtotal</b>		<b>8</b>			
	<b>Grand Total Revenue</b>		<b>2,710</b>		<b>2,710</b>	<b>2,129</b>
	Ekachai Container Terminal	Service- Transportation & Customs clearance	14			
	Thanomwongse Service	Office lease	28			
	Thanomwongse Service	Other services	7		63	42
	Colas S.A. (Highway Resources)	Agency fee and port charges	13	Market price/		
	Tipco F&B Co., Ltd.	New year gift and other services	1	Contract price		
	<b>Subtotal</b>		<b>63</b>			
	Colas S.A.	Technical assistance fee expenses	41		41	42
<b>Technical Assistance Fee Expenses Paid to</b>		<b>Grand Total Expenses</b>	<b>104</b>		<b>104</b>	<b>84</b>



# Report of the Audit Committee

The Board of Directors of Tipco Asphalt Public Company Limited has appointed the Audit Committee comprising of 4 members with Mr. Pahol Chindakul as the Chairman; and Mr. Thaweesin Devahastin Na Ayudhya, Mr. Parnchalerm Sutatam and Mr. Niphon Suthimai as members, whose qualifications comply to the requirement and good practices of the Audit Committee laid out by the Stock Exchange of Thailand. Secretary of the Audit Committee is Ms. Aree Kaewpringroed.

The Audit Committee has conducted in accordance to the scope, role and responsibility assigned by the Board of Directors. During 2011, 11 Audit Committee meetings have been held, comprising of 5 monthly meetings with the Senior Manager of Internal Audit; 2 meeting with an executive and Senior Manager of Internal Audit, 3 quarterly meetings with executives, Senior Manager of Internal Audit and external auditor; and 1 meeting with Senior Manager of Internal Audit and external auditor but without the presence of executives. All members of the Audit Committee have participated in the meetings. The Audit Committee has considered various issues within the scope of the Audit Committee which can be summarized as follows:

- 1. Accuracy and adequacy of financial statements** – The Audit Committee has considered the external auditor's review-result of 2011 financial statements both of interim and yearly, and noted that the financial statements have been established in accordance to the Generally Accepted Accounting Principles and other relevant Accounting Standards.
- 2. Adequacy of the Company internal control system** – The Audit Committee has reviewed the adequacy, appropriateness and effectiveness of internal control system from the 2011 audit results of Internal Audit Department on the Company and its subsidiaries. The Audit Committee noted that the audits have been in line with the approved Audit Plan, while the internal control system of the Company and its subsidiaries is appropriate, adequate and able to mitigate potential risks with no significant findings while other findings have been corrected. The Audit Committee also evaluated the adequacy of internal control system in accordance to The Securities and Exchange Commission and noted that adequate, appropriate and effective internal control system has been implemented.
- 3. Compliance to any regulations on securities, the regulations of the Stock Exchange of Thailand and other regulations relevant to the Company's business and agreements with external parties** – The Audit Committee noted that there have been no significant issues concerning non-compliance to the relevant law, regulation and agreements with external parties.
- 4. Appropriateness of external auditor** – The Audit Committee has considered, nominated and reviewed the external auditor's fee of 2012 for proposing to the Board of Directors to be approved at the Annual General Meeting of 2012. In consideration for the Company's external auditor for 2012 based on performances and independence, the Audit Committee has proposed to appoint Ernst & Young as the Company's external auditor for another year. The Audit Committee has also reviewed the proposed audit-fee for 2012 and found it to be appropriate.



**5. Inter-related business transactions** – The external auditor has noted that the significant inter-related business transactions have been disclosed in the financial statements and the notes in accordance to the requirements of the Stock Exchange of Thailand and the Securities Exchange Commission. The Audit Committee agreed with the external auditor that such transactions have been relevant, and of normal business transactions

In conclusion, the Audit Committee has comprehensively performed in accordance to the Audit Committee Charter approved by the Board of Directors. The Audit Committee also commented that the Company and its subsidiaries have properly established their financial statements, performed in good business conduct, implemented appropriate and effective internal control system and internal auditing. The Company and its subsidiaries have complied with relevant law, regulations and agreements while properly disclosed inter-related transactions under good governance practices of transparency and trustworthiness. The Company and its subsidiaries have also continually improved the internal system in terms of quality and suitability to business environment.



**(Pahol Chindakul)**

Chairman of the Audit Committee

# Report of the Board of Directors' Responsibilities for Financial Statements

The Company's Board of Directors is responsible for the consolidated and the financial statements of Tipco Asphalt Public Company Limited and other financial information appears in the Annual Report pertaining to the Company and its subsidiaries. The financial statements are prepared in accordance with Generally Accepted Accounting Principles while the Accounting Policies are selected for their appropriateness and consistently implemented. The financial statements are also prepared with careful considerations and best possible estimates while significant information is sufficiently and transparently disclosed in the notes for the benefits of shareholders and other investors.

The Board of Directors had appointed the Audit Committee, comprised of independent directors whose qualifications are in accordance to requirements of the Stock Exchange of Thailand, to review the accuracy and sufficiency of the Company's financial reports and the disclosures of related transactions and the adequacy and efficiency of internal control system. Opinion of the Audit Committee is reported in the Audit Committee's report published in this Annual Report.

The Board of Directors comments that the Company consolidated financial statements and the Company financial statements of 31st December 2011 that were jointly reviewed by the Audit Committee, Management and external auditors had stated the proper financial and operating performances, and in accordance with the Generally Accepted Accounting Principles.



**(Mrs. Anurat Tiamtan)**  
Chairperson



**(Mr. Chaiwat Srivalwat)**  
Managing Director

# Management Discussion and Analysis

## OPERATIONAL ANALYSIS

The Company and its subsidiaries, “the Group” reported a 2011 consolidated net profit of Baht 736 million compared to a net profit of Baht 1,008 million in 2010. Nevertheless, it is still the second best performance records in Tipco’s recent history despite very challenging operating environments in 2011.

Consolidated sales for the year 2011 stood at Baht 22.3 billion, a slight decrease of 13 % from the previous year, but still commanding a solid presence in bitumen and fuel oil niche market in Asia region. The lower sale revenue in international markets was limited by the availability of bitumen and fuel oil products. However, the Group still maintaining firm grip on its market network in 16 countries notably in China, Indonesia, Vietnam and Australia. On the other hand, the sales in domestic market have been adversely affected by the worst flood in Thailand during the last quarter of the year.

The Group’s consolidated gross profit margin in 2011 was 5.44% compared to 6.26% in 2010. The reduction of Gross Profit and its margin were due to the increase of crude cost attributable to the extraordinary Middle East unrest which persisted more than six months. The world crude market responded with Brent crude price shot up to USD 127.02 in April 2011 from a low USD 93.76 in Jan 2011 representing a whopping 35% or USD 33.26/bbl in crude cost within approximately 100 days.

In 2011, the group successfully procured more than half a million metric tons of bitumen from local and overseas refineries in meeting its customers’ demand. As soon as we could foresee a potential stable trend in Brent crude market in May 11, the Group resumed its crude procurement program and secured the first cargo delivery to Tipco refinery in June 11. Since then, it was business as usual where the Group was matching the sale volume performance in corresponding period of 2010.

Weather through oil price volatility during 2011 was quite a challenge with the help of various hedging products under the stringent hedging policy. The Brent price was trading at USD 93.76 in the beginning of January 11, touched a high of USD 127.02 in April 11 briefly but ended within an expected range at USD 107.38 for the year 2011. The hedging gain/loss reflects the volatility of crude stocks in hand marked to market valuation and the overall result of active commodity hedging was a loss of Baht 325 million. However, this hedging loss was recovered in the physical sales products revenue and as such, the overall result was a positive Gross Profit margin.

The Group made a FX gain of Baht 26 million attributable to the volatility of Baht/USD rate during the year. USD/Baht rate was trading at Baht 30.06 in the beginning of Jan 11, touched the lowest at Baht 29.66 in July, but strengthened back to Baht 31.56 at the year ended December 2011. This FX gain should be viewed as compensating the lower Gross Profit margin as a result of lower equivalent Baht revenue (reporting currency) after conversion from USD billings.

In 2011, selling and administrative expenses stood at Baht 123.9 million, and Baht 589.1 million, representing 0.55% and 2.64% of sales, respectively. Comparatively, these expenses in 2010 stood at Baht 123.7 million, and Baht 555.7 million or 0.48%, and 2.16% of sale. These expenses were tightly controlled in light of lower sales revenue. Part of this expense increase was due to extra efforts and expenditures incurred for the Corporate Social Responsibility (CSR) in response to the worst flooding in Thailand.

The Group has successfully won the arbitration award of Baht 682 million for the principle plus the interest from Glencore Singapore Ltd, to compensate the loss arising from its breach of the crude supply contract with Thai Bitumen Co.,Ltd. in 2008.

The Net Profit After Tax and Minority Interest for the year 2011 was Baht 736 million compared to Baht 1,008 million in 2010, representing Baht 4.82 and Baht 6.61 earnings per share respectively, attributable to the equity shareholders of the Company.

## FINANCIAL ANALYSIS

Financial status of the Group at the end of 2011 can be summarized as follows;

The management of the Company fully recognizes the high investment CAPEX and working capital in the Group's new refinery business. Effective working capital management has been one of the key challenges in 2011. With the high volume of heavy crude intake in second half of 2011, efforts were made to shorten "asset to cash conversion" cycle to reduce trade debt associated with each crude cargo purchased. As a result, cash flow in 2011 was strong and the Company continues to manage cash and trade collection closely in order to minimize external borrowings and interest expenses. The Group continues to receive full support from commercial banks in both stock and other working capital financing. In order to reduce interest cost and FX exposure, the Group has switched to USD loan funding that matching its USD assets and resulting a lower WACC for the Group.

With the increase of it's crude procurement activity towards the year end, the Group's consolidated debt to equity ratio (D/E ratio) has inevitably increased from 1.96 to 2.49.







# Report of Independent Auditor

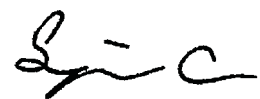
## To the Shareholders of Tipco Asphalt Public Company Limited

I have audited the accompanying consolidated statements of financial position of Tipco Asphalt Public Company Limited and its subsidiaries as at 31 December 2011 and 2010, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and have also audited the separate financial statements of Tipco Asphalt Public Company Limited for the same periods. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits. I did not audit the financial statements of certain overseas subsidiaries which were included in the consolidated financial statements and whose total assets as at 31 December 2011 amounted to Baht 958 million (2010: Baht 906 million), and total revenues and profit for the year then ended amounted to Baht 1,700 million (2010: Baht 1,431 million) and Baht 35 Million (2010: Baht 70 million), respectively. Those statements were audited by other auditors whose reports have been furnished to me, and my reports, insofar as it relates to the amounts included for these subsidiaries, are based solely on the reports of the other auditors.

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 and the reports of the other auditors referred to in the first paragraph provide a reasonable basis for my opinion.

In my opinion, based on my audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Tipco Asphalt Public Company Limited and its subsidiaries and of Tipco Asphalt Public Company Limited as at 31 December 2011 and 2010, and the results of their operations and cash flows for the years then ended in accordance with generally accepted accounting principles.

Without qualifying my opinion on the aforementioned financial statements, I draw attention to Note 3 to the financial statements. During the current year, the Company and its subsidiaries adopted a number of revised and new accounting standards as issued by the Federation of Accounting Professions, and applied them in the preparation and presentation of the financial statements.



**Siraporn Ouuanunkun**

Certified Public Accountant (Thailand) No. 3844

Ernst & Young Office Limited  
Bangkok: 13 February 2012

Tipco Asphalt Public Company Limited and its subsidiaries

# Statements of financial position

As at 31 December 2011 and 2010

(Unit : Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2011	2010	2011	2010
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	1,001,818,734	299,920,234	430,513,964	20,319,068
Current investments	8	-	52,106,331	-	1,341,120
Trade and other receivables	9	3,687,503,063	1,974,906,078	1,626,387,848	2,053,245,003
Short-term loans to related parties	10	-	-	25,426,686	5,161,084
Inventories	11	5,743,778,747	3,531,813,724	4,792,319,855	308,695,600
Price hedging contracts	35	67,791,020	-	67,791,020	-
Forward exchange contracts	35	3,845,478	33,191,002	1,476,921	1,652,256
Other current assets		70,073,650	111,562,705	40,579,176	19,421,075
<b>Total current assets</b>		10,574,810,692	6,003,500,074	6,984,495,470	2,409,835,206
<b>Non-current assets</b>					
Deposits with financial institutions with restrictions	20	66,038,240	72,572,960	-	-
Investments in subsidiaries	12	-	-	4,627,139,803	4,576,753,996
Investment in associate	13	41,639,567	26,728,900	18,403,580	18,403,580
Investment properties	14	204,200,000	-	101,745,153	-
Property, plant and equipment	15	4,247,666,676	4,235,614,150	505,856,576	691,822,323
Goodwill	12	146,293,504	146,293,504	-	-
Other intangible assets - Computer software		7,735,064	10,489,063	2,466,533	1,908,243
Leasehold rights	16	220,175,110	212,589,564	4,330,141	4,558,043
Other non-current assets		11,948,686	40,822,841	5,251,693	17,857,789
<b>Total non-current assets</b>		4,945,696,847	4,745,110,982	5,265,193,479	5,311,303,974
<b>Total assets</b>		15,520,507,539	10,748,611,056	12,249,688,949	7,721,139,180

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

## Statements of financial position (continued)

As at 31 December 2011 and 2010

(Unit : Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2011	2010	2011	2010
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Short-term loans from financial institutions	17	3,784,809,127	2,338,748,570	2,360,331,137	574,542,431
Trade and other payables	18	3,485,909,495	747,225,288	2,968,515,785	428,609,118
Short-term loans from related parties	10	-	-	-	94,300,000
Current portion of liabilities under finance lease agreements		12,230,076	10,645,976	7,132,917	5,384,365
Current portion of long-term loans	19	480,388,584	440,672,549	303,633,480	203,633,480
Income tax payable		24,330,283	36,846,145	18,729,136	18,535,705
Cash received from former co-venturer	12	-	50,765,211	-	-
Price hedging contracts	35	27,996,342	143,635,479	27,996,342	-
Forward exchange contracts	35	13,763,714	7,112,334	6,362,769	171,888
Other current liabilities		86,572,337	207,915,071	49,597,346	21,603,217
<b>Total current liabilities</b>		<b>7,915,999,958</b>	<b>3,983,566,623</b>	<b>5,742,298,912</b>	<b>1,346,780,204</b>
<b>Non-current liabilities</b>					
Liabilities under finance lease agreements - net of current portion		12,767,587	14,593,707	6,227,778	5,392,791
Long-term loans - net of current portion	19	3,073,593,282	3,095,327,506	2,164,541,826	2,468,175,306
Interest rate swap contracts	19	10,082,962	27,112,769	8,218,729	14,510,105
Provision for long-term employee benefits	21	65,128,682	-	52,778,439	-
<b>Total non-current liabilities</b>		<b>3,161,572,513</b>	<b>3,137,033,982</b>	<b>2,231,766,772</b>	<b>2,488,078,202</b>
<b>Total liabilities</b>		<b>11,077,572,471</b>	<b>7,120,600,605</b>	<b>7,974,065,684</b>	<b>3,834,858,406</b>

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



## Statements of financial position (continued)

As at 31 December 2011 and 2010

(Unit : Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2011	2010	2011	2010
<b>Shareholders' equity</b>					
Share capital	22				
Registered					
169,002,429 ordinary shares					
(2010: 152,547,663 ordinary shares)					
of Baht 10 each		1,690,024,290	1,525,476,630	1,690,024,290	1,525,476,630
Issued and fully paid					
152,548,068 ordinary shares					
(2010: 152,547,663 ordinary shares)					
of Baht 10 each		1,525,480,680	1,525,476,630	1,525,480,680	1,525,476,630
Premium on share capital		886,112,274	886,091,137	886,112,274	886,091,137
Non-controlling interests of subsidiary acquired by the Company at price lower than book value	2	6,237,755	6,237,755	-	-
Change in the Company's interest in subsidiary which not resulted in loss of control	12	12,904,468	-	-	-
Capital reserve for share-based payment transactions	24	4,644,652	-	4,644,652	-
Retained earnings					
Appropriated - statutory reserve	25	115,503,000	94,203,000	115,503,000	94,203,000
Unappropriated		1,436,063,037	778,249,405	1,751,297,017	1,395,020,112
Other components of shareholders' equity		(136,995,709)	(244,109,349)	(7,414,358)	(14,510,105)
Equity attributable to owners of the Company		3,849,950,157	3,046,148,578	4,275,623,265	3,886,280,774
Non-controlling interests of the subsidiaries		592,984,911	581,861,873	-	-
Total shareholders' equity		4,442,935,068	3,628,010,451	4,275,623,265	3,886,280,774
Total liabilities and shareholders' equity		15,520,507,539	10,748,611,056	12,249,688,949	7,721,139,180

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

# Statements of comprehensive income

For the years ended 31 December 2011 and 2010

(Unit : Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2011	2010	2011	2010
<b>Revenues</b>					
Sales and service income		22,303,811,809	25,790,959,610	6,887,662,659	8,332,872,129
Other income					
Dividend income from subsidiaries	12	-	-	236,418,513	92,127,493
Dividend income from associate	13	-	-	18,920,803	1,471,560
Gain on exchange	35	26,143,187	431,000,474	-	45,254,589
Compensation received from claims for damages	26	609,091,182	-	-	-
Others		80,762,164	76,307,260	80,534,420	82,913,190
<b>Total revenues</b>		<b>23,019,808,342</b>	<b>26,298,267,344</b>	<b>7,223,536,395</b>	<b>8,554,638,961</b>
<b>Expenses</b>					
Cost of sales and services		20,764,374,987	24,185,256,425	6,156,190,044	7,604,607,899
(Gain) loss from price hedging contracts	35	325,980,217	(1,918,585)	(124,896,987)	-
Reversal of reducing cost of inventory to net realisable value	11	(945,855)	(7,716,731)	(148,682)	(273,546)
		21,089,409,349	24,175,621,109	6,031,144,375	7,604,334,353
Selling expenses		123,898,586	123,746,934	58,627,401	51,797,930
Administrative expenses		589,158,621	555,765,089	356,961,051	313,463,775
Other expenses					
Doubtful debts		3,519,871	8,754,940	18,280,960	4,769,854
Loss from claim under bank guarantee	15	-	5,313,374	-	-
Loss on exchange	35	-	-	48,452,701	-
Impairment loss of investment properties	14	198,935,174	-	95,885,174	-
Impairment loss of land	15	1,182,718	-	1,182,718	-
<b>Total expenses</b>		<b>22,006,104,319</b>	<b>24,869,201,446</b>	<b>6,610,534,380</b>	<b>7,974,365,912</b>

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

# Statements of comprehensive income (continued)

For the years ended 31 December 2011 and 2010

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
<b>Profit before share of profit from investment in associate, finance cost and corporate income tax</b>		1,013,704,023	1,429,065,898	613,002,015	580,273,049
Share of profit from investment in associate	13	33,952,035	5,069,659	-	-
<b>Profit before finance cost and corporate income tax</b>		1,047,656,058	1,434,135,557	613,002,015	580,273,049
Finance cost		(238,334,556)	(280,935,403)	(133,302,942)	(118,423,540)
<b>Profit before corporate income tax</b>		809,321,502	1,153,200,154	479,699,073	461,849,509
Corporate income tax	28	(88,353,746)	(118,735,498)	(54,363,595)	(56,514,988)
<b>Profit for the year</b>		720,967,756	1,034,464,656	425,335,479	405,334,521
<b>Other comprehensive income:</b>					
Change in fair value of interest rate swap contract		7,095,747	(2,365,720)	7,095,747	(2,365,720)
Exchange differences on translation of financial statements in foreign currencies		124,632,783	(220,363,174)	-	-
<b>Other comprehensive income for the year</b>		131,728,530	(222,728,894)	7,095,747	(2,365,720)
<b>Total comprehensive income for the year</b>		852,696,286	811,735,762	432,431,226	402,968,801

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

## Statements of comprehensive income (continued)

For the years ended 31 December 2011 and 2010

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
<b>Profit attributable to:</b>					
Equity holders of the Company		735,572,228	1,007,665,231	425,335,479	405,334,521
Non-controlling interests of the subsidiaries		(14,604,472)	26,799,425		
		720,967,756	1,034,464,656		
Total comprehensive income attributable to:					
Equity holders of the Company		842,685,868	821,664,272	425,335,479	405,334,521
Non-controlling interests of the subsidiaries		10,010,418	(9,928,510)		
		852,696,286	811,735,762		
Earnings per share					
Basic earnings per share	31				
Profit attributable to equity holders of the Company		4.82	6.61	2.79	2.66

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



**For the years ended 31 December 2011 and 2010**

(Unit: Baht)

Consolidated financial statements												
Equity attributable to owners of the Company						Other components of equity						
	Non-controlling interests of subsidiary acquired by the Company	Change in the Company's interest in subsidiary which not resulted in loss of control	Capital reserve for share-base payment transactions	Retained earnings		Fair value of interest rate swap contract	Exchanges on differences on translation of financial statements in foreign currencies	Total other components of shareholders' equity	Total equity attributable to shareholders of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total the shareholders' equity	
				Appropriated - statutory reserve	Unappropriated (Deficit)							
Balance as at 31 December 2009	1,525,476,630	886,091,137	-	-	73,803,000	(209,015,826)	(12,144,385)	(45,964,005)	(58,108,390)	2,224,484,306	628,711,598	2,853,195,904
Dividend paid to non-controlling interests of subsidiary	-	-	-	-	-	-	-	-	-	-	(36,921,215)	(36,921,215)
Total comprehensive Income for the year	-	-	-	-	1,007,665,231	(2,365,720)	(183,635,239)	(186,000,959)	(186,000,959)	821,664,272	(9,928,510)	811,735,762
Appropriation of statutory reserve	-	-	-	-	20,400,000	(20,400,000)	-	-	-	-	-	-
Balance as at 31 December 2010	1,525,476,630	886,091,137	-	-	94,203,000	778,249,405	(14,510,105)	(229,599,244)	(244,109,349)	3,046,148,578	581,861,873	3,628,010,451
Balance as at 31 December 2010	1,525,476,630	886,091,137	-	-	94,203,000	778,249,405	(14,510,105)	(229,599,244)	(244,109,349)	3,046,148,578	581,861,873	3,628,010,451
Cumulative effect of change in accounting policy for employee benefits (Note 3)	-	-	-	-	-	(56,458,596)	-	-	-	(56,458,596)	(2,097,092)	(58,555,688)
Increase in share capital (Note 22)	4,050	21,137	-	-	-	-	-	-	-	25,187	-	25,187
Change in the Company's interest in subsidiary which not resulted in loss of control (Note 12)	-	-	-	12,904,468	-	-	-	-	-	12,904,468	37,012,032	49,916,500
Share-base payment transactions (Note 24)	-	-	-	-	4,644,652	-	-	-	-	4,644,652	-	4,644,652
Dividend paid to non-controlling interests of subsidiary	-	-	-	-	-	-	-	-	-	-	(33,802,320)	(33,802,320)
Total comprehensive Income for the year	-	-	-	-	-	735,572,228	7,095,747	100,017,893	107,113,640	842,685,868	10,010,418	852,696,286
Appropriation of statutory reserve	-	-	-	-	21,300,000	(21,300,000)	-	-	-	-	-	-
Balance as at 31 December 2011	1,525,480,680	886,112,274	-	6,237,755	115,503,000	1,436,063,037	(7,414,358)	(129,581,351)	(136,995,709)	3,849,950,157	592,984,911	4,442,935,068

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

# Statements of changes in shareholders' equity (continued)

For the years ended 31 December 2011 and 2010

(Unit : Baht)

	Separate financial statements									
						Other component of equity				
						Other comprehensive income				Total shareholders' equity
						Capital reserve for share-base payment transactions	Retained earnings	Fair value of interest rate swap contracts	Total other component of shareholders' equity	
	Issued and paid-up share capital	Premium on share capital					Appropriated - statutory reserve	Unappropriated		
<b>Balance as at 31 December 2009</b>	1,525,476,630	886,091,137	-	-	-	-	73,803,000	1,010,085,591	(12,144,385)	3,483,311,973
Total comprehensive income for the year	-	-	-	-	-	-	-	405,334,521	(2,365,720)	402,968,801
Appropriation of statutory reserve	-	-	-	-	-	-	20,400,000	(20,400,000)	-	-
<b>Balance as at 31 December 2010</b>	1,525,476,630	886,091,137	-	-	-	-	94,203,000	1,395,020,112	(14,510,105)	3,886,280,774
<b>Balance as at 31 December 2010</b>	1,525,476,630	886,091,137	-	-	-	-	94,203,000	1,395,020,112	(14,510,105)	3,886,280,774
Cumulative effect of change in accounting policy for employee benefits (Note 3)	-	-	-	-	-	-	-	(47,758,574)	-	(47,758,574)
Increase in share capital (Note 22)	4,050	21,137	-	-	-	-	-	-	-	25,187
Share-base payment transactions (Note 24)	-	-	-	-	-	4,644,652	-	-	-	4,644,652
Total comprehensive income for the year	-	-	-	-	-	-	-	425,335,479	7,095,747	432,431,226
Appropriation of statutory reserve	-	-	-	-	-	-	21,300,000	(21,300,000)	-	-
<b>Balance as at 31 December 2011</b>	1,525,480,680	886,112,274	4,644,652	-	-	-	115,503,000	1,751,297,017	(7,414,358)	4,275,623,265

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

# Cash flow statements

For the years ended 31 December 2011 and 2010

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
<b>Cash flows from operating activities:</b>				
Profit before tax	809,321,503	1,153,200,154	479,699,073	461,849,509
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	405,168,063	379,389,133	85,033,049	88,529,040
Write-off withholding tax	172,881	142,676	-	-
Doubtful debts	3,519,871	8,754,940	18,280,960	4,769,854
Reversal of reducing cost of inventory to net realisable value	(945,855)	(7,716,731)	(148,682)	(273,546)
Dividend income from subsidiaries	-	-	(236,418,513)	(92,127,493)
Dividend income from associate	-	-	(18,920,803)	(1,471,560)
Unrealised (gain) loss on exchange rate	(77,495,243)	425,560	(7,969,796)	(1,595,935)
Gain on sales of equipment	(26,364,266)	(8,366,101)	(14,319,344)	(6,249,423)
Loss from write-off of equipment	10,909,175	-	2,046,817	-
Loss from claim under bank guarantee	-	5,313,374	-	-
Impairment loss of investment properties	198,935,174	-	95,885,174	-
Impairment loss of land	1,182,718	-	1,182,718	-
Share of profit from investment in associate	(33,952,035)	(5,069,659)	-	-
Share-base payment transactions	4,644,652	-	3,258,845	-
Provision for long-term employee benefits	10,136,168	-	8,034,873	-
Change in fair value of forward exchange contracts	35,996,904	(35,467,665)	6,366,217	(1,617,925)
Change in fair value of price hedging contracts	34,350,997	1,348,787	(30,074,141)	-
Unrealised (gain) loss on price hedging contracts	(183,430,156)	103,311,836	(39,794,678)	-
Change in fair value of interest rate swap contract recognised in profit or loss	(9,934,060)	(12,705,544)	-	-
Interest expenses	212,688,620	254,559,473	130,011,344	108,718,639

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

## Cash flow statements (continued)

For the years ended 31 December 2011 and 2010

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
<b>Cash flows from operating activities:</b>				
Profit from operating activities before changes in operating assets and liabilities	1,394,905,111	1,837,120,233	482,153,113	560,531,160
(Increase) decrease in operating assets				
Trade and other receivables	(1,617,595,903)	282,865,881	(507,347,379)	330,270,713
Inventories	(2,211,019,168)	1,086,407,065	(4,483,475,573)	(178,669,132)
Other current assets	6,331,101	(58,912,243)	(11,749,062)	(23,257,562)
Other non-current assets	3,361,482	(12,710,123)	(17,234,127)	(9,935,909)
Increase (decrease) in operating liabilities				
Trade and other payables	2,642,242,318	(197,025,311)	2,434,750,481	(45,460,065)
Other current liabilities	(124,905,963)	21,934,898	24,826,156	(13,774,125)
Cash flows from (used in) operating activities	93,318,978	2,959,680,400	(2,078,076,391)	619,705,080
Cash paid for interest expenses	(214,252,553)	(255,072,130)	(129,362,528)	(108,668,294)
Cash paid for corporate income tax	(110,008,915)	(125,322,689)	(53,212,825)	(75,153,528)
<b>Net cash from (used in) operating activities</b>	<b>(230,942,490)</b>	<b>2,579,285,581</b>	<b>(2,260,651,744)</b>	<b>435,883,258</b>

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



# Cash flow statements (continued)

For the years ended 31 December 2011 and 2010

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
<b>Cash flows from investing activities:</b>				
(Increase) decrease in restricted bank deposits	56,133,919	(8,305,208)	-	-
Cash receipt from redemption of investment in amortising debentures	1,341,120	2,467,240	1,341,120	2,467,240
Decrease in amounts due from related parties	-	-	992,745,570	2,545,205,808
Cash paid for investment in subsidiary	-	-	(49,000,000)	-
Dividend received from subsidiaries	-	-	236,418,513	92,127,493
Dividend received from associate	18,920,803	-	18,920,803	1,471,560
(Increase) decrease in short-term loans to related parties	-	-	(20,265,602)	79,168,402
Acquisition of equipment	(624,843,912)	(514,421,880)	(74,199,627)	(39,574,217)
Acquisition of computer software	(1,721,100)	(12,453,809)	(1,706,389)	(421,190)
Proceeds from sales of equipment	32,932,298	12,376,220	18,425,787	10,255,704
Cash received from claim under bank guarantee	-	492,453,117	-	-
<b>Net cash from (used in) investing activities</b>	<b>(517,236,872)</b>	<b>(27,884,320)</b>	<b>1,122,680,175</b>	<b>2,690,700,800</b>
<b>Cash flows from financing activities:</b>				
Increase (decrease) in short-term loans from banks	1,520,708,943	(3,270,339,075)	1,851,396,745	(4,387,890,917)
Increase (decrease) in short-term loan from related party	-	-	(94,300,000)	92,295,253
Cash paid under finance lease agreements	(9,376,057)	(12,696,525)	(5,321,987)	(6,701,565)
Cash drawdown from long-term loans	799,432,164	1,868,982,850	-	1,500,000,000
Repayment of long-term loans	(841,287,735)	(888,602,013)	(203,633,480)	(323,713,480)
Cash receive for increase share capital	25,187	-	25,187	-
Dividend paid to non-controlling interests of subsidiary	(33,802,320)	(36,921,215)	-	-
<b>Net cash from (used in) financing activities</b>	<b>1,435,700,182</b>	<b>(2,339,575,978)</b>	<b>1,548,166,465</b>	<b>(3,126,010,709)</b>

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

## Cash flow statements (continued)

For the years ended 31 December 2011 and 2010

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
<b>Cash flows from financing activities:</b>				
<b>Exchange differences on translation of financial statements in foreign currencies</b>	14,377,680	(19,382,655)	-	-
<b>Net increase in cash and cash equivalents</b>	701,898,500	192,442,628	410,194,896	573,349
Cash and cash equivalents at beginning of year	299,920,234	107,477,606	20,319,068	19,745,719
Cash and cash equivalents at end of year	1,001,818,734	299,920,234	430,513,964	20,319,068
<b>Supplemental cash flows information</b>				
<b>Non-cash transactions</b>				
Acquisition of assets through finance lease	9,309,169	8,275,616	7,776,159	1,187,800
Settlement of loan to subsidiary with dividend received (Note 10)	-	-	192,498,653	-
Transfer of short-term loans from banks to a subsidiary by off-setting with amounts due (Note 10)	-	-	2,294,751,527	-
Transfer of cash receipt from Aras to investment by non-controlling interests of the subsidiaries (Note 12)	49,916,500	-	-	-

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

# Notes to consolidated financial statements

For the years ended 31 December 2011 and 2010

## 1. General information

Tipco Asphalt Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The major shareholders of the Company are Supsakorn family and Colas Group, a company incorporated in French Republic. The Company is principally engaged in the manufacture and distribution of asphalt products and its registered address is 118/1 Rama 6 Road, Samsen-nai Sub district, Phayathai District, Bangkok.

## 2. Basis of preparation

2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

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

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

### 2.2 Basis of consolidation

a) The consolidated financial statements include the financial statements of the Company and the following subsidiaries:

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2011	2010
<b><u>Domestic subsidiaries</u></b>				
Surat Bitumen Co., Ltd.	Manufacture and distribution of asphalt products	Thailand	99.99	99.99
Raycol Asphalt Co., Ltd.	Manufacture and distribution of asphalt products	Thailand	41.44	41.44
Thai Bitumen Co., Ltd.	Holding company and manufacture and distribution of asphalt products	Thailand	99.99	99.99
Tipco Maritime Co., Ltd.	Shipping management and agency	Thailand	99.97	99.97
Alpha Maritime Co., Ltd.	Marine transportation	Thailand	99.99	99.93
Bitumen Marine Co., Ltd.	Marine transportation	Thailand	99.99	99.99
Delta Shipping Co., Ltd.	Marine transportation	Thailand	99.99	99.99
Tasco Shipping Co., Ltd.	Marine transportation	Thailand	99.99	99.99
<b><u>Overseas subsidiaries</u></b>				
Kemaman Oil Corporation Sdn Bhd (KOC) (11.30% (2010: 11.68%) owned by the Company and 51.82% (2010: 53.58%) owned by Thai Bitumen Co., Ltd.)	Holding company and distribution of asphalt products	Malaysia	63.12	65.26
Kemaman Bitumen Company Sdn Bhd (41.98% owned by the Company, 11.82% owned by Thai Bitumen Co., Ltd. and 44.80% owned by KOC)	Manufacture and distribution of asphalt products	Malaysia	82.07	83.03
KBC Energy Pte. Ltd. (Owned by KOC)	Dormant	Singapore	63.12	65.26
Tipco Asphalt (Cambodia) Co., Ltd.	Manufacture and distribution of asphalt products	Cambodia	100.00	100.00
Tasco International (Hong Kong) Ltd.	Holding company	Hong Kong	100.00	100.00
<u>Subsidiaries owned by Tasco International (Hong Kong) Ltd.</u>				
Langfang Tongtai Road Material Co., Ltd.	Manufacture and distribution of asphalt products	China	51.00	51.00
Zhenjiang Tipco Asphalt Co., Ltd.	Manufacture and distribution of asphalt products	China	51.00	51.00
Tipco Asphalt (Xinhui) Co., Ltd.	Manufacture and distribution of asphalt products	China	100.00	100.00



- b) Subsidiaries are fully consolidated as from the date on which the Company obtains control and continue to be consolidated until the date when such control ceases.
  - c) The financial statements of the subsidiaries are prepared using the same significant accounting policies as those of the Company.
  - d) The assets and liabilities in the financial statements of overseas subsidiary companies are translated to Baht using the exchange rate prevailing on the end of reporting period, and revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of "Exchange differences on translation of financial statements in foreign currencies" in the statements of changes in shareholders' equity.
  - e) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.
  - f) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.
  - g) The financial statements of Raycol Asphalt Co., Ltd. are included in the consolidated financial statements even though the Company's shareholding is 41.44 percent. This is due to the fact that the Company has control over that company through its board of directors, and it is therefore regarded as a subsidiary.
  - h) During 2006, the Company acquired all of the non-controlling interests in Tasco International Ltd. at a price Baht 6.2 million lower than the book value of such interest. The Company recorded this difference under the caption of "Non-controlling interests of subsidiary acquired by the Company at price lower than book value" in shareholders' equity in the statement of financial position.
- 2.3 The separate financial statements, which present investments in subsidiaries and associate under the cost method, have been prepared solely for the benefit of the public.

### 3. Adoption of new accounting standards during the year

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

#### Accounting standards:

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

#### Financial reporting standards:

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

#### Financial Reporting Standard Interpretations:

TFRIC 15	Agreements for the Construction of Real Estate
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#### Accounting Standard Interpretations:

SIC 31	Revenue-Barter Transactions Involving Advertising Services
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These accounting standards do not have any significant impact on the financial statements, except for the following accounting standards.

## TAS 19 Employee Benefits

This accounting standard requires employee benefits to be recognised as expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment benefits and other long-term employee benefits using actuarial techniques. The Company and its subsidiaries previously accounted for such employee benefits when they were incurred.

The Company and its subsidiaries changed this accounting policy in the current year and recognised the liability in the transition period through an adjustment to the beginning balance of retained earnings in the current year. The change has the effect of decreasing the profit of the Company and its subsidiaries for the year 2011 by Baht 10 million, (0.06 Baht per share) (Separate financial statements: decreasing profit by Baht 8 million, or 0.05 Baht per share). The cumulative effect of the change in the accounting policy has been separately presented in the statements of changes in shareholders' equity.

## TAS 16 (revised 2009) Property, Plant and Equipment

During 2011, the Company and its subsidiaries changed the residual value of their vessels and trucks using the prospective basis. The change has the following effect to the profit or loss for the current year:-

	Consolidated financial statements	Separate financial statements
Profit for the period increase (Million Baht)	11	6
Earnings per share increase (Baht per share)	0.07	0.04

## TAS 40 (revised 2009) Investment Property

To comply with TAS 40 (revised 2009) Investment Property, as at 31 December 2011, the Company presented its land, buildings and equipment awaiting sales, land rented to a subsidiary and another subsidiary presented its land awaiting sales as investment properties in the statements of financial position. These assets had been previously presented as part of property, plant and equipment (Note 15).

## 4. New accounting standards issued during the years not yet effective

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

### Accounting standards:

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

### Accounting Standard Interpretations:

SIC 10	Government Assistance - No Specific Relation to Operating Activities
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standards.

### **TAS 12 Income Taxes**

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

### **TAS 21 (revised 2009) The Effects of Changes in Foreign Exchange Rates**

This accounting standard requires an entity to identify its functional currency in accordance with certain conditions in the standard and to record transactions and report its financial position and operating results in this functional currency, which may not be Baht.

At present, the management is still evaluating the impact on the financial statements in the year when these two standards are adopted.

## **5. Significant accounting policies**

### **5.1 Revenue recognition**

#### ***Sales of goods***

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

#### ***Rendering of services***

Service revenue is recognised when services have been rendered taking into account the stage of completion.

Vessel operating income consists of time charters and voyage charters. Income from time charters is recognised when the right to use a vessel is transferred to a lessee for an agreed period of time, while income from voyage charters is recognised by reference to the stage of completion.

#### ***Interest income***

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

#### ***Dividends***

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

### **5.2 Cash and cash equivalents**

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



### 5.3 Trade and other receivables

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

### 5.4 Inventories

Finished goods are valued at the lower of cost determined under the first-in, first-out method and net realisable value. Cost of finished goods includes all production costs and attributable factory overheads.

Raw materials are valued at the lower of cost determined under first-in, first-out method and net realisable value. Packaging materials, spare parts and factory supplies are valued at the lower of cost determined under at the weighted average cost method. Raw materials, packaging materials, spare parts and factory supplies are charged to production costs whenever consumed.

### 5.5 Investments

- a) Investments in debt securities, both due within one year and expected to be held to maturity, are recorded at amortised cost. Premiums/discounts on debt securities are amortised by the effective rate method with the amortised amount presented as an adjustment to the interest income.
- b) Investment in associate is accounted for in the consolidated financial statements using the equity method.
- c) Investments in subsidiaries and associate are accounted for in the separate financial statements using the cost method less allowance for loss on impairment.

### 5.6 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for loss on impairment.

Depreciation of investment properties are calculated by reference to their costs on the straight-line basis over estimated useful lives of 5 and 20 years. Depreciation of the land improvement is included in profit or loss. No depreciation is provided for land.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period when the asset is derecognised.

### 5.7 Property, plant and equipment/Depreciation

Land is stated at cost. Building and equipment are stated at cost less accumulated depreciation and less allowance for loss on impairment of assets.

Depreciation of plant and equipment is calculated by reference to their costs less residual value on the straight-line basis over the following estimated useful lives:

Land improvement	20 years
Buildings and complements	20 to 47 years
Building improvements	20 to 30 years
Machinery, tools and equipment	5 to 20 years
Furniture and office equipment	3 to 5 years
Vehicles	5 to 10 years
Vessels	10 to 30 years

Depreciation is included in profit or loss.

No depreciation is provided on land, construction in progress and equipment under installation.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

## 5.8 Borrowing costs

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

## 5.9 Intangible assets - computer software

Computer software is measured at cost. Following initial recognition, computer software is carried at cost less any accumulated amortisation and allowance for impairment loss (if any).

Computer software with finite live is amortised on a straight line basis over the economic useful life of 5 years and tested for impairment whenever there is an indication that the software may be impaired. The amortisation period and the amortisation method of such software are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

## 5.10 Goodwill

Goodwill is initially recorded at cost, which equals to the excess of cost of business combination over the fair value of the net assets acquired. If the fair value of the net assets acquired exceeds the cost of business combination, the excess is immediately recognised as gain in profit or loss.

Goodwill is carried at cost less allowance for impairment loss (if any). Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Company's group of cash-generating units that are expected to benefit from the synergies of the combination. The Company estimates the recoverable amount of each group of cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss and will not be reversed in future periods.

### 5.11 Leasehold rights

Leasehold rights are stated at cost less accumulated amortisation and less allowance for impairment loss of leasehold rights (if any). Amortisation is calculated by reference to cost on a straight-line basis over the lease period.

The amortisation is included in profit or loss.

### 5.12 Related party transactions

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

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

### 5.13 Long-term leases

Leases of equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in long-term payables, while the interest element is charged to profit or loss over the lease period. The assets acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease period, if the Company and its subsidiaries expect not to purchase such assets at the end of the lease period.

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

### 5.14 Foreign currencies

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

Gains and losses on exchange are included in profit or loss.

### 5.15 Impairment of assets

At the end of each reporting period, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment, investment properties and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. The Company and its subsidiaries also carry out annual impairment reviews in respect of goodwill. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are

corroborated by a valuation model that, based on information available, reflects the amount that the Company and its subsidiaries could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in profit or loss.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company and its subsidiaries estimate the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

## 5.16 Employee benefits

### ***Short-term employee benefits***

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

### *Post-employment benefits and other long-term employee benefits*

#### Defined contribution plans

The Company, its subsidiaries, and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company and its subsidiaries. The fund's assets are held in a separate trust fund and contributions of the Company and its subsidiaries are recognised as expenses when incurred.

#### Defined benefit plans and other long-term employee benefits

The Company and its local subsidiaries have obligations in respect of the severance payments it must make to employees upon retirement under labor law and other employee benefit plans. The Company and the subsidiaries treat these severance payment obligations as a defined benefit plan. In addition, the Company and its local subsidiaries provide other long-term employee benefit plan, namely long service awards.

The obligation under the defined benefit plan and other long-term employee benefit plans is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

For the first-time adoption of TAS 19 Employee Benefits, the Company and its subsidiaries elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in the current year.

## 5.17 Equity-settled share-based payment transactions

The Company and its subsidiaries recognise the share-based payment transactions at the date on which the options are granted, based on the fair value of the share options. They are recorded as expenses over the expected life of the share options, and a capital reserve for share-based payment transactions is presented in shareholders' equity.



## 5.18 Provisions

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

## 5.19 Income Tax

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

## 5.20 Derivatives

### Forward exchange contracts

Forward exchange contracts are presented in the financial statements at fair value. Unrealised gain or loss from the forward contracts is recorded in profit or loss.

### Price hedging contracts

Forward price hedging contracts with banks are presented in the financial statements at fair value. Unrealised gain or loss from the price hedging contracts is recorded in profit or loss.

### Interest rate swap contracts

Interest rate swap contracts are the contracts under which the counter-parties agreed to exchange the amounts of interest, which are determined based on the pre-determined notional amount and the interest rates over the periods specified in the contracts. The Company and its subsidiaries recognised, on an accrual basis, the net amount of interest to be received or paid for each period under the interest rate swap contracts as income/expense in profit or loss. The interest rate swap contracts are presented in the financial statements at fair value. Unrealised gain or loss on interest rate swap contract of the Company deferred in shareholders' equity of the Company until realised and those of the subsidiary, recognised in profit or loss.

## 6. Significant accounting judgments and estimates

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

### Recognition and derecognition of assets and liabilities

In considering whether to recognise or to derecognise assets or liabilities, the management is required to make judgment on whether significant risk and rewards of those assets or liabilities have been transferred, based on their best knowledge of the current events and arrangements.

## **Leases**

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

## **Allowance for doubtful accounts**

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

## **Net realisable value of inventories**

The management uses judgment to estimate the net realisable value of inventories taking into consideration the fluctuation of price or cost directly relating to events occurring after the balance sheet date.

## **Impairment of investments**

The Company and its subsidiaries treats investments as impaired when the management judges that there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgement of the management.

## **Investment properties**

The investment properties are measured at cost less allowance for impairment loss. The carrying value of the assets is determined based on fair value appraised by an independent valuer. Such valuation is based on certain assumptions and estimates.

## **Property plant and equipment/Depreciation**

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

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

## **Goodwill**

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

### **Fair value of financial instruments**

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

### **Post-employment benefits under defined benefit plans and other long-term employee benefits**

The obligation under the defined benefit plan and other long-term employee benefit plans is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

### **Cost of share-based payment transactions**

Estimating the cost of share-based payment transactions requires the determination of the fair value of the options granted under the transactions which involves appropriate assumptions, including but not limited to the expected life of the share options, share price volatility and dividend yield.

### **Contingent liabilities**

As discussed in Note 12 to the financial statements, currently, the Appeal Court in Malaysia is in the midst of consideration of the petition filed by Aras Jalinan Sdn Bhd regarding the convention of the extraordinary general meeting of KOC. The Company's management has used judgment to assess of the results of the case and believes that no loss will be resulted. Therefore no contingent liabilities are recorded as the end of the reporting period.

## 7. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Cash	4,493	3,267	3,057	1,978
Bank deposits	488,326	296,653	87,457	18,341
Bill of exchange	509,000	-	340,000	-
Total	1,001,819	299,920	430,514	20,319

As at 31 December 2011, bank deposits in saving accounts, fixed deposits and bill of exchange carried interests between 0.15 and 3.25 percent per annum (2010: between 0.05 and 2.20 percent per annum).

## 8. Current investments

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Current portion of investment in debt security	-	1,341	-	1,341
Deposits with financial institutions - cash received from Aras (Note 12)	-	50,765	-	-
Total current investments	-	52,106	-	1,341

## 9. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
<b><u>Trade receivables - related parties</u></b>				
Aged on the basis of due dates				
Not yet due	823,477	173,940	460,799	70,165
Past due				
Up to 3 months	43,035	15,150	57,583	41,409
3 - 6 months	-	672	-	3,471
Total trade receivables - related parties	866,512	189,762	518,382	115,045
<b><u>Trade receivables - unrelated parties</u></b>				
Aged on the basis of due dates				
Not yet due	2,170,662	1,224,756	811,422	752,691
Past due				
Up to 3 months	357,905	321,916	104,768	78,286
3 - 6 months	101,383	139,912	53,862	51,660
6 - 9 months	25,954	46,718	17,688	25,817
9 - 12 months	15,590	21,929	8,281	14,422
Over 12 months	127,810	101,127	104,289	68,682
Total	2,799,304	1,856,358	1,100,310	991,558
Less: Allowance for doubtful accounts	(101,107)	(97,891)	(88,252)	(69,971)
Total trade receivables - unrelated parties, net	2,698,197	1,758,467	1,012,058	921,587
Total trade receivables - net	3,564,709	1,948,229	1,530,440	1,036,632
<b><u>Other receivables</u></b>				
Amounts due from related parties	8,698	8,098	24,600	1,010,273
Accounts receivable from price hedging contracts	78,837	-	69,454	-
Other receivables	35,259	18,579	1,894	6,340
Total other receivables	122,794	26,677	95,948	1,016,613
Trade and other receivables - net	3,687,503	1,974,906	1,626,388	2,053,245



## 10. Related party transactions

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

(Unit: Million Baht )

	Consolidated financial statements		Separate financial statements		Transfer Pricing Policy
	2011	2010	2011	2010	
<b><u>Transactions with subsidiaries</u></b> (eliminated from the consolidated financial statements)					
Sales and service income	-	-	704	640	Cost plus certain margin
Margin on sales of raw materials	-	-	2	5	Cost plus certain margin
Rental and service income	-	-	19	22	Contract price
Technical assistance fee income	-	-	14	18	Contract price
Interest income	-	-	2	2	5.0 percent per annum (2010: 4.0 and 5.0 percent per annum)
Dividend income	-	-	236	92	
Purchases of goods	-	-	568	2,680	Cost plus certain margin
Rental and service expenses	-	-	137	96	Contract price
<b><u>Transactions with associate</u></b>					
Dividend income	19	2	19	2	
<b><u>Transactions with related companies</u></b>					
Sales and service income	2,702	2,122	726	440	Market price / contract price
Rental and service income	8	7	2	2	Contract price
Rental and service expenses	63	42	35	33	Contract price
Technical assistance fee expenses	41	42	24	25	Contract price

The balances of the accounts between the Company and its subsidiaries and those related companies as at 31 December 2011 and 2010 are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
<b><u>Trade and other receivables- related parties</u></b> <b>(Note 9)</b>				
Subsidiaries	-	-	281,547	1,067,111
Related companies (common shareholders and directors)	875,210	197,860	261,435	58,207
Total trade and other receivables – related parties	875,210	197,860	542,982	1,125,318
<b><u>Short-term loans to related parties</u></b>				
Subsidiaries	-	-	25,427	5,161
Total short-term loans to related parties	-	-	25,427	5,161
<b><u>Trade and other payables - related parties</u></b> <b>(Note 18)</b>				
Subsidiaries	-	-	321,663	168,749
Related companies (common shareholders and directors)	42,584	8,577	31,730	4,597
Total trade and other payables - related parties	42,584	8,577	353,393	173,346
<b><u>Short-term loans from related parties</u></b>				
Subsidiaries	-	-	-	94,300
Total short-term loans from related parties	-	-	-	94,300

### Loans to related parties and loans from related parties

As at 31 December 2011 and 2010, the balances of loans between the Company and its subsidiaries and the movement are as follows:

(Unit: Thousand Baht)

		Separate financial statements			
Loans to related parties	Related by	Balance as at	Increase	Unrealise	Balance as at
		31 December 2010	during the year	gain on exchange rate	31 December 2011
Alpha Maritime Co., Ltd.	Subsidiary	-	20,000	-	20,000
Kemaman Oil Corporation Sdn Bhd.	Subsidiary	5,161	-	266	5,247
Total		5,161	20,000	266	25,247

(Unit: Thousand Baht)

		Separate financial statements		
Loans to related parties	Related by	Balance as at	Decrease	Balance as at
		31 December 2010	during the year	31 December 2011
Tipco Maritime Co., Ltd.	Subsidiary	16,300	(16,300)	-
Delta Shipping Co., Ltd.	Subsidiary	1,000	(1,000)	-
Tasco Shipping Co., Ltd.	Subsidiary	77,000	(77,000)	-
Total		94,300	(94,300)	-

During 2011, Surat Bitumen declared the payment of dividend of Baht 192 million. When making dividend payment, Surat Bitumen offset the dividend against the amount due between Surat Bitumen and Thai Bitumen, and Thai Bitumen borrowed the Company for the same amount. In addition, the Company transferred a Baht 2,295 million short-term loan from a bank of the Company to Thai Bitumen, by offsetting with the amount due from Thai Bitumen.

### Directors and management's benefits

During 2011 and 2010, the Company and its subsidiaries had employee benefit expenses of their directors and management as below.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Short-term employee benefits	90	77	75	66
Post-employment benefits	4	-	4	-
Share-based payment transactions (Note 24)	2	-	2	-
Total	96	77	81	66

### Guarantee obligations with related parties

The Company and subsidiaries have outstanding guarantee obligations with its related parties, as described in Note 20 to the financial statements.

## 11. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements				
	Cost		Reduce cost to net realisable value		Inventories - net
	2011	2010	2011	2010	2010
Finished goods	1,115,681	1,234,094	-	(945)	1,233,149
Raw materials	2,223,423	2,249,996	-	-	2,249,996
Packaging materials, spare parts and factory supplies	102,462	49,075	(2,334)	(2,335)	46,740
Goods in transit	2,304,547	1,929	-	-	1,929
Total	5,746,113	3,535,094	(2,334)	(3,280)	3,531,814

(Unit: Thousand Baht)

	Separate financial statements				
	Cost		Reduce cost to net realisable value		Inventories - net
	2011	2010	2011	2010	2010
Finished goods	962,605	214,340	-	(148)	214,192
Raw materials	1,504,929	75,261	-	-	75,261
Packaging materials, spare parts and factory supplies	22,025	18,838	(1,524)	(1,524)	17,314
Goods in transit	2,304,285	1,929	-	-	1,929
Total	4,793,844	310,368	(1,524)	(1,672)	308,696

## 12. Investments in subsidiaries

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

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Investment cost of the Company		Dividend received during the year by the Company	
	2011 (Million Baht)	2010 (Million Baht)	2011 (%)	2010 (%)	2011	2010	2011	2010
	(Except for other specified currency)							
<b>Domestic subsidiaries</b>								
Surat Bitumen Co., Ltd.	100	100	99.99	99.99	99,999	99,999	212,499	39,999
Raycol Asphalt Co., Ltd.	111	111	41.44	41.44	193,200	193,200	23,920	26,128
Thai Bitumen Co., Ltd.	2,300	2,300	99.99	99.99	2,299,917	2,299,917	-	-
Less: Provision for impairment loss of investment					(60,775)	(60,775)		
Tipco Maritime Co., Ltd.	2	2	99.97	99.97	1,999	1,999	-	-
Alpha Maritime Co., Ltd.	18	1	99.99	99.93	17,999	999	-	-
Bitumen Marine Co., Ltd.	150	150	99.99	99.99	149,999	149,999	-	-
Delta Shipping Co., Ltd.	80	80	99.99	99.99	79,999	79,999	-	26,000
Tasco Shipping Co., Ltd.	192	160	99.99	99.99	191,999	159,999	-	-



(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Investment cost of the Company		Dividend received during the year by the Company	
	2011 (Million Baht)	2010 (Million Baht)	2011 (%)	2010 (%)	2011	2010	2011	2010
	(Except for other specified currency)							
<b>Overseas subsidiaries</b>								
Tasco International (Hong Kong) Ltd. Add: Additional investment cost from the acquisition of subsidiary under common control	30.97 Million HKD	30.97 Million HKD	100.00	100.00	130,008 115,849	130,008 115,849	-	-
Kemaman Oil Corporation Sdn Bhd (KOC) (11.30% (2010: 11.68%) owned by the Company and 51.82% (2010: 53.58%) owned by Thai Bitumen Co., Ltd.)	151.96 million ringgit	146.96 million ringgit	63.12	65.26	173,677	173,677	-	-
Kemanan Bitumen Company Sdn Bhd (41.98% owned by the Company, 11.82% owned by Thai Bitumen Co., Ltd. and 44.80% owned by KOC)	305.55 million ringgit	305.55 million ringgit	82.07	83.03	1,231,719	1,231,719	-	-
Tipco Asphalt (Cambodia) Co., Ltd.	20.00 million riel	20.00 million riel	100.00	100.00	165	165	-	-
Investments in subsidiaries								
Cost of share-base payment transactions, under warrants to purchase new ordinary shares of the Company issued to the subsidiaries' employees (Note 24)					4,625,754	4,576,754	236,419	92,127
Total investments in subsidiaries					1,386 4,627,140	- 4,576,754		

## Surat Bitumen Company Limited

On 13 December 2010, the Board of Directors approved the entire business transfer of Surat Bitumen Company Limited to Thai Bitumen Company Limited. The entire business transfer was effective on 1 April 2011.

## Kemaman Oil Corporation Sdn Bhd (KOC) and Kemaman Bitumen Company Sdn Bhd (KBC)

Under the previous Shareholders Agreement, KOC was a jointly controlled entity between the Company and a subsidiary (Thai Bitumen Company Limited: Thai Bitumen) and a co-venturer which is a publicly listed company in Malaysia (Seloga Holdings Berhad: SHB). The purpose of the joint venture was to conduct a business relating to the manufacturing and distribution of asphalt products.

During March 2007, Thai Bitumen received 31.35 million ordinary shares of 1 ringgit per share from the conversion of non-redeemable convertible preference shares (NRCPS-A) of KOC. As a result of such conversion, the percentage holding of the Company and Thai Bitumen in KOC changed from 50 percent to 97 percent. However, the change in holding percentage is temporary since SHB was unable to increase its investment in KOC and according to the Call Option Agreement, during the option period, the Company and Thai Bitumen and SHB still have 50:50 interests in the equity and control in KOC, in accordance with the Shareholders Agreement.

During January 2008, there were the following changes in the shareholding structure of KOC, in accordance with the Call Option Agreement and a newly issued agreement (Settlement Agreement).

1. In January 2007, the Company and Thai Bitumen entered into a Call Option Agreement with SHB, granting an option to SHB to purchase 31.35 million redeemable convertible preference shares of KOC at 1 ringgit per share (24.7 million shares held by Multi Strategies Sdn Bhd: MSSB, a subsidiary of Thai Bitumen and 6.65 million shares held by Thai Bitumen) within 10 January 2008. At the due date of the option, SHB offered a related company, Aras Jalinan Sdn Bhd (Aras), the opportunity to exercise the option instead, as stipulated in the Settlement Agreement dated 11 January 2008. In accordance with the Settlement Agreement, Thai Bitumen has converted the 6.65 million preference shares to ordinary shares and sold the ordinary shares at cost plus interest to Aras. In addition, on 11 January 2008, Thai Bitumen also had MSSB convert its 24.7 million preference shares to ordinary shares and transferred MSSB to Aras.
2. Under the Call Option Agreement, if SHB did not exercise the option to purchase such preference shares, Thai Bitumen and MSSB had the option to purchase all of the ordinary shares held by SHB in KOC. Therefore, during January 2008, Thai Bitumen purchased all 950,001 shares ordinary shares of KOC held by SHB at 1 ringgit per share, for a total of 950,001 ringgit, plus interest as stipulated in the Call Option Agreement. Under the Call Option Agreement, this is regarded as a cancellation of the joint venture in KOC with SHB. However, the ordinary shares purchased by Thai Bitumen are to be sold to Aras in accordance with the Settlement Agreement.
3. Thai Bitumen requested a conversion of 31.35 million redeemable convertible preference shares of KOC (RCPS-B) at 1 ringgit per share. The preference shares were converted to ordinary shares of KOC in January 2008.
4. As discussed in No. 1 above, on 11 January 2008, the Company and Thai Bitumen entered into Settlement Agreement whereby Aras increased its interest in KOC, such that within 31 March 2008 the proportionate shareholdings of the Company and Thai Bitumen, and Aras in KOC would be 50:50. Under to the agreement, Aras had to comply with the following conditions:

- 1) increase its interest in the capital of KOC by 19 million ringgit (19 million shares) on 11 January 2008;
- 2) increase its interest in the capital of KOC by 5 million ringgit (5 million shares) by 28 February 2008;
- 3) increase its interest in the capital of KOC by 7.35 million ringgit (7.35 million shares) by 31 March 2008;
- 4) acquire from Thai Bitumen 6.65 million ringgit of ordinary shares of KOC (6.65 million shares) and pay interest at 1.5% per annum (from 7 February 2007 until 11 January 2008), by 31 March 2008;
- 5) acquire from Thai Bitumen 950,001 ringgit of ordinary shares of KOC (950,001 shares) and pay interest at 15% per annum (from 11 January 2008 until the date of transfer of the shares to Aras), by 31 March 2008.

The Settlement Agreement stipulates that throughout the period of the agreement (11 January 2008 to 31 March 2008) the Company and Thai Bitumen, and Aras will each have 50 percent equity interests in KOC and also equal control. In addition, the Settlement Agreement stipulated that the Articles of Association of KOC and KBC are to be amended so that management and decisions by the Board of Directors and the shareholders can be made by a simple shareholding majority.

However, only parts of the above obligations have been fulfilled by Aras, as follow:

- 1) Aras paid 19 million ringgit for new ordinary shares of KOC on 11 January 2008, which was within the deadline.
- 2) Aras paid 5 million ringgit to KOC on 3 March 2008, which was after the deadline. The Company considers this to be a breach of agreement and has not allowed KOC to issue new share certificates to Aras.

(KOC recorded the cash received as a liability in its statement of financial position as at 31 December 2010.)

- 3) Aras paid 7.35 million ringgit for new ordinary shares of KOC on 31 March 2008, which was within the deadline.
- 4), 5) Aras did not purchase the shares from Thai Bitumen in accordance with the agreement.

As Aras breached its contractual commitments as described in 2), 4) and 5), the Company and Thai Bitumen called an extraordinary general meeting of KOC to propose 4 new directors. However, Aras filed a petition with the courts in Malaysia, requesting the meeting be cancelled. The High Court of Malaya and the Appeals Court subsequently ruled on 7 April 2008 and 23 April 2008, respectively, that the courts did not have jurisdiction to hear this case because the dispute was between a Malaysian and a foreign investor. However, on 25 April 2008, Aras filed an Oppression Petition with the High Court of Malaya. The petition was accepted by the court on 6 May 2008.

On 6 June 2008, the High Court of Malaya cancelled the demission to convent the extraordinary general meeting of KOC. The Company and Thai Bitumen therefore held the extraordinary general meeting of KOC on 6 June 2008, and such meeting passed a resolution to appoint 4 additional directors proposed by the Company and Thai Bitumen. However, in June 2008, Aras filed an appeal against the High Court decision.

As a result of the appointment of the 4 additional directors by the meeting the number of directors on the side of the Company and Thai Bitumen exceeds the number on Aras's side, and the Company therefore controls KOC through those directors as from 6 June 2008. The Company applied a 50 percent interest in recognising share of loss from investment in KOC in the consolidated financial statements until 6 June 2008, and subsequent to that date, the Company regarded KOC as a subsidiary.

Currently, the Appeal Court in Malaysia is during the consideration of the petition filed by Aras Jalinan Sdn Bhd (Aras) regarding the convention of the extraordinary general meeting of KOC. The management of the Company and Thai Bitumen believe that the outcome of the Appeal Court, of which the result has yet been reached, will not affect the value of the investments and the equity interests of the Company and Thai Bitumen in KOC and KBC.

In May 2011, the International Chamber of Commerce Arbitral Tribunal concluded the final award of the arbitration proceeding relating to the dispute between the Company and Thai Bitumen, and Aras, which the Company and Thai Bitumen brought to arbitration. Except for an order to accept the share acquisition payment amounting to MYR 5 million which was made by Aras to KOC on 3 March 2008, the Arbitral Tribunal dismissed all other claims of Aras, including equal management participation and control in KOC by Aras. KOC registered additional capital amounting to MYR 5 million belonging to Aras in July 2011. As a result, the shareholdings of the Company and its subsidiaries in KOC and KBC decreased by 2.14 percent and 0.96 percent, respectively, to 63.12 percent and 82.07 percent, respectively. In 2011, the Company recorded the change in the subsidiaries' interest in the consolidated shareholders' equity.

As at 31 December 2011, the value of the Company's investment costs in KOC and KBC accounted for under the cost method in the separate financial statements were higher than the Company's attributable equity interest in these subsidiaries. The Company believes that the recoverable benefits from these investments will exceed their costs. Therefore no allowance for impairment is made in the accounts.

#### **Warrants to purchase new ordinary shares of the Company issued to the subsidiaries' employees**

During 2011, the Company recorded cost of share-base payment transactions, under warrants to purchase new ordinary shares of the Company issued to the subsidiaries' employees (Note 24) amounted to Baht 1.4 million as a cost of investments in subsidiaries.

### 13. Investment in associate

#### 13.1 Details of associate:

(Unit: Thousand Baht)

##### Consolidated financial statements

Company's name	Shareholding percentage		Cost		Carrying amounts based on equity method	
	2011 (%)	2010 (%)	2011	2010	2011	2010
Colasie Co., Ltd. (Registered under the law of France) (Holding company)	40	40	18,404	18,404	41,640	26,729
Total investment in associate			18,404	18,404	41,640	26,729

(Unit: Thousand Baht)

##### Separate financial statements

Company's name	Shareholding percentage		Cost		Carrying amounts based on equity method	
	2011 (%)	2010 (%)	2011	2010	2011	2010
Colasie Co., Ltd.	40	40	18,404	18,404	18,404	18,404
Total investment in associate			18,404	18,404	18,404	18,404

#### 13.2 Share of profit and dividend received

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

(Unit: Thousand Baht)

Company's name	Consolidated financial statements		Separate financial statements	
	Share of profit from investment in associate during the year		Dividend received during the year by the Company	
	2011	2010	2011	2010
Colasie Co., Ltd.	33,952	5,070	18,921	1,472
Total	33,952	5,070	18,921	1,472



### 13.3 Summarised financial information of associate

Financial information of the associate is summarised below.

(Unit: Million Euro)

Company's name	Paid-up capital as at		Total assets as at		Total liabilities as at		Total revenues for the year ended		Profit for the year ended	
	31 December		31 December		31 December		31 December		31 December	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Colasie Co., Ltd.	1.04	1.04	3.29	1.45	0.02	0.01	2.09	0.32	2.07	0.31

## 14. Investment properties

The net book value of investment properties as at 31 December 2011 is presented below.

(Unit: Thousand Baht)

#### Consolidated financial statements

	Land, buildings and equipment awaiting sales	Land awaiting sales	Total
Cost	268,377	383,608	651,985
<u>Less</u> Accumulated depreciation	(138,692)	-	(138,692)
<u>Less</u> Impairment loss	(95,885)	(213,208)	(309,093)
Net book value	33,800	170,400	204,200

(Unit: Thousand Baht)

#### Separate financial statements

	Land, buildings and equipment awaiting sales	Land for rent	Total
Cost	268,377	76,960	345,337
<u>Less</u> Accumulated depreciation	(138,692)	(9,015)	(147,707)
<u>Less</u> Impairment loss	(95,885)	-	(95,885)
Net book value	33,800	67,945	101,745

A reconciliation of the net book value of investment properties for 2011 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Net book value at beginning of year	-	-
Reclassified from property, plant and equipment to investment properties (Note 15)	403,135	198,176
Depreciation charged during the year	-	(546)
Impairment loss recorded during the year	(198,935)	(95,885)
Net book value at end of year	204,200	101,745

The fair value of the investment properties as at 31 December 2011 stated below:

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Land for rent	-	141,000
Land, buildings and equipment awaiting sales	33,800	33,800
Land awaiting sales	170,400	-

The land, buildings and equipment awaiting sales are assets of the Petchburi Plant of the Company, which the Company decided to cease the operations in 2011 and for which it is seeking a buyer. In November 2011, the Company arranged for an independent professional valuer to reappraise the value of the assets using the Sales Comparison Approach, with the valuer appraising the assets at Baht 33.8 million. As a result of the appraisal, the subsidiary recorded impairment loss of the assets amounting to Baht 95.9 million in the profit or loss for 2011.

The land awaiting sales is an asset of Thai Bitumen Company Limited for the asphalt refinery plant project, which the subsidiary terminated in 1999 and for which it is seeking a buyer. In November 2011, the subsidiary arranged for an independent professional valuer to reappraise the value of the land using the Sales Comparison Approach, with the valuer appraising the assets at Baht 170.4 million. As a result of the appraisal, the subsidiary recorded impairment loss of the assets amounting to Baht 103.1 million as an expense in profit or loss for 2011.

## 15. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements					Total
	Land and land improvement	Buildings, building improvements and complements	Machinery, tools and equipment	Furniture, office equipment and vehicles	Vessels	
<b>Cost</b>						
1 January 2010	1,146,560	677,330	3,282,745	736,557	791,721	7,540,704
Additions	1,533	50,082	78,547	42,891	965	474,927
Disposals/write-off	-	-	(25,663)	(23,688)	-	(49,351)
Transfer in (transfer out)	-	453	382,925	383	3,033	(3,835)
Transfer out from the cancellation of vessel construction contract	-	-	-	-	-	(497,766)
Interest capitalised	-	-	-	-	-	580
31 December 2010	1,148,093	727,865	3,718,554	756,143	795,719	7,465,259
Additions	1,135	18,443	47,289	58,580	382,879	602,793
Disposals/write-off	(3,956)	(507)	(8,958)	(84,278)	(52,929)	(150,644)
Transfer in (transfer out)	-	-	27,133	7,765	-	-
Transfer from deferred expenses for vessel repair	-	-	-	-	59,384	59,384
Transfer to investment properties	(651,985)	-	-	-	-	(651,985)
Interest capitalised	-	-	-	-	-	5,550
31 December 2011	493,287	745,801	3,784,018	738,210	1,185,053	7,330,357

(Unit: Thousand Baht)

## Consolidated financial statements

	Land and land improvement	Buildings, building improvements and complements	Machinery, tools and equipment	Furniture, office equipment and vehicles	Vessels	Construction in progress and equipment under installation	Total
<b>Accumulated depreciation</b>							
1 January 2010	265,171	375,158	1,116,300	634,866	237,743	-	2,629,238
Depreciation for the year	21,419	31,173	200,142	34,446	29,502	-	316,682
Accumulated depreciation on disposal/write-off	-	-	(25,490)	(19,184)	-	-	(44,674)
Transfer in (transfer out)	-	-	(307)	(34)	307	-	(34)
31 December 2010	286,590	406,331	1,290,645	650,094	267,552	-	2,901,212
Depreciation for the year	21,065	31,149	205,263	40,248	63,847	-	361,572
Accumulated depreciation on disposal/write-off	-	(192)	(7,955)	(88,395)	(38,406)	-	(134,948)
Transfer in (transfer out)	-	-	-	-	31,128	-	31,128
Transfer from deferred expenses for vessel repair	-	-	-	-	-	-	-
Transfer to investment properties	(138,692)	-	-	-	-	-	(138,692)
31 December 2011	168,963	437,288	1,487,953	601,947	324,121	-	3,020,272

(Unit: Thousand Baht)

## Consolidated financial statements

	Land and land improvement	Buildings, building and complements	Machinery, tools and equipment	Furniture, office equipment and vehicles	Vessels	Construction in progress and equipment under installation	Total
<b>Allowance for impairment loss</b>							
31 December 2010	110,158	-	-	-	-	-	110,158
Increase	1,183	-	-	-	-	-	1,183
Transfer to investment properties	(110,158)	-	-	-	-	-	(110,158)
31 December 2011	1,183	-	-	-	-	-	1,183
<b>Translation adjustments</b>							
1 January 2010	-	(3,993)	37,522	116	-	(13,451)	20,194
Translation adjustments during the year	-	(2,708)	(220,246)	(2,253)	-	(13,264)	(238,471)
31 December 2010	-	(6,701)	(182,724)	(2,137)	-	(26,715)	(218,277)
Translation adjustments during the year	-	15,617	159,133	1,974	-	(19,682)	157,042
31 December 2011	-	8,916	(23,591)	(163)	-	(46,397)	(61,235)
<b>Net book value</b>							
31 December 2010	751,345	314,834	2,245,185	103,914	528,167	292,170	4,235,614
31 December 2011	323,141	317,429	2,272,474	136,100	860,932	337,591	4,247,667
<b>Depreciation for the year</b>							
2010 (Baht 244.2 million included in manufacturing cost, and the balance in selling expenses and administrative expenses)							316,682
2011 (Baht 288.7 million included in manufacturing cost, and the balance in selling expenses and administrative expenses)							361,572



(Unit: Thousand Baht)

## Separate financial statements

	Land and land improvement	Buildings, building improvements and complements	Machinery, tools and equipment	Furniture, office equipment and vehicles	Vessels	Construction in progress and equipment under installation	Total
<b>Cost</b>							
1 January 2010	649,534	331,803	501,441	541,774	90,922	661	2,116,135
Additions	1,137	816	4,410	21,955	-	12,444	40,762
Disposals/write-off	-	-	(17,201)	(17,697)	-	-	(34,898)
Transfer in (transfer out)	-	453	25	51	-	(661)	(132)
31 December 2010	650,671	333,072	488,675	546,083	90,922	12,444	2,121,867
Additions	453	2,122	13,101	51,165	-	8,808	75,649
Disposals/write-off	(3,957)	-	(914)	(48,473)	(4,507)	-	(57,851)
Transfer in (transfer out)	-	-	140	2,360	-	(2,500)	-
Transfer from deferred expenses for vessel repair	-	-	-	-	9,891	-	9,891
Transfer to investment properties	(345,337)	-	-	-	-	-	(345,337)
31 December 2011	301,830	335,194	501,002	551,135	96,306	18,752	1,804,219

(Unit: Thousand Baht)

## Separate financial statements

	Land and land improvement	Buildings, building improvements and complements	Machinery, tools and equipment	Furniture, office equipment and vehicles	Vessels	Construction in progress and equipment under installation	Total
<b>Accumulated depreciation</b>							
1 January 2010	193,453	210,895	485,530	472,715	33,915	-	1,396,508
Depreciation for the year	16,533	16,035	5,829	22,502	3,661	-	64,560
Accumulated depreciation on disposal/ write-off	-	-	(17,127)	(13,897)	-	-	(31,024)
Transfer in (transfer out)	-	-	-	-	-	-	-
31 December 2010	209,986	226,930	474,232	481,320	37,576	-	1,430,044
Depreciation for the year	15,565	15,717	6,460	22,518	4,752	-	65,012
Accumulated depreciation on disposal/ write-off	-	-	(908)	(48,338)	(2,363)	-	(51,609)
Transfer from deferred expenses for vessel repair	-	-	-	-	893	-	893
Transfer to investment properties	(147,161)	-	-	-	-	-	(147,161)
31 December 2011	78,390	242,647	479,784	455,500	40,858	-	1,297,179

(Unit: Thousand Baht)

## Separate financial statements

	Land and land improvement	Buildings, building improvements and complements	Machinery, tools and equipment	Furniture, office equipment and vehicles	Vessels	Construction in progress and equipment under installation	Total
<b>Allowance for impairment loss</b>							
31 December 2010	-	-	-	-	-	-	-
Increase	1,183	-	-	-	-	-	1,183
31 December 2011	1,183	-	-	-	-	-	1,183
<b>Net book value</b>							
31 December 2010	440,685	106,142	14,443	64,762	53,346	12,444	691,822
31 December 2011	222,257	92,547	21,218	95,635	55,448	18,752	505,857
<b>Depreciation for the year</b>							
2010 (Baht 20.0 million included in manufacturing cost, and the balance in selling expenses and administrative expenses)							64,560
2011 (Baht 22.6 million included in manufacturing cost, and the balance in selling expenses and administrative expenses)							65,012

During 2007, a subsidiary entered into a USD 23 million vessel building contract with an overseas company, under which payment was to be made in five installments of USD 4.6 million each, with the last installment to be paid upon delivery of the vessel. This overseas company was unable to deliver the vessel to the subsidiary in accordance with the contract, which was guaranteed by an overseas bank. On 28 April 2010, the subsidiary cancelled the contract and on 5 May 2010, the subsidiary exercised its right under the bank guarantee and submitted a letter to the overseas bank in order to claim the installments paid by the subsidiary to the counterparty, totaling USD 13.8 million, plus interest thereon. The subsidiary received the installment refunded from the bank in June 2010.

Following the receipt of the refund, the subsidiary recorded loss from claim under bank guarantee amounting to Baht 5.3 million as an expense in the consolidated profit or loss for 2010.

In 2011, the Company recorded impairment loss of land amounted to Baht 1.2 million as an expense in profit or loss for 2011.

As at 31 December 2011, the subsidiary had an outstanding balance of work under construction of a new vessel of approximately Baht 271 million (2010: Baht 261 million). Construction of the plant has been financed with a loan from a financial institution and borrowing costs totaling approximately Baht 6 million were capitalised during the year ended 31 December 2011 (2010: Baht 1 million).

As at 31 December 2011, certain building and equipment items had been fully depreciated but were still in use. The original cost of those assets amounted to approximately Baht 1,290 million (2010: Baht 1,421 million) (The Company Only: Baht 896 million, 2010: Baht 870 million).

## 16. Leasehold rights

The Company and subsidiaries entered into agreements to lease buildings and land. The lease agreements can be summarised below.

Lessee	Country the leased asset located in	Lease period (year)	Lease agreement ending year	Prepaid lease amount at inception of the lease
1. The Company	China	30	2031	1.4 million renminbi
2. A subsidiary in China	China	30	2029	5.7 million renminbi
3. A subsidiary in China	China	50	2050	6.9 million renminbi
4. A subsidiary in China	China	45	2055	2.5 million renminbi
5. A subsidiary in Malaysia	Malaysia	50	2055	19.8 million ringgit

The book value of the leasehold rights can be summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Balance as at 1 January	254,299	242,288	6,837	6,837
Acquisition during the year	-	12,011	-	-
Balance as at 31 December	254,299	254,299	6,837	6,837
Less: Accumulated amortisation	(33,692)	(28,254)	(2,507)	(2,279)
Translation adjustments	(432)	(13,455)	-	-
Net	220,175	212,590	4,330	4,558
Amortisation expenses included in the income statements for the year	5,438	5,633	228	228

## 17. Short-term loans from financial institutions

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Promissory notes	-	200,000	-	200,000
Trust receipts	-	1,997,445	-	374,542
Loans in renminbi	130,853	141,304	-	-
Loans in US Dollars	3,653,956	-	2,360,331	-
Total	3,784,809	2,338,749	2,360,331	574,542



As at 31 December 2011, the Company and its domestic subsidiaries had short-term loans from local banks, which carry interest at the rates ranging from 1.2 to 2.0 percent per annum (2010: 1.8 to 2.5 percent per annum).

In addition, overseas subsidiaries have short-term loans from overseas financial institutions, which carry interest at the rates ranging from 2.4 to 7.9 percent per annum (2010: 4.8 to 6.7 percent per annum).

## 18. Trade and other payables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Trade payables - related parties	1,251	902	317,874	168,142
Trade payables - unrelated parties	3,098,871	487,180	2,493,787	168,158
Amounts due to related parties	41,333	7,675	35,519	5,204
Accounts payable from price hedging contracts	114,537	1,349	39,380	-
Other payables for purchase of machineries	3,318	26,373	-	-
Accrued expenses	154,640	167,971	70,284	70,982
Other payables	71,959	55,775	11,672	16,123
Total trade and other payables	3,485,909	747,225	2,968,516	428,609

## 19. Long-term loans

(Unit: Thousand Baht)

Loan	Borrower	Lender	Interest rate (%)	Repayment schedule	Consolidated financial statements		Separate financial statements	
					2011	2010	2011	2010
Long-term loans in Baht								
(1)	The Company	Local bank	Fixed rate	Monthly installments of Baht 0.3 million each, commencing April 2009 to March 2014	8,175	11,808	8,175	11,808
(2)	The Company	Local bank	Rate referenced to THBFIX	Quarterly installments of Baht 200 million for 2011 and Baht 240 million for 2012 to 2015	960,000	1,160,000	960,000	1,160,000
(3)	The Company	Local bank	Fixed rate for the first two years and for the third to the eighth years at a rate referenced to Minimum Loan Rate	Quarterly installments, as stipulated in the agreement, commencing June 2012	1,500,000	1,500,000	1,500,000	1,500,000
(4)	Bitumen Marine Company Limited	Local bank	Rate referenced to THBFIX	Quarterly installments of Baht 9.2 million each, commencing December 2010 to September 2013	64,150	100,830	-	-
Long-term loans in Yen								
(5)	Tasco Shipping Company Limited	Local bank	Rate referenced to Japanese Yen LIBOR, as stipulated in the agreements	As stipulated in the agreements	288,684	261,953	-	-

(Unit: Thousand Baht)

Loan	Borrower	Lender	Interest rate (%)	Repayment schedule	Consolidated financial statements		Separate financial statements	
					2011	2010	2011	2010
Long-term loans in USD								
(6)	Kemaman Bitumen Company Sdn Bhd	Bank in Malaysia	Rate referenced to Lender's Cost of Funds	Quarterly installments of USD 2.08 million each, commencing September 2010 to June 2013	-	501,410	-	-
(7)	Kemaman Bitumen Company Sdn Bhd	Bank in Malaysia	Rate referenced to Lender's Cost of Funds	Quarterly installments of USD 0.83 million each, commencing November 2011 to August 2016	499,770	-	-	-
(8)	Kemaman Bitumen Company Sdn Bhd	Bank in Malaysia	Rate referenced to Lender's Cost of Funds	Quarterly installments of USD 1.10 million each, commencing November 2012 to August 2017	225,804	-	-	-
Long-term loan in Renminbi								
(9)	Zhenjiang Tipco Asphalt Company Limited	A share-holder of the lender	No interest rate	By February 2013	7,398	-	-	-
Total					3,553,982	3,536,001	2,468,175	2,671,808
Less: Current portion					(480,389)	(440,673)	(303,633)	(203,633)
Long-term loans - net of current portion					3,073,593	3,095,328	2,164,542	2,468,175

Loan No. (5) of Tasco Shipping Company Limited: In October 2010, Tasco Shipping Company Limited received two long-term credit facilities from a local bank for the purpose of funding the vessel construction. The credit facilities are summarised below.

- 1) Facility of JPY 1,440 million or Baht 532 million, whichever is lower

The subsidiary can draw down this facility in accordance with the payment schedule of the five installments for vessel construction discussed in Note 28.1 to the financial statements. The subsidiary has an option to specify the loan currency as Yen or Baht each time a draw down is made. In this regard, on the date of the fifth draw down, which must be made not later than 30 November 2012, the loan facility in Yen is to be converted to Baht. If the balance of the loan after conversion into Baht amounts to more than Baht 532 million, the subsidiary is to repay any excess amount on that date in order to retain the loan balance to be not exceeding of Baht 532 million.

The loan is subject to interest at a rate referenced to Japanese Yen LIBOR if the loan currency is Yen and to THBFIX if the loan currency is Baht, and is repayable on a quarterly basis. The first scheduled payment date is three months after the fifth draw down date and not later than 30 November 2012. The payment schedule is summarised below.

(Unit: Million Baht)

Installment	Amount per installment
1-12	Baht 13 million
13-20	Baht 15 million
21-23	Baht 18 million
24	Balance of the loan

- 2) Facility of JPY 350 million

The subsidiary can draw down this facility in accordance with the payment schedule of the five installments for vessel construction discussed in Note 28.1 to the financial statements. The loan is subject to interest at a rate referenced to Japanese yen LIBOR and is repayable within 30 November 2012.

As at 31 December 2011, a long-term credit facility of a subsidiary which has not yet been drawn down amounted to Baht 256 million.

#### Loan covenants

The Company's loan agreements contain certain restrictive covenants pertaining to, among others things, the maintenance of financial ratios, the prohibition from creating lien over assets, the loan to related parties, the maintenance of trade accounts receivable and inventory balance, the maintenance of shareholders and the limitation on creation of additional long-term debt. The loan agreements of subsidiaries contain certain restrictive covenants pertaining to, among other things, the maintenance of financial ratios, the prohibition from creating lien over assets, restriction on dividend payment and the maintenance of shareholding.

#### Interest rate swap agreements

In May 2009, the Company entered into an interest rate swap agreement to swap a floating interest rate on a long-term loan from a local bank to a fixed rate interest at 4.365 percent per annum. As at 31 December 2011, the notional amount of Baht 960 million (2010: Baht 1,160 million) was outstanding. The notional amount reduces on a quarterly basis in accordance with the long-term loan repayment schedule of the Company in (3) starting from May 2009 and matures in November 2015.

As at 31 December 2011, Kemaman Bitumen Company Sdn Bhd had outstanding interest rate swap agreement amounting to USD 5 million (2010: USD 17 million). The agreement swaps a floating interest rate with reference to LIBOR interest rate to a fixed interest rate at 5.5 percent per annum. Payment is to be made on a monthly basis, and the agreement expires in June 2012.

#### Early loan repayments

During 2010, the Company and two subsidiaries made early repayment in full of long-term loans, of which the balances as of the repayment date of Baht 566 million (the Company only: Baht 134 million).

## 20. Credit facilities

The credit facilities of the Company and its subsidiaries granted by financial institutions are secured by the following:

- a) The guarantees by the Company, its subsidiaries and a shareholder of a subsidiary.
- b) The pledges/mortgages by the assets of subsidiaries of which the net book value as at 31 December 2011 and 2010 of the assets are summarised below.

(Unit: Million Baht)

	Consolidated financial statements	
	2011	2010
Deposits with financial institutions with restrictions	66	73
Leasehold rights - net	187	197
Property, plant and equipment - net	2,908	2,706
Computer software - net	5	8

- c) The prohibition from creating lien over assets of the Company and a subsidiary.
- d) Financial support letters provided by the Company and its subsidiaries to banks.
- e) The Company allows its subsidiaries to use its facilities obtained from banks, with the Company responsible to the banks for the amounts drawn down by the subsidiaries.



## 21. Provision for long-term employee benefits

Provision for long-term employee benefits as at 31 December 2011, which is compensations on employees' retirement, was as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Cumulative effect of change in accounting policy for employee benefits adjusted against beginning balance of retained earnings (Note 3)	58,556	47,759
Defined benefit plan:		
Current service cost	7,697	6,079
Interest cost	2,117	1,729
Benefits paid during the year	(2,887)	(2,506)
Long service awards:	(354)	(283)
Balance at end of year	65,129	52,778

Long-term employee benefit expenses included in the profit or loss for the year ended 31 December 2011 amounted to Baht 15 million.

Principal actuarial assumptions at the valuation date were as follows:

	2011 (% per annum)
Discount rate	3.9%
Future salary increase rate (depending on age of employee)	3.0% - 8.0%
Staff turnover rate (depending on age of employee)	0.0% - 14.0%

## 22. Share capital

The Annual General Meeting of the shareholders held on 5 April 2011 approved the following resolutions.

- 1) Increase the Company's registered capital by Baht 164,547,660, from Baht 1,525,476,630 (152,547,663 ordinary shares of Baht 10 each) to Baht 1,690,024,290 (169,002,429 ordinary shares of Baht 10 each), through the issue of 16,454,766 new ordinary shares of Baht 10 each.
- 2) Allocate and reserve the 16,454,766 new ordinary shares of Baht 10 each, a total of Baht 164,547,660, to support the exercise of the warrants, with 15,254,766 shares supporting the exercise of the TASCO-W3 warrants (Note 23) and 1,200,000 shares supporting the exercise of the ESOP-W1 warrants (Note 24).

The Company registered the capital increase on 22 April 2011.

Below is the summarisation of the exercise of TASCO-W3 warrants during the year.

	2011
No. of warrants exercised (warrants)	405
No. of ordinary shares issued (shares)	405
Amount of cash received (Baht)	25,187
Share registration date	8 July 2011 and 9 August 2011
Paid-up capital after share registration	Baht 1,525,480,680 (152,548,068 ordinary shares of Baht 10 each)

### 23. Warrants to purchase new ordinary shares of the Company issued to the Company's shareholders

The Annual General Meeting of the shareholders held on 5 April 2011 approved the issuance of the warrants to purchase new ordinary shares of the Company (TASCO-W3) without charge to the Company's shareholders, at a rate of 10 existing ordinary shares for 1 TASCO-W3 warrant. Each TASCO-W3 can be exercised to purchase 1 new ordinary share at the following exercise prices:

Exercise month (from date of issuance)	Exercise price (Baht per share)
Months 1 to 12	62.19
Months 13 to 18	63.74
Months 19 to 24	65.30
Months 25 to 30	66.85
Months 31 to 36	68.41

The exercise prices are subject to change according to the conditions of any rights adjustment.

The holders of TASCO-W3 are able to exercise their rights to purchase the Company's ordinary shares from the last business day of the month in which such warrants are issued (18 April 2011). TASCO-W3 warrants have a term of 3 years.

The Stock Exchange of Thailand approved the listing of TASCO-W3 warrants, and the warrants began trading on 6 May 2011.

### 24. Warrants to purchase new ordinary shares of the Company issued to the executive directors and/or employees of the Company and subsidiaries

The Annual General Meeting of the shareholders held on 5 April 2011 approved the issuance of the warrants to purchase new ordinary shares of the Company without charge to the executive directors and/or employees of the Company and subsidiaries (ESOP-W1). Each ESOP-W1 warrant can be exercised to purchase 1 new ordinary share at the exercise price of Baht 62.19 per share.

The exercise price is subject to change according to the conditions of any rights adjustment.

The holders of ESOP-W1 are able to exercise their rights to purchase the Company's ordinary shares after the second year, counting from the warrant issue date, and the holders of the warrants must still be executive directors and/or employees of the Company or its subsidiaries on the date the warrants are exercised. ESOP-W1 warrants have a term of 5 years.

On 18 April 2011, which was the date on which the warrants were issued, the Company allocated 1,077,200 units of ESOP-W1 to executive directors and/or employees of the Company and subsidiaries. There are 122,800 unallocated warrants which the Company plans to cancel later.

The expenses recognised for employee services received during 2011 of the Company and its subsidiaries were totalled Baht 5 million (Separate financial statements Baht 3 million).

The fair value of options granted during 2011 was Baht 12.1 per share. The following tables list the inputs to the models used for 2011:

Dividend yield	- 3.75%
Expected stock volatility	- 40%
Risk-free interest rate	- 2.82%
Expected life of share options	- 2 years
Model used	- Black-Scholes

The expected volatility of the share options is based on historical data of the Company's stock price.

## 25. Statutory reserve

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

## 26. Compensation received from claims for damages

In 2011, the tribunal for arbitration between Thai Bitumen Company Limited (Thai Bitumen) and an overseas company awarded in favor of Thai Bitumen over a sales contract, where the counterparty had failed to make contracted delivery of goods to Thai Bitumen. The award was approximately USD 20.2 million plus interest of approximately USD 1.7 million. In late 2011, Thai Bitumen received the awarded amount and recorded the cash receipt, which net of expenses relating to this matter amounted to Baht 74 million, as income in profit or loss for 2011.

## 27. Expenses by nature

Significant expenses by nature are as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Salary and wages and other employee benefits	499	466	267	237
Depreciation and maintenance expenses	406	382	94	89
Costs related to production of goods and services (excluding of staff cost and depreciation)	19,985	23,786	5,720	7,507

## 28. Corporate income tax

Corporate income tax was calculated on net income before income tax from non-promoted operations after adding back expenses which are disallowable and deducting dividend and income which are exempted for tax computation purposes.

## 29. Promotional privileges

The Company and its subsidiaries were granted investment promotion privileges by the Board of Investment. Important tax privileges granted to the companies are summarised below.

	Exemption from corporate income tax for 8 years commencing from	50% reduction of corporate income tax rate for 5 years commencing from
<b>Tipco Asphalt Public Company Limited</b> Manufacture of asphalt	13 August 1998 1 December 2000	14 August 2006 2 December 2008
<b>Thai Bitumen Company Limited</b> (Transferred from Surat Bitumen Company Limited) Manufacture of asphalt	24 August 1998	25 August 2006
<b>Raycol Asphalt Company Limited</b> Manufacture of asphalt	13 August 1997 2 May 2001	14 August 2005 3 May 2009
<b>Bitumen Marine Company Limited</b> Marine transportation	24 June 2003* 9 February 2006*	- -
<b>Tasco Shipping Company Limited</b> Marine transportation	24 May 2011*	-
<b>Alpha Maritime Company Limited</b> Marine transportation	28 June 2011*	-

\*Exemption of corporate income tax not exceeding of the stipulated amount.

In addition, Kemaman Bitumen Company Sdn Bhd received tax privilege in reduction of corporate income tax in Malaysia from the stipulated investment amount.

## 30. Tax privileges for maritime commerce

The Company and three subsidiaries, Delta Shipping Company Limited, Alpha Maritime Company Limited and Bitumen Marine Company Limited, are entitled to withholding income tax privileges under Revenue Department Instruction No. Por 110/2545 since they are international marine transportation business operators, whereby income from vessel rental is subject to withholding tax at a rate of 1%. Moreover, the Company and the subsidiaries are exempted from corporate income tax on their income from international marine transportation under Announcement of the Director-General of the Revenue Department No. 72.

### 31. Earnings per share

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

The following table sets forth the computation of basic earnings per share:

	Consolidated Financial statements		Separate financial statements	
	2011	2010	2011	2010
Profit for the year (Thousand Baht)	735,572	1,007,665	425,335	405,335
Weighted average number of ordinary shares (Thousand shares)	152,548	152,547	152,548	152,547
Earnings per share (Baht per share)	4.82	6.61	2.79	2.66

There is no calculation of diluted earnings per share for 2011 since the exercise prices to purchase ordinary shares of the Company are higher than the average market price of the Company's shares for the year.

### 32. Segment information

The Company and its subsidiaries' business operations involve three principal segments: (1) manufacture and sale of asphalt products (2) marine transportation (3) investment and others. The business operations are carried on both in Thailand and overseas. However, during the years ended 31 December 2011 and 2010, the Company and its subsidiaries did not have significant business transactions and outstanding balances relating to the marine transportation and investment and other business segments. Therefore financial information by segment has been presented only by geographic area, as follow:



(Unit: Million Baht)

	Thailand		Overseas		Elimination of inter-segment revenues		Consolidation	
	2011	2010	2011	2010	2011	2010	2011	2010
Revenue from external customers	19,329	23,020	2,975	2,771	-	-	22,304	25,791
Inter segment revenues	2,296	2,071	510	895	(2,806)	(2,966)	-	-
Total revenue	21,625	25,091	3,485	3,666	(2,806)	(2,966)	22,304	25,791
Segment operating income	874	929	(135)	94	(3)	(15)	736	1,008

(Unit: Million Baht)

	Thailand		Overseas		Elimination of inter-segment revenues		Consolidation	
	2011	2010	2011	2010	2011	2010	2011	2010
Property plant and equipment	1,776	1,821	2,472	2415	-	-	4,248	4,236
Other assets							11,273	6,513
Total assets							15,521	10,749

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

### 33. Provident fund

The Company, its subsidiaries, and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company and its subsidiaries contribute to the fund on a monthly basis. The fund, which is managed by CIMB-Principal Asset Management Co., Ltd., will be paid to employees upon termination in accordance with the fund rules. During 2011, the Company and its subsidiaries contributed Baht 8 million (2010: Baht 7 million) to the fund (Separate financial statements: Baht 6 million, 2010: Baht 6 million).

### 34. Commitments and contingent liabilities

#### 34.1 Capital commitment

As at 31 December 2011, the Company and its subsidiaries had outstanding capital commitments totaling approximately Baht 19 million, MYR 9 million and Yen 1,090 million (2010: MYR 6 million and Yen 1,090 million) relating to the purchase of land, machinery and equipment, computer software and vessels.

### 34.2 Operating lease commitments

The Company and its subsidiaries have entered into several agreements in respect of the lease of buildings, warehouses and motor vehicles, and other service agreements.

Future minimum rental and service fees payable under these as at 31 December 2011 were as follow:

	Consolidated Financial statements		Separate financial statements
	Million Baht	Million ringgit	Million Baht
Payable within:			
1 year	40	1	28
2 to 5 years	6	1	5

### 34.3 Long-term service commitments

Service agreements with Colas S.A. to receive management and marketing services and advice on methods and systems of management and technical assistance in the manufacture of Asphalt Emulsion and Modified Asphalt:

Counterparty	Agreement term	Expiry date	Fee
The Company	5 years	31 December 2012	Annual lump sum administrative fee of Euro 130,000 plus a technical assistance fee equivalent to 0.75 percent of the consolidated revenues of the Company generated from the stipulated products
A subsidiary	5 years	2 October 2012	Annual fee of at least Baht 8 million

### 34.4 Crude oil purchase commitments

As at 31 December 2011, the Company had outstanding commitment in respect of the purchase of crude oil approximately 0.8 million barrels.

### 34.5 Bank guarantees

As at 31 December 2011, there were outstanding bank guarantees of approximately Baht 3 million, 5 million renminbi and 2 million ringgit issued by the banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the normal course of business (Separate financial statements: Baht 3 million, 5 million renminbi and 1 million ringgit).

## 35. Financial instruments

### 35.1 Financial risk management

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade and other receivables, trade and other payables and loans. The financial risks associated with these financial instruments and how they are managed is described below.

#### *Credit risk*

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

#### *Interest rate risk*

The Company and its subsidiaries' exposure to interest rate risk relates primarily to its cash at banks, short-term loans from banks and long-term borrowings. However, since most of the Company and its subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 31 December 2011 classified by type of interest rate are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

Consolidated financial statements						
	Fixed interest rates		Floating	Non-	Total	Interest
	Within	1-5 years	interest	interest		rate
	1 year		rate	bearing		(% p.a.)
<b>Financial Assets</b>						
Cash and cash equivalents	519	-	76	407	1,002	0.2 - 3.3
Trade and other receivables	-	-	-	3,688	3,688	-
Deposits with financial institutions with restrictions	-	-	66	-	66	0.8 - 2.6
<b>Financial liabilities</b>						
Short-term loans from financial institutions	3,785	-	-	-	3,785	1.3 - 3.7
Trade and other payables	-	-	-	3,486	3,486	-
Liabilities under finance lease agreements	12	13	-	-	25	1.0 - 63.0
Long-term loans	4	4	3,539	7	3,554	1.2 - 4.5

(Unit: Million Baht)

	Separate financial statements					Total	Interest rate (% p.a.)
	Fixed interest rates		Floating interest rate	Non-interest bearing			
	Within 1 year	1-5 years					
<b>Financial Assets</b>							
Cash and cash equivalents	340	-	42	49	431	0.5 - 3.1	
Trade and other receivables	-	-	-	1,626	1,626	-	
Short-term loans to related parties	20	-	-	5	25	5.0	
<b>Financial liabilities</b>							
Short-term loans from financial institutions	2,360	-	-	-	2,360	1.8 - 2.0	
Trade and other payables	-	-	-	2,969	2,969	-	
Liabilities under finance lease agreements	7	6	-	-	13	4.8 - 63.0	
Long-term loans	4	4	2,460	-	2,468	3.7 - 4.5	

### Foreign currency risk

The Company and its subsidiaries' exposure to foreign currency risk arises mainly from trading transactions and loans that are denominated in foreign currencies. The Company and its subsidiaries seek to reduce risk from trading transactions by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.

The balances of financial assets and liabilities of the Company and its subsidiaries denominated in foreign currencies as at 31 December 2011 are summarised below.

Foreign currency	Consolidated financial statements		Separate financial statements		Average exchange rate as at 31 December 2011 (Baht per 1 foreign currency unit)
	Financial assets	Financial liabilities	Financial assets	Financial liabilities	
	(Million)	(Million)	(Million)	(Million)	
US Dollar	57	128	23	77	31.7
Renminbi	1	-	1	-	5.0
HK Dollar	-	-	1	-	4.1
Yen	-	701	-	-	0.4
Ringgit	8	5	-	1	10.0

Foreign exchange contracts of the Company and its subsidiaries outstanding at 31 December 2011 are summarised below.

Foreign currency	Consolidated financial statements		Separate financial statements		Contractual exchange rate	
	Sold amount	Bought amount	Sold amount	Bought amount	Sold	Bought
	(Million)	(Million)	(Million)	(Million)		
US Dollar	21.3	9.8	13.2	1.7	30.1 - 31.8 Baht per 1 US Dollar	31.0 - 31.9 Baht per 1 US Dollar
Euro	-	10.0	-	10.0	-	1.3 US Dollar per 1 Euro

In addition, the Company and its subsidiaries are exposed to foreign exchange risk on their investments in overseas subsidiaries and associate. These investments are currently not hedged by derivative financial instruments.



### ***Risk from fluctuation in raw materials and finished goods prices***

The Company and its subsidiary are exposed to risk from fluctuations in the price of raw materials and finished goods. To manage these risks, the Company and its subsidiary have entered into price hedging contracts with banks to hedge the risk from fluctuation in such prices.

As at 31 December 2011, the outstanding price hedging contracts are summarised below.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
<b><u>Contracts presented as assets</u></b>				
Contracts to sell raw materials	13	-	13	-
Contracts to sell finished goods	55	-	55	-
Total price hedging contracts presented as assets	68	-	68	-
<b><u>Contracts presented as liabilities</u></b>				
Contracts to purchase raw materials	17	-	17	-
Contracts to sell raw materials	1	132	1	-
Contracts to sell finished goods	10	12	10	-
Total price hedging contracts presented as liabilities	28	144	28	-

### **35.2 Fair value of financial instruments**

Since the majority of the Company and its subsidiaries' financial instruments are short-term in nature or bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in the balance sheets. For derivatives, fair value is generally derived from quoted market prices, or based on generally accepted pricing models when no market price is available.

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

## **36. Capital management**

The primary objective of the capital management of the Company and its subsidiaries is to ensure that they have an appropriate financial structure and preserves the ability to continue their business as a going concern.

The Group manages its capital position with reference to its debt-to-equity ratio. As at 31 December 2011, the Group's debt-to-equity ratio was 2.49:1 (2010: 1.96:1) and the Company's was 1.87:1 (2010: 0.99:1).

### **37. Reclassification**

To comply with the Notification of the Department of Business Development relating to the financial statement presentation as described in Note 2 and as the result of the adoption of revised and new accounting standards as described in Note 3, certain amounts in the financial statements for the year ended 31 December 2010 have been reclassified to conform to the current year's classification, without any effect to the previously reported profit or shareholder's equity.

### **38. Approval of financial statements**

These financial statements were authorised for issue by the Company's authorised directors on 13 February 2012.

# The confirmation for the complete correctness of the payment to auditor for the year ended 31 December 2011

## Audit fee

No.	Company	Name of auditor	Audit fee (Baht)
1.	Tipco Asphalt Public Company Limited	Ernst & Young Office Limited (by Ms. Siraporn Ouaanunkun)	1,900,000
2.	Surat Bitumen Company Limited	Ernst & Young Office Limited (by Ms. Siraporn Ouaanunkun)	130,000
3.	Raycol Asphalt Company Limited	Ernst & Young Office Limited (by Ms. Siraporn Ouaanunkun)	500,000
4.	Thai Bitumen Company Limited	Ernst & Young Office Limited (by Ms. Siraporn Ouaanunkun)	950,000
5.	Bitumen Marine Company Limited	Ernst & Young Office Limited (by Ms. Siraporn Ouaanunkun)	300,000
6.	Tipco Maritime Company Limited	Ernst & Young Office Limited (by Ms. Siraporn Ouaanunkun)	240,000
7.	Alpha Maritime Company Limited	Ernst & Young Office Limited (by Ms. Siraporn Ouaanunkun)	220,000
8.	Delta Shipping Company Limited	Ernst & Young Office Limited (by Ms. Siraporn Ouaanunkun)	240,000
9.	Tasco Shipping Company Limited	Ernst & Young Office Limited (by Ms. Siraporn Ouaanunkun)	190,000
<b>Total audit fee</b>			<b>4,670,000</b>

## Non-audit fee

No.	Company	Non-audit service	Name of Company service	Non-audit fee	
				Paid for the period	For Payment in the future
10.	Bitumen Marine Company Limited	Agreed-upon procedures-Compliance with conditions stipulated in the investment promotion certificate	Ernst & Young Auditing Office Limited (By Ms. Siraporn Ouaanunkun)	70,000	-
11.	Tipco Asphalt Public Company Limited	Tax consult	Ernst & Young Corporate Services Limited	17,120	-
12.	Tipco Asphalt Public Company Limited	Consultant for conversion to International Financial Reporting Standards	Ernst & Young Corporate Services Limited	1,175,000	985,000
13.	Thai Bitumen Company Limited	Tax consult	Ernst & Young Corporate Services Limited	595,940	-
<b>Total non-audit fee</b>				<b>1,858,060</b>	<b>985,000</b>

## Above information:

(x) Correct and complete. I hereby confirmed that there was no other service performed to the Company and Subsidiaries which generated any fee income to the auditing company which I am a partner of and/or from other related individuals and/or other related parties that I am aware of and is not disclosed in the above information.

( ) Incorrect and incomplete: .....

.....

in amending the above information (if any), I hereby confirm that all the information in this report herewith shows the compensation for auditing work and other services that the Company and Subsidiaries paid to the undersigned, the auditing firm which I am



**Ms. Siraporn Ouaanunkun**

Ernst & Young Auditing Office Limited  
The auditor of TIPCO ASPHALT PUBLIC COMPANY LIMITED

# Company Information

## Head Office

Our head office is located at the Tipco Tower, 118/1 Rama 6 Road, Samsen Nai, Phayathai District, Bangkok 10400, Thailand.  
Tel. +66 2273 6000 Fax. +66 2273 6030

## Factory Locations

Domestic manufacturing facilities of the Tipco Asphalt group are located as follows:

Nakhonratchasima	>> 259 Soi Ror Por Chor 12032, Mittapap Road, Naklang, Soongnoen, Nakhon Ratchasima 30380 Tel. +66 44 335 495-9, +66 2273 6000 Ext. 5347-9 Fax. +66 44 335 495-9
Phitsanulok	>> 271 Moo 15 Baan Wang Koom, Bangrakam, Phitsanulok 65140 Tel. +66 55 371 581-3, +66 2273 6000 Ext. 5361-3 Fax. +66 55 371 461-2 Ext. 360
Phunphin (subsidiary)	>> 139/5 Moo 3, Suratthani-Takuapa Road, Tharongchang, Phunphin District, Suratthani 84130 Tel. +66 77 357 214-6, +66 2273 6000 Ext. 5318-3 Fax. +66 2273 6000 Ext. 5380
Thathong (subsidiary)	>> 123 Moo 3, Suratthani-Kanchanadit Road, Bangkung, Muang District, Suratthani 84000 Tel. +66 77 224 683-5, +66 2273 6000 Ext. 5341-3 Fax. +66 2273 6000 Ext. 5340
Rayong (subsidiary)	>> 93 Moo 5 Makumkoo, Nikompattana District, Rayong 21180 Tel. +66 38 893 641-5 Fax. +66 38 893 640

## Oil and Asphalt Terminals

The Company operates domestic asphalt terminals and oil depots at the following locations:

Phrapradaeng	>> 61 Moo 5, Suksawat Road, Bangjak, Phrapradaeng, Samut Prakan 10130 Tel. +66 2463 0169, +66 2817 5111-5 Fax. +66 2817 5117
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Thathong >> 123 Moo 3, Suratthani-Kanchanadit Road, Bangkung,  
Muang District, (subsidiary) Suratthani 84000  
Tel. +66 77 224 683-5, +66 2273 6000 Ext. 5341-3  
Fax. +66 2273 6000 Ext. 5340

## Subsidiaries and Associated Companies

Juristic entities in which the Company has equity in excess of 10%.

### Subsidiaries in Thailand

#### Surat Bitumen Co., Ltd.

Nature of business >> Producer and distributor of asphalt products  
Head Office >> 118/1 Rama VI Rd., Samsen Nai, Phayathai, Bangkok 10400  
Tel. +66 2273 6000  
Fax. +66 2273 6030

Phunphin Plant >> 139/5 Moo 3, Suratthani-Takuapa Road, Tharongchang,  
Phunphin District, Suratthani 84130  
Tel. +66 77 357 214-6, +66 2273 6000 Ext. 5318-3  
Fax. +66 2273 6000 Ext. 5380

Thathong Plant >> 123 Moo 3, Suratthani-Kanchanadit Road, Bangkung, Muang  
District, Suratthani 84000  
Tel. +66 77 224 683-5, +66 2273 6000 Ext. 5341-3  
Fax. +66 2273 6000 Ext. 5340

Ordinary shares >> 1,000,000  
Registered capita >> Baht 100 million  
Percentage holding >> 99.99%

#### Thai Bitumen Co., Ltd.

Nature of business >> Asphalt refining and asphalt products distributor.  
It is also a holding company for Kemaman Oil Corporation Sdn. Bhd. (KOC)  
and Kemaman Bitumen Company Sdn. Bhd. (KBC), Malaysia.

Head Office >> 118/1 Rama VI Rd., Samsen Nai, Phayathai,  
Bangkok 10400  
Tel. +66 2273 6000  
Fax. +66 2273 6030

Thathong Plant >> 123 Moo 3, Suratthani-Kanchanadit Road, Bangkung,  
Muang District, Suratthani 84000  
Tel. +66 77 224 683-5, +66 2273 6000 Ext. 5341-3  
Fax. +66 2273 6000 Ext. 5340

Ordinary shares >> 23,000,000

Registered capital >> Baht 2,300 million  
 Percentage holding >> 99.99%

#### **Bitumen Marine Co., Ltd.**

Nature of business >> Ship owner-Owns and operates two asphalt vessels involved in sea transport of asphalt

Head Office >> 118/1 Rama VI Rd., Samsen Nai, Phayathai,  
 Bangkok 10400  
 Tel. +66 2273 6000  
 Fax. +66 2273 6030

Ordinary shares >> 1,500,000  
 Registered capital >> Baht 150 million  
 Percentage holding >> 99.99%

#### **Delta Shipping Co., Ltd.**

Nature of business >> Ship owner-Owns and operates an asphalt vessel involved in sea transport of asphalt

Head Office >> 118/1 Rama VI Rd., Samsen Nai, Phayathai,  
 Bangkok 10400  
 Tel. +66 2273 6000  
 Fax. +66 2273 6030

Ordinary shares >> 800,000  
 Registered capital >> Baht 80 million  
 Percentage holding >> 99.99%

#### **Alpha Maritime Co., Ltd.**

Nature of business >> Ship owner-Owns and operates an asphalt vessel involved in sea transport of asphalt

Head Office >> 118/1 Rama VI Rd., Samsen Nai, Phayathai,  
 Bangkok 10400  
 Tel. +66 2273 6000  
 Fax. +66 2273 6030

Ordinary shares >> 10,000  
 Registered capital >> Baht 1 million  
 Percentage holding > 99.93%

#### **Tipco Maritime Co., Ltd.**

Nature of business >> Ship management and chartering

Head Office >> 118/1 Rama VI Rd., Samsen Nai, Phayathai,  
 Bangkok 10400  
 Tel. +66 2273 6000  
 Fax. +66 2273 6030

Ordinary shares >> 20,000  
 Registered capital >> Baht 2 million  
 Percentage holding >> 99.97%

**Raycol Asphalt Co., Ltd.**

Nature of business	>> Producer and distributor of asphalt products
Head Office	>> 118/1 Rama VI Rd., Samsen Nai, Phayathai, Bangkok 10400 Tel. +66 2273 6000 Fax. +66 2273 6030
Rayong	>> 93 Moo 5 Makumkoo, Nikompattana District, Rayong 21180 Tel. +66 38 893 641-5 Fax. +66 38 893 640
Ordinary shares	>> 11,100,000
Registered capital	>> Baht 111 million
Percentage holding	>> 41.44%

**TASCO Shipping Co., Ltd.**

Nature of business	>> Ship owner (new vessel yet to be delivered)
Head Office	>> 118/1 Rama VI Rd., Samsen Nai, Phayathai, Bangkok 10400 Tel. +66 2273 6000 Fax. +66 2273 6030
Ordinary shares	>> 1,920,000
Registered capital	>> Baht 192 million
Percentage holding	>> 99.99 %

**Foreign Subsidiaries****TASCO International (Hong Kong) Ltd.**

Nature of business	>> Holding company for investments in China
Address	>> Room 1A, 1st Floor, O.T.B. Building, 259-265 Des Voeux Road, Central, Hong Kong.
Registered capital	>> Hong Kong Dollars 30.97 million
Percentage holding	>> 100%

**Kemaman Oil Corporation Sdn. Bhd.**

Nature of business	>> Holding company for investment in an asphalt refinery in Malaysia
Address	>> A-06-3A, Empire Tower, Empire Subang Jalan SS16/1, SS16 47500 Subang Jaya Selangor, Malaysia Tel. +603 5635 0998 Fax. +603 5635 0993
Registered capital	>> Malaysian Ringgit 250.7 million
Percentage holding	>> 65.26% (11.68% owned by the Company and 53.58% owned by Thai Bitumen Co. Ltd)

### **Kemaman Bitumen Company Sdn. Bhd.**

Nature of business	>> Asphalt refinery in Malaysia
Address	>> A-06-3A, Empire Tower, Empire Subang Jalan SS16/1, SS16 47500 Subang Jaya Selangor, Malaysia Tel. +603 5635 0998 Fax. +603 5635 0993 Email: info@kbc.com.my Website: www.kbc.com.my
Refinery address	>> Plot PT 7195, Telok Kalong Industrial Area 24000 Kemaman Terengganu, Malaysia
Registered capital	>> Malaysian Ringgit 500 million
Percentage holding	>> 83.03% (44.81% held by Kemaman Oil Corporation Sdn. Bhd., 41.98% held by the Company and 11.82% held by Thai Bitumen Co., Ltd.)

### **Tipco Asphalt (Cambodia) Co., Ltd.**

Nature of business	>> Producer and distributor of asphalt products in Cambodia
Address	>> 35 Street 322, Boeung Keng Kang 1, Kan Chamkar Morn district, Phnom Penh, Cambodia
Registered capital	>> Riel 20 million
Percentage holding	>> 100%

## **Associated Companies**

### **Colasie Co., Ltd.**

Nature of business	>> Holding company for investment in Asphalt Emulsion and Polymer Modified Asphalt plants in India
Address	>> 7, Place Rene Clair F-92653 Boulogne-Billancourt France Cedex
Registered capital	>> Euro 1 million
Percentage holding	>> 40%

## **Other Important Information**

Stock Code	>> TASCO (Listed on the Stock Exchange of Thailand - SET)
Registration No	>> 0107535000044
Authorized Capital	>> Baht 1,690,024,290
Paid Up Capital	>> Baht 1,525,480,680
Home Page	>> www.tipcoasphalt.com
Registrar of Shares	>> Thailand Securities Depository Co., Ltd. 7th Floor, The Stock Exchange of Thailand Building 62 Ratchadaphisek Road, Klongtoey, Bangkok 10110 Tel. +66 2229 2878 Fax. +66 2654 5642, +66 2654 5645

Auditor

- >> Ms. Siraporn Ouuanunkun  
Certified Public Accountant Registration No. 3844 and/or
- >> Mr. Termphong Opanaphan  
Certified Public Accountant Registration No. 4501 and/or
- >> Mr. Khitsada Lerdwana  
Certified Public Accountant Registration No. 4958
- >> Ernst & Young Office Limited  
33rd Floor, Lake Rajada Office Complex  
193/136-137 Rajadapisek Road  
Klongtoey, Bangkok 10110  
Tel. +66 2264 0777, +66 2661 9190  
Fax. +66 2264 0789-90, +66 2661 9192

Legal Consultants

- >> Mr. Suttiaphat Khamsirivatchara
- >> Siam Premier International Law Office Ltd.  
26th Floor of The Offices at Central World,  
999/9 Rama Road, Khwaeng Pathumwan,  
Khet Pathumwan, Bangkok 10330  
Tel. +66 2646 1888  
Fax. +66 2646 1919
- >> Mr. Tawatchai Jaranakaran
- >> Chor. Chanasongkram Advocates & Solicitors  
52/3 Phrasumeru Rd., Bangkok  
Tel. +66 2282 2995
- >> Mr. Parama Saovbha
- >> Hunton & Williams (Thailand) Ltd.  
34th Floor Q.House Lumpine Building  
1 South Sathorn Road  
Thungmahamek, Sathorn  
Bangkok 10120  
Tel. +66 2645 8866  
Fax. +66 2645 8800
- >> Wayu & Partners Co., Ltd.  
9/8 Soi Tana Arcade  
Sukhumvit 63 Road  
Klongton nue, Wattana  
Bangkok 10110  
Tel. +66 2714 2799  
Fax. +66 2714 2798

Financial Advisor

>> Phatra Securities Public Company Limited  
6,8-11/F Muang Thai-Phatra Office Tower  
252/6 Ratchadapisek Road, Huaykwang, Bangkok 10310  
Tel. +66 2275 0888  
Fax. +66 2693 2355

Advisory Plus Co., Ltd. 1550 Thanapoom Tower 10<sup>th</sup> Floor  
New Phetchaburi Road Khwang Makkasan  
Khet Ratcha Thewi Bangkok 10400  
Tel. +66 2652 7858-65  
Fax. +66 2652 7867

Consultant or  
Contract Manager

>> None







**Tipco Asphalt Public Company Limited**

Tipco Tower, 118/1 Rama 6 Road, Samsen Nai, Phayathai, Bangkok 10400, Thailand

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