

THAI CARBON BLACK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FINANCIAL STATEMENTS
31 DECEMBER 2007 AND 2006

Report of Independent Auditor

To the Shareholders of Thai Carbon Black Public Company Limited

I have audited the accompanying consolidated balance sheet of Thai Carbon Black Public Company Limited and its subsidiaries as at 31 December 2007 and 2006, the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, and the separate financial statements of Thai Carbon Black Public Company Limited for the same periods. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits. The financial statements as at 31 December 2007 and 2006 and for the years then ended of one overseas subsidiary were audited by another auditor, whose report has been furnished to me. My opinion on the consolidated and the separate financial statements, insofar as they relate to the amounts included for this subsidiary, is based solely on the report of that other auditor. The financial statements of such subsidiary reflect total assets as at 31 December 2007 of Baht 1,009 million (2006: Baht 1,185 million), total revenues for the year then ended of Baht 479 million (2006: Baht 492 million) and net loss for the year then ended of Baht 81 million (2006: Baht 166 million). The Company's separate financial statements reflect the investment in this subsidiary accounted for under the equity method, amounting to Baht 333 million as at 31 December 2007 (2006: Baht 258 million) and its share of loss from such investment for the year then ended amounting to Baht 72 million (2006: Baht 128 million).

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 report of the other auditor referred to in the second paragraph provide a reasonable basis for my opinion.

In my opinion, based on my audits and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of Thai Carbon Black Public Company Limited and its subsidiaries and of Thai Carbon Black Public Company Limited as at 31 December 2007 and 2006, 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 above financial statements, I draw attention to the matter as discussed in Note 4 to the financial statements whereby, effective 1 January 2007, the Company changed its accounting policy for recording investments in subsidiary and associated companies in the separate financial statements from the equity method to the cost method. The Company has thus restated the separate financial statements as at 31 December 2006 and for the year then ended to reflect this accounting change.

Narong Puntawong

Certified Public Accountant (Thailand) No. 3315

Ernst & Young Office Limited

Bangkok: 27 February 2008

THAI CARBON BLACK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS

AS AT 31 DECEMBER 2007 AND 2006

(Unit: Baht)

	Consolidated financial statements		Separate financial statements		
	Note	2007	2006	2007	2006 (Restated)
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents		1,185,189,813	875,667,603	1,122,474,525	824,442,204
Trade accounts receivable					
Related parties	6	36,154,393	31,574,983	37,137,179	36,313,894
Unrelated parties	7	1,163,801,750	1,170,944,374	1,137,846,041	1,112,576,312
Total trade accounts receivable		1,199,956,143	1,202,519,357	1,174,983,220	1,148,890,206
Inventories-net	8	1,138,672,054	1,060,660,254	984,123,450	841,126,192
Other current assets					
Advances for purchases of raw materials		2,251,844	12,511,936	-	-
Input tax refundable		88,989,710	118,998,477	59,277,921	45,643,989
Others		32,840,891	22,360,844	30,750,969	20,729,119
TOTAL CURRENT ASSETS		3,647,900,455	3,292,718,471	3,371,610,085	2,880,831,710
NON-CURRENT ASSETS					
Investments in subsidiary companies	9	-	-	668,443,609	485,385,431
Investments in associated companies	10	1,622,846,675	1,551,737,770	706,767,750	972,723,751
Investment in related parties	11	398,883,131	255,166,578	501,085,177	255,166,578
Advances for purchases of property, plant and equipment		62,556,651	37,679,899	62,556,651	37,679,899
Property, plant and equipment-net	12	2,295,910,454	2,081,580,305	1,572,325,187	1,322,118,735
Other non-current assets		21,803,489	10,592,350	13,088,738	1,650,301
TOTAL NON-CURRENT ASSETS		4,402,000,400	3,936,756,902	3,524,267,112	3,074,724,695
TOTAL ASSETS		8,049,900,855	7,229,475,373	6,895,877,197	5,955,556,405

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

THAI CARBON BLACK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2007 AND 2006

(Unit: Baht)

	Consolidated financial statements		Separate financial statements		
	Note	2007	2006	2007	2006
					(Restated)
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Bank overdrafts and short-term loans from					
financial institutions	13	361,013,529	531,424,585	-	6,690,078
Trade accounts payable					
Related parties	6	1,456,424	1,618,874	2,030,981	1,672,255
Unrelated parties		147,522,214	180,897,691	76,979,292	81,845,777
Total trade accounts payable		148,978,638	182,516,565	79,010,273	83,518,032
Current portion of long-term loans	14	66,559,019	71,184,692	-	-
Other current liabilities					
Corporate income tax payable		111,069,201	113,618,748	109,893,596	113,497,141
Accrued expenses		129,945,538	45,363,926	119,696,259	31,585,060
Others		63,538,118	63,526,220	45,963,300	54,900,370
TOTAL CURRENT LIABILITIES		881,104,043	1,007,634,736	354,563,428	290,190,681
NON-CURRENT LIABILITIES					
Long-term loans, net of current portion	14	104,439,258	182,882,199	-	-
Provision for employee retirement benefits	15	72,505,792	69,584,633	72,505,792	69,584,633
TOTAL NON-CURRENT LIABILITIES		176,945,050	252,466,832	72,505,792	69,584,633
TOTAL LIABILITIES		1,058,049,093	1,260,101,568	427,069,220	359,775,314

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

THAI CARBON BLACK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2007 AND 2006

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>		
	<u>Note</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
					(Restated)
SHAREHOLDERS' EQUITY					
Share capital					
Registered, issued and fully paid up					
300,000,000 ordinary shares of Baht 1 each		300,000,000	300,000,000	300,000,000	300,000,000
Paid-in capital					
Share premium		930,000,000	930,000,000	930,000,000	930,000,000
Translation adjustments					
Subsidiary companies		(44,855,568)	(13,068,082)	-	-
Associated companies	10	(247,308,521)	(192,957,927)	-	-
Retained earnings					
Appropriated-statutory reserve		30,000,000	30,000,000	30,000,000	30,000,000
Unappropriated		5,980,897,233	4,893,437,524	5,208,807,977	4,335,781,091
EQUITY ATTRIBUTABLE TO THE COMPANY'S					
SHAREHOLDERS		6,948,733,144	5,947,411,515	6,468,807,977	5,595,781,091
MINORITY INTEREST-equity attributable to					
minority shareholders of subsidiaries		43,118,618	21,962,290	-	-
TOTAL SHAREHOLDERS' EQUITY		6,991,851,762	5,969,373,805	6,468,807,977	5,595,781,091
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		8,049,900,855	7,229,475,373	6,895,877,197	5,955,556,405
		0	0	0	0

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

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 DIRECTORS

THAI CARBON BLACK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit: Baht)

	Consolidated financial statements		Separate financial statements		
	Note	2007	2006	2007	2006 (Restated)
REVENUES					
Sales		7,053,978,377	6,845,778,970	6,802,036,226	6,594,595,535
Share of income from investments in associates		291,136,162	263,904,378	-	-
Other income					
Dividend income		26,928,249	46,238,403	28,850,957	46,841,815
Interest income		37,898,650	21,641,440	37,898,650	21,568,560
Others		52,533,520	35,665,806	18,099,599	14,602,641
TOTAL REVENUES		7,462,474,958	7,213,228,997	6,886,885,432	6,677,608,551
EXPENSES					
Cost of sales		5,293,021,012	5,439,453,847	5,088,090,651	5,202,921,834
Selling and administrative expenses					
Selling expenses		290,562,021	293,526,794	280,593,450	278,229,929
Administrative expenses		268,970,265	292,064,555	155,859,783	141,477,050
Loss on exchange		42,526,036	56,249,542	41,610,677	74,884,800
TOTAL EXPENSES		5,895,079,334	6,081,294,738	5,566,154,561	5,697,513,613
INCOME BEFORE INTEREST EXPENSES					
AND CORPORATE INCOME TAX		1,567,395,624	1,131,934,259	1,320,730,871	980,094,938
INTEREST EXPENSES		(41,777,250)	(57,618,375)	(288,158)	(1,696,578)
CORPORATE INCOME TAX	17	(237,415,827)	(180,699,178)	(237,415,827)	(180,699,178)
INCOME AFTER CORPORATE INCOME TAX		1,288,202,547	893,616,706	1,083,026,886	797,699,182
NET LOSS ATTRIBUTABLE TO MINORITY INTEREST		9,257,162	38,173,547	-	-
NET INCOME FOR THE YEAR		1,297,459,709	931,790,253	1,083,026,886	797,699,182
BASIC EARNINGS PER SHARE					
Net income		4.32	3.11	3.61	2.66

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

THAI CARBON BLACK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006 (Restated)
Cash flows from operating activities				
Net income	1,297,459,709	931,790,253	1,083,026,886	797,699,182
Adjustments to reconcile net income to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	234,999,235	258,496,349	165,621,370	186,526,392
Allowance for doubtful debts	-	345,829	-	-
Allowance for stock obsolescence	16,372,006	12,194,515	9,966,700	-
Dividend income	(26,928,249)	(46,238,403)	(28,850,957)	(46,238,403)
Loss (gain) on sales of property, plant and equipment	18,550,114	126,512	(438,000)	(545)
Share of loss (income) from investments accounted for under equity method	(291,136,162)	(263,904,378)	-	-
Unrealised (gain) loss on exchange	(43,863,751)	(5,531,321)	10,454,705	(995,197)
Provision for employee retirement benefits	6,488,619	15,544,558	6,488,619	15,544,558
Net income (loss) of attributable to minority interest	21,156,328	(42,843,830)	-	-
Income from operating activities before changes in operating assets and liabilities	1,233,097,849	859,980,084	1,246,269,323	952,535,987
Operating assets (increase) decrease				
Trade accounts receivable	(4,095,547)	(312,177,665)	(32,182,426)	(306,752,639)
Inventories	(94,383,806)	(321,933,430)	(152,963,958)	(216,818,500)
Other current assets	29,788,812	41,112,284	(23,655,782)	(14,803,546)
Other assets	(11,453,722)	262,628	(11,438,437)	(626,958)
Operating liabilities increase (decrease)				
Trade accounts payable	(33,537,927)	(56,242,723)	(4,507,759)	26,947,507
Other current liabilities	82,043,964	24,227,346	75,570,585	21,555,259
Payment of employee retirement benefits	(3,567,460)	(3,091,618)	(3,567,460)	(3,091,618)
Net cash flow from operating activities	1,197,892,163	232,136,906	1,093,524,086	458,945,492

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

THAI CARBON BLACK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006 (Restated)
Cash flows from investing activities				
Dividend received from related companies	26,928,250	46,238,403	28,850,956	46,238,403
Dividend received from associated company	1,922,708	603,413	-	-
Proceeds from sales of investment in associated company	-	41,207,320	-	41,207,320
Proceeds from capital reduction of the related company	20,037,402	67,575,085	20,037,402	67,575,085
Additional investment in subsidiary companies	-	-	(183,058,178)	(187,388,665)
Proceeds from disposals of property, plant and equipment	438,000	238,310	438,000	545
Advances for purchases of property, plant and equipment	(29,242,045)	(28,660,235)	(29,242,045)	(28,660,235)
Acquisition of property, plant and equipment	(468,981,469)	(281,184,175)	(415,827,822)	(279,698,679)
Net cash flow used in investing activities	<u>(448,897,154)</u>	<u>(153,981,879)</u>	<u>(578,801,687)</u>	<u>(340,726,226)</u>
Cash flows from financing activities				
Increase in bank overdrafts and short-term loans				
from financial institutions	(170,411,056)	78,045,690	(6,690,078)	76,248
Repayment of long-term loans	(81,644,194)	(84,512,727)	-	-
Dividend paid	(210,000,000)	(180,000,000)	(210,000,000)	(180,000,000)
Net cash flow used in financing activities	<u>(462,055,250)</u>	<u>(186,467,037)</u>	<u>(216,690,078)</u>	<u>(179,923,752)</u>
	286,939,759	(108,312,010)	298,032,321	(61,704,486)
Increase in translation adjustments	<u>22,582,451</u>	<u>35,661,954</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	309,522,210	(72,650,056)	298,032,321	(61,704,486)
Cash and cash equivalents at beginning of year	<u>875,667,603</u>	<u>948,317,659</u>	<u>824,442,204</u>	<u>886,146,690</u>
Cash and cash equivalents at end of year	<u>1,185,189,813</u>	<u>875,667,603</u>	<u>1,122,474,525</u>	<u>824,442,204</u>
	0	0	0	0
Supplemental cash flow information:				
Cash paid during the year for				
Interest	40,595,915	59,064,541	288,158	1,696,578
Corporate income tax	240,026,027	168,517,274	240,026,027	168,517,274

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

THAI CARBON BLACK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit: Baht)

Consolidated financial statements

	Issued and fully paid-up share capital		Translation adjustments		Retained earnings		Minority interest- equity attributable to minority shareholders of subsidiaries	Total	
			Share premium	Subsidiary companies	Associated companies	Appropriated			Unappropriated
Balance as at 31 December 2005	300,000,000	930,000,000	4,068,470	(171,600,765)	30,000,000	4,141,647,271	64,806,120	5,298,921,096	
Translation adjustments	-	-	(17,136,552)	(21,357,162)	-	-	-	(38,493,714)	
Net income for the year	-	-	-	-	-	931,790,253	-	931,790,253	
Dividend paid (Note 22)	-	-	-	-	-	(180,000,000)	-	(180,000,000)	
Minority interest-equity attributable to minority shareholders of subsidiary companies	-	-	-	-	-	-	(42,843,830)	(42,843,830)	
Balance as at 31 December 2006	300,000,000	930,000,000	(13,068,082)	(192,957,927)	30,000,000	4,893,437,524	21,962,290	5,969,373,805	
Translation adjustments	-	-	(31,787,486)	(54,350,594)	-	-	30,413,490	(55,724,590)	
Net income for the year	-	-	-	-	-	1,297,459,709	-	1,297,459,709	
Dividend paid (Note 22)	-	-	-	-	-	(210,000,000)	-	(210,000,000)	
Minority interest-equity attributable to minority shareholders of subsidiary companies	-	-	-	-	-	-	(9,257,162)	(9,257,162)	
Balance as at 31 December 2007	300,000,000	930,000,000	(44,855,568)	(247,308,521)	30,000,000	5,980,897,233	43,118,618	6,991,851,762	

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

THAI CARBON BLACK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit: Baht)

	Separate financial statements						Total
	Issued and fully paid-up share capital	Share premium	Translation adjustments		Retained earnings		
			Subsidiary companies	Associated companies	Appropriated	Unappropriated	
Balance as at 31 December 2005 - as previously reported	300,000,000	930,000,000	4,068,470	(171,600,765)	30,000,000	4,141,647,271	5,234,114,976
Cummulative effect of the change in accounting policy for investment in subsidiary and associated companies (Note 4)	-	-	(4,068,470)	171,600,765	-	(423,565,362)	(256,033,067)
Balance as at 31 December 2005 - as restated	300,000,000	930,000,000	-	-	30,000,000	3,718,081,909	4,978,081,909
Net income for the year	-	-	-	-	-	797,699,182	797,699,182
Dividend paid (Note 21)	-	-	-	-	-	(180,000,000)	(180,000,000)
Balance as at 31 December 2006	300,000,000	930,000,000	-	-	30,000,000	4,335,781,091	5,595,781,091
Net income for the year	-	-	-	-	-	1,083,026,886	1,083,026,886
Dividend paid (Note 21)	-	-	-	-	-	(210,000,000)	(210,000,000)
Balance as at 31 December 2007	300,000,000	930,000,000	-	-	30,000,000	5,208,807,977	6,468,807,977

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

THAI CARBON BLACK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

1. GENERAL INFORMATION

Thai Carbon Black Public Company Limited is a public company incorporated and domiciled in Thailand. It is principally engaged in the manufacture and distribution of carbon black for sale in both local and overseas markets. The Company has a registered address at 44 Moo 1, Ayuthaya-Angthong Highway, Tambol Posa, Amphur Muang, Angthong while its head office is located at 888/122,128 Mahatun Plaza Building, Ploenchit Road, Lumpini, Patumwan, 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. The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 14 September 2001, issued under the Accounting Act B.E. 2543.

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

2.2 Basis of consolidation

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

Company's name	Nature of business	Country of incorporation	Percentage of shareholding		Assets as a percentage to the consolidated total assets as at 31 December		Revenues as a percentage to the consolidated total revenues for the year ended 31 December	
			2007	2006	2007	2006	2007	2006
			Percent	Percent	Percent	Percent	Percent	Percent
1. Liaoning Birla Carbon Co., Ltd.	carbon black manufacturing	China	89	85	12	16	6	7
2. Birla Carbon Mexico, S.A.DE C.V.	carbon black manufacturing (in the planning stage)	Mexico	98	98	-	-	-	-

- b) The financial statements of overseas subsidiary companies are translated into Thai Baht at the closing exchange rate as to assets and liabilities, and at monthly average exchange rates as to revenues and expenses. The resultant differences have been shown under the caption of “Translation adjustment” in shareholders’ equity.
- c) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.

2.3 The separate financial statements, which present investments in subsidiary and associated companies presented under the cost method, have been prepared solely for the benefit of the public.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

The Federation of Accounting Professions (FAP) has issued Notifications No. 9/2550, 38/2550 and 62/2550 regarding Accounting Standards. The notifications mandate the use of the following new Accounting Standards.

a) Thai Accounting Standards which are effective for the current year

TAS 44 (revised 2007)	Consolidated Financial Statements and Separate Financial Statements
TAS 45 (revised 2007)	Investments in Associates
TAS 46 (revised 2007)	Interests in Joint Ventures

These accounting standards become effective for the financial statements for fiscal years beginning on or after 1 January 2007. During the first quarter of the current year, the Company changed its accounting policy for recording investments in subsidiary and associated companies in the separate financial statements in order to comply with the revised Thai Accounting Standards No. 44, 45 and 46 as discussed in Note 4.

b) Thai Accounting Standards which are not effective for the current year

TAS 25 (revised 2007)	Cash Flow Statements
TAS 29 (revised 2007)	Leases
TAS 31 (revised 2007)	Inventories
TAS 33 (revised 2007)	Borrowing Costs
TAS 35 (revised 2007)	Presentation of Financial Statements
TAS 39 (revised 2007)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 41 (revised 2007)	Interim Financial Reporting
TAS 43 (revised 2007)	Business Combinations
TAS 49 (revised 2007)	Construction Contracts
TAS 51	Intangible Assets

These accounting standards will become effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these revised

accounting standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied.

4. CHANGE IN ACCOUNTING POLICY FOR RECORDING INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES IN THE SEPARATE FINANCIAL STATEMENTS

During the first quarter of the current year, the Company changed its accounting policy for recording investments in subsidiary and associated companies in the separate financial statements from the equity method to the cost method, in compliance with Accounting Standard No. 44 (Revised 2007) regarding “Consolidated Financial Statements and Separate Financial Statements”, under which investments in subsidiary and associated companies are to be presented in the separate financial statements under the cost method.

In this regard, the Company has restated the previous period’s separate financial statements as though the investments in the subsidiary and associated companies had originally been recorded using the cost method. The change has the effect of decreasing net income in the separate income statements for the year ended 31 December 2007 and 2006 by Baht 214 million (Baht 0.71 per share) and Baht 134 million (Baht 0.45 per share), respectively. The cumulative effect of the change in accounting policy has been presented under the heading of “Cumulative effect of the change in accounting policy for investments in subsidiary and associated companies” in the separate statements of changes in shareholders’ equity.

Such change in accounting policy affects only the accounts related to investments in subsidiary and associated companies in the Company’s separate financial statements, with no effect to the consolidated financial statements.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Sales of goods

Sales of goods are recognized 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.

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 accounts receivable

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts (if any) 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 debtor aging.

5.4 Inventories

Finished goods and work in process are valued at the lower of cost (average cost method) and net realisable value. Cost includes all production costs and attributable factory overheads.

Raw materials, chemicals, spare parts and factory supplies are valued at the lower of average cost and net realisable value and are charged to production costs whenever consumed.

5.5 Investments

- a) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for loss on diminution in value (if any).
- b) Investment in associated companies are accounted for in the consolidated financial statements using the equity method.
- c) Investments in subsidiary and associated companies are accounted for in the separate financial statements using the cost method.

5.6 Property, plant and equipment/Depreciation

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

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

Buildings	-	25 years
Plant and machinery	-	5 and 10 years
Furniture, fixtures and office equipment	-	10 years
Motor vehicles	-	5 years

Depreciation is included in determining income.

No depreciation is provided on land and assets under installation.

5.7 Related party transactions

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

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

5.8 Provision for employee retirement benefits

Provision for employee retirement benefits, which is presented as a non-current liability in the balance sheets, is determined in accordance with the basis and conditions stipulated in the regulations of the Company and by reference to the provisions of the labour laws, taken into consideration the probability that employees will work until reaching their retirement age.

5.9 Foreign currencies

Foreign currency transactions are translated into Baht at the exchange rates ruling on the transaction dates. Assets and liabilities denominated in foreign currencies outstanding at the balance sheet date are translated into Baht at the exchange rates ruling on the balance sheet date, with the exception of those covered by forward exchange contracts, which are translated at the contracted rates.

Gains and losses on exchange are included in determining income.

5.10 Translation of foreign currency financial statements

The financial statements of the overseas subsidiary and associated companies are translated into Thai Baht using the closing exchange rate as to assets and liabilities, and the average exchange rate as to revenues and expenses. The resultant difference has been shown under the caption of "Translation adjustment" in the shareholders' equity.

5.11 Income tax

Corporate income tax is provided for in the accounts based on the taxable profits determined in accordance with tax legislation.

5.12 Use of accounting estimates

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

6. R E L A T E D P A R T Y T R A N S A C T I O N S

During the years, the Company and its subsidiary company had certain business transactions with related parties. This transactions arose in the ordinary course of business and were concluded on commercial terms and conditions agreed between the Company and those companies. There transactions were conducted at the prices comparable to the market prices. Below is a summary of t h o s e t r a n s a c t i o n s .

	(Unit: Million Baht)			
	Consolidated		Separate financial	
	financial statements		statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<u>Transactions with subsidiary company</u> (eliminated from the Consolidated financial statements)				
Purchases of goods	-	-	192	40.6
Sales of raw materials	-	-	-	159.0
Sales of sample	-	-	1	-
<u>Transactions with related company</u>				
Sales of steam and electric power	387.9	324.4	387.9	324.4

The balances of the accounts as at 31 December 2007 and 2006 between the Company and those related companies are as follows:

	(Unit: Million Baht)			
	Consolidated financial		Separate financial	
	statements		statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<u>Trade accounts receivable-related parties</u>				
Subsidiary company:				
Liaoning Birla Carbon Co., Ltd.	-	-	1.0	4.7
Total trade accounts receivable-subsidiary company	-	-	1.0	4.7
Related company:				
Thai Rayon Public Company Limited	36.1	31.6	36.1	31.6
Total trade accounts receivable-related company	36.1	31.6	36.1	31.6
Total trade accounts receivable-related parties	36.1	31.6	37.1	36.3

Trade accounts payable-related parties

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Subsidiary company:				
Liaoning Birla Carbon Co., Ltd.	-	-	0.6	0.1
Total trade accounts payable-subsidiary company	-	-	0.6	0.1
Associated company:				
Aditya Birla Chemicals (Thailand) Ltd.	0.6	0.4	0.6	0.4
Total trade accounts payable-associated company	0.6	0.4	0.6	0.4
Related company:				
Thai Rayon Public Company Limited	0.8	1.2	0.8	1.2
Total trade accounts payable-related company	0.8	1.2	0.8	1.2
Total Trade accounts payable-related parties	1.4	1.6	2.0	1.7

Directors and management's remuneration

In 2007 the Company paid salaries and meeting allowances to their directors and management totaling Baht 23.2 million (2006: Baht 20.2 million).

Guarantees of subsidiary company's credit facilities

Liaoning Birla Carbon Co., Ltd. entered into credit facility agreements with two commercial banks in China. The facilities with one commercial bank have been guaranteed by the Company up to maximum limits of USD 1.5 million for the long-term loan facility and USD 3.6 million for the short-term loan facility.

Guarantees of related company's credit facilities

Alexandria Fiber Co., S.A.E. entered into credit facility agreements with two overseas financial institutions to obtain various types of credit facilities, with respective maximum credit lines of USD 36.6 million and USD 8 million. These facilities have been guaranteed by the Company in the amount proportionate to its shareholding, or equivalent to USD 6.3 million.

7. TRADE ACCOUNTS RECEIVABLE

Most of the trade accounts receivable at the balance sheet date were within the credit terms and no receivables were more than 3 months past due.

8. INVENTORIES

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
Finished goods	312,741,279	271,793,291	268,507,109	214,169,523
Raw materials	717,027,987	676,505,917	613,249,876	506,185,072
Spare parts and factory supplies	125,377,486	137,204,846	112,333,165	120,771,597
Total	1,155,146,752	1,085,504,054	994,090,150	841,126,192
Less: Allowance for stock obsolescence	(16,474,698)	(24,843,800)	(9,966,700)	-
Inventory, net	1,138,672,054	1,060,660,254	984,123,450	841,126,192

9. INVESTMENTS IN SUBSIDIARY COMPANIES

(Unit: Baht)

Company's name	Paid-up capital	Separate financial statements					
		Shareholding percentage		Cost			
		2007	2006	2007	2006	2007	2006
	Foreign currency			(%)	(%)		
Liaoning Birla Carbon Co., Ltd.	(Million renminbi)	157	118	89	85	662,468,996	483,923,766
Birla Carbon Mexico, S.A.DE C.V	(Million Mexico pesos)	1.9	0.4	98	98	5,974,613	1,461,665
Total						668,443,609	485,385,431

10. INVESTMENTS IN ASSOCIATED COMPANIES

10.1 Details of investments in associated companies:

(Unit: Baht)

Company's name	Nature of business	Country of incorporation	Consolidated financial statements					
			Shareholding percentage		Cost		Carrying amounts based on equity method	
			2007	2006	2007	2006	2007	2006
			(%)	(%)				
P.T. Indo Liberty Textiles	Textiles manufacturing	Indonesia	40	40	196,947,750	196,947,750	607,563,272	533,774,019
Aditya Birla Chemicals (Thailand) Ltd.	Chemical manufacturing	Thailand	30	32	509,820,000	509,820,000	1,262,591,924	1,002,975,714
Alexandria Fiber S.A.E.	Fiber manufacturing	Egypt	14.4*	27.5	-	265,956,001	-	207,945,964
Less: Translation adjustment					-	-	(247,308,521)	(192,957,927)
Total					706,767,750	972,723,751	1,622,846,675	1,551,737,770

(*Investment in this company has been transferred to investments in related parties during the second quarter.)

(Unit: Baht)

Company's name	Nature of business	Country of	Separate financial statements	
			Shareholding	Cost

			incorporation		percentage	
			2007	2006	2007	2006
			(%)	(%)		
P.T Indo Liberty Textiles	Textiles manufacturing	Indonesia	40	40	196,947,750	196,947,750
Aditya Birla Chemicals (Thailand) Ltd.	Chemical manufacturing	Thailand	30	32	509,820,000	509,820,000
Alexandria Fiber S.A.E.	Fiber manufacturing	Egypt	14.4	27.5	-	265,956,001
Total					<u>706,767,750</u>	<u>972,723,751</u>

10.2 Share of income/loss from investments in associated companies

(Unit: Baht)

Company's name	Consolidated financial statements		Separate financial statements	
	Share of income/loss from investments in associated companies during the year		Dividend received during the year	
	2007	2006	2007	2006
P.T. Indo Liberty Textiles	75,711,961	26,256,689	1,922,708	603,413
Aditya Birla Chemicals (Thailand) Ltd.	259,612,210	269,348,861	-	-
Alexandria Fiber S.A.E.*	(44,192,009)	(31,701,172)	-	-
Total	<u>291,132,162</u>	<u>263,904,378</u>	<u>1,922,708</u>	<u>603,413</u>

10.3 Summarised financial information of associated companies

(Unit: Million Baht)

Company's name	Paid-up capital as at 31 December		Total assets as at 31 December		Total liabilities as at 31 December		Total revenues for the year ended 31 December		Net income (loss) for the year ended 31 December	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	P.T. Indo Liberty Textiles	161	178	1,426	1,069	476	215	1,846	1,392	189
Aditya Birla Chemicals (Thailand) Ltd.	1,700	1,700	7,194	6,070	2,982	2,726	8,583	7,510	866	877
Alexandria Fiber S.A.E.*	-	951	-	3,117	-	2,364	-	1,008	-	(113)

(*Investment in this company has been transferred to investments in related parties during the second quarter.)

At the Annual General Meeting of the Shareholders on 26 April 2007, it was resolved that the Company would not exercise its allotted rights to participate in the share offering of Alexandria Fiber Co., S.A.E. (3,755,125 ordinary shares of EGP 10 each). Subsequently, that company allotted the shares to which the Company did not subscribe to Thai Acrylic Fiber Co., Ltd., which is an associated company. In May 2007 Alexandria Fiber Co., S.A.E. increased its share capital as mentioned above, and after such share increase, the Company's direct shareholding was diluted from 27.5% to 14.4%. As a result, the Company reclassifies the investment in that company from investments in associated company to investments in related parties. The carrying amount of the investment on the transfer date is regarded as the new cost in the financial statements in which the equity method is applied.

11. I N V E S T M E N T S I N R E L A T E D P A R T I E S

These represent investments in ordinary shares of the following companies:

	(Unit: Baht)			
	Financial statement in which the equity method is applied		Separate financial statement in which the cost method is applied	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Alexandria Fiber S.A.E	163,753,955	-	265,956,001	-
Thai Epoxy and Allied Products Co., Ltd.	11,925,105	11,925,015	11,925,015	11,925,015
Thai Acrylic Fiber Co., Ltd.	223,204,161	223,204,161	223,204,161	223,204,161
Pan Century Oleochemicals Sdn. Bhd. (Incorporated in Malaysia)	-	20,037,402	-	20,037,402
	<u>398,883,131</u>	<u>255,166,578</u>	<u>501,085,177</u>	<u>255,166,578</u>

As at 31 December 2007, Pan Century Oleochemicals Sdn. Bhd. is in the process of liquidation. During the first quarter, the Company has received refund of its capital of Baht 20.0 million and a share of retained profits of approximately Baht 15.5 million from this company.

12. P R O P E R T Y , P L A N T A N D E Q U I P M E N T

(Unit: Baht)

Consolidated financial statements

	Land	Buildings and road	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
Cost:							
As at 31 December 2006	83,365,591	474,856,732	3,782,470,706	76,324,132	13,967,229	7,980,473	4,438,964,863
Additions	38,824,577	22,911,913	49,759,970	1,456,345	5,266,729	350,761,935	468,981,469
Disposals	-	(1,298,362)	(28,613,293)	(22,439)	(2,812,400)	-	(32,746,494)
Translation adjustment	-	(67,507)	28,719	(3,543)	27,125	(2,042)	(17,248)
As at 31 December 2007	<u>122,190,168</u>	<u>496,402,776</u>	<u>3,803,646,102</u>	<u>77,754,495</u>	<u>16,448,683</u>	<u>358,740,366</u>	<u>4,875,182,590</u>
Accumulated depreciation:							
As at 31 December 2006	-	122,761,979	2,171,806,011	50,737,898	12,078,670	-	2,357,384,558
Depreciation for the year	-	18,811,709	209,294,708	5,579,988	1,070,247	-	234,756,652
Depreciation on disposals	-	(267,786)	(10,659,686)	(18,512)	(2,812,400)	-	(13,758,384)
Translation adjustment	-	104,066	760,873	24,371	-	-	889,310
As at 31 December 2007	<u>-</u>	<u>141,409,968</u>	<u>2,371,201,906</u>	<u>56,323,745</u>	<u>10,336,517</u>	<u>-</u>	<u>2,579,272,136</u>
Net book value:							
As at 31 December 2006	<u>83,365,591</u>	<u>352,094,753</u>	<u>1,610,664,695</u>	<u>25,586,234</u>	<u>1,888,559</u>	<u>7,980,473</u>	<u>2,081,580,305</u>
As at 31 December 2007	<u>122,190,168</u>	<u>354,992,808</u>	<u>1,432,444,196</u>	<u>21,430,750</u>	<u>6,112,166</u>	<u>358,740,366</u>	<u>2,295,910,454</u>
Depreciation for the year (including in statement of income)							
2006							<u>258,205,619</u>
2007							<u>234,756,652</u>

(Unit: Baht)

Separate financial statements

	Land	Buildings and road	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
Cost:							
As at 31 December 2006	83,365,591	316,202,912	3,099,621,803	67,119,344	13,967,229	3,486,825	3,583,763,704
Additions	38,824,577	21,327,186	-	1,339,263	3,574,861	350,761,935	415,827,822
Disposals	-	-	-	-	(2,812,400)	-	(2,812,400)
As at 31 December 2007	<u>122,190,168</u>	<u>337,530,098</u>	<u>3,099,621,803</u>	<u>68,458,607</u>	<u>14,729,690</u>	<u>354,248,760</u>	<u>3,996,779,129</u>
Accumulated depreciation:							
As at 31 December 2006	-	113,047,580	2,089,101,281	47,417,438	12,078,670	-	2,261,644,969
Depreciation for the year	-	11,777,619	148,832,546	3,940,958	1,070,247	-	165,621,370
Depreciation on disposals	-	-	-	-	(2,812,400)	-	(2,812,400)
As at 31 December 2007	<u>-</u>	<u>124,825,199</u>	<u>2,237,933,827</u>	<u>51,358,396</u>	<u>10,336,517</u>	<u>-</u>	<u>2,424,453,939</u>
Net book value:							
As at 31 December 2006	<u>83,365,591</u>	<u>203,155,332</u>	<u>1,010,520,522</u>	<u>19,701,906</u>	<u>1,888,559</u>	<u>3,486,825</u>	<u>1,322,118,735</u>
As at 31 December 2007	<u>122,190,168</u>	<u>212,704,899</u>	<u>861,687,976</u>	<u>17,100,211</u>	<u>4,393,173</u>	<u>354,248,760</u>	<u>1,572,325,187</u>
Depreciation for the year (including in statement of income)							
2006							<u>186,526,392</u>
2007							<u>165,621,370</u>

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

(Unit: Baht)

	Consolidated financial		Separate financial	
	statements		statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Bank overdrafts	-	6,690,078	-	6,690,078
Short-term bank loans	361,013,523	524,734,507	-	-
Total	361,013,523	531,424,585	-	6,690,078

Short-term bank loans of the subsidiary amounting to Baht 81 million are guaranteed by the Company.

14. LONG-TERM LOANS

These represent long-term loans, denominated in US dollars, obtained from two commercial banks by Liaoning Birla Carbon Co., Ltd. The first loan, with an outstanding balance at 31 December 2007 of USD 4.3 million, bears a SIBOR+1.25% interest rate and the second loan, with an outstanding balance 31 December 2007 of USD 0.8 million, bears a LIBOR+0.75% interest rate. The loans are repayable in semiannual installments until 2011. The second loan is guaranteed by the Company.

15. PROVISION FOR EMPLOYEE RETIREMENT BENEFITS

Movements in this account are as follows:

	(Unit: Baht)	
	<u>2007</u>	<u>2006</u>
Balance-beginning of year	69,584,633	57,131,693
Provided during year	6,488,619	15,544,558
Paid during year	(3,567,460)	(3,091,618)
Balance-end of year	<u>72,505,792</u>	<u>69,584,633</u>

16. NUMBER OF EMPLOYEES AND RELATED COSTS

	Consolidated financial		Separate financial	
	statements		statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Number of employees at end of year (persons)	437	424	309	297
Employee costs for the year (Million Baht)	263	245	241	238

17. CORPORATE INCOME TAX

Corporate income tax for the year 2007 included an additional income tax in respect of the fiscal year 2006 amounting Baht 1,251,129, which was paid by the Company during the year.

Corporate income tax for the year 2006 included an additional income tax in respect of the fiscal year 2005 amounting Baht 4,359,794, which was paid by the Company during the year.

18. PROMOTIONAL PRIVILEGES

The Company has received promotional privileges from the Board of Investment for the manufacture of carbon black, pursuant to the investment promotion certificate No. 1768(2)/2548 issued on 31 August 2005. Subject to certain imposed conditions, the privileges include exemption from corporate income tax for periods of 3 years for the manufacture of carbon black and 8 years for the manufacture of electricity and steam, commencing as from the date the promoted operations commenced generating revenues.

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

(Unit: Baht)

	Promoted operations		Non-promoted operations		Total	
	2007	2006	2007	2006	2007	2006
Sales						
Domestic sales	822,738,924	972,391,847	2,832,088,414	2,409,988,234	3,654,827,338	3,382,390,081
Export sales	753,072,044	488,146,151	2,394,136,844	2,724,059,303	3,147,208,888	3,212,205,454
Total sales	<u>1,575,810,968</u>	<u>1,460,537,998</u>	<u>5,226,225,258</u>	<u>5,134,047,537</u>	<u>6,802,036,226</u>	<u>6,594,595,535</u>

19. EARNINGS PER SHARE

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

20. SEGMENT INFORMATION

The Company's and its subsidiaries' business operations involve one principal segment, the manufacture and distribution of carbon black, which is carried on both in Thailand and overseas. Below is the financial information for the years ended 31 December 2007 and 2006 by geographic segments.

(Unit: Million Baht)

	Domestic		Overseas		Elimination of inter-segment revenues		Consolidation	
	2007	2006	2007	2006	2007	2006	2007	2006
	Revenue from sales	6,801	6,436	253	410	-	-	7,054
Inter-segment revenues	1	159	192	41	(193)	(200)	-	-
Total revenues	6,802	6,595	445	451	(193)	(200)	7,054	6,846
Segment income	1,277	972	(75)	(151)			1,202	821
Unallocated income and expenses:								
Other income							117	103
Share of income of associated companies							291	264
Loss on exchange							(43)	(56)
Interest expenses							(42)	(57)
Corporate income tax							(237)	(181)
Minority interest							9	38
Net income							1,298	932

(Unit: Million Baht)

	Domestic		Overseas		Elimination of inter-segment revenues		Consolidation	
	2007	2006	2007	2006	2007	2006	2007	2006
	Property, plant and equipment-net	1,572	1,322	724	759	-	-	2,296
Unallocated assets	5,890	4,985	286	426	(336)	(263)	5,840	5,148
Total assets	7,462	6,307	1,010	1,185	(336)	(263)	8,136	7,229

Transfer prices between business segments are as set out in Note 6 to the financial statements.

21. PROVIDENT FUND

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contributed to the fund monthly at the rate of 5 percent of basic salary. The fund, which is managed by TISCO Assets Management Co., Ltd, will be paid to employees upon termination in accordance with the fund rules. During the year 2007, the Company contributed Baht 5.3 million (2006: Baht 4.8 million) to the fund.

22. PAYMENT OF DIVIDEND

		(Unit: Baht)	
Dividends	Approved by	Total Dividends	Dividend Per share
Final dividends for 2005	Annual General Meeting of the shareholders on 28 April 2006	180,000,000	0.60
Total for 2006		<u>180,000,000</u>	<u>0.60</u>
Final dividends for 2006	Annual General Meeting of the shareholders on 28 April 2007	210,000,000	0.70
Total for 2007		<u>210,000,000</u>	<u>0.70</u>

23. COMMITMENTS AND CONTINGENT LIABILITIES

23.1 Capital commitments

As at 31 December 2007, the Company had capital commitments of approximately Baht 196.5 million (2006: Baht 121 million) relating to purchases of machinery.

23.2 License Agreement

In 1987, the Company entered into a license agreement with an overseas licensor, who agreed to provide the Company with technical know-how for the production and manufacture of carbon black. In return, the Company agreed to pay the licensor a license fee, to be calculated at a percentage of sales.

23.3 Bank Guarantees

As at 31 December 2007, there were outstanding letters of guarantee approximately Baht 13.0 million (2006: Baht 8.7 million) issued by the banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business.

24. FINANCIAL INSTRUMENTS

24.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No. 48 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, loans, investments, and short-term and long-term 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 subject to credit risk with respect to trade accounts receivable in the normal course of business. Since the majority of sales and services are provided to creditworthy customers, the Company and the subsidiary companies do not anticipate significant losses from their debt collection.

Interest rate risk

The Company and its subsidiaries exposure to interest rate risk relates primarily to their cash at banks, bank overdrafts and long-term borrowings. However, since all of the Company's financial assets and liabilities bear floating interest rates or fixed interest rates close to the market rate, the interest rate risk is expected to be minimal.

Foreign currency risk

The Company and its subsidiary exposure to foreign currency risk arises mainly from trading transactions and borrowings that are denominated in foreign currencies. The Company seeks to reduce this risk 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 denominated in foreign currencies as at 31 December 2007 are summarised below.

Foreign currency	Consolidated financial statements		Separate financial statements		Average exchange rate as at 31 December 2007 (Baht per unit of foreign currency)
	Assets (Million)	Liabilities (Million)	Assets (Million)	Liabilities (Million)	
US dollar	38.3	20.4	20.5	4.3	33.7673
Indonesian rupiah	104,545.6	-	17,019.6	-	3.6360 (per 1,000 IDR)
Renminbi	-	-	81.7	-	4.6190
Egyptian pound	25.2	-	41.3	-	5.5176
Japan yen	36.7	-	36.7	-	29.7425 (per 100 JPY)

Foreign exchange contracts outstanding at 31 December 2007 are summarized below.

<u>Foreign currency</u>	<u>Bought amount</u>	<u>Contract exchange rate</u>
-------------------------	----------------------	-------------------------------

	(Million)	
US dollar	4.5	33.6000 – 33.8250
Japan yen	110	0.2978 – 0.2995

Raw material price risk

To reduce risk from raw material price fluctuations, from time to time, the Company enters into a short-term energy swap contract with a reputable counterparty. At the balance sheet date, the Company held three outstanding energy swap contracts as follows:

<u>Type of contract</u>	<u>Quantity</u>	<u>Fixed price agreed to be settled by the Company</u>
Sell WTI crude oil	12,625 barrels	US\$72.41/barrel
Sell Platts 3% USGC No. 6 fuel oil	28,750 barrels	US\$ 54.12/barrel
Buy NYMEX natural gas	483,750 million BTUs	US\$8.54/million BTUs

24.2 Fair values of financial instruments

Since the majority of the Company's financial assets and liabilities 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.

25. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Board of Directors on 27 February 2008.