

Thai Carbon Black Public Company Limited
and its subsidiaries
Report and consolidated financial statements
31 December 2010 and 2009

Report of Independent Auditor

To the Shareholders of Thai Carbon Black Public Company Limited

I have audited the accompanying consolidated balance sheets of Thai Carbon Black Public Company Limited and its subsidiaries as at 31 December 2010 and 2009, the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, and have audited 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 and its subsidiaries 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 consolidated financial statements include the financial statements of an overseas subsidiary which was audited by other auditor. The financial statements of such subsidiary reflect total assets as at 31 December 2010 of Baht 807 million (2009: Baht 817 million), total revenues for the year then ended of Baht 480 million (2009: Baht 402 million) and net loss for the year then ended of Baht 141 million (2009: net loss of Baht 135 million). The audit report of the other auditor has been furnished to me, and my report, insofar as it relates to the amounts included in the consolidated financial statements in respect of that subsidiary, is based solely on the report of that auditor.

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 aforementioned 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 2010 and 2009, and the results of their operations, and cash flows for the years then ended in accordance with generally accepted accounting principles.

Narong Puntawong
Certified Public Accountant (Thailand) No. 3315

Ernst & Young Office Limited
Bangkok: 10 February 2011

Thai Carbon Black Public Company Limited and its subsidiaries

Balance sheets

As at 31 December 2010 and 2009

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
Assets					
Current assets					
Cash and cash equivalents	7	1,672,081,100	1,002,614,613	1,656,640,773	997,429,176
Current investment		-	75,000,000	-	75,000,000
Trade accounts receivable					
Related parties	6, 8	58,403,996	44,669,069	59,644,804	44,669,069
Unrelated parties	8	1,645,149,527	1,246,404,332	1,580,227,670	1,229,136,451
Total trade accounts receivable		1,703,553,523	1,291,073,401	1,639,872,474	1,273,805,520
Advances for purchases of goods - subsidiary	6	-	-	9,130,757	-
Inventories - net	9	2,108,179,859	1,152,295,743	2,009,492,663	1,068,864,653
Other current assets					
Advances for purchases of raw materials		-	89,933,080	-	89,933,080
Input tax refundable		67,923,480	27,160,625	38,132,019	13,520,499
Others		34,247,052	43,739,175	21,075,625	12,969,537
Total other current assets		102,170,532	160,832,880	59,207,644	116,423,116
Total current assets		5,585,985,014	3,681,816,637	5,374,344,311	3,531,522,465
Non-current assets					
Investments in subsidiaries	10	-	-	560,489,282	673,860,389
Investments in associates	11	2,434,244,468	2,227,401,866	723,384,750	720,387,750
Other long-term investments	12	386,958,116	386,958,116	489,160,162	489,160,162
Long-term loan to subsidiary	6	-	-	45,009,450	-
Property, plant and equipment - net	13	2,976,946,836	2,950,183,104	2,401,613,130	2,316,086,460
Advances for purchases of machinery and equipment		11,515,369	5,249,208	11,515,369	5,249,208
Intangible assets - net	14	7,253,469	7,796,121	7,253,469	7,796,121
Other non-current assets		18,498,927	12,659,321	1,010,069	1,048,815
Total non-current assets		5,835,417,185	5,590,247,736	4,239,435,681	4,213,588,905
Total assets		11,421,402,199	9,272,064,373	9,613,779,992	7,745,111,370

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 2010 and 2009

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
Liabilities and shareholders' equity					
Current liabilities					
Short-term loans from financial institutions	15	475,243,952	340,775,455	-	-
Trade accounts payable					
Related parties	6	6,551,793	12,198,349	6,551,793	42,644,094
Unrelated parties		1,275,763,430	248,753,922	1,157,489,755	140,539,048
Total trade accounts payable		1,282,315,223	260,952,271	1,164,041,548	183,183,142
Current portion of long-term loans		-	37,509,439	-	-
Other current liabilities					
Corporate income tax payable	19	146,975,581	73,410,430	146,975,581	73,410,430
Payable for purchase of machinery and equipment		78,398,413	96,222,835	78,398,413	96,222,835
Accrued expenses		90,067,416	153,607,464	85,816,411	152,379,897
Others		77,740,990	62,101,425	57,692,964	22,414,093
Total other current liabilities		393,182,400	385,342,154	368,883,369	344,427,255
Total current liabilities		2,150,741,575	1,024,579,319	1,532,924,917	527,610,397
Non-current liabilities					
Provision for employee retirement benefits	16	104,969,937	90,288,126	104,969,937	90,288,126
Total non-current liabilities		104,969,937	90,288,126	104,969,937	90,288,126
Total liabilities		2,255,711,512	1,114,867,445	1,637,894,854	617,898,523

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 2010 and 2009

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
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
Share premium		930,000,000	930,000,000	930,000,000	930,000,000
Excess of cost of investment in subsidiary					
over the carrying amount of the interest acquired	10	(37,265,055)	-	-	-
Translation adjustments					
Subsidiary companies		(8,969,287)	6,821,915	-	-
Associated companies	11	(259,863,412)	(228,746,266)	-	-
Retained earnings					
Appropriated - statutory reserve	17	30,000,000	30,000,000	30,000,000	30,000,000
Unappropriated		8,211,788,441	7,112,937,078	6,715,885,138	5,867,212,847
Equity attributable to					
the Company's shareholders		9,165,690,687	8,151,012,727	7,975,885,138	7,127,212,847
Minority interest - equity attributable to					
minority shareholders of subsidiaries		-	6,184,201	-	-
Total shareholders' equity		9,165,690,687	8,157,196,928	7,975,885,138	7,127,212,847
Total liabilities and shareholders' equity		11,421,402,199	9,272,064,373	9,613,779,992	7,745,111,370
		-	-	-	-

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

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Directors
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Thai Carbon Black Public Company Limited and its subsidiaries

Income statements

For the years ended 31 December 2010 and 2009

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
Revenues					
Sales		9,250,237,642	5,663,920,922	9,004,021,801	5,483,177,889
Other income					
Dividend income	11, 12	11,386,504	-	63,929,908	1,549,841
Interest income		17,245,939	9,216,089	17,208,264	9,139,493
Gain on exchange		31,062,395	-	20,475,485	-
Others		12,443,830	12,089,996	12,222,404	11,148,797
Total other income		72,138,668	21,306,085	113,836,061	21,838,131
Total revenues		9,322,376,310	5,685,227,007	9,117,857,862	5,505,016,020
Expenses					
Cost of sales		7,671,129,448	4,392,254,747	7,340,009,225	4,193,668,930
Selling expenses		243,558,268	182,021,914	232,098,809	173,038,526
Administrative expenses		203,040,361	262,086,259	162,936,350	190,772,068
Management benefit expenses	6	26,831,519	24,643,946	24,246,720	23,014,271
Impairment loss on investment in subsidiary	10	-	-	151,481,500	-
Loss on exchange		-	4,592,539	-	3,626,281
Total expenses		8,144,559,596	4,865,599,405	7,910,772,604	4,584,120,076
Income before share of income from investment in associates					
Share of income from investments in associates	11	287,506,154	311,865,190	-	-
Income before finance cost and corporate income tax					
Finance cost		(14,006,997)	(15,092,031)	(667,026)	(523,948)
Income before corporate income tax		1,451,315,871	1,116,400,761	1,206,418,232	920,371,996
Corporate income tax	19	(177,745,941)	(42,109,541)	(177,745,941)	(42,109,541)
Net income for the year		1,273,569,930	1,074,291,220	1,028,672,291	878,262,455
Net income (loss) attributable to:					
Equity holders of the parent		1,278,851,363	1,087,212,417	1,028,672,291	878,262,455
Minority interests of the subsidiaries		(5,281,433)	(12,921,197)	-	-
		<u>1,273,569,930</u>	<u>1,074,291,220</u>		
		-	-		
Basic earnings per share					
Net income attributable to equity holders of the parent	21	4.26	3.62	3.43	2.93

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 2010 and 2009

(Unit: Baht)

Consolidated financial statements										
Equity attribute to the parent's shareholders										
	Issued and fully paid-up share capital	Share premium	Excess of cost of investment in subsidiary over the carrying amount of the interest acquired	Translation adjustment		Retained earnings		Total equity attributable to the parent's shareholders	Minority interest - equity attributable to minority shareholders of subsidiaries	Total
				Subsidiary companies	Associated companies	Appropriated	Unappropriated			
Balance as at 31 December 2008	300,000,000	930,000,000	-	19,688,752	(270,988,925)	30,000,000	6,160,724,661	7,169,424,488	20,764,560	7,190,189,048
Income and expenses recognised directly in equity:										
Translation adjustment	-	-	-	(12,866,837)	42,242,659	-	-	29,375,822	(1,659,162)	27,716,660
Dividend paid (Note 24)	-	-	-	-	-	-	(135,000,000)	(135,000,000)	-	(135,000,000)
Net income (loss) for the year	-	-	-	-	-	-	1,087,212,417	1,087,212,417	(12,921,197)	1,074,291,220
Balance as at 31 December 2009	<u>300,000,000</u>	<u>930,000,000</u>	<u>-</u>	<u>6,821,915</u>	<u>(228,746,266)</u>	<u>30,000,000</u>	<u>7,112,937,078</u>	<u>8,151,012,727</u>	<u>6,184,201</u>	<u>8,157,196,928</u>
Balance as at 31 December 2009	300,000,000	930,000,000	-	6,821,915	(228,746,266)	30,000,000	7,112,937,078	8,151,012,727	6,184,201	8,157,196,928
Income and expenses recognised directly in equity:										
Excess of cost of investment in subsidiary over the carrying amount of the interest acquired	-	-	(37,265,055)	-	-	-	-	(37,265,055)	-	(37,265,055)
Translation adjustment	-	-	-	(15,791,202)	(31,117,146)	-	-	(46,908,348)	(902,768)	(47,811,116)
Dividend paid (Note 24)	-	-	-	-	-	-	(180,000,000)	(180,000,000)	-	(180,000,000)
Net income (loss) for the year	-	-	-	-	-	-	1,278,851,363	1,278,851,363	(5,281,433)	1,273,569,930
Balance as at 31 December 2010	<u>300,000,000</u>	<u>930,000,000</u>	<u>(37,265,055)</u>	<u>(8,969,287)</u>	<u>(259,863,412)</u>	<u>30,000,000</u>	<u>8,211,788,441</u>	<u>9,165,690,687</u>	<u>-</u>	<u>9,165,690,687</u>

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 (continued)

For the years ended 31 December 2010 and 2009

(Unit: Baht)

Separate financial statements

	Issued and fully paid-up share capital	Share premium	Retained earnings		Total
			Appropriated	Unappropriated	
Balance as at 31 December 2008	300,000,000	930,000,000	30,000,000	5,123,950,392	6,383,950,392
Dividend paid (Note 24)	-	-	-	(135,000,000)	(135,000,000)
Net income for the year	-	-	-	878,262,455	878,262,455
Balance as at 31 December 2009	<u>300,000,000</u>	<u>930,000,000</u>	<u>30,000,000</u>	<u>5,867,212,847</u>	<u>7,127,212,847</u>
Balance as at 31 December 2009	300,000,000	930,000,000	30,000,000	5,867,212,847	7,127,212,847
Dividend paid (Note 24)	-	-	-	(180,000,000)	(180,000,000)
Net income for the year	-	-	-	1,028,672,291	1,028,672,291
Balance as at 31 December 2010	<u>300,000,000</u>	<u>930,000,000</u>	<u>30,000,000</u>	<u>6,715,885,138</u>	<u>7,975,885,138</u>

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

Thai Carbon Black Public Company Limited and its subsidiaries

Cash flow statements

For the years ended 31 December 2010 and 2009

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Cash flows from operating activities				
Net income before tax	1,451,315,871	1,116,400,761	1,206,418,232	920,371,996
Adjustments to reconcile net income before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	348,784,545	270,573,921	274,694,077	189,960,280
Allowance for diminution in value of inventory (reversal)	4,066,669	(410,739,851)	-	(416,275,889)
Share of income from investments in associates	(287,506,154)	(311,865,190)	-	-
Gain on sales of equipment	(392,688)	(60,000)	(392,688)	(60,000)
Unrealised loss on exchange	10,792,375	568,018	4,615,599	2,326,373
Impairment loss on investment in subsidiary	-	-	151,481,500	-
Unrealised gain on commodity swap contracts	-	(3,132,452)	-	(3,132,452)
Provision for employee retirement benefit	19,355,596	11,654,800	19,355,596	11,654,800
Dividend income	(11,386,504)	-	(63,929,908)	(1,549,841)
Interest income	(17,245,939)	(9,216,089)	(17,208,264)	(9,139,493)
Interest expenses	13,232,822	14,839,601	312,513	287,269
Income from operating activities before changes in operating assets and liabilities	1,531,016,593	679,023,519	1,575,346,657	694,443,043
Operating assets (increase) decrease				
Trade accounts receivable	(412,202,513)	(81,890,688)	(365,789,345)	(113,725,660)
Inventories	(959,950,786)	799,237,543	(940,628,009)	812,332,938
Advances for purchases of raw materials	89,933,080	(89,933,080)	89,933,080	(89,933,080)
Other current assets	(31,360,701)	105,857,769	(41,938,334)	130,267,338
Other assets	(8,356,017)	945,214	(2,477,667)	360,050
Operating liabilities increase (decrease)				
Trade accounts payable	1,020,299,551	35,288,836	980,858,406	2,800,523
Other current liabilities	(85,165,538)	(60,846,295)	(60,774,647)	(83,397,703)
Payment for employee retirement benefit	(4,673,785)	(7,290,657)	(4,673,785)	(7,290,657)
Cash flows from operating activities	1,139,539,884	1,380,392,161	1,229,856,356	1,345,856,792
Cash paid for interest expenses	(13,232,822)	(14,617,658)	(312,513)	(287,269)
Cash paid for corporate income tax	(104,180,789)	(34,801,119)	(104,180,789)	(34,801,119)
Net cash flows from operating activities	1,022,126,273	1,330,973,384	1,125,363,054	1,310,768,404

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

Thai Carbon Black Public Company Limited and its subsidiaries

Cash flow statements (continued)

For the years ended 31 December 2010 and 2009

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Cash flows from investing activities				
Increase in long-term loan to subsidiary	-	-	(45,575,000)	-
Cash paid to investments in subsidiary	-	-	(845,337)	(1,995,600)
Cash paid to investments in associate	(2,997,000)	(13,620,000)	(2,997,000)	(13,620,000)
Cash receipt from dividend income	63,929,908	1,549,841	63,929,908	1,549,841
Decrease (increase) in advance for purchase of machinery and equipment	(6,266,162)	82,851,315	(6,266,162)	82,851,315
Acquisition of property, plant and equipment	(414,044,926)	(394,938,296)	(357,187,086)	(394,545,743)
Decrease in payable for purchase of machinery and equipment	(29,837,137)	(25,547,712)	(29,837,137)	(25,547,712)
Cash receipt from sales of equipment	418,093	60,000	418,093	60,000
Decrease (increase) in current investment	75,000,000	(75,000,000)	75,000,000	(75,000,000)
Interest income	17,245,939	9,216,089	17,208,264	9,139,493
Net cash flows used in investing activities	(296,551,285)	(415,428,763)	(286,151,457)	(417,108,406)
Cash flows from financing activities				
Increase (decrease) in short-term loans from financial institutions	136,564,597	(32,400,744)	-	-
Repayment of long-term loans	(37,509,439)	(70,448,395)	-	-
Dividend paid	(180,000,000)	(135,000,000)	(180,000,000)	(135,000,000)
Net cash flows used in financing activities	(80,944,842)	(237,849,139)	(180,000,000)	(135,000,000)
Increase in translation adjustments	24,836,341	13,822,742	-	-
Net increase in cash and cash equivalents	669,466,487	691,518,224	659,211,597	758,659,998
Cash and cash equivalents at beginning of year	1,002,614,613	311,096,389	997,429,176	238,769,178
Cash and cash equivalents at end of year	1,672,081,100	1,002,614,613	1,656,640,773	997,429,176
	-	-	-	-

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

Thai Carbon Black Public Company Limited and its subsidiaries

Notes to consolidated financial statements for the years ended 31 December 2010 and 2009

1. General information

1.1 Corporate information

Thai Carbon Black Public Company Limited is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the manufacture and distribution of carbon black for sale in both local and overseas markets and has a registered office at 44 Moo 1, Ayuthaya-Angthong Highway, Tambol Posa, Amphur Muang, Angthong 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 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 30 January 2009, 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 (“the Company”) and the following subsidiary companies (“the subsidiaries”):

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	
			2010	2009	2010	2009	2010	2009
			Percent	Percent	Percent	Percent	Percent	Percent
1. Liaoning Birla Carbon Co., Ltd.	Carbon black manufacturing	China	100	89	7	9	5	7
2. Birla Carbon Mexico, S.A.DE C.V.	Carbon black manufacturing (not yet operational)	Mexico	98	98	-	-	-	-

- b) Subsidiaries are fully consolidated as from the date of acquisition, being 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 uniform significant accounting policies as 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 balance sheet date, and revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of "Translation adjustment" in shareholders' equity.
- e) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- f) Minority interests represent the portion of net income or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet.
- 2.3 The separate financial statements, which present investments in subsidiaries and associates under the cost method, have been prepared solely for the benefit of the public.

3. Adoption of new accounting standards

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

- a) Accounting standards that are effective for fiscal years beginning on or after 1 January 2011 (except Framework for the Preparation and Presentation of Financial Statements, which is immediately effective):

Framework for the Preparation and Presentation of Financial Statements
(revised 2009)

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
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
TFRIC 15	Agreements for the Construction of Real Estate

b) Accounting standards that are effective for fiscal years beginning on or after 1 January 2013:

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

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 which management expects the impact on the financial statements in the year when they are adopted.

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 or liabilities arising from other defined benefit plans using actuarial techniques. Currently, the Company accounts for such employee benefits when they are incurred.

At present, the management is evaluating the impact on the financial statements in the year when this standard is adopted.

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.

At present, the management is evaluating the impact on the financial statements in the year when this standard is adopted.

4. Significant accounting policies

4.1 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.

Interest income

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

Dividends

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

4.2 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.

4.3 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 debt aging.

4.4 Inventories

Finished goods valued at the lower of average cost method and net realisable value. Cost includes all production costs and attributable factory overheads.

Raw materials, 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.

4.5 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) Investments in associates are accounted for in the consolidated financial statements using the equity method.
- c) Investments in subsidiaries and associates are accounted for in the separate financial statements using the cost method.

In the event the Company reclassifies investments in associated company to other investment, the carrying amount of the investment at the reclassification date is regarded as the new cost in the consolidated financial statements.

4.6 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 and road	-	20, 25 years
Plant and machinery	-	5, 10 years
Fixtures and office equipment	-	5, 10 years
Motor vehicles	-	4, 5 years

Depreciation is included in determining income.

No depreciation is provided on land and asset under installation and construction.

4.7 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. 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.

4.8 Intangible assets

Intangible assets (computer software) are initially recognised at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to the income statement.

The useful life of computer software is approximately 5 years.

4.9 Related party transactions

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

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

4.10 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.

4.11 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 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.

4.12 Impairment of assets

At each reporting date, the Company performs impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, being 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 risk specific to the asset.

An impairment loss is recognised in the income statement.

4.13 Employee benefits

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

4.14 Provisions

Provisions are recognised when the Company has 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.

4.15 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. Significant accounting judgements and estimates

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

Allowance for doubtful accounts

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

Impairment of other investments

The Company treats other investments as impaired when the management judge 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 judgment.

Property plant and equipment/Depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and salvage values of the Company’s plant and equipment and to review estimate useful lives and salvage values when there are any 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 amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

6. 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 those related parties.

		(Unit: Million Baht)			
		Consolidated		Separate	
Pricing policy		financial statements		financial statements	
		<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<u>Transactions with subsidiary company</u>					
(eliminated from the consolidated financial statements)					
Purchases of goods	With reference to market price	-	-	222.8	220.2
Sales of spare parts	By mutual agreement	-	-	0.7	-
<u>Transactions with related companies</u>					
Purchase of goods	With reference to market price	0.6	1.9	0.6	1.9
Other expenses	By mutual agreement	46.2	9.5	46.2	9.5
Share of production cost - steam and electric power	With reference to market price	610.9	482.8	610.9	482.8

The balances of the accounts as at 31 December 2010 and 2009 between the Company and those related companies are as follows:

		(Unit: Million Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
		<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<u>Trade accounts receivable - related parties</u>					
Subsidiary company					
Liaoning Birla Carbon Co., Ltd.		-	-	1.2	-
Related companies					
Alexandria Carbon Black S.A.E		0.3	-	0.3	-
Thai Rayon Public Co., Ltd.		58.1	44.7	58.1	44.7
Total trade accounts receivable - related parties		<u>58.4</u>	<u>44.7</u>	<u>59.6</u>	<u>44.7</u>
<u>Advance for purchase of goods - subsidiary</u>					
Liaoning Birla Carbon Co., Ltd.		-	-	9.1	-
<u>Long-term loan to subsidiary</u>					
Liaoning Birla Carbon Co., Ltd.		-	-	45.0	-

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<u>Trade accounts payable - related parties</u>				
Subsidiary company				
Liaoning Birla Carbon Co., Ltd.	-	-	-	30.4
Associated and related companies				
Aditya Birla Science & Technology Co., Ltd.	-	2.8	-	2.8
Aditya Birla Chemicals (Thailand) Ltd.	0.2	0.1	0.2	0.1
Alexandria Carbon Black S.A.E.	0.8	9.3	0.8	9.3
Hitech Carbon (A unit of Aditya Birla Nuvo Ltd.)	5.6	-	5.6	-
Total trade accounts payable - related parties	<u>6.6</u>	<u>12.2</u>	<u>6.6</u>	<u>42.6</u>

Movements of the long-term loan to subsidiary during 2010 were as follows:

	(Unit: Million Baht)				
	Separate financial statements				
	Balance as at 1 January 2010	During the year		Balance as at 31 December 2010	
	Increase	Decrease	Unrealised Loss on exchange		
<u>Long-term loan to subsidiary</u>					
Liaoning Birla Carbon Co., Ltd.	-	45.6	-	(0.6)	45.0

During 2010, the Company granted a loan of USD 1.5 million to Liaoning Birla Carbon Co., Ltd. The loan carries interest at SIBOR (6 months)+2% per annum and is repayable in 2012.

In order to hedge the foreign exchange rate risks associated with the above loan, the Company entered into an agreement with a local financial institution to swap the loan with a Baht loan of Baht 46.1 million. The agreement matures on 17 September 2012.

Directors' and management's benefits

In 2010, the Company and its subsidiaries paid salaries, bonuses, meeting allowances and gratuities of their directors and management totaling Baht 24.2 million and Baht 2.6 million, respectively (2009: Baht 23.0 million and Baht 1.6 million, respectively).

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 8.0 million. These facilities have been guaranteed by the Company in the amount proportionate to its shareholding, or equivalent to USD 4.6 million.

7. Cash and cash equivalents

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Cash	97,624	228,893	51,955	125,924
Bank deposits	101,983,476	302,470,068	86,588,818	297,387,600
Bills of exchange	1,570,000,000	699,915,652	1,570,000,000	699,915,652
Total	<u>1,672,081,100</u>	<u>1,002,614,613</u>	<u>1,656,640,773</u>	<u>997,429,176</u>

As at 31 December 2010, bank deposits in saving accounts, fixed deposits and bills of exchange carried interests between 0.50 and 1.95 percent per annum (2009: between 0.50 and 1.75 percent per annum).

8. Trade accounts receivable

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

9. Inventories

(Unit: Baht)

	Consolidated financial statements					
	Cost		Allowance for diminution in value of inventories		Inventories - net	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Finished goods	385,029,807	312,017,409	(14,105,199)	(10,883,881)	370,924,608	301,133,528
Raw materials	636,694,413	676,801,173	-	(939,858)	636,694,413	675,861,315
Spare parts and factory supplies	127,929,763	150,688,394	-	(1,200,211)	127,929,763	149,488,183
Goods in transit	972,631,075	25,812,717	-	-	972,631,075	25,812,717
Total	2,122,285,058	1,165,319,693	(14,105,199)	(13,023,950)	2,108,179,859	1,152,295,743

(Unit: Baht)

	Separate financial statements					
	Cost		Allowance for diminution in value of inventories		Inventories - net	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Finished goods	310,390,626	247,773,620	-	-	310,390,626	247,773,620
Raw materials	600,133,601	647,547,992	-	-	600,133,601	647,547,992
Spare parts and factory supplies	126,337,361	147,730,324	-	-	126,337,361	147,730,324
Goods in transit	972,631,075	25,812,717	-	-	972,631,075	25,812,717
Total	2,009,492,663	1,068,864,653	-	-	2,009,492,663	1,068,864,653

10. Investments in subsidiaries

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

(Unit: Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
			Percent	Percent		
Liaoning Birla Carbon Co., Ltd.	Renminbi 157 million	Renminbi 157 million	100.00	88.54	699,734,052	662,468,996
Birla Carbon Mexico, S.A.DE C.V	Mexico pesos 4.2 million	Mexico pesos 3.9 million	98.00	98.00	12,236,730	11,391,393
					711,970,782	673,860,389
Less: Impairment loss on investment in subsidiary					(151,481,500)	-
Total					560,489,282	673,560,389

During 2010, the Company made a provision of impairment loss of Baht 151.4 million against its investment in Liaoning Birla Carbon Co., Ltd.

The Board of Directors' meeting on 31 August 2010 passed a resolution to purchase additional common shares in Liaoning Birla Carbon Co., Ltd. (a subsidiary). As a result, the Company's shareholding in the subsidiary has increased from 88.54 percent to 100 percent. The difference between the cost of additional investment and the carrying amount of the minority interest acquired has been shown as deduction item in shareholders' equity.

11. Investments in associates

11.1 Details of associates:

(Unit: Baht)

Company's name	Nature of business	Country of incorporation	Consolidated financial statements					
			Shareholding percentage		Cost		Carrying amounts based on equity method	
			<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
			Percent	Percent				
P.T. Indo Liberty Textiles	Textiles manufacturing	Indonesia	40.00	40.00	196,947,750	196,947,750	674,534,280	645,659,371
Aditya Birla Chemicals (Thailand) Ltd.	Chemical manufacturing	Thailand	29.99	29.99	509,820,000	509,820,000	2,002,366,800	1,798,169,203
Ameri Blend Inc.	Material procurement and storage	USA	49.00	49.00	16,617,000	13,620,000	17,206,800	12,319,558
Less: Translation adjustment					-	-	(259,863,412)	(228,746,266)
Total					<u>723,384,750</u>	<u>720,387,750</u>	<u>2,434,244,468</u>	<u>2,227,401,866</u>

(Unit: Baht)

Company's name	Nature of business	Country of incorporation	Separate financial statements			
			Shareholding percentage		Cost	
			<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
			Percent	Percent		
P.T. Indo Liberty Textiles	Textiles manufacturing	Indonesia	40.00	40.00	196,947,750	196,947,750
Aditya Birla Chemicals (Thailand) Ltd.	Chemical manufacturing	Thailand	29.99	29.99	509,820,000	509,820,000
Ameri Blend Inc.	Material procurement and storage	USA	49.00	49.00	16,617,000	13,620,000
Total					<u>723,384,750</u>	<u>720,387,750</u>

11.2 Share of income and dividends received

Share of income and dividend received from the associates are as follows:

(Unit: Baht)

Company's name	Consolidated financial statements		Separate financial statements	
	Share of income/(loss) from investments in associates during the year		Dividend received during the year	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
P.T. Indo Liberty Textiles	30,436,314	27,638,118	1,561,404	1,549,841
Aditya Birla Chemicals (Thailand) Ltd.	255,179,598	285,527,514	50,982,000	-
Ameri Blend Inc.	1,890,242	(1,300,442)	-	-
Total	287,506,154	311,865,190	52,543,404	1,549,841

11.3 Summarised financial information of associates

Financial information of the associated companies is summarised below.

(Unit: Million Baht)

Company's name	Paid-up capital as at		Total assets as at		Total liabilities as		Total revenues		Net income (loss)	
	31 December		31 December		at 31 December		for the year ended		for the year ended	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
P.T. Indo Liberty Textiles	Indonesian Rupiah 42.5 million	Indonesian Rupiah 42.5 million	1,429	1,384	387	361	2,053	1,653	76	66
Aditya Birla Chemicals (Thailand) Ltd.	Baht 1,700 million	Baht 1,700 million	8,305	7,280	1,576	1,214	10,816	8,391	851	952
Ameri Blend Inc.	USD 1 million	USD 1 million	32	38	1	3	197	213	4	(3)

12. Other long-term investments

(Unit: Baht)

Company's name	Shareholding percentage		Consolidated financial statements		Separate financial statements		Dividend received during the year	
	2010	2009	2010	2009	2010	2009	2010	2009
	Percent	Percent						
Alexandria Fiber S.A.E	14.40	14.40	163,753,955	163,753,955	265,956,001	265,956,001	-	-
Thai Acrylic Fiber Co., Ltd.	15.98	15.98	223,204,161	223,204,161	223,204,161	223,204,161	11,386,504	-
			<u>386,958,116</u>	<u>386,958,116</u>	<u>489,160,162</u>	<u>489,160,162</u>	<u>11,386,504</u>	<u>-</u>

13. Property, plant and equipment

(Unit: Baht)

	Consolidated financial statements						
	Land	Buildings and road	Plant and machinery	Fixtures and office equipment	Motor vehicles	Assets under installation and construction	Total
Cost:							
31 December 2009	138,225,412	501,120,563	4,375,449,044	79,747,745	14,245,530	934,210,539	6,042,998,833
Additions	-	1,504,206	193,059,151	133,760	-	219,347,809	414,044,926
Disposals	-	-	(882,000)	(41,761)	(1,142,300)	-	(2,066,061)
Transfers	-	1,684,800	1,122,264,507	-	-	(1,123,949,307)	-
Translation adjustment	-	(11,833,842)	(52,386,660)	(685,869)	(124,544)	(161,088)	(65,192,003)
31 December 2010	<u>138,225,412</u>	<u>492,475,727</u>	<u>5,637,504,042</u>	<u>79,153,875</u>	<u>12,978,686</u>	<u>29,447,953</u>	<u>6,389,785,695</u>
Accumulated depreciation:							
31 December 2009	-	182,072,271	2,835,681,466	65,858,660	9,203,332	-	3,092,815,729
Depreciation for the year	-	19,664,787	321,003,650	3,170,838	1,886,205	-	345,725,480
Depreciation on disposals	-	-	(882,000)	(16,357)	(1,142,300)	-	(2,040,657)
Translation adjustment	-	(2,437,810)	(20,600,000)	(558,183)	(65,700)	-	(23,661,693)
31 December 2010	<u>-</u>	<u>199,299,248</u>	<u>3,135,203,116</u>	<u>68,454,958</u>	<u>9,881,537</u>	<u>-</u>	<u>3,412,838,859</u>
Net book value:							
31 December 2009	<u>138,225,412</u>	<u>319,048,292</u>	<u>1,539,767,578</u>	<u>13,889,085</u>	<u>5,042,198</u>	<u>934,210,539</u>	<u>2,950,183,104</u>
31 December 2010	<u>138,225,412</u>	<u>293,176,479</u>	<u>2,502,300,926</u>	<u>10,698,917</u>	<u>3,097,149</u>	<u>29,447,953</u>	<u>2,976,946,836</u>
Depreciation for the year							
2009							<u>267,806,924</u>
2010							<u>345,725,480</u>

(Unit: Baht)

Separate financial statements

	Land	Buildings and road	Plant and machinery	Fixtures and office equipment	Motor vehicles	Assets under installation and construction	Total
Cost:							
31 December 2009	138,225,412	328,100,351	3,609,514,271	69,713,209	12,424,602	931,855,301	5,089,833,146
Additions	-	-	139,762,699	80,297	-	217,344,090	357,187,086
Disposals	-	-	(882,000)	(41,761)	(1,142,300)	-	(2,066,061)
Transfers	-	1,684,800	1,122,264,507	-	-	(1,123,949,307)	-
31 December 2010	138,225,412	329,785,151	4,870,659,477	69,751,745	11,282,302	25,250,084	5,444,954,171
Accumulated depreciation:							
31 December 2009	-	149,128,795	2,558,393,064	57,839,569	8,385,258	-	2,773,746,686
Depreciation for the year	-	12,227,234	255,149,148	2,765,110	1,493,520	-	271,635,012
Depreciation on disposals	-	-	(882,000)	(16,357)	(1,142,300)	-	(2,040,657)
31 December 2010	-	161,356,029	2,812,660,212	60,588,322	8,736,478	-	3,043,341,041
Net book value:							
31 December 2009	138,225,412	178,971,556	1,051,121,207	11,873,640	4,039,344	931,855,301	2,316,086,460
31 December 2010	138,225,412	168,429,122	2,057,999,265	9,163,423	2,545,824	25,250,084	2,401,613,130
Depreciation for the year							
2009							187,315,111
2010							271,635,012

As at 31 December 2010, certain plant and equipment items have been fully depreciated but are still in use. The gross carrying amount, before deducting accumulated depreciation, of those assets amounted to approximately Baht 2,083 million (2009: Baht 2,068 million) (The Company only: Baht 2,080 million, 2009: Baht 2,065 million).

The subsidiary has pledged its building, machinery and equipment with a total net book value as at 31 December 2010 of Baht 391.5 million (31 December 2009: Baht 479.1 million) as collateral against credit facilities received from the financial institutions.

14. Intangible assets

Details of intangible assets (computer software) are as follows:

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Cost	16,255,990	13,710,817	15,742,235	13,225,821
Accumulated amortisation	(9,002,521)	(5,943,455)	(8,488,766)	(5,429,700)
Translation adjustment	-	28,759	-	-
Net book value	<u>7,253,469</u>	<u>7,796,121</u>	<u>7,253,469</u>	<u>7,796,121</u>
Amortisation expenses included in the income statements for the year	<u>3,059,066</u>	<u>2,766,997</u>	<u>3,059,066</u>	<u>2,645,169</u>

15. Short-term loans from financial institutions

Short-term bank loans of the subsidiary amounting to USD 10 million and 36.7 million renminbi, bear interest at the rates of LIBOR+2%, LIBOR+3% and 4.374% interest rate per annum. The loans are secured by the mortgage of the subsidiary's land use right, structures thereon, machinery and equipment, and are guaranteed by the Company.

16. Provision for employee retirement benefits

Movements in this account are as follows:

(Unit: Baht)

	<u>2010</u>	<u>2009</u>
Balance - beginning of year	90,288,126	85,923,983
Provided during year	19,355,596	11,654,800
Paid during year	<u>(4,673,785)</u>	<u>(7,290,657)</u>
Balance - end of year	<u>104,969,937</u>	<u>90,288,126</u>

17. 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.

18. Expenses by nature

Significant expenses by nature are as follows:

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Salaries, wages and other employee benefits	297,377,245	282,615,960	275,024,629	259,615,870
Depreciation	345,725,480	267,806,924	271,635,012	187,315,111
Freight expenses	230,490,778	169,709,459	218,935,643	163,457,369
Raw materials and consumables used	7,041,496,352	3,847,818,319	6,600,925,966	3,510,885,006
Changes in inventories of finished goods	(73,012,398)	293,217,822	(62,617,006)	327,931,022

19. Corporate income tax

Corporate income tax for the year is calculated on the income derived from non-BOI promoted operations, after adding back expenses that are disallowed for tax computation purposes.

On 24 April 2009, the Company received promotional privileges from the Board of Investment (BOI) for the production of steam from new machines. The privileges commenced from the date the promoted operation commenced generating revenues (September 2008). Moreover, the Company requested approval for an extension of the tax exemption period for the manufacture of carbon black, from 3 years to 5 years. The approval was received from the BOI on 12 March 2010. As a result, corporate income tax for year 2009 has decreased by Baht 22 million, and the Company recorded this effect in the current year.

20. Promotional privileges

The Company has received promotional privileges from the Board of Investment (BOI) for the manufacture of carbon black, electricity and steam. Subject to certain significant conditions, the privileges are as follows:

Details of promotion privileges			
1. Certificate No.	1768(2)/2548	1502(2)/2552	1503(2)/2552
2. The significant privileges are			
2.1 Exemption of corporate income tax for net income from the manufacture of carbon black promotional privileges.	5 years	-	3 years
2.1 Exemption of corporate income tax for net income from for the manufacture of electricity and steam promotional privileges.	8 years	8 years	-
2.3 Exemption of income tax on dividends paid from the profit of the operations throughout the period in which the corporate income tax is exempted.	Granted	Granted	Granted
3. Date of first earning operating income	22 November 2005	20 September 2010	7 June 2010

The Company's operating revenues, divided between promoted and non-promoted operations, are summarized below.

	Promoted operations		Non-promoted operations		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Sales						
Domestic sales	1,106,704,542	602,058,055	3,952,857,364	2,628,083,507	5,059,561,906	3,230,141,562
Export sales	<u>973,609,326</u>	<u>691,840,511</u>	<u>2,970,850,569</u>	<u>1,561,195,816</u>	<u>3,944,459,895</u>	<u>2,253,036,327</u>
Total sales	<u>2,080,313,868</u>	<u>1,293,898,566</u>	<u>6,923,707,933</u>	<u>4,189,279,323</u>	<u>9,004,021,801</u>	<u>5,483,177,889</u>

(Unit: Baht)

21. 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.

22. 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 consolidated financial information of the Company and its subsidiaries for the years ended 31 December 2010 and 2009 by geographic segments.

	Domestic segment		Overseas segment		Elimination of inter-segment revenues		Consolidation financial statements	
	2010	2009	2010	2009	2010	2009	2010	2009
Revenue from external customers	9,004	5,483	246	181	-	-	9,250	5,664
Inter-segment revenues	-	-	223	220	(223)	(220)	-	-
Total revenues	9,004	5,483	469	401	(223)	(220)	9,250	5,664
Segment income	1,664	1,290	(85)	(18)			1,579	1,272
Unallocated income and expenses:								
Other income							41	21
Share of income of associates							288	312
Selling expenses							(244)	(182)
Administrative expenses							(203)	(262)
Management benefit expenses							(27)	(25)
Gain (loss) on exchange							31	(5)
Financial cost							(14)	(15)
Corporate income tax							(178)	(42)
Net income							1,273	1,074

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

The financial information by segment in the consolidated balance sheets are as follows:

	Domestic segment		Overseas segment		Elimination of inter-segment revenues		Consolidation financial statements	
	2010	2009	2010	2009	2010	2009	2010	2009
Property, plant and equipment – net	2,402	2,316	575	634	-	-	2,977	2,950
Unallocated assets	8,422	6,453	236	188	(214)	(319)	8,444	6,322
Total assets	10,824	8,769	811	822	(214)	(319)	11,421	9,272

23. 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 2010, the Company contributed Baht 6.0 million (2009: Baht 5.7 million) to the fund.

24. Dividends

On 30 April 2010, the Annual General Meeting of the Company's shareholders resolved to pay a dividend of Baht 0.60 per share, or a total Baht 180 million, to the shareholders from the income for the year ended 31 December 2009.

On 29 April 2009, the Annual General Meeting of the Company's shareholders resolved to pay a dividend of Baht 0.45 per share, or a total Baht 135 million, to the shareholders from the income for the year ended 31 December 2008.

25. Commitments and contingent liabilities

25.1 Capital commitments

As at 31 December 2010, the Company had significant capital commitments of approximately Baht 97.9 million relating to purchases of machinery and equipment.

25.2 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.

25.3 Bank guarantees

As at 31 December 2010, there were outstanding letters of guarantee approximately Baht 13 million (2009: Baht 13 million) issued by the banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business.

25.4 Tax contingency

In June 2009, Board of Investment notified the Company of the cancellation of the promotional privileges applicable to the Company's revenues from sales of steam during the years 2005 through 2007. The Company has submitted a letter appealing this order. For prudent reasons, the Company has set aside provision of Baht 30 million for the potential tax liability.

26. Financial instruments

26.1 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 accounts receivable 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 is exposed to credit risk primarily with respect to trade accounts receivable, notes and other receivable. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company does 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, loans, other receivables and notes receivable as stated in the balance sheet.

Interest rate risk

The Company and its subsidiaries exposure to interest rate risk relates primarily to its cash at banks, bank overdrafts and long-term borrowings. However, since most of the Company's 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 2010 classified by type of interest rate are summarized 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.

Consolidated financial statement

	Fixed interest rates				Non- interest bearing	Total	Effective interest rate (% p.a.)
	Within 1 year	1-5 years	Over 5 years	Floating interest rate			
	(Million Baht)						
Financial Assets							
Cash and cash equivalent	1,570	-	-	102	-	1,672	0.50 - 1.95
Trade accounts receivable	-	-	-	-	1,705	1,705	-
	<u>1,570</u>	<u>-</u>	<u>-</u>	<u>102</u>	<u>1,705</u>	<u>3,377</u>	
Financial liabilities							
Short-term loans from financial institutions	-	-	-	308	167	475	2.23 - 4.37
Trade accounts payable	-	-	-	-	1,282	1,282	-
Payable for purchase of machinery and equipments	-	-	-	-	78	78	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>308</u>	<u>1,527</u>	<u>1,835</u>	

Separate financial statement

	Fixed interest rates				Non- interest bearing	Total	Effective interest rate (% p.a.)
	Within 1 year	1-5 years	Over 5 years	Floating interest rate			
	(Million Baht)						
Financial Assets							
Cash and cash equivalent	1,570	-	-	87	-	1,657	0.50 - 1.95
Trade accounts receivable	-	-	-	-	1,640	1,640	-
Long term loans to a subsidiary	-	-	-	45	-	45	2.56
	<u>1,570</u>	<u>-</u>	<u>-</u>	<u>132</u>	<u>1,640</u>	<u>3,342</u>	
Financial liabilities							
Trade accounts payable	-	-	-	-	1,164	1,164	-
Payable for purchase of machinery and equipments	-	-	-	-	78	78	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,242</u>	<u>1,242</u>	

Foreign currency risk

The Company and its subsidiary's exposure to foreign currency risk arises mainly from trading transactions that are denominated in foreign currencies. The Company and its subsidiary's 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 2010 are summarised below.

<u>Foreign currency</u>	<u>Financial assets</u>	<u>Financial liabilities</u>	<u>Average exchange rate as at 31 December 2010</u>
	(Million)	(Million)	(Baht per 1 foreign currency unit)
US dollar	23.9	47.8	30.1513
Japanese yen	-	37.0	0.3705
India rupees	-	4.0	0.6703

Foreign exchange contracts outstanding at 31 December 2010 are summarised below.

<u>Foreign currency</u>	<u>Bought amount</u>	<u>Sold amount</u>	<u>Contract exchange rate</u>	
	(Million)	(Million)	<u>Bought amount</u>	<u>Sold amount</u>
			(Baht per 1 foreign currency unit)	
US dollar	19.7	19.9	29.55 – 30.92	29.55 – 30.92

26.2 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.

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.

26.3 Capital management

The primary objective of the Company's capital management is to ensure that it has an appropriate financial structure and preserves the ability to continue its business as a going concern.

According to the balance sheet as at 31 December 2010, the Group's debt-to-equity ratio was 0.25:1 (2009: 0.14:1) and the Company's was 0.20:1 (2009: 0.09:1).

27. Map Ta Phut projects

In December 2009, two industrial projects of Aditya Birla Chemicals (Thailand) Limited, an associated company, were suspended in accordance with an injunction issued by Central Administrative Court in September 2009. Following the announcement of the Ministry of Natural Resources and Environment prescribing types of projects or activities that may adversely impact communities, on 2 September 2010, the Court lifted the injunction for all projects that are not listed in the announcement. Since the two industrial projects are not covered by the announcement, in September 2010, the relevant authority approved the resumption of the projects' operations.

28. Subsequent events

The Board of Directors' meeting on 28 January 2011 passed a resolution to invest in a 20.59% equity interest directly/indirectly in Columbian Chemicals Acquisition LLC, a Delaware limited liability company, for an amount not exceeding USD 175 million. A share purchase agreement for such equity interest was made with the seller on the same date. The transaction is conditional upon relevant conditions precedent and is expected to be completed by October 2011 or otherwise extended date.

29. Approval of financial statements

These financial statements were authorized for issue by the Company's authorized directors on 10 February 2011.