

Thai Carbon Black Public Company Limited
and its subsidiaries
Report and consolidated financial statements
31 December 2008 and 2007

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 2008 and 2007, 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 consolidated financial statement includes 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 2008 of Baht 1,047 million (2007: Baht 1,009 million), total revenues for the year then ended of Baht 730 million (2007: Baht 479 million) and net income for the year then ended of Baht 22 million (2007: net loss of Baht 81 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 2008 and 2007, 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: 25 February 2009

Thai Carbon Black Public Company Limited and its subsidiaries

Balance sheets

As at 31 December 2008 and 2007

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2008	2007	2008	2007
Assets					
Current assets					
Cash and cash equivalents		311,096,389	1,185,189,813	238,769,178	1,122,474,525
Trade accounts receivable					
Related parties	6, 7	29,179,220	36,154,393	43,469,835	37,137,179
Unrelated parties	7	1,178,673,457	1,163,801,750	1,115,615,227	1,137,846,041
Total trade accounts receivable		1,207,852,677	1,199,956,143	1,159,085,062	1,174,983,220
Inventories - net	8	1,540,793,434	1,138,672,054	1,464,921,702	984,123,450
Other current assets					
Advances for purchases of raw materials		-	2,251,844	-	-
Input tax refundable		100,463,138	88,989,710	98,760,594	59,277,921
Others		73,181,303	32,840,891	54,883,654	30,750,969
Total other current assets		173,644,441	124,082,445	153,644,248	90,028,890
Total current assets		3,233,386,941	3,647,900,455	3,016,420,190	3,371,610,085
Non-current assets					
Investments in subsidiaries	9	-	-	671,864,789	668,443,609
Investments in associates	10	1,861,223,858	1,622,846,675	706,767,750	706,767,750
Other long-term investments	11	386,958,116	398,883,131	489,160,162	501,085,177
Advances for purchases of machinery and equipment		88,100,523	62,556,651	88,100,523	62,556,651
Property, plant and equipment - net	12	2,851,438,632	2,295,910,454	2,108,855,828	1,572,325,187
Intangible assets - net	13	10,548,451	12,447,121	10,441,290	12,253,123
Other non-current assets		13,581,045	9,356,368	1,408,866	835,615
Total non-current assets		5,211,850,625	4,402,000,400	4,076,599,208	3,524,267,112
Total assets		8,445,237,566	8,049,900,855	7,093,019,398	6,895,877,197

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 2008 and 2007

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2008	2007	2008	2007
Liabilities and shareholders' equity					
Current liabilities					
Short-term loans from financial institutions	14	373,176,199	361,013,529	-	-
Trade accounts payable					
Related parties	6	33,522,518	1,456,424	95,253,250	2,030,981
Unrelated parties		190,262,190	147,522,214	83,250,641	76,979,292
Total trade accounts payable		223,784,708	148,978,638	178,503,891	79,010,273
Current portion of long-term loans	15	68,801,426	66,559,019	-	-
Liabilities from derivative financial instruments -					
energy swap contracts	26	139,282,680	48,775,481	139,282,680	48,775,481
Other current liabilities					
Corporate income tax payable		66,102,008	111,069,201	66,102,008	109,893,596
Payable for purchase of machinery and equipment		121,770,547	-	121,770,547	-
Accrued expenses		104,826,563	81,170,057	97,607,157	70,920,778
Others		32,223,996	63,538,118	19,878,740	45,963,300
Total other current liabilities		324,923,114	255,777,376	305,358,452	226,777,674
Total current liabilities		1,129,968,127	881,104,043	623,145,023	354,563,428
Non-current liabilities					
Long-term loans, net of current portion	15	39,156,408	104,439,258	-	-
Provision for employee retirement benefits	16	85,923,983	72,505,792	85,923,983	72,505,792
Total non-current liabilities		125,080,391	176,945,050	85,923,983	72,505,792
Total liabilities		1,255,048,518	1,058,049,093	709,069,006	427,069,220

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 2008 and 2007

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2008	2007	2008	2007
Shareholders' equity					
Share capital					
Registered, issued and fully paid up					
300,000,000 ordinary shares of Baht1 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
Translation adjustments					
Subsidiary companies		19,688,752	(44,855,568)	-	-
Associated companies	10	(270,988,925)	(247,308,521)	-	-
Retained earnings					
Appropriated- statutory reserve	17	30,000,000	30,000,000	30,000,000	30,000,000
Unappropriated		6,160,724,661	5,980,897,233	5,123,950,392	5,208,807,977
Equity attributable to					
the company's shareholders		7,169,424,488	6,948,733,144	6,383,950,392	6,468,807,977
Minority interest		20,764,560	43,118,618	-	-
Total shareholders' equity		7,190,189,048	6,991,851,762	6,383,950,392	6,468,807,977
Total liabilities and shareholdersequity		8,445,237,566	8,049,900,855	7,093,019,398	6,895,877,197
		-	-	-	-

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 2008 and 2007

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2008	2007	2008	2007
Revenues					
Sales		9,145,876,231	7,053,978,377	9,031,865,745	6,802,036,226
Other income					
Dividend income		11,386,503	11,386,503	14,216,355	13,309,211
Interest income		15,796,029	37,898,650	15,368,066	37,898,650
Proceeds from liquidation of related company	11	22,007,680	15,541,746	22,007,680	15,541,746
Gains (loss) on exchange		44,344,854	(42,526,036)	15,086,113	(41,610,677)
Others		32,823,718	52,533,520	18,744,077	18,099,599
Total other income		126,358,784	74,834,383	85,422,291	43,238,529
Total revenues		9,272,235,015	7,128,812,760	9,117,288,036	6,845,274,755
Expenses					
Cost of sales		7,992,739,816	5,293,021,012	7,916,921,792	5,088,090,651
Selling expenses		267,036,088	290,562,021	250,365,511	280,593,450
Administrative expenses		198,516,422	274,505,216	167,425,236	143,974,297
Loss on diminution in value of inventories (reversal)		418,379,706	(8,369,102)	416,275,889	9,966,700
Total expenses		8,876,672,032	5,849,719,147	8,750,988,428	5,522,625,098
Income before finance cost and corporate income tax					
		395,562,983	1,279,093,613	366,299,608	1,322,649,657
Finance cost		(45,136,032)	(44,611,401)	(16,143,620)	(2,206,944)
Share of income from investment in associates	10	264,887,440	291,136,162	-	-
Income before corporate income tax		615,314,391	1,525,618,374	350,155,988	1,320,442,713
Corporate income tax	19	(165,013,573)	(237,415,827)	(165,013,573)	(237,415,827)
Net income for the year		450,300,818	1,288,202,547	185,142,415	1,083,026,886
Net income (loss) attributable to:					
Equity holders of the parent		449,827,428	1,297,459,709	185,142,415	1,083,026,886
Minority interests of the subsidiaries		473,390	(9,257,162)	-	-
		450,300,818	1,288,202,547		
Basic earnings per share					
Net income attributable to equity holders of the parent	21	1.50	4.32	0.62	3.61

Thai Carbon Black Public Company Limited and its subsidiaries

Cash flow statements

For the years ended 31 December 2008 and 2007

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Cash flows from operating activities				
Net income before tax	615,314,391	1,525,618,374	350,155,988	1,320,442,713
Adjustments to reconcile net income before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	246,368,572	234,999,235	170,956,923	165,621,370
Allowance for diminution in value of inventories (reversal)	418,379,706	(8,369,102)	416,275,889	9,966,700
Share of income from investments in associates	(264,887,440)	(291,136,162)	-	-
Loss (gain) on sales of equipment	(1,655,042)	18,550,114	(1,655,042)	(438,000)
Unrealised (gain) loss on exchange	(1,251,217)	(43,863,751)	58,041	10,454,705
Unrealised loss on energy swap contracts	139,282,680	48,775,481	139,282,680	48,775,481
Provision for employee retirement benefits	22,715,777	6,488,619	22,715,777	6,488,619
Dividend income	(11,386,503)	(11,386,503)	(14,216,355)	(13,309,211)
Income from liquidation of related company	(22,007,680)	(15,541,746)	(22,007,680)	(15,541,746)
Interest income	(15,796,029)	(37,898,650)	(15,368,066)	(37,898,650)
Interest expenses	49,773,281	41,777,250	15,215,988	288,158
Income from operating activities before changes in operating assets and liabilities	1,174,850,496	1,468,013,159	1,061,414,143	1,494,850,139
Operating assets (increase) decrease				
Trade accounts receivable	(6,295,337)	(4,095,547)	17,622,774	(32,182,426)
Inventories	(820,501,087)	(69,642,698)	(897,074,141)	(152,963,958)
Other current assets	(47,269,172)	29,788,812	(61,322,534)	(23,655,782)
Other assets	(5,207,638)	(11,453,722)	(1,646,879)	(11,438,437)
Operating liabilities increase (decrease)				
Trade accounts payable	70,970,861	(33,537,927)	95,658,409	(4,507,759)
Other current liabilities	71,290,614	34,697,348	73,356,613	29,405,303
Payment for employee retirement benefits	(9,297,586)	(3,567,460)	(9,297,586)	(3,567,460)
Cash flows from operating activities	428,541,151	1,410,201,965	278,710,799	1,295,939,620
Cash paid for interest expenses	(55,966,716)	(40,595,915)	(15,215,988)	(288,158)
Cash paid for corporate income tax	(209,980,766)	(240,026,027)	(208,805,161)	(240,026,027)
Net cash flows from operating activities	162,593,669	1,129,580,023	54,689,650	1,055,625,435

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 2008 and 2007

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Cash flows from investing activities				
Additional investments in subsidiary	-	-	(3,421,180)	(183,058,178)
Cash receipt from dividend income	14,216,355	13,309,211	14,216,355	13,309,211
Cash receipt from liquidation of related companies	33,932,695	35,579,148	33,932,695	35,579,148
Advance for purchase of property, plant and equipment	(25,543,872)	(29,242,045)	(25,543,872)	(29,242,045)
Acquisition of property, plant and equipment	(727,846,492)	(468,981,469)	(704,602,103)	(415,827,822)
Proceeds from sales of equipment	1,655,042	438,000	1,655,042	438,000
Interest income	15,796,029	37,898,650	15,368,066	37,898,650
Net cash flows used in investing activities	(687,790,243)	(410,998,505)	(668,394,997)	(540,903,036)
Cash flows from financing activities				
Increase (decrease) in short-term loans				
from financial institutions	12,162,670	(170,411,056)	-	(6,690,078)
Repayment of long-term loans	(61,607,765)	(81,644,194)	-	-
Dividend paid	(270,000,000)	(210,000,000)	(270,000,000)	(210,000,000)
Net cash flows used in financing activities	(319,445,095)	(462,055,250)	(270,000,000)	(216,690,078)
Increase (decrease) in translation adjustment	(29,451,755)	52,995,942	-	-
Net increase (decrease) in cash and cash equivalents	(874,093,424)	309,522,210	(883,705,347)	298,032,321
Cash and cash equivalents at beginning of year	1,185,189,813	875,667,603	1,122,474,525	824,442,204
Cash and cash equivalents at end of year	311,096,389	1,185,189,813	238,769,178	1,122,474,525
	-	-	-	-

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 2008 and 2007

(Unit: Baht)

Consolidated financial statements

	Equity attribute to the parent's shareholders						Minority interest -		Total
	Issued and fully paid-up share capital		Translation adjustment		Retained earnings		Total equity attributable to the parent's shareholders	to minority shareholders of subsidiaries	
			Subsidiary companies	Associated companies					
	Share premium		Appropriated	Unappropriated					
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	5,947,411,515	21,962,290	5,969,373,805
Income and expenses recognised directly in equity:									
Translation adjustment	-	-	(31,787,486)	(54,350,594)	-	-	(86,138,080)	30,413,490	(55,724,590)
Dividend paid (Note 24)	-	-	-	-	-	(210,000,000)	(210,000,000)	-	(210,000,000)
Net income (loss) for the year	-	-	-	-	-	1,297,459,709	1,297,459,709	(9,257,162)	1,288,202,547
Balance as at 31 December 2007	<u>300,000,000</u>	<u>930,000,000</u>	<u>(44,855,568)</u>	<u>(247,308,521)</u>	<u>30,000,000</u>	<u>5,980,897,233</u>	<u>6,948,733,144</u>	<u>43,118,618</u>	<u>6,991,851,762</u>
									-
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	6,948,733,144	43,118,618	6,991,851,762
Income and expenses recognised directly in equity:									
Translation adjustment	-	-	64,544,320	(23,680,404)	-	-	40,863,916	(22,827,448)	18,036,468
Dividend paid (Note 24)	-	-	-	-	-	(270,000,000)	(270,000,000)	-	(270,000,000)
Net income for the year	-	-	-	-	-	449,827,428	449,827,428	473,390	450,300,818
Balance as at 31 December 2008	<u>300,000,000</u>	<u>930,000,000</u>	<u>19,688,752</u>	<u>(270,988,925)</u>	<u>30,000,000</u>	<u>6,160,724,661</u>	<u>7,169,424,488</u>	<u>20,764,560</u>	<u>7,190,189,048</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 shareholder equity (continued)

For the years ended 31 December 2008 and 2007

(Unit: Baht)

Separate financial statements

	Issued and fully paid-up share capital	Share premium	Retained earnings		Total
			Appropriated	Unappropriated	
Balance as at 31 December 2006	300,000,000	930,000,000	30,000,000	4,335,781,091	5,595,781,091
Dividend paid (Note 24)	-	-	-	(210,000,000)	(210,000,000)
Net income for the year	-	-	-	1,083,026,886	1,083,026,886
Balance as at 31 December 2007	<u>300,000,000</u>	<u>930,000,000</u>	<u>30,000,000</u>	<u>5,208,807,977</u>	<u>6,468,807,977</u>
Balance as at 31 December 2007	300,000,000	930,000,000	30,000,000	5,208,807,977	6,468,807,977
Dividend paid (Note 24)	-	-	-	(270,000,000)	(270,000,000)
Net income for the year	-	-	-	185,142,415	185,142,415
Balance as at 31 December 2008	<u>300,000,000</u>	<u>930,000,000</u>	<u>30,000,000</u>	<u>5,123,950,392</u>	<u>6,383,950,392</u>

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 2008 and 2007

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. 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.

1.2 Economic crisis

The financial crisis experienced by the United States of America over the past year has had a far reaching adverse effect on the global economy as evidenced by sharp falls in share prices worldwide, a tight squeeze on credit including interbank lending, failures of large financial institutions and reduced consumer confidence. The crisis has substantially affected the business and financial plans of Thailand enterprises and asset value. Despite efforts made by governments of many countries to contain the crisis, it remains uncertain as to when the global economy will return to normalcy. These financial statements have been prepared on the bases of facts currently known to the Company, and on estimates and assumptions currently considered appropriate. However, they could be adversely affected by an array of future events.

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 14 September 2001, 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 such financial statements in Thai language.

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	
			2008	2007	2008	2007	2008	2007
			Percent	Percent	Percent	Percent	Percent	Percent
1. Liaoning Birla Carbon Co., Ltd.	Carbon black manufacturing	China	89	89	12	12	8	6
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 for the same reporting period as the parent company, using consistent significant accounting policies.
- d) 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 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 presented under the cost method, have been prepared solely for the benefit of the public.

3. Adoption of new accounting standards

3.1 Accounting standards which are effective for the current year

The Federation of Accounting Professions has issued Notification No. 9/2550, 38/2550 and 62/2550 mandating the use of new accounting standards as follows:

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 become effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these standards and believes that TAS 29, TAS 33, TAS 43 and TAS 49 are not relevant to the business of the Company, while the other standards do not have any significant impact on the financial statements for the current year.

3.2 Accounting standards which are not effective for the current year

The Federation of Accounting Professions has also issued Notification No. 86/2551 mandating the use of the following new accounting standards:

TAS 36 (revised 2007)	Impairment of Assets
TAS 54 (revised 2007)	Non-current Assets Held for Sale and Discontinued Operations

These accounting standards will become effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management has assessed the effect of these 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. 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) Investment 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 investment 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 and 25 years
Plant and machinery	-	5 and 10 years
Fixtures and office equipment	-	5 and 10 years
Motor vehicles	-	4 and 5 years

Depreciation is included in determining income.

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

4.7 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.

4.8 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.

4.9 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.

4.10 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.

4.11 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.

An impairment loss is recognised in the income statement.

4.12 Employee benefits

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

4.13 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.

4.14 Income tax

Income tax is provided in the accounts based on the taxable profits determined in accordance with tax legislation.

5. Significant accounting judgments and estimates

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

Allowance for doubtful accounts

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

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>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<u>Transactions with subsidiary companies</u>					
(eliminated from the consolidated financial statements)					
Purchases of goods	Market price	-	-	571.9	192.0
Sales of sample	Market price	-	-	-	1.0
<u>Transactions with related companies</u>					
Purchase of goods	Market price	199.1	9.7	199.1	9.7
Other expenses	By mutual agreement	5.7	5.9	5.7	5.9
Share of production cost - steam power and electric power	Market price	412.7	387.9	412.7	387.9

The balances of the accounts as at 31 December 2008 and 2007 between the Company and those related companies are as follows:

		(Unit: Million Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
		<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<u>Trade accounts receivable - related parties</u>					
Subsidiary company					
Liaoning Birla Carbon Co., Ltd.		-	-	14.3	1.0
Related companies					
Alexandria Carbon Black S.A.E		0.5	-	0.5	-
Thai Rayon Public Co., Ltd.		28.6	36.1	28.6	36.1
Total trade accounts receivable - related parties		<u>29.1</u>	<u>36.1</u>	<u>43.4</u>	<u>37.1</u>

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<u>Trade accounts payable - related parties</u>				
Subsidiary company				
Liaoning Birla Carbon Co., Ltd.	-	-	61.7	0.6
Associated and related companies				
Aditya Birla Chemicals (Thailand) Ltd.	0.4	0.6	0.4	0.6
Alexandria Carbon Black S.A.E.	32.3	-	32.3	-
Thai Rayon Public Co., Ltd.	0.8	0.8	0.8	0.8
Total trade accounts payable - related parties	33.5	1.4	95.2	2.0

Directors and management's remuneration

In 2008 the Company paid salaries, bonus, meeting allowances and gratuities to their directors and management totaling Baht 38.1 million (2007: Baht 23.2 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 8.0 million. These facilities have been guaranteed by the Company in the amount proportionate to its shareholding, or equivalent to USD 4.6 million.

7. Trade accounts receivable

As at the balance sheet date, most of the trade accounts receivable were within the credit terms. However, the receivable amounting to Baht 6 million had been overdue for more than 6 months.

8. Inventories

(Unit: Baht)

Consolidated financial statements								
	Cost		Allowance for diminution in value of inventories				Inventories - net	
	<u>2008</u>	<u>2007</u>	Reduction in cost to		Stock obsolescence		<u>2008</u>	<u>2007</u>
			<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>		
			net realisable value					
Finished goods	605,235,231	312,741,279	(63,058,511)	(2,735,613)	-	(9,966,700)	542,176,720	300,038,966
Raw materials	1,229,051,778	717,027,987	(358,473,348)	-	(980,206)	(2,639,304)	869,598,224	714,388,683
Spare parts and factory supplies	130,270,226	125,377,486	-	-	(1,251,736)	(1,133,081)	129,018,490	124,244,405
Total	1,964,557,235	1,155,146,752	(421,531,859)	(2,735,613)	(2,231,942)	(13,739,085)	1,540,793,434	1,138,672,054

(Unit: Baht)

Separate financial statements								
	Cost		Allowance for diminution in value of inventories				Inventories - net	
	<u>2008</u>	<u>2007</u>	Reduction in cost to		Stock obsolescence		<u>2008</u>	<u>2007</u>
			<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>		
			net realisable value					
Finished goods	575,704,642	268,507,109	(57,802,541)	-	-	(9,966,700)	517,902,101	258,540,409
Raw materials	1,178,064,432	613,249,876	(358,473,348)	-	-	-	819,591,084	613,249,876
Spare parts and factory supplies	127,428,517	112,333,165	-	-	-	-	127,428,517	112,333,165
Total	1,881,197,591	994,090,150	(416,275,889)	-	-	(9,966,700)	1,464,921,702	984,123,450

9. Investments in subsidiaries

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

(Unit: Baht)

Company's name	Separate financial statements					
	Paid-up capital		Shareholding percentage		Cost	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
			Percent	Percent		
Liaoning Birla Carbon Co., Ltd.	Renminbi 157 million	Renminbi 157 million	88.54	88.54	662,468,996	662,468,996
Birla Carbon Mexico, S.A.DE C.V	Mexico pesos 3.2 million	Mexico pesos 1.9 million	98.00	98.00	9,395,793	5,974,613
Total					671,864,789	668,443,609

10. Investments in associates

10.1 Details of investments in associates:

(Unit: Baht)

Company's name	Nature of business	Country of incorporation	Consolidated financial statements					
			Shareholding percentage		Cost		Carrying amounts based on equity method	
			2008	2007	2008	2007	2008	2007
			Percent	Percent				
P.T. Indo Liberty Textiles	Textiles manufacturing	Indonesia	40.00	40.00	196,947,750	196,947,750	619,571,093	607,563,272
Aditya Birla Chemicals (Thailand) Ltd.	Chemical manufacturing	Thailand	29.99	29.99	509,820,000	509,820,000	1,512,641,690	1,262,591,924
Less: Translation adjustment					-	-	(270,988,925)	(247,308,521)
Total					<u>706,767,750</u>	<u>706,767,750</u>	<u>1,861,223,858</u>	<u>1,622,846,675</u>

(Unit: Baht)

Company's name	Nature of business	Country of incorporation	Separate financial statements			
			Shareholding percentage		Cost	
			2008	2007	2008	2007
			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	<u>509,820,000</u>	<u>509,820,000</u>
Total					<u>706,767,750</u>	<u>706,767,750</u>

10.2 Share of income/loss and dividend received

During the year, the Company recognised its share of net income/loss from investments in associates in the consolidated financial statements and dividend income in the separate financial statements as follows:

(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	
	2008	2007	2008	2007
P.T. Indo Liberty Textiles	14,837,675	75,711,961	2,829,852	1,922,708
Aditya Birla Chemicals (Thailand) Ltd.	250,049,765	259,616,210	-	-
Alexandria Fiber S.A.E.*	-	(44,192,009)	-	-
Total	<u>264,887,440</u>	<u>291,136,162</u>	<u>2,829,852</u>	<u>1,922,708</u>

(*Investment in this company has been transferred to other long-term investments during the second quarter of year 2007)

10.3 Summarised financial information of associates

Financial information of the associated companies is summarised below.

(Unit: Million Baht)

Company's name	Paid-up capital		Total assets as at		Total liabilities as		Total revenues		Net income for the	
	as at 31 December		31 December		at 31 December		for the year ended		year ended	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
P.T. Indo Liberty Textiles	Indonesian	Indonesian	1,007	1,426	181	476	1,764	1,846	49	189
	Rupiab 42.5	Rupiab 42.5								
	million	million								
Aditya Birla Chemicals (Thailand) Ltd.	Baht 1,700	Baht 1,700	7,860	7,194	2,806	2,982	11,420	8,583	844	866
	million	million								

11. Other long-term investments

(Unit: Baht)

Company's name	Shareholding		Consolidated		Separate		Dividend received	
	percentage		financial statements		financial statements		during the year	
	2008	2007	2008	2007	2008	2007	2008	2007
	Percent	Percent						
Alexandria Fiber S.A.E	14.40	14.40	163,753,955	163,753,955	265,956,001	265,956,001	-	-
Thai Epoxy and Allied Products Co., Ltd.	-	19.88	-	11,925,015	-	11,925,015	-	-
Thai Acrylic Fiber Co., Ltd.	15.98	15.98	223,204,161	223,204,161	223,204,161	223,204,161	11,386,503	11,386,503
			<u>386,958,116</u>	<u>398,883,131</u>	<u>489,160,162</u>	<u>501,085,177</u>	<u>11,386,503</u>	<u>11,386,503</u>

On 17 October 2008, the Company received the return of capital totaling Baht 11.5 million from investment in Thai Epoxy and Allied Products Co., Ltd. as a result of the company liquidation and return of capital of such company in accordance with the special resolution of the extraordinary general meeting of such company's shareholders to dissolve the company on 13 January 2005.

Proceeds from liquidation of related company represent a share of retained earnings in liquidation of Pan Century Oleochemicals Sdn. Bdn., which had been dissolved in 2007.

12. 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:							
As at 31 December 2007	122,190,168	475,075,590	3,824,973,288	77,754,495	16,448,683	358,740,366	4,875,182,590
Additions	16,035,244	4,520,017	18,522,114	1,317,883	3,293,738	684,157,496	727,846,492
Disposals	-	-	(495,000)	-	(5,333,826)	-	(5,828,826)
Transfer	-	9,895,334	254,526,471	-	-	(264,421,805)	-
Translation adjustment	-	16,645,869	73,764,069	966,048	180,107	470,607	92,026,700
As at 31 December 2008	138,225,412	506,136,810	4,171,290,942	80,038,426	14,588,702	778,946,664	5,689,226,956
Accumulated depreciation:							
As at 31 December 2007	-	141,400,426	2,371,201,906	56,323,745	10,346,059	-	2,579,272,136
Depreciation for the year	-	19,547,275	216,753,719	4,885,493	2,286,360	-	243,472,847
Depreciation on disposals	-	-	(495,000)	-	(5,333,826)	-	(5,828,826)
Translation adjustment	-	2,198,419	18,037,129	611,774	24,845	-	20,872,167
As at 31 December 2008	-	163,146,120	2,605,497,754	61,821,012	7,323,438	-	2,837,788,324
Net book value:							
31 December 2007	122,190,168	333,675,164	1,453,771,382	21,430,750	6,102,624	358,740,366	2,295,910,454
31 December 2008	138,225,412	342,990,690	1,565,793,188	18,217,414	7,265,264	778,946,664	2,851,438,632
Depreciation for the year							
2007							234,756,652
2008							243,472,847

(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:							
As at 31 December 2007	122,190,168	316,202,912	3,120,948,989	68,458,607	14,729,690	354,248,760	3,996,779,126
Additions	16,035,244	-	-	1,115,625	3,293,738	684,157,496	704,602,103
Disposals	-	-	(495,000)	-	(5,333,826)	-	(5,828,826)
Transfers	-	9,895,334	252,020,605	-	-	(261,915,939)	-
As at 31 December 2008	138,225,412	326,098,246	3,372,474,594	69,574,232	12,689,602	776,490,317	4,695,552,403
Accumulated depreciation:							
As at 31 December 2007	-	124,815,657	2,237,933,827	51,358,396	10,346,059	-	2,424,453,939
Depreciation for the year	-	12,083,665	150,760,009	3,343,881	1,883,907	-	168,071,462
Depreciation on disposals	-	-	(495,000)	-	(5,333,826)	-	(5,828,826)
As at 31 December 2008	-	136,899,322	2,388,198,836	54,702,277	6,896,140	-	2,586,696,575
Net book value:							
31 December 2007	122,190,168	191,387,255	883,015,162	17,100,211	4,383,631	354,248,760	1,572,325,187
31 December 2008	138,225,412	189,198,924	984,275,758	14,871,955	5,793,462	776,490,317	2,108,855,828
Depreciation for the year							
2007							165,621,370
2008							168,071,462

As at 31 December 2008, certain plant and equipment items have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 2,072 million (2007: Baht 1,875 million) (The Company only: Baht 2,072 million, 2007: Baht 1,875 million).

13. Intangible assets

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

	(Unit: Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Cost	13,710,817	12,738,118	13,225,821	12,253,123
Accumulated amortization	(3,176,458)	(280,734)	(2,784,531)	-
Translation adjustment	14,092	(10,263)	-	-
Net book value	<u>10,548,451</u>	<u>12,447,121</u>	<u>10,441,290</u>	<u>12,253,123</u>
Amortisation expenses included in the income statements for the year	<u>2,895,724</u>	<u>93,578</u>	<u>2,784,531</u>	<u>-</u>

14. Short-term loans from financial institutions

Short-term bank loans of the subsidiary amounting to Baht 126 million are guaranteed by the Company.

15. Long-term loans

As at 31 December 2008, Liaoning Birla Carbon Co., Ltd. had long-term loans, denominated in US dollars, obtained from two commercial banks. The first loan, with an outstanding balance of USD 2.6 million, bears a SIBOR+1.25% interest rate and the second loan, with an outstanding balance of USD 0.5 million, bears a LIBOR+0.75% interest rate. The loans are repayable in semiannual installments until 2010. The second loan is guaranteed by the Company.

16. Provision for employee retirement benefits

Movements in this account are as follows:

	(Unit: Baht)	
	<u>2008</u>	<u>2007</u>
Balance-beginning of year	72,505,792	69,584,633
Provided during year	22,715,777	6,488,619
Paid during year	<u>(9,297,586)</u>	<u>(3,567,460)</u>
Balance-end of year	<u>85,923,983</u>	<u>72,505,792</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>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Salaries, wages and other employee benefits	316,512,043	264,916,522	296,022,997	247,750,296
Depreciation	243,472,847	234,756,652	168,071,462	165,621,370
Freight expenses	239,506,764	263,943,049	237,090,152	262,780,438
Raw materials and consumables consumed	7,628,449,584	5,091,523,935	7,006,835,592	4,783,254,141
Changes in inventories of finished goods	(292,493,952)	(40,947,988)	(307,197,533)	(54,337,586)

19. Corporate income tax

Corporate income tax for the years is calculated on the net income derived from operations without BOI promotional privileges after adding back expenses which are disallowed for tax computation purposes.

20. 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	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Sales						
Domestic sales	1,050,494,231	822,738,924	3,895,067,337	2,832,088,414	4,945,561,568	3,654,827,338
Export sales	787,091,832	753,072,044	3,299,212,345	2,394,136,844	4,086,304,177	3,147,208,888
Total sales	<u>1,837,586,063</u>	<u>1,575,810,968</u>	<u>7,194,279,682</u>	<u>5,226,225,258</u>	<u>9,031,865,745</u>	<u>6,802,036,226</u>

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 2008 and 2007 by geographic segments.

(Unit: Million Baht)

	Domestic segment		Overseas segment		Elimination of inter-segment revenues		Consolidation financial statements	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenue from external customers	9,032	6,801	114	253	-	-	9,146	7,054
Inter-segment revenues	-	1	572	192	(572)	(193)	-	-
Total revenues	<u>9,032</u>	<u>6,802</u>	<u>686</u>	<u>445</u>	<u>(572)</u>	<u>(193)</u>	<u>9,146</u>	<u>7,054</u>
Segment income	1,115	1,713	38	48			1,153	1,761
Unallocated income and expenses:								
Other income							81	118
Share of income of associated companies							265	291
Selling expenses							(267)	(290)
Administrative expenses							(198)	(275)
Loss on diminution in value of inventories (reversal)							(418)	8
Gain (loss) on exchange							44	(43)
Financial cost							(45)	(45)
Corporate income tax							(165)	(237)
Net income							<u>450</u>	<u>1,288</u>

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:

	(Unit: Million Baht)							
					Elimination of inter-		Consolidation	
	Domestic segment		Overseas segment		segment revenues		financial statements	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Property, plant and equipment - net	2,109	1,572	743	724	-	-	2,852	2,296
Unallocated assets	5,769	5,803	308	286	(484)	(336)	5,593	5,753
Total assets	<u>7,879</u>	<u>7,375</u>	<u>1,051</u>	<u>1,010</u>	<u>(484)</u>	<u>(336)</u>	<u>8,445</u>	<u>8,049</u>

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 2008, the Company contributed Baht 6.0 million (2007: Baht 5.3 million) to the fund.

24. Dividends

(Unit: Baht)			
Dividends	Approved by	Total Dividends	Dividend per share
Final dividends for 2006	The Annual General Meeting of the Company's shareholders on 26 April 2007	210,000,000	0.70
Total for 2007		<u>210,000,000</u>	<u>0.70</u>
Final dividends for 2007	The Annual General Meeting of the Company's shareholders on 29 April 2008	270,000,000	0.90
Total for 2008		<u>270,000,000</u>	<u>0.90</u>

25. Commitments and contingent liabilities

25.1 Capital commitments

As at 31 December 2008, the Company had significant capital commitments of approximately Baht 398.5 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 2008, there were outstanding letters of guarantee approximately Baht 13 million (2007: 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.

26. Financial instruments

26.1 Financial risk management

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 48 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable 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, debentures 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 2008 classified by type of interest rate are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

Consolidated financial statement							
Fixed interest rates							
	Within 1 year	1-5 years	Over 5 years	Floating interest rate	Non- interest bearing	Effective interest rate	
	(Million Baht)					Total	(% p.a.)
<u>Financial Assets</u>							
Cash and cash equivalent	230	-	-	81	-	311	0.65 – 2.75
Trade accounts receivable	-	-	-	-	1,208	1,208	-
	230	-	-	81	1,208	1,519	
<u>Financial liabilities</u>							
Short-term loans from financial institutions	-	-	-	373	-	373	6.14, 6.25
Trade accounts payable	-	-	-	-	224	224	-
Payable for purchase of machineries and equipments	-	-	-	-	122	122	-
Long-term loans	-	-	-	108	-	108	5.37, 6.16
	-	-	-	481	346	827	

Separate financial statement							
Fixed interest rates							
	Within 1 year	1-5 years	Over 5 years	Floating interest rate	Non- interest bearing	Effective interest rate	
	(Million Baht)					Total	(% p.a.)
<u>Financial Assets</u>							
Cash and cash equivalent	230	-	-	9	-	239	0.65 – 2.75
Trade accounts receivable	-	-	-	-	1,159	1,159	-
	230	-	-	9	1,159	1,398	
<u>Financial liabilities</u>							
Trade accounts payable	-	-	-	-	179	179	-
Payable for purchase of machineries and equipments	-	-	-	-	122	122	-
	-	-	-	-	301	301	

Foreign currency risk

The Company's exposure to foreign currency risk arises mainly from trading transactions 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 2008 are summarised below.

Foreign currency	Financial assets	Financial liabilities	Average exchange rate as at 31 December 2008
	(Million)	(Million)	(Baht per 1 foreign currency unit)
US dollar	15.74	17.17	34.9438
Japanese yen	-	36.99	0.3864
Euro	0.7	-	49.2652
India rupees	-	0.06	0.7236

Foreign exchange contracts outstanding at 31 December 2008 are summarised below.

Foreign currency	Bought amount	Contract exchange rate
	(Million)	
US dollar	18.8	33.85 - 35.68
Euro	0.5	48.62 - 48.75

Raw material price risk

The Company is exposed to risk from fluctuations in prices of raw materials. In managing the risk, the Company has entered into short-term energy swap contracts with reputable counterparties. The Company recognised loss from the energy swap contracts totaling Baht 339 million in 2008. (2007: loss of Baht 53 million). At the balance sheet date, the Company held outstanding energy swap contracts as follows:

Type of contract	Quantity	Due date	Fixed price agreed to be settled by the Company
Buy Platts 3% USGC No. 6 fuel oil	45,000 barrels	January - October 2009	US\$ 67.50 - 69.95 /barrel
Buy Gulf Coast 3% No. 6 fuel oil	305,000 barrels	January - February 2009	US\$ 31.50 - 50.95 /barrel

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 2008, the Group's debt-to-equity ratio was 0.17:1 (2007: 0.15:1) and the Company's was 0.11:1 (2007: 0.07:1).

27. Reclassification

Certain amounts in the financial statements for the year ended 31 December 2007 have been reclassified to conform to the current year's classification but with no effect to previously reported net income or shareholders' equity. The reclassifications, as summarised below, were needed since certain line items were added to the 2008 balance sheet.

	(Unit: Baht)	
	As reclassified	As previously reported
Intangible assets	12,253,123	-
Other non-current assets	835,615	13,088,738
Liabilities from derivative financial instruments		
-energy swap contracts	48,775,481	-
Accrued expenses	70,920,778	119,696,259

28. Approval of financial statements

These financial statements were authorized for issue by the Company's authorized directors on 25 February 2009.