

Thai Rayon Public Company Limited

Notes to interim financial statements

For the three-month period ended 31 December 2008

1. General information

1.1 Corporate information

Thai Rayon Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the manufacture of viscose rayon staple fibre and anhydrous sodium sulphate for sales to both domestic and export markets. The registered addresses of the Company’s head office and factory are as follows:

Head office: 888/160-1 Mahatun Plaza Building, 16th Floor, Ploenchit Road, Lumpini, Patumwan, Bangkok.

Factory: 36 Moo 2 Ayuthaya-Angthong Highway, Posa, Muang, Angthong.

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 overseas financial institutions and reduced consumer confidence. The crisis has substantially affected the business and financial plans of Thai enterprises and their asset values. Despite considerable efforts made by governments of many countries to contain the crisis, it remains uncertain as to when the global economy will return to its 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.

1.3 Basis for the preparation of interim financial statements

These interim financial statements have been prepared in accordance with accounting standard No. 41 (revised 2007) “Interim Financial Reporting”, with the Company choosing to present condensed interim financial statements. However, the Company has presented the balance sheet, and the statements of income, changes in shareholders’ equity and cash flows in the same format as that used for the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

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

1.4 Adoption of new accounting standards

a) Accounting standards which are effective for the current financial 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. TAS 43 and TAS 49 are not relevant to the business of the Company, while TAS 25, TAS 29, TAS 31, TAS 33, TAS 35, TAS 39, TAS 41 and TAS 51 do not have any significant impact on the financial statements for the current period.

b) Accounting standards which are not effective for the current financial year

The Federation of Accounting Profession 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.

1.5 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 30 September 2008, except that the Company had changed its accounting policy to value raw materials, spare parts and factory supplies under the cost basis from the first-in, first-out method to the average method in order to more appropriately present the transaction. Because the Company is unable to appropriately estimate the impact of the change, such change is applied prospectively, with effect as from 1 October 2008.

2. 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.

3. Related party transactions

During the periods, the Company 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.

(Unaudited but reviewed)

(Unit: Million Baht)

		For the three-month periods	
		ended 31 December	
Pricing policy		2008	2007
<u>Transactions with associated companies</u>			
Other income	By mutual agreement	1	1
Purchases of raw materials	With reference to market prices	97	141
<u>Transactions with related companies</u>			
Sales of goods	With reference to market prices	367	491
Other income	By mutual agreement	2	2
Purchases of raw materials	With reference to market prices	267	236

The balances of the accounts as at 31 December 2008 and 30 September 2008 between the Company and those related companies are as follows:

(Unit: Thousand Baht)

	31 December 2008	30 September 2008
		(Audited)
<u>Trade accounts receivable - related parties</u>		
<u>Associated company</u>		
- Thai Acrylic Fibre Co., Ltd.	-	78
<u>Related companies</u>		
- Indo-Thai Synthetics Co., Ltd.	275,056	356,027
- Indophil Textile Mills, Inc.	43,505	45,842
- PT Elegant Textile Industry	61,770	84,196
Total	380,331	486,143
<u>Amounts due from related parties</u>		
<u>Associated company</u>		
- Thai Carbon Black Plc.	810	810
<u>Related company</u>		
- AV Cell Inc.	1,940	8,729
Total	2,750	9,539
<u>Long-term loan to related party</u>		
<u>Related company</u>		
- AV Cell Inc.	128,296	145,089
Total	128,296	145,089

(Unaudited but reviewed)

(Unit: Thousand Baht)

	31 December 2008	30 September 2008
		(Audited)
<u>Trade accounts payable - related parties</u>		
<u>Associated companies</u>		
- Thai Carbon Black Plc.	29,727	42,866
- Aditya Birla Chemicals (Thailand) Ltd.	1,906	18,115
<u>Related companies</u>		
- Grasim Industries Limited	193	752
- AV Cell Inc.	26,779	-
Total	58,605	61,733

During the three-month period ended 31 December 2008, movements of long-term loan to related party were as follow:

(Unit: Thousand Baht)

	Balance as at 30 September 2008	During the period		Unrealised loss on exchange rate	Balance as at 31 December 2008
		Increase	Decrease		
<u>Long-term loan to related party</u>					
<u>Related company</u>					
- AV Cell Inc.	145,089	-	-	(16,793)	128,296

Guarantee obligations with related party

The Company has outstanding guarantee obligations with its related party, as described in Note 11.3 a) to the financial statements.

4. Allowance for diminution in value of inventories

Movements in the allowance for diminution in value of inventory account during the three-month period ended 31 December 2008 are summarised below.

	Thousand Baht
Balance as at 30 September 2008 (Audited)	279,450
Add: Allowance made during the period	126,738
Less: Decrease due to sales or consumptions during the period	(132,545)
Balance as at 31 December 2008	273,643

5. Investments in associated companies

These represent investments in ordinary shares of the following associated companies:

(Unit: Thousand Baht)									
	Nature of business	Paid up capital		Shareholding percentage		Financial statements in which the equity method is applied		Separate financial statements	
		31 December	30 September	31 December	30 September	31 December	30 September	31 December	30 September
		2008	2008	2008	2008	2008	2008	2008	2008
				(%)	(%)		(Audited)		(Audited)
PT Indo Liberty Textiles (Registered in Indonesia)	Manufacture of synthetic yarn	IDR 42,549 million	IDR 42,549 million	40.00	40.00	300,345	335,413	197,909	197,909
Aditya Birla Chemicals (Thailand) Ltd.	Manufacture of chemical products	Baht 1,700 million	Baht 1,700 million	29.98	29.98	1,511,921	1,648,133	509,606	509,606
Thai Acrylic Fibre Co., Ltd.	Manufacture of acrylic fiber	Baht 713 million	Baht 713 million	30.00	30.00	618,127	868,075	407,215	407,215
Thai Carbon Black Plc.	Manufacture of carbon black	Baht 300 million	Baht 300 million	24.98	24.98	1,856,451	2,028,060	236,337	236,337
Thai Polyphosphate and Chemicals Co., Ltd.	Manufacture of phosphate	Baht 125 million	Baht 125 million	49.00	49.00	1,284,918	1,368,217	64,063	64,063
Birla Lao Pulp & Plantations Ltd. (Registered in the Lao PDR)	Manufacture of pulp	USD 15 million	USD 15 million	30.00	30.00	154,055	152,003	157,840	157,840
Birla Jingwei Fibres Co., Ltd. (Registered in the People's Republic of China)	Manufacture of viscose staple fiber	RMB 369 million	RMB 369 million	49.50	49.50	861,630	914,496	914,496	914,496
Total investments in associated companies						6,587,447	7,314,397	2,487,466	2,487,466

(Unaudited but reviewed)

The fiscal year of all associated companies, whose financial statements have been used for equity accounting by the Company, are different from that of the Company.

As at 31 December 2008, the fair value of investment in Thai Carbon Black Plc., a listed company on the Stock Exchange of Thailand, amounted to approximately Baht 951.7 million (30 September 2008: Baht 1,716.1 million).

6. Other long-term investments

(Unit: Million Baht)

	Financial statements			
	in which the equity method is applied		Separate financial statements	
	31 December	30 September	31 December	30 September
	2008	2008	2008	2008
		(Audited)		(Audited)
<u>Investment in available-for-sale securities</u>				
<i><u>Global Depository Receipts</u></i>				
Grasim Industries Limited	127	127	127	127
Add: Unrealised gain from changes in fair value of investment	209	342	209	342
	<u>336</u>	<u>469</u>	<u>336</u>	<u>469</u>
<u>General investments - related companies</u>				
<i><u>Ordinary shares</u></i>				
Indo-Thai Synthetics Co., Ltd.	42	42	42	42
Thai Epoxy and Allied Products Co., Ltd.	-	10	-	10
AV Cell Inc.	204	204	204	204
AV Nackawic Inc.	222	222	222	222
Alexandria Fiber Co., S.A.E.	166	166	266	266
Others	6	6	6	6
<i><u>Preference shares</u></i>				
Thai Peroxide Co., Ltd.	7	7	7	7
AV Nackawic Inc.	82	-	82	-
	<u>729</u>	<u>657</u>	<u>829</u>	<u>757</u>
Total other long-term investments	1,065	1,126	1,165	1,226

During the current period, the Company invested CAD 2.85 million in preference shares of AV Nackawic Inc. (2,850,000 preference shares of CAD 1 each), or equivalent to approximately Baht 82 million, as approved by the Board of Directors Meeting on 25 November 2008. These preference shares are cumulative and non-participative preference shares, that entitled the Company to receive dividend at a rate of 6% per annum, in years in which dividend is declared.

In October 2008, the Company received Baht 9.3 million from Thai Epoxy and Allied Products Company Limited, which is in the process of liquidation, as return of the capital invested in that company. The resulting loss from the refund of this investment amounts to Baht 0.3 million.

7. Property, plant and equipment

Movements of the property, plant and equipment account during the three-month period ended 31 December 2008 are summarised below.

	Thousand Baht
Net book value as at 30 September 2008 (Audited)	3,890,812
Acquisitions during period - at cost	193,220
Depreciation for period	(121,000)
Net book value as at 31 December 2008	3,963,032

8. Corporate income tax

Interim corporate income tax is calculated on net income of non-promoted activities for the period, after adding back expenses and deducting income which are disallowable for tax computation purposes, using the estimated effective tax rate for the year.

9. Basic earnings per share

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

10. Financial information by segment

The Company's operations involve a single industry segment in the manufacture and distribution of viscose rayon staple fibre and related by-products for both domestic and export markets. For the three-month period ended 31 December 2008, export sales represented approximately 43 percent (2007: 57 percent) of total sales, respectively. The Company's operations are carried on in a single geographic area in Thailand. As a result, all of the revenues, income and assets as reflected in these financial statements pertain to the aforementioned business segment and geographic area.

11. Commitments and contingent liabilities**11.1 Capital commitments**

As at 31 December 2008, the Company had capital commitments of approximately Baht 85.7 million (30 September 2008: Baht 117.1 million) relating to purchase of land, construction of factory buildings, acquisition and installation of machinery and equipment.

11.2 Long-term service commitments

The Company entered into a royalty agreement with an overseas company in 1987, under which the Company shall be provided with technical assistance and is obliged to pay to that company a service fee, calculated at a percentage of sales in accordance with the basis and conditions stipulated in the agreement.

11.3 Guarantees

- a) Alexandria Fiber Co., S.A.E., a related company in Egypt, entered into two credit facility agreements with two foreign financial institutions to obtain various types of credit facilities from them, with a maximum credit line of not exceeding USD 36.6 million and USD 8.0 million, respectively. The Company has issued undertakings for a maximum limit of totaling USD 4.6 million (30 September 2008: USD 4.6 million) to the lending financial institutions for this related company.
- b) As at 31 December 2008, there were outstanding bank guarantees of approximately Baht 34.9 million (30 September 2008: Baht 34.9 million) issued by the banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business.

12. Foreign currency - denominated assets and liabilities

Below is a summary of foreign currency-denominated assets and liabilities as at 31 December 2008.

Foreign currency	Assets	Liabilities	Average exchange rate as at 31 December 2008
	(Million)	(Million)	(Baht per 1 foreign currency unit)
US dollar	26.2	0.3	34.9438
Indonesian rupiah	109,199.7	-	0.0032
Canadian dollar	19.8	-	28.7260
Egyptian pound	25.2	-	6.3164
Renminbi	167.8	-	5.1029
Kip	37,574.4	-	0.0041

13. Subsequent events

On 30 January 2009, the Annual General Meeting of the Company's shareholders resolved to pay a dividend of Baht 1.30 per share, or a total Baht 262.08 million, to the shareholders from the earnings for the year ended 30 September 2008. This dividend will be paid to the shareholders on 25 February 2009.

14. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's authorised directors on 12 February 2009.