

Thai Rayon Public Company Limited
Report and financial statements
30 September 2010 and 2009

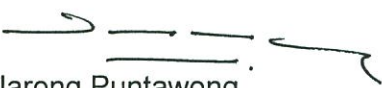
Report of Independent Auditor

To the Shareholders of Thai Rayon Public Company Limited

I have audited the accompanying balance sheets in which the equity method is applied of Thai Rayon Public Company Limited as at 30 September 2010 and 2009, the related statements of income, changes in shareholders' equity and cash flows for the years then ended; and the separate financial statements of Thai Rayon Public Company Limited for the same years. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits. The financial statements for the years ended 30 September 2010 and 2009 include investments in certain associated companies, of which financial statements were reviewed by other auditors, whose reports have been furnished to me. The Company's financial statements in which the equity method is applied for the years ended 30 September 2010 and 2009 reflect a share of net income from these associated companies amounting to Baht 314 million and a share of net loss amounting to Baht 114 million respectively, and net book values of investments in these companies as at 30 September 2010 and 2009 amounting to Baht 3,563 million and Baht 3,344 million respectively. My opinion on the financial statements, insofar as it relates to the amounts included for these associated companies, is based solely on the reports of those auditors.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits and the reports of the other auditors referred to in the previous paragraph provide a reasonable basis for my opinion.

In my opinion, based on my audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Thai Rayon Public Company Limited as at 30 September 2010 and 2009, the results of its 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: 16 November 2010

Thai Rayon Public Company Limited

Balance sheets

As at 30 September 2010 and 2009

(Unit: Baht)

	Financial statements				
	Note	in which the equity method is applied		Separate financial statements	
		2010	2009	2010	2009
Assets					
Current assets					
Cash and cash equivalents		2,639,889,263	1,139,796,332	2,639,889,263	1,139,796,332
Current investments		380,439,250	-	380,439,250	-
Trade accounts receivable					
Unrelated parties	6	658,549,159	593,318,043	658,549,159	593,318,043
Related parties	6, 7	507,473,844	561,656,685	507,473,844	561,656,685
Amounts due from related parties	7	4,202,750	9,307,508	4,202,750	9,307,508
Inventories	8	1,711,038,962	894,750,753	1,711,038,962	894,750,753
Other current assets					
Input tax refundable		71,790,857	17,035,240	71,790,857	17,035,240
Export incentive receivable		21,245,586	37,933,463	21,245,586	37,933,463
Interest receivable		5,224,207	1,084,523	5,224,207	1,084,523
Others		96,087,134	15,990,067	96,087,134	15,990,067
Total current assets		6,095,941,012	3,270,872,614	6,095,941,012	3,270,872,614
Non-current assets					
Investments in associated companies	9	8,025,119,656	7,248,140,404	2,587,080,509	2,538,743,009
Other long-term investments	10	1,608,752,944	1,529,193,382	1,709,211,900	1,629,652,338
Long-term loan to related party	7	130,927,500	138,117,600	130,927,500	138,117,600
Property, plant and equipment - net	11	3,481,166,650	3,798,061,306	3,481,166,650	3,798,061,306
Intangible assets - net	12	9,360,433	13,320,384	9,360,433	13,320,384
Other non-current assets		3,110,117	3,675,247	3,110,117	3,675,247
Total non-current assets		13,258,437,300	12,730,508,323	7,920,857,109	8,121,569,884
Total assets		19,354,378,312	16,001,380,937	14,016,798,121	11,392,442,498

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

Thai Rayon Public Company Limited

Balance sheets (continued)

As at 30 September 2010 and 2009

(Unit: Baht)

	Financial statements				
		in which the equity method is applied		Separate financial statements	
	Note	2010	2009	2010	2009
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans from					
financial institutions	13	273,472,158	5,977,549	273,472,158	5,977,549
Trade accounts payable					
Unrelated parties		289,370,695	257,624,846	289,370,695	257,624,846
Related parties	7	255,332,156	118,286,419	255,332,156	118,286,419
Amounts due to related parties	7	128,888	-	128,888	-
Other current liabilities					
Corporate income tax payable		156,358,393	-	156,358,393	-
Accrued expenses		179,887,750	153,147,776	179,887,750	153,147,776
Others		16,319,704	14,886,894	16,319,704	14,886,894
Total current liabilities		1,170,869,744	549,923,484	1,170,869,744	549,923,484
Non-current liabilities					
Provision for employee retirement benefits		113,090,838	111,786,508	113,090,838	111,786,508
Other non-current liabilities		-	18,189,661	-	18,189,661
Total non-current liabilities		113,090,838	129,976,169	113,090,838	129,976,169
Total liabilities		1,283,960,582	679,899,653	1,283,960,582	679,899,653

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

Thai Rayon Public Company Limited

Balance sheets (continued)

As at 30 September 2010 and 2009

(Unit: Baht)

	Note	Financial statements in which the equity method is applied		Separate financial statements	
		2010	2009	2010	2009
Shareholders' equity					
Share capital					
Registered					
201,600,000 ordinary shares of Baht 1 each		<u>201,600,000</u>	<u>201,600,000</u>	<u>201,600,000</u>	<u>201,600,000</u>
Issued and fully paid					
201,600,000 ordinary shares of Baht 1 each		201,600,000	201,600,000	201,600,000	201,600,000
Unrealised gain					
Revaluation surplus on changes in value					
of investments	10	604,493,940	613,187,754	604,493,940	613,187,754
Translation adjustment		(378,986,289)	(296,890,928)	-	-
Retained earnings					
Appropriated					
Statutory reserve	14	20,160,000	20,160,000	20,160,000	20,160,000
General reserve		2,500,000,000	2,500,000,000	2,500,000,000	2,500,000,000
Unappropriated		<u>15,123,150,079</u>	<u>12,283,424,458</u>	<u>9,406,583,599</u>	<u>7,377,595,091</u>
Total shareholders' equity		<u>18,070,417,730</u>	<u>15,321,481,284</u>	<u>12,732,837,539</u>	<u>10,712,542,845</u>
Total liabilities and shareholders' equity		<u>19,354,378,312</u>	<u>16,001,380,937</u>	<u>14,016,798,121</u>	<u>11,392,442,498</u>

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

Directors

Thai Rayon Public Company Limited

Income statements

For the years ended 30 September 2010 and 2009

(Unit: Baht)

	Note	Financial statements in which the equity method is applied		Separate financial statements	
		2010	2009	2010	2009
Revenues					
Sales	17	10,327,513,657	6,214,441,494	10,327,513,657	6,214,441,494
Other income					
Interest income		35,267,778	23,078,574	35,267,778	23,078,574
Export incentives		57,499,146	59,508,150	57,499,146	59,508,150
Exchange gain		90,550,169	5,025,621	90,550,169	5,025,621
Dividend income		13,268,121	7,760,442	132,412,151	43,025,800
Others		15,959,405	5,176,605	15,959,405	5,176,605
Total revenues		10,540,058,276	6,314,990,886	10,659,202,306	6,350,256,244
Expenses					
Cost of sales		7,608,346,427	5,426,602,887	7,608,346,427	5,426,602,887
Selling expenses		337,452,491	155,222,934	337,452,491	155,222,934
Administrative expenses		131,000,448	136,294,073	131,000,448	136,294,073
Management benefit expenses		26,275,659	26,354,853	26,275,659	26,354,853
Total expenses		8,103,075,025	5,744,474,747	8,103,075,025	5,744,474,747
Income before share of income (loss) from investments in associated companies, finance cost and corporate income tax		2,436,983,251	570,516,139	2,556,127,281	605,781,497
Share of income (loss) from investments in associated companies	9	929,881,143	(55,890,467)	-	-
Income before finance cost and corporate income tax		3,366,864,394	514,625,672	2,556,127,281	605,781,497
Finance cost		(1,183,973)	(1,382,511)	(1,183,973)	(1,382,511)
Income before corporate income tax		3,365,680,421	513,243,161	2,554,943,308	604,398,986
Corporate income tax	16	(324,354,800)	(50,591,030)	(324,354,800)	(50,591,030)
Net income for the year		3,041,325,621	462,652,131	2,230,588,508	553,807,956
Basic earnings per share	18				
Net income		15.09	2.29	11.06	2.75

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

Thai Rayon Public Company Limited

Statements of changes in shareholders' equity

For the years ended 30 September 2010 and 2009

	Note	Financial statements in which the equity method is applied						(Unit: Baht)
		Issued and fully paid share capital	Revaluation surplus on changes in value of investment	Translation adjustment	Retained earnings			
					Appropriated		Unappropriated	
					Statutory reserve	General reserve		
Balance as at 30 September 2008		201,600,000	342,848,780	(270,512,675)	20,160,000	2,500,000,000	12,082,852,327	14,876,948,432
Income and expenses recognised directly in equity:								
Investment in available-for-sale securities								
Gain recognised in shareholders' equity		-	270,338,974	-	-	-	-	270,338,974
Translation adjustment		-	-	(26,378,253)	-	-	-	(26,378,253)
Net income for the year		-	-	-	-	-	462,652,131	462,652,131
Dividend payment	19	-	-	-	-	-	(262,080,000)	(262,080,000)
Balance as at 30 September 2009		201,600,000	613,187,754	(296,890,928)	20,160,000	2,500,000,000	12,283,424,458	15,321,481,284
Balance as at 30 September 2009		201,600,000	613,187,754	(296,890,928)	20,160,000	2,500,000,000	12,283,424,458	15,321,481,284
Income and expenses recognised directly in equity:								
Investment in available-for-sale securities								
Loss recognised in shareholders' equity		-	(8,693,814)	-	-	-	-	(8,693,814)
Translation adjustment		-	-	(82,095,361)	-	-	-	(82,095,361)
Net income for the year		-	-	-	-	-	3,041,325,621	3,041,325,621
Dividend payment	19	-	-	-	-	-	(201,600,000)	(201,600,000)
Balance as at 30 September 2010		201,600,000	604,493,940	(378,986,289)	20,160,000	2,500,000,000	15,123,150,079	18,070,417,730

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

Thai Rayon Public Company Limited

Statements of changes in shareholders' equity (continued)

For the years ended 30 September 2010 and 2009

	Separate financial statements						(Unit: Baht)
	Note	Issued and fully paid share capital	Revaluation surplus on changes in value of investment	Retained earnings		Total	
				Appropriated			
				Statutory reserve	General reserve		
Balance as at 30 September 2008		201,600,000	342,848,780	20,160,000	2,500,000,000	7,085,867,135	10,150,475,915
Income and expenses recognised							
directly in equity:							
Investment in available-for-sale securities							
Gain recognised in shareholders' equity		-	270,338,974	-	-	-	270,338,974
Net income for the year		-	-	-	-	553,807,956	553,807,956
Dividend payment	19	-	-	-	-	(262,080,000)	(262,080,000)
Balance as at 30 September 2009		201,600,000	613,187,754	20,160,000	2,500,000,000	7,377,595,091	10,712,542,845
Balance as at 30 September 2009		201,600,000	613,187,754	20,160,000	2,500,000,000	7,377,595,091	10,712,542,845
Income and expenses recognised							
directly in equity:							
Investment in available-for-sale securities							
Loss recognised in shareholders' equity		-	(8,693,814)	-	-	-	(8,693,814)
Net income for the year		-	-	-	-	2,230,588,508	2,230,588,508
Dividend payment	19	-	-	-	-	(201,600,000)	(201,600,000)
Balance as at 30 September 2010		201,600,000	604,493,940	20,160,000	2,500,000,000	9,406,583,599	12,732,837,539

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

Thai Rayon Public Company Limited

Cash flow statements

For the years ended 30 September 2010 and 2009

(Unit: Baht)

	Financial statements			
	in which the equity method is applied		Separate financial statements	
	2010	2009	2010	2009
Cash flows from operating activities				
Net income before tax	3,365,680,421	513,243,161	2,554,943,308	604,398,986
Adjustments to reconcile net income before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	558,359,992	515,005,793	558,359,992	515,005,793
Share of loss (income) from investments				
in associated companies	(929,881,143)	55,890,467	-	-
Loss from refund of other long-term investment	-	298,496	-	298,496
Gain from sales of other long-term investment	(8,670,000)	-	(8,670,000)	-
Reversal of loss on diminution in value of inventories	-	(279,449,800)	-	(279,449,800)
Loss (gain) on disposals of equipment	(46,945)	7,000	(46,945)	7,000
Unrealised loss (gain) on exchange rate	(49,208,615)	12,919,572	(49,208,615)	12,919,572
Provision for employee retirement benefits	9,994,737	10,845,940	9,994,737	10,845,940
Dividend income	(13,268,121)	(7,760,442)	(132,412,151)	(43,025,800)
Interest income	(35,267,778)	(23,078,574)	(35,267,778)	(23,078,574)
Interest expenses	1,183,973	1,382,511	1,183,973	1,382,511
Income from operating activities before changes in operating assets and liabilities	2,898,876,521	799,304,124	2,898,876,521	799,304,124
Operating assets (increase) decrease				
Trade accounts receivable - unrelated parties	(75,610,920)	(100,436,440)	(75,610,920)	(100,436,440)
Trade accounts receivable - related parties	53,999,943	(75,480,165)	53,999,943	(75,480,165)
Amounts due from related parties	(3,182,298)	(210,452)	(3,182,298)	(210,452)
Inventories	(816,288,209)	749,636,699	(816,288,209)	749,636,699
Other current assets	(48,406,922)	83,821,852	(48,406,922)	83,821,852
Other non-current assets	113,125	125,250	113,125	125,250
Operating liabilities increase (decrease)				
Trade accounts payable - unrelated parties	32,654,831	(171,929,794)	32,654,831	(171,929,794)
Trade accounts payable - related parties	138,182,695	56,553,490	138,182,695	56,553,490
Amounts due to related parties	128,888	-	128,888	-
Other current liabilities	28,561,117	(30,063,312)	28,561,117	(30,063,312)
Payment of employee retirement benefits	(9,825,798)	(12,314,290)	(9,825,798)	(12,314,290)
Cash from operating activities	2,199,202,973	1,299,006,962	2,199,202,973	1,299,006,962
Cash received from dividend income	132,412,151	52,018,149	132,412,151	52,018,149
Cash received from interest income	39,415,150	29,756,713	39,415,150	29,756,713
Cash paid for interest expenses	(1,183,973)	(1,382,511)	(1,183,973)	(1,382,511)
Cash paid for corporate income tax	(167,996,407)	(114,537,862)	(167,996,407)	(114,537,862)
Net cash from operating activities	2,201,849,894	1,264,861,451	2,201,849,894	1,264,861,451

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

Thai Rayon Public Company Limited

Cash flow statements (continued)

For the years ended 30 September 2010 and 2009

(Unit: Baht)

	Financial statements			
	in which the equity method is applied		Separate financial statements	
	2010	2009	2010	2009
Cash flows from investing activities				
Decrease (increase) in current investments	(385,955,000)	310,000,000	(385,955,000)	310,000,000
Increase in investments in associated companies	(48,337,500)	(51,277,500)	(48,337,500)	(51,277,500)
Increase in other long-term investments	(94,583,376)	(142,495,188)	(94,583,376)	(142,495,188)
Proceeds from refund of other long-term investment	-	9,301,504	-	9,301,504
Proceeds from sales of other long-term investment	15,000,000	-	15,000,000	-
Proceeds from disposals of equipment	47,000	-	47,000	-
Acquisitions of property, plant and equipment	(236,267,193)	(421,375,615)	(236,267,193)	(421,375,615)
Increase in intangible assets	(786,242)	(13,705,817)	(786,242)	(13,705,817)
Net cash used in investing activities	(750,882,311)	(309,552,616)	(750,882,311)	(309,552,616)
Cash flows from financing activities				
Increase (decrease) in bank overdrafts and				
short-term loans from financial institutions	268,915,009	(1,427,859)	268,915,009	(1,427,859)
Increase (decrease) in other non-current liabilities	(18,189,661)	5,297,737	(18,189,661)	5,297,737
Dividend payment	(201,600,000)	(262,080,000)	(201,600,000)	(262,080,000)
Net cash used in financing activities	49,125,348	(258,210,122)	49,125,348	(258,210,122)
Net increase in cash and cash equivalents	1,500,092,931	697,098,713	1,500,092,931	697,098,713
Cash and cash equivalents at beginning of year	1,139,796,332	442,697,619	1,139,796,332	442,697,619
Cash and cash equivalents at end of year	2,639,889,263	1,139,796,332	2,639,889,263	1,139,796,332

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

Thai Rayon Public Company Limited

Notes to financial statements

For the years ended 30 September 2010 and 2009

1. General 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 factories are as follows:

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

Factory 1: 36 Moo 2 Ayuthaya-Angthong Highway, Posa, Muang, Angthong.

Factory 2: 19 Moo 7 Nhongplakadee Road, Nhongplamho, Nhongkhae, Saraburi.

2. Basis of preparation

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Professions 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.

The separate financial statements in which the cost method is applied have been prepared solely for the benefit of the public.

3. Adoption of new accounting standards

The Federation of Accounting Professions has issued Notification No. 86/2551, 16/2552, 17/2553 and 34/2553, mandating the use of the following new accounting standards, financial reporting standard and accounting treatment guidance:

3.1 Accounting standards, financial reporting standards and accounting treatment guidance which are effective for the current financial year

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

TAS 36 (revised 2007) Impairment of Assets

TFRS 5 (revised 2007) Non-Current Assets Held for Sale and Discontinued Operations

Accounting Treatment Guidance for Business Combination under Common Control

These accounting standards, financial reporting standards and accounting treatment guidance became effective for the financial statements for fiscal year beginning on or after 1 January 2009. The management of the Company has assessed the effect of these standards and believes that they do not have any impact on the financial statements for the current year.

3.2 Accounting standards and financial reporting standards that will become effective in fiscal years beginning on or after 1 January 2011

TAS 1 (revised 2009) Presentation of Financial Statements

TAS 2 (revised 2009) Inventories

TAS 7 (revised 2009) Statements 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 17 (revised 2009) Leases

TAS 23 (revised 2009) Borrowing Costs

TAS 24 (revised 2009) Related Party Disclosures

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 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

The management of the Company has assessed the effect of these accounting standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied.

3.3 Accounting standards that will become effective in 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

The management of the Company has assessed the effect of these standards and believes that TAS 20 (revised 2009) is not relevant to the business of the Company. The management is still evaluating the first-year impact to the financial statements of TAS 12, and has yet to reach a conclusion.

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.

Export incentives

Export incentives granted by the Ministry of Finance are recognised as income when export shipment is made.

Interest income

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

Dividends

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

4.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and 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 is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debt aging.

4.4 Inventories

Finished goods and work in process are valued at the lower of cost (average 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 cost (average method) and net realisable value and are charged to production costs whenever consumed.

4.5 Investments

- a) Investments in available-for-sale securities are stated at fair value. Changes in the carrying amounts of securities are recorded as a separate item in shareholders' equity until the securities are sold, when the changes are then included in determining income.
- b) Investments in debt securities, both due within one year and expected to be held to maturity, are recorded at amortised cost. The premium/discount on debt securities is amortised by the effective rate method with the amortised amount presented as an adjustment to the interest income.
- c) 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).
- d) Investments in associated companies in the financial statements in which the equity method is applied are accounted for under the equity method. Investments in associated companies in the separate financial statements are accounted for under the cost method.

The fair value of marketable securities is based on the latest bid price at the balance sheet date as quoted on the stock exchange.

The weighted average method is used for computation of the cost of investments.

In the event the Company reclassifies investments in securities, such investments are adjusted to their fair value as at the reclassification date. Differences between the carrying amount of the investments and their fair value on that date are included in determining income or recorded as surplus (deficit) from change in the value of investments in shareholders' equity, depending on the type of investment which is reclassified.

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 financial statements in which the equity method is applied.

4.6 Property, plant and equipment/Depreciation

Land is stated at cost. Plant 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 improvements	-	20	years
Machinery and equipment	-	5, 10	years
Furniture, fixtures and office equipment	-	5	years
Computer equipment	-	3	years
Motor vehicles	-	5	years

Depreciation is included in determining income.

No depreciation is provided on land and construction in progress.

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 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.

A summary of the intangible assets with finite useful lives is as follows:

	<u>Useful lives</u>
Computer software	3 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 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.

Gains and losses on exchange are included in determining income.

4.11 Translation of foreign currency financial statements

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

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, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in 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.

Provision for employee retirement benefits is presented as non-current liabilities in the balance sheet, and determined in accordance with the basis and conditions stipulated in the regulations of the Company.

4.15 Income tax

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

4.16 Derivatives

Forward exchange contracts

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling at the balance sheet date. Gains and losses from the translation are included in determining income. Premiums or discounts on forward exchange contracts are amortised on a straight-line basis over the contract periods.

5. Use of accounting estimates

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

6. 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.

Balance of the trade accounts receivable as at 30 September 2010 included trade accounts receivable discounted with a bank amounting to Baht 59.6 million.

7. Related party transactions

During the years, 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.

	2010	2009	(Unit: Million Baht) Transfer Pricing Policy
<u>Transactions with associated companies</u>			
Sales of goods	32	5	With reference to market prices
Dividend income	119	35	By resolution of the meeting of shareholders
Other income	3	3	By mutual agreement
Purchases of raw materials	625	450	With reference to market prices
<u>Transactions with related companies</u>			
Sales of goods	2,123	1,640	With reference to market prices
Dividend income	12	8	By resolution of the meeting of shareholders
Interest income	8	8	6 percent per annum
Purchases of raw materials	1,889	1,358	With reference to market prices
Other expenses	2	2	By mutual agreement
<u>Transactions with directors</u>			
Advisory fees and other expenses	14	6	By mutual agreement

The balances of the accounts as at 30 September 2010 and 2009 between the Company and those related companies are as follows:

		(Unit: Baht)
	<u>2010</u>	<u>2009</u>
<u>Trade accounts receivable - related parties</u>		
<i><u>Associated companies</u></i>		
- PT Indo Liberty Textiles	-	1,926,124
- Thai Acrylic Fibre Co., Ltd.	-	64,200
- Aditya Birla Chemicals (Thailand) Ltd.	13,459,236	-
<i><u>Related companies</u></i>		
- Indo-Thai Synthetics Co., Ltd.	416,968,105	395,283,386
- Indophil Textile Mills, Inc.	65,642,533	63,547,475
- PT Elegant Textile Industry	11,403,970	98,894,956
- PT Sunrise Bumi Textiles	-	1,940,544
Total	<u>507,473,844</u>	<u>561,656,685</u>
<u>Amounts due from related parties</u>		
<i><u>Associated companies</u></i>		
- Thai Acrylic Fibre Co., Ltd.	-	105,226
- Thai Carbon Black Plc.	4,188,660	810,000
<i><u>Related companies</u></i>		
- Indo-Thai Synthetics Co., Ltd.	14,090	105,226
- AV Cell Inc.	-	8,287,056
Total	<u>4,202,750</u>	<u>9,307,508</u>
<u>Long-term loan to related party</u>		
<i><u>Related company</u></i>		
- AV Cell Inc.	130,927,500	138,117,600
Total	<u>130,927,500</u>	<u>138,117,600</u>
<u>Trade accounts payable - related parties</u>		
<i><u>Associated companies</u></i>		
- Thai Carbon Black Plc.	109,920,335	43,107,400
- Aditya Birla Chemicals (Thailand) Ltd.	256,884	2,157,205
<i><u>Related companies</u></i>		
- AV Nackawic Inc.	62,696,445	-
- AV Cell Inc.	81,633,468	73,021,814
- Grasim Industries Limited	799,200	-
- PT Sunrise Bumi Textiles	25,824	-
Total	<u>255,332,156</u>	<u>118,286,419</u>

		(Unit: Baht)
	<u>2010</u>	<u>2009</u>
<u>Amounts due to related parties</u>		
<u>Related companies</u>		
- Birla Management Centre Service Ltd.	114,961	-
- Thai Peroxide Co., Ltd.	13,927	-
Total	<u>128,888</u>	<u>-</u>

During the year ended 30 September 2010, movements of loans to related parties were as follows:

				(Unit: Baht)
	Balance as at 30 September 2009	During the year		Balance as at 30 September 2010
		Increase	Decrease	
				Unrealised loss on exchange rate
<u>Short-term loan to related party</u>				
<u>Related company</u>				
- Indo-Thai Synthetics Co., Ltd.	-	25,000,000	(25,000,000)	-
<u>Long-term loan to related party</u>				
<u>Related company</u>				
- AV Cell Inc.	138,117,600	-	-	(7,190,100)
				<u>130,927,500</u>

The long-term loan to AV Cell Inc. represents lending in Canadian dollars of CAD 4.5 million, bearing interest at a rate of 6 percent per annum. The loan is repayable when AV Cell Inc. fully repays loans to the Provincial Government of New Brunswick, Canada, under a loan agreement maturing in 2017.

Guarantee obligations with related party

The Company has outstanding guarantee obligations with its related party, as described in Note 22.4 a) to the financial statements.

8. Inventories

		(Unit: Baht)
	<u>2010</u>	<u>2009</u>
Finished goods	535,534,989	230,601,794
Raw materials	570,378,040	207,824,025
Spare parts and factory supplies	140,959,198	114,717,403
Materials in transit	464,166,735	341,607,531
Total	<u>1,711,038,962</u>	<u>894,750,753</u>

9. Investments in associated companies

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

Nature of business	Paid-up capital		Shareholding percentage		Financial statements in which the equity method is applied		Separate financial statements	
	2010	2009	2010	2009	2010	2009	2010	2009
			(%)	(%)				
(Unit: Baht)								
PT Indo Liberty Textiles (Registered in Indonesia)	Manufacture of synthetic yarn	IDR 42,549 million	IDR 42,549 million	40.00	40.00	369,641,469	358,060,879	197,908,850
Aditya Birla Chemicals (Thailand) Ltd.	Manufacture of chemical products	Baht 1,700 million	Baht 1,700 million	29.98	29.98	1,941,860,885	1,717,877,784	509,606,050
Thai Acrylic Fibre Co., Ltd.	Manufacture of acrylic fiber	Baht 713 million	Baht 713 million	30.00	30.00	890,537,816	751,107,590	407,215,190
Thai Carbon Black Plc.	Manufacture of carbon black	Baht 300 million	Baht 300 million	24.98	24.98	2,295,146,139	1,990,221,600	236,336,633
Thai Polyphosphate and Chemicals Co., Ltd.	Manufacture of phosphate	Baht 125 million	Baht 125 million	49.00	49.00	1,587,669,657	1,409,485,159	64,062,500
Birla Lao Pulp & Plantations Ltd. (Registered in the Lao PDR)	Manufacture of pulp	USD 25 million	USD 20 million	30.00	30.00	224,765,691	196,018,556	209,117,400
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	715,497,999	825,368,836	914,496,386
Total investments in associated companies					8,025,119,656	7,248,140,404	2,587,080,509	2,538,743,009

(Unit: Baht)

Company's name	Financial statements		Separate financial statements	
	in which the equity method is applied			
	Share of income (loss) from investments		Dividend received	
	in associates during year		during year	
	2010	2009	2010	2009
PT Indo Liberty Textiles	18,966,039	40,075,940	1,847,752	1,543,483
Aditya Birla Chemicals (Thailand) Ltd.	274,943,706	69,744,969	50,960,605	-
Thai Acrylic Fibre Co., Ltd.	175,916,273	(113,500,519)	21,373,173	-
Thai Carbon Black Plc.	349,887,039	(4,116,303)	44,962,500	33,721,875
Thai Polyphosphate and Chemicals Co., Ltd.	178,184,498	41,268,432	-	-
Birla Lao Pulp & Plantations Ltd.	(8,767,676)	(7,363,827)	-	-
Birla Jingwei Fibres Co., Ltd.	(59,248,736)	(81,999,159)	-	-
Total	929,881,143	(55,890,467)	119,144,030	35,265,358

Financial information of the aforementioned associates is as follows:

Company's name	Paid-up capital		Total assets		Total liabilities		Total revenues		Net income (loss)	
	as at		as at		as at		for the		for the	
	30 September		30 September		30 September		year ended		year ended	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
PT Indo Liberty Textiles	495	495	1,505	1,404	424	357	1,995	1,500	47	100
Aditya Birla Chemicals (Thailand) Ltd.	1,700	1,700	8,450	7,081	1,927	1,288	10,123	8,447	917	233
Thai Acrylic Fibre Co., Ltd.	713	713	5,151	5,194	2,182	2,690	8,427	5,386	586	(378)
Thai Carbon Black Plc.	300	300	10,027	8,748	1,099	1,005	8,695	5,661	1,401	(16)
Thai Polyphosphate and Chemicals Co., Ltd.	125	125	3,240	2,882	-	1	364	88	364	84
Birla Lao Pulp & Plantations Ltd.	859	697	776	673	26	19	3	3	(29)	(24)
Birla Jingwei Fibres Co., Ltd.	1,847	1,847	3,220	2,697	1,868	1,123	2,310	1,675	(120)	(165)

As at 30 September 2010, the fair value of investment in Thai Carbon Black Plc., a listed company on the Stock Exchange of Thailand, amounted to approximately Baht 2,416.7million (2009: Baht 1,401.3 million).

In 2005, the Company, together with overseas group companies, established a company in the Lao PDR, known as Birla Lao Pulp & Plantations Ltd., to engage in eucalyptus tree plantation suitable for pulp production. The Company undertook to invest USD 7.5 million to acquire a 30 percent shareholding in this company. Up to 30 September 2010, a total of USD 7.5 million, or equivalent to approximately Baht 257.5 million, has been paid for the investment.

10. Other long-term investments

(Unit: Baht)

	Financial statements			
	in which the equity method is applied		Separate financial statements	
	2010	2009	2010	2009
<u>Investment in available-for-sale securities</u>				
<u>Global Depository Receipts (GDRs)</u>				
Grasim Industries Limited	54,699,626	126,531,636	54,699,626	126,531,636
UltraTech Cement Limited	71,832,010	-	71,832,010	-
	<u>126,531,636</u>	<u>126,531,636</u>	<u>126,531,636</u>	<u>126,531,636</u>
Add: Unrealised gain from changes in fair value of investment	604,493,940	613,187,754	604,493,940	613,187,754
	<u>731,025,576</u>	<u>739,719,390</u>	<u>731,025,576</u>	<u>739,719,390</u>
<u>Investments in securities held to maturity</u>				
<u>Debentures</u>				
ICICI Bank Limited	10,018,376	-	10,018,376	-
<u>Investment units</u>				
K Indian Fixed Income 2 Years A fund	25,000,000	-	25,000,000	-
	<u>35,018,376</u>	<u>-</u>	<u>35,018,376</u>	<u>-</u>
<u>General investments</u>				
<u>Ordinary shares</u>				
Indo-Thai Synthetics Co., Ltd.	42,174,078	42,174,078	42,174,078	42,174,078
AV Cell Inc.	203,917,000	203,917,000	203,917,000	203,917,000
AV Nackawic Inc.	341,588,483	282,023,483	341,588,483	282,023,483
Alexandria Fiber Co., S.A.E.	166,335,358	166,335,358	266,794,314	266,794,314
Others	20,000	6,350,000	20,000	6,350,000
<u>Preference shares</u>				
Thai Peroxide Co., Ltd.	6,500,000	6,500,000	6,500,000	6,500,000
AV Nackawic Inc.	82,174,073	82,174,073	82,174,073	82,174,073
	<u>842,708,992</u>	<u>789,473,992</u>	<u>943,167,948</u>	<u>889,932,948</u>
Total other long-term investments	<u>1,608,752,944</u>	<u>1,529,193,382</u>	<u>1,709,211,900</u>	<u>1,629,652,338</u>

In 2005, the Company, together with overseas group companies, established a company in Canada, known as AV Nackawic Inc., to acquire the assets of a bankrupt pulp mill with a view to manufacturing and selling pulp. As at 30 September 2010, the Company's equity interest in AV Nackawic Inc. is 19.0%, consisting of 52,250 ordinary shares of CAD 200 each (2009: 42,750 ordinary shares of CAD 200 each).

In November 2008, 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, non-participative and redeemable preference shares, that entitle the Company to receive dividend at a rate of 6% per annum, in years in which dividend is declared. Subsequently, on 29 June 2010, a meeting of the Board of Directors of the Company approved an amendment to the conditions of preference shares to make them 6% non-cumulative, redeemable, participative and non-voting preference shares.

In May 2010, the Company invested USD 0.3 million in the debentures of ICICI Bank Limited, or equivalent to approximately Baht 10.0 million. These debentures carry interest at a rate of 6.625% per annum and will mature on 3 October 2012.

In July 2010, the Company invested Baht 25 million in K Indian Fixed Income 2 Years A Fund, which is managed by Kasikorn Asset Management Limited.

During the current year, Grasim Industries Limited ("Grasim") has undergone a business restructuring whereby its cement business has been transferred to its subsidiary company, UltraTech Cement Limited ("UltraTech"). As a consequence of the restructuring, the Company has received 109,999 units of UltraTech GDRs. The original cost of the investment in Grasim of Baht 126.5 million has been apportioned between the Grasim GDRs and UltraTech GDRs on a basis determined by Grasim.

During the current year, the Company disposed of its investment in the ordinary shares of South East Asian Export and Services Corp. Inc. with a cost of Baht 6.3 million. The Company recognised the gain of Baht 8.7 million from the sale of the investment as other income in the income statements.

11. Property, plant and equipment

(Unit: Baht)

	Land	Buildings and improvements	Machinery and equipment	Furniture, fixtures and office equipment	Computer equipment	Motor vehicles	Construction in progress	Total
Cost								
30 September 2009	206,346,277	810,492,452	4,966,183,747	34,383,469	24,226,243	30,738,853	187,496,563	6,259,867,604
Purchases	-	26,142,337	97,699,449	2,531,609	1,573,570	4,965,239	103,354,989	236,267,193
Disposals/write off	-	(775,124)	-	-	(2,443,204)	(3,735,875)	-	(6,954,203)
Transfer in/(Transfer out)	-	56,444,826	116,484,192	8,120	-	-	(172,937,138)	-
30 September 2010	206,346,277	892,304,491	5,180,367,388	36,923,198	23,356,609	31,968,217	117,914,414	6,489,180,594
Accumulated depreciation								
30 September 2009	-	278,533,911	2,109,636,423	30,349,785	17,929,954	25,356,225	-	2,461,806,298
Depreciation for the year	-	36,322,764	509,198,477	1,402,125	3,989,993	2,248,435	-	553,161,794
Disposals/write off	-	(775,123)	-	-	(2,443,155)	(3,735,870)	-	(6,954,148)
30 September 2010	-	314,081,552	2,618,834,900	31,751,910	19,476,792	23,868,790	-	3,008,013,944
Net book value								
30 September 2009	206,346,277	531,958,541	2,856,547,324	4,033,684	6,296,289	5,382,628	187,496,563	3,798,061,306
30 September 2010	206,346,277	578,222,939	2,561,532,488	5,171,288	3,879,817	8,099,427	117,914,414	3,481,166,650
Depreciation for the year								
2009								514,118,860
2010								553,161,794

As at 30 September 2010, certain plant and equipment items have been fully depreciated but were still in use. The original cost of those assets amounted to approximately Baht 1,573 million (2009: Baht 1,514 million).

12. Intangible assets

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

	(Unit: Baht)	
	<u>2010</u>	<u>2009</u>
Cost	14,492,059	13,705,817
Accumulated amortisation	<u>(5,131,626)</u>	<u>(385,433)</u>
Net book value	<u>9,360,433</u>	<u>13,320,384</u>
Amortisation expenses included in the income statements for the year	<u>4,746,193</u>	<u>385,433</u>

13. Bank overdrafts and short-term loans from financial institutions

		(Unit: Baht)	
	<u>Interest rate</u>	<u>2010</u>	<u>2009</u>
	(percent per annum)		
Bank overdrafts	MOR	-	5,977,549
Short-term loan from financial institution	0.85	213,904,600	-
Accounts payable - factoring	0.95	<u>59,567,558</u>	<u>-</u>
Total		<u>273,472,158</u>	<u>5,977,549</u>

Short-term loan from financial institution as at 30 September 2010 represented US dollar loan of USD 7.0 million, which is repayable at call.

14. 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.

15. Expenses by nature

Significant expenses by nature are as follows:

		(Unit: Baht)
	<u>2010</u>	<u>2009</u>
Salary and wages and other employee benefits	481,112,292	452,770,601
Depreciation and amortisation	558,359,992	515,005,793
Reversal of loss on diminution in value of inventories	-	(279,449,800)
Power and steam consumptions	655,366,250	472,919,337
Raw materials and consumables used	5,920,517,787	4,039,767,135
Changes in inventories of finished goods and work in progress	(304,933,195)	77,448,612

16. Corporate income tax

During the years 2007 to 2008, the Company invested in the project to manufacture carbon disulphide and exercised its right to an income tax exemption for the amounts invested in this project, in accordance with Royal Decree No. 460 and the Notification of the Director-General of the Revenue Department concerning Income Tax No. 156. In February 2009, the Company decided to utilise the project assets in its promoted operations too, and this is contrary to the conditions stipulated in the notification. As a result, the Company has paid an additional tax amounting to approximately Baht 50 million in respect of the corporate income tax of the prior years that was exempted under the above Royal Decree. Such additional tax is charged to the income statement for the year ended 30 September 2009.

17. Promotional privileges

The Board of Investment has granted the Company promotional privileges under the Investment Promotion Act B.E. 2520, in accordance with the promotion certificates No. 1779(2)/2548, No. 1752(2)/2550 and No. 1845(2)/2551 for the manufacture of viscose rayon staple fibre and sodium sulphate. Subject to certain imposed conditions, the privileges include an exemption from corporate income tax on taxable profit from the promoted operations for a period of 3 years commencing as from the dates of first earning operating income (1 April 2007, 1 October 2008 and 16 April 2009, respectively). The promotion certificate No. 1779(2)/2548 has already expired on 31 March 2010.

The Company's sales for the years ended 30 September 2010 and 2009 divided according to promoted and non-promoted operations are summarised below.

(Unit: Baht)

	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	2,083,160,892	1,432,242,463	1,844,322,655	1,478,790,386	3,927,483,547	2,911,032,849
Export sales	3,571,856,434	2,334,720,806	2,828,173,676	968,687,839	6,400,030,110	3,303,408,645
Total sales	<u>5,655,017,326</u>	<u>3,766,963,269</u>	<u>4,672,496,331</u>	<u>2,447,478,225</u>	<u>10,327,513,657</u>	<u>6,214,441,494</u>

18. Basic 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.

19. Dividends

During 2010, the Company paid dividend, in respect of earnings for the year ended 30 September 2009, of Baht 1.00 per share to its shareholders, or a total of approximately Baht 201.60 million. This dividend payment was approved by the resolution of the Annual General Meeting of Shareholders No. 17/2009 held on 28 January 2010.

During 2009, the Company paid dividend, in respect of earnings for the year ended 30 September 2008, of Baht 1.30 per share to its shareholders, or a total of approximately Baht 262.08 million. This dividend payment was approved by the resolution of the Annual General Meeting of Shareholders No. 16/2008 held on 30 January 2009.

20. Financial information by segment

The Company's operations involve a single industry segment i.e. the manufacture and distribution of viscose rayon staple fiber and by-products for both domestic and export markets. For the year ended 30 September 2010, export sales represented approximately 62 percent (2009: 53 percent) of total sales. The Company's operations are carried on in a single geographic area in Thailand. As a result, all of the revenues, earnings and assets as reflected in these financial statements pertain to the aforementioned business segment and geographic area.

21. Provident fund

The Company and its employees have jointly registered a provident fund scheme under Provident Fund Act. B.E. 2530. The fund is contributed by both employees and the Company. The fund is managed by MFC Asset Management Public Company Limited and will be paid to the employees upon termination in accordance with the rules of the Company's staff provident fund. During the year ended 30 September 2010, the Company contributed approximately Baht 9.5 million (2009: Baht 9.3 million) to the fund.

22. Commitments and contingent liabilities

22.1 Capital commitments

As at 30 September 2010, the Company had capital commitments of approximately Baht 48.8 million (2009: Baht 35.9 million) relating to the acquisition of lands, construction of factory buildings, acquisition and installation of machinery and equipment.

22.2 Long-term Pulp Purchase agreement

The Company entered into the Pulp Purchase Agreement with an overseas company for the procurement of up to 75,000 metric tons of pulp per year, at prices to be determined in accordance the provisions of the agreement, which is for a period of 5 years commencing from 1 June 2009.

On 31 March 2010, the Company has entered into the Pulp Purchase Agreements with AV Cell Inc. and AV Nackawic Inc. for the procurements of up to 48,000 and 15,000 metric tons of pulp per year, at prices to be determined in accordance the provisions of the agreements, which are for a period of 5 years commencing from 1 April 2010.

22.3 Long-term service agreement

In 1987, the Company entered into a royalty agreement with an overseas company, who agreed to provide, among other things, technical know-how and assistance relating to the manufacture of rayon staple fibre and allied products to the Company for a fee calculated at a percentage of product sales. The agreement will expire on 31 March 2014.

22.4 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 (2009: USD 4.6 million) to the lending financial institutions for this related company.
- b) As at 30 September 2010, there were outstanding bank guarantees of approximately Baht 16.2 million (2009: Baht 34.6 million) issued by the banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business.

23. Financial instruments

23.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No. 32 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, loans, investments and bank overdrafts. 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, loans 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. The maximum exposure to credit risk is limited to the carrying amounts of receivables, loans and other receivables as stated in the balance sheet.

Interest rate risk

The Company's exposure to interest rate risk relates primarily to its cash at banks, current investments, loans and bank overdrafts. 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 30 September 2010 classified by type of interest rates 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.

	Fixed interest rates						
	Within		Over	Floating	Non-interest		
	1 year	1-5 years	5 years	interest rate	bearing	Total	Interest rate
	(Million Baht)						(% p.a.)
Financial assets							
Cash and cash equivalents	2,605.0	-	-	33.9	1.0	2,639.9	0.10 - 1.80
Current investments	355.4	25.0	-	-	-	380.4	1.00 - 3.05
Trade accounts receivable	-	-	-	-	1,166.0	1,166.0	-
Investments in debentures	-	10.0	-	-	-	10.0	6.625
Investments in investment units	-	-	-	-	25.0	25.0	-
Long-term loan to related party	-	-	130.9	-	-	130.9	6.00
	2,960.4	35.0	130.9	33.9	1,192.0	4,352.2	
Financial liabilities							
Short-term loans from financial institution	273.5	-	-	-	-	273.5	0.85 - 0.95
Trade accounts payable	-	-	-	-	544.7	544.7	-
	273.5	-	-	-	544.7	818.2	

Foreign currency risk

The Company's exposure to foreign currency risk arises mainly from trading transactions, investments in overseas associated and related companies and lendings 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 30 September 2010 are summarised below.

Foreign currency	Financial assets	Financial liabilities	Average exchange rate as at 30 September 2010
	(Million)	(Million)	(Baht per 1 foreign currency unit)
US dollar	46.1	15.0	30.36675
Euro	0.8	0.1	41.34350
Indonesian rupiah	123,831.6	-	0.00339
Canadian dollar	23.5	-	29.39720
Egyptian pound	25.2	-	5.32845
Renminbi	153.7	-	4.52805
KIP	57,632.2	-	0.00375

Foreign exchange contracts outstanding at 30 September 2010 are summarised below.

Foreign currency	Sold amount	Contractual exchange rate
	(Million)	(Baht per 1 foreign currency unit)
US dollar	61.7	30.6200 - 32.6200
Euro	1.6	39.7380 - 40.4300

23.2 Fair values of financial instruments

Since the majority of the Company's financial instruments are short-term in nature or bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in the balance sheets.

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.

24. 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 30 September 2010, the debt-to-equity ratio for the financial statements in which the equity method is applied was 0.07:1 (2009: 0.04:1) and the debt-to-equity ratio for the separate financial statements was 0.10:1 (2009: 0.06:1).

25. 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.

26. Approval of financial statements

These financial statements were authorised for issue by the Company's authorised directors on 16 November 2010.