

Thai Plaspac Public Company Limited
Notes to financial statements
For the years ended 31 December 2010 and 2009

1. General information

Thai Plaspac Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The major shareholder is Modernform Group Public Company Limited, which was incorporated in Thailand. The Company is principally engaged in the manufacture and distribution of plastic packaging and its registered address is located at 68/46 Moo 8, Thakam, Bang Khun Thian, Bangkok.

2. Basis of preparation

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 30 January 2009, issued under the Accounting Act B.E. 2543.

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

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

3. Adoption of new accounting standards

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

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

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

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows

TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property
TFRS 2	Share-based Payment
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources
TFRIC 15	Agreements for the Construction of Real Estate

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

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standards which management expects the significant impact on the financial statements in the year when they are adopted.

TAS 19 Employee Benefits

This accounting standard requires employee benefits to be recognised as expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment benefits or liabilities arising from other defined benefit plans using actuarial techniques. Currently, the Company accounts for such employee benefits when they are incurred.

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

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognize deferred tax assets and liabilities under the stipulated guidelines.

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

4. Significant accounting policies

4.1 Revenue recognition

a) 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.

b) Interest income

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

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 (if any) 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 are valued at the lower of standard cost (which approximates actual cost) and net realisable value. Standard cost includes all production costs and attributable factory overheads.

Raw materials, packaging and supplies are valued at the lower of cost (first-in, first-out) and net realisable value and are charged to the production costs whenever consumed.

4.5 Cost of molds

The Company records costs of molds as assets. Costs of molds with an expected remaining useful life of not more than 1 year are recorded as current assets, while costs of molds with an expected remaining useful life of more than 1 year are recorded as other assets. Costs of molds are amortised to cost of goods sold as goods are delivered to its customers.

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

Building and building improvement	-	20 years
Furniture and office equipment	-	5 years
Machinery and equipment	-	5 years and 10 years
Motor vehicles	-	5 years

Depreciation is included in determining income.

No depreciation is provided on land and land improvement and assets under construction.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

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/Amortisation

Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

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	5 years and 10 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 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 Hire purchase agreement

The Company recorded motor vehicles under hire purchase agreement as assets and liabilities in the balance sheets at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease. The interest charge is recorded to periods during the lease term on the remaining balance of the liability for each period.

4.11 Foreign currencies

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the balance sheet date.

Gains and losses on exchange are included in determining income.

4.12 Impairment of assets

At each reporting date, the Company performs impairment reviews in respect of the property, plant and equipment, intangible assets and other 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.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

4.13 Employee benefits

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

4.14 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

4.15 Income tax

Income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

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. 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. 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 follows:

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.

Allowance for diminution in value of inventory

In determining an allowance for diminution in value of inventory, the management needs to exercise judgment in making estimates based upon the condition of goods and the duration such goods have remained in stock.

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 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)

	<u>2010</u>	<u>2009</u>	<u>Transfer pricing policy</u>
Sales of goods	0.9	0.8	Close to market price
Purchases of goods	0.5	0.4	Close to market price
Consultant fee	1.2	1.2	Baht 1.2 million per year
Professional fee	0.2	-	Baht 0.2 million per year
Interest expense	0.5	-	Interest rate at three-month fixed deposit plus 1.50 - 2.50 percent per annum
Dividend paid	26.9	19.2	As declared

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

(Unit: Baht)

	<u>Relationship</u>	<u>2010</u>	<u>2009</u>
<u>Trade accounts receivable - related company</u>			
Modernform Group Public Company Limited	Common shareholders and common directors	<u>215,371</u>	<u>273,939</u>
<u>Trade accounts payable - related company</u>			
Modernform Group Public Company Limited	Common shareholders and common directors	<u>402,989</u>	<u>42,972</u>

During 2010, movements of short-term loan and accrued interest payable to a related company were as follows:

(Unit: Baht)

	Balance	During the period		Balance	Interest charging
	as at			as at	
	1 January	Increase	Decrease	31 December	
	2010			2010	policy
Short-term loan and accrued interest payable to a related party					
Modernform Group Public Company Limited	-	50,496,438	(50,496,438)	-	Interest rate at three-month fixed deposit plus 1.50 - 2.50 percent per Annum
Total	<u>-</u>	<u>50,496,438</u>	<u>(50,496,438)</u>	<u>-</u>	

Directors and management's remuneration

In 2010, the Company paid salaries, bonus, meeting allowances and gratuities to its directors and management totaling Baht 12.8 million (2009: Baht 10.0 million).

7. Cash and cash equivalent

(Unit: Baht)

	<u>2010</u>	<u>2009</u>
Cash	77,347	70,000
Cash at banks	<u>13,104,697</u>	<u>8,676,828</u>
Total	<u><u>13,182,044</u></u>	<u><u>8,746,828</u></u>

As at 31 December 2010, bank deposits in saving accounts carried interests between 0.25 and 0.75 percent per annum (2009: between 0.50 and 0.75 percent per annum).

8. Trade accounts receivable

The balances of trade accounts receivable as at 31 December 2010 and 2009, aged on the basis of due dates, are summarised below.

	(Unit: Baht)	
<u>Age of receivables</u>	<u>2010</u>	<u>2009</u>
Not yet due	200,923,997	187,519,762
Past due		
Up to 3 months	89,406,472	74,319,571
Up to 6 months	<u>125,689</u>	<u>2,199,989</u>
Total	290,456,158	264,039,322
Less: Allowance for doubtful accounts	<u>-</u>	<u>-</u>
Trade accounts receivable	<u>290,456,158</u>	<u>264,039,322</u>

9. Inventories

	(Unit: Baht)					
	Cost		Allowance for diminution in value of inventories		Inventory - net	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Finished goods	33,072,474	26,980,281	(342,602)	(144,459)	32,729,872	26,835,822
Raw materials	35,832,888	29,198,161	(680,229)	(1,440,953)	35,152,659	27,757,208
Packing materials	5,266,591	3,692,546	(44,944)	(55,504)	5,221,647	3,637,042
Spare parts and factory supplies	<u>1,994,216</u>	<u>1,645,162</u>	<u>-</u>	<u>-</u>	<u>1,994,216</u>	<u>1,645,162</u>
Total	<u>76,166,169</u>	<u>61,516,150</u>	<u>(1,067,775)</u>	<u>(1,640,916)</u>	<u>75,098,394</u>	<u>59,875,234</u>

10. Property, plant and equipment

(Unit: Baht)

	Land and land improvement	Building and building improvement	Furniture and office equipment	Machinery and equipment	Motor vehicles	Assets under construction	Total
Cost:							
31 December 2009	21,374,711	120,444,895	9,193,004	617,670,494	8,845,529	11,583,056	789,111,689
Additions	23,927,360	2,271,208	1,217,488	93,921,699	937,112	30,644,096	152,918,963
Disposals/written-off	-	-	(1,445,725)	(24,178,160)	(794,509)	-	(26,418,394)
Adjustment	-	-	(35,000)	(450,502)	-	-	(485,502)
Transfers in (out)	3,053,114	39,174,038	-	-	-	(42,227,152)	-
31 December 2010	48,355,185	161,890,141	8,929,767	686,963,531	8,988,132	-	915,126,756
Accumulated depreciation:							
31 December 2009	-	54,201,546	7,139,839	378,247,288	7,315,014	-	446,903,687
Depreciation for the year	-	5,997,183	740,697	46,299,239	664,838	-	53,701,957
Depreciation on disposals/ written-off	-	-	(1,445,595)	(23,945,023)	(794,507)	-	(26,185,125)
31 December 2010	-	60,198,729	6,434,941	400,601,504	7,185,345	-	474,420,519
Allowance for impairment loss:							
31 December 2009	-	-	-	2,438,640	-	-	2,438,640
Increase during the year	-	-	-	137,391	-	-	137,391
31 December 2010	-	-	-	2,576,031	-	-	2,576,031
Net book value:							
31 December 2009	21,374,711	66,243,349	2,053,165	236,984,566	1,530,515	11,583,056	339,769,362
31 December 2010	48,355,185	101,691,412	2,494,826	283,785,996	1,802,787	-	438,130,206
Depreciation for the year							
2009 (Baht 46.9 million included in manufacturing cost, and the balance in selling and administrative expenses)							48,744,864
2010 (Baht 51.7 million included in manufacturing cost, and the balance in selling and administrative expenses)							53,701,957

As at 31 December 2010, certain equipment items have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 258.0 million (2009: Baht 276.6 million).

The Company has pledged its land and construction thereon and part of its machinery amounting to approximately Baht 179.9 million (2009: Baht 134.4 million) as collateral against bank overdrafts, short-term loans, long-term loans and credit facilities received from financial institutions.

11. Intangible assets

Details of intangible assets which are software are as follows

	(Unit: Baht)	
	<u>2010</u>	<u>2009</u>
Cost	2,640,290	2,259,690
Additions	50,000	380,600
Written-off	(113,310)	
Accumulated amortisations	<u>(804,103)</u>	<u>(668,928)</u>
Net book value	<u>1,772,877</u>	<u>1,971,362</u>
Amortisation expenses included in the income statements for the years	<u>248,481</u>	<u>254,892</u>

12. Short-term loans from financial institutions

		(Unit: Baht)	
	Interest rate (percent per annum)	<u>2010</u>	<u>2009</u>
Short-term loans from financial institutions	2.10	50,000,000	6,000,000
Trust receipt	4.00	<u>27,202,919</u>	<u>8,024,230</u>
Total		<u>77,202,919</u>	<u>68,024,230</u>

Bank overdrafts are secured by the mortgage of the Company's land and construction thereon, and short-term loans from financial institutions are guaranteed by the Company's directors and secured by the mortgage of the Company's land and construction thereon as well as the pledge of part of its machinery.

13. Long-term loans

			(Unit: Baht)		
	Repayment	Repayment period	Interest rate (percent per annum)	2010	2009
Financial Institution I					
Credit line of Baht 2.4 million	Principal is repayable monthly.	July 2007 to June 2012	MLR minus 1.5 percent	760,977	1,274,997
Credit line of Baht 6.7 million	Principal is repayable monthly.	August 2007 to July 2012	MLR minus 1.5 percent	2,097,335	3,527,632

(Unit: Baht)

	Repayment	Repayment period	Interest rate (percent per annum)	2010	2009
Financial Institution II					
Credit line of Baht 30 million	Principal is repayable monthly.	September 2003 to September 2010	MLR minus 1.5 percent in the 1 st - 24 th months and MLR minus 1 percent from the 25 th month onwards	-	3,710,266
Financial Institution III					
Credit line of Baht 12.4 million	Principal is repayable monthly.	January 2007 to June 2011	Prime rate minus 0.5 percent	2,426,076	4,910,076
Credit line of Baht 22.0 million	Principal is repayable monthly.	January 2007 to February 2012	Prime rate minus 0.5 percent	4,367,090	8,783,090
Credit line of Baht 9.2 million	Principal is repayable monthly.	March 2007 to February 2012	Prime rate	2,138,250	3,986,250
Credit line of Baht 13.4 million	Principal is repayable monthly.	August 2007 to July 2012	Prime rate	4,208,666	6,896,666
Credit line of Baht 6.7 million	Principal is repayable monthly.	June 2008 to May 2013	Prime rate minus 1 percent	3,236,148	4,592,148
Financial Institution IV					
Credit line of Baht 54.0 million	Principal is repayable monthly.	December 2008 to November 2013	MLR minus 1.5 percent	31,500,000	42,300,000
Credit line of Baht 13.0 million	Principal is repayable monthly.	February 2009 to January 2014	MLR minus 1.5 percent	8,032,000	10,624,000
Credit line of Baht 46.0 million	Principal is repayable monthly.	January 2010 to January 2016	MLR minus 1.5 percent in the 1 st – 60 th month and MLR minus 0.5 percent from 61 st onwards	38,083,000	12,160,000
Credit line of Baht 20.0 million	Principal is repayable monthly.	July 2010 to June 2015	MLR minus 1.5 percent in the 1 st - 24 th month and MLR minus 1.0 percent from 25 th onward	18,002,000	-
Financial Institution V					
Credit line of Baht 25.0 million	Principal is repayable monthly.	January 2011 to June 2017	MLR minus 1.5 percent	20,638,000	-
Credit line of Baht 30.0 million	Principal is repayable monthly.	March 2011 to February 2018	MLR minus 1.5 percent	4,430,028	-
Credit line of Baht 45.0 million	Principal is repayable monthly.	July 2011 to December 2017	MLR minus 1.5 percent	1,369,751	-
Total				141,289,321	102,765,125
Less: Current portion				(44,653,561)	(39,496,776)
Long-term loans - net				96,635,760	63,268,349

The loans are secured by land and construction thereon and certain machinery of the Company.

The loan agreements contain covenants as specified in the agreements that, among other things, require the Company to maintain certain debt to equity and debt service coverage ratios according to the agreements.

As at 31 December 2010, the long-term credit facilities of the Company which have not yet been drawn down amounted to Baht 73.8 million (2009: 53.8 million).

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. 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.

16. Dividend payment

		(Unit: Baht)	
	Approved by	Total dividends	Dividend per share
Dividend from the operating results of the year 2008	Annual General Meeting of the shareholders on 23 April 2009	40,000,000	0.40
Total dividends for 2009		<u>40,000,000</u>	<u>0.40</u>
Dividend from the operating results of the year 2009	Annual General Meeting of the shareholders on 28 April 2010	56,000,000	0.56
Total dividends for 2010		<u>56,000,000</u>	<u>0.56</u>

17. Expenses by nature

Significant expenses by nature are as follow:

	(Unit: Baht)	
	<u>2010</u>	<u>2009</u>
Salary, wages and other employee benefits	145,250,227	129,791,782
Depreciation and amortisation	64,724,608	59,720,962
Raw materials and consumables used	667,943,308	529,444,343
Changes in inventories of finished goods	(6,092,194)	(4,501,354)

18. Corporate income tax

The Company's corporate income tax for the year 2010 and 2009 have been calculated at the rate of 20 percent of net taxable income, after adding back expenses and deducting income which are disallowable for tax computation purpose.

19. 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 Bank of Ayudhaya Public Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2010, the Company contributed Baht 3.0 million (2009: Baht 2.9 million) to the fund.

20. Segment information

The Company's business operations involve a single industry segment, the manufacture and distribution of plastic packaging, and are carried on in the single geographic area of Thailand. As a result, all of the revenues, operating income and assets reflected in these financial statements pertain to the aforementioned industry segment and geographic area. Export sales during 2010 are amounted to Baht 113.0 million (2009: Baht 75.0 million).

21. Commitments and contingent liabilities

21.1 Capital commitments

As at 31 December 2010, the Company had capital commitments totaling approximately USD 0.06 million, SGD 0.6 million, JPY 37 million and Baht 28.1 million (2009: Baht 13.7 million), relating to acquisition of molds and machinery.

21.2 Service commitment

As at 31 December 2010, the Company had the consultant agreement and professional service of Baht 1.4 million with a related company (2009: Baht 1.4 million).

21.3 Guarantees

As at 31 December 2010, there were outstanding bank guarantees for guarantee electricity use of approximately Baht 10.3 million (2009: Baht 8.0 million) issued by banks on behalf of the Company.

As at 31 December 2009, there were outstanding bank guarantees regarding to guarantee payment due to creditors of Baht 0.6 million (2009: Nil).

21.4 Letter of credit

As at 31 December 2010, the Company had unused letters of credit amounting to JPY 30.0 million or approximately Baht 11.2 million.

22. Financial instruments

22.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, short-term loans from financial institutions, trade accounts payable and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

22.1.1 Credit risk

The Company is exposed to credit risk primarily with respect to trade accounts 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 trade accounts receivable as stated in the balance sheet.

22.1.2 Interest rate risk

The Company's exposure to interest rate risk relates primarily to its cash at banks, bank overdrafts and short-term loans from financial institutions and long-term loans. However, since most of the Company's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 31 December 2010 classified by type of interest 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.

(Unit: Million Baht)

	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Effective interest rate (% p.a.)
	Within 1 year	1-5 years	Over 5 years				
<u>Financial assets</u>							
Cash and cash equivalents	-	-	-	9.2	4.0	13.2	0.25 - 0.75
Trade accounts receivable	-	-	-	-	290.5	290.5	
	-	-	-	9.2	294.5	303.7	
<u>Financial liabilities</u>							
Short-term loans from financial institutions	77.2	-	-	-	-	77.2	2.10 - 4.00
Trade accounts payable	-	-	-	-	128.3	128.3	
Payables from purchase of fixed assets	-	-	-	-	31.1	31.1	
Long-term loans	-	-	-	141.3	-	141.3	4.50 - 5.50
	77.2	-	-	141.3	159.4	377.9	

22.1.3 Foreign currency risk

The balances of financial assets denominated in foreign currencies as at 31 December 2010 are summarised below.

<u>Foreign currency</u>	<u>Financial assets</u>	<u>Average exchange rate as at 31 December 2010</u>
	(Thousand)	(Baht per 1 foreign currency unit)
Dollar	573.0	30.0063

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

<u>Foreign currency</u>	<u>Sold amount</u>	<u>Contractual exchange rate (average)</u>
	(Thousand)	(Baht per 1 foreign currency unit)
USD	218.3	29.92-29.97

22.2 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.

23. Capital management

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

According to the balance sheet as at 31 December 2010, the Company's debt-to-equity ratio was 0.97:1 (2009: 0.78:1).

24. Subsequent event

On 23 February 2011, the meeting of the Board of Directors passed a resolution to propose a dividend payment for the year 2010 of Baht 0.60 per share to the Annual General Meeting of the Company's shareholders for their approval. The payment of the final dividend is dependent on an approval being granted by the shareholders.

25. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 23 February 2011.