

INOUE RUBBER (THAILAND) PUBLIC COMPANY LIMITED

**INTERIM CONSOLIDATED AND COMPANY
FINANCIAL STATEMENTS (UNAUDITED)**

31 DECEMBER 2010

AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

To the Shareholders and the Board of Directors of Inoue Rubber (Thailand) Public Company Limited

I have reviewed the accompanying consolidated and company balance sheets of Inoue Rubber (Thailand) Public Company Limited and its subsidiaries and of Inoue Rubber (Thailand) Public Company Limited as at 31 December 2010, and the related consolidated and company statements of income, statements of changes in shareholders' equity, and cash flows for the three-month periods ended 31 December 2010 and 2009. The Company's management is responsible for the correctness and completeness of information in these interim financial statements. My responsibility is to issue a report on these interim financial statements based on my reviews.

I conducted my review in accordance with the standard on auditing applicable to review engagements. This standard requires that I plan and perform a review to obtain moderate assurance as to whether the interim financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit, and accordingly, I do not express an audit opinion.

Based on my reviews, nothing has come to my attention that causes me to believe that the interim financial statements referred to above are not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

I have audited the consolidated and company financial statements for the year ended 30 September 2010 of Inoue Rubber (Thailand) Public Company Limited and its subsidiaries and of Inoue Rubber (Thailand) Public Company Limited in accordance with generally accepted auditing standards and expressed an unqualified opinion on those statements in my report dated 23 November 2010. The consolidated and company balance sheets as at 30 September 2010, presented for comparative purposes are part of the financial statements which I have audited and issued a report thereon as stated above, and I have not performed any other auditing procedures subsequent to the date of that report.



Nattaporn Phan-Udom
Certified Public Accountant (Thailand) No. 3430
PricewaterhouseCoopers ABAS Limited
Bangkok

10 February 2011

Inoue Rubber (Thailand) Public Company Limited and its subsidiaries

Balance Sheets

As at 31 December 2010 and 30 September 2010

	Notes	Consolidated		Company	
		Unaudited 31 December 2010 Baht'000	Audited 30 September 2010 Baht'000	Unaudited 31 December 2010 Baht'000	Audited 30 September 2010 Baht'000
Assets					
Current assets					
Cash and cash equivalents		291,139	200,026	258,036	175,737
Trade accounts receivable					
- related companies	5, 13	248,486	259,477	248,343	259,477
- other companies, net	5	792,302	778,167	792,302	778,167
Inventories, net	6	592,985	526,546	585,016	520,109
Other current assets		28,185	27,645	26,524	26,145
Total current assets		1,953,097	1,791,861	1,910,221	1,759,635
Non-current assets					
Investments in subsidiaries	9	-	-	20,049	20,049
Other long-term investment	10	30,782	30,782	30,782	30,782
Property, plant and equipment, net	7	1,277,140	1,277,966	1,209,594	1,210,906
Intangible assets, net	8	9,164	8,115	2,044	1,789
Other assets		30,147	27,648	29,847	27,648
Total non-current assets		1,347,233	1,344,511	1,292,316	1,291,174
Total assets		3,300,330	3,136,372	3,202,537	3,050,809

Director _____

Director _____

The notes to the interim consolidated and company financial statements on pages 10 to 20 form an integral part of these interim financial statements.

Inoue Rubber (Thailand) Public Company Limited and its subsidiaries

Balance Sheets (Cont'd)

As at 31 December 2010 and 30 September 2010

	Notes	Consolidated		Company	
		Unaudited 31 December 2010 Baht'000	Audited 30 September 2010 Baht'000	Unaudited 31 December 2010 Baht'000	Audited 30 September 2010 Baht'000
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans from financial institutions			-		-
Trade accounts payable					
- related companies	13	204,467	164,391	235,907	195,309
- other companies		832,146	712,153	821,386	704,412
Current portion of long-term loans	11	67,000	68,000	67,000	68,000
Current portion of finance lease obligations		1,498	1,026	1,498	1,026
Income tax payable		45,996	31,301	41,959	29,160
Accrued expenses		32,908	73,939	30,091	68,195
Other current liabilities		32,327	37,935	31,254	37,084
Total current liabilities		1,216,342	1,088,745	1,229,095	1,103,186
Non-current liabilities					
Finance lease obligations		4,145	2,215	4,145	2,215
Long-term loans from financial institutions	11	31,000	47,000	31,000	47,000
Total non-current liabilities		35,145	49,215	35,145	49,215
Total liabilities		1,251,487	1,137,960	1,264,240	1,152,401

The notes to the interim consolidated and company financial statements on pages 10 to 20 form an integral part of these interim financial statements.

Inoue Rubber (Thailand) Public Company Limited and its subsidiaries

Balance Sheets (Cont'd)

As at 31 December 2010 and 30 September 2010

	Notes	Consolidated		Company	
		Unaudited 31 December 2010 Baht'000	Audited 30 September 2010 Baht'000	Unaudited 31 December 2010 Baht'000	Audited 30 September 2010 Baht'000
Liabilities and shareholders' equity (Cont'd)					
Shareholders' equity					
Share capital	12				
Registered share capital		200,000	200,000	200,000	200,000
Issued and fully paid-up share capital		200,000	200,000	200,000	200,000
Share premium	12	298,000	298,000	298,000	298,000
Retained earnings					
Appropriated - legal reserve		20,000	20,000	20,000	20,000
Unappropriated		1,530,835	1,480,405	1,420,297	1,380,408
Total parent's shareholders' equity		2,048,835	1,998,405	1,938,297	1,898,408
Minority interests		8	7	-	-
Total shareholders' equity		2,048,843	1,998,412	1,938,297	1,898,408
Total liabilities and shareholders' equity		3,300,330	3,136,372	3,202,537	3,050,809

The notes to the interim consolidated and company financial statements on pages 10 to 20 form an integral part of these interim financial statements.

Inoue Rubber (Thailand) Public Company Limited and its subsidiaries
Statements of Income (Unaudited)
For the three-month periods ended 31 December 2010 and 2009

	Notes	Consolidated		Company	
		2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
Revenues					
Sales and service income	13	1,396,579	1,252,498	1,396,437	1,252,498
Other income	13	10,310	9,021	10,457	9,256
Total revenues		1,406,889	1,261,519	1,406,894	1,261,754
Expenses					
Cost of sales and service	13	1,278,607	1,074,792	1,293,216	1,078,112
Selling expenses	13	20,869	19,075	20,869	19,075
Administrative expenses		30,275	23,674	29,024	22,362
Managements remuneration	13	6,149	4,796	6,149	4,796
Other expenses		3,275	1,350	3,266	1,350
Total expenses		1,339,175	1,123,687	1,352,524	1,125,695
Profit before financial costs and income tax					
Financial costs		(1,226)	(1,765)	(1,220)	(1,764)
Profit before income tax		66,488	136,067	53,150	134,295
Income tax		(16,057)	(30,817)	(13,261)	(30,612)
Profit for the period		50,431	105,250	39,889	103,683
Attributable to:					
Equity holders of the parent		50,431	105,250	39,889	103,683
Minority interest		-	-	-	-
		50,431	105,250	39,889	103,683
Earnings per share for the attributable to the equity holders of the parent					
Basic earnings per share (Baht)	4	0.25	0.53	0.20	0.52

The notes to the interim consolidated and company financial statements on pages 10 to 20 form an integral part of these interim financial statements.

Inoue Rubber (Thailand) Public Company Limited and its subsidiaries
Statements of Changes in Shareholders' Equity (Unaudited)
For the three-month periods ended 31 December 2010 and 2009

	Consolidated						
	Equity holders of the Company						
	Issued and fully paid-up share capital Baht'000	Share premium Baht'000	Legal reserve Baht'000	Unappropriated retained earnings Baht'000	Minority interest Baht'000	Total Baht'000	Total Baht'000
Balance as at 30 September 2010	200,000	298,000	20,000	1,480,405	7	1,998,405	1,998,412
Net profit for the period	-	-	-	50,431	-	50,431	50,431
Balance as at 31 December 2010	200,000	298,000	20,000	1,530,836	7	2,048,836	2,048,843
Balance as at 30 September 2009	200,000	298,000	20,000	1,255,896	7	1,773,896	1,773,903
Net profit for the period	-	-	-	105,250	-	105,250	105,250
Balance as at 31 December 2009	200,000	298,000	20,000	1,361,146	7	1,879,146	1,879,153

The notes to the interim consolidated and company financial statements on pages 10 to 20 form an integral part of these interim financial statements.

Inoue Rubber (Thailand) Public Company Limited and its subsidiaries
Statements of Changes in Shareholders' Equity (Unaudited) (Cont'd)
For the three-month periods ended 31 December 2010 and 2009

	Company					Total Baht'000
	Issued and fully paid-up share capital Baht'000	Share premium Baht'000	Legal reserve Baht'000	Unappropriated retained earnings Baht'000		
Balance as at 30 September 2010	200,000	298,000	20,000	1,380,408		1,898,408
Net profit for the period	-	-	-	39,889		39,889
Balance as at 31 December 2010	<u>200,000</u>	<u>298,000</u>	<u>20,000</u>	<u>1,420,297</u>		<u>1,938,297</u>
Balance as at 30 September 2009	200,000	298,000	20,000	1,155,170		1,673,170
Net profit for the period	-	-	-	103,683		103,683
Balance as at 31 December 2009	<u>200,000</u>	<u>298,000</u>	<u>20,000</u>	<u>1,258,853</u>		<u>1,776,853</u>

The notes to the interim consolidated and company financial statements on pages 10 to 20 form an integral part of these interim financial statements.

Inoue Rubber (Thailand) Public Company Limited and its subsidiaries

Statements of Cash Flows (Unaudited)

For the three-month periods ended 31 December 2010 and 2009

	Notes	Consolidated		Company	
		2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
Cash flows from operating activities					
Net profit before income tax		66,488	136,067	53,150	134,295
Adjustments for:					
Depreciation	7	63,663	60,995	59,631	56,759
Amortisation	8	748	1,077	184	247
Allowance for obsolete inventories (reversal)		848	(460)	848	(460)
Gain on disposals of property, plant and equipment		361	(955)	361	(955)
Interest income		(508)	(85)	(426)	(59)
Interest expenses		1,147	1,583	1,147	1,582
Changes in operating assets and liabilities					
Trade accounts receivable		(3,144)	(82,424)	(3,002)	(82,947)
Inventories		(67,286)	(56,898)	(65,755)	(56,528)
Other current assets		(1,922)	2,953	(904)	4,500
Other assets		(2,500)	2,633	(2,199)	2,564
Trade accounts payable		158,458	191,199	157,155	195,955
Other current liabilities and accrued expenses		(43,772)	(38,228)	(41,015)	(35,500)
Net cash receipts from operating activities		172,581	217,457	159,175	219,453
Interest received		580	110	490	84
Interest paid		(1,333)	(1,829)	(1,332)	(1,828)
Net cash flows from operating activities		171,828	215,738	158,333	217,709

The notes to the interim consolidated and company financial statements on pages 10 to 20 form an integral part of these interim financial statements.

Inoue Rubber (Thailand) Public Company Limited and its subsidiaries

Statements of Cash Flows (Unaudited) (Cont'd)

For the three-month periods ended 31 December 2010 and 2009

	Notes	Consolidated		Company	
		2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
Cash flows from investing activities					
Purchases of property, plant and equipment		(62,180)	(49,127)	(58,856)	(47,896)
Purchases of intangible assets	8	(1,797)	(80)	(440)	(80)
Proceeds from disposals of property, plant and equipment		593	1,549	593	1,549
Net cash flows from investing activities		(63,384)	(47,658)	(58,703)	(46,427)
Cash flows from financing activities					
Repayment of long-term loans	11	(17,000)	(17,000)	(17,000)	(17,000)
Finance lease obligations		(331)	-	(331)	-
Net cash flows from financing activities		(17,331)	(17,000)	(17,331)	(17,000)
Net increase in cash and cash equivalents		91,113	151,080	82,299	154,282
Cash and cash equivalents, beginning balance		200,026	222,618	175,737	196,831
Cash and cash equivalents, ending balance		291,139	373,698	258,036	351,113

Non-cash transactions

Significant non-cash activities for the three-month periods ended 31 December 2010 and 2009 comprise:

Accounts payable - Property, plant and equipment	1,610	-	417	-
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The notes to the interim consolidated and company financial statements on pages 10 to 20 form an integral part of these interim financial statements.

1 General information

Inoue Rubber (Thailand) Public Company Limited is a public limited company (“the Company”) incorporated and resident in Thailand. Its parent company is Inoue Rubber Company Limited, which was incorporated and resident in Japan. The address of the Company’s registered office is as follows:

No. 258, Soi Rangsit-Nakornnayok 49, Prachathipat Sub-district, Thantyaaburi District, Pathumthani Province, and another factory at No. 157, Moo 5, Phahoyothin Road, Lamsai, Wangnoi, Ayutthaya Province.

The Company is principally engaged in the manufacture and distribution of motorcycle tire and tube and industrial elastomer rubber parts.

The Company is listed on the Stock Exchange of Thailand. For reporting purpose, the Company and its subsidiaries are referred to as the Group.

This group interim consolidated and company financial statements were authorised for issue by the Board of Directors on 10 February 2011.

These group interim consolidated and company financial statements have been reviewed, not audited.

2 Basis of preparation

These interim consolidated and company financial statements are prepared in accordance with Thai generally accepted accounting principles under the Accounting Act B.E. 2543, being those Thai Accounting Standards issued under the Accounting Profession Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission. The primary financial statements (i.e. balance sheets, statements of income, changes in shareholders’ equity and cash flows) are prepared in the full format as required by the Securities and Exchange Commission. The notes to the financial statements are prepared in a condensed format according to Thai Accounting Standard 34 (Revised 2009) “Interim Financial Reporting” and additional notes are presented as required by the Securities and Exchange Commission under the Securities and Exchange Act B.E. 2535.

An English version of the consolidated and company interim financial statements have been prepared from the interim financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language interim financial statements shall prevail.

The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 30 September 2010.

3 Summary of significant accounting policies

New accounting standard, new financial reporting standards, new interpretation, amendments to accounting standards and accounting framework

a) Accounting framework

The amendment of accounting framework is effective on 26 May 2010.

3 Summary of significant accounting policies (Cont'd)

New accounting standard, new financial reporting standards, new interpretation, amendments to accounting standards and accounting framework (Cont'd)

b) New accounting standards, new financial reporting standards, new interpretation and amendments to accounting standards

The following new accounting standards, new financial reporting standards and amendments to accounting standards are mandatory for the accounting periods beginning on or after 1 January 2011 and 1 January 2013, but the Group has not early adopted them:

Effective for the periods beginning on or after 1 January 2011

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

Effective for the periods 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 Group's management has determined that the new accounting standards, new financial reporting standards, new interpretation and amendments to accounting standards will not significantly impact the financial statements being presented except some new accounting standards, new financial reporting standards may impact the group as follow;

TAS 1 (Revised 2009), the revised standard will prohibit the presentation of items of income and expenses in the statement of changes in equity. Entities can choose whether to present one statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated statement of financial position as at the beginning comparative period in addition to the current requirement to present statement of financial position at the end of the current period and comparative period. However, for the financial statements which period beginning on or after 1 January 2011 and are the first period apply this standard, an entity can choose to present statement of financial position only two statements without the statement of financial position as at the beginning comparative period. The group will apply TAS 1 (Revised 2009) from 1 October 2011. It is likely that both income statement and statement of comprehensive income will be presented as one statement.

3 Summary of significant accounting policies (Cont'd)

New accounting standard, new financial reporting standards, new interpretation, amendments to accounting standards and accounting framework (Cont'd)

b) New accounting standards, new financial reporting standards, new interpretation and amendments to accounting standards (Cont'd)

TAS 12 deals with taxes on income, comprising current tax and deferred tax. Current tax assets and liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using tax rates and tax law that have been enacted or substantively enacted by the end of the reporting period. Deferred taxes are measured by based on the temporary difference between the tax base of an asset or liability and its carrying amount in the financial statements and using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax law that have been enacted or substantively enacted by the end of the reporting period. The group will apply this standard from 1 October 2013 retrospectively with an expected to incur of deferred tax account and changes in retained earnings and income tax expense. The management is currently assessing the impact of applying this standard.

TAS 16 (Revised 2009), the revised standard requires the entity to include in cost of PPE, an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, when the entity has obligation to do. An entity requires that an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The revised standard also requires an entity to review useful life, residual value and depreciation method at least at each financial year-end. The group will apply this standard from 1 October 2011. The management is currently assessing the impact of applying this standard.

TAS 19 deal with accounting for employee benefit. The standard classifies employee benefit into 4 categories: a) short-term employee benefits b) post-employment benefits (including defined contribution plan and defined benefit plan) c) other long-term employee benefits and d) termination benefits. The standard requires the entity to measure the defined benefit plan and other long-term employee benefits by using the Projected Unit Credit method (PUC). An entity can choose to recognise any actuarial gain or loss for defined benefit plan either in other comprehensive income or profit and loss. Actuarial gain or loss for other long-term employee benefit shall recognise in profit and loss. The group will apply this standard from 1 October 2011. The management is currently assessing the impact of applying this standard.

TAS 23 (Revised 2009), the revised standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The group will apply prospectively from 1 October 2011.

TAS 24 (Revised 2009), the definition of related party has been expanded include parties with joint control over the entity, joint venture in which the entity is a venturer and post-employment benefit plan for the benefit of employees of an entity. The group will apply the revised standard from 1 October 2011 which may impact only to the disclosure of related parties information in the notes to financial statements.

TAS 38 (Revised 2009), a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. This mean that an expense will be recognised when the group has access to (goods or service e.g. mail order catalogues) not when the catalogues are distributed to customer, as in the group's current accounting policy. The group will apply the TAS 38 (Revised 2009) from 1 October 2011.

4 Earnings per share

Earnings per share attributable to equity holders of the parent is calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of common shares in issue during the period (2010: 200 million shares; 2009: 200 million shares).

Inoue Rubber Public Company Limited and its subsidiaries
Condensed Notes to the Interim Consolidated and Company Financial Statements (Unaudited)
For the three-month periods ended 31 December 2010 and 2009

5 Trade accounts receivable

As at 31 December 2010 and 30 September 2010, the balances of accounts receivable, as classified by aging, were as follows:

	Consolidated		Company	
	Unaudited 31 December 2010 Baht'000	Audited 30 September 2010 Baht'000	Unaudited 31 December 2010 Baht'000	Audited 30 September 2010 Baht'000
<u>Related companies</u>				
Current	244,706	259,477	244,563	259,477
Overdue not over 3 months	3,780	-	3,780	-
Overdue 3-6 months	-	-	-	-
Overdue 6-12 months	-	-	-	-
Overdue more than 12 months	-	-	-	-
	<u>248,486</u>	<u>259,477</u>	<u>248,343</u>	<u>259,477</u>
<u>Other companies</u>				
Current	789,747	776,997	789,747	776,997
Overdue not over 3 months	2,555	1,082	2,555	1,082
Overdue 3-6 months	-	-	-	-
Overdue 6-12 months	-	-	-	-
Overdue more than 12 months	2,168	2,256	2,168	2,256
Total	794,470	780,335	794,470	780,335
<u>Less</u> Allowance for doubtful accounts	(2,168)	(2,168)	(2,168)	(2,168)
	<u>792,302</u>	<u>778,167</u>	<u>792,302</u>	<u>778,167</u>
Total trade accounts receivable, net	<u>1,040,788</u>	<u>1,037,644</u>	<u>1,040,645</u>	<u>1,037,644</u>

6 Inventories, net

	Consolidated		Company	
	Unaudited 31 December 2010 Baht'000	Audited 30 September 2010 Baht'000	Unaudited 31 December 2010 Baht'000	Audited 30 September 2010 Baht'000
Raw materials (net with allowance)	274,848	265,784	274,837	265,601
Work in process	91,194	75,423	91,194	72,133
Finished goods (net with allowance)	126,214	113,040	126,214	113,040
Supplies and spare parts	29,437	26,441	26,288	23,477
Raw materials in transit	71,292	45,858	66,483	45,858
Total inventories, net	<u>592,985</u>	<u>526,546</u>	<u>585,016</u>	<u>520,109</u>

Inoue Rubber Public Company Limited and its subsidiaries
Condensed Notes to the Interim Consolidated and Company Financial Statements (Unaudited)
For the three-month periods ended 31 December 2010 and 2009

7 Property, plant, and equipment, net

	Consolidated Baht'000	Company Baht'000
For the three-month period ended 31 December 2010		
Opening net book value	1,277,966	1,210,906
Additions	63,791	59,273
Disposals	(954)	(954)
Depreciation charge	(63,663)	(59,631)
Closing net book value	<u>1,277,140</u>	<u>1,209,594</u>

8 Intangible assets, net

	Consolidated Baht'000	Company Baht'000
For the three-month period ended 31 December 2010		
Opening net book value	8,115	1,788
Additions	1,797	440
Amortisation charge	(748)	(184)
Closing net book value	<u>9,164</u>	<u>2,044</u>

9 Investments in subsidiaries

As at 31 December 2010 and 30 September 2010 the Company has investments in subsidiaries in Thailand as follows:

			Company (Unaudited)		
			31 December 2010		
Subsidiaries	Type of business	Registered country	Registered capital Baht	Percentage of holding %	Investment Baht
IRC Asia Reserch Ltd.	Reserh and development of product	Thai	10,050,000	99.99	10,049,930
Ki No Hoshi Engineering Co., Ltd.	Manufacture and repair of mold	Thai	10,000,000	99.99	9,999,300
Investment in subsidiaries, net					<u>20,049,230</u>
			Company (Audited)		
			30 September 2010		
Subsidiaries	Type of business	Registered country	Registered capital Baht	Percentage of holding %	Investment Baht
IRC Asia Reserch Ltd.	Reserh and development of product	Thai	10,050,000	99.99	10,049,930
Ki No Hoshi Engineering Co., Ltd.	Manufacture and repair of mold	Thai	10,000,000	99.99	9,999,300
Investment in subsidiaries, net					<u>20,049,230</u>

Inoue Rubber Public Company Limited and its subsidiaries
Condensed Notes to the Interim Consolidated and Company Financial Statements (Unaudited)
For the three-month periods ended 31 December 2010 and 2009

10 Other long-term investment

As at 31 December 2010 and 30 September 2010 the Company has other investment are as follows:

		Consolidated and company (Unaudited)			
		31 December 2010			
Subsidiaries	Type of business	Registered country	Registered capital	Percentage of holding %	Investment Baht
Inoue Rubber Vietnam Co., Ltd.	Manufacturing of tires and tubes of motorcycles	Vietnam	US\$ 10 Million	10	30,781,799
Total					<u>30,781,799</u>
		Consolidated and company (Audited)			
		30 September 2010			
Subsidiaries	Type of business	Registered country	Registered capital	Percentage of holding %	Investment Baht
Inoue Rubber Vietnam Co., Ltd.	Manufacturing of tires and tubes of motorcycles	Vietnam	US\$ 10 Million	10	30,781,799
Total					<u>30,781,799</u>

11 Long-term loans from financial institutions

	Consolidated		Company	
	Unaudited 31 December 2010	Audited 30 September 2010	Unaudited 31 December 2010	Audited 30 September 2010
	Baht'000	Baht'000	Baht'000	Baht'000
Current	67,000	68,000	67,000	68,000
Non-current	31,000	47,000	31,000	47,000
Total long-term loans from financial institutions	<u>98,000</u>	<u>115,000</u>	<u>98,000</u>	<u>115,000</u>

The movements in long-term loans from financial institutions for the period ended 31 December 2010 are as follows:

	Consolidated Baht'000	Company Baht'000
Opening balance	115,000	115,000
Repayments	(17,000)	(17,000)
Closing balance	<u>98,000</u>	<u>98,000</u>

11 Long-term loans from financial institutions (Cont'd)

Long-term loans from financial institutions represent loans denominated in Baht comprise:

- a) In January 2009, the Company entered into a loan agreement for loan of Baht 100 million with a local branch of a foreign commercial bank which is payable on a semi-annual basis from July 2009 to January 2012 of Baht 17 million each and in January 2012 of Baht 15 million. The loan carries interest at the rate of 4.25 percent per annum. As at 31 December 2010, the outstanding balance of the loan was Baht 49 million.
- b) In April 2009, the Company entered into a loan agreement for loan of Baht 100 million with a local branch of a foreign commercial bank which is payable on a semi-annual basis from November 2009 to May 2011 of Baht 17 million each which the interest rate is of 3.60 percent per annum and from November 2011 to May 2012 of Baht 16 million each which the interest rate will be of 3.65 percent per annum. As at 31 December 2010, the outstanding balance of the loan was Baht 49 million.

12 Share capital

	Number of shares	Ordinary shares Baht'000	Share premium Baht'000	Total Baht'000
For the three-month period ended 31 December 2010				
Opening amount as at 1 October 2010	200,000,000	200,000	298,000	498,000
Closing amount as at 31 December 2010	<u>200,000,000</u>	<u>200,000</u>	<u>298,000</u>	<u>498,000</u>

As at 31 December 2010, the total registered number of ordinary shares is 200 million shares (30 September 2010: 200 million shares) with a par value of Baht 1 per share (30 September 2010: Baht 1 per share) of which 200 million shares (30 September 2010: 200 million shares) are issued and fully paid.

13 Related party transactions

During the period, the Group and the Company have entered into a number of transactions with its subsidiaries and related companies. The terms and basis of such transactions are negotiated between the parties in the ordinary course of business and according to normal trade conditions, which are summarised as follows:

	Terms and basis
Sales of goods	Market price or cost plus margin according to type of products
Service income	Cost plus margin
Rental income	Contract price valued by independent appraiser and is in line with market
Purchases of raw materials	Prices which approximate to the price charged to a third party
Technical assistance fee expenses	Prices as agreed in the contract which base on percentage of sales

Inoue Rubber Public Company Limited and its subsidiaries
Condensed Notes to the Interim Consolidated and Company Financial Statements (Unaudited)
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13 Related party transactions (Cont'd)

The significant related company transactions for the three-month periods ended 31 December 2010 and 2009 are summarised as follows:

	Consolidated		Company	
	31 December 2010 Baht'000	31 December 2009 Baht'000	31 December 2010 Baht'000	31 December 2009 Baht'000
Sale of goods				
Related companies	329,087	386,322	329,087	386,322
Service and other income				
Related companies	2,706	1,304	2,706	1,304
Rental income				
Subsidiaries	-	-	593	593
Related companies	1,819	1,859	1,189	1,859
	1,819	1,859	2,412	2,452
Purchases of raw materials				
Related companies	181,394	146,025	181,394	146,025
Purchases of equipment				
Subsidiaries	21,277	-	21,277	9,969
Research and development expense				
Subsidiaries	-	-	14,770	11,225
Technical assistance fee expenses				
Related companies	17,280	12,739	16,575	12,739
Advertising expenses				
Related companies	100	538	100	538

The Company entered into rental agreements of land, building, and machinery and equipment with two subsidiaries and two related companies at total annual rental income of approximately Baht 9.6 million. The terms of the leases are between 1 - 3 years. These lease are renewable by giving the lessor a notice within 60 days prior to expiry of the agreement.

The Company charged certain utility expenses to certain related companies at cost plus margin.

The Group entered into technical assistance and professional service agreements with an overseas related company. Under those agreements, the Group have obliged to pay technical assistance and service fees to such company at the rates stipulated in the agreements. The agreements have been in effect since April 1994 to July 2010 and January 2001, respectively, or until cancelled by either party.

The Company entered into a service agreement with a subsidiary to obtain the research and development services for the production. Under this agreement, the Company has obliged to pay service fee to the subsidiary at the rate stipulated in the agreement. The agreement has been in effect since October 1995 or until cancelled by either party.

The Company and a subsidiary entered into marketing and sales cooperation and product quality assurance and quality control service agreements with a local related company. Under these agreements the Company and the subsidiary have obliged to pay service fees to such company at the rate as stipulated in the agreements. The agreements have been in effect since May 2009 or until cancelled by either party.

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13 Related party transactions (Cont'd)

The outstanding balances as at 31 December 2010 and 30 September 2010 between the Company and those related companies are summarised as follows:

	Consolidated		Company	
	Unaudited 31 December 2010 Baht'000	Audited 30 September 2010 Baht'000	Unaudited 31 December 2010 Baht'000	Audited 30 September 2010 Baht'000
Trade accounts receivable				
Related companies:				
The Sittipol (1919) Co., Ltd.	81,368	101,495	81,368	101,495
Inoac Tokai (Thailand) Co., Ltd.	116,689	118,472	116,689	118,472
Inoue Rubber Co., Ltd. - Japan	19,246	16,616	19,103	16,616
SK Rubber Product Co., Ltd.	9,128	10,034	9,128	10,034
Thai Stanley Public Co., Ltd.	4,360	4,291	4,360	4,291
Inoac International Co., Ltd.	93	126	93	126
Inoue Rubber Vietnam Co., Ltd.	11,929	2,067	11,929	2,067
Sirivit-Stanley Co., Ltd.	2,780	3,038	2,780	3,038
Asian Stanley International	1	-	1	-
Toei - Inoac Limited	943	1,403	943	1,403
Inoac Vietnam Co., Ltd.	1,949	1,935	1,949	1,935
Total trade accounts receivable - related companies	248,486	259,477	248,343	259,477
Trade accounts payable				
Subsidiaries:				
IRC (Asia) Research Ltd.	-	-	10,671	9,327
Kin No Hoshi Engineering Co., Ltd.	-	-	22,767	24,022
	-	-	33,438	33,349
Related companies:				
Inoac International Co., Ltd.	86,420	54,733	86,420	54,491
Inoac Tokai (Thailand) Co., Ltd.	64,315	55,913	64,315	55,913
Pacific Industries (Thailand) Co., Ltd.	15,427	14,103	15,427	14,103
SK Rubber Product Co., Ltd.	15,400	16,017	15,400	16,017
Inoue Rubber Co., Ltd. - Japan	11,375	11,712	11,375	11,531
Inoac Thailand Co., Ltd.	9,990	10,689	8,697	8,691
Total Oil (Thailand) Co., Ltd.	835	1,084	835	1,084
Inoac Corporation Co., Ltd.	-	140	-	130
Inoac Elastomer Co., Ltd.	705	-	-	-
	204,467	164,391	202,469	161,960
Total trade accounts payable - related companies	204,467	164,391	235,907	195,309

Directors and management's remuneration

The Company and its subsidiaries paid salaries, bonus, meeting allowances and gratuities to their directors and management for the three-month period ended 31 December 2010 totaling Baht 6.15 million and Baht 6.15 million for the Group and the Company, respectively (2009: Baht 4.80 million and Baht 4.80 million, respectively).

14 Commitments and contingent liabilities

- a) As at 31 December 2009, there were outstanding bank guarantees of approximately Baht 17.1 million (30 September 2010: Baht 17.1 million) issued by banks to the Provincial Electricity Authority for electricity consumption on behalf of the Company.
- b) As at 31 December 2010, the Company had lease commitments in respect of equipment rental contracts with a period of 1 - 3 years, for which the future minimum charges of approximately Baht 0.40 million (30 September 2010: Baht 0.50 million).

15 Segment information

The Company and its subsidiaries' ("the Group") operations involve principally the manufacture and distribution of rubber and elastomer products mainly for automobile industry with manufacturing facilities in Thailand and operations in both domestic and overseas markets.

Financial information of the Group for the three-month and periods ended 31 December 2010 and 2009 classified by market are presented as follows:

	Consolidated (Baht'000)		
	Local	Export	Total
For the three-month period ended 31 December 2010			
Sales	1,087,559	309,020	1,396,579
Cost of sales	(997,927)	(280,680)	(1,278,607)
Gross margin	<u>89,632</u>	<u>28,340</u>	<u>117,972</u>
Other income			10,310
Selling expenses			(20,869)
Administrative expenses			(39,699)
Financial costs			(1,226)
Income tax			(16,057)
Net profit			<u>50,431</u>
For the three-month period ended 31 December 2009			
Sales	991,625	260,873	1,252,498
Cost of sales	(854,980)	(219,811)	(1,074,791)
Gross margin	<u>136,645</u>	<u>41,062</u>	<u>177,707</u>
Other income			9,021
Selling expenses			(19,075)
Administrative expenses			(29,821)
Financial costs			(1,765)
Income tax			(30,817)
Net profit			<u>105,250</u>

16 Promotional privileges

The Company and its subsidiaries received 5 certificates for promotional privileges from the Board of Investment on 30 November 2001 (expired), 29 September 2004 (expired), 16 March 2005, 12 July 2007 and 9 December 2008, in respect of the manufacturing of vehicle component, plastic or plastic coated products, mould and repairing of its own manufacturing of mould and Research and Development. Under these privileges the Company and its subsidiaries are exempted from certain taxes and duties as detailed in the certificates including exemption from corporate income tax for a period of 3 - 8 years from the date that first income is first derived. The Company and its subsidiaries must comply with conditions specified in the promotional certificate.

17 Events after balance sheet date

At the Annual General Meeting of shareholders held on 28 January 2011, the shareholders passed a resolution approving dividend payment from its operating results for 2010 at Baht 0.50 per share (from Non-BOI-promoted operations of Baht 0.18 per share and BOI-promoted operations of Baht 0.32 per share), totaling Baht 100 million. The dividends will be distributed on 22 February 2011.