

INOUE RUBBER (THAILAND) PUBLIC COMPANY LIMITED

CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

30 SEPTEMBER 2011

AUDITOR'S REPORT

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

I have audited the accompanying consolidated and company balance sheet as at 30 September 2011 and 2010, the related consolidated and company statements of income, changes in shareholders' equity and cash flows for the years then ended of Inoue Rubber (Thailand) Public Company Limited and its subsidiaries, and of Inoue Rubber (Thailand) Public Company Limited, respectively. The Company's management is responsible for the correctness and completeness of information in these financial statements. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform an 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 provide a reasonable basis for my opinion.

In my opinion, the consolidated and company financial statements referred to above present fairly, in all material respects, the consolidated and company financial position as at 30 September 2011 and 2010 and the consolidated and company results of its operations, and cash flows for the years then ended of Inoue Rubber (Thailand) Public Company Limited and its subsidiaries and of Inoue Rubber (Thailand) Public Company Limited, respectively, in accordance with generally accepted accounting principles.

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

13 December 2011

Inoue Rubber (Thailand) Public Company Limited

Balance Sheets

As at 30 September 2011 and 2010

	Notes	Consolidated		Company	
		2011 Baht	2010 Baht	2011 Baht	2010 Baht
Assets					
Current assets					
Cash and cash equivalents	5	84,880,246	200,025,831	17,278,735	175,737,018
Trade accounts receivable					
- related companies	6, 18	280,265,477	259,476,916	280,191,507	259,476,916
- other companies, net	6	1,019,433,913	778,166,918	1,019,433,913	778,166,918
Inventories, net	7	711,636,025	526,546,440	699,432,373	520,108,928
Other current assets		46,971,223	27,645,529	46,397,299	26,145,362
Total current assets		2,143,186,884	1,791,861,634	2,062,733,827	1,759,635,142
Non-current assets					
Investments in subsidiaries	10	-	-	20,049,230	20,049,230
Other long-term investment	11	30,781,799	30,781,799	30,781,799	30,781,799
Property, plant and equipment, net	8	1,468,495,888	1,277,966,191	1,406,771,671	1,210,906,177
Intangible assets, net	9	9,801,422	8,114,893	2,068,051	1,788,523
Other assets		35,406,498	27,647,556	35,406,299	27,647,355
Total non-current assets		1,544,485,607	1,344,510,439	1,495,077,050	1,291,173,084
Total assets		3,687,672,491	3,136,372,073	3,557,810,877	3,050,808,226

Director _____

Director _____

The notes to the consolidated and company financial statements on pages 10 to 35 form an integral part of these financial statements.

Inoue Rubber (Thailand) Public Company Limited

Balance Sheets (Cont'd)

As at 30 September 2011 and 2010

	Notes	Consolidated		Company	
		2011 Baht	2010 Baht	2011 Baht	2010 Baht
Liabilities and shareholders' equity					
Current liabilities					
Short-term loans from financial institutions	12	156,000,000	-	156,000,000	-
Trade accounts payable					
- related companies	18	398,360,777	164,391,254	430,033,028	195,308,876
- other companies		897,209,559	712,153,329	883,968,102	704,411,733
Current portion of long-term loans	12	47,000,000	68,000,000	47,000,000	68,000,000
Current portion of finance lease obligations	12	3,866,062	1,026,084	3,866,062	1,026,084
Accrued income tax		3,644,732	31,300,752	691,600	29,159,664
Accrued expenses		84,654,513	73,939,156	76,911,159	68,194,966
Other current liabilities		38,473,819	37,935,139	37,312,329	37,084,220
Total current liabilities		1,629,209,462	1,088,745,714	1,635,782,280	1,103,185,543
Non-current liabilities					
Finance lease obligations	12	9,651,874	2,214,706	9,651,874	2,214,706
Long-term loans from financial institutions	12	-	47,000,000	-	47,000,000
Total non-current liabilities		9,651,874	49,214,706	9,651,874	49,214,706
Total liabilities		1,638,861,336	1,137,960,420	1,645,434,154	1,152,400,249

The notes to the consolidated and company financial statements on pages 10 to 35 form an integral part of these financial statements.

Inoue Rubber (Thailand) Public Company Limited**Balance Sheets (Cont'd)****As at 30 September 2011 and 2010**

	Notes	Consolidated		Company	
		2011 Baht	2010 Baht	2011 Baht	2010 Baht
Liabilities and shareholders' equity (Cont'd)					
Shareholders' equity					
Share capital	13				
Registered share capital		<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>
Issued and fully paid-up share capital		200,000,000	200,000,000	200,000,000	200,000,000
Share premium	13	298,000,000	298,000,000	298,000,000	298,000,000
Retained earnings					
Appropriated - legal reserve	14	20,000,000	20,000,000	20,000,000	20,000,000
Unappropriated		<u>1,530,802,476</u>	<u>1,480,404,692</u>	<u>1,394,376,723</u>	<u>1,380,407,977</u>
Total parent's shareholders' equity		<u>2,048,802,476</u>	<u>1,998,404,692</u>	<u>1,912,376,723</u>	<u>1,898,407,977</u>
Minority interests		<u>8,679</u>	<u>6,961</u>	-	-
Total shareholders' equity		<u>2,048,811,155</u>	<u>1,998,411,653</u>	<u>1,912,376,723</u>	<u>1,898,407,977</u>
Total liabilities and shareholders' equity		<u>3,687,672,491</u>	<u>3,136,372,073</u>	<u>3,557,810,877</u>	<u>3,050,808,226</u>

The notes to the consolidated and company financial statements on pages 10 to 35 form an integral part of these financial statements.

Inoue Rubber (Thailand) Public Company Limited
Statements of Income
For the years ended 30 September 2011 and 2010

	Notes	Consolidated		Company	
		2011 Baht	2010 Baht	2011 Baht	2010 Baht
Revenues					
Sales and service income	20	6,058,600,134	5,354,782,149	6,057,075,777	5,354,154,132
Dividend income	10, 11	1,432,500	-	1,432,500	14,998,950
Other income		46,015,676	34,818,891	46,950,782	35,995,825
Total revenues		6,106,048,310	5,389,601,040	6,105,459,059	5,405,148,907
Expenses					
Cost of sales and service	20	5,647,430,159	4,761,036,293	5,697,385,541	4,786,620,442
Selling expenses	20	78,771,273	74,949,546	78,771,273	74,949,546
Administrative expenses		143,556,104	123,491,950	137,938,545	117,158,106
Managements remuneration	18	27,402,815	21,066,782	27,402,815	21,066,782
Other expenses		15,276,627	8,232,395	15,216,692	8,122,372
Total expenses		5,912,436,978	4,988,776,966	5,956,714,866	5,007,917,248
Profit before financial costs and income tax					
Financial costs	15	193,611,332	400,824,074	148,744,193	397,231,659
	17	(6,052,565)	(6,130,927)	(6,028,588)	(6,095,601)
Profit before income tax		187,558,767	394,693,147	142,715,605	391,136,058
Income tax		(37,159,265)	(86,183,978)	(28,746,859)	(81,898,428)
Profit for the year		150,399,502	308,509,169	113,968,746	309,237,630
Attributable to:					
Equity holders of the parent		150,397,784	308,508,334	113,968,746	309,237,630
Minority interest		1,718	835	-	-
		150,399,502	308,509,169	113,968,746	309,237,630
Earnings per share for the attributable to the equity holders of the parent					
Basic earnings per share (Baht)	16	0.75	1.54	0.57	1.55

The notes to the consolidated and company financial statements on pages 10 to 35 form an integral part of these financial statements.

Inoue Rubber (Thailand) Public Company Limited
Statements of Changes in Shareholders' Equity
For the years ended 30 September 2011 and 2010

	Consolidated						
	Equity holders of the Company				Total	Minority	Total
	Issued and fully paid-up share capital	Share premium	Legal reserve	Unappropriated retained earnings			
Baht	Baht	Baht	Baht	Baht	Baht	Baht	
Balance as at 30 September 2010	200,000,000	298,000,000	20,000,000	1,480,404,692	1,998,404,692	6,961	1,998,411,653
Net profit for the year	-	-	-	150,397,784	150,397,784	1,718	150,399,502
Dividend paid (Note 23)	-	-	-	(100,000,000)	(100,000,000)	-	(100,000,000)
Balance as at 30 September 2011	<u>200,000,000</u>	<u>298,000,000</u>	<u>20,000,000</u>	<u>1,530,802,476</u>	<u>2,048,802,476</u>	<u>8,679</u>	<u>2,048,811,155</u>
Balance as at 30 September 2009	200,000,000	298,000,000	20,000,000	1,255,896,358	1,773,896,358	7,177	1,773,903,535
Net profit for the year	-	-	-	308,508,334	308,508,334	835	308,509,169
Dividend paid	-	-	-	(84,000,000)	(84,000,000)	(1,051)	(84,001,051)
Balance as at 30 September 2010	<u>200,000,000</u>	<u>298,000,000</u>	<u>20,000,000</u>	<u>1,480,404,692</u>	<u>1,998,404,692</u>	<u>6,961</u>	<u>1,998,411,653</u>

The notes to the consolidated and company financial statements on pages 10 to 35 form an integral part of these financial statements.

Inoue Rubber (Thailand) Public Company Limited
Statements of Changes in Shareholders' Equity (Cont'd)
For the years ended 30 September 2011 and 2010

	Company				Total Baht
	Issued and fully paid-up share capital Baht	Share premium Baht	Legal reserve Baht	Unappropriated retained earnings Baht	
Balance as at 30 September 2010	200,000,000	298,000,000	20,000,000	1,380,407,977	1,898,407,977
Net profit for the year	-	-	-	113,968,746	113,968,746
Dividend paid (Note 23)	-	-	-	(100,000,000)	(100,000,000)
Balance as at 30 September 2011	<u>200,000,000</u>	<u>298,000,000</u>	<u>20,000,000</u>	<u>1,394,376,723</u>	<u>1,912,376,723</u>
Balance as at 30 September 2009	200,000,000	298,000,000	20,000,000	1,155,170,347	1,673,170,347
Net profit for the year	-	-	-	309,237,630	309,237,630
Dividend paid	-	-	-	(84,000,000)	(84,000,000)
Balance as at 30 September 2010	<u>200,000,000</u>	<u>298,000,000</u>	<u>20,000,000</u>	<u>1,380,407,977</u>	<u>1,898,407,977</u>

The notes to the consolidated and company financial statements on pages 10 to 35 form an integral part of these financial statements.

Inoue Rubber (Thailand) Public Company Limited
Statements of Cash Flows
For the years ended 30 September 2011 and 2010

	Notes	Consolidated		Company	
		2011 Baht	2010 Baht	2011 Baht	2010 Baht
Cash flows from operating activities					
Net profit before income tax		187,558,767	394,693,147	142,715,605	391,136,058
Adjustments for:					
Depreciation	8	254,834,063	235,409,697	239,112,678	218,714,205
Amortisation	9	2,314,980	4,049,507	660,031	1,002,029
Reversal of allowance for doubtful debts		-	(504,516)	-	(504,516)
Allowance for obsolete inventories (reversal)		215,428	(2,707,607)	215,428	(2,707,607)
Gain on disposals of property, plant and equipment		(704,419)	(2,120,077)	(516,420)	(2,528,052)
Dividend income		(1,432,500)	-	(1,432,500)	(14,998,950)
Interest income		(1,547,950)	(753,945)	(664,239)	(587,841)
Interest expenses		5,773,103	5,668,566	5,769,941	5,664,452
Changes in operating assets and liabilities					
Trade accounts receivable		(262,055,556)	(182,872,324)	(261,981,586)	(183,395,326)
Inventories		(185,305,014)	(150,126,002)	(179,538,873)	(151,939,767)
Other current assets		(22,574,560)	10,379,722	(20,809,318)	10,270,750
Other assets		(7,758,943)	222,944	(7,758,944)	152,944
Trade accounts payable		397,104,812	144,571,723	391,525,843	162,409,478
Other current liabilities and accrued expenses		11,186,161	(3,476,173)	8,876,429	(2,791,957)
Net cash receipts from operating activities		377,608,372	452,434,662	316,174,075	429,895,900
Interest received		1,600,807	685,288	746,192	527,599
Interest paid		(5,705,230)	(6,592,325)	(5,702,069)	(6,588,211)
Income tax paid		(60,186,774)	(106,831,187)	(55,306,996)	(106,646,764)
Net cash flows from operating activities		313,317,175	339,696,438	255,911,202	317,188,524

The notes to the consolidated and company financial statements on pages 10 to 35 form an integral part of these financial statements.

Inoue Rubber (Thailand) Public Company Limited
Statements of Cash Flows (Cont'd)
For the years ended 30 September 2011 and 2010

	Notes	Consolidated		Company	
		2011 Baht	2010 Baht	2011 Baht	2010 Baht
Cash flows from investing activities					
Purchases of property, plant and equipment	8	(414,735,276)	(211,454,617)	(403,504,687)	(204,558,295)
Purchases of intangible assets	9	(4,001,509)	(1,839,913)	(939,559)	(668,450)
Dividend received from subsidiary		-	-	-	14,998,950
Proceeds from disposals of property, plant and equipment		4,569,074	4,490,807	4,369,810	4,375,082
Net cash flows from investing activities		(414,167,711)	(208,803,723)	(400,074,436)	(185,852,713)
Cash flows from financing activities					
Increase (decrease) in bank overdrafts and short-term loans from financial institutions		156,000,000	(1,054,572)	156,000,000	-
Repayment of long-term loans	12	(68,000,000)	(68,000,000)	(68,000,000)	(68,000,000)
Finance lease obligations	12	(2,295,049)	(429,300)	(2,295,049)	(429,300)
Dividend paid	23	(100,000,000)	(84,000,000)	(100,000,000)	(84,000,000)
Dividend paid by subsidiary to minority interests		-	(1,051)	-	-
Net cash flows from financing activities		(14,295,049)	(153,484,923)	(14,295,049)	(152,429,300)
Net decrease in cash and cash equivalents		(115,145,585)	(22,592,208)	(158,458,283)	(21,093,489)
Cash and cash equivalents, beginning balance		200,025,831	222,618,039	175,737,018	196,830,507
Cash and cash equivalents, ending balance		84,880,246	200,025,831	17,278,735	175,737,018

Non-cash transactions

Significant non-cash activities for the years ended 30 September 2011 and 2010 comprise:

- Accounts payable - Property, plant and equipment	62,828,630	40,907,689	62,196,721	39,442,043
- Dividend receivable	1,432,500	-	1,432,500	-

The notes to the consolidated and company financial statements on pages 10 to 35 form an integral part of these financial statements.

1 General information

Inoue Rubber (Thailand) Public Company Limited (“the Company”) is a public limited 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, Thanyaburi District, Pathumthani and another factory at No. 157, Moo 5, Phahoyothin Road, Lamsai, Wangnoi, Ayutthaya.

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

The principal business operations of the Group are summarised below:

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

A subsidiary, Kin No Hoshi Engineering Company Limited is principally engaged in the manufacture, repair and modification of metal mould and equipment for motorcycle and automotive rubber parts.

A Subsidiary, IRC (Asia) Research Limited is principally engaged in the research and development of motorcycle tire and tube and automotive rubber parts.

These consolidated and company financial statements were authorised for issue by the Board of Directors on 13 December 2011.

2 Accounting policies

The principal accounting policies adopted in the preparation of these consolidated and company financial statements are set out below.

2.1 Basis for preparation

The consolidated and company financial statements have been 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 under the Securities and Exchange Act B.E. 2535.

The consolidated and company financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses in the reported periods. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from those estimates.

An English version of the consolidated and company financial statements have been prepared from the statutory 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 statutory financial statements shall prevail.

2 Accounting policies (Cont'd)

2.2 New accounting standards, 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.

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 period 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
TSIC 31 Revenue - Barter Transactions Involving Advertising Services	

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
TSIC 10	Government Assistance - No Specific Relation to Operating Activities
TSIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
TSIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

2 Accounting policies (Cont'd)

2.2 New accounting standards, 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)

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.

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 2011 retrospectively with an expected deferred tax account incurred and changes in retained earnings and income tax expense.

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.

2 Accounting policies (Cont'd)

2.2 New accounting standards, 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 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.

2.3 Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currency are translated to Thai Baht at the exchange rate prevailing at the balance sheet date. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of income.

2.4 Financial instruments

The Group is party to derivative financial instruments, which is foreign currency forward contracts. Such instrument is not recognised in the financial statements on inception.

Foreign currency forward contracts protect the group from movements in exchange rates by establishing the rate at which a foreign currency asset will be realised or a foreign currency liability settled. Any increase or decrease in the amount required to realise the asset or settle the liability is offset by a corresponding movement in the value of the forward exchange contract. The gains and losses on the derivative instruments and the underlying financial asset or liability are therefore offset for financial reporting purposes and are not recognised in the financial statements. The fee incurred in establishing each agreement is amortised over the contract period, if any.

Disclosures related to financial instruments to which the Group is a party are provided in Note 24.

2.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with maturities of three months or less from the date of acquisition and bank overdrafts are included in current liabilities on the balance sheet.

2.6 Trade accounts receivable

Trade accounts receivable are recognised initially at the original invoice amount and subsequently measured at the remaining amount less allowance for doubtful receivables based on a review of all outstanding amounts at the year end. The amount of the allowance is the difference between the carrying amount of the receivable and the amount expected to be collectible. Bad debts are written off during the year in which they are identified and recognised in the statements of income.

2 Accounting policies (Cont'd)

2.7 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the weighted average method. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts, allowances or rebates. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Allowance is made, where necessary, for obsolete, slow-moving and defective inventories.

2.8 Investments in subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered.

In the Company's separate financial statements, investments in subsidiaries are reported by using cost method.

A list of the Group's principal subsidiaries is set out in Note 10.

2.9 Investment in other company

The Group has classified its investments other than investments in subsidiaries as investment in other company which is investment in non-marketable equity securities. Investment in other company which the Group classified as non-current assets, are stated at cost less impairment.

A test for impairment is carried out when there is a factor indicating that an investment might be impaired. If the carrying value of the investment is higher than its recoverable amount, impairment loss is charged to the statement of income.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of income.

2 Accounting policies (Cont'd)

2.10 Property, plant and equipment

Land is stated at cost, plant and equipment are carried at cost less accumulated depreciation.

Depreciation is calculated on the straight line basis to write off the cost of each asset, except for land which is considered to have an indefinite life, to its residual value over the estimated useful life as follows:

Land improvements	10 years
Building and building improvement	10 - 20 years
Machinery	5 - 10 years
Tools and factory equipment	5 years
Furniture, fixtures and office equipment	3 - 5 years
Motor vehicles	5 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Repairs and maintenance are charged to the statements of income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the statements of income.

2.11 Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives 3 - 10 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group and will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Development costs of new product recognised as assets are amortised using the straight line basis over their useful lives, not exceeding a period of 5 years.

2.12 Impairment of assets

Property, plant and equipment and other non-current assets, including intangible assets that are subject to amortisation are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows. Assets that suffered impairment are reversed for possible impairment loss when the estimation of the recoverable amount was changed in subsequent period after the Company's recognition of impairment.

2 Accounting policies (Cont'd)

2.13 Leases - where a Group company is the lessee

Leases of property, plant or equipment which substantially transfer all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated to the principal and to the finance charges so as to achieve a constant rate on the finance balance outstanding. The outstanding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of income over the lease period so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period.

2.14 Leases - where a Group company is the lessor

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with other similar property, plant and equipment owned by the Group. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

2.15 Income taxes

The Group does not recognise income taxes payable or receivable in future periods in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation of property, plant and equipment, allowance for doubtful accounts and obsolete and defective inventories.

2.16 Related parties

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

2.17 Provident fund

The Group operates a provident fund, being a defined benefit contribution plan the assets of which are held in a separate trustee-administered fund. The provident fund is funded by payments from employees and by the relevant group companies. The Group's contributions to the provident fund are charged to the statement of income in the year to which they relate.

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2 Accounting policies (Cont'd)

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and service net of output tax, rebates and discounts, and after eliminating sales within the Group for the consolidated financial statements. Revenue from sales of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

Revenue from rendering services is based on the stage of completion determined by reference to services performed to date as a percentage of total services to be performed.

Rental income is recognised on the accrual basis at the amount as specified under each lease agreement.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

Dividend income is recognised when the right to receive payment is established.

2.20 Segment reporting

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those of components operating in other economic environments.

Segment information is presented by business segment of the Group's operations in Note 20.

3 Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Impairment of receivable

The Group maintains an allowance for doubtful accounts to reflect impairment of trade receivables relating to estimated losses resulting from the inability of customers to make required payments. The allowance for doubtful accounts is significantly impacted by the Group's assessment of future cash flows, such assessment being based on consideration of historical collection experience, known and identified instances of default and consideration of market trends.

b) Plant and equipment and intangible assets

Management determines the estimated useful lives and residual values for the Group's plant and equipment and intangible assets. Management will revise the depreciation charge where useful lives and residual values are different to previously estimated, or it will write off or write down technically obsolete or assets that have been abandoned or sold.

c) Allowance for inventories

Allowance for obsolescence and diminution in value of inventories are intended to adjust the value of inventories for probable losses. The management uses judgement to establish allowances for estimated losses for each outstanding inventories. The allowances for obsolescence and diminution in value of inventories are determined through a combination of analysis of inventories aging.

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4 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

5 Cash and cash equivalents

	Consolidated		Company	
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
Cash on hand	65,000	65,000	50,000	50,000
Deposits held at call with banks	84,815,246	199,960,831	17,228,735	175,687,018
	<u>84,880,246</u>	<u>200,025,831</u>	<u>17,278,735</u>	<u>175,737,018</u>

The effective interest rate of deposits held at call with banks was varying from 0.75 - 3.35 percent per annum (2010: 0.75 - 1.65 percent per annum).

6 Trade accounts receivable, net

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

	Consolidated		Company	
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
<u>Related companies</u>				
Current	280,187,815	259,476,916	280,113,845	259,476,916
Overdue not over 3 months	77,662	-	77,662	-
Overdue 3-6 months	-	-	-	-
Overdue 6-12 months	-	-	-	-
Overdue more than 12 months	-	-	-	-
	<u>280,265,477</u>	<u>259,476,916</u>	<u>280,191,507</u>	<u>259,476,916</u>
<u>Other companies</u>				
Current	1,013,002,618	776,997,039	1,013,002,618	776,997,039
Overdue not over 3 months	6,431,295	1,082,192	6,431,295	1,082,192
Overdue 3-6 months	-	-	-	-
Overdue 6-12 months	-	-	-	-
Overdue more than 12 months	2,167,775	2,255,462	2,167,775	2,255,462
	<u>1,021,601,688</u>	<u>780,334,693</u>	<u>1,021,601,688</u>	<u>780,334,693</u>
<u>Less</u> Allowance for doubtful accounts	<u>(2,167,775)</u>	<u>(2,167,775)</u>	<u>(2,167,775)</u>	<u>(2,167,775)</u>
	<u>1,019,433,913</u>	<u>778,166,918</u>	<u>1,019,433,913</u>	<u>778,166,918</u>
Total trade accounts receivable, net	<u>1,299,699,390</u>	<u>1,037,643,834</u>	<u>1,299,625,420</u>	<u>1,037,643,834</u>

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7 Inventories, net

	Consolidated		Company	
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
Raw materials (net with allowance)	348,886,333	265,784,025	348,813,359	265,600,868
Work in process	99,216,241	75,423,443	89,642,947	72,132,933
Finished goods (net with allowance)	158,652,034	113,040,094	158,652,034	113,040,094
Supplies and spare parts	30,942,072	26,441,286	28,384,688	23,477,442
Raw materials in transit	73,939,345	45,857,592	73,939,345	45,857,591
Total inventories, net	711,636,025	526,546,440	699,432,373	520,108,928

During 2011, the Group and the Company reversed their allowance for diminution value of inventories to net realisable value and obsolete inventories to the statement of income amounting to Baht 215,428 (2010: allowance for diminution value of inventories to net realisable value and obsolete inventories was charged to the statement of income amounting to Baht 2,707,607).

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8 Property, plant, and equipment, net

	Consolidated							Total Baht
	Land and land improvement Baht	Building and building improvement Baht	Machinery Baht	Tools and factory equipment Baht	Furniture, fixture and office equipment Baht	Motor vehicle Baht	Construction in progress Baht	
As at 30 September 2009								
Cost	134,958,236	611,445,171	1,672,179,137	1,113,198,033	72,672,879	20,830,903	20,384,495	3,645,668,854
<u>Less</u> Accumulated depreciation	(14,426,730)	(353,266,853)	(996,894,342)	(922,802,481)	(59,332,115)	(10,103,281)	-	(2,356,825,802)
Net book amount	<u>120,531,506</u>	<u>258,178,318</u>	<u>675,284,795</u>	<u>190,395,552</u>	<u>13,340,764</u>	<u>10,727,622</u>	<u>20,384,495</u>	<u>1,288,843,052</u>
For the year ended 30 September 2010								
Opening net book value	120,531,506	258,178,318	675,284,795	190,395,552	13,340,764	10,727,622	20,384,495	1,288,843,052
Additions	384,000	16,237,477	38,080,384	115,753,389	5,202,945	6,503,415	44,741,955	226,903,565
Disposals	-	-	(349,861)	(1,612,584)	(47,202)	(262,098)	-	(2,271,745)
Write off	-	-	(66,717)	-	(32,267)	-	-	(98,984)
Transfers	-	-	11,453,136	1,734,161	-	-	(13,187,297)	-
Depreciation charge	(1,370,897)	(31,096,511)	(107,247,794)	(84,717,611)	(6,871,904)	(4,104,980)	-	(235,409,697)
Closing net book amount	<u>119,544,609</u>	<u>243,319,284</u>	<u>617,153,943</u>	<u>221,552,907</u>	<u>11,592,336</u>	<u>12,863,959</u>	<u>51,939,153</u>	<u>1,277,966,191</u>
As at 30 September 2010								
Cost	135,342,235	627,682,648	1,701,945,679	1,215,219,008	75,247,884	26,788,917	51,939,153	3,834,165,524
<u>Less</u> Accumulated depreciation	(15,797,626)	(384,363,364)	(1,084,791,736)	(993,666,101)	(63,655,548)	(13,924,958)	-	(2,556,199,333)
Net book amount	<u>119,544,609</u>	<u>243,319,284</u>	<u>617,153,943</u>	<u>221,552,907</u>	<u>11,592,336</u>	<u>12,863,959</u>	<u>51,939,153</u>	<u>1,277,966,191</u>
For the year ended 30 September 2011								
Opening net book value	119,544,609	243,319,284	617,153,943	221,552,907	11,592,336	12,863,959	51,939,153	1,277,966,191
Additions	2,479,500	12,745,143	73,958,252	133,967,525	9,631,426	14,657,396	201,789,172	449,228,414
Disposals	-	-	(1,254,237)	(1,355,903)	(185,507)	(474,114)	-	(3,269,761)
Write off	-	-	(124,903)	(20,407)	(67,111)	(382,472)	-	(594,893)
Transfers	1,050,000	3,758,337	58,815,354	2,556,470	-	182,000	(66,362,161)	-
Depreciation charge	(1,517,396)	(31,514,419)	(114,912,599)	(95,059,308)	(6,547,658)	(5,282,683)	-	(254,834,063)
Closing net book amount	<u>121,556,713</u>	<u>228,308,345</u>	<u>633,635,810</u>	<u>261,641,284</u>	<u>14,423,486</u>	<u>21,564,086</u>	<u>187,366,164</u>	<u>1,468,495,888</u>
As at 30 September 2011								
Cost	138,871,735	644,077,127	1,817,261,937	1,346,025,178	81,647,744	37,382,927	187,366,164	4,252,632,812
<u>Less</u> Accumulated depreciation	(17,315,022)	(415,768,782)	(1,183,626,127)	(1,084,383,894)	(67,224,258)	(15,818,841)	-	(2,784,136,924)
Net book amount	<u>121,556,713</u>	<u>228,308,345</u>	<u>633,635,810</u>	<u>261,641,284</u>	<u>14,423,486</u>	<u>21,564,086</u>	<u>187,366,164</u>	<u>1,468,495,888</u>

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8 Property, plant, and equipment, net (Cont'd)

	Company							Total Baht
	Land and land improvement Baht	Building and building improvement Baht	Machinery Baht	Tools and factory equipment Baht	Furniture, fixture and office equipment Baht	Motor vehicle Baht	Construction in progress Baht	
As at 30 September 2009								
Cost	134,958,236	607,175,419	1,545,009,786	1,085,525,827	55,529,056	20,480,048	19,141,655	3,467,820,027
<u>Less</u> Accumulated depreciation	(14,426,730)	(350,992,535)	(930,524,925)	(905,042,039)	(44,899,476)	(9,899,970)	-	(2,255,785,675)
Net book amount	<u>120,531,506</u>	<u>256,182,884</u>	<u>614,484,861</u>	<u>180,483,788</u>	<u>10,629,580</u>	<u>10,580,078</u>	<u>19,141,655</u>	<u>1,212,034,352</u>
Year ended 30 September 2010								
Opening net book value	120,531,506	256,182,884	614,484,861	180,483,788	10,629,580	10,580,078	19,141,655	1,212,034,352
Additions	384,000	15,770,333	37,901,779	114,387,960	4,187,463	6,429,416	40,372,111	219,433,062
Disposals	-	-	(349,860)	(1,133,027)	(3,068)	(262,098)	-	(1,748,053)
Write off	-	-	(66,717)	-	(32,262)	-	-	(98,979)
Transfers	-	-	9,894,297	1,564,081	-	-	(11,458,378)	-
Depreciation charge	(1,370,897)	(30,190,107)	(96,471,986)	(81,136,721)	(5,483,205)	(4,061,289)	-	(218,714,205)
Closing net book amount	<u>119,544,609</u>	<u>241,763,110</u>	<u>565,392,374</u>	<u>214,166,081</u>	<u>9,298,508</u>	<u>12,686,107</u>	<u>48,055,388</u>	<u>1,210,906,177</u>
As at 30 September 2010								
Cost	135,342,236	622,945,752	1,573,661,063	1,188,022,134	57,304,081	26,364,064	48,055,388	3,651,694,718
<u>Less</u> Accumulated depreciation	(15,797,627)	(381,182,642)	(1,008,268,689)	(973,856,053)	(48,005,573)	(13,677,957)	-	(2,440,788,541)
Net book amount	<u>119,544,609</u>	<u>241,763,110</u>	<u>565,392,374</u>	<u>214,166,081</u>	<u>9,298,508</u>	<u>12,686,107</u>	<u>48,055,388</u>	<u>1,210,906,177</u>
Year ended 30 September 2011								
Opening net book value	119,544,609	241,763,110	565,392,374	214,166,081	9,298,508	12,686,107	48,055,388	1,210,906,177
Additions	2,479,500	11,342,528	73,688,253	131,662,164	8,387,567	14,567,696	196,703,854	438,831,562
Disposals	-	-	(1,254,235)	(1,353,486)	(176,676)	(474,114)	-	(3,258,511)
Write off	-	-	(124,903)	(20,407)	(67,097)	(382,472)	-	(594,879)
Transfers	1,050,000	3,758,337	56,467,758	2,345,684	-	182,000	(63,803,779)	-
Depreciation charge	(1,517,396)	(30,845,408)	(104,474,943)	(91,850,465)	(5,200,817)	(5,223,649)	-	(239,112,678)
Closing net book amount	<u>121,556,713</u>	<u>226,018,567</u>	<u>589,694,304</u>	<u>254,949,571</u>	<u>12,241,485</u>	<u>21,355,568</u>	<u>180,955,463</u>	<u>1,406,771,671</u>
As at 30 September 2011								
Cost	138,871,735	638,046,617	1,687,253,131	1,316,764,185	62,779,414	36,868,371	180,955,463	4,061,538,916
<u>Less</u> Accumulated depreciation	(17,315,022)	(412,028,050)	(1,097,558,827)	(1,061,814,614)	(50,537,929)	(15,512,803)	-	(2,654,767,245)
Net book amount	<u>121,556,713</u>	<u>226,018,567</u>	<u>589,694,304</u>	<u>254,949,571</u>	<u>12,241,485</u>	<u>21,355,568</u>	<u>180,955,463</u>	<u>1,406,771,671</u>

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9 Intangible assets, net

	Consolidated		
	Computer software Baht	Golf membership Baht	Total Baht
As at 30 September 2009			
Cost	46,136,386	1,015,050	47,151,436
<u>Less</u> Accumulated amortisation	(36,000,549)	(826,400)	(36,826,949)
Net book value	<u>10,135,837</u>	<u>188,650</u>	<u>10,324,487</u>
Year ended 30 September 2010			
Opening net book value	10,135,837	188,650	10,324,487
Additions	1,839,913	-	1,839,913
Amortisation charge	(3,860,857)	(188,650)	(4,049,507)
Closing net book value	<u>8,114,893</u>	<u>-</u>	<u>8,114,893</u>
As at 30 September 2010			
Cost	47,976,299	1,015,050	48,991,349
<u>Less</u> Accumulated amortisation	(39,861,406)	(1,015,050)	(40,876,456)
Net book value	<u>8,114,893</u>	<u>-</u>	<u>8,114,893</u>
Year ended 30 September 2011			
Opening net book value	8,114,893	-	8,114,893
Additions	4,001,509	-	4,001,509
Amortisation charge	(2,314,980)	-	(2,314,980)
Closing net book value	<u>9,801,422</u>	<u>-</u>	<u>9,801,422</u>
As at 30 September 2011			
Cost	51,977,808	-	51,977,808
<u>Less</u> Accumulated amortisation	(42,176,386)	-	(42,176,386)
Net book value	<u>9,801,422</u>	<u>-</u>	<u>9,801,422</u>

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9 Intangible assets, net (Cont'd)

	Company		
	Computer software Baht	Golf membership Baht	Total Baht
As at 30 September 2009			
Cost	24,686,066	1,015,050	25,701,116
<u>Less</u> Accumulated amortisation	(22,752,614)	(826,400)	(23,579,014)
Net book value	<u>1,933,452</u>	<u>188,650</u>	<u>2,122,102</u>
Year ended 30 September 2010			
Opening net book value	1,933,452	188,650	2,122,102
Additions	668,450	-	668,450
Amortisation charge	(813,379)	(188,650)	(1,002,029)
Closing net book value	<u>1,788,523</u>	<u>-</u>	<u>1,788,523</u>
As at 30 September 2010			
Cost	25,354,516	1,015,050	26,369,566
<u>Less</u> Accumulated amortisation	(23,565,993)	(1,015,050)	(24,581,043)
Net book value	<u>1,788,523</u>	<u>-</u>	<u>1,788,523</u>
Year ended 30 September 2011			
Opening net book value	1,788,523	-	1,788,523
Additions	939,559	-	939,559
Amortisation charge	(660,031)	-	(660,031)
Closing net book value	<u>2,068,051</u>	<u>-</u>	<u>2,068,051</u>
As at 30 September 2011			
Cost	26,294,075	-	26,294,075
<u>Less</u> Accumulated amortisation	(24,226,024)	-	(24,226,024)
Net book value	<u>2,068,051</u>	<u>-</u>	<u>2,068,051</u>

10 Investments in subsidiaries

As at 30 September the Company has investments in subsidiaries in Thailand as follows:

Company	Type of business	Registered country	Company		
			Registered capital Baht	Percentage of holding %	Investment Baht
IRC Asia Reserch Ltd.	Reserch 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>

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10 Investments in subsidiaries (Cont'd)

Company	Type of business	Registered country	Company		
			30 September 2010		
			Registered capital Baht	Percentage of holding %	Investment Baht
IRC Asia Reserch Ltd.	Reserch and development of product	Thai	10,050,000	99.99	10,049,930
Kin 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>

At the Annual General Meeting of shareholders of Kinno Hoshi Engineering Company Limited, held on 28 January 2010, the shareholders passed a resolution approving divided payment from its operating results for 2009 at Baht 150 per share, totaling Baht 15 million. The dividend was distributed on 14 June 2010.

11 Other long-term investment

As at 30 September the Group has other investment are as follows:

Company	Type of business	Registered country	Consolidated and company		
			30 September 2011		
			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>

Company	Type of business	Registered country	Consolidated and company		
			30 September 2010		
			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>

During the year, Inoue Rubber Vietnam Company Limited declared the dividend payment from its operating results for the year ended 31 December 2009 at totaling Baht 1.43 million. The dividend has not been received.

12 Borrowings

12.1 Loans from financial institutions

	Consolidated		Company	
	2011 Baht	2010 Baht	2011 Baht	2010 Baht
Short-term loans	156,000,000	-	156,000,000	-
Long-term loan due within 1 year	47,000,000	68,000,000	47,000,000	68,000,000
Long-term loan	-	47,000,000	-	47,000,000
Total loans from financial institutions	<u>203,000,000</u>	<u>115,000,000</u>	<u>203,000,000</u>	<u>115,000,000</u>

The movements in loans from financial institutions for the year ended 30 September 2011 are as follows:

	Consolidated Baht	Company Baht
Opening balance	115,000,000	115,000,000
Additions	237,000,000	237,000,000
Repayments	<u>(149,000,000)</u>	<u>(149,000,000)</u>
Closing balance	<u>203,000,000</u>	<u>203,000,000</u>

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 30 September 2011, the outstanding balance of the loan was Baht 15 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 30 September 2011, the outstanding balance of the loan was Baht 32 million.
- c) In July 2011, the Company entered into a loan agreement for short term loan of Baht 100 million with a local branch of a foreign commercial bank which is payable in July 2012. The loan carries interest at rate 3.62 percent per annum.
- d) In September 2011, the Company entered into a loan agreement for a call loan of Baht 56 million with a local branch of a foreign commercial bank. The loan carries interest at rate 3.55 percent per annum.

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12 Borrowings (Cont'd)

12.2 Finance lease

	Consolidated		Company	
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
Finance lease liabilities - minimum lease payments:				
Not later than 1 year	4,802,439	1,266,590	4,802,439	1,266,590
Later than 1 year	11,093,417	2,503,940	11,093,417	2,503,940
Future finance charges on finance leases	(2,377,920)	(529,740)	(2,377,920)	(529,740)
Present value of finance lease liabilities	13,517,936	3,240,790	13,517,936	3,240,790
Representing lease liabilities:				
- current	3,866,062	1,026,084	3,866,062	1,026,084
- non current	9,651,874	2,214,706	9,651,874	2,214,706
	13,517,936	3,240,790	13,517,936	3,240,790

Movement in finance lease obligations for the year ended 30 September 2011 is as follows:

	Consolidated	Company
	Baht	Baht
Opening balance	3,240,790	3,240,790
Additions	12,572,195	12,572,195
Repayments	(2,295,049)	(2,295,049)
Closing balance	13,517,936	13,517,936

13 Share capital and premium on share

	Consolidated and company			Total
	Number of	Ordinary	Share	
	shares	shares	premium	Baht
		Baht	Baht	
As at 30 September 2010	200,000,000	200,000,000	298,000,000	498,000,000
As at 30 September 2011	200,000,000	200,000,000	298,000,000	498,000,000

As at 30 September 2011, the total registered number of ordinary shares is 200 million shares (2010: 200 million shares) with a par value of Baht 1 per share (2010: Baht 1 per share) of which are issued and fully paid.

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14 Legal reserve

Under the Public Companies Act, B.E. 2535, the Company is required to set aside as a legal reserve at least 5% of profit arisen from the business of the Company after accumulated deficit brought forward (if any) until the reserve is not less than 10% of the registered share capital. This reserve is non-distributable.

15 Expense by nature

The following expenditure items, classified by nature, have been charged in arriving at the operating profit:

	Consolidated	
	2011	2010
	Baht	Baht
Raw materials and consumables used	3,872,123,870	3,174,055,676
Changes in inventories of finished goods and work in progress	70,453,661	24,927,950
Depreciation on property, plant and equipment (Note 8)	254,834,063	235,409,697
Staff costs	496,503,968	419,425,206
Advertising and promotion expenses	14,556,863	17,013,090
Amortisation (Note 9)	2,314,980	4,049,507
Gain (loss) on exchange	(100,511)	4,731,398
Rental expenses	1,582,824	2,861,809
	Company	
	2011	2010
	Baht	Baht
Raw materials and consumables used	3,845,052,722	3,160,521,506
Changes in inventories of finished goods and work in progress	64,170,876	25,133,941
Depreciation on property, plant and equipment (Note 8)	239,112,678	218,714,205
Staff costs	457,514,194	387,775,486
Advertising and promotion expenses	14,556,863	17,013,080
Amortisation (Note 9)	660,031	1,002,029
Gain (loss) on exchange	(44,999)	4,681,111
Rental expenses	1,582,824	2,861,809

16 Basic earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the year.

	Consolidated	
	2011	2010
Net profit attributable to equity holders of the parent (Baht)	150,399,502	308,509,169
Weighted average of issued ordinary shares during the year (Shares)	200,000,000	200,000,000
Basic earnings per share (Baht)	0.75	1.54
	Company	
	2011	2010
Net profit attributable to equity holders of the parent (Baht)	113,968,746	309,237,630
Weighted average of issued ordinary shares during the year (Shares)	200,000,000	200,000,000
Basic earnings per share (Baht)	0.57	1.55

There are no dilutive potential ordinary shares in issue during the years presented.

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17 Financial costs

	Consolidated		Company	
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
Interest expenses	5,773,103	5,667,645	5,769,941	5,664,452
Bank charge	279,462	463,282	258,647	431,149
Financial costs	<u>6,052,565</u>	<u>6,130,927</u>	<u>6,028,588</u>	<u>6,095,601</u>

18 Related party transactions

During the year, 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

The significant related company transactions for the years ended 30 September are summarised as follows:

	Consolidated		Company	
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
Sale of goods				
Related companies	<u>1,320,535</u>	<u>1,346,064</u>	<u>1,320,535</u>	<u>1,346,064</u>
Service and other income				
Related companies	<u>13,455</u>	<u>6,040</u>	<u>13,455</u>	<u>6,040</u>
Rental income				
Subsidiaries	-	-	2,372	2,372
Related companies	<u>7,436</u>	<u>7,275</u>	<u>7,436</u>	<u>7,275</u>
	<u>7,436</u>	<u>7,275</u>	<u>9,808</u>	<u>9,647</u>
Dividend income				
Subsidiary	-	-	-	14,998,950
Related company	<u>1,432,500</u>	-	<u>1,432,500</u>	-
	<u>1,432,500</u>	-	<u>1,432,500</u>	<u>14,998,950</u>
Purchases of raw materials				
Related companies	<u>800,157</u>	<u>651,242</u>	<u>800,157</u>	<u>651,242</u>
Purchases of equipment				
Subsidiaries	-	-	87,324	56,580
Related companies	<u>3,835</u>	-	<u>3,835</u>	-
	<u>3,835</u>	-	<u>91,159</u>	<u>56,580</u>

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18 Related party transactions (Cont'd)

	Consolidated		Company	
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
Research and development expense				
Subsidiaries	-	-	60,161	47,974
Technical assistance fee expenses				
Related companies	79,112	57,164	71,118	55,167
Advertising expenses				
Related companies	4,575	3,390	4,575	3,390

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 Company 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 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 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 until cancelled by either party.

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

	Consolidated		Company	
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
Trade accounts receivable				
Related companies:				
The Sittipol (1919) Co., Ltd.	81,313,421	101,495,404	81,313,421	101,495,404
Inoac Tokai (Thailand) Co., Ltd.	140,334,837	118,472,344	140,334,837	118,472,344
Inoue Rubber Co., Ltd. - Japan	20,936,049	16,616,472	20,936,049	16,616,472
SK Rubber Product Co., Ltd.	11,604,434	10,033,863	11,604,434	10,033,863
Thai Stanley Public Co., Ltd.	5,067,268	4,291,207	5,067,268	4,291,207
Inoac International Co., Ltd.	126,688	125,965	126,688	125,965
Inoue Rubber Vietnam Co., Ltd.	11,919,396	2,066,545	11,919,396	2,066,545
Sirivit-Stanley Co., Ltd.	4,164,170	3,037,748	4,164,170	3,037,748
Asian Stanley International	1,444	-	1,444	-
Inoac Thailand Co., Ltd.	1,974,932	-	1,900,962	-
Toei - Inoac Limited	1,259,563	1,402,586	1,259,563	1,402,586
Asian Rubber Parts Co., Ltd.	38,283	-	38,283	-
Inoac Vietnam Co., Ltd.	1,524,992	1,934,782	1,524,992	1,934,782
Total trade accounts receivable				
- related companies	280,265,477	259,476,916	280,191,507	259,476,916

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18 Related party transactions (Cont'd)

	Consolidated		Company	
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
Trade accounts payable				
Subsidiaries:				
IRC (Asia) Research Ltd.	-	-	10,874,019	9,327,010
Kin No Hoshi Engineering Co., Ltd.	-	-	24,638,088	24,021,955
	-	-	35,512,107	33,348,965
Related companies:				
Inoac International Co., Ltd.	268,163,394	54,733,284	268,163,394	54,490,805
Inoac Tokai (Thailand) Co., Ltd.	62,837,076	55,912,612	62,837,076	55,912,612
Pacific Industries (Thailand) Co., Ltd.	11,649,609	14,103,245	11,649,609	14,103,245
SK Rubber Product Co., Ltd.	18,530,302	16,016,762	18,530,302	16,016,762
Inoue Rubber Co., Ltd. - Japan	24,257,584	11,712,384	22,415,553	11,531,451
Inoac Thailand Co., Ltd.	11,980,925	10,688,900	9,983,100	8,691,075
Inoue Rubber Vietnam Co., Ltd.	246,387	-	246,387	-
Total Oil (Thailand) Co., Ltd.	695,500	1,084,472	695,500	1,084,472
Inoac Corporation Co., Ltd.	-	139,595	-	129,489
	398,360,777	164,391,254	394,520,921	161,959,911
Total trade accounts payable				
- related companies	398,360,777	164,391,254	430,033,028	195,308,876

Directors and management's remuneration

The Company and its subsidiaries paid salaries, bonus, meeting allowances and gratuities to their directors and management for year ended 30 September 2011 totaling Baht 27.40 million and Baht 27.40 million for the Group and the Company, respectively (2010: Baht 21.07 million and Baht 21.07 million, respectively).

19 Commitments and contingent liabilities

- a) As at 30 September 2011, there were outstanding bank guarantees of approximately Baht 17.1 million (2010: Baht 17.1 million) issued by banks to the Provincial Electricity Authority for electricity consumption on behalf of the Company.
- b) As at 30 September 2011, 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 0.12 million (2010: Baht 0.50 million).

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20 Segment information

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 years ended 30 September 2011 and 2010 classified by market are presented as follows:

	Consolidated (Baht)		
	Local	Export	Total
For the year ended 30 September 2011			
Sales	4,748,128,335	1,310,471,799	6,058,600,134
Cost of sales	(4,443,740,439)	(1,203,689,720)	(5,647,430,159)
Gross margin	<u>304,387,896</u>	<u>106,782,079</u>	411,169,975
Other income			47,448,176
Selling expenses			(78,771,273)
Administrative expenses			(170,958,919)
Other expenses			(15,276,627)
Financial costs			(6,052,565)
Income tax			(37,159,265)
Income of minority interest			(1,718)
Net profit			<u>150,397,784</u>

	Consolidated (Baht)		
	Local	Export	Total
For the year ended 30 September 2010			
Sales	4,239,529,990	1,115,252,159	5,354,782,149
Cost of sales	(3,787,291,029)	(973,745,264)	(4,761,036,293)
Gross margin	<u>452,283,961</u>	<u>141,506,895</u>	593,745,856
Other income			34,818,891
Selling expenses			(74,949,546)
Administrative expenses			(144,558,732)
Other expenses			(8,232,395)
Financial costs			(6,130,927)
Income tax			(86,183,978)
Income of minority interest			(835)
Net profit			<u>308,508,334</u>

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21 Promotional privileges

The Company and its subsidiaries have been granted promotional privileges under the Investment Promotion Act B.E. 2520 as approved by the Board of Investment. Under certain significant conditions, significant privileges are as follow:

Details	Inoue Rubber (Thailand) Public Company Limited	Kin No Hoshi Engineering Company Limited	IRC (Asia) Research Limited
1. Certificate No. Dated	1119(2)/2009 9 December 2008	1682(2)/2007 12 July 2007	1211(4)/2005 16 March 2005
2. Promotional privileges for	Manufacturing of vehicle component, plastic or plastic coated products	Manufacturing of mould and repairing of its own manufacturing of mould	Research and Development
3. The significant privileges are			
3.1 Exemption of corporate income tax for net income from promotional operations and exemption of income tax on dividends paid from the profit of the operations throughout the period in which the corporate income tax is exempted.	3 years	8 years	8 years
3.2 Allowance for carry-forward of annual loss from operations incurred during the exemption of corporate income tax on net income to offset with net income for a period of 5 years, after exemption period in 3.1.	Granted	Granted	Granted
3.3 Exemption/Reduction of import duty on machinery as approved by the Board.	Granted	Granted	Granted
3.4 Exemption of import duty on raw materials and significant supplies used in export production from the first import date.	Granted	Granted	-
4. Date of first earning operating income	August 2009	May 2010	October 2011

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21 Promotional privileges (Cont'd)

Sales of the Group are both export and local sales which could be separated between promoted and non-promoted operations as follows:

	Consolidated					
	BOI		Non-BOI		Total	
	2011	2010	2011	2010	2011	2010
	Baht	Baht	Baht	Baht	Baht	Baht
Sales						
Export	189,716,133	170,733,017	1,120,755,665	944,228,232	1,310,471,798	1,114,961,249
Local	591,444,238	533,006,370	4,156,684,098	3,706,814,530	4,748,128,336	4,239,820,900
Total sales	<u>781,160,371</u>	<u>703,739,387</u>	<u>5,277,439,763</u>	<u>4,651,042,762</u>	<u>6,058,600,134</u>	<u>5,354,782,149</u>
	Company					
	BOI		Non - BOI		Total	
	2011	2010	2011	2010	2011	2010
	Baht	Baht	Baht	Baht	Baht	Baht
Sales						
Export	189,716,133	170,733,017	1,119,459,194	944,059,679	1,309,175,327	1,114,792,696
Local	591,405,738	533,006,370	4,156,494,712	3,706,355,066	4,747,900,450	4,239,361,436
	<u>781,121,871</u>	<u>703,739,387</u>	<u>5,275,953,906</u>	<u>4,650,414,745</u>	<u>6,057,075,777</u>	<u>5,354,154,132</u>

22 Provident fund

The Group operates a registered provident fund, which is a defined contribution plan, the assets of which are held in a separate fund which is managed by the external fund manager. The provident fund is funded by payments from employees and by the Company. The Company's contributions to the provident fund were charged to the statement of income for the year ended 30 September 2011 amounting to Baht 8.4 million (2010: Baht 7.6 million).

23 Dividends paid

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

24 Financial instruments

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as forward foreign exchange contracts to hedge certain exposures.

In order to minimise potential effects on the unpredictability fluctuations of financial markets, the Group makes use of the following derivative financial instruments:

24 Financial instruments (Cont'd)

Foreign exchange risk

Forward foreign exchange contracts are entered into to manage exposure to fluctuations in foreign currency exchange rates on specific transactions.

Forward foreign exchange contracts outstanding at 30 September are summarised as follows:

Foreign currency	2011		2010	
	Sold amount million	Bought amount million	Sold amount million	Bought amount million
US Dollars	5.87	2.03	1.53	1.59
Japanese Yen	379.04	92.73	-	42.14
Euro	0.18	-	0.14	-

Net fair values

The net fair values of the open forward foreign exchange contracts as at 30 September are:

	Consolidated	
	2011 Baht	2010 Baht
Favourable forward foreign exchange contracts	918,994	1,375,292
Unfavourable forward foreign exchange contracts	(3,822,452)	(2,311,889)
Net	(2,903,458)	(956,597)

The fair values of forward foreign exchange contracts have been calculated using market price rates quoted by the Group's banks to terminate the contracts at the balance sheet date.

At 30 September the Group had outstanding foreign currency assets and liabilities as follows:

	Consolidated		Company	
	2011 million	2010 million	2011 million	2010 million
Assets				
US Dollars	2.92	1.99	2.92	1.99
Japanese Yen	43.41	36.40	43.41	36.40
Euro	0.18	0.11	0.18	0.11
Liabilities				
US Dollars	5.47	2.40	5.47	2.40
Japanese Yen	443.65	82.33	443.65	81.15

Interest rate risk

Interest rate risk is the risk that future movements in market interest rates will affect the results of operations and cash flows of the Group. The Group has normal exposure to interest rate risk relating primarily to deposits with banks, bank overdrafts, loans from financial institutions and finance lease liabilities. However, the Company also has certain loans from financial institutions and finance lease liabilities with fixed interest rates. The majority of these financial assets are short-term and financial liabilities are both short-term and long-term. The Group considers that it is not necessary to use derivative financial instruments to hedge such risk since management believes that future movements in market interest rates will not materially affect the Group's operating results.

24 Financial instruments (Cont'd)

Credit risk

The Group has normal exposure to credit risk primarily with respect to trade accounts receivable. The Group manages the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Group does not have high concentration of credit risk since they have a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of trade account receivables as stated in the balance sheet.

Fair values

The carrying amounts of the following financial assets approximate to their fair values: cash and cash equivalents, trade accounts receivable, amounts due from related companies and some items of other current assets.

The carrying amounts of the following financial liabilities approximate to their fair values: bank overdrafts carrying variable rates of interest, trade accounts payable, amounts due to related companies, accrued expenses and some items of other current liabilities. Loans from financial institutions carrying rates of interest which are close to the market rate; the carrying amounts approximate to their fair values.

25 Event after balance sheet date

On 13 December 2011, the Board of Directors' Meeting of the Company No. 5/2011 pass a resolution approving the proposed dividend payment from its operating results for 2011 at Baht 0.2436 per share (from BOI - promoted operations), totaling Baht 48.72 million. The dividend payment will later be proposed for approval in the Annual General Meeting of the Company's shareholders.

During October and November 2011 severe flooding affected in many districts in the Bangkok Metropolitan areas and related provinces. The Group has continued monitoring and taken caution measures for the situation. Currently, the situation is not finished and the Group has been impacted by the disaster of floods. The Group's management anticipates that certain Group's inventories, building and equipment may damage from this event. However, the management is currently assessing such impact and impacts over other operations.