

REPORT OF INDEPENDENT AUDITOR

To the Shareholders of Sahamitr Pressure Container Public Company Limited

I have audited the balance sheet of Sahamitr Pressure Container Public Company Limited as at 31 December 2010 and the related statements of income, and related statements of changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The financial statements for the year ended 31 December 2009, presented for comparative purpose, were audited by Mr. Somkid Tiatragul, an auditor in the same office as mine, whose reported dated 22 February 2010 expressed an unqualified opinion, with an emphasis on the debts restructuring of the Company and the related company.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sahamitr Pressure Container Public Company Limited as at 31 December 2010, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

Mrs. Sumalee Chokdeeanant

Certified Public Accountant

Registration No. 3322

Bangkok, Thailand

24 February 2011

SAHAMITR PRESSURE CONTAINER PUBLIC COMPANY LIMITED

BALANCE SHEETS

AS AT 31 DECEMBER 2010 AND 2009

ASSETS

		Thousand Baht	
	Notes	2010	2009
CURRENT ASSETS			
Cash and cash equivalents	7	22,927	2,525
Trade accounts receivable - net	8	127,949	89,654
Inventories - net	9	228,993	161,628
Refundable value - added tax		12,748	9,436
Other current assets		12,248	11,595
Total Current Assets		404,865	274,838
NON - CURRENT ASSETS			
Receivable from and loans to related parties			
under guarantee obligation - net	6	-	-
Restricted deposits with banks	10	8,379	14,108
Property, plant and equipment - net	11	396,804	412,872
Computer software - net	13	-	1,466
Assets not used in operations - net	12	28,800	28,800
Other non - current assets		432	2,275
Total Non - Current Assets		434,415	459,521
TOTAL ASSETS		839,280	734,359

SAHAMITR PRESSURE CONTAINER PUBLIC COMPANY LIMITED
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2010 AND 2009

1. GENERAL INFORMATION

Sahamitr Pressure Container Public Company Limited was incorporated as a limited public company in Thailand, and has been listed in the Stock Exchange of Thailand. The Company is engaged in the manufacturing of LPG cylinders. The registered office address of the Company is 72/9 Moo 7, Soi Pulchaleoy, Bangkhunthien – Chaitalay Road, Samaedam, Bangkhunthien, Bangkok, Thailand, with a branch, currently not operated, at 290 Moo 3, Lampang – Chiang Mai Road, Tambol Thasobsao, Amphur Maetha, Lampoon Province, Thailand. The major shareholders of the Company are Bangkok Bank Public Company Limited and Mr. Sutham Ekahitanond (deceased and in the process of transfer to the heritable treasury), holding 10% and 9% of the share capital, respectively.

2. BUSINESS OPERATIONS

On 28 September 2009, the credit bank had given the waiver for the payment of the remaining principal amount of debt of Baht 464.8 million and related accrued interest to the related company as the Company and related company have fully complied with the agreement. The Company's liability under guarantee obligation, therefore, was released.

As at 31 December 2010 and 2009, the Company has deficit of Baht 472.0 million and Baht 453.2 million, respectively. The Company's management is in the process to review the business plan and capital restructuring. Management is confident to rectify this problem in the near future. During the year 2010, the shareholders approved the increase in share capital as discussed in Note 18 to the financial statements. The management believe that the Company will not have going-concern problem.

3. BASIS OF FINANCIAL STATEMENT PREPARATION

3.1 The accompanying financial statements have been prepared in accordance with the generally accepted accounting principles issued under the Accounting Act B.E. 2543, and accounting standards issued under Accounting Profession Act B.E. 2547, and the regulations promulgated by the Securities and Exchange Commission and the Securities Exchange of Thailand concerning the preparation and the disclosure of financial information, under the Securities and Exchange Act B.E. 2535. The financial statements have been prepared on a historical cost basis except as, otherwise, disclosed specifically.

3.2 The financial statements are officially prepared in Thai language in accordance with statutory requirement with accounting standards enumerated under the Accounting Profession Act B.E. 2547. The translation of these statutory financial statements to other language must be in compliance with the Thai financial report.

3.3 During the year 2010, the Federation of Accounting Professions has announced the new and amendments to some accounting standards and financial reporting standards, which are effective for the accounting periods beginning on or after 1 January 2011 and 1 January 2013. The management is presently considering the potential impact of adopting and initial application of these new and amended accounting standards and financial reporting standards.

4. SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

The Company recognizes revenues from the sales of goods when the significant risks and reward of ownership of goods have been transferred to the buyer. Other income is recognized on an accrual basis. Interest income is recognized on an accrual basis on a time proportion that reflects the effective yield on the asset.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and highly liquid cash in banks (which do not have restriction of usage) that are readily convertible to cash on maturity date with insignificant risk of change in value.

Trade Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable are stated at invoice amount net of allowance for doubtful accounts (if any). The Company provides allowance for doubtful accounts equal to the estimated collection losses that may incur in the collection process. The estimated losses are based on historical collection experiences coupled with a review of the current status of receivables.

Related parties

Related parties comprise enterprises and individuals that control, or are controlled by the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and directing the Company's operations.

Inventory

The Company values its inventories at the lower of cost or net realizable value, by the following methods :

Finished goods and work in process	At cost (average method)
Raw materials and others	At cost (first – in , first – out method)

Net realizable value is the estimate of the selling price in the ordinary course of business less the costs of completion (for work in process) and selling expenses. Provision is made, where necessary, for slow moving and defective inventories based on the Company's experiences and the current information.

Impairment of Assets

The Company evaluated the impairment of property, plant and equipment and other assets whenever events or changes in circumstances indicate that the recoverable amounts of assets are lower than their carrying amounts. An impairment loss is recognized as an expense in the statement of income for asset carried at cost, or treated as a deduction of revaluation increment in the case that the asset is carried at revalued amount to the extent that the impairment loss does not exceed the revaluation increment formerly accounted for on the same asset. A reversal of impairment loss is recognized as income or treated as a revaluation increment when there is an indication that the impairment loss recognized for the asset no longer exists or had decreased. Such a reversal should not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

Depreciation

Property, plant and equipment are stated at cost. Cost is measured by the cash or cash equivalent price of obtaining the asset that bring it to the location and condition necessary for its intended use. Plant and equipment are presented in the balance sheet at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

The Company depreciates its land improvements, plant and equipment by the straight - line method, over the estimated useful lives of the assets as follows :

	Years
Land improvements	10
Buildings and improvements	20 - 40
Machinery and equipment	10 - 20
Furniture, fixtures and office equipment	10
Vehicles	5

Computer Software

Computer software with definite useful lives is stated at cost less accumulated amortisation and allowance for impairment (if any). Amortization is charged to the statement of income on a straight-line basis over the estimated useful lives of 5 years.

Assets not used in operation

Assets not used in operation represents land not used in operation. Such land is stated at the carrying amount less allowance for impairment of assets.

Finance Lease

The Company records asset under finance lease as asset and liability at amount equal to the fair value of such asset at the inception of the contract or, if lower, at the present value of the minimum payment. In calculating the present value of the minimum payment, the discount factor used is the interest rate implicit in the contract. The interest charge is recorded in period during the lease term based on the remaining balance of the liability for each period.

Operating Lease

Lease of asset under which all risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payment under an operating lease is recognized as an expense on a systematic basis over the lease term.

Maintenance

Expenditures for addition, renewal and betterment, which result in a substantial increase in asset current replacement value, are capitalised. Repair and maintenance costs are recognised as an expense when incurred.

Foreign Currency Transactions

Transactions in foreign currencies are translated into Baht at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities, dominated in foreign currencies, at the balance sheet date are translated into Thai Baht at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of income.

Income Tax

The computation of corporate income tax in compliance with the Revenue Code, is based on the taxable profit for the year after adding back expenses that are not deductible in determining taxable profit and the deduction of exempted income, according to the Revenue Code.

Employee Benefit

Salaries, wages, bonuses and contribution to the social security are recognised as expenses when incurred.

Basic Earnings per Share

Basic earnings per share is determined by dividing the net income by the weighted average number of shares outstanding during the year.

Segment Information

Segment information is presented by geography as primary format. Business segments are based on the management and internal report structure.

Use of Accounting Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumption that affect the reporting amounts of revenues, expenses, assets, liabilities and disclosure of contingent assets and liabilities. The actual result may differ from those estimates.

Provisions for Liabilities and Expenses, and Contingent Assets

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events with probable outflow of resources to settle the obligation and where a reliable estimate of the amount can be made. The contingent assets will be recognized as separate assets only when the realization is virtually certain.

5. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTION AND JUDGEMENT AND CAPITAL RISK MANAGEMENT

5.1 Critical accounting estimates, assumption and judgements

Estimates, assumption 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 as follows :

5.1.1 Impairment of receivables and loan

The Company accounts for allowance for doubtful accounts equal to the estimated collection losses that may be incurred in the collection of receivables and loan. The estimated losses are based on uncertainty in the collection as considered by the management.

5.1.2 Allowance for slow-moving and defective inventories

The Company estimates an allowance for slow-moving and defective inventories to reflect impairment of inventories. The allowance is based on the consideration of inventory turnovers and deterioration of each category.

5.1.3 Property, plant and equipment and computer software

Management regularly determines the estimated useful lives and residual values for the Company's property, plant and equipment and computer software, and will revise the depreciation and the amortization charge where useful lives and residual values previously estimated have changed or subject to be written down for their technical obsolescence or no longer in used.

5.1.4 Leases

In determining whether a lease is to be classified as an operating lease or finance lease, management is required to use judgement whether significant risk and rewards of ownership of the leased asset has been transferred to the Company, taking into consideration terms and conditions of the arrangement.

5.1.5 Impairment of assets

The Company treats asset as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires management judgement.

5.2 Capital risk management

The Company’s objectives in the management of capital is to safeguard its 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 Company may issue new shares or issue new debentures to finance debts or sell assets to reduce debts.

6. TRANSACTIONS WITH RELATED PARTIES

The Company has transactions with related parties that are related to it through common shareholding and/or directorship. Thus, the financial statements reflect the effects of those transactions on the basis agreed upon between the Company and its related parties, which basis might be different from the basis used for transactions with unrelated parties.

Significant balances with related parties from guarantee obligation for Sahamitr Steel Co., Ltd. and others as at 31 December 2010 and 2009 consist of :

	Thousand Baht	
	2010	2009
Receivables - directors, under guarantee obligation for Sahamitr Steel Co., Ltd.		
- Mr. Sutham Ekahitanond	191,210	191,210
- Mrs. Supha Phromsaka Na Sakolnakorn	191,210	191,210
Receivable under guarantee obligation for Sahamitr Steel Co., Ltd.	835	9,481
Loans to Sahamitr Steel Co., Ltd.	177,272	167,791
Total	560,527	559,692
<u>Less</u> Allowance for doubtful accounts	(560,527)	(559,692)
Net	-	-
Amount due to related parties		
Shareholder	3,000	-
Sahamitr Steel Co., Ltd.	-	1,338
Total	3,000	1,338
Short - terms loans from director (non - interest bearing)	-	16,000

The loan to Sahamitr Steel Co., Ltd. bears interest at the rate of 1.00 percent per annum.

Receivables from directors under guarantee obligation, receivable under guarantee obligation and loans to Sahamitr Steel Co., Ltd. represent obligation under the conditions of the debt restructuring agreement of Sahamitr Steel Co., Ltd., which were taken up in the books by the order of the Office of Securities and Exchange Commission (SEC). Because of the substantial doubt for the recovery of these receivables, the Company set up full allowance for losses in its accounts.

Due to the decease of Mr. Sutham Ekahitanond, during the year 2007, the Company will have to process the transfer of the claim from his heritable treasury, based on the proportion of cash advanced to Sahamitr Steel Co., Ltd. under the guarantee obligation.

Under a condition of the debt restructuring agreements with local credit bank, should the related company have inadequate cash flows, the Company will have to make cash loans to the related company to repay its loan principal in accordance with the repayment schedule under the debt restructuring agreement dated 24 December 2002. Up to 31 December 2010 and 2009, the Company has made cash loans to such related company amounted to Baht 177.2 million and Baht 167.8 million, respectively. The management believes that the recovery of such loans is very uncertain, hence, the Company provided full allowance for losses on such loans in its accounts.

Significant transactions with related parties for the years ended 31 December 2010 and 2009 consist of :

	Thousand Baht	
	2010	2009
Interest income	2,186	1,591
Rental expense	3,000	3,000

7. CASH AND CASH EQUIVALENTS

	Thousand Baht	
	2010	2009
Cash	200	200
Foreign currency – equivalent to Baht	633	735
Saving accounts with banks	19,765	82
Current accounts with banks	2,329	1,508
Total	22,927	2,525

8. TRADE ACCOUNTS RECEIVABLE

As at 31 December 2010 and 2009, the aged trade accounts receivable are as follows :

	Thousand Baht	
	2010	2009
Not yet due	90,002	59,389
Over due		
Less than 3 months	37,618	27,543
More than 3 months not over 6 months	118	-
More than 6 months not over 12 months	180	180
More than 12 months	31	3,542
Total	127,949	90,654
<u>Less</u> Allowance for doubtful accounts	-	(1,000)
Net	127,949	89,654

9. INVENTORIES

	Thousand Baht	
	2010	2009
Finished goods	21,885	33,091
Work in process	25,911	22,153
Raw materials and others	135,686	83,663
Goods in transit	46,167	23,377
Total	229,649	162,284
<u>Less</u> Allowance for obsolete inventories	(656)	(656)
Net	228,993	161,628

10. RESTRICTED DEPOSITS WITH BANKS

As at 31 December 2010 and 2009, the Company fixed and saving deposits totalling Baht 8.4 million and Baht 14.1 million, respectively, have been pledged as collaterals for letters of guarantee issued by a local bank to certain state enterprises and credit lines for bank overdraft and loan from bank.

11. PROPERTY, PLANT AND EQUIPMENT

	Thousand Baht			
	2009	Addition	Deduction	Transfer In (Out)
Cost				
Land and improvements	104,029	-	-	-
Buildings and improvements	293,809	-	-	-
Machinery and equipment	365,834	3,413	346	2,732
Furniture, fixtures and office equipment	28,264	1,051	-	-
Vehicles	65,554	2,242	1,622	-
Machinery under installation and construction in progress	445	6,962	-	(2,732)
Total	857,935	13,668	1,968	-

Thousand Baht				
	2009	Addition	Deduction	Transfer In (Out)
Less Accumulated Depreciation				
Land improvements	31,237	41	-	-
Buildings and improvements	136,034	7,148	-	-
Machinery and equipment	194,763	18,220	201	-
Furniture, fixtures and office equipment	24,208	1,423	-	-
Vehicles	58,821	2,447	1,310	-
Total	445,063	29,279	1,511	-
Net	412,872			
Depreciation Allocation				
Costs of goods sold	23,744			
Selling and administrative expenses	6,834			
Depreciation for the year	30,578			

12. ASSETS NOT USED IN OPERATIONS

The Company had hired an independent appraiser to re-appraise its unused assets at depreciated replacement cost since the year 1999. Based on the report, the appraised value assets was lower than net book value, which was recognized as loss on impairment of assets in that year. However, the appraised value exceeds net book value, which presented as “Revaluation increment in land not used in operations” under shareholders’ equity in the balance sheets

During the year 2009, the Company hired an independent appraiser to re-appraise its assets at depreciation replacement cost. From the re-appraisal report, the Company adjusted its books of accounts by reducing the loss on impairment in the past had the new appraised value be higher than the former as follow :

	Thousand Baht
	2009
Revaluation increment in land not used in operations – beginning of the year	159
<u>Plus</u> Revaluation increment during the year	1,500
Revaluation increment in land not used in operations – ending of the year	<u>1,659</u>
Loss on impairment of assets	6,667
Reversal of loss on impairment of assets	(5,357)
Loss on impairment of assets for the year	<u>1,310</u>

The above assets not used in operations have been mortgaged as collateral for credit facilities as discuss in notes 14 and 16 to the financial statements.

13. COMPUTER SOFTWARE

	Thousand Baht			
	2009	Increase	Decrease	2010
Cost	14,660	-	-	14,660
Accumulated amortization	13,194	1,466	-	14,660
Net book value	1,466			-
Amortization for the year	2,932			1,466

14. BANK OVERDRAFT AND LOANS FROM BANK

	Thousand Baht	
	2010	2009
Bank overdraft	-	17,275
Promissory notes	173,613	134,450
Liabilities under trust receipts	71,807	22,542
Short - term loans from bank	40,214	53,517
Total	285,634	227,784

The Company had credit facilities for bank overdraft and loans from bank totalling 480 million. The loans bear interest at the rates of 5.88 – 6.13 percent per annum. Bank overdraft and loans from bank are collateralized by the mortgages of the Company's land, buildings and machinery thereon and assets not used in operations, saving account of Baht 8.3 million, by the pledge of the Company shares belonging to the Company's shareholders, and additionally, by the mortgage of the shareholder and director's land and the personal guarantees of certain Company's directors.

Short - term loans from bank are collateralized by the discounts of accounts receivable with recourse and bear interest at the rates of 5.88 – 7.00 percent per annum.

15. SHORT – TERM LOANS FROM THIRD PARTIES

Short - term loans from third parties are use for working capital of Baht 27 million which bear interest at the rate of 10% per annum. During the year 2010, the Company had settled the balance of such loan already.

16. LONG – TERM LOANS UNDER DEBT RESTRUCTURING AGREEMENT

The outstanding balances of debts as at 31 December 2010 and 2009, under debt restructuring agreement and the new credit facilities and the repayment schedules are as follows :

	Thousand Baht	
	2010	2009
Loans and accrued interest, payable by installments at the varying amounts starting from October 2008 (interest at Minimum Loan Rate, with duration commencing October 2008)	349,900	391,900
<u>Less</u> Portion due within one year	(83,000)	(53,000)
Net	<u>266,900</u>	<u>338,900</u>

The Company obtained long - term loan from bank amounted to Baht 437.9 million to repay loan under the guarantee obligation for related company. Such loan from bank is collateralized by the mortgages of the Company's land, buildings and machinery, and additionally by the mortgage of the shareholder's land and some of director and the assignment of leasehold right of land to the bank, and the personal guarantee of the Company's director.

17. LIABILITIES UNDER FINANCIAL LEASES

	Thousand Baht	
	2010	2009
Liabilities under financial leases		
Due within one year	1,061	916
Due over 1 year but not later than 5 years	1,451	928
Total	<u>2,512</u>	<u>1,844</u>
<u>Less</u> Deferred interest	(234)	(214)
	<u>2,278</u>	<u>1,630</u>
<u>Less</u> Portion due within one year	(954)	(819)
Net	<u>1,324</u>	<u>811</u>

The Company has financial lease agreements for vehicles that are being used in operations with installment periods of 36 - 48 months.

18. SHARE CAPITAL

At the annual general shareholders meeting for the year 2010 on 29 March 2010, the shareholders passed a resolution approving the increase of registered share capital of Baht 266.67 million, from Baht 266.67 million (divided into 26.67 million ordinary shares with a par value of Baht 10 each) to Baht 533.33 million (divided into 53.33 million ordinary shares with a par value of Baht 10 each). This increase in share capital shall be offered to existing shareholders at the ratio 1:1 at Baht 10 per share. The Company has registered the increase in share capital with Department of Business Development on 7 April 2010.

In April 2010, the Company received the increased share payment from the offering for 10.81 million shares at the price of Baht 10 per share totaling Baht 108.09 million. The Company has registered the paid up capital with the Department of Business Development on 11 May 2010. Where as the Company will seek for approval from the next shareholders meeting to issue a resolution to register the reduction in registered share capital for unsubscribed portion from this increase in share capital.

19. LEGAL RESERVE

Under the provision of the Limited Public Companies Act B.E. 2535, the Company is required to appropriate at least 5% of its annual net income, after deduction of the deficit brought forward (if any), as reserve fund until the reserve reaches not less than 10% of the authorized capital. This reserve is not available for dividend distribution.

20. OTHER INCOME

Other income for the years ended 31 December 2010 and 2009 are as follows :

	Thousand Baht	
	2010	2009
Revenue from scrap sales	16,858	10,907
Commission on export sale arrangement	6,478	-
Interest income	2,238	2,353
Gain on exchange rate	198	4,866
Reversal of liable obligations	6,479	-
Others	3,819	7,115
Total	36,070	25,241

21.

INCOME TAX

	Thousand Baht	
	2010	2009
Net income (loss)	(18,860)	383,490
Income tax	-	-
Net income (loss) before tax	(18,860)	383,490
<u>Add</u> Items not yet allowable as expenses under Revenue Code	1,307	6,318
<u>Less</u> Reversal of doubtful debt and additional deductible expenses according to Revenue code	(3,483)	(475,245)
Loss carried forward	(85,437)	-
Net taxable loss	(106,473)	(85,437)
Income tax for the year	-	-

Income tax rate reduction

The Royal Decree No. 475 B.E. 2544 dated 6 August 2008 grants companies listed on the Stock Exchange of Thailand a reduction in the corporate income tax rate from 30% to 25% for three consecutive accounting periods beginning on or after 1 January 2008 but not beyond the year 2010 for accounting periods ending on or after 31 December 2010.

22. SEGMENTAL FINANCIAL INFORMATION

Segmental financial information for the years ended 31 December 2010 and 2009 are as follows :

	Thousand Baht					
	2010			2009		
	Domestic	Export	Total	Domestic	Export	Total
Net sales	186,493	1,163,659	1,350,152	132,134	1,056,183	1,188,317
Cost of sales	(128,068)	(1,011,675)	(1,139,743)	(148,046)	(841,895)	(989,941)
Gross Margin (loss)	58,425	151,984	210,409	(15,912)	214,288	198,376
Other income			36,070			25,241
Reversal of doubtful debt under guarantee obligation			-			467,561
Selling expenses			(128,101)			(130,540)
Administrative expenses			(65,571)			(98,654)
Executive compensation			(34,451)			(37,457)
Financial costs			(37,216)			(41,037)
Income tax (loss)			-			-
Net Income (loss)			(18,860)			383,490
Trade accounts receivable – net			127,949			89,654
Property, plant and equipment – net			396,804			412,872
Other assets			314,527			231,833
Total assets			839,280			734,359

Gross margin of each segment of domestic and export sales derived from the deduction of related costs of sales, which was calculated by the weighted average standard cost of each product.

Other assets consist of cash and cash equivalents and other assets.

23. EXPENSES BY NATURE

Significant expenses by nature are as follows :

	Thousand Baht	
	2010	2009
Salary, wages and other employee benefits	141,726	175,041
Depreciation	29,279	30,578
Amortisation	1,466	2,932
Transportation expenses	72,020	71,164
Rental expenses	3,132	3,120
Raw materials and consumable supplies used	970,769	730,757
Changes in finished goods and work in progress	(15,342)	58,344

24. CONTINGENT LIABILITIES AND COMMITMENTS

- a) As at 31 December 2010, the Company has outstanding bank guarantees for the importation of steel materials for the manufacturing of products for re-export and for other matters, arising in the ordinary course of business, totalling Baht 36.8 million. The Company does not expect to incur liability on such guarantee.
- b) As at 31 December 2010, the Company has a land rental agreement with a shareholder covering a period of thirty (30) years. Under the term of the agreement, the Company has to pay the annual rental of Baht 3.0 million.
- c) As at 31 December 2010, the Company has unused credit facility of letter of credit of USD 2.5 million.

25. DISCLOSURE OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, restricted deposits with banks, trade and other accounts receivable and payable, and long - term loans. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies in Note 4 to the financial statements.

Liquidity Risk

Liquidity risk arises from the possibility that customers may not be able to settle obligations to the Company within the normal terms of trade. To manage this risk, the Company periodically assesses the financial viability of customers.

Foreign Currency Risk

The Company has foreign currency risk exposure relating to sales and purchases denominated in foreign currencies. As at 31 December 2010 and 2009, the Company has unhedged assets and liabilities in foreign currency as follows :

	Thousand	
	2010	2009
<u>Assets in foreign currency</u>		
US Dollar	2,626	1,874
EURO	278	432
<u>Liabilities in foreign currency</u>		
US Dollar	3,300	483
EURO	72	58

Credit Risk

Credit risk refers to the risk that counterparty will default the contractual obligations resulting in a financial loss to the Company. Management believes that the Company has no significant credit risk with any single counterparty or group of counterparties since the Company has large number of customers.

Interest Rate Risk

Interest rate risk arises from the fluctuation of market interest rates, which may have a negative effect to current and future operations of the Company. Management believes that the interest rate risk is minimum, hence, the Company has no hedging agreement to protect against such risk.

Fair Value of Financial Instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties on an arm's length transaction. Fair values are obtained from quoted market prices or discounted cash flow models.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments.

- Cash and cash equivalents, restricted deposits with banks and accounts receivable - the carrying values approximate their fair values due to the relatively short-term maturity of these financial instruments.
- Bank overdraft, loans from bank, and accounts payable - trade and loans from director - the carrying amounts of these financial liabilities approximate their fair values due to the relatively short-term maturity of this financial instrument.
- Long - term loans, bearing floating - Minimum Loan Rate, which is considered market rate - the carrying value approximates their fair values.

26. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the Company's Board of directors on 24 February 2011.