



บริษัท อินเตอร์ไฮด์ จำกัด (มหาชน)
INTERHIDES PUBLIC COMPANY LIMITED



รายงานประจำปี 2552

ANNUAL REPORT

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บริษัท อินเตอร์ไฮด์ จำกัด (มหาชน)

Interhides (Public) Co., Ltd.



Financial Highlights

	(Unit : Thousand Baht)		
	2007	2008	2009
Profit & Loss Statement			
Sale Revenue	1,518,902	1,718,711	1,313,330
Total Revenue	1,528,475	1,727,973	1,317,313
Gross Profit	207,652	307,129	250,324
Operating Profit	15,945	213,411	178,155
Operating Profit (excluded contingent loss TAMC)	120,945	213,411	178,155
Net Profit	(40,361)	130,642	109,064
Net Profit (excluded contingent loss TAMC)	64,639	130,642	109,064
Balance Sheet Statement			
Current Assets	712,173	777,131	791,561
Total Assets	1,507,607	1,639,769	1,664,848
Total Liabilities	1,003,034	1,004,555	920,570
Shareholders' Equity	504,573	635,214	744,278
Per Share Data (Unit : Baht)			
Earning Per Share	-0.13	0.44	0.36
Dividend Per Share	0.00	0.00	0.70
Book Value Per Share	1.68	2.12	2.48
Financial Ratio (Unit : %)			
Net Profit Margin	-2.66%	7.60%	8.30%
Return on Equity - ROE	-8.00%	20.57%	14.65%
Return On Assets - ROA	-2.68%	7.97%	6.55%



General Information of the Company

Company's name in Thai : บริษัท อินเทอร์ไฮด์ จำกัด () (“ ”)

Company's name in English: Interhides Public Company Limited

Nature of Business: Producing and distributing leather covering for car seats and other related products

Location:

Headquarter: 678 Soi T.J.C. Sukhumvit Rd. Tambon Bangpoomai Amphoe
Muang Samutprakarn 10280

First factory: 192 M. 2 Soi Foknung Kilometer 34 Sukhumvit Rd. Tambon
Bangpumai Amphoe Muang Samutprakarn 10280

Second factory: 678 Soi T.J.C. Sukhumvit Rd. Tambon Bangpoomai Amphoe
Muang Samutprakarn 10280

Third – Fourth
Factory: 999 Soi T.J.C. Sukhumvit Rd. Tambon Bangpoomai Amphoe
Muang Samutprakarn 10280

Fifth Factory: 555 Soi T.J.C. Sukhumvit Rd. Tambon Bangpoomai Amphoe
Muang Samutprakarn 10280

Sixth Factory: 1111 M. 2 Soi Foknung Kilometer 34 Sukhumvit Rd. Tambon
Bangpumai Amphoe Muang Samutprakarn 10280

Company's Registration Number: PLC 0107574800595

Website: <http://www.interhides.com>

Telephone: (662) 323-2754-5, (662) 709-5512-4, (662) 709-6288-9, (662)
710-6244-5

Fax: (662) 709-5516, (662) 323-2749

Authorized Share Capital: Common benchmark par value of Baht 1 per share with
300 Million ordinary shares

Issued and Paid-up Share
Capital: Common benchmark par value of Baht 1 per share with
300 Million ordinary shares



Other Referees:

1. Auditor

Ernst & Young Office Limited
33rd Floor Lake Rajada Office Complex (Near Queen
Sirikit National Convention Centre)
193/136-137 Rajadapisek Road
Bangkok 10110

Tel: (662) 264-0777, (662) 661-9190

Fax: (662) 264-0789, (662) 661-9192

2. Securities Registrar

Thailand Securities Depository Co., Ltd.
62 The Stock Exchange of Thailand Building,
Rachadapisek Road, Klongtoey,
Bangkok 10110
Tel: (662) 229-2800
Fax: (662) 359-1259

3. Internal Control Systems Auditor

Chutikarn Accounting Office
25/92 M.3 Sukhapiban 3 St. Kwang Sapansuong
Supansuong District Bangkok 10240
Tel: (662) 373-8016, (662) 373-7776
Fax: (662) 373-1277



Message from the Chairman and Managing Director

Economic crisis in the United States has resulted in global economic slowdown and decline in total production of automotive industry around the world. However, in Asia the auto industry has recovered earlier than any other continents and gradually rose significantly in the 3rd quarter of this year. That reflects the fact that the economic foundation of Asia is quite different from other continents and that make the Asia's economic recovered faster than what has been expected. When considering the automotive market of Thailand for the next year it is expected that it will grow around 5-10% from the year 2009.

It is expected that the sales of Interhides Public Company Limited. for next year will increase approximately 10-20% from the year 2009 due to the economic recovery of Asian market. Our products are well accepted by local automobile companies and we continue to receive increasing orders. The main objective for year 2010 will be to achieve cost reduction level that will strengthen our profit outlook.

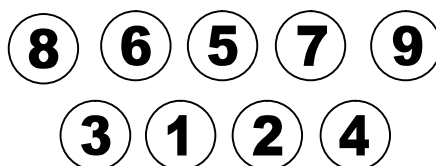
Lastly, the Board of Directors would like to thanks all parties involved, shareholders, customers, partners, employees, and financial institutions for their constant supports. The company will maintain the policy of constant development and transparency in operation and provide maximum benefits to the society.

(Mr. Thira Wipuchanin)
Chairman of the Board

(Mr. Ongart Thumrongsakunvong)
Managing Director



Board of Directors



	Name			Position
1.	Mr.	Thira	Wipuchanin	Chairman and Independent Director
2.	Mr.	Punnop	Charasaiya	Chairman of Audit Committee and Independent Director
3.	Mr.	Somchart	Limpanuphap	Audit Committee and Independent Director
4.	Mr.	Weboon	Seetthaporn	Audit Committee and Independent Director
5.	Mr.	Ongart	Thumrongsakunvong	Deputy Chairman
6.	Miss.	Chutima	Busayapoka	Director
7.	Mrs.	Wallapa	Thuannavarat	Director
8.	Mr.	Ouychai	Matitanaviroon	Director
9.	Mr.	Eiichi	Seto	Director



Board of Audit Committee



② ① ③

Name			Position
1.	Mr.	Punnop Charasaiya	Chairman of Audit Committee and Independent Director
2.	Mr.	Somchart Limpanuphap	Audit Committee and Independent Director
3.	Mr.	Weboon Seetthaporn	Audit Committee and Independent Director

Business Nature of the Company

Type of Products and Services

The Company principally engaged in the manufacture and distribution of leather coverings for car seat using processed cow or buffalo raw hides bleached and dyed, then cut and/or sewed to produce finished products. The complete cycle of products and services is implemented according to the customer's order. Products and services can be divided into seven major groups:

1. **Cut part** - Tanned leather will be cut in shape of the tailor-made drawing as ordered by the customer.
2. **Trim cover** - It is for leather car seats and other leather accessories, mostly receiving order from first tier suppliers.
3. **Steering Wheels and Gear knobs** - Sewing service for steering wheels and gear knobs
4. **Finished Leather** - For produce car seat and other leather accessories such as Steering wheel and Gear knob. The leather will be cut and sewed in a shape of car seat by customer.
5. **Finishing service** - Supplier provide all materials related to production in finishing process. The Company will produce the finishing product according to supplier's order and process.
6. **Tannery service** - Supplier provide all materials related to production in Tannery process. The Company will produce the tannery product according to supplier's order and process.
7. **Other Product** - By product from production process such as lime split from tanning process and scrap leather from cutting process

The Company's product is certified with ISO/TS 16949:2002 in terms of production and the overall operating system from TUV Rheinland Group, Germany, a certification that is well accepted in the automotive industry. Most of the Company's production is made to order from both domestic and foreign customers. Each customer can order leather products in various shapes and usage types such as cleaning leather and Chrome free leather. The Company, able to produce all various leather products and meet every need, will attentively work with carmakers to come up with the design leather products for each car model. The Company's advantages are the strong management team



and high technology machinery and equipment which allow the Company to produce up to 30 million square feet per year or around 900,000 pieces per year. In 2009, the Company had the actual production of 24.2 million square feet which accounted for 81% of the total capacity.

Revenue Proportion for Each Product Line or Business Unit

Table of the Company's Revenue Structure from 2007 – 2009 (Unit: Million Baht)

Revenue by product	Operated by	% of Shareholding	2007		2008		2009	
			Amount	%	Amount	%	Amount	%
Cut part	IHL	100%	715	47%	894	52%	619	47%
Sewing	IHL	100%	595	39%	636	37%	467	36%
Steering wheel and gear knob	IHL	100%	57	4%	32	2%	20	1%
Finished leather	IHL	100%	86	6%	83	5%	65	5%
Service	IHL	100%	-	-	-	-	27	2%
Other products	IHL	100%	66	4%	74	4%	115	9%
TOTAL			1,519	100%	1,719	100%	1,313	100%

The company's main customer is the producer of car seat leather and interior leather parts for car accessories (First Tier Original Equipment Manufacturers or 1st Tier OEM) of the leading carmakers such as Toyota, Honda, Nissan, Ford, Mitsubishi, Isuzu, Mazda, Subaru, and so on. However before receiving the order, the Company has to be chosen from these carmakers to be the second tier original equipment manufacture (or 2nd Tier OEM) because they have to research and develop the products together before they can sell each model of the car in each country so that the Company is trusted for the quality of the products. Moreover, the Company has to show confidence in the capacity of the production, the standard of the products, and the punctuality in delivering products to the customers because the nature of the Company's operation is planning well ahead in advance in order to deliver car seat leather and other accessories to the First Tier OEM punctually for the later production line. As the Second Tier OEM, the Company can present the products to other manufacturers of car seat leather and accessories of any car's model directly around the globe, not only in Thailand, within the model life of that car's model. In general, each car's model has the model life of 4-8 years. The Company has to bid for the product's price which is the business practice with other manufacturers. The Company can export its products through two channels which are (1) indirect export in which the seat makers using the Company's products export to other countries and (2) direct export in which the Company itself would present the products to the customers in other countries. Hence, selling products in other countries is considered only the direct export from the Company.

Trend of Industrial Sentiment and Competition in the future

Impact of economic crisis since the latter half of 2008 still continued to the year 2009, the purchasing power had dropped so much due to huge unemployment. Without exception, the automotive industry in Thailand, where orients on export of pick-up truck, faced the difficult circumstance in the 1st half due to very demand not only the main market for export but also domestic market. However, the market had recovered gradually in the latter half, thanks for many stimulate packages from the government which boosted up earning capacity and purchasing power. End of the year 2009, the production volume was 999,378 units, a 28.30% drop down from the previous year, which the 1st time in 5 years that the production volume did not achieve one million units. A significant trend we could see from the crisis is that the demand of economical vehicles is getting increased.

Recovery of economic is expected to continue in 2010, driven by government expenditure. For automotive industry, the production volume is prospected to reach 1.20 million units; a 20% increase from the year 2009, but it will be less than 2008 actual performance at 1.39 million units.

Even though the automotive industry is single dependent market for the company, but the performance of the company in 2009 was better than the industry with a 23.59% decrease from the previous year due to hard efforts in controlling cost and introduction of new material to meet customers' demand. With this lesson learn, the company continues putting hard efforts to re-organize the process in order to increase working efficiency for the purpose of cost saving and meeting not only customers' demand but only stakeholder's expectations.

Risk factors

1) Risks on earning revenue

1.1) Structure of revenue

The main revenue of the company is from manufacturing and selling the leather for automobile, not only for seat but also steering wheel and shift knob. The process to get business is to compete with competitors by bidding process. The company has to make direct offer to carmakers for each specific model time by time, no long-term contract to be a sole supplier for carmakers, because the policy of carmakers are to get the most competitive offer for each model and not to monopolize only single supplier for their all models. However, once the company gets awarded for each model, then carmakers will issue a letter of intent to confirm the order and permit the company to supply the leather for whole model life of that model, which normally takes 4 - 8 years.

The major portion of sales is for domestic production, but of course some of the domestic-production vehicles which used the company's leather are exported by carmakers themselves as completed built unit (CBU). Due to the company's revenue depends on performance of automotive industry, so there will be a big influence to the company if the industry goes down. However, the company have diversified such risk by enter to service agreements in order to reduce dependence on performance of automotive industry.

1.2) Business competition

Competition in the domestic automotive leather does not so tough because of sever demand on quality of carmakers. The company whom will be authorized by carmakers to be listed as a supplier has to be able to produce the leather to comply all requirements in carmakers' specification, and there are few suppliers in domestic compete in this business at the moment.

Even though trade barriers become less because of engagement on Free Trade Agreement (FTA) which facilitate carmakers to utilize materials from overseas under their Global Sourcing Policy, but it is still quite hard for new comer from overseas to penetrate in the genuine leather business because of government regulation in zoning the area for tannery and long lead-time to develop and approve new supplier and new material. Anyway, there should be more/less influence of such privilege to the company in the future by having more competition either from directs investment of overseas tannery or imported leather of authorized supplier in overseas.

2) Risks on costing management

Fluctuation of raw materials price

Main costs of production are from raw hides and chemicals, which are around 80% of total cost of production. Such costs of raw materials may move according to world demand and supply, or they could be changed by special factors occasionally; for instance, price increasing from mad-cow disease. Besides, the price of raw hides can be also higher by the effect of oil price increasing which results to higher logistics cost. As a result of the aforesaid factors, the company may need to shoulder the higher cost of production. Anyway, the company still has a room to negotiate for increasing price with carmakers based on the fact of raw materials' prices increasing.

3) Risks on human resource

Relying on expert personnel

Since the genuine leather is very unique product as it is a natural material, so it requires personnel who have expertise in this field. Besides, lower stream process like cutting and sewing also require skillful persons to work at the sites in order to materialize workmanship goods. Therefore, it is quite hard for the company to guarantee that those skillful and experienced personnel will work with the company lastingly.

To cover the aforementioned issue, the company has addressed in 3 means by adopting machines and equipments to facilitate or replace manual works, then continual organizing training courses to get new generation to succeed the jobs, and the last the company offers reasonable benefits and welfare, including setting another incentive for each working station when it can achieve the goals, to attract such valuable human resource to remain at the company.

4) Risks on financial

Risk from foreign exchange rate fluctuation

The Company imports materials such as raw hides and chemical from the USA, Australia, Singapore, Germany, South Africa, Uganda and Kenya for which payment is mainly dominated in U.S. dollars. At the same time, the Company is also exporting products for which revenue is received in U.S. dollars and Singapore dollars. In 2008, the Baht currency against U.S. dollars had been continually depreciate which affected that import in a negative way. However, the company has a policy of risk management for exchange rate with the Natural Hedge Risk management by spending foreign currency received from export to pay for the imported raw materials without exchange the currency. And the company, also apply a hedging policy of buying Forward Exchange Contract based upon certain situations, without any policy to seek profits from the exchange rate speculation. As a result, the company can be relieved from the risk of exchange rate fluctuation.



Shareholding Structure

Top 10 major shareholders

				18 March 2009	
Name				Number of shares	% of overall shares
1	Mr.Ong-art Thumrongsakunvong Group				
	Miss	Chutima	Busayapoka	75,595,820	25.20%
	Mr.	Ong-art	Thumrongsakunvong	54,938,930	18.31%
	Mr.	Thanat	Busayapoka	8,750,050	2.92%
	Miss	Wanvisa	Thumrongsakunvong	4,879,700	1.63%
	Mrs.	Wallapa	Thuannavarat	1,300,000	0.43%
	Mr.	Peng	Thuannavarat	500,000	0.17%
	Miss	Suthira	Busayapoka	100,000	0.03%
	Total Mr.Ong-art Thumrongsakunvong Group			146,064,500	48.69%
2	Sumitomo Group				
	SUMITOMO CORPORATION			45,000,000	15.00%
	SUMITOMO CORPORATION THAILAND LTD.			15,000,000	5.00%
	Total Sumitomo Group			60,000,000	20.00%
3	Mr.	Chai	Boonnak	19,930,100	6.64%
4	Mrs.	Chompit	Boonnak	9,743,700	3.25%
5	Mr.	Apithep	Thummakhaseam	9,736,200	3.25%
6	Mr.	Chusak	Chuprayul	9,524,000	3.17%
7	Mr.	Pitoon	Khongmueng	8,537,900	2.85%
8	Mr.	Rattanaphon	Wongnaphachan	8,475,900	2.83%
9	Mr.	Pipat	Thupanyakanok	7,527,500	2.51%
10	Miss	Rapeepan	Sriharan	7,493,500	2.50%
	Others			13,024,710	4.34%
	Total Shares			300,000,000	100.00%



Name	Business	Shareholding Structure	%
1 Sumitomo Corporation	Trading	1 Japan Trustee Services Bank, Ltd. (Trust Account)	7.46%
		2 The Master Trust Bank of Japan, Ltd.(Trust Account)	6.80%
		3 Japan Trustee Services Bank, Ltd. (Trust Account4G)	6.15%
		4 Japan Trustee Services Bank,	3.65%
		5 Mitsui Sumitomo Insurance Co., Ltd.	2.66%
		6 Sumitomo Life Insurance Company	2.47%
		7 Japan Trustee Services Bank, Ltd.(Trust Account4)	1.95%
		8 Sumitomo Metal Industries Ltd.	1.54%
		9 Nippon Life Insurance Company.	1.32%
		10 The Dai-ichi Mutual Life Insurance Company	1.27%
		Other	64.73%
			100.00%
2 Sumitomo Corporation Thailand Ltd.	Trading and investment	1 Sumitomo Corporation Asia Pte. Ltd.	99.99%
		Other	0.01%
			100.00%

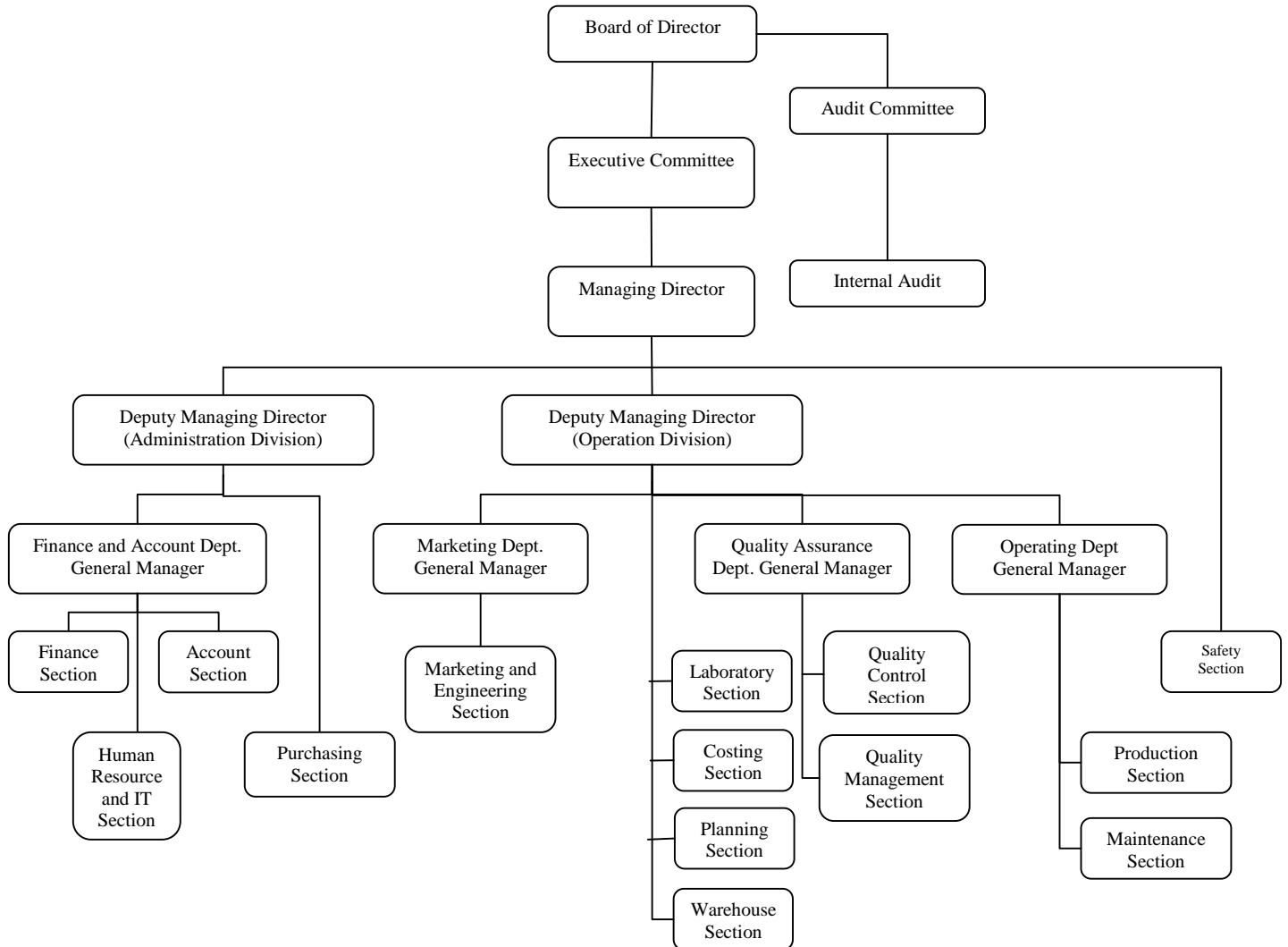
Major shareholder groups having influences on setting management policies or the Company's operations:

- Mr.Ong-art Damrongsakulwong's group nominated 3 directors: Mr.Ong-art Damrongsakulwong, Miss Chutima Busayapoka, and Mrs.Wallapa Thuannavarat.
- Sumitomo's group by Sumitomo Corporation: nominate 1 director, namely Mr. Eiichi Seto. Sumitomo Corporation Thailand Ltd. nominate 1 director, namely, Mr.Ouychai Matitanaviroon.

Dividend payment policy

The Board of Directors sets a dividend payment policy of the Company that whenever the Company has a net profit, the Company will pay a dividend to the Company's shareholders at the rate not lower than 40% of the net profit except in case that the Company has other investment projects.

Management Structure



Structure of Board of Directors

The corporate structure of the Company comprises 4 committees, namely, Board of Directors, Executive Committee, Audit Committee and Remuneration Committee.



1. Board of Directors

As of December 31, 2009, Board of Directors consists of 9 committees as follows:

Name	Position
1. Mr.Thira Wipuchanin	Chairman and Independent Director
2. Mr.Ongart Thumrongsakunvong	Deputy Chairman
3. Miss.Chutima Busayapoka	Director
4. Mrs.Wallapa Thuannavarat	Director
5. Mr.Ouychai Matitanaviroon	Director
6. Mr.Eiichi Seto	Director
7. Mr.Punnop Charasaiya	Chairman of Audit Committee and Independent Director
8. Mr.Somchart Limpanuphap	Audit Committee and Independent Director
9. Mr.Weboon Seethaporn	Audit Committee and Independent Director

Authorized directors who can sign on behalf of the Company

Authorized signatories to sign on behalf and to bind the Company are two of the following three directors, namely, Miss.Chutima Busayapoka, Mr.Ongart Damrongsakulvong and Mrs.Wanlapa Thuannavarat, sign jointly with the Company's seal.

Duties and responsibilities of the Company's Board of Directors

1. The Board of Directors has power and duties to conduct the Company's business according to the laws, Company's objectives, Articles of Association, and resolutions of the shareholders meetings.
2. To set the Company's directions in running business; monitor the Company's operation complying with laws and regulations of Government authorities, disclose sufficient information to shareholders and transparently run the business for the best benefits the shareholders.
3. To fix the Company's goals, directions, policies, plans and budgets; monitor the Company's management delegated to implement the policy. Some matters must be approved by the shareholders before being implemented such as amending the Memorandum and Articles of Association, increasing or reducing the capital of the Company, issuing stocks or debentures, selling or transferring the Company's business to other persons or purchase or acceptance of transfer of the business of other companies, the making, amending or terminating of contracts with

respect to the granting of a lease of the whole or important parts of the business of the company, the assignment of the management of the business of the company to any other persons or the amalgamation of the business with other persons with the purpose of profit and loss sharing merging or dissolution of the company, paying remuneration and bonus to directors, etc.

4. The Company's Board may appoint an executive committee as it deemed appropriate to operate the business assigned by the Company's Board, and the Company's Board will appoint one of the executive director to serve as Chairman of the Executive Committee.
5. The Company's Board may assign the Managing Director or give to other person authority to operate the business under the Board of Directors' supervision or may give authority to such persons with a scope and duration as the Board thinks fit. The Board may revoke, withdraw, or revise such authority. In case the Board assigns the Managing Director or other persons to operate the company's normal and regular businesses the assignment must be approved by the Board meeting which attended by independent directors or audit committee. If the independent directors or audit committee object to the assignment of authority the opinion of the said directors must be clearly recorded in the minutes of the meeting. The assignment of authority must stated clearly the scope of authority and responsibility of the assignee. The assigned authority must not empower the assignee to approve transaction with the assignee himself or with persons with real or potential conflicting interest with the company or its subsidiaries.
6. The Company's board will ensure that the Company has an effective control system and internal auditing by providing internal auditors to monitor the implementation of the system and co-ordinate with the Audit Committee.
7. Independent and external directors shall have their own discretion independently in setting strategy, management, appointment of directors to fill positions vacated by resigned directors, and consider matters affecting interest of the company's stakeholder. The directors have access to the financial and other business information sufficient to perform their duty.
8. The Board shall prepare compliance manual regarding code of ethics, business ethics, executive and staff codes of ethics to be used as guideline in the Company.



2. Executive Directors

As of December 31, 2009, there are 3 executive directors as follows:

Name	Position
1. Mr.Ongart Thumrongsakunvong	Chairman of Executive Directors
2. Miss.Chutima Busayapoka	Vice Chairman of Executive Directors
3. Mrs.Wallapa Thuannavarat	Executive Director

Duties and responsibilities of Executive Directors

1. To set policy, direction, strategy and principle to be in accordance with the goal assigned by the Company's Board and be authorized to implement the Board's policy under the law, conditions, regulations, and Company Articles of Association.
2. To develop organization structure and authority manual covering recruitment selection, employment, transferring, training, and dismissal of company's staff, except the Chairman of the Board and the Managing Director.
3. To consider annual budget proposed by the Managing Director for scrutinization before submitting for the Board's approval.
4. To examine, monitor implementation of policy and guidelines set by the company so that efficiency can be achieved.
5. To consider, screen, investment in projects related to core business as well as unrelated ones before submitting for Board's approval.
6. To have authority to approve loans or credit line from financial institutions, making imbursement for the Company's regular business transactions such as investment, buying land or land with building(s), buying machinery or other assets and other payments with a limit for each transaction of not exceeding 50 million baht. For transaction over Baht 50 million prior Board approval shall be required.
7. To have authority in considering and allocating reward, bonus or other remunerations approved by the Board.
8. To perform other duties in each duration assigned by the Board
9. To approve loans as welfare to staff with low income in the amount not exceeding Baht 500,000.

A director having interests in a matter or a conflict of interests against the company or subsidiaries shall not be entitled to approve of such matter. (In accordance with the regulations of the stock Exchange of Thailand and the committee of securities control)



3. The Audit Committee

As of December 31, 2009, there are 3 audit committees as follows:

Name	Position
1. Mr.Punnop Charasaiya	Chairman of Audit Committee and Independent Director
2. Mr.Somchart Limpanuphap	Audit Committee and Independent Director
3. Mr.Weboon Seetthaporn	Audit Committee and Independent Director

Ms. Nuntaporn Kanjanawaigoon, Accounting Manager is the secretary of the Audit Committee.

Duties and responsibilities of the Audit Committee

1. To review financial reports to ensure their accuracy and adequacy.
2. To review the internal control system and audit functions to ensure their appropriateness and effectiveness and review the sufficient independence of the internal audit, and provide opinions for the appointment, transfer, and promotion of heads of the internal audit or other offices with responsibilities for internal audit activities.
3. To review the Company's operations and activities to ensure their compliance with the Securities and Exchange Act, SET regulations and other applicable laws to the Company's business.
4. To consider and propose for the persons with independence of performing the duties of external auditors for the Company, purpose the remunerations, and arrange the meeting with external auditors at least once a year without the presence of the Company's management.
5. To review the connected transaction or transactions with potential conflict of interest to be in compliance with laws and requirements of the Stock Exchange of Thailand in order to ensure that such transactions are reasonable and provide the best benefits for the Company.
6. To prepare and disclose the audit committee reports in the annual reports which must be signed by the Chairman of the audit committee. The report should consist of:
 - a) Opinions about the process of conducting and disclosing information in the Company's financial report as well as its accuracy, completeness and reliability.
 - b) Opinions about the sufficiency of the Company's internal control system.
 - c) Opinions about the compliance with laws on securities and exchange, requirements of the Stock Exchange of Thailand and any other laws relating to the Company's business.



- d) Opinions about the appropriateness of external auditors.
 - e) Opinions about transactions with potential conflict of interest.
 - f) Number of meetings to be convened by the Audit Committee and meeting attendance of each Audit Committee member.
 - g) Opinions or general findings obtained by performing its duties in accordance with the Audit Committee Charter.
 - h) Opinions about other matters that should be inform to general shareholders and investors under the scope of duties and responsibilities assigned by the Board of Directors.
7. To perform any acts as assigned by the Board of Directors of the Company together with and approval and under the scope of duties and responsibilities of the Audit Committee.

4. The Remuneration Committee

A remuneration committee was appointed by the 1/2008 Board meeting held on February 24, 2007. There are 3 committee members as follows:

Name	Position
1. Mr.Punnop Charasaiya	Chairman of Remuneration Committee
2. Mr.Somchart Limpanuphap	Remuneration Committee
3. Mr.Ouychai Matitanaviroon	Remuneration Committee

Duties and responsibilities of the Remuneration Committee

1. To consider directors' remuneration basing on directors' performance in each year, duties and responsibilities, company's financial status and rate of remuneration comparing to industrial standard, and to propose salary adjustment and other benefits for the Board's consideration.
2. Other duties assigned by the Company's Board.



The Management Team

As of December 31, 2009, there are 3 executives as follows:

Name	Position
1. Mr.Ongart humrongsakunvong	Managing Director
2. Miss.Chutima Busayapoka	Deputy Managing Director (Operation)/ Operation Dept. General Manager/Marketing and Engineering Dept. General Manager/Quality Assurance Dept. General Manager
3. Mrs.Wallapa Thuannavarat	Deputy Managing Director (Administration)/ Finance and Account Dept. General Manager

Election of the Directors and the Executive Management

The election of directors by the shareholders meeting shall be in accordance with the following rules and procedures:

- (1) A shareholder shall have one vote for one share.
- (2) Each shareholder shall use all his or her votes under (1) to elect one or several persons as a director. However, he or she may not divide his or her votes among candidates.
- (3) The persons who receive the most votes in ranking order will be elected as directors until all the director positions are filled. In case the persons being elected in descending order are tied but their election will exceed the number of director positions available, the chairman of the meeting shall have a casting vote.

At each annual general meeting of shareholders, one-third of the Company's directors shall retire in rotation. Should the number of directors to retire in rotation is not a multiple of three, the number of directors closest to one-third (1/3) of all directors shall retire.

In the first and second year of the registration of the Company, directors retiring from office shall be selected by drawing lots. In subsequent year the director who has held office longest shall retire. A director who vacates office may be re-elected.



Apart from the vacation upon the expiry of his or her term under Clause 17 a director shall vacate office upon:

- Death
- Resignation
- Lack of qualifications or possession of prohibited characteristics under section 68 the Public Company Act B.E.2535
- Removal by a resolution of the Shareholders meeting under Clause 22
- Removal by a court order.

Directors' and Management remuneration

1. The amount of remuneration for 2007 is totaled at 21,003,185 baht by dividing the remuneration for those in director positions only and the remuneration for the Company's Board of Directors and Management as following :

a.) Director Positions only : 3,240,000 baht

-Remuneration for the Company's Board of Directors: total 2,640,000 baht

- Remuneration for the Audit Committee: total 600,000 baht

Name	Board of Director (Baht)	Audit Committee (Baht)	Total (Baht)
1 Mr.Thira Wipuchanin	480,000	-	480,000
2 Mr.Ongart Thumrongsakunvong	270,000	-	270,000
3 Miss.Chutima Busayapoka	270,000	-	270,000
4 Mrs.Wallapa Thuannavarat	270,000	-	270,000
5 Mr.Ouychai Matitanaviroon	270,000	-	270,000
6 Mr.Kazuyoshi Higuchi ¹	200,000	-	200,000
7 Mr. Eiichi Seto ²	70,000	-	70,000
8 Mr.Punnop Charasaiya	270,000	240,000	510,000
9 Mr.Somchart Limpanuphap	270,000	180,000	450,000
10 Mr.Weboon Seetthaporn	270,000	180,000	450,000
	2,640,000	600,000	3,240,000

Remark :

1. Mr. Kazuyoshi Higuchi had resigned from the board of director from May 8,2009
2. Mr. Eiichi Seto is the board of director from May 8,2009



b.) Remuneration for the Company's Board of Directors and Management for 2009 comprising salaries, bonuses and welfare is totally of 17,763,185 baht.

Remark: * "Management Executives" means Managing Director or the first 4 executives down from the Managing Director, excluding the accounting or financial managers if not in the same level as the 4th management executive.

2. Other remunerations: - None –

Summary of director attendance for the year 2009

Name	Board of Director	Audit Committee	Remuneration Committee
	Number of Attendance/Total Meeting	Number of Attendance/Total Meeting	Number of Attendance/Total Meeting
1 Mr.Thira Wipuchanin	4/4	-	-
2 Mr.Ongart Thumrongsakunvong	4/4	-	-
3 Miss.Chutima Busayapoka	4/4	-	-
4 Mrs.Wallapa Thuannavarat	4/4	-	-
5 Mr.Ouychai Matitanaviroon	4/4	-	1/1
6 Mr.Kazuyoshi Higuchi ¹	0/2	-	-
7 Mr. Eiichi Seto ²	2/2	-	-
8 Mr.Punnop Charasaiya	4/4	4/4	1/1
9 Mr.Somchart Limpanuphap	3/4	3/4	0/1
10 Mr.Weboon Seetthaporn	4/4	4/4	-

Remark :

1. Mr. Kazuyoshi Higuchi had resigned from the board of director from May 8,2009
2. Mr. Eiichi Seto is the board of director from May 8,2009

Good Corporate Governance

The Company's directors have set up a policy to adhere to the "Principle of Good Corporate Governance" laid out by the Stock Exchange of Thailand (SET) to increase transparency and competitive potential and shareholder's credibility and all concerned parties. The Company lays focus on the importance in corporate governance as follows:

1. Corporate Governance Policies

The Company has set up the corporate governance policy by focusing on the importance and necessity of business operation to achieve stable growth through honesty, professional management system, transparency and equal treatment for shareholders and other stakeholders, with clear structure of duties and responsibilities of each of the committees and the managing director with the Company's board clearly, disclosing clear information to investor at appropriate time, setting up control system and risk management with carefulness, risk assessment and strategy to manage and monitor those risks on a regular basis executives and staff to act with conscience of business ethics.

2. Shareholder: Rights and equitable treatment of shareholders

Right to know the Company's information

The Company realizes that shareholders should get correct, complete, sufficient, on-time and equal information. For all shareholder meetings the Company will send a meeting notice 7 days before the meeting. Each agenda is provided with opinions of the Board of Directors to facilitate shareholders' decision. Minutes of the shareholder meeting will be prepared for shareholder's inspection.

Right to vote

The Chairman of the meeting will give equal opportunity for all shareholders to examine the company's operation by asking questions and expressing opinions and suggestions. Important points will be recorded in the minutes for shareholder's inspection. For shareholders who are unable to attend the meeting, proxy form is provided for appointment of proxy to attend the meeting.

Right to be supervised equally

The shareholders will be equally treated for their rights and entitlement.

3. Right of stakeholders

The Company put a high value on every group of persons who has a stake in the Company both internally (company's board and staff) and externally (competitor, creditor).

- Personnel: to be treated equally and give fair remuneration.
- Trading partners and Creditors: to be treated equally and fairly under trade condition and agreement

- Customer: take care of customers by producing good quality and standardized goods and serve customer's needs and wants by focusing on the importance of quality of goods and services with a reasonable price.
- Competitor: to compete under fair rules and norm of competition.
- Society: establish social responsibility by doing business under code of ethics avoiding polluting the environment of the community. Give support to community activities on suitable occasion.

4. Shareholder's meetings

The Company' has a policy to arrange proper and convenient place and time for meeting, providing sufficient time for-shareholders to ask questions and express opinions and suggestion. Directors, Chairman of Audit Committee, Chairman of Executive Committee, and managing director shall attend the meeting to answer the questions.

5. Leadership and vision

The Company's Board must have knowledge, ability and experience as well as leadership and vision to meet the requirement of good corporate governance. Directors shall participate in the setting of vision, mission, strategy, goal and budget and taking care of operation based on business plan and budget effectively and efficiently. Moreover, the Company must have internal control system, internal audit and risk management procedure effectively and efficiently and monitoring operation constantly, preparing staff to operate according to the policy, excluding items with conflict of interest and items that have to ask shareholder's approval according to the regulation of SET.

6. Conflict of interests

The company has laid down policy on the making of transactions that may involve conflict of interest, which are required to follow the procedure prescribed by the SET. In case of a transaction with conflict of interest, it would be proposed for the Audit Committee's consideration before submitting to the Board for approval. The Board shall consider carefully and concern for the Company's interest as well as requiring interested party to leave the meeting when the matter is raised for decision. Furthermore, the Company established a policy and rules to prevent directors, executives and related persons from using internal information for their own benefit.

Executives are informed of their duty to report their shareholding, including spouse, and underage children who hold shares in the Company. And the penalty for violation provided in the Securities and Exchange Law. The company prohibits executives and staff to obtain inside information which are trade secrets not to be disclosed to outsiders or abusing positions in the Company for own benefits or benefits to other persons as follows:

- Stock Trading Stoppage

In case that directors, executives and staff know the internal information that has an impact on stocks price will refrain from trading of the company securities 1 month before the company submit the financial statement. (The time to submit the financial statement is 45 days from the end of each quarter and 60 days from the ended of accounting period) or disclose internal information to the public.

- Punishment

In case that directors, executives, or staff violate this rule which is a criminal offense according to the Securities and Exchange Law, the Company will imposed severe punishment such as cutting salary, discharge or dismissal removal from executive posts, reporting to the SET or SEC, reporting to the police, or other measures by the resolution of the Board or the shareholders meeting.

7. Business ethics

The Company has set out policy on code of business ethics and instructed its directors, executives, and employees to adhere to and apply the said policy as a guideline for performing duties with integrity, honesty, and responsibility to the stakeholders, the shareholders, the public and society. All groups shall be treated equally and fairly.

8. Balance of non-executive directors

The Company's structure consists of 9 highly qualified persons:

- 3 directors from shareholders and executive (30% of the total number of directors).

- 2 directors from shareholders (22.22% of the total number of directors).

- 1 independent director and 3 independent audit committees (44.44% of the total number of directors) who have qualifications as stipulated in the SET announcement. The Audit Committee shall review and counter-balance the management of the company to achieve fairness and maximum benefits for all shareholders.

9. Consolidation and Segregation of Positions

The Company separates positions clearly according to the scope of duties and responsibilities set by the Company's Board and MD. The Board Chairman is an independent director and not the same person as MD. Furthermore, the Company appoints 3 independent directors as audit committee to monitor the Company's operation as a counter-balance.

10. Remuneration of Directors and Executives

The Company appointed the Remuneration Committee on February 24, 2008 by having at least one independent director to sit on the remuneration committee. The remuneration has been disclosed in the Annual Report as well as the 56-1 Annual Submission of the SEC:

Directors' remuneration: setting up clear remuneration and suitable level in keeping with the industry.

Executives' remuneration: remuneration based on guideline and policy set by the Board which related to the Company's operation outcome and performance of each executive

Moreover, the remuneration of directors and executives should be fair appropriate and sufficient to keep qualified executives required by the Company and create sufficient motivation to perform with good standard appropriate for the assigned tasks

11. Board of Directors' meetings

The Company has a policy to have meeting every 3 months. However, additional meeting may be called if needed by giving notice with agenda 7 days in advance so that the directors have enough time to study the details before the meeting.

12. Sub-committees

The Company sets up sub-committee which is auditing committee to help the Company's supervision according to information in (9.1) about management structure, having a meeting by auditing committee every 3 months. If there is an emergency case, an urgent meeting will be conducted.

13. Internal control system and internal audit

The Company realized the importance of internal control system both in top management and subordinate by setting duties, authority of directors, executives in writing separating operation workers from supervising and monitoring staff.

The Company employs an external firm, Chutikarn Accounting Office, to conduct internal auditing and examining internal control system to ensure that the main operation and important financial activities followed rules and regulations efficiently. The internal auditor reports directly to the Audit Committee.

14. Report of the Board of Directors

The Company's board is responsible for important business operation and supervision, budget, financial information to publics in form of annual report with carefulness and disclosing sufficient information such as stock structure, risk factors, and relevant items to shareholder.

The Board of Directors has provided and maintained an efficient internal control system to ensure that accounting records are accurate, complete and adequate to protect its assets and uncover weaknesses in order to prevent fraud or materially irregular operations.

Furthermore, the Board of Directors has appointed an Audit Committee, which consists of non-executive directors responsible for the quality of financial statements, internal control system.

15. Investor relations

The Board of Directors stressed the importance of disclosing correct, complete, clear, accessible and on-time information to investors in terms of financial reports, performance reports and other related information. The Company realizes that all information plays a key role for investors' decisions to invest.

Management Information

Name	Age	Education	Share (%)	Relationship	Employment Record		
					Period	Position	Company
1 Mr.Thira Wipuchanin Chairman	61	- BBA. University of Wisconsin, USA. - DCP and ACP Program of IOD	-	-	2005 – present	Chairman and Independent Director	Interhides Public Company Limited
					2005 – present	Chairman of Audit Committee	Bangkok First Investment & Trust Public Company Limited
					2003 – present	Audit Committee and Independent Director	Siam Macro Public Company Limited
					2000 – present	Chairman of Audit Committee and Independent Director	United Palm Oil Industry Public Company Limited
					2000- present	Audit Committee and Independent Director	Precious Shipping Public Company Limited
					1998 – 2003	Senior Deputy Managing Director	Export-Import Bank of Thailand
					1994 - 1997	Deputy Managing Director	Premier Group
					1990 - 1994	Thailand Branch Representative	Prudential Asset Management Asia Ltd.
2 Mr.Ongart Thumrongsakunvong - Deputy Chairman - Chief Executive Director - Managing Director	51	- Highschool, Assumption Sriracha School - DAP and ACP Program of IOD	43.51 (including Spouse)	Spouse of No. 3	1975 - 1990	Deputy Chairman	American International Assurance Co.,Ltd.
					1992 – present	Managing Director	Interhides Public Company Limited
					2005 - present	Director	Vivid Atelier Co.,Ltd.
					2005 - present	Director	Trio Fusion Co.,Ltd.
					2005 – present	Director	Automotive Accessory Co.,Ltd.
					1992 – 1994	Managing Director	OC Leather Co.,Ltd (Closed)
3 Miss Chutima Busayapoka - Director - Deputy Chief Executive Director - Deputy Managing Director (Operation) - Production General Mgr. - Quality Assurance General Mgr. - Marketing and Engineering Mgr.	48	- Diploma Certificate, Phanyapranit College - DAP and ACP Program of IOD	43.51 (including Spouse)	Spouse of No. 2	1988 – 1991	Manager	OC Leather Co.,Ltd (Closed)
					1992 – ปัจจุบัน	Deputy Managing Director (Operation)	Interhides Public Company Limited
					1992 – 1994	Deputy Managing Director	OC Leather Co.,Ltd (Closed)
					1988 – 1991	Assistant Manager	OC Leather Co.,Ltd (Closed)



Name	Age	Education	Share (%)	Relationship	Employment Record		
4 Mrs.Wallapa Thuannavarat - Director - Executive Director - Deputy Managing Director (Administration) - Finance and Accounting General Mgr.	56	- BBA. Sukhothaimatirat - DAP Program of IOD	0.63 (including Spouse)	Sister of No. 3	1994 – present 1978 – 1993 1997 – 1978	Deputy Managing Director (Administration) Supervisor (General Account) Accountant	Interhides Public Company Limited Thai Investment and securities Public Company Limited Poonpipat Public Company Limited
5 Mr.Ouychai Matitanaviroon Director	50	- MBA. Campbell University, USA. - DAP Program of IOD	-	-	2008- present 2005 – present 2006 - 2008 2003 – 2006 1998 – 2003 1993 – 1998 1992 – 1992 1989 – 1989 1986 – 1986	Director and Division Head Transportat on and Infrastructure Division Director Director and Deputy Transportat on and Infrastructure Division General Manager Deputy Managing Director Manager Assistant Manager Senior In charge Officer	Sumitomo Corporation Thailand Co.,Ltd. Interhides Public Company Limited Sumitomo Corporation Thailand Co.,Ltd. Sumitomo Corporation Thailand Co.,Ltd. Sumitomo Corporation Thailand Co.,Ltd. Sumitomo Corporation Thailand Co.,Ltd. Sumitomo Corporation Thailand Co.,Ltd. Sumitomo Corporation Thailand Co.,Ltd. Sumitomo Corporation Thailand Co.,Ltd.
6 Mr.Eiichi Seto Director	50	- Faculty of Law, Waseda University, Japan	-	-	2009 – present 2009 – present 2007 - 2009 2005 - 2006 1999 - 2004 1997 – 1998 1993 – 1996 1982 - 1992	Director General Manager General Manager Deputy General Manager General Manager Assistance Manager Manager Officer	Interhides Public Company Limited Sumitomo Corporation, Japan Sumitomo Corporation, Australia Sumitomo Corporation, Japan Sumitomo Corporation, America Sumitomo Corporation, Japan Sumitomo Corporation, Mexico Sumitomo Corporation, Japan



Name	Age	Education	Share (%)	Relationship	Employment Record		
7 Mr.Punnop Charasaiya - Independent Director - Chairman of Audit Committee	61	- Master Science of Management Arthur D. Little University, USA. - DAP and ACP Program of IOD	-	-	2008 – present 2005 – present 1996 – 2008 1976 – 1996	Consultant Independent Director, Chairman of Audit Committee Deputy Managing Director Vice President	Export-Import Bank of Thailand Interhides Public Company Limited Export-Import Bank of Thailand Kasikorn Bank
8 Mr.Somchart Limpanuphap - Independent Director - Audit Committee	58	- Master of Accountancy Thammasat University - DAP and ACP Program of IOD	0.14	-	2008 – Present 2005 – present 1999 - 2008 1985 - 1999 1975 - 1984	Manager (Provincial Loan Recovery Dept) Independent Director, Audit Committee Manager (Credit Dept.) Branch Manager Internal Auditor	Bangkok Bank Interhides Public Company Limited Bangkok Bank Bangkok Bank Bangkok Bank
9 Mr.Weboon Seetthaporn - Independent Director - Audit Committee	61	- LL.M. Temple University, USA. - A Barrister-at-Law, The Bar Association - DAP and ACP Program of IOD	-	-	2005 – present 2006 - 2008 1998 - 2006 1976 - 1997 1974 - 1975 1971 – 1973	Independent Director, Audit Committee Deputy Managing Director Executive Vice President Vice President Attorney Credit Compromise Officer	Interhides Public Company Limited Export-Import Bank of Thailand Export-Import Bank of Thailand Kasikorn Bank Office of Adul Singhanade Bangkok Bank

Audit Committee Report

To the shareholders of Interhides Public Company Limited

At present, the Audit Committee of the Company comprises Mr. Punnop Charasaiya as Chairman, Mr. Somchart Limpanuphap and Mr. Weboon Seethaporn as Committee members, and Ms. Nuntaporn Kanjanawaigoon as Secretary. All members possess adequate qualifications for their posts as required by the Audit Committee Charter and in accordance with the Stock Exchange of Thailand's Best Practice Guidelines.

The Audit Committee has performed its duties and responsibilities as assigned by the Board of Directors in supervising and overseeing the Company's state of affairs in order to show precisely and ensure that Management and executive directors, who are accountable to shareholders of the Company, execute their duties with honesty and responsibility, and in accordance with the policy of the Company accurately and completely, and by reaching a level of standard practice. The Audit Committee conducted a total of 4 meetings in 2009 and appropriately discussed and shared opinions with senior management, external auditors, and internal auditors on related matters. This can be summarized as follows:

1. Reviewed quarterly and annual financial statements of the company for 2009, which had already been reviewed and audited by the external auditor, before submitting them to the Board of Directors for approval. The Audit Committee inquired into the accuracy and completeness of financial statements of the external auditor and Management, and the adequacy of financial disclosure. In addition, the Audit Committee considered and acknowledged the management letter and audit approach for the external auditor's 2009 financial statement. The Audit Committee came to the conclusion that internal control of the financial reporting process was adequate to ensure that such financial statements represented the Company's financial status and operating results accurately, that they were in accordance with legally defined accounting principles, and that they were adequately and promptly disclosed for the benefit of investors and users of such statements when making investment decisions.

2. Reviewed connected transactions executed by the Company with related parties who were considered as having a conflict of interest, and reviewed the sufficiency of the disclosure of these transactions in accordance with the requirements of the Stock Exchange of Thailand. The Audit Committee came to the conclusion that the aforementioned transactions were conducted by Management fairly and priced with a view to giving the utmost benefit to the Company at an arm's length basis, and that they were accurately and adequately disclosed.

3. Reviewed, from a total of four meetings, compliance with Securities and Exchange laws, regulations of the Stock Exchange of Thailand, and other relevant laws including Securities and Exchange acts, regulations of the Securities and Exchange Commission, the Public Company Act BE 2535, rules, the Revenue Code, Labour Law, business commitments. The Audit Committee came to the conclusion that the Company had complied with all applicable regulatory requirements.

4. Reviewed the Internal Control System in its evaluation of the adequacy and effectiveness of the Company in achieving its goals. The Audit Committee reviewed the Internal Audit Report for 2009, according to the approved Internal Audit Action Plan, of major business processes such as inventory control process, production management system or collection management. There were no major weaknesses or significant errors in internal control. In addition, the Audit Committee evaluated the Company's Internal Control System, which consisted of management control, financial control and compliance control based on guidelines of the Office of the Securities and Exchange Commission. The Audit Committee came to the conclusion that the Internal Control System was adequate and functioning effectively with regards to the internal environment, risk assessment, control activities, information and communication systems, and monitoring system.

5. Reviewed the Risk Management System to evaluate its adequacy and effectiveness. The Audit Committee considered risk management policy, the Risk Management Manual, risk identification, and risk response including the progress of the Risk Management Plan as proposed by the Top Management on a yearly basis. The Audit Committee came to the conclusion that the Risk Management System was adequate and functioning effectively with clear objectives, complete risk identification, appropriate risk assessment and risk response.

6. Considered the nomination and appointment of the external auditor and the annual audit fee for 2010 to seek approval from the Company's Board of Directors for the 2010 General Shareholders' Meeting. The Audit Committee reviewed the independence, performance, and services of the external auditor including the audit fees, and judged that the external auditor gave useful opinions and recommendations regarding financial reporting and internal control. Therefore, the Audit Committee proposed that an external auditor from Ernst & Young Office Limited be appointed the Certified Public Accountant of the Company for 2009. This recommendation was made to the Board of Directors prior to being presented at the General Shareholders' Meeting.

7. To propose activity reports of the audit committee to the board of directors for every meeting of the audit committee in order to be in conformity with good conduct of the audit committee.

8. To consider the annual audit plan and reexamine report of inspecting result as well as evaluating the internal control in order to assure that the internal control is efficient enough to meet the acceptable risk and suitability for changing business environment.

In 2009, the Audit Committee conducted as total of 4 meeting, the summary of attendance are as following:

Name of Audit Committee	Position	Number of Attendance/Total Meeting
Mr.Punnop Charasaiya	Chairman of the Audit Committee	4/4
Mr.Somchart Limpanuphap	Audit Committee member	3/4
Mr.Weboon Seetthaporn	Audit Committee member	4/4

The Audit Committee exercised its judgment and independently fulfilled its duties and responsibilities with sufficient competency, with circumspectness, and with full access to information from Management, employees, and relevant persons. The Audit Committee also gave comments and recommendations on the equitable treatment of stakeholders.

In summary, the Audit Committee is of the opinion that the Board of Directors, Management, and executive directors have operated with an ethical mind and have had the intention of performing duties professionally to achieve the Company's goals. Furthermore, the Company has committed itself to operate the business under an effective Internal Control System. In addition, the Company has established a concise and appropriate Risk Management System and has effective corporate governance.



Mr. Punnop Charasaiya
Chairman of the Audit Committee



Mr. Somchart Limpanuphap
Audit Committee member



Mr. Weboon Seetthaporn
Audit Committee member

Related Party Transactions

Detail of related transactions in the 2008 and 2009

1) Schumans Electronics Company Limited (“Schumans”), previously named Trio Fusion Company Limited

Nature of business	Assembly of electronic equipment for use in the vehicle industry i.e. reverse sensor. Founded on May 2005 and renamed at Department of Business Development with effective date on June 8, 2006
Registered and paid capital	10 millions Baht with total 1 Million shares at par Baht 10 (Bor Or Jor 5 as at February 23, 2010)
Shareholding structure	As of December 31, 2009

Name	Share	Percent
Schumans (Thailand) Co., Ltd..	682,496	68.25
Mr. Rama Jandran Tangaweru	145,000	14.50
Mr. Ongart Thumrongsakunvong	100,000	10.00
Mr. Taan Huan Kaan	72,500	7.25
Other aliens	3	0.00
Other Thai citizens	1	0.00
Total	1,000,000	100.00

Relationship with the Company: Relative Operation in which director as main shareholder and executive of the Company, Mr. Ongart Thumrongsakunvong, held 100,000 shares of Schumans, or 10 percent shareholding.

Important particulars	Balance / Value (Baht)		Terms of price / necessity	Comments of the Audit Committee
	Year 2008	Year 2009		
<u>Continuous particulars</u> 1. The company purchased finished goods from Schumans. - Purchase of finished goods	4,087,665	6,784,662	- The company purchased sets of reverse sensors from Schumans. The product sets were made by orders and the Company can mark up the additional profit at least 15% by a cost plus method.	- The purchase prices were set upon the cost and benefit of the company which considered being fair price for business deal.



Important particulars	Balance / Value (Baht)		Terms of price / necessity	Comments of the Audit Committee
	Year 2008	Year 2009		
			<ul style="list-style-type: none">- The company signed the letter of intent and the business agreement with Shumans for each model. The agreement presents details of the product price which enable the Company mark up the profit which is a generally accepted price. In addition, according to made-by-order products, it is beneficial to the Company not keeping the stocks and not disadvantage to the Company.- For orders of the new models, if the Company develops the reverse sensors together with car manufacturers, it assumes that the Company is assigned to search for the reverse sensors for the car manufacturers and the Company will hire Schumans as a sub-contractor with the pricing method as mentioned. However, if Schumans can directly find out and contact car manufacturers, it can make the deal by itself without passing through the Company.	

2) Automotive Accessories Company Limited (“Automotive”)

Nature of business

Manufacture and sale of coating work, pattern coating, pattern spray, wood coating spray, spray on material surface used in the vehicle industry. Founded on July 13, 2005

Registered and paid capital

15 millions Baht with total 1.5 million shares at par Baht 10 (Bor Or Jor 5 as at February 23, 2010)

Shareholding structure

As of December 31, 2009

Name	Share	Percent
Mr. Ongart Thumrongsakunvong	719,999	48.00
Miss Chutima Busayapoka	719,998	48.00
Mr. Pisit Wimolsaet	30,000	2.00
Miss Nanthawadee Thawonpanich	30,000	2.00
Other Thai citizens	3	0.00
Total	1,500,000	100.00

Relationship with company

Main shareholders; Mr. Ongart Thumrongsakunvong and Miss Chutima Busayapoka, held shares of Automotive totally of 96 percent with co-director; Mr.Ongart Thumrongsakunvong.

Important particulars	Balance / Value (Baht)		Terms of price / necessity	Comments of the Audit Committee
	Year 2008	Year 2009		
<u>Continuous particulars</u>				
1. The Company leased office and factory space to Automotive.				
- Rental and central service charge	1,170,000	1,170,000	- The company leased the total area of 750 square meters on the 1st floor of address no. 55/5 to be used as office and factory. The agreement commencing from July 1, 2007 with option to extend for another 1 year upon the expiration. The company will charge additional rent not exceeding 10 percent at each time of extension. The company	- The rental rate was based on the market price of normal lease and does not prejudice the company, and it is considered as efficiently utilization of unused area of the company. The agreement is made in short time, about 1 year in case the company needs additional space to support work enlargement in the future. The contract can be extended if the company deems proper.
- Account receivable	97,500	97,500		



Important particulars	Balance / Value (Baht)		Terms of price / necessity	Comments of the Audit Committee
	Year 2008	Year 2009		
			<p>charged the rental plus central service charge at the rate of 130 Baht per square meter per month which close to the market rate assessed by Cantor Consultant Co., Ltd.</p> <ul style="list-style-type: none">- The company or lessee can terminate the contract prior to expiration date with prior notice in writing not less than 3 months.- The delay in payment for 2 consecutive periods is subject to penalty in which the company will charge from lessee at minimum rate of 1.25% per month calculated from unpaid rental fee.	<ul style="list-style-type: none">- However, the Audit Committee considers that the Company should collect the rent in the period described in the agreement strictly.- If the lessee defaults on rent payment for consecutive period of longer than 2 months, the company must charge the penalty fee from the lessee at the minimum rate of 1.25 percent per month calculated from the unpaid amount as described in the lease contract
<p>2. The company charged the utility fee from Automotive.</p> <ul style="list-style-type: none">- Utility fee- Account receivable	<p>727,918</p> <p>247,376</p>	<p>736,610</p> <p>107,125</p>	<p>-The company allowed Automotive as lessee to use water and electricity, and water and electric meters have been installed for measurement of used quantity of water and electricity. Automotive was responsible for the water and electricity charges at the rate regulated by the Provincial Water Authority and Provincial Electricity Authority. The payment must be done within 7</p>	<ul style="list-style-type: none">- Utility fee was charged separately between Company and lessee as the meters have been installed separately for measurement of the used quantity and can be charged from Automotive at the rate regulated by the authority.- However, the Audit Committee considers that the company should collect the outstanding utility fee strictly.



Important particulars	Balance / Value (Baht)		Terms of price / necessity	Comments of the Audit Committee
	Year 2008	Year 2009		
			days after receipt of notice from the Company.	
3. The company purchased finished goods from Automotive - Purchase of finished goods - Account Payable	7,956,272	19,344,630	-The company purchased wooden surface products from Automotive for selling to third parties or car manufacturers with made-by-orders. The Company gained the additional profit by marking up the price at least 15% of cost. - In present, there is no wooden surface manufacturer in Thailand, mostly import from international with expensive price. According to many difference of product types complied with different models of cars, it is difficult to have a comparison price. The company, however, made a business contract to Automotive by each product model after the Company has the letter of intent from the car manufacturer. The letter of intent presents adequate details and price for the Company to set the additional profit and generally-accepted-business-conditions. In addition, the sale orders of the products are made by order which enable	-The transaction was reasonable for normal business and the price did not prejudice the Company as well as the conditions of the agreement were prepared as those of third parties' agreement.



Important particulars	Balance / Value (Baht)		Terms of price / necessity	Comments of the Audit Committee
	Year 2008	Year 2009		
			<p>the Company to not keep stocks; therefore, this transaction is not disadvantageous to the Company.</p> <p>- For orders of the new models, if the Company develops the wooden surface products together with car manufacturers, it assumes that the Company is assigned to search for the wooden surface products for the car manufacturers and the Company will hire Automotive as a sub-contractor with the pricing method above.</p>	

3) Sumitomo Corporation Thailand (“Sumitomo”)

Nature of business	Trading and investment business
Registered and paid capital	420 millions Baht with total 0.42 million shares at par Baht 1,000 (Bor Or Jor 5 as at October 5, 2009)
Shareholding structure	As of December 31, 2009

Name	Share	Percent
Sumitomo Corporation Asia Pte. Ltd.	419,994	99.99
Other	6	0.01
Total	420,000	100.00

Relationship with the Company

Relative operation in which Sumitomo Group, consisting of Sumitomo Corporation and Sumitomo Corporation (Thailand) Co., Ltd., held 20 percent shareholding as at December 31, 2009. Sumitomo Group, by Sumitomo Corporation and Sumitomo Corporation (Thailand) Co., Ltd. assigned their representatives to act as directors of the company that are Mr. Eiichi Seto and Mr. Ouychai Matitanaviroon.

Important particulars	Balance / Value (Baht)		Terms of price / necessity	Comments of the Audit Committee
	Year 2008	Year 2009		
<u>Continuous particulars</u> 1. The Company purchased raw material from Sumitomo. - Raw hides purchase - Account receivable	286,460,908 337,543	- -	- The company has purchased raw hide from Sumitomo Johannesburg branch since May 2007, due to the company consider that the quality, price and trade condition were compatible to the market and suitable for the company's business operation. However, there was no purchase transaction between the company and Sumitomo in 2009.	- The particular was under proper conditions and price are based on the normal market price and do not prejudice the Company.



Important particulars	Balance / Value (Baht)		Terms of price / necessity	Comments of the Audit Committee
	Year 2008	Year 2009		
2. The Company paid management fee to Sumitomo. - Management Fee - Accrued expenses	2,400,000 208,000	840,000 72,800	- Sumitomo Group takes role in supporting of the Company operation especially on marketing aspect, Due to this; Sumi-Thai international Co., Ltd has incurred expenses such as oversea traveling and salary of permanent officers which the company deemed appropriate to pay the management fee to Sumi-Thai International Co., Ltd. in which the management fee will be agreed annually on basis of consideration of achievements of Sumi-Thai each year. The management fee for the year 2008 as provided in the Management Agreement for the period from January 1, 2008 – December 31, 2008 was 2.40 millions Baht with monthly installment option. For the year 2009, the management fee as provided in the Management Agreement was effective from January 1, 2009 – December 31, 2009 at Baht 70,000 per annum.	- The particular was proper as due to the recruitment of marketing personnel by company itself will be cost higher than management fees paid to Sumitomo. In addition, determination of management fee for next year will be based upon the achievement of Sumi-Thai International Co., Ltd. which will be considered annually under the rules of the Committee of the Securities Control and the Stock Exchange of Thailand through approval of the board of directors. The Audit Committee will consider the reasonability of particulars in which Sumitomo Group as interested person will not be allowed to participate in approval.

4) Miss Chutima Busayapoka

Relationship with the Company: Director, main shareholder and executive of the Company

Important particulars	Balance / Value (Baht)		Terms of price / necessity	Comments of the Audit Committee
	Year 2008	Year 2009		
<u>Continuous particulars</u> 1. Land lease from Miss Chutima. - Rental charge	417,000	417,000	- The company land's lease was for construction of plant 5 and canteen totally area of 1,668 square wah at monthly rental of 34,750 Baht which equal to the rate assessed by Cantor Consultant Co., Ltd. The agreement is valid for 3 years, commencing from April 1, 2005, and can be extended for another 3 years each time. The lesser may increase the rent not exceeding 15% upon expiration of the lease. In case of expiration, the company must remove all building from the rent space, or must consider that the ownership on buildings belong to the lesser, and if the lesser wishes to sell the land, the company shall be given option to purchase land first. - In November 2008, the company has extended the lease agreement for another 3 years valid until November 21, 2011. - The company has leased land from Miss Chutima because during the year 2004, the company need to maintain	- The particular was under proper conditions and based on the normal market price which does not prejudice the company.



Important particulars	Balance / Value (Baht)		Terms of price / necessity	Comments of the Audit Committee
	Year 2008	Year 2009		
			<p>current fund to support the increase in sales as well as the debt to equity ratio of the company is as high as 45 times. Due to this, the company had policy to lease land to lessen the investment and loan burden of the Company.</p> <p>- However, the Company has planned to purchase land from Miss Chutima in the future if it deemed proper for investment with the reasonable rate of return and must not prejudice to the financial status of the company. The purchase price must be fairly stated by the central estimation company in the list of the Committee of the Securities Control. The particulars must be approved by the board of directors and the Audit Committee shall consider reasonability of particulars. The price and conditions must be fairly stated in which the interested person or beneficially conflicted person cannot participate in approval.</p>	

5) Mr. Ongart Thumrongsakunvong

Relationship with the Company: Director, main shareholder and executive of the Company

Important particulars	Balance / Value (Baht)		Terms of price / necessity	Comments of the Audit Committee
	Year 2008	Year 2009		
<u>Continuous particulars</u> 1. The Company charged the utility fee from Mr.Ongart - Utility fee	11,805	-	- The water and electric meters have been installed for measurement of used quantity of water and electricity in which the company will charge the utility fee according to the rate regulated by the Provincial Water Authority and Provincial Electricity Authority. - The rental agreement has been terminated since 31 December 2007, hence there will be no related transaction between the company and Mr. Ongart in the future.	- Utility fee was charged separately between company and lessee as the meters have been installed separately for measurement of the used quantity and can be charged from Mr. Ongart at the rate regulated by the authority.

Necessity and justification for the related transaction

At the board of directors meeting, the Audit Committee examined the particulars together with the Company's executives and considered that interactions among individual or juristic person in conflict are reasonable. The price requirements or terms of the particulars are fair, and the comparison has been made with the price estimated by the central estimation company or market price.

Upon consideration of the businesses of the related companies, it may be considered that the businesses are related to the leather manufacturing business using in the automotive industry i.e. Schumans and Automotive. However, on presentation to be products manufacturer for the automobile manufacturing company, each part will be offered separately and the company cannot offer products of related company together with those of company products. It is deemed as normal purchase procedures of the automobile manufacturing company. In addition, the automobile manufacturing company has standard cost as a base in selection of manufacturer of each parts and each car model. The automobile manufacturing company must realize the quality of products and companies separately for the most benefit in term of cost, quality and reliability.

Transaction of leased factory space for related companies and persons represented the lease of 1st floor, plant 5, total area of 1,250 square meters in which the company has the total area of 23,425 square meters.

Measures or procedures for approving the related transaction

The Company complied with the regulations of the Committee of the Securities Control and the Stock Exchange of Thailand. In case where the related transactions are to be causing possible conflict of interests, the approval must be granted by the board of directors. The Audit Committee shall consider the reasonability of particulars and realize the most benefits of the Company. The price and terms of particulars must be based on the normal course of business by using fair price or comparison market price. In addition, the persons or person having possible conflict of interest shall not be able to participate in the approval of transactions.

For continuous related transaction which has been considered by the Audit Committee, the Audit Committee planned to examine that particular on quarterly basis.

Policy or tendency of entering into related transaction

The Company policy of entering into related transactions in the future for continuous particulars will be based on necessity and reasonability of the particulars by considering fair price and market price as well as benefits of the Company as the main purpose. The main particulars can be summarized as follows:

- Space leased to related company to be used as office and plant.

The lease rate was in accordance with the assessed price from the central estimation company in the list of the Committee of the Securities Control. An agreement represented a short-term lease not exceeding 1 year in case the Company needs additional space in which the company may extend the agreement if it deemed appropriate upon its expiration.

- Utility use by related companies

The company installed the water and electricity meters for each space leased to related companies and charged those companies at the rate regulated by the Provincial Water Authority and Provincial Electricity Authority.

- Land leased from Miss Chutima for construction of Plant 5 and canteen building

The lease rate was in accordance with the assessed price from the central estimation company in the list of the Committee of the Securities Control. The company may extend the lease in upon its expiration. If the lesser wishes to sell the land, the company will be granted option to purchase land firstly.

- Purchase of products from “Automotive” for re-sale

The Company pricing policy is to add up profit for products purchased from related companies for the re-sale purpose of not less than 15 percent.

The company shall comply with the rules and regulations of the Committee of Securities Control and the Stock Exchange of Thailand as well as requirements to disclose the related transaction, acquisition and distribution of important assets of the company or affiliated company in accordance to the accounting standard provided by the Professional Accountant Council. In case transaction having possible conflict of interest, the company shall require the board of directors and Audit Committee to consider the necessity and reasonability of the particulars, including terms of price and circumstances to correspond with the normal business practice. The company may consider comparison of price with outsider or with the market price. The person having possible conflict of interest shall not be able to participate in the approval of transactions. In case the Audit Committee does not have the expertise required in considering the related transaction, the company may assign an independent expert or auditor to give opinion on such related transaction for supporting of decision made by the board of directors or Audit Committee or shareholders as the case maybe. The Company will disclose information on related transaction in the notes accompanying the financial balance sheet examined by the auditor and in the annual information sheet (Form 56-1)

Report of the Board of Directors' Responsibilities for Financial Statements

The Board of Directors of Interhides Public Company Limited has provided the financial statements showing the Company's financial status and business operation result for the year 2009 under the Public Limited Companies Act B.E. 2535 (A.D. 1992) and Rules and Regulations of the Stock Exchange of Thailand. The Board of Directors is responsible for the company financial statements presented in this annual report. The Board of Directors confirms that the aforementioned financial statements are in accordance with Thai Generally Accepted Accounting Principles, using appropriate accounting policy consistently employed by the Company as well as applying careful judgment and best estimation. Important information is adequately disclosed in the notes to financial statements.

Financial Statements of the Company have been audited by Ernst & Young Office Limited, auditor of the Company. The Board of Directors has supported the auditor with all necessary information and documents so the external auditor could audit and express his opinion in accordance with auditing standards. The external auditor has expressed his opinion in Auditor's Report as shown in the Annual Report.

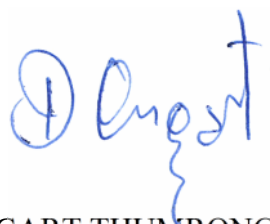
The Board of Directors has provided and maintained an efficient internal control system to ensure that accounting records are accurate, complete and adequate to protect its assets and uncover weaknesses in order to prevent fraud or materially irregular operations.

The Board of Directors has appointed an Audit Committee, which consists of Non-Executive Directors responsible for the quality of financial statements, internal control system and law compliance, whose comments on these issues are readily included in the Audit Committee Report in this annual report.

The Board of Directors is of the opinion that the Company's overall internal control system has functioned up to the satisfactory level and rendered credibility and reliability to the consolidated and company financial statements for they year ended December 31, 2009.



MR. THIRA WIPUCHANIN
Chairman of the Board



MR. ONGART THUMRONGSAKUNVONG
Managing Director

Management Decision and Analysis of Financial Status and Performance

Overview of the past performance

The company's principal revenue was from manufacturing and distributing the leather covering for car seats, steering wheels and gear knobs for the leading automotive manufacturer. At present, the company has six factories with the total capacity of 30 million square feet per year or around 900,000 pieces per year. In 2008 and 2009, there were a comparable production of 24 million square feet and 24.2 million square feet accounting or 80% and 81% of total capacity respectively. In 2008 and 2009, the company has exported the products to other countries with the proportion of 11% and 14% of the total revenue, respectively.

Analysis of revenue

The company's total revenue can be classified into two parts consisting of revenue from sales and service and other revenue in which revenue from sales and services are composed of sales of leather cut part, trim cover, steering wheel and gear knob, finished leather and service revenues. Other revenue includes rental revenue, gain on sales of equipments and gain on foreign exchange rate.

In 2009, the company's total revenue was Baht 1,317 million, decreasing by Baht 411 million from 2008 due to global economic slowdown and decline in total production of automotive industry during 1st and 2nd quarter. This result in the decreasing of sales 24% compared to that of year 2008.

Table of source of sales revenue classified by products

(Unit: Million Baht)

Revenue from operation	Year 2008		Year 2009	
	Amount	%	Amount	%
Sales of leather cut part	894	52%	619	47%
Sales of trim cover	636	37%	467	36%
Sales of steering wheel and gear knobs	32	2%	20	1%
Sales of finished leather	83	5%	65	5%
Services revenues	-	-	27	2%
Other products	74	4%	115	9%
Total	1,719	100%	1,313	100%

As indicated in the table above, revenue from leather for car seats slightly went down from 89% in 2008 to 83% in 2009. However, the other products proportion increased from 4% in 2008 to 11% in 2009.

Other revenues consist of interest revenue, gain on exchange rate and space rental revenue from Automotive Accessories Co., Ltd. In 2008 and 2009, other revenues are accounted for Baht 9.26 million and Baht 3.98 million or 0.54% and 0.30% of total revenue respectively.

Analysis of cost and expenses

Cost of sales

In 2009, cost of sales was Baht 1,066 million or 81% of total sales, decreased from 2008 which have cost of sales accounting for 82.23%. This was mainly due to the declining in price of raw hides which are the main material around the world

Selling and administrative expenses

In 2009, selling and administrative expenses was Baht 72.17 million, decreasing from that of year 2008 which accounting of Baht 93.72 million by 23%. This came from the attempt of the company in controlling of expenses to cover with the sales decline in 2009.

Interest expenses

Interest expenses for the year 2009 were amounted to Baht 36.82 million, decreased by Baht 4.06 million or 9.93% from year 2008. This was due to the company has settled both short term and long term loan from financial institutions totaling of Baht 204 million in 2009.

Analysis of net profit

For the year 2009, the company earned the net profit of Baht 109.06 million or 8.28% of total revenue. Comparing with the net profit of 2008 of Baht 130.64 million or 7.56% of total revenue, the company earned the higher in term of net profit rate in 2009. This was the result of declining in price of main material together with efficiency in controlling of selling and administrative expenses.

Analysis of financial status

Analysis of assets

Major company's assets comprise cash, accounts and notes receivable, inventory and property, plant and equipment. As at December 31, 2009, total assets of the company was valued at Baht 1,664.85 million, increased by Baht 25.08 million or 1.5% from 2008. The increase came mainly from additional of operating assets such as accounts receivable in line with the recovery of automotive industry during 4th quarter.



Accounts and notes receivable

The company's accounts and notes receivable as of 31 December 2008 and 2009 are valued at Baht 152.15 million and Baht 262.52 million, respectively. The increase by 72.54% was from the rapid recovery of sales during 4th quarter of 2009. The accounts receivable turnover was about 57 days in which the undue balance and less than 3 months overdue represented 61.12% and 36.80% of total balance.

Net inventory

The Company's net inventory comprises a number of goods in process and finished goods while raw hides were stocked a few according to made-to-order service and Just in Time system in which raw hides were kept not for a long period. The company had policy of processing the raw hides into wet blue hides which can be kept for several years without deterioration or decay and considered as goods in process. In order to plan for the most efficient production and correspond to incessantly increasing purchase orders, the company had policy to stock tanned leather ready to be sewed as finished goods which considered as goods in process. As aforementioned, the company consequently had a high value of goods in process and will be increased proportionately with sales. Normally, the leather took approximately 30 days in process.

As of December 31, 2009, the Company's net inventory was valued at Baht 503.77 million, decreased from 2008 of Baht 99.10 million. This was the result of economic recovery during end of 2009 which affect the stock turnover to be improved.

Table of company's merchandise inventory

(Unit: Million Baht)

	2008	2009
Raw Materials- Leather	45.52	17.29
Supplies	7.13	8.15
Goods in Process	240.09	214.80
Finished Goods	199.75	174.37
Goods in Transit	31.99	38.15
Raw Materials- Chemical	89.78	67.42
Total	614.26	520.18
<u>Less</u> Allowance for diminution in value of inventory	(11.39)	(16.41)
Net Total	602.87	503.77

In 2008, the company had set an increase of the allowance for diminution in value of inventory amount of Baht 5.01 million which mostly were long outstanding inventory.

Property, plant, and equipment - net

As of December 31, 2009, the company's property, plant, and equipment - net was valued at Baht 857.52 million, increased Baht 25.70 million from 2008 which came from the improvement of existing plant as well as the additional of new machines in order to support capacity expansion in 2010.

Analysis of liabilities

As of December 31, 2009, the company had total liabilities of Baht 920.57 million, decreased by Baht 83.99 million due to the decrease in short term loan of Baht 123.77 million and long term loan of Baht 80.20 million. This improved the debt to equity ratio of 2009 to be 1.24 times comparing to that of year 2008 of 1.58 times.

Bank overdraft and short term loans from financial institutions

Bank overdraft and short-term loans from financial institutions consist of bank over draft, trust receipt payable and promissory note. As at December 31, 2009, the balance of bank overdraft and short-term loans from financial institutions decreased by Baht 123.77 million since the company had used cash inflow from operation to settle the aforementioned loan.

Trade accounts payable

As of December 31, 2009, the company had trade accounts payable of Baht 145.17 million, increased by Baht 39.66 million from 2008 in line with the recovery of the automotive industry. The major accounts payable were from purchasing of raw hides and factory supplies in which the accounts payable turnover was about 44 days.

Long term loans

As of December 31, 2009, long-term loans were amounted to Baht 233.85 million which classified into current portion of Baht 80.51 million and due within a year of Baht 153.34 million. During 2009, there was loans settlement of Baht 80.20 million.

Analysis of shareholder's equity

As at December 31, 2009, shareholder's equity was amounted to Baht 744.28 million, increasing by Baht 109.06 million which derived from the net income of 2009.

Analysis of liquidity**Cash flow from operating activities**

In 2008, the company had cash inflow from operating activities amount of Baht 98.97 million in which the significant sources were the net profit of Baht 130.54 million, depreciation of Baht 73.10 million as well as the decrease in trade accounts receivable.

In 2009, the company had cash inflow from operating activities amount of Baht 262.21 million mainly due to the decrease in inventory of Baht 88.78. The major drivers were the rapidly increase in sales during end of 2009.

Cash flow from investing activities

In 2008, the company had cash outflow from investing activities amount of Baht 133.96 million. The major investments were for building construction and purchase of new machine totally of Baht 139.83 million.

In 2009, the company had cash outflow from investing activities amount of Baht 88.98 million. The major investments were for plant improvement and purchase of new machines.

Cash flow from financing activities

In 2008, the company had cash inflow from financing activities amount of Baht 40.89 million. The major source was short term loan from financial institution totaling of Baht 93.80 Baht.

In 2009, the company had cash outflow from financing activities amount of Baht 171.80 million. The major outflow was for settlement of short term and long term loan amounting to Baht 204 million.

Audit fees for auditors

For the year ended 31 December 2009, the audit fees for auditors, Ernst & Young Office Limited, were amounted to Baht 1,100,000 million which solely for the audit fees of the Company.

The Company did not pay other non-audit fees to the auditors or auditing offices, personnel, or any other businesses related to the auditors and the subsidiary of the auditors or auditing offices in any way.



Interhides Public Company Limited
Report and financial statements
31 December 2009 and 2008

Report of Independent Auditor

To the Shareholders of Interhides Public Company Limited

I have audited the accompanying balance sheets of Interhides Public Company Limited as at 31 December 2009 and 2008, the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

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

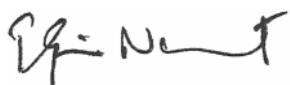
In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Interhides Public Company Limited as at 31 December 2009 and 2008, the results of its operations, and cash flows for the years then ended, in accordance with generally accepted accounting principles.

Without qualifying my opinion on the above financial statements, I draw attention to the matter as described in Note 20.4 to the financial statements. In the year 2003 the Company restructured debt of approximately Baht 735 million with Thai Asset Management Corporation (TAMC) and such debt restructuring process is completed, with the Company settling debt amounting to Baht 118 million in cash and debt of approximately Baht 105 million with assets (land). The Company realised the gain from the debt restructuring in the year 2003 and had no remaining debt with TAMC. Later, in April 2007, the Company received a letter from TAMC, alleging that the nature and value of the assets (land) that the Company had transferred in settlement of the debt were not as they had been presented to TAMC, announcing that the debt restructuring agreement and all privileges granted to the Company under such agreement were terminated, and demanding the Company make

settlement of debt in the original amounts. The Company's management disputes the allegations made by TAMC, and the Company consulted with its solicitor for a solution with TAMC. For reasons of prudence, and without admitting any obligations, the Company has set up provision for contingent loss in respect of the allegation amounting to Baht 105 million in its accounts. This provision was set aside for account recording purpose only, and does not constitute an admission of legal liability.

Later, on 9 July 2009, Thai Asset Management Corporation (TAMC) petitioned the Central Bankruptcy Court for an order for absolute receivership and to declare the Company bankrupt, since the Company has not petitioned for debt restructuring of the debt plus interest from the date the lawsuit was filed totaling Baht 56.6 million that was transferred from Bankthai Public Company Limited to TAMC. However, the Company's management and solicitor believed that no significant loss would arise from result of the case because the debt which is subject of this litigation was included in the debt restructuring with TAMC, which was completed in 2003. The Company has therefore not set aside any additional provision for the contingent liability in its accounts. On 5 November 2009, the Central Bankruptcy Court passed a judgment dismissing this case because the debt which is its subject was included in the debt restructuring with TAMC. The Company was therefore released from the debts which are in compliance with the requirements of the debt restructuring. However, on 23 December 2009, TAMC submitted an appeal of the judgment of the Central Bankruptcy Court to the Bankruptcy Division of Supreme Court, and the Company has filed a statement of objection in respect of the appeal. The final outcome of the case is subject to decision of the Supreme Court.

The above matter shows that there is material uncertainty that could have an effect or may in the end have no effect on the Company's continuous operation, and this can not be determined at this stage.



Thipawan Nananuwat

Certified Public Accountant (Thailand) No. 3459

Ernst & Young Office Limited

Bangkok: 20 February 2010



Interhides Public Company Limited

Balance sheets

As at 31 December 2009 and 2008

		(Unit: Baht)	
	<u>Note</u>	<u>2009</u>	<u>2008</u>
Assets			
Current assets			
Cash and cash equivalents		16,209,955	14,774,625
Trade accounts receivable - net	7	262,313,718	151,471,900
Other accounts receivable - related parties	6	204,625	682,419
Short-term loan to other company		-	1,000,000
Inventories - net	8	503,776,288	602,876,480
Other current assets			
Advances for purchase of raw materials and spareparts		2,459,135	-
Prepaid expenses		774,073	762,234
Others		5,823,179	5,562,772
Total current assets		<u>791,560,973</u>	<u>777,130,430</u>
Non-current assets			
Restricted bank deposits	9	11,171,744	10,914,550
Property, plant and equipment - net	10	857,524,026	831,816,943
Intangible asset - net	11	1,992,121	2,219,785
Other non-current assets			
Advances for purchase of machinery		-	13,431,308
Others		2,599,634	4,256,217
Total non-current assets		<u>873,287,525</u>	<u>862,638,803</u>
Total assets		<u>1,664,848,498</u>	<u>1,639,769,233</u>

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

**Interhides Public Company Limited****Balance sheets (continued)****As at 31 December 2009 and 2008**

(Unit: Baht)

	<u>Note</u>	<u>2009</u>	<u>2008</u>
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans from financial institutions	12	304,383,637	428,153,838
Trade accounts payable			
Related party	6	7,233,857	-
Unrelated parties		145,171,545	105,513,964
Total trade accounts payable		152,405,402	105,513,964
Other accounts payable - related party	6	72,800	208,000
Current portion of liabilities under finance lease agreements	13	15,904,927	1,481,259
Current portion of long-term loans	14	80,511,426	80,112,153
Other current liabilities			
Accounts payable - purchase of machinery		10,625,227	14,004,323
Corporate income tax payable		32,511,521	10,603,099
Output tax payable		5,314,314	921,008
Accrued expenses		19,349,009	14,102,213
Others		17,881,751	10,061,924
Total current liabilities		638,960,014	665,161,781
Non-current liabilities			
Liabilities under finance lease agreements, net of current portion	13	23,275,025	451,605
Long-term loans, net of current portion	14	153,335,451	233,941,397
Provision for contingent loss on allegation	20.4	105,000,000	105,000,000
Total non-current liabilities		281,610,476	339,393,002
Total liabilities		920,570,490	1,004,554,783

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



Interhides Public Company Limited

Balance sheets (continued)

As at 31 December 2009 and 2008

		(Unit: Baht)	
	<u>Note</u>	<u>2009</u>	<u>2008</u>
Shareholders' equity			
Share capital			
Registered			
300,000,000 ordinary shares of Baht 1 each		<u>300,000,000</u>	<u>300,000,000</u>
Issued and fully paid			
300,000,000 ordinary shares of Baht 1 each		300,000,000	300,000,000
Share premium		211,584,110	211,584,110
Retained earnings			
Appropriated - statutory reserve	15	22,106,772	16,653,594
Unappropriated		<u>210,587,126</u>	<u>106,976,746</u>
Total shareholders' equity		<u>744,278,008</u>	<u>635,214,450</u>
Total liabilities and shareholders' equity		<u>1,664,848,498</u>	<u>1,639,769,233</u>

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

**Interhides Public Company Limited****Income statements****For the years ended 31 December 2009 and 2008**

		(Unit: Baht)	
	<u>Note</u>	<u>2009</u>	<u>2008</u>
Revenues			
Sales and service income		1,313,329,510	1,718,710,963
Other income			
Gain on sales of equipment		210,926	2,012,924
Rental income		1,170,000	1,205,046
Others		2,602,306	6,043,788
Total revenues		<u>1,317,312,742</u>	<u>1,727,972,721</u>
Expenses			
Cost of sales and services		1,066,988,673	1,420,844,054
Selling expenses		11,772,981	23,186,678
Administrative expenses		37,393,473	55,206,743
Management benefit expenses	6	<u>23,003,185</u>	<u>15,324,000</u>
Total expenses		<u>1,139,158,312</u>	<u>1,514,561,475</u>
Income before finance cost and corporate income tax		178,154,430	213,411,246
Finance cost		<u>(36,815,877)</u>	<u>(40,874,771)</u>
Income before corporate income tax		141,338,553	172,536,475
Corporate income tax		<u>(32,274,995)</u>	<u>(41,894,723)</u>
Net income for the year		<u>109,063,558</u>	<u>130,641,752</u>
Basic earnings per share	17		
Net income		<u>0.36</u>	<u>0.44</u>

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



Interhides Public Company Limited

Cash flow statements

For the years ended 31 December 2009 and 2008

	(Unit: Baht)	
	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Income before tax	141,338,553	172,536,475
Adjustments to reconcile income before tax to net cash provided by (paid from) operating activities:		
Depreciation and amortisation	80,144,615	73,099,753
Allowance for doubtful accounts (reversal)	(615,256)	4,105,153
Allowance for diminution in value of inventories	5,014,287	223,748
Losses on written off of stock obsolescence	5,303,310	516,422
Losses on written off of other current assets	-	33,108
Gains on sales of equipment	(210,926)	(2,012,924)
Unrealised (gains) losses on exchange	1,233,196	(1,551,555)
Interest expenses	<u>35,415,594</u>	<u>38,949,493</u>
Income from operating activities before changes in operating assets and liabilities	267,623,373	285,899,673
Operating assets (increase) decrease		
Trade accounts receivable	(111,833,954)	53,722,358
Other accounts receivable - related parties	477,794	324,510
Inventories	88,782,595	(109,466,691)
Other current assets	(2,768,811)	(5,269,212)
Other non - current assets	912,883	(2,224,122)
Operating liabilities increase (decrease)		
Trade accounts payable - related party	7,233,857	(7,990,487)
Trade accounts payable - unrelated parties	40,604,337	(32,990,916)
Other accounts payable - related party	(135,200)	(26,529)
Other current liabilities	<u>18,135,971</u>	<u>(12,863,129)</u>
Cash from operating activities	309,032,845	169,115,455
Cash paid for interest expenses	(36,091,636)	(38,037,943)
Cash paid for corporate income tax	<u>(10,731,463)</u>	<u>(32,107,629)</u>
Net cash from operating activities	<u>262,209,746</u>	<u>98,969,883</u>

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

**Interhides Public Company Limited****Cash flow statements (continued)****For the years ended 31 December 2009 and 2008**

(Unit: Baht)

	<u>2009</u>	<u>2008</u>
Cash flows from investing activities		
Decrease (increase) in restricted bank deposits	(257,194)	636,170
Cash received from loan to other company	1,000,000	1,000,000
Payment of accounts payable - purchases of machinery	(14,004,323)	(10,892,801)
Acquisition of property, plant and equipment	(74,299,316)	(127,440,165)
Cash paid for interest capitalised	(2,412,442)	(1,500,852)
Proceeds from sales of equipment	<u>997,455</u>	<u>4,241,424</u>
Net cash used in investing activities	<u>(88,975,820)</u>	<u>(133,956,224)</u>
Cash flows from financing activities		
Increase (decrease) in short-term loans from financial institutions	(123,940,441)	93,801,199
Cash received from sale and leaseback agreement	44,743,828	-
Repayment of liabilities under finance lease agreements	(12,395,310)	(1,828,093)
Cash received from long-term loans	-	22,039,206
Repayment of long-term loans	<u>(80,206,673)</u>	<u>(73,121,645)</u>
Net cash from (used in) financing activities	<u>(171,798,596)</u>	<u>40,890,667</u>
Net increase in cash and cash equivalents	1,435,330	5,904,326
Cash and cash equivalents at beginning of year	<u>14,774,625</u>	<u>8,870,299</u>
Cash and cash equivalents at end of year	<u>16,209,955</u>	<u>14,774,625</u>
Supplement cash flows information:		
Non-cash items		
Increase of vehicle from finance lease agreement	4,898,570	-
Purchase of machinery on credit	10,625,227	14,004,323

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



Interhides Public Company Limited

Statements of changes in shareholders' equity

For the years ended 31 December 2009 and 2008

(Unit: Baht)

	Issued and paid-up share capital	Share premium	Retained earnings Appropriated - statutory reserve	Unappropriated (deficit)	Total
Balance as at 31 December 2007	300,000,000	211,584,110	10,121,506	(17,132,918)	504,572,698
Net income for the year	-	-	-	130,641,752	130,641,752
Unappropriated retained earnings transferred to statutory reserve (Note 15)	-	-	6,532,088	(6,532,088)	-
Balance as at 31 December 2008	<u>300,000,000</u>	<u>211,584,110</u>	<u>16,653,594</u>	<u>106,976,746</u>	<u>635,214,450</u>
Balance as at 31 December 2008	300,000,000	211,584,110	16,653,594	106,976,746	635,214,450
Net income for the year	-	-	-	109,063,558	109,063,558
Unappropriated retained earnings transferred to statutory reserve (Note 15)	-	-	5,453,178	(5,453,178)	-
Balance as at 31 December 2009	<u>300,000,000</u>	<u>211,584,110</u>	<u>22,106,772</u>	<u>210,587,126</u>	<u>744,278,008</u>

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

Interhides Public Company Limited**Notes to financial statements****For the years ended 31 December 2009 and 2008****1. General information****1.1 Corporate information**

Interhides Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the manufacture and distribution of leather coverings for car seats. It also provides bleaching, dyeing and finishing services to some customers but the revenue from these services is relatively insignificant. The Company’s registered address is 678 Soi T.J.C., Sukhumvit Road, Bangpoomai, Muang, Samutprakarn.

1.2 Economic crisis

The financial crisis experienced by the United States of America over the past two years has had a far reaching adverse effect on the global economy. At present, the economic crisis has eased. However, it continues to affect the business and financial plans of Thailand enterprises and asset values, and there remains uncertainty as to when the global economy will return to normalcy. These financial statements have been prepared on the basis of facts currently known to the Company, and on estimates and assumptions currently considered appropriate.

2. Basis of preparation

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

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

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

3. Adoption of new accounting standards

In June 2009, the Federation of Accounting Professions issued Notification No. 12/2552, assigning new numbers to Thai Accounting Standards that match the corresponding International Accounting Standards. The numbers of Thai Accounting Standards as referred to in these financial statements reflect such change.

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

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

Framework for Preparation and Presentation of Financial Statements (revised 2007)

TAS 36 (revised 2007)

Impairment of Assets

TFRS 5 (revised 2007)

Non-current Assets Held for Sale and
Discontinued Operations

Accounting Treatment Guidance for Leasehold Right

Accounting Treatment Guidance for Business Combination under Common Control

These accounting standards, financial reporting standard and accounting treatment guidance became effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management has assessed the effect of these standards and believes that TFRS 5 (revised 2007), Accounting Treatment Guidance for Leasehold Right and Accounting Treatment Guidance for Business Combination under Common Control are not relevant to the business of the Company, while Framework for Preparation and Presentation of Financial Statements (revised 2007) and TAS 36 (revised 2007) do not have any significant impact on the financial statements for the current year.

3.2 Accounting standards which are not effective for the current year

		<u>Effective date</u>
TAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2012
TAS 24 (revised 2007)	Related Party Disclosures	1 January 2011
TAS 40	Investment Property	1 January 2011

However, TAS 24 (revised 2007) and TAS 40 allow early adoption by the entity before the effective date.

The management of the Company has assessed the effect of these standards and believes that TAS 20 and TAS 40 are not relevant to the business of the Company while TAS 24 (revised 2007) will not have any significant impact on the financial statements for the year in which it is initially applied.

4. Significant accounting policies

4.1 Revenue Recognition

Sales of goods

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

Interest income

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

4.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

4.3 Trade accounts receivable

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debt aging.

4.4 Inventories

Finished goods and work in process are valued at the lower of weighted average cost and net realisable value. Cost includes all production costs and attributable factory overheads.

Raw materials, chemicals and supplies are valued at the lower of weighted average cost and net realisable value and charged of production costs whenever consumed.

4.5 Property, plant and equipment / Depreciation

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

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

Buildings	-	20	years
Building improvement	-	5	years
Machinery and equipment	-	5,10	years
Motor vehicles	-	5	years

Depreciation is included in determining income.

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

4.6 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.7 Intangible assets

On the date of acquisition intangible asset are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for such intangible asset are reviewed at least at each financial year end. The amortisation expense is charged to income statement.

Intangible asset of the Company is computer software with finite useful live of 4 years.

4.8 Related party transactions

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

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

4.9 Long-term lease

Leases of property, plant or equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, while the interest element is charged to the income statements over the lease period. The property, plant or equipment acquired under finance leases is depreciated over the useful life of the asset.

4.10 Foreign currencies

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

Gains and losses on exchange are included in determining income.

4.11 Impairment of assets

At each reporting date, the Company performs impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in the income statement.

4.12 Employee benefits

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

4.13 Provisions

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

4.14 Income Tax

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

4.15 Forward exchange contracts

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

5. Significant accounting judgments and estimates

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ. Significant judgments and estimates are as follow:

Leases

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

Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgment and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

Allowance for diminution in value of inventories

In determining an allowance for diminution in value of inventories, the management makes judgment and estimates net realisable value of inventory based on the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the year. Also, the management makes judgment and estimates expected loss from stock obsolescence based upon aging profile of inventories and the prevailing economic condition.

Property plant and equipment/Depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and salvage values of the Company's plant and equipment and to reviews estimate useful lives and salvage values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying cost. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

Provision for contingent loss on allegation

The Company was alleged that the nature and value of the assets that the Company had transferred in settlement of debt under debt restructuring agreement were not as had been presented. The Company's management has exercised judgment to assess of the results of this allegation and recorded provision for contingent loss as a result of such allegation in its account. However, actual results could differ from the estimates.

6. Related party transactions

During the years, the Company had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

			(Unit: Million Baht)
	<u>2009</u>	<u>2008</u>	<u>Pricing policy</u>
<u>Transactions with related companies</u>			
Rental and service income	1.9	1.9	Contract price
Purchases of finished goods	26.1	12.0	Cost plus margin of related companies
Purchase of raw materials	-	286.5	Cost plus margin of related company
Management fee expenses	0.8	2.4	Contract price
<u>Transactions with management and directors</u>			
Rental expenses	0.4	0.4	Contract price

As at 31 December 2009 and 2008, the balances of the accounts between the Company and those related parties are as follows:

		(Unit: Baht)
	<u>2009</u>	<u>2008</u>
<u>Other accounts receivable - related parties</u>		
Related companies		
Automotive Accessories Company Limited	204,625	344,876
Sumitomo Corporation	-	337,543
Total other accounts receivable - related parties	<u>204,625</u>	<u>682,419</u>
<u>Trade accounts payable - related party</u>		
Related company		
Automotive Accessories Company Limited	<u>7,233,857</u>	<u>-</u>
Total trade accounts payable - related party	<u>7,233,857</u>	<u>-</u>
<u>Other accounts payable - related party</u>		
Related company		
Sumi-Thai International Ltd.	<u>72,800</u>	<u>208,000</u>
Total other accounts payable - related party	<u>72,800</u>	<u>208,000</u>



Directors and management's remuneration

In 2009 the Company paid salaries, bonus, meeting allowances and gratuities to their directors and management totaling Baht 23.0 million (2008: Baht 15.3 million).

7. Trade accounts receivable

The balances of trade accounts receivable as at 31 December 2009 and 2008, aged on the basis of due date, are summarised below:

	(Unit: Baht)	
	<u>2009</u>	<u>2008</u>
<u>Age of receivables</u>		
Not yet due	163,445,844	71,173,567
Past due		
Up to 3 months	96,831,880	73,762,987
3 - 6 months	407,076	5,861,522
6 - 12 months	1,368,556	2,246,272
Over 12 months	1,072,726	1,358,573
Total	263,126,082	154,402,921
Less: Allowance for doubtful accounts	(812,364)	(2,931,021)
Trade accounts receivable - net	<u>262,313,718</u>	<u>151,471,900</u>

8. Inventories

(Unit: Baht)

	Allowance for diminution in value of inventories							
	Cost		Reduction cost to		Stock obsolescence		Inventories - net	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Finished goods	174,366,532	199,752,913	(7,085,987)	(1,981,472)	(6,261,421)	(6,090,039)	161,019,124	191,681,402
Work in process	214,804,530	240,090,962	(1,374,736)	(441,099)	-	-	213,429,794	239,649,863
Raw materials	84,709,850	135,299,646	-	-	(1,684,054)	(2,879,301)	83,025,796	132,420,345
Supplies	8,152,175	7,134,045	-	-	-	-	8,152,175	7,134,045
Raw materials in transit	38,149,399	31,990,825	-	-	-	-	38,149,399	31,990,825
Total	<u>520,182,486</u>	<u>614,268,391</u>	<u>(8,460,723)</u>	<u>(2,422,571)</u>	<u>(7,945,475)</u>	<u>(8,969,340)</u>	<u>503,776,288</u>	<u>602,876,480</u>

9. Restricted bank deposits

These represent fixed deposits pledged with banks to secure credit facilities.



10. Property, plant and equipment

(Unit: Baht)

	Land	Buildings and building improvement	Machinery and equipment	Furniture, fixture and office equipment	Motor vehicles	Assets under installation and construction	Total
Cost:							
31 December 2008	176,689,875	413,494,231	522,916,187	17,629,239	12,166,713	76,052,847	1,218,949,092
Additions	-	558,325	3,747,871	1,017,999	5,007,378	92,922,848	103,254,421
Disposals/write-off	-	-	(3,455,569)	(116,777)	(1,454,841)	-	(5,027,187)
Transfer between classes of accounts	-	57,964,697	75,274,694	118,406	-	(133,357,797)	-
Capitalised interest	-	-	-	-	-	2,412,442	2,412,442
31 December 2009	176,689,875	472,017,253	598,483,183	18,648,867	15,719,250	38,030,340	1,319,588,768
Accumulated depreciation:							
31 December 2008	-	128,549,480	242,174,735	10,652,260	5,755,674	-	387,132,149
Depreciation for the year	-	26,834,201	47,549,060	2,589,554	2,200,436	-	79,173,251
Depreciation on disposals/write-off	-	-	(2,911,466)	(81,998)	(1,247,194)	-	(4,240,658)
31 December 2009	-	155,383,681	286,812,329	13,159,816	6,708,916	-	462,064,742
Net book value:							
31 December 2008	176,689,875	284,944,751	280,741,452	6,976,979	6,411,039	76,052,847	831,816,943
31 December 2009	176,689,875	316,633,572	311,670,854	5,489,051	9,010,334	38,030,340	857,524,026
Depreciation for the year:							
2008 (Baht 65.20 million included in manufacturing cost, and the balance in administrative expenses)							72,152,020
2009 (Baht 73.03 million included in manufacturing cost, and the balance in administrative expenses)							79,173,251

As at 31 December 2009, the Company had an outstanding balance of a building under construction and machine under installation of approximately Baht 38.0 million (2008: Baht 76.1 million). Construction of the building and machine under installation have been financed with loans from a financial institutions and borrowing costs totaling approximately Baht 2.4 million were capitalised during the year ended 31 December 2009 (2008: Baht 1.5 million). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 5%.

As at 31 December 2009, the Company had machinery and motor vehicles under finance lease agreements with net book values amounting to Baht 53.4 million (2008: Baht 4.5 million).

As at 31 December 2009, certain plant and equipment items have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 159 million (2008: Baht 146 million).

The Company has pledged assets with net book value as at 31 December 2009 amounting to approximately Baht 212 million (2008: Baht 221 million) as collateral against credit facilities received from financial institutions.

11. Intangible assets

Intangible asset of the Company is computer software which has details as follows:

	(Unit: Baht)	
	<u>2009</u>	<u>2008</u>
Cost	3,949,826	3,905,226
Addition	743,700	44,600
Accumulated amortisation	<u>(2,701,405)</u>	<u>(1,730,041)</u>
Net book value	<u>1,992,121</u>	<u>2,219,785</u>
Amortisation expenses included in the income statements for the year	<u>971,364</u>	<u>947,733</u>

12. Short-term loans from financial institutions

		(Unit: Baht)	
	Interest rate (percent per annum)	<u>2009</u>	<u>2008</u>
Trust receipts	1.84 – 4.40	128,383,637	243,153,838
Promissory notes	5.25 – 5.50	<u>176,000,000</u>	<u>185,000,000</u>
Total		<u>304,383,637</u>	<u>428,153,838</u>

These credit facilities are secured by the mortgage of land with structures thereon and machines of the Company

13. Liabilities under finance lease agreements

	(Unit: Baht)	
	<u>2009</u>	<u>2008</u>
Liabilities under finance lease agreements	42,180,806	2,088,797
Less: Deferred interest expenses	<u>(3,000,854)</u>	<u>(155,933)</u>
Total	39,179,952	1,932,864
Less: Portion due within one year	<u>(15,904,927)</u>	<u>(1,481,259)</u>
Liabilities under finance lease agreements - net of current portion	<u>23,275,025</u>	<u>451,605</u>

The Company has entered into the finance lease agreements with financial institutions for rental of machinery and motor vehicles whereby it is committed to pay rental on a monthly basis. The term of the agreements are generally between 1-3 years. Finance lease agreements are non-cancelable.

As at 31 December 2009, future minimum lease payments required under the finance lease agreements were as follows:

	(Unit: Baht)		
	Less than 1 year	1-3 years	Total
Future minimum lease payments	17,774,651	24,406,155	42,180,806
Deferred interest expenses	<u>(1,869,724)</u>	<u>(1,131,130)</u>	<u>(3,000,854)</u>
Present value of future minimum lease payments	<u>15,904,927</u>	<u>23,275,025</u>	<u>39,179,952</u>

14. Long-term loans

(Unit: Baht)				
Loan	Interest rate (%)	Repayment schedule	2009	2008
1	MLR-0.25	Monthly installments as from February 2005	71,080,000	103,960,000
2	MLR-0.25	Monthly installments as from November 2005	5,653,883	11,003,012
3	BBL' s MLR-1.5 for first 2 years and BBL' s MLR-1 for years 3 to 7	Monthly installments as from September 2007	98,571,447	124,937,911
4	BBL' s MLR-1.5 for first 2 years and BBL' s MLR-1 for years 3 to 7	Monthly installments as from April 2008	58,541,547	74,152,627
Total			233,846,877	314,053,550
Less: Portion due within one year			(80,511,426)	(80,112,153)
Long-term loans - net of current portion			153,335,451	233,941,397

The loans are secured by the guarantee of the Company's directors, the pledge of the Company's fixed deposit and the mortgage of the Company's land with structures thereon and machines, and assets of the Company's directors.

The loan agreements contain covenants as specified in the agreements that, among other things, require the Company to maintain certain debt to equity ratio, including restrictions on disposals of assets and limits on incurring additional liabilities.

15. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5% of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10% of the registered capital. The statutory reserve is not available for dividend distribution.

16. Expenses by nature

Significant expenses by nature are as follow:

	(Unit: Baht)	
	<u>2009</u>	<u>2008</u>
Salary and wages and other employee benefits	137,184,593	157,267,068
Depreciation	79,173,251	72,152,020
Amortisation expenses	971,364	947,733
Losses (gains) on exchange	(317,520)	818,370
Rental expenses	944,396	1,272,596
Raw materials and consumables used	708,955,623	1,173,496,281
Changes in inventories of finished goods and work in process	50,672,813	(73,721,315)

17. Earnings per share

Basic earnings per share is calculated by dividing the net income for the year by the weighted average number of ordinary shares in issued during the year.

18. Segment information

The Company's operations involve in principal in industry segment of the manufacture and distribution of leather coverings for car seats. It also provides bleaching, dyeing and finishing services but the revenue from these services is relatively insignificant. Its operations are carried on in the single geographic area of Thailand. As a result, most of the revenues, operating income and assets reflected in these financial statements pertain to the aforementioned principal industry segment and geographic area. Export sales during 2009 amounted to Baht 180.33 million (2008: Baht 182.89 million).

19. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contribute to the fund monthly at the rate of 2% of basic salary. The fund, which is managed by BT Assets Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2009, the Company contributed Baht 341,992 (2008: Baht 306,682) to the fund.

20. Commitments and contingent liabilities**20.1 Operating lease commitments**

The Company has entered into several lease agreements in respect of the lease of land and equipment. The terms of the agreements are generally between 1 and 3 years. Operating lease agreements are non-cancelable.

As at 31 December 2009, future minimum lease payments required under these non-cancellable operating leases contracts were as follows.

	<u>Million Baht</u>
Payable within:	
Less than 1 year	3.9
1 to 3 years	3.9

20.2 Purchase of raw material commitments

As at 31 December 2009, the Company had commitments of approximately USD 0.5 million relating to purchase of raw materials.

20.3 Bank guarantees

As at 31 December 2009, there were outstanding bank guarantees of Baht 9.3 million issued by banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business. These included letters of guarantee amounting to Baht 2.0 million to guarantee payments due to government agencies, and Baht 7.3 million as guarantee for the usage of electricity.

20.4 Contingent liabilities

In the year 2003 the Company restructured debt of approximately Baht 735 million with Thai Asset Management Corporation (TAMC) and such debt restructuring process is completed, with the Company settling debt amounting to Baht 118 million in cash and debt of approximately Baht 105 million with assets (land). The Company realised the gain from the debt restructuring in the year 2003 and had no remaining debt with TAMC. Later, in April 2007, the Company received a letter from TAMC, alleging that the nature and value of the assets (land) that the Company had transferred in settlement of the debt were not as they had been presented to TAMC, announcing that the debt restructuring agreement and all privileges granted to the Company under such agreement were terminated, and demanding the Company make settlement of debt in the original amounts. The Company's management disputes the allegations made by TAMC, and the Company consulted with its solicitor for a solution with TAMC. For reasons of prudence, and without admitting any obligations, the Company has set up provision for contingent loss in respect of the allegation amounting to Baht 105 million in its accounts. This provision was set aside for account recording purpose only, and does not constitute an admission of legal liability.

Later, on 9 July 2009, Thai Asset Management Corporation (TAMC) petitioned the Central Bankruptcy Court for an order for absolute receivership and to declare the Company bankrupt, since the Company has not petitioned for debt restructuring of the debt plus interest from the date the lawsuit was filed totaling Baht 56.6 million that was transferred from Bankthai Public Company Limited to TAMC. However, the Company's management and solicitor believed that no significant loss would arise from result of the case because the debt which is subject of this litigation was included in the debt restructuring with TAMC, which was completed in 2003. The Company has therefore not set aside any additional provision for the contingent liability in its accounts. On 5 November 2009, the Central Bankruptcy Court passed a judgment dismissing this case because the debt which is its subject was included in the debt restructuring with TAMC. The Company was therefore released from the debts which are in compliance with the requirements of the debt restructuring. However, on 23 December 2009, TAMC submitted an appeal of the judgment of the Central Bankruptcy Court to the Bankruptcy Division of Supreme Court, and the Company has filed a statement of objection in respect of the appeal. The final outcome of the case is subject to decision of the Supreme Court.

21. Financial instruments

21.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No. 32 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, trade accounts payable, other accounts payable, short-term and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

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

Interest rate risk

The Company's exposure to interest rate risk relates primarily to its cash at banks, short-term and long-term borrowings. However, since most of the Company's financial assets and liabilities bear non-interest or floating interest rates, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 31 December 2009 classified by type of interest rates are summarised in the table below.

	Fixed interest rates		Floating	Non- interest		Effective
	Within 1 year	1 - 3 years	interest rate	bearing	Total	interest rate
			(Million Baht)			(% p.a.)
<u>Financial assets</u>						
Cash and cash equivalents	-	-	2	14	16	0.5
Trade accounts receivable	-	-	-	262	262	-
Deposits at bank with restrictions	-	-	11	-	11	1.75
<u>Financial liabilities</u>						
Short-term loans from financial institutions	-	-	304	-	304	1.84 - 5.50
Trade accounts payable	-	-	-	152	152	-
Accounts payable - purchase of machinery	-	-	-	11	11	-
Liabilities under finance lease agreements	16	23	-	-	39	3.15-6.25
Long term loan	-	-	234	-	234	4.88 - 6.00

Foreign currency risk

The Company's exposure to foreign currency risk relates primarily to those of its bank deposits, trade accounts receivable, trade accounts payable and accounts payable for purchase of machinery which are denominated in foreign currencies.

The balances of financial assets and liabilities denominated in foreign currency as at 31 December 2009 are summarised below.

Foreign currency	Financial assets	Financial liabilities	Average exchange rate as at 31 December 2009
	(Million)	(Million)	(Baht per 1 foreign currency unit)
US dollar	0.7	4.9	33.3688

Foreign exchange contracts outstanding as at 31 December 2009 are summarised below.

Foreign currency	Bought	Sold	Contractual exchange rate	
	amount	amount	Bought	Sold
	(Million)	(Million)	(Baht 1 foreign currency unit)	
US dollars	0.25	-	33.3900	-

21.2 Fair value of financial instruments

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

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

22. Capital management

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

According to the balance sheet as at 31 December 2009, the Company's debt-to-equity ratio was 1.24:1 (2008: 1.58:1).

23. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 20 February 2010.

