

Lam Soon (Thailand) Public Company Limited
and its subsidiaries
Report and consolidated financial statements
31 December 2010 and 2009

Report of Independent Auditor

To the Shareholders of Lam Soon (Thailand) Public Company Limited

I have audited the accompanying consolidated balance sheet of Lam Soon (Thailand) Public Company Limited and its subsidiaries as at 31 December 2010, the related consolidated statements of income, changes in shareholders' equity, and cash flows for the year then ended, and the separate financial statements of Lam Soon (Thailand) Public Company Limited for the same period. These financial statements are the responsibility of the management of the Company and its subsidiaries as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The consolidated financial statements of Lam Soon (Thailand) Public Company Limited and its subsidiaries, and the separate financial statements of Lam Soon (Thailand) Public Company Limited for the year ended 31 December 2009, as presented herein for comparative purposes, were audited by another auditor of our firm who, under her report dated 26 February 2010, expressed an unqualified opinion on those statements.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lam Soon (Thailand) Public Company Limited and its subsidiaries and of Lam Soon (Thailand) Public Company Limited as at 31 December 2010, and the results of their operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

Wichart Lokatekrawee
Certified Public Accountant (Thailand) No. 4451

Ernst & Young Office Limited
Bangkok: 25 February 2011

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Balance sheets

As at 31 December 2010 and 2009

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
Assets					
Current assets					
Cash and cash equivalents	6	361,177,563	206,417,934	203,874,122	110,741,200
Current investments - fixed deposits at bank		6,059,400	6,000,000	-	-
Trade accounts receivable					
Related parties - net	7, 8	3,869,563	3,806,368	58,477	19,971
Unrelated parties - net	8	855,026,485	883,674,062	792,483,396	796,510,220
Total trade accounts receivable - net		858,896,048	887,480,430	792,541,873	796,530,191
Short-term loans and advances to					
related parties - net	7	-	-	769,221	189,642
Inventories - net	9	1,067,983,426	1,134,919,300	493,722,948	555,739,794
Other current assets		57,709,314	45,742,532	19,226,235	12,033,004
Total current assets		2,351,825,751	2,280,560,196	1,510,134,399	1,475,233,831
Non-current assets					
Investments in subsidiaries - net	10	-	-	1,312,479,294	1,309,043,450
Other long-term investments - net	11	933,874	794,391	933,874	794,391
Property, plant and equipment - net	12	2,190,768,302	2,235,371,250	744,326,393	717,659,735
Non-operating assets - net	13	57,000,573	57,752,311	-	-
Intangible assets - net	14	17,997,296	20,944,423	3,934,177	4,644,624
Goodwill in business combination		196,376,189	196,376,189	-	-
Other non-current assets		1,367,116	4,713,290	634,978	617,244
Total non-current assets		2,464,443,350	2,515,951,854	2,062,308,716	2,032,759,444
Total assets		4,816,269,101	4,796,512,050	3,572,443,115	3,507,993,275

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Balance sheets (continued)

As at 31 December 2010 and 2009

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans					
from financial institutions	15	1,537,110,478	1,523,000,079	825,000,000	815,000,000
Trade accounts payable					
Related parties	7	25,950,550	6,115,304	67,378,024	112,167,146
Unrelated parties		302,088,753	196,674,429	224,706,214	115,441,728
Total trade accounts payable		328,039,303	202,789,733	292,084,238	227,608,874
Short-term loans and advances					
from related parties	7	6,109	139,963	37,660	99,169
Current portion of liabilities under					
finance lease agreements	16	4,774,528	3,778,611	3,658,466	2,848,204
Current portion of long-term loans	17	68,080,000	90,476,000	40,000,000	40,000,000
Dividend payable		20,993,785	28,535,582	18,091,906	25,635,691
Other current liabilities					
Corporate income tax payable		12,108,578	23,178,175	6,669,224	14,454,394
Accrued expenses		86,472,971	84,701,737	53,289,417	50,799,026
Unearned income		16,509,061	18,094,810	16,509,060	18,094,810
Others		106,018,765	178,584,503	52,063,114	115,704,704
Total other current liabilities		221,109,375	304,559,225	128,530,815	199,052,934
Total current liabilities		2,180,113,578	2,153,279,193	1,307,403,085	1,310,244,872
Non-current liabilities					
Liabilities under finance lease agreements					
- net of current portion	16	1,177,205	5,967,124	566,502	4,224,968
Long-term loans - net of current portion	17	153,100,000	144,476,500	95,000,000	58,296,500
Provision for land rental charge	18	20,468,000	20,468,000	-	-
Reserve for employee retirement benefit plan	19	36,077,387	27,596,388	36,077,387	27,596,388
Total non-current liabilities		210,822,592	198,508,012	131,643,889	90,117,856
Total liabilities		2,390,936,170	2,351,787,205	1,439,046,974	1,400,362,728

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Balance sheets (continued)

As at 31 December 2010 and 2009

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
Shareholders' equity					
Share capital					
Registered, issued and fully paid-up					
820,000,000 ordinary shares of Baht 1 each		820,000,000	820,000,000	820,000,000	820,000,000
Paid-in capital					
Share premium		241,970,265	241,970,265	241,970,265	241,970,265
Premium on treasury stock		5,269,100	5,269,100	5,269,100	5,269,100
Unrealised gain (loss)					
Surplus from changes in shareholding					
in subsidiary	2.2	5,008,700	5,008,700	-	-
Revaluation deficit on changes in value					
of investments	11	(584,551)	(724,034)	(584,551)	(724,034)
Retained earnings					
Appropriated - statutory reserve	20	102,774,506	102,760,809	82,000,000	82,000,000
Unappropriated		950,775,019	949,205,956	984,741,327	959,115,216
Equity attributable to the Company's					
shareholders		2,125,213,039	2,123,490,796	2,133,396,141	2,107,630,547
Minority interest - equity attributable to minority					
shareholders of subsidiaries		300,119,892	321,234,049	-	-
Total shareholders' equity		2,425,332,931	2,444,724,845	2,133,396,141	2,107,630,547
Total liabilities and shareholders' equity		4,816,269,101	4,796,512,050	3,572,443,115	3,507,993,275

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

Directors

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Income statements

For the years ended 31 December 2010 and 2009

(Unit: Baht)

	Consolidated financial statements		Separate financial statements		
	Note	2010	2009	2010	2009
Revenues					
Sales		7,483,872,353	6,869,623,598	6,516,203,688	5,853,250,167
Dividend income		-	-	90,814,704	158,700,577
Other income		67,174,639	62,611,824	33,874,050	33,446,528
Total revenues		<u>7,551,046,992</u>	<u>6,932,235,422</u>	<u>6,640,892,442</u>	<u>6,045,397,272</u>
Expenses					
Cost of sales		6,447,702,138	5,681,387,364	5,914,993,860	5,138,447,461
Selling expenses		501,348,850	422,416,536	302,173,142	279,528,858
Administrative expenses		127,785,028	122,594,899	62,198,412	60,694,132
Management's remuneration		134,115,862	132,584,582	83,219,731	86,736,788
Total expenses		<u>7,210,951,878</u>	<u>6,358,983,381</u>	<u>6,362,585,145</u>	<u>5,565,407,239</u>
Income before finance cost and corporate income tax		340,095,114	573,252,041	278,307,297	479,990,033
Finance cost		(44,619,000)	(56,976,636)	(21,537,783)	(21,283,679)
Income before corporate income tax		295,476,114	516,275,405	256,769,514	458,706,354
Corporate income tax		(75,261,020)	(111,397,414)	(33,765,032)	(57,997,512)
Net income for the year		<u>220,215,094</u>	<u>404,877,991</u>	<u>223,004,482</u>	<u>400,708,842</u>
Net income attributable to:					
Equity holders of the parent		198,961,131	358,331,359	<u>223,004,482</u>	<u>400,708,842</u>
Minority interests of the subsidiaries		21,253,963	46,546,632		
		<u>220,215,094</u>	<u>404,877,991</u>		
Basic earnings per share					
	23				
Net income attributable to equity holders of the parent		<u>0.24</u>	<u>0.44</u>	<u>0.27</u>	<u>0.49</u>
Weighted average number of ordinary shares (Shares)		<u>820,000,000</u>	<u>820,000,000</u>	<u>820,000,000</u>	<u>820,000,000</u>

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of cash flows

For the years ended 31 December 2010 and 2009

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Cash flows from operating activities				
Net income before income tax	295,476,114	516,275,405	256,769,514	458,706,354
Adjustments to reconcile net income before income tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	212,816,050	185,890,929	64,868,710	55,859,454
Increase (decrease) in allowance for doubtful accounts	2,090,814	(8,978,665)	2,199,880	(10,288,805)
Decrease in allowance for diminution				
in inventory value	(70,952)	(256,417)	(416,461)	(49,492)
Loss on write off inventory	756,825	-	-	-
Allowance for impairment loss of assets (reversal)	(8,662)	5,838,568	-	-
Reserve for employee retirement benefit plan	8,480,999	7,776,167	8,480,999	7,776,167
Dividend income from subsidiary	-	-	(90,686,044)	(158,700,577)
Dividend income from other companies	(128,660)	-	(128,660)	-
Gain on disposals and write off of property, plant and equipment	(736,124)	(4,529,176)	(6,397)	(1,478,141)
Unrealised loss (gain) on exchange	(228,385)	295,478	(103,517)	(377,688)
Interest expenses	40,523,902	52,659,784	18,912,757	18,147,116
Income from operating activities before changes in operating assets and liabilities	558,971,921	754,972,073	259,890,781	369,594,388
Decrease (increase) in operating assets				
Trade accounts receivable - related parties	(63,195)	(867,337)	(38,506)	42,487
Trade accounts receivable - unrelated parties	26,893,882	51,837,816	1,887,783	57,010,970
Inventories	71,570,401	6,632,847	62,433,307	(39,298,930)
Other current assets	(12,631,517)	30,928,065	(7,193,231)	10,163,775
Other non-current assets	3,346,174	(2,412,043)	(17,734)	149,894
Increase (decrease) in operating liabilities				
Trade accounts payable - related parties	19,835,246	-	(44,789,122)	60,014,509
Trade accounts payable - unrelated parties	105,922,330	(149,138,109)	109,307,164	(165,376,825)
Other current liabilities	(66,684,374)	33,264,140	(65,505,502)	54,037,854
Cash from operating activities	707,160,868	725,217,452	315,974,940	346,338,122
Cash paid for interest expenses	(39,603,965)	(56,067,228)	(18,046,492)	(21,141,571)
Cash paid for corporate income tax	(86,433,183)	(98,168,929)	(41,550,202)	(43,543,118)
Net cash from operating activities	581,123,720	570,981,295	256,378,246	281,653,433

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of cash flows (continued)

For the years ended 31 December 2010 and 2009

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Cash flows from investing activities				
Increase in current investments - fixed deposits at bank	(59,400)	(6,000,000)	-	-
(Increase) decrease in short-term loans and advances to related parties	-	183,248	(579,579)	397,154
Increase in investment in subsidiary	(3,435,844)	-	(3,435,844)	(174,981,150)
Dividend received from subsidiary	-	-	90,686,044	158,700,577
Dividend received from other companies	128,660	-	128,660	-
Acquisitions of property, plant and equipment	(193,363,511)	(441,366,685)	(95,526,705)	(288,191,820)
Cash receipt from government grants	14,480,165	-	6,672,108	-
Proceeds from disposals of property, plant and equipment	4,355,894	6,835,966	502,655	2,427,014
Proceeds from disposals of intangible assets	-	-	-	5,700,000
Increase in intangible assets	(947,822)	(698,654)	(486,450)	(346,154)
Net cash used in investing activities	(178,841,858)	(441,046,125)	(2,039,111)	(296,294,379)
Cash flows from financing activities				
Increase in bank overdrafts and short-term loans from financial institutions	14,110,399	56,000,079	10,000,000	79,000,000
Increase (decrease) in short-term loans and advance received from subsidiaries	(133,854)	(24,867,111)	(61,509)	31,973
Repayment of liabilities under finance lease agreements	(3,794,002)	(3,592,595)	(2,848,204)	(2,696,340)
Cash receipt from long-term loans	76,703,500	98,296,500	76,703,500	98,296,500
Repayment of long-term loans	(90,476,000)	(79,957,000)	(40,000,000)	-
Share subscription received from minority shareholders of subsidiary	-	18,850	-	-
Dividend paid	(243,932,276)	(232,574,070)	(205,000,000)	(164,018,016)
Net cash from (used in) financing activities	(247,522,233)	(186,675,347)	(161,206,213)	10,614,117
Net increase (decrease) in cash and cash equivalents				
	154,759,629	(56,740,177)	93,132,922	(4,026,829)
Cash and cash equivalents at beginning of the year	206,417,934	263,158,111	110,741,200	114,768,029
Cash and cash equivalents at end of the year	361,177,563	206,417,934	203,874,122	110,741,200

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of cash flows (continued)

For the years ended 31 December 2010 and 2009

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Supplementary disclosures of cash flows information				
Non-cash transactions				
Acquisitions of plant and equipment				
that have not been paid	26,576,074	32,961,497	5,252,053	3,271,921
Acquisitions of equipment under				
financial lease agreements	-	1,111,920	-	-
Transferred palm nursery to inventory account	5,320,400	10,865,065	-	-
Transferred computer software to				
intangible asset account	-	1,061,000	-	1,061,000

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the years ended 31 December 2010 and 2009

		Consolidated financial statements						
		Equity attributable to the parent's shareholders						
		Issued and paid up	Share premium	Premium on treasury stock	Surplus from change in shareholding in subsidiary	Revaluation deficit on changes in value of investments	Retained earnings Appropriated - statutory reserve	Unap
	Note	share capital						
Balance as at 31 December 2008		820,000,000	241,970,265	5,269,100	-	(1,009,355)	102,430,665	75
Income recognised directly in equity:								
Investments in available-for-sale securities								
Gain recognised in shareholders' equity		-	-	-	-	285,321	-	
Net income recognised directly in equity		-	-	-	-	285,321	-	
Net income for the year		-	-	-	-	-	-	35
Total income for the year		-	-	-	-	285,321	-	35
Dividend paid	26	-	-	-	-	-	-	(10)
Decrease in minority interest from dividend payment in subsidiary		-	-	-	-	-	-	
Subscription of new shares of subsidiary		-	-	-	5,008,700	-	-	
Unappropriated retained earnings transferred to statutory reserve		-	-	-	-	-	330,144	
Increase in minority interests - equity attributable to minority shareholders of subsidiaries		-	-	-	-	-	-	
Balance as at 31 December 2009		820,000,000	241,970,265	5,269,100	5,008,700	(724,034)	102,760,809	94

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the years ended 31 December 2010 and 2009

	Consolidated financial statements							
	Equity attributable to the parent's shareholders							
	Issued and paid up	Share premium	Premium on treasury stock	Surplus from change in shareholding in subsidiary	Revaluation deficit on changes in value of investments	Retained earnings Appropriated - statutory reserve	Unappropriated	
Note	share capital							
Balance as at 31 December 2009		820,000,000	241,970,265	5,269,100	5,008,700	(724,034)	102,760,809	99,000,000
Income recognised directly in equity:								
Investments in available-for-sale securities								
Gain recognised in shareholders' equity		-	-	-	-	139,483	-	-
Net income recognised directly in equity		-	-	-	-	139,483	-	-
Net income for the year		-	-	-	-	-	-	19,000,000
Total income for the year		-	-	-	-	139,483	-	19,000,000
Dividend paid	26	-	-	-	-	-	-	(20,000,000)
Decrease in minority interest from dividend payment in subsidiary		-	-	-	-	-	-	-
Reversal of prior year dividend		-	-	-	-	-	-	-
Unappropriated retained earnings transferred to statutory reserve		-	-	-	-	-	13,697	-
Decrease in minority interests - equity attributable to minority shareholders of subsidiaries		-	-	-	-	-	-	-
Balance as at 31 December 2010		<u>820,000,000</u>	<u>241,970,265</u>	<u>5,269,100</u>	<u>5,008,700</u>	<u>(584,551)</u>	<u>102,774,506</u>	<u>99,000,000</u>

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the years ended 31 December 2010 and 2009

	Note	Separate financial statements				
		Issued and paid up share capital	Share premium	Premium on treasury stock	Revaluation deficit on changes in value of investments	Retained Appropriated - statutory reserve
Balance as at 31 December 2008		820,000,000	241,970,265	5,269,100	(1,009,355)	82,000,000
Income recognised directly in equity:						
Investments in available-for-sale securities						
Gain recognised in shareholders' equity		-	-	-	285,321	-
Net income recognised directly in equity		-	-	-	285,321	-
Net income for the year		-	-	-	-	-
Total income for the year		-	-	-	285,321	-
Dividend paid	26	-	-	-	-	-
Balance as at 31 December 2009		<u>820,000,000</u>	<u>241,970,265</u>	<u>5,269,100</u>	<u>(724,034)</u>	<u>82,000,000</u>

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the years ended 31 December 2010 and 2009

	Note	Separate financial statements				
		Issued and paid up share capital	Share premium	Premium on treasury stock	Revaluation deficit on changes in value of investments	Retained Appropriated - statutory reserve
Balance as at 31 December 2009		820,000,000	241,970,265	5,269,100	(724,034)	82,000,000
Income recognised directly in equity:						
Investments in available-for-sale securities						
Gain recognised in shareholders' equity		-	-	-	139,483	-
Net income recognised directly in equity		-	-	-	139,483	-
Net income for the year		-	-	-	-	-
Total income for the year		-	-	-	139,483	-
Dividend paid	26	-	-	-	-	-
Reversal of prior year dividend		-	-	-	-	-
Balance as at 31 December 2010		<u>820,000,000</u>	<u>241,970,265</u>	<u>5,269,100</u>	<u>(584,551)</u>	<u>82,000,000</u>

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries
Notes to consolidated financial statements
For the years ended 31 December 2010 and 2009

1. General information

Lam Soon (Thailand) Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its parent company is Lam Soon Holding Company Limited, which was incorporated in Thailand. The Company is principally engaged in the manufacture and distribution of palm oil. The registered office of the Company is at 64, Soi Bangna-Trad 25, Bangna, Bangkok.

2. Basis of preparation

- 2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Professions 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.

2.2 Basis of consolidation

- a) The consolidated financial statements include the financial statements of the Company (“the Company”) and the following subsidiary companies (“the subsidiaries”):

Company's name	Nature of business	Country of incorporation	Percentage of shareholding		Assets as a
			<u>2010</u>	<u>2009</u>	the conso
			Percent	Percent	assets as at
					<u>2010</u>
					Percent
<u>Subsidiaries directly held by the</u>					
<u>Company</u>					
United Palm Oil Industry Public Company Limited	Palm oil plantation, crude palm oil and kernel palm oil processing	Thailand	69.96	69.96	20
Universal Food Public Company Limited	Manufacture and distribution of processed fruits and vegetables, canned juice and drinks	Thailand	98.76	98.00	29

Company's name	Nature of business	Co inc
<u>Subsidiary held by United Palm Oil Industry Public Company Limited</u>		
Phansrivivat Company Limited	Owner of palm oil plantation	T
<u>Jointly controlled entity held by United Palm Oil Industry Public Company Limited</u>		
Siam Elite Palm Company Limited	Production and distribution of palm oil seeds	T
<u>Subsidiaries held by Phasrivivat Company Limited</u>		
Prachak Vivat Company Limited	Holder of concessions to use forest reserve land	T
Phansri Company Limited	Holder of concessions to use forest reserve land	T
<u>Subsidiary held by Universal Food Public Company Limited</u>		
Union Frost Company Limited	Manufacture of frozen fruits and vegetables	T

On 16 April 2009, the Annual General Meeting of the shareholders of Union Frost Company Limited, the subsidiary of Universal Food Public Company Limited ("UFC") which is the subsidiary of the Company, passed a resolution to increase its share capital by 600,000 shares, to be offered to the existing shareholders at a price of Baht 100 per share, a total of Baht 60 million. UFC subscribed to all of the new shares and made payment on 22 April 2009, and its shareholding in this subsidiary increased by 21%, from 58% to 79%. UFC recorded the surplus of the net book value of the acquired interest in this subsidiary over the acquisition cost, amounting to Baht 5.0 million, as "Surplus from change in shareholding in subsidiary" in the balance sheet.

- b) Subsidiaries are fully consolidated as from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
 - c) The financial statements of the subsidiaries are prepared using the same reporting period as the parent company, using consistent significant accounting policies.
 - d) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
 - e) Minority interests represent the portion of net income or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet.
- 2.3 The separate financial statements, which present investments in subsidiaries under the cost method, have been prepared solely for the benefit of the public.

3. Adoption of new accounting standards

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

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

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

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property

TFRS 2	Share-Based Payment
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources
TFRIC Interpretation 15	Agreements for the Construction of Real Estate

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

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

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

TAS 19 Employee Benefits

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

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

TAS 12 Income Taxes

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

TAS 12 will become effective on 1 January 2013, and the management is therefore not currently able to evaluate the impact on the financial statements for the year in which TAS 12 will be 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 on an accrual basis based on the effective interest rate.

Dividends

Dividends are recognised when the right to receive the dividend is established.

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 experience and analysis of debt aging.

4.4 Inventories

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

Raw materials, supplies and spare parts are valued at the lower of cost (Moving average method) and net realisable value and are charged to production costs whenever consumed.

4.5 Investments

- a) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded as separate item in shareholders' equity, and will be recorded as gains or losses in the income statement when the securities are sold.
- b) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for loss on diminution in value (if any).
- c) Investments in subsidiaries are accounted for in the separate financial statements using the cost method.

The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. The fair value of unit trusts is determined from their net asset value.

4.6 Property, plant and equipment/depreciation

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

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

Cost of rights to use forest reserve land	-	Concession period
Building	-	20 - 30 years
Building improvement	-	5 and 20 years
Waste water treatment	-	15 and 30 years
Machinery, factory and agricultural equipment	-	5 - 20 years
Furniture, fixtures and office equipment	-	5 - 15 years
Motor vehicles	-	5 - 10 years

Palm oil plantation development costs represent the costs of palm tree plantations, and are amortised over the estimated productive life of the palm trees (25 years) or over the remaining period of the forest reserve land concession, whichever is shorter.

Costs of supplying palm vacancies and infilling mature areas are included in determining income.

Depreciation is included in determining income.

No depreciation is provided on land, construction in progress and machinery under installation.

4.7 Non-operating assets

Non-operating assets are stated at cost less allowance for impairment loss of assets (if any).

4.8 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.

4.9 Intangible assets

Intangible assets are initially recognised at cost on the date of acquisition. Following the initial recognition, the 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 assets are reviewed at least at each financial year end. The amortisation expense is charged to the income statement.

A summary of the intangible assets with finite useful lives is as follows:

	<u>Useful lives</u>
Licenses	- The remaining period of the license agreements as at the date of obtaining the right (approximately 29 years)
Computer software	- 5 and 10 years

4.10 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an asset, it is deducted in calculating the carrying amount of the asset. The grant is recognised over the useful life of a depreciable asset by way of a reduced depreciation charge.

4.11 Goodwill

Goodwill is initially recorded at cost, which equals to the excess of cost of business combination over the fair value of the net assets acquired. If the fair value of the net assets acquired exceeds the cost of business combination, the excess is immediately recognised as gain in the income statement.

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Company's cash generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combination. The Company estimates the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

4.12 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.

4.13 Long-term leases

Leases of 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 equipment acquired under finance leases is depreciated over the useful life of the leased asset.

Operating lease payment are recognized as an expense in the income statement on a straight line basis over the lease term.

4.14 Foreign currencies

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

Gains and losses on exchange are included in determining income.

4.15 Impairment of assets

At each reporting date, the Company and its subsidiaries perform 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. The Company and its subsidiaries also carry out annual impairment reviews in respect of goodwill. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of an 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 and its subsidiaries 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.

4.16 Treasury stock

Treasury stock is stated at cost and is presented as a reduction from shareholders' equity. Gains on disposal of treasury stock are determined by reference to its carrying amount and are taken to premium on treasury stock, losses on disposal of treasury stock are determined by reference to its carrying amount and are taken to premium on treasury stock and retained earnings, consecutively.

4.17 Employee benefits

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

The Company also records reserve for employee retirement benefit plan, which is estimated by the management based on the length of employee services and average remuneration of the employees.

4.18 Provisions

Provisions are recognised when the Company and its subsidiaries have 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.

4.19 Income Tax

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

4.20 Derivatives

Forward exchange contracts

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling at the balance sheet 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.

Interest rate swap contracts

The net amount of interest to be received from or paid to the counterparty under an interest rate swap contract is recognised as income or expenses on an accrual basis.

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 from these estimates. Significant judgments and estimates are as follows:

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.

Impairment of equity investments

The Company treats available-for-sale investments and other investments as impaired when the management judges that there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment.

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 plant and equipment and to review estimated useful lives and salvage values if there are any changes.

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

Goodwill and intangible assets

The initial recognition and measurement of goodwill and other intangibles assets, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

Employee retirement benefits

In determining employee retirement benefit costs, the management is required to make judgment and estimates of expenses to be incurred, which are based on the length of employee services and average remuneration of the employees.

Litigation

The subsidiary has contingent liabilities as a result of land litigation. The subsidiary's management has used judgment to assess the results of the litigation and believes that no loss will result. Therefore, no contingent liabilities are recorded as at the balance sheet date.

6. Cash and cash equivalents

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Cash	1,612,009	1,311,029	744,851	538,114
Bank deposits	299,593,052	205,106,905	203,129,271	110,203,086
Investment in Bank of Thailand Bond	59,972,502	-	-	-
Total	<u>361,177,563</u>	<u>206,417,934</u>	<u>203,874,122</u>	<u>110,741,200</u>

As at 31 December 2010, bank deposits in saving accounts, fixed deposits and investment in Bank of Thailand Bond carried interests between 0.25 and 1.86 percent per annum (2009: between 0.50 and 1.13 percent per annum).

7. Related party transactions

During the years, the Company and its subsidiaries 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)

	Consolidated financial statements		Separate financial statements		Pricing and lending policy
	2010	2009	2010	2009	
<u>Transactions with subsidiaries</u>					
(eliminated from the consolidated financial statements)					
Purchase of raw material	-	-	779.7	755.0	Market prices on the contract date
Purchase of finished goods	-	-	600.1	499.7	Market prices less fixed margin
Sales of goods	-	-	0.5	0.1	Market price
Sales of computer software	-	-	-	5.7	Net book value
Rental income	-	-	2.2	2.1	Market price
Interest income	-	-	-	1.1	2.40 - 2.95% per annum
Guarantee fee income	-	-	1.0	1.0	1.5% per annum of credit facilities
Dividend income	-	-	90.7	158.7	At the declared rate
Discount from prepayment of goods	-	-	0.4	0.3	1.72 - 2.05% per annum of the amount collected prior to maturity (2009: 2.60 - 4.80% per annum)
<u>Transactions with related companies</u>					
Sales of goods	25.6	24.1	-	0.1	Price approximates market price
Purchases of goods and services	53.4	0.1	31.2	-	Market price
<u>Transaction with jointly controlled entity</u>					
Sales of building and equipment	3.0	-	-	-	Acquisition cost
Sales of land	1.0	-	-	-	Value appraised by and independent appraiser in 2008
Land rental income	0.2	-	-	-	Agree between the parties
Purchase of oil palm seeds	1.0	-	-	-	Market price

The balances of accounts as at 31 December 2010 and 2009 between the Company and the related parties are detailed as follows:

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<u>Trade accounts receivable - related parties</u>				
<u>Subsidiary</u>				
Universal Food Public Company Limited	-	-	57,577	8,975
Total trade accounts receivable - subsidiary	-	-	57,577	8,975
<u>Related companies</u>				
Lam Soon Singapore Pte Limited	3,218,943	2,379,954	-	10,996
ACE Canning Corporation Sdn. Bhd.	-	1,426,414	-	-
Lam Soon Edible Oils Sdn. Bhd.	650,620	-	-	-
Union Fresh Company Limited	452,280	452,280	-	-
Union Frost Company Limited	-	-	900	-
Total trade accounts receivable - related companies	4,321,843	4,258,648	900	10,996
Total trade accounts receivable - related parties	4,321,843	4,258,648	58,477	19,971
Less: Allowance for doubtful accounts	(452,280)	(452,280)	-	-
Trade accounts receivable - related parties - net	3,869,563	3,806,368	58,477	19,971
 <u>Short-term loans and advances to related parties</u>				
<u>Short-term loans - related companies</u>				
Union Fresh Company Limited	40,285,836	40,285,836	-	-
Siam Unison Company Limited	5,324,565	5,324,565	-	-
Total short-term loans - related companies	45,610,401	45,610,401	-	-
<u>Advances - related parties</u>				
<u>Subsidiaries</u>				
Universal Food Public Company Limited	-	-	739,851	156,886
United Palm Oil Industry Public Company Limited	-	-	-	3,018
Total advances - subsidiaries	-	-	739,851	159,904

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<u>Related companies</u>				
Union Fresh Company Limited	18,549,353	18,549,353	-	-
Siam Unison Company Limited	1,778,890	1,778,890	-	-
Union Frost Company Limited	-	-	29,370	29,738
Total advances - related companies	<u>20,328,243</u>	<u>20,328,243</u>	<u>29,370</u>	<u>29,738</u>
Total advances - related parties	<u>20,328,243</u>	<u>20,328,243</u>	<u>769,221</u>	<u>189,642</u>
Total short-term loans and advances to related parties				
	<u>65,938,644</u>	<u>65,938,644</u>	<u>769,221</u>	<u>189,642</u>
Less: Allowance for doubtful accounts	<u>(65,938,644)</u>	<u>(65,938,644)</u>	<u>-</u>	<u>-</u>
Short-term loans and advances to related parties - net				
	<u>-</u>	<u>-</u>	<u>769,221</u>	<u>189,642</u>
<u>Trade accounts payable - related parties</u>				
<u>Subsidiaries</u>				
United Palm Oil Industry Public Company Limited	-	-	5,746,249	34,667,654
Universal Food Public Company Limited	-	-	40,571,265	77,499,492
Total trade accounts payable - subsidiaries	<u>-</u>	<u>-</u>	<u>46,317,514</u>	<u>112,167,146</u>
<u>Related companies</u>				
ACE Canning Corporation Sdn. Bhd.	4,890,040	6,115,304	-	-
Lam Soon Edible Oils Sdn. Bhd.	21,060,510	-	21,060,510	-
Total trade accounts payable - related companies	<u>25,950,550</u>	<u>6,115,304</u>	<u>21,060,510</u>	<u>-</u>
Total trade accounts payable - related parties				
	<u>25,950,550</u>	<u>6,115,304</u>	<u>67,378,024</u>	<u>112,167,146</u>

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
<u>Advances - related parties</u>				
<u>Subsidiary</u>				
Universal Food Public Company Limited	-	-	37,660	22,018
Total advances - subsidiary	-	-	37,660	22,018
<u>Related companies</u>				
Lam Soon Edible Oils Sdn. Bhd.	6,109	6,759	-	-
Lam Soon Singapore Pte Limited	-	133,204	-	77,151
Total advances - related companies	6,109	139,963	-	77,151
Total advances - related parties	6,109	139,963	37,660	99,169

Short-term loans to associated and related companies of subsidiary carry interest at a rate of 7% per annum and are repayable on demand. Recognition of interest on these loans as income on an accrual basis has ceased from the date the Central Bankruptcy Court accepted the bankruptcy suits which the subsidiary brought against the associated and related companies. Currently, this case is in state of the Legal Execution Department.

Directors and management's remuneration

In 2010, the Company and its subsidiaries have salaries, bonuses, meeting allowances and gratuities of their directors and management totaling Baht 134.1 million (the Company only: Baht 83.2 million) (2009: Baht 132.6 million, the Company only: Baht 86.7 million).

Guarantee obligations with related party

The Company has outstanding guarantee obligations for its subsidiary, as described in Note 27.4 to the financial statements.

8. Trade accounts receivable

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

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<u>Age of receivables</u>				
<u>Related parties</u>				
Not yet due	1,059,269	3,795,372	58,477	8,975
Past due				
6 - 12 months	2,810,294	10,996	-	10,996
Over 12 months	452,280	452,280	-	-
Total	4,321,843	4,258,648	58,477	19,971
Less: Allowance for doubtful accounts	(452,280)	(452,280)	-	-
Trade accounts receivable - related parties - net	<u>3,869,563</u>	<u>3,806,368</u>	<u>58,477</u>	<u>19,971</u>
<u>Unrelated parties</u>				
Post dated cheques receivable	33,355,763	37,964,276	33,334,938	37,964,276
Cheque returned	13,618,102	12,790,990	8,654,788	7,711,838
Not yet due	725,825,074	742,757,807	686,444,876	678,932,935
Past due				
Less than 3 months	95,218,538	102,153,813	72,561,319	77,504,715
3 - 6 months	1,602,579	2,214,204	-	1,802,934
6 - 12 months	766,281	802,249	240,231	839,869
Over 12 months	19,196,747	18,223,809	2,376,437	682,966
Total	889,583,084	916,907,148	803,612,589	805,439,533
Less: Allowance for doubtful accounts	(34,556,599)	(33,233,086)	(11,129,193)	(8,929,313)
Trade accounts receivable - unrelated parties - net	<u>855,026,485</u>	<u>883,674,062</u>	<u>792,483,396</u>	<u>796,510,220</u>
Total trade accounts receivable - net	<u><u>858,896,048</u></u>	<u><u>887,480,430</u></u>	<u><u>792,541,873</u></u>	<u><u>796,530,191</u></u>

9. Inventories

(Unit: Baht)

Consolidated financial statements						
	Cost		Allowance for diminution in inventory value		Inventories - net	
	2010	2009	2010	2009	2010	2009
	Finished goods	601,462,607	615,770,433	(10,767,172)	(10,421,092)	590,695,435
Work in process	284,090,062	304,804,624	-	-	284,090,062	304,804,624
Raw materials	69,385,458	120,075,710	(290,480)	(1,140,942)	69,094,978	118,934,768
Inventory in transit	12,736,480	1,148,061	-	-	12,736,480	1,148,061
Supplies and spare parts	114,802,246	107,684,851	(3,435,775)	(3,002,345)	111,366,471	104,682,506
Total	1,082,476,853	1,149,483,679	(14,493,427)	(14,564,379)	1,067,983,426	1,134,919,300

(Unit: Baht)

Separate financial statements						
	Cost		Allowance for diminution in inventory value		Inventories - net	
	2010	2009	2010	2009	2010	2009
	Finished goods	140,755,087	140,768,742	(264,259)	(264,259)	140,490,828
Work in process	278,875,877	304,474,128	-	-	278,875,877	304,474,128
Raw materials	28,448,704	79,581,168	-	-	28,448,704	79,581,168
Inventory in transit	12,736,480	1,148,061	-	-	12,736,480	1,148,061
Supplies and spare parts	34,230,749	31,508,105	(1,059,690)	(1,476,151)	33,171,059	30,031,954
Total	495,046,897	557,480,204	(1,323,949)	(1,740,410)	493,722,948	555,739,794

10. Investments in subsidiaries

Details of investments in subsidiaries as presented in separate financial statements are as follows:

Company's name	Paid-up share capital		Shareholding percentage		Cost
	2010	2009	2010 Percent	2009 Percent	
United Palm Oil Industry Public Company Limited	324,050,000	324,050,000	69.96	69.96	748,343,849
Universal Food Public Company Limited	525,000,000	525,000,000	98.76	98.00	585,231,325
Total					1,333,575,174
Less: Allowance for impairment loss of investments					(21,095,880)
Total investments in subsidiaries - net					1,312,479,294

During the year, the Company additionally purchased some ordinary shares from minority shareholders of Universal Food Public Company Limited, the subsidiary, resulting to increase its shareholding in this subsidiary from 98.00% to 98.76%.

As at 31 December 2010, the fair value of the investment in United Palm Oil Industry Public Company Limited was determined based on the closing price of the shares on the last trading day of the period as quoted on the Stock Exchange of Thailand. The fair value of the shareholding, was approximately Baht 1,746 million.

11. Other long-term investments

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<u>Equity securities</u>				
Open-ended Kumlai Perm Poon Fund	1,000,000	1,000,000	1,000,000	1,000,000
Open-ended TCM Equity Fund	300,000	300,000	300,000	300,000
Open-ended Kiatnakin Fund	200,000	200,000	200,000	200,000
Datamat Plc.	16,265	16,265	16,265	16,265
Standard Chartered Bank (Thai) Plc.	2,160	2,160	2,160	2,160
Total	1,518,425	1,518,425	1,518,425	1,518,425
Less: Unrealised loss from other long-term investments	(584,551)	(724,034)	(584,551)	(724,034)
Other long-term investments - net	933,874	794,391	933,874	794,391

12. Property, plant and equipment

	Consolidated financial statements					
	Land	Land awaiting development	Cost of forest land rights and plantation development costs	Building and building improvement	Factory and agricultural machinery and equipment and waste water treatment	Furniture, fixtures and office equipment
Cost						
31 December 2009	242,656,495	76,475,756	533,686,868	805,866,051	1,889,689,208	97,826,426
Additions	1,647,232	-	-	841,098	23,171,236	3,278,237
Capitalised interest	-	-	-	17,186	281,718	37
Disposals/write off	(1,331)	-	(4,277,058)	(5,767,670)	(11,050,378)	(2,585,033)
Transfer in/(transfer out)	-	-	44,625,526	74,314,291	385,314,111	3,174,783
Receipt of government grants	-	-	-	-	-	-
31 December 2010	<u>244,302,396</u>	<u>76,475,756</u>	<u>574,035,336</u>	<u>875,270,956</u>	<u>2,287,405,895</u>	<u>101,694,450</u>
Accumulated depreciation						
31 December 2009	-	-	279,280,508	443,164,400	1,093,388,272	86,537,629
Depreciation for the year	-	-	28,346,618	36,357,109	122,617,869	4,448,659
Depreciation on disposals/write off	-	-	(4,109,721)	(3,745,898)	(9,678,878)	(2,527,210)
31 December 2010	-	-	<u>303,517,405</u>	<u>475,775,611</u>	<u>1,206,327,263</u>	<u>88,459,078</u>
Allowance for impairment						
31 December 2009	14,638,278	-	8,661	-	1,926,317	1
Increase (decrease) during the year	-	-	(8,661)	-	-	(1)
31 December 2010	<u>14,638,278</u>	-	-	-	<u>1,926,317</u>	-
Net book value						
31 December 2009	<u>228,018,217</u>	<u>76,475,756</u>	<u>254,397,699</u>	<u>362,701,651</u>	<u>794,374,619</u>	<u>11,288,796</u>
31 December 2010	<u>229,664,118</u>	<u>76,475,756</u>	<u>270,517,931</u>	<u>399,495,345</u>	<u>1,079,152,315</u>	<u>13,235,372</u>

Depreciation for the year

2009 (Baht 161.0 million included in manufacturing cost, and the balance in administrative expenses)

2010 (Baht 186.4 million included in manufacturing cost, and the balance in administrative expenses)

	Separate financial statements				
	Land	Plantation development costs	Building and building improvement	Machinery, factory equipment and waste water treatment	Furniture, fixture and office equipment
<u>Cost</u>					
31 December 2009	27,938,625	-	253,152,436	783,572,541	33,671,599
Additions	-	-	290,000	10,721,594	1,379,669
Disposals/write off	-	-	(310,000)	(6,012,031)	(1,400,600)
Transfer in/(transfer out)	-	294,119	65,363,386	328,115,033	2,342,141
Receipt of government grants	-	-	-	-	-
31 December 2010	<u>27,938,625</u>	<u>294,119</u>	<u>318,495,822</u>	<u>1,116,397,137</u>	<u>35,992,809</u>
<u>Accumulated depreciation</u>					
31 December 2009	-	-	184,923,149	519,264,816	30,654,647
Depreciation for the year	-	10,765	10,871,342	45,807,254	1,358,562
Depreciation on disposals/write off	-	-	(309,999)	(5,515,822)	(1,400,555)
31 December 2010	<u>-</u>	<u>10,765</u>	<u>195,484,492</u>	<u>559,556,248</u>	<u>30,612,654</u>
<u>Allowance for impairment</u>					
31 December 2009	-	-	-	1,926,317	-
31 December 2010	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,926,317</u>	<u>-</u>
<u>Net book value</u>					
31 December 2009	<u>27,938,625</u>	<u>-</u>	<u>68,229,287</u>	<u>262,381,408</u>	<u>3,016,952</u>
31 December 2010	<u>27,938,625</u>	<u>283,354</u>	<u>123,011,330</u>	<u>554,914,572</u>	<u>5,380,155</u>

Depreciation for the year

2009 (Baht 42.0 million included in manufacturing cost, and the balance in administrative expenses)

2010 (Baht 50.2 million included in manufacturing cost, and the balance in administrative expenses)

Approximately 10,495 rai of the total area utilised by the subsidiary has land title deed or other land ownership documents (Nor Sor 3 Kor and Nor Sor 3). For approximately 21,349 rai, or 48 percent, of the total planted area of the subsidiary is held by the subsidiaries under concessions that expire in 2014 and 2015 and for the remainder the subsidiary has possessory rights and is currently in the process of acquiring legal documentation of ownership.

During 2010, the subsidiary capitalised interest amounting to Baht 0.35 million (2009: Baht 0.3 million) to the costs of plant construction and machinery installation. These borrowing costs were determined based on the borrowing cost of the general loans and the weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 1.97% - 3.57% (2009: 2.48% - 4.47%).

As at 31 December 2010, the Company and its subsidiary had vehicles under finance lease agreements with net book value amounting to Baht 6.0 million (2009: Baht 9.7 million) and the Company only amounted to Baht 4.2 million (2009: Baht 7.1 million).

As at 31 December 2009, the majority of land and buildings thereon, land awaiting for development and machinery of the subsidiary were mortgaged and pledged with financial institutions to secure credit facilities granted by financial institutions and bank guarantees.

As at 31 December 2010, the majority of land and building thereon, and machinery of the subsidiary were mortgaged and pledged with financial institutions to secure credit facilities granted by financial institutions and bank guarantees.

As at 31 December 2010, certain plant and equipment items of the Company and the subsidiaries have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation and allowance for impairment loss of those assets amounted to approximately Baht 1,060 million (2009: Baht 936 million) and for the Company amounted to approximately Baht 375 million (2009: Baht 332 million).

13. Non-operating assets

(Unit: Baht)

	Consolidated financial statements		
	Land and land improvement	Building	Total
<u>Cost</u>			
31 December 2009	54,591,486	15,034,760	69,626,246
31 December 2010	54,591,486	15,034,760	69,626,246
<u>Accumulated depreciation</u>			
31 December 2009	-	5,520,926	5,520,926
Depreciation for the year	-	751,738	751,738
31 December 2010	-	6,272,664	6,272,664
<u>Allowance for impairment</u>			
31 December 2009	6,353,009	-	6,353,009
31 December 2010	6,353,009	-	6,353,009
<u>Net book value</u>			
31 December 2009	48,238,477	9,513,834	57,752,311
31 December 2010	48,238,477	8,762,096	57,000,573

As at 31 December 2009 the subsidiary had mortgaged non-operating land amounting to Baht 5 million to secure credit facilities granted by a financial institution.

14. Intangible assets

	Consolidated financial statements			Separate financial statements
	Computer software	Licenses	Total	Computer software
	(Unit: Baht)			
<u>Cost</u>				
31 December 2009	48,264,331	10,764,200	59,028,531	22,784,034
Additions	947,822	-	947,822	486,450
31 December 2010	49,212,153	10,764,200	59,976,353	23,270,484
<u>Accumulated amortisation</u>				
31 December 2009	37,461,900	622,208	38,084,108	18,139,410
Amortisation for the year	3,521,618	373,331	3,894,949	1,196,897
31 December 2010	40,983,518	995,539	41,979,057	19,336,307
<u>Net book value</u>				
31 December 2009	10,802,431	10,141,992	20,944,423	4,644,624
31 December 2010	8,228,635	9,768,661	17,997,296	3,934,177

In April 2008, the jointly controlled entity of a subsidiary paid royalty for the use of a trademark in the production and distribution of palm oil seed amounting to Euro 150,000 (proportionate to the control exercised by the subsidiary) and technical assistance fees amounting to Euro 50,000 (proportionate to the control exercised by the subsidiary) to a foreign shareholder. The jointly controlled entity recorded the amounts paid under "Intangible assets" in the balance sheet.

15. Bank overdrafts and short-term loans from financial institutions

	Interest rate		Consolidated		Separate	
	(percent per annum)		financial statements		financial statements	
	2010	2009	2010	2009	2010	2009
Bank overdrafts	MOR	MOR	110,478	79	-	-
Short-term loans from financial institutions	1.80 - 2.43	1.90 - 3.20	1,537,000,000	1,523,000,000	825,000,000	815,000,000
Total			1,537,110,478	1,523,000,079	825,000,000	815,000,000

No collateral has been pledged for short-term loans from financial institutions of the Company and its subsidiary.

16. Liabilities under finance lease agreements

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2010	2009	2010	2009
Liabilities under finance lease agreements	6,203,585	10,437,688	4,386,401	7,555,685
Less: Deferred interest expenses	(251,852)	(691,953)	(161,433)	(482,513)
Net	5,951,733	9,745,735	4,224,968	7,073,172
Less: Portion due within one year	(4,774,528)	(3,778,611)	(3,658,466)	(2,848,204)
Liabilities under finance lease agreements - net of current portion	1,177,205	5,967,124	566,502	4,224,968

The Company and its subsidiary have entered into the finance lease agreements with leasing companies for rental of vehicles for use in their operations, whereby they are committed to pay rental on a monthly basis. The terms of the agreements are generally between 4 and 5 years. Finance lease agreements are non-cancelable.

As at 31 December 2010, future minimum lease payments required under the finance lease agreements were as follows:

(Unit: Million Baht)

	Consolidated financial statements		
	Less than		
	1 year	1 - 5 years	Total
Future minimum lease payments	5.0	1.2	6.2
Deferred interest expenses	(0.2)	-	(0.2)
Present value of future minimum lease payments	4.8	1.2	6.0

(Unit: Million Baht)

	Separate financial statements		
	Less than		
	1 year	1 - 5 years	Total
Future minimum lease payments	3.8	0.6	4.4
Deferred interest expenses	(0.2)	-	(0.2)
Present value of future minimum lease payments	3.6	0.6	4.2

17. Long-term loans

Loan	Consolidated financial statements		Separate financial statements		Interest Rate (Per annum)	Repa
	2010	2009	2010	2009		
<u>The Company</u>						
1	135.00	98.29	135.00	98.29	THBFIX plus applicable margin	Repayme installm 2010
Total long-term loan - the Company	135.00	98.29	135.00	98.29		
<u>Subsidiary</u>						
Universal Food Public Company Limited						
1(1)	-	6.08	-	-	3-month THBFIX plus applicable margin	Repayme installm
1(2)	-	6.05	-	-		Repayme installm
1(3)	-	5.12	-	-		Repayme installm
1(4)	-	3.94	-	-		Repayme installm
1(5)	-	1.21	-	-		Repayme installm
Total long-term loans - subsidiary	-	22.40	-	-		

Loan	Consolidated financial statements		Separate financial statements		Interest Rate (Per annum)	Repa
	2010	2009	2010	2009		
<u>The subsidiary company held by the subsidiary</u>						
Union Frost Company Limited						
1	41.92	55.96	-	-	Fixed rate	Monthly 1.17 mil from Ja
2	44.26	58.30	-	-	Fixed rate	Monthly 1.17 mil from Ma
Total long-term loans - the subsidiary company held by the subsidiary	86.18	114.26	-	-		
Total long-term loans	221.18	234.95	135.00	98.29		
Less: Current portion	(68.08)	(90.47)	(40.00)	(40.00)		
Long-term loans - net of current portion	153.10	144.48	95.00	58.29		

The subsidiary company entered into an interest rate swap agreement with a lender bank covering a period from January 2009 to February 2014, whereby the related company agreed to swap the floating interest rate of THBFIX plus an applicable margin per annum on Baht 140 million of loans for a fixed annual interest rate, as detailed in Note 28.1.

The loan agreements contain covenants that, among other things, require the Company and its subsidiary to maintain such as dividend payments, the proportion of shareholding of the major shareholders and the maintenance of certain financial ratios.

18. Provision for land rental charge

In 2001, a subsidiary received notification from the Surat Thani Provincial Treasury Office of the Finance Ministry that the land with an area of 8,600 rai covered by the concession previously granted to the subsidiary company by the Forestry Department was state property, under the jurisdiction of the Ministry of Finance, by virtue of a ruling issued by the Judicial Council. The notice called for the subsidiary company to enter into a land lease agreement commencing 1 January 2001, and also to pay retroactive land rental for the years 1991 to 2000. At present, the subsidiary is in the process of negotiating with the relevant government agencies. However, for the prudent reasons the subsidiary has set up a provision for its estimated liabilities in the accounts.

19. Reserve for employee retirement benefit plan

The Company has provided a retirement benefit plan for its employees. Under the plan, employees are entitled to receive upon retirement or reaching specified age stated in the plan upon termination. Reserve is recorded by the Company taking into account the best estimation of the management based on the length of employee services and average remuneration of the employees. During the year 2010, the reserve provided in the accounts by the Company amounted to Baht 9.6 million (2009: Baht 9.6 million) and the payment of retirement was Baht 1.1 million (2009: Baht 1.8 million).

20 Statutory reserve

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

Statutory reserve of the subsidiary companies in the consolidated financial statements are presented in proportion to the Company's interest.

21. Expenses by nature

Significant expenses by nature are as follows:

	(Unit: Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Salary and wages and other employee benefits	632,812,232	582,563,303	259,541,828	257,354,132
Depreciation and amortisation expenses	212,816,048	185,890,929	64,868,710	55,859,454
Transportation expenses	141,788,169	130,213,168	86,568,368	79,077,587
Promotion expenses	111,826,538	98,074,353	104,961,117	89,163,389
Repair and maintenance expenses	64,957,642	67,776,773	18,178,870	22,940,424
Rental expenses from operating lease agreements	52,614,701	28,566,485	11,994,478	7,146,990
Raw materials and consumables used	5,736,720,078	5,113,172,245	4,885,711,985	4,352,533,625
Changes in inventories of finished goods and work in process	35,022,388	(33,218,225)	25,611,906	(33,684,197)

22. Promotional privileges

The Company and its subsidiaries have received promotional privileges under the Investment Promotion Act B.E. 2520 as approved by the Board of Investment in respect of manufacture of products as stipulated in the promotion certificates as follows:

The Company

<u>Certificate No.</u>	<u>Operation</u>
1442/2541	Manufacture of crude palm kernel oil (expired in August 2006)
1179/2543	Manufacture of crude palm oil, crude palm kernel oil and crude coconut oil (expired in November 2008)
1292(2)/2547	Manufacture of margarine or shortening
1815(2)/2549	Manufacture of crude palm oil
1013(9)/2551	Manufacture of electricity from biogases
2093(2)/2550	Manufacture pure vegetable oil (has not yet begun utilizing the promotional privileges)

Subsidiaries

<u>Certificate No.</u>	<u>Operation</u>
1817/2539	Manufacture of crude palm kernel oil (expired in March 2006)
1043(2)/2548	Manufacture of crude palm oil and palm kernel seed
2088(2)/2547	Manufacture of fruits and vegetables
2121(2)/2547	Manufacture of fruits and vegetables in to products and fermented soybeans
2112(5)/2547	Manufacture of frozen fruits and vegetables
2245(9)/2550	Manufacture of electricity from biogases

Jointly controlled entity

<u>Certificate No.</u>	<u>Operation</u>
1262(2)/2550	Manufacture of palm seed (has not yet begun utilizing the promotional privileges)

The significant privileges include exemption from corporate income tax on income from the promoted operations for a period of eight years, commencing from the date of first earning operating income (except certificate No. 1292(2)/2547, 1815(2)/2549, 2093(2)/2550, 1043(2)/2548, 2088(2)/2547, 2121(2)/2547, 2112(5)/2547 and 1262(2)/2550, which have been exempted from corporate income tax on income from the promoted operations for a period of eight years from the date of first earning operating income, up to a maximum of 100 percent of the amount invested, excluding land and working capital).

In addition, income of the Company and its subsidiaries derived thereafter from the promoted operations will be subject to income tax at a reduced rate of 50 percent of the normal tax rate for a further period of five years (except certificate No. 1292(2)/2547, 1815(2)/2549, 1013(9)/2551, 2093(2)/2550, 1043(2)/2548), 2088(2)/2547, 2121(2)/2547, 2112(5)/2547, 2245(9)/2550 and 1262(2)/2550.

Revenues, divided between promoted and non-promoted operations, of the Company for the years 2010 and 2009 were as follows:

	(Unit: Baht)					
	Promoted operations		Non-promoted operations		Total	
	2010	2009	2010	2009	2010	2009
Sales						
Domestic sales	354,332,320	485,751,544	5,905,602,752	5,178,536,507	6,259,935,072	5,664,288,051
Export sales	1,547,650	1,035,167	254,720,966	187,926,949	256,268,616	188,962,116
Total sales	<u>355,879,970</u>	<u>486,786,711</u>	<u>6,160,323,718</u>	<u>5,366,463,456</u>	<u>6,516,203,688</u>	<u>5,853,250,167</u>

23. Earnings per share

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

24. Segment information

The Company's and its subsidiaries' business operations involve three principal segments (1) manufacture and distribution of palm oil (2) manufacture and distribution of processed fruits and vegetables and (3) generation of electricity from biogases. These activities are carried on in the single-geographic area in Thailand. During the year, there was no material activities pertaining to the generation of electricity from biogases segment for the Company and the subsidiary companies. Accordingly, most of revenues, income and assets as reflected in these financial statements pertain to the industry segment (1) and the industry segment (2) mentioned above. The financial information by segment of the Company and its subsidiaries for the years ended 31 December 2010 and 2009 were as follows:

(Unit: Million Baht)

	Segment						Elimination of inter-		Consolidated	
	Palm oil		Processed fruits and vegetables		Total		segment revenues			
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Revenue from external customers	5,885	5,343	1,599	1,526	7,484	6,869	-	-	7,484	6,869
Intersegment revenues	779	755	600	500	1,379	1,255	(1,379)	(1,255)	-	-
Total revenues	<u>6,664</u>	<u>6,098</u>	<u>2,199</u>	<u>2,026</u>	<u>8,863</u>	<u>8,124</u>	<u>(1,379)</u>	<u>(1,255)</u>	<u>7,484</u>	<u>6,869</u>
Segment income	763	912	272	280	1,035	1,192	1	(4)	1,036	1,188
Unallocated income and expenses:										
Other income									67	63
Selling expenses									(501)	(422)
Administrative expenses									(128)	(123)
Management's remuneration									(134)	(133)
Finance cost									(45)	(57)
Corporate income tax									(75)	(111)
Minority interests									(21)	(47)
Net income for the year									<u>199</u>	<u>358</u>

(Unit: Million Baht)

	Segment								Consolidated	
	Palm oil		Processed fruits and vegetables		Total		Elimination of inter- segment revenues			
	2010	2009	2010	2009	2010	2009	2010	2009		
Property, plant and equipment - net	1,538	1,582	653	653	2,191	2,235	-	-	2,191	2,235
Non-operating assets - net	-	-	57	58	57	58	-	-	57	58
Unallocated assets	3,012	2,950	705	779	3,717	3,729	(1,149)	(1,226)	2,568	2,503
Total assets	4,550	4,532	1,415	1,490	5,965	6,022	(1,149)	(1,226)	4,816	4,796

Transfer prices between business segments are as set out in Note 7 to the financial statements.

25. Provident fund

The Company, its subsidiaries, and their employees have jointly established provident funds in accordance with the Provident Fund Act B.E. 2530. Both employees, the Company and its subsidiaries contribute to the fund monthly at the rates of 2 - 5 percent of basic salary. The Company's fund, which is managed by Thai Farmers Assets Management Company Limited, and the subsidiaries' funds, which are managed by Kasikorn Bank Public Company Limited and SCB Assets Management Company Limited, will be paid to employees upon termination in accordance with the fund rules.

During the year 2010, total amount of approximately of Baht 9.7 million (2009: Baht 9.4 million) had been contributed to the funds by the Company and the subsidiaries, and Baht 5.6 million had been contributed by the Company (2009: Baht 5.2 million).

26. Dividend

			(Unit: Baht)
	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividend per share</u>
<u>The Company</u>			
<u>For the year 2009</u>			
Final dividend on 2008 income	Annual General Meeting of the shareholders on 28 April 2009	164,000,000	0.20
Total dividend for the year 2009		<u>164,000,000</u>	<u>0.20</u>
<u>For the year 2010</u>			
Final dividend on 2009 income	Annual General Meeting of the shareholders on 28 April 2010	205,000,000	0.25
Total dividend for the year 2010		<u>205,000,000</u>	<u>0.25</u>
<u>Subsidiary</u>			
<u>For the year 2009</u>			
Final dividend on 2008 income	Annual General Meeting of the shareholders on 28 April 2009	129,619,200	0.40
Interim dividends on income for the period from January to June 2009	Board of Directors' Meeting on 13 August 2009	64,808,600	0.20
Interim dividends on income for the period from July to September 2009	Board of Directors' Meeting on 12 November 2009	32,404,500	0.10
Total dividend for the year 2009		<u>226,832,300</u>	<u>0.70</u>
<u>For the year 2010</u>			
Final dividend on 2009 income	Annual General Meeting of the shareholders on 28 April 2010	64,809,000	0.20
Interim dividends on income for the period from January to June 2010	Board of Directors' Meeting on 11 August 2010	32,404,800	0.10
Interim dividends on income for the period from July to September 2010	Board of Directors' Meeting on 10 November 2010	32,404,520	0.10
Total dividend for the year 2010		<u>129,618,320</u>	<u>0.40</u>

27. Commitments and contingent liabilities

27.1 Capital commitments

As at 31 December 2010, the Company and its subsidiaries had capital expenditures under the agreements and purchase orders for purchase of equipment including services payable in the future amounting to approximately Baht 41.82 million and Euro 0.04 million (the Company only: Baht 3.68 million).

27.2 Operating lease commitments

The Company and its subsidiaries have entered into several lease agreements in respect of the lease of office building space, equipment and motor vehicles. The terms of the agreements are generally between 1 and 5 years. Operating lease agreements are non-cancelable.

As at 31 December 2010, 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	2.5
1 to 5 years	1.4

27.3 Long-term service commitments

Under the agreements with a foreign shareholder in relation to the use of its trademark in the production and distribution of palm oil seed, the jointly controlled entity of a subsidiary is obliged to pay royalty fees calculated as a percentage of the net annual sales of the products, as defined in the agreements. The jointly controlled entity and such foreign shareholder are also required to comply with conditions stipulated in the contracts.

27.4 Guarantees

- (1) The Company has guaranteed bank credit facilities of its subsidiary amounting to Baht 60 million.
- (2) As at 31 December 2010, there were outstanding bank guarantees of approximately Baht 21.4 million issued by the banks on behalf of the Company and its subsidiaries in respect of certain performances bonds as required in the normal course of their businesses. These included letters of guarantee amounting to Baht 4.4 million to guarantee payments due to domestic creditors and Baht 17 million to guarantee electricity usage, among others (the Company only: guarantee payment due to domestic creditors of Baht 2.9 million and guarantees for electricity usage and others of Baht 7.9 million).

27.5 Contingent liabilities

- (1) In January 2006, the Company was sued by the Metropolitan Electricity Authority (MEA) for payment of additional electricity expenses totaling approximately Baht 7.1 million for the 18-month period from 30 June 2002 to 30 November 2003. In October 2005, MEA received Baht 2.9 million from the bank which was guarantor for electricity payment, leaving an outstanding payable amount of Baht 4.2 million. In September 2006, the Civil Court judged that the Company was liable for the electric payment of November 2003 plus interest of approximately Baht 0.5 million to the plaintiff. The Company filed an appeal against the judgment with the Appeal Court. On 16 February 2011, the Appeal Court dismissed this case. However, the Company countersued to recover the guarantee amount from the MEA because the Company did not have any outstanding late electricity payments due to the MEA as per the guarantee issued by the bank, but the claim made was a retrospective claim for additional payments. In October 2006, the Civil Court delivered the judgment ordering the MEA to refund the Baht 2.9 million guarantee plus interest to the Company. In January 2011, the Appeal Court issued a new ruling ordering the MEA to refund Baht 2.5 million to the Company after deducting the electricity fee for the period from 5 to 30 November 2003 of approximately Baht 0.4 million.
- (2) In 2004, a subsidiary received a letter of invitation from the Agricultural Land Reform Office (ALRO) concerning the issue of land overlapping with ALRO land. On 6 October 2004, the subsidiary attended a fact-finding consultation meeting with the ALRO and handed over various relevant documents for use by ALRO in considering this issue. The end-result of this consideration is not known at this stage.
- (3) On 11 April 2008, the subsidiary met with the working committee responsible for reviewing practical methods and negotiations for distributing land belonging to holders of large plots in land reform areas to farmers, which was set up by the Suratthani Land Reform Commission. The purpose of the meeting was to find a practical solution to the land issue arising as a result of the subsidiary holding land amounting to approximately 1,210 rai in designated forest areas and another 276 rai in land reform areas. The 276 rai in land reform areas represents a large landholding and a holding in excess of the area that can be owned under Section 30 of the Land Reform for Agriculture Act. These land plots represent 6 percent of the total area utilised by the subsidiary.

On 29 August 2008, the subsidiary entered into a memorandum of negotiation, agreeing to transfer land in land reform areas to the custody of ALRO for development for agricultural use; with the Company signalling its intention to allow ALRO to take approximately 80 rai of land into the land reform program. However, on 17 September 2009, the subsidiary received notice from ALRO to vacate a total of approximately 133 rai of land in land reform areas and demolish all construction thereon, within 30 days from receipt of the notice, since the subsidiary has no land ownership documents. The cost of this land and the net book value of the palm plantation development on such land amounted to approximately Baht 0.2 million. The subsidiary has already set aside full allowance for impairment loss on the cost of these assets in 2009.

At present, the subsidiary is in the process of negotiating with the relevant government agencies concerning the land in designed forest areas.

- (4) In 2008, the related company received notification from the Surat Thani Provincial Office of Natural Resources, ordering it to enter into a memorandum of acknowledgement and consent to comply with the conditions of the Forestry Department's 2005 regulation concerning permission to exploit National Forest land, to lodge an application for permission to gather forest produce in accordance with Section 15 of the National Forest Act 1964, and to pay official royalty fees at the rate of 10 percent of the market price of palm oil and forest maintenance fees, at a rate of double the official royalty fees, when harvesting the palm oil crops planted.

On 6 August 2009, the related company entered into a memorandum of acknowledgement and consent to comply with the conditions stipulated by the Forestry Department. On 18 December 2009, the subsidiaries lodged an application for permission to gather forest produce in a National Forest. At present, the relevant government agencies are processing the application.

28. Financial instruments

28.1 Financial risk management

The Company's and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, loans, investments, and 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 and its subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Company and its subsidiaries do 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 receivables, as stated in the balance sheet.

Interest rate risk

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

Significant financial assets and liabilities as at 31 December 2010 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date (if this occurs before the maturity date).

	Fixed interest rate				Total	Interest rate (% p.a.)
	Within one year	More than one year but within four years	Floating interest rate	Non- interest bearing		
Financial assets						
Cash and cash equivalents	-	-	358	3	361	0.25 - 1.86
Short-term investments - fixed deposits at bank	-	-	6	-	6	0.50 - 1.00
Trade accounts receivable - net	-	-	-	859	859	-
	-	-	364	862	1,226	

	Fixed interest rate				Total	Interest rate (% p.a.)
	Within one year	More than one year but within four years	Floating interest rate	Non- interest bearing		
Financial liabilities						
Bank overdrafts and short-term loans	-	-	1,537	-	1,537	MOR, 1.80 - 2.43
Trade accounts payable	-	-	-	328	328	-
Liabilities under finance lease agreements	5	1	-	-	6	3.31 - 6.20
Long-term loans	68	153	-	-	221	5.70, THBFIX+ fixed rate
	<u>73</u>	<u>154</u>	<u>1,537</u>	<u>328</u>	<u>2,092</u>	

As at 31 December 2010, the subsidiary of the subsidiary had outstanding interest rate swap agreement as detailed below:

Contract date	Due date	Notional amount	Interest rate in the original loan agreement	Interest rate in the swap agreement
		(Million Baht)	(Percent)	(Percent)
30 December 2008	28 February 2014	86.18	THBFIX plus applicable margin	Fixed rate

Foreign currency risk

The Company's and its subsidiaries' exposure to foreign currency risk arises mainly from trading transactions that are denominated in foreign currencies. The Company and its subsidiaries seek to reduce this risk by entering into forward exchange contracts when they consider appropriate. Generally, the forward contracts mature within one year.

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

Foreign currency	Financial assets	Financial liabilities	Average exchange rate as at 31 December 2010
	(Million)	(Million)	(Baht per 1 foreign currency unit)
US dollars	1.7	1.0	30.1513
Euro	0.4	-	39.6323
Yen	-	0.9	0.3742

Forward exchange contracts outstanding as at 31 December 2010 are summarised below.

Foreign currency	Sold amount	Contractual exchange rate of sold amount	Maturity date
	(Million)	(Baht per 1 foreign currency unit)	
US dollars	10.3	29.91 - 30.05	Within October 2011
Euro	0.1	41.20 - 41.98	Within February 2011

28.2 Fair values of financial instruments

Since the majority of the Company's and its subsidiaries' 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.

As at 31 December 2010, the subsidiary had unrealised loss on changes in the value of forward exchange contracts to present them at fair value totaling Baht 2.0 million, and had unrealised loss on interest rate swap agreement to present it at fair value totaling Baht 3.2 million.

29. Capital management

The primary objective of the Company's and its subsidiaries' capital management is to ensure that they have an appropriate financial structure and preserve the ability to continue their business as a going concern.

According to the balance sheet as at 31 December 2010, the Group's debt-to-equity ratio was 0.98:1 (2009: 0.96:1) and the Company's was 0.67:1 (2009: 0.66:1).

30. Subsequent event

On 25 February 2011, the meeting of the Board of Directors of the Company passed a resolution approving the payment of dividend from the 2010 income to the Company's shareholders at Baht 0.15 per share or a total of Baht 123.0 million.

On 24 February 2011, the meeting of the Board of Directors of a subsidiary passed a resolution approving the payment of dividend to the shareholders of Baht 0.15 per share in respect of October to December 2010 earnings or a total of Baht 48.6 million.

The payment of dividends will later be proposed for approval in the Annual General Meeting of the Company's and the subsidiary's shareholders.

31. Reclassification

Certain amounts in the financial statements for the year ended 31 December 2009 have been reclassified with no effect to previously reported net income or shareholders' equity. The reclassifications are as follows:

(Unit: Baht)

	Consolidated financial statements	
	As reclassified	As previously reported
<u>Balance sheets</u>		
Property, plant and equipment - net	2,235,371,250	2,207,398,273
Goodwill in business combination	196,376,189	224,349,166

During 2010, the subsidiary's management found that cost of forest land rights amounting to Baht 27.9 million were included in the goodwill from business combination. Therefore, certain amounts in the financial statements for the year ended 31 December 2009 have been reclassified to conform to the current year's classification.

(Unit: Baht)

	Consolidated financial statements	
	As reclassified	As previously reported
<u>Balance sheets</u>		
Trade accounts payable - related parties	6,115,304	-
Trade accounts payable - unrelated parties	196,674,429	202,789,733

The subsidiary has reclassified trade accounts payable for the year 2009 to conform to the current year's classification.

32. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 25 February 2011.