

LAM SOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2006 AND 2005

**Report of Independent Auditor**

To The Board of Directors and 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 2006, and 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 periods. 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 audit. The financial statements of Lam Soon (Thailand) Public Company Limited as of 31 December 2005 and for the year then ended, as presented herein for comparative purpose, were audited by another auditor who, under his report dated 27 February 2006, expressed an unqualified opinion on those financial 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 2006 and the results of their operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

Thipawan Nananuwat

Certified Public Accountant (Thailand) No. 3459

Ernst & Young Office Limited

Bangkok : 28 February 2007

## LAMSON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## BALANCE SHEETS

AS AT 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2006	2005	2006	2005
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents		195,378,573	268,544,672	56,143,964	27,407,515
Current investment - fixed deposit		83,206,851	-	-	-
Trade accounts receivable					
Related parties	6, 7	2,190,288	1,776,555	966,350	260,851
Unrelated parties	6	586,451,193	550,802,871	540,433,949	404,848,738
Total trade accounts receivable - net		588,641,481	552,579,426	541,400,299	405,109,589
Short-term loans and advances to related parties - net	7	-	16,641	276,379	3,276,322
Inventories - net	8	851,147,772	820,969,953	513,021,592	434,034,168
Other current assets		33,841,812	27,623,582	13,474,117	14,947,968
<b>TOTAL CURRENT ASSETS</b>		<b>1,752,216,459</b>	<b>1,669,734,274</b>	<b>1,124,316,351</b>	<b>884,775,562</b>
<b>NON-CURRENT ASSETS</b>					
Investments in subsidiaries accounted for under equity method	9	-	-	1,098,211,445	1,009,768,047
Other long-term investments - net	10	14,955,849	14,351,440	655,852	701,443
Property, plant and equipment - net	11	1,435,269,942	1,296,653,664	441,054,335	442,543,051
Non-operating land		109,481,612	109,481,612	-	-
Restricted bank deposits	12	900,000	900,000	-	-
Excess of acquisition cost of investments over net book value of subsidiaries		239,804,080	242,254,115	-	-
Other non-current assets		14,488,464	1,302,382	636,038	417,022
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,814,899,917</b>	<b>1,664,943,213</b>	<b>1,540,557,670</b>	<b>1,453,429,563</b>
<b>TOTAL ASSETS</b>		<b>3,567,116,376</b>	<b>3,334,677,487</b>	<b>2,664,874,021</b>	<b>2,338,205,125</b>

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

LAMSON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2006	2005	2006	2005
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Bank overdrafts and short-term loans from financial institutions	13	851,574,193	802,927,652	515,000,000	470,000,000
Trade accounts payable					
Related parties	7	-	2,704,705	107,616,831	2,182,844
Unrelated parties		197,639,544	163,579,233	127,843,530	99,060,734
Total trade accounts payable		197,639,544	166,283,938	235,460,361	101,243,578
Current portion of long-term loans	14	124,232,000	212,884,444	69,650,000	171,900,000
Dividend payable		30,217,811	30,424,073	25,433,379	25,404,084
Other current liabilities					
Corporate income tax payable		32,603,119	15,241,341	24,054,240	8,020,062
Accrued expenses		100,541,253	59,081,344	75,075,599	25,636,187
Unearned income		40,892,119	27,043,358	40,892,119	26,652,686
Others		80,988,879	72,360,044	41,103,782	33,400,493
Total other current liabilities		255,025,370	173,676,087	181,135,740	93,709,428
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,458,688,918</b>	<b>1,386,196,194</b>	<b>1,026,679,480</b>	<b>862,257,040</b>
<b>NON-CURRENT LIABILITIES</b>					
Long-term loans - net of current portion	14	132,933,000	201,545,556	-	69,650,000
Provision for land rental charge	15	18,748,000	17,028,000	-	-
Reserve for employee retirement benefit plan	16	5,081,992	1,472,565	5,081,992	1,472,565
Other non-current liabilities		-	154,523	-	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>156,712,992</b>	<b>220,200,644</b>	<b>5,081,992</b>	<b>71,122,565</b>
<b>TOTAL LIABILITIES</b>		<b>1,615,401,910</b>	<b>1,606,396,838</b>	<b>1,031,711,472</b>	<b>933,379,605</b>

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

## LAMSON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2006	2005	2006	2005
<b>SHAREHOLDERS' EQUITY</b>					
<b>Share capital</b>					
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
<b>Paid-in capital</b>					
Share premium		241,970,265	241,970,265	241,970,265	241,970,265
Remain on treasury stock	18	5,269,100	8,304,881	5,269,100	8,304,881
Unrealised loss from other long-term investments	10	-2,630,824	-2,922,391	-2,630,824	-2,922,391
<b>Retained earnings</b>					
Appropriated - statutory reserve	17	83,160,001	70,748,216	82,000,000	70,748,216
- treasury stock reserve	18	-	26,618,806	-	26,618,806
Unappropriated		485,394,007	266,724,549	485,554,008	266,724,549
Total shareholders' equity		1,633,162,549	1,431,444,326	1,633,162,549	1,431,444,326
Less: Treasury stock	18	-	-26,618,806	-	-26,618,806
<b>EQUITY ATTRIBUTABLE TO THE COMPANY'S</b>					
<b>SHAREHOLDERS - NET</b>					
		1,633,162,549	1,404,825,520	1,633,162,549	1,404,825,520
<b>MINORITY INTERESTS - equity attributable to minority</b>					
shareholders of subsidiaries		318,551,917	323,455,129	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>1,951,714,466</u>	<u>1,728,280,649</u>	<u>1,633,162,549</u>	<u>1,404,825,520</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>3,567,116,376</u>	<u>3,334,677,487</u>	<u>2,664,874,021</u>	<u>2,338,205,125</u>
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The accompanying notes are an integral part of the financial statements.

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 DIRECTORS
 

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LAMSON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
 INCOME STATEMENTS  
 FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2006	2005	2006	2005
REVENUES					
Sales		5,308,641,841	5,114,261,651	4,453,011,555	4,048,681,206
Share of income from investments accounted for under equity method		-	-	84,322,061	19,361,298
Reversal of allowance for diminution in value of inventories		28,022,720	9,215,782	-	9,215,782
Other income		42,693,084	31,468,271	29,110,783	12,935,977
TOTAL REVENUES		<u>5,374,357,595</u>	<u>5,154,945,704</u>	<u>4,566,444,399</u>	<u>4,090,194,263</u>
EXPENSES					
Cost of sales		4,348,182,789	4,467,519,603	3,902,316,869	3,749,345,373
Selling and administrative expenses		597,859,323	512,909,130	360,312,956	250,948,917
Amortisation of goodwill		17,881,365	17,435,772	-	-
TOTAL EXPENSES		<u>4,963,923,477</u>	<u>4,997,864,505</u>	<u>4,262,629,825</u>	<u>4,000,294,290</u>
INCOME BEFORE INTEREST EXPENSES					
AND CORPORATE INCOME TAX		410,434,118	157,081,199	308,814,574	89,899,973
INTEREST EXPENSES		-64,984,432	-52,998,059	-34,746,170	-28,000,667
CORPORATE INCOME TAX		-63,533,880	-27,036,433	-40,138,024	-8,020,062
INCOME BEFORE MINORITY INTERESTS		<u>281,915,806</u>	<u>77,046,707</u>	<u>228,930,380</u>	<u>53,879,244</u>
NET INCOME ATTRIBUTABLE TO MINORITY INTERESTS		-52,985,426	-23,167,463	-	-
NET INCOME FOR THE YEAR		<u><u>228,930,380</u></u>	<u><u>53,879,244</u></u>	<u><u>228,930,380</u></u>	<u><u>53,879,244</u></u>
BASIC EARNINGS PER SHARE	21				
Net income		<u>0.28</u>	<u>0.07</u>	<u>0.28</u>	<u>0.07</u>
Weighted average number of ordinary shares - net (Shares)		<u>816,651,972</u>	<u>757,585,556</u>	<u>816,651,972</u>	<u>757,585,556</u>

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

LAMSONG (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
Cash flows from operating activities :				
Net income	228,930,380	53,879,244	228,930,380	53,879,244
Adjustments to reconcile net income to net cash provided by (paid from) operating activities :-				
Depreciation and amortisation	136,401,236	140,530,359	47,173,172	48,110,295
Amortisation of excess of acquisition cost of investments over net book value of subsidiaries	17,881,365	17,435,772	-	-
Share of income from investments accounted for under equity method	-	-	-84,322,061	-19,361,298
Increase in allowance for doubtful accounts	2,268,346	5,155,812	2,149,520	359,612
Increase (decrease) in allowance for stock obsolescences and diminution in value of inventories	-26,524,915	11,477,409	78,629	-9,215,781
Reversal allowance for impairment loss of assets	-2,297,225	-	-	-
Provision for land rental charge	1,720,000	1,720,000	-	-
Reserve for employee retirement benefit plan	3,559,427	-606,548	3,559,427	-606,548
Loss (gain) on disposal and write off of property, plant and equipment	5,064,546	1,766,216	-11,382	-1,793
Unrealised loss (gain) on exchange	128,918	-248,935	-23,889	-110,410
Net income attributable to minority interests	52,985,426	23,167,463	-	-
Income from operating activities before changes in operating assets and liabilities	420,117,504	254,276,792	197,533,796	73,053,321
Decrease (increase) in operating assets :-				
Trade accounts receivable - related parties	-428,195	1,419,200	-705,499	499,183
Trade accounts receivable - unrelated parties	-37,551,663	32,999,209	-137,736,545	49,147,841
Inventories	-3,652,904	387,892,754	-79,066,053	333,247,052
Other current assets	-6,105,833	-14,918,511	1,473,851	-12,320,716
Other non-current assets	-13,186,082	-613,089	-219,016	24,000
Increase (decrease) in operating liabilities :-				
Trade accounts payable - related parties	-2,704,705	2,704,705	105,433,987	-22,882,610
Trade accounts payable - unrelated parties	34,083,714	-36,359,934	28,808,499	-21,356,313
Other current liabilities	77,080,660	27,198,517	82,991,661	17,549,581
Net cash from operating activities	467,652,506	654,599,643	198,514,681	416,961,339

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

## LAMSON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## STATEMENTS OF CASH FLOWS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
Cash flows from investing activities :				
Increase in fixed deposits with maturity of more than 3 months	-83,206,851	-	-	-
(Increase) decrease in short-term loans and advances to related parties	-663,251	-838,671	2,999,943	-3,057,111
Increase in investment in subsidiary	-47,679,400	-	-47,679,400	-
Dividend received from subsidiary	-	-	43,895,222	21,482,511
Acquisitions of property, plant and equipment	-276,445,289	-135,304,437	-41,521,750	-33,154,752
Proceeds from disposal of property, plant and equipment	2,996,141	11,760,097	283,327	3,363,727
Net cash used in investing activities	<u>-404,998,630</u>	<u>-124,383,011</u>	<u>-42,022,638</u>	<u>-11,365,625</u>
Cash flows from financing activities :				
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	48,646,541	-178,320,255	45,000,000	-195,000,000
Repayment of hire purchase credits	-390,672	-390,672	-	-
Cash receipt from long-term loans	56,300,000	-	-	-
Repayment for long-term loans	-213,565,000	-357,410,000	-171,900,000	-330,950,000
Proceeds from disposal of treasury stock	23,583,025	109,298,975	23,583,025	109,298,975
Dividend paid	-50,393,869	-29,066,596	-24,438,599	-18,469,752
Net cash used in financing activities	<u>-135,819,975</u>	<u>-455,888,548</u>	<u>-127,755,574</u>	<u>-435,120,777</u>
Net increase (decrease) in cash and cash equivalents	-73,166,099	74,328,084	28,736,449	-29,525,063
Cash and cash equivalents at beginning of the year	268,544,672	194,216,588	27,407,515	56,932,578
Cash and cash equivalents at end of the year	<u>195,378,573</u>	<u>268,544,672</u>	<u>56,143,964</u>	<u>27,407,515</u>
Supplementary disclosures of cash flows information				
Cash paid during the year for :-				
Interest expenses	64,381,134	54,233,661	34,722,687	29,160,431
Corporate income tax	47,065,219	24,707,629	24,245,077	6,268,713
Non-cash transactions :				
Acquisitions of plant and equipment that have not been paid	9,595,729	5,260,022	4,434,651	-

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

LAMSONG (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit: Bht)

		CONSOLIDATED									
		Issued and paid up share capital	Share premium	Premium on treasury stock	Unrealised loss from other long-term investments	Retained earnings			Treasury stock	Minority interests	Total
Note						Appropriated		statutory reserve			
Balance as at 1 January 2005		800,000,000	241,970,265	-	(3,092,259)	68,054,254	-	260,608,073	(127,612,900)	311,164,636	1,571,092,069
Adjustment of fair value of investments		-	-	-	169,888	-	-	-	-	-	169,888
Appropriation of statutory reserve		17	-	-	-	2,693,962	-	(2,693,962)	-	-	-
Appropriation of treasury stock reserve		18	-	-	-	-	127,612,900	(127,612,900)	-	-	-
Adjustment of treasury stock reserve		18	-	-	-	-	(100,994,094)	100,994,094	-	-	-
Disposal of treasury stock		18	-	-	8,304,881	-	-	-	100,994,094	-	109,298,975
Dividend paid		24	-	-	-	-	-	(18,450,000)	-	-	(18,450,000)
Net income for the year		-	-	-	-	-	-	53,879,244	-	-	53,879,244
Increase in minority interest - equity attributable to minority shareholders of subsidiaries		-	-	-	-	-	-	-	-	12,250,493	12,250,493
Balance as at 31 December 2005		800,000,000	241,970,265	8,304,881	(2,922,391)	70,748,216	26,618,806	266,724,549	(26,618,806)	323,455,129	1,728,280,649
Adjustment of fair value of investments		17	-	-	291,567	-	-	-	-	-	291,567
Appropriation of statutory reserve		18	-	-	-	12,411,785	-	(12,411,785)	-	-	-
Adjustment of treasury stock reserve		18	-	-	-	-	(26,618,806)	26,618,806	-	-	-
Disposal of treasury stock		18	-	-	(3,085,781)	-	-	-	26,618,806	-	23,533,025
Dividend paid		24	-	-	-	-	-	(24,467,943)	-	-	(24,467,943)
Net income for the year		-	-	-	-	-	-	228,930,380	-	-	228,930,380
Decrease in minority interest - equity attributable to minority shareholders of subsidiaries		-	-	-	-	-	-	-	-	(4,908,212)	(4,908,212)
Balance as at 31 December 2006		800,000,000	241,970,265	5,269,100	(2,630,824)	83,160,001	-	485,394,007	-	318,551,917	1,951,714,466

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

LAMSON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
 STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)  
 FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit: Bht)

		THE COMPANY ONLY								
				Unrealised loss	Retained earnings					
		Issued and	Premium on	from other	Appropriated				Total	
Note		share capital	share premium	long-term	statutory	treasury	Unappropriated	Treasury stock		
			treasury stock	investments	reserve	stock reserve				
	Balance as at 1 January 2005	820,000,000	241,970,265	-	(3,092,259)	68,054,254	-	260,608,073	(127,612,900)	1,259,927,433
	Adjustment of fair value of investments	-	-	-	169,888	-	-	-	-	169,888
	Appropriation of statutory reserve	-	-	-	-	2,693,962	-	(2,693,962)	-	-
17	Appropriation of treasury stock reserve	-	-	-	-	-	127,612,900	(127,612,900)	-	-
18	Adjustment of treasury stock reserve	-	-	-	-	-	(100,994,094)	100,994,094	-	-
18	Disposal of treasury stock	-	-	8,304,881	-	-	-	-	100,994,094	109,298,975
24	Dividend paid	-	-	-	-	-	(18,450,000)	-	-	(18,450,000)
	Net income for the year	-	-	-	-	-	-	53,879,244	-	53,879,244
	Balance as at 31 December 2005	820,000,000	241,970,265	8,304,881	(2,922,391)	70,748,216	26,618,806	266,724,549	(26,618,806)	1,404,825,520
	Adjustment of fair value of investments	-	-	-	291,567	-	-	-	-	291,567
17	Appropriation of statutory reserve	-	-	-	-	11,251,784	-	(11,251,784)	-	-
18	Adjustment of treasury stock reserve	-	-	-	-	-	(26,618,806)	26,618,806	-	-
18	Disposal of treasury stock	-	-	(3,035,781)	-	-	-	-	26,618,806	23,583,025
24	Dividend paid	-	-	-	-	-	(24,467,943)	-	-	(24,467,943)
	Net income for the year	-	-	-	-	-	-	228,930,380	-	228,930,380
	Balance as at 31 December 2006	820,000,000	241,970,265	5,269,100	(2,630,824)	82,000,000	-	486,554,008	-	1,633,162,549

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

LAMSOON(THAILAND)PUBLICCOMPANYLIMITEDANDITSSUBSIDIARIES  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

1. GENERAL INFORMATION

Lam Soon (Thailand) Public Company Limited is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the manufacture and distribution of palm oil, and its registered address is at 947/155 Mto 12, Bangna-Trad Road, Bangna, Bangkok.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act BE 2547. The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 14 September 2001, issued under the Accounting Act BE 2543.

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

3. BASIS OF CONSOLIDATION

3.1 The consolidated financial statements include the financial statements of Lam Soon (Thailand) Public Company Limited (herein after called "the Company") and the financial statements of its subsidiaries (herein after called "the subsidiaries"), which were incorporated in Thailand, as follows:

Company name	Nature of business	Percentage of shareholding		Country of incorporation	Assets as a percentage to the consolidated total assets as at 31 December		Revenues as a percentage to the consolidated total revenues for the year ended 31 December	
		2006 Percent	2005 Percent		2006 Percent	2005 Percent	2006 Percent	2005 Percent
Subsidiaries directly held by the Company								
United Palm Oil Industry Public Company Limited	Oil palm plantation, crude palm oil and kernel palm oil processing	69.96	66.29	Thailand	26	25	2	1
Universal Food Public Company Limited	Manufacture and distribution of canned fruits and vegetables, juice and drinks	96.79	96.79	Thailand	24	29	15	20

Company's name	Nature of business	Percentage of indirect shareholding		Country of incorporation
		2006 Percent	2005 Percent	
<u>Subsidiary held by United Palm Oil Industry Public Company Limited</u>				
Phasrivat Company Limited	Owner of oil palm plantation	100	100	Thailand
<u>Subsidiaries held by Phasrivat Company Limited</u>				
Radrak Vivat Company Limited	Holder of concessions to use forest reserve land	100	100	Thailand
Phasi Company Limited	Holder of concessions to use forest reserve land	100	100	Thailand
<u>Subsidiary held by Universal Food Public Company Limited</u>				
Union Frost Company Limited	Manufacture of frozen fruits and vegetables	58	58	Thailand

3.2 Intercompany balances and significant intercompany transactions between the Company and its subsidiaries, investments in subsidiaries of the Company and the subsidiaries' share capital have been eliminated from the consolidated financial statements.

3.3 The excess of cost of investments in subsidiaries and the net assets value of the subsidiaries at the time of acquisition has been shown as "Excess of acquisition cost of investments over net book value of subsidiaries" under non-current assets in the consolidated balance sheets, which is amortized over a period of 20 years from the date of acquisition.

#### 4. ADOPTION OF NEW ACCOUNTING STANDARDS

In October 2006, the Federation of Accounting Professions issued Notification No. 26/2006 regarding Accounting Standard No. 44 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" (Amendment No. 1), under which investments in subsidiaries, jointly controlled entities and associates are to be presented in the separate financial statements under the cost method rather than the equity method. Entities which are not ready to adopt the cost method in 2006 can continue to use the equity method through the end of 2006 and adopt the cost method as from 1 January 2007.

In this regard, the Company has elected to adopt the change in 2007. Adoption of the change in 2007 will necessitate the restatement of the Company's 2006 separate financial statements to be presented for comparative purposes along with the financial statements for 2007. The restatement will have the effect of decreasing net income in the separate income statement for 2006 by approximately Bht 40.4 million (Bht 0.05 per share) and increasing net worth in the balance sheet at 31 December 2006 by approximately Bht 35.5 million.

## 5. SIGNIFICANT ACCOUNTING POLICIES

### 5.1 Revenue recognition

#### Sales of goods

Sales of goods are recognized 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 recognized as interest accrues taking into account the effective rate method.

#### Dividends

Dividends are recognized when the right to receive the payment is established.

### 5.2 Cash and cash equivalents

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

### 5.3 Trade accounts receivable and allowance for doubtful accounts

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 debtor aging.

#### 5.4 Inventories

Finished goods are valued at the lower of cost (Moving average method) and net realisable value. Cost is defined as all production costs including attributable factory overheads.

Raw materials and supplies used in the manufacture are valued at cost (Moving average method) and constitute as parts of production cost whenever consumed.

Allowance for diminution in inventory value and stock obsolescence is set up for old, obsolete, slow moving or deteriorated inventories.

#### 5.5 Investments

- a) Investments in available-for-sale securities are stated at fair value. Changes in the carrying amounts of securities are recorded as separate items in shareholders' equity until the securities are sold, when the changes are then included in determining income.
- b) Investments in subsidiary companies are accounted for under the equity method.

#### 5.6 Property, plant and equipment/depreciation and amortisation

Land is stated at cost. Plant and equipment are stated at cost less accumulated depreciation and allowance for impairment loss 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 years
Waste water treatment	-	15-30 years
Machinery, factory and agricultural equipment	-	5-15 years
Furniture, fixtures and office equipment	-	5-10 years
Motor vehicles	-	5 years

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

Oil palm 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 and amortisation are included in determining income.

#### 5.7 Non-operating land

Non-operating land is stated at the lower of cost and the latest appraised value.

#### 5.8 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.

#### 5.9 Foreign currencies

Foreign currency transactions are translated into Bht at the exchange rates ruling on the transaction dates. Assets and liabilities denominated in foreign currencies outstanding at the balance sheet date are translated into Bht at the exchange rates ruling on the balance sheet date.

Gains and losses on exchange are included in determining income.

#### 5.10 Impairment of assets

The Company and the subsidiaries assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company and the subsidiaries make an estimate of the asset's recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the income statement. An asset's recoverable amount is the higher of fair value less costs to sell and value in use.

#### 5.11 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, c o n s e c u t i v e l y .

#### 5.12 Employee benefits

Salary, wages, bonuses and contributions to the social security fund and provident fund are recognized 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 service and average remuneration of the employees.

#### 5.13 Provisions

Provisions are recognized when the Company and the 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.

#### 5.14 Income Tax

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

### 5.15 Derivatives - forward exchange contracts

Receivables and payables arising from forward exchange contracts are translated into Bht at the rate exchange on the balance sheet. 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.

### 5.16 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

## 6. TRADE ACCOUNTS RECEIVABLE

The outstanding balances of trade accounts receivable as at 31 December 2006 and 2005, classified by aging were as follows :-

	Consolidated		(Unit : Bht) The Company Only	
	2006	2005	2006	2005
Related parties				
- Less than 3 months	2,196,072	1,776,555	966,350	260,851
- 6-12 months	(5,814)	-	-	-
- Over 12 months	452,280	452,280	-	-
Total	2,642,538	2,228,835	966,350	260,851
Less : Allowance for doubtful accounts	(452,280)	(452,280)	-	-
Trade accounts receivable - related parties, net	2,190,258	1,776,555	966,350	260,851

	(Unit : Bht)			
	Consolidated		The Company Only	
	2006	2005	2006	2005
Unrelated parties				
Post dated cheques receivable	39,864,722	28,720,115	39,864,722	18,687,853
Cheque returned	15,241,246	13,043,867	10,033,694	8,347,716
Trade accounts receivable				
- Less than 3 months	542,335,293	513,919,970	497,528,167	378,908,245
- 3-6 months	1,912,817	5,270,515	648,940	4,353,402
- 6-12 months	1,008,085	1,619,071	764,335	1,870,801
- Over 12 months	24,418,192	24,857,645	3,114,865	2,051,975
Total	624,780,355	587,431,183	551,954,723	414,219,992
Less : Allowance for doubtful accounts	(38,329,162)	(36,628,312)	(11,520,774)	(9,371,254)
Trade accounts receivable – unrelated parties, net	586,451,193	550,802,871	540,433,949	404,848,738
Total trade accounts receivable - net	588,641,451	552,579,426	541,400,299	405,109,589

## 7. RELATED PARTY TRANSACTIONS

During the years, the Company and its subsidiaries had significant business transactions with related parties, which have been concluded on commercial terms and bases agreed upon in the ordinary course of businesses between the Company and those companies. Below is a summary of those transactions.

	(Unit : Million Bht)				Pricing and lending policy
	For the year ended 31 December				
	Consolidated		The Company Only		
	2006	2005	2006	2005	
Transactions with subsidiaries					
Purchase of goods	-	-	607.9	386.3	Forward contract prices by using market prices at the date of agreement or market prices
Purchase of finished goods	-	-	3000	-	Market prices less fixed margin
Rental income	-	-	21	21	Market price
Guarantee fee income	-	-	30	-	1.5 percent per annum of credit facilities
Transactions with related companies					
Sales of goods	163	113	21	3.1	Price approximates market price
Interest income	0.7	0.6	-	-	Interest at rate 7.00 percent per annum (2005 : 1.25 percent per annum)
Purchases of equipment	-	27	-	-	Market price
Purchases of goods and services	0.5	0.6	-	-	Cost

The outstanding balances as at 31 December 2006 and 2005 between the Company and the related parties have been separately shown in the balances sheets with the details as follows :-

	(Unit : Bhd)			
	Consolidated		The Company Only	
	2006	2005	2006	2005
<u>Trade accounts receivable - related parties</u>				
<u>Subsidiary</u>				
Universal Food Public Company Limited	-	-	187,071	-
Total trade accounts receivable - subsidiary	-	-	187,071	-
<u>Related companies</u>				
Lam Soon Singapore Pte Limited	642,524	1,220,001	-	-
ACE Gaming Corporation Sdn Bhd	306,999	300,333	-	-
Lam Soon Edible Oils Sdn Bhd	1,240,735	256,221	779,279	256,221
Union Fresh Company Limited	452,280	452,280	-	-
Union Frost Company Limited	-	-	-	4,630
Total trade accounts receivable - related companies	2,642,538	2,228,835	779,279	260,851
Total trade accounts receivable - related parties	2,642,538	2,228,835	966,350	260,851
Less : Allowance for doubtful accounts	(452,280)	(452,280)	-	-
Total trade accounts receivable - related parties, net	2,190,258	1,776,555	966,350	260,851
<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 Union 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	-	-	250,859	3,272,558
United Palm Oil Industry Public Company Limited	-	-	25,520	3,764
Total advances - subsidiaries	-	-	276,379	3,276,322

	(Unit : Bht)			
	Consolidated		The Company Only	
	2006	2005	2006	2005
<u>Related companies</u>				
Union Fresh Company Limited	18,549,353	17,869,461	-	-
Sam Union Company Limited	1,778,890	1,778,890	-	-
Lam Soon Edible Oils Sch. Bhd	-	16,641	-	-
Total advances - related companies	20,328,243	19,664,992	-	-
Total advances - related parties	20,328,243	19,664,992	276,379	3,276,322
Total short-term loans and advances to related parties	65,938,644	65,275,393	276,379	3,276,322
Less : Allowance for doubtful accounts	(65,938,644)	(65,258,752)	-	-
Total short-term loans and advances to related parties - net	-	16,641	276,379	3,276,322
<u>Trade accounts payable - related parties</u>				
<u>Subsidiaries</u>				
United Palm Oil Industry Public Company Limited	-	-	39,907,621	1,957,903
Universal Food Public Company Limited	-	-	67,709,210	224,941
Total trade accounts payable - subsidiaries	-	-	107,616,831	2,182,844
<u>Related company</u>				
ACE Canning Corporation Sch. Bhd	-	2,704,705	-	-
Total trade accounts payable - related company	-	2,704,705	-	-
Total trade accounts payable - related parties	-	2,704,705	107,616,831	2,182,844

#### Directors' remuneration

In 2006, the Company and its subsidiaries paid remuneration to their directors totaling Bht 12.2 million (The Company Only: Bht 3.8 million) (2005: Bht 12.0 million, The Company Only: Bht 3.8 million).

Directors' remuneration represents the benefits paid to the Company's directors in accordance with Section 90 of the Public Limited Companies Act, exclusive of salaries and related benefits payable to executive directors.

Guarantee obligations with related parties

The Company has outstanding guarantee obligations for its subsidiary, as described in Note 26.2 to the financial statements.

8. INVENTORIES

	(Unit : Bht)			
	Consolidated		The Company Only	
	2006	2005	2006	2005
Finished goods	353,349,205	442,178,363	71,509,791	61,296,001
Work in process	376,849,314	335,751,110	374,425,004	334,928,731
Raw materials	73,763,413	33,267,829	34,576,114	7,094,824
Supplies and spare parts	92,315,746	81,427,473	34,199,765	32,325,065
Total	<u>896,277,678</u>	<u>892,624,775</u>	<u>514,710,674</u>	<u>435,644,621</u>
Less : Allowance for diminution in inventory value and stock obsolescence	(45,129,906)	(71,654,822)	(1,689,082)	(1,610,453)
Inventories - net	<u>851,147,772</u>	<u>820,969,953</u>	<u>513,021,592</u>	<u>434,034,168</u>

9. INVESTMENTS IN SUBSIDIARIES ACCOUNTED FOR UNDER EQUITY METHOD

These represent investments in ordinary shares of the following subsidiary companies.

Company's name	Type of business	Paid up share capital		Equity interest		Cost		Carrying value under equity method		(Unit : Bht)	
		2006	2005	2006	2005	2006	2005	2006	2005	Dividend received	
										Percent	Percent
United Palm Oil Industry Public Company Limited	Oil palm plantation, crude palm oil and kernel palm oil processing	324,000,000	324,000,000	69.6	66.29	746,185,333	688,305,933	712,839,569	613,036,278	43,895,222	21,482,511
Universal Food Public Company Limited	Manufacture and distribution of canned fruits and vegetables, juice and drinks	350,000,000	350,000,000	95.79	95.79	406,497,756	406,497,756	385,401,876	336,411,469	-	-
Total investments in subsidiaries accounted for under equity method						<u>1,152,683,089</u>	<u>1,105,003,689</u>	<u>1,098,241,445</u>	<u>1,009,788,047</u>	<u>43,895,222</u>	<u>21,482,511</u>

## 10. OTHER LONG-TERM INVESTMENTS

	(Unit : Baht)			
	Consolidated		The Company Only	
	2006	2005	2006	2005
Equity securities				
Open-ended Kinnlai Pam Poon Fund	1,000,000	1,000,000	1,000,000	1,000,000
Open-ended TCM Equity Fund (formerly known as Thairchid Fund)	300,000	300,000	300,000	300,000
Open-ended Kiatrakin Fund	200,000	200,000	200,000	200,000
Bangkok Bank Fund	16,853,850	16,853,850	-	-
Total	18,353,850	18,353,850	1,500,000	1,500,000
Less: Unrealised loss from other long-term investments	(3,398,001)	(4,002,410)	(844,148)	(798,557)
Other long-term investments - net	14,955,849	14,351,440	655,852	701,443
Unrealised loss from other long-term investments				
Portion of the Company				
Portion of the subsidiary	844,148	798,557	844,148	798,557
Total	2,553,853	3,203,853	-	-
Unrealised loss attributable to the Company's investment and minority interests	3,398,001	4,002,410	844,148	798,557
Unrealised loss from other long-term investments	(767,177)	(1,080,019)	1,786,676	2,123,834
	2,630,824	2,922,391	2,630,824	2,922,391

# 11. PROPERTY, PLANT AND EQUIPMENT

(Unit : Bht)

	Consolidated								
	Land	Cost of forest land rights & plantation development costs	Building & building improvement	Factory and agricultural machinery and equipment and wastewater treatment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress and machinery under installation	Others	Total
<b>Cost</b>									
31 December 2005	263,520,645	479,288,298	541,373,180	1,221,278,770	103,575,435	161,511,499	121,969,853	49,726,758	2,942,214,438
Purchases	220,000	-	484,400	17,948,546	2,806,488	363,000	118,911,102	138,580,138	279,313,674
Capitalized interest	-	-	-	-	-	-	1,967,801	-	1,967,801
Disposals/write off	-	(33,874,706)	-	(15,857,197)	(426,198)	(3,928,268)	-	(500,085)	(54,586,454)
Transfer in/ (transfer out)	(955,884)	-	86,985,197	122,029,738	3,577,695	74,201	(203,751,953)	(4,908,994)	-
31 December 2006	262,784,761	445,383,592	628,792,777	1,345,399,857	109,533,420	158,020,482	36,096,803	182,897,817	3,168,909,459
<b>Accumulated depreciation</b>									
31 December 2005	-	274,695,016	334,229,926	811,215,575	72,508,662	131,229,446	-	-	1,623,878,625
Depreciation for the year	-	19,967,216	22,379,089	72,982,741	9,577,051	11,495,139	-	-	136,401,236
Depreciation on disposals/write off	-	(28,114,833)	-	(14,027,953)	(426,170)	(3,456,312)	-	-	(46,025,268)
Transfer in/ (transfer out)	-	-	-	(1,603,165)	1,603,165	-	-	-	-
31 December 2006	-	266,547,399	356,609,015	888,567,198	83,262,708	139,268,273	-	-	1,714,254,593
<b>Allowance for impairment</b>									
31 December 2005	14,487,948	-	-	1,926,317	5,267,884	-	-	-	21,682,149
Decrease	-	-	-	-	(2,297,225)	-	-	-	(2,297,225)
31 December 2006	14,487,948	-	-	1,926,317	2,970,659	-	-	-	19,384,924
<b>Net book value</b>									
31 December 2005	249,032,697	204,593,282	207,143,254	408,136,878	25,796,889	30,282,053	121,969,853	49,726,758	1,296,663,664
31 December 2006	248,296,813	178,836,193	272,183,762	474,906,342	23,300,053	18,752,159	36,096,803	182,897,817	1,435,269,942
<b>Depreciation for the year:</b>									
2005 (Bht 115 million included in manufacturing cost, and the balance in selling and administrative expenses)									140,530,359
2006 (Bht 114 million included in manufacturing cost, and the balance in selling and administrative expenses)									136,401,236

(Unit : Baht)

	The Company Only						Total
	Land	Building & building improvement	Machinery, factory equipment and waste water treatment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress and machinery under installation	
Cost							
31 December 2005	27,988,625	233,098,469	681,489,448	29,220,472	29,104,025	95,332,437	1,046,183,476
Purchases	-	-	9,581,720	308,286	-	36,071,395	45,956,401
Disposals/write off	-	-	(2,335,446)	-	-	-	(2,335,446)
Transfer in/ (transfer out)	-	16,206,206	95,861,904	1,123,661	-	(113,191,771)	-
31 December 2006	<u>27,988,625</u>	<u>249,304,675</u>	<u>734,597,626</u>	<u>30,647,419</u>	<u>29,104,025</u>	<u>18,212,061</u>	<u>1,089,804,431</u>
Accumulated depreciation							
31 December 2005	-	148,191,356	408,680,145	26,600,569	23,292,088	-	601,714,108
Depreciation for the year	-	8,698,587	34,689,663	1,099,971	2,714,951	-	47,173,172
Depreciation on disposals/write off	-	-	(2,068,501)	-	-	-	(2,068,501)
31 December 2006	-	<u>156,889,943</u>	<u>436,226,307</u>	<u>27,700,540</u>	<u>26,006,989</u>	-	<u>646,823,779</u>
Allowance for impairment							
31 December 2005	-	-	1,926,317	-	-	-	1,926,317
31 December 2006	-	-	<u>1,926,317</u>	-	-	-	<u>1,926,317</u>
Net book value							
31 December 2005	<u>27,988,625</u>	<u>84,907,113</u>	<u>225,932,986</u>	<u>2,619,903</u>	<u>5,811,987</u>	<u>95,332,437</u>	<u>442,543,051</u>
31 December 2006	<u>27,988,625</u>	<u>92,414,732</u>	<u>296,445,002</u>	<u>2,946,879</u>	<u>3,097,036</u>	<u>18,212,061</u>	<u>441,054,335</u>

Depreciation for the year :

2005 (Baht 35 million included in manufacturing cost, and the balance in selling and administrative expenses)	<u>48,110,295</u>
2006 (Baht 37 million included in manufacturing cost, and the balance in selling and administrative expenses)	<u>47,173,172</u>

The total area of the subsidiary's plantations amounts to approximately 23,698 rai, of which 9,547 rai is supported by land title deeds or other land ownership documents (Nor Sor 3 Kor and Nor Sor 3). The subsidiary has received possessory rights for the remaining land and is currently in the process of acquiring legal documentation of ownership.

During the year 2006, the subsidiary capitalized borrowing cost amounting to approximately Baht 2 million to be part of costs of plant and machinery. Such borrowing cost is based on interest at rate of 5.93–6.83 per annum.

The subsidiary has pledged the majority of land and buildings thereon and machinery with financial institutions to secure credit facilities granted by financial institutions and letters of guarantees issued by banks. Included in the land is a plot of the subsidiary's land with the total cost of Baht 18.5 million acquired for operation expansion.

As at 31 December 2006, certain plant and equipment items of the Company and the subsidiaries have been fully depreciated but are still in use. The original cost, before deducting accumulated depreciation, of those assets amounted to approximately Baht 761 million (2005 : Baht 666 million) and for the Company amounted to approximately Baht 294 million (2005 : Baht 247 million).

## 12. RESTRICTED BANK DEPOSITS

These represent fixed deposits pledged with a bank as a collateral for bank guarantees.

## 22. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

(Unit : Baht)

	Interest rate (percent per annum)		Consolidated		The Company Only	
	2006	2005	2006	2005	2006	2005
	MCR	MCR				
Bank overdrafts			674,193	18,336,425	-	-
Trust receipt		5.00-5.50	-	3,441,227	-	-
Short-term loans from financial institutions	5.45-6.03	3.53-5.50	850,900,000	781,150,000	515,000,000	470,000,000
Total			851,574,193	802,927,652	515,000,000	470,000,000

Overdraft facilities and short-term loans from financial institutions of the subsidiaries are secured by the mortgage and pledge of the subsidiaries' land and buildings thereon and machinery, as discussed in Note 11 and are guaranteed by the Company.

## 22. LONG-TERM LOANS

(Unit : Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
Long-term loans	257,165,000	414,430,000	69,650,000	241,550,000
Less : Current portion	(124,232,000)	(212,884,444)	(69,650,000)	(171,900,000)
Long-term loans - net of current portion	132,933,000	201,545,556	-	69,650,000

During the year 2004, the Company entered into a long-term loan agreement with a local bank and withdrew loan of Baht 395 million (credit facilities provided under the agreement amounted to Baht 420 million) to acquire investment in a subsidiary company. The loan is repayable every 6 months in 9 semiannual installments, after a year commencing the first date on which a disbursement of the loan is

made and bears interest at the rate of THBFX plus applicable margin. As at 31 December 2006, the outstanding loan was Baht 69.65 million (2005 : Baht 156.5 million).

During the year 2008, the Company entered into a long-term loan agreement with a local bank and withdrew loan of Baht 370 million (credit facilities provided under the agreement are Baht 600 million) to acquire additional investment in an associated company. The loan is repayable every 6 months in 8 semiannual installments, commencing the first date on which a disbursement of the loan is made and bears interest at the rate of THBFX plus applicable margin within the applicable period agreed with the bank. The Company repaid the remaining loan during the year 2006.

The subsidiaries entered into long-term loan agreements with a local bank and branches of foreign banks and withdrew loans of totaling Baht 241.5 million (credit facilities provided under the agreements are Baht 315.4 million). The loans bear interest at the rate of 6.61 – 7.75 percent per annum. As at 31 December 2006, the outstanding loans were Baht 187.5 million (2005 : Baht 172.9 million). Long-term loans of the subsidiaries are secured by the mortgage and pledge of land and buildings thereon, and machinery of the subsidiaries and are guaranteed by the Company.

Under the loan agreements, the Company and the subsidiaries have to comply with certain covenants and restrictions normally required by the banks, which include dividend payment policy, and the pledge of assets other than permitted encumbrances.

#### 15. PROVISION FOR LAND RENTAL CHARGE

In 2001, a subsidiary company 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 company is in the process of negotiating with the relevant government agencies. However, for the prudent reasons the subsidiary company has set up a provision for its estimated liabilities in the accounts.

## 16. 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 service and average remuneration of the employees. During the year 2006, the amount provided in the accounts of the Company amounted to Bht 60 million.

## 17. STATUTORY RESERVE

Pursuant to Section 116 of the Public Limited Companies Act BE 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.

## 22. TREASURY STOCK

	Consolidated		The Company Only	
	2006	2005	2006	2005
Number of shares (shares)	-	17,104,400	-	17,104,400
Average price per share (Bht)	-	1.56	-	1.56

A resolution of the meeting of the Company's Board of Directors held on 12 November 2002 approved a reacquisition of shares of the Company in order to manage its excess cash, with a budget of not more than Bht 150 million. Not more than 8.2 million shares, equivalent to 10% of the total issued and paid-up shares of the Company are to be repurchased and these shares are to be sold during the stipulated period from 1 December 2003 to 23 April 2006 (more than 6 months from the date of completing the reacquisition of shares and not more than 3 years). In the event that the Company does not or is unable to dispose of all of the repurchased shares within the specified period, it is to reduce its paid-up capital by writing off the remaining unsold shares.

On 16 April 2004, the annual general meeting of the Company's shareholders passed a resolution to approve the amendment of the par value of the Company's shares from Baht 10 per share to Baht 1 per share, resulting in the increase in the number of treasury stock of the Company from 8.2 million shares to 82 million shares and the average price is changed from Baht 15.56 each to Baht 1.56 each.

On 14 February 2005, the Securities and Exchange Commission of Thailand (SEC) imposed an official requirement for all listed companies to follow the deliberation of the Judicial Council on the issue of treasury share schemes under Section 66/1(2) of the Public Limited Companies Act BE 2535, that the cost of treasury shares as acquired by a public limited company should not exceed its unappropriated retained earnings. The public limited company is also required to set aside a separate reserve account in an amount equal to the cost of the treasury shares. The reserve shall remain outstanding until either the shares are sold or paid-up capital is reduced by cancellation of any remaining unsold shares. The Company had set aside approximately Baht 127.6 million to a treasury stock reserve account according to the SEC's requirement since the first quarter of 2005.

By a resolution of the meeting of the Board of Directors of the Company held on 4 July 2005, the Company was approved to dispose 82 million treasury shares by an offer of sale on the main board of the Stock Exchange of Thailand from 19 July 2005 to 23 April 2006. The Company disposed all treasury shares, of which details are presented below:

- a) During the year 2005, the Company disposed 64.9 million treasury shares with cost of Baht 101.0 million at total price of Baht 109.3 million. The resale price took into account the prevailing market price at the time of sale. The Company recorded the excess of the resale price over the carrying amount of treasury shares of Baht 8.3 million as "Premium on treasury stock" in the shareholders' equity.
- b) During the year 2006, the Company disposed 17.1 million treasury shares with cost of Baht 26.6 million at total price of Baht 23.6 million. The resale price took into account the prevailing market price at the time of sale. The Company recorded the lower of the resale price than the carrying amount of treasury shares of Baht 3.0 million as a reduction to "Premium on treasury stock" in the shareholders' equity.

## 19. NUMBER OF EMPLOYEES AND RELATED COSTS

	Consolidated		The Company Only	
	2006	2005	2006	2005
Number of employees at the end of year (persons)	2,913	2,863	495	471
Employee costs for the year (Thousand Bht)	514,315	423,908	213,107	165,816

## 22. PROMOTIONAL PRIVILEGES

The Company and its subsidiary companies have been granted promotional privileges under the Investment Promotion Act BE 2520 as approved by the Board of Investment in respect of manufacture of products as stipulated in the certificate 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
1292(2)/2547	Manufacture of margarine or shortening
1478(2)/2547	Manufacture of crude palm oil and palm kernel seed (has not yet begun utilizing the promotional privileges)

### Subsidiaries

<u>Certificate No.</u>	<u>Operation</u>
1044/2537	Manufacture of crude palm oil and palm kernel seed (expired in August 2002)
1817/2539	Manufacture of crude palm kernel oil (expired in March 2006)
1331(2)/2546	Manufacture of crude palm oil and palm kernel seed
1043(2)/2548	Manufacture of crude palm oil and palm kernel seed (has not yet begun utilizing the promotional privileges)
2088(2)/2547	Manufacture of fruits and vegetables (has not year begun utilizing the promotional privileges)
2121(2)/2547	Manufacture of fruits and vegetables (has not year begun utilizing the promotional privileges)
2112(5)/2547	Manufacture of frozen fruits and vegetables (has not year 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, 1478(2)/2547, 1331(2)/2546, 1043(2)/2548, 2088(2)/2547, 2121(2)/2547 and 2112(2)/2547 exemption 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 subsidiary derived thereafter from the promoted operations will be subject to income tax at a reduced rate of fifty percent of the normal tax rate for a further period of five years (except certificate No. 1292(2)/2547, 1478(2)/2547, 1331(2)/2546, 1043(2)/2548, 2088(2)/2547, 2121(2)/2547 and 2112(5)/2547).

Revenues, divided between promoted and non-promoted operations, of the Company for the years 2006 and 2005 were as follows :-

(Unit : Bht)

	The Company Only					
	2006			2005		
	Promoted operations	Non-promoted operations	Total	Promoted operations	Non-promoted operations	Total
Sales						
Domestic sales	158,231,406	4,105,923,192	4,264,154,598	81,003,485	3,665,594,188	3,746,597,673
Export sales	-	188,856,957	188,856,957	-	302,083,533	302,083,533
Total sales	158,231,406	4,294,780,149	4,453,011,555	81,003,485	3,967,677,721	4,048,681,206

## 21. 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 issue during the year.

## 22. SEGMENT INFORMATION

The Company and its subsidiaries's business operations involve three principal segments (1) manufacture and distribution of palm oil (2) manufacture and distribution of margarine and shortening and (3) manufacture distribution of canned fruits and vegetables. These activities are carried on in the single geographic area in Thailand. The financial information by segment of the Company and its subsidiaries for the years 31 December 2006 and 2005 were as follows :-

(Unit : Million Baht)

	Consolidated for the year ended 31 December					
	Manufacture and distribution			Eliminated of inter- segment revenues	Total	
	Palm oil segment	Canned fruits and vegetables segment	Total		2006	2005
Revenue from external customers	4,186	1,118	5,304	-	5,304	5,114
Intersegment revenues	608	300	908	(908)	-	-
Total revenues	4,794	1,418	6,212	(908)	5,304	5,114
Segment income	748	210	958	(3)	955	647
Unallocated income and expenses						
Reversal of allowance for diminution in value of inventories					28	9
Other income					43	31
Selling and administrative expenses					(598)	(513)
Amortization of goodwill					(18)	(17)
Income before interest expenses and corporate income tax					410	157
Interest expenses					(65)	(53)
Corporate income tax					(63)	(27)
Income before minority interests					282	77
Net income attributable to minority interests					(53)	(23)
Net income for the year					229	54

(Unit : Million Baht)

Consolidated as at 31 December						
	Manufacture and distribution			Elimination of inter- segment revenues	Total	
	Palm oil segment	Canned fruits and vegetables segment	Total		2006	2005
Property, plant and equipment - net	1,087	398	1,485	-	1,485	1,297
Non-operating land	-	109	109	-	109	109
Other assets	2,595	480	3,025	(1,002)	2,023	1,929
Total assets	3,682	987	4,569	(1,002)	3,567	3,335

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

### 23. PROVIDENT FUND

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

During the year 2006, total amount of approximately of Baht 6.5 million (2005 : Baht 6.4 million) had been contributed to the funds by the Company and the subsidiaries, and Baht 3.5 million had been contributed by the Company (2005 : Baht 3.4 million).

### 24. DIVIDEND PAID

During the year 2006 and 2005, the Company and its subsidiary had dividend payments as follows :-

	Approved by	(Unit : Baht)	
		Total dividends	Dividend per share
The Company			
For the year 2006			
Final dividends on 2005 income	Annual General Meeting of the shareholders on 25 April 2006	24,467,943	0.03
Total for the year 2006		24,467,943	

	Approved by	Total dividends	(Unit : Bht) Dividend per share
<u>For the year 2005</u>			
Final dividends on 2004 income	Annual General Meeting of the shareholders on 26 April 2005	18,450,000	0.025
Total for the year 2005		<u>18,450,000</u>	
<u>Subsidiary</u>			
<u>For the year 2006</u>			
Final dividends on 2005 income	Annual General Meeting of the shareholders on 25 April 2006	32,405,000	1.00
Interim dividends in respect of income for the period from 1 January 2006 to 30 June 2006	Meeting of the Board of Directors on 10 August 2006	32,405,000	1.00
Total for the year 2006		<u>64,810,000</u>	
<u>For the year 2005</u>			
Final dividends on 2004 income	Annual General Meeting of the shareholders on 26 April 2005	32,403,300	1.00
Total for the year 2005		<u>32,403,300</u>	

## 25. COMMITMENTS

As at 31 December 2006, the Company and its subsidiaries had the following outstanding commitments:-

### 25.1 Capital commitments

Capital expenditure under the agreements and purchase orders for purchase of equipment including services payable in the future amounting to approximately Bht 19.0 million and USD 1.6 million (The Company Only : Bht 4.2 million and USD 0.2 million) and for purchase of fertilisers amounting to approximately Bht 3.6 million

## 25.2 Operating lease commitments

As at 31 December 2006, the Company and its subsidiaries had commitments relating to lease and service agreements whereby future payments are required in the following amounts: -

<u>Payable within</u>	<u>Million Bht</u>
1 year	7.8
2-5 years	3.8

## 26. GUARANTEES

### 26.1 Bank guarantees

As at 31 December 2006, there were outstanding bank guarantees of approximately Bht 129 million (The Company Only : Bht 6.7 million) issued by the banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the normal course of their businesses.

### 26.2 Corporate guarantees

The Company has issued letters of guarantee to bank to secure credit facilities granted by the bank to its subsidiary as follows: -

<u>Subsidiary</u>	<u>(Unit : Million Bht)</u>	
	<u>Credit facilities</u>	
	<u>2006</u>	<u>2005</u>
Universal Food Public Company Limited	180.4	180.4
Total	<u>180.4</u>	<u>180.4</u>

## 27. CONTINGENT LIABILITIES

- 27.1 In January 2006, the Company was sued by the Metropolitan Electricity Authority 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, the Metropolitan Electricity Authority 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 of approximately Baht 0.5 million plus interest to the plaintiff. However, the Company countersued to recover the guarantee amount from the Metropolitan Electricity Authority because the Company did not have any outstanding late electricity payments due to the Metropolitan Electricity Authority 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 judged that the Metropolitan refunded the guarantee of Baht 2.9 million plus interest to the Company. At present, these cases are still in the process of appealing to the Appeal Court.
- 27.2 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.

## 28. FINANCIAL INSTRUMENTS

### 28.1 Financial risk management

The Company's and the subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 48 'Financial Instruments: Disclosure and Presentations', principally comprise cash and cash equivalents, trade accounts receivable, 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, in the normal course of business. 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 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 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, short-term and long-term borrowings. However, since most of the Company's and its subsidiaries' financial assets and liabilities are short-term and bear floating interest rates, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 31 December 2006 classified by type of interest rates are summarised in the table below.

	Fixed interest rate within one year	Floating interest rate	Non-interest bearing	Total	Interest rate (%pa)
Financial Assets					
Cash and cash equivalents	-	194,680,804	697,769	195,378,573	0.25 - 1.25
Current investment - fixed deposit	83,206,851	-	-	83,206,851	5.13 - 5.25
Restricted bank deposits	-	900,000	-	900,000	0.25 - 0.75
	83,206,851	195,580,804	697,769	279,485,424	
Financial liabilities					
Bank overdrafts	-	674,193	-	674,193	6.75 - 8.00
Short-term loans	-	850,900,000	-	850,900,000	5.45 - 6.03
Long-term loans	-	257,165,000	-	257,165,000	5.93 - 6.50
	-	1,108,739,193	-	1,108,739,193	

## 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 2006 are summarised below:

Foreign currency	Financial assets	Financial liabilities	Average exchange rate as at 31 December 2006
	(Mllicion)	(Mllicion)	(Bht per 1 foreign currency unit)
US dollar	1.1	0.2	36.0932

Foreign exchange contracts outstanding at 31 December 2006 are summarized below:

Foreign currency	Bought amount (Mllicion)	Sold amount (Mllicion)	Contractual exchange rate	
			Bought (Bht per 1 foreign currency unit)	Sold (Bht per 1 foreign currency unit)
US dollar	0.5	0.8	37.60	35.60 - 36.59

## 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.

#### 29. RECLASSIFICATION OF ACCOUNTS

Certain amounts in the financial statements for the year ended 31 December 2005 have been reclassified to conform to the current year classification, with no effect on previously reported net income or shareholder's equity.

#### 30. SUBSEQUENT EVENT

On 28 February 2007, the meeting of the Board of Directors of the Company No. 2/2007 passed a resolution approving the payment of dividend from 2006 income to the Company's shareholders at Bht 0.20 per share. The payment of dividend will later be proposed for approval in the Annual General Meeting of the Company's shareholders.

#### 31. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Company's Board of Directors on 28 February 2007.