

LAM SOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2007 AND 2006

Report of Independent Auditor

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

I have audited the accompanying consolidated balance sheets of Lam Soon (Thailand) Public Company Limited and its subsidiaries as at 31 December 2007 and 2006, the related consolidated statements of income, changes in shareholders' equity, and cash flows for the years 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 audits.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lam Soon (Thailand) Public Company Limited and its subsidiaries and of Lam Soon (Thailand) Public Company Limited as at 31 December 2007 and 2006, the results of their operations, and cash flows for the years then ended, in accordance with generally accepted accounting principles.

Without qualifying my opinion on the above financial statements, I draw attention to the matter as discussed in Note 4 to the financial statements whereby, effective 1 January 2007, the Company changed its accounting policy for recording investments in subsidiaries in the separate financial statements from the equity method to the cost method. The Company has thus restated the separate financial statements as at 31 December 2006 and for the year then ended to reflect this accounting change.

Thipawan Nananuwat

Certified Public Accountant (Thailand) No. 3459

Ernst & Young Office Limited
Bangkok : 28 February 2008

LAM SOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS

AS AT 31 DECEMBER 2007 AND 2006

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006
					(Restated)
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents		326,211,968	195,378,573	138,791,918	56,143,964
Current investment - fixed deposit		-	83,206,851	-	-
Trade accounts receivable					
Related parties	6, 7	1,826,317	2,190,258	91,084	966,350
Unrelated parties	7	985,817,364	586,451,193	938,700,374	540,433,949
Total trade accounts receivable - net		987,643,681	588,641,451	938,791,458	541,400,299
Short-term loans and advances to					
related parties - net	6	-	-	355,861	276,379
Inventories - net	8	1,029,984,529	851,147,772	516,737,902	513,021,592
Other current assets		43,541,652	33,841,812	13,169,775	13,474,117
TOTAL CURRENT ASSETS		2,387,381,830	1,752,216,459	1,607,846,914	1,124,316,351
NON-CURRENT ASSETS					
Investments in subsidiaries - net	9	-	-	1,133,765,725	1,133,745,725
Other long-term investments - net	10	6,607,732	14,955,849	857,835	655,852
Property, plant and equipment - net	11	1,651,022,441	1,435,269,942	430,119,770	441,054,335
Non-operating land	12	56,794,335	109,481,612	-	-
Deposit at financial institution with restrictions	13	-	900,000	-	-
Goodwill in business combination		221,083,790	239,804,050	-	-
Other non-current assets		10,513,471	14,488,464	442,184	636,038
TOTAL NON-CURRENT ASSETS		1,946,021,769	1,814,899,917	1,565,185,514	1,576,091,950
TOTAL ASSETS		4,333,403,599	3,567,116,376	3,173,032,428	2,700,408,301

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 2007 AND 2006

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006 (Restated)
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Bank overdrafts and short-term loans					
from financial institutions	14	1,574,000,061	851,574,193	1,010,000,000	515,000,000
Trade accounts payable					
Related parties	6	281,119	-	91,585,947	107,616,831
Unrelated parties		317,854,606	197,639,544	220,919,330	127,843,530
Total trade accounts payable		318,135,725	197,639,544	312,505,277	235,460,361
Advances from related party	6	-	-	530,591	-
Current portion of liabilities under finance lease agreements		1,963,803	-	1,638,997	-
Current portion of long term loans	15	56,320,000	124,232,000	-	69,650,000
Dividend payable		30,030,926	30,217,811	25,570,450	25,433,379
Other current liabilities					
Corporate income tax payable		24,223,718	32,603,119	9,201,465	24,064,240
Accrued expenses		81,303,619	100,541,253	45,781,906	75,075,599
Unearned income		24,786,678	40,892,119	24,786,678	40,892,119
Others		127,658,460	80,988,879	68,383,929	41,103,782
Total other current liabilities		257,972,475	255,025,370	148,153,978	181,135,740
TOTAL CURRENT LIABILITIES		2,238,422,990	1,458,688,918	1,498,399,293	1,026,679,480
NON-CURRENT LIABILITIES					
Liabilities under finance lease agreements - net					
of current portion		7,374,381	-	6,139,850	-
Long-term loans - net of current portion	15	76,613,000	132,933,000	-	-
Provision for land rental charge	16	20,468,000	18,748,000	-	-
Reserve for employee retirement benefit plan	17	11,727,419	5,031,992	11,727,419	5,031,992
TOTAL NON-CURRENT LIABILITIES		116,182,800	156,712,992	17,867,269	5,031,992
TOTAL LIABILITIES		2,354,605,790	1,615,401,910	1,516,266,562	1,031,711,472

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 2007 AND 2006

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006
(Restated)					
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	19	5,269,100	5,269,100	5,269,100	5,269,100
Unrealised loss from other long-term investments	10	-1,154,519	-2,630,824	-642,165	-844,148
Retained earnings					
Appropriated - statutory reserve	18	102,428,597	83,160,001	82,000,000	82,000,000
Unappropriated		482,967,125	485,394,007	508,168,666	520,301,612
EQUITY ATTRIBUTABLE TO THE COMPANY'S					
SHAREHOLDERS		1,651,480,568	1,633,162,549	1,656,765,866	1,668,696,829
MINORITY INTERESTS - equity attributable to minority					
shareholders of subsidiaries		327,317,241	318,551,917	-	-
TOTAL SHAREHOLDERS' EQUITY		1,978,797,809	1,951,714,466	1,656,765,866	1,668,696,829
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,333,403,599	3,567,116,376	3,173,032,428	2,700,408,301
		0	0	0	0

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

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DIRECTORS

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LAM SOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006 (Restated)
REVENUES					
Sales		6,607,503,431	5,295,023,121	5,889,714,338	4,453,011,555
Dividend income from subsidiary	9	-	-	113,357,555	43,895,222
Reversal of allowance for diminution in inventory value		-	28,022,720	-	-
Other income		60,437,869	51,311,754	34,073,818	29,110,783
TOTAL REVENUES		<u>6,667,941,300</u>	<u>5,374,357,595</u>	<u>6,037,145,711</u>	<u>4,526,017,560</u>
EXPENSES					
Cost of sales		5,667,418,538	4,353,870,769	5,452,501,584	3,908,004,849
Selling and administrative expenses		615,090,741	592,171,343	390,817,415	354,624,976
Loss on impairment of investment in subsidiary		-	-	-	11,339,893
Amortisation of goodwill		18,720,259	17,881,365	-	-
TOTAL EXPENSES		<u>6,301,229,538</u>	<u>4,963,923,477</u>	<u>5,843,318,999</u>	<u>4,273,969,718</u>
INCOME BEFORE INTEREST EXPENSES					
AND CORPORATE INCOME TAX		366,711,762	410,434,118	193,826,712	252,047,842
INTEREST EXPENSES		-62,483,071	-64,984,432	-32,758,193	-34,746,170
CORPORATE INCOME TAX		-64,642,787	-63,533,880	-9,201,465	-40,138,024
INCOME BEFORE MINORITY INTERESTS		<u>239,585,904</u>	<u>281,915,806</u>	<u>151,867,054</u>	<u>177,163,648</u>
INCOME IN RESPECT OF MINORITY INTERESTS		-58,744,190	-52,985,426	-	-
NET INCOME FOR THE YEAR		<u>180,841,714</u>	<u>228,930,380</u>	<u>151,867,054</u>	<u>177,163,648</u>
BASIC EARNINGS PER SHARE					
Net income	22	<u>0.22</u>	<u>0.28</u>	<u>0.19</u>	<u>0.22</u>
Weighted average number of ordinary shares (Shares)		<u>820,000,000</u>	<u>816,651,972</u>	<u>820,000,000</u>	<u>816,651,972</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 2007 AND 2006

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
				(Restated)
Cash flows from operating activities :				
Net income	180,841,714	228,930,380	151,867,054	177,163,648
Adjustments to reconcile net income to net cash provided by (paid from) operating activities :-				
Depreciation and amortisation	141,248,957	136,401,236	50,298,866	47,173,172
Amortisation of goodwill	18,720,259	17,881,365	-	-
Loss on impairment of investment in subsidiary	-	-	-	11,339,893
Increase (decrease) in allowance for doubtful accounts	-4,580,269	2,268,346	-130,580	2,149,520
Increase (decrease) in allowance for diminution in inventory value	-34,924,896	-26,524,915	-590,449	78,629
Write-off deteriorated inventories	37,592,014	-	-	-
Reversal of 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	6,695,427	3,559,427	6,695,427	3,559,427
Dividend received from subsidiary	-	-	-113,357,555	-43,895,222
Loss (gain) on disposals and write off of property, plant and equipment	3,333,460	5,064,546	-1,025,370	-11,382
Gain on sales of other long-term investments	-238,400	-	-	-
Unrealised loss (gain) on exchange	126,483	128,918	-105,925	-23,889
Net income attributable to minority interests	58,744,190	52,985,426	-	-
Income from operating activities before changes in operating assets and liabilities	409,278,939	420,117,504	93,651,468	197,533,796
Decrease (increase) in operating assets :-				
Trade accounts receivable - related parties	359,914	-428,195	875,266	-705,499
Trade accounts receivable - unrelated parties	-394,827,032	-37,551,653	-398,083,403	-137,736,545
Inventories	-175,769,198	-3,652,904	-3,125,861	-79,066,053
Other current assets	-9,910,436	-6,105,833	304,342	1,473,851
Other non-current assets	3,974,993	-13,186,082	193,854	-219,016
Increase (decrease) in operating liabilities :-				
Trade accounts payable - related parties	281,119	-2,704,705	-16,030,884	105,433,987
Trade accounts payable - unrelated parties	120,185,600	34,083,714	93,129,283	28,808,499
Other current liabilities	2,652,815	77,080,660	-28,612,111	82,991,661
Net cash from (used in) operating activities	-43,773,286	467,652,506	-257,698,046	198,514,681

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 2007 AND 2006

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006 (Restated)
Cash flows from investing activities :				
Decrease (increase) in fixed deposits with maturity of more than 3 months	83,206,851	-83,206,851	-	-
Decrease in deposit at financial institution with restrictions	900,000	-	-	-
(Increase) decrease in short-term loans and advances to related parties	-	-663,251	-79,482	2,999,943
Increase in investment in subsidiary	-20,000	-47,679,400	-20,000	-47,679,400
Dividend received from subsidiary	-	-	113,357,555	43,895,222
Acquisitions of property, plant and equipment	-306,011,061	-276,445,269	-36,126,696	-41,521,750
Proceeds from disposals of property, plant and equipment	2,705,174	2,996,141	1,303,127	283,327
Proceeds from sales of other long-term investments	10,610,000	-	-	-
Net cash from (used in) investing activities	<u>-208,609,036</u>	<u>-404,998,630</u>	<u>78,434,504</u>	<u>-42,022,658</u>
Cash flows from financing activities :				
Increase in bank overdrafts and short-term loans				
from financial institutions	722,425,868	48,646,541	495,000,000	45,000,000
Increase in advance received from subsidiary	-	-	530,591	-
Repayment of hire purchase creditors	-154,523	-390,672	-	-
Repayment of liabilities under finance lease agreements	-129,439	-	-106,166	-
Cash receipt from long-term loans	-	56,300,000	-	-
Repayment of long-term loans	-124,232,000	-213,565,000	-69,650,000	-171,900,000
Proceeds from disposal of treasury stock	-	23,583,025	-	23,583,025
Dividend paid	-214,694,189	-50,393,869	-163,862,929	-24,438,599
Net cash from (used in) financing activities	<u>383,215,717</u>	<u>-135,819,975</u>	<u>261,911,496</u>	<u>-127,755,574</u>
Net increase (decrease) in cash and cash equivalents	130,833,395	-73,166,099	82,647,954	28,736,449
Cash and cash equivalents at beginning of the year	195,378,573	268,544,672	56,143,964	27,407,515
Cash and cash equivalents at end of the year	<u>326,211,968</u>	<u>195,378,573</u>	<u>138,791,918</u>	<u>56,143,964</u>
Supplementary disclosures of cash flows information				
Cash paid during the year for :-				
Interest expenses	62,868,992	64,381,134	32,181,434	34,722,687
Corporate income tax	74,804,476	47,065,219	24,790,739	24,245,077
Non-cash transactions :				
Acquisitions of plant and equipment that have not been paid	10,204,536	9,595,729	65,000	4,434,651
Acquisitions of plant and equipment under financial lease agreements	9,467,623	-	7,885,013	-
Transfer non-operating land for project development	52,687,277	-	-	-
Transfer equipment to inventory account	5,734,677	-	-	-

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 2007 AND 2006

(Unit : Baht)

		Consolidated financial statements									
					Unrealised loss	Retained earnings					
		Issued and			from other	Appropriated					
		paid up	Premium on		long-term	statutory	treasury	Unappropriated	Treasury stock	Minority interests	Total
Note		share capital	Share premium	treasury stock	investments	reserve	stock reserve				
	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)	323,455,129	1,728,280,649
	Adjustment of fair value of investments	-	-	-	291,567	-	-	-	-	-	291,567
	Appropriation of statutory reserve	-	-	-	-	12,411,785	-	(12,411,785)	-	-	-
	Adjustment of treasury stock reserve	-	-	-	-	-	(26,618,806)	26,618,806	-	-	-
	Disposal of treasury stock	-	-	(3,035,781)	-	-	-	-	26,618,806	-	23,583,025
	Dividend paid	-	-	-	-	-	-	(24,467,943)	-	-	(24,467,943)
	Net income for the year	-	-	-	-	-	-	228,930,380	-	-	228,930,380
	Decrease in minority interests	-	-	-	-	-	-	-	-	(4,903,212)	(4,903,212)
	Balance as at 31 December 2006	820,000,000	241,970,265	5,269,100	(2,630,824)	83,160,001	-	485,394,007	-	318,551,917	1,951,714,466
	Balance as at 31 December 2006	820,000,000	241,970,265	5,269,100	(2,630,824)	83,160,001	-	485,394,007	-	318,551,917	1,951,714,466
	Adjustment of fair value of investments	-	-	-	1,476,305	-	-	-	-	-	1,476,305
	Appropriation of statutory reserve	-	-	-	-	19,268,596	-	(19,268,596)	-	-	-
	Dividend paid	-	-	-	-	-	-	(164,000,000)	-	-	(164,000,000)
	Net income for the year	-	-	-	-	-	-	180,841,714	-	-	180,841,714
	Increase in minority interests	-	-	-	-	-	-	-	-	8,765,324	8,765,324
	Balance as at 31 December 2007	820,000,000	241,970,265	5,269,100	(1,154,519)	102,428,597	-	482,967,125	-	327,317,241	1,978,797,809

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 2007 AND 2006

(Unit : Baht)

Separate financial statements										
	Note	Issued and paid up share capital	Share premium	Premium on treasury stock	Unrealised loss from other long-term investments	Retained earnings			Total	
						Appropriated		Unappropriated		Treasury stock
						statutory reserve	treasury stock reserve			
Balance as at 31 December 2005 - as previously reported		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
Cumulative effect of the change in accounting policy for investments in subsidiaries	4	-	-	-	2,123,834	-	-	85,514,336	-	87,638,170
Balance as at 31 December 2005 - as restated		820,000,000	241,970,265	8,304,881	(798,557)	70,748,216	26,618,806	352,238,885	(26,618,806)	1,492,463,690
Adjustment of fair value of investments		-	-	-	(45,591)	-	-	-	-	(45,591)
Appropriation of statutory reserve	18	-	-	-	-	11,251,784	-	(11,251,784)	-	-
Adjustment of treasury stock reserve	19	-	-	-	-	-	(26,618,806)	26,618,806	-	-
Disposal of treasury stock	19	-	-	(3,035,781)	-	-	-	-	26,618,806	23,583,025
Dividend paid	25	-	-	-	-	-	-	(24,467,943)	-	(24,467,943)
Net income for the year (restated)		-	-	-	-	-	-	177,163,648	-	177,163,648
Balance as at 31 December 2006 - as restated		820,000,000	241,970,265	5,269,100	(844,148)	82,000,000	-	520,301,612	-	1,668,696,829
Balance as at 31 December 2006 - as previously reported		820,000,000	241,970,265	5,269,100	(2,630,824)	82,000,000	-	486,554,008	-	1,633,162,549
Cumulative effect of the change in accounting policy for investments in subsidiaries	4	-	-	-	1,786,676	-	-	33,747,604	-	35,534,280
Balance as at 31 December 2006 - as restated		820,000,000	241,970,265	5,269,100	(844,148)	82,000,000	-	520,301,612	-	1,668,696,829
Adjustment of fair value of investments		-	-	-	201,983	-	-	-	-	201,983
Dividend paid	25	-	-	-	-	-	-	(164,000,000)	-	(164,000,000)
Net income for the year		-	-	-	-	-	-	151,867,054	-	151,867,054
Balance as at 31 December 2007		820,000,000	241,970,265	5,269,100	(642,165)	82,000,000	-	508,168,666	-	1,656,765,866

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 2007 AND 2006

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 Moo 12, Bangna-Trad Road, Bangna, Bangkok.

2. BASIS OF PREPARATION

2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 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 B.E. 2543.

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 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's name	Nature of business	Country of incorporation	Percentage of shareholding		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	
			2007	2006	2007	2006	2007	2006
			Percent	Percent	Percent	Percent	Percent	Percent
<u>Subsidiaries directly held by the Company</u>								
United Palm Oil Industry Public Company Limited	Oil palm plantation, crude palm oil and kernel palm oil processing	Thailand	69.96	69.96	23	26	1	2
Universal Food Public Company Limited	Manufacture and distribution of canned fruits and vegetables, juice and drinks	Thailand	96.79	96.79	26	24	10	15

Company's name	Nature of business	Country of incorporation	Percentage of indirect shareholding	
			2007 Percent	2006 Percent
<u>Subsidiary held by United Palm Oil Industry Public Company Limited</u>				
Phansrivivat Company Limited	Owner of oil palm plantation	Thailand	100	100
<u>Jointly controlled entity held by United Palm Oil Industry Public Company Limited</u>				
Siam Elite Palm Company Limited	Production and distribution of oil palm seeds	Thailand	50	-
<u>Subsidiaries held by Phasrivivat Company Limited</u>				
Prachak Vivat Company Limited	Holder of concessions to use forest reserve land	Thailand	100	100
Phansri Company Limited	Holder of concessions to use forest reserve land	Thailand	100	100
<u>Subsidiary held by Universal Food Public Company Limited</u>				
Union Frost Company Limited	Manufacture of frozen fruits and vegetables	Thailand	58	58

- a) During the year 2007, there was the following change in the composition of the group.

In February 2007, United Palm Oil Industry Public Company Limited and a foreign partner jointly established Siam Elite Palm Company Limited which is engaged in the production and distribution of oil palm seeds. The subsidiary has interested in 50% and it has treated this investment as jointly controlled entity and thus included the financial statements of the jointly controlled entity in proportion to the Company's interest in the consolidated financial statements.

- b) 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.
- c) 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 "Goodwill in business combination" under non-current assets in the consolidated balance sheets, which is amortised over a period of 20 years from the date of acquisition.

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

The Federation of Accounting Professions (FAP) has issued Notifications No. 9/2550, 38/2550 and 62/2550 regarding Accounting Standards. The notifications mandate the use of the following new Accounting Standards.

a) Accounting Standards which are effective for the current year

TAS 44 (revised 2007)	Consolidated and Separate Financial Statements
TAS 45 (revised 2007)	Investments in Associates
TAS 46 (revised 2007)	Interests in Joint Ventures

These accounting standards become effective for the financial statements for fiscal years beginning on or after 1 January 2007. During the first quarter of the current year, the Company changed its accounting policy for recording investments in subsidiaries in the separate financial statements in order to comply with the revised Thai Accounting Standard No. 44 as discussed in Note 4. The revised Accounting Standards No. 45 and 46 are not relevant to the Company's business.

b) Accounting Standards which are not effective for the current year

TAS 25 (revised 2007)	Cash Flow Statements
TAS 29 (revised 2007)	Leases
TAS 31 (revised 2007)	Inventories
TAS 33 (revised 2007)	Borrowing Costs
TAS 35 (revised 2007)	Presentation of Financial Statements
TAS 39 (revised 2007)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 41 (revised 2007)	Interim Financial Reporting
TAS 43 (revised 2007)	Business Combinations
TAS 49 (revised 2007)	Construction Contracts
TAS 51	Intangible Assets

These accounting standards will become effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these revised accounting standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied, except for the following accounting standard.

TAS 43 (revised 2007) “Business Combinations”

TAS 43 (revised 2007) does not require the Company to amortise goodwill acquired in a business combination. Such goodwill is instead to be tested for impairment, and measured at cost less accumulated impairment losses. This accounting standard applies to goodwill arising from business combinations for which the agreement date is on or after 1 January 2008. Previously recognised goodwill can be accounted for prospectively, with the Company discontinuing the amortisation of the goodwill and instead testing for impairment, as from the beginning of the first fiscal year starting on or after 1 January 2008.

4. CHANGE IN ACCOUNTING POLICY FOR RECORDING INVESTMENTS IN SUBSIDIARIES IN THE SEPARATE FINANCIAL STATEMENTS

During the first quarter of the current year, the Company changed its accounting policy for recording investments in subsidiaries in the separate financial statements from the equity method to the cost method, in compliance with Accounting Standard No. 44 (Revised 2007) regarding “Consolidated and Separate Financial Statements”, under which investments in subsidiaries, jointly controlled entities and associates are to be presented in the separate financial statements under the cost method.

In this regard, the Company has restated the previous period’s separate financial statements as though the investments in the subsidiaries had originally been recorded using the cost method. The change has the effect of decreasing net income in the separate income statements for the year ended 31 December 2007 and 2006 by Baht 28.97 million (Baht 0.04 per share) and Baht 51.77 million (Baht 0.06 per share), respectively. The cumulative effect of the change in accounting policy has been presented under the heading of “Cumulative effect of the change in accounting policy for investments in subsidiaries” in the separate statements of changes in shareholders’ equity.

Such change in accounting policy affects only the accounts related to investments in subsidiaries in the Company’s separate financial statements, with no effect to the consolidated financial statements.

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 on an accrual basis based on the effective interest rate.

Dividends

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

5.2 Cash and cash equivalents

Cash and cash equivalents consist of cash and deposits 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, the changes are then included in determining income.

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.

- b) Investments in subsidiaries are accounted for in the separate financial statements using the cost 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 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 property, plant or equipment acquired under finance leases is depreciated over the useful life of the asset.

5.10 Foreign currencies

Foreign currency transactions are translated into Baht 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 Baht at the exchange rates ruling on the balance sheet date.

Gains and losses on exchange are included in determining income.

5.11 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.)

5.12 Borrowing costs

Interest expenses from loans used in construction projects or asset manufacturing are capitalised until they are available for using.

5.13 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.

5.14 Employee benefits

Salaries, 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 services and average remuneration of the employees.

5.15 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.

5.16 Income Tax

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

5.17 Derivatives - forward exchange contracts

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

5.18 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. 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 business between the Company and those companies. Below is a summary of those transactions.

(Unit : Million Baht)

	Consolidated financial statements		Separate financial statements		Pricing and lending policy
	2007	2006	2007	2006	
<i>Transactions with subsidiaries</i>					
(eliminated from the consolidated financial statements)					
Purchase of raw material	-	-	562.1	607.9	Forward contract prices by using market prices at the date of agreement or market prices
Purchase of finished goods	-	-	421.4	300.0	Market prices less fixed margin
Sales of goods	-	-	0.9	-	Price approximates market price
Rental income	-	-	2.1	2.1	Market price
Guarantee fee income	-	-	2.7	3.0	1.5 percent per annum of credit facilities
Dividend income	-	-	113.4	43.9	At the declared rate
<i>Transactions with related companies</i>					
Sales of goods	16.9	16.3	-	2.1	Price approximates market price
Interest income	-	0.7	-	-	Interest at rate 7.00 percent per annum
Purchases of goods and services	0.3	0.5	-	-	Cost
<i>Transactions with jointly controlled entity of subsidiary</i>					
Disposal of building	0.1	-	-	-	Cost

The balances of accounts as at 31 December 2007 and 2006 between the Company and the related parties are detailed as follows :-

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
<i>Trade accounts receivable - related parties</i>				
<u>Subsidiary</u>				
Universal Food Public Company Limited	-	-	91,084	187,071
Total trade accounts receivable - subsidiary	-	-	91,084	187,071
<u>Related companies</u>				
Lam Soon Singapore Pte Limited	997,181	642,524	-	-
ACE Canning Corporation Sdn. Bhd.	302,846	306,999	-	-
Lam Soon Edible Oils Sdn. Bhd.	526,290	1,240,735	-	779,279
Union Fresh Company Limited	452,280	452,280	-	-
Total trade accounts receivable - related companies	2,278,597	2,642,538	-	779,279
Total trade accounts receivable - related parties	2,278,597	2,642,538	91,084	966,350
Less : Allowance for doubtful accounts	(452,280)	(452,280)	-	-
Total trade accounts receivable - related parties, net	1,826,317	2,190,258	91,084	966,350
<i>Short-term loans and advances to related parties</i>				
<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	-	-
<i>Advances - related parties</i>				
<u>Subsidiaries</u>				
Universal Food Public Company Limited	-	-	345,229	250,859
United Palm Oil Industry Public Company Limited	-	-	-	25,520
Total advances - subsidiaries	-	-	345,229	276,379

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
<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	-	-	10,632	-
Total advances - related companies	20,328,243	20,328,243	10,632	-
Total advances - related parties	20,328,243	20,328,243	355,861	276,379
Total short-term loans and advances to related parties	65,938,644	65,938,644	355,861	276,379
Less : Allowance for doubtful accounts	(65,938,644)	(65,938,644)	-	-
Total short-term loans and advances to related parties - net	-	-	355,861	276,379
 <i>Trade accounts payable - related parties</i>				
<u>Subsidiaries</u>				
United Palm Oil Industry Public Company Limited	-	-	45,649,471	39,907,621
Universal Food Public Company Limited	-	-	45,655,357	67,709,210
Total trade accounts payable – subsidiaries	-	-	91,304,828	107,616,831
<u>Related company</u>				
Lam Soon Singapore Pte Limited	281,119	-	281,119	-
Total trade accounts payable - related company	281,119	-	281,119	-
Total trade accounts payable – related parties	281,119	-	91,585,947	107,616,831
 <i>Advances from related party</i>				
<u>Subsidiary</u>				
Universal Food Public Company Limited	-	-	530,591	-
Total advances from subsidiary	-	-	530,591	-
Total advances from related party	-	-	530,591	-

Directors' remuneration

In 2007, the Company and its subsidiaries paid remuneration to their directors totaling Baht 10.2 million (The Company Only: Baht 3.6 million) (2006 : Baht 12.2 million, The Company Only: Baht 3.8 million).

Directors' remuneration represents the benefits paid to the Company's and its subsidiaries' directors in accordance with Section 90 of the Public Limited Companies Act.

Guarantee obligations with related party

The Company has outstanding guarantee obligations for its subsidiary, as described in Note 27.2 to the financial statements.

7. TRADE ACCOUNTS RECEIVABLE

The outstanding balances of trade accounts receivable as at 31 December 2007 and 2006, classified by aging, were as follows :-

	(Unit : Baht)			
	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
<u>Age of receivables</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<u>Related parties</u>				
- Less than 3 months	1,826,317	2,196,072	91,084	966,350
- 6 - 12 months	-	(5,814)	-	-
- Over 12 months	452,280	452,280	-	-
Total	2,278,597	2,642,538	91,084	966,350
Less : Allowance for doubtful accounts	(452,280)	(452,280)	-	-
Trade accounts receivable - related parties, net	1,826,317	2,190,258	91,084	966,350
<u>Unrelated parties</u>				
Post dated cheques receivable	54,876,561	39,864,722	54,876,561	39,864,722
Cheque returned	16,525,974	15,241,246	11,318,422	10,033,694
Trade accounts receivable				
- Up to 3 months	926,447,472	542,335,293	879,501,444	497,528,167
- 3 - 6 months	417,357	1,912,817	417,357	648,940
- 6 - 12 months	1,043,463	1,008,085	1,043,463	764,335
- Over 12 months	20,044,833	24,418,192	2,933,321	3,114,865
Total	1,019,355,660	624,780,355	950,090,568	551,954,723
Less : Allowance for doubtful accounts	(33,538,296)	(38,329,162)	(11,390,194)	(11,520,774)
Trade accounts receivable – unrelated parties, net	985,817,364	586,451,193	938,700,374	540,433,949
Total trade accounts receivable - net	987,643,681	588,641,451	938,791,458	541,400,299

8. INVENTORIES

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Finished goods	506,294,481	353,349,205	85,353,394	71,509,791
Work in process	329,422,640	376,849,314	324,172,293	374,425,004
Raw materials	107,891,110	73,763,413	71,949,806	34,576,114
Inventory in transit	127,358	-	127,358	-
Supplies and spare parts	96,453,950	92,315,746	36,233,684	34,199,765
Total	1,040,189,539	896,277,678	517,836,535	514,710,674
Less : Allowance for diminution in inventory value and stock obsolescence	(10,205,010)	(45,129,906)	(1,098,633)	(1,689,082)
Inventories - net	1,029,984,529	851,147,772	516,737,902	513,021,592

9. INVESTMENTS IN SUBSIDIARIES

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

(Unit : Baht)

Company's name	Separate financial statements							
	Paid-up share capital		Equity interest		Investment value under cost method		Dividend received for the year ended 31 December	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
			Percent	Percent				
United Palm Oil Industry Public Company Limited	324,050,000	324,050,000	69.96	69.96	748,343,849	748,343,849	113,357,555	43,895,222
Universal Food Public Company Limited	350,000,000	350,000,000	96.79	96.79	406,517,756	406,497,756	-	-
Total					1,154,861,605	1,154,841,605	113,357,555	43,895,222
Less : Allowance for impairment loss of investments					(21,095,880)	(21,095,880)		
Total investments in subsidiaries - net					1,133,765,725	1,133,745,725		

As at 31 December 2007, the fair value of the investment in United Palm Oil Industry Public Company Limited, calculated based on latest bid price of the shares on the last trading day of the period as quoted on the Stock Exchange of Thailand and in proportion to the Company's shareholding, was approximately Baht 1,451 million.

10. OTHER LONG-TERM INVESTMENTS

	(Unit : Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
				(Restated)
<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
Bangkok Bank Fund	6,482,250	16,853,850	-	-
Total	7,982,250	18,353,850	1,500,000	1,500,000
Less : Unrealised loss from other long-term investments	(1,374,518)	(3,398,001)	(642,165)	(844,148)
Other long-term investments - net	6,607,732	14,955,849	857,835	655,852
<u>Unrealised loss from other long-term investments</u>				
Portion of the Company	642,165	844,148	642,165	844,148
Portion of the subsidiary	732,353	2,553,853	-	-
Total	1,374,518	3,398,001	642,165	844,148
Unrealised loss attributable to minority interests	(219,999)	(767,177)	-	-
Unrealised loss from other long-term investments	1,154,519	2,630,824	642,165	844,148

11. PROPERTY, PLANT AND EQUIPMENT

(Unit : Baht)

Consolidated financial statements										
	Land	Land awaiting development	Cost of forest land rights & plantation development costs	Building & improvement	Factory and agricultural machinery and equipment and waste water treatment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress and machinery under installation	Others	Total
Cost										
31 December 2006	262,784,761	-	445,383,592	628,792,777	1,345,399,857	109,533,420	158,020,432	36,096,803	182,897,817	3,168,909,459
Additions	8,500	-	-	507,274	14,270,754	2,739,416	12,950,596	111,490,651	173,198,837	315,166,028
Capitalised interest	-	-	-	-	-	-	-	921,463	-	921,463
Disposals/write off	-	-	(33,935,931)	(421,244)	(11,376,225)	(1,922,756)	(6,282,565)	-	(100,000)	(54,038,721)
Transfer land for project development	(21,585,630)	74,272,907	-	-	-	-	-	-	-	52,687,277
Transfer in (transfer out)	-	-	22,611,801	27,842,328	62,063,012	534,624	-	(43,521,021)	(75,265,421)	(5,734,677)
31 December 2007	241,207,631	74,272,907	434,059,462	656,721,135	1,410,357,398	110,884,704	164,688,463	104,987,896	280,731,233	3,477,910,829
Accumulated depreciation										
31 December 2006	-	-	266,547,399	356,609,015	868,567,198	83,262,708	139,268,273	-	-	1,714,254,593
Depreciation for the year	-	-	19,087,892	26,538,095	78,263,656	9,633,724	8,874,203	-	-	142,397,570
Depreciation on disposals/write off	-	-	(29,028,867)	(331,488)	(10,438,478)	(1,918,698)	(6,282,555)	-	-	(48,000,086)
Transfer in (transfer out)	-	-	-	(377)	(1,378)	1,755	-	-	-	-
31 December 2007	-	-	256,606,424	382,815,245	936,390,998	90,979,489	141,859,921	-	-	1,808,652,077
Allowance for impairment										
31 December 2006	14,487,948	-	-	-	1,926,317	2,970,659	-	-	-	19,384,924
Decrease during the year	-	-	-	-	-	(1,148,613)	-	-	-	(1,148,613)
31 December 2007	14,487,948	-	-	-	1,926,317	1,822,046	-	-	-	18,236,311
Net book value										
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
31 December 2007	226,719,683	74,272,907	177,453,038	273,905,890	472,040,083	18,083,169	22,828,542	104,987,896	280,731,233	1,651,022,441
Depreciation for the year :										
2006 (Baht 114 million included in manufacturing cost, and the balance in selling and administrative expenses)										136,401,236
2007 (Baht 122 million included in manufacturing cost, and the balance in selling and administrative expenses)										142,397,570

(Unit : Baht)

Separate financial statements							
	Land	Building & improvement	Machinery, factory equipment and waste water treatment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress and machinery under installation	Total
<u>Cost</u>							
31 December 2006	27,938,625	249,304,675	734,597,626	30,647,419	29,104,025	18,212,061	1,089,804,431
Additions	-	-	8,232,950	1,174,280	10,404,359	19,830,469	39,642,058
Disposals/write off	-	-	(6,182,666)	(459,632)	(4,620,193)	-	(11,262,491)
Transfer in (transfer out)	-	206,535	11,248,580	-	-	(11,455,115)	-
31 December 2007	27,938,625	249,511,210	747,896,490	31,362,067	34,888,191	26,587,415	1,118,183,998
<u>Accumulated depreciation</u>							
31 December 2006	-	156,889,943	436,226,307	27,700,540	26,006,989	-	646,823,779
Depreciation for the year	-	9,304,065	37,876,388	1,225,472	1,892,941	-	50,298,866
Depreciation on disposals/write off	-	-	(5,904,922)	(459,624)	(4,620,188)	-	(10,984,734)
31 December 2007	-	166,194,008	468,197,773	28,466,388	23,279,742	-	686,137,911
<u>Allowance for impairment</u>							
31 December 2006	-	-	1,926,317	-	-	-	1,926,317
31 December 2007	-	-	1,926,317	-	-	-	1,926,317
<u>Net book value</u>							
31 December 2006	27,938,625	92,414,732	296,445,002	2,946,879	3,097,036	18,212,061	441,054,335
31 December 2007	27,938,625	83,317,202	277,772,400	2,895,679	11,608,449	26,587,415	430,119,770
<u>Depreciation for the year :</u>							
2006 (Baht 37 million included in manufacturing cost, and the balance in selling and administrative expenses)							47,173,172
2007 (Baht 41 million included in manufacturing cost, and the balance in selling and administrative expenses)							50,298,866

The total area utilised by the subsidiary amounts to approximately 23,698 rai, of which 9,740 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.

The subsidiary has mortgaged and pledged the majority of land and buildings thereon, land awaiting for development and machinery with financial institutions to secure credit facilities granted by financial institutions and letters of guarantees issued by banks.

As at 31 December 2007, certain plant and equipment items of the Company and the subsidiaries have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 819 million (2006 : Baht 761 million) and for the Company amounted to approximately Baht 302 million (2006 : Baht 294 million).

12. NON-OPERATING LAND

During the current year, the subsidiary transferred non-operating land amounting to Baht 52.69 million to land awaiting development, in order to use it in developing a project.

As at 31 December 2007, the subsidiary had mortgaged non-operating land amounting to Baht 32 million to secure credit facilities granted by financial institutions.

13. DEPOSIT AT FINANCIAL INSTITUTION WITH RESTRICTIONS

Deposit at financial institution with restrictions as at 31 December 2006 represented fixed deposit, which the subsidiary pledged with a bank as a collateral for bank guarantees and was redeemed during the year 2007.

14. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

	(Unit : Baht)					
	Interest rate		Consolidated financial		Separate financial	
	(percent per annum)		statements		statements	
	2007	2006	2007	2006	2007	2006
Bank overdrafts	MOR	MOR	61	674,193	-	-
Short-term loans from financial institutions	3.87 - 4.90	5.45 - 6.03	1,574,000,000	850,900,000	1,010,000,000	515,000,000
Total			1,574,000,061	851,574,193	1,010,000,000	515,000,000

15. LONG-TERM LOANS

	(Unit : Baht)			
	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
Long-term loans	132,933,000	257,165,000	-	69,650,000
Less : Current portion	(56,320,000)	(124,232,000)	-	(69,650,000)
Long-term loans – net of current portion	76,613,000	132,933,000	-	-

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 THBFIX plus applicable margin. The Company repaid the remaining loan during the year 2007.

During the year 2003, 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 THBFIX 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 6.88 - 7.75 percent per annum. As at 31 December 2007, the outstanding loans were Baht 132.9 million (2006 : Baht 187.5 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.

16. 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.

17. 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 2007, the amount provided in the accounts by the Company amounted to Baht 8.4 million (2006 : Baht 6.0 million).

18. 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.

19. TREASURY STOCK

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 B.E. 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 (for 82 million treasury shares at average price of Baht 1.56 per share) 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.

20. NUMBER OF EMPLOYEES AND RELATED COSTS

	Consolidated financial statements		Separate financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Number of employees at the end of year (persons)	2,910	2,913	526	495
Employee costs for the year (Thousand Baht)	528,103	525,743	205,506	224,536

21. PROMOTIONAL PRIVILEGES

The Company and its subsidiaries have been granted promotional privileges under the Investment Promotion Act B.E. 2520 as approved by the Board of Investment 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
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)
1815(2)/2549	Manufacture of crude palm oil (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 yet begun utilizing the promotional privileges)
2121(2)/2547	Manufacture of fruits and vegetables (has not yet begun utilizing the promotional privileges)
2112(5)/2547	Manufacture of frozen fruits and vegetables (has not yet begun utilizing the promotional privileges)

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, 1478(2)/2547, 1815(2)/2549, 1331(2)/2546, 1043(2)/2548, 2088(2)/2547, 2121(2)/2547, 2112(2)/2547 and 1262(2)/2550 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 subsidiaries 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, 1812(2)/2549, 1331(2)/2546, 1043(2)/2548), 2088(2)/2547, 2121(2)/2547, 2112(5)/2547 and 1262(2)/2550).

Revenues, divided between promoted and non-promoted operations, of the Company for the years 2007 and 2006 were as follows :-

(Unit : Baht)

	Separate financial statements					
	2007			2006		
	Promoted operations	Non-promoted operations	Total	Promoted operations	Non-promoted operations	Total
Sales						
Domestic sales	312,368,353	5,055,743,757	5,368,112,110	158,231,406	4,105,923,192	4,264,154,598
Export sales	52,441,908	469,160,320	521,602,228	-	188,856,957	188,856,957
Total sales	<u>364,810,261</u>	<u>5,524,904,077</u>	<u>5,889,714,338</u>	<u>158,231,406</u>	<u>4,294,780,149</u>	<u>4,453,011,555</u>

22. 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.

23. SEGMENT INFORMATION

The Company's and its subsidiaries' business operations involve two principal segments (1) manufacture and distribution of palm oil and (2) manufacture and 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 ended 31 December 2007 and 2006 were as follows :-

(Unit : Million Baht)

Consolidated financial statements for the year ended 31 December

	Manufacture and distribution			Eliminated of inter- segment revenues	Total	
	Palm oil segment	Canned fruits and vegetables segment	Total		2007	2006
Revenue from external customers	5,500	1,108	6,608	-	6,608	5,295
Intersegment revenues	562	421	983	(983)	-	-
Total revenues	6,062	1,529	7,591	(983)	6,608	5,295
Segment income	710	230	940	-	940	941
Unallocated income and expenses						
Reversal of allowance for diminution in inventory value					-	28
Other income					60	51
Selling and administrative expenses					(615)	(592)
Amortisation of goodwill					(19)	(18)
Income before interest expenses and corporate income tax					366	410
Interest expenses					(62)	(65)
Corporate income tax					(64)	(63)
Income before minority interests					240	282
Income in respect of minority interests					(59)	(53)
Net income for the year					181	229

(Unit : Million Baht)

Consolidated financial statements as at 31 December

	Manufacture and distribution			Elimination of inter- segment revenues	Total	
	Palm oil segment	Canned fruits and vegetables segment	Total		2007	2006
Property, plant and equipment - net	1,140	511	1,651	-	1,651	1,435
Non-operating land	-	57	57	-	57	109
Unallocated assets	3,067	596	3,663	(1,038)	2,625	2,023
Total assets	4,207	1,164	5,371	(1,038)	4,333	3,567

Transfer prices between business segments are as set out in Note 6 to the financial statements.

24. 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 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 2007, total amount of approximately of Baht 7.1 million (2006 : Baht 6.5 million) had been contributed to the funds by the Company and the subsidiaries, and Baht 4.1 million had been contributed by the Company (2006 : Baht 3.5 million).

25. DIVIDEND PAID

During the year 2007 and 2006, the Company and its subsidiary had dividend payments as follows :-

			(Unit : Baht)
	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividend per share</u>
<u>The Company</u>			
<u>For the year 2007</u>			
Final dividend on 2006 income	Annual General Meeting of the shareholders on 25 April 2007	164,000,000	0.20
Total for the year 2007		<u>164,000,000</u>	<u>0.20</u>
<u>For the year 2006</u>			
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		<u>24,467,943</u>	<u>0.03</u>

		(Unit : Baht)	
	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividend per share</u>
<u>Subsidiary</u>			
<u>For the year 2007</u>			
Final dividend on 2006 income	Annual General Meeting of the shareholders on 25 April 2007	64,809,600	2.00
Interim dividends on income for the period from January to June 2007	Meeting of the Board of Directors on 10 August 2007	64,809,600	2.00
Interim dividends on income for the period from July to September 2007	Meeting of the Board of Directors on 9 November 2007	32,404,800	1.00
Total for the year 2007		162,024,000	5.00
<u>For the year 2006</u>			
Final dividends on 2005 income	Annual General Meeting of the shareholders on 25 April 2006	32,404,300	1.00
Interim dividends on income for the period from January to June 2006	Meeting of the Board of Directors on 10 August 2006	32,404,300	1.00
Total for the year 2006		64,808,600	2.00

26. COMMITMENTS

As at 31 December 2007, the Company and its subsidiaries had the following outstanding commitments:-

26.1 Capital commitments

Capital expenditure under the agreements and purchase orders for purchase of equipment including services payable in the future amounting to approximately Baht 90.4 million and USD 0.5 million (The Company Only : USD 0.1 million).

26.2 Operating lease commitments

As at 31 December 2007, 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 Baht</u>
1 year	8.3
2 - 5 years	1.0
Total	<u>9.3</u>

26.3 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 oil palm seed, the jointly controlled entity is obliged to pay royalty fees amounting to Euro 150,000 (in proportion to the subsidiary's interest) and is obliged to pay royalty calculated as a percentage of the net annual sales of the products, as defined in the agreements. Moreover, the jointly controlled entity is obliged to pay technical assistance fees amounting to Euro 50,000 (in proportion to the subsidiary's interest). The jointly controlled entity and such foreign shareholder are also required to comply with conditions stipulated in the contracts.

27. GUARANTEES

27.1 Bank guarantees

As at 31 December 2007, there were outstanding bank guarantees of approximately Baht 24.8 million and USD 0.5 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 12.5 million to guarantee payments due to domestic creditors, USD 0.5 million to guarantee payments due to overseas creditors and Baht 12.3 million to guarantee electricity usage, among others (The Company Only : guarantees for electricity usage and others of Baht 7.2 million).

27.2 Corporate guarantees

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

	(Unit : Million Baht)	
	Credit facilities	
	2007	2006
<u>Subsidiary</u>		
Universal Food Public Company Limited	180.4	180.4
Total	180.4	180.4

28. CONTINGENT LIABILITIES

28.1 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 appealed to the Appeal Court.

28.2 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.

29. FINANCIAL INSTRUMENTS

29.1 Financial risk management

The Company's and its 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, 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 financial institutions, bank overdrafts, 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 2007 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.)	
	More than one year but within		Floating interest rate			Non-interest bearing
	Within one year	four years				
	(Million Baht)					
Financial assets						
Cash and cash equivalents	-	-	326	-	326	0.13 - 0.75
Trade accounts receivable	-	-	-	988	988	-
	-	-	326	988	1,314	
Financial liabilities						
Bank overdrafts and short-term loans	-	-	1,574	-	1,574	3.87 - 4.90
Trade accounts payable	-	-	-	318	318	-
Liabilities under finance lease agreements	2	7	-	-	9	5.75 - 6.20
Long-term loans	-	-	133	-	133	5.26 - 7.75
	2	7	1,707	318	2,034	

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 2007 are summarised below.

Foreign currency	Financial assets (Million)	Financial liabilities (Million)	Average exchange rate as at 31 December 2007 (Baht per 1 foreign currency unit)
US dollars	1.3	1.0	33.75

Foreign exchange contracts outstanding at 31 December 2007 are summarised below.

Foreign currency	Sold amount (Million)	Contractual exchange rate sold (Baht per 1 foreign currency unit)
US dollars	12.4	33.50 - 34.03

29.2 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.

30. RECLASSIFICATION

In addition to the change in accounting policy as mentioned in Note 4, which affects the previously reported net income and shareholder's equity, certain other amounts in the financial statements for the year ended 31 December 2006 have been reclassified to conform to the current year's classification but with no effect to previously reported net income or shareholders' equity other than from the change in accounting policy.

31. SUBSEQUENT EVENT

On 28 February 2008, the meeting of the Board of Directors of the Company No. 1/2008 passed a resolution approving the payment of dividend from 2007 income to the Company's shareholders at Baht 0.10 per share.

On 28 February 2008, the meeting of the Board of Directors of a subsidiary passed a resolution approving the payment of dividend in respect of October to December 2007 earnings at Baht 3 per share or a total of Baht 97.2 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.

32. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Company's Board of Directors on 28 February 2008.