

Lam Soon (Thailand) Public Company Limited
and its subsidiaries
Report and financial statements
31 December 2009 and 2008

Report of Independent Auditor

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

I have audited the accompanying consolidated balance sheet of Lam Soon (Thailand) Public Company Limited and its subsidiaries as at 31 December 2009, 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 year. These financial statements are the responsibility of the management of the Company and its subsidiaries as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The consolidated financial statements of Lam Soon (Thailand) Public Company Limited and its subsidiaries, and the separate financial statements of Lam Soon (Thailand) Public Company Limited for the year ended 31 December 2008, as presented herein for comparative purposes, were audited by another auditor of our firm who, under her report dated 26 February 2009, expressed an unqualified opinion on those statements.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lam Soon (Thailand) Public Company Limited and its subsidiaries and of Lam Soon (Thailand) Public Company Limited as at 31 December 2009, and the results of their operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

Kamontip Lertwitworatep
Certified Public Accountant (Thailand) No. 4377

Ernst & Young Office Limited
Bangkok: 26 February 2010

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Balance sheets

As at 31 December 2009 and 2008

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2009	2008	2009	2008
Assets					
Current assets					
Cash and cash equivalents		206,417,934	263,158,111	110,741,200	114,768,029
Current investments - fixed deposits at bank		6,000,000	-	-	-
Trade accounts receivable					
Related parties - net	6, 7	3,806,368	2,939,031	19,971	62,458
Unrelated parties - net	7	883,674,062	926,351,758	796,510,220	843,217,783
Total trade accounts receivable - net		887,480,430	929,290,789	796,530,191	843,280,241
Short-term loans and advances to related parties - net	6	-	183,248	189,642	586,796
Inventories - net	8	1,134,919,300	1,130,430,665	555,739,794	516,391,372
Other current assets		45,742,532	77,404,556	12,033,004	22,196,779
Total current assets		2,280,560,196	2,400,467,369	1,475,233,831	1,497,223,217
Non-current assets					
Investments in subsidiaries - net	9	-	-	1,309,043,450	1,134,062,300
Other long-term investments - net	10	794,391	509,070	794,391	509,070
Property, plant and equipment - net	11	2,207,398,273	1,940,218,921	717,659,735	488,484,327
Non-operating assets - net	12	57,752,311	64,857,058	-	-
Intangible assets - net	13	20,944,423	24,992,319	4,644,624	10,137,703
Goodwill in business combination		224,349,166	224,349,166	-	-
Other non-current assets		4,713,290	2,301,247	617,244	767,138
Total non-current assets		2,515,951,854	2,257,227,781	2,032,759,444	1,633,960,538
Total assets		4,796,512,050	4,657,695,150	3,507,993,275	3,131,183,755

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 2009 and 2008

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2009	2008	2009	2008
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans					
from financial institutions	14	1,523,000,079	1,467,000,000	815,000,000	736,000,000
Trade accounts payable					
Related parties	6	-	-	112,167,146	52,152,637
Unrelated parties		202,789,733	352,321,328	115,441,728	281,181,639
Total trade accounts payable		202,789,733	352,321,328	227,608,874	333,334,276
Short-term loans and advances					
from related parties	6	139,963	25,007,074	99,169	67,196
Current portion of liabilities under					
finance lease agreements	15	3,778,611	3,382,401	2,848,204	2,696,340
Current portion of long-term loans	16	90,476,000	102,353,000	40,000,000	-
Dividend payable		28,535,582	28,977,929	25,635,691	25,653,707
Other current liabilities					
Corporate income tax payable		23,178,175	9,809,838	14,454,394	-
Accrued expenses		84,701,737	87,413,226	50,799,026	53,570,001
Unearned income		18,094,810	21,626,066	18,094,810	21,626,066
Others		178,584,503	124,737,652	115,704,704	60,706,392
Total other current liabilities		304,559,225	243,586,782	199,052,934	135,902,459
Total current liabilities		2,153,279,193	2,222,628,514	1,310,244,872	1,233,653,978
Non-current liabilities					
Liabilities under finance lease agreements - net					
of current portion	15	5,967,124	8,844,009	4,224,968	7,073,172
Long-term loans - net of current portion	16	144,476,500	114,260,000	58,296,500	-
Provision for land rental charge	17	20,468,000	20,468,000	-	-
Reserve for employee retirement benefit plan	18	27,596,388	19,820,221	27,596,388	19,820,221
Total non-current liabilities		198,508,012	163,392,230	90,117,856	26,893,393
Total liabilities		2,351,787,205	2,386,020,744	1,400,362,728	1,260,547,371

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 2009 and 2008

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2009	2008	2009	2008
Shareholders' equity					
Share capital					
Registered, issued and fully paid-up					
820,000,000 ordinary shares of Baht 1 each		820,000,000	820,000,000	820,000,000	820,000,000
Paid-in capital					
Share premium		241,970,265	241,970,265	241,970,265	241,970,265
Premium on treasury stock		5,269,100	5,269,100	5,269,100	5,269,100
Unrealised loss					
Surplus from changes in shareholding					
in subsidiary	2.2	5,008,700	-	-	-
Revaluation deficit on changes in value					
of investments	10	(724,034)	(1,009,355)	(724,034)	(1,009,355)
Retained earnings					
Appropriated - statutory reserve	19	102,760,809	102,430,665	82,000,000	82,000,000
Unappropriated		949,205,956	755,204,741	959,115,216	722,406,374
Equity attributable to the Company's					
shareholders		2,123,490,796	1,923,865,416	2,107,630,547	1,870,636,384
Minority interest - equity attributable to minority					
shareholders of subsidiaries		321,234,049	347,808,990	-	-
Total shareholders' equity					
		<u>2,444,724,845</u>	<u>2,271,674,406</u>	<u>2,107,630,547</u>	<u>1,870,636,384</u>
Total liabilities and shareholders' equity					
		<u>4,796,512,050</u>	<u>4,657,695,150</u>	<u>3,507,993,275</u>	<u>3,131,183,755</u>
		-	-	-	-

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

Directors

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Income statements

For the years ended 31 December 2009 and 2008

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2009	2008	2009	2008
Revenues					
Sales		6,869,623,598	9,522,358,898	5,853,250,167	8,435,774,015
Dividend income from subsidiary	9	-	-	158,700,577	204,043,599
Other income		62,611,824	77,204,288	33,446,528	37,312,923
Total revenues		<u>6,932,235,422</u>	<u>9,599,563,186</u>	<u>6,045,397,272</u>	<u>8,677,130,537</u>
Expenses					
Cost of sales		5,681,387,364	8,133,440,061	5,138,447,461	7,836,173,835
Selling expenses		422,416,536	505,571,030	279,528,858	335,529,196
Administrative expenses		122,594,899	139,011,132	60,694,132	58,291,871
Management's remuneration		132,584,582	130,539,333	86,736,788	85,380,810
Total expenses		<u>6,358,983,381</u>	<u>8,908,561,556</u>	<u>5,565,407,239</u>	<u>8,315,375,712</u>
Income before finance cost and corporate income tax		573,252,041	691,001,630	479,990,033	361,754,825
Finance cost		(56,976,636)	(87,279,731)	(21,283,679)	(50,241,045)
Income before corporate income tax		516,275,405	603,721,899	458,706,354	311,513,780
Corporate income tax		(111,397,414)	(144,579,865)	(57,997,512)	(15,276,274)
Net income for the year		<u>404,877,991</u>	<u>459,142,034</u>	<u>400,708,842</u>	<u>296,237,506</u>
Net income attributable to:					
Equity holders of the parent		358,331,359	354,239,482	<u>400,708,842</u>	<u>296,237,506</u>
Minority interests of the subsidiaries		46,546,632	104,902,552		
		<u>404,877,991</u>	<u>459,142,034</u>		
Basic earnings per share					
Net income attributable to equity holders of the parent	22	<u>0.44</u>	<u>0.43</u>	<u>0.49</u>	<u>0.36</u>
Weighted average number of ordinary shares (Shares)		<u>820,000,000</u>	<u>820,000,000</u>	<u>820,000,000</u>	<u>820,000,000</u>

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of cash flows

For the years ended 31 December 2009 and 2008

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Cash flows from operating activities				
Net income before income tax	516,275,405	603,721,899	458,706,354	311,513,780
Adjustments to reconcile net income before income tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	185,890,929	158,937,889	55,859,454	53,522,138
Increase (decrease) in allowance for doubtful accounts	(8,978,665)	10,201,719	(10,288,805)	7,827,924
Increase (decrease) in allowance for diminution in inventory value	(256,417)	4,615,785	(49,492)	691,269
Allowance for impairment loss of assets (reversal)	5,838,568	(1,148,613)	-	-
Reserve for employee retirement benefit plan	7,776,167	8,092,802	7,776,167	8,092,802
Dividend income from subsidiary	-	-	(158,700,577)	(204,043,599)
Loss (gain) on disposals and write off of property, plant and equipment	(4,529,176)	16,126,978	(1,478,141)	302,941
Gain on sales of other long-term investments	-	(117,750)	-	-
Unrealised loss (gain) on exchange	295,478	(673,813)	(377,688)	227,062
Interest expenses	52,659,784	82,823,261	18,147,116	47,037,018
Income from operating activities before changes in operating assets and liabilities	754,972,073	882,580,157	369,594,388	225,171,335
Decrease (increase) in operating assets				
Trade accounts receivable - related parties	(867,337)	(1,118,221)	42,487	28,626
Trade accounts receivable - unrelated parties	51,837,816	50,739,071	57,010,970	87,682,054
Inventories	6,632,847	(90,692,558)	(39,298,930)	(344,739)
Other current assets	30,928,065	(34,198,843)	10,163,775	(8,813,114)
Other non-current assets	(2,412,043)	8,212,224	149,894	(324,954)
Increase (decrease) in operating liabilities				
Trade accounts payable - related parties	-	(281,625)	60,014,509	(39,433,310)
Trade accounts payable - unrelated parties	(149,138,109)	34,251,141	(165,376,825)	60,007,860
Other current liabilities	33,264,140	2,364,914	54,037,854	(460,033)
Cash from operating activities	725,217,452	851,856,260	346,338,122	323,513,725
Cash paid for interest expenses	(56,067,228)	(85,342,468)	(21,141,571)	(45,102,527)
Cash paid for corporate income tax	(98,168,929)	(169,464,766)	(43,543,118)	(34,770,377)
Net cash from operating activities	<u>570,981,295</u>	<u>597,049,026</u>	<u>281,653,433</u>	<u>243,640,821</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 (continued)

For the years ended 31 December 2009 and 2008

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2009	2008	2009	2008
Cash flows from investing activities				
Increase in current investments - fixed deposits at bank	(6,000,000)	-	-	-
(Increase) decrease in short-term loans and advances to related parties	183,248	(183,248)	397,154	(230,935)
Increase in investment in subsidiary	-	(296,575)	(174,981,150)	(296,575)
Increase in other long-term investments	-	(18,425)	-	(18,425)
Dividend received from subsidiary	-	-	158,700,577	204,043,599
Proceeds from sales of other long-term investments	-	6,600,000	-	-
Acquisitions of property, plant and equipment	(441,366,685)	(478,615,143)	(288,191,820)	(103,656,699)
Proceeds from disposals of property, plant and equipment	6,835,966	4,738,266	2,427,014	1,683,741
Proceeds from disposals of intangible assets	-	-	5,700,000	-
Increase in intangible assets	(698,654)	(21,323,525)	(346,154)	(10,359,825)
Net cash from (used in) investing activities	(441,046,125)	(489,098,650)	(296,294,379)	91,164,881
Cash flows from financing activities				
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	56,000,079	(107,000,061)	79,000,000	(274,000,000)
Increase (decrease) in short-term loans and advance received from subsidiaries	(24,867,111)	25,007,074	31,973	(463,395)
Repayment of liabilities under finance lease agreements	(3,592,595)	(3,172,290)	(2,696,340)	(2,449,653)
Cash receipt from long-term loans	98,296,500	140,000,000	98,296,500	-
Repayment of long-term loans	(79,957,000)	(56,320,000)	-	-
Share subscription received from minority shareholders of subsidiary	18,850	-	-	-
Dividend paid	(232,574,070)	(169,518,956)	(164,018,016)	(81,916,543)
Net cash from (used in) financing activities	(186,675,347)	(171,004,233)	10,614,117	(358,829,591)
Net decrease in cash and cash equivalents	(56,740,177)	(63,053,857)	(4,026,829)	(24,023,889)
Cash and cash equivalents at beginning of the year	263,158,111	326,211,968	114,768,029	138,791,918
Cash and cash equivalents at end of the year	206,417,934	263,158,111	110,741,200	114,768,029

Supplementary disclosures of cash flows information

Non-cash transactions

Acquisitions of plant and equipment that have not been paid	32,961,497	15,210,695	3,271,921	5,619,239
Acquisitions of equipment under financial lease agreements	1,111,920	5,930,087	-	4,440,318
Transferred nursery to inventory account	10,865,065	14,369,363	-	-
Transferred computer software to intangible asset account	1,061,000	-	1,061,000	-

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the years ended 31 December 2009 and 2008

Consolidated financial statements							
Equity attributable to the parent's shareholders							
	Note	Issued and paid up share capital	Share premium	Premium on treasury stock	Revaluation	Retained earnings	
					deficit on changes in value of investments	Appropriated - statutory reserve	Unappropriated
Balance as at 31 December 2007		820,000,000	241,970,265	5,269,100	(1,154,519)	102,428,597	482,000,000
Income recognised directly in equity:							
Investments in available-for-sale securities							
Gain recognised in shareholders' equity		-	-	-	145,164	-	-
Net income recognised directly in equity		-	-	-	145,164	-	-
Net income for the year		-	-	-	-	-	354,000,000
Total income for the year		-	-	-	145,164	-	354,000,000
Dividend paid	25	-	-	-	-	-	(81,000,000)
Unappropriated retained earnings							
transferred to statutory reserve		-	-	-	-	2,068	-
Minority interests - equity attributable to minority shareholders of subsidiaries		-	-	-	-	-	-
Balance as at 31 December 2008		<u>820,000,000</u>	<u>241,970,265</u>	<u>5,269,100</u>	<u>(1,009,355)</u>	<u>102,430,665</u>	<u>755,000,000</u>

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the years ended 31 December 2009 and 2008

Consolidated financial statements							
Equity attributable to the parent's shareholders							
	Issued and paid up	Share premium	Premium on treasury stock	Surplus from change in shareholding in subsidiary	Revaluation deficit on changes in value of investments	Retained earnings Appropriated - statutory reserve	Unappropriated
Note	share capital	Share premium	treasury stock	in subsidiary	investments	statutory reserve	Unappropriated
Balance as at 31 December 2008	820,000,000	241,970,265	5,269,100	-	(1,009,355)	102,430,665	755,920,715
Income recognised directly in equity:							
Investments in available-for-sale securities							
Gain recognised in shareholders' equity	-	-	-	-	285,321	-	-
Net income recognised directly in equity	-	-	-	-	285,321	-	-
Net income for the year	-	-	-	-	-	-	358,000,000
Total income for the year	-	-	-	-	285,321	-	358,000,000
Dividend paid	-	-	-	-	-	-	(164,000,000)
Subscription of new shares of subsidiary	-	-	-	5,008,700	-	-	-
Unappropriated retained earnings							
transferred to statutory reserve	-	-	-	-	-	330,144	-
Increase in minority interests - equity attributable to							
minority shareholders of subsidiaries	-	-	-	-	-	-	-
Balance as at 31 December 2009	<u>820,000,000</u>	<u>241,970,265</u>	<u>5,269,100</u>	<u>5,008,700</u>	<u>(724,034)</u>	<u>102,760,809</u>	<u>949,920,715</u>

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the years ended 31 December 2009 and 2008

		Separate financial statements				
		Issued and paid up			Revaluation deficit on changes in value	Appropriat statutory res
<u>Note</u>	share capital	Share premium	Premium on treasury stock	of investments	-	-
Balance as at 31 December 2007	820,000,000	241,970,265	5,269,100	(642,165)	-	82,000,000
Expense recognised directly in equity:						
Investments in available-for-sale securities						
Loss recognised in shareholders' equity	-	-	-	(367,190)	-	-
Net expense recognised directly in equity	-	-	-	(367,190)	-	-
Net income for the year	-	-	-	-	-	-
Total income (expense) for the year	-	-	-	(367,190)	-	-
Dividend paid	-	-	-	-	-	-
Balance as at 31 December 2008	<u>820,000,000</u>	<u>241,970,265</u>	<u>5,269,100</u>	<u>(1,009,355)</u>	<u>-</u>	<u>82,000,000</u>

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the years ended 31 December 2009 and 2008

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

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Notes to financial statements

For the years ended 31 December 2009 and 2008

1. General information

Lam Soon (Thailand) Public Company Limited is a public company incorporated and domiciled in Thailand. Its major shareholder is Lam Soon Holding Company Limited, which was incorporated 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 Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 30 January 2009, issued under the Accounting Act B.E. 2543.

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

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

2.2 Basis of consolidation

a) The consolidated financial statements include the financial statements of 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	
			2009 Percent	2008 Percent	2009 Percent	2008 Percent	2009 Percent	2008 Percent
<u>Subsidiaries directly held by the Company</u>								
United Palm Oil Industry Public Company Limited	Palm oil plantation, crude palm oil and kernel palm oil processing	Thailand	69.96	69.96	21	23	1	2
Universal Food Public Company Limited	Manufacture and distribution of processed fruits and vegetables, juice and drinks	Thailand	98.00	97.01	29	30	14	10

Company's name	Nature of business	Country of incorporation	Percentage of indirect shareholding	
			2009 Percent	2008 Percent
<u>Subsidiary held by United Palm Oil Industry Public Company Limited</u>				
Phansrivat Company Limited	Owner of palm oil 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 palm oil seeds	Thailand	50	50
<u>Subsidiaries held by Phansrivat 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	79	58

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

- b) Subsidiaries are fully consolidated as from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- c) The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent significant accounting policies.

- d) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.
 - e) Minority interests represent the portion of net income or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet.
- 2.3 The separate financial statements, which present investments in subsidiaries under the cost method, have been prepared solely for the benefit of the public.

3. Adoption of new accounting standards

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

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

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

Framework for the Preparation and Presentation of Financial Statements

(revised 2007)

TAS 36 (revised 2007) Impairment of Assets

TFRS 5 (revised 2007) Non-current Assets Held for Sale and Discontinued
Operations

Accounting Treatment Guidance for Leasehold Right

Accounting Treatment Guidance for Business Combination under Common Control

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

3.2 Accounting standards which are not effective for the current year

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

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

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

4. Significant accounting policies

4.1 Revenue recognition

Sales of goods

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

Interest income

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

Dividends

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

4.2 Cash and cash equivalents

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

4.3 Trade accounts receivable

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

4.4 Inventories

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

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

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

4.5 Investments

- a) Investments in available-for-sale securities are stated at fair value. Changes in the carrying amounts of securities are recorded as separate item in shareholders' equity until the securities are sold, the changes are then included in determining income.
- b) Investments in non-marketable equity securities, which the Company classified as other investments, are stated at cost net of allowance for loss on diminution in value (if any).
- c) Investments in subsidiaries are accounted for in the separate financial statements using the cost method.

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

4.6 Property, plant and equipment and depreciation

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 and 20 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 - 10 years

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

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

Depreciation is included in determining income.

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

4.7 Non-operating assets

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

4.8 Borrowing costs

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

4.9 Intangible assets

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

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

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

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

4.10 Goodwill

Goodwill is initially measured at cost, which is the excess of the cost of the business combination over the Company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

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

4.11 Related party transactions

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

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

4.12 Long-term leases

Finance leases

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

Operating leases

Leases, which a significant portion of the risks and rewards of ownership are not transferred to the lessee, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statements on a straight-line basis over the lease period. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

4.13 Foreign currencies

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

Gains and losses on exchange are included in determining income.

4.14 Impairment of assets

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

An impairment loss is recognised in the income statement.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company and its subsidiaries estimate the asset's recoverable amount, an impairment loss recognised in previous periods for an asset other than goodwill shall be reversed.

4.15 Treasury stock

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

4.16 Employee benefits

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

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

4.17 Provisions

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

4.18 Income Tax

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

4.19 Derivatives

Forward exchange contracts

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

Interest rate swap contracts

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

5. Significant accounting judgments and estimates

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

Leases

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

Allowance for doubtful accounts

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

Impairment of equity investments

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

Property, plant and equipment and depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and salvage values of the plant and equipment and to review estimated useful lives and salvage values if there are any changes.

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

Goodwill and intangible assets

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

Employee retirement benefits

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

Contingent liabilities

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

6. Related party transactions

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

(Unit: Million Baht)

	Consolidated		Separate		Pricing and lending policy
	financial statements		financial statements		
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	
<u>Transactions with subsidiaries</u>					
(eliminated from the consolidated financial statements)					
Purchase of raw material	-	-	755.0	1,141.0	Market prices on the contract date
Purchase of finished goods	-	-	499.7	502.4	Market prices less fixed margin
Sales of goods	-	-	0.1	1.0	Market price
Sales of computer software	-	-	5.7	-	Net book value
Rental income	-	-	2.1	2.1	Market price
Interest income	-	-	1.1	-	2.40 - 2.95% per annum
Guarantee fee income	-	-	1.0	2.3	1.5% per annum of credit facilities
Dividend income	-	-	158.7	204.0	At the declared rate
Discount from prepayment of goods	-	-	0.3	1.0	2.60 - 4.80 % per annum of the amount collected prior to maturity
<u>Transactions with related companies</u>					
Sales of goods	24.1	18.5	0.1	0.3	Price approximates market price
Purchases of goods and services	0.1	0.4	-	0.3	Market price

The balances of accounts as at 31 December 2009 and 2008 between the Company and the related parties are detailed as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<u>Trade accounts receivable - related parties</u>				
<u>Subsidiary</u>				
Universal Food Public Company Limited	-	-	8,975	9,468
Total trade accounts receivable - subsidiary	-	-	8,975	9,468
<u>Related companies</u>				
Lam Soon Singapore Pte Limited	2,379,954	2,334,028	10,996	52,990
ACE Canning Corporation Sdn. Bhd.	1,426,414	-	-	-
Lam Soon Edible Oils Sdn. Bhd.	-	605,003	-	-
Union Fresh Company Limited	452,280	452,280	-	-
Total trade accounts receivable - related companies	4,258,648	3,391,311	10,996	52,990
Total trade accounts receivable - related parties	4,258,648	3,391,311	19,971	62,458
Less: Allowance for doubtful accounts	(452,280)	(452,280)	-	-
Trade accounts receivable - related parties - net	3,806,368	2,939,031	19,971	62,458
 <u>Short-term loans and advances to related parties</u>				
<u>Short-term loans - related companies</u>				
Union Fresh Company Limited	40,285,836	40,285,836	-	-
Siam Unison Company Limited	5,324,565	5,324,565	-	-
Total short-term loans - related companies	45,610,401	45,610,401	-	-
 <u>Advances - related parties</u>				
<u>Subsidiaries</u>				
Universal Food Public Company Limited	-	-	156,886	392,840
United Palm Oil Industry Public Company Limited	-	-	3,018	892
Total advances - subsidiaries	-	-	159,904	393,732

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<u>Related companies</u>				
Union Fresh Company Limited	18,549,353	18,549,353	-	-
Lam Soon (M) Berhad	-	83,248	-	83,248
Lam Soon Edible Oils Sdn. Bhd.	-	80,000	-	80,000
Siam Unison Company Limited	1,778,890	1,778,890	-	-
Lam Soon Singapore Pte Limited	-	20,000	-	20,000
Union Frost Company Limited	-	-	29,738	9,816
Total advances - related companies	<u>20,328,243</u>	<u>20,511,491</u>	<u>29,738</u>	<u>193,064</u>
Total advances - related parties	<u>20,328,243</u>	<u>20,511,491</u>	<u>189,642</u>	<u>586,796</u>
Total short-term loans and advances to related parties	<u>65,938,644</u>	<u>66,121,892</u>	<u>189,642</u>	<u>586,796</u>
Less: Allowance for doubtful accounts	<u>(65,938,644)</u>	<u>(65,938,644)</u>	<u>-</u>	<u>-</u>
Short-term loans and advances to related parties - net	<u>-</u>	<u>183,248</u>	<u>189,642</u>	<u>586,796</u>
 <u>Trade accounts payable - related parties</u>				
<u>Subsidiaries</u>				
United Palm Oil Industry Public Company Limited	-	-	34,667,654	16,864,026
Universal Food Public Company Limited	-	-	77,499,492	35,288,611
Total trade accounts payable - subsidiaries	<u>-</u>	<u>-</u>	<u>112,167,146</u>	<u>52,152,637</u>
Total trade accounts payable - related parties	<u>-</u>	<u>-</u>	<u>112,167,146</u>	<u>52,152,637</u>
 <u>Short-term loans and advances from related parties</u>				
<u>Short-term loans - related company</u>				
Lam Soon Holding Company Limited	-	25,000,000	-	-
Total short-term loans - related company	<u>-</u>	<u>25,000,000</u>	<u>-</u>	<u>-</u>

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<u>Advances - related parties</u>				
<u>Subsidiary</u>				
Universal Food Public Company Limited	-	-	22,018	67,196
Total advances - subsidiary	-	-	22,018	67,196
<u>Related companies</u>				
Lam Soon Edible Oils Sdn. Bhd.	6,759	7,074	-	-
Lam Soon Singapore Pte Limited	133,204	-	77,151	-
Total advances - related companies	139,963	7,074	77,151	-
Total advances - related parties	139,963	7,074	99,169	67,196
Total short-term loans and advances from related parties	139,963	25,007,074	99,169	67,196

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

Movements in the short-term loans from related company account during the year ended 31 December 2009 were summarised below.

	(Unit: Baht)
	Consolidated financial statements
Balance as at 31 December 2008	25,000,000
Less: Repayments during the year	(25,000,000)
Balance as at 31 December 2009	-

Short-term loans from related company carry interest at a rate of THBFIX plus applicable margin per annum and are repayable on demand.

Directors and management's remuneration

In 2009, the Company and its subsidiaries paid salaries, bonuses, meeting allowances and gratuities to their directors and management totaling Baht 132.6 million (the Company only: Baht 86.7 million) (2008: Baht 130.5 million, the Company only: Baht 85.4 million).

Guarantee obligations with related party

The Company has outstanding guarantee obligations for its subsidiary, as described in Note 26.4 to the financial statements.

7. Trade accounts receivable

The outstanding balances of trade accounts receivable as at 31 December 2009 and 2008, classified by aging, were as follows:

	(Unit: Baht)			
	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
<u>Age of receivables</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<u>Related parties</u>				
Not yet due	3,795,372	2,886,041	8,975	9,468
Past due				
6 - 12 months	10,996	52,990	10,996	52,990
Over 12 months	452,280	452,280	-	-
Total	4,258,648	3,391,311	19,971	62,458
Less: Allowance for doubtful accounts	(452,280)	(452,280)	-	-
Trade accounts receivable - related parties - net	3,806,368	2,939,031	19,971	62,458
<u>Unrelated parties</u>				
Post dated cheques receivable	37,964,276	42,873,698	37,964,276	42,873,698
Cheque returned	12,790,990	21,985,865	7,711,838	16,906,713
Not yet due	742,757,807	765,195,124	678,932,935	726,012,850
Past due				
Less than 3 months	102,153,813	115,115,407	77,504,715	71,658,041
3 - 6 months	2,214,204	2,062,366	1,802,934	70,807
6 - 12 months	802,249	1,892,350	839,869	1,891,873
Over 12 months	18,223,809	20,312,510	682,966	3,021,919
Total	916,907,148	969,437,320	805,439,533	862,435,901
Less: Allowance for doubtful accounts	(33,233,086)	(43,085,562)	(8,929,313)	(19,218,118)
Trade accounts receivable - unrelated parties - net	883,674,062	926,351,758	796,510,220	843,217,783
Total trade accounts receivable - net	887,480,430	929,290,789	796,530,191	843,280,241

8. Inventories

(Unit: Baht)

Consolidated financial statements								
	Cost		Allowance for diminution in inventory value				Inventories - net	
			Reduction cost to		Stock obsolescence			
	2009	2008	net realisable value		2009	2008	2009	2008
Finished goods	615,770,433	559,095,513	(1,502,022)	(6,776,893)	(8,919,070)	(4,839,825)	605,349,341	547,478,795
Work in process	304,804,624	328,261,319	-	-	-	-	304,804,624	328,261,319
Raw materials	120,075,710	85,424,225	-	-	(1,140,942)	(982,811)	118,934,768	84,441,414
Inventory in transit	1,148,061	37,699,526	-	-	-	-	1,148,061	37,699,526
Supplies and spare parts	107,684,851	134,770,878	-	-	(3,002,345)	(2,221,267)	104,682,506	132,549,611
Total	1,149,483,679	1,145,251,461	(1,502,022)	(6,776,893)	(13,062,357)	(8,043,903)	1,134,919,300	1,130,430,665

(Unit: Baht)

Separate financial statements								
	Cost		Allowance for diminution in inventory value				Inventories - net	
			Reduction cost to		Stock obsolescence			
	2009	2008	net realisable value		2009	2008	2009	2008
Finished goods	140,768,742	87,370,772	(264,259)	(514,947)	-	-	140,504,483	86,855,825
Work in process	304,474,128	324,187,901	-	-	-	-	304,474,128	324,187,901
Raw materials	79,581,168	29,994,717	-	-	-	-	79,581,168	29,994,717
Inventory in transit	1,148,061	37,699,526	-	-	-	-	1,148,061	37,699,526
Supplies and spare parts	31,508,105	38,928,358	-	-	(1,476,151)	(1,274,955)	30,031,954	37,653,403
Total	557,480,204	518,181,274	(264,259)	(514,947)	(1,476,151)	(1,274,955)	555,739,794	516,391,372

9. Investments in subsidiaries

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

Company's name	Paid-up share capital		Shareholding percentage		Cost		Dividend received	
							during the year	
	2009	2008	2009	2008	2009	2008		
			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	158,700,577	204,043,599
Universal Food Public								
Company Limited	525,000,000	350,000,000	98.00	97.01	581,795,481	406,814,331	-	-
Total					1,330,139,330	1,155,158,180	158,700,577	204,043,599
Less: Allowance for impairment loss of investments					(21,095,880)	(21,095,880)		
Total investments in subsidiaries - net					1,309,043,450	1,134,062,300		

The Annual General Meeting of the shareholders No. 32 held on 28 April 2009 of United Palm Oil Industry Public Company Limited approved to change the par value of its ordinary shares from 32,405,000 ordinary shares of Baht 10 each to 324,050,000 ordinary shares of Baht 1 each. The subsidiary registered the change of the par value of its ordinary shares with the Ministry of Commerce on 29 April 2009.

On 11 December 2009, the Extraordinary General Meeting of the shareholders of Universal Food Public Company Limited passed a resolution to allocate 17,500,000 ordinary shares to the existing shareholders in a ratio of 1 new share for every 2 existing shares, at a price of Baht 10 per share, or for a total of Baht 175 million. The Company subscribed to the allocated shares in proportion to its shareholding and also purchased all of the shares left unsubscribed by the minority shareholders of the subsidiary. Its shareholding in this subsidiary therefore increased by 0.99%, from 97.01% to 98.00%. The subsidiary registered the increase in its capital with the Ministry of Commerce on 22 December 2009.

As at 31 December 2009, 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 1,474 million.

10. Other long-term investments

	(Unit: Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<u>Equity securities</u>				
Open-ended Kumlai Perm Poon Fund	1,000,000	1,000,000	1,000,000	1,000,000
Open-ended TCM Equity Fund	300,000	300,000	300,000	300,000
Open-ended Kiatnakin Fund	200,000	200,000	200,000	200,000
Datamat Plc.	16,265	16,265	16,265	16,265
Standard Chartered Bank (Thai) Plc.	2,160	2,160	2,160	2,160
Total	1,518,425	1,518,425	1,518,425	1,518,425
Less: Unrealised loss from other long-term investments	(724,034)	(1,009,355)	(724,034)	(1,009,355)
Other long-term investments - net	794,391	509,070	794,391	509,070

11. Property, plant and equipment

	Consolidated financial statements					
	Land	Land awaiting development	Cost of forest land rights and plantation development costs	Building and building improvement	Factory and agricultural machinery and equipment and waste water treatment	Furniture, fixtures and office equipment
Cost						
31 December 2008	242,557,631	76,475,756	450,684,037	778,639,550	1,725,300,395	95,326,83
Additions	84,752	-	-	1,348,153	18,066,344	4,859,27
Capitalised interest	-	-	-	14,041	91,472	10
Disposals/write off	(35,588)	-	(206,292)	(130,566)	(6,947,817)	(2,599,89
Transfer in/(transfer out)	49,700	-	55,236,146	25,994,873	153,178,814	240,10
31 December 2009	242,656,495	76,475,756	505,713,891	805,866,051	1,889,689,208	97,826,42
Accumulated depreciation						
31 December 2008	-	-	259,395,543	408,520,166	992,711,354	84,346,16
Depreciation for the year	-	-	19,997,994	34,774,759	106,189,066	4,789,26
Depreciation on disposals/write off	-	-	(113,029)	(130,525)	(5,512,148)	(2,597,80
31 December 2009	-	-	279,280,508	443,164,400	1,093,388,272	86,537,62
Allowance for impairment						
31 December 2008	14,487,948	-	-	-	1,926,317	673,43
Increase (decrease) during the year	150,330	-	8,661	-	-	(673,43
31 December 2009	14,638,278	-	8,661	-	1,926,317	
Net book value						
31 December 2008	228,069,683	76,475,756	191,288,494	370,119,384	730,662,724	10,307,24
31 December 2009	228,018,217	76,475,756	226,424,722	362,701,651	794,374,619	11,288,79
Depreciation for the year						

2008 (Baht 135 million included in manufacturing cost, and the balance in administrative expenses)

2009 (Baht 161 million included in manufacturing cost, and the balance in administrative expenses)

Separate financial statements

	Land	Building and building improvement	Machinery, factory equipment and waste water treatment	Furniture, fixtures and office equipment	Motor
<u>Cost</u>					
31 December 2008	27,938,625	249,520,710	740,013,545	32,870,290	42
Additions	-	1,231,726	7,294,873	1,001,601	4
Disposals/write off	-	-	(3,209,563)	(236,203)	(5)
Transfer in/(transfer out)	-	2,400,000	39,473,686	35,911	
31 December 2009	27,938,625	253,152,436	783,572,541	33,671,599	42
<u>Accumulated depreciation</u>					
31 December 2008	-	175,485,771	481,926,026	29,720,636	27
Depreciation for the year	-	9,437,378	39,599,984	1,169,714	4
Depreciation on disposals/write off	-	-	(2,261,194)	(235,703)	(5)
31 December 2009	-	184,923,149	519,264,816	30,654,647	26
<u>Allowance for impairment</u>					
31 December 2008	-	-	1,926,317	-	
31 December 2009	-	-	1,926,317	-	
<u>Net book value</u>					
31 December 2008	27,938,625	74,034,939	256,161,202	3,149,654	15
31 December 2009	27,938,625	68,229,287	262,381,408	3,016,952	15

Depreciation for the year

2008 (Baht 41 million included in manufacturing cost, and the balance in administrative expenses)

2009 (Baht 42 million included in manufacturing cost, and the balance in administrative expenses)

The total area utilised by the subsidiary amounts to approximately 23,359 rai, of which 10,161 rai is supported by land title deeds or other land ownership documents (Nor Sor 3 Kor and Nor Sor 3). For the remaining land, the subsidiary has received possessory rights and is currently in the process of acquiring legal documentation of ownership.

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

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

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

As at 31 December 2009, 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 936 million (2008: Baht 889 million) and for the Company amounted to approximately Baht 332 million (2008: Baht 315 million).

12. Non-operating assets

The subsidiary had mortgaged non-operating land amounting to Baht 5 million to secure credit facilities granted by a financial institution.

As at 31 December 2009, the subsidiary recorded Baht 6 million for the allowance for impairment loss in respect of the non-operating land.

13. Intangible assets

	Consolidated financial statements			(Unit: Baht)
				Separate financial statements
	Computer software	Licenses	Total	Computer software
<u>Cost</u>				
31 December 2008	46,504,677	10,764,200	57,268,877	27,076,880
Additions	698,654	-	698,654	346,154
Transfer in	1,061,000	-	1,061,000	1,061,000
Disposals	-	-	-	(5,700,000)
31 December 2009	48,264,331	10,764,200	59,028,531	22,784,034
<u>Accumulated amortisation</u>				
31 December 2008	32,027,675	248,883	32,276,558	16,939,177
Amortisation for the year	5,434,225	373,325	5,807,550	1,200,233
31 December 2009	37,461,900	622,208	38,084,108	18,139,410
<u>Net book value</u>				
31 December 2008	14,477,002	10,515,317	24,992,319	10,137,703
31 December 2009	10,802,431	10,141,992	20,944,423	4,644,624
<u>Amortisation expenses included in the income statements for the year</u>				
2008			4,552,059	678,262
2009			5,807,550	1,200,233

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

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

	Interest rate		Consolidated		Separate	
	(percent per annum)		financial statements		financial statements	
	2009	2008	2009	2008	2009	2008
Bank overdrafts	MOR	MOR	79	-	-	-
Short-term loans from financial institutions	1.90 - 3.20	3.07 - 7.25	1,523,000,000	1,467,000,000	815,000,000	736,000,000
Total			1,523,000,079	1,467,000,000	815,000,000	736,000,000

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

15. Liabilities under finance lease agreements

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Liabilities under finance lease agreements	10,437,688	13,417,804	7,555,685	10,724,969
Less: Deferred interest expenses	(691,953)	(1,191,394)	(482,513)	(955,457)
Net	9,745,735	12,226,410	7,073,172	9,769,512
Less: Portion due within one year	(3,778,611)	(3,382,401)	(2,848,204)	(2,696,340)
Liabilities under finance lease agreements - net of current portion	5,967,124	8,844,009	4,224,968	7,073,172

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

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

(Unit: Million Baht)

	Consolidated financial statements		
	Less than		
	1 year	1 - 5 years	Total
Future minimum lease payments	4.2	6.2	10.4
Deferred interest expenses	(0.4)	(0.3)	(0.7)
Present value of future minimum lease payments	3.8	5.9	9.7

(Unit: Million Baht)

	Separate financial statements		
	Less than		
	1 year	1 - 5 years	Total
Future minimum lease payments	3.2	4.4	7.6
Deferred interest expenses	(0.3)	(0.2)	(0.5)
Present value of future minimum lease payments	2.9	4.2	7.1

16. Long-term loans

Loan	Consolidated financial statements		Separate financial statements		Interest Rate (Per annum)	Repayme
	2009	2008	2009	2008		
<u>The Company</u>						
1	98.29	-	98.29	-	THBFIX plus applicable margin	Repayment in installments, 2010
Total long-term loan - the Company	98.29	-	98.29	-		
<u>Subsidiary</u>						
Universal Food Public Company Limited						
1	-	28.50	-	-	First and second year: MLR less applicable margin Afterward: MLR	Monthly instal million, start
2 (1)	6.08	12.16	-	-	3-month THBFIX plus applicable margin	Repayment in installments,
2 (2)	6.05	12.26	-	-		Repayment in installments,
2 (3)	5.12	10.26	-	-		Repayment in installments,
2 (4)	3.94	10.59	-	-		Repayment in installments,
2 (5)	1.21	2.84	-	-		Repayment in installments,
Total long-term loans - subsidiary	22.40	76.61	-	-		

Loan	Consolidated financial statements		Separate financial statements		Interest Rate (Per annum)	Repaym
	2009	2008	2009	2008		
Related company						
Union Frost Company Limited						
1	55.96	70.00	-	-	Fixed rate (2008: THBFIX plus applicable margin)	Monthly instal million, starti
2	58.30	70.00	-	-	Fixed rate (2008: THBFIX plus applicable margin)	Monthly instal million, starti
Total long-term loans - related company	114.26	140.00	-	-		
Total long-term loans	234.95	216.61	98.29	-		
Less: Current portion	(90.47)	(102.35)	(40.00)	-		
Long-term loans - net of current portion	144.48	114.26	58.29	-		

The related company entered into an interest rate swap agreement with a lender bank covering a period from January 2009 to February 2014, whereby the related company agreed to swap the floating interest rate of THBFIX plus an applicable margin per annum on Baht 140 million of loans for a fixed annual interest rate, as detailed in Note 27.1.

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

As at 31 December 2008, a subsidiary could not maintain certain financial ratios as stipulated in the agreements with a bank. In addition, it was unable to negotiate with such bank because the bank needed to use the audited financial statements for the year ended 31 December 2008 in deciding whether to grant a waiver of the condition, and it was not practical for the auditor to audit and issue an opinion on the financial statements within 31 December 2008. To comply with TAS 1, the subsidiary classified the whole amount of the debts, including the long-term portion, as current liabilities. During 2009, the subsidiary obtained a waiver letter from the bank for the condition to maintain certain financial ratios based on the financial statements for the year ended 31 December 2008. As at 31 December 2009, the subsidiary classified the debts in accordance with the payments term in agreements.

17. Provision for land rental charge

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

18. 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 2009, the reserve provided in the accounts by the Company amounted to Baht 9.6 million (2008: Baht 8.4 million) and the payment of retirement was Baht 1.8 million (2008: Baht 0.3 million).

19 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.

20. Expenses by nature

Significant expenses by nature are as follows:

	(Unit: Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Raw materials and consumables used	5,118,707,138	6,329,385,307	4,352,533,625	6,991,798,306
Changes in inventories of finished goods and work in process	(33,218,225)	(45,034,318)	(33,684,197)	(2,032,986)
Salary and wages and other employee benefits	582,503,206	615,165,868	257,354,132	248,544,226
Depreciation and amortisation expenses	185,890,929	158,937,889	55,859,454	53,522,138
Transportation expenses	130,213,168	167,071,781	79,077,587	93,572,968
Repair and maintenance expenses	67,776,773	57,844,122	22,940,424	19,447,746
Promotion expenses	64,331,496	107,103,408	55,420,532	99,338,737
Rental expenses	28,566,485	12,788,701	7,146,990	2,213,120
Loss on impairment of property, plant and equipment	5,764,381	19,508,021	-	-

21. Promotional privileges

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

The Company

<u>Certificate No.</u>	<u>Operation</u>
1442/2541	Manufacture of crude palm kernel oil (expired in August 2006)
1179/2543	Manufacture of crude palm oil, crude palm kernel oil and crude coconut oil (expired in November 2008)
1292(2)/2547	Manufacture of margarine or shortening
1815(2)/2549	Manufacture of crude palm oil (began utilizing the promotional privileges in June 2009)
2093(2)/2550	Manufacture pure vegetable oil (has not yet begun utilizing the promotional privileges)
1013(9)/2551	Manufacture of electricity from biogases (has not yet begun utilizing the promotional privileges)

Subsidiaries

<u>Certificate No.</u>	<u>Operation</u>
1817/2539	Manufacture of crude palm kernel oil (expired in March 2006)
1043(2)/2548	Manufacture of crude palm oil and palm kernel seed (began utilizing the promotional privileges in January 2009)
2088(2)/2547	Manufacture of fruits and vegetables (has not yet begun utilizing the promotional privileges)
2121(2)/2547	Manufacture of fruits and vegetables in to products and fermented soybeans (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)
2245(9)/2550	Manufacture of electricity from biogases (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, 1815(2)/2549, 1043(2)/2548, 2088(2)/2547, 2121(2)/2547, 2112(5)/2547 and 1262(2)/2550, which have been exempted from corporate income tax on income from the promoted operations for a period of eight years from the date of first earning operating income, up to a maximum of 100 percent of the amount invested, excluding land and working capital).

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

Revenues, divided between promoted and non-promoted operations, of the Company for the years 2009 and 2008 were as follows:

(Unit: Baht)

	Separate financial statements					
	2009			2008		
	Promoted operations	Non-promoted operations	Total	Promoted operations	Non-promoted operations	Total
Sales						
Domestic sales	485,751,544	5,178,536,507	5,664,288,051	578,301,585	7,470,033,824	8,048,335,409
Export sales	1,035,167	187,926,949	188,962,116	32,239,316	355,199,290	387,438,606
Total sales	<u>486,786,711</u>	<u>5,366,463,456</u>	<u>5,853,250,167</u>	<u>610,540,901</u>	<u>7,825,233,114</u>	<u>8,435,774,015</u>

22. Earnings per share

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

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 processed 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 2009 and 2008 were as follows:

(Unit: Million Baht)

	Manufacture and distribution			Elimination of inter- segment revenues	Total	
	Palm oil segment	Processed fruits and vegetables segment	Total		2009	2008
Revenue from external customers	5,343	1,526	6,869	-	6,869	9,522
Intersegment revenues	755	500	1,255	(1,255)	-	-
Total revenues	<u>6,098</u>	<u>2,026</u>	<u>8,124</u>	<u>(1,255)</u>	<u>6,869</u>	<u>9,522</u>
Segment income	912	280	1,192	(4)	1,188	1,389
Unallocated income and expenses:						
Other income					63	77
Selling expenses					(422)	(505)
Administrative expenses					(123)	(139)
Management's remuneration					(133)	(131)
Finance cost					(57)	(87)
Corporate income tax					(111)	(145)
Minority interests					(47)	(105)
Net income for the year					<u>358</u>	<u>354</u>

(Unit: Million Baht)

(Unit: Million Baht)

	Manufacture and distribution			Elimination of inter- segment revenues	Total	
	Palm oil segment	Processed fruits and vegetables segment	Total		2009	2008
Property, plant and equipment - net	1,554	653	2,207	-	2,207	1,940
Non-operating assets - net	-	58	58	-	58	65
Unallocated assets	2,978	779	3,757	(1,226)	2,531	2,653
Total assets	<u>4,532</u>	<u>1,490</u>	<u>6,022</u>	<u>(1,226)</u>	<u>4,796</u>	<u>4,658</u>

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 2009, total amount of approximately of Baht 9.4 million (2008: Baht 7.7 million) had been contributed to the funds by the Company and the subsidiaries, and Baht 5.2 million had been contributed by the Company (2008: Baht 4.6 million).

25. Dividend paid

During the year 2009 and 2008, 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 2009</u>			
Final dividend on 2008 income	Annual General Meeting of the shareholders on 28 April 2009	164,000,000	0.20
Total dividend for the year 2009		<u>164,000,000</u>	<u>0.20</u>
<u>For the year 2008</u>			
Final dividend on 2007 income	Annual General Meeting of the shareholders on 28 April 2008	81,999,798	0.10
Total dividend for the year 2008		<u>81,999,798</u>	<u>0.10</u>

			(Unit: Baht)
			Dividend per share
			(equivalent to
			shares with a par
			value of Baht 1)
	<u>Approved by</u>	<u>Total dividends</u>	
<u>Subsidiary</u>			
<u>For the year 2009</u>			
Final dividend on 2008 income	Annual General Meeting of the shareholders on 28 April 2009	129,619,200	0.40
Interim dividends on income for the period from January to June 2009	Board of Directors' Meeting on 13 August 2009	64,808,600	0.20
Interim dividends on income for the period from July to September 2009	Board of Directors' Meeting on 12 November 2009	32,404,500	0.10
Total dividend for the year 2009		<u>226,832,300</u>	<u>0.70</u>
<u>For the year 2008</u>			
Final dividend on 2007 income	Annual General Meeting of the shareholders on 28 April 2008	97,214,400	0.30
Interim dividends on income for the period from January to June 2008	Board of Directors' Meeting on 6 August 2008	129,619,200	0.40
Interim dividends on income for the period from July to September 2008	Board of Directors' Meeting on 12 November 2008	64,809,600	0.20
Total dividend for the year 2008		<u>291,643,200</u>	<u>0.90</u>

26. Commitments and contingent liabilities

26.1 Capital commitments

As at 31 December 2009, the Company and its subsidiaries had capital commitments under the agreements and purchase orders for purchase of equipment including services payable in the future amounting to approximately Baht 32.4 million and Euro 0.1 million (the Company only: Baht 23.7 million and Euro 0.1 million).

26.2 Operating lease commitments

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

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

	<u>Million Baht</u>
Payable within:	
Less than 1 year	3.6
1 to 5 years	7.8

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

26.4 Guarantees

- (1) The Company has guaranteed bank credit facilities of its subsidiary amounting to Baht 60 million.
- (2) As at 31 December 2009, there were outstanding bank guarantees of approximately Baht 20.4 million issued by the banks on behalf of the Company and its subsidiaries in respect of certain performances bonds as required in the normal course of their businesses. These included letters of guarantee amounting to Baht 1.9 million to guarantee payments due to domestic creditors and Baht 18.5 million to guarantee electricity usage, among others (the Company only: guarantees for electricity usage and others of Baht 9.5 million).

26.5 Contingent liabilities

- (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.
- (2) In 2004, a subsidiary received a letter of invitation from the Agricultural Land Reform Office (ALRO) concerning the issue of land overlapping with ALRO land. On 6 October 2004, the subsidiary attended a fact-finding consultation meeting with the ALRO and handed over various relevant documents for use by ALRO in considering this issue. The end-result of this consideration is not known at this stage.
- (3) On 11 April 2008, the subsidiary met with the working committee responsible for reviewing practical methods and negotiations for distributing land belonging to holders of large plots in land reform areas to farmers, which was set up by the Suratthani Land Reform Commission. The purpose of the meeting was to find a practical solution to the land issue arising as a result of the subsidiary holding land amounting to approximately 1,210 rai in designated forest areas and another 276 rai in land reform areas. The 276 rai in land reform areas represents a large landholding and a holding in excess of the area that can be owned under Section 30 of the Land Reform for Agriculture Act. These land plots represent 6 percent of the total area utilised by the subsidiary.

On 29 August 2008, the subsidiary entered into a memorandum of negotiation, agreeing to transfer land in land reform areas to the custody of ALRO for development for agricultural use; with the Company signalling its intention to allow ALRO to take approximately 80 rai of land into the land reform program. However, on 17 September 2009, the subsidiary received notice from ALRO to vacate a total of approximately 133 rai of land in land reform areas and demolish all construction thereon, within 30 days from receipt of the notice, since the subsidiary has no land ownership documents. The cost of this land and the net book value of the palm plantation development on such land amounted to approximately Baht 0.2 million. The subsidiary has already set aside full allowance for impairment loss on the cost of these assets as at 31 December 2009.

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

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

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

27. Financial instruments

27.1 Financial risk management

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

Credit risk

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

Interest rate risk

The Company's and its subsidiaries' exposure to interest rate risk relates primarily to their cash at banks, bank overdrafts, 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 2009 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date (If this occurs before the maturity date).

	Fixed interest rate				Total	Interest rate (% p.a.)
	Within one year	More than one year but within four years	Floating interest rate	Non- interest bearing		
	(Million Baht)					
Financial assets						
Cash and cash equivalents	-	-	202	4	206	0.25 - 1.13
Short-term investments - fixed deposits at bank	6	-	-	-	6	0.50 - 1.13
Trade accounts receivable - net	-	-	-	887	887	-
	<u>6</u>	<u>-</u>	<u>202</u>	<u>891</u>	<u>1,099</u>	
Financial liabilities						
Bank overdrafts and short-term loans	-	-	1,523	-	1,523	1.90 - 3.20 and MOR + fixed annual interest rate
Trade accounts payable	-	-	-	203	203	-
Liabilities under finance lease agreements	4	6	-	-	10	3.31 - 6.20
Long-term loans	28	86	120	-	234	MLR, THBFIX + fixed annual interest rate
	<u>32</u>	<u>92</u>	<u>1,643</u>	<u>203</u>	<u>1,970</u>	

As at 31 December 2009, the related company had outstanding interest rate swap agreement as detailed below:

Contract date	Due date	Notional amount	Interest rate in the original loan agreement	Interest rate in the swap agreement
		(Million Baht)	(Percent)	(Percent)
30 December 2008	28 February 2014	114.26	THBFIX plus applicable margin	Fixed rate

Foreign currency risk

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

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

Foreign currency	Financial assets	Financial liabilities	Average exchange rate as at 31 December 2009
	(Million)	(Million)	(Baht per 1 foreign currency unit)
US dollars	2.1	0.8	33.369
Euro	0.3	-	47.793
Singapore dollars	-	2.3	23.729
Yen	-	1.3	0.362

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

Foreign currency	Sold amount	Contractual exchange rate of sold amount
	(Million)	(Baht per 1 foreign currency unit)
US dollars	1.8	33.25 - 33.46
Euro	0.5	49.54 - 50.06

27.2 Fair values of financial instruments

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

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

As at 31 December 2009, the subsidiary had unrealised gain on changes in the value of forward exchange contracts to present them at fair value totaling Baht 0.8 million, and had unrealised loss on interest rate swap agreement to present it at fair value totaling Baht 5.2 million.

28. Capital management

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

According to the balance sheet as at 31 December 2009, the Group's debt-to-equity ratio was 0.96:0:1 (2008: 1.05:1) and the Company's was 0.66:1 (2008: 0.67:1).

29. Subsequent event

On 26 February 2010, the meeting of the Board of Directors of the Company passed a resolution approving the payment of dividend from the 2009 income to the Company's shareholders at Baht 0.25 per share or a total of Baht 205.0 million.

On 25 February 2010, the meeting of the Board of Directors of a subsidiary passed a resolution approving the payment of dividend to the shareholders of Baht 0.20 per share in respect of October to December 2009 earnings or a total of Baht 64.8 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.

30. Reclassification

Certain amounts in the financial statements for the year ended 31 December 2008 have been reclassified to conform to the current year's classification but with no effect to previously reported net income or shareholders' equity. The reclassifications are as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	As reclassified	As previously reported	As reclassified	As previously reported
<u>Balance sheets</u>				
Current portion of long-term loans	102,353,000	216,613,000	-	-
Long-term loans - net of current portion	114,260,000	-	-	-
<u>Income statements</u>				
Cost of sales	8,133,440,061	8,153,166,747	7,836,173,835	7,840,573,835
Selling expenses	505,571,030	536,058,690	335,529,196	348,211,696
Administrative expenses	139,011,132	219,400,414	58,291,871	126,590,181
Management's remuneration	130,539,333	-	85,380,810	-
Other income	77,204,288	77,268,583	-	-

31. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 26 February 2010.