

Lam Soon (Thailand) Public Company Limited and
its subsidiaries
Report and consolidated financial statements
31 December 2008 and 2007

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 2008 and 2007, 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 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 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 2008 and 2007, and the results of their operations, and cash flows for the years then ended in accordance with generally accepted accounting principles.

Thipawan Nananuwat

Certified Public Accountant (Thailand) No. 3459

Ernst & Young Office Limited

Bangkok: 26 February 2009

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Balance sheets

As at 31 December 2008 and 2007

(Unit: Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|--|------|-----------------------------------|----------------------|-------------------------------|----------------------|
| | | 2008 | 2007 | 2008 | 2007 |
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | | 263,158,111 | 326,211,968 | 114,768,029 | 138,791,918 |
| Trade accounts receivable | | | | | |
| Related parties | 6, 7 | 2,939,031 | 1,826,317 | 62,458 | 91,084 |
| Unrelated parties - net | 7 | 926,351,758 | 985,817,364 | 843,217,783 | 938,700,374 |
| Total trade accounts receivable - net | | 929,290,789 | 987,643,681 | 843,280,241 | 938,791,458 |
| Short-term loans and advances to related parties - net | 6 | 183,248 | - | 586,796 | 355,861 |
| Inventories - net | 8 | 1,130,430,665 | 1,029,984,529 | 516,391,372 | 516,737,902 |
| Other current assets | | 77,404,556 | 43,541,652 | 22,196,779 | 13,169,775 |
| Total current assets | | 2,400,467,369 | 2,387,381,830 | 1,497,223,217 | 1,607,846,914 |
| Non-current assets | | | | | |
| Investments in subsidiaries - net | 9 | - | - | 1,134,062,300 | 1,133,765,725 |
| Other long-term investments - net | 10 | 509,070 | 6,607,732 | 509,070 | 857,835 |
| Property, plant and equipment - net | 11 | 1,940,218,921 | 1,633,987,127 | 488,484,327 | 429,663,630 |
| Non-operating assets | 12 | 64,857,058 | 65,608,796 | - | - |
| Intangible assets - net | 13 | 24,992,319 | 8,220,853 | 10,137,703 | 456,140 |
| Goodwill in business combination | | 224,349,166 | 221,083,790 | - | - |
| Other non-current assets | | 2,301,247 | 10,513,471 | 767,138 | 442,184 |
| Total non-current assets | | 2,257,227,781 | 1,946,021,769 | 1,633,960,538 | 1,565,185,514 |
| Total assets | | 4,657,695,150 | 4,333,403,599 | 3,131,183,755 | 3,173,032,428 |

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 2008 and 2007

(Unit: Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|--|------|-----------------------------------|----------------------|-------------------------------|----------------------|
| | | 2008 | 2007 | 2008 | 2007 |
| Liabilities and shareholders' equity | | | | | |
| Current liabilities | | | | | |
| Bank overdrafts and short-term loans | | | | | |
| from financial institutions | 14 | 1,467,000,000 | 1,574,000,061 | 736,000,000 | 1,010,000,000 |
| Trade accounts payable | | | | | |
| Related parties | 6 | - | 281,119 | 52,152,637 | 91,585,947 |
| Unrelated parties | | 352,321,328 | 317,854,606 | 281,181,639 | 220,919,330 |
| Total trade accounts payable | | 352,321,328 | 318,135,725 | 333,334,276 | 312,505,277 |
| Short-term loans and advances | | | | | |
| from related parties | 6 | 25,007,074 | - | 67,196 | 530,591 |
| Current portion of liabilities under | | | | | |
| finance lease agreements | 15 | 3,382,401 | 1,963,803 | 2,696,340 | 1,638,997 |
| Current portion of long-term loans | 16 | 102,353,000 | 56,320,000 | - | - |
| Dividend payable | | 28,977,929 | 30,030,926 | 25,653,707 | 25,570,450 |
| Other current liabilities | | | | | |
| Corporate income tax payable | | 9,809,838 | 24,223,718 | - | 9,201,465 |
| Accrued expenses | | 87,413,226 | 81,303,619 | 53,570,001 | 45,781,906 |
| Unearned income | | 21,626,066 | 24,786,678 | 21,626,066 | 24,786,678 |
| Others | | 124,737,652 | 127,658,460 | 60,706,392 | 68,383,929 |
| Total other current liabilities | | 243,586,782 | 257,972,475 | 135,902,459 | 148,153,978 |
| Total current liabilities | | 2,222,628,514 | 2,238,422,990 | 1,233,653,978 | 1,498,399,293 |
| Non-current liabilities | | | | | |
| Liabilities under finance lease agreements - net | | | | | |
| of current portion | 15 | 8,844,009 | 7,374,381 | 7,073,172 | 6,139,850 |
| Long-term loans - net of current portion | 16 | 114,260,000 | 76,613,000 | - | - |
| Provision for land rental charge | 17 | 20,468,000 | 20,468,000 | - | - |
| Reserve for employee retirement benefit plan | 18 | 19,820,221 | 11,727,419 | 19,820,221 | 11,727,419 |
| Total non-current liabilities | | 163,392,230 | 116,182,800 | 26,893,393 | 17,867,269 |
| Total liabilities | | 2,386,020,744 | 2,354,605,790 | 1,260,547,371 | 1,516,266,562 |

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 2008 and 2007

(Unit: Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|---|------|-----------------------------------|---------------|-------------------------------|---------------|
| | | 2008 | 2007 | 2008 | 2007 |
| 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 - revaluation deficit on | | | | | |
| changes in value of investments | 10 | (1,009,355) | (1,154,519) | (1,009,355) | (642,165) |
| Retained earnings | | | | | |
| Appropriated - statutory reserve | 19 | 102,430,665 | 102,428,597 | 82,000,000 | 82,000,000 |
| Unappropriated | | 755,204,741 | 482,967,125 | 722,406,374 | 508,168,666 |
| Equity attributable to the Company's | | | | | |
| shareholders | | 1,923,865,416 | 1,651,480,568 | 1,870,636,384 | 1,656,765,866 |
| Minority interest - equity attributable to minority | | | | | |
| shareholders of subsidiaries | | 347,808,990 | 327,317,241 | - | - |
| Total shareholders' equity | | | | | |
| | | 2,271,674,406 | 1,978,797,809 | 1,870,636,384 | 1,656,765,866 |
| Total liabilities and shareholders' equity | | | | | |
| | | 4,657,695,150 | 4,333,403,599 | 3,131,183,755 | 3,173,032,428 |
| | | - | - | - | - |

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 2008 and 2007

(Unit: Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|--|------|-----------------------------------|----------------------|-------------------------------|----------------------|
| | | 2008 | 2007 | 2008 | 2007 |
| Revenues | | | | | |
| Sales | | 9,522,358,898 | 6,607,503,431 | 8,435,774,015 | 5,889,714,338 |
| Dividend income from subsidiary | 9 | - | - | 204,043,599 | 113,357,555 |
| Other income | | 77,268,583 | 60,437,869 | 37,312,923 | 34,073,818 |
| Total revenues | | <u>9,599,627,481</u> | <u>6,667,941,300</u> | <u>8,677,130,537</u> | <u>6,037,145,711</u> |
| Expenses | | | | | |
| Cost of sales | | 8,153,166,747 | 5,667,418,538 | 7,840,573,835 | 5,452,501,584 |
| Selling expenses | | 536,058,690 | 423,793,332 | 348,211,696 | 271,770,440 |
| Administrative expenses | | 219,400,414 | 187,388,805 | 126,590,181 | 116,428,104 |
| Amortisation of goodwill | | - | 18,720,259 | - | - |
| Total expenses | | <u>8,908,625,851</u> | <u>6,297,320,934</u> | <u>8,315,375,712</u> | <u>5,840,700,128</u> |
| Income before finance cost and corporate income tax | | 691,001,630 | 370,620,366 | 361,754,825 | 196,445,583 |
| Finance cost | | (87,279,731) | (66,391,675) | (50,241,045) | (35,377,064) |
| Income before corporate income tax | | 603,721,899 | 304,228,691 | 311,513,780 | 161,068,519 |
| Corporate income tax | | (144,579,865) | (64,642,787) | (15,276,274) | (9,201,465) |
| Net income for the year | | <u>459,142,034</u> | <u>239,585,904</u> | <u>296,237,506</u> | <u>151,867,054</u> |
| Net income attributable to: | | | | | |
| Equity holders of the parent | | 354,239,482 | 180,841,714 | 296,237,506 | 151,867,054 |
| Minority interests of the subsidiaries | | 104,902,552 | 58,744,190 | | |
| | | <u>459,142,034</u> | <u>239,585,904</u> | | |
| Basic earnings per share | | | | | |
| Net income attributable to equity holders of the parent | 22 | 0.43 | 0.22 | 0.36 | 0.19 |
| 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 2008 and 2007

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|---|-----------------------------------|---------------------|-------------------------------|----------------------|
| | 2008 | 2007 | 2008 | 2007 |
| Cash flows from operating activities | | | | |
| Net income before income tax | 603,721,899 | 304,228,691 | 311,513,780 | 161,068,519 |
| Adjustments to reconcile net income before income tax to net cash provided by (paid from) operating activities: | | | | |
| Depreciation and amortisation | 158,937,889 | 141,248,957 | 53,522,138 | 50,298,866 |
| Amortisation of goodwill | - | 18,720,259 | - | - |
| Increase (decrease) in allowance for doubtful accounts | 10,201,719 | (4,580,269) | 7,827,924 | (130,580) |
| Increase (decrease) in allowance for diminution in inventory value | 4,680,081 | (34,924,896) | 691,269 | (590,449) |
| Increase (decrease) in write-off of deteriorated inventories | (64,296) | 37,592,014 | - | - |
| Reversal of allowance for impairment loss of assets | (1,148,613) | - | - | - |
| Provision for land rental charge | - | 1,720,000 | - | - |
| Reserve for employee retirement benefit plan | 8,092,802 | 6,695,427 | 8,092,802 | 6,695,427 |
| Dividend received from subsidiary | - | - | (204,043,599) | (113,357,555) |
| Loss (gain) on disposals and write off of property, plant and equipment | 16,126,978 | 3,333,460 | 302,941 | (1,025,370) |
| Gain on sales of other long-term investments | (117,750) | (238,400) | - | - |
| Unrealised loss (gain) on exchange | (673,813) | 126,483 | 227,062 | (105,925) |
| Interest expenses | 82,823,261 | 62,479,520 | 47,037,018 | 32,758,193 |
| Income from operating activities before changes in operating assets and liabilities | 882,580,157 | 536,401,246 | 225,171,335 | 135,611,126 |
| Decrease (increase) in operating assets | | | | |
| Trade accounts receivable - related parties | (1,118,221) | 359,914 | 28,626 | 875,266 |
| Trade accounts receivable - unrelated parties | 50,739,071 | (394,827,032) | 87,682,054 | (398,083,403) |
| Inventories | (90,692,558) | (175,769,198) | (344,739) | (3,125,861) |
| Other current assets | (23,304,451) | (9,411,242) | 2,081,277 | 803,536 |
| Other non-current assets | 8,212,224 | 3,974,993 | (324,954) | 193,854 |
| Increase (decrease) in operating liabilities | | | | |
| Trade accounts payable - related parties | (281,625) | 281,119 | (39,433,310) | (16,030,884) |
| Trade accounts payable - unrelated parties | 34,251,141 | 120,185,600 | 60,007,860 | 93,129,283 |
| Other current liabilities | (8,529,478) | 12,741,272 | (11,354,424) | (14,098,790) |
| Cash from (used in) operating activities | 851,856,260 | 93,936,672 | 323,513,725 | (200,725,873) |
| Cash paid for interest expenses | (85,342,468) | (62,905,482) | (45,102,527) | (32,181,434) |
| Cash paid for corporate income tax | (169,464,766) | (74,804,476) | (34,770,377) | (24,790,739) |
| Net cash from (used in) operating activities | 597,049,026 | (43,773,286) | 243,640,821 | (257,698,046) |

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 2008 and 2007

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|----------------------|-------------------------------|--------------------|
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Cash flows from investing activities | | | | |
| Decrease in fixed deposits with maturity of more than 3 months | - | 83,206,851 | - | - |
| Decrease in deposit at financial institution with restrictions | - | 900,000 | - | - |
| Increase in short-term loans and advances to related parties | (183,248) | - | (230,935) | (79,482) |
| Increase in investment in subsidiary | (296,575) | (20,000) | (296,575) | (20,000) |
| Increase in other long-term investments | (18,425) | - | (18,425) | - |
| Dividend received from subsidiary | - | - | 204,043,599 | 113,357,555 |
| Proceeds from sales of other long-term investments | 6,600,000 | 10,610,000 | - | - |
| Acquisitions of property, plant and equipment | (478,615,143) | (306,011,061) | (103,656,699) | (36,126,696) |
| Proceeds from disposals of property, plant and equipment | 4,738,266 | 2,705,174 | 1,683,741 | 1,303,127 |
| Increase in intangible assets | (21,323,525) | - | (10,359,825) | - |
| Net cash from (used in) investing activities | (489,098,650) | (208,609,036) | 91,164,881 | 78,434,504 |
| Cash flows from financing activities | | | | |
| Increase (decrease) in bank overdrafts and short-term loans from financial institutions | (107,000,061) | 722,425,868 | (274,000,000) | 495,000,000 |
| Increase in short-term loans and advance received from subsidiaries | 25,007,074 | - | (463,395) | 530,591 |
| Repayment of hire-purchase creditors | - | (154,523) | - | - |
| Repayment of liabilities under finance lease agreements | (3,172,290) | (129,439) | (2,449,653) | (106,166) |
| Cash receipt from long-term loans | 140,000,000 | - | - | - |
| Repayment of long-term loans | (56,320,000) | (124,232,000) | - | (69,650,000) |
| Dividend paid | (169,518,956) | (214,694,189) | (81,916,543) | (163,862,929) |
| Net cash from (used in) financing activities | (171,004,233) | 383,215,717 | (358,829,591) | 261,911,496 |
| Net increase (decrease) in cash and cash equivalents | (63,053,857) | 130,833,395 | (24,023,889) | 82,647,954 |
| Cash and cash equivalents at beginning of the year | 326,211,968 | 195,378,573 | 138,791,918 | 56,143,964 |
| Cash and cash equivalents at end of the year | 263,158,111 | 326,211,968 | 114,768,029 | 138,791,918 |
| Supplementary disclosures of cash flows information | | | | |
| Non-cash transactions | | | | |
| Acquisitions of plant and equipment that have not been paid | 15,210,695 | 10,204,536 | 5,619,239 | 65,000 |
| Acquisitions of plant and equipment under financial lease agreements | 5,930,087 | 9,467,623 | 4,440,318 | 7,885,013 |
| Transfer non-operating land for project development | - | 52,687,277 | - | - |
| Transfer equipment to inventory account | 14,369,363 | 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 2008 and 2007

| 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 2006 | | 820,000,000 | 241,970,265 | 5,269,100 | (2,630,824) | 83,160,001 | 485,394,000 |
| Income recognised directly in equity: | | | | | | | |
| Investments in available-for-sale securities | | | | | | | |
| Gain recognised in shareholders' equity | | - | - | - | 1,476,305 | - | - |
| Net income recognised directly in equity | | - | - | - | 1,476,305 | - | - |
| Net income for the year | | - | - | - | - | - | 180,841,711 |
| Total income for the year | | - | - | - | 1,476,305 | - | 180,841,711 |
| Dividend paid | 25 | - | - | - | - | - | (164,000,000) |
| Unappropriated retained earnings | | | | | | | |
| transferred to statutory reserve | 19 | - | - | - | - | 19,268,596 | (19,268,596) |
| Minority interests - equity attributable to minority shareholders of subsidiaries | | | | | | | |
| | | - | - | - | - | - | - |
| Balance as at 31 December 2007 | | <u>820,000,000</u> | <u>241,970,265</u> | <u>5,269,100</u> | <u>(1,154,519)</u> | <u>102,428,597</u> | <u>482,967,121</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 2008 and 2007

| 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 | 482,967,12 |
| 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 | | - | - | - | - | - | 354,239,48 |
| Total income for the year | | - | - | - | 145,164 | - | 354,239,48 |
| Dividend paid | 25 | - | - | - | - | - | (81,999,79 |
| Unappropriated retained earnings | | | | | | | |
| transferred to statutory reserve | 19 | - | - | - | - | 2,068 | (2,06 |
| 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>755,204,74</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 2008 and 2007

| | Note | Separate financial statements | | | | Appropriation statutory reserve |
|---|------|--|--------------------|------------------------------|---|------------------------------------|
| | | Issued and paid up share capital | Share premium | Premium on treasury stock | Revaluation deficit on changes in value of investments | |
| Balance as at 31 December 2006 | | 820,000,000 | 241,970,265 | 5,269,100 | (844,148) | 820,000,000 |
| Income recognised directly in equity: | | | | | | |
| Investments in available-for-sale securities | | | | | | |
| Gain recognised in shareholders' equity | | - | - | - | 201,983 | |
| Net income recognised directly in equity | | - | - | - | 201,983 | |
| Net income for the year | | - | - | - | - | |
| Total income for the year | | - | - | - | 201,983 | |
| Dividend paid | 25 | - | - | - | - | |
| Balance as at 31 December 2007 | | <u>820,000,000</u> | <u>241,970,265</u> | <u>5,269,100</u> | <u>(642,165)</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 changes in shareholders' equity (continued)

For the years ended 31 December 2008 and 2007

| | Note | Separate financial statements | | | | Appropriation statutory reserve |
|--|------|--|--------------------|------------------------------|---|------------------------------------|
| | | Issued and paid up share capital | Share premium | Premium on treasury stock | Revaluation deficit on changes in value of investments | |
| Balance as at 31 December 2007 | | 820,000,000 | 241,970,265 | 5,269,100 | (642,165) | 820,000,000 |
| Income (expense) recognised directly in equity: | | | | | | |
| Investments in available-for-sale securities | | | | | | |
| Gain 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 | 25 | - | - | - | - | |
| 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>820,000,000</u> |

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

Lam Soon (Thailand) Public Company Limited and its subsidiaries
Notes to consolidated financial statements
For the years ended 31 December 2008 and 2007

1. General information

1.1 Corporate information

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

1.2 Economic crisis

The financial crisis experienced by the United States of America over the past year has had a far reaching adverse effect on the global economy as evidenced by sharp falls in share prices worldwide, a tight squeeze on credit including interbank lending, failures of large financial institutions and reduced consumer confidence. The crisis has substantially affected the business and financial plans of Thailand enterprises and asset value. Despite efforts made by governments of many countries to contain the crisis, it remains uncertain as to when the global economy will return to normalcy. These financial statements have been prepared on the bases of facts currently known to the Company, and on estimates and assumptions currently considered appropriate. However, they could be adversely affected by an array of future events.

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

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 | |
|---|--|--------------------------|----------------------------|---------|---|---------|--|---------|
| | | | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| | | | 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 | 23 | 2 | 1 |
| Universal Food Public Company Limited | Manufacture and distribution of canned fruits and vegetables, juice and drinks | Thailand | 97.01 | 96.79 | 30 | 26 | 10 | 10 |

| Company's name | Nature of business | Country of incorporation | Percentage of indirect shareholding | |
|---|--|--------------------------|-------------------------------------|---------|
| | | | 2008 | 2007 |
| | | | Percent | Percent |
| <u>Subsidiary held by United Palm Oil Industry Public Company Limited</u> | | | | |
| Phansrivat 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 | 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 | 58 | 58 |

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) 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

3.1 Accounting standards which are effective for the current year

The Federation of Accounting Professions has issued Notification No. 9/2550, 38/2550 and 62/2550 mandating the use of the following new accounting standards.

| | |
|-----------------------|---|
| 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 became effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these standards and believes that TAS 49 (revised 2007) are not relevant to the business of the Group, while the other standards described above do not have any significant impact on the financial statements for the current year, 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.

3.2 Accounting standards which are not effective for the current year

The Federation of Accounting Professions has also issued Notification No. 86/2551 mandating the use of the following new accounting standards.

| | |
|-----------------------|--|
| TAS 36 (revised 2007) | Impairment of Assets |
| TAS 54 (revised 2007) | Non-current Assets Held for Sale and Discontinued Operations |

These accounting standards will become 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 they will not have any significant impact on the financial statements for the year in which they are 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, cash 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 and supplies used in the manufacture are valued at cost (Moving average method) 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 items 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.

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 |

No depreciation is provided on 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 is included in determining income.

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 | 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

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.

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

An impairment loss is recognised in the income statement.

4.15 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.

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/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 of the results of the litigation and believes that no loss will result. Therefore, no contingent liabilities 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>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> | |
| <u>Transactions with subsidiaries</u> | | | | | |
| (eliminated from the consolidated financial statements) | | | | | |
| Purchase of raw material | - | - | 1,141.0 | 562.1 | Market prices on the contract date |
| Purchase of finished goods | - | - | 502.4 | 421.4 | Market prices less fixed margin |
| Sales of goods | - | - | 1.0 | 0.9 | Market price |
| Rental income | - | - | 2.1 | 2.1 | Market price |
| Guarantee fee income | - | - | 2.3 | 2.7 | 1.5% per annum of credit facilities |
| Dividend income | - | - | 204.0 | 113.4 | At the declared rate |
| Discount received from early payment | - | - | 1.0 | - | 3.75 - 4.80% per annum of the amount collected prior to maturity |
| <u>Transactions with related companies</u> | | | | | |
| Sales of goods | 18.5 | 16.9 | 0.3 | - | Price approximates market price |
| Purchases of goods and services | 0.4 | 0.3 | 0.3 | - | Market price |
| <u>Transactions with jointly controlled entity of subsidiary</u> | | | | | |
| Disposal of building | - | 0.1 | - | - | Cost price |

The balances of accounts as at 31 December 2008 and 2007 between the Company and the related parties are detailed as follows:

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|------------------|-------------------------------|---------------|
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| <u>Trade accounts receivable - related parties</u> | | | | |
| <u>Subsidiary</u> | | | | |
| Universal Food Public Company Limited | - | - | 9,468 | 91,084 |
| Total trade accounts receivable - subsidiary | - | - | 9,468 | 91,084 |
| <u>Related companies</u> | | | | |
| Lam Soon Singapore Pte Limited | 2,334,028 | 997,181 | 52,990 | - |
| ACE Canning Corporation Sdn. Bhd. | - | 302,846 | - | - |
| Lam Soon Edible Oils Sdn. Bhd. | 605,003 | 526,290 | - | - |
| Union Fresh Company Limited | 452,280 | 452,280 | - | - |
| Total trade accounts receivable - related companies | 3,391,311 | 2,278,597 | 52,990 | - |
| Total trade accounts receivable - related parties | 3,391,311 | 2,278,597 | 62,458 | 91,084 |
| Less: Allowance for doubtful accounts | (452,280) | (452,280) | - | - |
| Trade accounts receivable - related parties - net | 2,939,031 | 1,826,317 | 62,458 | 91,084 |
| <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 | - | - | 392,840 | 345,229 |
| United Palm Oil Industry Public Company Limited | - | - | 892 | - |
| Total advances - subsidiaries | - | - | 393,732 | 345,229 |

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|---|-----------------------------------|---------------------|-------------------------------|-------------------|
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</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 | - | - | 9,816 | 10,632 |
| Total advances - related companies | <u>20,511,491</u> | <u>20,328,243</u> | <u>193,064</u> | <u>10,632</u> |
| Total advances - related parties | <u>20,511,491</u> | <u>20,328,243</u> | <u>586,796</u> | <u>355,861</u> |
| Total short-term loans and advances to | | | | |
| related parties | 66,121,892 | 65,938,644 | 586,796 | 355,861 |
| Less: Allowance for doubtful accounts | <u>(65,938,644)</u> | <u>(65,938,644)</u> | - | - |
| Short-term loans and advances to | | | | |
| related parties - net | <u>183,248</u> | <u>-</u> | <u>586,796</u> | <u>355,861</u> |
| <u>Trade accounts payable - related parties</u> | | | | |
| <u>Subsidiaries</u> | | | | |
| United Palm Oil Industry Public Company Limited | - | - | 16,864,026 | 45,649,471 |
| Universal Food Public Company Limited | - | - | 35,288,611 | 45,655,357 |
| Total trade accounts payable - subsidiaries | <u>-</u> | <u>-</u> | <u>52,152,637</u> | <u>91,304,828</u> |
| <u>Related company</u> | | | | |
| Lam Soon Singapore Pte Limited | - | 281,119 | - | 281,119 |
| Total trade accounts payable - related company | <u>-</u> | <u>281,119</u> | <u>-</u> | <u>281,119</u> |
| Total trade accounts payable - related parties | <u>-</u> | <u>281,119</u> | <u>52,152,637</u> | <u>91,585,947</u> |

(Unit. Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|-------------|-------------------------------|----------------|
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</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 | 25,000,000 | - | - | - |
| <u>Advances - related parties</u> | | | | |
| <u>Subsidiary</u> | | | | |
| Universal Food Public Company Limited | - | - | 67,196 | 530,591 |
| Total advances - subsidiary | - | - | 67,196 | 530,591 |
| <u>Related company</u> | | | | |
| Lam Soon Edible Oils Sdn. Bhd. | 7,074 | - | - | - |
| Total advances - related company | 7,074 | - | - | - |
| Total advances - related parties | 7,074 | - | 67,196 | 530,591 |
| Total short-term loans and advances from related parties | 25,007,074 | - | 67,196 | 530,591 |

Short-term loans to associated and related companies of subsidiary carry interest at a rate of 7.00% per annum and are repayable on demand. Recognition of interest on above 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 above companies. Currently, these cases are in stage of entering into receivership.

Directors' remuneration

In 2008, the Company and its subsidiaries paid remuneration to their directors totaling Baht 10.7 million (the Company only: Baht 4.2 million) (2007: Baht 10.2 million, the Company only: Baht 3.6 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 26.4 to the financial statements.

7. Trade accounts receivable

The outstanding balances of trade accounts receivable as at 31 December 2008 and 2007, classified by aging, were as follows:

| | (Unit: Baht) | | | |
|---|-----------------------------------|--------------------|-------------------------------|--------------------|
| | Consolidated financial statements | | Separate financial statements | |
| <u>Age of receivables</u> | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| <u>Related parties</u> | | | | |
| Not yet due | 2,886,041 | 1,681,624 | 9,468 | 91,084 |
| Past due | | | | |
| Less than 3 months | - | 144,693 | - | - |
| 6 - 12 months | 52,990 | - | 52,990 | - |
| Over 12 months | 452,280 | 452,280 | - | - |
| Total | 3,391,311 | 2,278,597 | 62,458 | 91,084 |
| Less: Allowance for doubtful accounts | (452,280) | (452,280) | - | - |
| Trade accounts receivable - related parties - net | 2,939,031 | 1,826,317 | 62,458 | 91,084 |
| <u>Unrelated parties</u> | | | | |
| Post dated cheques receivable | 42,873,698 | 54,876,561 | 42,873,698 | 54,876,561 |
| Cheque returned | 21,985,865 | 16,525,974 | 16,906,713 | 11,318,422 |
| Not yet due | 765,195,124 | 549,378,649 | 726,012,850 | 516,989,280 |
| Past due | | | | |
| Less than 3 months | 115,115,407 | 377,068,823 | 71,658,041 | 362,512,164 |
| 3 - 6 months | 2,062,366 | 417,357 | 70,807 | 417,357 |
| 6 - 12 months | 1,892,350 | 1,043,463 | 1,891,873 | 1,043,463 |
| Over 12 months | 20,312,510 | 20,044,833 | 3,021,919 | 2,933,321 |
| Total | 969,437,320 | 1,019,355,660 | 862,435,901 | 950,090,568 |
| Less: Allowance for doubtful accounts | (43,085,562) | (33,538,296) | (19,218,118) | (11,390,194) |
| Trade accounts receivable - unrelated parties - net | 926,351,758 | 985,817,364 | 843,217,783 | 938,700,374 |
| Total trade accounts receivable - net | 929,290,789 | 987,643,681 | 843,280,241 | 938,791,458 |

8. Inventories

(Unit: Baht)

| Consolidated financial statements | | | | | | | | |
|-----------------------------------|--------------|--------------|--|------------------|--------------------|--------------------|----------------------|----------------------|
| | Cost | | Allowance of diminution in inventory value | | | | Inventories - net | |
| | | | Reduction cost to | | Stock obsolescence | | | |
| | 2008 | 2007 | net realisable value | 2008 | | 2007 | 2008 | 2007 |
| Finished goods | 559,095,513 | 506,294,481 | (6,776,893) | (514,947) | (4,839,825) | (7,544,691) | 547,478,795 | 498,234,843 |
| Work in process | 328,261,319 | 329,422,640 | - | - | - | - | 328,261,319 | 329,422,640 |
| Raw materials | 85,424,225 | 107,891,110 | - | - | (982,811) | (1,230,722) | 84,441,414 | 106,660,388 |
| Inventory in transit | 37,699,526 | 127,358 | - | - | - | - | 37,699,526 | 127,358 |
| Supplies and spare parts | 134,770,878 | 96,453,950 | - | - | (2,221,267) | (914,650) | 132,549,611 | 95,539,300 |
| | 1,145,251,46 | 1,040,189,53 | | | | | | |
| Total | 1 | 9 | (6,776,893) | (514,947) | (8,043,903) | (9,690,063) | 1,130,430,665 | 1,029,984,529 |

(Unit: Baht)

| Separate financial statements | | | | | | | | |
|-------------------------------|--------------------|--------------------|--|------------------|--------------------|------------------|--------------------|--------------------|
| | Cost | | Allowance of diminution in inventory value | | | | Inventories - net | |
| | | | Reduction cost to | | Stock obsolescence | | | |
| | 2008 | 2007 | net realisable value | 2008 | | 2007 | 2008 | 2007 |
| Finished goods | 87,370,772 | 85,353,394 | (514,947) | (514,947) | - | - | 86,855,825 | 84,838,447 |
| Work in process | 324,187,901 | 324,172,293 | - | - | - | - | 324,187,901 | 324,172,293 |
| Raw materials | 29,994,717 | 71,949,806 | - | - | - | - | 29,994,717 | 71,949,806 |
| Inventory in transit | 37,699,526 | 127,358 | - | - | - | - | 37,699,526 | 127,358 |
| Supplies and spare parts | 38,928,358 | 36,233,684 | - | - | (1,274,955) | (583,686) | 37,653,403 | 35,649,998 |
| Total | 518,181,274 | 517,836,535 | (514,947) | (514,947) | (1,274,955) | (583,686) | 516,391,372 | 516,737,902 |

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 | |
|--|-----------------------|-------------|-------------------------|---------|----------------------|----------------------|-----------------------------------|--------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| | | | 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 | 204,043,599 | 113,357,555 |
| Universal Food Public | | | | | | | | |
| Company Limited | 350,000,000 | 350,000,000 | 97.01 | 96.79 | 406,814,331 | 406,517,756 | - | - |
| Total | | | | | 1,155,158,180 | 1,154,861,605 | 204,043,599 | 113,357,555 |
| Less: Allowance for impairment loss of investments | | | | | (21,095,880) | (21,095,880) | | |
| Total investments in subsidiaries - net | | | | | 1,134,062,300 | 1,133,765,725 | | |

As at 31 December 2008, 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 896 million.

10. Other long-term investments

| | (Unit: Baht) | | | |
|--|-----------------------------------|------------------|-------------------------------|----------------|
| | Consolidated financial statements | | Separate financial statements | |
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</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 | 16,265 | - | 16,265 | - |
| Standard Chartered Bank (Thai) | 2,160 | - | 2,160 | - |
| Bangkok Bank Fund | - | 6,482,250 | - | - |
| Total | 1,518,425 | 7,982,250 | 1,518,425 | 1,500,000 |
| Less: Unrealised loss from other long-term investments | (1,009,355) | (1,374,518) | (1,009,355) | (642,165) |
| Other long-term investments - net | 509,070 | 6,607,732 | 509,070 | 857,835 |
| <u>Unrealised loss from other long-term investments</u> | | | | |
| Portion of the Company | 1,009,355 | 642,165 | 1,009,355 | 642,165 |
| Portion of the subsidiary | - | 732,353 | - | - |
| Total | 1,009,355 | 1,374,518 | 1,009,355 | 642,165 |
| Unrealised loss attributable to minority interests | - | (219,999) | - | - |
| Unrealised loss from other long-term investments | 1,009,355 | 1,154,519 | 1,009,355 | 642,165 |

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 2007 | 241,207,631 | 76,475,756 | 434,059,462 | 641,686,376 | 1,393,640,344 | 91,656,400 |
| Additions | - | - | - | 24,350 | 16,677,629 | 4,214,100 |
| Capitalised interest | - | - | - | 1,178,131 | 2,586,151 | - |
| Disposals/write off | - | - | (18,628,149) | (303,098) | (16,252,391) | (871,920) |
| Transfer in (transfer out) | 1,350,000 | - | 35,252,724 | 136,053,791 | 328,648,662 | 328,250 |
| 31 December 2008 | 242,557,631 | 76,475,756 | 450,684,037 | 778,639,550 | 1,725,300,395 | 95,326,830 |
| Accumulated depreciation | | | | | | |
| 31 December 2007 | - | - | 256,606,424 | 378,797,796 | 920,130,085 | 79,515,900 |
| Depreciation for the year | - | - | 19,602,544 | 29,955,869 | 86,349,863 | 5,700,350 |
| Depreciation on disposals/write off | - | - | (16,813,425) | (244,761) | (13,748,396) | (870,090) |
| Transfer in (transfer out) | - | - | - | (1,078) | 1,078 | - |
| Adjustment | - | - | - | 12,340 | (21,276) | - |
| 31 December 2008 | - | - | 259,395,543 | 408,520,166 | 992,711,354 | 84,346,160 |
| Allowance for impairment | | | | | | |
| 31 December 2007 | 14,487,948 | - | - | - | 1,926,317 | 1,822,040 |
| Decrease during the year | - | - | - | - | - | (1,148,610) |
| 31 December 2008 | 14,487,948 | - | - | - | 1,926,317 | 673,430 |
| Net book value | | | | | | |
| 31 December 2007 | 226,719,683 | 76,475,756 | 177,453,038 | 262,888,580 | 471,583,942 | 10,318,450 |
| 31 December 2008 | 228,069,683 | 76,475,756 | 191,288,494 | 370,119,384 | 730,662,724 | 10,307,240 |
| Depreciation for the year | | | | | | |

2007 (Baht 121 million included in manufacturing cost, and the balance in selling and administrative expenses)

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

Separate financial statements

| | Land | Building and building improvement | Machinery, factory equipment and waste water treatment | Furniture, fixtures and office equipment | Moto |
|--|------------|---|--|---|------|
| <u>Cost</u> | | | | | |
| 31 December 2007 | 27,938,625 | 249,511,210 | 731,179,436 | 31,362,067 | 34 |
| Additions | - | 9,500 | 9,419,284 | 1,522,078 | 8 |
| Disposals/write off | - | - | (9,994,385) | (61,405) | - |
| Transfer in (transfer out) | - | - | 9,409,210 | 47,550 | - |
| 31 December 2008 | 27,938,625 | 249,520,710 | 740,013,545 | 32,870,290 | 42 |
| <u>Accumulated depreciation</u> | | | | | |
| 31 December 2007 | - | 166,194,008 | 451,936,859 | 28,466,388 | 23 |
| Depreciation for the year | - | 9,291,763 | 37,996,874 | 1,315,649 | 4 |
| Depreciation on disposals/write off | - | - | (8,007,707) | (61,401) | - |
| 31 December 2008 | - | 175,485,771 | 481,926,026 | 29,720,636 | 27 |
| <u>Allowance for impairment</u> | | | | | |
| 31 December 2007 | - | - | 1,926,317 | - | - |
| 31 December 2008 | - | - | 1,926,317 | - | - |
| <u>Net book value</u> | | | | | |
| 31 December 2007 | 27,938,625 | 83,317,202 | 277,316,260 | 2,895,679 | 11 |
| 31 December 2008 | 27,938,625 | 74,034,939 | 256,161,202 | 3,149,654 | 15 |

Depreciation for the year

2007 (Baht 41 million included in manufacturing cost, and the balance in selling and administrative expenses)

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

The total area utilised by the subsidiary amounts to approximately 23,359 rai, of which 9,751 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 2008, the subsidiary capitalised interest amounting to Baht 1 million to the cost 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 4.6%. The subsidiary capitalised interest amounting to Baht 3.3 million to the costs of plant construction and machinery installation, of which Baht 3.0 million related to borrowing costs of loans obtained specifically for certain projects and Baht 0.3 million to general loans. The weighted average rates used to determine the amount of borrowing costs eligible for capitalisation were 3.4% to 6.0%.

As at 31 December 2008 and 2007, 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 2008, the Company and its subsidiary had vehicles under finance lease agreements with net book value amounting to Baht 12.3 million (the Company only: Baht 9.8 million).

As at 31 December 2008, 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 1,117 million (2007: Baht 819 million) and for the Company amounted to approximately Baht 315 million (2007: Baht 302 million).

12. Non-operating assets

As at 31 December 2008 and 2007, the subsidiary had mortgaged non-operating land amounting to Baht 5 million to secure credit facilities granted by a financial institution.

13. Intangible assets

| | Consolidated financial statements | | | Separate financial statements |
|--|-----------------------------------|------------|------------|-------------------------------------|
| | Computer software | Licenses | Total | Computer software |
| (Unit: Baht) | | | | |
| <u>Cost</u> | | | | |
| 31 December 2007 | 35,945,352 | - | 35,945,352 | 16,717,055 |
| Additions | 10,559,325 | 10,764,200 | 21,323,525 | 10,359,825 |
| 31 December 2008 | 46,504,677 | 10,764,200 | 57,268,877 | 27,076,880 |
| <u>Accumulated amortisation</u> | | | | |
| 31 December 2007 | 27,724,499 | - | 27,724,499 | 16,260,915 |
| Amortisation for the year | 4,303,176 | 248,883 | 4,552,059 | 678,262 |
| 31 December 2008 | 32,027,675 | 248,883 | 32,276,558 | 16,939,177 |
| <u>Net book value</u> | | | | |
| 31 December 2007 | 8,220,853 | - | 8,220,853 | 456,140 |
| 31 December 2008 | 14,477,002 | 10,515,317 | 24,992,319 | 10,137,703 |
| <u>Amortisation expenses included in the income statements for the year</u> | | | | |
| 2007 | | | 4,219,098 | 368,296 |
| 2008 | | | 4,552,059 | 678,262 |

In April 2008, the jointly controlled entity of a subsidiary paid royalty for the use of a trademark in the production and distribution of oil palm seed amounting to EUR 150,000 (proportionate to the control exercised by the subsidiary) and technical assistance fees amounting to EUR 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 | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Bank overdrafts | MOR | MOR | - | 61 | - | - |
| Short-term loans from financial institutions | 3.07 - 7.25 | 3.87 - 4.90 | 1,467,000,000 | 1,574,000,000 | 736,000,000 | 1,010,000,000 |
| Total | | | 1,467,000,000 | 1,574,000,061 | 736,000,000 | 1,010,000,000 |

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 financial statements | | Separate financial statements | |
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Liabilities under finance lease agreements | 13,417,804 | 10,412,968 | 10,724,969 | 8,749,907 |
| Less: Deferred interest expenses | (1,191,394) | (1,074,784) | (955,457) | (971,060) |
| Total | 12,226,410 | 9,338,184 | 9,769,512 | 7,778,847 |
| Less: Portion due within one year | (3,382,401) | (1,963,803) | (2,696,340) | 1,638,997 |
| Liabilities under finance lease agreements - net of current portion | <u>8,844,009</u> | <u>7,374,381</u> | <u>7,073,172</u> | <u>6,139,850</u> |

The Company and its subsidiary have entered into the finance lease agreements with leasing companies for rental of motor vehicles for use in their operation, 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 2008, 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 | 4.4 | 9.0 | 13.4 |
| Deferred interest expenses | (0.6) | (0.6) | (1.2) |
| Present value of future minimum lease payments | <u>3.8</u> | <u>8.4</u> | <u>12.2</u> |

| | (Unit: Million Baht) | | |
|--|-------------------------------|-------------|------------|
| | Separate financial statements | | |
| | Less than 1 year | 1 - 5 years | Total |
| Future minimum lease payments | 3.6 | 7.2 | 10.8 |
| Deferred interest expenses | (0.5) | (0.5) | (1.0) |
| Present value of future minimum lease payments | <u>3.1</u> | <u>6.7</u> | <u>9.8</u> |

16. Long-term loans

(Unit: Baht)

| | Consolidated | | Separate | |
|--|----------------------|---------------------|----------------------|-------------|
| | financial statements | | financial statements | |
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Long-term loans | 216,613,000 | 132,933,000 | - | - |
| Less: Current portion | <u>(102,353,000)</u> | <u>(56,320,000)</u> | - | - |
| Long-term loans - net of current portion | <u>114,260,000</u> | <u>76,613,000</u> | - | - |

The loan agreements contain covenants that, among other things, require the subsidiary to maintain certain 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 35, the subsidiary classified the whole amount of the debt, including the long-term portion, as a current liability. However, the subsidiary is in position to repay in full the loan to such bank if necessary.

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 2008, the amount provided in the accounts by the Company amounted to Baht 8.4 million (2007: Baht 8.4 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>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Salary and wages and other employee benefits | 615,165,868 | 522,320,742 | 248,544,226 | 205,506,052 |
| Depreciation | 154,385,830 | 137,029,859 | 52,843,876 | 49,930,570 |
| Amortisation expenses | 4,552,059 | 4,219,098 | 678,262 | 368,296 |
| Loss on impairment of property, plant and equipment | 19,508,021 | 6,055,677 | - | - |
| Transportation expenses | 167,071,781 | 119,647,395 | 93,572,968 | 76,000,651 |
| Repair and maintenance expenses | 57,844,122 | 54,354,068 | 19,447,746 | 19,108,804 |
| Rental expenses | 12,788,701 | 7,648,526 | 2,213,120 | 1,928,297 |
| Promotion expenses | 107,103,408 | 70,004,629 | 99,338,737 | 64,026,106 |
| Raw materials and consumables used | 6,329,385,307 | 4,084,095,436 | 6,991,798,306 | 4,594,787,434 |
| Changes in inventories of finished goods and work in process | (45,034,318) | (105,517,456) | (2,032,986) | 36,409,108 |

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 |
| 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) |
| 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> |
|------------------------|---|
| 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) |
| 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) |
| 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, 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, 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, 1478(2)/2547, 1812(2)/2549, 1331(2)/2546, 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 2008 and 2007 were as follows:

(Unit: Baht)

| | Separate financial statements | | | | | |
|----------------|-------------------------------|-------------------------|----------------------|---------------------|-------------------------|----------------------|
| | 2008 | | | 2007 | | |
| | Promoted operations | Non-promoted operations | Total | Promoted operations | Non-promoted operations | Total |
| Sales | | | | | | |
| Domestic sales | 578,301,585 | 7,470,033,824 | 8,408,335,409 | 312,368,353 | 5,055,743,757 | 5,368,112,110 |
| Export sales | 32,239,316 | 355,199,290 | 387,438,606 | 52,441,908 | 469,160,320 | 521,602,228 |
| Total sales | <u>610,540,901</u> | <u>7,825,233,114</u> | <u>8,435,774,015</u> | <u>364,810,261</u> | <u>5,524,904,077</u> | <u>5,889,714,338</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 2008 and 2007 were as follows:

(Unit: Million Baht)

| | Manufacture and distribution | | | Eliminated of inter- segment revenues | Total | |
|----------------------------------|------------------------------|---|--------|--|-------|-------|
| | Palm oil segment | Canned fruits and vegetables segment | Total | | 2008 | 2007 |
| Revenue from external customers | 8,038 | 1,484 | 9,522 | - | 9,522 | 6,608 |
| Intersegment revenues | 1,140 | 503 | 1,643 | (1,643) | - | - |
| Total revenues | 9,178 | 1,987 | 11,165 | (1,643) | 9,522 | 6,608 |
| Segment income | 1,058 | 304 | 1,362 | 7 | 1,369 | 940 |
| Unallocated income and expenses. | | | | | | |
| Other income | | | | | 77 | 60 |
| Selling expenses | | | | | (536) | (424) |
| Administrative expenses | | | | | (219) | (187) |
| Amortisation of goodwill | | | | | - | (19) |
| Finance cost | | | | | (87) | (66) |
| Corporate income tax | | | | | (145) | (64) |
| Minority interests | | | | | (105) | (59) |
| Net income for the year | | | | | 354 | 181 |

(Unit: Million Baht)

| | Manufacture and distribution | | | Elimination of inter- segment revenues | Total | |
|-------------------------------------|------------------------------|---|-------|---|-------|-------|
| | Palm oil segment | Canned fruits and vegetables segment | Total | | 2008 | 2007 |
| Property, plant and equipment - net | 1,285 | 655 | 1,940 | - | 1,940 | 1,634 |
| Non-operating land | - | 65 | 65 | - | 65 | 66 |
| Unallocated assets | 2,924 | 716 | 3,640 | (987) | 2,653 | 2,633 |

| | | | | | | |
|--------------|-------|-------|-------|-------|-------|-------|
| Total assets | 4,209 | 1,436 | 5,645 | (987) | 4,658 | 4,333 |
|--------------|-------|-------|-------|-------|-------|-------|

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 2008, total amount of approximately of Baht 7.7 million (2007: Baht 7.1 million) had been contributed to the funds by the Company and the subsidiaries, and Baht 4.6 million had been contributed by the Company (2007: Baht 4.1 million).

25. Dividend paid

During the year 2008 and 2007, the Company and its subsidiary had dividend payments as follows:

| | <u>Approved by</u> | <u>Total dividends</u> | <u>Dividend per share</u> |
|----------------------------------|---|------------------------|---------------------------|
| (Unit: Baht) | | | |
| <u>The Company</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> |
| <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 dividend for the year 2007 | | <u>164,000,000</u> | <u>0.20</u> |

| | | | (Unit: Baht) |
|--|---|------------------------|---------------------------|
| | <u>Approved by</u> | <u>Total dividends</u> | <u>Dividend per share</u> |
| <u>Subsidiary</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 | 3.00 |
| Interim dividends on income for the period from January to June 2008 | Board of Directors' Meeting on 6 August 2008 | 129,619,200 | 4.00 |
| Interim dividends on income for the period from July to September 2008 | Board of Directors' Meeting on 12 November 2008 | 64,809,600 | 2.00 |
| Total dividend for the year 2008 | | 291,643,200 | 9.00 |
| <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 | Board of Directors' Meeting on 10 August 2007 | 64,809,600 | 2.00 |
| Interim dividends on income for the period from July to September 2007 | Board of Directors' Meeting on 9 November 2007 | 32,404,800 | 1.00 |
| Total dividend for the year 2007 | | 162,024,000 | 5.00 |

26. Commitments and contingent liabilities

26.1 Capital commitments

As at 31 December 2008, 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 73.1 million, SGD 3.0 million and USD 0.1 million (the Company only: Baht 44.6 million, SGD 3.0 million and USD 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 2008, 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 | 0.4 |
| 1 to 5 years | 1.4 |
| | <hr/> |
| | 1.8 |
| | <hr/> |

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 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 2008, there were outstanding bank guarantees of approximately Baht 16.4 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 0.4 million to guarantee payments due to domestic creditors and Baht 16.0 million to guarantee electricity usage, among others (the Company only: guarantees for electricity usage and others of Baht 10.8 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 agriculture use; with the subsidiary signaling its intention to allow ALRO to take approximately 80 rai of land into the land reform program for agricultural use. The cost of this land and the net book value of the palm plantation development on that land amounted to approximately Baht 0.1 million.

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

27. Financial instruments

27.1 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 2008 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 | - | - | 260 | 3 | 263 | 0.10 - 2.65 |
| Trade accounts receivable | - | - | - | 929 | 929 | - |
| | - | - | 260 | 932 | 1,192 | |
| Financial liabilities | | | | | | |
| Bank overdrafts and short-term loans | 806 | - | 661 | - | 1,467 | 3.80 -5.05 and MOR- 1.5 |
| Trade accounts payable | - | - | - | 352 | 352 | - |
| Liabilities under finance lease agreements | 3 | 9 | - | - | 12 | 5.75 - 6.40 |
| Short-term loans from related party | - | - | 25 | - | 25 | THBFIX+0.5 MLR, |
| Long-term loans | - | - | 217 | - | 217 | THBFIX+0.1 |
| | 809 | 9 | 903 | 352 | 2,073 | |

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 2008 are summarised below.

| Foreign currency | Financial assets (Million) | Financial liabilities (Million) | Average exchange rate as at 31 December 2008 (Baht per 1 foreign currency unit) |
|------------------|-------------------------------|------------------------------------|--|
| US dollars | 1.3 | 0.9 | 34.94 |
| EURO | 0.4 | 0.1 | 49.27 |

Forward exchange contracts outstanding at 31 December 2008 are summarised below.

| Foreign currency | Bought amount (Million) | Sold amount (Million) | Contractual exchange rate (Baht per 1 foreign currency unit) | |
|------------------|----------------------------|--------------------------|---|---------------|
| | | | Bought amount | Sold amount |
| US dollars | 1.3 | 4.6 | 35.19 - 35.49 | 32.43 - 35.14 |

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.

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 2008, the Group's debt-to-equity ratio was 1.1:1 (2007: 1.2:1) and the Company's was 0.7:1 (2007: 0.9:1).

29. Subsequent event

On 26 February 2009, the meeting of the Board of Directors of the Company passed a resolution approving the payment of dividend from the 2008 income to the Company's shareholders at Baht 0.2 per share or a total of Baht 164 million.

On 25 February 2009, the meeting of the Board of Directors of a subsidiary passed a resolution to propose the payment of a dividend of Baht 4 per share in respect of October to December 2008 earnings or a total of Baht 129.6 million.

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

30. Reclassification

Certain amounts in the financial statements for the year ended 31 December 2007 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 |
| Property, plant and equipment - net | 1,633,987,127 | 1,651,022,441 | 429,663,630 | 430,119,770 |
| Intangible assets - net | 8,220,853 | - | 456,140 | - |
| Non-operating assets | 65,608,796 | 56,794,335 | - | - |

31. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 26 February 2009.