

LAM SOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2004 AND 2003

Report of Independent Auditor

To The Board of Directors and Shareholders of
Lam Soon (Thailand) Public Company Limited

I have audited the accompanying consolidated balance sheets of Lam Soon (Thailand) Public Company Limited and its subsidiaries as at 31 December 2004 and 2003, and the related consolidated statements of earnings, changes in shareholders' equity, and cash flows for the years then ended and the separate financial statements of Lam Soon (Thailand) Public Company Limited for the same periods. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lam Soon (Thailand) Public Company Limited and its subsidiaries and of Lam Soon (Thailand) Public Company Limited as at 31 December 2004 and 2003 and the results of their operations and cash flows for the years then ended in accordance with generally accepted accounting principles.

Ruth Chaowanagawi
Certified Public Accountant (Thailand) No. 3247

Ernst & Young Office Limited
Bangkok : 22 February 2005

LAMSOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS

AS AT 31 DECEMBER 2004 AND 2003

(Unit: Bht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2004	2003	2004	2003
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents		195,464,385	202,493,721	56,982,578	46,605,594
Trade accounts receivable					
Related parties	4, 5	1,212,315	1,520,975	979,245	1,533,604
Other companies - net	4	587,064,455	300,331,866	454,363,133	300,201,777
Total trade accounts receivable - net		588,276,770	301,852,841	455,342,378	301,735,381
Inventories - net	6	1,220,340,116	597,298,373	758,065,439	574,188,336
Other current assets		14,348,894	5,061,300	2,627,252	1,921,911
TOTAL CURRENT ASSETS		<u>2,018,480,165</u>	<u>1,106,706,235</u>	<u>1,272,967,647</u>	<u>924,451,222</u>
NONCURRENT ASSETS					
Investments in subsidiaries accounted for under equity method	7	-	-	1,011,808,085	620,634,249
Other long-term investments - net	8	14,137,750	15,136,707	617,750	966,707
Property, plant and equipment - net	9	1,315,405,899	983,193,512	460,860,528	413,739,745
Non-operating land		109,481,612	-	-	-
Excess of acquisition cost of investments over net book value of subsidiaries		259,689,887	139,471,989	-	-
Deposit at financial institutions subject to restrictions	10	900,000	-	-	-
Other non-current assets		689,293	308,659	441,022	268,859
TOTAL NONCURRENT ASSETS		<u>1,700,304,441</u>	<u>1,138,110,867</u>	<u>1,473,722,385</u>	<u>1,085,609,560</u>
TOTAL ASSETS		<u><u>3,718,734,606</u></u>	<u><u>2,244,817,102</u></u>	<u><u>2,746,690,032</u></u>	<u><u>1,960,060,782</u></u>

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

LAMSOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS (Continued)
AS AT 31 DECEMBER 2004 AND 2003

(Unit: Bht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2004	2003	2004	2003
LIABILITIES AND SHAREHOLDERS EQUITY					
CURRENT LIABILITIES					
Bank overdrafts and short-term loans from financial institutions	11	981,247,907	170,000,000	665,000,000	170,000,000
Trade accounts payable					
Subsidiary	5	-	-	25,065,454	28,500,085
Other companies		206,857,881	148,093,200	120,534,399	139,695,216
Total trade accounts payable		206,857,881	148,093,200	145,599,853	168,195,301
Current portion of long-term loans	12	156,210,000	77,142,857	114,480,000	77,142,857
Dividend payable		30,119,879	29,956,141	25,423,786	25,376,626
Other current liabilities					
Corporate income tax payable		9,274,857	30,905,929	6,577,507	20,393,968
Accrued expenses		82,985,719	40,435,021	29,609,371	25,328,293
Unearned income		12,460,095	18,980,334	12,460,095	18,980,334
Others		37,053,004	25,549,109	29,391,987	24,530,776
Total other current liabilities		141,723,675	115,870,393	78,238,960	89,233,371
TOTAL CURRENT LIABILITIES		1,516,159,342	541,062,591	1,028,712,599	529,948,155
NONCURRENT LIABILITIES					
Long-term loans - net of current portion	12	615,600,000	192,857,143	458,050,000	192,857,143
Provision for land rental charge	13	15,308,000	-	-	-
Others		545,195	-	-	-
TOTAL NONCURRENT LIABILITIES		631,453,195	192,857,143	458,050,000	192,857,143
TOTAL LIABILITIES		2,147,642,537	733,919,734	1,486,762,599	722,805,298

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

LAMSOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS (Continued)
AS AT 31 DECEMBER 2004 AND 2003

(Unit: Bht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2004	2003	2004	2003
SHAREHOLDERS' EQUITY					
Share capital					
Registered, issued and fully paid up					
820,000,000 ordinary shares of Bht 1 each					
(2003: 82,000,000 ordinary shares of					
Bht 10 each)					
	15	820,000,000	820,000,000	820,000,000	820,000,000
Share premium		241,970,265	241,970,265	241,970,265	241,970,265
Unrealised loss from other long-term investments	8	-3,092,259	-2,312,417	-3,092,259	-2,312,417
Retained earnings					
Appropriated - statutory reserve	14	68,054,254	61,346,664	68,054,254	61,346,664
Unappropriated		260,608,073	243,863,872	260,608,073	243,863,872
Total shareholders' equity		1,387,540,333	1,364,868,384	1,387,540,333	1,364,868,384
Less: Treasury stock	16	-127,612,900	-127,612,900	-127,612,900	-127,612,900
EQUITY ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS - NET					
		1,259,927,433	1,237,255,484	1,259,927,433	1,237,255,484
MINORITY INTERESTS - EQUITY ATTRIBUTABLE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES					
		311,164,636	273,641,884	-	-
TOTAL SHAREHOLDERS' EQUITIES		<u>1,571,092,069</u>	<u>1,510,897,368</u>	<u>1,259,927,433</u>	<u>1,237,255,484</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>3,718,734,606</u>	<u>2,244,817,102</u>	<u>2,746,690,082</u>	<u>1,960,060,782</u>
		0	0	0	0

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

 DIRECTORS

LAMSOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF EARNINGS

FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

(Unit: Bht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2004	2003	2004	2003
REVENUES					
Sales		5,080,922,567	3,489,381,474	4,244,418,010	3,341,302,776
Share of profit from investments accounted for under equity method	7	-	23,472,548	81,773,265	64,507,378
Gain on disposal of fixed assets		24,350,569	869,809	22,201,930	835,282
Other income		25,821,470	14,090,821	14,770,820	11,460,593
TOTAL REVENUES		<u>5,131,094,606</u>	<u>3,527,814,652</u>	<u>4,363,164,025</u>	<u>3,418,106,029</u>
EXPENSES					
Cost of sales		4,347,198,843	2,955,547,171	3,999,531,841	2,940,102,183
Selling and administrative expenses		516,284,472	252,422,723	256,310,914	207,666,017
Directors' remuneration	17	11,803,000	7,147,250	3,653,000	3,671,250
TOTAL EXPENSES		<u>4,875,286,315</u>	<u>3,215,117,144</u>	<u>4,199,495,755</u>	<u>3,151,439,450</u>
EARNINGS BEFORE INTEREST EXPENSES					
AND INCOME TAX		255,808,291	312,697,508	163,668,270	266,666,579
INTEREST EXPENSES		<u>-33,368,835</u>	<u>-5,910,284</u>	<u>-16,580,522</u>	<u>-5,910,284</u>
CORPORATE INCOME TAX	18	<u>-31,689,728</u>	<u>-61,600,423</u>	<u>-12,935,957</u>	<u>-43,840,605</u>
EARNINGS BEFORE MINORITY INTERESTS		<u>190,779,728</u>	<u>245,186,801</u>	<u>134,151,791</u>	<u>216,915,690</u>
EARNINGS IN RESPECT OF MINORITY INTERESTS		<u>-56,627,937</u>	<u>-28,271,111</u>	<u>-</u>	<u>-</u>
NET EARNINGS FOR THE YEAR		<u><u>134,151,791</u></u>	<u><u>216,915,690</u></u>	<u><u>134,151,791</u></u>	<u><u>216,915,690</u></u>
BASIC EARNINGS PER SHARE					
Net earnings		<u>0.18</u>	<u>0.29</u>	<u>0.18</u>	<u>0.29</u>
Weighted average number of ordinary shares - net (Shares)		<u>738,000,000</u>	<u>738,000,000</u>	<u>738,000,000</u>	<u>738,000,000</u>

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

LAMSOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

(Unit: Bht)

	CONSOLIDATED		THE COMPANY ONLY	
	2004	2003	2004	2003
Cash flows from operating activities:				
Net earnings	134,151,791	216,915,690	134,151,791	216,915,690
Adjustments to reconcile net earnings to net cash provided by (paid for) operating activities:-				
Depreciation	133,141,850	82,126,202	49,358,571	49,026,697
Amortisation of excess of acquisition cost of investments over net book value of subsidiaries	15,434,490	6,219,711	-	-
Share of profit from investments accounted for under equity method	-	-23,472,548	-81,773,265	-64,507,378
Increase (decrease) in allowance for doubtful accounts	2,947,103	-19,925	-1,733,438	-19,925
Increase (decrease) in provision for stock obsolescence and diminution in value of inventories	31,808,275	6,485,536	9,721,944	-32,085
Allowance for impairment of fixed assets	7,194,201	-	1,926,317	-
Provision for land rental charge	15,308,000	-	-	-
Gain on disposal of short-term investments	-	-1,089,930	-	-1,089,930
Gain on disposal of investment in related party	-	-288,603	-	-288,603
Loss (gain) on disposal and write off of fixed assets	-24,350,569	886,232	-22,201,930	920,760
Unrealised loss (gain) on exchange	444,319	173,961	-206,047	173,961
Earnings in respect of minority interests	56,627,937	28,271,111	-	-
Earnings before changes in operating assets and liabilities	372,707,397	316,207,437	89,243,943	201,099,187
Decrease (increase) in operating assets:-				
Trade accounts receivable - related parties	86,103	58,828	554,359	-560,396
Trade accounts receivable - other companies	-147,145,175	-35,273,371	-152,450,807	-61,074,609
Inventories	-346,331,738	-156,481,713	-193,599,047	-138,227,835
Other current assets	4,665,771	759,394	-705,341	63,437
Other non-current assets	1,395,709	319,236	-172,163	201,500
Increase (decrease) in operating liabilities:-				
Trade accounts payable - related party	-	15,640,405	-3,434,631	15,640,405
Trade accounts payable - other companies	-37,025,955	-64,321,273	-18,931,881	-66,609,145
Other current liabilities	-21,264,928	518,912	-10,947,251	7,897,762
Net cash from (used in) operating activities	-172,912,876	77,427,855	-290,442,819	-41,569,694

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

LAMSOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

	CONSOLIDATED		THE COMPANY ONLY	
	2004	2003	2004	2003
Cash flows from investing activities:				
Proceeds from disposal of short-term investments	-	92,188,489	-	92,188,489
Proceeds from disposal of investment in related party	-	1,305,675	-	1,305,675
Proceeds from disposal of fixed assets	34,693,280	1,593,535	25,822,494	841,122
Increase in short-term investments	-	-10,098,560	-	-10,098,560
Increase in investments in related parties	-392,338,589	-206,947,254	-406,497,756	-374,214,693
Dividend received from subsidiary	-	3,543,617	96,671,300	57,249,894
Acquisitions of equipment	-161,098,729	-73,688,082	-102,026,235	-23,545,019
Net cash used in investing activities	-518,744,088	-192,102,560	-386,080,197	-266,273,092
Cash flows from financing activities:				
Increase in bank overdrafts and short-term loans from financial institutions	560,252,001	170,000,000	495,000,000	170,000,000
Increase in long-term loans	395,000,000	370,000,000	395,000,000	370,000,000
Cash paid for long-term loans	-110,942,611	-100,000,000	-92,500,000	-100,000,000
Increase in treasury stock	-	-24,995,570	-	-24,995,570
Dividend paid	-159,681,812	-176,266,564	-110,700,000	-148,986,600
Net cash from financing activities	684,627,578	238,737,866	686,800,000	266,017,830
Net increase (decrease) in cash and cash equivalents	-7,029,336	124,063,171	10,326,984	-31,824,956
Cash and cash equivalents at beginning of the year	202,493,721	78,430,550	46,605,594	78,430,550
Cash and cash equivalents at end of the year	195,464,385	202,493,721	56,932,578	46,605,594
Supplementary disclosures of cash flows information				
Cash paid during the year for :-				
Interest expenses	36,424,065	5,819,985	14,711,554	5,819,985
Corporate income tax	57,760,878	82,217,191	26,810,680	52,328,224

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

LAMSOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

(Unit: Bht)

		CONSOLIDATED								
				Unrealised loss		Retained earnings				
		Issued and paid up share capital	Share premium	Unrealised gain from short-term investments	from other long-term investments	Appropriated- statutory reserve	Unappropriated	Treasury stock	Minority interests	Total
Note										
	Balance as at 1 January 2003	820,000,000	241,970,265	533,781	(3,585,948)	50,478,971	186,802,475	(102,617,330)	-	1,198,582,214
	Adjustment of fair value of investments	-	-	(533,781)	1,273,531	-	-	-	-	739,750
	Increase in treasury stock during the year	-	-	-	-	-	-	(24,995,570)	-	(24,995,570)
14	Appropriation of statutory reserve	-	-	-	-	10,867,693	(10,867,693)	-	-	-
19	Dividend paid	-	-	-	-	-	(148,986,600)	-	-	(148,986,600)
	Net earnings for the year	-	-	-	-	-	216,915,690	-	-	216,915,690
	Increase in minority interests	-	-	-	-	-	-	-	273,641,884	273,641,884
	Balance as at 31 December 2003	820,000,000	241,970,265	-	(2,312,417)	61,346,664	243,863,872	(127,612,900)	273,641,884	1,510,897,368
	Adjustment of fair value of investments	-	-	-	(79,842)	-	-	-	-	(79,842)
14	Appropriation of statutory reserve	-	-	-	-	6,707,590	(6,707,590)	-	-	-
19	Dividend paid	-	-	-	-	-	(110,700,000)	-	-	(110,700,000)
	Net earnings for the year	-	-	-	-	-	134,151,791	-	-	134,151,791
	Increase in minority interests	-	-	-	-	-	-	-	37,522,752	37,522,752
	Balance as at 31 December 2004	820,000,000	241,970,265	-	(3,092,259)	68,054,254	280,608,073	(127,612,900)	311,164,636	1,571,092,069

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

LAMSOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

(Unit: Bht)

		THE COMPANY ONLY							
				Unrealised loss		Retained earnings			
		Issued and paid up		Unrealised gain from short-term investments	from other long-term investments	Appropriated- statutory reserve	Unappropriated	Treasury stock	Total
N/A	Note	share capital	Share premium						
		820,000,000	241,970,265	533,781	(3,585,948)	50,478,971	186,802,475	(102,617,330)	1,193,582,214
		-	-	(533,781)	1,273,531	-	-	-	739,750
		-	-	-	-	-	-	(24,995,570)	(24,995,570)
	14	-	-	-	-	10,867,693	(10,867,693)	-	-
	19	-	-	-	-	-	(148,986,600)	-	(148,986,600)
		-	-	-	-	-	216,915,600	-	216,915,600
		820,000,000	241,970,265	-	(2,312,417)	61,346,664	243,863,872	(127,612,900)	1,237,255,484
		-	-	-	(79,842)	-	-	-	(79,842)
	14	-	-	-	-	6,707,590	(6,707,590)	-	-
	19	-	-	-	-	-	(110,700,000)	-	(110,700,000)
		-	-	-	-	-	134,151,791	-	134,151,791
		820,000,000	241,970,265	-	(3,092,259)	68,054,254	260,608,073	(127,612,900)	1,259,927,433

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

LAMSOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Lamsoon (Thailand) Public Company Limited was incorporated as a public limited company under Thai laws. The Company operates its business in Thailand and its principle activity is the manufacture and distribution of palm oil. Its registered address is at 947/155 Moo 12, Bangna-Trad Road, Bangna, Bangkok.

2. BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of Lamsoon (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:

	Paid up capital		Equity interest owned by the Company/subsidiaries		Nature of Business
	2004 Million Baht	2003 Million Baht	2004 Percent	2003 Percent	
<u>Subsidiaries directly held by the Company</u>					
United Palm Oil Industry Public Company Limited	324	324	66.29	66.29	Oil palm plantation, crude palm oil and kernel palm oil processing
Universal Food Public Company Limited	350	-	96.79	-	Manufacture and distribution of canned fruits and vegetables, juice and drinks
<u>Subsidiary held by United Palm Oil Industry Public Company Limited</u>					
Prasivivat Company Limited	274	274	100.00	100.00	Owner of oil palm plantation
<u>Subsidiaries held by Prasivivat Company Limited</u>					
Prachak Vivat Company Limited	5	5	100.00	100.00	Holder of concessions to use forest reserve land
Pransi Company Limited	5	5	100.00	100.00	Holder of concessions to use forest reserve land
<u>Subsidiary held by Universal Food Public Company Limited</u>					
Union Frost Company Limited	60	-	58.00	-	Manufacture of frozen fruits and vegetables

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

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

In April 2004, June 2004 and October 2004, the Company acquired investment in 33,874,813 ordinary shares of Universal Food Public Company Limited at Bht 12 each, representing 96.79 percent shareholding in that company, and that company becomes a subsidiary of the Company. The consolidated balance sheet as at 31 December 2004 had therefore incorporated the consolidated balance sheet of this company and the consolidated earnings statements for the year then ended included the consolidated operating results of that company as from 1 April 2004 to 31 December 2004.

The Company had on 28 May 2003 and 18 July 2003 acquired investment in United Palm Oil Industry Public Company Limited, which led to an increase in the shareholding percentage from 24.40% to 66.29% and the change in the status of that company from associate to subsidiary. The consolidated balance sheet had therefore incorporated the consolidated balance sheet of this company since 31 December 2003 and the consolidated earnings statement included the consolidated operating results of that company as from 1 June 2003.

The net worth of investments and net cash used in acquiring investments in the above subsidiaries were as follows:-

	(Unit : Bht)	
	2004	2003
Net assets	777,246,128	358,615,050
Net liabilities	(506,400,760)	(18,769,867)
Net book value of subsidiaries	<u>270,845,368</u>	<u>339,845,183</u>
Excess of acquisition cost of investments over net book value of subsidiaries	135,652,388	34,369,510
Acquisition cost of investments	406,497,756	374,214,693
Less : Cash and cash equivalents at acquired date	(14,159,167)	(167,267,439)
Net cash used in acquiring investments in subsidiaries	<u>392,338,589</u>	<u>206,947,254</u>

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards pronounced by the Institute of Certified Accountants and Auditors of Thailand which are effective under the Accounting Act BE 2543.

Significant accounting policies adopted by the Company and the subsidiaries are summarised below:-

3.1 Sales

Sales represent the invoiced value, excluding value added tax, of goods supplied after deducting goods returned, discount and allowance.

3.2 Cash and cash equivalents

Cash and cash equivalents include cash and deposits at banks with an original maturity of 3 months or less and without commitments.

3.3 Trade accounts receivable and allowance for doubtful accounts

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is based on collection experience and current status of receivables outstanding at the balance sheet date.

3.4 Inventories

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

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

Allowance for obsolete inventories is provided for damaged, obsolete and defective inventories.

3.5 Investments

Investments in subsidiary companies in the Company's financial statements are stated under the equity method.

Short-term and long-term investments in available for sale securities are determined at fair value, which is based on the latest bid price of the Stock Exchange of Thailand on the last working day of the period as quoted. Change in the value of the available for sale securities is shown as separate item in the shareholders' equity until securities are sold, the change is then included in determining earnings.

3.6 Property, plant and equipment/depreciation and amortisation

Land is stated at cost. Plant and equipment are stated at cost less accumulated depreciation. Depreciation of plant and equipment is calculated by reference to their costs on the straight-line method over the estimated useful lives as follows :-

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

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

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

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

Depreciation and amortisation are included in determining earnings.

3.7 Non-operating land

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

3.8 Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in current operations.

3.9 Treasury stock

Treasury stock is stated at cost and 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.

3.10 Foreign currencies

Transactions in foreign currencies incurred during the year are translated into Bht at the rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies outstanding at the balance sheet date are translated into Bht at the rates ruling at the balance sheet date except for those covered by forward exchange contracts at the contracted date.

Exchange gains and losses are included in determining earnings. Discounts or premiums on forward exchange contracts (the difference between the spot exchange rate and the forward exchange rate at inception of the contracts) are deferred and amortised to earnings over the contract lives using the straight-line method.

3.11 Financial instruments

The Company has no policy to speculate in or engage in the trading of any financial derivative instruments.

Financial instruments carried in the balance sheet include cash and cash equivalent, investments, loans from banks, trade accounts receivable and trade accounts payable and financial derivative instruments. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.12 Earnings per share

Earnings per share as presented in the earnings statements is the basic earnings per share, which is determined by dividing net earnings for the year by the weighted average number of ordinary shares in issue during the year, after adjusting the number of ordinary shares as a result of the change in the par value of the shares, as discussed in Note 15, assuming that the change in the number of the shares occurred at the beginning of the year.

Basic earnings per share for the year 2003 has been recalculated for comparative purposes.

3.13 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates for certain accounting transactions, affecting amounts reported in the financial statements and notes related thereto. Subsequent actual results may differ from these estimates.

4 TRADE ACCOUNTS RECEIVABLE

The outstanding balances of trade accounts receivable as at 31 December 2004 and 2003, classified by aging were as follows :-

	Consolidated		The Company Only	
	2004	2003	2004	2003
Related parties				
- Less than 3 months	703,485	1,471,525	922,695	1,484,154
- 3-6 months	-	49,450	-	49,450
- Over 12 months	508,830	-	56,550	-
Total	<u>1,212,315</u>	<u>1,520,975</u>	<u>979,245</u>	<u>1,533,604</u>

	(Unit : Bht)			
	Consolidated		The Company Only	
	2004	2008	2004	2008
Other companies				
Post dated cheques receivable	30,394,462	19,989,654	30,394,462	19,989,654
Cheque returned	7,443,845	7,544,456	7,443,845	7,544,456
Trade accounts receivable				
- Less than 3 months	550,503,156	280,886,514	420,760,057	280,756,426
- 3-6 months	5,352,366	475,190	2,328,914	475,190
- 6-12 months	2,591,899	201,014	429,532	201,014
- Over 12 months	25,171,397	6,614,799	2,017,965	1,980,117
Total	621,457,125	315,711,627	463,374,775	310,946,857
Less : Allowance for doubtful accounts	(34,392,670)	(15,379,761)	(9,011,642)	(10,745,080)
Net	587,064,455	300,331,866	454,363,133	300,201,777
Total trade accounts receivable - net	588,276,770	301,852,841	455,342,378	301,735,381

5. RELATED PARTY TRANSACTIONS

During the years, the Company had significant business transactions with its subsidiaries and related companies (related by the way of common shareholders and/or common directors). Such transactions, which have been concluded on the terms and basis as determined by the Company and those companies and in the normal course of business, are summarised as follows :-

	For the year ended 31 December				Pricing policy
	Consolidated		The Company Only		
	2004	2008	2004	2008	
Transactions with subsidiaries					
Purchase of goods	-	-	696	2890	Forward contract prices by using market prices at the date of agreement or market prices
Rental income	-	-	09	-	Contract price
Transactions with related companies					
Sales of goods	29	16	29	16	Agreed prices

The outstanding balances of the above transactions have been separately shown in the balance sheets with the details as follows :-

	(Unit : Bht)			
	Consolidated		The Company Only	
	2004	2003	2004	2003
<u>Trade accounts receivable - related parties</u>				
<u>Subsidiaries</u>				
Universal Food Public Company Limited	-	-	214,821	-
United Palm Oil Industry Public Company Limited	-	-	4,389	12,629
<u>Related companies</u>				
Lam Soon Singapore Pte Limited	464,323	245,662	464,323	245,662
Union Fresh Company Limited	452,280	-	-	-
Lam Soon Edible Oils Sdn. Bhd	295,712	1,275,313	295,712	1,275,313
Total trade accounts receivable - related parties	<u>1,212,315</u>	<u>1,520,975</u>	<u>979,245</u>	<u>1,533,604</u>
<u>Trade account payable - subsidiary</u>				
United Palm Oil Industry Public Company Limited	-	-	25,065,454	28,500,085
Total trade account payable - subsidiary	<u>-</u>	<u>-</u>	<u>25,065,454</u>	<u>28,500,085</u>

6. INVENTORIES

	(Unit : Bht)			
	Consolidated		The Company Only	
	2004	2003	2004	2003
Finished goods	652,198,416	137,609,066	215,475,897	106,408,748
Work in process	488,527,920	415,926,842	488,296,268	425,206,252
Raw materials	61,135,169	22,990,431	39,680,552	22,990,431
Supplies and spare parts	78,656,024	28,393,945	25,438,956	20,687,195
Total	<u>1,280,517,529</u>	<u>604,920,284</u>	<u>768,891,673</u>	<u>575,292,626</u>
Less: Allowance for stock obsolescence and diminution in value of inventories	<u>(60,177,413)</u>	<u>(7,621,911)</u>	<u>(10,826,234)</u>	<u>(1,104,290)</u>
Inventories - net	<u>1,220,340,116</u>	<u>597,298,373</u>	<u>758,065,439</u>	<u>574,188,336</u>

7. INVESTMENTS IN SUBSIDIARIES ACCOUNTED FOR UNDER EQUITY METHOD

Company's name	Type of business	Paid up share capital		Equity interest		Investment				(Unit: Bht)	
						Cost method		Equity method		Dividend received	
		2004	2008	2004	2008	2004	2008	2004	2008	2004	2008
United Palm Oil Industry Public Company Limited	Oil palm plantation, crude palm oil and kernel palm oil processing	324,050,000	324,050,000	66.29	66.29	68,505,993	68,505,993	64,920,010	60,642,49	96,671,300	57,249,894
Universal Food Public Company Limited	Manufacture and distribution of canned fruits and vegetables, juice and drinks	30,000,000	-	96.9	-	406,497,756	-	396,883,075	-	-	-
Total investments in subsidiaries accounted for under equity method						<u>1,102,038,689</u>	<u>68,505,993</u>	<u>1,011,803,085</u>	<u>60,642,49</u>	<u>96,671,300</u>	<u>57,249,894</u>

As discussed in Note 2, the Company had during 2004 acquired investment in 33,874,813 ordinary shares of Universal Food Public Company Limited at Bht 12 each, representing 96.79 percent shareholding in that company, and that company becomes a subsidiary of the Company.

During 2008, the Company acquired additional investment in United Palm Oil Industry Public Company Limited, which led to an increase in the shareholding percentage from 24.40% to 66.29% and the change in the status of that company from associate to subsidiary.

During 2004, the Company recognised share of profit from investments accounted for under equity method of approximately Bht 81.8 million (2008 : Bht 64.5 million).

8. OTHER LONG-TERM INVESTMENTS

	(Unit : Baht)			
	Consolidated		The Company Only	
	2004	2003	2004	2003
Equity securities				
Open-ended Kula Pannoon Fund	1,000,000	1,000,000	1,000,000	1,000,000
TCM Equity Fund (formally known as Thai orchid Fund)	300,000	300,000	300,000	300,000
Open-ended Kiatrakin Fund	200,000	200,000	200,000	200,000
Bangkok Bank Fund	16,853,850	16,853,850	-	-
Total	18,353,850	18,353,850	1,500,000	1,500,000
Less : Unrealised loss from other long-term investments	(4,216,100)	(3,217,143)	(882,250)	(533,293)
Other long-term investments - net	14,137,750	15,136,707	617,750	966,707

	(Unit : Baht)			
	Consolidated		The Company Only	
	2004	2003	2004	2003
<u>Unrealised loss from other long-term investments</u>				
Portion of the Company	882,250	533,293	882,250	533,293
Portion of the subsidiary	3,333,850	2,683,850	-	-
Total	4,216,100	3,217,143	882,250	533,293
Unrealised loss attributable to the Company's investment and minority interests	(1,123,841)	(904,726)	2,210,009	1,779,124
Unrealised loss from other long-term investments	3,092,259	2,312,417	3,092,259	2,312,417

9. PROPERTY, PLANT AND EQUIPMENT

(Unit : Bht)

	Consolidated							Total
	Land	Cost of forest land rights & plantation development	Building & improvement	Factory and agricultural machinery and equipment and waste water treatment	Furniture & fixtures and office equipment	Vehicles	Construction in progress and machinery under installation	
	Cost							
31 December 2003	154,057,273	450,137,861	385,298,249	883,285,250	46,661,850	100,500,646	75,912,208	2,095,954,337
Property, plant and equipment - subsidiary	108,011,554	-	157,128,906	279,773,797	27,620,970	40,321,362	15,554,834	628,411,423
Purchases	11,874,950	-	1,237,987	30,970,886	4,793,667	679,479	141,800,994	191,366,963
Allowance for land revaluation	(6,111,559)	-	-	-	-	-	-	(6,111,559)
Disposals/write off	(2,820,000)	(15,369,463)	(672,489)	(6,535,281)	(1,887,426)	(16,878,140)	(1,254,542)	(45,417,341)
Transfer in/(out)	-	34,437,110	4,046,996	5,151,980	12,787,085	31,260,845	(93,494,478)	(5,810,462)
31 December 2004	265,022,218	469,205,508	547,089,649	1,192,647,632	89,976,146	155,974,192	138,528,016	2,888,393,361
Accumulated depreciation								
31 December 2003	-	263,728,136	216,925,073	507,081,975	39,614,033	70,923,660	-	1,098,272,877
Accumulated depreciation - subsidiary	-	-	73,173,884	193,556,811	22,953,838	24,525,734	-	314,210,267
Depreciation for the year	-	20,021,697	22,444,333	75,930,041	7,036,569	15,300,128	-	140,732,768
Depreciation - disposals/write off	-	(11,550,371)	(400)	(5,600,921)	(1,846,995)	(15,279,369)	-	(34,368,056)
Transfer in/(out)	-	-	2,319,721	(27,349,711)	271,297	24,758,693	-	-
31 December 2004	-	272,199,462	314,862,611	743,528,195	68,028,742	120,228,846	-	1,518,847,856
Allowance for assets impairment								
31 December 2003	14,487,948	-	-	-	-	-	-	14,487,948
Addition	2,457,457	-	-	1,926,317	5,267,884	-	-	9,651,688
31 December 2004	16,945,405	-	-	1,926,317	5,267,884	-	-	24,139,606
Net book value								
31 December 2003	139,579,325	186,409,725	168,373,176	376,204,275	7,047,817	29,666,986	75,912,208	983,193,512
31 December 2004	248,076,813	197,006,046	232,177,038	447,193,120	16,679,520	35,745,346	138,528,016	1,315,405,899
Depreciation included in the consolidated earnings statements								
Depreciation for the year 2003								82,126,202
Depreciation for the year 2004								140,732,768
Less : Depreciation before acquisition of subsidiary								7,590,918
								133,141,850

(Unit : Bht)

	The Company Only						Total
	Land	Building & building improvement	Machinery, factory equipment and waste water treatment	Furniture & fixtures and office equipment	Vehicles	Construction in progress and machinery under installation	
Cost							
31 December 2003	30,788,625	232,051,487	607,374,947	27,101,883	29,621,188	552,246	927,470,376
Purchases	-	16,000	12,205,628	1,347,578	563,084	87,883,945	102,026,235
Disposals/write off	(2,820,000)	-	(6,233,071)	(245,763)	(2,580,247)	-	(11,879,081)
Transfer in (out)	-	876,947	9,735,202	701,989	-	(11,314,088)	-
31 December 2004	<u>27,988,625</u>	<u>232,954,434</u>	<u>623,082,706</u>	<u>28,905,637</u>	<u>27,604,025</u>	<u>77,132,108</u>	<u>1,017,617,530</u>
Accumulated depreciation							
31 December 2003	-	131,285,573	340,485,302	23,332,903	18,676,853	-	513,780,631
Depreciation for the year	-	8,523,128	35,017,036	1,852,066	3,966,351	-	49,388,571
Depreciation - disposals/write off	-	-	(5,488,639)	(239,633)	(2,580,245)	-	(8,288,517)
31 December 2004	-	<u>139,788,701</u>	<u>370,063,699</u>	<u>24,945,326</u>	<u>20,062,989</u>	-	<u>554,880,685</u>
Allowance for assets impairment for 2004	-	-	1,926,317	-	-	-	1,926,317
Net book value							
31 December 2003	<u>30,788,625</u>	<u>100,825,914</u>	<u>266,889,645</u>	<u>3,768,980</u>	<u>10,944,335</u>	<u>552,246</u>	<u>413,739,745</u>
31 December 2004	<u>27,988,625</u>	<u>93,195,733</u>	<u>251,092,600</u>	<u>3,960,311</u>	<u>7,541,066</u>	<u>77,132,108</u>	<u>460,880,528</u>

Depreciation included in the earnings statements for the year

2003

49,388,571

2004

49,388,571

The total area of the subsidiary's plantations amounts to approximately 23,170 rai, of which 9,418 rai is supported by land title deeds or other land ownership documents (Nr Sor 3 Kor and Nr Sor 3).

The remaining land was acquired through the transfer of land possession and is not supported by any land rights documents.

The majority of land and buildings thereon and machinery of the subsidiaries have been mortgaged and pledged with the banks to secure credit facilities and bank guarantees granted by the banks.

As at 31 December 2004, certain equipment items of the Company and the subsidiaries have been fully depreciated but are still in use. The original cost, before deducting accumulated depreciation, of those assets amounted to approximately Bht 525 million (2003 : Bht 338 million) and for the Company amounted to approximately Bht 237 million (2003 : Bht 219 million).

10. DEPOSIT AT FINANCIAL INSTITUTIONS SUBJECT TO RESTRICTIONS

As at 31 December 2004, deposit at financial institution subject to restrictions include fixed deposit, which the subsidiary has pledged with a bank as a collateral for bank guarantees.

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

As at 31 December 2004, the Company and the subsidiaries had short-term loans from financial institutions totaling Bht 950 million (the Company Only: Bht 665 million), carrying interest at the rates of 2.2-4.8% per annum.

Overdraft facilities and short-term loans from financial institutions of the subsidiaries are secured by the mortgage and pledge of the subsidiaries' land and buildings thereon and machinery.

12. LONG-TERM LOANS

	(Unit: Bht)			
	Consolidated		The Company Only	
	2004	2003	2004	2003
Long-term loans	771,840,000	270,000,000	572,500,000	270,000,000
Less: Current portion of long-term loans	(156,210,000)	(77,142,857)	(114,450,000)	(77,142,857)
Long-term loans - net of current portion	<u>615,630,000</u>	<u>192,857,143</u>	<u>458,050,000</u>	<u>192,857,143</u>

During the year 2004, the Company entered into a long-term loan agreement with a local bank and withdrew loan of Bht 395 million (credit facilities provided under the agreement amounted to Bht 420 million) to acquire investment in a subsidiary company as discussed in Note 2. The loan is repayable every 6 months in 9 semiannual installments, after a year commencing the first date on which a disbursement of the loan is made and bears interest at the rate of THBFIX plus applicable margin.

During the year 2003, the Company entered into a long-term loan agreement with a local bank and withdrew loan of Bht 370 million (credit facilities provided under the agreement are Bht 600 million) to acquire investment in an associated company as discussed in Note 2. The loan is repayable every 6 months in 8 semiannual installments, commencing the first date on which a disbursement of the loan is made and bears interest at the rate of THBFIX plus applicable margin within the applicable period.

agreed with the bank. As at 31 December 2004, there was the outstanding loan of Baht 177.5 million (2003: Baht 270 million).

The subsidiaries entered into long-term loan agreements with a local bank and branches of foreign banks and withdrew loans of totaling Baht 235 million (credit facilities provided under the agreements are Baht 235 million). The loans bear interest at the rate of 5.25–5.75 percent per annum. As at 31 December 2004, there were the outstanding loans of Baht 199.34 million. Long-term loans of the subsidiaries are secured by the mortgage and pledge of land and buildings thereon, and machinery of the subsidiaries.

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

13. PROVISION FOR LAND RENTAL CHARGE

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

14. STATUTORY RESERVE

According to the Public Limited Companies Act BE 2535, the Company is required to set aside a statutory reserve at least 5% of its net profit after deducting accumulated deficit brought forward (if any) until the reserve reaches 10% of the registered share capital. The statutory reserve could not be used for dividend payment.

During the year 2004, the Company set aside a statutory reserve of approximately Baht 6.7 million (2003: Baht 10.9 million).

15. SHARE CAPITAL

On 16 April 2004, the annual general meeting of the Company's shareholders passed a resolution to approve the amendment of the par value of the Company's shares from Baht 10 per share to Baht 1 per share, resulting in the increase in the number of registered, issued and paid up capital of the Company of Baht 820 million, from 82 million shares to 820 million shares.

The Company registered with the Ministry of Commerce for the change of its number and par value of ordinary shares on 29 April 2004, and had reflected the change in the number of ordinary shares as a result of the change in the par value in calculating earnings per share for the year ended 31 December 2004. The earnings per share for the year ended 31 December 2003 was also restated.

16. TREASURY STOCK

	(Unit : Baht)			
	Consolidated		The Company Only	
	2004	2003	2004	2003
Number of shares (shares)	82,000,000	8,200,000	82,000,000	8,200,000
Average price per share (Baht)	1.56	15.56	1.56	15.56

By the resolution of the Company's board of directors meeting held on 12 November 2002, the Company was approved to repurchase its shares in order to manage its excess cash under the share repurchase scheme, with an investment amount not exceeding Baht 150 million or in term of shares repurchased not exceeding 8.2 million shares, equivalent to 10% of the total issued and paid-up shares of the Company. The period for the resale of share is from 1 December 2003 to 30 November 2006 (after 6 months from the completion date of share repurchase and not later than 3 years from this time). In the event that the Company does not or is unable to dispose all the repurchased shares with the determined period starting from the share repurchase date, and when the due date has passed, the Company shall reduce its paid-up capital by writing-off the remaining unsold repurchased shares.

On 16 April 2004, the annual general meeting of the Company's shareholders passed a resolution to approve the amendment of the par value of the Company's shares from Baht 10 per share to Baht 1 per share, resulting in the increase in the number of treasury stock of the Company from 8.2 million shares to 82 million shares and the average price is changed from Baht 15.56 each to Baht 1.56 each. The Company had reflected the change in the number of ordinary shares as a result of the change in the par value in calculating earnings per share for the year ended 31 December 2004. The earnings per share for the year ended 31 December 2003 was also restated.

At the request of the Securities and Exchange Commission of Thailand, the Judicial Council deliberated the issue of treasury share schemes under Section 66/1(2) of the Public Limited Companies Act BE 2535, and concluded that the cost of treasury shares as acquired by a public limited company should not exceed its retained earnings. The Council also suggested that the relevant authorities should require public limited companies to set aside from the retained earnings a separate reserve account in an amount equal to the cost of the treasury shares. The reserve shall remain outstanding until either the shares are sold or paid-up capital is reduced by the cancellation of any remaining unsold shares. To date the authorities have yet to officially impose such requirement.

17. DIRECTORS' REMUNERATION

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

18. CORPORATE INCOME TAX

Corporate income tax of the Company and its subsidiaries for the year has been calculated from the earnings of the operations which are not entitled to corporate income tax exemption privileges from the Board of Investment, after deducting shares of profit from investments accounted for under the equity method and adding back expenses which are disallowable for tax computation purposes.

19. DIVIDEND PAID

During the year 2004 and 2003, the Company and its subsidiary had dividend payments as follows :-

	Approved by	Total dividends	Dividend per share (Unit : Bht)
<u>The Company</u>			
Final dividends on 2002 earnings	Annual General Meeting of the shareholders on 3 April 2003	75,186,600	1.00
Interim dividends in respect of the earnings for the period from 1 January 2003 to 30 June 2003	Board of Directors' meeting on 7 August 2003	73,800,000	1.00
Total for the year 2003		<u>148,986,600</u>	<u>2.00</u>
Final dividends on 2003 earnings	Annual General Meeting of the shareholders on 16 April 2004	73,800,000	1.00
Interim dividends in respect of the earnings for the period from 1 January 2004 to 30 June 2004	Board of Directors' meeting on 13 August 2004	36,900,000	0.50
Total for the year 2004		<u>110,700,000</u>	<u>1.50</u>
<u>Subsidiary</u>			
Final dividends on 2002 earnings	Annual General Meeting of the shareholders on 28 April 2003	14,581,935	0.45
Interim dividends in respect of the earnings for the period from 1 January 2003 to 30 June 2003	Board of Directors' meeting on 7 August 2003	81,010,750	2.50
Total for the year 2003		<u>95,592,685</u>	<u>2.95</u>
Final dividends on 2003 earnings	Annual General Meeting of the shareholders on 16 April 2004	81,008,250	2.50
Interim dividends in respect of the earnings for the period from 1 January 2004 to 30 June 2004	Board of Directors' meeting on 11 August 2004	64,808,600	2.00
Total for the year 2004		<u>145,816,850</u>	<u>4.50</u>

20. PROVIDENT FUND

The Company, its subsidiaries, and their employees have jointly established provident funds as approved by the Ministry of Finance in accordance with the Provident Fund Act (BE 2530). The funds are contributed by both employees and the Company and the subsidiaries. The Company's fund is managed by Thai Farmers Assets Management Co., Ltd. and the subsidiaries' funds are managed by Kasikorn Bank Public Company Limited and Siam Commercial Bank Public Company Limited and will be paid to an employee upon termination in accordance with the rules of the Company's and the subsidiaries' staff provident funds.

During the year 2004, total contributions of approximately of Baht 6.1 million (2003 : Baht 4.9 million) had been contributed to the funds by the Company and the subsidiaries, and Baht 3.2 million had been contributed by the Company (2003 : Baht 2.9 million).

21. NUMBER OF EMPLOYEES AND RELATED COSTS

	(Unit : Baht)			
	Consolidated		The Company Only	
	2004	2003	2004	2003
Number of employees at the end of year (persons)	2,525	1,396	478	470
Employee costs for the year (Thousand Baht)	400,543	286,790	168,337	161,928

22. PROMOTIONAL PRIVILEGES

The Company and a subsidiary have been granted promotional privileges under the Investment Promotion Act BE 2520 as approved by the Board of Investment in respect of manufacturing of kernel palm oil, palm oil and coconut oil. Subject to certain conditions, the privileges include exemption from corporate income tax on profits from the promoted activities for a period of eight years, commencing from the date of first earning operating income. Profits derived thereafter from the promoted activities will be subject to income tax at a reduced rate of fifty percent of the normal tax rate for a further period of five years.

The subsidiary's income tax exemption privileges provided under the promotion certificate No. 1044/2537 expired on 19 August 2002, and as provided under the certificate, the profit derived from the promoted activities will be subject to income tax at half of the normal rate until the year 2007.

During the year 2003, such subsidiary was granted various additional tax privileges under the Investment Promotion Act BE 2520, as authorized by the Board of Investment under investment promotion certificate No. 1331(2)/2546 dated 4 July 2003, for manufacture of crude palm oil and palm kernels with the new machinery, up to a capacity of 30 tons of fresh fruit bunches per hour. Subject to certain conditions, the privileges include exemption from corporate income tax on profits from the promoted activities 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.

Revenues, divided between promoted and non-promoted activities, of the Company and its subsidiaries for the years 2004 and 2003 were as follows :-

(Unit : Thousand Baht)

	Consolidated					
	2004			2003		
	Promoted	Non-promoted	Total	Promoted	Non-promoted	Total
Sales						
Domestic sales	136,566	3,863,409	3,999,975	212,382	3,060,622	3,273,004
Export sales	-	1,080,948	1,080,948	24,679	191,668	216,377
Total	<u>136,566</u>	<u>4,944,357</u>	<u>5,080,923</u>	<u>237,061</u>	<u>3,252,320</u>	<u>3,489,381</u>

(Unit : Thousand Baht)

	The Company Only					
	2004			2003		
	Promoted	Non-promoted	Total	Promoted	Non-promoted	Total
Sales						
Domestic sales	106,977	3,578,107	3,685,084	126,636	2,998,290	3,124,926
Export sales	-	559,334	559,334	24,679	191,668	216,377
Total	<u>106,977</u>	<u>4,137,441</u>	<u>4,244,418</u>	<u>151,315</u>	<u>3,189,988</u>	<u>3,341,303</u>

23. BANK GUARANTEES

As at 31 December 2004, there were outstanding bank guarantees of approximately Baht 110.0 million (The Company Only: Baht 103.3 million) issued by the banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the normal course of their business.

24. COMMITMENTS

As at 31 December 2004, the Company and its subsidiaries had the significant outstanding commitments as follows :-

- 24.1 Capital expenditure from agreements and issuing purchase orders for equipment including services payable in the future amounting to approximately Baht 5.0 million and Euro 0.05 million (The Company Only: Baht 5.0 million and Euro 0.05 million).
- 24.2 Commitments in respect of lease and service agreements payable in the future of approximately Baht 3.3 million and Euro 0.02 million (The Company Only: Baht 3.3 million and Euro 0.02 million).

25. CONTINGENT LIABILITIES

In 2004, a subsidiary company has 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 Company 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 time.

26. FINANCIAL INFORMATION BY SEGMENT

The operations of the Company and its subsidiaries are the manufacture and distribution of palm oil and 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 as at 31 December 2004 and 2003 and for the years then ended were as follows :-

(Unit : Million Bdt)

Consolidated for the year ended 31 December

	Manufacture and distribution		Total	Eliminated	Total	
	Palm oil	Canned fruits			2004	2003
		and vegetables				
Sales - third parties	4,288	793	5,081	-	5,081	3,489
Sales - related parties	660	-	660	(660)	-	-
Total sales	4,948	793	5,741	(660)	5,081	3,489
Gross profit					734	534
Share of profit from investments accounted for under equity method					-	24
Gain on disposal of fixed assets					24	-
Other income					26	14
Selling and administrative expenses					(516)	(252)
Directors' remuneration					(12)	(7)
Earnings before interest expenses and income tax					256	313
Interest expenses					(33)	(6)
Corporate income tax					(32)	(62)
Earnings before minority interests					191	245
Earnings in respect of minority interests					(57)	(28)
Net earnings for the year					134	217

(Unit : Million Bdt)

Consolidated as at 31 December

	Manufacture and distribution		Total	Eliminated	Total	
	Palm oil	Canned fruits			2004	2003
		and vegetables				
Property, plant and equipment - net	999	426	1,425	-	1,425	983
Other assets	2,596	517	3,113	(819)	2,294	1,262
Total assets	3,595	943	4,538	(819)	3,719	2,245

27. FINANCIAL INSTRUMENTS

Financial risk management and policies

The Company and its subsidiaries are exposed to risks from changes in market interest rates and in currency exchange rates and from nonperformance of contractual obligations by the counterparties. The Company and its subsidiaries use derivative instruments, as and when they consider appropriate, to manage such risks. However, the Company and its subsidiaries do not hold or issue derivative financial instruments for speculative or trading purposes.

Interest rate risk

The interest rate risk is the risk that future movements in market interest rates will affect the results of the Company's and its subsidiaries' operations and their cash flows. The Company's and its subsidiaries' exposure to the interest rate risk relates primarily to deposits at banks and loans from banks. Since most of these financial assets and liabilities carry interest at the rates following the market interest rates, the management believes that the future movements in market interest rates will not significantly affect the results of the operations. As at 31 December 2004, the Company and its subsidiaries had deposits with financial institutions totaling approximately Bht 76 million (the Company Only: Bht 45 million), bearing interest at rate of 0.25% per annum. The Company obtained short-term and long-term loans from banks as discussed in Notes 11 and 12 respectively.

Foreign currency risk

The Company's and its subsidiaries' exposure to foreign currency risk relates primarily to receivables and payables which are denominated in foreign currencies. The Company primarily utilises forward exchange contracts with maturity of less than one year to hedge such risk.

Below is the outstanding forward exchange contract of the Company as at 31 December 2004.

Foreign currency	Amount bought	Forward rate for amount bought (Bht per foreign currency unit)
US dollars	200,000	40.98

Below is the summary of Company's and its subsidiaries' foreign currency-denominated assets and liabilities as at 31 December 2004, which were unhedged

Foreign currency	Consolidated		The Company Only		Average exchange rate at 31 December 2004 (Bht per foreign currency unit)
	Assets	Liabilities	Assets	Liabilities	
US dollars	1,237,365	19,186	20,484	-	39.1086
Euro	9,101	50,400	-	50,400	53.2076

Credit risk

The Company and its subsidiaries are exposed to credit risk with respect to trade accounts receivable in the normal course of business. Since the majority of sales are supplied to credit worthy customers, the Company and its subsidiaries do not anticipate any losses from their debt collection.

Fair value

Since the majority of the financial assets and liabilities are short-term and that the loans carry interest at rates close to current market rates, the management believes that the fair value of the Company's and its subsidiaries' financial assets and liabilities does not materially differ from their carrying value.

28. PRESENTATION

The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 14 September 2001 as empowered under the Accounting Act BE 2543.

29. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the Company's directors.