

LAM SOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2005 AND 2004

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 2005 and 2004, 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 2005 and 2004 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 : 27 February 2006

LAMSOON(THAILAND)PUBLICCOMPANYLIMITED,ANDITSSUBSIDIARIES

BALANCE SHEETS

AS AT 31 DECEMBER 2005 AND 2004

(Unit : Bht)

	Nte	CONSOLIDATED		THE COMPANY ONLY	
		2005	2004	2005	2004
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents		268,544,672	194,216,588	27,407,515	56,932,578
Trade accounts receivable					
Related companies	4, 5	1,776,555	3,195,755	260,851	760,084
Other companies	4	550,802,871	586,328,812	404,848,738	454,363,133
Total trade accounts receivable - net		552,579,426	589,524,567	405,109,589	455,123,167
Short-term loans and advances to related parties - net	5	16,641	-	3,276,322	219,211
Inventories - net	6	820,969,953	1,220,340,116	434,034,168	758,065,439
Other current assets		27,623,582	14,348,894	14,947,968	2,627,252
TOTAL CURRENT ASSETS		1,669,734,274	2,018,430,165	884,775,562	1,272,967,647
NON-CURRENT ASSETS					
Investments in subsidiaries accounted for under equity method	7	-	-	1,009,768,047	1,011,803,085
Other long-term investments - net	8	14,351,440	14,137,750	701,443	617,750
Property, plant and equipment - net	9	1,296,653,664	1,315,405,899	442,543,051	460,860,528
Non-operating land		109,481,612	109,481,612	-	-
Excess of acquisition cost of investments over net book value of subsidiaries		242,254,115	259,689,887	-	-
Deposit at financial institution subject to restrictions	10	900,000	900,000	-	-
Other non-current assets		1,302,382	689,293	417,022	441,022
TOTAL NON-CURRENT ASSETS		1,664,943,213	1,700,304,441	1,453,429,563	1,473,722,385
TOTAL ASSETS		3,334,677,487	3,718,734,606	2,338,205,125	2,746,690,032

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

LAMSOON(THAILAND)PUBLICCOMPANYLIMITEDANDITSSUBSIDIARIES

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2005 AND 2004

(Unit : Bht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2005	2004	2005	2004
LIABILITIES AND SHAREHOLDERS EQUITY					
CURRENT LIABILITIES					
Bank overdrafts and short-term loans					
from financial institutions	11	802,927,652	981,247,907	470,000,000	665,000,000
Trade accounts payable					
Related parties	5	2,704,705	-	2,182,844	25,065,454
Other companies		170,412,241	206,857,881	99,060,734	120,534,399
Total trade accounts payable		173,116,946	206,857,881	101,243,578	145,599,853
Current portion of long-term loans	12	212,884,444	156,210,000	171,900,000	114,450,000
Dividend payable		30,424,073	30,119,879	25,404,034	25,423,786
Other current liabilities					
Corporate income tax payable		15,241,341	9,274,857	8,020,062	6,577,507
Accrued expenses		60,503,909	82,935,719	27,108,752	29,609,371
Unearned income		27,043,358	12,460,095	26,652,686	12,460,095
Others		65,527,036	37,053,004	33,400,493	29,591,987
Total other current liabilities		168,315,644	141,723,675	95,181,993	78,238,960
TOTAL CURRENT LIABILITIES		1,387,668,759	1,516,159,342	863,729,605	1,028,712,599
NON-CURRENT LIABILITIES					
Long-term loans - net of current portion	12	201,545,556	615,630,000	69,650,000	458,050,000
Provision for land rental charge	13	17,028,000	15,308,000	-	-
Others		154,523	545,195	-	-
TOTAL NON-CURRENT LIABILITIES		218,728,079	631,483,195	69,650,000	458,050,000
TOTAL LIABILITIES		1,606,396,838	2,147,642,537	933,379,605	1,486,762,599

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

LAMSONN(THAILAND)PUBLICCOMPANYLIMITEDANDITSSUBSIDIARIES

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2005 AND 2004

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2005	2004	2005	2004
SHAREHOLDERS EQUITY					
Share capital					
Registered, issued and fully paid up					
820,000,000 ordinary shares of Baht 1 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
Premium on treasury stock	16	8,304,881	-	8,304,881	-
Unrealised loss from other long-term investments	8	(2,922,391)	(3,092,259)	(2,922,391)	(3,092,259)
Retained earnings					
Appropriated - statutory reserve	14	70,748,216	68,054,254	70,748,216	68,054,254
- treasury stock reserve		26,618,806	-	26,618,806	-
Unappropriated		266,724,549	260,608,073	266,724,549	260,608,073
Total shareholders' equity		1,431,444,326	1,387,540,333	1,431,444,326	1,387,540,333
Less: Treasury stock	16	(26,618,806)	(127,612,900)	(26,618,806)	(127,612,900)
EQUITY ATTRIBUTABLE TO THE COMPANY'S					
SHAREHOLDERS - NET					
		1,404,825,520	1,259,927,433	1,404,825,520	1,259,927,433
MINORITY INTERESTS - EQUITY ATTRIBUTABLE TO					
MINORITY SHAREHOLDERS OF SUBSIDIARIES					
		323,455,129	311,164,636	-	-
TOTAL SHAREHOLDERS EQUITIES		<u>1,728,280,649</u>	<u>1,571,092,069</u>	<u>1,404,825,520</u>	<u>1,259,927,433</u>
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		<u>3,334,677,487</u>	<u>3,718,734,606</u>	<u>2,338,205,125</u>	<u>2,746,690,032</u>
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The accompanying notes are an integral part of the financial statements.

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DIRECTORS

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LAMSONN(THAILAND)PUBLICCOMPANYLIMITED,ANDITSSUBSIDIARIES

STATEMENTSOFEARNINGS

FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2005	2004	2005	2004
REVENUES					
Sales		5,114,261,651	5,080,922,567	4,048,681,206	4,244,418,010
Share of profit from investments accounted for under equity method	7	-	-	19,361,298	81,773,265
Gain on disposal of fixed assets		3,276,942	24,350,569	1,794	22,201,930
Other income		28,191,329	25,821,470	12,934,183	14,770,820
TOTAL REVENUES		5,145,729,922	5,131,094,606	4,080,978,481	4,363,164,025
EXPENSES					
Cost of sales		4,467,519,603	4,347,198,843	3,749,345,373	3,939,531,841
Selling and administrative expenses		509,151,120	516,284,472	237,895,135	256,310,914
Directors' remuneration	17	11,978,000	11,803,000	3,838,000	3,653,000
TOTAL EXPENSES		4,988,648,723	4,875,286,315	3,991,078,508	4,199,495,755
EARNINGS BEFORE INTEREST EXPENSES					
AND INCOME TAX		157,081,199	255,808,291	89,899,973	163,668,270
INTEREST EXPENSES		(52,998,059)	(33,368,835)	(28,000,667)	(16,580,522)
CORPORATE INCOME TAX	18	(27,036,433)	(31,659,728)	(8,020,062)	(12,935,957)
EARNINGS BEFORE MINORITY INTERESTS		77,046,707	190,779,728	53,879,244	134,151,791
EARNINGS IN RESPECT OF MINORITY INTERESTS		(23,167,463)	(56,627,937)	-	-
NET EARNINGS FOR THE YEAR		53,879,244	134,151,791	53,879,244	134,151,791
BASIC EARNINGS PER SHARE					
Net earnings		0.07	0.18	0.07	0.18
Weighted average number of ordinary shares - net (Shares)		757,585,556	738,000,000	757,585,556	738,000,000

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

LAMSOON(THAILAND)PUBLICCOMPANYLIMITED,ANDITISSUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
Cash flows from operating activities :				
Net earnings	53,879,244	134,151,791	53,879,244	134,151,791
Adjustments to reconcile net earnings to net cash provided by (paid from) operating activities :-				
Depreciation	140,530,359	133,141,850	48,110,295	49,358,571
Amortisation of excess of acquisition cost of investments over net book value of subsidiaries	17,435,772	15,434,490	-	-
Share of profit from investments accounted for under equity method	-	-	(19,361,298)	(81,773,265)
Increase (decrease) in allowance for doubtful accounts	5,155,812	2,947,103	359,612	(1,733,438)
Increase (decrease) in provision for stock obsolescence and diminution in value of inventories	11,477,409	31,808,275	(9,215,781)	9,721,944
Allowance for impairment loss of fixed assets	-	7,194,201	-	1,926,317
Provision for land rental charge	1,720,000	15,308,000	-	-
Loss (gain) on disposal and write off of fixed assets	1,766,216	(24,350,569)	(1,793)	(22,201,930)
Unrealised loss (gain) on exchange	(248,935)	444,319	(110,410)	(206,047)
Earnings in respect of minority interests	23,167,463	56,627,937	-	-
Earnings before changes in operating assets and liabilities	254,883,340	372,707,397	73,659,869	89,243,943
Decrease (increase) in operating assets :-				
Trade accounts receivable - related parties	1,419,200	2,521,823	499,183	554,359
Trade accounts receivable - other companies	32,999,209	(150,828,692)	49,147,841	(152,450,807)
Inventories	387,892,754	(346,331,798)	333,247,052	(193,599,047)
Other current assets	(14,918,511)	4,665,771	(12,320,716)	(705,341)
Other non-current assets	(613,089)	1,395,709	24,000	(172,163)
Increase (decrease) in operating liabilities :-				
Trade accounts payable - related parties	2,704,705	-	(22,882,610)	(3,434,631)
Trade accounts payable - other companies	(36,359,934)	(37,025,955)	(21,356,313)	(18,931,881)
Other current liabilities	26,591,969	(21,264,928)	16,943,033	(10,947,251)
Net cash from (used in) operating activities	654,599,643	(174,160,673)	416,961,339	(290,442,819)

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 2005 AND 2004

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
Cash flows from investing activities :				
Increase in short-term loans and advances to related parties	(838,671)	-	(3,057,111)	-
Proceeds from disposal of fixed assets	11,760,097	34,693,280	3,363,727	25,822,494
Increase in investments in related parties	-	(392,338,589)	-	(406,497,756)
Dividend received from subsidiary	-	-	21,482,511	96,671,300
Acquisitions of equipment	(135,304,437)	(161,098,729)	(33,154,752)	(102,026,235)
Net cash used in investing activities	<u>(124,383,011)</u>	<u>(518,744,038)</u>	<u>(11,365,625)</u>	<u>(386,030,197)</u>
Cash flows from financing activities :				
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	(178,320,255)	560,252,001	(195,000,000)	495,000,000
Repayment of hire purchase credits	(390,672)	(908,255)	-	-
Increase in long-term loans	-	395,000,000	-	395,000,000
Cash paid for long-term loans	(357,410,000)	(110,034,356)	(330,950,000)	(92,500,000)
Proceeds from disposal of treasury stock	109,298,975	-	109,298,975	-
Dividend paid	(29,066,596)	(159,681,812)	(18,469,752)	(110,700,000)
Net cash from (used in) financing activities	<u>(455,888,548)</u>	<u>684,627,578</u>	<u>(435,120,777)</u>	<u>686,800,000</u>
Net increase (decrease) in cash and cash equivalents	74,328,084	(8,277,133)	(29,525,063)	10,326,984
Cash and cash equivalents at beginning of the year	194,216,588	202,493,721	56,932,578	46,605,594
Cash and cash equivalents at end of the year	<u>268,544,672</u>	<u>194,216,588</u>	<u>27,407,515</u>	<u>56,932,578</u>
Supplementary disclosures of cash flows information				
Cash paid during the year for :-				
Interest expenses	54,233,661	36,424,065	29,160,431	14,711,554
Corporate income tax	24,707,629	57,760,878	6,268,713	26,810,680

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 2005 AND 2004

		CONSOLIDATED							
		Issued and paid up share capital	Share premium	Premium on treasury stock	Unrealised loss from other long-term investments	Retained earnings			Treas.
						statutory reserve	treasury stock reserve	Unappropriated	
Note									
	Balance as at 1 January 2004	820,000,000	241,970,265	-	(231,241)	61,346,664	-	243,863,872	(127,000,000)
	Adjustment of fair value of investments	-	-	-	(79,842)	-	-	-	-
	Appropriation of statutory reserve	14	-	-	-	6,707,590	-	(6,707,590)	-
	Dividend paid	19	-	-	-	-	-	(110,700,000)	-
	Net earnings for the year	-	-	-	-	-	-	134,151,791	-
	Increase in minority interests	-	-	-	-	-	-	-	-
	Balance as at 31 December 2004	820,000,000	241,970,265	-	(3,092,259)	68,054,254	-	260,608,073	(127,000,000)
	Adjustment of fair value of investments	-	-	-	169,868	-	-	-	-
	Appropriation of statutory reserve	14	-	-	-	2,683,962	-	(2,683,962)	-
	Appropriation of treasury stock reserve	16	-	-	-	-	127,612,900	(127,612,900)	-
	Dividend paid	19	-	-	-	-	-	(18,450,000)	-
	Disposal of treasury stock	16	-	8,304,881	-	-	(100,994,094)	100,994,094	100,994,094
	Net earnings for the year	-	-	-	-	-	-	53,879,244	-
	Increase in minority interests	-	-	-	-	-	-	-	-
	Balance as at 31 December 2005	820,000,000	241,970,265	8,304,881	(2,922,391)	70,748,216	26,618,806	266,724,549	(26,000,000)

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 (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

		THE COMPANY ONLY						
		Issued and paid up share capital	Share premium	Premium on treasury stock	Unrealised loss from other long-term investments	Retained earnings		Unapp.
						statutory reserve	treasury stock reserve	
	Note							
Balance as at 1 January 2004		820,000,000	241,970,265	-	(2,312,417)	61,346,664	-	243,694,512
Adjustment of fair value of investments		-	-	-	(779,842)	-	-	(779,842)
Appropriation of statutory reserve	14	-	-	-	-	6,707,590	-	(6,707,590)
Dividend paid	19	-	-	-	-	-	-	(10,000,000)
Net earnings for the year		-	-	-	-	-	-	134,694,512
Balance as at 31 December 2004		820,000,000	241,970,265	-	(3,092,259)	68,054,254	-	260,932,260
Adjustment of fair value of investments		-	-	-	169,868	-	-	(169,868)
Appropriation of statutory reserve	14	-	-	-	-	2,693,962	-	(2,693,962)
Appropriation of treasury stock reserve	16	-	-	-	-	-	127,612,900	(127,612,900)
Dividend paid	19	-	-	-	-	-	-	(18,000,000)
Disposal of treasury stock	16	-	-	8,304,881	-	-	(100,994,094)	100,994,094
Net earnings for the year		-	-	-	-	-	-	53,694,512
Balance as at 31 December 2005		820,000,000	241,970,265	8,304,881	(2,922,391)	70,748,216	26,618,806	266,813,514

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

Lam Soon (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 Mbo 12, Bangna-Trad Road, Bangna, Bangkok.

2. BASIS OF CONSOLIDATION

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 :

	Paid up capital		Equity interest owned by the Company/subsidiaries		Nature of Business
	2005	2004	2005	2004	
	Million Bht	Million Bht	Percent	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	350	96.79	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>					
Phrasivivat Company Limited	274	274	100.00	100.00	Owner of oil palm plantation
<u>Subsidiaries held by Phrasivivat Company Limited</u>					
Pradak Vivat Company Limited	5	5	100.00	100.00	Holder of concessions to use forest reserve land
Phansi 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	60	58.00	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 Baht 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 statement for the year then ended included the consolidated operating results of that company as from 1 April 2004 to 31 December 2004.

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

	(Unit : Baht)
	<u>2004</u>
Net assets	777,246,128
Net liabilities	(506,400,760)
Net book value of subsidiary	<u>270,845,368</u>
Excess of acquisition cost of investment over net book value of subsidiary	135,652,388
Acquisition cost of investment	<u>406,497,756</u>
Less : Cash and cash equivalents at acquired date	(14,159,167)
Net cash used in acquiring investment in subsidiary	<u><u>392,338,589</u></u>

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act BE 2547.

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

3.1 Revenue recognition

Sales of goods are recognised when products are delivered and title passes to customer.

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

Property, plant and equipment are stated at cost less accumulated depreciation and related allowance for impairment loss. 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 the 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 earnings.

3.9 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.

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.

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 2005 and 2004, classified by ageing were as follows :-

	Consolidated		The Company Only	
	2005	2004	2005	2004
Related parties				
- Less than 3 months	1,776,555	3,139,205	260,851	703,484
- Over 12 months	452,280	508,830	-	56,550
Total	2,228,835	3,648,035	260,851	760,034
Less : Allowance for doubtful accounts	(452,280)	(452,280)	-	-
Trade accounts receivable - related parties, net	1,776,555	3,195,755	260,851	760,034

(Unit : Bht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
<u>Other companies</u>				
Post dated cheques receivable	28,720,115	31,642,259	18,687,853	30,394,462
Cheque returned	13,043,867	7,443,845	8,347,716	7,443,845
Trade accounts receivable				
- Less than 3 months	513,919,970	548,067,436	378,908,245	420,760,057
- 3-6 months	5,270,515	5,352,366	4,353,402	2,328,914
- 6-12 months	1,619,071	2,591,899	1,870,801	429,532
- Over 12 months	24,857,645	25,171,397	2,051,975	2,017,965
Total	587,431,183	620,269,202	414,219,992	463,374,775
Less : Allowance for doubtful accounts	(36,628,312)	(33,940,390)	(9,371,254)	(9,011,642)
Trade accounts receivable - other companies, net	550,802,871	586,328,812	404,848,738	454,363,133
Total trade accounts receivable - net	552,579,426	589,524,567	405,109,589	455,123,167

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 :-

(Unit : Million Bht)

	For the year ended 31 December				Pricing and lending policy
	Consolidated		The Company Only		
	2005	2004	2005	2004	
<u>Transactions with subsidiaries</u>					
Purchase of goods	-	-	386.3	659.6	Forward contract prices by using market prices at the date of agreement or market prices
Rental income	-	-	2.1	0.9	Market price
<u>Transactions with related companies</u>					
Sales of goods	11.3	29	3.1	29	Cost plus margin
Interest income	0.6	0.6	-	-	Interest at rate 1.25 percent per annum
Purchases of fixed assets	2.7	-	-	-	Agreed price
Purchases of goods	0.6	-	-	-	Agreed price

The outstanding balances of the above transactions as at 31 December 2005 and 2004 have been separately shown in the balances sheets with the details as follows :-

	(Unit : Bht)			
	Consolidated		The Company Only	
	2005	2004	2005	2004
<u>Trade accounts receivable - related companies</u>				
Lam Soon Singapore Pte Limited	1,220,001	1,714,296	-	464,323
ACE Canning Corporation Sch Bhd	300,333	1,185,748	-	-
Lam Soon Edible Oils Sch Bhd	256,221	295,711	256,221	295,711
Union Fresh Company Limited	452,280	452,280	-	-
Union Frost Company Limited	-	-	4,630	-
Total trade accounts receivable - related companies	2,228,835	3,648,035	260,851	760,034
Less : Allowance for doubtful accounts	(452,280)	(452,280)	-	-
Total trade accounts receivable - related companies, net	1,776,555	3,195,755	260,851	760,034
<u>Short-term loans and advances to related parties</u>				
<u>Short-term loans - related companies</u>				
Union Fresh Company Limited	40,285,836	40,285,836	-	-
Siam Union Company Limited	5,324,565	5,324,565	-	-
Total short-term loans - related companies	45,610,401	45,610,401	-	-
<u>Advances - related parties</u>				
<u>Subsidiaries</u>				
Universal Foods Public Company Limited	-	-	3,272,558	4,390
United Palm Oil Industry Public Company Limited	-	-	3,764	214,821
Total advances - subsidiaries	-	-	3,276,322	219,211

	(Unit : Bht)			
	Consolidated		The Company Only	
	2005	2004	2005	2004
<u>Related companies</u>				
Union Fresh Company Limited	17,869,461	17,365,888	-	-
Siam Unison Company Limited	1,778,890	1,460,433	-	-
Lam Soon Edible Oils Sch. Bhd	16,641	-	-	-
Total advances - related companies	19,664,992	18,826,321	-	-
Total advances - related parties	19,664,992	18,826,321	3,276,322	219,211
Total short-term loans and advances to related parties	65,275,393	64,436,722	3,276,322	219,211
Less : Allowance for doubtful accounts	(65,258,752)	(64,436,722)	-	-
Total short-term loans and advances to related parties - net	16,641	-	3,276,322	219,211
<u>Trade accounts payable - related parties</u>				
<u>Subsidiaries</u>				
United Palm Oil Industry Public Company Limited	-	-	1,957,903	25,065,454
Universal Food Public Company Limited	-	-	224,941	-
Total trade accounts payable - subsidiaries	-	-	2,182,844	25,065,454
<u>Related company</u>				
ACE Canning Corporation Sch. Bhd	2,704,705	-	-	-
Total trade accounts payable - related company	2,704,705	-	-	-
Total trade accounts payable - related parties	2,704,705	-	2,182,844	25,065,454

6. INVENTORIES

(Unit : Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Finished goods	442,178,363	652,198,416	61,296,001	215,475,897
Work in process	335,751,110	488,527,920	334,928,731	488,296,268
Raw materials	33,267,829	61,135,169	7,094,824	39,680,552
Supplies and spare parts	81,427,473	78,656,024	32,325,065	25,438,956
Total	892,624,775	1,280,517,529	435,644,621	768,891,673
Less : Allowance for stock obsolescence and diminution in value of inventories	(71,654,822)	(60,177,413)	(1,610,453)	(10,826,234)
Inventories - net	820,969,953	1,220,340,116	434,034,168	758,065,439

7. INVESTMENTS IN SUBSIDIARIES ACCOUNTED FOR UNDER EQUITY METHOD

(Unit : Baht)

Company's name	Type of business	Paid up share capital		Equity interest		Investment				Dividend received	
		2005	2004	2005 Percent	2004 Percent	Cost method		Equity method		2005	2004
						2005	2004	2005	2004		
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	698,505,933	698,505,933	613,036,278	614,930,010	21,482,511	96,671,300
Universal Food Public Company Limited	Manufacture and distribution of canned fruits and vegetables, juice and drinks	350,000,000	350,000,000	96.79	96.79	406,497,756	406,497,756	396,741,769	396,883,075	-	-
Total investments in subsidiaries accounted for under equity method						1,105,003,689	1,105,003,689	1,009,768,047	1,011,803,085	21,482,511	96,671,300

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 Baht 12 each, representing 96.79 percent shareholding in that company, and that company becomes a subsidiary of the Company.

During 2005, the Company recognised share of profit from investments in subsidiaries accounted for under equity method of approximately Baht 19.4 million (2004 : Baht 81.8 million).

8. OTHER LONG-TERM INVESTMENTS

	(Unit : Bht)			
	Consolidated		The Company Only	
	2005	2004	2005	2004
<u>Equity securities</u>				
Open-ended Kundai Perm Poon Fund	1,000,000	1,000,000	1,000,000	1,000,000
Open-ended TCM Equity Fund (formally known as Thai orchid Fund)	300,000	300,000	300,000	300,000
Open-ended Kiattakin 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	(4,002,410)	(4,216,100)	(798,557)	(882,250)
Other long-term investments - net	14,351,440	14,137,750	701,443	617,750

	(Unit : Bht)			
	Consolidated		The Company Only	
	2005	2004	2005	2004
<u>Unrealised loss from other long-term investments</u>				
Portion of the Company	798,557	882,250	798,557	882,250
Portion of the subsidiary	3,203,853	3,333,850	-	-
Total	4,002,410	4,216,100	798,557	882,250
Unrealised loss attributable to the Company's investment and minority interests	(1,080,019)	(1,123,841)	2,123,834	2,210,009
Unrealised loss from other long-term investments	2,922,391	3,092,259	2,922,391	3,092,259

9. PROPERTY, PLANT AND EQUIPMENT

(Unit : Bht)

	Consolidated							Total
	Land	Cost of forest land rights & plantation development costs	Building & 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 2004	262,564,761	469,205,508	547,089,649	1,192,647,632	89,976,146	155,974,192	138,528,016	2,855,935,904
Purchases	955,884	-	750,963	23,414,658	13,988,901	7,533,224	88,660,807	135,304,437
Disposals/write off	-	(23,063,742)	(154,598)	(15,136,033)	(1,569,742)	(5,909,454)	(3,192,334)	(49,025,903)
Transfer in/(transfer out)	-	33,116,532	(6,262,834)	20,352,513	1,180,130	3,913,537	(52,299,878)	-
31 December 2005	263,520,645	479,258,298	541,373,180	1,221,278,770	103,575,435	161,511,499	171,696,611	2,942,214,438
Accumulated depreciation								
31 December 2004	-	272,199,462	314,862,611	743,528,195	68,028,742	120,228,846	-	1,518,847,856
Depreciation for the year	-	20,516,139	22,143,363	75,047,485	9,549,476	13,273,896	-	140,530,359
Disposals/write off	-	(18,020,585)	(142,907)	(10,635,333)	(1,561,980)	(5,138,785)	-	(35,499,590)
Transfer in/(transfer out)	-	-	(2,633,141)	3,275,228	(3,507,576)	2,865,489	-	-
31 December 2005	-	274,695,016	334,229,926	811,215,575	72,508,662	131,229,446	-	1,623,878,625
Allowance for impairment								
31 December 2004	14,487,948	-	-	1,926,317	5,267,884	-	-	21,682,149
31 December 2005	14,487,948	-	-	1,926,317	5,267,884	-	-	21,682,149
Net book value								
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
31 December 2005	249,032,697	204,563,282	207,143,254	408,136,878	25,798,889	30,282,053	171,696,611	1,296,653,664
Depreciation included in the earnings statements for the year								
2004								133,141,850
2005								140,530,359
Loss on impairment included in the earnings statements for the year								
2004								7,194,201
2005								-

(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 2004	27,988,625	232,954,434	623,082,706	28,905,637	27,604,025	77,132,108	1,017,617,530
Purchases	-	6,400	9,115,845	294,728	1,500,000	22,237,779	33,154,752
Disposals/write off	-	-	(4,588,806)	-	-	-	(4,588,806)
Transfer in/ (transfer out)	-	137,635	3,879,703	20,107	-	(4,087,445)	-
31 December 2005	<u>27,988,625</u>	<u>233,098,469</u>	<u>631,489,448</u>	<u>29,220,472</u>	<u>29,104,025</u>	<u>95,332,437</u>	<u>1,046,183,476</u>
Accumulated depreciation							
31 December 2004	-	139,758,701	370,063,699	24,945,326	20,062,959	-	554,830,685
Depreciation for the year	-	8,432,655	34,793,318	1,655,243	3,229,079	-	48,110,295
Disposals/write off	-	-	(1,226,872)	-	-	-	(1,226,872)
31 December 2005	-	<u>148,191,356</u>	<u>403,630,145</u>	<u>26,600,569</u>	<u>23,292,038</u>	-	<u>601,714,108</u>
Allowance for impairment							
31 December 2004	-	-	1,926,317	-	-	-	1,926,317
31 December 2005	-	-	1,926,317	-	-	-	1,926,317
Net book value							
31 December 2004	<u>27,988,625</u>	<u>93,195,733</u>	<u>251,022,600</u>	<u>3,960,311</u>	<u>7,541,066</u>	<u>77,132,108</u>	<u>460,860,528</u>
31 December 2005	<u>27,988,625</u>	<u>84,907,113</u>	<u>225,932,986</u>	<u>2,619,903</u>	<u>5,811,987</u>	<u>95,332,437</u>	<u>442,543,051</u>
Depreciation included in the earnings statements for the year							
2004							<u>49,358,571</u>
2005							<u>48,110,295</u>
Loss on impairment included in the earnings statements for the year							
2004							<u>1,926,317</u>
2005							<u>-</u>

The total area of the subsidiary's plantations amounts to approximately 23,698 rai, of which 9,648 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 right documents.

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

As at 31 December 2005, 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 666 million (2004 : Bht 525 million) and for the Company amounted to approximately Bht 247 million (2004 : Bht 237 million).

10. DEPOSIT AT FINANCIAL INSTITUTIONS SUBJECT TO RESTRICTIONS

As at 31 December 2005, 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 2005, the Company and the subsidiaries had bank overdrafts and short-term loans from financial institutions totaling Baht 803 million (the Company Only : Baht 470 million), carrying interest at the rates of 3.5 - 6.5 percent 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, as discussed in Note 9 and are guaranteed by the Company.

12. LONG-TERM LOANS

	(Unit : Baht)			
	Consolidated		The Company Only	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Long-term loans	414,430,000	771,840,000	241,550,000	572,500,000
Less : Current portion of long-term loans	(212,884,444	(156,210,000	(171,900,000	(114,450,000
))))
Long-term loans - net of current portion	<u>201,545,556</u>	<u>615,630,000</u>	<u>69,650,000</u>	<u>458,050,000</u>

During the year 2004, the Company entered into a long-term loan agreement with a local bank and withdrew loan of Baht 395 million (credit facilities provided under the agreement amounted to Baht 420 million) to acquire investment in a subsidiary company 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. As at 31 December 2005, the outstanding loan was Baht 156.5 million (2004 : Baht 395.0 million).

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

the bank As at 31 December 2005, the outstanding loan was Bht 85.0 million (2004 : Bht 177.5 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 3.25 - 6.50 percent per annum. As at 31 December 2005, the outstanding loans were Baht 172.9 million (2004 : Baht 199.3 million). Long-term loans of the subsidiaries are secured by the mortgage and pledge of land and buildings thereon, and machinery of the subsidiaries and are guaranteed by the Company.

Under the loan agreements, the Company 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 subsidiary company to enter into a land lease agreement commencing 1 January 2001, and also to pay retroactive land rental for the years 1991 to 2000. At present, the subsidiary company is in the process of negotiating with the relevant government agencies. However, for the prudent reasons the subsidiary company has set up a full provision for its estimated liabilities in the accounts.

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 2005, the Company set aside a statutory reserve of approximately Baht 2.7 million (2004 : Baht 6.7 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 Bakt 10 per share to Bakt 1 per share, resulting in the increase in the number of registered, issued and paid up capital of the Company of Bakt 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.

16. TREASURY STOCK

	Consolidated		The Company Only	
	2005	2004	2005	2004
Number of shares (shares)	17,104,400	82,000,000	17,104,400	82,000,000
Average price per share (Bakt)	1.56	1.56	1.56	1.56

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 Bakt 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 23 April 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 Bakt 10 per share to Bakt 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 Bakt 15.56 each to Bakt 1.56 each.

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

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

During 2005, the Company disposed 64.9 million treasury shares with cost of Baht 101.0 million at total price of Baht 109.3 million. The resale price took into account the prevailing market price at the time of sale. The Company recorded the excess of the resale price over the carrying amount of treasury shares of Baht 8.3 million as 'Premium on treasury stock' in the shareholders' equity.

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 2005 and 2004, the Company and its subsidiary had dividend payments as follows :-

		(Unit : Bht)	
	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividend per share</u>
<u>The Company</u>			
<u>For the year 2005</u>			
Final dividends on 2004 earnings	Annual General Meeting of the shareholders on 26 April 2005	18,450,000	0.025
Total for the year 2005		18,450,000	0.025
 <u>For the year 2004</u>			
Final dividends on 2003 earnings	Annual General Meeting of the shareholders on 16 April 2004	73,800,000	0.10
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	0.05
Total for the year 2004		110,700,000	0.15
 <u>Subsidiary</u>			
<u>For the year 2005</u>			
Final dividends on 2004 earnings	Annual General Meeting of the shareholders on 26 April 2005	32,403,300	1.00
Total for the year 2004		32,403,300	1.00
 <u>For the year 2004</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		145,816,850	4.50

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 Kasikom 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 2005, total amount of approximately of Baht 6.4 million (2004: Baht 6.1 million) had been contributed to the funds by the Company and the subsidiaries, and Baht 3.4 million had been contributed by the Company (2004: Baht 3.2 million).

21. NUMBER OF EMPLOYEES AND RELATED COSTS

	<u>Consolidated</u>		<u>The Company Only</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Number of employees at the end of year (persons)	2,863	2,525	471	478
Employee costs for the year (Thousand Baht)	423,908	400,543	165,816	168,337

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 manufacture of products or stipulated in the certificate as follows:-

The Company

<u>Certificate No</u>	<u>Activity</u>
1442/2541	Manufacture of crude palm kernel oil
1179/2543	Manufacture of crude palm oil, crude palm kernel oil and crude coconut oil
1292(2)/2547	Manufacture of margarine or shortening (has not yet begun utilizing the promotional privileges)
1478(2)/2547	Manufacture of crude palm oil and palm kernel seed (has not yet begun utilizing the promotional privileges)

Subsidiary

<u>Certificate No.</u>	<u>Activity</u>
1044/2537	Manufacture of crude palm oil and palm kernel seed
1817/2539	Manufacture of crude palm kernel oil
1331(2)/2546	Manufacture of crude palm oil and palm kernel seed
1043(2)/2548	Manufacture of crude palm oil and palm kernel seed (has not yet begun utilizing the promotional privileges)

The significant 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 (except certificate No. 1292(2)/2547, 1478(2)/2547, 1331(2)/2546, and 1043(2)/2548 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).

In addition, profits of the Company and its subsidiary 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 (except certificate No. 1292(2)/2547, 1478(2)/2547, 1331(2)/2546, and 1043(2)/2548).

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.

Revenues, divided between promoted and non-promoted activities, of the Company and its subsidiaries for the years 2005 and 2004 were as follows :-

(Unit : Thousand Bht)

	Consolidated					
	2005			2004		
	Promoted	Non-promoted	Total	Promoted	Non-promoted	Total
Sales						
Domestic sales	101,501	4,079,945	4,181,446	136,566	3,863,409	3,999,975
Export sales	-	932,816	932,816	-	1,080,948	1,080,948
Total	<u>101,501</u>	<u>5,012,761</u>	<u>5,114,262</u>	<u>136,566</u>	<u>4,944,357</u>	<u>5,080,923</u>

(Unit : Thousand Baht)

	The Company Only					
	2005			2004		
	Non-	Non-		Non-	Non-	
Promoted	promoted	Total	Promoted	promoted	Total	
Sales						
Domestic sales	81,003	3,665,594	3,746,597	106,977	3,578,107	3,685,084
Export sales	-	302,084	302,084	-	559,334	559,334
Total	81,003	3,967,678	4,048,681	106,977	4,137,441	4,244,418

23. BANK GUARANTEES

As at 31 December 2005, there were outstanding bank guarantees of approximately Baht 11.0 million (The Company Only : Baht 6.2 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 business.

24. COMMITMENTS

As at 31 December 2005, 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 78.6 million (The Company Only: Baht 7.3 million).

24.2 Commitments in respect of lease and service agreements payable in the future of approximately Baht 11.1 million (The Company Only: Baht 4.7 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 2005 and 2004 and for the years then ended were as follows :-

(Unit : Million Baht)

Consolidated for the year ended 31 December

	Manufacture and distribution		Total	Eliminated	Total	
	Palm oil	Canned fruits and vegetables			2005	2004
Sales - third parties	4,082	1,032	5,114	-	5,114	5,081
Sales - related parties	386	-	386	(386)	-	-
Total sales	4,468	1,032	5,500	(386)	5,114	5,081
Gross profit					647	734
Gain on disposal of fixed assets					3	24
Other income					28	26
Selling and administrative expenses					(509)	(516)
Directors' remuneration					(12)	(12)
Earnings before interest expenses and income tax					157	256
Interest expenses					(53)	(33)
Corporate income tax					(27)	(32)
Earnings before minority interests					77	191
Earnings in respect of minority interests					(23)	(57)
Net earnings for the year					54	134

(Unit : Million Baht)

Consolidated as at 31 December

	Manufacture and distribution		Total	Eliminated	Total	
	Palm oil	Canned fruits and vegetables			2005	2004
Property, plant and equipment - net	958	339	1,297	-	1,297	1,316
Non-operating land	-	109	109	-	109	109
Other assets	2,232	506	2,738	(809)	1,929	2,294
Total assets	3,190	954	4,144	(809)	3,335	3,719

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 2005, the Company and its subsidiaries had deposits with banks totaling approximately Baht 56 million (the Company Only : Baht 32 million), bearing interest at rate of 0.25 percent 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 and its subsidiaries primarily utilises forward exchange contracts with maturity of less than one year to hedge such risk.

Below is the outstanding forward exchange contracts of the Company and its subsidiary as at 31 December 2005.

Foreign currency	Amount bought	Amount sold	Forward rate for amount bought/sold (Baht per foreign currency unit)
US dollars	154,000	43,285	40.97 - 41.00

Below is the summary of Company's and its subsidiaries' foreign currency-denominated assets and liabilities as at 31 December 2005, which were unhedged

Foreign currency	Consolidated		The Company Only		Average exchange rate at 31 December 2005 (Bht per foreign currency unit)
	Assets	Liabilities	Assets	Liabilities	
US dollars	1,216,169	195,190	-	94,474	41.0786
Euro	-	15,040	-	-	48.6935

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 significant losses from their debt collection.

Fair value

Since the majority of the financial assets and liabilities are short-term and 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. SUBSEQUENT EVENT

1. In January 2006, the Company was sued by the Metropolitan Electricity Authority for payment of additional electricity expenses totaling approximately Bht 7.1 million for the 18-month period from 30 June 2004 to 30 November 2005. In October 2005, the Metropolitan Electricity Authority received Bht 2.9 million from the bank which was guarantor for electricity payment, leaving an outstanding amount of Bht 4.2 million. 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. At present, the case is under the consideration of the Civil Court. However, the management believes that there will be no adverse impact to the Company as a result of the case and hence no provision for loss has been set aside in the accounts.

2. On 27 February 2006, the meeting of the Board of Directors of the Company No. 1/2006 passed a resolution approving the payment to dividend from the 2005 earnings to the Company's shareholders at Bht 0.03 per share. The payment of dividend will later be proposed for approval in the annual general meeting of the Company's shareholders.

29. 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.

Certain amounts in the financial statements for the year ended 31 December 2004 have been reclassified to conform to the current year classification, with no effect on previously reported net earnings or shareholder's equity.

30. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the board of directors on 27 February 2006.