



# Annual Report *2011*

# Annual Report 2011

Khonburi Sugar Public Company Limited



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## FINANCIAL HIGHLIGHTS



| Operating Performance                               | 2009  | 2010  | 2011  |
|---|-------|-------|-------|
| Revenues from sales and Services income             | 3,161 | 4,683 | 6,010 |
| Total Revenues                                      | 3,307 | 4,774 | 6,160 |
| Total Expenses                                      | 3,025 | 4,407 | 4,953 |
| Income before finance cost and corporate income tax | 284   | 367   | 1,207 |
| Net income for the year                             | 146   | 168   | 801   |

### Financial Situation

|                            |       |       |       |
|----------------------------|-------|-------|-------|
| Current Assets             | 1,045 | 850   | 2,644 |
| Total Assets               | 2,940 | 3,088 | 5,008 |
| Total liabilities          | 1,868 | 1,932 | 1,906 |
| Total shareholders' equity | 1,072 | 1,155 | 3,102 |

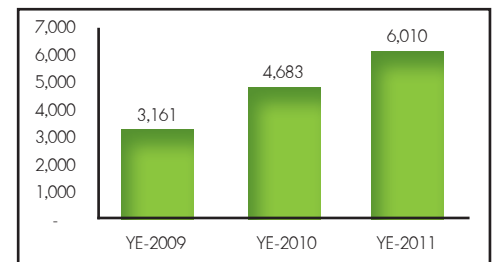
### Per Share Data (Unit : Baht)

|                      |      |      |      |
|----------------------|------|------|------|
| earnings per share   | 0.41 | 0.48 | 1.99 |
| Dividend per share   | -    | -    | 0.62 |
| Book Value per share | 3.06 | 3.30 | 7.69 |

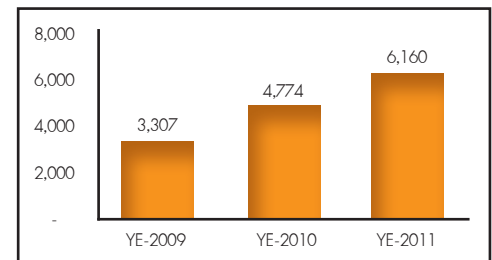
### Financial Ratio (Unit : %)

|                              |      |      |      |
|------------------------------|------|------|------|
| Net Earnings Margin          | 4%   | 4%   | 13%  |
| Return on Equity (ROE)       | 14%  | 15%  | 26%  |
| Return on total assets (ROA) | 5%   | 5%   | 16%  |
| Debt/Equity Ratio            | 1.74 | 1.67 | 0.61 |

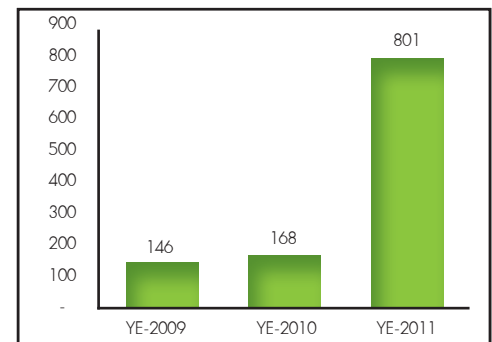
Revenues from sales and Services income



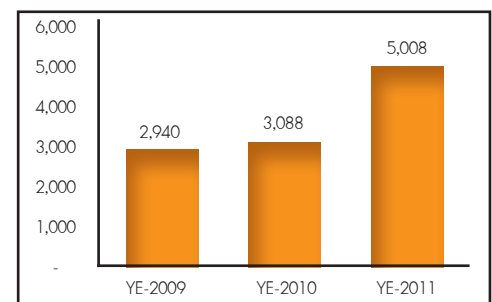
Total Revenues



Net income



Total Assets







## MESSAGE FROM THE CHAIRMAN



(Mr. Suthep Wongvorazathe)  
Chairman of The Board Directors

In the last fiscal year, business growth of KHONBURI SUGAR PUBLIC COMPANY LIMITED has been increasing in number due to efficiency sale service management and risk management especially volatility risk of sugar price in global market. From business operation in the fiscal year 2011 (October 2010 to September 2011), the Company had gained more revenue from selling sugar increasing from the amount of Baht 4,345 million in 2010 up to the amount of Baht 5,445 million in 2011 approximately 25% growth. Production line has increased from 21,000 tons per day to 23,000 per day. The quantity of sugar cane has increased from 2.0 million tons to 2.9 million tons approximately 43% growth. These result made the Company in gaining more net profit from the amount of Baht 168 million in 2010 to the amount of Bath 801 millions in 2011 or 376.78% net growth. In addition, due to production renovation, which saves sugar cane fiber and increases more sale of electricity from biomass fuel from the amount of Baht 66 million in 2010 up to the amount of Baht 102 million in 2011 approximately 56% growth, has increased net profit growth, as well.

*From business operation last year, it can say that the Company has comprehended all great success which proved that the Company's principality in business development and standard production are always in accordance with clients' demand both in inbound and outbound. The Company has set the strategic for strengthen consistently with growth by supporting all sugar cane farmers to improve production system and production of goods.*

Additionally, from all great success last past year, it has revealed great potential of all personnel, expertise, and work dedication in business operation and good loyalty in management in accordance with all good governance which makes the Company comprehend all achievement and has been major factor for firming future business growth constantly.

Board of the Company's director wishes to thank you to all shareholders and all related persons from all trust and good support in business operation, and wishes to thank you and gives compliment to all management and every employee from all consistency dedicating to work which make the company greatly successful.





## MESSAGE FROM THE CHAIRMAN OF THE AUDIT COMMITTEE

Throughout the accounting period of the year 2011, the Audit committee has achieved all targeted missions.

In collaboration with the internal Audit Department, the committee has also carried out all internal controlled affairs. Also, to insure the accuracy and completeness of all operations, including accounting and financial reports, routine and necessary inspections shall be executed. All these gathered information will be vital importance awareness to the executives and operation officers and other related personnels about the knowledge and understanding of the correct, efficient and proficient working processes in according to the corporate governance.

Moreover, the Internal Audit Office has worked for the preparation of human resources by encouraging any and all of its personnel to attend various training courses held by the Institute of Internal Auditors of Thailand in order to enrich the competence of the Company's internal auditors for their better work performance.

*It could be said that the Internal Audit Office met success of implementing all plans and policies of the Company. The 2010 Internal Audit Plan is also set up carefully and it determines the strategy revised to fit the present time and circumstances in order to enhance some key factors further creating the valuable outputs for the Company.*

Finally, I would like to extend my appreciation to the Board of Directors of the Company who has consistently driven some measures to boost the efficiency of internal control. Also, I am grateful for all related executives and workers who have supported the work of the Internal Audit Office until all such affairs were completed smoothly. After all, I greatly appreciate all internal auditors for their contributions until all assignments were successfully accomplished.



Dr. Thawatchai Nakhata  
Chairman of the Audit Committee



## BOARD OF DIRECTORS AND AUDIT COMMITTEE

**Mr. Suthep Wongvorazathe**  
Chairman of The Board Directors  
and Chairman of Executive Director



**Mr. Takon Tawintemsup**  
Director, Executive Director  
and Managing Director



**Mr. Somkiat Twiltermsup**  
Director, Executive Director and  
Risk Management Committee



**Mr. Issara Twiltermsup**  
Director, Executive Director and  
Risk Management Committee



**Mr. Amnart Rumpoeypong**  
Director and Risk Management  
Committee



**Dr. Tawatchai Nakhata**  
Chairman of Audit Committee  
and Independent Director



**Mr. Chusak Prachayangprecha**  
Audit Committee  
and Independent Director



**Mrs. Suvimol Krittayakiern**  
Audit Committee  
and Independent Director



**Mr. Sran Smutkochorn**  
Chairman of Risk Management Committee  
and Independent Director





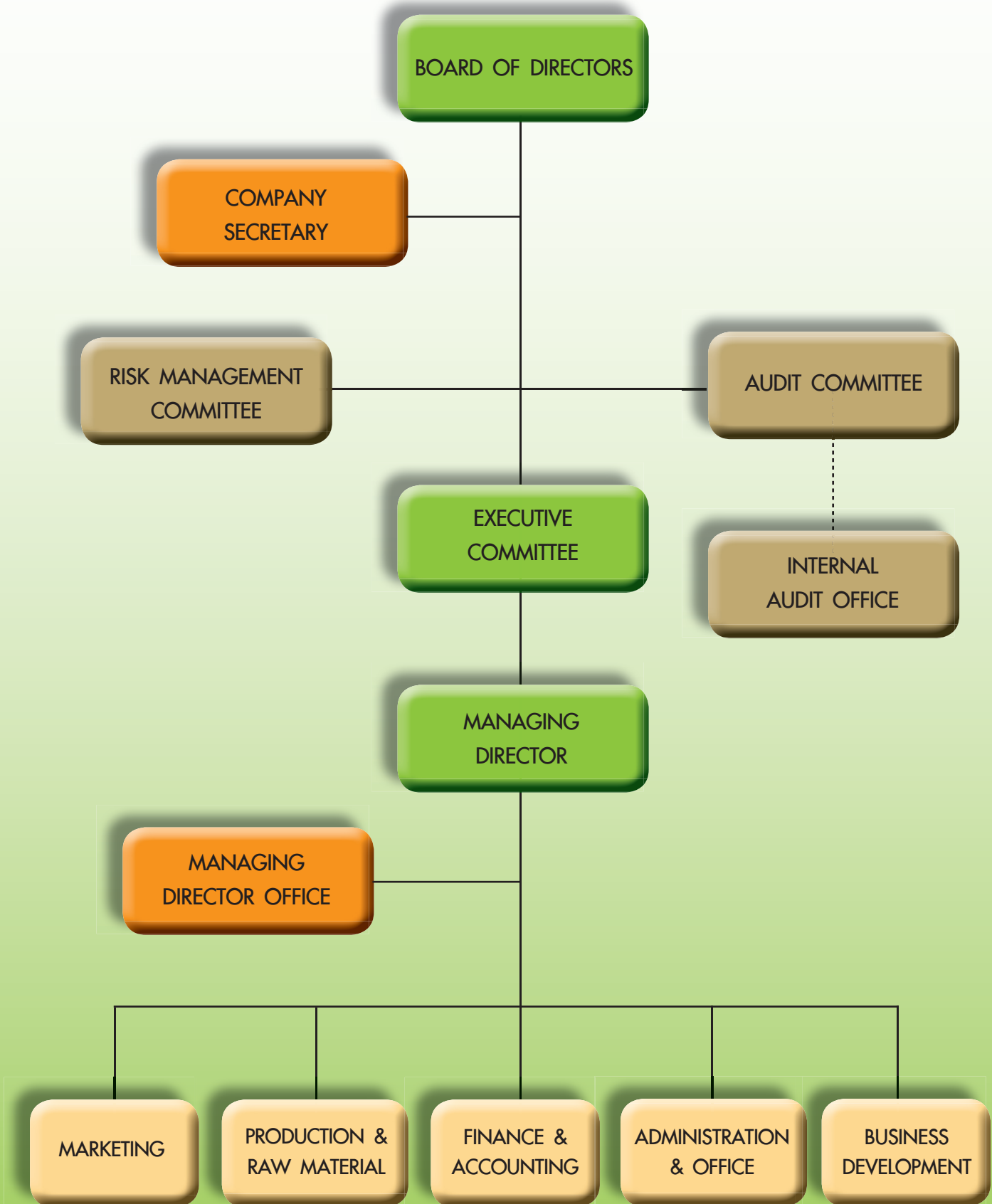
## EXECUTIVE MANAGEMENT TEAM



### Khonburi Sugar Public Company Limited

#### Executive Management Team's Khonburi Sugar Public Company Limited

|                 |              |   |
|-----------------|--------------|---|
| 1. Mr. Takon    | Tawintermsup | Managing Director   |
| 2. Mr. Somkiat  | Twiltermsup  | Assistant Managing Director of Marketing                    |
| 3. Mr. Issara   | Twiltermsup  | Assistant Managing Director of Administration & Office      |
| 4. Ms. Pornpun  | Boonchaisri  | Assistant Managing Director of Finance & Accounting         |
| 5. Mr. Somtawin | Boonbanyen   | Assistant Managing Director of Production and Raw Materials |
| 6. Ms. Surawee  | Puangthong   | Accounting & Financial Manager                              |





## VISION MISSION

**KBS VISION** A leading organization engaging an excellence in valuing the integrated industrial agriculture under the development of innovation, corporate governance and corporate social responsibility.



# VISION

# MISSION

## KBS MISSION

To operate in compliance with the Principle of Corporate Governance, ethics and responsibility to stakeholders.

To improve the management system, products and services in order that the businesses can be developed to gain higher volumes and value under new innovations and ideas.

To create and promote in learning in order to make the organization's core competence different and potential, which allows the rapid and secure business to growth of the Company.

To change and modernize the organization to be in line with the business environment of the national and global levels.





## 1. CORPORATE BACKGROUND AND MAJOR DEVELOPMENTS

Khonburi Sugar Public Company Limited is a sugar manufacturer which has engaged much experience in this industry over 45 years. The Company was established in 1965 by Khun Tawil Tawintermsup in the name of “Nong Yai Industry Company Limited” the whole business involved in the manufacturing and distribution of sugar. The Company was located at Nong Yai District, Chonburi Province with the registered capital of Baht 1 million. The Company’s initial production capacity started at 1,500 tons cane a day.

In 1996, the Company’s production base was moved to Khonburi District, Nakhon Ratchasima Province. Later, the company’s name was changed to be Khonburi Sugar Company Limited in order to be relevant to the relocation of the sugar mill. After the relocation of production base, the Company’s production capacity hiked to 13,690 tons cane a day. The Company has continuously improved the manufacturing systems, e.g. improvement of refined sugar evaporator, improvement of mills, etc. to enhance better production capacity. The Company’s production capacity has been gradually rising and that causes to be able to reach 21,000 tons cane a day.

On 23 December 2010, the Company registered a change of the status to a public company and registered the change in its name from “Khonburi Sugar Company Limited” to “Khonburi Sugar Public Company Limited” by the Ministry of Commerce and increases the capital on May 24, 2011, in addition to increase share capital from 350 million Baht to 500 million Baht. The Company’s production capacity has been gradually rising and reaches 23,000 tons cane a day now.

- |             |   |  |
|-------------|---|--|
| 1965        | : | <ul style="list-style-type: none"><li>• Nong Yai Industry Company Limited was established with the registered capital of Baht 1 million. The mill possessed the production capacity of 1,500 tons cane a day.</li></ul>  |
| 1967- 1977  | : | <ul style="list-style-type: none"><li>• The Company registered for an increasing of capital to be Baht 100 million, and it also invested for its production capacity from 1,500 tons cane a day to 3,000 tons cane a day.</li></ul>  |
| 1977 - 1987 | : | <ul style="list-style-type: none"><li>• The Company increased its production capacity twice; the production capacity was increased from 3,000 tons cane a day to 6,000 tons cane a day in 1983.</li></ul>  |
| 1993        | : | <ul style="list-style-type: none"><li>• The Company’s registered capital was increased to be Baht 300 million in order to be spent for the improvement of production systems and efficiency.</li></ul>   |
| 1996        | : | <ul style="list-style-type: none"><li>• The Company’s production base was moved to Khonburi District, Nakhon Ratchasima Province with the production capacity of 13,690 tons cane a day due to the falling sugarcane plantation areas of the eastern region.</li></ul>   |
| 1997 - 2006 | : | <ul style="list-style-type: none"><li>• The Company’s registered capital was increased to be Baht 450 million in order to be spent for the relocation of sugar mill to Khonburi District, Nakhon Ratchasima Province.</li><li>• The production capacity was boosted from 13,690 tons cane a day to 21,000 tons cane a day.</li></ul>   |
| 2007        | : | <ul style="list-style-type: none"><li>• The company’s name was changed to “Khonburi Sugar Company Limited” in order to be a relevant to the sugar mill location.</li><li>• The district offices were increased from 7 to 14 districts to aim at sustaining the good relationship between the crop farmers and the Company, and also boosting the Company’s potential in acquiring the sugarcane in a long run.</li><li>• The Company has invested and conducted the research on the sugarcane improvement, which was formally supported by the National Science and Technology Development Agency (NSTDA).</li></ul> |



## CORPORATE BACKGROUND AND MAJOR DEVELOPMENTS

- 2008 : ● The Company received an honorary award for the Best Sugar Mill - 2008 from the Office of the Cane and Sugar Board, the Ministry of Industry.
- The Company received the National Skill Standard Shield-2008 from the Department of Skill Development, the Ministry of Labor.
- 2009 : ● The Company received ISO 9001 : 2008.
- The Company received ISO 22000 : 2005 (HACCP & GMP).
- The Company got an honorary award for the Best Sugar Mill which was given by the Office of the Cane and Sugar Board, the Ministry of Industry : 2009
- The Company received the Certificate in The Access Initiative (TAI) from the Ministry of Industry : 2009
- The Company received the National Skill Standard Shield-2009 from the Department of Skill Development, the Ministry of Labor.
- The Company acquired a portion of shares held by some shareholders of Agriculture Machine Services Company Limited, which operates the business of sugar manufacturing.
- 2010 : ● The Company acquired a portion of shares in two companies, whose businesses directly involved in the sugar manufacturing, including Khonburi Power Plant Company Limited and Khonburi Bio Energy Company Limited.
- The Company changed the sugar feeders and sugar press rollers to boost the sugarcane crushing capacity to be 23,000 tons cane a day.
- The Company amended the Electricity Sale and Purchase Agreement with the Provincial Electricity Authority (PEA) to supply more electricity of the Company from 6 megawatts to 8 megawatts.
- A 15-mw turbine generator was purchased to boost the efficiency of electricity generating. The fuel of such turbine generator is a by-product of sugar manufacturing.
- The Company's information system for management was changed to be the Enterprise Resource Planning (ERP) to enhance the Company's management potentially, and to come to life the Company's competitiveness at the international level.
- The Company improved some agricultural machinery and small-sized sugarcane harvester prototype that are suitable for Thailand's geography. These agricultural machinery and small-sized sugarcane harvester prototype were tested in farms so that they would be perfect for the manufacturing industry of genuine agricultural machinery and sugarcane harvester.
- The Company was registered as a public company, on 23 December 2010.
- 2011 : ● The company was registered capital from 350 million baht to 500 million baht, on May 24, 2011.
- The company opened trading on the Stock Exchange of Thailand is the "The first trading day", on May 27, 2011.



## 2. GENERAL INFORMATION

- Registered** : Khonburi Sugar Public Company Limited  
Company registration number 0107553000191
- Registered capital** : 500,000,000 Baht  
(comprising 500,000,000 ordinary shares with a par value of Baht per share)
- Paid-up capital** : 500,000,000 Baht
- Nature of Business** : Manufacture and distribution of sugar and product, which is sold both domestic and overseas.
- Head Office** : 164 Soi Sukhumvit 23 (Prasarnmit), Sukhumvit Road, Klongtoey Nua, Wattana, Bangkok 10110  
Tel : 02-260-4951-5 Fax : 02-260-4950
- Website** : <http://www.kbs.co.th>
- Factory** : 289 Moo 13 Jarakhe-Hin, Khonburi, Nakhonratchasima. 30250  
Tel : (044) 448-338, (044) 449-020 Fax : (044) 448-500
- Subsidiaries** : Agriculture Machine Services Co., Ltd.  
: Khonburi Power Plant Co., Ltd.  
: Khonburi Bio Energy Co., Ltd.
- Head Office : 164 Soi Sukhumvit 23 (Prasarnmit), Sukhumvit Road,  
Klongtoey Nua, Wattana, Bangkok 10110  
Tel : 02-260-4951-5 Fax : 02-260-4950
- Branch : 289 Moo 13 Jarakhe-Hin, Khonburi, Nakhonratchasima. 30250  
Tel : (044) 448-338, (044) 449-020 Fax : (044) 448-500



## 3. NATURE OF BUSINESS AND INCOME STRUCTURE OF THE COMPANY



The businesses of Khonburi Sugar Public Company Limited may be classified into 2 sections :

- Sugar production and distribution.
- Businesses in relation from sugar production

### 3.1 Business in Sugar production and distribution

The Company has engaged a standardized sugar manufacturing process which certified by various international standards, e.g. ISO 9001-2008, ISO 22000:2005 (HACCP & GMP), TIS 56/2553, Halal Food Certification, KOSHER Certification, etc.

**Sugar products of the Company may be divided into 4 following types :**

#### 1. Raw Sugar

Raw sugar is the sugar from the initial production process by boiling and crystallizing sugarcane in order to have a color index higher than 1,000 ICUMSA. Raw sugar must be refined or purified to be white sugar or refined sugar before consumption.

#### 2. Brown Sugar and Natural Sugar

Brown sugar and Natural Sugar are the purified sugar, but its color index is not processed; so it becomes gold with the color index higher than 1,000 ICUMSA. Brown sugar is favored by the consumers who pay high attention to health.

#### 3. White Sugar

White sugar comes from raw sugar that is refined to extract impurities. White sugar has a color index not higher than 100 ICUMSA with a degree of polarization not lower than 99.70 This type of sugar is widely consumed among general households and used as a raw material in food industrial plants where moderately purified sugar is needed, e.g. energetic drink, sweetened condensed milk, and fermented milk, etc.

#### 4. Refined Sugar and Super Refined Sugar

Refined sugar and super refined sugar are raw sugar that undergoes the refining process like white sugar, but they are more purified and made in crystal granulated tablets with a color index between 20-45 ICUMSA. Its outstanding character is high purity. Most refined sugar and super refined sugar are used in food, pharmaceutical, and beverage industries.

### 3.2. Businesses in relation from sugar production

The by-products from the sugar production process enable the Company to gain some revenues as follows :

#### 1. Molasses

Molasses is a valuable by-product from processing of sugarcane into sugar; it is a thick, brown substance, and used as a main raw material for the production of ethanol, liquor, monosodium glutamates, animal feed, etc.

#### 2. Electricity fuelled by bagasses

The Company utilizes the bagasses obtained from the sugarcane crushing process as its main fuel in generating some electricity and steam used in the sugar manufacturing process of the Company. The electricity beyond the Company's demands in its plants is sold to the Provincial Electricity Authority (PEA).



## NATURE OF BUSINESS AND INCOME STRUCTURE OF THE COMPANY

Revenues and Income Structure from sales of each type of sugar for the past 3 years as separated into domestic sales and international sales.

The main income of the Company is derived from the sales of sugar and molasses or it accounts for 90% of total revenues of the Company in each year. The Company also earns other revenues from the sales of electricity and other services. The income structure of the Company and other subsidiaries is as follows :

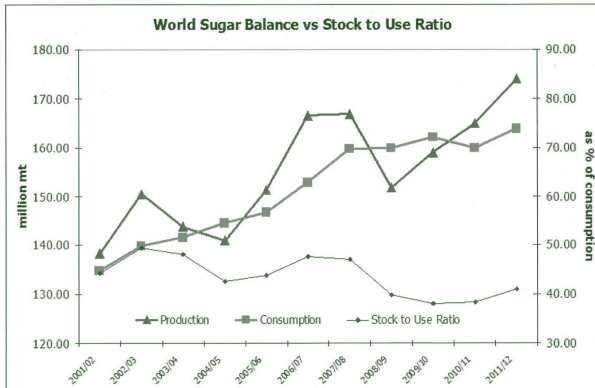
(unit: million baht)

|   | Fiscal Year 2009 |              | Fiscal Year 2010 |              | Fiscal Year 2011 |              |
|---|------------------|--------------|------------------|--------------|------------------|--------------|
|   | Value            | Percentage   | Value            | Percentage   | Value            | Percentage   |
| <b>Domestic sales</b>                         |                  |              |                  |              |                  |              |
| - Refined sugar and super refined sugar       | 249.7            | 8.5          | 333.3            | 7.7          | 296.8            | 5.5          |
| - White sugar                                 | 354.6            | 12.0         | 430.1            | 9.9          | 503.3            | 9.2          |
| - Brown sugar and natural sugar               | 221.1            | 7.5          | 173.2            | 4.0          | 277.7            | 5.1          |
| <b>Total domestic sales</b>                   | <b>825.4</b>     | <b>28.0</b>  | <b>936.6</b>     | <b>21.6</b>  | <b>1,077.8</b>   | <b>19.8</b>  |
| <b>International sales</b>                    |                  |              |                  |              |                  |              |
| - Refined sugar and super refined sugar       | 1,390.9          | 47.3         | 1,915.4          | 44.1         | 2,510.9          | 46.1         |
| - White sugar                                 | 165.6            | 5.6          | 1,049.7          | 24.1         | 28.3             | 0.5          |
| - VHP sugar                                   | 0.0              | 0.0          | 0.0              | 0.0          | 86.7             | 1.6          |
| - Bulk raw sugar                              | 268.4            | 9.1          | 54.6             | 1.3          | 1,152.3          | 21.2         |
| <b>Total international sales</b>              | <b>1,824.9</b>   | <b>62.0</b>  | <b>3,019.7</b>   | <b>69.5</b>  | <b>3,778.2</b>   | <b>69.4</b>  |
| <b>Grand Total</b>                            | <b>2,650.3</b>   | <b>90.0</b>  | <b>3,956.3</b>   | <b>91.1</b>  | <b>4,856.0</b>   | <b>89.2</b>  |
| <b>Income of molasses sales from Domestic</b> | <b>293.8</b>     | <b>10.0</b>  | <b>388.5</b>     | <b>8.9</b>   | <b>588.5</b>     | <b>10.8</b>  |
| <b>Income of sugar and molasses</b>           | <b>2,944.1</b>   | <b>100.0</b> | <b>4,344.8</b>   | <b>100.0</b> | <b>5,444.5</b>   | <b>100.0</b> |

## 4. MARKETING AND COMPETITION OF SUGAR INDUSTRY

### 4.1 Overseas Markets

Figure 1 illustrates the statistics of sugar production, consumption and stocks which compared with the worldwide consumption, ratio in the past 10 years.



Note : F.O.Licht, 1.11.2011

However, such sugar stock level is close to the lowest level in the past 10 years, which is a key factor driving the sugar prices to continuously stay at the high level in the next 1-2 years.

However, the cane crushing season for the Year 2011/2012 starts now, especially in the southern part of Brazil. It is anticipated that the volume of sugar for the crushing process would drop to be 490 million tons if compared with 557 million tons in the previous year or it accounts for a decrease of 12.0%. The factors of such lower sugarcane volume in Brazil included the climate change in the previous year, delayed seasonal rains during the middle of the year, and over-raining during the end of the year; as a result, the sugarcane planting period to compensate for such damaged sugarcane was so short while an average age of sugarcane is higher; so the yield of sugar of planting area was dropping.

Figure 2 : Statistics of raw sugar prices of the New York Market during the past 10 years



Figure 2 shows that, the past 2 years or 2010-2011, the raw sugar New York prices (No. 11) have moved in a range of 20-30 cents/pounds due to lower sugar outputs in some key countries, especially India and China, affected by the drought there. Both countries had to continuously import a large amount of sugar. Although, in the new cane crushing season of 2011-2012, it is anticipated that the sugar outputs in several countries would be hiking such as Thailand, India, EU and Russia. However, Brazil where the first country that starts the cane crushing process gets lower sugar volume for 12.40%; this is the first decrease in 10 years. As a result, the sugar price in the -2 year future market remains high or higher than 22 cents.

Khonburi Sugar Public Company Limited has exported sugar via the following channels :

1. Quota B through Thai Cane and Sugar Corp. Ltd. (TCSC)
2. Quota C through several major sugar traders, e.g. Bunge, Cargill, Louis Dreyfus, Czarnikow, Olam, and Noble, etc.

#### Market Access in accordance with AFTA, FTA, AEC

The market access under the ASEAN Free Trade Area (AFTA) and Free Trade Area (FTA) has been continuously negotiated, coordinated and driven. At this moment, some sensitive sectors of member countries are offered for a



## MARKETING AND COMPETITION OF SUGAR INDUSTRY

degree of flexibility and exclusion. Thai agencies have always made negotiations with a maximum care to enhance the best benefits for Thai entrepreneurs, and to get the minimum negative effect. Most recently, the ASEAN Economic Community (AEC) is established to form an economic group among ASEAN member countries with the goal of regional economic integration by 2015 in order to establish ASEAN as a single market and production base, making ASEAN more dynamic and competitive with goods, services, investment, capital and skilled labors.

### **Advantages of Thailand's Sugar Industry under ASEAN Economic Community**

Since Asia has engaged the greatest and sharpest economic and population growth, especially China and India, the volume of sugar consumption has been increasing every year whereas the sugar outputs in Asia remain the same. As a result, some sugar has been imported from other continents, e.g. South America, etc., which also allowed Thailand to achieve some competitive advantages among the world sugar traders.

The establishment of ASEAN Economic Community (AEC) also enriches the cane and sugar industry in Thailand as our country is the single sugar manufacturer and exporter in the ASEAN region while other ASEAN countries remaining the sugar importers.

1. Thailand is able to export some sugar to ASEAN countries since various tax and non-tax commercial barriers will be reduced or disappeared whereas different rules and regulations will be revised to be more consistent and supportive for the member countries.

2. Thai entrepreneurs, especially sugar mills, engage the high sugarcane planting techniques and technologies, but their sugar production costs are the lowest in the world.

3. The single market will attract more foreign investments to ASEAN including Thailand.

### **4.2 Domestic Market**

The domestic sugarcane and sugar industry is governed by Thai Sugarcane and Sugar Industry Act, B.E. 2527. The Act prescribes that the Cane and Sugar Board shall control the whole volume of sugar to ensure the adequacy of sugar for the domestic demand. Each year, the Board shall estimate the domestic sugar consumption amount before determining quotas for sugar mills according to their production capacity throughout that year. Domestic sugar prices are also controlled by Goods and Services Act, B.E. 2542. The Ministry of Commerce notified that the domestic sugar prices are as the following :

- (1) Prices of regular white sugar purchased at sugar mills do not exceed Baht 19.00 per kilogram.
- (2) Prices of refined white sugar purchased at sugar mills do not exceed Baht 20.00 per kilogram.
- (3) Wholesale prices of regular white sugar at all domestic wholesale businesses do not exceed Baht 19.65 per 1 kilogram, and those of refined white sugar do not exceed Baht 20.65 per kilogram.
- (4) Retail prices of regular white sugar do not exceed Baht 22.50 per kilogram; and those of refined white sugar do not exceed Baht 23.50 per kilogram (included VAT)

The price control does not apply to the sugar cubes packed in boxes or packets in the weight not over 10 grams, and other special sugar types such as natural sugar. Moreover, the revenues from such distribution must be handed out to the Cane and Sugar Fund for 5.00 Baht per kilogram according to the resolution of the Council of Ministers in 1999.

In Thailand, at present, there are 47 sugar mills in total with the capacity of sugarcane crushing at 90-100 million tons per year, and of sugar production in the total of 9.0 – 10.0 million tons per year. The sugar crushing period takes 4-5 months per year. The sugarcane crushing season starts at the end of November up to April of each year. All sugar mills are governed by the related authorities; so any production expansion or relocation must be first approved by the Ministry of Industry.





## MARKETING AND COMPETITION OF SUGAR INDUSTRY

Khonburi Sugar Public Company Limited owns one sugar mill with the proportion of sugarcane crushing for 2010-2011 (most recently) for 3.02% of total national sugarcane crushing.

The Company regularly sells its sugar products via the following 4 channels :

### 1.1 Industrial customers

The Company regularly sells some refined sugar and super refined sugar to many industrial customers as a core raw material in food and beverages. Normally, the Company shall make the sugar sale and purchase contract on a yearly basis in order to fix certain sales volume and prices with this group of customers. The Company's main customers include :

Carabao Tawandang Co., Ltd., Uni-President (Thailand) Co., Ltd., Coca-Cola (Thailand) Co., Ltd., Thai Advance Food (2001) Co., Ltd. (fermented milk manufacturer in the brand of Betagen), F&N United Co., Ltd., Ajinomoto Calpis Beverage (Thailand) Co., Ltd., Ajinomoto (Thailand) Co., Ltd., European Food Public Company Limited.

The strategies applied by the Company to sustain this group of customers are: to value the product quality control and punctual goods delivery, and to pay attention to each customer's requirements, e.g. packaging design to reduce the costs of product delivery and stocking.

### 1.2 Modern-trade customers

The Company sells some refined sugar and natural sugar according to various sizes of package on which the brand of KBS and each customer's brand are printed (the Company is the original equipment manufacturer or OEM). Normally, the Company shall make the sugar sale and purchase contract on a yearly basis in order to fix certain sales volume and prices like the Company's industrial customers.

The main customers of the Company include Tesco-Lotus Retail Store, Big-C Super Store, Super Center, Max Value Department Store and Macro.

### 1.3 Wholesalers

The Company sells a small portion through the wholesalers due to a high competition prices.

### 1.4 Direct sales to customers

The Company has produced some refined sugar and brown sugar in packets under the brand of KBS for its marketing and distribution to the customers living in the communities at Khonburi District Nakhon Ratchasima Province.





## 5. RISK FACTORS

### 5.1 RISK RELATED TO THE BUSINESS OF THE COMPANY

#### 1. Risk of the fluctuating income from sugar sales

The production and sales of sugar are always been up to the sugarcane seasonal effect. Normally, the sugarcane harvesting period in Thailand starts at the end of November or the beginning of December. Thus, the raw sugar production goes on till the end of March or the beginning of April, while the white sugar products are on process. Consequently, sugar mills usually start their selling sugar products from January up to the end of the year. The Company always considers various factors in its sugar sales, such as inventory, expected production and world sugar prices etc. Therefore, the Company's sugar sales for each quarter is not constant.

#### 2. Risk of volatile sugar prices in the global market

In the global market, sugar is a product with high volatility of prices if compared with other agricultural commodities. The sugar prices in the global market depend on various factors, e.g. demand and supply of sugar-producing countries, consumers, exporters and importers, as well as speculation of some traders. All such factors deal with particular geographic conditions enriching or blocking the sugarcane planting in each country, policies of import, export promotion and intervention in the sugar industry by the state sector, especially by some developed countries. At present, the sugar prices are also related to the fuel prices because the sugarcane and molasses can be used to produce a type of alcohol called ethanol, which can be blended with gasohol to get the car fuel. All above factors result in the high volatility of sugar prices in the global market.

The volatility of sugar prices in the global market drives the Company to arrange its risk management under appropriately financial instruments such as the future contracts/options for sale or purchase of sugar in order to curb the fluctuation of the Company's profit resulted in the risk of sugar price volatility in the global market. Nevertheless, such risk prevention may adversely affect the Company's operating performance at certain quarters because the Company has to record its profit and loss due to such risk prevention of the income statements according to the fair value of that option at the end of each accounting period, which may not perfectly match the period of sugar delivery by the Company.

Moreover, the Company's previous operating results absolutely relied on the sugar and molasses businesses; the volatility of the global sugar prices has greatly affected the Company's operations. But, the Company decided to invest in some related projects, e.g. biomass-based power plant; hence, the Company anticipates the future that its operating results would be less affected by the global sugar prices.

#### 3. Risk from foreign exchange rates

The Company has exported about 70% of its sugar sales sum. Most sugar exported is exposed to the USD currency; so the Company's sales sum has been fluctuating in line with the exchange rate. However, the Company has to set up the 70:30 revenue sharing scheme between the Company and sugarcane farmers; as a result, the Company's cost of sugar moves subject to the exchange rate, as well. Therefore, a great amount of income and costs of the Company are linked to the exchange rate (natural hedge). In addition, the Company has made the forward contract to reduce the impact caused by such fluctuations of exchange rate to the Company's operating results.



## RISK FACTORS

Nevertheless, such risk preventive measures may adversely affect the Company's quarterly operating results since the Company has to record its profit and loss of the income statements according to the fair value of that option, which may not perfectly match the time of receiving payments from its sugar sales.

### **4. Risk from raw material supplies-sugarcane**

The Company is one of the producers and distributors of sugar and by-products, which needs the sugarcane as the raw material; so the Company's risk of operating results partly deals with the quantities of sugarcane supplied to the production process. The factors affecting the volume of sugarcane include: (1) the change of sugarcane planting areas (the number of Rai) which some farmers can decide to grow other agricultural crops generating higher returns than sugar, or the state sector may launch the promotion policy on growing other crops; and (2) the change in the yield of sugarcane (ton cane per Rai), which is mostly affected by the volume of rain and abundant soil as well as the climate change at each particular year.

If the dropping sugarcane planting areas or drought cause less amount of sugarcane across the country, the amount of sugar is produced by the Company would be reduced as well. When the cost per unit especially the fixed cost per unit is rising, the profit per unit certainly plunges and the Company's overall profit would finally slump. Moreover, in any years when the quantity of sugarcane grown is so low, the neighboring sugar mills compete for buying some sugarcane more to sustain their amount of sugarcane crushed. As a result, the Company's overall cost of raw materials is hiking while its net profit is dropped.

However, Thailand comes secondly in the list of the worlds' top sugar exporters, and being the main sugar supplier to the Asian region. In the years when the amount of sugarcane crushed was dropped in Thailand, it results to the quantity of sugar available in the Asian region, which drives the sugar selling prices in other countries higher. Consequently, such increasing prices help relieve the impact of the volume of sugar crushed, and higher costs. Furthermore, the Company has valued the stability of sugarcane supplies; therefore, it has provided assistance to some sugarcane farmers, including advance loans for sugarcane planting, fertilizer, sugarcane varieties, irrigation system, and utilization of technologies to boost the yields and efficiency in sugarcane planting. Such assistance purposively helps the sugarcane farmers, under the Company's care, the farmers can receive good returns from the sugarcane plantation in a long term, which indirectly motivates those sugarcane farmers to grow and supply some sugarcane to the Company consistently.

### **5. Risk from the cost of sugarcane**

The cane and sugar industry in Thailand is regulated under a 70:30 revenue sharing scheme between sugarcane farmers and sugar mills. The sugarcane prices are regularly calculated by the Cane and Sugar Board to allocate 70% of the sugar industry lump sum revenue to the sugarcane farmers. The Cane and Sugar Board calculates the revenue to be paid to those sugarcane farmers with reference to the average sugar selling prices of Thai Cane & Sugar Corporation Ltd.

If the Company fails to sell some sugar to the foreign markets (Quota C) at a price higher than the average price actually sold by Thai Cane & Sugar Corporation Ltd., the Company must pay the high price of sugarcane if compared with its sales sum; this can make its profit margin and net profit plunge.



Nevertheless, the Company sets up the risk management by closely watching the period and sales volume of Thai Cane & Sugar Corporation Ltd. to ensure that the Company sells some sugar at an appropriate rate if compared with that of Thai Cane & Sugar Corporation Ltd. To elaborate the average selling prices for exports (Quota C) of the Company in the past 3 years were higher than the actual average selling prices of Thai Cane & Sugar Corporation Ltd. each year.

### **6. Risk from the quality of raw material-Sugarcane**

The quality of sugarcane or CCS of sugarcane is a core factor which affects the amount of sugar produced by the Company. The factors affecting the quality of sugarcane include the climate variability such as out of season rain during the sugarcane harvesting, which mainly reduce the sweetness in sugarcane. Furthermore, most sugar sales are done through the future contracts, that is, the sales quantities and prices are pre-determined prior to the delivery time for 6 months to 1 year. Therefore, if the sugarcane crushed in the production process contains CCS lower than expected while the future contract is made, the Company may have inadequate sugar for its customers.

However, the Company closely monitors the risk management possibly caused by the quality of sugarcane. If the sweetness of sugarcane drops, the Company may purchase some sugar to be delivered to the customers, or may use certain appropriate financial instruments, such as future contract or options to manage such risk, etc.

### **7. Risk of bad debts arising from loans granted to sugarcane farmers (advance loans)**

In the operation of sugar industry, the sugar mills usually support the sugarcane farmers to grow the sugarcane to be supplied to these mills. These supports may be in forms of loans granted by financial institutions or other non-financial supports, such as offering of fertilizer, sugarcane varieties, agricultural machinery, etc. those are the normal practices done by most sugar mills called “sugarcane loans”. This advance loan looks like reserving some sugarcane to be crushed in the production process when the sugarcane is ready for harvesting whereas the sugar mills start their crushing. In the years when the drought or pestilence occurs, the farmers are unable to supply the sugarcane as earlier agreed, the Company has to bear more bad debts; as a result, the Company’s net profit will go down.

The Company has valued the risk management for such advance loans are extended; so it is controlled, starting from the process of granting the credit line to the debt collection system. The Company establishes the advance loan management committee to be in charge of approving such advance loans to sugarcane farmers by considering sugarcane planting areas, anticipated quantities of sugarcane grown, records of sugarcane delivery, and debt repayment of each debtor. The Company has regularly monitored the sugarcane grown by sugarcane farmers who receive the advance loans granted by the Company. The Geographic Information System (GIS) has been used to survey and measure the sugarcane planting areas in order to get the accurate information about sugarcane planting areas of the Company, and to make its monitoring of sugarcane products more efficient.





## RISK FACTORS

### 8. Risk from the impact on the environment

The Company has always focused on the business management to ensure that there will not be any negative impact on the environment, and on the policy of keeping the Company's production process under the industrial standards. In respect with dust emitted from the sugar mills, the Company repairs and installs some dust collectors, and improves the dust filling system by having the wet scrubber installed.

However, the Company cannot assure that it would not be claimed for any environmental impact in the future. The claims against the Company for the environmental impact can adversely affect its operating results and financial status, as well.

### 5.2 RISK FROM THE GOVERNMENT POLICY

The cane and sugar industry in Thailand has been controlled and regulated by the Cane and Sugar Board by virtue of the Cane and Sugar Act, B.E. 2527. The Board arranges the sugar distribution in a quota system (Quota A for domestic sales, Quota B and C for exports), allocates the revenue in the sugarcane production system between sugar mills and sugarcane farmers under the 70:30 profit-sharing scheme, and controls the entry of new players into the sugar business, etc. It is apparent that the rules and regulations issued by the Cane and Sugar Board take effect to the production costs and operating results of the Company; for example, the 70:30 profit-sharing scheme originates the calculation of sugarcane price the sugar mills pay to the farmers, the regulations regarding the sugar exports, the policies on the revision of domestic sugar prices, or the policies on free trading of the sugar business, which may affect the Company's operating results.

Furthermore, other government policies, except the policy for the direct control of the cane and sugar industry, may take the significant effect to the Company's operating results. For example, the policy of promoting the renewable energy, such as ethanol, affects the domestic sales volume of ethanol. Or, the policies of promoting the growing of cassava and of guaranteeing prices of cassava or other agricultural crops may drive the Company to encounter some negative impact because the sugarcane planting areas may be lower, and the crop farmers decide to grow other crops generating higher returns, etc.

Because the Company recognizes the importance of government policies in shaping the cane and sugar industry, it has cooperated with three sugar mill associations and associations sugarcane farmers to inspire the government sector to recognize the importance of this industry, which deems the top-stream industry for the food and processed food industries. At present, sugar and its by-products are also transformed to be the fuel energy for cars (ethanol), or developed for the production of chemicals. The cane and sugar industry has also generated a great amount of foreign income because about 60-70% of total sugar volume produced is exported while almost 100% of raw materials of sugar mills come from domestic sources. Today, the communications, explanations and understanding between the government and the cane and sugar industry via the sugar mill associations and sugarcane farmers associations are smooth; therefore, the government has better understanding of problems and needs of sugar mills, and gives more help to those sugarcane farmers; these help reduce the risk potentially posed by governmental policies on the direction of cane and sugar industry.

## 6. SHAREHOLDING STRUCTURE AND MANAGEMENT

The major shareholders of the Company as of 30 September 2011 are listed below.

| No. | Shareholders                               | Paid-up Capital in the amount of THB 500,000,000 |                |
|-----|--|--|----------------|
|     |  | Shares held                                      | Proportion (%) |
| 1   | Khonburi Capital Co., Ltd. <sup>1</sup>    | 130,000,000                                      | 26.00          |
| 2   | Mr. Issara Twiltermsup Group <sup>2</sup>  | 96,972,500                                       | 19.39          |
| 3   | Mr. Somkiat Twiltermsup Group <sup>3</sup> | 49,506,500                                       | 9.90           |
| 4   | Mr. Takon Tawintermsup Group <sup>4</sup>  | 48,502,500                                       | 9.70           |
| 5   | Thai NVDR Co., Ltd.                        | 11,571,400                                       | 2.31           |
| 6   | Bangkok Insurance Public Company Limited   | 8,800,000  | 1.76           |
| 7   | Mr. Mitrpant Satavoramane                  | 6,000,000  | 1.20           |
| 8   | Mr. Vithit Pongpirodom                     | 4,150,000  | 0.83           |
| 9   | Mr. Viboon Phanitwong                      | 3,500,000  | 0.70           |
| 10  | Mr. Supat Pholpipattanaphong               | 3,125,000  | 0.63           |
| 11  | Other                                      | 137,872,100                                      | 27.58          |
|     | <b>Total</b>                               | <b>500,000,000</b>                               | <b>100.00</b>  |

Remark : 1. Khonburi Capital Co., Ltd. is a holding company and its shareholders as of 30 September 2011 are as follows :

|     |                               |         |            |                       |       |
|-----|-------------------------------|---------|------------|-----------------------|-------|
| 1.1 | Mr. Issara Twiltermsup Group  | holding | 26,100,000 | shares, equivalent to | 50 %  |
| 1.2 | Mr. Takon Tawintermsup Group  | holding | 13,050,000 | shares, equivalent to | 25 %  |
| 1.3 | Mr. Somkiat Twiltermsup Group | holding | 13,050,000 | shares, equivalent to | 25 %  |
|     |                               | Other   | 52,200,000 | shares, equivalent to | 100 % |

2. Mr. Issara Twiltermsup, Miss Chonatee Twiltermsup, Mr. Teerawat Twiltermsup, Mr. Kan Twiltermsup, Mr. Annart Rumpoeypong and Mr. Methae Sukvatayanon

3. Mr. Somkiat Twiltermsup, Mr. Tanasit Twiltermsup, Ms. Jitsupa Twiltermsup, Mr. Tanachote Twiltermsup and Mrs. Tarinee Sermleelatham

4. Mr. Takon Tawintermsup, Mrs. Rumpa Tawintermsup, Mr. Rungsan Tawintermsup, Mr. Rachot Tawintermsup and Mr. Kosol Nuntileepong.

### MANAGEMENT

#### 1. Management Structure

The management structure of the Company as of 30 September 2011 consisted of the Board of Directors, the Audit Committee, the Risk Management Committee and Executive Board Directors as described below.

##### (1) The Board of Directors

At present, the Board of Directors consists of 9 members, which are included :

- Executive Directors 3 persons.
- Non-Executive Directors 2 person.
- Independent Directors 4 persons

## SHAREHOLDING STRUCTURE AND MANAGEMENT

| No. | Name of Directors |                  | Position              |
|-----|-------------------|------------------|-----------------------|
| 1.  | Mr. Suthep        | Wongvorazathe    | Chairman of the Board |
| 2.  | Mr. Takon         | Tawintermsup     | Director              |
| 3.  | Mr. Somkiat       | Twiltermsup      | Director              |
| 4.  | Mr. Issara        | Twiltermsup      | Director              |
| 5.  | Mr. Amnart        | Rumpoeypong      | Director              |
| 6.  | Mr. Sran          | Smutkochorn      | Independent Director  |
| 7.  | Dr. Thawatchai    | Nakhata          | Independent Director  |
| 8.  | Mr. Chusak        | Prachayangprecha | Independent Director  |
| 9.  | Mrs. Suvimol      | Krittayakiern    | Independent Director  |

Remark : 1. Mr. Sran Smutkochorn, Dr. Thawatchai Nakhata, Mr. Chusak Prachayangprecha, and Mrs. Suvimol Krittayakiern were appointed as directors on 13 October 2010

The authorized directors are Mr. Takon Tawintermsup, Mr. Somkiat Twiltermsup and Mr. Issara Twiltermsup ; any two authorized directors co-sign their names and affix the Company's seal.

The Company Secretary is Miss Thanathorn Sukaram, who is in charge of providing advice and assistance to the Board of Directors to comply with the Principle of Corporate Governance, and rules and regulations required by the Stock Exchange of Thailand, the Securities and Exchange Commission and any other related agencies.

### Scope of Duties and Responsibilities of the Board of Directors

The 2010 Annual General Meeting of Shareholders held on 16 December 2010 passed the resolution for the scope of duties and responsibilities of the Board of Directors as the following :

1. To undertake and manage the Company in conformity with any and all related laws, objectives, and Articles of Association of the Company, as well as resolutions of the meetings of shareholders.
2. To comply with laws, objectives, and Articles of Association of the Company, as well as resolutions of the meetings of shareholders and the Board of Directors. In managing the Company's business, the Board of Directors shall perform duties with a full spectrum of responsibilities, care and honesty.
3. To consider and approve any significant matters related to the Company's business operations, e.g. vision, mission, policies, business strategies, goals and operating plans, financial targets, and budget.
4. To govern and care for the normal business operations of the Company; and to have the Management work efficiently and proficiently to be in line with the determined vision, mission, policies, business strategies, goals and operating plans, financial targets, and budget of the Company for inclusive benefits of the Company and its shareholders.
5. To provide the accounting system, financial reports and auditing; and to care for the internal control system and the internal audit system in order to ensure that they are all efficient and proficient.
6. To prepare the annual reports of the Company and/or the Board of Directors to be in accordance with all related laws and regulations required.
7. To care for and provide a governing mechanism to prevent the potential conflicts of interest between any stakeholders and the Company.
8. To consider, approve, consider and give opinions for consideration and approved by the meeting of shareholders in case of making any transactions significantly to the Company or any connected transactions in accordance with the procedure, conditions, legal process and related rules and regulations and/or obligations required by the Company.
9. To appoint any of the Company's directors as the chairman of the board; and to appoint some directors subject to the number of the Board of Directors deems appropriately as the vice chairman.

## SHAREHOLDING STRUCTURE AND MANAGEMENT

10. To determine and amend the authorized directors of the Company.
11. To recruit and appoint a person with knowledge, competence and experience that the Board of Directors deems appropriately, and with all other qualifications required by related laws and regulations to hold a position of directorship in case any director vacate his office due to other reasons apart from the expiration of the term of office.
12. To recruit a person with knowledge, competence, experience and all other qualifications required by related laws and regulations to hold a position of directorship, and such person shall be nominated for the meeting of shareholders' consideration.
13. To consider and set up the criteria of remuneration payment to the Company's directors and top management by regarding any all factors, e.g. work performance, title, scope of duties and responsibilities, qualifications, knowledge, competence, experience, and motivation in contributing for the Company, both in short and long terms, etc.
14. To consider appropriate amount of remuneration for directors of the Company in line with the criteria of remuneration payment set up by the Board of Directors which shall be proposed to the meeting of shareholders for consideration and approval.
15. To evaluate the work performance of the Managing Director and Top Management; to consider and set up the remuneration for the Top Management in line with the criteria of remuneration payment set up by the Board of Directors.
16. To appoint any sub-committees ; to recruit and appoint the directors or persons having engaged the knowledge, competence and experience as the Board of Directors deems appropriately to hold positions in those sub-committees; and to lay down the scope of authority, duties and responsibilities of those sub-committees.
17. To appoint the executive board who is elected from any directors or executives of the Company; to elect any of executive board members as the Managing Director; and to determine the scope of authority, duties and responsibilities of the executive board and the Managing Director.
18. To appoint a director or person having engaging the qualifications, knowledge, competence and experience as the Board of Directors deems appropriately as the Company Secretary.
19. To appoint and/or empower one or several directors or persons to take any acts under the scope of directorship power and as the Board of Directors deems appropriately. However, such empowerment may be suspended, cancelled or altered.
20. To provide and care for the communication channels to connect with each group of shareholders and stake holders of the Company appropriately.
21. To care for the accuracy, completion, timing and transparent disclosure of important information related to the Company via fair and creditably accessible channels.
22. To set up and amend any matters prescribed in the regulations and Articles of Association of the Company.
23. To engage other power, duties and responsibilities as required by laws and other related regulations, Articles of Associations of the Company, and the resolutions of the meetings of shareholders.

### (2) The Executive Board Directors

As of 30 September 2011, the Executive Board Directors consisted of 4 following members :

| No. | Name of Directors |               | Position                       |
|-----|-------------------|---------------|--------------------------------|
| 1.  | Mr. Suthep        | Wongvorazathe | Chairman of Executive Director |
| 2.  | Mr. Takon         | Tawintermsup  | Executive Director             |
| 3.  | Mr. Somkiat       | Twiltermisup  | Executive Director             |
| 4.  | Mr. Issara        | Twiltermisup  | Executive Director             |

Remark : Mrs. Pornpan Boonchaisri was the Company Secretary.





## SHAREHOLDING STRUCTURE AND MANAGEMENT

### Scope of Duties and Responsibilities of the Executive Board Directors

The Meeting of the Board of Directors, No. 3/2011 held on 28 February 2011 passed a resolution for the scope of authority for the Executive Board Directors as the following :

1. To consider and prepare the policies, business strategies, operating goals and plans, financial targets, and budget of the Company by appropriately regarding various business factors to be proposed for the Board of Directors' approval.
2. To govern, inspect and monitor the Company's business operations to ensure that they are efficiently and proficiently carried out in line with the policies, business strategies, operating goals and plans, financial targets, and budget of the Company as approved by the Board of Directors.
3. To set up the organization structure and management policy of the Company as well as policies of recruitment, training, employment and termination of employment for the Company's employees. The Managing Director and/or the Director to the Human Resources Department may be authorized to sign signature in the employment contract.
4. To conduct the feasibility studies on investment in new projects, and to be empowered to consider and approve the Company for an investment or a joint venture with an individual, juristic person or any other business organization in the investment form the Executive Board Directors deems appropriately in order to operate the business subject to the Company's objectives, and to consider and approve the Company's expenditure for such investment, business contracts and/or any related acts to complete such matter for the amount of investment from Baht 10 million up to Baht 50 million.
5. To consider and approve financial transactions, in the amount from Baht 10 million up to Baht 50 million, to be made with any financial institutions in respect with the opening of account, taking out of loans and credit line, pledge, mortgage, guarantee and other matters as well as selling and purchase, and registration for any ownership of land in accordance with the Company's objectives in order to benefit the business operations of the Company; and to take any legal acts, make contracts and/or perform other acts related to such matters until it is completed.
6. To consider and approve of entering into a contract and financial instruments, e.g. future contract for the right in sugar sales and purchases, foreign currencies exchange forward contract, etc. in order to prevent the Company's financial risks.
7. To consider and provide advice or opinions to the Board of Directors about any projects, proposals or entering into transactions related to the Company's operations, which need the operating amount greater than the permitted amount and/or required by any related laws and regulations or Articles of Association of the Company that must be considered and approved by the meeting of shareholders or that of the Board of Directors.
8. To consider and approve of the rules, regulations, management policies and business operations of the Company or any other acts binding the Company.
9. To empower the Managing Director to operate the business of the Company in accordance with the scope of power, duties and responsibilities as designated and governed by the Executive Board.
10. To appoint and/or assign the Executive Board or a person or several persons to take any acts under the scope of power given to the Executive Board and as the Executive Board deems appropriately. The Executive Board may suspend, cancel or alter such power.
11. To consider and approve of the Empowered Operation Manual to enable the appointed and/or authorized persons to be aware of the scope of responsibilities and given power, and such that shall be a working manual for further working reference and to make the working procedure in order.
12. To have any power, duties and responsibilities as per assignments or policies given by the Board of Directors.

The scope of power, duties and responsibilities of the Executive Board Directors mentioned above is under applicable laws and related regulations, as well as Articles of Association of the Company. In case that the Executive Board Directors must carry out or enter into any transaction which may cause potential conflict of interest, and/or it must enter into any transaction with a connected transaction, the related laws and regulations or the Articles of Association of the Company require that



## SHAREHOLDING STRUCTURE AND MANAGEMENT

must be considered and approved by the meeting of shareholders or that of the Board of Directors. By this regard, the Executive Board shall provide some opinions, which is further proposal to the Board of Directors for consideration, and undertaken as required by any related laws and regulations or the Articles of Association of the Company.

### (3) The Audit Committee

As of 30 September 2011, the Audit Committee consisted of 3 following members :

| No. | Name of Directors |                     | Position                        |
|-----|-------------------|---------------------|---------------------------------|
| 1.  | Dr. Tawatchai     | Nakhata             | Chairman of the Audit Committee |
| 2.  | Mr. Chusak        | Pruchyangkhapreecha | Audit Committee                 |
| 3.  | Mrs. Suvimol      | Krittayakiern       | Audit Committee                 |

Remark : 1. Mrs. Suvimol Krittayakiern was an Audit Committee member who has engaged the accounting and financial skills.  
2. Mrs. Wilai Tankum was the Secretary to the Audit Committee.

### Scope of Duties and Responsibilities of the Audit Committee

1. To review the financial statements of the Company to ensure that they are disclosed accurately and adequately by coordinating with the external auditor and the Management who are responsible for the preparation of quarterly and yearly financial statements. The Audit Committee may have the auditor review or audit any transactions necessarily or importantly while auditing the Company's account.
2. To provide some advice to the Board of Directors and the Management on the improvement of the Company's working process or system in order to reduce related risks to ensure that the financial statements of the Company are accurate and efficiently utilized.
3. To review the internal control system and internal audit system of the Company to ensure that they are run appropriately and proficiently; to verify the independence of the Internal Audit Department; and to give approval of the appointment, removal and dismissal of the Head of Internal Audit Department or those of other departments which is responsible for the internal audit activities of the Company.
4. To verify that the Company conforms to laws on securities and stock exchange, regulations of the stock exchange and any other laws on the business of the Company.
5. To consider, recruit and nominate an independent person to be the Company's auditor; to propose the remuneration for such an auditor; and to have the meetings with the auditor at least once a year without the attendance of the Management.
6. To consider any connected transactions or those with potential conflicts of interest to be in conformity with laws on securities and stock exchange, and regulations of the stock exchange in order to ensure that such transactions are reasonable and enhance the best benefit for the Company; and to consider to ensure the Company's disclosure of connected transactions or those possibly causing the conflicts of interest which is accurate and adequate.
7. To disclose the reports of the Audit Committee, which signed by the Audit Committee Chairman, in the annual reports of the Company.
8. In performing duties, if the Audit Committee finds or suspects, the following transactions may have the material impact on the financial status and operation results of the Company, the Audit Committee shall report them to the Board of Directors prior to the improvement within the timeframe of the Audit Committee who deems appropriately :



## SHAREHOLDING STRUCTURE AND MANAGEMENT

- (a) Transactions causing conflicts of interest
- (b) Dishonest or irregularity or important defect in the internal control system
- (c) Violation of laws on securities and stock exchange, regulations of the stock exchange or laws on the business of the Company.

If the Board of Directors or the Management of the Company fails to remedy such within the timeframe specified in paragraph one, any of the Audit Committee members may report the transaction or act stated in paragraph one to the Securities and Exchange Commission or the Stock Exchange of Thailand.

9. The Audit Committee may seek for an independent opinion from other professional advisors if it deems necessarily under the Company's expense.
10. To perform other duties specifically assigned by the Board of Directors with consent of the Audit Committee.

#### (4) The Risk Management Committee

As of 30 September 2011, the Audit Committee consisted of 4 following members :

| No. | Name of Directors |             | Position                                  |
|-----|-------------------|-------------|---|
| 1.  | Mr. Sran          | Smutkochorn | Chairman of the Risk Management Committee |
| 2.  | Mr. Somkiat       | Twiltermsup | Risk Management Committee                 |
| 3.  | Mr. Issara        | Twiltermsup | Risk Management Committee                 |
| 4.  | Mr. Amnart        | Rumpoeypong | Risk Management Committee                 |

Remark : Mr. Marwin Kongtoh was appointed as the Secretary to the Risk Management Committee in the meeting of the Risk Management Committee, No. 1/2011 on 14 July 2011.

#### Scope of Duties and Responsibilities of the Risk Management Committee

The meeting of the Board of Directors, No. 4/2010 held on 30 November 2010 passed a resolution for the scope of power and duties of the Risk Management Committee as the following :

1. To set up a general risk management policy to be proposed to the Board of Directors; such policy shall involve the procurement of raw materials, financial supports to farmers, production, marketing and finance, as well as investment risks and other risks possibly taking impact on the business reputation.
2. To set up the potential risk management direction and policy due to the procurement of raw materials, financial supports to farmers as well as the risk of inadequate supplies of sugarcane for the production process, and the risk of bad debt due to financial supports given to the farmers.
3. To set up the risk management policy in relation to the Company's production, which also includes the risks affected by the production proficiency and the discontinuity of production.
4. To set up the risk management policy in relation to the marketing and sales as well as risks affected by the fluctuation of global sugar price and the foreign exchange rates.
5. To set up the policy of utilizing financial instrument, e.g. future contract for the right in sugar sales and purchases, foreign currencies exchange forward contract, etc. in order to prevent the Company's financial risks.
6. To lay down the policies and the principles of making insurance for various assets in order to reduce the risk of possible disasters.
7. To place the business strategies to be in line with the risk management policy in order to support and encourage the cooperation from the Company's employees at all levels, and to enable to monitor, evaluate and keep the level of risks at an appropriate level.

## SHAREHOLDING STRUCTURE AND MANAGEMENT

8. To improve and revise the management and risk management systems of the Company to ensure that they are efficient and proficient. The evaluation and monitoring of such risk management process must be at all time in conformity with the determined risk management policy.
9. To set up the preparation of risk reports and advice to be submitted to the Board of Directors for further improvement.
10. To perform other duties in relation to the risk management as specifically assigned by the Board of Directors.

### (5) Executive Management Team

As of 30 September 2011, the Management Team of the Company consisted of 6 following members :

| No. | Name of Directors |              | Position   |
|-----|-------------------|--------------|--|
| 1.  | Mr. Takon         | Tawintermsup | Managing Director  |
| 2.  | Mr. Somkiat       | Twiltermsup  | Deputy Managing Director of Marketing                    |
| 3.  | Mr. Issara        | Twiltermsup  | Deputy Managing Director of Administration and Office    |
| 4.  | Mrs. Pornpan      | Boonchaisri  | Deputy Managing Director of Accounting and Finance       |
| 5.  | Mr. Somtawin      | Boonbanyen   | Deputy Managing Director of Raw Materials and Production |
| 6.  | Miss Surawee      | Puangthong   | Accounting and Finance Manager                           |

Remark :  
 1. Mrs. Pornpan Boonchaisri was appointed on 1 February 2010.  
 2. Mr. Somtawin Boonbanyen was appointed on 1 July 2011.

### Scope of Duties and Responsibilities of the Managing Director

The meeting of the Board of Directors, No. 3/2011 held on 28 February 2011 passed resolutions for the scope of power and duties of the Managing Director as the following :

1. To be responsible for the day-to-day affairs and/or administration of the Company; and to take care of the general operation to be in line with the policies, business strategies, goals and working plans, financial targets, and budget of the Company which was approved by the Board of Directors.
2. To consider, negotiate and approve of the Company's entering into any juristic acts and contracts and/or taking any acts related to the day-to-day affairs and/or administration of the Company in an aggregate sum not greater than Baht 10 million.
3. To consider the Company's entering into any juristic acts and contracts and/or negotiation for any contracts related to the Company's affairs and/or any acts related to such affairs and/or the daily administration of the Company in an aggregate sum greater than the limited amount; and to provide opinions and propose to the Board of Directors and/or the Executive Board Directors for further consideration and ending resolution.
4. To determine the trading criteria such as the sum of credit line, payment period, entering into the sale and purchase agreement, changes of trading conditions, etc. in an aggregate sum not greater than Baht 10 million.
5. To consider the employment, appointment and dismissal; and to set up the scope of power, duties and appropriate remuneration for the Company's employees holding positions of department manager or lower in accordance with the related policies determined by the Executive Board Directors.
6. To appoint various advisors necessarily for the Company's business operation and/or daily administration.
7. To appoint and/or empower any person or several persons to take any acts under the scope of power given to the managing director as the Managing Director deems appropriately. However, such power may be cancelled, suspended or altered by the Managing Director.
8. To have other power, duties and responsibilities specifically assigned or subject to the policies assigned by the Board of Directors and/or the Executive Board Directors.



# SHAREHOLDING STRUCTURE AND MANAGEMENT

## 2. NOMINATION OF DIRECTORS AND EXECUTIVES

If the Nomination Committee of the Company has not yet been established to be in charge of recruiting persons for the position of directorship but when one director vacates office, the Board of Directors shall be responsible for recruiting and electing one to replace his/her by regarding various factors, e.g. knowledge, competence and experience relating to the Company's business. Moreover, the directors and the Management of the Company must not possess any unreliable characteristics as prescribed in the Notification of the Securities and Exchange Commission.

### 2.1 Nomination of the board of directors

The Company shall have a board of directors, comprising at least 5 directors, but not more than 12, of which at least one thirds (1/3) shall be independent directors, but not less than three (3). Not less than one half of the board shall reside in the Kingdom. Any and all directors of the Company shall hold qualifications without possession of any prohibited characteristics as required by law. Such directors may or may not be the Company's shareholders.

1. A shareholder shall have votes in a number equals to the number of shares he holds.

2. In case that the number of persons nominated for the office of director is greater than that required in that election, the shareholders shall vote for each nominated person. In casting votes, each person was elected by the shareholders shall receive the number of votes equals to the number of shares which each shareholder holds. In case of voting for more than one director, each shareholder is not permitted to distribute his/her votes as he/she pleases. The persons who receive the highest votes which are arranged in order from higher to lower in a number equal to that of directors whom to be appointed by electing as the directors of the Company. In the event of a tie at a lower place, which would make the number of directors greater than that required or elected at that time, the chairman of the meeting shall give the casting vote.

### 2.2 Nomination of the Executive Board

The Executive Board is appointed by the Board of Directors to mitigate some tasks borne by the Board of Directors, which includes the management affairs and other routine tasks beyond the power and duties of the Managing Director; and to allow the Board of Directors to have more time for other policy-oriented affairs and those for administration supervision.

### 2.3 Nomination of independent Audit Committee

The Audit Committee is appointed by the Board of Directors, of which must be independent directors engaging independence as prescribed in the Notification of the Securities and Exchange Commission, and subject to the Principles of Corporate Governance of the Company. At least one member of the Audit Committee must have engaged the accounting and/or financial skills as the Audit Committee shall perform the duties of inspecting and governing the operations of the Company, as well as controlling the financial reports, the internal control system, the selection of the auditor, and the consideration of conflicts of interest.

### 2.4 Nomination of Risk Management Committee

The Risk Management Committee is appointed by the Board of Directors to be responsible for setting up and placing the overall risk management strategy. The duty of the Risk Management Committee also includes the regular improvement and revision of management and risk management systems to be in conformity with the determined policies.

## 3. REMUNERATION OF DIRECTORS AND EXECUTIVES IN 2011

### 3.1 Remuneration

1. Details of remuneration of The Board Director and the Board Committees in 2011 are as the following :



## SHAREHOLDING STRUCTURE AND MANAGEMENT

(Unit : Baht)

| Name  | 2009              |                     |                  | 2010              |                     |                  | 2011              |                     |                  |
|---|-------------------|---------------------|------------------|-------------------|---------------------|------------------|-------------------|---------------------|------------------|
|   | Meeting Allowance | Annual Remuneration | Total            | Meeting Allowance | Annual Remuneration | Total            | Meeting Allowance | Annual Remuneration | Total            |
| 1. Mr. Suthep Wongvorazathe                 | 90,000            | 1,200,000           | 1,290,000        | 45,000            | 1,300,000           | 1,345,000        | 165,000           | 550,000             | 715,000          |
| 2. Mr. Takon Tawintemsup                    | 80,000            | 400,000             | 480,000          | 40,000            | 400,000             | 440,000          | 100,000           | 250,000             | 350,000          |
| 3. Mr. Somkiat Twiltermsup                  | 80,000            | 400,000             | 480,000          | 40,000            | 400,000             | 440,000          | 110,000           | 350,000             | 460,000          |
| 4. Mr. Issara Twiltermsup                   | 70,000            | 400,000             | 470,000          | 40,000            | 400,000             | 440,000          | 110,000           | 350,000             | 460,000          |
| 5. Mr. Amnart Rumpoeypong                   | 70,000            | 272,500             | 342,500          | 40,000            | 387,500             | 427,500          | 90,000            | 250,000             | 340,000          |
| 6. Mr. Sran Smutkochorn <sup>1</sup>        | -                 | -                   | -                | -                 | -                   | -                | 135,000           | 300,000             | 435,000          |
| 7. Dr. Thawatchai Nakhata <sup>1</sup>      | -                 | -                   | -                | -                 | -                   | -                | 75,000            | 300,000             | 375,000          |
| 8. Mr. Chusak Prachayangprecha <sup>1</sup> | -                 | -                   | -                | -                 | -                   | -                | 110,000           | 250,000             | 360,000          |
| 9. Mrs. Suvimol Krittayakiern <sup>1</sup>  | -                 | -                   | -                | -                 | -                   | -                | 110,000           | 250,000             | 360,000          |
| <b>Total</b>                                | <b>390,000</b>    | <b>2,672,500</b>    | <b>3,062,500</b> | <b>110,000</b>    | <b>2,887,500</b>    | <b>3,092,500</b> | <b>1,005,000</b>  | <b>2,850,000</b>    | <b>3,855,000</b> |

Remark : 1. Mr. Sran Smutkochorn, Dr. Thawatchai Nakhata, Mr. Chusak Prachayangprecha, and Mrs. Suvimol Krittayakiern were appointed as directors on 13 October 2010.

### 2. Total amount of remuneration of management team

(Unit : Baht)

| Remunerations                        | 2009      | 2010       | 2011       |
|--------------------------------------|-----------|------------|------------|
| Salaries, bonus etc for 6 executives | 9,286,000 | 17,731,500 | 24,133,200 |

Note : In the year 2009 for 5 executives.

### 3.2 Other remunerations

- None -

### 4. SURVEILLANCE FOR THE USE OF INSIDE INFORMATION

The Company takes a measure to prevent the use of inside information; the Company's employees at every level must not disclose any confidential information of the Company to the third party. The use of such inside information by any of its employees must be under the duties and responsibilities specifically assigned to them only. The Guideline for Prevention of Use of Inside Information is prepared in a written form, and approved by the Meeting of the Board of Directors, No. 3/2010 held on 13 October 2010. The Company's employees and executives have been universally informed of such Guideline by circular notices for strict compliance.

The Company lays down the following policies and methods preventing its directors, executives, and employees to use the material inside information of the Company for their private benefits and for the trading of the Company's securities:

1. The Company sets up a preventive measure for the use of inside information; a provision is set forth in the Code of Conduct and Working Regulations of the Company prescribing that the directors, executives, and employees of the Company are forbidden to disclose or utilize such material inside information for their personal interest.

2. The directors, executives, and employees of the Company should avoid using the inside information in purchasing or selling the Company's shares for their personal interest or in offering any inside information to the third party for the benefit of selling and purchasing the Company's shares.

3. The directors, executives, and employees of the Company should avoid and suspend the trading of securities of the Company for a period of 1 month prior to the disclosure of its financial statements as well as other important information to the public. The suspension of trading should take at least 24-48 hours after the disclosure of such information to the public.



## SHAREHOLDING STRUCTURE AND MANAGEMENT

4. The Company has always educated all its directors and executives about the duties of reporting their shareholding in the Company, as well as any related penalties in accordance with the Public Limited Company Act, B.E. 2535 (as amended) (“Public Limited Company Act”) and the Securities and Exchange Act, B.E. 2535 (as amended) (“Securities and Exchange Act”), of reporting the interests of directors and executives, the prohibitions on the use of material inside information of the Company in the securities trading, as well as all related penalties in accordance with the Securities and Exchange Act.

### 5. INTERNAL AUDIT OFFICE

The Company has recognized that the good audit shall boost the working efficiency of the Company. To ensure such efficiency, the Internal Audit Office was established with the following scope of power and duties :

1. To prepare the annual audit plan that contains the goals and the importance of audit.
2. To take care of the preparation of the audit program that must be in line with the annual audit plan.
3. To take care of and carry out the audit activities pursuant to the audit program.
4. To have meetings to give advice and to share opinions about the audit results with every audited department.
5. To take care of the preparation of the audit results report.
6. To take care of and monitor the results of improvement and remedies pursuant to the comments and advice given.
7. To take care of the maintenance or destruction of audited documents in accordance with the internal audit procedure.
8. To take care of the organization assets to avoid any possible damages.

At present, the Company employs an internal audit manager and the other two internal audit officers, who have engaged some experience in the credit granted to the sugar mills, and in the internal audit.

### 6. POLICY AND DIVIDEND PAYMENT

The Company places a policy of dividend payment to every shareholder for not less than 40% of net profit declared in the financial statements of each company after the deduction of all types of statutory reserves prescribed in the Articles of Association of the Company and by law; provided that there is no case of emergency or such dividend payment is not likely to significantly affect the normal business operations of the Company as the Board of Directors deems reasonably or appropriately. Moreover, such undertaking must hand out the best benefits to the shareholders of the Company. The resolutions of the Board of Directors consider such matters must be proposed for the meeting of shareholders’ approval, except the Board of Directors may pay interim dividend to the shareholders from time to time, and the Board shall report to the next meeting of shareholders for information.

The subsidiaries of the Company set up a policy of dividend payment for not less than 40% of net profit stated in the financial statements of each subsidiary after the deduction of corporate income tax, statutory reserve and any other reserves whereas the cash flow, liquidities and investment plan at a particular time shall be regarded as well.

## 7. DIRECTORS AND MANAGEMENT PERSONS BIOGRAPHY

### 1. Mr. Suthep Wongvorazathe

- ▶ Age 63 years old
- ▶ Chairman of the Board Directors and Chairman of Executive Director.



#### Education

- ▶ Master degree of Business Administration, University of Wisconsin.
- ▶ Bachelor degree of Business Administration, Finance Major, University of Wisconsin.

#### Training by the Thai Institute of Directors Association (IOD)

- ▶ Director Accreditation Program (DAP) Class 48/2005

#### Experiences

- |                |  |
|----------------|--|
| 2008 - Present | Chairman of The Board Directors and Chairman of Executive Director Khonburi Sugar Public Company Limited   |
| 2010 - Present | Chairman of Executive Director and Director Export-Import Bank of Thailand                                 |
| 2009 - Present | Director Office of the Board of Investment   |
| 2004 - Present | Director Thai Agro Exchange Company Limited  |
| 2003 - Present | Chairman of the Audit Committee and Independent Director Chumporn Palm Oil Industry Public Company Limited |
| 1999 - Present | Managing Director SGE International Company Limited  |

- |   |   |      |
|---|---|------|
| (%) shareholding (as at September 30, 2011)   | : | None |
| Family Relationship among Company's Directors | : | None |
| Dispute in the 10 preceding years             | : | None |

### 2. Mr. Takon Tawintermsup

- ▶ Age 57 years old
- ▶ Director, Executive Director and Managing Director



#### Education

- ▶ Matthayom 3, Matthayom Wat Thatthong school.

#### Training by the Thai Institute of Directors Association (IOD)

- ▶ Director Certification Program (DCP) Class 32/2003
- ▶ Finance for Non-Finance Director (FND) Class 5/2003

#### Experiences

- |                |   |
|----------------|---|
| 1974 - Present | Director, Executive Director and Managing Director Khonburi Sugar Public Company Limited                    |
| 2010 - Present | Director Khonburi Capital Company Limited   |
| 2008 - Present | Director Agriculture Machine Services Company Limited   |
| 2008 - Present | Director Khonburi Power Plant Company Limited   |
| 2004 - Present | Director Khonburi Bio Energy Company Limited  |
| 1993 - Present | Managing Director Chumporn Holding Company Limited  |
| 1988 - Present | Executive Director Bomrungrat M.C. Company Limited  |
| 1979 - Present | Director, Executive Director and Deputy Managing Director Chumporn Palm Oil Industry Public Company Limited |

- |   |   |  |
|---|---|--|
| (%) shareholding (as at September 30, 2011)   | : | 5.61   |
| Family Relationship among Company's Directors | : | Mr. Somkiat Twiltermsup is younger brother. Mr. Issara Twiltermsup is nephew |
| Dispute in the 10 preceding years             | : | None   |



## DIRECTORS AND MANAGEMENT PERSONS BIOGRAPHY

### 3. Mr. Somkiat Twiltermsup

- ▶ Age 49 years old
- ▶ Director, Executive Director, Risk Management Committee and Assistant Managing Director of Marketing



#### Education

- ▶ Bachelor of Arts in Accountancy, Finance and Economics University of Essex

#### Training by the Thai Institute of Directors Association (IOD)

- ▶ Director Accreditation Program (DAP) Class 90/2011

#### Experiences

- 1991 - Present Director, Executive Director, Risk Management Committee and Assistant Managing Director of Marketing, Khonburi Sugar Public Company Limited
- 2010 - Present Director Khonburi Capital Company Limited
- 2008 - Present Director Agriculture Machine Services Company Limited
- 2008 - Present Director Khonburi Power Plant Company Limited
- 2004 - Present Director Khonburi Bio Energy Company Limited
- 1989 - Present Director Bangluek Agriculture Company Limited

(%) shareholding (as at September 30, 2011) : 6.48

Family Relationship among Company's Directors : Mr. Takon Tawintermsup is older brother. Mr. Issara Twiltermsup is nephew.

Dispute in the 10 preceding years : None

### 4. Mr. Issara Twiltermsup

- ▶ Age 33 years old
- ▶ Director, Executive Director, Risk Management Committee and Assistant Managing Director of Administration & Office



#### Education

- ▶ Bachelor of Science Industrial Management with an additional Major in Economics Carnegie Mellon University
- ▶ Bachelor of Law Thammasat University

#### Training by the Thai Institute of Directors Association (IOD)

- ▶ Director Certification Program (DCP) Class 132/2010
- ▶ ISO 9000 : 2000, ISO 14001 : 2004 Lead Auditor Training Course

#### Experiences

- 2003 - Present Director, Executive Director, Risk Management Committee and Assistant Managing Director of Administration & office Khonburi Sugar Public Company Limited
- 2010 - Present Director Khonburi Capital Company Limited
- 2008 - Present Director Agriculture Machine Services Company Limited
- 2008 - Present Director Khonburi Power Plant Company Limited
- 2008 - Present Director Peerapat Technology Public Company Limited
- 2001 - Present Director N.Y. Rubber Company Limited

(%) shareholding (as at September 30, 2011) : 9.87

Family Relationship among Company's Directors : Mr. Takon Tawintermsup and Mr. Somkiat Twiltermsup are uncles.

Dispute in the 10 preceding years : None



## 5. Mr. Amnart Rumpoeypong

- ▶ Age 35 years old
- ▶ Director and Risk Management Committee



### Education

- ▶ Master of Business Administration, Chulalongkorn University.
- ▶ Bachelor of International Business, University of North Carolina at Charlotte.

### Training by the Thai Institute of Directors Association (IOD)

- ▶ Director Accreditation Program (DAP) Class 82/2009

### Experiences

- 2006 - Present Director and Risk Management Committee  
Khonburi Sugar Public Company Limited
- 2006 - Present Director and Deputy Managing Director  
N.Y. Rubber Company Limited
- 2006 - Present Director and Deputy Managing Director  
N.Y. Plantation Company Limited
- 2006 - Present Deputy Managing Director  
N.Y. Development Company Limited

(%) shareholding (as at September 30, 2011) : 0.05  
 Family Relationship among Company's Directors : Mr. Takon Tawintermsup and Mr. Somkiat Twiltermsup are uncles.  
 Dispute in the 10 preceding years : None

## 6. Mr. Sran Smutkochoorn

- ▶ Age 46 years old
- ▶ Chairman of Risk Management Committee and Independent director.



### Education

- ▶ Master degree of Economics The University of California, Los Angeles.
- ▶ Bachelor degree of Economics The University of California, Northridge

### Training by the Thai Institute of Directors Association (IOD)

- ▶ Director Accreditation Program (DAP) Class 42/2005

### Experiences

- 2010 - Present Chairman of Risk Management Committee and Independent Director  
Khonburi Sugar Public Company Limited
- 2010 - Present Management Committee LOXLEY Public Company Limited  
Executive Vice President LOXLEY Trading Company Limited  
Executive Vice President LOXLEY International Company Limited
- 2006 - 2009 Managing Director  
Yum Restaurants International (Thailand) Co., Ltd
- 2002 - 2006 General Manager KFC Thailand Company Limited
- 1995 - 2002 Chief Financial Officer (CFO)  
Yum Restaurants International (Thailand) Co., Ltd

(%) shareholding (as at September 30, 2011) : None  
 Family Relationship among Company's Directors : None  
 Dispute in the 10 preceding years : None





## DIRECTORS AND MANAGEMENT PERSONS BIOGRAPHY

### 7. Dr. Tawatchai Nakhata

- ▶ Age 64 years old
- ▶ Chairman of Audit Committee and Independent Director.



#### Education

- ▶ Ph.D. University of Illinois at Urbana-Champaign

#### Training by the Thai Institute of Directors Association (IOD)

- ▶ Audit Committee Program (ACP) Class 13/2006
- ▶ Director Accreditation Program (DAP) Class 52/2006

#### Experiences

- 2010 - Present Chairman of Audit Committee and Independent Director  
Khonburi Sugar Public Company Limited
- 2008 - Present Chief Executive Director  
Property Perfect Public Company Limited
- 1992 - Present Chairman Property Perfect Public Company Limited
- 1981 - Present Fellow Member License no. 736 Council of Engineering
- 2006 - 2009 Chairman Ceda Company Limited

(%) shareholding (as at September 30, 2011) : None  
 Family Relationship among Company's Directors : None  
 Dispute in the 10 preceding years : None

### 8. Mr. Chusak Prachayangprecha

- ▶ Age 66 years old
- ▶ Audit Committee and Independent Director



#### Education

- ▶ BS.BA Husson University, MAINE.

#### Training by the Thai Institute of Directors Association (IOD)

- ▶ Director Certification Program (DCP) Class 92/2007

#### Experiences

- 2010 - Present Audit Committee and Independent Director  
Khonburi Sugar Public Company Limited
- 2009 - Present Director Ceramic Industry Club, The Federation Of Thai Industries
- 2008 - Present Managing Director Thai Ceramic Industry Company Limited
- 2007 - Present Director and Executive Director  
Chumporn Palm Oil Industry Public Company Limited
- 2007 - 2010 Director Thai Listed Companies Association
- 2004 - Present Director Thailand - China Business Council
- 1993 - Present Chairman of the Board Chumporn Holding Company Limited
- 2006 - 2008 Director Biotech Industry Club, The Federation Of Thai Industries
- 1979 - 2006 Director and Managing Director  
Chumporn Palm Oil Industry Public Company Limited

(%) shareholding (as at September 30, 2011) : None  
 Family Relationship among Company's Directors : None  
 Dispute in the 10 preceding years : None



**9. Mrs. Suvimol Krittayakiern**

- ▶ Age 59 years old
- ▶ Audit Committee and Independent Director



**Education**

- ▶ Master Degree of Accountancy Chulalongkorn University
- ▶ Bachelor Degree of Accountancy Chulalongkorn University

**Training by the Thai Institute of Directors Association (IOD)**

- ▶ Audit Committee Program (ACP) Class 36/2011
- ▶ Director Certification Program (DCP) Class 92/2007

**Experiences**

- 2010 - Present Audit Committee and Independent Director  
Khonburi Sugar Public Company Limited
- 2010 - Present Managing Director DIA International Audit Company Limited
- 2002 - Present Director 75 C P E Company Limited
- 1990 - Present Executive Director DIA Audit Company Limited
- 2010 - Present Treasurer The Institute of Internal Auditors of Thailand
- Present Committee on Accounting Standards Determination  
Federation of Accounting Professions of the Federation  
of Accounting Professions

(%) shareholding (as at September 30, 2011) : None  
 Family Relationship among Company's Directors : None  
 Dispute in the 10 preceding years : None

**10. Mr. Somtawin Boonbanyen**

- ▶ Age 53 years old
- ▶ Assistant Managing Director of production and raw materials.



**Education**

- ▶ Master of Science (Product Development) Kasetsart University
- ▶ Bachelor of Science Silpakorn University

**Training by the Thai Institute of Directors Association (IOD)**

- ▶ Director Accreditation Program (DAP) Class 92/2011

**Experiences**

- 2011 - Present Assistant Managing Director of production and raw materials  
Khonburi Sugar Public Company Limited
- 2008 - 2011 Managing Director Rajburi Biotech. Co., Ltd.  
Sugar industry experts Technical Committee no. 28  
Thai Industrial Standards Institute [TISI]  
Special instructor of sugar technology  
The Graduate School Kasetsart University
- 2007 - 2008 Technical director Mitr Phol Sugar Company Limited

(%) shareholding (as at September 30, 2011) : None  
 Family Relationship among Company's Directors : None  
 Dispute in the 10 preceding years : None



## DIRECTORS AND MANAGEMENT PERSONS BIOGRAPHY

### 11. Mrs. Pornpun Boonchaisri

- ▶ Age 58 years old
- ▶ Assistant Managing Director of Accounting & Finance



#### Education

- ▶ Master of Art in Economic Law Chulalongkorn University
- ▶ Bachelor of Accountancy Chulalongkorn University

#### Training by the Thai Institute of Directors Association (IOD)

- ▶ Director Accreditation Program (DAP) Class 90/2011

#### Experiences

- |                |  |
|----------------|--|
| 2010 - Present | Assistant Managing Director of Accounting & Finance<br>Khonburi Sugar Public Company Limited |
| 2003 - 2009    | Deputy Managing Director<br>Blue Star Marketing Company Limited                              |

(%) shareholding (as at September 30, 2011) : None  
 Family Relationship among Company's Directors : None  
 Dispute in the 10 preceding years : None

### 12. Ms. Surawee Puangthong

- ▶ Age 47 years old
- ▶ Accounting & Financial Manager



#### Education

- ▶ Master of Business Administration Accounting Siam University
- ▶ Bachelor of General Management Dhonburi Rajabhat University
- ▶ Bachelor of Accounting Dhonburi Rajabhat University

#### Training by the Thai Institute of Directors Association (IOD)

- ▶ Director Accreditation Program (DAP) Class 91/2011

#### Experiences

- |                |   |
|----------------|---|
| 1997 - Present | Accounting & Financial Manager<br>Khonburi Sugar Public Company Limited |
| 1994 - 1996    | Chief of Accounting Office<br>Puangthong Law and Accounting Office      |
| 1993 - 1994    | Accountant Thai Advanced Textile Company Limited                        |
| 1992 - 1993    | Accountant Rungreang Palmoil Company Limited                            |
| 1990 - 1991    | Accounting and Finance<br>Thai Nam Plastic Public Company Limited       |
| 1987 - 1989    | Accounting and Finance Officer<br>Sang Thai Pattana Company Limited     |

(%) shareholding (as at September 30, 2011) : None  
 Family Relationship among Company's Directors : None  
 Dispute in the 10 preceding years : None



## 8. CORPORATE GOVERNANCE

The Board of Directors of the Company do believe that the good corporate governance is an essence for the Company for its added value, sustainable business growth, and competitiveness, which shall trigger the long-term growth and higher value for the shareholders. The corporation of governance reflects the efficient, transparent and verifiable management system of the Company, which certainly makes the Company's shareholders, investors, stakeholders, and all other related parties have trust and confidence.

### 1. Rights of Shareholders

The Board of Directors is always concerned and valued the rights of the Company's shareholders; therefore, the corporate governance policy is placed by regarding with the basic rights of all shareholders. The related important policies are described below.

#### 1.1 Disclosure of Information about the Meetings of Shareholders.

The Company lays down a policy of providing the information, adequacy and timing, to all of its shareholders about the date, time, venue, agendas of each meeting of the shareholders, as well as all other related issues for any decision-making in the meetings of shareholders as required by law. The Company may inform the shareholders of the rules of attending such meeting of the shareholders, and the procedure of voting for resolution. Such information shall be disclosed in the Company's website prior to the meeting date and submission of documents so that the shareholders have adequate time to investigate any information about meeting agendas in advance before receiving that information in a hard copy form.

The Company also places a policy of not taking any acts that restrict the shareholders' opportunities in investigating the Company's information about the meeting of the shareholders.

The Company has The Investor Relation which is assigned to act as a company representative responsible for communication, provision of information services, and dissemination of news and information about the Company's activities to institutions, investors, shareholders, and analysts from [www.kbs.co.th](http://www.kbs.co.th) at the Investor Relation page.

#### 1.2 Procedure of the Meeting of Shareholders

The Company sets up a policy of facilitating the shareholders' exercise of rights in attending and voting in a meeting of the shareholders. The Company shall omit to do any acts that restrict the shareholders' attendance in the meeting. For example, the attendance in the meeting to vote should not be under the complicated procedure or extravagant expenses.

The Company also encourages all shareholders to share their opinions, or to raise any questions about any of the meeting agendas to the meeting of the shareholders. The Chairman of the meeting of the shareholders should allocate sufficient time to the shareholders. Some shareholders may submit their questions relating to any of the meeting agendas prior to the meeting date as the Board of Directors deems appropriately.

The Company's policy is to encourage all directors to attend every meeting of the shareholders.

### 2. Equitable Treatment to Shareholders

The Board of Directors has concerned and valued the equitable treatment to all shareholders. No discrimination is shown to any of the shareholders due to differences in their status, except the status of shareholders. For example, the shareholders who are the executive board members or the foreign shareholders shall be treated equitably and fairly.

The Board of Directors prescribes the corporate governance policy by regarding with various factors, as well as the equitable treatment to all shareholders. The important policies related to this matter include:

#### 2.1 Proposal for Additional Agendas in the Meetings of Shareholders.

The Company has a policy of facilitating the minority of shareholders who require proposing the additional agendas prior to the meeting of the shareholders. However, the proposal for the additional agendas, and the consideration for such proposal by the shareholders must be subject to the Company's rules.

The majority of shareholders, who are the Company's executives, shall not propose other additional agendas, particularly some important agendas, without notifying the shareholders in advance to ensure that every shareholder has sufficient time for data investigation before making decisions on voting



## CORPORATE GOVERNANCE

### **2.2 Nomination of the Directors of the Company.**

The Company has a policy about the minority of shareholders' nomination of any person to hold a position of The director. Such nomination for the position of the director, and the consideration for such proposal by the shareholders must be subject to the Company's rules.

### **2.3 Proxy of Shareholders in case of Absence from the Meeting.**

The Company has a policy of encouraging the shareholders to use the proxy to enable the shareholders to determine the direction of voting. At least one independent director should be proposed for the shareholders' proxy. Such proxy form shall be delivered by the Company, along with the invitation letter for the meeting of the shareholders to every shareholder.

### **2.4 Use of Ballot Tickets for Significant Agendas.**

The Company has a policy of using the ballot tickets for any significant agendas, e.g. connected transactions, acquisition or disposal of significant assets, etc. for the transparency and verification of voting in case of any arguments.

### **2.5 Appointment of Directors.**

The Company places a policy of encouraging the shareholders to exercise their right in appointing each director.

### **2.6. Guidance on Retention and Prevention of the Use of the Internal Information**

The Company issues the written guidance on retention and prevention of the use of the internal information. This guidance is informed to all employees in the organization for their compliance. Every director and executive has a duty of reporting his interest or stake to the Company as required by law.

## **3. Roles of Stakeholders**

The Board of Director places importance on all stakeholders such as shareholders, investors, customers, creditors, business partners communities and the society or Government Sector. Various stakeholders such as competitors and independent auditors.

### **3.1 Shareholder and Investor.**

The company give importance to shareholder by adhering to the principle of fairness and it is committed to conduct its business with transparency, prudence and emphasis on sustainable long-term growth with good returns in order to create the highest satisfaction for shareholders. The Company has established procedures to prevent the use of inside information for the personal interests of directors and executives, in order to protect the interests of shareholders.

### **3.2 Customers.**

The Company gives importance to and cares for customers with the highest responsibility. The Company is determined to give customers the greatest satisfaction in terms of both quality and value for money through quality control of products and services.

### **3.3 Employees.**

The Company's employees are valuable resources and keys to successfully achieving its setting goals. The Company has remuneration and welfare system that is fair and appropriate. The Company also provides various welfares to employees such as uniforms, nursing rooms, health insurance, provident fund and so forth. Moreover, the Company also encourages continuously in developing its employees' knowledge and skills, focuses on the quality by assisting all employees and family by raising the fund and as well to arrange housing loans for them and so forth. The Company organizes regular fire drills, activities related to safety and 5S, and should establish a safety prevention system.

### **3.4 Creditors**

The Company adheres to the contracts and being fair to creditors according to the priority of the obligations in line with the contracts entered into, with guidance as the following :

- Strictly maintain and follow conditions.
- Monitor completion and timing repayment of principal and interest to all creditors and strictly follow conditions of borrowing agreement without using borrowed money in any way that contradicts with the borrowing objectives.
- Manage operations so that the creditors are confident in the Company's financial status and repayment ability.
- Report correction and completed information to creditors.





### 3.5 Business partners

The Company's suppliers are treated appropriately, honestly, transparently, fairly and equitably.

### 3.6 Society and Communities

The Company is realized that acceptance and supporting from society and communities enable the Company to manage its business in smooth and sustainable manner, the Company is committed to be responsible for society, communities and the nation.

### 3.7 Competitors

The Company operates its business with integrity without any legal or ethical wrongdoings. Company does not seek its competitors' trade secrets through illegal means nor breach agreements to disclose its competitors' information whether receive from customers or other persons.

## 4. Disclosure and Transparency.

The Company has a policy of disclosing the important information related to the Company, which includes the financial and non-financial information accurately, completely, timely, and transparently via any channels allowing the general people to access to the Company's information smoothly, equitably and creditably.

### 4.1 Internal Control and Connected Transactions with Potential Conflicts of Interest.

The Company has a policy of preventing and wiping out the potential conflicts of interest by setting up a rule that any deal and/or transaction possibly causing the conflicts of interest shall be in accordance with the rules and procedure prescribed by the Company and other related applicable laws.

The Company shall not allow the Company's directors, executives, and/or major shareholders, whichever case may be, to operate the businesses that are similar or compete with or have the connected transactions in the manner that they engage other interests against the best interest of the Company or its subsidiaries. The Company's executives and/or major shareholders, whichever case may be, must submit the reports to the Company if any of executives or major shareholders acquire some shares in a company whose business operation is similar to that of the Company or its subsidiaries in order that the Company and the Audit Committee consider whether such shareholding is against the best interest of the Company and its subsidiaries or not.

The Company values a good internal control system. The Internal Audit Department is empowered to audit the working of every working unit to prevent defects, and to ensure the work transparency. The auditing shall be done periodically, and the auditing report shall be submitted for the Audit Committee's consideration.

### 4.2 Disclosure of Information

The Company's has to disclose the Company's information to its shareholders via the channels provided by the SET and via the Company's website [www.kbs.co.th](http://www.kbs.co.th) at the Investor Relation page. The Company has an Investor Relations is assigned to act as a company representative to be responsible for communication, provision of information services, and dissemination of news and information about the Company's activities to institutions, shareholders, investors, analysts and general public. who have any inquiry and would like to obtain information about the Company can contact the Investor Relation at Director department.

Ms.Khemmananta Kanjanamekanon

Tel : (02) 260-4951-6 ต่อ 202

Fax : (02) 260-4956

Email : [khemmananta.k@kbs.co.th](mailto:khemmananta.k@kbs.co.th)

### 4.3 Disclosure of Corporate Governance Policy

The Company discloses the corporate governance policy as approved, and the implementations of such policy via several channels, e.g. annual reports and the Company's website [www.kbs.co.th](http://www.kbs.co.th).



## CORPORATE GOVERNANCE

### 4.4 Statement on Responsibilities of the Board of Directors to the Financial Statements.

The Company publishes the director's responsibilities to financial statement along with the auditor report in annual report. The report contains contents which conforms to accounting principles and financial report that presents accurate, complete, and factual information in compliance with accounting standards. This report is signed by both Chairman of the Board of Director and Managing Director.

### 4.5 Disclosure of Roles and Duties of the Board of Directors and Sub-committees.

The Company's management structure comprises four committees, including the Board of Directors, Audit Committee Risk Management Committee and the Executive Board Directors (details in Shareholding Structure and Management).

In 2011, the following committee members attended each committee's meetings :

|                   |                            | Attendance / Total number of meetings |                 |                           |                               |
|-------------------|----------------------------|---------------------------------------|-----------------|---------------------------|-------------------------------|
|                   |                            | Board of Directors                    | Audit Committee | Risk Management Committee | The Executive Board Directots |
| Name of Directors |                            |                                       |                 |                           |                               |
| 1.                | Mr. Suthep Wongvorazathe   | 8/8                                   | -               | -                         | 3/3                           |
| 2.                | Mr. Takon Tawintermsup     | 7/8                                   | -               | -                         | 3/3                           |
| 3.                | Mr. Somkiat Twiltermisup   | 7/8                                   | -               | 1/1                       | 3/3                           |
| 4.                | Mr. Issara Twiltermisup    | 7/8                                   | -               | 1/1                       | 3/3                           |
| 5.                | Mr. Amnart Rumpoeypong     | 8/8                                   | -               | 1/1                       | -                             |
| 6.                | Mr. Sran Smutkochorn       | 6/8                                   | -               | 1/1                       | -                             |
| 7.                | Dr. Tawatchai Nakhata      | 6/8                                   | 6/6             | -                         | -                             |
| 8.                | Mr.Chusak Prachayangprecha | 6/8                                   | 6/6             | -                         | -                             |
| 9.                | Mrs. Suvimol Krittayakiern | 6/8                                   | 6/6             | -                         | -                             |

Remark : Mr. Sran Smutkochorn, Dr. Thawatchai Nakhata, Mr. Chusak Prachayangprecha, and Mrs. Suvimol Krittayakiern were appointed as directors on 13 October 2010.

## 5. Responsibilities of the Board

The Company recognizes the importance of seeking for the Company's directors equipped with leadership, vision, experience, knowledge and competence, independence in making decisions for the best interest of the Company and the general shareholders, and apparent segregation of roles, duties and responsibilities between the Board of Directors and the Management. The Board of Directors shall take care of the Company's working system to ensure that all company activities are done legally and ethically.

The Company places the corporate governance policy by considering various factors as well as the responsibilities of the directors. The important policies of this matter include :

### 5.1 Structure of the Board of Directors

1. The Annual General Meeting of shareholders 2010 determines the number of Directors shall hold office for nine person. Therefore, each director's term lasts approximately three years.

2. All directors shall be legally qualified and shall not possess any characteristics prohibited by law.

3. The Board of Directors shall comprise the independent directors, as four Independent Directors. The Independent Director of the Company shall be legally qualified and shall not possess any characteristics prohibited by the Board of Directors. The directorship qualifications prescribed by the Board of Directors are as strict as those required by the Securities and Exchange Commission.



## CORPORATE GOVERNANCE

4. The Company determines the scope of duties and authorities of the Board of Directors and the Managing Director apparently. The Chairman of the Board and the Managing Director are two different persons in order to separate between the duties of governing the executives' work, and the duties of managing the Company's work.

5. The Company requires that all directors and top management of the Company's report to the Company the information about any of their work in the positions of executive directors who are empowered to control any other company limited or public company limited, and partnership manager in any other ordinary partnership, or junior partner in any limited liability partnership pursuant to the rules and procedure required by the Board of Directors.

6. On November 30, 2010 The Board of Directors approved the appointment of Ms.Thanathorn Sukaram is the company secretary, with the Securities and Exchange Act (No. 4) B.E. 2551 Section 89/15, the results of the Good corporate governance, the role and responsibilities of the Board of Directors and shareholders and coordination and monitoring compliance with the resolution of the Board of Directors and shareholders. As well it is vita to care to advise the committee on rules and administration, to practice the storage of important documents of the company, as well as other operations of The Capital Market Supervisory Board (CMSB).

### 5.2 Sub-committees

The Company set up three sub-committees, including Audit Committee, Risk Management Committee and the Executive Board Directors prescribed their duties and responsibilities (details in Shareholding Structure and Management). The Audit Committee consists of directors who are independent and not an executive of 3 members, with 1 in 3 person is Mrs. Suvimol Krittayakiern having right to have sufficient knowledge and experience to verify the reliability of the financial statements.

### 5.3 Roles, Duties and Responsibilities of the Board of Directors.

The company disclosed the scope duties and responsibilities of the Board of Directors and Sub-committees (details in Shareholding Structure and Management).

### 5.4 Meetings of the Board of Directors

1. The Company holds board meetings and informs each board member of upcoming meeting in advance. In 2011, a total of eight board meetings were convened. In each board meeting, The Chairman of Board Director,the Board of Directors,Managing Director and the Company Secretary jointly review meeting agenda to ensure that vital matters are included in the agenda.

2. The Company Secretary delivers meeting documents to directors in advance. The document has been prepared concisely as possible. The Chairman will allocate sufficient time for such discussion. For any issue which stilllacks sufficient information the director can always request additional information from the Company Secretary.

3 The Company shall have the Management propose the work performance reports to the Board of Directors regularly to enable the Board of Directors to govern, control, and take care of the Management's working continuously and timely.

4 The Chairman of the Board shall call for the board meetings, and determine the meeting agendas by discussing with the Managing Director, the Company Secretary, or the advisors of the Company. Each director retains the right in proposing any agenda to the board meeting.

5 The Board of Directors may invite any executives, employees, or advisors of the Company to attend the board meeting to provide some additional information to the meeting.

6 The Board of Directors may access to any additional necessary information to be provided by the Managing Director and the Company Secretary. Other executives are assigned by the Board shall have the right to access to it.

7 The Board of Directors places a policy that the non-executive directors may arrange an internal meeting as it deems necessrily to discuss any interesting management problems, in which no management members attend. The Managing Director should inform of the meeting outcome.



## CORPORATE GOVERNANCE

### 5.5 Self-assessment of the Board of Directors

1. The Board of Directors should regularly arrange the self-assessment so that the board members can mutually consider their performance and problems for further improvement. The Board also determines the performance typical criterion to compare with the board members' work performance.

2. The Board of Directors should arrange the board evaluation in general and/or in any specific aspects.

### 5.6 Remunerations

1. The Board of Directors shall determine the compensation of directors to propose to the meeting of the shareholders' approval. In determining the compensation of directors, the Board of Directors shall compare with the compensation which was paid by other companies in the same business. The compensation must also be in conformity with the experience, duties, scope of accountability and responsibility, as well as benefits expected from each director. Any director who is assigned for more duties and responsibilities should gain higher compensation. For example, the director who is also a member of the Audit Committee should gain more compensation pursuant to his duties in the Audit Committee, etc.

2. The compensation of the Managing Director and top executives should be subject to the principles and policies determined by the Board of Directors by regarding with the best interest of the Company. The compensation, salary, bonus, and long-term incentive compensation should be relevant to the Company's operating results and the work performance of each executive.

3. All non-executives shall evaluate the work performance of the Managing Director on a yearly basis. The evaluation results shall be used to determine the compensation of the Managing Director in accordance with the criterion previously agreed with the Managing Director. The work performance evaluation of the Managing Director also includes his financial work performance, the performance of implementing the long-term strategic objectives, and development of executive. Those non-executives should propose the results of evaluation of the Managing Director for the Board of Directors' approval.

### 5.7 Development of Directors and Executives.

1. The Company places a policy of promoting and facilitating the training and education for all persons related to the corporate governance system of the Company, e.g. directors, the Audit Committee, executives, the Company Secretary, etc. in order that their work can be improved continuously.

2. The Company has a policy that a newly-appointed director shall be sufficiently provided the documents and information beneficial to his work in the position of directorship, as well as having the orientation for the nature of business and business direction of the Company.

3. The Managing Director and top executives should prepare the developmental plans and work succession in case that they may be unable to perform duties. The Managing Director shall regularly report such plans to the Board of Directors.

4. The Company has a policy of promoting and facilitating the arrangement of the development program for executives. The Managing Director shall report to the Board of Directors, on a yearly basis with the tasks he has done during one year.



## 9. RELATED TRANSACTIONS

| Related companies :                 | Relationship   | The nature of the transactions of the company   | Amount (million).        |                            | Rationale of the transaction   |
|-------------------------------------|--|---|--------------------------|----------------------------|--|
|                                     |  |   | Yearend 30/9/2010        | Yearend 30/9/2011          |  |
| 1. Talaysub Co., Ltd.               | <ul style="list-style-type: none"> <li>Common shareholders / Common directors</li> </ul> | <ul style="list-style-type: none"> <li>- Amortisation of the leasehold</li> <li>- Rental expenses</li> <li>- Service charges and utilities</li> </ul> | 0.5<br><br>-<br><br>0.6  | 0.5<br><br>0.4<br><br>0.6  | <ul style="list-style-type: none"> <li>- The Company rent unit B on the 2nd floor and unit A,B,C on the 3rd floor of Prasanmit Place Building as the head office. The lease contracts are valid for 30 years, ended in 2026, totalling Bath 15.1 million.</li> <li>- The Company rent Unit B on 5th floor of Prasanmitr Place Building, Sukumvit Soi 23, as additional office space.</li> </ul>  |
| 2. N.Y.Development Co., Ltd.        | <ul style="list-style-type: none"> <li>Common shareholders / Common directors</li> </ul> | <ul style="list-style-type: none"> <li>- Purchases of goods</li> <li>- Gain on sales of non-operating assets</li> </ul>                               | 1.1<br><br>-             | 2.5<br><br>10.3            | <ul style="list-style-type: none"> <li>- The Company bought organic fertilizers, selling to cane farmers to increase cane productivity.</li> <li>- The Company sold lands and buildings in Tambol Nongyai, Nongyai District, Chonburi Province, Because the Company has no policy of using or improving the dilapidated buildings therein.</li> </ul>  |
| 3. The Thai Sugar Trading Co., Ltd. | <ul style="list-style-type: none"> <li>Common shareholders / Common directors</li> </ul> | <ul style="list-style-type: none"> <li>- Export service expenses</li> <li>- Occured expenses</li> <li>- Interest expenses</li> </ul>                  | 7.3<br><br>-<br><br>16.5 | 9.5<br><br>1.4<br><br>12.0 | <ul style="list-style-type: none"> <li>- The Company appoints TSTC, licensed by the Cane and Sugar Board to export sugar under the Cane and Sugar Act, as the Company's agent for sugar exports.</li> <li>- TSTC is supported by the commercial banks in the same financial conditions which negotiated by the Company.</li> <li>- TSTC issues promissory notes (P/N) to the Company on behalf of their commercial banks for money receipt from and payment to the Banks.</li> </ul> |



## 10. REPORT OF THE BOARD OF DIRECTORS' RESPONSIBILITY TO THE FINANCIAL REPORTS

The Board of Directors of Khonburi Sugar Public Company Limited strongly values the duties and responsibilities in accordance with good corporate governance principles. The Board of Directors is responsible for the financial statements of the Company and its subsidiaries including financial information presented in the annual report and the annual financial statements for the year ended September 30, 2011, which are prepared according to Generally Accepted Accounting Standards of Thailand. The Board of Directors has selected and consistently followed an appropriate accounting policy. The aforementioned financial statements are prepared using careful judgment and the best estimation. In addition, important information is adequately disclosed in the notes to the financial statements. The financial statements have been examined by an independent external auditor and the auditor has expressed an unqualified opinion. Therefore, the financial statements accurately and transparently reflect the Company's financial status and operating performance in the past year and can be used for the benefit of shareholders and investors.

The Board of Directors has appointed the Audit Committee, which comprises of independent directors, to review the quality of the financial reports and to evaluate the internal control system, risk management system, and various systems to support effective financial documentation to ensure that accounting records are correct, completed, exact time and able to prevent fraud or materially irregular operations. The Audit Committee's opinion is presented in the Audit Committee's report which is a part of this annual report.

The Board of Directors believes that the Company's overall internal control system is able to create credibility and reliability for the financial statements of Khonburi Sugar Public Company Limited and its subsidiaries for the period ended September 30, 2011.

(Mr.Suthep Wongvorazathe)

Chairman of The Board Directors

(Mr.Takon Tawintemsup)

Managing Director





## 11. REPORT OF THE AUDIT COMMITTEE

The accounting period ended 30 September 2011, the Audit Committee of the Company, which consisted of Dr. Tawatchai Nakhata, Chairman of the Audit Committee, Mr. Chusak Prachayangprecha and Mrs. Suvimol Krittayakiern, members of the Audit Committee, had 6 meetings totally and each meeting constituted the quorum. The core duties which is performed by the Audit Committee are summarized below.

To review and verify financial statements-The Audit Committee reviewed the Company's quarterly and yearly financial statements for Year 2011, which ended on 30 September 2011, as well as other significant information disclosure to be proposed for the Board of Directors' consideration and approval. In those meetings, the Audit Committee members always share their opinions with the Internal Audit Department, the auditor and the Management of the Company ensure that the financial statements disclosed by the Company all were accurate, true and creditable. Any and all remarks and advice of the Company's auditor were considered for further appropriate operating improvement in the Company.

To review the connected transactions possibly causing conflicts of interest against the Company-The Audit Committee was of opinion that those connected transactions were actual and normal business transactions. It is deemed that the Company has complied with the policy of good corporate governance.

Corporate Governance The Board of Directors and the Management of the Company apparently valued the management in conformity with the Principle of Corporate Governance in order to enhance confidence from its shareholders and all related parties.

To review the policy-level risk management-The Board of Directors and the Management of the Company valued and acted with caution in managing every potential business risk. The Risk Management Committee was established to consider and lay down a risk management system for the whole organization. The Company's employees have been trained so that the efficiency of such risk management system was certainly assured. It is believed that the ultimate interest would permanently belong to the Company and all of its shareholders.

To govern the Company's internal audit affairs-The Audit Committee considered the internal audit reports submitted by the Internal Audit Department, and also monitored the work performance of the Company and its subsidiaries in accordance with remarks and advice of the Internal Audit Department and the auditor. The Audit Committee also gave approval for the 2012 Audit Plan as proposed by the Internal Audit Department. This plan was prepared to subject to all related factors and potential risks. The Audit Committee has efficiently performed its duties in accordance with the Audit Committee Charter. The Audit Committee also performed a duty of approving the work performance evaluation for the Internal Audit Chief.

Regarding the financial statements for the accounting period of 2012, the Audit Committee considered that it deems appropriately to propose the Annual Ordinary Meeting of Shareholders for an appointment of Mr. Sophon Permsirivallop, Certified Public Auditor No. 3182 and/or Mr. Chayapol Suppasethnondha, Certified Public Auditor No. 3972 and/or Miss Sumalee Reeverabundit, Certified Public Auditor No. 3907, of Ernst & Young Office Limited as the certified public auditors of the Company.

Dr. Tawatchai Nakhata  
Chairman of the Audit Committee

## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL STATUS AND OPERATING RESULTS

### 1. Operating performance

In the year 2011, the Company had total assets of Baht 5,008.0 million, total liabilities of Baht 1,905.7 million and shareholders' equity Baht 3,102.3 million. Total revenue of this year is totally Baht 6,159.9 million to perform net profit Baht 801.0 million or 13.0 percent of total revenues.

#### 1.1 Revenues

In the year 2011 the volume of sugar-cane crush 2.9 million tons compared to the year 2010 increased 0.9 million tons or 45.0 percent, attributed to total revenues Baht 6,159.9 million, increasing Baht 1,385.8 million or 29.0 percent. The Company performed net profit Baht 801.0 million and Baht 167.9 million, or 13.0 percent and 3.5 percent in year 2011 and in the year 2010 respectively, as details below :

|  | 2009           | 2010           | 2011           |
|--|----------------|----------------|----------------|
| <b>Sales of Sugar</b>                        |                |                |                |
| Domestic                                     | 825.3          | 936.6          | 1,077.8        |
| Exports                                      | 1,825.0        | 3,019.7        | 3,778.1        |
| <b>Total sales of sugar</b>                  | <b>2,650.3</b> | <b>3,956.3</b> | <b>4,855.9</b> |
| <b>Sales of molasses</b>                     | <b>293.8</b>   | <b>388.5</b>   | <b>588.5</b>   |
| <b>Total sales of sugar and molasses</b>     | <b>2,944.1</b> | <b>4,344.8</b> | <b>5,444.4</b> |
| Other sales and services income              | 218.8          | 338.2          | 566.0          |
| <b>Grand total sales and services income</b> | <b>3,162.9</b> | <b>4,683.0</b> | <b>6,010.4</b> |

- Income from sales of sugar in the year 2011 Baht 4,855.9 million , increased from previous year Baht 899.6 million or 22.7 percent, due to income from export sales increased 25.1 percent and domestic sales increased 15.1 percent.
- Income from sales of molasses in the year 2011 Baht 588.5 million, increased from previous year Baht 200.0 million or 51.5 percent.
- Income from sales of goods and services in the year 2011 Baht 566.0 million, increased from previous year Baht 227.8 million or 67.4 percent, mainly from electricity sales Baht 102.8 million, which increased from previous year Baht 36.6 million or 55.3 percent and income of agricultural services Baht 463.2 million which increased from previous year Baht 191.2 million or 70.3 percent, as the result of the sugar-cane volumes increased for this year.

#### 1.2 Expenses

- Cost of sales and services in the year 2011 and year 2010 are Baht 4,508.5 million and Baht 3,934.8 million or 73.2 percent and 82.4 percent of total revenues respectively, due to mainly increasing in both sales volume and price.
- Selling and administrative expenses in the year 2011 Baht 397.6 million and in the year 2010 Baht 362.4 million, increased Baht 35.2 million , mainly attributed to export shipping costs due to higher sales volumes, or equal to 6.5 percent and 7.6 percent of total revenue, respectively.



## MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL STATUS AND OPERATING RESULTS

- In the year 2010, The Company recorded loss from entering into sugar derivative contracts, which was carried out in order to reduce the risk of sugar price volatility, in the amount of Baht 109.8 million. While such derivative exposure has carried over into the year 2011, the Company has closed all loss position in the first quarter of the year 2011, cutting its loss at Baht 47.0 million. Thus, such decision to close the exposure has seen the loss from derivative decreased by Baht 62.9 million.

### 2. Financial Status

#### 2.1 Assets

On September 30, 2011, the Company had total assets Baht 5,008.0 million, increased from the previous year Baht 1,920.4 million or 62.2 percent, details as the following :

- Current Assets Baht 2,644.1 million, increased from the previous year Baht 1,794.5 million, due to proceed from offering shares to the public (IPO) of 150 million shares at Baht 9.1 per share, net of offering share expenses, Baht 1,330.2 million and inventory increased Baht 217.2 million, mainly of sugar stock which is delivered in October to December 2011.
- Non-current assets Baht 2,363.9 million, increased from the previous year Baht 125.9 million, mainly increasing from investment in machinery efficiency improving net of the depreciation Baht 229.0 million and other non-current assets decreased Baht 81.9 million, such as deposits of financial institutions, Baht 45.0 million, and the sales of non-operating assets Baht 17.7 million and others Baht 19.2 million.

### 3. Liabilities

On September 30, 2011, the Company had total liabilities Baht 1,905.7 million, decreased from the previous year Baht 26.5 million or 1.4 percent, details as the following:

- Current liabilities Baht 1,094.6 million, increased from the previous year Baht 191.4 million, due to accounts payable of sugar-cane, final price increased Baht 302.7 million, income tax payable increased Baht 117.8 million, long-term loans due within one year decreased Baht 196.4 million and the repayment of cash payable under agreement to sell sugar Baht 141.6 million .
- Non-current liabilities Baht 811.1 million, decreased Baht 217.9 million or 21.2 percent, mainly from repayment of long-term loans from the proceed of operating net income.

### 4. Shareholder's equity

On September 30, 2011, the Company had shareholder's equity Baht 3,102.3 million, increased from the previous year Baht 1,946.9 million due to, details as the following :

- The Company increased share capital from Baht 350 million (common share 350 million shares at par value Baht 1 per share) to Baht 500 million by offering share to the public (IPO) 150 million shares at Baht 9.1 per share (par value Baht 1 per share) cause for share premium Baht 1,180.2 million.
- In the year 2011 the Company performed net profit from operation Baht 801.0 million. The Company required to set aside to a statutory reserve of Baht 40 million and paid interim dividend of Baht 100 million. So the Company had unappreciated retained earnings Baht 676.3 million, increased from the previous year Baht 660.9 million.



## 13. REPORT OF INDEPENDENT AUDITOR



To the Shareholders of Khonburi Sugar Public Company Limited  
(Formerly known as “Khonburi Sugar Company Limited”)

I have audited the accompanying consolidated balance sheets of Khonburi Sugar Public Company Limited and its subsidiaries as at 30 September 2011 and 2010, the related consolidated statements of income, changes in shareholders’ equity and cash flows for the years then ended, and the separate financial statements of Khonburi Sugar Public Company Limited for the same periods. These financial statements are the responsibility of the management of the Company and its subsidiaries as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Khonburi Sugar Public Company Limited and its subsidiaries and of Khonburi Sugar Public Company Limited as at 30 September 2011 and 2010, and the results of their operations, and cash flows for the years then ended in accordance with generally accepted accounting principles.

Sophon Permsirivallop

Certified Public Accountant (Thailand) No. 3182

Ernst & Young Office Limited

Bangkok: 24 November 2011

# K H O N B U R I S U G A R

## Balance Sheets

Khonburi Sugar Public Company Limited

(Formerly known as “Khonburi Sugar Public Company Limited”) and its subsidiaries

As at 30 September 2011 and 2010

(Unit : Baht)

|   | Note  | Consolidated<br>Financial Statements |                      | Separate<br>Financial Statements |                      |
|---|-------|--------------------------------------|----------------------|----------------------------------|----------------------|
|   |       | 2011                                 | 2010                 | 2011                             | 2010                 |
| <b>Assets</b>   |       |                                      |                      |                                  |                      |
| <b>Current assets</b>   |       |                                      |                      |                                  |                      |
| Cash and cash equivalents   | 8     | 1,709,243,794                        | 352,296,188          | 1,681,193,139                    | 326,223,679          |
| Trade accounts receivable   | 9     | 80,795,226                           | 67,834,440           | 80,187,786                       | 67,567,519           |
| Planters receivable - net   | 10    | 29,248,806                           | 25,700,147           | 29,248,806                       | 25,700,147           |
| Current portion of sugarcane plantation loans                                   | 11    | 266,705,356                          | 140,691,836          | 266,705,356                      | 140,691,836          |
| Short-term loans to and interest receivable from related party                  | 7     | -                                    | -                    | 20,013,973                       | -                    |
| Inventories - net   | 12    | 440,485,159                          | 223,298,280          | 436,483,297                      | 221,425,408          |
| Other current assets  |       |                                      |                      |                                  |                      |
| Forward exchange contracts receivable   |       | 10,240,400                           | -                    | 10,240,400                       | -                    |
| Advance payments  |       | 4,563,178                            | 1,891,684            | 3,585,238                        | 688,248              |
| Prepaid expenses  |       | 5,296,220                            | 3,482,097            | 4,545,196                        | 3,070,568            |
| Current portion of amounts due from the Office of the Cane and Sugar Fund       | 13    | 17,681,212                           | 17,681,212           | 17,681,212                       | 17,681,212           |
| Other receivable - related parties  | 7     | -                                    | -                    | 35,513,680                       | 35,138,310           |
| Others  |       | 79,830,030                           | 16,736,528           | 73,148,792                       | 4,100,658            |
| <b>Total current assets</b>   |       | <b>2,644,089,381</b>                 | <b>849,612,412</b>   | <b>2,658,546,875</b>             | <b>842,287,585</b>   |
| <b>Non-current assets</b>   |       |                                      |                      |                                  |                      |
| Restricted deposits with financial institution                                  | 14    | -                                    | 45,000,000           | -                                | 45,000,000           |
| Advance payment for shares - related party                                      | 7, 15 | -                                    | -                    | -                                | 6,000,000            |
| Investment in subsidiaries  | 15    | -                                    | -                    | 127,499,640                      | 121,499,640          |
| Other long-term investments - net   | 16    | 7,866,079                            | 7,718,843            | 7,866,079                        | 7,718,843            |
| Sugarcane plantation loans - net of current portion                             | 11    | 117,746,892                          | 139,290,887          | 117,746,892                      | 139,290,887          |
| Amounts due from the Office of the Cane and Sugar Fund - net of current portion | 13    | 6,936,796                            | 35,362,424           | 6,936,796                        | 35,362,424           |
| Property, plant and equipment - net   | 17    | 2,211,548,398                        | 1,982,318,356        | 1,999,004,458                    | 1,809,252,832        |
| Non-operating assets - net  | 18    | -                                    | 17,745,308           | -                                | 17,745,308           |
| Intangible asset - net  | 19    | 10,525,105                           | 1,051,474            | 10,461,782                       | 968,788              |
| Other non-current assets  |       | 9,252,749                            | 9,471,751            | 9,252,431                        | 9,306,632            |
| <b>Total non-current assets</b>   |       | <b>2,363,876,019</b>                 | <b>2,237,959,043</b> | <b>2,278,768,078</b>             | <b>2,192,145,354</b> |
| <b>Total assets</b>   |       | <b>5,007,965,400</b>                 | <b>3,087,571,455</b> | <b>4,937,314,953</b>             | <b>3,034,432,939</b> |

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

# K H O N B U R I S U G A R

## Balance Sheets (Continued)

Khonburi Sugar Public Company Limited

(Formerly known as “Khonburi Sugar Public Company Limited”) and its subsidiaries

As at 30 September 2011 and 2010

(Unit : Baht)

|  | Note  | Consolidated<br>Financial Statements |                      | Separate<br>Financial Statements |                      |
|--|-------|--------------------------------------|----------------------|----------------------------------|----------------------|
|  |       | 2011                                 | 2010                 | 2011                             | 2010                 |
| <b>Liabilities and shareholders' equity</b>                              |       |                                      |                      |                                  |                      |
| <b>Current liabilities</b>   |       |                                      |                      |                                  |                      |
| Bank overdrafts and short-term loans                                     |       |                                      |                      |                                  |                      |
| from financial institutions  | 20    | -                                    | 26,851,749           | -                                | 26,851,749           |
| Trade accounts payable   | 21    | 541,964,652                          | 144,392,692          | 537,532,691                      | 138,966,972          |
| Short-term loans from and accrued interest to director                   | 7     | -                                    | 4,950,000            | -                                | -                    |
| Current portion of long-term loans from<br>financial institutions        | 22    | 27,380,000                           | 122,272,000          | 15,880,000                       | 110,772,000          |
| Long-term loan - classified as current liability                         | 22    | -                                    | 101,474,540          | -                                | -                    |
| Current portion of liabilities under financial<br>lease agreements       | 23    | 2,673,762                            | 3,445,424            | 1,337,683                        | 2,465,447            |
| Other current liabilities  |       |                                      |                      |                                  |                      |
| Advance received for inventories   |       | 69,664,787                           | 48,997,838           | 69,664,787                       | 48,997,839           |
| Accrued expenses   |       | 40,956,782                           | 26,537,269           | 38,257,552                       | 25,360,119           |
| Accrued expenses - related parties                                       | 7     | 1,427,912                            | 37,300               | 4,282,791                        | 3,698,161            |
| Corporate income tax payable   |       | 213,602,269                          | 95,817,211           | 213,602,269                      | 94,918,481           |
| Cash payable under agreements to sell sugar                              | 24    | -                                    | 141,582,833          | -                                | 141,582,833          |
| Forward exchange contracts payable                                       |       | 16,750,590                           | -                    | 16,750,590                       | -                    |
| Unamortised premium from forward<br>exchange contracts                   |       | 68,803,455                           | -                    | 68,803,455                       | -                    |
| Account payable - shares subscription, related party                     | 7, 15 | -                                    | -                    | -                                | 66,900,000           |
| Amounts due to the office of the Cane and<br>Sugar Fund                  |       | 74,688,343                           | 57,976,443           | 74,688,343                       | 57,976,443           |
| Others   |       | 36,677,217                           | 128,823,486          | 36,086,110                       | 119,892,713          |
| <b>Total current liabilities</b>   |       | <b>1,094,589,769</b>                 | <b>903,158,785</b>   | <b>1,076,886,271</b>             | <b>838,382,757</b>   |
| <b>Non-current liabilities</b>   |       |                                      |                      |                                  |                      |
| Long-term loans from financial institutions - net<br>of current portion  | 22    | 809,154,540                          | 1,023,407,000        | 747,680,000                      | 1,023,407,000        |
| Long-term loan from director   | 7     | -                                    | 2,000,000            | -                                | -                    |
| Liabilities under financial lease agreements - net<br>of current portion | 23    | 1,876,261                            | 3,600,985            | 295,165                          | 1,632,849            |
| <b>Total non-current liabilities</b>                                     |       | <b>811,030,801</b>                   | <b>1,029,007,985</b> | <b>747,975,165</b>               | <b>1,025,039,849</b> |
| <b>Total liabilities</b>   |       | <b>1,905,620,570</b>                 | <b>1,932,166,770</b> | <b>1,824,861,436</b>             | <b>1,863,422,606</b> |

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



# K H O N B U R I S U G A R

## Balance Sheets (Continued)

Khonburi Sugar Public Company Limited

(Formerly known as “Khonburi Sugar Public Company Limited”) and its subsidiaries

As at 30 September 2011 and 2010

(Unit : Baht)

|   | Note | Consolidated<br>Financial Statements |                      | Separate<br>Financial Statements |                      |
|---|------|--------------------------------------|----------------------|----------------------------------|----------------------|
|   |      | 2011                                 | 2010                 | 2011                             | 2010                 |
| <b>Shareholder's equity</b>   |      |                                      |                      |                                  |                      |
| Share capital   | 25   |                                      |                      |                                  |                      |
| Registered  |      |                                      |                      |                                  |                      |
| 500,000,000 ordinary shares of Baht 1 each<br>(2010 : 140,000 ordinary shares of Baht 2,500 each) |      | 500,000,000                          | 350,000,000          | 500,000,000                      | 350,000,000          |
| Issued and fully paid up  |      |                                      |                      |                                  |                      |
| 500,000,000 ordinary shares of Baht 1 each<br>(2010 : 140,000 ordinary shares of Baht 2,500 each) |      | 500,000,000                          | 350,000,000          | 500,000,000                      | 350,000,000          |
| Share premium   |      | 1,180,175,000                        | -                    | 1,180,175,000                    | -                    |
| Revaluation surplus on assets   | 26   | 707,079,919                          | 791,197,334          | 707,079,919                      | 791,197,334          |
| Revaluation surplus on changes in value of investments  | 16   | 2,451,052                            | 2,522,866            | 2,451,052                        | 2,522,866            |
| Surplus on business combination under common control  |      | (3,684,880)                          | (3,684,880)          | -                                | -                    |
| Retained earnings   |      |                                      |                      |                                  |                      |
| Appropriated - statutory reserve  | 27   | 40,000,000                           | -                    | 40,000,000                       | -                    |
| Unappropriated  |      | 676,323,739                          | 15,369,365           | 682,747,546                      | 27,290,133           |
| <b>Total shareholders' equity</b>   |      | <b>3,102,344,830</b>                 | <b>1,155,404,685</b> | <b>3,112,453,517</b>             | <b>1,171,010,333</b> |
| <b>Total liabilities and shareholders' equity</b>   |      | <b>5,007,965,400</b>                 | <b>3,087,571,455</b> | <b>4,937,314,953</b>             | <b>3,034,432,939</b> |

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

# K H O N B U R I S U G A R

## Income Statements

Khonburi Sugar Public Company Limited

(Formerly known as “Khonburi Sugar Public Company Limited”) and its subsidiaries

For the years ended 30 September 2011 and 2010

(Unit : Baht)

|  | Note | Consolidated<br>Financial Statements |                      | Separate<br>Financial Statements |                      |
|--|------|--------------------------------------|----------------------|----------------------------------|----------------------|
|  |      | 2011                                 | 2010                 | 2011                             | 2010                 |
| <b>Revenues</b>  |      |                                      |                      |                                  |                      |
| Sales income   |      | 5,888,064,931                        | 4,655,651,166        | 5,888,064,931                    | 4,655,651,166        |
| Services income  |      | 122,316,908                          | 27,351,224           | 104,477,781                      | 1,621,853            |
| Other income   |      |                                      |                      |                                  |                      |
| Dividend income  |      | 347,024                              | 390,347              | 347,024                          | 390,347              |
| Interest income  |      | 7,935,194                            | 733,280              | 8,072,193                        | 682,946              |
| Exchange gains   |      | 34,408,483                           | 22,201,965           | 34,408,483                       | 20,790,512           |
| Others   |      | 106,810,534                          | 67,827,180           | 108,921,218                      | 98,387,042           |
| <b>Total revenues</b>  |      | <b>6,159,883,074</b>                 | <b>4,774,155,162</b> | <b>6,144,291,630</b>             | <b>4,777,523,866</b> |
| <b>Expenses</b>  |      |                                      |                      |                                  |                      |
| Cost of sales  |      | 4,396,700,290                        | 3,919,687,270        | 4,396,700,290                    | 3,919,687,270        |
| Cost of services   |      | 111,787,889                          | 15,169,580           | 104,018,233                      | 1,609,788            |
| Selling expenses   |      | 241,900,680                          | 197,148,542          | 241,900,680                      | 197,148,542          |
| Administrative expenses  |      | 127,794,975                          | 144,314,622          | 125,936,530                      | 155,710,464          |
| Management benefit expenses                                    |      | 27,988,200                           | 20,824,000           | 27,988,200                       | 20,824,000           |
| Loss on sugar futures contracts                                |      | 46,953,751                           | 109,839,076          | 46,953,751                       | 109,839,076          |
| <b>Total expenses</b>  |      | <b>4,953,125,785</b>                 | <b>4,406,983,090</b> | <b>4,943,497,684</b>             | <b>4,404,819,140</b> |
| <b>Income before finance cost and<br/>corporate income tax</b> |      | <b>1,206,757,289</b>                 | <b>367,172,072</b>   | <b>1,200,793,946</b>             | <b>372,704,726</b>   |
| Finance cost   |      | (77,898,314)                         | (85,182,523)         | (78,751,032)                     | (85,078,493)         |
| <b>Income before corporate income tax</b>                      |      | <b>1,128,858,975</b>                 | <b>281,989,549</b>   | <b>1,122,042,914</b>             | <b>287,626,233</b>   |
| Corporate income tax   |      | (327,904,601)                        | (114,072,753)        | (326,585,501)                    | (109,930,430)        |
| <b>Net income for the year</b>                                 |      | <b>800,954,374</b>                   | <b>167,916,796</b>   | <b>795,457,413</b>               | <b>177,695,803</b>   |
| <b>Net income attributable to :</b>                            |      |                                      |                      |                                  |                      |
| Equity holders of the parent                                   |      | 800,954,374                          | 168,024,573          | 795,457,413                      | 177,695,803          |
| Minority interests of the subsidiaries                         |      | -                                    | (107,777)            |                                  |                      |
|  |      | 800,954,374                          | 167,916,796          |                                  |                      |
| <b>Earnings per share</b>                                      |      |                                      |                      |                                  |                      |
| Basic earnings per share                                       | 30   |                                      |                      |                                  |                      |
| Net income attributable to equity holders of<br>the parent     |      | 1.99                                 | 0.48                 | 1.97                             | 0.51                 |
| Weighted average number of ordinary shares (shares)            |      | 403,424,658                          | 350,000,000          | 403,424,658                      | 350,000,000          |

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

# STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Khonburi Sugar Public Company Limited  
(Formerly known as "Khonburi Sugar Public Company Limited") and its subsidiaries  
For the years ended 30 September 2011 and 2010

(Unit : Baht)

|   | Consolidated financial statements      |               |                               |  |  |                                |  |   |           |                |
|---|--|---------------|-------------------------------|--|--|--------------------------------|--|---|-----------|----------------|
|   | Equity holders of the parent           |               |                               |  | Retained earnings                                    |                                | Total equity attributable to the parent's shareholders | Minority interest-attributable to minority shareholders of Subsidiaries | Total     |                |
|   | Issued and fully paid up share capital | Share premium | Revaluation surplus on assets | Revaluation surplus on changes in value of investments | Surplus on business combination under common control | Appropriated-statutory reserve |  |   |           | Unappropriated |
| <b>Balance as at 30 September 2009</b>                        | 350,000,000                            | -             | 874,779,329                   | 2,536,442  | (3,684,880)  | -                              | (152,655,208)  | 1,070,975,683   | 993,239   | 1,071,968,922  |
| Expenses recognised directly in equity :                      |  |               |                               |  |  |                                |  |   |           |                |
| Amortisation of revaluation surplus on assets                 | -                                      | -             | (83,581,995)                  | -  | -  | -                              | -  | (83,581,995)  | -         | (83,581,995)   |
| Decrease in unrealised gain on available-for-sales securities | -                                      | -             | -                             | (13,576)   | -  | -                              | -  | (13,576)  | -         | (13,576)       |
| Net income for the year                                       | -                                      | -             | -                             | -  | -  | -                              | 168,024,573  | 168,024,573   | (107,777) | 167,916,796    |
| Increase in minority interest                                 | -                                      | -             | -                             | -  | -  | -                              | -  | -   | (885,462) | (885,462)      |
| <b>Balance as at 30 September 2010</b>                        | 350,000,000                            | -             | 791,197,334                   | 2,522,866  | (3,684,880)  | -                              | 15,369,365   | 1,155,404,685   | -         | 1,155,404,685  |
| <b>Balance as at 30 September 2010</b>                        | 350,000,000                            | -             | 791,197,334                   | 2,522,866  | (3,684,880)  | -                              | 15,369,365   | 1,155,404,685   | -         | 1,155,404,685  |
| Expenses recognised directly in equity :                      |  |               |                               |  |  |                                |  |   |           |                |
| Amortisation of revaluation surplus on assets                 | -                                      | -             | (84,117,415)                  | -  | -  | -                              | -  | (84,117,415)  | -         | (84,117,415)   |
| Decrease in unrealised gain on available-for-sales securities | -                                      | -             | -                             | (71,814)   | -  | -                              | -  | (71,814)  | -         | (71,814)       |
| Net income for the year                                       | -                                      | -             | -                             | -  | -  | -                              | 800,954,374  | 800,954,374   | -         | 800,954,374    |
| Dividends paid (Note 33)                                      | -                                      | -             | -                             | -  | -  | -                              | (100,000,000)  | (100,000,000)   | -         | (100,000,000)  |
| Appropriated retained earnings to statutory reserve (Note 27) | -                                      | -             | -                             | -  | -  | 40,000,000                     | (40,000,000)   | -   | -         | -              |
| Share capital issued (Note 25)                                | 150,000,000                            | -             | -                             | -  | -  | -                              | -  | 150,000,000   | -         | 150,000,000    |
| Share premium (Note 25)                                       | -                                      | 1,180,175,000 | -                             | -  | -  | -                              | -  | 1,180,175,000   | -         | 1,180,175,000  |
| <b>Balance as at 30 September 2011</b>                        | 500,000,000                            | 1,180,175,000 | 707,079,919                   | 2,451,052  | (3,684,880)  | 40,000,000                     | 676,323,739  | 3,102,344,830   | -         | 3,102,344,830  |

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

## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Khonburi Sugar Public Company Limited  
(Formerly known as "Khonburi Sugar Public Company Limited") and its subsidiaries  
For the years ended 30 September 2011 and 2010

(Unit : Baht)

|   | Separate financial statements          |               |                               |  |                                 |                |               |
|---|--|---------------|-------------------------------|--|---------------------------------|----------------|---------------|
|   | Issued and fully paid up share capital | Share premium | Revaluation surplus on assets | Revaluation surplus on changes in value of investments | Retained earnings               |                | Total         |
|   |  |               |                               |  | Appropriated- statutory reserve | Unappropriated |               |
| <b>Balance as at 30 September 2009</b>                        | 350,000,000                            | -             | 874,779,329                   | 2,536,442  | -                               | (150,405,670)  | 1,076,910,101 |
| Expenses recognised directly in equity :                      |  |               |                               |  |                                 |                |               |
| Amortisation of revaluation surplus on assets                 | -                                      | -             | (83,581,995)                  | -  | -                               | -              | (83,581,995)  |
| Decrease in unrealised gain on available-for-sales securities | -                                      | -             | -                             | (13,576)   | -                               | -              | (13,576)      |
| Net income for the year                                       | -                                      | -             | -                             | -  | -                               | 177,695,803    | 177,695,803   |
| <b>Balance as at 30 September 2010</b>                        | 350,000,000                            | -             | 791,197,334                   | 2,522,866  | -                               | 27,290,133     | 1,171,010,333 |
| <b>Balance as at 30 September 2011</b>                        | 350,000,000                            | -             | 791,197,334                   | 2,522,866  | -                               | 27,290,133     | 1,171,010,333 |
| Expenses recognised directly in equity :                      |  |               |                               |  |                                 |                |               |
| Amortisation of revaluation surplus on assets                 | -                                      | -             | (84,117,415)                  | -  | -                               | -              | (84,117,415)  |
| Decrease in unrealised gain on available-for-sales securities | -                                      | -             | -                             | (71,814)   | -                               | -              | (71,814)      |
| Net income for the year                                       | -                                      | -             | -                             | -  | -                               | 795,457,413    | 795,457,413   |
| Dividends paid (Note 33)                                      | -                                      | -             | -                             | -  | -                               | (100,000,000)  | (100,000,000) |
| Appropriated retained earnings to statutory reserve (Note 27) | -                                      | -             | -                             | -  | 40,000,000                      | (40,000,000)   | -             |
| Share capital issued (Note 25)                                | 150,000,000                            | -             | -                             | -  | -                               | -              | 150,000,000   |
| Share premium (Note 25)                                       | -                                      | 1,180,175,000 | -                             | -  | -                               | -              | 1,180,175,000 |
| <b>Balance as at 30 September 2011</b>                        | 500,000,000                            | 1,180,175,000 | 707,079,919                   | 2,451,052  | 40,000,000                      | 682,747,546    | 3,112,453,517 |

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

# K H O N B U R I S U G A R

## Cash Flow Statements

Khonburi Sugar Public Company Limited

(Formerly known as “Khonburi Sugar Public Company Limited”) and its subsidiaries

For the years ended 30 September 2011 and 2010

(Unit : Baht)

|   | Consolidated<br>Financial Statements |                    | Separate<br>Financial Statements |                    |
|---|--------------------------------------|--------------------|----------------------------------|--------------------|
|   | 2011                                 | 2010               | 2011                             | 2010               |
| <b>Cash Flows from operating activities</b>   |                                      |                    |                                  |                    |
| Net income before tax   | 1,128,858,975                        | 281,989,549        | 1,122,042,914                    | 287,626,233        |
| Adjustments to reconcile net income before tax to net cash provided by (paid from) operating activities : |                                      |                    |                                  |                    |
| Depreciation and amortisation   | 111,827,171                          | 74,832,590         | 104,736,800                      | 70,810,480         |
| Amortisation of premium from forward exchange contracts   | (10,029,252)                         | -                  | (10,029,252)                     | -                  |
| Allowance for doubtful accounts   | (12,417,839)                         | 52,685,036         | (12,417,839)                     | 52,685,036         |
| Allowance for withholding tax   | -                                    | 77                 | -                                | -                  |
| Allowance for diminution in value of inventory  | 19,245                               | 132,294            | 19,245                           | 40,529             |
| Gain on sale of property, plant and equipment   | (1,793,840)                          | (4,302,690)        | (1,472,171)                      | (23,676,334)       |
| Gain on sale of intangible asset  | (79)                                 | -                  | (79)                             | -                  |
| Loss on sugar futures contracts   | -                                    | 38,954,167         | -                                | 38,954,167         |
| Gain on sale of non-operating assets  | (10,254,692)                         | -                  | (10,254,692)                     | -                  |
| Unrealised loss on exchange   | 85,193,492                           | -                  | 85,193,492                       | -                  |
| Interest income   | (7,935,194)                          | (733,280)          | (8,072,193)                      | (682,946)          |
| Interest expenses   | 76,703,578                           | 80,554,659         | 77,942,162                       | 80,450,628         |
| <b>Income from operating activities before changes in operating assets and liabilities</b>                | <b>1,360,171,565</b>                 | <b>524,112,402</b> | <b>1,347,688,387</b>             | <b>506,207,793</b> |
| <b>Operating assets (increase) decrease</b>   |                                      |                    |                                  |                    |
| Trade accounts receivable   | (12,811,381)                         | 138,275,576        | (12,470,862)                     | 138,316,852        |
| Planters receivable   | 8,869,180                            | (2,469,821)        | 8,869,180                        | (2,469,821)        |
| Inventories   | (217,206,124)                        | 200,846,752        | (215,077,134)                    | 201,822,726        |
| Other current assets  | (62,440,495)                         | (3,736,752)        | (70,894,465)                     | (26,308,999)       |
| Other non-current assets  | 219,002                              | (107,831)          | 54,201                           | (602,213)          |
| <b>Operating liabilities increase (decrease)</b>  |                                      |                    |                                  |                    |
| Trade accounts payable  | 397,571,960                          | (66,802,670)       | 398,565,719                      | (72,224,543)       |
| Advance received for inventories  | 20,666,949                           | (24,805,651)       | 20,666,948                       | (24,805,651)       |
| Amounts due to the office of the Cane and Sugar Fund  | 45,137,527                           | 19,640,683         | 45,137,527                       | 19,640,683         |
| Accrued expense   | 15,807,745                           | 937,015            | 13,479,684                       | (209,588)          |
| Cash payable under agreements to sell sugar   | (141,582,833)                        | 141,582,833        | (141,582,833)                    | 141,582,833        |
| Other current liabilities   | (72,439,735)                         | 26,590,132         | (72,067,195)                     | 21,439,026         |
| Cash flows from (used in) operating activities  |                                      |                    |                                  |                    |
| Cash paid for corporate income tax  | (212,357,510)                        | (43,382,355)       | (207,901,714)                    | (40,138,763)       |
| <b>Net cash flows from operating activities</b>   | <b>1,129,605,850</b>                 | <b>910,680,313</b> | <b>1,114,467,443</b>             | <b>862,250,335</b> |

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

# K H O N B U R I S U G A R

## Cash Flow Statements (Continued)

Khonburi Sugar Public Company Limited

(Formerly known as “Khonburi Sugar Public Company Limited”) and its subsidiaries

For the years ended 30 September 2011 and 2010

(Unit : Baht)

|  | Consolidated<br>Financial Statements |                      | Separate<br>Financial Statements |                      |
|--|--------------------------------------|----------------------|----------------------------------|----------------------|
|  | 2011                                 | 2010                 | 2011                             | 2010                 |
| <b>Cash flows from investing activities</b>                                  |                                      |                      |                                  |                      |
| Decrease in restricted deposits with financial institution                   | 45,000,000                           | -                    | 45,000,000                       | -                    |
| (Increase) decrease in short-term loan to related party                      | -                                    | -                    | (20,000,000)                     | 3,000,000            |
| Increase in sugarcane plantation loans                                       | (104,469,525)                        | (78,367,250)         | (104,469,525)                    | (78,367,250)         |
| Acquisitions of long-term Investments  | (219,050)                            | (219,050)            | (219,050)                        | (219,050)            |
| Acquisitions of property, plant and equipment                                | (445,536,967)                        | (360,541,739)        | (396,045,251)                    | (208,752,608)        |
| Cash paid to purchase of investment in subsidiaries                          | -                                    | (2,000,000)          | -                                | (54,599,630)         |
| Advance payment for shares   | -                                    | -                    | -                                | (6,000,000)          |
| Acquisitions of intangible asset   | (5,245,906)                          | (966,106)            | (5,245,906)                      | (869,226)            |
| Proceeds from sales of property, plant and equipment                         | 3,627,863                            | 10,989,733           | 2,920,187                        | 52,699,233           |
| Proceeds from sales of intangible asset                                      | 10,600                               | -                    | 10,600                           | -                    |
| Proceeds from sales of non-operating asset                                   | 28,000,000                           | -                    | 28,000,000                       | -                    |
| Cash paid for account payable for shares - subsidiary                        | -                                    | -                    | (66,900,000)                     | -                    |
| Cash received from interest incomes  | 5,034,536                            | 733,280              | 5,157,563                        | 682,946              |
| <b>Net cash flows used in investing activities</b>                           | <b>(473,798,449)</b>                 | <b>(430,371,132)</b> | <b>(511,791,382)</b>             | <b>(292,425,585)</b> |
| <b>Cash flows from financing activities</b>                                  |                                      |                      |                                  |                      |
| Decrease in bank overdrafts and short-term loans from financial institutions | (26,851,749)                         | (2,988,456)          | (26,851,749)                     | (2,988,456)          |
| Decrease in short-term loans from related party and director                 | (4,950,000)                          | (162,534,000)        | -                                | (162,534,000)        |
| Decrease in long-term loans from director                                    | (2,000,000)                          | -                    | -                                | -                    |
| Cash paid for liabilities under financial lease agreements                   | (2,496,386)                          | (2,693,210)          | (2,465,447)                      | (2,532,463)          |
| Cash receipt from long-term loans  | 149,095,000                          | 219,443,540          | 149,095,000                      | 106,469,000          |
| Repayment of long-term loans   | (559,714,000)                        | (198,610,000)        | (519,714,000)                    | (198,610,000)        |
| Proceed from increase in share capital                                       | 1,330,175,000                        | -                    | 1,330,175,000                    | -                    |
| Cash paid for interest expenses  | (82,120,040)                         | (81,352,568)         | (77,947,785)                     | (80,512,742)         |
| Dividends paid   | (99,997,620)                         | -                    | (99,997,620)                     | -                    |
| <b>Net cash flows from (used in) financing activities</b>                    | <b>701,140,205</b>                   | <b>(228,734,694)</b> | <b>752,293,399</b>               | <b>(340,708,661)</b> |
| <b>Net increase in cash and cash equivalents</b>                             | <b>1,356,947,606</b>                 | <b>251,574,487</b>   | <b>1,354,969,460</b>             | <b>229,116,089</b>   |
| Cash and cash equivalents at beginning of year                               | 352,296,188                          | 100,721,701          | 326,223,679                      | 97,107,590           |
| <b>Cash and cash equivalents at end of year</b>                              | <b>1,709,243,794</b>                 | <b>352,296,188</b>   | <b>1,681,193,139</b>             | <b>326,223,679</b>   |

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



# K H O N B U R I S U G A R

## Cash Flow Statements (Continued)

Khonburi Sugar Public Company Limited

(Formerly known as “Khonburi Sugar Public Company Limited”) and its subsidiaries

For the years ended 30 September 2011 and 2010

(Unit : Baht)

|   | Consolidated<br>Financial Statements |              | Separate<br>Financial Statements |              |
|---|--------------------------------------|--------------|----------------------------------|--------------|
|   | 2011                                 | 2010         | 2011                             | 2010         |
| <b>Supplement cash flows information</b>  |                                      |              |                                  |              |
| Non-cash transactions   |                                      |              |                                  |              |
| Decrease in unrealised gain on changes in the value<br>of investments           | 71,814                               | 13,576       | 71,814                           | 13,576       |
| Amortisation of revaluation surplus on assets                                   | 84,117,415                           | 83,581,995   | 84,117,415                       | 83,581,995   |
| (Increase) decrease in purchases of assets that<br>have not yet been paid       | 19,190,907                           | (18,094,834) | 11,223,785                       | (18,094,834) |
| Purchases of vehicles through financial lease agreements                        | -                                    | 6,017,360    | -                                | 2,908,500    |
| Advance payment for shares  | -                                    | -            | -                                | 66,900,000   |
| Transfer equipment to intangible asset  | 9,562,224                            | -            | 9,562,224                        | -            |
| Decrease in purchases of intangible assets that have<br>not yet been paid       | 510,000                              | -            | 510,000                          | -            |
| Offsetting between amounts due from/to the office<br>of the Cane and Sugar Fund | 28,425,628                           | 17,681,212   | 28,425,628                       | 17,681,212   |

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



**Khonburi Sugar Public Company Limited**  
 (Formerly known as “Khonburi Sugar Company Limited”) and its subsidiaries  
**Notes to consolidated financial statements**  
 For the years ended 30 September 2011 and 2010

**1. GENERAL INFORMATION**

Khonburi Sugar Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the manufacture and distribution of sugar, which is sold both domestically and overseas. The registered office of the Company is at 164 Soi Sukhumvit 23 (Prasarnmit), Sukhumvit Road, Klongtoey-Nua, Wattana, Bangkok. Its factory is located at 289 Moo 13 Jarakhe-Hin, Khonburi Nakhonratchasima.

On 23 December 2010, the Company registered a change of the status to a public company and registered the change in its name from “Khonburi Sugar Company Limited” to “Khonburi Sugar Public Company Limited” with the Ministry of Commerce.

**2. BASIS OF PREPARATION**

2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 30 January 2009, issued under the Accounting Act B.E. 2543.

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

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

2.2 Basis of consolidation

a) The consolidated financial statements include the financial statements of Khonburi Sugar Public Company Limited (“the Company”) and the following subsidiaries company (“the subsidiaries”) :

| Company's name                         | Nature of business                          | Country of incorporation | Assets as a percentage to the consolidated total assets as at 30 September |        |              |      | Revenues as a percentage to the consolidated total revenues for the years ended 30 September |      |
|--|---|--------------------------|--|--------|--------------|------|--|------|
|  |   |                          | Percentage of shareholding   |        | total assets |      | revenues for the years   |      |
|  |   |                          | 2011   | 2010   | 2011         | 2010 | 2011   | 2010 |
|  |   |                          | %  | %      | %            | %    | %  | %    |
| Khonburi Power Plant Co., Ltd.         | Manufacture and distribution of electricity | Thailand                 | 100.00   | 100.00 | 3.79         | 4.93 | -  | -    |
| Agriculture Machine Services Co., Ltd. | Agricultural services                       | Thailand                 | 100.00   | 100.00 | 1.53         | 1.83 | 0.23   | 0.57 |
| Khonburi Bio Energy Co., Ltd.          | Manufacture and distribution of ethanol     | Thailand                 | 99.97  | 99.97  | 0.03         | 0.37 | -  | -    |

b) Subsidiaries are fully consolidated as from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date when such control ceases.

c) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.

d) Material balances and transactions between the Company and its subsidiary company have been eliminated from the consolidated financial statements.

e) Minority interests represent the portion of net income or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet.

2.3 The separate financial statements, which present investment in subsidiaries presented under the cost method, have been prepared solely for the benefit of the public.

**3 ADOPTION OF NEW ACCOUNTING STANDARDS**

The Federation of Accounting Professions issued a number of revised and new accounting standards (TAS, TFRS, TFRIC, SIC) as listed below.

a) Accounting standards that are effective for fiscal years beginning on or after 1 January 2011 (except Framework for the Preparation and Presentation of Financial Statements, which is immediately effective) :

Framework for the Preparation and Presentation of Financial Statements (revised 2009)

|                       |   |
|-----------------------|---|
| TAS 1 (revised 2009)  | Presentation of Financial Statements                            |
| TAS 2 (revised 2009)  | Inventories   |
| TAS 7 (revised 2009)  | Statement of Cash Flows   |
| TAS 8 (revised 2009)  | Accounting Policies, Changes in Accounting Estimates and Errors |
| TAS 10 (revised 2009) | Events after the Reporting Period                               |
| TAS 11 (revised 2009) | Construction Contracts  |
| TAS 16 (revised 2009) | Property, Plant and Equipment                                   |
| TAS 17 (revised 2009) | Leases  |
| TAS 18 (revised 2009) | Revenue   |
| TAS 19                | Employee Benefits   |
| TAS 23 (revised 2009) | Borrowing Costs   |
| TAS 24 (revised 2009) | Related Party Disclosures                                       |
| TAS 26                | Accounting and Reporting by Retirement Benefit Plans            |
| TAS 27 (revised 2009) | Consolidated and Separate Financial Statements                  |
| TAS 28 (revised 2009) | Investments in Associates                                       |
| TAS 29                | Financial Reporting in Hyperinflationary Economies              |
| TAS 31 (revised 2009) | Interests in Joint Ventures                                     |
| TAS 33 (revised 2009) | Earnings per Share  |
| TAS 34 (revised 2009) | Interim Financial Reporting                                     |
| TAS 36 (revised 2009) | Impairment of Assets  |
| TAS 37 (revised 2009) | Provisions, Contingent Liabilities and Contingent Assets        |
| TAS 38 (revised 2009) | Intangible Assets   |
| TAS 40 (revised 2009) | Investment Property   |
| TFRS 2                | Share-Based Payment   |
| TFRS 3 (revised 2009) | Business Combinations   |
| TFRS 5 (revised 2009) | Non-current Assets Held for Sale and Discontinued Operations    |
| TFRS 6                | Exploration for and Evaluation of Mineral Resources             |
| TFRIC 15              | Agreements for the Construction of Real Estate                  |
| SIC 31                | Revenue - Barter Transactions Involving Advertising Services    |

b) Accounting standards that are effective for fiscal years beginning on or after 1 January 2013 :

|                       |   |
|-----------------------|---|
| TAS 12                | Income Taxes  |
| TAS 20 (revised 2009) | Accounting for Government Grants and Disclosure of Government Assistance  |
| TAS 21 (revised 2009) | The Effects of Changes in Foreign Exchange Rates                          |
| SIC 10                | Government Assistance - No Specific Relation to Operating Activities      |
| SIC 21                | Income Taxes - Recovery of Revalued Non-Depreciable Assets                |
| SIC 25                | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders |

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standards which management expects the impact on the financial statements in the year when they are adopted.

## TAS 19 EMPLOYEE BENEFITS

This accounting standard requires employee benefits to be recognised as expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment benefits using actuarial techniques. Currently, the Company accounts for such employee benefits when they are incurred.

The change in this accounting policy in 2011 will have the effect of decreasing the beginning balance of consolidated retained earnings by Baht 13.04 million.

## TAS 12 INCOME TAXES

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognise deferred tax assets and liabilities under the stipulated guidelines.

At present, the management is evaluating the impact on the financial statements in the year when this standard is adopted.

## TAS 16 (REVISED 2009) PROPERTY, PLANT AND EQUIPMENT

According to this accounting standard, an entity which presents its property, plant and equipment (PPE) on a revaluation basis is required to charge depreciation on the total revalued amount to its income statement. Currently, as permitted by the relevant notification of the Federation of Accounting Professions, only the depreciation calculated on the original cost of PPE is charged to the income statement. The change in this accounting policy in 2011 will have no effect to the Company's retained earnings.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Revenue recognition

#### *Sales of goods*

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

#### *Interest income*

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

#### *Dividends*

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

### 4.2 Cash and cash equivalents

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

### 4.3 Trade accounts receivable

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

### 4.4 Inventories

Finished goods and molasses are valued at the lower of average cost and net realisable value. Average cost includes all production costs and attributable factory overheads.

Raw materials, fertilizers, chemicals, spare parts, factory supplies, and other supplies are valued at the lower of first-in, first-out method and net realisable value and are charged to production costs whenever consumed.

### 4.5 Investments

- a) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded as a separate item in shareholders' equity, and will be recorded as gains or losses in the income statement when the securities are sold.
- b) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for loss on diminution in value (if any).
- c) Investments in subsidiaries are accounted for in the separate financial statements using the cost method.

The fair value of marketable securities is based on the latest bid price of the last working day of the year.

The weighted average method is used for computation of the cost of investments.

In the event the Company reclassifies investments from one type to another, such investments will be readjusted to their fair value as at the reclassification date. The difference between the carrying amount of the investments and the fair value on the date of reclassification are recorded as gains or losses in the income statement or recorded as surplus (deficit) from changes in the value of investments in shareholders' equity, depending on the type of investment that is reclassified.

#### 4.6 Property, plant and equipment/Depreciation

Land and equipment are stated at cost. Buildings and machinery are stated at cost or revalued amount less accumulated depreciation and allowance for loss on impairment of assets (if any).

Buildings and machinery are initially recorded at cost on the acquisition date, and subsequently revalued by an independent professional appraiser to their fair values. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the balance sheet date.

Differences arising from the revaluation are dealt with in the financial statements as follows :

- When an asset's carrying amount is increased as a result of a revaluation of the Company's assets, the increase is credited directly to equity under the heading of "Revaluation surplus on assets". However, a revaluation increase will be recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense.
- When an asset's carrying amount is decreased as a result of a revaluation of the Company's assets, the decrease is recognised as an expense in the income statement. However, a revaluation decrease is to be charged directly against the related "Revaluation surplus on assets" to the extent that the decrease does not exceed the amount held in the "Revaluation surplus on assets" in respect of those same assets. Any excess amount is to be recognised as an expense in the income statement.

Depreciation of plant and equipment is calculated by reference to their costs or the revalued amounts on the straight-line basis over the following estimated useful lives :

|  |   |            |
|--|---|------------|
| Land improvement                             | - | 10 years   |
| Building and premises                        | - | 20 years   |
| Machinery and equipment                      | - | 7-19 years |
| Furniture, fixtures and office equipment     | - | 5 years    |
| Motor vehicles                               | - | 5 years    |
| Facilities system and water treatment system | - | 20 years   |

The depreciation is dealt with in the financial statements as follows :

- Depreciation attributed to the original cost portion is included in determining income.
- Depreciation attributed to the surplus portion is deducted against revaluation surplus in shareholders' equity.

No depreciation is provided on land and assets under installation

#### 4.7 Borrowing costs

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

#### 4.8 Non-operating assets

Non-operating assets are stated at net book value as of decommissioning date and less impairment of assets (if any).

#### 4.9 Intangible assets

Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

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

The useful life of computer software is 5 years.

#### 4.10 Related party transactions

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

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

#### 4.11 Long-term leases

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

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

#### 4.12 Foreign currencies

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

Gains and losses on exchange are included in determining income.

#### 4.13 Impairment of assets

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

An impairment loss is recognised in the income statement. However, in cases where plant and machinery were previously revalued and the revaluation was taken to equity, a part of such impairment is recognised in equity up to the amount of the previous revaluation.

#### 4.14 Employee benefits

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

#### 4.15 Provisions

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

#### 4.16 Income tax

Income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

#### 4.17 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.



## 5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

### Leases

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

### Allowance for doubtful accounts

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

### Property plant and equipment/Depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and salvage values of the Company and subsidiaries's plant and equipment and to review estimate useful lives and salvage values when there are any changes.

The Company and subsidiaries measure buildings and machinery at revalued amounts. Such amounts are determined by the independent valuer using the cost approach and market approach for buildings and the replacement cost approach for machinery. The valuation involves certain assumptions and estimates.

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

### Intangible assets

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

## 6. SEASONALITY OF OPERATIONS

The operations of the Company, which are principally engaged in manufacture and distribution of sugar, are affected by the seasonality of sugar manufacture, with the production season running from November to April, and the off season for production running from May to October.

## 7. RELATED PARTY TRANSACTIONS

The relationships between the Company and related parties are summarised below.

| Name                                  | Relationship                         |
|---------------------------------------|--------------------------------------|
| Khonburi Power Plant Co., Ltd.        | Subsidiary                           |
| Agriculture Machine Services Co., Ltd | Subsidiary                           |
| Khonburi Bio Energy Co., Ltd.         | Subsidiary                           |
| The Thai Sugar Trading Co., Ltd.      | Common shareholders/Common directors |
| N.Y.Development Co., Ltd.             | Common shareholders/Common directors |
| Talaysub Co., Ltd.                    | Common shareholders/Common directors |
| N.Y. Rubber Co., Ltd.                 | Common shareholders/Common directors |

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

(Unit : Thousand Baht)

|  | Consolidated<br>financial statements |        | Separate<br>financial statements |        | Transfer pricing policy  |
|--|--------------------------------------|--------|----------------------------------|--------|--|
|  | 2011                                 | 2010   | 2011                             | 2010   |  |
| <b>Transactions with subsidiary companies :</b>            |                                      |        |                                  |        |  |
| <b>(eliminated from consolidated financial statements)</b> |                                      |        |                                  |        |  |
| Gain on sales of assets                                    | -                                    | -      | -                                | 19,372 | Bidding price  |
| Interest income  | -                                    | -      | 266                              | -      | 6.375% per annum   |
| Other income   | -                                    | -      | 2,583                            | 10,514 | Cost plus margin 3 to 5 percent                                      |
| Rental expenses  | -                                    | -      | 78,842                           | 42,068 | Contract price (6,000 Baht to 120,000 Baht<br>per vehicle per month) |
| Interest expenses  | -                                    | -      | 1,378                            | -      | 6.375 % per annum  |
| Other expenses   | -                                    | -      | -                                | 3,164  | Comparable price charged to other customers                          |
| <b>Transactions with related companies :</b>               |                                      |        |                                  |        |  |
| Gain on sale of assets                                     | 10,262                               | -      | 10,262                           | -      | Price by the independent appraiser                                   |
| Gain on sale of leasehold                                  | 14                                   | -      | 14                               | -      | Contract price   |
| Purchases of goods   | 2,469                                | 1,071  | 2,469                            | 1,071  | Comparable price charged to other customers                          |
| Amortisation of the leasehold                              | 474                                  | 474    | 474                              | 474    | Contract price (31,408 Baht per square<br>meter per 30 years)        |
| Rental expenses  | 449                                  | -      | 449                              | -      | Comparable price charged to other customers                          |
| Service charges and utilities                              | 587                                  | 643    | 587                              | 643    | Contract price (45 Baht per square meter)                            |
| Interest expenses  | 11,989                               | 16,532 | 11,980                           | 16,532 | 3.75 p.a. (2010 : 3.75 - 5.50 p.a.)                                  |
| Export service expenses                                    | 9,543                                | 7,316  | 9,543                            | 7,316  | Contract price (20 Baht per ton)                                     |

As at 30 September 2011 and 2010, the balances of the accounts between the Company and those related companies are as follows :

(Unit : Baht)

|  | Consolidated<br>financial statements |           | Separate<br>financial statements |            |
|--|--------------------------------------|-----------|----------------------------------|------------|
|  | 2011                                 | 2010      | 2011                             | 2010       |
| <b>Short-term loan to and interest receivable from related party</b>   |                                      |           |                                  |            |
| <i>Subsidiary company</i>  |                                      |           |                                  |            |
| Khonburi Power Plant Co., Ltd.   | -                                    | -         | 20,013,973                       | -          |
| Total short-term loan to and interest receivable<br>from related party | -                                    | -         | 20,013,973                       | -          |
| <b>Other receivable - related parties</b>                              |                                      |           |                                  |            |
| <i>Subsidiary company</i>  |                                      |           |                                  |            |
| Khonburi Power Plant Co., Ltd.   | -                                    | -         | -                                | 78,423     |
| Agriculture Machine Services Co., Ltd.                                 | -                                    | -         | 35,513,680                       | 35,059,887 |
| Total other receivable - related parties                               | -                                    | -         | 35,513,680                       | 35,138,310 |
| <b>Advance payment for shares - related party</b>                      |                                      |           |                                  |            |
| <i>Subsidiary company</i>  |                                      |           |                                  |            |
| Khonburi Bio Energy Co., Ltd.  | -                                    | -         | -                                | 6,000,000  |
| <b>Short-term loans from and accrued interest to director</b>          |                                      |           |                                  |            |
| <i>Director</i>  |                                      |           |                                  |            |
| Total  | -                                    | 4,950,000 | -                                | -          |
| <b>Shares subscription payable - related party</b>                     |                                      |           |                                  |            |
| <i>Subsidiary company</i>  |                                      |           |                                  |            |
| Khonburi Power Plant Co., Ltd.   | -                                    | -         | -                                | 66,900,000 |
| Total shares subscription payable - related party                      | -                                    | -         | -                                | 66,900,000 |

(Unit : Thousand Baht)

|   | Consolidated<br>financial statements |           | Separate<br>financial statements |           |
|---|--------------------------------------|-----------|----------------------------------|-----------|
|   | 2011                                 | 2010      | 2011                             | 2010      |
| <b>Accrued expenses - related parties</b> |                                      |           |                                  |           |
| <i>Subsidiary company</i>                 |                                      |           |                                  |           |
| Agriculture Machine Services Co., Ltd.    | -                                    | -         | 2,854,879                        | 3,660,861 |
| <i>Related companies</i>                  |                                      |           |                                  |           |
| N.Y. Development Co., Ltd.                | 27,784                               | 4,800     | 27,784                           | 4,800     |
| Talaysub Co., Ltd.                        | -                                    | 32,500    | -                                | 32,500    |
| The Thai Sugar Trading Co., Ltd.          | 1,400,128                            | -         | 1,400,128                        | -         |
| Total accrued expenses - related parties  | 1,427,912                            | 37,300    | 4,282,791                        | 3,698,161 |
| <b>Long-term loan from director</b>       |                                      |           |                                  |           |
| Director                                  | -                                    | 2,000,000 | -                                | -         |
| Total long-term loan from director        | -                                    | 2,000,000 | -                                | -         |

The short-term loans from The Thai Sugar Trading Co., Ltd., an agent for export of the Company's sugar, in current liabilities are received from a local bank for the export of sugar on behalf of the Company in the ordinary course of business. An interest is charged at a rate equal to the rate that the bank charges to the related company.

During the fiscal year 2011, movements of loans to and loans from related parties are as follows :

(Unit : Baht)

|   | Consolidated financial statements |          |                 |            |                 |              |                   |          |
|---|-----------------------------------|----------|-----------------|------------|-----------------|--------------|-------------------|----------|
|   | Balance<br>as at                  |          | During the year |            |                 |              | Balance<br>as at  |          |
|   | 1 October 2010                    |          | Increase        |            | Decrease        |              | 30 September 2011 |          |
|   | Loan                              | Interest | Loan            | Interest   | Loan            | Interest     | Loan              | Interest |
| <b>Short-term loans from and accrued</b>      |                                   |          |                 |            |                 |              |                   |          |
| <b>interest to related party and director</b> |                                   |          |                 |            |                 |              |                   |          |
| The Thai Sugar Trading Co., Ltd.              | -                                 | -        | 2,902,098,550   | 11,980,048 | (2,902,098,550) | (11,980,048) | -                 | -        |
| Director                                      | 4,950,000                         | -        | -               | -          | (4,950,000)     | -            | -                 | -        |
|   | 4,950,000                         | -        | 2,902,098,550   | 11,980,048 | (2,907,048,550) | (11,980,048) | -                 | -        |
| <b>Long-term loan from director</b>           |                                   |          |                 |            |                 |              |                   |          |
| Director                                      | 2,000,000                         | -        | -               | -          | (2,000,000)     | -            | -                 | -        |

(Unit : Baht)

|  | Separate financial statements |          |                 |          |             |           |                   |          |
|--|-------------------------------|----------|-----------------|----------|-------------|-----------|-------------------|----------|
|  | Balance<br>as at              |          | During the year |          |             |           | Balance<br>as at  |          |
|  | 1 October 2010                |          | Increase        |          | Decrease    |           | 30 September 2011 |          |
|  | Loan                          | Interest | Loan            | Interest | Loan        | Interest  | Loan              | Interest |
| <b>Short-term loan to and interest</b> |                               |          |                 |          |             |           |                   |          |
| <b>receivable from subsidiaries</b>    |                               |          |                 |          |             |           |                   |          |
| Agriculture Machine Services Co., Ltd. | -                             | -        | 7,700,000       | 242,075  | (7,700,000) | (242,075) | -                 | -        |
| Khonburi Power Plant Co., Ltd.         | -                             | -        | 20,000,000      | 23,928   | -           | (9,955)   | 20,000,000        | 13,973   |
|  | -                             | -        | 27,700,000      | 266,003  | (7,700,000) | (252,030) | 20,000,000        | 13,973   |

(Unit : Baht)

|  | Separate financial statements |          |                 |            |                 |              |                                 |          |
|--|-------------------------------|----------|-----------------|------------|-----------------|--------------|---------------------------------|----------|
|  | Balance as at 1 October 2010  |          | During the year |            |                 |              | Balance as at 30 September 2011 |          |
|  | Loan                          | Interest | Increase        |            | Decrease        |              | Loan                            | Interest |
| <b>Short-term loans from and accrued interest to related parties</b> |                               |          |                 |            |                 |              |                                 |          |
| <b>Subsidiary company</b>  |                               |          |                 |            |                 |              |                                 |          |
| Khonburi Power Plant Co., Ltd.                                       | -                             | -        | 40,000,000      | 1,378,048  | (40,000,000)    | (1,378,048)  | -                               | -        |
| <b>Related company</b>   |                               |          |                 |            |                 |              |                                 |          |
| The Thai Sugar Trading Co., Ltd.                                     | -                             | -        | 2,902,098,550   | 11,980,048 | (2,902,098,550) | (11,980,048) | -                               | -        |
|  | -                             | -        | 2,942,098,550   | 13,358,096 | (2,942,098,550) | (13,358,096) | -                               | -        |

Guarantee obligations with subsidiary

The Company has outstanding guarantee obligations with its subsidiary company, as described in Note 34.5 to the financial statements.

**8. CASH AND CASH EQUIVALENTS**

(Unit : Baht)

|                   | Consolidated financial statements |                    | Separate financial statements |                    |
|-------------------|-----------------------------------|--------------------|-------------------------------|--------------------|
|                   | 2011                              | 2010               | 2011                          | 2010               |
| Cash              | 400,000                           | 270,000            | 260,000                       | 220,000            |
| Bank deposits     | 808,843,794                       | 352,026,188        | 780,933,139                   | 326,003,679        |
| Bills of exchange | 900,000,000                       | -                  | 900,000,000                   | -                  |
| <b>Total</b>      | <b>1,709,243,794</b>              | <b>352,296,188</b> | <b>1,681,193,139</b>          | <b>326,223,679</b> |

As at 30 September 2011, bank deposits in saving accounts, fixed deposits and bills of exchange carried interests between 0.75 and 4.45 percent per annum (2010: 0.50 percent per annum).

**9. TRADE ACCOUNTS RECEIVABLE**

The balances of trade accounts receivable as at 30 September 2011 and 2010, aged on the basis of due dates, are summarised below.

(Unit : Baht)

|                           | Consolidated financial statements |                   | Separate financial statements |                   |
|---------------------------|-----------------------------------|-------------------|-------------------------------|-------------------|
|                           | 2011                              | 2010              | 2011                          | 2010              |
| <u>Age of receivables</u> |                                   |                   |                               |                   |
| Not yet due               | 73,333,615                        | 39,694,169        | 73,228,496                    | 39,582,389        |
| Past due                  |                                   |                   |                               |                   |
| Up to 3 months            | 6,959,290                         | 28,113,396        | 6,959,290                     | 27,985,130        |
| 3-6 months                | -                                 | 26,875            | -                             | -                 |
| 6-12 months               | 452,241                           | -                 | -                             | -                 |
| Over 12 months            | 50,080                            | -                 | -                             | -                 |
| <b>Total</b>              | <b>80,795,226</b>                 | <b>67,834,440</b> | <b>80,187,786</b>             | <b>67,567,519</b> |

## 10. PLANTERS RECEIVABLE

The balances of planters receivable as at 30 September 2011 and 2010, aged on the basis of due dates, are summarised below.

(Unit : Baht)

|   | Consolidated financial statements |               | Separate financial statements |               |
|---|-----------------------------------|---------------|-------------------------------|---------------|
|   | 2011                              | 2010          | 2011                          | 2010          |
| <b>Planters receivable - sugar cane</b> |                                   |               |                               |               |
| Up to 2007/2008 harvesting year         | 75,983,671                        | 86,371,528    | 75,983,671                    | 86,371,528    |
| 2007/2008 harvesting year               | 16,699,194                        | 24,935,963    | 16,699,194                    | 24,935,963    |
| 2008/2009 harvesting year               | 16,986,216                        | 22,067,081    | 16,986,216                    | 22,067,081    |
| 2009/2010 harvesting year               | 11,229,708                        | 27,293,495    | 11,229,708                    | 27,293,495    |
| 2010/2011 harvesting year               | 30,900,098                        | -             | 30,900,098                    | -             |
| Total planters receivable               | 151,798,887                       | 160,668,067   | 151,798,887                   | 160,668,067   |
| Less : Allowance for doubtful debts     | (122,550,081)                     | (134,967,920) | (122,550,081)                 | (134,967,920) |
| Planters receivable - net               | 29,248,806                        | 25,700,147    | 29,248,806                    | 25,700,147    |

## 11. SUGAR CANE PLANTATION LOANS

(Unit : Baht)

|  | Consolidated financial statements |               | Separate financial statements |               |
|--|-----------------------------------|---------------|-------------------------------|---------------|
|  | 2011                              | 2010          | 2011                          | 2010          |
| Sugarcane plantation loans                           | 384,452,248                       | 279,982,723   | 384,452,248                   | 279,982,723   |
| Less : Current portion of sugarcane plantation loans | (266,705,356)                     | (140,691,836) | (266,705,356)                 | (140,691,836) |
| Sugarcane plantation loans - net of current portion  | 117,746,892                       | 139,290,887   | 117,746,892                   | 139,290,887   |

Sugar cane plantation accounts receivable represent support provided to farmers to encourage sugar cane planting. The Company supplies sugar cane, water systems, agricultural machinery and equipment. The terms of the agreements are generally between 3 and 5 years with interest charged at rates of 0 % to 7 % per annum. Most farmers have provided land and motor vehicles as collateral.

## 12. INVENTORIES

(Unit : Baht)

|   | Consolidated financial statements |             |   |           |                   |             |
|---|-----------------------------------|-------------|---|-----------|-------------------|-------------|
|   | Cost                              |             | Allowance of diminution in value of inventories |           | Inventories - net |             |
|   | 2011                              | 2010        | 2011  | 2010      | 2011              | 2010        |
| Finished goods  | 410,375,693                       | 199,409,659 | -   | -         | 410,375,693       | 199,409,659 |
| Fertilizers, chemicals, spare parts, and factory supplies | 27,041,124                        | 20,372,587  | (160,336)                                       | (141,091) | 26,880,788        | 20,231,496  |
| By products (Molasses)                                    | 3,228,678                         | 3,657,125   | -   | -         | 3,228,678         | 3,657,125   |
| Total   | 440,645,495                       | 223,439,371 | (160,336)                                       | (141,091) | 440,485,159       | 223,298,280 |

(Unit : Baht)

|   | Separate financial statements |             |   |          |                   |             |
|---|-------------------------------|-------------|---|----------|-------------------|-------------|
|   | Cost                          |             | Allowance of diminution in value of inventories |          | Inventories - net |             |
|   | 2011                          | 2010        | 2011  | 2010     | 2011              | 2010        |
| Finished goods  | 407,754,115                   | 199,409,659 | -   | -        | 407,754,115       | 199,409,659 |
| Fertilizers, chemicals, spare parts, and factory supplies | 25,569,075                    | 18,407,950  | (68,571)  | (49,326) | 25,500,504        | 18,358,624  |
| By products (Molasses)                                    | 3,228,678                     | 3,657,125   | -   | -        | 3,228,678         | 3,657,125   |
| Total   | 436,551,868                   | 221,474,734 | (68,571)  | (49,326) | 436,483,297       | 221,425,408 |

### 13. AMOUNTS DUE FROM THE OFFICE OF THE CANE AND SUGAR FUND

(Unit : Baht)

|  | Consolidated financial statements |                   | Separate financial statements |                   |
|--|-----------------------------------|-------------------|-------------------------------|-------------------|
|  | 2011                              | 2010              | 2011                          | 2010              |
| <b>Receivable from compensation for production and distribution of sugar</b>           | 88,406,059                        | 88,406,059        | 88,406,059                    | 88,406,059        |
| Less : Payable for price stabilisation cost and research fee                           | (63,788,051)                      | (35,362,423)      | (63,788,051)                  | (35,362,423)      |
| Receivable from compensation for production and distribution of sugar - net            | 24,618,008                        | 53,043,636        | 24,618,008                    | 53,043,636        |
| Less: current portion of amounts due from the Office of the Cane and Sugar Fund        | (17,681,212)                      | (17,681,212)      | (17,681,212)                  | (17,681,212)      |
| <b>Amounts due from the Office of the Cane and Sugar Fund - net of current portion</b> | <b>6,936,796</b>                  | <b>35,362,424</b> | <b>6,936,796</b>              | <b>35,362,424</b> |

As at the balance sheet dates, amounts due from the Office of the Cane and Sugar Fund were amounts that the Company will reimburse from the Office of the Cane and Sugar Fund, since in the 2006/2007 harvesting year the final sugar cane price and the final compensation for the production and distribution of sugar were less than the initial sugar cane price. In accordance with Section 56 of the Cane and Sugar Act B.E. 2527, the Cane and Sugar Fund is to pay compensation to the Company at an amount equal to the difference, and the sugar cane planters do not have to return the excessive amount of the sugar cane price received. In addition, on 8 January 2008, a meeting of the cabinet resolved to accept the refund process in accordance with the resolution of the 8<sup>th</sup> meeting of the Cane and Sugar Board held on 19 October 2007. Details of the refund process are as follows :

- 1) A refund amounting to Baht 206 million will be received for sugar cane price. The Company recorded the refund as a deduction against the manufacturing costs of the 2006/2007 harvesting year. The Cane and Sugar Fund will offset this refund with the price stabilisation costs and research fee, outstanding up to 30 September 2007, for which the Company, are liable to the fund, and will return the balance to the Company. In fiscal year 2009, the Cane and Sugar Fund paid the full payment of compensation.
- 2) The Company will receive a refund of compensation for the production and distribution of sugar amounting to Baht 88.4 million. The meeting of the Cane and Sugar Board on 5 March 2009 announced that the Company would gradually deduct this from the amounts that the Company has to pay to the fund over a period of 5 years, from the year 2009 to year 2012. On 31 August 2009 and 23 March 2010, the Office of the Cane and Sugar Fund notified the Company that compensation for production and distribution of sugar receivable amounting to Baht 35.4 million would be offset against price stabilisation costs of the 2007/2008 and 2008/2009 harvesting years. Later, on 17 February 2011, the Office of the Cane and Sugar Fund notified the Company that outstanding compensation for production and distribution of sugar receivable of the year 2006/2007 at the Office of the Cane and Sugar Fund amounting to Baht 88.4 million would be offset against price stabilisation costs of the 2007/2008 to 2009/2010 years that the Company was obliged to pay to the fund, amounting to Baht 63.8 million. As a result, amounts due from the Office of the Cane and Sugar Fund as at 30 September 2011 equaled Baht 24.6 million.

### 14. RESTRICTED BANK DEPOSITS

These balances of 2010 represent saving and fixed deposits pledged with the banks to secure credit facilities.

### 15. INVESTMENT IN SUBSIDIARIES

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

(Unit : Baht)

| Company's name                         | Paid-up capital |             | Shareholding percentage |          | Cost        |             | Dividend received during the year |      |
|--|-----------------|-------------|-------------------------|----------|-------------|-------------|-----------------------------------|------|
|  | 2011            | 2010        | 2011 (%)                | 2010 (%) | 2011        | 2010        | 2011                              | 2010 |
| Khonburi Power Plant Co., Ltd.         | 100,500,000     | 100,500,000 | 100.00                  | 100.00   | 100,499,970 | 100,499,970 | -                                 | -    |
| Agriculture Machine Services Co., Ltd. | 20,000,000      | 20,000,000  | 100.00                  | 100.00   | 19,999,970  | 19,999,970  | -                                 | -    |
| Khonburi Bio Energy Co., Ltd.          | 7,000,000       | 1,000,000   | 99.97                   | 99.97    | 6,999,700   | 999,700     | -                                 | -    |
| Total                                  |                 |             |                         |          | 127,499,640 | 121,499,640 | -                                 | -    |

As at 30 September 2010, the Company made advance payment of Baht 6 million for shares of Khonburi Bio Energy Co., Ltd. This company registered the increase in its share capital with the Ministry of Commerce on 4 October 2010 and therefore, as at 30 September 2011, advance payment for shares in Khonburi Bio Energy Co., Ltd. was classified as investment in subsidiary.



In November 2010, the Company paid up the balance of the account payable for shares in Khonburi Power Plant Co., Ltd., amounting to Baht 66.9 million. Therefore, there is no balance of account payable for shares as at 30 September 2011.

## 16. OTHER LONG-TERM INVESTMENTS

|   | (Unit : Baht)                     |                  |                               |                  |
|---|-----------------------------------|------------------|-------------------------------|------------------|
|   | Consolidated financial statements |                  | Separate financial statements |                  |
|   | 2011                              | 2010             | 2011                          | 2010             |
| <b>Available-for-sale securities</b>                            |                                   |                  |                               |                  |
| <i>Common stock</i>   |                                   |                  |                               |                  |
| Chumporn Palm Oil Industry Public Company Limited               | 3,538,202                         | 3,538,202        | 3,538,202                     | 3,538,202        |
| Aikchol Hospital Public Company Limited                         | 101,000                           | 101,000          | 101,000                       | 101,000          |
| <b>Total</b>  | <b>3,639,202</b>                  | <b>3,639,202</b> | <b>3,639,202</b>              | <b>3,639,202</b> |
| Add : Unrealised gain on<br>available-for-sales securities      | 2,451,052                         | 2,522,866        | 2,451,052                     | 2,522,866        |
| <b>Total investment in available-for-sales securities - net</b> | <b>6,090,254</b>                  | <b>6,162,068</b> | <b>6,090,254</b>              | <b>6,162,068</b> |
| <b>Other investments</b>  |                                   |                  |                               |                  |
| <i>Common stock</i>   |                                   |                  |                               |                  |
| The Thai Sugar Trading Corporation Limited                      | 1,530,650                         | 1,311,600        | 1,530,650                     | 1,311,600        |
| Thai Cane and Sugar Corporation Limited                         | 243,000                           | 243,000          | 243,000                       | 243,000          |
| Thai Sugar Millers Corporation Limited                          | 2,175                             | 2,175            | 2,175                         | 2,175            |
| <b>Total other investments</b>                                  | <b>1,775,825</b>                  | <b>1,556,775</b> | <b>1,775,825</b>              | <b>1,556,775</b> |
| <b>Total other long-term investments- net</b>                   | <b>7,866,079</b>                  | <b>7,718,843</b> | <b>7,866,079</b>              | <b>7,718,843</b> |

## 17. PROPERTY, PLANT AND EQUIPMENT

|  | (Unit : Baht)                     |                      |                           |                    |  |                    |  |                                       |                      |
|--|-----------------------------------|----------------------|---------------------------|--------------------|--|--------------------|--|---------------------------------------|----------------------|
|  | Consolidated financial statements |                      |                           |                    |  |                    |  |                                       |                      |
|  | Revaluation basis                 |                      |                           | Cost basis         |  |                    |  |                                       |                      |
|  | Buildings and premises            | Machinery            | Land and land improvement | Equipment          | Furniture, fixtures and office equipment | Motor vehicles     | Facilities system and water treatment system | Assets under construction in progress | Total                |
| <b>Cost/Revalued amount</b>            |                                   |                      |                           |                    |  |                    |  |                                       |                      |
| As at 30 September 2010                | 1,204,558,085                     | 6,336,447,800        | 96,847,526                | 124,943,567        | 72,797,293                               | 152,055,572        | 209,254,084                                  | 303,881,466                           | 8,500,785,393        |
| Additions                              | 833,580                           | 175,064,249          | 6,790,625                 | 7,299,781          | 2,744,317                                | 7,645,844          | -  | 225,967,664                           | 426,346,060          |
| Disposals/write-off                    | -                                 | -                    | (148,750)                 | (261,569)          | (372,407)                                | (7,464,331)        | -  | -                                     | (8,247,057)          |
| Transfers in (out)                     | 2,350,214                         | 146,110,740          | -                         | 775,987            | -  | 7,555,407          | -  | (166,354,572)                         | (9,562,224)          |
| Capitalised interest                   | -                                 | -                    | -                         | -                  | -  | -                  | -  | 5,410,837                             | 5,410,837            |
| <b>As at 30 September 2011</b>         | <b>1,207,741,879</b>              | <b>6,657,622,789</b> | <b>103,489,401</b>        | <b>132,757,766</b> | <b>75,169,203</b>                        | <b>159,792,492</b> | <b>209,254,084</b>                           | <b>368,905,395</b>                    | <b>8,914,733,009</b> |
| <b>Accumulated depreciation</b>        |                                   |                      |                           |                    |  |                    |  |                                       |                      |
| As at 30 September 2010                | 742,086,128                       | 5,328,529,143        | 16,171,162                | 111,681,223        | 65,318,803                               | 120,478,310        | 134,202,268                                  | -                                     | 6,518,467,037        |
| Depreciation for the year              | 20,906,532                        | 57,076,532           | 78,834                    | 3,940,257          | 4,895,803                                | 7,678,987          | 12,436,248                                   | -                                     | 107,013,193          |
| Depreciation on<br>disposals/write-off | -                                 | -                    | -                         | (131,543)          | (308,661)                                | (5,972,830)        | -  | -                                     | (6,413,034)          |
| Depreciation on<br>revaluation surplus | 4,066,808                         | 80,050,607           | -                         | -                  | -  | -                  | -  | -                                     | 84,117,415           |
| <b>As at 30 September 2011</b>         | <b>767,059,468</b>                | <b>5,465,656,282</b> | <b>16,249,996</b>         | <b>115,489,937</b> | <b>69,905,945</b>                        | <b>122,184,467</b> | <b>146,638,516</b>                           | <b>-</b>                              | <b>6,703,184,611</b> |
| <b>Net book value</b>                  |                                   |                      |                           |                    |  |                    |  |                                       |                      |
| As at 30 September 2010                | 462,471,957                       | 1,007,918,657        | 80,676,364                | 13,262,344         | 7,478,490                                | 31,577,262         | 75,051,816                                   | 303,881,466                           | 1,982,318,356        |
| As at 30 September 2011                | 440,682,411                       | 1,191,966,507        | 87,239,405                | 17,267,829         | 5,263,258                                | 37,608,025         | 62,615,568                                   | 368,905,395                           | 2,211,548,398        |

### Depreciation for the year included in income statement which does not include depreciation on surplus from revaluation

|  |             |
|--|-------------|
| 2010 (Baht 70.51 million included in manufacturing cost, and the balance in administrative expenses) | 73,933,321  |
| 2011 (Baht 102.3 million included in manufacturing cost, and the balance in administrative expenses) | 107,013,193 |

(Unit : Baht)

## Separate financial statements

|                                     | Revaluation basis      |               |                           | Cost basis  |  |                |  |                                       |               |
|-------------------------------------|------------------------|---------------|---------------------------|-------------|--|----------------|--|---------------------------------------|---------------|
|                                     | Buildings and premises | Machinery     | Land and land improvement | Equipment   | Furniture, fixtures and office equipment | Motor vehicles | Facilities system and water treatment system | Assets under construction in progress | Total         |
| <b>Cost/Revalued amount</b>         |                        |               |                           |             |  |                |  |                                       |               |
| As at 30 September 2010             | 1,204,406,731          | 6,336,447,800 | 96,847,526                | 115,176,333 | 75,042,098                               | 15,294,327     | 209,254,084                                  | 160,531,979                           | 8,213,000,878 |
| Additions                           | 833,580                | 175,064,249   | 6,790,624                 | 7,242,703   | 2,729,166                                | 1,347,077      | -  | 190,814,067                           | 384,821,466   |
| Disposals/write-off                 | -                      | -             | (148,750)                 | (121,342)   | (304,207)                                | (7,118,537)    | -  | -                                     | (7,692,836)   |
| Transfers in (out)                  | 2,350,214              | 146,110,740   | -                         | -           | -  | -              | -  | (158,023,178)                         | (9,562,224)   |
| As at 30 September 2011             | 1,207,590,525          | 6,657,622,789 | 103,489,400               | 122,297,694 | 77,467,057                               | 9,522,867      | 209,254,084                                  | 193,322,868                           | 8,580,567,284 |
| <b>Accumulated depreciation</b>     |                        |               |                           |             |  |                |  |                                       |               |
| As at 30 September 2010             | 742,081,483            | 5,328,529,143 | 16,171,162                | 106,572,766 | 64,978,786                               | 11,212,438     | 134,202,268                                  | -                                     | 6,403,748,046 |
| Depreciation for the year           | 20,898,971             | 57,076,531    | 78,834                    | 3,260,796   | 4,829,772                                | 1,361,034      | 12,436,247                                   | -                                     | 99,942,185    |
| Depreciation on disposals/write-off | -                      | -             | -                         | (87,647)    | (292,222)                                | (5,864,951)    | -  | -                                     | (6,244,820)   |
| Depreciation on revaluation surplus | 4,066,808              | 80,050,607    | -                         | -           | -  | -              | -  | -                                     | 84,117,415    |
| As at 30 September 2011             | 767,047,262            | 5,465,656,281 | 16,249,996                | 109,745,915 | 69,516,336                               | 6,708,521      | 146,638,515                                  | -                                     | 6,581,562,826 |
| <b>Net book value</b>               |                        |               |                           |             |  |                |  |                                       |               |
| As at 30 September 2010             | 462,325,248            | 1,007,918,657 | 80,676,364                | 8,603,567   | 10,063,312                               | 4,081,889      | 75,051,816                                   | 160,531,979                           | 1,809,252,832 |
| As at 30 September 2011             | 440,543,263            | 1,191,966,508 | 87,239,404                | 12,551,779  | 7,950,721                                | 2,814,346      | 62,615,569                                   | 193,322,868                           | 1,999,004,458 |

**Depreciation for the year included in income statement which does not include depreciation on surplus from revaluation**

|  |            |
|--|------------|
| 2010 (Baht 62.76 million included in manufacturing cost, and the balance in administrative expenses) | 69,039,937 |
| 2011 (Baht 90.74 million included in manufacturing cost, and the balance in administrative expenses) | 99,942,185 |

In year 2009, the Company had its buildings and machinery revalued by an independent valuer, on 6 September 2009 and 1 September 2009, respectively, using Cost approach and Market approach for buildings and using the depreciated replacement cost approach for machinery. As a result of the revaluations, the value of the buildings increased by Baht 155.93 million and the value of machinery increased by Baht 332.17 million, compared to the net book values per the previous revaluations conducted on 24 January 2002 and 13 December 2004, respectively. The Company recorded the revaluation surplus on such buildings and machinery in shareholders' equity.

Breakdown of plant and equipment carried on the revaluation basis and their accumulated depreciation is as follows :

(Unit : Baht)

## Consolidated financial statements

|  | 2011                   |               | 2010                   |               |
|--|------------------------|---------------|------------------------|---------------|
|  | Buildings and premises | Machinery     | Buildings and premises | Machinery     |
| <b>Original cost</b>                                 | 764,738,846            | 1,501,406,589 | 761,555,052            | 1,180,231,600 |
| Surplus from revaluation                             | 443,003,033            | 5,156,216,200 | 443,003,033            | 5,156,216,200 |
| Revalued amount                                      | 1,207,741,879          | 6,657,622,789 | 1,204,558,085          | 6,336,447,800 |
| <b>Accumulated depreciation on original cost</b>     | 464,210,459            | 940,414,345   | 443,303,927            | 883,337,813   |
| Accumulated depreciation on surplus from revaluation | 302,849,009            | 4,525,241,937 | 298,782,201            | 4,445,191,330 |
| Accumulated depreciation on revalued amount          | 767,059,468            | 5,465,656,282 | 742,086,128            | 5,328,529,143 |

(Unit : Baht)

## Separate financial statements

|  | 2011                   |               | 2010                   |               |
|--|------------------------|---------------|------------------------|---------------|
|  | Buildings and premises | Machinery     | Buildings and premises | Machinery     |
| <b>Original cost</b>                                 | 764,587,492            | 1,501,406,589 | 761,403,698            | 1,180,231,600 |
| Surplus from revaluation                             | 443,003,033            | 5,156,216,200 | 443,003,033            | 5,156,216,200 |
| Revalued amount                                      | 1,207,590,525          | 6,657,622,789 | 1,204,406,731          | 6,336,447,800 |
| <b>Accumulated depreciation on original cost</b>     | 464,198,253            | 940,414,344   | 443,299,282            | 883,337,813   |
| Accumulated depreciation on surplus from revaluation | 302,849,009            | 4,525,241,937 | 298,782,201            | 4,445,191,330 |
| Accumulated depreciation on revalued amount          | 767,047,262            | 5,465,656,281 | 742,081,483            | 5,328,529,143 |

In October 2006, the Federation of Accounting Professions issued Notification No. 25/2006 allowing entities which carry their property, plant and equipment at revalued amounts to calculate depreciation to be charged to the income statements based on the historical costs of the assets instead of on the revalued amounts. The Company has decided to follow the notification. However, had the depreciation charge been calculated based on the revalued amounts, net income and earnings per share would have been changed to the following :

|   | Consolidated financial statements / Separate financial statements |            |
|---|---|------------|
|   | 2011  | 2010       |
| Decrease in net income (Baht)                   | 84,117,415  | 83,581,995 |
| Decrease in earnings per share (Baht per share) | 0.21  | 0.24       |

Equipment with carrying value as at 30 September 2011 amounting to Baht 6.7 million (2010 : Baht 11.3 million) were assets under financial lease agreements.

As at 30 September 2011, certain plant and equipment items have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation) of those assets amounted to approximately Baht 178.38 million (2010 : Baht 172.55 million).

The Company and subsidiaries have pledged almost of assets as collateral against credit facilities and loans received from financial institutions (all type of liabilities) as mentioned in Note 20 and 22.

## 18. NON-OPERATING ASSETS

The balances of non-operating assets as at 30 September 2011 and 2010 are as follows :

|                                  | (Unit : Baht)                     |               |                                |               |
|----------------------------------|-----------------------------------|---------------|--------------------------------|---------------|
|                                  | Consolidated financial statements |               | Separated financial statements |               |
|                                  | 2011                              | 2010          | 2011                           | 2010          |
| <b>Cost</b>                      | -                                 | 142,653,087   | -                              | 142,653,087   |
| Less: Amortisation of assets     | -                                 | (124,907,779) | -                              | (124,907,779) |
| Total non-operating assets - net | -                                 | 17,745,308    | -                              | 17,745,308    |

## 19. INTANGIBLE ASSETS

Intangible assets of the Company and subsidiaries are computer software.

|   | (Unit : Baht)                     |             |                                |             |
|---|-----------------------------------|-------------|--------------------------------|-------------|
|   | Consolidated financial statements |             | Separated financial statements |             |
|   | 2011                              | 2010        | 2011                           | 2010        |
| <b>Cost</b>   |                                   |             |                                |             |
| 30 September 2010   | 1,215,106                         | 2,229,000   | 1,118,227                      | 2,229,000   |
| Additions   | 4,735,906                         | 966,106     | 4,735,906                      | 869,227     |
| Transfer in   | 9,562,224                         | -           | 9,562,224                      | -           |
| Disposal/write-off  | (16,000)                          | (1,980,000) | (16,000)                       | (1,980,000) |
| 30 September 2011   | 15,497,236                        | 1,215,106   | 15,400,357                     | 1,118,227   |
| <b>Amortisation :</b>   |                                   |             |                                |             |
| 30 September 2010   | (163,632)                         | (865,258)   | (149,439)                      | (865,258)   |
| Amortisation  | (4,813,978)                       | (487,458)   | (4,794,615)                    | (473,265)   |
| Disposal/write-off  | 5,479                             | 1,189,084   | 5,479                          | 1,189,084   |
| 30 September 2011   | (4,972,131)                       | (163,632)   | (4,938,575)                    | (149,439)   |
| Net book value  | 10,525,105                        | 1,051,474   | 10,461,782                     | 968,788     |
| Amortisation expenses included in<br>the income statements for the year | 4,813,978                         | 487,458     | 4,794,615                      | 473,265     |

## 20. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

(Unit : Baht)

|  | Interest rate<br>(percent per annum) | Consolidated financial statements |            | Separate financial statements |            |
|--|--------------------------------------|-----------------------------------|------------|-------------------------------|------------|
|  |                                      | 2011                              | 2010       | 2011                          | 2010       |
| Bank overdrafts                              | MOR                                  | -                                 | 1,851,749  | -                             | 1,851,749  |
| Short-term loans from financial institutions | MLR                                  | -                                 | 25,000,000 | -                             | 25,000,000 |
| Total  |                                      | -                                 | 26,851,749 | -                             | 26,851,749 |

Bank overdrafts and short-term loans from financial institutions of 2010 are secured by mortgage of land and premises and machinery, and/or are guaranteed by fixed deposit, the Company's directors and a related party.

## 21. ACCOUNTS PAYABLE

Accounts payable as at 30 September 2011 and 2010 consist of :

(Unit : Baht)

|   | Consolidated financial statements |             | Separate financial statements |             |
|---|-----------------------------------|-------------|-------------------------------|-------------|
|   | 2011                              | 2010        | 2011                          | 2010        |
| Planters payable                            | 375,026,821                       | 72,347,541  | 375,026,821                   | 72,347,541  |
| Supplies, spare parts and equipment payable | 166,937,831                       | 72,045,151  | 162,505,870                   | 66,619,431  |
|   | 541,964,652                       | 144,392,692 | 537,532,691                   | 138,966,972 |

The Company purchased sugar cane for the 2010/2011 harvesting year in accordance with the letter of the Office of the Cane and Sugar Board dated 24 November 2010. This determined the initial price of sugar cane in the 2010/2011 harvesting year at Baht 945.0 per ton of sugar cane at a sweetness of 10 C.C.S with the price to be increased or decreased by Baht 56.7 per ton for each 1 C.C.S variation. Up to the date on which the Company's directors approved these financial statements, the Office of the Cane and Sugar Board has yet to announce the final sugar cane prices for the 2010/2011 harvesting year.

However, the management estimated that the final sugar cane prices will be higher than the initial sugar cane prices, and thus the Company recorded sugar cane costs and planter payable for the 2010/2011 harvesting year based on the estimated cost. This was equal to Baht 1,067.02 per ton of sugar cane at a sweetness of 10 C.C.S., with the price to be increased or decreased by Baht 64.02 per ton for each 1 C.C.S variation.

As at 30 September 2010, the Company recorded sugar cane costs and planter payable based on the resolution of the cane and Sugar Board No. 11/2010, dated 10 November 2010. This was equal to Baht 999.94 per ton of sugar cane at a sweetness of 10 C.C.S., with the price to be increased or decreased by Baht 60.0 per ton for each 1 C.C.S. The Company purchased sugar cane for the 2009/2010 harvesting year in accordance with the letter of the Office of the Cane and Sugar Board dated 9 February 2010. This was equal to Baht 965 per ton of sugar cane at a sweetness of 10 C.C.S., with the price to be increased or decreased by Baht 57.90 per ton for each 1 C.C.S. variation.

## 22. LONG-TERM LOANS

The balances of long-term loans as at 30 September 2011 and 2010 are as follows.

(Unit : Baht)

| Loan No. | Credit facilities<br>(Million Baht) | Interest rate<br>(%) | Repayment schedule   | Consolidated financial statements |             | Separate financial statements |             |
|----------|-------------------------------------|----------------------|--|-----------------------------------|-------------|-------------------------------|-------------|
|          |                                     |                      |  | 2011                              | 2010        | 2011                          | 2010        |
| 1        | 1,350.0                             | MLR - 1              | 18 semi-annual installments of Baht 15 to 110 million each, with the amount raised every year, commencing from June 2007     | 700,000,000                       | 950,000,000 | 700,000,000                   | 950,000,000 |
| 2        | 61.5                                | MLR - 1              | 10 semi-annual installments of Baht 6.15 million each, commencing from April 2008  | -                                 | 30,750,000  | -                             | 30,750,000  |
| 3        | 8.35                                | 4                    | 10 semi-annual installments of Baht 0.5 to 2 million each, with the amount raised every year, commencing from December 2008  | 4,850,000                         | 6,350,000   | 4,850,000                     | 6,350,000   |
| 4        | 48.45                               | 4                    | 10 semi-annual installments of Baht 2.42 to 7.96 million each, with the amount raised every year, commencing from March 2010 | 36,690,000                        | 43,610,000  | 36,690,000                    | 43,610,000  |

| Loan No.   | Credit facilities (Million Baht) | Interest rate (%) | Repayment schedule   | Consolidated financial statements |               | Separate financial statements |               |
|--|----------------------------------|-------------------|--|-----------------------------------|---------------|-------------------------------|---------------|
|  |                                  |                   |  | 2011                              | 2010          | 2011                          | 2010          |
| 5  | 30.0                             | MLR               | 10 semi-annual installments of Baht 3 million each, commencing from September 2009   | -                                 | 1,000,000     | -                             | 1,000,000     |
| 6  | 40.0                             | MLR - 1.25        | 10 semi-annual installments of Baht 4 million each, commencing from April 2010   | -                                 | 5,372,000     | -                             | 5,372,000     |
| 7  | 30.0                             | MLR - 1.25        | 10 semi-annual installments of Baht 3 million each, commencing from August 2010  | -                                 | 22,878,000    | -                             | 22,878,000    |
| 8  | 23.7                             | MLR - 1           | 10 semi-annual installments of Baht 0.84 - 3.97 million each, with the amount raised every year, commencing from February 2011 | 22,020,000                        | 23,700,000    | 22,020,000                    | 23,700,000    |
| 9  | 180.0                            | MLR - 2           | 10 semi-annual installments of Baht 18 million each, commencing from January 2011  | -                                 | 50,519,000    | -                             | 50,519,000    |
| 10   | 115.0                            | MLR - 1.25        | 10 semi-annual installments of Baht 11.5 million each, commencing from June 2011   | 72,974,540                        | 112,974,540   | -                             | -             |
| Total  |                                  |                   |  | 836,534,540                       | 1,247,153,540 | 763,560,000                   | 1,134,179,000 |
| less : Current portion                           |                                  |                   |  | (27,380,000)                      | (122,272,000) | (15,880,000)                  | (110,772,000) |
| Long-term loan - classified as current liability |                                  |                   |  | -                                 | (101,474,540) | -                             | -             |
| Long-term loans - net                            |                                  |                   |  | 809,154,540                       | 1,023,407,000 | 747,680,000                   | 1,023,407,000 |

Movements in the long-term loans account during the year ended 30 September 2011 are summarised below.

(Unit : Baht)

|                                 | Consolidated financial statements | Separate financial statements |
|---------------------------------|-----------------------------------|-------------------------------|
| Balance as at 1 October 2010    | 1,247,153,540                     | 1,134,179,000                 |
| Add : Additional borrowing      | 149,095,000                       | 149,095,000                   |
| Less : Repayments               | (559,714,000)                     | (519,714,000)                 |
| Balance as at 30 September 2011 | 836,534,540                       | 763,560,000                   |

These loans are secured by mortgage of project land and construction thereon of the Company and subsidiary.

The loan agreements contain covenants as specified in the agreements that, among other things, require the Company to maintain certain long-term debt to equity ratios according to the agreements.

A subsidiary requested a waiver from covenants stipulated in the agreement requiring a subsidiary to maintain a certain debt to equity ratio. As at 30 September 2010, such request was still being considered by the lender. However, in order to report in compliance with the relevant generally accepted accounting standards, the Company has presented the balance of the loan in full amount as at 30 September 2010 as current liabilities in the balance sheet. On 25 November 2010, the lender approved the request for a waiver from the covenants. However, as at 30 September 2011, the subsidiary can maintain long-term debt to equity ratios.

As at 30 September 2011, the long-term credit facilities of the Company and a subsidiary which have not yet been drawn down amounted to Baht 16.9 million and Baht 2.0 million.

### 23. LIABILITIES UNDER FINANCE LEASE AGREEMENTS

(Unit : Baht)

|   | Consolidated financial statements |             | Separate financial statements |             |
|---|-----------------------------------|-------------|-------------------------------|-------------|
|   | 2011                              | 2010        | 2011                          | 2010        |
| Liabilities under finance lease agreements                          | 4,737,204                         | 7,406,505   | 1,698,142                     | 4,297,645   |
| Less : Deferred interest expenses                                   | (187,181)                         | (360,096)   | (65,294)                      | (199,349)   |
| Total   | 4,550,023                         | 7,046,409   | 1,632,848                     | 4,098,296   |
| Less : Portion due within one year                                  | (2,673,762)                       | (3,445,424) | (1,337,683)                   | (2,465,447) |
| Liabilities under finance lease agreements - net of current portion | 1,876,261                         | 3,600,985   | 295,165                       | 1,632,849   |

The Company and a subsidiary have entered into the finance lease agreements with leasing company for rental of equipment for use in its operation, whereby it is committed to pay rental on a monthly basis. The term of the agreements is generally 3-5 years. Finance lease agreements cannot be cancelled.

As at 30 September 2011, future minimum lease payments required under the finance lease agreements were as follows :

(Unit : Baht)

Consolidated financial statements

|  | Less than 1 year | 1 - 5 years      | Total            |
|--|------------------|------------------|------------------|
| Future minimum lease payments                  | 2,823,948        | 1,913,256        | 4,737,204        |
| Deferred interest expense                      | (150,186)        | (36,995)         | (187,181)        |
| Present value of future minimum lease payments | <u>2,673,762</u> | <u>1,876,261</u> | <u>4,550,023</u> |

(Unit : Baht)

Separate financial statements

|  | Less than 1 year | 1 - 5 years    | Total            |
|--|------------------|----------------|------------------|
| Future minimum lease payments                  | 1,399,403        | 298,739        | 1,698,142        |
| Deferred interest expense                      | (61,720)         | (3,574)        | (65,294)         |
| Present value of future minimum lease payments | <u>1,337,683</u> | <u>295,165</u> | <u>1,632,848</u> |

#### 24. CASH PAYABLE UNDER AGREEMENTS TO SELL SUGAR

This represents cash payable to two overseas customers. The Company is an intermediary who receives payment for sale of sugar and is further to deliver sugar to these overseas customers.

#### 25. SHARE CAPITAL

The Annual General Meeting of the shareholders held on 16 December 2010 passed a special resolution to change the par value and number of the ordinary shares from 140,000 ordinary shares of Baht 2,500 each to 350 million ordinary shares of Baht 1 each.

In addition, the meeting passed a special resolution to increase the Company's registered share capital from Baht 350 million (350 million ordinary shares of Baht 1 each) to Baht 500 million, by issuing 150 million new ordinary shares with a par value of Baht 1 each to a public offering. The Company registered the changes in the par value and number of shares and the increase in share capital with the Ministry of Commerce on 23 December 2010.

On 24 May 2011, the Company issued an initial public offering of 150 million ordinary shares at the price of Baht 9.1 per share. Total proceed from the Company's new share offering was Baht 1,365.0 million, with a share premium of Baht 1,180.2 million, net of related expenses incurred in making the offering. The Company registered the change in its paid-up share capital to be Baht 500 million with the Ministry of Commerce on 24 May 2011.

#### 26. REVALUATION SURPLUS ON ASSETS

This represents surplus arising from revaluation of buildings and machinery.

(Unit : Baht)

Consolidated financial statements / Separate financial statements

|                                     | 2011               | 2010               |
|-------------------------------------|--------------------|--------------------|
| Balance - beginning of year         | 791,197,334        | 874,779,329        |
| Less : Depreciation during the year | (84,117,415)       | (83,581,995)       |
| Balance - end of year               | <u>707,079,919</u> | <u>791,197,334</u> |

The revaluation surplus can neither be offset against deficit nor used for dividend payment.

#### 27. STATUTORY RESERVE

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.



## 28. EXPENSES BY NATURE

Significant expenses by nature are as follows :

(Unit : Baht)

|   | Consolidated financial statements |               | Separate financial statements |               |
|---|-----------------------------------|---------------|-------------------------------|---------------|
|   | 2011                              | 2010          | 2011                          | 2010          |
| Salary and wages and other employee benefits    | 236,125,873                       | 209,362,642   | 203,921,644                   | 193,500,336   |
| Depreciation and amortisation                   | 111,827,171                       | 74,832,590    | 104,736,800                   | 70,810,480    |
| Transportation expenses                         | 100,035,982                       | 74,384,031    | 100,000,982                   | 74,384,031    |
| Price stabilisation costs and research fee      | 85,862,247                        | 82,589,257    | 85,862,247                    | 82,589,257    |
| Maintenance expenses                            | 107,300,890                       | 117,753,737   | 94,463,210                    | 102,426,357   |
| Rental expenses from operating lease agreements | 48,273,168                        | 49,449,553    | 47,904,458                    | 45,804,725    |
| Raw materials and consumables used              | 3,747,949,276                     | 2,552,744,418 | 3,747,949,276                 | 2,551,723,695 |
| Changes in inventories of finished goods        | (217,206,124)                     | 200,846,752   | (215,077,134)                 | 201,822,726   |

## 29. PROMOTIONAL PRIVILEGES

A subsidiary company has received promotional privileges from the Board of Investment for its electricity and steam from biomass fuels pursuant to the promotion certificate No. 1521(1)/2552 issued on 9 December 2008. Subject to certain imposed condition, the privileges include an exemption from corporate income tax for a period of 8 years from the date the promoted operations commenced generating revenues and a 50% reduction of corporate income tax on income derived from the promoted operations for a period of 5 years after the tax-exemption period ends.

In the year 2011 and 2010, the subsidiary company has no revenues according to promoted operation.

## 30. Earnings per share

Basic earnings per share is calculated by dividing net income for the year by the weighted average number of ordinary shares in issue during the year, after adjusting the number of ordinary shares in proportion to the change in the number of shares as a result of the change in par value from Baht 2,500 each to Baht 1 each as discussed in Note 25. The number of ordinary shares is adjusted as if the share split had occurred at the beginning of the earliest period reported.

## 31. Financial information by segment

The Company's and the subsidiaries' operations involve principal segment of the manufacture and distribution of sugar. These operations are carried on in Thailand. Below is the consolidated financial information of the Company and its subsidiaries for the years ended 30 September 2011 and 2010 by segment.

(Unit: Thousand Baht)

|                                 | Production and distribution<br>of cane sugar |           | Services and utilities |         | Total     |           | Elimination |          | Grand total |           |
|---------------------------------|--|-----------|------------------------|---------|-----------|-----------|-------------|----------|-------------|-----------|
|                                 | 2011   | 2010      | 2011                   | 2010    | 2011      | 2010      | 2011        | 2010     | 2011        | 2010      |
| Sales and service income        |  |           |                        |         |           |           |             |          |             |           |
| - Local                         | 1,666,569                                    | 1,325,357 | 644,490                | 383,502 | 2,311,059 | 1,708,859 | (78,842)    | (45,232) | 2,232,217   | 1,663,627 |
| - Export                        | 3,778,165                                    | 3,019,375 | -                      | -       | 3,778,165 | 3,019,375 | -           | -        | 3,778,165   | 3,019,375 |
| Total sales and service         | 5,444,734                                    | 4,344,732 | 644,490                | 383,502 | 6,089,224 | 4,728,234 | (78,842)    | (45,232) | 6,010,382   | 4,683,002 |
| Segment operating income        | 1,020,488                                    | 202,247   | 64,073                 | 61,574  | 1,084,561 | 263,821   | 7,103       | 34,400   | 1,091,664   | 298,221   |
| Unallocated income (expenses) : |  |           |                        |         |           |           |             |          |             |           |
| Interest income                 |  |           |                        |         |           |           |             |          | 7,935       | 733       |
| Dividend income                 |  |           |                        |         |           |           |             |          | 347         | 390       |
| Other income                    |  |           |                        |         |           |           |             |          | 106,811     | 67,827    |
| Finance cost                    |  |           |                        |         |           |           |             |          | (77,898)    | (85,183)  |
| Corporate income tax            |  |           |                        |         |           |           |             |          | (327,905)   | (114,073) |
| Minority interest               |  |           |                        |         |           |           |             |          | -           | 108       |
| Net income                      |  |           |                        |         |           |           |             |          | 800,954     | 168,025   |

(Unit: Thousand Baht)

|                               | Production and distribution<br>of cane sugar |           | Services and utilities |         | Total     |           | Elimination |           | Grand total |           |
|-------------------------------|--|-----------|------------------------|---------|-----------|-----------|-------------|-----------|-------------|-----------|
|                               | 2011   | 2010      | 2011                   | 2010    | 2011      | 2010      | 2011        | 2010      | 2011        | 2010      |
| Property, plant and equipment | 1,999,004                                    | 1,809,253 | 224,316                | 189,209 | 2,223,320 | 1,998,462 | (11,772)    | (16,144)  | 2,211,548   | 1,982,318 |
| Other assets                  | 2,939,846                                    | 1,225,180 | 42,025                 | 46,492  | 2,981,871 | 1,271,672 | (185,454)   | (166,419) | 2,796,417   | 1,105,253 |
| Total assets                  | 4,938,850                                    | 3,034,433 | 266,341                | 235,701 | 5,205,191 | 3,270,134 | (197,226)   | (182,563) | 5,007,965   | 3,087,571 |

Transfer prices between business segments are as set out in Note 7 to the financial statements.

### 32. PROVIDENT FUND

The Company, subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Company and its subsidiaries contribute to the fund monthly at the rates of 3 to 10 percent of basic salary and its employees contribute to the fund monthly at the rates of 3 to 10 percent of basic salary. The fund, which is managed by Kasikorn Asset management Company limited, will be paid to employees upon termination in accordance with the fund rules. During the fiscal year 2011, the Company and its subsidiaries contributed Baht 3.3 million (2010 : Baht 2.4 million) to the fund.

### 33. DIVIDENDS PAID

Dividends declared in 2011 consist of the following :

(Unit : Baht)

|  | Approved by                                    | Total dividends | Dividend per share |
|--|--|-----------------|--------------------|
| Interim dividends on income<br>for the period 1 October 2010<br>to 31 March 2011 | Board of Directors'<br>meeting on 21 June 2011 | 100,000,000     | 0.2                |
| Total for 2011   |  | 100,000,000     |                    |

### 34. COMMITMENTS AND CONTINGENT LIABILITIES

#### 34.1 Capital commitments

As at 30 September 2011, the Company and its subsidiary had capital commitments of approximately Baht 115.3 million and Baht 1.2 million, respectively, relating to the construction of factory buildings, and acquisition of machinery.

#### 34.2 Operating lease commitments

The Company and its subsidiaries have entered into several lease agreements in respect of the lease of buildings and equipment and service agreements.

As at 30 September 2011, future minimum lease payments required under these non-cancellable operating lease contracts were as follows.

(Unit : Million Baht)

|                  | Consolidated financial statements / Separate financial statements |     |
|------------------|---|-----|
| Payable within : |   |     |
| 1 year           | 9.4   | 6.8 |
| 2 to 5 years     | 2.6   | 2.5 |

#### 34.3 Cane sugar sales commitments

As at 30 September 2011, the Company had commitments of Baht 444.8 million relating to cane sugar sale agreements, for which delivery had yet to be made. The agreements mature within one year.

#### 34.4 Electricity sale/purchase commitment

The subsidiary company has entered into electricity sale/purchase agreement with the Electricity PEA "Electricity" with a term of 5 years, and the term can be extended for a further 5 years automatically from the date 20 July 2009. Under the terms of the electricity trading agreements, the subsidiary and Electricity must comply with specified conditions, and the subsidiary company commits to supply electricity to Electricity within 31 December 2011.

### 34.5 Guarantees

- (a) The Company has guaranteed bank credit facilities of its subsidiary amounting to Baht 145 million.
- (b) As at 30 September 2011, there were outstanding bank guarantees of approximately Baht 1.7 million issued by banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business.

## 35. FINANCIAL INSTRUMENTS

### 35.1 Financial risk management

The Company and subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 32 "Financial Instruments : Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, planter receivable, sugarcane plantation loans, amounts due from the Office of the Cane and Sugar Fund, investments, short-term loans, trade accounts payable and long-term loans. The financial risks associated with these financial instruments and how they are managed are described below.

#### *Credit risk*

The Company and subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable, planter receivable, sugarcane plantation loans, loans and other account receivable. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. The maximum exposure to credit risk is limited to the carrying amounts of trade accounts receivable, planter receivable, sugarcane plantation loans, loans and other account receivable as stated in the balance sheet.

#### *Interest rate risk*

The Company and subsidiaries' exposure to interest rate risk relates primarily to its deposits at financial institutions, loans, bank overdrafts, liabilities under the financial lease agreement and interest bearing borrowing. However, since most of the Company and subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 30 September 2011 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

|   | Consolidated financial statements |                |                           |                          |          |                            |
|---|-----------------------------------|----------------|---------------------------|--------------------------|----------|----------------------------|
|   | Fixed interest rates              |                |                           |                          | Total    | Interest rate              |
|   | Within<br>1 year                  | 1 - 5<br>years | Floating<br>interest rate | Non- interest<br>bearing |          |                            |
| (Million Baht)  |                                   |                |                           |                          | (% p.a.) |                            |
| <b>Financial assets</b>                                   |                                   |                |                           |                          |          |                            |
| Cash and cash equivalents                                 | 900                               | -              | 806                       | 3                        | 1,709    | 0.75 - 4.45                |
| Trade accounts receivable                                 | -                                 | -              | -                         | 81                       | 81       | -                          |
| Planters receivable                                       | -                                 | 29             | -                         | -                        | 29       | 10                         |
| Sugarcane plantation loans                                | 267                               | 109            | -                         | 8                        | 384      | 0 - 7                      |
| Amounts due from the Office of<br>the Cane and Sugar Fund | -                                 | -              | -                         | 25                       | 25       | -                          |
|   | 1,167                             | 138            | 806                       | 117                      | 2,228    |                            |
| <b>Financial liabilities</b>                              |                                   |                |                           |                          |          |                            |
| Trade accounts payable                                    | -                                 | -              | -                         | 542                      | 542      | -                          |
| Liabilities under finance lease agreements                | 3                                 | 2              | -                         | -                        | 5        | 3.60 - 7.53                |
| Amounts due to the Office of the Cane and Sugar fund      | -                                 | -              | -                         | 75                       | 75       | -                          |
| Long-term loans from financial institutions               | 5                                 | 37             | 795                       | -                        | 837      | As specified in<br>Note 22 |
|   | 8                                 | 39             | 795                       | 617                      | 1,459    |                            |

|   | Fixed interest rates |                |                           |                             | Total | Interest rate<br>(% p.a.)  |
|---|----------------------|----------------|---------------------------|-----------------------------|-------|----------------------------|
|   | Within<br>1 year     | 1 - 5<br>years | Floating<br>interest rate | Non-<br>interest<br>bearing |       |                            |
|   | (Million Baht)       |                |                           |                             |       |                            |
| <b>Financial assets</b>                                   |                      |                |                           |                             |       |                            |
| Cash and cash equivalents                                 | 900                  | -              | 779                       | 2                           | 1,681 | 0.75 - 4.45                |
| Trade accounts receivable                                 | -                    | -              | -                         | 80                          | 80    | -                          |
| Planters receivable                                       | -                    | 29             | -                         | -                           | 29    | 10                         |
| Sugarcane plantation loans                                | 267                  | 117            | -                         | -                           | 384   | 0 - 7                      |
| Amounts due from the Office of<br>the Cane and Sugar Fund | -                    | -              | -                         | 25                          | 25    | -                          |
|   | 1,167                | 146            | 779                       | 107                         | 2,199 |                            |
| <b>Financial liabilities</b>                              |                      |                |                           |                             |       |                            |
| Trade accounts payable                                    | -                    | -              | -                         | 538                         | 538   | -                          |
| Liabilities under finance lease agreements                | 2                    | -              | -                         | -                           | 2     | 3.60 - 7.53                |
| Amounts due to the Office of the Cane and Sugar fund      | -                    | -              | -                         | 75                          | 75    | -                          |
| Long-term loans from financial institutions               | 5                    | 37             | 722                       | -                           | 764   | As specified in<br>Note 22 |
|   | 7                    | 37             | 722                       | 613                         | 1,379 |                            |

### Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company and subsidiaries have a significant foreign currency risk in respect of selling goods and purchasing equipment denominated in foreign currencies. However, the Company and subsidiaries have entered into forward contracts of which maturity date are less than one year to mitigate the foreign currency risk.

The Company has appointed a related company as its representative for the purpose of concluding forward exchange contracts, with power of attorney. The Company agrees to accept liability for any losses.

Forward exchange contracts of the Company outstanding as at 30 September 2011 that were made in the name of the related company amounted to USD 106.9 million to be exchanged at rates ranging from Baht 30.6 to Baht 31.4 per USD 1.

The balances of financial assets and liabilities denominated in foreign currencies as at 30 September 2011 are summarised below.

| Foreign currency | Financial assets<br>(Thousand) | Financial liabilities<br>(Thousand) | Exchange rate   |
|------------------|--------------------------------|-------------------------------------|---|
|                  |                                |                                     | as at 30 September 2011<br>(Baht per 1 foreign currency unit) |
| US dollar        | 481.4                          | -                                   | 31.0  |

### Sugarcane price fluctuation risk

The cane and sugar industry in Thailand is an industry under the supervision of a government agency, the Cane and Sugar Board, under the Cane and Sugar Act B.E. 2527, which imposes the following restrictions :

1. A quota system for the allocation of sugar distribution channels, as follows :
  - 1.1 Quota A for the sugar produced for domestic consumption,
  - 1.2 Quota B for the raw sugar identified by the Cane and Sugar Board as processed by sugar mills for delivery to Thailand Cane and Sugar Corporation (TCSC) for distribution. This quota is used as a base for setting the standard price of raw sugar exported to calculate the income of the system,
  - 1.3 Quota C for the sugar processed by sugar mills for export sales or as raw materials for the manufacture of products to be exported.
2. Allocation of net income is generated by the system between the cane farmers and the sugar mills under a benefit sharing arrangement, whereby cane farmers receive 70% of the income, which is the cane price, and the sugar mills receive 30%, which is the return on production.

The net income of the cane and sugar system is calculated based on the income from the domestic sugar distribution (Quota A) and income from exports (Quota B and Quota C: using the average price of the sugar in Quota B and the exchange rate of the actual sales made by TCSC as the base for calculation of export sales income) less the expenses of the Cane and Sugar Industry. Currently, the ratio of exported sugar to domestically sold sugar is approximately 70:30.

A result of the system is that the selling price of sugar under Quota B and the exchange rate of the actual sales made by TCSC have substantial impact on the cane price, which is the major cost of the sugar production. To manage the risk of fluctuating gross profit, the Company applies the following risk management measures :

1. It enters into sugar futures contracts to sell sugar in the futures market, with the prices, quantities and due dates being referenced to actual sales of sugar of TCSC.
2. The Company closes its positions under futures contracts when actual sales of sugar are made to customers. The closed position is made by entering into forward contracts to purchase sugar at the same price and in the same quantity as the actual sales to the customers, with terms of an equal length to those of the forward sales contracts.

These risk management measures enable the Company to manage risk efficiently in any circumstances, with the Company being able to set future selling prices that are close to the selling price fixed by TCSC. The result of this is that the Company is able to maintain a stable gross profit, based on the margin between the selling price of the Company and the cost of sugar cane derived from the selling price fixed by TCSC.

The Company will book the above transactions when the contract is closed or when the contract expires, by recognising the gains or losses in the income statement. For the year ended 30 September 2011, the Company realised losses on closed sugar futures sale contracts totaling Baht 47.0 million in the current year's income statements.

As of 30 September 2011, the Company did not have any outstanding sugar futures contracts.

### 35.2 Fair values of financial instruments

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

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

## 36. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it has an appropriate financial structure and preserves the ability to continue its business as a going concern.

According to the balance sheet as at 30 September 2011, the Group's debt-to-equity ratio was 0.61 (2010 : 1.67 : 1) and the Company's was 0.58 : 1 (2010 : 1.59 : 1).

## 37. RECLASSIFICATION

Certain amounts in the financial statements for the year ended 30 September 2010 have been reclassified to conform to the current year's classification but with no effect to previously reported net income or shareholders' equity. The reclassifications are as follows :

(Unit : Baht)

|  | Consolidated financial statements |                        | Separate financial statements |                        |
|--|-----------------------------------|------------------------|-------------------------------|------------------------|
|  | As reclassified                   | As previously reported | As reclassified               | As previously reported |
| Planters receivable - net Current portion of sugarcane | 25,700,147                        | 305,682,870            | 25,700,147                    | 305,682,870            |
| plantation loans                                       | 140,691,836                       | -                      | 140,691,836                   | -                      |
| Sugar cane plantation loans - net of current portion   | 139,290,887                       | -                      | 139,290,887                   | -                      |
| Intangible asset - net                                 | 1,051,474                         | -                      | 968,788                       | -                      |
| Other non-current assets                               | 9,471,751                         | 10,523,225             | 9,306,632                     | 10,275,420             |
| Sales income   | 4,655,651,166                     | 4,683,002,390          | 4,655,651,166                 | 4,657,273,019          |
| Services income  | 27,351,224                        | -                      | 1,621,853                     | -                      |
| Cost of sales  | 3,919,687,270                     | 3,934,856,850          | 3,919,687,270                 | 3,921,297,058          |
| Cost of service  | 15,169,580                        | -                      | 1,609,788                     | -                      |
| Selling expense  | 197,148,542                       | 114,559,285            | 197,148,542                   | 114,559,285            |
| Administrative expense                                 | 144,314,622                       | 226,903,879            | 155,710,464                   | 238,299,721            |

### **38. SUBSEQUENT EVENTS**

On 9 November 2011, a meeting of Board of Directors of the Company passed a resolution approving to change its fiscal year-end date from 30 September to 31 December commencing from the period ended 31 December 2011.

On 24 November 2011, a meeting of the Company's Board of Directors passed a resolution to propose the payment of dividends from the fiscal year 2011 results of its operations for approval by the 2011 Annual General Meeting of the shareholders. The proposed dividend was Baht 0.62 per share. Interim dividend of Baht 0.2 per share, or a total of Baht 100 million, was paid during 2011. The remaining dividend was Baht 0.42 per share, or a total of Baht 210 million.

### **39. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were authorised for issue by authorised directors on 24 November 2011.



## 14. REMUNERATION OF AUDITOR AND REFERENCES.

### 1. REMUNERATION OF AUDITOR (AUDIT FEE).

The remuneration of auditor to Ernst & Young Office Limited. for the fiscal year ended September 30, 2011 are auditing of the consolidate and repeate financial statements, not exceeding 885,000 Baht and reviewing of three quarterly consolidated and repeats financial statements not exceeding 390,000 Baht

It was noted that the auditors have worked on satisfying accountability and responsibility as the company's auditors for three years since 1999-2011. The auditors have not any other relationships or many conflicts of interest to the Company, management executives, major shareholder or any other relate person.

### 2. REFERENCES.

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