

Annual Report

KHONBURI SUGAR PUBLIC COMPANY LIMITED

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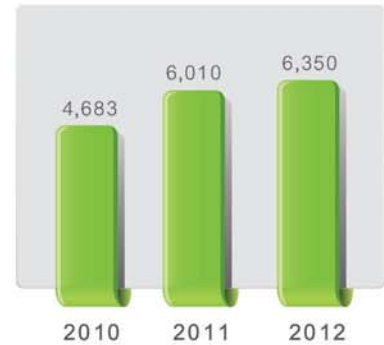


FINANCIAL HIGHLIGHTS

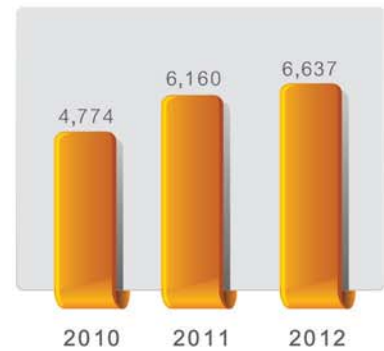
	2010 ¹	2011 ²	2012 ³
Operating Performance (Unit:Million Baht)			
Revenues from sales and services income	4,683	6,010	6,350
Total revenues	4,774	6,160	6,637
Total expenses	4,407	4,953	5,650
Income before financial costs and corporate income tax	367	1,207	987
Net income	168	801	726
Financial Status (Unit:Million Baht)			
Current assets	850	2,644	1,876
Total assets	3,088	4,301	4,312
Total liabilities	1,932	1,906	1,504
Total shareholders' equity	1,155	2,395	2,808
Per Share Data (Unit:Baht)			
Earnings per share	0.48	1.99	1.45
Dividend per share	-	0.62	0.67
Book value per share	3.30	4.79	5.62
Financial Ratio			
Net earnings margin	4%	13%	11%
Return on equity (ROE)	15%	45%	29%
Return on total assets (ROA)	6%	22%	16%
Debt to equity ratio	1.67	0.80	0.54

Note: 1. Fiscal year from Oct 09-Sep 10 2. Fiscal year from Oct 10-Sep 11
3. Fiscal year from Jan 12-Dec 12

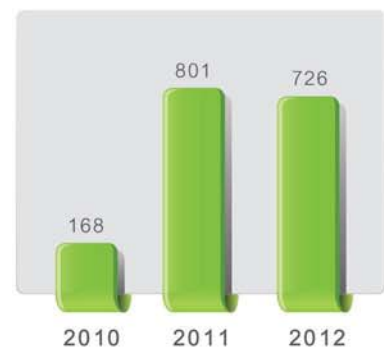
Revenues from sales and services income



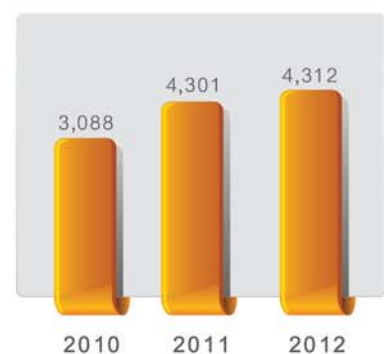
Total Revenues



Net Income



Total Assets



MESSAGE FROM THE CHAIRMAN



A handwritten signature in black ink, appearing to read 'S. Wongvorazathe'.

Mr. Suthep Wongvorazathe

Chairman

To Shareholders,

Khonburi Sugar Public Company Limited has taken historical steps of its business operation in 2012. In particular, the Board of Directors has approved 2 strategic projects of high significance to the Company's future growth. The first project is the construction of 35 MW bio-mass power plant with total investment value around Baht 1,638 million. The machinery for the new power plant will employ the state-of-the-art technology that can not only increase the efficiency of fuel consumption within the sugar manufacturing process but also increase the efficiency of electricity generating for the entire processes within the group company. The construction of the power plant is scheduled to be completed to facilitate the start of commercial electricity distribution within February 2014. Key benefit of this project is to provide the Company with the long-term stable income. In addition, this project is implemented in line with the Board of Directors' policy to maximize the value creation of by-products from the sugar manufacturing process. The second project is the strategic alliances with Mitsui Group from Japan. Mitsui Group would hold an initial stake in the Company of 9.1%. Then, after both parties complete thorough analysis on the Company's expansion and collaboration plan, Mitsui Group may expand its shareholding to 16.7% within 2 years. The fact that an international conglomerate like Mitsui Group opts to invest with us provide prove of good standard embedded within the Company, which has been achieved as a result of cooperation and contributions by management and employees of the Company. Having Mitsui Group as our business partner also opens the door to several opportunities, including boosting the Company's profitability, business expansion to foreign markets, new product development, and eventually higher returns to all shareholders.

For the sugar market overview in 2012, we have witnessed high global sugar production volume during the past two crushing seasons, which has been successively putting pressure on the sugar prices in the global market. Moreover, prevailing economic concerns over the United States and the EU with constantly changing view on the speed of recovery the year led to the high fluctuation of foreign exchange rates in 2012.

Although the sugar prices in the global market and foreign exchange rates in 2012 have been greatly fluctuating, the Company has continuously monitored and assessed both factors and implemented certain measures to manage the risks arisen from those uncertainties in a timely manner. As a result, the Company is able to report the net profit for the year 2012 of Baht 725.6 million; the return on equity of 29.0%, the earning per share of Baht1.45 and dividend per share of Baht 0.67.

I, hereby, would like to extend my appreciation to you all for your good supports to the Company. The Board of Directors will make every endeavour and apply knowledge, skills and management experience to give more returns to the shareholders in the long term.

MESSAGE FROM THE CHAIRMAN OF THE AUDIT COMMITTEE



A handwritten signature in black ink, appearing to be 'T. Nakhata'.

Dr. Thawatchai Nakhata

Chairman of the Audit Committee

To Shareholders,

According to the scope of duties and responsibilities empowered by the Board of Directors of the Company, the Audit Committee has conducted any and all work under skills, competence and independence with no restrictions and conditions in the auditing supervision to ensure that the Company's management has been in line with the principle of good governance, transparency, accuracy and creditability. The Audit Committee has also provided other related advice to the Company. The Audit Committee is of opinion that the Company has reported its financial statements and operations accurately under good internal control system, compliance with applicable laws, requirements, rules and relations. The connected transactions of the Company have been disclosed accurately. The Company's operations have been in line with the principle of good governance under sufficiency, transparency and reliability. The Company's operating system has been constantly developed and improved to ensure that it would attain the best quality, and fit to business circumstances. The Audit Committee has neither found any material defects in the Company's financial statements.

It may be said that the Internal Audit Office has been able to implement the Company's plans and policies completely and perfectly. The 2013 Internal Audit Plan is also set up precisely, and contains the strategy revised to fit the present circumstances. Furthermore, the Internal Audit Office has stirred the preparedness of human resources by encouraging its personnel to attain certain training programs held by the Institute of Internal Auditors of Thailand to ensure that the Company's auditors would develop their working talents and efficiency.

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 working of the Internal Audit Office until all such affairs have been successfully attained.

BOARD OF DIRECTORS AND AUDIT COMMITTEE



Mr. Suthep Wongvorazathe
Chairman and Chairman of Executive Committee



Mr. Takon Tawintermsup
Director, Executive Director and Managing Director



Mr. Somkiat Twiltermsup
Director and Executive Director



Mr. Issara Twiltermsup
Director and Executive Director



Mr. Amnart Rumpoeypong
Director

BOARD OF DIRECTORS AND AUDIT COMMITTEE



Dr. Tawatchai Nakhata

Chairman of Audit Committee and Independent Director



Mr. Prathueng Srirodbang

Audit Committee and Independent Director



Mrs. Suvimol Krittayakiern

Audit Committee and Independent Director



Mr. Sran Smutkochorn

Independent Director

EXECUTIVE MANAGEMENT TEAM



Mr. Takon Tawintermsup
Managing Director



Mr. Somkiat Twiltermsup
Assistant Managing Director of Marketing



Mr. Issara Twiltermsup
Assistant Managing Director of Corporate Affairs



Mr. Somtawin Boonbanyen
Assistant Managing Director of Production and Raw Material



Ms. Pompun Boonchaisri
Assistant Managing Director of Accounting and Finance



Mr. Rathavudh Saetang
Director of Sale and Marketing

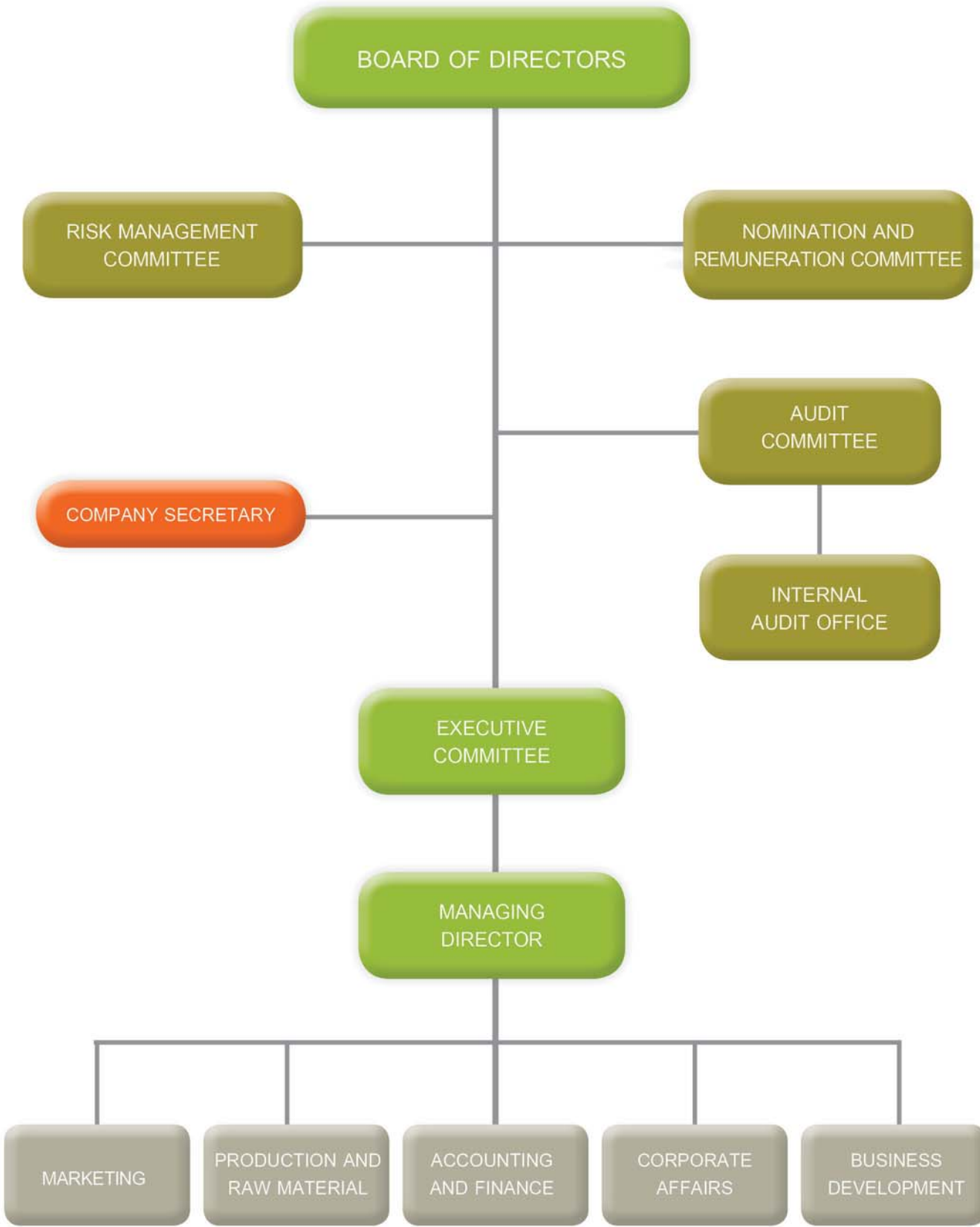


Mr. Thanthit Kasemsup
Director of Business Development



Ms. Surawee Puangthong
Accounting and Finance Manager

ORGANIZATION CHART



VISION

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

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 promote the learning in order to make the organization potential and core competency differentiated, which will allow the Company to grow rapidly. To change and modernize the organization to be in line with the business environment of the national and global levels.

Corporate Background and Major Developments

Corporate background and major developments

- 1965 • 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.
- 1967- 1977 • Increased the Company's registered capital to Baht 100 million and increased production capacity to 13,690 tons cane a day.
- 1996 • Relocated the production base to Khonburi District, Nakhon Ratchasima Province with the registered capital of Baht 300 million.
- 1997 - 2006 • Increased the registered capital to Baht 350 million to expand the production capacity to 21,000 tons cane a day.
- 2007 • The Company's name was changed to "Khonburi Sugar Company Limited"
- 2010 • The Company's name was changed to "Khonburi Sugar Public Company Limited"
• The production capacity was increased from 21,000 tons cane a day to 23,000 tons cane a day.
- 2011 • Increasing of the registered capital to Baht 500 million and listed the Company's on the shares Stock Exchange of Thailand.
- 2012 • Entered into Strategic Alliance Agreement with Mitsui Group from Japan.
- 2013 • Increased the registered capital to be Baht 600 million.

Standards and Awards which have been awarded to the Company.

- ISO 9001 : 2008
- FSSC 22000 : 2010
- ISO/IEC 17025 : 2005
- ISO 14001 : 2004
- HALAL
- HACCP & GMP
- The certificate of environmentally friendly of sugar production in 2012
- The Best Sugar Mill on 2012
- Outstanding Labor Relations and Labor Welfare in 2012.
- CSR-DIW AWARD 2555

General Information

- Registered** : Khonburi Sugar Public Company Limited
Company registration number 0107553000191
- Registered capital** : Baht 600,000,000
(Comprising 600,000,000 ordinary shares with a par value of 1 Baht per share)
- Paid-up capital** : Baht 550,000,000
- Nature of Business** : Manufacture and distributor 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 Chorakhe Hin, Khonburi, Nakhon Ratchasima. 30250
Tel : (044) 448-338, (044) 449-020 Fax : (044) 448-500
- Subsidiaries** : **Agriculture Machine Services Co., Ltd.**
Head Office : 289 Moo 13 Chorakhe Hin, Khonburi, Nakhon Ratchasima. 30250
Tel : (044) 448-338, (044) 449-020 Fax : (044) 448-500
- Khonburi Power Plant 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 1 : 289 Moo 13 Chorakhe Hin, Khonburi, Nakhon Ratchasima. 30250
Tel : (044) 448-338, (044) 449-020 Fax : (044) 448-500
- Branch 2 : 199 Moo 13 Chorakhe Hin, Khonburi, Nakhon Ratchasima. 30250
- Branch 3 : 18 Moo 13 Chorakhe Hin, Khonburi, Nakhon Ratchasima. 30250
- Khonburi Bio Energy Co., Ltd.**
Head Office : 5 Soi Sukhumvit 57, Klongtoey Nua, Wattana, Bangkok 10110
Tel : 02-260-4951-5 Fax : 02-260-4950

Nature of Business and Income Structure of the Company

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

1. Sugar production and distribution

1.1 Raw Sugar

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

1.2 Brown Sugar and Natural Sugar

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

1.3 White Sugar

White sugar comes from raw sugar that is refined to extract impurities. White sugar has a color value 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.

1.4 Refined Sugar and Super Refined Sugar

Refined sugar and super refined sugar are raw sugar that undergoes the refining process as white sugar, but they are more purified with a color value 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.

2. By-products from sugar production

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

2.1 Molasses

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

2.2 Biomass Electricity

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 in excess of the Company's own consumption is sold to the Provincial Electricity Authority (PEA).

Nature of Business and Income Structure of the Company

The main income of the Company for the past 3 years

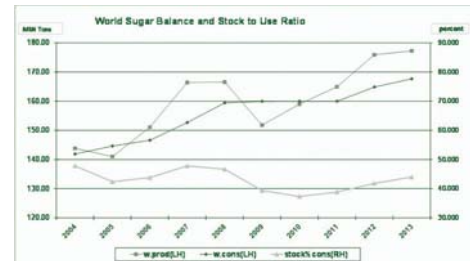
(Unit : Million Bath)

	For the year ended 30 September 2010		For the year ended 30 September 2011		For the year ended 31 December 2012	
	Value	%	Value	%	Value	%
Domestic sales						
- Refined sugar and super refined sugar	333.3	7.0	296.8	4.83	85.3	5.8
- White sugar	430.1	9.0	503.3	8.2	337.1	5.1
- Brown sugar and natural sugar	173.2	3.6	277.7	4.5	251.5	3.8
Total domestic sales	936.6	19.6	1,077.8	17.5	973.9	14.7
Export sales						
- Refined sugar and super refined sugar	1,915.4	40.1	2,510.9	40.8	3,896.2	58.7
- White sugar	1,049.7	22.0	28.3	0.4	83.3	1.2
- VHP sugar	-	0.0	86.7	1.4	328.7	5.0
- Bulk raw sugar	54.6	1.2	1,152.3	18.7	226.9	3.4
Total export sales	3,019.7	63.3	3,778.2	61.3	4,535.1	68.3
Total income of sugar	3,956.3	82.9	4,856.0	78.8	5,509.0	83.0
Income of molasses	388.5	8.1	588.5	9.6	341.6	5.2
Income of electricity	66.9	1.4	102.8	1.7	102.1	1.5
Income from sales and services of agriculture	271.3	5.7	463.0	7.5	396.9	6.0
Other income	91.2	1.9	149.6	2.4	287.3	4.3
Grand total revenues	4,774.2	100.0	6,159.9	100.0	6,636.9	100.0

Marketing and Competition of Sugar Industry

1. Foreign markets

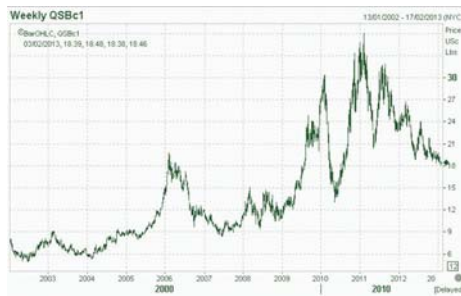
From the graph of Year 2012/13, the world's sugar output totaled 177.266 million tons, increasing from 175.925 million tons on the previous year or it accounted for an increase of 0.76%. Meanwhile, the global demand on sugar consumption in 2012/13 amounted to 167.677 million tons from 164.849 million tons in the previous year or it accounted for an increase of 1.72%. Due to the surplus of the world's sugar output for 3 consecutive years, the world's sugar ending stocks if compared with the consumption demand increased to be 44.02% from 41.81% on the previous year.



Source: F.O. Litch's International Sugar and Sweetener Report on November 1, 2012

In the latest crushing season for Year 2012/13, several major sugar manufacturing countries have closed their crushing production already, e.g. Australia, EU Group, Russia, United States of America, and Centre south Brazil. The sugar output of several countries dropped as expected, except in the Centre south Brazil where the sugar output increased due to the proper climate at the end of season; so the sugar crushing could be longer. In addition, more volumes of sugar cane were crushed; so the amount of sugar cane for the last crushing reached 535 million tons as compared to 494 million tons on the previous year or an increase of 8.30%. However, the quantity was still lower than that in 2010/11 when the sugar crushing met the maximum volume at 557 million tons. The major sugar manufacturing countries where the sugar crushing is going on are India, China, and Thailand.

Statistics of raw sugar prices at New York Market during the past 10 years (C/LB)



From the graph illustrated above, it is apparent that, for the past 2 years starting from Year 2011, the prices of the raw sugar at New York Market (No. 11) have been dropping from 30 cents/pound to 18 cents/pound at the beginning of 2013. A key factor pressing the sugar prices down was the surplus of sugar output for two consecutive years. It is expected that such surplus would continue for the third year in 2013. The world's increasing sugar output has been stirred by high sugar

prices from Year 2009 to 2011. The countries exporting and importing the sugar have tremendously expanded their sugar manufacturing. Although the world's sugar consumption has been growing constantly, the consumption growth rate was slower than the manufacturing growth rate. Furthermore, it is expected that the sugar volumes from Brazil in the crushing season 2013/14, which starts in April 2013, would increase by 8-9% resulted by the proper climate and the new sugar cane plantation to replace the old sugar cane could be done more than the previous year.

Nevertheless, the current sugar price seems quite low if compared with the sugar production cost borne by certain major manufacturing countries like Brazil and Thailand. The limitation of sugarcane plantation areas around the world and the climate fluctuation may arise out anytime. Any drought, rain or flood even can lead to less sugar output. The price of crude oil also takes role in this matter because if the oil price becomes higher, the sugarcane would be supplied for the production of ethanol, which gives better returns than sugar. Additionally, the energy policy aims at blending more or less ethanol into benzene, especially in Brazil where the ethanol will be added in fuel from 20% to 25% starting on May 1, 2013 onwards.

From the aforesaid factors, it is expected that the sugar price in the short-term foreign forward market in 2013 will be moving in the range of 17-22 cents/pound.

Marketing and Competition of Sugar Industry

2. Local market

Thailand's cane and sugar industry has been governed by the Cane and Sugar 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. Every year, the Board shall estimate the domestic sugar consumption quantity before setting up quotas for sugar mills according to the production capacity of each sugar mill 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 follows:

- (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 contributed 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, there are 50 sugar mills at the beginning of crushing season 2012/13 (47 sugar mills during crushing season 2011/12) with the capacity of sugarcane crushing at 90-100 million tons per year, and of sugar manufacturing in the total of 9.5 - 10.5 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.

1. RISK RELATED TO THE BUSINESS OF THE COMPANY

1.1 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.

1.2 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 gasoline. 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.

1.3 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.

1.4 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.

1.5 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.

1.6 Risk from the quality of raw material-sugarcane

The quality of sugarcane or CCS of sugarcane is a core factor which affects the quantity of sugar produced by the Company. The factor affecting the quality of sugarcane is the climate variability such as raining 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.

1.7 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.

1.8 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.



Risk Factors

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.

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.

Shareholding Structure and Management

1. SHAREHOLDING STRUCTURE

The major shareholders of the Company as of 18 February 2013 are listed below.

No.	Shareholders	Paid-up Capital in the amount of THB 550,000,000	
		Shares held	Proportion (%)
1	Khonburi Capital Co., Ltd. ¹	140,000,000	25.45
2	Mr. Issara Twiltermsup Group ²	91,972,500	16.72
3	Mr. Somkiat Twiltermsup Group ³	44,992,500	8.18
4	Mr. Takon Tawintermsup Group ⁴	36,312,500	6.60
5	MITSUI & CO., LTD.	33,333,333	6.06
6	Thai NVDR Co.,Ltd.	17,941,200	3.26
7	MITSUI SUGAR CO., LTD.	16,666,667	3.03
8	Mr.Supat Pholpipattanaphong	3,150,000	0.60
9	Mr. Amnuay Phijitpongchai	3,000,000	0.54
10	Bangkok Insurance Public Company Limited	2,457,600	0.44
11	Other	160,173,700	29.12
	Total	550,000,000	100.00

- Remark :
1. Khonburi Capital Co., Ltd. is a holding company and its shareholders as of 10 January 2013 are as follows :
 - 1.1 Mr. Issara Twiltermsup Group holding 31,100,000 shares, equivalent to 50 %
 - 1.2 Mr. Takon Tawintermsup Group holding 15,550,000 shares, equivalent to 25 %
 - 1.3 Mr. Somkiat Twiltermsup Group holding 15,550,000 shares, equivalent to 25 %
 - Other 62,200,000 shares, equivalent to 100 %
 2. Mr. Issara Twiltermsup, Mr. Somchai Twiltermsup, Miss Chonatee Twiltermsup, Mr. Teerawat Twiltermsup, Mr. Kan Twiltermsup, Mr. Amnart Rumpoeypong and Mr. Methee Sukvatayanon
 3. Mr. Somkiat Twiltermsup, Mr. Tanasit Twiltermsup, Ms. Jitsupa Twiltermsup, Mr. Tanachote Twiltermsup and Mrs. Tarinee Sermleelatham
 4. Mr. Takon Tawintermsup, Mr. Rungsan Tawintermsup, Mr. Rachot Tawintermsup and Mr. Kosol Nuntileepong.

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 separate financial statement after the deduction of all types of statutory reserves prescribed in the Articles of Association of the Company and by law and 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.

Shareholding Structure and Management

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.

2. MANAGEMENT STRUCTURE

The management structure of the Company as of 28 February 2013 consisted of the Board of Directors and 4 sub-committees are Executive Committee, the Audit Committee, the Risk Management Committee, Nomination and Remuneration Committee as described below.

(1) The Board of Directors

As of 28 February 2013 the Board of Directors consists of 9 members are included :

No.	Name of Directors	Position
1	Mr. Suthep Wongvorazathe	Chairman
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. Prathueng Srirodbang	Independent Director
9	Mrs. Suvimol Krittayakiern	Independent Director

Remark : 1. Mr. Prathueng Srirodbang was appointed as directors on 26 February 2013
2. Miss Thanathorn Sukaram was the company secretary

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.

Scope of Duties and Responsibilities of the Board of Directors

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.

Shareholding Structure and Management

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.

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.

Shareholding Structure and Management

(2) The Executive Committee

As of 28 February 2013, 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 Twiltermsup	Executive Director
4	Mr. Issara Twiltermsup	Executive Director

Remark : Mrs. Pornpun Boonchaisri was the Company Secretary.

Scope of Duties and Responsibilities of the Executive Committee

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 Committee 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 Committee.

Shareholding Structure and Management

10. To appoint and/or assign the Executive Director or a person or several persons to take any acts under the scope of power given to the Executive Committee and as the Executive Committee deems appropriately. The Executive Committee 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 set up A succession plan for Managing Director

13. 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 Committee mentioned above is under applicable laws and related regulations, as well as Articles of Association of the Company. In case that the Executive Committee 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 must be considered and approved by the meeting of shareholders or that of the Board of Directors. By this regard, the Executive Committee 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 28 February 2013, the Audit Committee consisted of 3 following members :

No.	Name of Directors	Position
1.	Dr. Tawatchai Nakhata	Chairman of the Audit Committee
2.	Mr. Prathueng Srirodbang	Audit Committee
3.	Mrs. Suvimol Krittayakiern	Audit Committee

Remark : 1. Mr. Prathueng Srirodbang was appointed as directors on 26 February 2013
2. Mrs. Suvimol Krittayakiern is an audit committee member who is equipped with knowledge in accounting and finance
3. Mr. Manawin Kongto 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.

Shareholding Structure and Management

6. To consider any related 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 ensure the Company disclose the related transactions or those possibly causing the conflicts of interest with accuracy and adequacy.

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 :

- (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 28 February 2013, The Risk Management 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. Manawin Kongto was the Secretary to the Risk Management Committee.

Scope of Duties and Responsibilities of the Risk Management Committee

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.

Shareholding Structure and Management

5. To set up the policy of utilizing financial instrument, e.g. future contract for the rights 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.

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) The Nomination and Remuneration Committee

As of 28 February 2013, the Nomination and Remuneration Committee consisted of 4 following members :

No.	Name of Directors	Position
1	Mr. Suthep Wongvorazathe	Chairman of the Nomination and Remuneration Committee
2	Mr. Sran Smutkochorn	The Nomination and Remuneration Committee
3	Mr. Amnart Rumpoeypong	The Nomination and Remuneration Committee

Remark : Mrs. Pornpun Boonchaisri was the Secretary to The Nomination and Remuneration Committee

Scope of Duties and Responsibilities of The Nomination and Remuneration Committee

1. To consider the recruitment criteria and procedure for persons with appropriate qualifications to be nominated the directors of the Company, and the selection of persons in line with the determined nomination process to be proposed to the Board of Directors for being further appointed or proposed to the meeting of shareholders for appointment, as the case may be, as well as to allow the minority of shareholders to nominate any persons for consideration and selection by the meeting of shareholders.

2. To consider the recruitment criteria and procedure for persons with appropriate qualifications to be nominated the Managing Director and to carry out the recruitment and selection of persons in accordance with the determined nomination process to be proposed to the Board of Directors for appointment.

3. To review the succession plan for Managing Director on regular basis.

4. To set up remuneration criteria for directors, member of sub-committee and Managing Director.

5. To consider and propose remunerations offered to directors and member of sub-committee be proposed to the Board of Directors with consent to be further proposed to the meeting of shareholders of the Company for approval.

6. To consider salaries and revision of salary rates, as well as other remunerations offered to the Managing Director , which shall be further proposed to the Board of Directors for approval.

7. To set up the yearly work performance guidelines for the Board of Directors, sub-committee and Managing Director, regarding particular duties, responsibilities and risks occurred.

8. To perform other duties as specifically assigned by the Board of Directors.

Shareholding Structure and Management

(6) Executive Management Team

As of 28 February 2013, the Management Team of the Company consisted of 8 following members :

No.	Name of Directors	Position
1	Mr. Takon Tawintermsup	Managing Director
2	Mr. Somkiat Twiltermsup	Assistant Managing Director of Marketing
3	Mr. Issara Twiltermsup	Assistant Managing Director of Corporate Affairs
4	Mr. Somtawin Boonbanyen	Assistant Managing Director of Production and Raw Materials
5	Mrs. Pornpun Boonchaisri	Assistant Managing Director of Accounting and Finance
6	Mr.Rathavudh Saetang ¹	Director of Sale and Marketing
7	Mr.Thanthit Kasemsup ²	Director of Business Development
8	Miss Surawee Puangthong	Accounting and Finance Manager

Remark : 1. Mr.Rathavudh Saetang was appointed on 1 November 2012
2. Mr.Thanthit Kasemsup was appointed on 1 August 2012

Scope of Duties and Responsibilities of the Managing Director

1. To be responsible for the Company's day-to-day operations and/or management, as well as for supervising general operations to be in line with policies, business strategy, goals and operating plans, financial targets and budgets of the Company as approved by the Board of Directors.

2. To consider, negotiate and approve for engaging into any juristic acts and/or taking actions, which involve some money for not more than Baht 10 million, related to the Company's day-to-day operations and/or management.

3. To consider the engagement into any juristic acts, and/or to negotiate for any contracts related to any operations or undertaking in connection with the Company's day-to-day operations and/or management, which involve some money higher than the determined amount, in order to provide some opinions and propose such matter to the Board of Directors and/or the Executive Committee for further screening and finding out the solutions.

4. To set up certain trading conditions, e.g. credit line, term of payment, entering into a sales contract, changes of trading terms, etc. and such transactions involve some money not more than Baht 10 million.

5. To recruit, appoint, remove, transfer, dismiss and set up the scope of authority, duties and appropriate benefits for employees of the Company, who hold position of the Department Manager or lower according to the policies settled by the Executive Committee.

6. To recruit, appoint, remove, transfer, dismiss and set up the scope of authority, duties and appropriate benefits for top management of the Company, who hold position of the Deputy Managing Director up to position of Line Executive or equivalent in accordance with policies established by the Board of Directors and/or the Nomination and Remuneration Committee.

7. To appoint some advisors in any fields necessary for the Company's day-to-day operations and/or management.

8. To appoint and/or empower any person or persons to take acts under the scope of authority of the Managing Director as the Managing Director considers it is appropriate whereas such empowerment may be cancelled, revoked or revised by the Managing Director.

9. To have any authority, duties and responsibilities as assigned or subject to policies given by the Board of Directors and/or the Executive Committee.

Shareholding Structure and Management

3. NOMINATION OF DIRECTORS AND EXECUTIVES

The Company has appointed The Nomination and Remuneration Committee to consider and prescribe criteria and policy on nomination of suitable candidates to assume position of directors, and propose to shareholders' meeting. Minor shareholders have been given opportunity as another channel to propose suitable candidates for directors.

Criteria and procedures are prescribed in the Company's Articles of Association as follows :

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.

4. REMUNERATION OF DIRECTORS AND EXECUTIVE

The Company has specified the remuneration for directors at the rate used within the industry. The remuneration is also sufficient to maintain quality directors with the Company. The remuneration for the management is in accordance with the Company's operational performance and performance of the individuals.

The Nomination and Remuneration Committee will determine necessary and appropriate remuneration, both monetary and non-monetary terms for the Company's directors, members of the sub-committees and the managing director including provided remuneration for directors and members of the sub-committee shall be proposed to the Company's general shareholders' meeting which is held on an annual basis.

4.1 Remuneration of Directors

Details of remuneration of The Board Director and the Board Committees in the meeting allowance and annual remuneration are as the following :

(Unit : Baht)

Names	Year of 2010			Year of 2011			Year of 2012		
	Meeting Allowance	Annual Remuneration	Total	Meeting Allowance	Annual Remuneration	Total	Meeting Allowance	Annual Remuneration	Total
1. Mr. Suthep Wongvorazathe	45,000	1,300,000	1,345,000	210,000	550,000	760,000	235,000	605,000	840,000
2. Mr. Takon Tawintermsup	40,000	400,000	440,000	130,000	250,000	380,000	160,000	275,000	435,000
3. Mr. Somkiat Twiltermsup	40,000	400,000	440,000	150,000	350,000	500,000	160,000	385,000	545,000
4. Mr. Issara Twiltermsup	40,000	400,000	440,000	150,000	350,000	500,000	150,000	385,000	535,000
5. Mr. Amnart Rumpoeypong	40,000	387,500	427,500	110,000	250,000	360,000	80,000	275,000	355,000
6. Mr. Sran Smutkochorn	-	-	-	110,000	300,000	410,000	75,000	330,000	405,000
7. Dr. Thawatchai Nakhata	-	-	-	170,000	300,000	470,000	150,000	330,000	480,000
8. Mr. Chusak Prachyangkhapreecha	-	-	-	140,000	250,000	390,000	120,000	275,000	395,000
9. Mrs. Suvimol Krittayakian	-	-	-	140,000	250,000	390,000	120,000	275,000	395,000
Total	205,000	2,887,500	3,092,500	1,310,000	2,850,000	4,160,000	1,250,000	3,135,000	4,385,000

Shareholding Structure and Management

4.2. Remuneration of executives

(Unit : Baht)

Remunerations	Year of 2010	Year of 2011	Year of 2012
Salaries, bonus etc	17,731,500	36,540,150	35,973,814

5. 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 Board of Directors Meeting 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 and 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.

4. The Company has always educated all 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.

Director and Management Profile



1. Mr. Suthep Wongvorazathe

Chairman of the Board Directors , Chairman of Executive Director, Chairman of The Nomination and Remuneration Committee
Age 65 years old

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
2012 – Present	Independent Director Bangchak Petroleum Public 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
2010 - 2011	Chairman of Executive Director and Director Export-Import Bank of Thailand
2009 - 2011	Director Office of the Board of Investment

(%) shareholding (as at February 28, 2013) : None

Family Relationship among Company's Directors : None

Dispute in the 10 preceding years : None



2. Mr. Takon Tawintermsup

Director, Executive Director and Managing Director
Age 59 years old

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	Chairman of Executive Committee and Director Chumporn Palm Oil Industry Public Company Limited

(%) shareholding (as at February 28, 2013) : 0.48

Family Relationship among Company's Directors : Elder brother to Mr. Somkiat Twiltermsup. Uncle to Mr. Issara Twiltermsup and Mr. Amnart Rumpoeypong.

Dispute in the 10 preceding years : None

Director and Management Profile



3. Mr. Somkiat Twiltermsup

Director, Executive Director, Risk Management Committee and Assistant Managing Director of Marketing
Age 51 years old



4. Mr. Issara Twiltermsup

Director, Executive Director, Risk Management Committee and Assistant Managing Director of Corporate Affairs
Age 35 years old

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 Bangluex Agriculture Company Limited

(%) shareholding (as at February 28, 2013) : 3.92

Family Relationship among Company's Directors : Younger brother to Mr. Takon Tawintermsup. Uncle to Mr. Issara Twiltermsup and Mr. Amnart Rumpoeypong.

Dispute in the 10 preceding years : None

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 Corporate Affairs 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 February 28, 2013) : 3.32

Family Relationship among Company's Directors : Nephew to Mr. Takon Tawintermsup and Mr. Somkiat Twiltermsup. Cousin to Mr. Amnart Rumpoeypong.

Dispute in the 10 preceding years : None

Director and Management Profile



5. Mr. Amnart Rumpoeypong

Director, Risk Management Committee and
Nomination and Remuneration Committee
Age 37 years old

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 February 28, 2013) : 0.05

Family Relationship among Company's Directors : Nephew to
Mr. Takon Tawintermsup and Mr. Somkiat Twiltermisup, Cousin
to Mr. Issara Twiltermisup.

Dispute in the 10 preceding years : None



6. Mr. Sran Smutkochorn

Chairman of Risk Management Committee,
Nomination and Remuneration Committee and
Independent Director
Age 48 years old

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
2012 - Present	Executive Vice President L Food Solutions 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

(%) shareholding (as at February 28, 2013) : None

Family Relationship among Company's Directors : None

Dispute in the 10 preceding years : None

Director and Management Profile



7. Dr. Tawatchai Nakhata

Chairman of Audit Committee and Independent Director.

Age 65 years old



8. Mr. Prathueng Srirodbang

Audit Committee and Independent Director

Age 75 years old

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
2012- Present	Chairman and Director Share Group Co., Ltd.
2012- Present	Director Property Perfect International Pte. Ltd. (Singapore)
2012- Present	Chairman We Retail 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

(%) shareholding (as at February 28, 2013)	: None
Family Relationship among Company's Directors	: None
Dispute in the 10 preceding years	: None

Education

- National Defense College Class 32 Mini MBA, Thammasat University
- Barrister-at-law The Thai Bar Bachelor Degree in law Thammasat University

Training by the Thai Institute of Directors Association (IOD)

- Directors Accreditation Program (DAP) 11/2547
- Finance for Non - Finance Director (FND) 24/2548
- Improving the Quality of Financial Reporting (QFR) 2/2549
- Financial Statement for Directors (FSD) 6/2552

Experiences

2013 - Present	Audit Committee and Independent Director Khonburi Sugar Public Company Limited
2009 - Present	Audit Committee, National Insurance Co., Ltd.
2003 - Present	Independent Director and Chairman of the Audit Committee, CS LoxInfo Public Company Limited
1998 - Present	Director, National Insurance Co., Ltd.
1999 - 2002	Chairman of the Audit Committee, Chumporn Palm Oil Industry Public Company Limited
1994 - 1998	Deputy Permanent Secretary, Ministry of Commerce

(%) shareholding (as at February 28, 2013)	: None
Family Relationship among Company's Directors	: None
Dispute in the 10 preceding years	: None

Director and Management Profile



9. Mrs. Suvimol Krittayakiern

Audit Committee and Independent Director
Age 61 years old

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 February 28, 2013)	: None
Family Relationship among Company's Directors	: None
Dispute in the 10 preceding years	: None



10. Mr. Somtawin Boonbanyen

Assistant Managing Director of production and
raw materials.
Age 55 years old

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 February 28, 2013)	: None
Family Relationship among Company's Directors	: None
Dispute in the 10 preceding years	: None

Director and Management Profile



11. Mrs. Pornpun Boonchaisri

Assistant Managing Director of Accounting & Finance

Age 60 years old

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 Khonburi Sugar Public Company Limited
2003 - 2009	Deputy Managing Director Blue Star Marketing Company Limited

(%) shareholding (as at February 28, 2013)	: None
Family Relationship among Company's Directors	: None
Dispute in the 10 preceding years	: None



12. Ms. Surawee Puangthong

Accounting & Financial Manager

Age 49 years old

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 Khonburi Sugar Public Company Limited
1994 - 1996	Chief of Accounting Office 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 Thai Nam Plastic Public Company Limited
1987 - 1989	Accounting and Finance Officer Sang Thai Pattana Company Limited

(%) shareholding (as at February 28, 2013)	: None
Family Relationship among Company's Directors	: None
Dispute in the 10 preceding years	: None

Director and Management Profile



13. Ms. Rathavudh Saetang

Director of Sale and Marketing

Age 54 years old

Education

- Master of Business Administration (EMBA)
National Institute of Development Administration (NIDA)

Training by the Thai Institute of Directors Association (IOD)

- None

Experiences

2012 - Present	Director of Sale and Marketing
1994 - 2012	Marketing Manager Khonburi Sugar Public Company Limited
1981- 1994	Deputy Manager Mitr Phol Sugar Company Limited

(%) shareholding (as at February 28, 2013)	: None
Family Relationship among Company's Directors	: None
Dispute in the 10 preceding years	: None



14. Mr. Thanthit Kasemsup

Director of Business Development

Age 37 years old

Education

- Bachelor of Accounting Thammasat University
- Master of Business and Administration (MBA)
University of Illinois at Urbana-Champaign

Training by the Thai Institute of Directors Association (IOD)

- None

Experiences

2012 - Present	Director of Business Development Khonburi Sugar Public Company Limited
2006 - 2011	Vice President, Investment Banking Kasikorn Securities Public Company Limited

(%) shareholding (as at February 28, 2013)	: None
Family Relationship among Company's Directors	: None
Dispute in the 10 preceding years	: None



Corporate Governance

The Board of Directors of the Company do believe that the good corporate governance is an essence for added value and competitiveness of the Company which shall trigger the long-term growth and higher value to 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 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.

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 contractual obligations which the Company has entered into. To this end, the Company will strictly comply with creditors' conditions including full and timely debt settlement.

Corporate Governance

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 acquires 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 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 Ext. 202

Fax : (02) 260-4956

Email : 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.

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 the year 2012 , the following committee members attended each committee's meetings:

Name of Directors	Attendance / Total number of meetings				
	Board of Directors	Audit Committee	Risk Management Committee	Nomination and Remuneration Committee	Executive Board Directots
1. Mr. Suthep Wongvorazathe	6/6	6/6	-	1/1	9/10
2. Mr. Takon Tawintermsup	6/6	6/6	-	-	10/10
3. Mr. Somkiat Twiltermsup	6/6	6/6	1/1	-	9/10
4. Mr. Issara Twiltermsup	5/6	6/6	1/1	1/1	10/10
5. Mr. Amnart Rumpoeypong	6/6	6/6	1/1	1/1	-
6. Mr. Sran Smutkochorn	5/6	1/1	1/1	-	-
7. Dr. Tawatchai Nakhata	6/6	6/6	-	-	-
8. Mr.Chusak Prachayangprecha	6/6	6/6	-	-	-
9. Mrs. Suvimol Krittayakiern	6/6	6/6	-	-	-

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 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.

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.

4. The Company requires that all directors and top management 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.

5. 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 vital 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 four sub-committees, including Audit Committee, Risk Management Committee, The Nomination and Remuneration 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 persons is Mrs. Suvimol Krittayakierm 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 the year 2012, six board meeting 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 necessarily to discuss any interesting management problems, in which no management members attend. The Managing Director should inform of the meeting outcome.

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 of Directors 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.

6. 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 three internal audit officers, who have engaged some experience in the credit granted to the sugar mills, and in the internal audit.

Related Transactions

Related companies :	Relationship	The nature of the transactions of the Company	Amount (Thousand Baht).		Rationale of the transaction
			Year end	Year end	
			31/12/2012 12 months	31/12/2011 3 months	
1. Talaysub Co., Ltd.	<ul style="list-style-type: none"> • Subsidiaries Company • Common shares / Directors 	- Amortisation of the leasehold	460	116	- The Company rent unit B on the 2 nd floor and unit A,B,C on the 3 rd floor of Prasarnmit Place Building as the head office. The lease contracts are valid for 30 years, ended in 2026, totaling Baht 15.1 million.
		- Rental expenses	480	178	- The Company rent Unit B on 5 th floor of Prasarnmit Place Building, Sukumvit, as additional office space.
		- Service charges and utilities	599	142	
		- Trade payables	34	46	
2. The Thai Sugar Trading Co., Ltd.	<ul style="list-style-type: none"> • Subsidiaries Company • Common Shares / Directors 	- Export service expenses	11,096	245	- 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.
		- Interest expenses	13,213	-	- TSTC is supported by the commercial banks in the same financial conditions which negotiated by the Company.
		- Interest expenses	-	-	
		- Trade payables	295	1,400	- TSTC issues promissory notes (P/N) to the Company on behalf of their commercial banks for money receipt from and payment to the Banks.

Related Transactions

Related companies :	Relationship	The nature of the transactions of the Company	Amount (Thousand Baht).		Rationale of the transaction
			Year end 31/12/2012 12 months	Year end 31/12/2011 3 months	
3. N.Y. Rubber Company Limited	• Subsidiaries Company	- Sales income	81	-	- Revenue from the sales of sugar with a price comparable to other customers.
	• Common Shares / Director	- Trade account receivable	81	-	
4. N.Y. Development Company Limited	• Subsidiaries Company	- Sales income	15	-	- Revenue from the sales of sugar with a price comparable to other customers.
	• Common Shares / Director	- Trade account receivable	15	-	

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 period as from 1 January 2012 to 31 December 2012, 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 for the period as from 1 January 2012 to 31 December 2012 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 31 December 2012.



(Mr.Suthep Wongvorazathe)
Chairman of The Board Directors



(Mr.Takon Tawintermsup)
Managing Director

Report of the Audit Committee

Attn : All shareholders of Khonburi Sugar Public Company Limited

The Board of Directors of the Company has appointed the Audit Committee, which involved 3 independent directors as listed below :

- | | |
|-----------------------------------|---------------------------------|
| 1. Dr. Thawatchai Nakhata | Chairman of the Audit Committee |
| 2. Mr. Chusak Pruchyangkhapreecha | Member of the Audit Committee |
| 3. Mrs. Suvimol Krittayakian | Member of the Audit Committee |

All 3 directors have engaged good skills and experience in accounting, finance, economic, law and business. Mrs. Suvimol Krittayakian, Member of the Audit Committee, has engaged skills and experience in accounting and finance as well as other appropriate qualifications to perform her duties in reviewing creditability of financial statements as required by The Securities Exchange Commission (SEC) and The Stock Exchange of Thailand (SET).

In 2012, the Audit Committee held 6 meetings in total. One meeting was also attained by the auditor without the Company's management in order to have an independent discussion about significant issues in the preparation of financial statements, disclosure of information useful for users of those financial statements, as well as acknowledgment of auditing performance results, remarks found, problems and hindrance in auditing.

The Audit Committee has completely performed duties assigned by the Board of Directors of the Company as specified in the Audit Committee Charter, which is in conjunction with the requirements of the SEC and the SECT, which included reviews and verification of financial statements, reviews of risk management, and reviews of internal control system. The significant points of such reviews by the Audit Committee are summarized as follows :

Reviews and verification of financial statements - The Audit Committee has reviewed the Company's quarterly and yearly financial statements for Year 2012, which ended on December 31, 2012 to be proposed for the Board of Directors' consideration and approval. The Audit Committee has arranged the meetings to share opinions with the Internal Audit Department, the auditor and the Management of the Company to ensure that the financial statements have been presented accurately, completely and creditably under generally accepted accounting standards, the disclosure of financial statements have been adequate and timely for benefits of general investors and users of financial statements, and the disclosure of material information and the auditor's remarks and comments have been considered and implemented appropriately for the Company.

Reviews of connected transactions - The Audit Committee has considered and reviewed the disclosure of connected transactions made between the Company and its affiliated company and subsidiaries, which possibly caused conflicts of interest as required by the notifications of the SEC and the SET. The reviewing results show that the Company's businesses have been operated under normal business conditions, fairness and rationality, and they have not caused the benefit manipulation. The Audit Committee has also reviewed the information disclosure to ensure that it has been complete and adequate by adhering to the Principle of Good Corporate Governance and notifications of the Stock Exchange of Thailand.

Report of the Audit Committee

Reviews of good corporate governance - The Board of Directors and top management have always valued the management in line with the good corporate governance so that they would be trusted by every shareholder and other related parties.

Reviews of policy - level risk management - The Board of Directors and management of the Company have valued and acted with caution in managing every potential business risk. The Risk Management Committee was appointed to consider and lay down a risk management system for the whole organization. The Company has also set up some training programs for employees about the efficient risk management system. It is believed that the ultimate interest would permanently belong to the Company and all of its shareholders.

Reviews of internal control system - The Audit Committee has reviewed the adequacy of the Company's internal control system in 2012 to ensure that it would drive the Company's operations to meet the preset targets and objective. The Company has consistently monitored the work improvements subject to comments in the auditing report, and opinions of the Audit Committee. Also, the internal control system has been improved to be in line with changing circumstances. The Audit Committee is of opinion that the internal control system of the Company has been adequate and efficient.

Reviews of the Company's internal audit affairs - The Audit Committee has reviewed the internal audit reports submitted by the Internal Audit Office, and has also monitored the work performance of the Company and its subsidiaries in accordance with remarks and advice of the Internal Audit Office and the auditor. The Audit Committee gave an approval for the 2013 Audit Plan as proposed by the Internal Audit Office. This plan has been prepared by considering all potential risk factors. The Audit Committee has efficiently performed its duties in accordance with the Audit Committee Charter, and approved the work performance evaluation of the Internal Audit Office.

Reviews of compliance with law on securities and stock exchange, requirements of the Stock Exchange of Thailand and other related laws - The Audit Committee has reviewed and strictly governed the compliance with law on securities and stock exchange, requirements of the SET and the SEC, and other laws relating to the Company's business operations.

Appointment of the external auditor for 2013 - The Audit Committee considered the appointment of external auditor, independence of selected external auditor, and appropriate audit fee before proposing these matters to the Board of Directors. The Board of Directors agreed to seek approval at the 2013 Annual Ordinary Meeting of Shareholders for the appointment of Mr. Sophon Permsirivallop, Certified Public Auditor No. 3182 and/or Mr. Chayapol Suppasethnondha, Certified Public Auditor No. 3972 and/or Miss Rungnapa Lertsuwankul, Certified Public Auditor No. 3516, of Ernst & Young Office Limited as the Company's certified public auditor.



(Dr. Thawatchai Nakhata)
Chairman of the Audit Committee

Management Discussion and Analysis of Financial Status and Operating Results

As of 31 December 2012, the Company had total assets of Baht 4,312.2 million, total liabilities of Baht 1,504.0 million, and Shareholders' Equity of Baht 2,808.2 million. The Company's annual operating results amounted to Baht 725.6 million (for the accounting period from 1 January 2012 to 31 December 2012). The details are summarized below.

1. Financial Status

1.1 Assets

As at 31 December 2012, the Company had total assets of Baht 4,312.2 million, which decreased from the previous year by Baht 261.4 million or a 5.7% decrease.

- Current assets of Baht 1,876.2 million, a decrease of Baht 798.0 million from the previous year as per the following details :
 - Cash and cash equivalent amounted to Baht 748.4 million, a decrease of Baht 576.2 million from the previous year. The change is made up of cash received from operating activities of Baht 617.5 million, cash used in investing activities of Baht 523.8 million (payments for the purchase of fixed assets of Baht 583.4 million, proceeds from asset divestiture of Baht 21.8 million, and interest income of Baht 40.1 million respectively), and cash used in financing activities of Baht 669.9 million (dividend payment of Baht 324.9 million, repayment of long-term loans of Baht 288.9 million, and interest payment of Baht 56.5 million).
 - Trade receivables amounted to Baht 62.6 million, a decrease of Baht 23.8 million from the preceding year due to the decrease in domestic sales.
 - Inventories totaled Baht 628.0 million, a decrease of Baht 237.9 million from the previous year or a 27.4% decrease.
- Non-current assets of Baht 2,436.0 million, an increase of Baht 536.6 million resulted by an increase of Baht 472.2 million in land, buildings and equipment-net, together with an increase of Baht 80.2 million in the advance payment

1.2 Liabilities

As at 31 December 2012, the Company had total liabilities of Baht 1,504.0 million, a decrease of Baht 868.8 million from the preceding year or a 36.6% decrease.

- Current liabilities totaled Baht 1,055.6 million, a decrease of Baht 591.2 million from the previous year.
 - Trade payables amounted to Baht 625.9 million, Baht 181.3 million decreased from the previous year due to a decrease in planter payables amounting to Baht 150.9 million, and a decrease in trade payables amounting to Baht 30.3 million.
 - Revenues received in advance amounted to Baht 127.0 million, an increase of Baht 84.8 million from the previous year due to an increase in revenues received in advance in relation to molasses sales.
 - Income tax payable amounted to Baht 41.8 million, a decrease of Baht 173.0 million from the previous year because the Company has paid for the corporate income tax in the middle of Year 2012 of Baht 160.0 million.
 - Forward contract payable decreased from the previous year of Baht 133 million.
 - Other current liabilities amounted to Baht 238.4 million, a decrease of Baht 182.5 million from the previous year because the Company has paid the dividend payable of 2011 amounted to Baht 210.0 million.
- Other non-current liabilities were Baht 448.4 million, a decrease of Baht 277.6 million from the preceding year or equivalent to 38.2% because the Company repaid the long-term loans on due in the amount of Baht 278.1 million.

1.3 Shareholders' Equity

As at 31 December 2012, the Company had total shareholders' equity amounting to Baht 2,808.2 million, an increase of Baht 607.4 million from the previous year or a 27.6%, increase the changes in the shareholders' equity are as a result earning for the year amounting to Baht 725.6 million, as well as setting aside to additional statutory reserve of Baht 8.4 million, and dividend payment of Baht 115 million.

Management Discussion and Analysis of Financial Status and Operating Results

2. Operating Results

Since the Company changed its accounting period from 1 October to 30 September of each calendar year to be 1 January to 31 December of each calendar year, the 2012 financial statements would be the first period that the Company closed its financial statements based on the new accounting period of 12 months. The operating results reflected in the 2012 financial statements (1 January - 31 December 2012) shall be compared with the 2011 financial statements (1 October 2010 - 30 September 2011); the financial statements in both periods have been certified by the Company's auditor.

Performance Overview

In the production season 2012, the total of 2.55 million tons of cane was crushed, a 11.8% decrease from the previous production season when the sugarcane was crushed in the total of 2.89 million tons. However, the Company purchased certain amount of raw sugar to produce more refined sugar in the remelt season, which helped boost its sales volume. In addition, the sugar price in the foreign markets was higher in 2012 as evidenced by the reference price for Quota B sold by Thailand Cane and Sugar Corporation increasing from 22.4 cents per pound to 24.5 cents per pound. Although the Company's sales revenue increased, its gross profit margin decreased from 25.4% in 2011 to 20.3% in 2012 mainly due to decrease in gross profit margin from molasses sales, as a result of lower selling unit price.

The impact from contract in gross margin has outweighed the benefit from lower corporate income tax from 30% to 23% in 2012. Therefore, the overall net profit of the Company dropped from Baht 800.9 million to Baht 725.6 million or equivalent to 9.4% decrease.

Total income

In 2012, the Company's total income amounted to Baht 6,636.9 million, an increase from the 2011 financial statements in which total income amounted to Baht 6,159.9 million or equivalent to 7.7% increase. The details are as follows :

(Million Baht)

	2011	2012	% of changes
Revenue			
Sales and service income	6,010.4	6,349.6	5.6
Profit (loss) from foreign exchange	34.4	196.7	471.8
Other revenues	115.1	90.7	(21.2)
Total income	6,159.9	6,636.9	7.7

Management Discussion and Analysis of Financial Status and Operating Results

Sales and service income

The sales and service income for Year 2012 amounted to Baht 6,349.6 million, an 5.6% increase from Year 2011.

The details are as follows :

	2011	2012	(Million Baht) % of changes
Sugar domestic sales	1,077.8	973.9	(9.6)
Sugar export sales	3,778.2	4,535.1	20.0
Total income from sales of sugar	4,856.0	5,509.0	13.4
Molasses	588.5	341.6	(42.0)
Electricity	102.8	102.1	(0.8)
Agricultural sales and service income	463.1	396.9	(14.3)
Total sales and service income	6,010.4	6,349.6	5.6

- Income from sugar domestic sales amounted to Baht 973.9 million, a decrease of Baht 104.2 million from the previous year or a 9.6% decrease because the sugarcane volume for the crushing seas in 2012 totaled 2.55 million tons of cane or 11.7% decrease. As a result, Quota A volume decreased by 7,306 tons or 10.4% decrease.

- Income from sugar export sales amounted to Baht 4,535.1 million, an increase of Baht 756.9 million from the previous year or 20.0% increase due to a 12.3% increase in the selling price and a 6.9% increase in the sale quantity.

- Income from Sugar export sales amounted to Baht 341.6 million, a decrease of Baht 246.9 million from the previous year or a 41.9% decrease due to lower selling price per unit.

Cost of sales and Gross profit margin

The cost of sales and gross profit of the Company in 2012 as compared with the preceding year are illustrated below.

	2011	2012	(Million Baht) % of changes
Income			
Sales and service income	6,010.4	6,349.6	5.6
Profit (loss) from foreign exchange	34.4	196.7	471.8
Total income	6,044.8	6,546.3	8.3
Cost of sales and service	4,508.5	5,216.3	15.7
Gross profit	1,536.3	1,330.0	(13.4)
Gross profit margin	25.4%	20.3%	5.1



Management Discussion and Analysis of Financial Status and Operating Results

Selling and administrative expenses

The selling and administrative expenses amounted to Baht 433.7 million or equivalent to 6.5% to total revenue, which was similar to the previous year.

Interest expenses

The interest expenses totaled Baht 56.8 million, a decrease of Baht 15.7 million from the previous year due to the repayment of long-term loans of Baht 288.8 million.

Corporate income tax

The corporate income tax amounted to Baht 204.5 million or it accounted for 3.1% of total revenue, decreased from the previous year because the 2012 corporate income tax rate was at 23% while that in 2011 was at 30%.

Report of Independent Auditor

Independent Auditor's Report

To the Shareholders of Khonburi Sugar Public Company Limited

I have audited the accompanying consolidated financial statements of Khonburi Sugar Public Company Limited and its subsidiaries, which comprise the consolidated statements of financial position as at 31 December 2012, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of Khonburi Sugar Public Company Limited for the same period.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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 31 December 2012, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.



Sophon Permsirivallop

Certified Public Accountant (Thailand) No. 3182

Ernst & Young Office Limited

Bangkok : 26 February 2013

Statements of Financial Position

Khonburi Sugar Public Company Limited and its subsidiaries

Statements of financial position

As at 31 December 2012

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		31 December 2012	31 December 2011	31 December 2012	31 December 2011
Assets					
Current assets					
Cash and cash equivalents	8	748,397,478	1,324,635,977	702,826,920	1,307,987,218
Trade and other receivables	9	111,556,087	141,873,511	108,091,795	162,829,077
Planter receivables	10	18,531,836	28,508,436	18,531,836	28,508,436
Current portion of sugarcane plantation loans	11	296,330,581	290,123,634	296,330,581	290,123,634
Short-term loans to a related party	7	-	-	-	25,000,000
Inventories	12	627,963,293	865,886,583	624,288,217	861,245,809
Forward exchange contract receivables		67,030,097	-	67,030,097	-
Current portion of amounts due from the Office of the Cane and Sugar Fund	13	-	17,681,212	-	17,681,212
Other current assets		6,383,895	5,529,542	1,911,631	2,609,067
Total current assets		1,876,193,267	2,674,238,895	1,819,011,077	2,695,984,453
Non-current assets					
Investment in held-to-maturity debt security		5,000,000	-	5,000,000	-
Investment in subsidiaries	14	-	-	389,999,940	127,499,640
Other long-term investments	15	1,994,875	8,849,943	1,994,875	8,849,943
Sugarcane plantation loans - net of current portion	11	136,117,975	142,452,862	136,117,975	142,452,862
Amounts due from the Office of the Cane and Sugar Fund - net of current portion	13	-	6,936,796	-	6,936,796
Property, plant and equipment	16	2,193,234,795	1,720,969,422	1,945,409,652	1,503,283,375
Intangible assets	17	9,985,554	9,919,679	8,894,032	9,323,628
Other non-current assets	18	89,674,587	10,217,165	9,457,269	10,216,846
Total non - current assets		2,436,007,786	1,899,345,867	2,496,873,743	1,808,563,090
Total assets		4,312,201,053	4,573,584,762	4,315,884,820	4,504,547,543

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

Statements of Financial Position (Cont.)

Khonburi Sugar Public Company Limited and its subsidiaries

Statements of financial position (Continued)

As at 31 December 2012

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		31 December 2012	31 December 2011	31 December 2012	31 December 2011
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans from					
financial institutions	19	5,832,000	764,247	-	764,247
Trade and other payables	20	936,883,193	990,028,225	931,895,058	984,608,211
Current portion of long-term loans from					
financial institutions	21	16,630,000	27,380,000	16,630,000	15,880,000
Current portion of liabilities under financial					
lease agreements	22	11,147	2,797,022	11,147	1,447,904
Corporate income tax payable		41,813,809	214,791,000	41,813,809	214,791,000
Dividend payables		132,335	210,002,380	132,335	210,002,380
Forward exchange contract payables		-	133,486,558	-	133,486,558
Amounts due to the office of the Cane and Sugar Fund		47,860,418	59,974,880	47,860,418	59,974,880
Others current liabilities		6,464,711	7,584,957	6,405,556	7,540,021
Total current liabilities		1,055,627,613	1,646,809,269	1,044,748,323	1,628,495,201
Non-current liabilities					
Long-term loans from financial institutions - net					
of current portion	21	430,050,000	708,154,540	430,050,000	646,680,000
Liabilities under financial lease agreements - net					
of current portion	22	-	1,946,568	-	714,014
Provision for long-term employee benefits	23	18,362,809	15,901,679	16,840,261	14,564,059
Total non-current liabilities		448,412,809	726,002,787	446,890,261	661,958,073
Total liabilities		1,504,040,422	2,372,812,056	1,491,638,584	2,290,453,274

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

Statements of Financial Position (Cont.)

Khonburi Sugar Public Company Limited and its subsidiaries

Statements of financial position (Continued)

As at 31 December 2012

(Unit : Baht)

	Consolidated financial statements		Separate financial statements		
	Note	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Shareholders' equity					
Share capital	24				
Registered					
500,000,000 ordinary shares of Baht 1 each		500,000,000	500,000,000	500,000,000	500,000,000
Issued and fully paid up					
500,000,000 ordinary shares of Baht 1 each		500,000,000	500,000,000	500,000,000	500,000,000
Share premium		1,180,175,000	1,180,175,000	1,180,175,000	1,180,175,000
Retained earnings					
Appropriated - statutory reserve	25	50,000,000	41,600,000	50,000,000	41,600,000
Unappropriated		1,081,670,511	479,466,720	1,094,071,236	489,103,403
Other components of shareholders' equity		(3,684,880)	(469,014)	-	3,215,866
Total shareholders' equity		2,808,160,631	2,200,772,706	2,824,246,236	2,214,094,269
Total liabilities and shareholders' equity		4,312,201,053	4,573,584,762	4,315,884,820	4,504,547,543

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

Statements of Comprehensive Income

Khonburi Sugar Public Company Limited and its subsidiaries

Statements of comprehensive Income

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	For the year ended 31 December 2012	For the period as from 1 October 2011 to 31 December 2011	For the year ended 31 December 2012	For the period as from 1 October 2011 to 31 December 2011
Profit or loss :				
Revenues				
Sales income	6,316,880,883	536,603,787	6,316,880,883	536,603,787
Service income	32,697,824	9,294,924	32,261,606	9,293,469
Other income				
Dividend income	174,970	-	174,970	-
Interest income	39,322,202	23,864,124	41,428,487	24,241,237
Exchange gains	196,703,721	-	196,703,721	-
Other	51,157,846	28,427,928	38,024,692	28,783,843
Total revenues	6,636,937,446	598,190,763	6,625,474,359	598,922,336
Expenses				
Cost of sales	5,186,690,167	418,082,224	5,187,938,481	418,487,584
Cost of services	29,587,851	8,960,754	31,559,855	9,255,906
Selling expenses	249,429,993	25,652,424	249,429,993	25,652,424
Administrative expenses	184,298,114	46,592,493	170,438,555	45,884,036
Loss on exchange rate	-	54,488,557	-	54,488,557
Total expenses	5,650,006,125	553,776,452	5,639,366,884	553,768,507
Profit before finance cost and corporate income tax	986,931,321	44,414,311	986,107,475	45,153,829
Financial cost	(56,796,196)	(11,165,379)	(54,535,941)	(9,977,959)
Profit before corporate income tax	930,135,125	33,248,932	931,571,534	35,175,870
Income tax expenses	(204,531,334)	(3,209,877)	(203,203,701)	(3,209,877)
Profit for the year / period	725,603,791	30,039,055	728,367,833	31,965,993
Other comprehensive income :				
Reversal surplus on changes in value of investments in available for sale	(3,215,866)	-	(3,215,866)	-
Unrealised gain on changes in the value of investments in available for sale	-	764,814	-	764,814
Other comprehensive income for the year / period	(3,215,866)	764,814	(3,215,866)	764,814
Total comprehensive income for the year / period	722,387,925	30,803,869	725,151,967	32,730,807
Earnings per share				
Basic earnings per share				
Net income for the year / period	1.45	0.06	1.45	0.06
Weighted average number of ordinary shares (shares)	500,000,000	500,000,000	500,000,000	500,000,000

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

Statements of Changes In Shareholders' equity

Khonburi Sugar Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the year ended 31 December 2012

(Unit : Baht)

	Consolidated financial statements							Total shareholders' equity
	Issued and fully paid up share capital	Share premium	Retained earnings		Other components of equity			
			Appropriated - statutory reserve	Unappropriated	Other comprehensive Income			
					Revaluation surplus on changes in value of investments	Surplus on business combination under common control	Total other components of shareholders' equity	
Balance as at 1 October 2011	500,000,000	1,180,175,000	40,000,000	661,027,665	2,451,052	(3,684,880)	(1,233,828)	2,379,968,837
Total comprehensive income for the period	-	-	-	30,039,055	764,814	-	764,814	30,803,869
Dividends paid (Note 31)	-	-	-	(210,000,000)	-	-	-	(210,000,000)
Appropriated retained earnings to statutory reserve (Note 25)	-	-	1,600,000	(1,600,000)	-	-	-	-
Balance as at 31 December 2011	500,000,000	1,180,175,000	41,600,000	479,466,720	3,215,866	(3,684,880)	(469,014)	2,200,772,706
Balance as at 1 January 2012	500,000,000	1,180,175,000	41,600,000	479,466,720	3,215,866	(3,684,880)	(469,014)	2,200,772,706
Total comprehensive income for the year	-	-	-	725,603,791	(3,215,866)	-	(3,215,866)	722,387,925
Dividends paid (Note 31)	-	-	-	(115,000,000)	-	-	-	(115,000,000)
Appropriated retained earnings to statutory reserve (Note 25)	-	-	8,400,000	(8,400,000)	-	-	-	-
Balance as at 31 December 2012	500,000,000	1,180,175,000	50,000,000	1,081,670,511	-	(3,684,880)	(3,684,880)	2,808,160,631

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

Statements of Changes In Shareholders' equity

Khonburi Sugar Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the year ended 31 December 2012

(Unit : Baht)

	Separate financial statements							Total shareholders' equity
	Issued and fully paid up share capital	Share premium	Retained earnings		Other components of equity		Total other components of shareholders' equity	
			Appropriated - statutory reserve	Unappropriated	Revaluation surplus on changes in value of investments	Other comprehensive income		
Balance as at 1 October 2011	500,000,000	1,180,175,000	40,000,000	668,737,410	2,451,052	2,451,052	2,391,363,462	
Total comprehensive income for the period	-	-	-	31,965,993	764,814	764,814	32,730,807	
Dividends paid (Note 31)	-	-	-	(210,000,000)	-	-	(210,000,000)	
Appropriated retained earnings to statutory reserve (Note 25)	-	-	1,600,000	(1,600,000)	-	-	-	
Balance as at 31 December 2011	500,000,000	1,180,175,000	41,600,000	489,103,403	3,215,866	3,215,866	2,214,094,269	
Balance as at 1 January 2012	500,000,000	1,180,175,000	41,600,000	489,103,403	3,215,866	3,215,866	2,214,094,269	
Total comprehensive income for the period	-	-	-	728,367,833	(3,215,866)	(3,215,866)	725,151,967	
Dividends paid (Note 31)	-	-	-	(115,000,000)	-	-	(115,000,000)	
Appropriated retained earnings to statutory reserve (Note 25)	-	-	8,400,000	(8,400,000)	-	-	-	
Balance as at 31 December 2012	500,000,000	1,180,175,000	50,000,000	1,094,071,236	-	-	2,824,246,236	

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

Cash Flow Statements

Khonburi Sugar Public Company Limited and its subsidiaries

Cash flow statements

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	For the year ended 31 December 2012	For the period as from 1 October 2011 to 31 December 2011	For the year ended 31 December 2012	For the period as from 1 October 2011 to 31 December 2011
Cash flows from operating activities				
Profit before tax	930,135,125	33,248,932	931,571,534	35,175,870
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	142,099,208	30,137,728	137,063,015	27,704,715
Amortisation of premium from forward exchange contracts	(15,132,597)	(17,543,690)	(15,132,597)	(17,543,690)
Reversal of allowance for doubtful accounts	(42,996,127)	(1,818,029)	(42,996,127)	(1,944,298)
Reversal of inventory to net realisable value	(90,987)	-	(9,412)	-
Loss from impairment of investment in subsidiary	-	-	6,999,700	-
Gain on sale of property, plant and equipment	(15,670,999)	(19,067)	(1,712,368)	(287)
Gain on sale of other long-term investment	(3,677,883)	-	(3,677,883)	-
Provision for long-term employee benefits	2,461,130	605,605	2,276,202	553,923
Unrealised (gain) loss on exchange	(51,997,840)	53,915,500	(51,997,840)	53,915,500
Interest income	(39,322,202)	(23,864,124)	(41,428,487)	(24,241,237)
Interest expenses	56,618,681	11,076,513	53,838,392	9,896,035
Profit from operating activities before changes in operating assets and liabilities	962,425,509	85,739,368	974,794,129	83,516,531
Operating assets (increase) decrease				
Trade and other receivables	29,652,024	21,076,163	53,810,769	32,949,089
Planter receivables	52,972,727	2,684,668	52,972,727	2,684,668
Inventories	238,014,277	(425,401,424)	236,967,004	(424,762,512)
Other current assets	144,421	1,731,693	697,436	(1,782,359)
Other non-current assets	(79,457,422)	(964,416)	759,577	(964,414)
Operating liabilities increase (decrease)				
Trade and other payables	(85,619,742)	246,360,962	(84,567,157)	245,685,890
Forward exchange contract payables	(133,486,558)	21,801,103	(133,486,558)	21,801,103
Amounts due to the office of the Cane and Sugar Fund	12,503,546	(14,713,464)	12,503,546	(14,713,464)
Other current liabilities	(1,120,246)	3,773,980	(1,134,465)	3,851,521
Cash flows used in operating activities	996,028,536	(57,911,367)	1,113,317,008	(51,733,947)
Cash paid for corporate income tax	(378,507,299)	(2,510,599)	(376,180,892)	(2,021,145)
Net cash flows from (used in) operating activities	617,521,237	(60,421,966)	737,136,116	(53,755,092)

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

Cash Flow Statements (Cont.)

Khonburi Sugar Public Company Limited and its subsidiaries

Cash flow statements (Continued)

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	For the year ended 31 December 2012	For the period as from 1 October 2011 to 31 December 2011	For the year ended 31 December 2012	For the period as from 1 October 2011 to 31 December 2011
Cash flows from investing activities				
Increase in investment in held-to-maturity debt security	(5,000,000)	-	(5,000,000)	-
Decrease (increase) in short-term loan to related party	-	-	25,000,000	(5,000,000)
Decrease (increase) in sugarcane plantation loans	127,940	(48,124,248)	127,940	(48,124,248)
Proceeds from sales of long-term investment	7,317,085	-	7,317,085	-
Acquisitions of long-term investments	-	(219,050)	-	(219,050)
Acquisitions of property, plant and equipment	(583,435,659)	(187,679,552)	(545,892,190)	(180,072,233)
Acquisitions of intangible asset	(4,803,379)	(639,170)	(4,170,378)	(92,000)
Proceeds from sales of property, plant and equipment	21,864,780	66,374	4,779,733	953
Increase in investment in subsidiary	-	-	(269,500,000)	-
Cash received from interest income	40,087,942	24,501,055	42,455,340	24,631,028
Net cash flows used in investing activities	(523,841,291)	(212,094,591)	(744,882,470)	(208,875,550)
Cash flows from financing activities				
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	5,067,753	764,247	(764,247)	764,247
Cash paid for liabilities under financial lease agreements	(4,732,443)	(876,433)	(2,150,771)	(540,930)
Repayment of long-term loans	(288,854,540)	(101,000,000)	(215,880,000)	(101,000,000)
Cash paid for interest expenses	(56,529,170)	(10,979,074)	(53,748,881)	(9,798,596)
Dividends paid	(324,870,045)	-	(324,870,045)	-
Net cash flows used in financing activities	(669,918,445)	(112,091,260)	(597,413,944)	(110,575,279)
Net decrease in cash and cash equivalents	(576,238,499)	(384,607,817)	(605,160,298)	(373,205,921)
Cash and cash equivalents at beginning of year/period	1,324,635,977	1,709,243,794	1,307,987,218	1,681,193,139
Cash and cash equivalents at end of year/period	748,397,478	1,324,635,977	702,826,920	1,307,987,218

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

Cash Flow Statements (Cont.)

Khonburi Sugar Public Company Limited and its subsidiaries
Cash flow statements (Continued)

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	For the year ended 31 December 2012	For the period as from 1 October 2011 to 31 December 2011	For the year ended 31 December 2012	For the period as from 1 October 2011 to 31 December 2011
Supplement cash flows information				
Non-cash transactions				
Reversal surplus on changes in value of investments in available for sale	(3,215,866)	-	(3,215,866)	-
Gain on changes in the value of investments in available for sale	-	(764,814)	-	(764,814)
Increase in purchases of assets that have not yet been paid	(32,385,199)	(56,691,830)	(31,764,493)	(56,691,830)
Purchases of vehicles through financial lease agreements	-	(1,070,000)	-	(1,070,000)
Transfer equipment to intangible asset	(1,038,400)	-	(1,038,400)	-
Offsetting between amounts due from/to the office of the Cane and Sugar Fund	(24,618,008)	-	(24,618,008)	-

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

Note to Financial Statements

Khonburi Sugar Public Company Limited and its subsidiaries

Notes to financial statements

For the year ended 31 December 2012

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 manufacture and distribution of sugar, which is sold both domestically and overseas. The registered office of the Company is at 164 Soi Sukhumvit 23 (Prasammit), Sukhumvit Road, KlongtoeyNua, Wattana, Bangkok. Its factory is located at 289 Moo 13 Jarakhe-Hin, Khonburi Nakhonratchasima.

At the beginning of 2012, the planters have hired the truck service and sugar cane harvesting labour themselves; the Company only acts as a coordinator. As a result, the Company has no income from these services.

2. Basis of preparation

2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, 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 subsidiary company (“the subsidiaries”) :

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			31 December 2012	31 December 2011
			%	%
Khonburi Power Plant Co., Ltd.	Manufacture and distribution of electricity	Thailand	100.00	100.00
Agriculture Machine Services Co., Ltd.	Agricultural services	Thailand	100.00	100.00
Khonburi Bio Energy Co., Ltd.	Manufacture and distribution of ethanol	Thailand	99.97	99.97

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

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

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

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. New accounting standards not yet effective

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting standards :

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

Notes to Financial Statements

Financial Reporting Standard :

TFRS 8 Operating Segments

Accounting Standard Interpretations :

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 standard.

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.

The management of the Company expects the adoption of this accounting standard to have the effect of increasing brought-forward retained earnings of year 2013 by approximately Baht 22 million.

In addition, the Federation of Accounting Professions has issued Notification No. 30/2555 - 34/2555, published in the Royal Gazette on 17 January 2013, mandating the use of accounting treatment guidance and accounting standard interpretations as follows.

	<u>Effective date</u>
Accounting Treatment Guidance for Transfers of Financial Assets	1 January 2013

Accounting Standard Interpretation :

SIC 29	Service Concession Arrangements: Disclosures	1 January 2014
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Financial Reporting Standard Interpretations :

TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
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TFRIC 12	Service Concession Arrangements	1 January 2014
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TFRIC 13	Customer Loyalty Programmes	1 January 2014
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The management of the Company has assessed the effect of these standards and believes that Accounting Treatment Guidance for Transfers of Financial Assets, SIC 29, TFRIC 4 and TFRIC 12 are not relevant to the business of the Company. Management is still evaluating the first-year impact to the financial statements of the adoption of TFRIC 13 and has yet to reach a conclusion.

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 equivalent

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.

Note to Financial Statements

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.

Work in process is valued at the lower of standard cost (which approximates actual cost) and net realisable value. Standard 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 in comprehensive income, and will be recorded in profit or loss 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 in profit or loss or recorded as other components of shareholders' equity, depending on the type of investment that is reclassified.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

4.6 Property, plant and equipment/Depreciation

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

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

Land improvement	10	years
Building and premises	20	years
Machinery and equipment	4 - 50	years
Furniture, fixtures and office equipment	5	years
Motor vehicles	5	years
Facilities system and water treatment system	20	years

Depreciation is included in determining income.

No depreciation is provided on land and assets under installation.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

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.

Notes to Financial Statements

4.8 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 profit or loss.

The useful life of computer software is 5 years.

4.9 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.

4.10 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 long-term payables, while the interest element is charged to profit or loss 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.

Leases of property, plant or equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

4.11 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 end of reporting period.

Gains and losses on exchange are included in determining income.

4.12 Impairment of assets

At the end of each reporting period, the Company and the subsidiaries perform impairment reviews in respect of the property, plant and equipment and 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.

An impairment loss is recognised in profit or loss.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

4.13 Employee benefits

Short-term employee benefits

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

Post-employment benefits

Defined contribution plans

The Company, and its subsidiaries and their employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company and its subsidiaries. The fund's assets are held in a separate trust fund and the Company's contributions are recognised as expenses when incurred.

Defined benefit plans

The Company and its subsidiaries have obligations in respect of the severance payments they must make to employees upon retirement under labor law. The Company and its subsidiaries treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

The defined benefits liability comprises the present value of the defined benefit obligation less unrecognised past service cost.

For the first-time adoption of TAS 19 Employee Benefits in 2011, the Company elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in 2011.

4.14 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.

4.15 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.

4.16 Forward exchange contracts

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

5. Significant accounting judgements and estimates

The preparation of financial statements in conformity with financial reporting standards 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 have 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 residual values of the Company and subsidiaries's plant and equipment and to review estimate useful lives and residual values when there are any changes.

Notes to Financial Statements

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.

Post-employment benefits under defined benefit plans

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

6. Seasonality of operations

The operations of the Company 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.

Names	Relationship
Khonburi Power Plant Co., Ltd.	Subsidiary
Agriculture Machine Services Co., Ltd.	Subsidiary
Khonburi Bio Energy Co., Ltd.	Subsidiary
Khonburi Capital Co., Ltd.	Common shareholders/Common directors
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 year, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarised below, were concluded on commercial terms and bases agreed upon between the Company and those related parties

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements		Transfer Pricing Policy
	For the year ended 31 December 2012	For the period as from 1 October 2011 to 31 December 2011	For the year ended 31 December 2012	For the period as from 1 October 2011 to 31 December 2011	

Transactions with subsidiaries :

(Eliminated from consolidated financial statements)

Interest income	-	-	2,357	422	6.375% per annum
Sales income	-	-	2,885	477	Cost plus margin 3 to 5 percent
Rental income	-	-	110	85	Contract price (3,333 Baht to 13,167 Baht per month)
Rental expenses	-	-	48,443	20,046	Contract price (6,000 Baht to 120,000 Baht per vehicle per month)

Transactions with related companies :

Sales income	96	-	96	-	Comparable price to other customers
Amortisation of the leasehold	460	116	460	116	Contract price (31,408 Baht per square meter per 30 years)
Rental expenses	480	178	480	178	Comparable price to other customers
Service charges and utilities	599	142	599	142	Contract price (45 Baht per square meter)
Interest expenses	13,213	-	13,213	-	3.75% - 5.50% per annum
Export service expenses	11,096	245	11,096	245	Contract price (Baht 20 per ton)

Note to Financial Statements

As at 31 December 2012 and 2011, the balances of the accounts between the Company and those related companies are as follows :

(Unit : Thousand Baht)

	Consolidated financial statement		Separate financial statement	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Account receivables - related party (Note 9)				
Related party company	96	-	96	-
Interest receivable related party (Note 9)				
Subsidiary company	-	-	-	261
Other receivables - related party (Note 9)				
Subsidiary company	-	-	17,664	34,844
Accrued expenses - related parties (Note 20)				
Subsidiary company	-	-	8,428	8,654
Related companies (related by common shareholders/common directors)	10,329	11,446	10,329	11,446
Total accrued expenses - related parties	10,329	11,446	18,757	20,100

Loans to related parties

As at 31 December 2012 and 2011, the balance of loans between the Company and those related companies and the movement are as follows :

(Unit : Thousand Baht)

	Separate financial statements			
	Balance as at 31 December 2011	Increase during the year	Decrease during the year	Balance as at 31 December 2012
Short-term loan to related parties				
Subsidiary	25,000	85,000	(110,000)	-

Directors and management's benefits

During the year ended 31 December 2012 and during the period as from 1 October 2011 to 31 December 2011, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit : Thousand Baht)

	Consolidated financial statement		Separate financial statement	
	For the year ended 31 December 2012	For the period as from 1 October 2011 to 31 December 2011	For the year ended 31 December 2012	For the period as from 1 October 2011 to 31 December 2011
Short-term employee benefits	35,974	12,677	35,974	12,677
Post-employment benefits	872	215	872	215
Total	36,846	12,892	36,846	12,892

Notes to Financial Statements

8. Cash and cash equivalents

(Unit : Thousand Baht)

	Consolidated financial statement		Separate financial statement	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
cash	549	423	289	283
Bank deposits	147,848	824,213	102,538	807,704
Bills of exchange	600,000	500,000	600,000	500,000
Total	748,397	1,324,636	702,827	1,307,987

As at 31 December 2012, bank deposits in saving accounts, fixed deposits and bills of exchange carried interests between 0.75 and 2.45 percent per annum (2011: 0.75 and 4.45 percent per annum).

9. Trade and other receivables

(Unit : Thousand Baht)

	Consolidated financial statement		Separate financial statement	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
<u>Trade receivables - related parties</u>				
Aged on the basis of due dates				
Not yet due	-	-	-	-
Past due				
Up to 3 months	96	-	96	-
Total trade receivables - related parties	96	-	96	-
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	53,769	58,191	53,769	57,742
Past due				
Up to 3 months	8,851	28,216	8,628	27,559
3 - 6 months	5	-	5	-
6 - 12 months	-	-	-	-
Over 12 months	-	-	-	-
Total trade receivables - unrelated parties	62,625	86,407	62,402	85,301
Total trade receivables	62,721	86,407	62,498	85,301
<u>Other receivables</u>				
Advances	6,318	4,341	6,094	4,103
Interest receivable - related parties	-	-	-	261
Prepaid expenses	10,056	10,141	9,459	9,246
Accrued income	-	96	-	96
Other receivables - related parties	-	-	17,664	34,844
Other receivables - unrelated parties	32,461	40,889	12,377	28,978
Total other receivables	48,835	55,467	45,594	77,528
Total trade and other receivables - net	111,556	141,874	108,092	162,829

Note to Financial Statements

10. Planter receivables

The balances of planter receivables as at 31 December 2012 and 2011, aged on the basis of due dates, are summarised below.

(Unit : Thousand Baht)

Consolidated financial statements /
Separate financial statements

	31 December 2012	31 December 2011
Planters receivable - sugar cane		
Up to 2007/2008 harvesting year	39,047	75,325
2007/2008 harvesting year	8,299	16,555
2008/2009 harvesting year	8,234	15,975
2009/2010 harvesting year	7,148	12,045
2010/2011 harvesting year	9,664	29,214
2011/2012 harvesting year	23,749	-
Total planters receivable	96,141	149,114
Less : Allowance for doubtful debts	(77,609)	(120,606)
Planters receivable - net	18,532	28,508

During the current year, certain planter receivables amounting to approximately Baht 45 million, were written-off as bad debt.

11. Sugar cane plantation loans

(Unit : Thousand Baht)

Consolidated financial statements/
Separate financial statements

	31 December 2012	31 December 2011
Sugarcane plantation loans	432,449	432,577
Less: Current portion of sugarcane plantation loans	(296,331)	(290,124)
Sugarcane plantation loans - net of current portion	136,118	142,453

Sugar cane plantation receivables 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 : Thousand Baht)

Consolidated financial statements

	Cost		Reduce cost to net realisable Value		Inventories - net	
	31 December	31 December	31 December	31 December	31 December	31 December
	2012	2011	2012	2011	2012	2011
Finished goods	521,072	739,458	-	-	521,072	739,458
Work in process	48,409	53,138	-	-	48,409	53,138
Fertilizers, chemicals, spare parts, and factory supplies	38,124	41,312	(69)	(160)	38,055	41,152
By products (Molasses)	20,427	32,139	-	-	20,427	32,139
Total	628,032	866,047	(69)	(160)	627,963	865,887

Notes to Financial Statements

(Unit : Thousand Baht)

Separate financial statements

	Cost		Reduce cost to net realisable Value		Inventories - net	
	31 December	31 December	31 December	31 December	31 December	31 December
	2012	2011	2012	2011	2012	2011
Finished goods	519,378	736,997	-	-	519,378	736,997
Work in process	48,409	53,138	-	-	48,409	53,138
Fertilizers, chemicals, spare parts, and factory supplies	36,133	39,041	(59)	(69)	36,074	38,972
By products (Molasses)	20,427	32,139	-	-	20,427	32,139
Total	624,347	861,315	(59)	(69)	624,288	861,246

13. Amounts due from the Office of the Cane and Sugar Fund

(Unit : Thousand Baht)

Consolidated financial statements/ Separate financial statements

	31 December 2012	31 December 2011
Receivable from compensation for production and distribution of sugar	-	88,406
Less : Payable for price stabilisation cost and research fee	-	(63,788)
Receivable from compensation for production and distribution of sugar - net	-	24,618
Less : Current portion of amounts due from the Office of the Cane and Sugar Fund	-	(17,681)
Amounts due from the Office of the Cane and Sugar Fund - net of current portion	-	6,937

As at the end of reporting period amounts due from the Office of the Cane and Sugar Fund were the 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 8th 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 fees up to 30 September 2007 for which the Company is liable to the fund, and will return the balance to the Company. In the accounting period 2009, the Cane and Sugar Fund made full payment of compensation.
- 2) The Company will receive a refund of compensation for the production and distribution of sugar amounting to Baht 88 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 3 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 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 amounting to Baht 88 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 million. Afterward, on 12 November 2012, 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 (the remaining amount) amounting to Baht 25 million would be offset against price stabilisation cost of the 2010/2011 years that the Company was obliged to pay to the fund amounting to Baht 25 million. As a result, the Company does not have amounts due from the Office of the Cane and Sugar Fund as at 31 December 2012.

Note to Financial Statements

14. Investment in subsidiaries

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

(Unit : Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Khonburi Power Plant Co., Ltd.	350,000	100,500	100.00	100.00	350,000	100,500
Agriculture Machine Services Co., Ltd.	40,000	20,000	100.00	100.00	40,000	20,000
Khonburi Bio Energy Co., Ltd.	7,000	7,000	99.97	99.97	7,000	7,000
Total					397,000	127,500
Less : Allowance for loss on impairment of investment					(7,000)	-
Total investment in subsidiaries - net					390,000	127,500

On 2 May 2012, meeting of the board of directors No.3/2012 of a subsidiary (Khonburi Power Plant Company Limited) passed a resolution to call up additional payment of 50 percent of the share price from the shareholders. The Company has paid additional called-up portion of Baht 100 million, resulting in an increase in investment of such subsidiary from Baht 100 million to Baht 200 million.

On 20 August 2012, meeting of the extraordinary shareholders No.1/2012 of a subsidiary (Khonburi Power Plant Company Limited) passed a special resolution approving the registered capital increase from Baht 200 million (20 million ordinary shares with the par value of Baht 10 per share) to newly registered shares of Baht 500 million (50 million ordinary shares with the par value of Baht 10 per share). The capital increase was registered with the Ministry of Commerce on 24 August 2012, whereby the subsidiary called up the first payment of 50 percent of the share price from the shareholders or Baht 150 million. During the year, the Company acquired the full amount of those shares.

On 20 August 2012, meeting of the extraordinary shareholders No.1/2012 of a subsidiary (Agriculture Machine Services Company Limited) passed a special resolution approving the registered capital increase from Baht 20 million (2 million ordinary shares with the par value of Baht 10 per share) to newly registered shares of Baht 40 million (4 million ordinary shares with the par value of Baht 10 per share). The capital increase was registered with the Ministry of Commerce on 24 August 2012. During the year, the Company acquired the full amount of those shares.

Dividend received

During the year ended 31 December 2012 and during the period as from 1 October 2011 to 31 December 2011, the Company did not receive dividend from subsidiaries.

15. Other long - term investments

(Unit : Thousand Baht)

	Consolidated financial statements/ Separate financial statements	
	31 December 2012	31 December 2011
Available-for-sale securities		
<u>Common stock</u>		
Chumporn Palm Oil Industry Public Company Limited	-	3,538
Aekchol Hospital Public Company Limited	-	101
Total	-	3,639
Add : Unrealised gain on changes in fair value of investment	-	3,216
Total investment in available-for-sale securities	-	6,855

Notes to Financial Statements

(Unit : Thousand Baht)
Consolidated financial statements/
Separate financial statements

	31 December 2012	31 December 2011
Other investments		
<i>Common stock</i>		
The Thai Sugar Trading Corporation Limited	1,750	1,750
Thai Cane and Sugar Corporation Limited	243	243
Thai Sugar Millers Corporation Limited	2	2
Total other investments	1,995	1,995
Total other long-term investments	1,995	8,850

During the year 2012, the Company sold available-for-sale securities with book values totaling Baht 7 million and recognised gains (after tax) on the sales amounting to Baht 4 million in profit or loss. This amount included gains transferred from gain on valuation of available-for-sale securities in other comprehensive income, amounting to Baht 3 million.

16. Property, plant and equipment

(Unit : Thousand Baht)

Consolidated financial statements

	Building 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
Cost									
As at October 2011									
- before adjustment	1,126,347	5,857,368	103,489	132,758	75,169	159,792	209,254	368,905	8,033,082
Adjustments	(368,911)	(4,332,100)	-	-	-	-	-	-	(4,701,011)
As at 1 October 2011									
- after adjustment	757,436	1,525,268	103,489	132,758	75,169	159,792	209,254	368,905	3,332,071
Additions	84	-	-	1,244	4,394	2,885	-	236,835	245,442
Disposals/write-off	-	-	-	(73)	(5)	-	-	-	(78)
Transfers in (out)	14,399	-	-	8,862	-	-	6,501	(29,762)	-
As at 31 December 2011	771,919	1,525,268	103,489	142,791	79,558	162,677	215,755	575,978	3,577,435
Additions	1,846	1,379	103,634	16,097	10,698	5,511	466	476,188	615,819
Disposals/write-off	-	-	(3,043)	(106)	(5,005)	(6,516)	-	-	(14,670)
Transfers in (out)	68,412	643,846	698	833	240	18,422	17,477	(750,966)	(1,038)
As at 31 December 2012	842,177	2,170,493	204,778	159,615	85,491	180,094	233,698	301,200	4,177,546
Accumulated depreciation									
As at 1 October 2011									
- before adjustment	758,588	5,299,558	16,250	115,490	69,906	122,184	146,638	-	6,528,614
Adjustments	(368,911)	(4,332,100)	-	-	-	-	-	-	(4,701,011)
As at 1 October 2011									
- after adjustment	389,677	967,458	16,250	115,490	69,906	122,184	146,638	-	1,827,603
Depreciation for the year	5,429	15,124	20	1,273	1,302	2,553	3,193	-	28,894
Depreciation on disposals/ write-off	-	-	-	(29)	(2)	-	-	-	(31)
As at 31 December 2011	395,106	982,582	16,270	116,734	71,206	124,737	149,831	-	1,856,466
Depreciation for the year	24,044	74,173	149	7,919	5,642	11,051	13,345	-	136,323
Depreciation on disposals/ write-off	-	-	-	(51)	(4,983)	(3,444)	-	-	(8,478)
As at 31 December 2012	419,150	1,056,755	16,419	124,602	71,865	132,344	163,176	-	1,984,311
Net book value									
As at 31 December 2011	376,813	542,686	87,219	26,057	8,352	37,940	65,924	575,978	1,720,969
As at 31 December 2012	423,027	1,113,738	188,359	35,013	13,626	47,750	70,522	301,200	2,193,235

Depreciation for the period/year

For the period as from 1 October 2011 to 31 December 2011 (Baht 27 million included in manufacturing cost, and the remaining balance in administrative expenses)

28,894

For the year ended 31 December 2012 (Baht 119 million included in manufacturing cost, and the remaining balance in administrative expenses)

136,323

Note to Financial Statements

(Unit : Thousand Baht)

Separate financial statements

	Building 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
Cost									
As at 1 October 2011									
- before adjustment	1,126,195	5,857,369	103,489	122,298	77,467	9,523	209,254	193,323	7,698,918
Adjustment	(368,911)	(4,332,100)	-	-	-	-	-	-	(4,701,011)
As at 1 October 2011									
- after adjustment	757,284	1,525,269	103,489	122,298	77,467	9,523	209,254	193,323	2,997,907
Additions	84	-	-	1,244	4,394	2,885	-	229,227	237,834
Disposals/write-off	-	-	-	-	(1)	-	-	-	(1)
Transfers in (out)	14,399	-	-	8,861	-	-	6,501	(29,761)	-
As at 31 December 2011	771,767	1,525,269	103,489	132,403	81,860	12,408	215,755	392,789	3,235,740
Additions	1,846	1,379	103,635	14,719	10,645	30,743	466	414,224	577,657
Disposals/write-off	-	-	(3,043)	(2)	(5,006)	(68)	-	-	(8,119)
Transfers in (out)	68,412	643,845	698	834	240	-	17,477	(732,544)	(1,038)
As at 31 December 2012	842,025	2,170,493	204,779	147,954	87,739	43,083	233,698	74,469	3,804,240
Accumulated depreciation									
As at 1 October 2011									
- before adjustment	758,576	5,299,558	16,250	109,746	69,517	6,708	146,638	-	6,406,993
Adjustments	(368,911)	(4,332,100)	-	-	-	-	-	-	(4,701,011)
As at 1 October 2011									
- after adjustment	389,665	967,458	16,250	109,746	69,517	6,708	146,638	-	1,705,982
Depreciation for the year	5,427	15,124	20	1,078	1,286	347	3,193	-	26,475
Depreciation on disposals/write-off	-	-	-	-	-	-	-	-	-
As at 31 December 2011	395,092	982,582	16,270	110,824	70,803	7,055	149,831	-	1,732,457
Depreciation for the year	24,036	74,173	149	7,046	5,575	7,100	13,345	-	131,424
Depreciation on disposals/write-off	-	-	-	-	(4,983)	(68)	-	-	(5,051)
As at 31 December 2012	419,128	1,056,755	16,419	117,870	71,395	14,087	163,176	-	1,858,830
Net book value									
As at 31 December 2011	376,675	542,687	87,219	21,579	11,057	5,353	65,924	392,789	1,503,283
As at 31 December 2012	422,897	1,113,738	188,360	30,084	16,344	28,996	70,522	74,469	1,945,410
Depreciation for the period/year									
For the period as from 1 October 2011 to 31 December 2011 (Baht 24 million included in manufacturing cost, and the remaining balance in administrative expenses)									26,475
For the year ended 31 December 2012 (Baht 119 million included in manufacturing cost, and the remaining balance in administrative expenses)									131,424

As at 31 December 2012, 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 187 million (2011: Baht 183 million).

The Company and subsidiaries have pledged almost of assets as collateral against credit facilities and loans received from financial institutions (all types of liabilities) as mentioned in Note 21 and 32.

17. Intangible assets

Intangible assets of the Company and subsidiaries are computer software.

Notes to Financial Statements

(Unit : Thousand Baht)

	Consolidated financial statements	Separated financial statements
Cost :		
1 October 2011	15,497	15,400
Additions	639	92
31 December 2011	16,136	15,492
Additions	4,804	4,171
Transfer in	1,038	1,038
31 December 2012	21,978	20,701
Amortisation :		
1 October 2011	(4,972)	(4,939)
Amortisation	(1,244)	(1,229)
31 December 2011	(6,216)	(6,168)
Amortisation	(5,776)	(5,639)
31 December 2012	(11,992)	(11,807)
Net book value		
31 December 2011	9,920	9,324
31 December 2012	9,986	8,894
Amortisation expenses		
For the period as from 1 October 2011 to 31 December 2011	1,244	1,229
For the year ended 31 December 2012	5,776	5,639

18. Non-current assets

(Unit : Thousand Baht)

	Consolidated financial statements		Separated financial statements	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Leasehold rights	7,192	7,653	7,192	7,653
Advance payment	80,217	-	-	-
Other	2,266	2,564	2,265	2,564
Total non-current assets	89,675	10,217	9,457	10,217

Note to Financial Statements

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

(Unit : Thousand Baht)

	Interest rate (percent per annum)	Consolidated financial statements		Separated financial statements	
		31 December 2012	31 December 2011	31 December 2012	31 December 2011
Bank overdrafts	MOR	-	764	-	764
Short-term loans from financial institutions	4.05 %	5,832	-	-	-
Total		5,832	764	-	764

20. Trade and other payables

(Unit : Thousand Baht)

	Consolidated financial statements		Separated financial statements	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Planter payables	429,549	580,484	429,549	580,484
Trade payables - unrelated parties	196,375	226,688	184,742	213,657
Revenues received in advance	127,025	42,160	127,025	42,160
Fixed asset payables	110,938	78,553	110,318	78,553
Accrued expenses - unrelated parties	39,258	28,597	38,095	27,637
Accrued expenses - related parties	10,329	11,446	18,757	20,100
Other payables	23,409	22,100	23,409	22,017
Total trade and other payables	936,883	990,028	931,895	984,608

Planter payables

The Company purchased sugar cane for the 2012/2013 harvesting year in accordance with the letter of the Office of the Cane and Sugar Board No. 7/2555 dated 27 November 2012. This determined the initial price of sugar cane in the 2012/2013 harvesting year at Baht 950 per ton of sugar cane at a sweetness of 10 C.C.S with the price to be increased or decreased by Baht 57 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 2012/2013 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 2012/2013 harvesting year based on the estimated cost. This was equal to Baht 1,000 per ton of sugar cane at a sweetness of 10 C.C.S., with the price to be increased or decreased by Baht 60 per ton for each 1 C.C.S variation.

For the 2011/2012 harvesting year, the Company recorded sugar cane costs and planter payable in accordance with the letter of the Office of the Cane and Sugar Board No. 1/2556 dated 31 January 2013 at Baht 1,072 per ton of sugar cane at a sweetness of 10 C.C.S. with the price to be increased or decreased by Baht 64 per ton for each 1 C.C.S. variation.

For the period as from 1 October 2011 to 31 December 2011, the Company purchased sugar cane for the 2011/2012 harvesting year in accordance with the letter of the Office of the Cane and Sugar Board No. 9/2554 dated 28 November 2011. This determined the initial price of sugar cane in the 2011/2012 harvesting year at Baht 1,000 per ton of sugar cane at a sweetness of 10 C.C.S with the price to be increased or decreased by Baht 60 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 2011/2012 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 period as from 1 October 2011 to 31 December 2011 based on the estimated cost. This was equal to Baht 1,100 per ton of sugar cane at a sweetness of 10 C.C.S., with the price to be increased or decreased by Baht 66 per ton for each 1 C.C.S variation.

Notes to Financial Statements

For the period as from 1 October 2011 to 31 December 2011, 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 per ton of sugar cane at a sweetness of 10 C.C.S., with the price to be increased or decreased by Baht 64 per ton for each 1 C.C.S variation.

21. Long-term loans

				(Unit : Thousand Baht)			
				Consolidated		Separate	
				financial statements		financial statements	
Loan No.	Credit facilities	Interest rate (%)	Repayment schedule	31 December 2012	31 December 2011	31 December 2012	31 December 2011
(Million Baht)							
1	1,350.00	MLR - 2	18 semi-annual installments of Baht 15 to 110 million each, with the amount raised every year, commencing from June 2007	400,000	600,000	400,000	600,000
2	8.35	4	10 semi-annual installments of Baht 0.5 to 1.85 million each, with the amount raised every year, commencing from December 2008	1,850	3,850	1,850	3,850
3	48.45	MLR - 1	10 semi-annual installments of Baht 2.42 to 7.97 million each, with the amount raised every year, commencing from March 2010	26,310	36,690	26,310	36,690
4	23.70	4	10 semi-annual installments of Baht 0.84 - 3.97 million each, with the amount raised every year, commencing from February 2011	18,520	22,020	18,520	22,020
5	115.00	MLR - 1.25	10 semi-annual installments of Baht 11.5 million each, commencing from June 2011	-	72,975	-	-
Total				446,680	735,535	446,680	662,560
Less : Current portion				(16,630)	(27,380)	(16,630)	(15,880)
Long - term loans - net of current portion				430,050	708,155	430,050	646,680

Movements in the long-term loans account during the period ended 31 December 2012 are summarised below.

			(Unit : Thousand Baht)	
			Consolidated	
			financial statements	
			Separate	
			financial statements	
Balance as at 1 January 2012			735,535	662,560
Less : Repayments			(288,855)	(215,880)
Balance as at 31 December 2012			446,680	446,680

As at 6 August 2012, a subsidiary entered into loan agreement of Baht 1,150 million with a local financial institution. The loan carries interest at a rate of AMLR minus 2.95% per annum (AMLR is an average MLR interest rate of 4 local financial institutions), and is due on semi-annual basis within 8 years since the first draw down, the first installment is payable in June 2014.

As at 31 December 2012, a subsidiary has yet to draw down this loan.

These loans are secured by mortgage of project land and construction thereon, and machinery and equipment 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.

As at 31 December 2012, the long-term credit facilities of the subsidiary which have not yet been drawn down amounted to Baht 1,372 million (2011: Baht 2 million).

Note to Financial Statements

22. Liabilities under finance lease agreements

(Unit : Thousand Baht)

	Consolidated financial statements		Separated financial statements	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Liabilities under finance lease agreements	11	4,969	11	2,286
Less : Deferred interest expenses	-	(225)	-	(124)
Total	11	4,744	11	2,162
Less : Portion due within one year	(11)	(2,797)	(11)	(1,448)
Liabilities under finance lease agreements - net of current portion	-	1,947	-	714

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.

Future minimum lease payments required under the finance lease agreements were as follows :

(Unit : Thousand Baht)

Consolidated financial statements

As at 31 December 2012

	Less than 1 Year	1 - 5 Years	Total
Future minimum lease payments	11	-	11
Deferred interest expense	-	-	-
Present value of future minimum lease payments	11	-	11

(Unit : Thousand Baht)

Consolidated financial statements

As at 31 December 2011

	Less than 1 Year	1 - 5 Years	Total
Future minimum lease payments	2,960	2,009	4,969
Deferred interest expense	(163)	(62)	(225)
Present value of future minimum lease payments	2,797	1,947	4,744

(Unit : Thousand Baht)

Separated financial statements

As at 31 December 2012

	Less than 1 Year	1 - 5 Years	Total
Future minimum lease payments	11	-	11
Deferred interest expense	-	-	-
Present value of future minimum lease payments	11	-	11

Notes to Financial Statements

(Unit : Thousand Baht)

Separated financial statements

As at 31 December 2011

	Less than 1 Year	1 - 5 Years	Total
Future minimum lease payments	1,536	750	2,286
Deferred interest expense	(88)	(36)	(124)
Present value of future minimum lease payments	1,448	714	2,162

23. Provision for long-term employee benefits

Provision for long-term employee benefits which is compensations on employees' retirement, was as follows :

(Unit : Thousand Baht)

Consolidated financial statements Separated financial statements

	2012	2011	2012	2011
Balance at beginning of year/period	15,902	15,296	14,564	14,010
Current service cost	1,909	472	1,765	431
Interest cost	552	134	511	123
Balance at end of year/period	18,363	15,902	16,840	14,564

Long-term employee benefit expenses included in the profit or loss was as follows :

(Unit : Thousand Baht)

Consolidated financial statements Separated financial statements

	For the year ended 31 December 2012	For the period as from 1 October 2011 to 31 December 2011	For the year ended 31 December 2012	For the period as from 1 October 2011 to 31 December 2011
Current service cost	1,909	472	1,765	431
Interest cost	552	134	511	123
Total expense recognized in profit or loss	2,461	606	2,276	554

Line items under which such expenses are included in profit or loss

Cost of sales	792	-	792	-
Selling and administrative expenses	1,669	606	1,484	554

Principal actuarial assumptions at the valuation date were as follows :

	Consolidated financial statements		Separated financial statements	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	3.5%	3.5%	3.5%	3.5%
Future salary increase rate (depending on age)	3.5% - 5.5%	3.5% - 5.5%	3.5% - 5.5%	3.5% - 5.5%
Staff turnover rate	6.0% - 18.0%	6.0% - 18.0%	6.0% - 18.0%	6.0% - 18.0%

Note to Financial Statements

Provision for long-term employee benefits for the current and previous year is as follows :

(Unit : Thousand Baht)

	Consolidated financial statements	Separated financial statements
2012	18,363	16840
2011	15,902	14564

24. Share Capital

The Annual General Meeting of the shareholders held on 16 December 2010 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 million, with a share premium of Baht 1,180 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.

25. 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 profit 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.

26. Expenses by nature

Significant expenses by nature are as follows :

(Unit : Thousand Baht)

	Consolidated financial statements		Separated financial statements	
	For the year ended 31 December 2012	For the period as from 1 October 2011 to 31 December 2011	For the year ended 31 December 2012	For the period as from 1 October 2011 to 31 December 2011
Salary and wages and other employee benefits	264,589	53,410	258,595	52,883
Depreciation and amortisation	142,099	30,138	137,063	27,705
Transportation expenses	120,188	5,187	120,188	5,187
Price stabilisation costs, research fee and contribution to Cane and Sugar Fund	77,987	13,408	77,987	13,408
Maintenance expenses	200,770	48,477	196,091	42,701
Rental expenses from operating lease agreements	13,285	10,500	12,917	10,413
Raw materials and consumables used	3,271,770	643,376	3,271,770	643,376
Changes in inventories of finished goods and work in process	(234,827)	(411,131)	(234,060)	(411,292)

Notes to Financial Statements

27. 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.

On 29 October 2012, the subsidiary submitted an application for the promotional privilege of a new 35-megawatt power plant to the Board of Investment (BOI), which is currently being considered by BOI.

For the period as from 1 October 2011 to 31 December 2011 and for the year ended 31 December 2012, the subsidiary company has no revenues from the promoted operation.

28. Earnings per share

Basic earnings per share is calculated by dividing profit for the period/year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the period/year.

29. 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 year ended 31 December 2012 by segment and for the period as from 1 October 2011 to 31 December 2011.

(Unit : Thousand Baht)

	Production and distribution of cane sugar		Service and utilities		Total		Elimination		Grand Total	
	For the period as from 1 October the year ended 31 December 2012	For the period as from 1 October the year ended 31 December 2011	For the period as from 1 October the year ended 31 December 2012	For the period as from 1 October the year ended 31 December 2011	For the period as from 1 October the year ended 31 December 2012	For the period as from 1 October the year ended 31 December 2011	For the period as from 1 October the year ended 31 December 2012	For the period as from 1 October the year ended 31 December 2011	For the period as from 1 October the year ended 31 December 2012	For the period as from 1 October the year ended 31 December 2011
Sales and service income										
- Local	1,315,525	300,589	547,384	87,631	1,862,909	388,220	(48,443)	(20,046)	1,814,466	368,174
- Export	4,535,112	177,725	-	-	4,535,112	177,725	-	-	4,535,112	177,725
Total sales and service	5,850,637	478,314	547,384	87,631	6,398,021	565,945	(48,443)	(20,046)	6,349,578	545,899
Segment operating income (loss)	847,213	(18,208)	40,592	8,875	887,805	(9,333)	8,471	1,455	896,276	(7,878)
Unallocated income (expenses) :										
Interest income									39,322	23,864
Dividend income									175	-
Other income									51,158	28,428
Finance cost									(56,796)	(11,165)
Income tax expenses									(204,531)	(3,210)
Profit for the year/period									725,604	30,039

Note to Financial Statements

(Unit : Thousand Baht)

	Product and distribution of cane sugar		Services and Utilities		Total		Elimination		Grand total	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Property, plant and equipment	1,945,410	1,503,283	261,890	228,490	2,207,300	1,731,773	(14,065)	(10,804)	2,193,235	1,720,969
Other assets	2,407,804	3,002,767	164,564	47,600	2,572,368	3,050,367	(423,072)	(196,249)	2,149,296	2,854,118
Total assets	4,353,214	4,506,050	426,454	276,090	4,779,668	4,782,140	(437,137)	(207,053)	4,342,531	4,575,087

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

30. 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. For the year ended 31 December 2012, the Company and its subsidiaries contributed Baht 4 million (During the period as from 1 October 2011 to 31 December 2011: Baht 1 million) to the fund.

31. Dividends paid

(Unit : Thousand Baht)

	Approved by	Total dividends	Dividend per share
<u>For the year 2012</u>			
Dividends on income for the Period of 1 October 2011 to 31 December 2011	Annual General Meeting of the shareholders on 26 April 2012	15,000,000	0.03
Dividends on income for the period of 1 January 2012 to 30 June 2012	Annual General Meeting of the Shareholders on 10 August 2012	100,000,000	0.20
		<u>115,000,000</u>	
<u>For the period as from</u>			
<u>1 October 2011 to</u>			
<u>31 December 2011</u>			
Final dividends on income for fiscal year 2011	Board of Directors' Meeting on 24 November 2011	210,000,000	0.42
		<u>210,000,000</u>	

32. Commitments and contingent liabilities

32.1 Capital commitments

As at 31 December 2012, the Company and its subsidiaries had capital commitments of approximately Baht 143 million and Baht 564 million, respectively (2011: Baht 152 million and Baht 1 million), relating to the construction of factory buildings, and acquisition of machinery.

32.2 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.

Future minimum lease payments required under these non-cancellable operating lease contracts were as follows.

(Unit : Million Baht)

	Consolidated financial statements		Separated financial statements	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Payable within :				
1 year	14	10	9	9
2 to 5 years	10	3	2	3
More than 5 years	16	-	-	-

Notes to Financial Statements

32.3 Molasses sale/purchase commitments

As at 31 December 2012, the Company had commitments of Baht 127 million (2011: Baht 74 million) relating to molasses sales agreements, for which delivery had not yet been made. The agreements mature within one year.

32.4 Cane sugar sales commitments

As at 31 December 2012, the Company had commitments of Baht 2,210 million (2011: Baht 1,572 million) relating to cane sugar sale agreements, for which delivery had yet to be made. The agreements mature within one year.

32.5 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 extending for 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.

However, during the current year, a subsidiary received approval from Electricity to postpone the date for starting to supply electricity to within 30 June 2013.

32.6 Guarantees

- (1) As at 31 December 2012, the Company has guaranteed bank credit facilities of its subsidiary amounting to Baht 1,150 million (2011: Baht 145 million)
- (2) As at 31 December 2012, there were outstanding bank guarantees of approximately Baht 2 million (2011: Baht 2 million) issued by banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business.
- (3) As at 31 December 2012, there were outstanding bank guarantees of approximately Baht 13 million (2011: Nil) issued by banks on behalf of the subsidiary company in respect of performance under an electricity sale/purchase agreement and the submission of applications and offer to sell electricity. They were used as security with the Provincial Electricity Authority and the Electricity Generating Authority, in compliance with the regulations of purchasing electricity from small power producers.
- (4) As at 31 December 2012, the Company had a letter of guarantee issued on behalf of the Company in respect of a subsidiary’s receivables in accordance with loan agreement, and receivables regarding letter of credit and trust receipts, amounting to Baht 1,150 million and Baht 900 million, respectively (2011: Nil).

32.7 Commitments in respect of uncalled investments

As at 31 December 2012, a subsidiary company had outstanding commitment of Baht 150 million in respect of uncalled portion of investments (2011: Nil).

33. Financial instruments

33.1 Financial risk management

The Company and subsidiaries’ financial instruments, as defined under Thai Accounting Standard No. 107 “Financial Instruments: Disclosure and Presentations”, principally comprise cash and cash equivalents, trade and other receivable, planter receivable, sugarcane plantation loans, amounts due from the Office of the Cane and Sugar Fund, investments, short-term loans, trade and other payable and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company and subsidiaries are exposed to credit risk primarily with respect to trade and other receivables, planter receivables, sugarcane plantation loans and loans. 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 and other receivables, planter receivables, sugarcane plantation loans and loans as stated in the statements of financial position.

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 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.

Note to Financial Statements

(Unit : Million Baht)

Consolidated financial statements

As at 31 December 2012

	Fixed interest rates		Floating	Non -	Total	Interest rate
	Within 1 year	1-5 years	Interest rate	Interest bearing		
(% p.a)						
Financial assets						
Cash and cash equivalents	600	-	148	-	748	0.75 - 2.45
Trade and other receivables	-	-	-	112	112	-
Planter receivables	-	19	-	-	19	10
Sugarcane plantation loans	296	136	-	-	432	0 - 7
	<u>896</u>	<u>155</u>	<u>148</u>	<u>112</u>	<u>1,311</u>	
Financial liabilities						
Bank overdrafts and short-term loans	6	-	-	-	6	4.05
Trade and other payables	-	-	-	937	937	-
Liabilities under finance lease agreements	-	-	-	-	-	3.60 - 7.53
Amounts due to the Office of the Cane and Sugar fund	-	-	-	48	48	-
Long-term loans from financial institutions	6	14	427	-	447	As specified in Note 21
	<u>12</u>	<u>14</u>	<u>427</u>	<u>985</u>	<u>1,438</u>	

(Unit : Million Baht)

Consolidated financial statements

As at 31 December 2011

	Fixed interest rates		Floating	Non -	Total	Interest rate
	Within 1 year	1-5 years	Interest rate	Interest bearing		
(% p.a)						
Financial assets						
Cash and cash equivalents	500	-	822	3	1,325	0.75 - 2.45
Trade and other receivables	-	-	-	142	142	-
Planter receivables	-	29	-	-	29	10
Sugarcane plantation loans	290	142	-	-	432	0 - 7
Amounts due from the Office of the Cane and Sugar Fund	-	-	-	25	25	-
	<u>790</u>	<u>171</u>	<u>822</u>	<u>170</u>	<u>1,953</u>	
Financial liabilities						
Bank overdrafts	-	-	1	-	1	7 - 7.50
Trade and other payables	-	-	-	990	990	-
Liabilities under finance lease agreements	3	2	-	-	5	3.60 - 7.53
Amounts due to the Office of the Cane and Sugar fund	-	-	-	60	60	-
Long-term loans from financial institutions	12	28	696	-	736	As specified in Note 21
	<u>15</u>	<u>30</u>	<u>697</u>	<u>1,050</u>	<u>1,792</u>	

Notes to Financial Statements

(Unit : Million Baht)

Separate financial statements

As at 31 December 2012

	Fixed interest rates		Floating	Non -	Total	Interest rate
	Within 1 year	1-5 year	Interest rate	Interest bearing		
(% p.a)						
Financial assets						
Cash and cash equivalents	600	-	103	-	703	0.75 - 2.45
Trade and other receivables	-	-	-	108	108	-
Planter receivables	-	18	-	-	18	10
Sugarcane plantation loans	296	136	-	-	432	0 - 7
	<u>896</u>	<u>154</u>	<u>103</u>	<u>108</u>	<u>1,261</u>	
Financial liabilities						
Trade and other payables	-	-	-	932	932	-
Liabilities under finance lease agreements	-	-	-	-	-	3.60 - 7.53
Amounts due to the Office of the Cane and Sugar fund	-	-	-	48	48	-
Long-term loans from financial institutions	6	14	427	-	447	As specified in Note 21
	<u>6</u>	<u>14</u>	<u>427</u>	<u>980</u>	<u>1,427</u>	

Separate financial statements

(Unit : Million Baht)

As at 31 December 2011

	Fixed interest rates		Floating	Non -	Total	Interest rate
	Within 1 year	1-5 year	Interest rate	Interest bearing		
(% p.a)						
Financial assets						
Cash and cash equivalents	500	-	807	3	1,308	0.75 - 2.45
Trade and other receivables	-	-	-	163	163	-
Planter receivables	-	29	-	-	29	10
Sugarcane plantation loans	290	142	-	-	432	0 - 7
Amounts due from the Office of the Cane and Sugar Fund	-	-	-	25	25	-
	<u>790</u>	<u>171</u>	<u>807</u>	<u>189</u>	<u>1,957</u>	
Financial liabilities						
Bank overdrafts	-	-	1	-	1	7 - 7.50
Trade and other payables	-	-	-	985	985	-
Liabilities under finance lease agreements	1	1	-	-	2	3.60 - 7.53
Amounts due to the Office of the Cane and Sugar fund	-	-	-	60	60	-
Long-term loans from financial institutions	12	28	623	-	663	As specified in Note 21
	<u>13</u>	<u>29</u>	<u>624</u>	<u>1,045</u>	<u>1,711</u>	

Note to Financial Statements

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.

The balances of forward exchange contracts that were made in the name of the related company in foreign currencies are summarised below.

As at 31 December 2012

Foreign currency	Sold amount	Exchange rate	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
US dollar	81	31.22 - 32.45	Between June and December 2013

As at 31 December 2011

Foreign currency	Sold amount	Exchange rate	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
US dollar	105	30.63 - 32.30	Between January and September 2012

The balances of financial assets denominated in foreign currencies are summarised below.

Foreign currency	Financial assets		Exchange rate	
	as at 31 December		as at 31 December	
	2012	2011	2012	2011
	(Thousand)	(Thousand)	(Baht per 1 foreign currency unit)	
US dollar	158	162	30.4857	31.5505

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 profit 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.

Notes to Financial Statements

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.

As a result of the above system, 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 contracts is closed or when the contract expires, by recognising the gains or losses in the comprehensive income statement.

During the year 2012, the Company did not enter into outstanding sugar futures contracts.

33.2 Fair values of financial instruments

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

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.

34. Capital management

The primary objective of the Company's capital management is to ensure that it has an appropriate financial structure in order to support its business and maximise shareholder value. As at 31 December 2012, the Group's debt-to-equity ratio was 0.55:1 (2011: 1:1) and the Company's was 0.54:1 (2011: 1:1).

35. Events after the reporting period

35.1 On 16 January 2013, the Company and a subsidiary have entered into 4 agreements relating to the operation of electricity from biomass of such subsidiary. The agreements' term is 29 years and 10 months, as from the date of 1 February 2013 until 30 November 30 2042, as detailed below.

- a) The electricity sale/purchase agreement - The Company agreed to acquire an electricity voltage of 3300 volts for power supply 10 megawatt from its subsidiary. The price is at the same as the electricity price purchased from the Electricity Authority.
- b) The low pressure steam sale/purchase agreement - The Company agreed to acquire a low pressure steam, with the pressure not less than 1.7 bars from its subsidiary. The price is as stipulated in the agreement.
- c) The bagasse sale/purchase agreement - The Company agreed to sell approximate 460,000 tons of bagasse per year to its subsidiary. The price is as stipulated in the agreement.
- d) The raw water sales/purchase agreement - The Company agreed to sell raw water in volume not exceeding 30,000 cubic meters per month to its subsidiary. The price is as stipulated in the agreement.

Note to Financial Statements

The Company and its subsidiary will start the operation would operate in accordance with all of the above agreements after the power plant of the subsidiary is completed.

35.2 On 22 January 2013, a subsidiary submitted a letter to the Board of Investment (BOI) requesting the cancellation of the promotion certificate No. 1521 (1) / 2552 for privileges for the operation of electricity and steam from biomass as discussed in Note 27, due to capacity adjustment of the project. Currently, the Company's request is being considered by BOI.

35.3 On 5 February 2013, the Extraordinary General Meeting No. 1/2556 passed the following resolutions.

- a) The meeting passed a resolution approving an increase in the registered capital from Baht 500,000,000 to Baht 600,000,000 by issuing 100,000,000 new ordinary shares at a par value of Baht 1 per share. The Company registered the capital increase with the Ministry of Commerce on 7 February 2013.
- b) The meeting passed a resolution approving an issuance and exercise of warrants of Khunburi Sugar Public Company Limited No. 1 ("Warrant 1"), totaling 50,000,000 warrants. The warrants will be allocated on a private placement basis to Mitsui & Co., Ltd. of 33,333,333 Shares and Mitsui Sugar of 16,666,667 shares, offered at Baht 0.05 per unit, with the exercise price of 12.70 per share.
- c) The meeting passed a resolution approving an allocation of the capital increase of 100,000,000 ordinary shares with a par value of 1 Baht each. The details of such allocation are as follows :-
 - 1) To allocate capital increase of 33,333,333 ordinary shares with Baht 10.25 each to Mitsui & Co., Ltd. on a private placement basis.
 - 2) To allocate capital increase of 16,666,667 ordinary shares with Baht 10.25 each to Mitsui Sugar Co., Ltd. on a private placement basis.
 - 3) To allocate capital increase of 50,000,000 ordinary shares reserved for the exercise of warrants in accordance with "Warrant 1".

35.4 On 26 February 2013, a meeting of the Company's Board of Directors passed a resolution to propose the payment of dividends from the fiscal year 2012 results of its operations for approval by the 2013 Annual General Meeting of the shareholders. The proposed dividend was Baht 0.67 per share. Interim dividend of Baht 0.20 per share was paid during 2012.

36. Approval of financial statements

These financial statements were authorised for issue by authorised directors on 26 February 2013.

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 31 December 2012 are audit fee of the consolidated and separate financial statements, not exceeding Baht 910,000 and reviewing of three quarterly consolidated and separate financial statements not exceeding Baht 480,000. The remuneration of auditors are totaling Baht 1,390,000.

It was noted that the auditors have worked on satisfying accountability and responsibility as the Company's auditors for four years since 1999-2012. 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.

The Registrar :

Thailand Securities Depository Co., Ltd.

62 The Stock Exchange of Thailand Building, Rachadapisek Road, Klongtoey, Bangkok 10110, Thailand

Tel : (66 2) 229 2800 Fax: (66 2) 359 1259 TSD CALL CENTER : (66 2) 229 2888

Website : <http://www.tsd.co.th> E-mail : TSDCallCenter@set.or.th

Auditor :

Mr. Sophon Permsirivallop Certified Public Accountant (Thailand) No.1308

Ernst & Young Office Limited

33rd Floor, Lake Rajada, Office Complex 193/136-137 New Rajadapisek Road,
Klongtoey, Bangkok 10110 Thailand

Tel : (66) 2264-0777

Fax : (66) 2264-0789-90

Email : ErnstYoung.Thailand@th.ey.com

Legal Advisor :

Associate Prof Sahaton Rattanapijit

The Faculty of Law, Thammasat University Bangkok 10200

Tel : (66) 2221-6111 Ext. 2121

KHONBURI SUGAR
PUBLIC COMPANY LIMITED





KHONBURI SUGAR PUBLIC COMPANY LIMITED

Head Office 164 Soi Sukhumvit 23 (Prasarnmit), Sukhumvit Road, Klongtoey Nua, Wattana, Bangkok 10110

Tel : 02-260-4951-5 Fax : 02-260-4950

Factory 289 Moo 13 Chorakhe Hin, Khon Buri, Nakhon Ratchasima 30250

Tel : (044) 448-338, (044) 449-020 Fax : (044) 448-500



www.kbs.co.th