



ANNUAL REPORT 2013



KHONBURI SUGAR
PUBLIC COMPANY LIMITED

VISION

To be recognized as a leading organization in cane sugar and bio-energy businesses by integrating human resources, technology, and management.

MISSION

To conduct business with adherence to good corporate governance principal, ethics, and responsibility to all the stakeholders. To improve the quality of products, services, and processes so as to create higher value-added by innovations and new ideas. To promote the learning to result in the differentiation in the corporation's core competency, which will allow the company to grow rapidly with stability. To change and modernize the organization to be in line with the business environment of the national and global level.



	Vision and Mission	
Overview	Message from the Chairman and the Chairman of Executive Committee	2
	Board of Directors	4
	Executive Management Team	6
	Financial and Operation Highlights	8
Our Business	General Information	9
	Corporate Background and Major Developments	10
	Nature of Business and Income Structure of the Company	11
	Marketing and Competition of Sugar Industry	13
	Risk Factors	25
Good Corporate Governance	Shareholding Structure and Management	28
	Policy on the use of Inside Information	39
	Director and Management Profile	40
	Corporate Governance	47
	Related Transactions	53
Financial Report	Report of The Board of Director's Responsibilities to the Financial Reports	55
	Report of the Audit Committee	56
	Management Discussion and Analysis	58
	Report of the Independent Auditor and Financial Statements	62
CSR	Corporate Social Responsibility	102
	References	107






MR. SUTHEP WONGVORAZATHE
CHAIRMAN

To All Shareholders, Customers, and Patrons

In 2013, Khonburi Sugar Group (KBS) has made remarkable progresses in the two strategic projects. The first project is the construction of 35 Mega-Watt biomass power plant. The construction phase has been completed to enable the steam distribution to the sugar mill since February 2014. This power plant will sell the electricity to the Electricity Generating Authority of Thailand starting in April 2014. Key benefits of this project include enhancement of power security to the sugar factory, expansion of the Group's profit margin, and creation of "Green Energy" to the neighboring communities. We are proud to take part in putting into practice the Government's policy to strengthen Thailand's electricity and power security from domestic energy sources, which will in turn, reduce the dependence on the imports of crude oil and other energy supplies from overseas. The second project is the business alliance with Mitsui Group of Japan. Last year, the Technical Committee, comprising officials from KBS Group and the Mitsui Group, have been working to analyze the production techniques of our sugar mill. The Technical Committee has proposed a lot of suggestion to improve production processes. Those recommendations have been implemented and resulted in actual cost saving and efficiency enhancement in material way. Moreover, KBS has also been benefited from Mitsui's overseas sugar customer network. The network not only enlarge KBS's customer base but also supplies us with customer intelligence on customers to improve our products and process to achieve higher standard.

With regard to the industry climate in 2013, there are both positive and negative changes in industrial and competition environments that KBS has to adapt and handle. First, the Government is actively studying the agricultural zoning practice, which will be beneficial to the cane and sugar industry as overall cane plantation areas are likely to increase under the new zoning scheme. Second, the government's energy policy has become more certain in its direction when the ban of Benzene 91 (ULG 91) distribution has been enforced since the beginning of 2013. The demands and prices of ethanol and molasses have been significantly increased as a result of that policy. Finally, major sugar manufacturing countries has been increasing their sugar production output that resulted in the event of sugar over-supply for 4 consecutive years. This situation put the pressure on the sugar prices both for the 2013/14 season and the 2014/15 season, in which certain sugar has volume been sold through the future contracts.

In terms of the Company's operating result, although the fluctuation in sugar prices throughout the year was the predominant factor adversely affected the operating results, KBS has put great effort in risk management practice, trimming down the production costs, improving the personnel competency, and augmentation of product's added values in order to minimize the effects from sugar prices. Eventually, the Group was able to report the net profit of Baht 501 million for the year 2013, the return on equity of 16.1%, earning per share of Baht 0.93, and the dividend per share of Baht 0.50.

AND THE CHAIRMAN OF THE EXECUTIVE COMMITTEE



MR. TAKON TAWINTERMSUP
CHAIRMAN OF THE EXECUTIVE COMMITTEE

The Group will continue to work hard to ensure continuous development, which will lead to strengthen the business sustainability, and, in turn, maximize value creation for both internal and external stakeholders in the long run. Starting from the raw material development, KBS has been always targeted to increase the cane productivity. We have brought knowledge and know-how, automation and machinery, and management to help cane farmers lower their plantation cost and increase cane farm yield. These will help promote the sugarcane farmers' income level and improve their living conditions by doing so, KBS, in the process will created the raw material security, which is the very foundation for the Group to expand its businesses. On the production side, KBS will focused on improving the working procedure to curb the production costs and boost the production efficiency. Finally, on marketing area, KBS will focused on adding value to current product offerings by creating new products and packages to correspond to changing customers' demands in prevailing economic and social conditions. Moreover, we have always placed high value on the business operations under good corporate governance with care for the environment and neighboring communities. KBS took part in the Project "Shifting Industrial Plants with Social Responsibility to the Sustainable Green Culture and Network". KBS initiated several projects benefiting all communities located in the area within 5 kilometers distance from our sugar mill; for example, "College in the Plant Project" was initiated to build personnel of new generation and to encourage the employees to continue studies at the vocational and higher vocational levels. The "Clean Water for Communities Project" was set up to install water filters in the communities for the good health of people in the communities. The "KBS Good People, Smart People Project" was an initiative to give 80 scholarships to students in primary school and secondary school levels to hand to local children with good conduct the equitable chances of higher educations. We consider social contribution and community development our duties and obligation as they are parts of our business operations that could led to sustainable development in long run.

Finally, we would like to extend our appreciation to all shareholders, customers and patrons for all trust and excellent supports to the Khonburi Sugar Group. We are prepared to continue to move forward, using our knowledge, abilities and experience in the organization management to make our Group a leading organization in the cane, sugar, and bio-energy businesses, and to increase shareholders' long term return on investment.



BOARD OF DIRECTORS

- | | | |
|----------------|---------------|-------------------------------------|
| 1. Mr. Suthep | Wongvorazathe | Chairman |
| 2. Mr. Takon | Tawintermsup | Chairman of the Executive Committee |
| 3. Mr. Somkiat | Twiltermsup | Director and Executive Director |
| 4. Mr. Issara | Twiltermsup | Director and Executive Director |
| 5. Mr. Tat | Wanakornkul | Director and Executive Director |



BOARD OF DIRECTORS

- | | | |
|-------------------|---------------|------------------------------------------------------|
| 6. Mr. Amnat | Rumpoeypong | Director |
| 7. Mr. Sran | Smutkochorn | Independent director |
| 8. Dr. Tawatchai | Nakhata | Independent Director |
| 9. Mrs. Suvimol | Krittayakiern | Chairman of Audit Committee and Independent Director |
| 10. Mr. Prathueng | Srirodbang | Audit Committee and Independent Director |
| 11. Mr. Voravit | Rojrapitada | Audit Committee and Independent Director |



EXECUTIVE MANAGEMENT TEAM

- | | | |
|------------------|-------------|-----------------------------------------------------|
| 1. Mr. Tat | Wanakornkul | Managing Director |
| 2. Mr. Somkiat | Twiltermsup | Assistant Managing Director, Marketing |
| 3. Mr. Issara | Twiltermsup | Assistant Managing Director, Corporate Affairs |
| 4. Mrs. Pornpun | Boonchaisri | Assistant Managing Director of Accounting & Finance |
| 5. Mr. Rathavudh | Saetang | Sale and Marketing Director |



EXECUTIVE MANAGEMENT TEAM

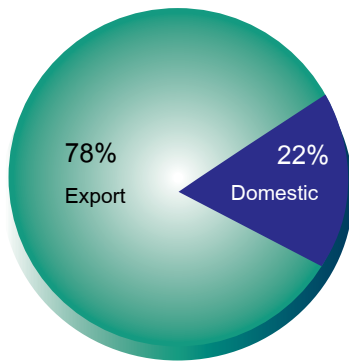
- | | | |
|------------------|--------------|------------------------------------------------------|
| 6. Mr. Thanthit | Kasemsup | Business Development Director |
| 7. Mr. Natthasit | Thaitrakul | Khonburi Sugar Factory Director |
| 8. Mr. Sathaporn | Singhathawat | Cane Development Director |
| 9. Mr. Dumrong | Putiput | Technical and Project Director |
| 10. Mr. Thien | Keawpradub | Power Plant Director, Khonburi Power Plant Co., Ltd. |
| 11. Ms. Surawee | Puangthong | Accounting & Financial Manager |

Operating Highlights 2013

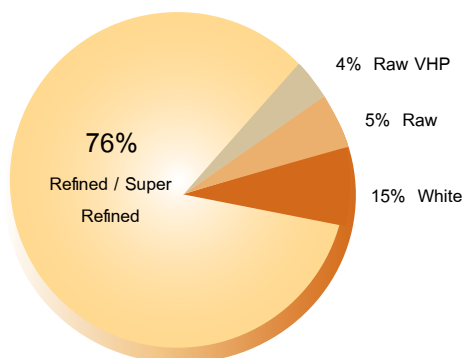
Volume of Cane Crushed	2.54	Million Tons
Volume of Sugar Produced	253,601	Tons
No. of Farmers Delivering Canes to KBS	6,027	Persons
Farm Area	140,000	Rais



Sales by Geographic

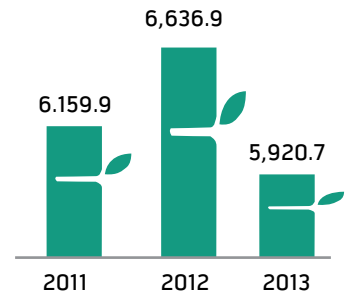


Sales by Sugar Types



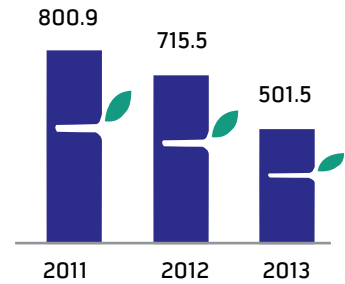
FINANCIAL HIGHLIGHTS 2013

Total Income



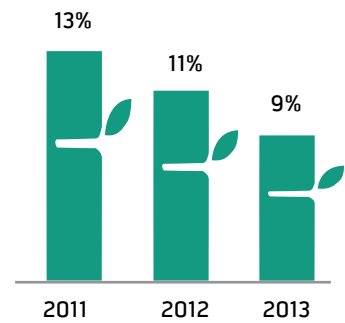
(Unit : Million Baht)

Net Income



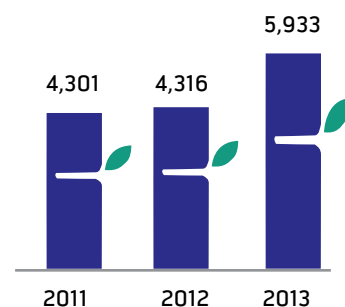
(Unit : Million Baht)

Net Margin



(Unit : Percent)

Total Assets



(Unit : Million Baht)

Khonburi Sugar Public Company Limited

Business Type	:	Manufacturing and distribution of sugar and product, which is sold both domestic and overseas.
Company registration No.	:	0107553000191
Registered capital	:	Baht 600,000,000 (Comprising 600,000,000 ordinary shares with a par value of Baht per share)
Paid-up capital	:	Baht 550,000,000
Head Office	:	5 Soi Sukhumvit 57 Klongton Nua, Wattana Bangkok 10110 Tel : 02-725-4888 Fax : 02-725-4886
Website	:	www.kbs.co.th
Factory	:	289 Moo 13 Jarakhe-Hin, Khonburi, Nakhonratchasima 30250 Tel : (044) 448-338, (044) 449-020 Fax : (044) 448-500

Subsidiaries

KBS Treading Co., Ltd.

Business Type	:	Trading of sugar and by - products
Head Office	:	289 Moo 13 Jarakhe-Hin, Khonburi, Nakhonratchasima 30250 Tel : (044) 448-338, (044) 449-020 Fax : (044) 448-500

Khonburi Power Plant Co., Ltd.

Business Type	:	Generating and distribution of electricity using bagasses as feedstock
Head Office	:	164 Soi Sukhumvit 23 (Prasarnmit), Sukhumvit Road, Klongtoey Nua, Wattana, Bangkok 10110 Tel : 02-260-4951-5 Fax : 02-260-4950

Khonburi Bio Energy Co., Ltd.

Business Type	:	Manufacturing and distribution of ethanal using molasses as feedstock
Head Office	:	5 Soi Sukhumvit 57 Klongton Nua, Wattana, Bangkok 10110 Tel : 02-725-4888 Fax : 02-725-4886

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
- OHSAS 18001 : 2007
- 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 and 2013
- CSR-DIW AWARD 2555
- CSR-DIW CONTINUOUS AWARD in 2013
- CSR-DIW ADVANCE AWARD Level 4 in 2013



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).

The income structure of the Company for the past 3 years is tabulated below.

(Unit : Million Baht)

	For the year ended		For the year ended		For the year ended	
	30 September 2010		31 December 2012		31 December 2013	
	Value	%	Value	%	Value	%
Domestic sales, Sugar						
- Refined sugar and super refined sugar	296.8	4.8	385.3	5.8	510.3	8.5
- White sugar	503.3	8.2	337.1	5.1	364.9	6.1
- White sugar for export	-	0.0	-	0.0	137.2	2.3
- Brown sugar and natural sugar	277.7	4.5	251.5	3.8	226.4	3.8
- Bulk raw sugar for export	-	0.0	-	-	102.2	1.7
Total domestic sales	1,077.8	17.5	973.9	14.7	1,340.9	22.5
International sales, Sugar						
- Refined sugar and super refined sugar	2,510.9	40.8	3,896.2	58.7	3,269.5	54.7
- White sugar	28.3	0.5	83.3	1.3	-	0.0
- VHP sugar	86.7	1.4	328.7	5.0	214.6	3.6
- Bulk raw sugar	1,152.3	18.7	226.9	3.4	136.3	2.3
Total international sales	3,778.2	61.3	4,535.1	68.3	3,620.4	60.6
Total sugar sales	4,856.0	78.8	5,509.0	83.0	4,961.3	74.8
Molasses sales, domestic	588.5	9.6	341.6	5.1	509.3	8.5
Electricity sales	102.8	1.7	102.1	1.5	82.7	1.4
Agricultural product sales and services	463.0	7.5	396.9	6.0	350.5	5.9
Other Income	149.5	2.4	287.4	4.3	68.5	1.1
Total revenues	6,159.9	100.0	6,636.9	100.0	5,972.3	100.0

1. INDUSTRY OVERVIEW

Khonburi Sugar Public Company Limited (KBS) and its subsidiaries under the Khonburi Sugar Group is a group of companies operating an integrated business of sugar manufacturing and distribution. The Group has planned and linked both agricultural and industrial mechanisms together with advantages in raw materials and location. At present, KBS is ranked the 11th in the group of sugar manufacturers and distributors of Thailand with the total sugar output in 2013 of 253,600.86 tons.

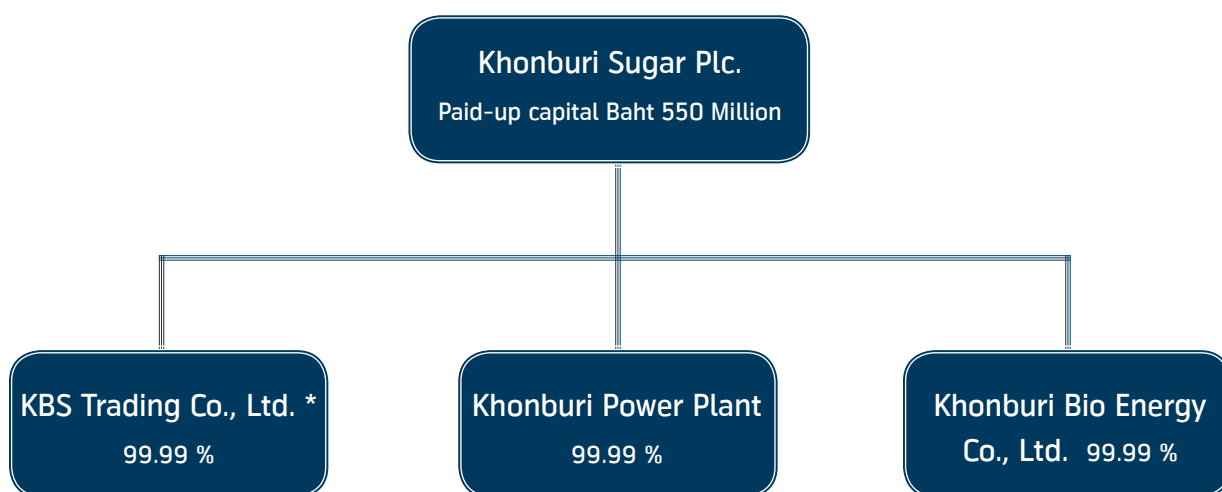
KBS Group establishes the vision to be the leading organization in cane, sugar, and bio-energy businesses by integrating human resources, technology and management.

KBS Group considers that Thailand’s sugarcane and sugar industry has certain competitive advantages in the world market. Thailand is the second largest sugar exporter in the world with distinguished geographic advantage compared to other competitors. Thailand is in Asia where the sugar consumption ranges the highest in the world. The consumption growth is also higher than the global average, due to the sharp economic growth in this region. Therefore, development of Thailand’s sugarcane and sugar industry will have great impacts to the economy and livelihood of Asian citizens. Furthermore, Thailand has advantage in sugar manufacturing efficiency and can invest in to the power and ethanol businesses, which will increase its overall profitability.

KBS Group strongly strives to be the leading organization, through continuous development from building stable sugarcane supply and enhancing manufacturing efficiency to managing to reduce unit costs, and creating value by launching new products to serve the market demands continuously.

Now, KBS distributes sugar to both domestic and foreign customers. The sugar products of KBS may be classified into 4 types : refined sugar, white sugar, brown sugar and raw sugar. KBS always focuses on product quality and excellence of service. KBS’s production system has been improved to be flexible so that the sizes and packages may be customized to the particular needs of each customer.

As of 31 January 2013, the Group of Companies comprised KBS and 3 subsidiaries.



Note : *Former company name is Agriculture Machine Service Co., Ltd.

2. MARKETING AND COMPETITION OF THE SUGAR INDUSTRY

1) Overview of global sugar industry

(a) Global sugar demand and supply balance

Consumption, Manufacturing and Inventories-Sugar in the Global Market (million tons ¹)										
Production year	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Consumption	144.649	146.918	153.100	160.258	161.241	161.631	162.271	167.600	172.100	175.247
Manufacturing	141.015	151.108	166.444	166.561	151.830	159.036	165.427	175.309	183.440	181.965
Inventories	61.105	63.968	72.726	73.945	62.718	59.410	61.277	68.336	76.745	81.121
<i>Proportion of inventories to consumption (%)</i>	<i>42.24</i>	<i>43.54</i>	<i>47.50</i>	<i>46.14</i>	<i>38.90</i>	<i>36.76</i>	<i>37.76</i>	<i>40.77</i>	<i>44.59</i>	<i>46.29</i>

Source : F.O. Lich's international Sugar and Sweetener Report 01.11.2013

Note : 1. metric ton raw value

For the 2013/14 manufacturing, it was expected that the world's sugar output would total 181.97 million tons, decreasing from 183.44 million tons in the preceding year or a decrease of 0.80%. However, the global sugar demand in 2013/14 totaled 175.25 million tons, increasing from 172.10 million tons in the preceding year or an increase of 1.83%. Since there has been over-supply the sugar for 4 consecutive years, the global sugar stocks (as percentage of the sugar demand) hiked to 46.29% from 44.59% in the previous year. This is the main factor that makes pressing the sugar price in the global markets decrease to low level.

(b) Roles of countries in the world sugar industry

The following table illustrates the quantity of sugar manufactured by major sugar manufacturers in the world from the production year of 2009/2010 to the production year of 2013/2014

Countries	Output by Major Manufacturers (million tons ¹)				
	2009/10	2010/11	2011/12	2012/13	2013/14
Brazil	41.134	38.725	35.290	40.974	40.586
India	20.546	26.509	28.632	27.400	27.700
China	11.672	11.363	12.519	14.193	14.550
Thailand	7.130	9.919	10.569	10.346	11.300
United States	7.223	7.093	7.704	8.179	7.896
Mexico	5.034	5.395	5.258	7.264	6.400
Total major manufacturers	92.739	99.004	99.972	108.356	108.432
<i>Proportion of manufacturing by major sugar manufacturers to total sugar manufacturing</i>	<i>58.31%</i>	<i>59.85%</i>	<i>57.03%</i>	<i>59.07%</i>	<i>59.59%</i>

Source : F.O. Lich's international Sugar and Sweetener Report 01.00.2013

Note : 1. metric ton raw value

The table below illustrates the sugar consumption by major sugar consumers in the world from the production year of 2009/10 to the production year of 2013/14

Countries	Consumption by Major Sugar Consumers (million tons ¹)				
	2009/10	2010/11	2011/12	2012/13	2013/14
India	23.025	22.640	24.457	25.543	26.087
China	14.985	14.730	15.300	15.760	16.200
Brazil	12.701	12.807	12.839	12.980	13.130
United States	10.075	10.379	10.202	10.646	10.700
Indonesia	5.529	5.580	5.680	5.945	6.212
Total major consumers	5.896	5.861	5.869	5.865	5.870
Total major consumers	72.211	71.997	74.347	76.739	78.199
<i>Proportion of consumption by major consumers to total consumption</i>	44.67%	44.36%	44.36%	44.59%	44.62%

Source : F.O. Litch's international Sugar and Sweetener Report 01.00.2013

Note : 1. metric ton raw value

The following table illustrates the quantity of sugar exported by major sugar exporters in the world from the production year of 2009/10 to the production year of 2013/14

Countries	Sugar Exported by Major Sugar Exporters (million tons ¹)				
	2009/10	2010/11	2011/12	2012/13	2013/14
Brazil	27.423	27.067	22.052	29.667	26.734
Thailand	5.642	6.125	7.260	7.098	8.456
Australia	4.011	2.110	2.570	3.129	2.858
Guatemala	1.900	1.389	1.663	2.086	2.087
India	0.227	2.825	3.680	1.159	1.500
Total major sugar exporters	39.203	39.519	37.225	43.139	41.635
<i>Proportion of sugar exported by major sugar exporters to total exported sugar (%)</i>	62.31%	64.44%	61.51%	65.24%	65.68%

Source : F.O. Litch's international Sugar and Sweetener Report 01.00.2013

Note : 1. metric ton raw value

The table below illustrates the quantity of sugar imported by major sugar importers in the world from the production year of 2009/10 to the production year of 2013/14

Countries	Sugar Imported by Major Importers (million tons ¹)				
	2009/10	2010/11	2011/10	2012/13	2013/14
Indonesia	3.155	3.137	2.800	3.820	3.648
United States	3.001	3.310	3.357	3.000	3.000
China	1.492	2.096	4.292	3.688	2.200
Malaysia	1.670	1.717	1.933	2.094	2.112
Arab Emirates	1.987	1.858	1.955	2.075	2.062
Algeria	1.375	1.435	1.523	2.067	1.802
Total major sugar importers	12.683	13.556	15.862	16.746	14.825
<i>Proportion of sugar imported by major sugar importers to total imported sugar (%)</i>	<i>20.39%</i>	<i>22.58%</i>	<i>26.49%</i>	<i>26.50%</i>	<i>24.28%</i>

Source : F.O. Lich's international Sugar and Sweetener Report 01.00.2013

Note : 1. metric ton raw value

c) Thailand's sugar exports

Thailand is the second largest sugar exporters in the world after Brazil. Most targeted customers are in Asia, which cause some advantages to Thailand if compared with other major sugar exporters as Thailand's location is close to many importing countries; this helps save the transport cost from the manufacturing point to the customers. The following table illustrates major trading companies importing some sugar from Thailand in the production years of 2009-2013.

Countries	Quantity of Sugar Imported from Thailand (million tons)				
	2009	2010	2011	2012	2013
Indonesia	1.035	1.286	1.385	1.852	1.781
Japan	0.723	0.542	1.058	0.820	0.754
Cambodia	0.484	0.379	0.392	0.562	0.651
South Korea	0.122	0.129	0.516	0.445	0.528
Malaysia	0.271	0.146	0.269	0.423	0.326
China	0.191	0.020	0.322	0.964	0.262

Source : OMIC

(d) Statistics of raw sugar at the New York Market for the past 10 years



The above diagram shows that, during the past 2 years starting from 2012, the raw sugar prices at the New York Market (No. 11) have moved down from 25 cents/pound to lower than 15 cents/pound at the beginning of 2014. These declining prices were resulted by the sugar surplus for 4 consecutive years because when the sugar prices were so high during 2009-2010, many sugar export and import countries hugely boosted their sugar manufacturing while the global sugar demand has been increasing, but the rising demand was slower than such supply.

(e) Free Sugar Trade in accordance with AFTA, FTA, AEC

The market access under the ASEAN Free Trade Area (AFTA) and Free Trade Area (FTA) has been continuously negotiated, coordinated and driven. At this moment, some sensitive sectors of member countries are offered for a degree of flexibility and exclusion. Thai agencies have always made negotiations with a maximum care to enhance the best benefits for Thai operators, and to minimize any negative effects. Most recently, the ASEAN Economic Community (AEC) is established to form an economic group among ASEAN member countries with the goal of regional economic integration by 2015 in order to establish ASEAN as a single market and production base, making ASEAN more dynamic and competitive with goods, services, investment, capital and skilled labors.

Advantages of Thailand’s Sugar Industry under ASEAN Economic Community

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

The establishment of ASEAN Economic Community (AEC) benefits the cane and sugar industry of Thailand as our country is the single sugar manufacturer and exporter in the ASEAN region while other ASEAN countries are the sugar importers. The following are some benefits from this event.

1. Thailand is able to export more sugar to the ASEAN countries because various tax and non-tax commercial barriers are minimized or disappear whereas different rules and regulations will be revised to be more consistent and supportive for the member countries.
2. Thai entrepreneurs, especially sugar mills, engage the high sugarcane planting techniques and technologies; they have some advantages on sugar production costs.
3. The single market will attract more direct foreign investments to ASEAN including Thailand.

2) Industry Overview of Domestic Market

Thailand's sugarcane and sugar industry is governed by the Sugarcane and Sugar Industry Act, B.E. 2527. The Act prescribes that the Cane and Sugar Board shall control the whole volume of sugar to ensure the adequacy of sugar for the domestic demand. At each year, the Board shall estimate the domestic sugar consumption volume before determining and distributing quotas for sugar mills according to their production capacity throughout that year. Domestic sugar prices are also controlled by Goods and Services Act, B.E. 2542 while the Ministry of Commerce shall notify the domestic sugar prices.

At present, there are 50 sugar mills in Thailand with the capacity of sugarcane crushing approximately 100-110 million tons/year to get the sugar totaling 10-11 million tons per year. The crushing season takes 4-5 months per year, starting from the end of November to April of each year. The number of sugar mills is governed by related authorities. Any expansion or relocation of sugar mills must be first approved by the Ministry of Industry. All these sugar mills may be divided into the groups of companies as listed below :

Group	Number of factories in the Group	Quantity of Sugar Manufactured (ton)	Marketing Share (%)
Mitrphol Sugar Group	6	2,013,325	20.08
Thai Roong Ruang Group	7	1,635,057	16.31
Thai Identity Group	3	934,923	9.32
Khon Khen Sugar Group	5	733,659	7.32
Wangkanai Sugar Group	4	656,075	6.54
Korach Industry Group	2	684,537	6.83
Ban Pong Sugar Group	2	480,572	4.79
Erawan Sugar Group	2	429,446	4.28
Kumphawapi Sugar Group	2	326,117	3.25
Chonburi Sugar Group	3	281,202	2.80
Khonburi Sugar Plc.	1	253,601	2.53
Others	13	1,599,246	15.94
Total	50	10,027,761	100.00

Source : Report on Sugar Manufacturing by Sugar Mills Nationwide for the Production Year of 2012/2013, end of crushing, by the Cane and Sugar Board

Local Sugar Price

The Ministry of Commerce annually determines the prices as well as terms and conditions on the distribution of sugar. The sugar sold by sugar manufacturers and distributors must not be priced higher than the following :

Wholesale prices (including sugar sack) delivered at the sugar plant

Refined sugar	21.40 Baht per kilogram
White sugar Grade 1 and Grade 2	20.33 Baht per kilogram
White sugar Grade 3	20.33 Baht per kilogram

Wholesale prices (including sugar sack) delivered at the wholesaler's distribution site

Refined sugar	22.095 Baht per kilogram
White sugar Grade 1 and Grade 2	21.025 Baht per kilogram
White sugar Grade 3	20.760 Baht per kilogram

Retail prices in areas of Bangkok, Nonthaburi, Pathumthani, Samut Prakarn and Samut Sakhon

Refined sugar	22.85 Baht per kilogram
White sugar Grade 1 and Grade 2	21.85 Baht per kilogram
White sugar Grade 3	21.35 Baht per kilogram

- Note :
- 1) Each sack contains 50 kilograms of sugar. In case of retail price for 1 kilogram pack, the labor and material costs shall be added for 0.75 Baht per kilogram.
 - 2) Sugar Grade 1 and Grade 2 means the white sugar while Sugar Grade 3 means the brown sugar.
 - 3) Prices set in the above table includes 5.00 Baht per kilogram revenues that, sugar factories are required to submit to the Cane and Sugar Fund according to the resolution of the Council of Ministers in 1999.

3. QUOTA ALLOCATION SYSTEM

The Office of the Cane and Sugar Board is the unit established under the Cane and Sugar Act 1984. The Board regulates and allocates the production and distribution of sugar manufactured by each sugar mill in Thailand according to a quota system, including Quota A, Quota B and Quota C.

Quota A is the quota for domestic consumption. The Sugar Board will annually estimate the sugar consumption demand from the growth in population and economy.

Quota B is the raw sugar in the amount of 800,000 tones. The Sugar mills must sent 400,000 tons of sugar to be exported by Thai Cane and Sugar Corporation Ltd., and the sugar companies will directly export the other 400,000 tones.

Quota C is the remaining sugar from Quota A and B by which each sugar company can export through authorized exporting companies according to the Regulation of the Cane and Sugar Board regarding Criteria, Methods and Conditions on Permission on Sugar Export, B.E. 2550.

The following table illustrates the quantity of sugar in Quota A, Quota B and Quota C in the past 5 production seasons manufactured by the sugar industry and by KBS according to the Notification of the Cane and Sugar Board regarding Types of Sugar Permitted for Sugar Mills' Manufacturing in the Production Season

(Unit : Ton)

	Production Season 2008/09	Production Season 2009/10	Production Season 2010/11	Production Season 2011/12	Production Season 2012/13
Quota A					
Nationwide	1,900,000	2,200,000	2,300,000	2,300,000	2,610,000
Khonburi Sugar Plc.	50,104	63,590	77,832	59,087	66,841
Quota B.					
Nationwide	800,000	800,000	800,000	800,000	800,000
Khonburi Sugar Plc.	19,785	21,388	22,974	24,398	19,030
Quota C.					
Nationwide	4,486,592	3,922,976	6,363,009	7,151,217	6,614,147
Khonburi Sugar Plc.	121,908	116,696	200,030	179,870	170,841

Source : Notification of the Cane and Sugar Board

4. BENEFIT ALLOCATION SCHEME BETWEEN SUGARCANE FARMERS AND SUGAR MILLS

The benefit allocation scheme between sugarcane farmers and sugar mills is 70:30 in which 70% of the industry's benefit will be allocated to sugarcane farmers and 30% of the industry's benefit will be allocated to sugar companies.

After the end of each production season and Quota B is determined by the Cane and Sugar Board, the Executive Board will calculate the final sugar price from the net profit actually occurred in that production year.

The table below illustrates the initial sugar prices and final sugar prices from the production year of 2005/2006 to 2012/2013

(Unit : Baht / Ton)

Production Year	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Initial sugar price	800.00	800.00	600.00	830.00	965.00	945.00	1,000.00	950.00
Final sugar price (Region 9)	845.31	687.07	667.07	917.42	999.94	1,077.62	1,072.01	Not yet announced

Source : Notification of the Cane and Sugar Board

Note : Region 9 involved 19 sugar mills located the northeastern part as well as Khonburi Sugar Mill

The final sugar price for 2012/2013 has not been announced yet.

5. RAW MATERIAL SUPPLY

1) Overview of sugarcane plantation in Thailand

Sugarcane is the raw material for the sugar manufacturing. The sugar plantation areas in Thailand involve 9.5 million rais, producing 100 million tons of sugarcane to the manufacturing process in the production year of 2012/2013.

The table below illustrates the quantity of sugarcane fed to the sugar manufacturing process in the production year of 2008/09 to the production year of 2012/13

Production Year	2008/09	2009/10	2010/11	2011/12	2012/13
Sugarcane plantation area (million Rai)	6.8	7.1	8.1	9.3	9.5
Total sugarcane (million tons)	66.5	68.5	95.4	98.0	100.0

Source : Information Department, Office of Cane and Sugar Board

2) Sugar plants' competition in seeking for raw materials

In general, each sugar mill seeks for the sugarcane from the areas close to its plant to save some transport costs. However, since the sugar industry bears the high fixed costs, each sugar mill has tried to purchase the sugarcane for its manufacturing process as much as possible to minimize its unit cost. In any year when the sugarcane output declines due to the drought, the high competition for buying some sugarcane among the sugar mills located in neighboring areas usually occurs, and this causes the sugar mills to suffer higher sugarcane transport costs.

There are 4 sugar manufacturing companies located at the lower northeastern region; namely, Surin Sugar Co., Ltd., Korach Industry Co., Ltd., Burirum Sugar Co., Ltd., and Oang-Vean Industry Co., Ltd.

The following table shows the quantity of sugarcane crushed nationwide and crushed in the northeastern region in the past 5 production seasons.

Production Year	2008/09	2009/10	2010/11	2011/12	2012/13	Average Growth per Year (%)
Total sugarcane crushed nationwide (million tons)	65.5	68.5	95.4	98.0	100.14	11.2
Total sugarcane crushed in the northeastern region (million tons)	33.7	23.8	38.0	37.1	40.5	4.7

Source : Information Department, Office of Cane and Sugar Board

3) Company's sugarcane supply procurement

KBS considers that the sugarcane supply plan is a key strategy as the quantity of sugarcane procured each year is one important factor for KBS's profits. If KBS is able to supply a huge amount of sugarcane for the production process, its unit cost will be reduced. Besides, the bagasse after the crushing process will be used as the bio-energy for the electricity generating to support the manufacturing process sufficiently. The electricity surplus may be sold to the PEA for more profits. On the contrary, if less sugarcane is supplied for the production process, the unit cost of sugar will soar while the amount of bagasse after the crushing process will be decreasing as well. If the amount of bagasse is insufficient for the electricity generating to support the sugar mill, some additional energy must be bought, which will press the Company's profits down.

KBS has not owned sugarcane plantation areas; so it encourages and supports the sugarcane farmers to replace other crops with sugarcane. KBS believes that the good services and relationship with these farmers are the important factors for the raw material supplies. The relationship with sugarcane farmers is tied through the financial support and relationship building with the agricultural technical officers. As a result, more and more sugarcane farmers have turned to grow the sugarcane for the Company.

Production Year	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Number of farmers selling the sugarcane to KBS	2,592	3,845	3,803	4,097	4,985	5,610	6,027

Source : Khonburi Sugar Public Company Limited

The following table illustrates the quantity of sugarcane procured by KBS compared to the total amount of sugarcane nationwide from the production year of 2008/09 to the production year of 2012/13

Production Year	2008/09	2009/10	2010/11	2011/12	2012/13
Total sugarcane output nationwide (ton sugar)	66,463,253	68,450,588	95,358,928	97,979,690	100,002,514.86
Total sugarcane supplied to KBS (ton sugar)	1,762,166	2,012,398	2,885,524	2,547,348	2,543,137.43
Total sugarcane supplied to KBS compared with total sugarcane output nationwide (%)	2.65	2.93	3.02	2.60	2.54

Source : Production Management Center, Office of Cane and Sugar Board, and KBS

4) Good relationship with sugarcane farmers

KBS considers that the sugarcane farmers are the important business partners , so it has built to tie the collective relationship with them. The main objective of this connection is mutual benefits between KBS and these farmers in the long term. KBS has closely worked with the sugarcane farmers for years, starting from the step of sugarcane growing planning to sugarcane harvesting and delivery. This causes KBS to understand any problems occurred at each stage of sugarcane plantation, starting from soil preparation, sugarcane nourishing, irrigation as well as harvesting and transport, which must be undertaken holistically.

(a) Financial supports (advance loans)

The general method used by the sugar mills to ensure the sugarcane to be supplied to their manufacturing process and to tie the good relationship with sugarcane farmers is the advance loan or other necessary supplies required by sugarcane farmers to support their sugarcane growing, which will be sold to these sugar mills in the following production year. The sugarcane credit or “Gaew System” deems reserving the sugarcane for crushing. When the sugarcane is ready for harvesting while the sugar mills are ready to begin its crushing, these sugarcane farmers will harvest and send the sugarcane to the sugar mills. The sugar mills will make payments to the farmers for the sugarcane supplied after deducting the advance loans previously given to them. Normally, KBS plans for the sugarcane supply approximately 1 year prior to the production year to ensure that the amount of supplied sugarcane is adequate for its production process. KBS shall enter into the sugarcane purchase agreements with sugarcane farmers and the sugarcane credit agreements in case that the farmers need KBS's financial support for their sugarcane plantation. In the past, 80% of these farmers received the sugarcane advance loans from KBS for their expenses incurred during the planting stage, soil preparation, sugarcane varieties, water system, fertilizer and harvesting cost, etc.

KBS approves the advance loans given to each sugarcane farmer by records of sugarcane delivery, sugarcane quality and debt repayment in order to minimize some bad debts. Some farmers also place their properties as collaterals. For any loan given to major sugarcane farmers and such credit amount is higher than the authority of the Sugarcane Credit Management Board, it must be approved by the Managing Director, the Executive Board or the Board of Directors as the case may be.

In addition to the approval of loans given under the systematic process, KBS also utilizes some technologies in granting such loans. For example, the Geographic Information System (GIS) is used to reduce the problems of claiming for the ownership of sugarcane fields. The System also helps the sugarcane farmers calculate the amount of plantation areas and the plantation appropriateness to plan for sourcing more sugarcane.

The farmers' canes have been monitored by KBS throughout the growing season up to the time these farmers feed the sugarcane to KBS and their advance loans are settled.

For any farmers whose advance loans have not been settled yet after the crushing season and sugarcane supply in that production season end, these farmers will be specifically monitored. The causes of these outstanding debts and continuity of sugarcane plantations of these farmers will be analyzed in order to assess the potential of their debt repayment by supplying the sugarcane in the next production season. Such analysis will be done individually. If it is likely that any farmer's debt repayment is low, such case will be submitted to the Legal Department for legal actions.

(b) Plantation services to sugarcane farmers

KBS recognizes the stability of raw materials. Due to the plant expansion for higher production capacity, the crushing volume must be increased as well. To ensure the adequacy of sugarcane for such expanded production capacity, KBS has encouraged the sugarcane farmers to expand the plantation areas, to boost the yield, and to persuade famers to switch from other crop to canes using incentive to support the plough, soil shifting and planting costs or chicken manure fertilizer, interest-free installment debt repayments for sugarcane varieties, backhoe service, digging of artesian well, water system setting and installation of water tank on tractor, technologies to boost the yield and to production efficiency. KBS also joined hands with other related agencies for field trials and field demonstration. KBS also provides the transfer station service for small sugarcane farmers with no big trucks for transporting the sugarcane. All such services and helps aim at improving the farmers' living.

(c) Establishment of Promotion Zone Office

KBS establishes the Promotion Zone Office in appropriate areas for sugarcane growing. The agricultural technical officers regularly stand by there to help solve any related problems for the sugarcane farmers. These officers will encourage the farmers to grow more sugarcane, and advice some plantation techniques for higher output. KBS's agricultural technical officers are well experienced and they are trained by KBS to feel active in providing the services. Every agricultural technical officer can tie the good relationship with the sugarcane farmers.

Such Promotion Zone Office is expanded to service for sugarcane farmers closely and thoroughly. These officers also educate and persuade the farmers in a particular area to grow the sugarcane to increase the amount of sugarcane supplied to KBS.

(d) Promotion of sugarcane varieties

KBS considers that the development of sugarcane varieties is essential for cane supply enhancement in the long run. KBS, therefore, establishes the sugarcane varieties research project aiming at improving the sugarcane varieties suitable for each plantation area in the promotion zone and sufficient for the expansion of plantation areas in each year.

(e) Agricultural machine services

As present, the sugarcane farmers must rely on some agricultural machines in growing and harvesting the cane due to shortage in agricultural labors. KBS, therefore, assigns the Agriculture Machine Service Department to provide the agricultural machine services, e.g. sugarcane harvester, sugarcane planter, etc. for farmers to help reduce the sugarcane planting and harvesting costs. This is also another relationship tie with the sugarcane farmers.

At present, the Agriculture Machine Service Department is improving the sugarcane harvester and sugarcane planter with aims at enhancing the quality machines that must be cheaper than those sold in the market and appropriate for working conditions in Thailand.

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 car fuel. All above factors result in the high volatility of sugar prices in the global market.

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

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

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.

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 amount of sugar produced by the Company. The factors affecting the quality of sugarcane include the climate variability such as out of season rain during the sugarcane harvesting, which mainly reduce the sweetness in sugarcane.

Furthermore, most sugar sales are done through the future contracts, that is, the sales quantities and prices are pre-determined prior to the delivery time for 6 months to 1 year. Therefore, if the sugarcane crushed in the production process contains CCS lower than expected while the future contract is made, the Company may have inadequate sugar for its customers. However, the Company closely monitors the risk management possibly caused by the quality of sugarcane. If the sweetness of sugarcane drops, the Company may purchase some sugar to be delivered to the customers, or may use certain appropriate financial instruments, such as future contract or options to manage such risk, etc.

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.

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.

1. SHAREHOLDING STRUCTURE

The major shareholders of the Company as of 31 December 2013 are listed below.

No.	Shareholders	Paid-up Capital	
		Shares held	Proportion (%)
1.	Khonburi Capital Co., Ltd. ¹	156,000,000	28.36
2.	Mr. Issara Twiltermsup Group ²	83,972,500	15.27
3.	Mr. Somkiat Twiltermsup Group ³	40,987,500	7.45
4.	MITSUI & CO., LTD.	33,333,333	6.06
5.	Mr. Takon Tawintermsup Group ⁴	31,612,500	5.75
6.	MITSUI SUGAR CO., LTD.	16,666,667	3.03
7.	Thai NVDR Co., Ltd.	16,204,000	2.95
8.	Mr. Panas RungnopaKhunsri	3,638,400	0.66
9.	Mr. Amnuart Pichitpongchai	2,917,500	0.53
10.	Mr. Surapan Tatiyamaneeekhun	2,904,400	0.53
11.	Other	161,763,200	29.41
Total		550,000,000	100.00

Remark : 1. Khonburi Capital Co., Ltd. is a holding company and its shareholders as of 31 December 2013 are as follows :

1.1	Mr. Issara Twiltermsup Group holding	39,100,000	shares, equivalent to	50
1.2	Mr. Takon Tawintermsup Group holding	19,550,000	shares, equivalent to	25
1.3	Mr. Somkiat Twiltermsup Group holding	19,550,000	shares, equivalent to	25
	Total	78,200,000	shares, equivalent to	100

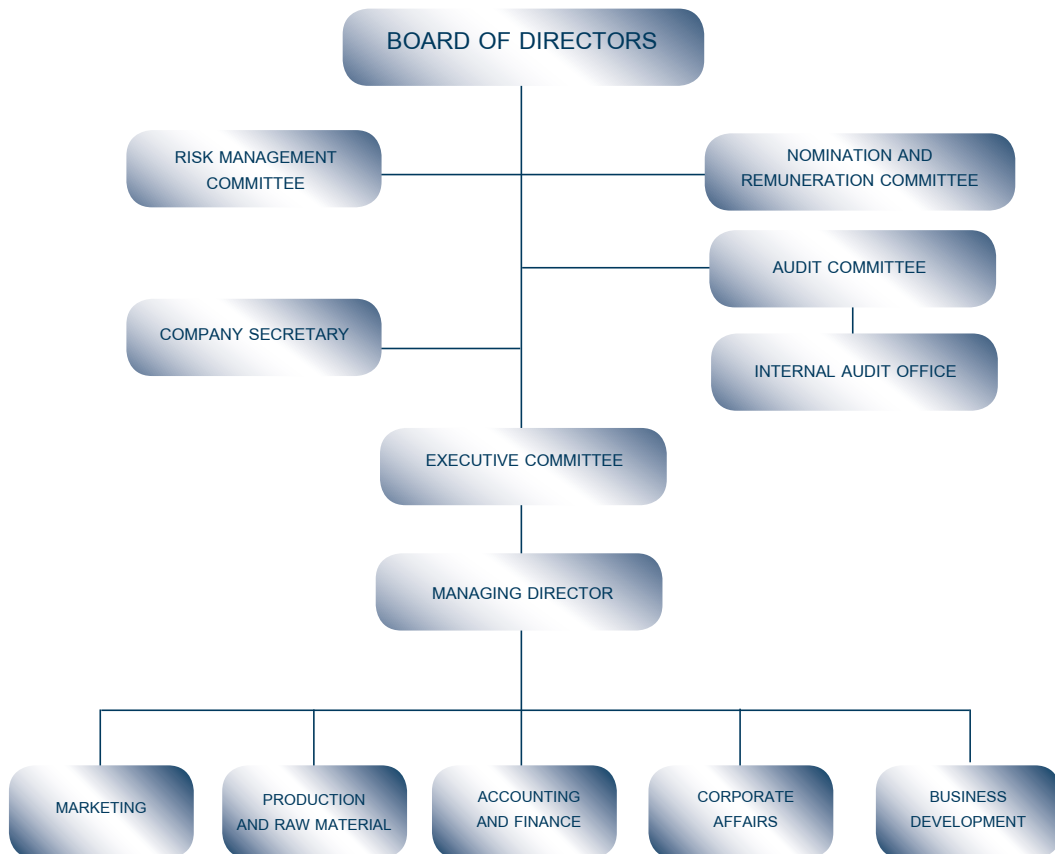
2. Mr. Issara Twiltermsup Group as follows Mr. Issara Twiltermsup, Mr. Somchai Twiltermsup, Miss Chonatee Twiltermsup, Mr. Teerawat Twiltermsup, Mr. Kan Twiltermsup, Mr. Amnart Rumpoeyping and Mr. Methee Sukvatayanon
3. Mr. Somkiat Twiltermsup Group as follows Mr. Somkiat Twiltermsup Mr. Tanasit Twiltermsup, Ms. Jitsupa Twiltermsup, Mr. Tanachote Twiltermsup and Mrs. Tarinee Sermleelatham
4. Mr. Takon Tawintermsup Group as follows 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 financial statements of each company after the deduction of all types of statutory reserves prescribed in the Articles of Association of the Company and by law; provided that there is no case of emergency or such dividend payment is not likely to significantly affect the normal business operations of the Company as the Board of Directors deems reasonably or appropriately. Moreover, such undertaking must hand out the best benefits to the shareholders of the Company. The resolutions of the Board of Directors consider such matters must be proposed for the meeting of shareholders' approval, except the Board of Directors may pay interim dividend to the shareholders from time to time, and the Board shall report to the next meeting of shareholders for information.

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

2. MANAGEMENT STRUCTURE



The management structure of the Company as of 31 December 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 Organization chart

1) The Board of Directors

As of 31 December 2013 the Board of Directors consists of 11 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. Tat Wanakornkul ²	Director
7.	Mr. Sran Smutkochorn	Independent Director
8.	Dr. Thawatchai Nakhata	Independent Director
9.	Mr. Prathueng Srirodbang ¹	Independent Director
10.	Mrs. Suvimol Krittayakiern	Independent Director
11.	Mr. Voravit Rojrapitada ²	Independent Director

Remark : 1. Mr. Prathueng Srirodbang was appointed as directors on 26 February 2013

2. Mr. Tat Wanakornkul and Mr. Voravit Rojrapitada was appointed as directors on 18 October 2013

3. Miss Thanathorn Sukaram was the Secretary of the Board of Directors

The authorized directors are Mr. Takon Tawintermsup, Mr. Somkiat Twiltermsup, Mr. Issara Twiltermsup and Mr. Tat Wanakornkul 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.
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.

2) The Executive Committee

As of 31 December 2013, the Executive Board Directors consisted of 4 following members :

No.	Name of Directors	Position
1.	Mr. Takon Tawintermsup ¹	Chairman of Executive Director
2.	Mr. Somkiat Twiltermsup	Executive Director
3.	Mr. Issara Twiltermsup	Executive Director
4.	Mr. Tat Wanakornkul ²	Executive Director

Remark : 1. Mr. Takon Tawintermsup was appointed on 11 June 2013
 2. Mr. Tat Wanakornkul was appointed on 12 November 2013
 3. Mr. Thanthit Kasemsup the secretary to the executive committee

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.
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 31 December 2013, the Audit Committee consisted of 3 following members :

No.	Name of Directors		Position
1.	Mrs. Suvimol	Krittayakiern ³	Chairman of the Audit Committee
2.	Mr. Prathueng	Srirodbang ¹	Audit Committee
3.	Mr. Voravit	Rojrapitada ²	Audit Committee

- Remark :**
1. Mr. Prathueng Srirodbang was appointed on 26 February 2013
 2. Mr. Voravit Rojrapitada was appointed on 12 November 2013
 3. Mrs. Suvimol Krittayakiern was appointed as Chairman of the Audit Committee on 12 November 2013
 4. Mrs. Suvimol Krittayakiern is an audit committee member who is equipped with knowledge in accounting and finance.
 5. 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.
6. To consider any connected transactions or those with potential conflicts of interest to be in conformity with laws on securities and stock exchange, and regulations of the stock exchange in order to ensure that such transactions are reasonable and enhance the best benefit for the Company; and to consider to ensure the Company's disclosure of connected transactions or those possibly causing the conflicts of interest which is accurate and adequate.
7. To disclose the reports of the Audit Committee, which signed by the Audit Committee Chairman, in the annual reports of the Company.
8. In performing duties, if the Audit Committee finds or suspects, the following transactions may have the material impact on the financial status and operation results of the Company, the Audit Committee shall report them to the Board of Directors prior to the improvement within the timeframe of the Audit Committee who deems appropriately :
 - (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 31 December 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. Voravit	Rojrapitada ¹	Risk Management Committee
5.	Mr. Tat	Wanakornkul ¹	Risk Management Committee

Remark : 1. Mr.Tat Kanakornkul and Mr. Voravit Rojrapitada was appointed on 12 November 2013

2. 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.
5. To set up the policy of utilizing financial instrument, e.g. future contract for the right in sugar sales and purchases, foreign currencies exchange forward contract, etc. in order to prevent the Company's financial risks.
6. To lay down the policies and the principles of making insurance for various assets in order to reduce the risk of possible disasters.
7. To place the business strategies to be in line with the risk management policy in order to support and encourage the cooperation from the Company's employees at all levels, and to enable to monitor, evaluate and keep the level of risks at an appropriate level.
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 31 December 2013, the Nomination and Remuneration Committee consisted of 3 following members :

No.	Name of Directors	Position
1	Dr. Thawatchai Nakhata ¹	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 : 1. Dr. Thawatchai Nakhata was appointed on 12 November 2013

2. 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.
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, Managing Director, regarding particular duties, responsibilities and risks occurred.
8. To perform other duties as specifically assigned by the Board of Directors.

6) Executive Management Team

As of 31 December 2013, the Management Team of the Company consisted of 10 following members :

No.	Name of Directors	Position
1.	Mr. Tat Wanakornkul ¹	Managing Director
2.	Mr. Somkiat Twiltermsup	Managing Director of Marketing
3.	Mr. Issara Twiltermsup	Assistant Managing Director of Corporate Affairs
4.	Mrs. Pornpun Boonchaisri	Assistant Managing Director of Accounting and Finance
5.	Mr. Rathavudh Saetang	Director Sale and Marketing Director
6.	Mr. Thanthit Kasemsup	Director of Business Development
7.	Mr. Natthasit Thaitrakul ¹	Director of Factory
8.	Mr. Sathaporn Singhathawat ²	Director of Cane Development
9.	Mr. Dumrong Putiput ³	Director of Technical and Project
10.	Mr. Thien Keawpradub	Director of Khonburi Power Plant
11.	Miss Surawee Puangthong	Accounting and Finance Manager

Remark : 1. Mr. Natthasit Thaitrakul was appointed on 1 July 2013

2. Mr. Sathaporn Singhathawat was appointed on 1 August 2013

3. Mr. Dumrong Putiput was appointed on 3 October 2013

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. line of credit, period of payment, entering into a contract of sale, 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.

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 :

The Company has given an opportunity to our shareholders to propose agendas and to nominate person to be elected from November 2013 until February 2014, in advance in compliance with the criteria as announced on the Company's website at <http://www.kbs.co.th> under " Investor Relations" page, Shareholders information" section and item " Shareholders' Meeting".

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.

Qualifications of the Independent Director

The company has the qualification of independent director in accordance with the Notification of the Securities and Exchange Commission and the Stock Exchange of Thailand.

1. Holding shares not exceeding one percent of the total number of shares having voting rights of the Company, subsidiary, major shareholder or controlling person of the Company, including the shares held by related persons;
2. Neither being nor having been a director having involvement in the management, employee, staff, advisor receiving regular salary or controlling person of the Company, subsidiary at the same level, major shareholder or controlling person of the Company, unless such prohibited characteristic has ended not less than two years prior to appointment, except where such independent director was a public servant or an advisor of the government sector, as major shareholder or controlling person of the Company.
3. Not being a person having relationship by blood or by registration under laws in the capacity as parent, spouse, sibling and offspring, including spouse of the offspring of any executive, major shareholder, controlling person or nominated person to be an executive or controlling person of the Company or subsidiary.
4. Having no or having business relationship with the Company, subsidiary, major shareholder or controlling person of the Company in the manner which may obstruct the exercise of his/her independent discretion, and neither being nor having been a shareholder or controlling person of those who have business relationship with the Company, subsidiary, major shareholder or controlling person of the Company, unless such prohibited characteristic has ended not less than two years prior to appointment. The aforesaid business relationship includes any transaction in the ordinary course of business, rental or lease of immovable property, transaction relating to assets or services, or provision or acceptance of financial assistance through receiving or extending loans, guarantee, providing assets as collateral, including any other similar actions, which cause the Company or its contractual party to be subject to indebtedness payable to the other party in the amount of three percent or more of the net tangible assets of the Company or Baht twenty million or more, whichever is lower. Such indebtedness shall be calculated according to the calculation method of connected transaction value under the Notification of the Capital Market Supervisory Board, rules on Connected Transactions, mutatis mutandis. However, the consideration of such indebtedness shall include the indebtedness incurred during the course of one year prior to commencement of business relationship with any of such person.
5. Neither being nor having been an auditor of the Company, subsidiary, major shareholder or controlling person of the Company, and not being a shareholder, controlling person or partner of the audit firm which employs auditor of the Company, subsidiary, major shareholder or controlling person of the Company, unless such prohibited characteristic has ended not less than two years prior to appointment.
6. Neither being nor having been any professional service provider, including legal advisor or financial advisor receiving fee more than Baht two million per year from the Company, subsidiary, major shareholder or controlling person of the Company, and not being a shareholder, controlling person or partner of such professional service provider, unless such prohibited characteristic has ended not less than two years prior to appointment.
7. Not being a director appointed of the same nature as representative of the Company's directors, major shareholder or shareholders who are related persons of any major shareholder.
8. Not operating a business as and in competition with the business of the Company or subsidiary, or not being a partner, or being a director having involvement in the management, employee, staff, advisor receiving regular salary or holding shares exceeding one percent of the total number of shares having voting rights of other companies which operate a business of the same nature as and in competition with the business of the Company or subsidiary.
9. Having no other characteristics which prevent the provision of independent opinion regarding the Company's business operations.

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	2011			2012			2013		
	Meeting Allowance	Annual Remuneration	Total	Meeting Allowance	Annual Remuneration	Total	Meeting Allowance	Annual Remuneration	Total
1. Mr. Suthep Wongvorazathe	210,000	550,000	760,000	235,000	605,000	840,000	220,000	687,500	907,500
2. Mr. Takon Tawinternsup	130,000	250,000	380,000	160,000	275,000	435,000	175,000	602,500	777,500
3. Mr. Somkiat Twiltermsup	150,000	350,000	500,000	160,000	385,000	545,000	160,000	385,000	545,000
4. Mr. Issara Twiltermsup	150,000	350,000	500,000	150,000	385,000	535,000	150,000	385,000	535,000
5. Mr. Amnart Rumpoeypong	110,000	250,000	360,000	80,000	275,000	355,000	110,000	357,000	467,500
6. Mr. Sran Smutkochorn	110,000	300,000	410,000	75,000	330,000	405,000	115,000	440,000	555,000
7. Dr. Thawatchai Nakhata	170,000	300,000	470,000	150,000	330,000	480,000	110,000	330,000	440,000
8. Mr. Chusak Prachyangkhapreecha	140,000	250,000	390,000	120,000	275,000	395,000	20,000	68,750	88,750
9. Mrs. Suvimol Krittayakian	140,000	250,000	390,000	120,000	275,000	395,000	110,000	275,000	296,250
10. Mr. Prathueng Srirodbang	-	-	-	-	-	-	90,000	206,250	385,000
11. Mr. Voravit Rojrapitada	-	-	-	-	-	-	20,000	96,250	116,250
12. Mr. Tat Wanakornkul	-	-	-	-	-	-	30,000	96,250	126,250
Total	1,310,000	2,850,000	4,160,000	1,250,000	3,135,000	4,385,000	1,310,000	3,930,000	5,240,000

4.2 Remuneration of executives

(Unit : Baht)

Remunerations	2011	2012	2013
Salaries, bonus etc.	36,540,150	35,973,814	48,964,605

POLICY ON THE USE OF INSIDE INFORMATION

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

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

1. The Company sets up a preventive measure for the use of inside information; a provision is set forth in the Code of Conduct and Working Regulations of the Company prescribing that the directors, executives, and employees of the Company are forbidden to disclose or utilize such material inside information for their personal interest.
2. The directors, executives, and employees of the Company should avoid using the inside information in purchasing or selling the Company's shares for their personal interest or in offering any inside information to the third party for the benefit of selling and purchasing the Company's shares.
3. The directors, executives, and employees of the Company should avoid and suspend the trading of securities of The Company for a period of 1 month prior to the disclosure of its financial statements as well as other important information to the public. The suspension of trading should take at least 24-48 hours after the disclosure of such information to the public.
4. The Company has always educated all its directors and executives about the duties of reporting their shareholding in the Company, as well as any related penalties in accordance with the Public Limited Company Act, B.E. 2535 (as amended) ("Public Limited Company Act") and the Securities and Exchange Act, B.E. 2535 (as amended) ("Securities and Exchange Act"), of reporting the interests of directors and executives, the prohibitions on the use of material inside information of the Company in the securities trading, as well as all related penalties in accordance with the Securities and Exchange Act.

1. Mr. Suthep Wongvorazathe

Chairman

Age 66 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

- 2013 - Present Chairman Khonburi Sugar Plc.
- 2013 - Present Chairman Seamico Securities Plc.
- 2013 - Present Director The Mall Group
- 2012 - Present Independent Director Bangchak Petroleum Plc.
- 2003 - Present Chairman of the Audit Committee and Independent Director Chumporn Palm Oil Industry Plc.

2. Mr. Takon Tawintermsup

Chairman of Executive Committee

Age 60 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 Chairman of Executive Committee Khonburi Sugar Plc.
- 1979 - Present Director, Executive Director and Deputy Managing Director Chumporn Palm Oil Industry Plc.
- 2010 - Present Director Khonburi Capital Co., Ltd.
- 2008 - Present Director Khonburi Power Plant Co., Ltd.
- 2008 - Present Director KBS Trading Co., Ltd.
- 2004 - Present Director Khonburi Bio Energy Co., Ltd.
- 1993 - Present Director Chumporn Holding Co., Ltd.
- 1988 - Present Executive Director Bomrungrat M.C. Co., Ltd.

3. Mr. Tat Wanakornkul



Director, Executive Director and Managing Director

Age 60 years old

Education

- Master of Business Administration, Faculty of Commerce and Accountancy, Thammasat University
- Bachelor degree of Pharmacy, Mahidol University

Training by the Thai Institute of Directors Association (IOD)

- Directors Accreditation Program (DAP) Class 89/2011

Experiences

- 2013 - Present Managing Director and Director Khonburi Sugar Plc.
- 2013 - Present Director Khonburi Power Plant Co., Ltd.
- 2013 - Present Director KBS Trading Co., Ltd.
- 2013 - Present Director Khonburi Bio Energy Co., Ltd.
- 2009 - 2013 Managing Director Siam Food Products Co., Ltd.

4. Mr. Somkiat Twiltermsup



Director, Executive Director, Risk Management Committee and Assistant Managing Director of Marketing

Age 52 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 Khonburi Sugar Plc.
- 2010 - Present Director Khonburi Capital Co., Ltd.
- 2008 - Present Director Khonburi Power Plant Co., Ltd.
- 2008 - Present Director KBS Trading Co., Ltd.
- 2004 - Present Director Khonburi Bio Energy Co., Ltd.

5. Mr. Issara Twiltermsup



Director, Executive Director, Risk Management Committee and Assistant Managing Director of Corporate Affairs

Age 36 years old

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 Khonburi Sugar Plc.
- 2010 - Present Director Khonburi Capital Co., Ltd.
- 2008 - Present Director Khonburi Power Plant Co., Ltd.
- 2008 - Present Director Peerapat Technology Plc.
- 2008 - Present Director KBS Trading Co., Ltd.
- 2004 - Present Director Khonburi Bio Energy Co., Ltd.
- 2001 - Present Director Talaysup Co., Ltd.

6. Mr. Amnart Rumpoeypong


Director, Risk Management Committee, Nomination and Remuneration Committee

Age 38 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

- 2012 - Present Director, Risk Management Committee, Nomination and Remuneration Committee Khonburi Sugar Plc.
- 2006 - Present Director and Deputy Managing Director N.Y. Rubber Co., Ltd.
- 2006 - Present Director and Deputy Managing Director N.Y. Plantation Co., Ltd.
- 2006 - Present Deputy Managing Director N.Y. Development Co., Ltd.

7. Mr. Sran Smutkochorn


Chairman of Risk Management Committee, Nomination and Remuneration Committee and Independent director

Age 49 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 Chairman of Risk Management Committee and Independent Director Khonburi Sugar Plc.
- 2013 - Present Chairman of Audit Committee SF Corporation Co., Ltd.
- 2012 - Present Advise to Board LMG Harredds Thailand
- 2012 - 2013 Executive Vice President L Food Solutions Co., Ltd.
- 2010 - 2013 Management Committee LOXLEY Pcl.

8. Dr. Tawatchai Nakhata


Chairman of Audit Committee and Independent Director.

Age 66 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

- 2013 - Present Chairman of The Nomination and Remuneration Committee and Independent director Khonburi Sugar Plc.
- 2012 - Present Chairman and Director Share Group Co., Ltd. (Japan)
- 2012 - Present Director Property Perfect International Pte. Ltd. (Singapore)
- 2012 - Present Chairman We Retail Public Co., Ltd.
- 1992 - Present Chairman of Executive Committee Property Perfect Plc.
- 1981 - Present Chairman Property Perfect Plc.

9. Mrs. Suvimol Krittayakiern



Chairman of Audit Committee and Independent Director

Age 62 years old

Education

- Master 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

- 2013 - Present Independent Director and Chairman of Audit Committee
Khonburi Sugar Plc.
- 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

10. Mr. Prathueng Srirodbang



Audit Committee and Independent Director

Age 76 years old

Education

- National Defense College Class 32, 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

Experiences

- 2013 - Present Audit Committee and Independent Director Khonburi Sugar Plc.
- 2003 - Present Independent Director and Chairman of the Audit Committee,
CS LoxInfo Plc.
- 2009 - Present Audit Committee, National Insurance Co., Ltd.
- 1998 - Present Director, National Insurance Co., Ltd.

11. Mr. Voravit Rojrapitada



Audit Committee and Independent Director and Risk Management Committee

Age 70 years old

Education

- Certificate, Assumption Commercial College, Mini M.B.A. Thammasat University.
- Advanced Course in General (Non-Life) Insurance,
Swiss Insurance Training Centre, Switze. Skandia Insurance Management, Philippines

Training by the Thai Institute of Directors Association (IOD)

- Director Certification Program (DCP) Class 27/2003

Experiences

- 2013 - Present Independent Director, Audit Committee,
Risk Management Committee Khonburi Sugar Plc.
- 2008 - Present Director and Adviser, Bangkok Insurance Plc.
- 2008 - Present Company Secretary, Bangkok Insurance Plc.
- 1981 - present Director and Adviser Bangkok Insurance Plc.

12. Mrs. Pornpun Boonchaisri



Assistant Managing Director of Accounting & Finance

Age 61 years old

Education

- Master of Art in Business 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 Plc.
- 2003 - 2009 Deputy Managing Director Blue Star Marketing Co., Ltd

13. Mr. Rathavudh Saetang



Director of Sale and Marketing

Age 55 years old

Education

- Master of Business Administration (EMBA) National Institute of Development Administration (NIDA)
- Bachelor of Economics, Quantitative Economics, Ramkhamhaeng University

Experiences

- 2012 - Present Sale and Marketing Director
- 1994 - 2012 Marketing Manager Khonburi Sugar Plc.
- 1981 - 1994 Deputy Manager Mitr Phol Sugar Group

14. Mr. Thanthit Kasemsup



Director of Business Development

Age 38 years old

Education

- Master of Business and Administration (MBA), Finance and Marketing University of Illinois at Urbana - Champaign
- Bachelor of Sciences in Accountancy, Thammasat University

Experiences

- 2012 - Present Business Development Director
Khonburi Sugar Plc.
- 2006 - 2011 Vice President, Investment Banking
Kasikorn Securities Plc.

15. Mr. Natthasit Thaitrakul



Factory director

Age 54 years old

Education

- Master of Science Program in Microbiology, Department of Microbiology, Kasetsart University
- Bachelor of Science Program in Microbiology, Department of Microbiology, Kasetsart University

Experiences

- 2013 - Present Factory Director, Khonburi Sugar Plc.
- 2012 - 2013 Plant Director Thai Alcohol Plc.
- 2011 - 2012 Ethanol Plant Manager. Double A Ethanol Co., Ltd.
- 2005 - 2011 Ethanol Production Consultant
- Ubon Bioethanol Co., Ltd.
 - TCS Ethanol Co., Ltd.
 - Impress Ethanol Co., Ltd.

16. Mr. Sathaporn Singhathawat



Cane Development Director

Age 48 years old

Education

- Master of Engineering (Irrigation Engineering), Kasetsart University
- Bachelor of Engineering (Irrigation Engineering), Kasetsart University

Experiences

- 2013 - Present Cane Development Director, Khonburi Sugar Plc.
- 2012 - 2013 Deputy Managing Director, Paksong High Land Co., Ltd.
- 2010 - 2012 Managing Director, Kasetthip (2010) Co., Ltd.
- 2005 - 2011 Ethanol Production Consultant
- Ubon Bioethanol Co., Ltd.
 - TCS Ethanol Co., Ltd.
 - Impress Ethanol Co., Ltd.
- 2011 - 2013 Ethanol Plant Manager Double A Ethanol Co., Ltd.

17. Mr. Dumrong Putiput



Technic and Project Director

Age 52 years old

Education

- Certificate of Master Industrial Management (MINI MIM), King's Mongkut Institute of Technology, North Bangkok
- Bachelor of Engineering (Industrial Engineering) Rajamangala University of Technology Phra Nakhon

Experiences

- 2013 - Present Technical and Project Director, Khonburi Sugar Plc.
- 2013 - 2010 Project Director, Cristalla Co., Ltd.
- 2010 - 2007 General Manager Maesod Clean Energy Co., Ltd.

18. Mr. Thien Keawpradub



Director of Power Plant Factory Khonburi Power Plant Co., Ltd.

Age 48 years old

Education

- Diploma of Mechanical Rajamongala University of Technology Nonthaburi

Experiences

- 2013 - Present Power Plant Director, Khonburi Power Plant Co., Ltd.
- 1997 - 2003 Maintenance Manager Mitr Phol Sugar Group
- 1988 - 1996 Power Plant Supervisor PTT Group

19. Ms. Surawee Puangthong



Accounting & Finance Manager

Age 50 years old

Education

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

Experiences

- 1997 - Present Accounting & Financial Manager Khonburi Sugar Plc.
- 1994 - 1996 Chief of Accounting Office Puangthong Law and Accounting Office
- 1993 - 1994 Accountant Thai Advanced Textile Co., Ltd.
- 1992 - 1993 Accountant Rungreang Palmoil Co., Ltd.
- 1990 - 1991 Accounting and Finance Thai Nam Plc.
- 1987- 1989 Accounting and Finance Officer Sang Thai Pattana Co., Ltd.

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

1. RIGHTS OF SHAREHOLDERS

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

1.1 Disclosure of Information about the Meetings of Shareholders

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

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

The Company has The Investor Relation which is assigned to act as a company representative responsible for communication, provision of information services, and dissemination of news and information about the Company's activities to institutions, investors, shareholders, and analysts from www.kbs.co.th 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 obligations in line with the contracts entered into, with guidance as the following :

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.

Corporate Office Department
Khonburi Sugar Public Company Limited
Tel (02) 725-4888 Ext. 4814
Fax (02) 725-4876
Email : Thanathorns.s@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 five 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 2013 , the following committee members attended each committee's meetings :

Attendance / Total number of meetings

Name of Directors	Board of Directors	Audit Committee	Risk Management Committee	Nomination and Remuneration Committee	Executive Board Directors
1. Mr. Suthep Wongvorazathe ¹	6/6	-	-	5/5	4/4
2. Mr. Takon Tawintermsup ²	6/6	-	-	-	9/9
3. Mr. Somkiat Twiltermsup	6/6	-	1/1	-	9/9
4. Mr. Issara Twiltermsup	6/6	-	1/1	-	8/9
5. Mr. Amnart Rumpoeypong	6/6	-	-	5/5	-
6. Mr. Sran Smutkochorn	5/6	-	1/1	5/5	-
7. Dr. Tawatchai Nakhata ³	5/6	4/5	-	-	-
8. Mr.Chusak Prachayangprecha ⁴	1/1	1/1	-	-	-
9. Mrs. Suvimol Krittayakiern	6/6	5/5	-	-	-
10. Mr. Prathueng Srirodbang ⁵	5/5	4/5	-	-	-
11. Mr. Voravit Rojrapitada ⁶	1/1	-	1/1	-	-
12. Mr. Tat Wanakornkul ⁷	1/1	-	1/1	-	1/1

Remark : 1. Mr. Suthep Wongvorazathe resigned as the Chairman of Executive Committee since 11 June 2013
 2. Mr. Takon Tawintermsup was appointed as the Chairman of Executive Committee on 11 June 2013
 3. Dr. Tawatchai Nakhata resigned as the Chairman of Audit Committee since 12 November 2013
 4. Mr. Chusak Prachayangkhapreecha resigned as Director since 26 February 2013
 5. Mr. Prathueng Srirodbang was appointed as Director and Audit Committee on 26 February 2013
 6. Mr. Voravit Rojrapitada was appointed as the Independent Director on 18 October 2013 and appointed as the Audit Committee and the Risk Management Committee on 12 November 2013
 7. Mr. Tat Wanakornkul was appointed as the Director on 18 October 2013 and appointed as the Risk Management Committee and Executive Director on 12 November 2013

5. RESPONSIBILITIES OF THE BOARD

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

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

5.1 Structure of the Board of Directors

1. The Annual General Meeting of shareholders 2010 determines the number of Directors shall hold office for nine person. Therefore, each director's term lasts approximately three years.
2. All directors shall be legally qualified and shall not possess any characteristics prohibited by law.
3. The Board of Directors shall comprise the independent directors, as four Independent Directors. The Independent Director of the Company shall be legally qualified and shall not possess any characteristics prohibited by the Board of Directors. The directorship qualifications prescribed by the Board of Directors are as strict as those required by the Securities and Exchange Commission.

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

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 three sub-committees, including Audit Committee, Risk Management Committee and the Executive Board Directors prescribed their duties and responsibilities (details in Shareholding Structure and Management).

The Audit Committee consists of directors who are independent and not an executive of 3 members, with 1 in 3 person is Mrs. Suvimol Krittayakiern having right to have sufficient knowledge and experience to verify the reliability of the financial statements.

5.3 Roles, Duties and Responsibilities of the Board of Directors

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

5.4 Meetings of the Board of Directors

1. The Company holds board meetings and informs each board member of upcoming meeting in advance. In 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 still lacks 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 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 two internal audit officers, who have engaged some experience in the credit granted to the sugar mills, and in the internal audit.

Related companies :	Relationship	The nature of the transactions of the company	Amount (Thousand Baht)		Rationale of the transaction
			Year end 31/12/2013	Year end 31/12/2012	
1. Talaysub Company Limited	<ul style="list-style-type: none"> • Subsidiaries Company • Common Shares / Directors 	- Amortisation of the leasehold	433	460	<ul style="list-style-type: none"> - The Company rent unit A, B, C on the 3rd floor of Prasanmitr place Building as the head office. The lease contracts are valid for 30 years, ended in 2026, totaling Baht 15.1 million. (Transfer the leasehold rights November 13, 2013) - The Company rent Unit B on 2th floor and Unit B on 5th of Prasanmitr Place Building, Sukumvit, as additional office space. (The lease are valid at 15 July 2013)
		- Selling assets (leasehold)	7,500	-	
		- Rental expenses	260	480	
		- Service charges and utilities	384	599	
		- Other payables	-	(34)	
2. The Thai Sugar Trading Co., Ltd.	<ul style="list-style-type: none"> • Subsidiaries Company • Common Shares / Director 	- Export service expenses	11,799	11,096	<ul style="list-style-type: none"> - 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. - TSTC is supported by the commercial banks in the same financial conditions which negotiated by the Company. - TSTC issues promissory notes (P/N) to the Company on behalf of their commercial banks for money receipt from and payment to the banks.
		- Interest expenses	1,661	13,213	
		- Short - term loan			
		- Trade payables	3,861	(295)	

Related companies :	Relationship	The nature of the transactions of the company	Amount (Thousand Baht)		Rationale of the transaction
			Year end 31/12/2013	Year end 31/12/2012	
3. Khonburi Capital Co., Ltd.	<ul style="list-style-type: none"> • Subsidiaries Company • Common Shares / Director 	- Office rental	4,509	-	- The company enters into a rental at No.5 Sukhumvit 57 Khwaeng khlongtan Nua, khet Wattana Bangkok, to rent office space for the period of 2 years 11months 20 days the detail as follows : 1) Office rental Rent rate is Baht 460 per sq.m.total contract sum is Baht 28,470,866.81 2) Equipment rental Rent rate is Baht 40 per sq.m. per month total rent period sum in Baht 2,475,727.55 3) Service agreement Service fee rate is Baht 60 per sq.m per month total contract sum is Baht 3,713,591.32 4) Utility service agreement Electricity charge is Baht 5 per unit. The water supply charge is similar to that charged by the Metropolitan Waterworks Authority <u>Security Deposit</u> Security deposit to the Lessee amount 3 month of a rental of Baht 2,396,190.60 refund when the a rental agreement was expires (Lease termination).
		- Service charges and utilities	392	-	
		- Equipment rental	727	-	
		- Deposit	2,396	-	
4. N.Y. Rubber Company Limited	<ul style="list-style-type: none"> • Subsidiaries Company • Common Shares / Director 	- Sales income	-	81	- Revenue from the sales of sugar with a price comparable to other customers.
		- Trade accounts receivable	-	81	
5. N.Y. Development Company Limited	<ul style="list-style-type: none"> • Subsidiaries Company • Common Shares / Director 	- Sales income	-	15	- Revenue from the sales of sugar with a price comparable to other customers.
		- Trade accounts 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 2013 and the annual financial statements for the period as from 1 January 2013 to 31 December 2013, 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 2013 to 31 December 2013 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 2013.

(Mr.Suthep Wongvorazathe)
Chairman of The Board Directors

(Mr.Takon Tawinternsup)
Chairman of Executive 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. Mrs. Suvimol Krittayakiern | Chairman of the Audit Committee |
| 2. Mr. Prathueng Srirodbang | the Audit Committee |
| 3. Mr. Voravit Rojrapitada | the Audit Committee |

- Remark :
1. Mrs. Suvimol Krittayakiern was appointed as Chairman of the Audit Committee represent as Dr. Tawatchai Nakhata on 12 November 2013
 2. Mr. Prathueng Srirodbang was appointed as the Audit Committee represent as Mr Chusak Prachyangkhapreecha on 26 February 2013
 3. Mr. Voravit Rojrapitada was appointed as Audit Committee 12 November 2013

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 2013, the Audit Committee held 5 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, and 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 2013, which ended on December 31, 2013 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

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 2014 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 2014 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 2012 Annual Ordinary Meeting of Shareholders for the appointment of Ms. Rungnapa Lertsuwankul Certified Public Auditor No. 3516 and/or Mr. Chayapol Suppasethnondha, Certified Public Auditor No. 3972 and/or Ms. Pimjai Manitkajohnkit Certified Public Auditor No. 4521, of EY Office Company Limited as the Company's certified public auditor.



(Mrs. Suvimol Krittayakian)

Chairman of the Audit Committee

1. Financial Status

1.1 Assets

As at 31 December 2013, the Company has total assets of Baht 5,932.6 million, increasing by Baht 1,616.6 million or an increase of 37.5% from the previous year.

- Current assets of Baht 2,323.0 million, an increase of Baht 446.8 million from the preceding year primarily due to
 - An increase in trade accounts receivable of Baht 63.3 million from the preceding year due to an increase in overseas sales.
 - An increase in inventories of Baht 201.5 million, or an increase of 32.1%. At the end of 2013, the sugar stock was higher than normal. The sugar traders were likely to slow down the sugar receipt in the downturn of sugar prices.
 - An increase in deposit for molasses of Baht 186.4 million.
- Non-current assets of Baht 3,609.6 million, an increase of Baht 1,169.8 million. In 2013, Khonburi Power Plant Co., Ltd., a subsidiary, constructed the 35-MW biomass power plant. The electricity distribution to its counter party is scheduled in April 2014. The construction in 2013 led to an increase in assets under construction in progress for Baht 1,150.78 million.

1.2 Liabilities

As at 31 December 2013, the Company had total liabilities of Baht 2,502.2 million, an increase of Baht 971.9 million from the preceding year or a 63.5% increase.

- Current liabilities totaled Baht 1,592.3 million, an increase of Baht 536.7 million from the previous year due to the following reasons :
 - An increase in bank overdraft and short-term loans from financial institutions of Baht 144.2 million.
 - An increase in Current portion of long-term loans of Baht 85.6 million. This was the long-term loans for the 35 MW power plant.
 - An increase in advance payments for molasses of Baht 259.6 million.
- Other non-current liabilities were Baht 909.9 million, an increase of Baht 435.2 million from the preceding year because the Company has repaid the long-term loans on due in the amount of Baht 416.6 million, and Khonburi Power Plant Co., Ltd. has drawn down the new long-term loans for the construction of 35-MW power plant in the amount of Baht 836.6 million.

1.3 Shareholders' Equity

As at 31 December 2013, the Company had total shareholders' equity amounting to Baht 3,430.5 million, an increase of Baht 644.8 million from the previous year or a 23.1% increase. The changes in the shareholders' equity are due to the following reasons :

- Capital increase by the Mitsui Group of Baht 515.0 million
- Net profit for the period of Baht 501.5 million
- Dividend payment Baht 368.5 million

2. Operating Results

Performance Overview

In 2013, the overall global sugar market is still bear market with sugar price weakened throughout the year. Consequently the Company had the income from sales of sugar in 2013 decreased by 9.9% and the gross profit from sales of sugar decreased by approximately Baht 400.5 million. Meanwhile, the income and gross profit from sales of molasses has increase by Baht 167.7 million because the prices of molasses surged since the beginning of the year due to higher demands on ethanol after the Government's ban of over the distribution of Benzene 91 and an increase in the consumption of E20 and E85. However, the Company's income from sales of electricity has decreased by Baht 19.4 million if compared with the preceding year. All in all, the Company gross profit has decreased by Baht 271.1 million compared to the previous year.

For the operating expenses for the year of 2013, the Company's operating expenses have increased by Baht 45.5 million compared to last year. However, the financial expenses (interest expenses) decreased by Baht 36.3 million while the corporate income tax also decreased by Baht 88.6 million, which were consistent with the decrease in earning and the effect from reduction in corporation income for rate tax.

Based on these factory, the Company's net profit has decreased from the previous year by Baht 214.0 million or equivalent to a decrease of 21.0%.

Total income

In 2013, the Company's total income, Baht 5,972.3 million, has decreased from 2012 when (total income of Baht 6,636.9 million) by 10%. The details are as follows :

	2012	2013	changes
	(Million Baht)	(Million Baht)	(%)
Income			
Sales and service income	6,349.6	5,903.8	(7.0)
Profit (loss) from foreign exchange	196.7	-	(100.0)
Other revenues	90.7	68.5	(24.5)
Total income	6,636.9	5,972.3	(10.0)

Sales and service income

The sales and service income for 2013 amounted to Baht 5,903.8 million, a decrease of 7.0% from 2012. The details are as follows :

	2012	2013	Changes
	(Million Baht)	(Million Baht)	(%)
Income from sales of sugar	5,509.0	4,961.3	(9.9)
Income from sales of molasses	341.6	509.3	49.1
Income from sales of electricity	102.1	82.7	(19.0)
Agricultural sales and service income	396.9	350.5	(11.7)
Total sales and service income	6,349.6	5,903.8	(7.0)

- Income from sales of sugar amounted to Baht 4,961.3 million, a decrease of Baht 367.0 million from the previous year or a 9.9% decrease. The sales volume decreased by 0.3% while the average selling prices declined by 9.7%. The average selling prices decreased according to the weak sugar prices in the global market last year.
- Income from sales of molasses amounted to Baht 509.6 million, an increase of Baht 167.7 million from the previous year or it accounted for 49.1% due to higher sales of molasses for 2.0% while the average selling price per unit increased for 46.1% in the previous year. Higher prices of molasses were in line with more demands on molasses after the Government has cancelled the sales of Benzene 91 since 1 January 2013.

Cost of sales and gross profit margin

The cost of sales and gross profit of the Company in 2013 as compared with the preceding year are illustrated below.

	2012	2013	Percent of changes
	(Million Baht)	(Million Baht)	
Income			
Sales and service income	6,349.6	5,903.8	(7.0)
Profit (loss) from foreign exchange	196.7	(51.6)	(126.2)
Total income	6,546.3	5,852.2	(10.6)
Cost of sales and service	5,216.3	4,793.3	(8.1)
Gross profit	1,330.0	1,058.9	(20.4)
Gross profit margin	20.3%	18.1%	(2.2)

The Company's gross profit in 2013 dropped for Baht 271.1 million mainly due to the weak sugar prices in the global market. Although the Company earned more profit from sales of molasses this year, such profit could not completely offset the declining gross profit from sales of sugar. As a result, the overall gross profit margin decreased to be 18.1% from 20.3% in 2012.

Selling and administrative expenses

In 2013, the Company has the selling and administrative expenses amounting to Baht 479.3 million, which has increased from last year by 8.1%. The increasing expenses mainly due to higher personal expenses as a result of the annual salary revision and addition in job positions to match with the Company's future growth, especially officers of Khonburi Power Plant Co., Ltd. who had to be responsible in the construction phase and also for the operation phase of the 35-MW biomass power plant.

Interest expenses

In 2013, the Company's financial expenses totaled Baht 20.5 million, a decrease of Baht 36.3 million from the previous year, due to less usage of packing credit during the year and the repayment of long-term loans of Baht 416.6 million.

Corporate income tax

The corporate income tax amounted to Baht 126.1 million, a decrease of Baht 88.5 million from the previous year because the earning before tax dropped, which was resulted by the declining operating performance while the present corporate income tax of KBS was at 20%, reducing from 23% in the previous year.

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 2013, 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.

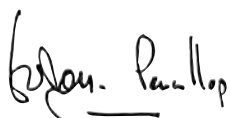
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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 2013, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

Emphasis of matter

I draw attention to Note 3 to the financial statements regarding the change in accounting policy made due to the adoption of Thai Accounting Standard 12 Income Taxes. The Company has restated the consolidated and separate financial statements for the year ended 31 December 2012, presented herein as comparative information, to reflect the adjustment resulting from such change in accounting policy. The Company has also presented consolidated and separate statements of financial position as at 1 January 2012 as comparative information, using the newly adopted accounting policy for income taxes. My opinion is not qualified in respect of this matter.



Sophon Permsirivallop

Certified Public Accountant (Thailand) No. 3182

EY Office Limited

Bangkok : 25 February 2014

Khonburi Sugar Public Company Limited and its subsidiaries

Statements of financial position

(Unit : Baht)

	Note	Consolidated financial statements			Separate financial statements		
		As at	As at	As at	As at	As at	As at
		31 December 2013	31 December 2012 (restated)	1 January 2012	31 December 2013	31 December 2012 (restated)	1 January 2012
Assets							
Current assets							
Cash and cash equivalents	9	747,334,372	748,397,478	1,324,635,977	699,126,862	702,826,920	1,307,987,218
Trade and other receivables	8, 10	257,256,496	101,499,792	131,732,032	166,601,492	98,633,469	153,583,398
Planter receivables	11	36,752,960	18,531,836	28,508,436	36,752,960	18,531,836	28,508,436
Current portion of sugarcane plantation loans	12	246,644,577	296,330,581	290,123,634	246,644,577	296,330,581	290,123,634
Short - term loans to a related party	8	-	-	-	40,000,000	-	25,000,000
Inventories	13	829,489,507	627,963,293	865,886,583	827,952,246	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		-	-	17,681,212	-	-	17,681,212
Other current assets	14	205,536,186	16,440,190	15,671,021	10,355,398	11,369,957	11,854,746
Total current assets		2,323,014,098	1,876,193,267	2,674,238,895	2,027,433,535	1,819,011,077	2,695,984,453
Non - current assets							
Investment in debt securities held to maturity		5,000,000	5,000,000	-	5,000,000	5,000,000	-
Investment in subsidiaries	15	-	-	-	539,999,940	389,999,940	127,499,640
Other long-term investments	16	1,994,875	1,994,875	8,849,943	1,994,875	1,994,875	8,849,943
Sugarcane plantation loans - net of current portion	12	169,008,485	136,117,975	142,452,862	169,008,485	136,117,975	142,452,862
Amounts due from the Office of the Cane and Sugar Fund - net of current portion		-	-	6,936,796	-	-	6,936,796
Property, plant and equipment	17	3,411,495,510	2,193,234,795	1,720,969,422	1,974,114,149	1,945,409,652	1,503,283,375
Intangible assets	18	6,664,089	9,985,554	9,919,679	5,472,171	8,894,032	9,323,628
Deferred tax assets	4, 29.1	5,986,997	3,747,649	1,612,973	-	-	-
Other non-current assets	19	9,480,239	89,674,587	10,217,165	5,429,174	9,457,269	10,216,846
Total non-current assets		3,609,630,195	2,439,755,435	1,900,958,840	2,701,018,794	2,496,873,743	1,808,563,090
Total assets		5,932,644,293	4,315,948,702	4,575,197,735	4,728,452,329	4,315,884,820	4,504,547,543

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

Khonburi Sugar Public Company Limited and its subsidiaries

Statements of financial position (Continued)

(Unit : Baht)

	Note	Consolidated financial statements			Separate financial statements		
		As at	As at	As at	As at	As at	As at
		31 December 2013	31 December 2012 (restated)	1 January 2012	31 December 2013	31 December 2012 (restated)	1 January 2012
Liabilities and shareholders' equity							
Current liabilities							
Short - term loans from financial institutions	20	150,000,000	5,832,000	764,247	140,000,000	-	764,247
Trade and other payables	8, 21	1,181,143,845	936,883,193	990,028,225	888,372,008	931,895,058	984,608,211
Current portion of long-term loans from financial institutions	22	102,230,000	16,630,000	27,380,000	22,230,000	16,630,000	15,880,000
Current portion of liabilities under financial lease agreements	23	-	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		5,355	132,335	210,002,380	5,355	132,335	210,002,380
Forward exchange contract payables		78,824,030	-	133,486,558	78,824,030	-	133,486,558
Amounts due to the Office of the Cane and Sugar Fund		68,364,660	47,860,418	59,974,880	68,364,660	47,860,418	59,974,880
Other current liabilities		11,692,753	6,464,711	7,584,957	7,743,361	6,405,556	7,540,021
Total current liabilities		1,592,260,643	1,055,627,613	1,646,809,269	1,205,539,414	1,044,748,323	1,628,495,201
Non-current liabilities							
Long - term loans from financial institutions - net of current portion	22	843,678,904	430,050,000	708,154,540	7,820,000	430,050,000	646,680,000
Liabilities under financial lease agreements - net of current portion	23	-	-	1,946,568	-	-	714,014
Provision for long-term employee benefits	24	26,702,036	18,362,809	15,901,679	24,422,583	16,840,261	14,564,059
Deferred tax liabilities	4, 29.1	39,541,139	26,265,319	14,754,492	39,541,139	26,265,319	14,754,492
Total non-current liabilities		909,922,079	474,678,128	740,757,279	71,783,722	473,155,580	676,712,565
Total liabilities		2,502,182,722	1,530,305,741	2,387,566,548	1,277,323,136	1,517,903,903	2,305,207,766

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

Khonburi Sugar Public Company Limited and its subsidiaries
Statements of financial position (Continued)

(Unit : Baht)

	Consolidated financial statements			Separate financial statements		
	As at	As at	As at	As at	As at	As at
	Note	31 December	31 December	1 January	31 December	31 December
	2013	2012	2012	2013	2012	2012
		(restated)			(restated)	
Shareholders' equity						
Share capital						
Registered						
500,000,000 ordinary shares of Baht 1 each		500,000,000	500,000,000		500,000,000	500,000,000
600,000,000 ordinary shares of Baht 1 each	25	600,000,000		600,000,000		
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
550,000,000 ordinary shares of Baht 1 each	25	550,000,000		550,000,000		
Warrants	26	2,500,000	-	-	2,500,000	-
Share premium		1,642,675,000	1,180,175,000	1,180,175,000	1,642,675,000	1,180,175,000
Retained earnings						
Appropriated - statutory reserve	27	60,000,000	50,000,000	41,600,000	60,000,000	50,000,000
Unappropriated		1,178,971,451	1,059,152,841	467,064,850	1,195,954,193	1,067,805,917
Other components of shareholders' equity		(3,684,880)	(3,684,880)	(1,208,663)	-	-
Total shareholders' equity		3,430,461,571	2,785,642,961	2,187,631,187	3,451,129,193	2,797,980,917
Total liabilities and shareholders' equity		5,932,644,293	4,315,948,702	4,575,197,735	4,728,452,329	4,504,547,543

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

Khonburi Sugar Public Company Limited and its subsidiaries

Statements of comprehensive income

For the year ended 31 December 2013

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2013	2012 (Restated)	2013	2012 (Restated)
Profit or loss :					
Revenues					
Sales income	30	5,870,724,821	6,316,880,883	5,845,438,160	6,316,880,883
Service income		33,059,926	32,697,824	32,725,751	32,261,606
Other income					
Interest income		25,514,024	39,322,202	25,967,091	41,428,487
Exchange gains		-	196,703,721	-	196,703,721
Others		42,970,625	51,332,816	53,738,120	38,199,662
Total revenues		5,972,269,396	6,636,937,446	5,957,869,122	6,625,474,359
Expenses					
Cost of sales		4,763,974,378	5,186,690,167	4,761,229,174	5,187,938,481
Cost of services		29,318,629	29,587,851	30,192,469	31,559,855
Selling expenses		259,229,658	249,429,993	259,229,658	249,429,993
Administrative expenses		220,025,831	184,298,114	199,659,747	170,438,555
Loss on exchange		51,618,381	-	50,513,881	-
Total expenses		5,324,166,877	5,650,006,125	5,300,824,929	5,639,366,884
Profit before finance cost and					
income tax expenses		648,102,519	986,931,321	657,044,193	986,107,475
Finance cost		(20,494,014)	(56,796,196)	(19,563,520)	(54,535,941)
Profit before income tax expenses		627,608,505	930,135,125	637,480,673	931,571,534
Income tax expenses	4, 29.2	(126,073,220)	(214,647,134)	(128,242,070)	(215,454,177)
Profit for the year		501,535,285	715,487,991	509,238,603	716,117,357

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

Khonburi Sugar Public Company Limited and its subsidiaries

Statements of comprehensive income

For the year ended 31 December 2013

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2013	2012 (Restated)	2013	2012 (Restated)
Other comprehensive income :					
Reversal of surplus on changes in value					
of investments in available for sale		-	(3,215,866)	-	(3,215,866)
Income tax effect		-	739,649	-	739,649
		-	(2,476,217)	-	(2,476,217)
Actuarial losses arising from defined					
benefit plan of employees	24	(3,934,750)	-	(3,237,909)	-
Income tax effect	4, 29.3	718,075	-	647,582	-
		(3,216,675)	-	(2,590,327)	-
Other comprehensive income for the year		(3,216,675)	(2,476,217)	(2,590,327)	(2,476,217)
Total comprehensive income for the year		498,318,610	713,011,774	506,648,276	713,641,140
Earnings per share					
Basic earnings per share					
Net profit for the year	31	0.92	1.43	0.94	1.43

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 2013

(Unit : Baht)

	Consolidated financial statements									
	Issued and fully paid up share capital	Warrants	Share premium	Retained earnings		Other components of equity			Total other components of shareholders' equity	Total shareholders' equity
				Appropriated - statutory reserve	Unappropriated	Revaluation surplus on changes in value of investments	Surplus on business combination under common control	Other comprehensive income		
Balance as at 31 December 2011 - as previously reported	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	
Cumulative effect of change in accounting policy for deferred tax (Note 4)	-	-	-	-	(12,401,870)	(739,649)	-	(739,649)	(13,141,519)	
Balance as at 31 December 2011 - as restated	500,000,000	-	1,180,175,000	41,600,000	467,064,850	2,476,217	(3,684,880)	(1,208,663)	2,187,631,187	
Total comprehensive income for the year - restated	-	-	-	-	715,487,991	(2,476,217)	-	(2,476,217)	713,011,774	
Dividends paid (Note 34)	-	-	-	-	(115,000,000)	-	-	-	(115,000,000)	
Appropriated retained earnings to statutory reserve (Note 27)	-	-	-	8,400,000	(8,400,000)	-	-	-	-	
Balance as at 31 December 2012	500,000,000	-	1,180,175,000	50,000,000	1,059,152,841	-	(3,684,880)	(3,684,880)	2,785,642,961	
Balance as at 31 December 2012 - as previously reported	500,000,000	-	1,180,175,000	50,000,000	1,081,670,511	-	(3,684,880)	(3,684,880)	2,808,160,631	
Cumulative effect of change in accounting policy for deferred tax (Note 4)	-	-	-	-	(22,517,670)	-	-	-	(22,517,670)	
Balance as at 31 December 2012 - as restated	500,000,000	-	1,180,175,000	50,000,000	1,059,152,841	-	(3,684,880)	(3,684,880)	2,785,642,961	
Increase share capital (Note 25)	50,000,000	-	462,500,000	-	-	-	-	-	512,500,000	
Cash receipt from warrants (Note 26)	-	2,500,000	-	-	-	-	-	-	2,500,000	
Total comprehensive income for the year	-	-	-	-	498,318,610	-	-	-	498,318,610	
Dividends paid (Note 34)	-	-	-	-	(368,500,000)	-	-	-	(368,500,000)	
Appropriated retained earnings to statutory reserve (Note 27)	-	-	-	10,000,000	(10,000,000)	-	-	-	-	
Balance as at 31 December 2013	550,000,000	2,500,000	1,642,675,000	60,000,000	1,178,971,451	-	(3,684,880)	(3,684,880)	3,430,461,571	

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

Khonburi Sugar Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the year ended 31 December 2013

(Unit : Baht)

Separate financial statements	Other components of equity						Total shareholders' equity
	Retained earnings		Revaluation surplus on changes in value of investments		Total other components of shareholders' equity		
	Issued and fully paid up share capital	Warrants	Share premium	Appropriated - statutory reserve	Unappropriated	Total	
Balance as at 31 December 2011 - as previously reported	500,000,000	-	1,180,175,000	41,600,000	489,103,403	3,215,866	2,214,094,269
Cumulative effect of change in accounting policy for deferred tax (Note 4)	-	-	-	-	(14,014,843)	(739,649)	(14,754,492)
Balance as at 31 December 2011 - as restated	500,000,000	-	1,180,175,000	41,600,000	475,088,560	2,476,217	2,199,339,777
Total comprehensive income for the year - restated	-	-	-	-	716,117,357	(2,476,217)	713,641,140
Dividends paid (Note 34)	-	-	-	-	(115,000,000)	-	(115,000,000)
Appropriated retained earnings to statutory reserve (Note 27)	-	-	-	8,400,000	(8,400,000)	-	-
Balance as at 31 December 2012	500,000,000	-	1,180,175,000	50,000,000	1,067,805,917	-	2,797,980,917
Balance as at 31 December 2012 - as previously reported	500,000,000	-	1,180,175,000	50,000,000	1,094,071,236	-	2,824,246,236
Cumulative effect of change in accounting policy for deferred tax (Note 4)	-	-	-	-	(26,265,319)	-	(26,265,319)
Balance as at 31 December 2012 - as restated	500,000,000	-	1,180,175,000	50,000,000	1,067,805,917	-	2,797,980,917
Increase share capital (Note 25)	50,000,000	-	462,500,000	-	-	-	512,500,000
Cash receipt from warrants (Note 26)	-	2,500,000	-	-	-	-	2,500,000
Total comprehensive income for the year	-	-	-	-	506,648,276	-	506,648,276
Dividends paid (Note 34)	-	-	-	-	(368,500,000)	-	(368,500,000)
Appropriated retained earnings to statutory reserve (Note 27)	-	-	-	10,000,000	(10,000,000)	-	-
Balance as at 31 December 2013	550,000,000	2,500,000	1,642,675,000	60,000,000	1,195,954,193	-	3,451,129,193

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

Khonburi Sugar Public Company Limited and its subsidiaries
Cash flow statements
For the year ended 31 December 2013

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Cash flows from operating activities				
Profit before income tax	627,608,505	930,135,125	637,480,673	931,571,534
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities :				
Depreciation and amortisation	180,488,704	142,099,208	169,432,886	137,063,015
Amortisation of premium from forward exchange contracts	(7,589,662)	(15,132,597)	(7,589,662)	(15,132,597)
Reversal of allowance for doubtful accounts	(25,319,127)	(42,996,127)	(25,319,127)	(42,996,127)
(Reversal) decrease of inventory to net realisable value	18,159	(90,987)	28,350	(9,412)
Loss from impairment on investment in subsidiary	-	-	-	6,999,700
Gain on sale of property, plant and equipment	(165,399)	(15,670,999)	200,418	(1,712,368)
Gain on sale of other long-term investments	-	(3,677,883)	-	(3,677,883)
Provision for long-term employee benefits	4,404,477	2,461,130	4,344,413	2,276,202
Unrealised (gain) loss on exchange	86,141,043	(51,997,840)	86,141,043	(51,997,840)
Interest income	(25,514,024)	(39,322,202)	(25,967,091)	(41,428,487)
Interest expenses	18,893,215	56,618,681	18,885,480	53,838,392
Profit from operating activities before changes in operating assets and liabilities	858,965,891	962,425,509	857,637,383	974,794,129
Operating assets (increase) decrease				
Trade and other receivables	(147,015,199)	30,565,614	(59,226,518)	54,023,416
Planter receivables	7,098,003	52,972,727	7,098,003	52,972,727
Inventories	(201,544,373)	238,014,277	(203,692,379)	236,967,004
Forward exchange contract receivables	67,030,097	-	67,030,097	-
Other current assets	(187,763,220)	(769,169)	1,126,477	484,789
Other non-current assets	80,194,348	(79,457,422)	4,028,095	759,577
Operating liabilities increase (decrease)				
Trade and other payables	149,389,995	(85,619,742)	6,587,119	(84,567,157)
Forward exchange contract payables	-	(133,486,558)	-	(133,486,558)
Amounts due to the Office of the Cane and Sugar Fund	20,504,242	12,503,546	20,504,242	12,503,546
Other current liabilities	5,228,042	(1,120,246)	1,337,805	(1,134,465)
Cash flows used in operating activities	652,087,826	996,028,536	702,430,324	1,113,317,008
Cash paid for corporate income tax	(165,516,305)	(378,507,299)	(164,183,524)	(376,180,892)
Net cash flows from operating activities	486,571,521	617,521,237	538,246,800	737,136,116

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

Khonburi Sugar Public Company Limited and its subsidiaries

Cash flow statements (Continued)

For the year ended 31 December 2013

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Cash flows from investing activities				
Increase in debt securities held to maturity	-	(5,000,000)	-	(5,000,000)
(Increase) decrease in short-term loan to related party	-	-	(40,000,000)	25,000,000
Decrease in sugarcane plantation loans	16,795,494	127,940	16,795,494	127,940
Proceeds of other long-term investments	-	7,317,085	-	7,317,085
Cash paid for acquisitions of property, plant and equipment	(1,297,686,871)	(583,435,659)	(254,404,312)	(545,892,190)
Cash paid for acquisitions of intangible asset	(1,894,739)	(4,803,379)	(1,481,109)	(4,170,378)
Proceeds from sales of property, plant and equipment	11,442,903	21,864,780	10,989,432	4,779,733
Increase in investment in subsidiary	-	-	(150,000,000)	(269,500,000)
Cash receipt from interest income	25,096,215	40,087,942	25,437,364	42,455,340
Net cash flows used in investing activities	(1,246,246,998)	(523,841,291)	(392,663,131)	(744,882,470)
Cash flows from financing activities				
Increase in bank overdrafts and				
short - term loans from financial institutions	144,168,000	5,067,753	140,000,000	(764,247)
Cash paid for liabilities under financial lease agreements	(11,147)	(4,732,443)	(11,147)	(2,150,771)
Cash receipt from long-term loans	915,858,904	-	-	-
Repayment of long-term loans	(416,630,000)	(288,854,540)	(416,630,000)	(215,880,000)
Proceeds from increase in share capital	512,500,000	-	512,500,000	-
Cash receipt from warrants	2,500,000	-	2,500,000	-
Cash paid for interest expenses	(31,146,406)	(56,529,170)	(19,015,600)	(53,748,881)
Dividends paid	(368,626,980)	(324,870,045)	(368,626,980)	(324,870,045)
Net cash flows from (used in) financing activities	758,612,371	(669,918,445)	(149,283,727)	(597,413,944)
Net decrease in cash and cash equivalents	(1,063,106)	(576,238,499)	(3,700,058)	(605,160,298)
Cash and cash equivalents at beginning of year	748,397,478	1,324,635,977	702,826,920	1,307,987,218
Cash and cash equivalents at end of year	747,334,372	748,397,478	699,126,862	702,826,920
Supplemental cash flows information				
Non-cash transactions				
Reversal surplus on changes in value of investments				
in available for sale	-	(3,215,866)	-	(3,215,866)
Decrease (increase) in purchases of assets that have				
not yet been paid	(94,517,215)	(32,385,199)	49,980,049	(31,764,493)
Transfer assets under construction in progress to				
intangible assets	(1,000,000)	(1,038,400)	(1,000,000)	(1,038,400)
Capitalise interest to construction in progress	12,606,633	-	-	-
Offsetting between amount due from/to the Office to				
the Cane and Sugar Fund	-	(24,618,008)	-	(24,618,008)

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

Khonburi Sugar Public Company Limited and its subsidiaries
Notes to financial statements
For the year ended 31 December 2013
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 5 Soi Sukhumvit 57, 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 Thai Financial Reporting 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 companies (“the subsidiaries”) :

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2013 (Percent)	2012 (Percent)
Khonburi Power Plant Co., Ltd.	Manufacture and distribution of electricity	Thailand	100.00	100.00
KBS Trading Co.,Ltd. (Formerly known as “Agriculture Machine Services Co., Ltd.”)	Trading of molasses and by product (formerly providing agricultural services)	Thailand	100.00	100.00
Khonburi Bio Energy Co., Ltd.	Manufacture and distribution of ethanol	Thailand	100.00	100.00

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

Below is a summary of accounting standards that became effective in the current accounting year and those that will become effective in the future.

(a) Accounting standards that became effective in the current accounting year

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

Financial Reporting Standard :

TFRS 8	Operating Segments
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Accounting Standard Interpretations :

TSIC 10	Government Assistance - No Specific Relation to Operating Activities
TSIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
TSIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

Accounting Treatment Guidance for Transfers of Financial Assets

These accounting standards, financial reporting standard, accounting standard interpretations and accounting treatment guidance do not have any significant impact on the financial statements, except for the following accounting standard.

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base and recognise the tax effects as deferred tax assets or liabilities subjecting to certain recognition criteria. The Company and its subsidiaries have changed this accounting policy in this current period and restated the prior year's financial statements, presented as comparative information, as though the Company and its subsidiaries had initially recognised the tax effects as deferred tax assets or liabilities. The cumulative effect of this change in accounting policy has been presented in Note 4 to the financial statements.

(b) Accounting standards that will become effective in the future

Accounting Standards :		<u>Effective date</u>
TAS 1 (revised 2012)	Presentation of Financial Statements	1 January 2014
TAS 7 (revised 2012)	Statement of Cash Flows	1 January 2014
TAS 12 (revised 2012)	Income Taxes	1 January 2014
TAS 17 (revised 2012)	Leases	1 January 2014
TAS 18 (revised 2012)	Revenue	1 January 2014
TAS 19 (revised 2012)	Employee Benefits	1 January 2014
TAS 21 (revised 2012)	The Effect of Changes in Foreign Exchange Rates	1 January 2014
TAS 24 (revised 2012)	Related Party Disclosures	1 January 2014
TAS 28 (revised 2012)	Investments in Associates	1 January 2014
TAS 31 (revised 2012)	Interests in Joint Ventures	1 January 2014
TAS 34 (revised 2012)	Interim Financial Reporting	1 January 2014
TAS 36 (revised 2012)	Impairment of Assets	1 January 2014
TAS 38 (revised 2012)	Intangible Assets	1 January 2014
Financial Reporting Standards :		
TFRS 2 (revised 2012)	Share-based Payment	1 January 2014
TFRS 3 (revised 2012)	Business Combinations	1 January 2014
TFRS 4	Insurance Contracts	1 January 2016
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations	1 January 2014
TFRS 8 (revised 2012)	Operating Segments	1 January 2014
Accounting Standard Interpretations :		
TSIC 15	Operating Leases - Incentives	1 January 2014
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1 January 2014
TSIC 29	Service Concession Arrangements : Disclosures	1 January 2014
TSIC 32	Intangible Assets - Web Site Costs	1 January 2014

Financial Reporting Standard Interpretations :		<u>Effective date</u>
TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 January 2014
TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2014
TFRIC 7	Applying the Restatement Approach under TAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>	1 January 2014
TFRIC 10	Interim Financial Reporting and Impairment	1 January 2014
TFRIC 12	Service Concession Arrangements	1 January 2014
TFRIC 13	Customer Loyalty Programmes	1 January 2014
TFRIC 17	Distributions of Non-cash Assets to Owners	1 January 2014
TFRIC 18	Transfers of Assets from Customers	1 January 2014

The Company's management believes that these accounting standards, financial reporting standard, accounting standard interpretations and financial reporting standards interpretations will not have any significant impact on the financial statements when they are initially applied.

4. Cumulative effect of change in accounting policy due to the adoption of new accounting standard

During the current year, the Company and its subsidiaries made the changes described in Note 3 to the financial statements to their significant accounting policies, as a result of the adoption of Thai Accounting Standard 12 Income Taxes. The cumulative effect of the changes in the accounting policies has been separately presented in the statements of changes in shareholders' equity.

The amounts of adjustments affecting the statements of financial position and the statements of comprehensive income are summarised below.

(Unit : Thousand Baht)

	Consolidated financial statements			Separate financial statements		
	As at	As at	As at	As at	As at	As at
	31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012

Statements of financial position

Increase in deferred tax assets	5,987	3,747	1,612	-	-	-
Increase in deferred tax liabilities	39,541	26,265	14,754	39,541	26,265	14,754
Decrease in unappropriated retained earnings	(33,554)	(22,518)	(12,402)	(39,541)	(26,265)	(14,014)
Decrease in other component of shareholders' equity	-	-	(740)	-	-	(740)

(Unit : Thousand Baht)

	For the year ended 31 December 2013		For the year ended 31 December 2012	
	Consolidated	Separate financial	Consolidated	Separate financial
	financial statements	statements	financial statements	statements

Statements of comprehensive income

Profit or loss :

Increase in income tax	11,754	13,923	10,116	12,250
Decrease in profit attributable to equity holders of the Company	(11,754)	(13,923)	(10,116)	(12,250)
Decrease in basic earnings per share (Baht)	(0.022)	(0.026)	(0.020)	(0.024)

Other comprehensive income :

Reversal of surplus on changes in value of investments in available-for-sale	-	-	740	740
Actuarial losses arising from defined benefit plan of employees	718	648	-	-

5. Significant accounting policies

5.1 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.

5.2 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.

5.3 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.

5.4 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 weight average method and net realisable value and are charged to production costs whenever consumed.

The common production costs incurred in the production process are not allocated to bagasse from productions of sugar; therefore, revenue from sale products are presented as deduction to production costs in each production season.

5.5 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.

5.6 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.

5.7 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.

5.8 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.

5.9 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.

5.10 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.

5.11 Foreign currencies

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency.

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.

5.12 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.

5.13 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 and its subsidiaries' 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 treat 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.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

The defined benefits liability comprise the present value of the defined benefit obligation.

For the first - time adoption of TAS 19 Employee Benefits in 2011, the Company and its subsidiaries 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.

5.14 Provisions

Provisions are recognised when the Company and its 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.

5.15 Income tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

Current tax

Current 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.

Deferred tax

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company and its subsidiaries record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

5.16 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.

6. 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.

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.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

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.

7. 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.

8. Related party transactions

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

Name	Relationship
Khonburi Power Plant Co., Ltd.	Subsidiary
KBS Trading Co., Ltd. (Formerly known as "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
	2013	2012	2013	2012	
Transactions with subsidiaries :					
(Eliminated from consolidated financial statements)					
Interest income	-	-	864	2,357	2013 : 5.375% per annum (2012 : 6.375% per annum)
Sales income	-	-	8,618	2,885	Cost plus margin 3 to 5 percent
Bagasse income	-	-	27,968	-	Contract price (Baht 350 - 400 per ton)
Rental income	-	-	3,357	110	Contract price (Baht 3,333 to Baht 210,000 per month)
Purchase fixed assets	-	-	9,900	25,232	Market price and auction price
Electricity charges	-	-	28,703	-	Contract price (according to EGAT)
Stream charges	-	-	13,077	-	Contract price (Baht 70 - 100 per ton)
Rental expenses	-	-	26,448	48,443	Contract price (6,000 Baht to 120,000 Baht per vehicle per month)
Maintenance expenses	-	-	6,618	-	Market price
Management expenses	-	-	2,167	-	Contract price
Other expenses	-	-	2,440	-	Market price
Transactions with related companies :					
Sales income	-	96	-	96	Comparable price to other customers
Selling assets	7,500	-	7,500	-	Market price and auction price
Amortisation of the leasehold	433	460	433	460	Contract price (with contract terms 15 and 30 years)
Rental expenses	5,161	480	5,161	480	Contract price and comparable price charged to other customers
Service charges and utilities	1,108	599	1,111	599	Contract price (Baht 45 - 60 per square meter)
Export service expenses	11,799	11,096	11,799	11,096	Contract price (Baht 20 per ton)
Interest expenses	1,661	13,213	1,661	13,213	2013 : 3.4% per annum (2012: 3.75% - 5.50% per annum)

As at 31 December 2013 and 2012, the balances of the accounts between the Company and those related companies are as follows :

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Account receivables - related party (Note 10)				
Related party company	3,861	96	3,861	96
Interest receivable related party (Note 10)				
Subsidiary company (eliminated from consolidated financial statements)	-	-	112	-
Other receivables - related party (Note 10)				
Subsidiary company (eliminated from consolidated financial statements)	-	-	18,737	17,664
Accrued expenses - related parties (Note 21)				
Subsidiary company (eliminated from consolidated financial statements)	-	-	22,073	8,428
Related companies (related by common shareholders/common directors)	-	329	-	329
Total accrued expenses - related parties	-	329	22,073	8,757
Other non-current assets				
Related company	2,396	-	2,396	-

Loans to and from related party

As at 31 December 2013 and 2012, the balances 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 2012	Increase during the year	Decrease during the year	Balance as at 31 December 2013
Short - term loans to related party				
Subsidiary company	-	175,000	(135,000)	40,000

(Unit : Thousand Baht)

Consolidated financial statements/ Separate financial statements

	Balance as at 31 December 2012	Increase during the year	Decrease during the year	Balance as at 31 December 2013
Short - term loans from related party				
Related company	-	320,103	(320,103)	-

Directors and management's benefits

During the years ended 31 December 2013 and 2012, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Short-term employee benefits	48,021	35,346	48,021	35,346
Post-employment benefits	1,849	1,500	1,849	1,500
Total	49,870	36,846	49,870	36,846

9. Cash and cash equivalents

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Cash	386	549	296	289
Bank deposits	176,948	147,848	128,831	102,538
Bills of exchange	570,000	600,000	570,000	600,000
Total	747,334	748,397	699,127	702,827

As at 31 December 2013, bank deposits in saving accounts, fixed deposits and bills of exchange carried interests between 1.00 and 2.90 percent per annum (2012 : 0.75 and 2.45 percent per annum).

10. Trade and other receivables

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
<u>Trade receivables - related parties</u>				
Aged on the basis of due dates				
Not yet due	3,861	-	3,861	-
Past due				
Up to 3 months	-	96	-	96
Total trade receivables - related parties	3,861	96	3,861	96
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	98,101	53,769	90,335	53,769
Past due				
Up to 3 months	23,972	8,851	23,972	8,628
3 - 6 months	-	5	-	5
6 - 12 months	-	-	-	-
Over 12 months	-	-	-	-
Total trade receivables - unrelated parties	122,073	62,625	114,307	62,402
Total trade receivables	125,934	62,721	118,168	62,498
<u>Other receivables</u>				
Advances	14,314	6,318	1,815	6,094
Interest receivable - related parties	-	-	112	-
Accrued income	-	-	-	-
Other receivables - related parties	-	-	18,737	17,664
Other receivables - unrelated parties	28,316	12,604	27,769	12,377
Vat refundable	88,692	19,857	-	-
Total other receivables	131,322	38,779	48,433	36,135
Total trade and other receivables - net	257,256	101,500	166,601	98,633

11. Planter receivables

The balances of planter receivables as at 31 December 2013 and 2012, aged on the basis of due dates, are summarised below.

(Unit : Thousand Baht)

	Consolidated financial statements / Separate financial statements	
	2013	2012
Planters receivable - sugar cane		
Up to 2009/2010 harvesting year	24,214	55,580
2009/2010 harvesting year	5,329	7,148
2010/2011 harvesting year	7,656	9,664
2011/2012 harvesting year	17,724	23,749
2012/2013 harvesting year	34,120	-
Total planters receivable	89,043	96,141
Less : Allowance for doubtful debts	(52,290)	(77,609)
Planters receivable - net	36,753	18,532

During the current year, certain planter receivables amounting to approximately Baht 32 million, were written-off as bad debt.

12. Sugar cane plantation loans

(Unit : Thousand Baht)

	Consolidated financial statements / Separate financial statements	
	2013	2012
Sugarcane plantation loans	415,653	432,449
Less : Current portion of sugarcane plantation loans	(246,645)	(296,331)
Sugarcane plantation loans - net of current portion	169,008	136,118

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.

13. Inventories

(Unit : Thousand Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2013	2012	2013	2012	2013	2012
Finished goods	717,059	521,072	-	-	717,059	521,072
Work in process	48,907	48,409	-	-	48,907	48,409
Fertilizers, chemicals, spare parts, and factory supplies	45,078	38,124	(88)	(69)	44,990	38,055
By products (Molasses)	18,534	20,427	-	-	18,534	20,427
Total	829,578	628,032	(88)	(69)	829,490	627,963

(Unit : Thousand Baht)

	Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2013	2012	2013	2012	2013	2012
Finished goods	715,521	519,378	-	-	715,521	519,378
Work in process	48,907	48,409	-	-	48,907	48,409
Fertilizers, chemicals, spare parts, and factory supplies	45,078	36,133	(88)	(59)	44,990	36,074
By products (Molasses)	18,534	20,427	-	-	18,534	20,427
Total	<u>828,040</u>	<u>624,347</u>	<u>(88)</u>	<u>(59)</u>	<u>827,952</u>	<u>624,288</u>

14. Other current assets

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Molasses advances	186,440	-	-	-
Others	19,096	16,440	10,355	11,370
Total other current assets	<u>205,536</u>	<u>16,440</u>	<u>10,355</u>	<u>11,370</u>

15. 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	
	2013	2012	2013 (%)	2012 (%)	2013	2012
Khonburi Power Plant Co., Ltd.	500,000	350,000	100.00	100.00	500,000	350,000
KBS Trading Co.,Ltd. (Formerly known as "Agriculture Machine Services Co.,Ltd.")	40,000	40,000	100.00	100.00	40,000	40,000
Khonburi Bio Energy Co., Ltd.	7,000	7,000	100.00	100.00	7,000	7,000
Total					<u>547,000</u>	<u>397,000</u>
Less : Allowance for loss on impairment of investment					<u>(7,000)</u>	<u>(7,000)</u>
Total investment in subsidiaries - net					<u>540,000</u>	<u>390,000</u>

On 7 May 2013, meeting of board of directors No.3/2013 of a subsidiary (Khonburi Power Plant Co., Ltd.) 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 150 million, resulting in an increase in investment of such subsidiary from Baht 350 million to Baht 500 million.

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 years ended 31 December 2013 and 2012, the Company did not receive dividend from subsidiaries.

16. Other long - term investments

(Unit : Thousand Baht)

	Consolidated financial statements / Separate financial statements	
	2013	2012
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	1,995

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.

17. Property, plant and equipment

(Unit : Thousand Baht)

Consolidated financial statements

	Buildings and premises	Machinery	Land and land improvement	Equipment	Furniture fixtures and office equipment	Motor vehicles	Facilities system and water treatment system	Assets under construction in progress	Total
Cost									
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
Additions	979	-	5,903	14,541	14,441	20,464	1,093	1,334,783	1,392,204
Disposals/write-off	(110)	(6,757)	(4,530)	(428)	(575)	(1,403)	-	-	(13,803)
Transfers in (out)	118,731	220,314	-	8,315	-	31,982	8,524	(388,866)	(1,000)
Capitalised interest	-	-	-	-	-	-	-	12,607	12,607
As at 31 December 2013	961,777	2,384,050	206,151	182,043	99,357	231,137	243,315	1,259,724	5,567,554
Accumulated depreciation									
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
Depreciation for the year	29,948	99,109	113	10,970	6,929	13,231	13,973	-	174,273
Depreciation on disposals / write-off	(92)	(1,014)	-	(402)	(543)	(475)	-	-	(2,526)
As at 31 December 2013	449,006	1,154,850	16,532	135,170	78,251	145,100	177,149	-	2,156,058
Net book value									
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
As at 31 December 2013	512,771	1,229,200	189,619	46,873	21,106	86,037	66,166	1,259,724	3,411,496
Depreciation for the year									
For the year ended 31 December 2012 (Baht 119 million included in manufacturing cost, and the remaining balance in administrative expenses)									136,323
For the year ended 31 December 2013 (Baht 131 million included in manufacturing cost, and the remaining balance in administrative expenses)									174,273

(Unit : Thousand Baht)

Separate financial statements

	Buildings and premises	Machinery	Land and land improvement	Equipment	Furniture fixtures and office equipment	Motor vehicles	Facilities system and water treatment system	Assets under construction in progress	Total
Cost									
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
Additions	1,105	-	5,903	15,008	13,467	23,936	1,093	143,912	204,424
Disposals/write-off	(110)	(6,757)	(4,530)	(393)	(575)	(1,179)	-	-	(13,544)
Transfers in (out)	118,731	58,771	-	8,315	-	-	8,524	(195,341)	(1,000)
As at 31 December 2013	961,751	2,222,507	206,152	170,884	100,631	65,840	243,315	23,040	3,994,120
Accumulated depreciation									
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
Depreciation for the period	29,944	92,697	114	10,297	6,701	9,805	13,973	-	163,531
Depreciation on disposals/write-off	(92)	(1,014)	-	(379)	(544)	(326)	-	-	(2,355)
As at 31 December 2013	448,980	1,148,438	16,533	127,788	77,552	23,566	177,149	-	2,020,006
Net book value									
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
As at 31 December 2013	512,771	1,074,069	189,619	43,096	23,079	42,274	66,166	23,040	1,974,114
Depreciation for the year									
For the year ended 31 December 2012 (Baht 119 million included in manufacturing cost, and the remaining balance in administrative expenses)									131,424
For the year ended 31 December 2013 (Baht 147 million included in manufacturing cost, and the remaining balance in administrative expenses)									163,531

As at 31 December 2013, a subsidiary had an outstanding balance of assets under construction of approximately Baht 1,237 million (2012 : Baht 205 million). The construction has been financed with a loan from a financial institution. The total borrowing costs of approximately Baht 13 million were capitalized during the year ended 31 December 2013 (2012 : None).

As at 31 December 2013, 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 213 million (2012 : Baht 187 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 22 and 35.

18. Intangible assets

Intangible assets of the Company and subsidiaries are computer software.

(Unit : Thousand Baht)

	Consolidated financial statements	Separated financial statements
Cost :		
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
Additions	1,894	1,481
Transfer in	1,000	1,000
31 December 2013	24,872	23,182

(Unit : Thousand Baht)

	Consolidated financial statements	Separated financial statements
Amortisation :		
31 December 2011	(6,216)	(6,168)
Amortisation	<u>(5,776)</u>	<u>(5,639)</u>
31 December 2012	(11,992)	(11,807)
Amortisation	<u>(6,216)</u>	<u>(5,903)</u>
31 December 2013	<u>(18,208)</u>	<u>(17,710)</u>
Net book value		
31 December 2012	<u>9,986</u>	<u>8,894</u>
31 December 2013	<u>6,664</u>	<u>5,472</u>
Amortisation expenses		
For the year ended 31 December 2012	<u>5,776</u>	<u>5,639</u>
For the year ended 31 December 2013	<u>6,216</u>	<u>5,903</u>

19. Non - current assets

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Leasehold rights	-	7,192	-	7,192
Advance payment	4,051	80,217	-	-
Other	5,429	2,266	5,429	2,265
Total non-current assets	<u>9,480</u>	<u>89,675</u>	<u>5,429</u>	<u>9,457</u>

20. Short - term loans from financial institutions

(Unit : Thousand Baht)

	Interest rate	Consolidated financial statements		Separate financial statements	
	(percent per annum)	2013	2012	2013	2012
Short - term loans from financial institutions	3.10 and 4.05	150,000	5,832	140,000	-
Total		<u>150,000</u>	<u>5,832</u>	<u>140,000</u>	<u>-</u>

21. Trade and other payables

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Planter payables	380,718	429,549	380,718	429,549
Trade payables - unrelated parties	133,434	196,375	132,311	184,742
Revenues received in advance	386,603	127,025	224,603	127,025
Fixed asset payables	205,456	110,938	60,338	110,318
Accrued expenses - unrelated parties	50,740	49,258	45,118	48,095
Accrued expenses - related parties	-	329	22,073	8,757
Other payables	24,193	23,409	23,211	23,409
Total trade and other payables	<u>1,181,144</u>	<u>936,883</u>	<u>888,372</u>	<u>931,895</u>

Planter payables

The Company purchased sugar cane for the 2013/2014 harvesting year in accordance with the letter of the Office of the Cane and Sugar Board No. 8/2556 dated 7 November 2013. This determined the initial price of sugar cane in the 2012/2013 harvesting year at Baht 900 per ton of sugar cane at a sweetness of 10 C.C.S with the price to be increased or decreased by Baht 54 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 2013/2014 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 2013/2014 harvesting year based on the estimated cost. This was equal to Baht 961 per ton of sugar cane at a sweetness of 10 C.C.S., with the price to be increased or decreased by Baht 58 per ton for each 1 C.C.S variation.

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 financial statements for the year ended 31 December 2012, 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 1,009 per ton of sugar cane at a sweetness of 10 C.C.S., with the price to be increased or decreased by Baht 61 per ton for each 1 C.C.S variation.

22. Long - term loans

(Unit : Thousand Baht)

Loan No.	Credit facilities (Million Baht)	Interest rate (%)	Repayment schedule	Consolidated financial statements		Separate financial statements	
				2013	2012	2013	2012
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	-	400,000
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	-	1,850
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	15,930	26,310	15,930	26,310
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	14,120	18,520	14,120	18,520
5	1,150.00	AMLR - 2.95	12 semi - annual installments of Baht 40 - 140 million each, with the amount rised every year, commencing from June 2014	915,859	-	-	-
Total				945,909	446,680	30,050	446,680
Less : Current portion				(102,230)	(16,630)	(22,230)	(16,630)
Long-term loans - net of current portion				843,679	430,050	7,820	430,050

Movements in the long-term loans account during the period ended 31 December 2013 are summarised below.

(Unit : Thousand Baht)

	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2013	446,680	446,680
Add : Additions	915,859	-
Less : Repayments	(416,630)	(416,630)
Balance as at 31 December 2013	<u>945,909</u>	<u>30,050</u>

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.

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.

As at 31 December 2013, the long-term credit facilities of the Company and its subsidiary which have not yet been drawn down amounted to Baht 834 million (2012 : Baht 1,372 million).

23. Liabilities under finance lease agreements

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Liabilities under finance lease agreements	-	11	-	11
Less : Deferred interest expenses	-	-	-	-
Total	-	11	-	11
Less : Portion due within one year	-	(11)	-	(11)
Liabilities under finance lease agreements - net of current portion	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Company and a subsidiary have entered into the finance lease agreements with leasing company for rental of equipment for use in their operation, whereby they are 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 / Separate 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	<u>11</u>	<u>-</u>	<u>11</u>

24. 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		Separate financial statements	
	2013	2012	2013	2012
Balance at beginning of year	18,363	15,902	16,840	14,564
Current service cost	3,367	1,909	3,132	1,765
Interest cost	1,037	552	967	511
Transferred employee	-	-	246	-
Actuarial loss	3,935	-	3,238	-
Balance at end of year	<u>26,702</u>	<u>18,363</u>	<u>24,423</u>	<u>16,840</u>

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

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Current service cost	3,367	1,909	3,132	1,765
Interest cost	1,037	552	967	511
Total expense recognised in profit or loss	<u>4,404</u>	<u>2,461</u>	<u>4,099</u>	<u>2,276</u>
Line items under which such expenses are included in profit or loss				
Cost of sales	2,348	792	2,348	792
Selling and administrative expenses	2,056	1,669	1,751	1,484

The cumulative amount of actuarial losses recognised in the other comprehensive income and taken as part of retained earnings of the Company and its subsidiaries as at 31 December 2013 amounted to Baht 3.9 million (2012 : none) (The Company only : Baht 3.2 million 2012 : none).

Principal actuarial assumptions at the valuation date were as follows :

	Consolidated financial statements		Separate financial statements	
	31 December 2013	31 December 2012	31 December 2013	31 December 2010
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	4.4	3.5	4.4	3.5
Future salary increase rate	4.0 - 8.0	3.5 - 5.5	4.0 - 8.0	3.5 - 5.5
Staff turnover rate (depending on age)	6.0 - 16.0	6.0 - 18.0	6.0 - 16.0	6.0 - 18.0

Amounts of defined benefit obligation for the current and previous two periods are as follows :

(Unit : Thousand Baht)

	Defined benefit obligation		Experience adjustments on the obligation	
	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements
2013	26,702	24,423	(2,732)	(3,099)
2012	18,363	16,840	7,232	6,950
2011	15,902	14,564	-	-

25. Share Capital

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

- a) The meeting passed a resolution approving an increase in the registered capital from Baht 500,000,000 (500,000,000 ordinary shares at a par value of Baht 1 per share) to Baht 600,000,000 (600,000,000 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 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. The Company received share payment on 12 February 2013.
 - 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. The Company received share payment on 12 February 2013.
 - 3) To allocate capital increase of 50,000,000 ordinary shares reserved for the exercise of warrants in accordance with "Warrant 1".

26. Warrants

On 13 February 2013, the Company issued warrants to purchase the Company's ordinary shares (KBS-W1) for offering to the shareholders. The details are as follows :

Category of warrants offered	:	warrants representing the right to purchase shares in Khonburi Sugar Company Limited No. 1, allocated on private placement basis
Type	:	Specific name and transferable only within group and subject to restrictions
Number of warrants offered	:	50,000,000 units
Number of underlying shares	:	50,000,000 shares
Exercise ratio	:	1 unit of warrant to 1 ordinary share
Exercise price	:	Baht 12.70 per share
Offered to	:	the following persons, by private placement : <ol style="list-style-type: none"> 1. 33,333,333 units to Mitsui & Co., Ltd., of Japanese nationality, whose office is at 2 - 1, Ohtemachi 1 - chome, Chiyoda - ku, Tokyo, 100 - 0004, Japan 2. 16,666,667 units to Mitsui Sugar Co., Ltd. of Japanese nationality, whose office is at 36 - 2, Nihonbashi - Hakozaicho, Chuo - ku, Tokyo, 103 - 8423, Japan
Price per unit	:	Baht 0.05 (five satang)
Subscription and payment period	:	12 February 2013
Issuance and offering date	:	13 February 2013
Term of warrants	:	2 years from the issuance date
Result of sale of warrants	:	Completely sold

As at 31 December 2013, the balance of unexercised warrants amounted to 50 million units.

27. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside a statutory reserve at least 5 percent of its net 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.

28. Expenses by nature

Significant expenses by nature are as follows :

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Salary and wages and other employee benefits	317,768	264,589	304,152	258,595
Depreciation and amortisation	180,489	142,099	169,433	137,063
Transportation expenses	138,433	120,188	138,433	120,188
Price stabilisation costs, research fee and contribution to Cane and Sugar Fund	78,266	77,987	78,266	77,987
Maintenance expenses	224,056	200,770	224,056	196,091
Rental expenses from operating lease agreements	17,724	13,285	13,706	12,917
Raw materials and consumables used	3,085,297	3,271,770	3,085,297	3,271,770
Changes in inventories of finished goods and work in process	194,592	(234,827)	194,748	(234,060)

29. Income tax

29.1 Deferred tax assets / liabilities

The components of deferred tax assets and deferred tax liabilities are as follows :

(Unit : Thousand Baht)

	Consolidated financial statements			Separate financial statements		
	As at	As at	As at	As at	As at	As at
	31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
		(Restated)		(Restated)		
Deferred tax assets						
Allowance for doubtful accounts	10,470	15,534	19,232	10,458	15,522	19,202
Allowance for diminution in value of inventories	18	14	32	18	12	14
Provision for long-term employee benefits	5,340	3,673	3,180	4,884	3,368	2,913
Unused tax loss	6,489	3,631	1,334	-	-	-
Total	22,317	22,852	23,778	15,360	18,902	22,129
Deferred tax liabilities						
Gain on available-for-sales	-	-	740	-	-	740
Accumulated depreciation - Plant and equipment	55,871	45,370	36,179	54,901	45,167	36,143
Total	55,871	45,370	36,919	54,901	45,167	36,883
Deferred tax assets - net	5,987	3,747	1,613	-	-	-
Deferred tax liabilities - net	39,541	26,265	14,754	39,541	26,265	14,754

29.2 Income tax expenses

Income tax for the year ended 31 December 2013 and 2012 are summarised below.

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
		(Restated)		(Restated)
Current income tax :				
Current income tax charge during the year	114,319	204,531	114,319	203,204
Deferred tax :				
Relating to origination and reversal of temporary differences	11,754	10,116	13,923	12,250
Income tax expense reported in the statements of comprehensive income	126,073	214,647	128,242	215,454

Reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2013 and 2012.

	(Unit : Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
	(Restated)		(Restated)	
Accounting profit before tax	<u>627,609</u>	<u>930,135</u>	<u>637,481</u>	<u>931,571</u>
Applicable tax rate	20%	23%	20%	23%
Accounting profit before tax multiplied by applicable tax rate	125,522	213,931	127,496	214,261
Effects of changes in the applicable tax rates	-	(918)	-	(1,219)
Effects of :				
Non - deductible expenses	1,455	2,096	1,437	1,903
Additional allowable expense deductions	(811)	(1,104)	(792)	(1,101)
Others	(332)	(1,003)	101	-
Unused tax losses of subsidiaries which may not utilise	239	35	-	-
Temporary differences of the Company which may not utilise	-	1,610	-	1,610
Income tax expenses reported in the statements of comprehensive income	<u>126,073</u>	<u>214,647</u>	<u>128,242</u>	<u>215,454</u>

29.3 Income tax relating to each component of other comprehensive income

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2013 and 2012 are as follows :

	(Unit : Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
	(Restated)		(Restated)	
Deferred tax relating to Gain on changes in value of available-for-sale investments	-	740	-	740
Actuarial losses arising from defined benefit plan of employee	718	-	648	-

In October 2011, the cabinet passed a resolution to reduce the corporate income tax rate from 30% to 23% in 2012, and then to 20% from 2013. In addition, in order to comply with the resolution of the cabinet, in December 2011, the decreases in tax rates for 2012 - 2014 were enacted through a royal decree. The Company and its subsidiaries have reflected the changes in the income tax rates in its deferred tax calculation, as presented above.

As at 31 December 2013 the Company had deductible temporary differences and unused tax losses totaling Baht 7 million (2012 : Baht 7 million), on which deferred tax assets have not been recognised as the Company believes future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses.

30. 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 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, due to capacity adjustment of the project. The subsidiary received an approval for cancellation the above promotion certificate on 4 February 2014.

On 19 April 2013, a subsidiary company received promotional privileges from the Board of Investment for its electricity and steam from biomass fuels pursuant to the promotion certificate No. 1557(1)/2556. 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.

For the years ended 31 December 2013 and 2012, the subsidiary company had no revenues from the promoted operation.

31. Earnings per share

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

Diluted earnings per share is calculated by dividing profit for the period attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year plus the weighted average number of ordinary shares which would need to be issued to convert all dilutive potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the potential ordinary shares were issued. However, the Company did not calculate diluted earnings per share for the year ended 31 December 2013 because the exercise price of a warrant is higher than the average fair value of an ordinary share.

The Following tables sales forth the computation of basic earnings per share :

Consolidated financial statements						
	Profit for the year		Weighted average number of ordinary shares		Earnings per share	
	2013	2012	2013	2012	2013	2012
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
	(Restated)					(Restated)
Basic earnings per share						
Profit attributable to equity holders of the Company	501,535	715,488	544,247	500,000	0.92	1.43
Separated financial statements						
	Profit for the year		Weighted average number of ordinary shares		Earnings per share	
	2013	2012	2013	2012	2013	2012
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
	(Restated)					(Restated)
Basic earnings per share						
Profit attributable to equity holders of the Company	509,239	716,117	544,247	500,000	0.94	1.43

32. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

For management purposes, the Company and its subsidiaries are organised into business units based on its products and services and have 3 reportable segments as follows :

- The sugar cane segment : production, distribution of sugar cane and related services.
- The service segment : provision of agricultural machines and vehicles, e.g. sugar cane harvesters and tractors, to planters who sell sugar cane to the Company
- The utilities segment : generation of electricity whereby bagasses are used as main fuel.

The Company and its subsidiaries have aggregated the segments of services and utilities and presented them as the reportable segment of services and utilities. The aggregated operating segments have similar economic characteristics and are similar in the other respects required by the financial reporting standard.

The chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss and on a basis consistent with that used to measure operating profit or loss in the financial statements.

The basis of accounting for any transactions between reportable segments is consistent with that for third party transactions.

The following tables present revenue and profit information regarding the Company and its subsidiaries operating segments for the years ended 31 December 2013 and 2012, respectively.

(Unit : Thousand Baht)

For the year ended 31 December 2013

	Sugar cane segment	Services and utilities segment	Total reportable segments	Adjustments and eliminations	Consolidated
Revenue from external customers	5,878,164	25,621	5,903,785	-	5,903,785
Inter-segment revenue	-	76,146	76,146	(76,146)	-
Total	5,878,164	101,767	5,979,931	(76,146)	5,903,785
Interest revenue	25,967	411	26,378	(864)	25,514
Interest expense	19,564	1,794	21,358	(864)	20,494
Depreciation and amortisation	169,433	16,852	186,285	(5,796)	180,489
Gain (loss) from disposal property, plants, and equipment	200	(3,850)	4,050	3,484	166
Income tax expense	128,242	(2,169)	126,073	-	126,073
Segment profit	509,239	(10,016)	499,223	2,312	501,535
Segment total assets	4,728,452	1,836,867	6,565,319	(632,675)	5,932,644
Additions to non-current assets other than financial instruments, deferred tax assets	355,905	1,196,182	1,552,087	(157,989)	1,394,098

(Unit : Thousand Baht)

For the year ended 31 December 2012

	Sugar cane segment	Services and utilities segment	Total reportable segments	Adjustments and eliminations	Consolidated
Revenue from external customers	6,349,142	436	6,349,578	-	6,349,578
Inter-segment revenue	-	48,443	48,443	(48,443)	-
Total	6,349,142	48,879	6,398,021	(48,443)	6,349,578
Interest revenue	41,428	251	41,679	(2,357)	39,322
Interest expense	54,536	4,618	59,154	(2,357)	56,797
Depreciation and amortisation	137,063	10,513	147,576	(5,476)	142,100
Gain from disposal property, plants, and equipment	1,712	22,697	24,409	(8,738)	15,671
Income tax expense (restated)	215,454	(807)	214,647	-	214,647
Segment profit	716,117	(4,367)	711,750	3,738	715,488
Segment total assets	4,315,885	430,221	4,746,106	(430,157)	4,315,949
Additions to non-current assets other than financial instruments, deferred tax assets	844,238	144,245	988,573	(287,733)	700,840

Geographic information

The Company and its subsidiaries are operated in Thailand only. As a result, all of the revenues and assets as reflected in these financial statements pertain to the aforementioned geographical reportable segment.

Revenue from external customers is based on locations of customers.

(Unit : Million Baht)

	2013	2012
Revenue from external customers		
Thailand	2,280	1,815
Asia	2,283	3,215
Europe	1,298	722
Others	43	598
Total	<u>5,904</u>	<u>6,350</u>

Major customers

For the year 2013, the Company and its subsidiaries have revenue from 2 major customers in the amount of Baht 1,505 million, arising from the production and distribution of sugar cane segment (2012 : Baht 1,637 million derived from 2 major customer, arising from the production and distribution of sugar cane segment).

33. 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 2013, the Company and its subsidiaries contributed Baht 5 million (2012 : Baht 4 million) to the fund.

34. Dividends paid

(Unit : 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 year 2013</u>			
Dividends on income for the year 2012	Annual General Meeting of the shareholders on 25 April 2013	258,500,000	0.47
Interim dividends on income for the year 2013	Board of Directors Meeting on 13 August 2013	110,000,000	0.20
		<u>368,500,000</u>	

35. Commitments and contingent liabilities
35.1 Capital commitments

As at 31 December 2013, the Company and its subsidiaries had capital commitments of approximately Baht 31 million and Baht 243 million, respectively (2012 : Baht 143 million and Baht 564 million), relating to the construction of factory buildings, and acquisition of machinery.

35.2 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.

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
	(Unit : Million Baht)			
Payable within :				
1 year	35	10	29	9
2 to 5 years	25	3	20	2
More than 5 years	21	-	-	-

35.3 Molasses sale/purchase commitments

As at 31 December 2013, the Company and subsidiary had commitments to purchases molasses of Baht 266 million (2012 : None) and sales molasses of Baht 765 million (2012 : Baht 127 million) (the Company only : Baht 507 million 2012 : Baht 127 million) respectively, for which delivery had not yet been made. The agreements mature within one year.

35.4 Cane sugar sales commitments

As at 31 December 2013, the Company had commitments of Baht 1,096 million (2012 : Baht 2,210 million) relating to cane sugar sale agreements, for which delivery had yet to be made. The agreements mature within one year.

35.5 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 of 16 July 2013. Under the terms of the electricity trading agreements, the subsidiary and Electricity must comply with specified conditions.

35.6 Agreements relating to the operation of electricity from biomass

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 2042, as detailed below.

- The electricity sale/purchase agreement - The Company agreed to acquire an electricity voltage of 3300 volts for power supply not exceeding 10 megawatt from its subsidiary. The price is the same as the electricity price purchased from the Electricity Authority.
- 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.
- The bagasse sale/purchase agreement - The Company agreed to sell approximately 460,000 tons of bagasse per year to its subsidiary. The price is as stipulated in the agreement.
- 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.

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

35.7 Guarantees

- As at 31 December 2013, the Company guaranteed bank credit facilities of its subsidiary amounting to Baht 1,230 million (2012 : Baht 1,150 million)
- As at 31 December 2013, there were outstanding bank guarantees of approximately Baht 2 million and Baht 14 million (2012 : Baht 2 million and nil) issued by banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the normal course of business.

(3) As at 31 December 2013, there were outstanding bank guarantees of approximately Baht 12 million (2012 : Baht 13 million) 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 2013, the Company had a letter of guarantee issued on behalf of the Company in respect of a subsidiary's receivables, and receivables regarding letter of credit and trust receipts, amounting to Baht 900 million (2012 : 900 million).

36. Financial instruments

36.1 Financial risk management

The Company and its 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 its 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 its 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.

(Unit : Million Baht)

Consolidated financial statements
As at 31 December 2013

	Fixed interest rates		Floating interest rate	Non - interest bearing	Total	Interest rate
	Within 1 year	1-5 years				
Financial assets						(% p.a.)
Cash and cash equivalents	570	-	177	-	747	Note 9
Trade and other receivables	-	-	-	257	257	
Planter receivables	36	-	-	-	36	10
Sugarcane plantation loans	247	169	-	-	416	0 - 7
	<u>853</u>	<u>169</u>	<u>177</u>	<u>257</u>	<u>1,456</u>	

Consolidated financial statements
 As at 31 December 2013

	Fixed interest rates		Floating	Non - interest bearing	Total	Interest rate
	Within 1 year	1-5 years	interest rate			
						(% p.a.)
Financial liabilities						
Short-term loans from financial institutions	150	-	-	-	150	Note 20
Trade and other payables	-	-	-	1,181	1,181	-
Amounts due to the Office of the Cane and Sugar fund	-	-	-	68	68	
Long-term loans from financial institutions	6	8	932	-	946	Note 22
	<u>156</u>	<u>8</u>	<u>932</u>	<u>1,249</u>	<u>2,345</u>	

(Unit : Million Baht)

 Consolidated financial statements
 As at 31 December 2012

	Fixed interest rates		Floating	Non - interest bearing	Total	Interest rate
	Within 1 year	1-5 years	interest rate			
						(% p.a.)
Financial assets						
Cash and cash equivalents	600	-	148	-	748	Note 9
Trade and other receivables	-	-	-	101	101	-
Planter receivables	19	-	-	-	19	10
Sugarcane plantation loans	296	136	-	-	432	0 - 7
	<u>915</u>	<u>136</u>	<u>148</u>	<u>101</u>	<u>1,300</u>	

Financial liabilities

Short - term loans from financial institutions	6	-	-	-	6	Note 20
Trade and other payables	-	-	-	937	937	-
Amounts due to the Office of the Cane and Sugar fund	-	-	-	48	48	-
Long-term loans from financial institutions	6	14	427	-	447	Note 22
	<u>12</u>	<u>14</u>	<u>427</u>	<u>985</u>	<u>1,438</u>	

(Unit : Million Baht)

 Separate financial statements
 As at 31 December 2013

	Fixed interest rates		Floating	Non - interest bearing	Total	Interest rate
	Within 1 year	1-5 years	interest rate			
						(% p.a.)
Financial assets						
Cash and cash equivalents	570	-	129	-	699	Note 9
Trade and other receivables	-	-	-	167	167	-
Planter receivables	36	-	-	-	36	10
Sugarcane plantation loans	247	169	-	-	416	0 - 7
	<u>853</u>	<u>169</u>	<u>129</u>	<u>167</u>	<u>1,318</u>	

(Unit : Million Baht)

Separate financial statements

As at 31 December 2013

	Fixed interest rates		Floating		Total	Interest rate
	Within	1-5	interest	Non - interest		
	1 year	years	rate	bearing		
						(% p.a.)
Financial liabilities						
Short-term loans from financial institutions	150	-	-	-	150	Note 20
Trade and other payables	-	-	-	888	888	-
Amounts due to the Office of the Cane and Sugar fund	-	-	-	68	68	
Long-term loans from financial institutions	6	8	16	-	30	Note 22
	156	8	16	956	1,136	

(Unit : Million Baht)

Separate financial statements

As at 31 December 2012

	Fixed interest rates		Floating		Total	Interest rate
	Within	1-5	interest	Non - interest		
	1 year	years	rate	bearing		
						(% p.a.)
Financial assets						
Cash and cash equivalents	600	-	103	-	703	Note 9
Trade and other receivables	-	-	-	99	99	-
Planter receivables	19	-	-	-	19	10
Sugarcane plantation loans	296	136	-	-	432	0 - 7
	896	154	103	99	1,253	
Financial liabilities						
Trade and other payables	-	-	-	932	932	-
Amounts due to the Office of the Cane and Sugar fund	-	-	-	48	48	-
Long-term loans from financial institutions	6	14	427	-	447	Note 22
	6	14	427	980	1,427	

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, matured within 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 financial assets denominated in foreign currencies are summarised below.

Foreign currency	Financial assets		Exchange rate	
	as at 31 December		as at 31 December	
	2013	2012	2013	2012
	(Thousand)	(Thousand)	(Baht per 1 foreign currency unit)	
US dollar	1,450	158	32.9494	30.4857

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 2013

Foreign currency	Sold amount (Million)	Exchange rate (Baht per 1 foreign currency unit)	Contractual maturity date
US dollar	66	29.61 - 32.15	Between April 2013 to January 2014

As at 31 December 2012

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

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.

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 contract expires, by recognising the gains or losses in the comprehensive income statement.

36.2 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 latest market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

As at 31 December 2013, determining the fair value of the forward exchange contracts gave rise to a gain of Baht 68 million, calculated in accordance with generally accepted pricing models.

37. Reclassification

Certain amounts in the statement of financial position as at 31 December 2012 and 1 January 2012 have been reclassified to conform to the current year's classification but with no effect to previously reported profit (loss) or shareholders' equity. The reclassifications are as follows :

(Unit : Thousand Baht)

Consolidated financial statements

	As at 31 December 2012		As at 1 January 2012	
	As reclassified	As previously reported	As reclassified	As brought forward
Trade and other receivables	101,500	111,556	131,732	141,873
Other current assets	16,440	6,384	15,671	5,530

(Unit : Thousand Baht)

Separate financial statements

	As at 31 December 2012		As at 1 January 2012	
	As reclassified	As previously reported	As reclassified	As brought forward
Trade and other receivables	98,633	108,092	153,583	162,829
Other current assets	11,370	1,911	11,855	2,609

38. 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 2013, the Group's debt-to-equity ratio was 0.73 : 1 (2012 : 0.55 : 1) and the Company's was 0.37 : 1 (2012 : 0.54 : 1).

39. Event after the reporting period

On 25 February 2014, a meeting of the Company's Board of Directors passed a resolution to propose the payment of dividends from the fiscal year 2013 results of its operations for approval by the 2014 Annual General Meeting of the shareholders. The proposed dividend was Baht 0.5 per share.

40. Approval of financial statements

These financial statements were authorised for issue by authorised directors on 25 February 2014.

Khonburi Sugar Public Company Limited (KBS) was established in 1965. Its business operations involve the fully integrated sugar manufacturing and distribution. KBS aims to be recognized as a leading organization in the sugar and other related businesses. Over 49 years in business operations, KBS Group has taken on holistic approach to development; all phases of manufacturing process, products and services have been improved continuously to offer more values to our business partners and customers. Meanwhile, KBS aims to promote higher income and better quality of living for 6,027 sugarcane farmers under KBS' support. KBS Group has also created more values to the neighboring communities.

In 2012, Khonburi Power Plant Co., Ltd., a subsidiary, initiated a 35 MW biomass power plant project, which uses bagasses, by-product of sugar manufacturing process, as raw material. The power plant construction takes 18 months. Once completed, the electricity of 22 MW would be sold to the Electricity Generating Authority of Thailand. This project promotes the renewable energy to boost the energy stability, which helps support economic development of local community. Our key objective for business operation is not to maximize profit but to develop sustainably, which involves several parties. This philosophy explicitly reflects in KBS's vision and mission below.

Vision

To be recognized as a leading organization in cane, sugar and bio-energy businesses by integrating human resources, technology, and management.

Mission

To conduct business with adherence to good corporate governance principal, ethics, and responsibility to all the stakeholders. To improve the quality of products, services, and processes so as to create higher value-added by innovations and new ideas. To promote the learning to result in the differentiation in the corporation's core competency, which will allow the company to grow rapidly with stability. To change and modernize the organization to be in line with the business environment of the national and global level.

Concept and Framework of Business Operations with the Corporate Social Responsibility

KBS Group conducts its business with corporate social responsibility (CSR). The principles of corporate social responsibility and corporate governance had been duely taken into consideration a part of our business strategies, with which the satisfaction of all stakeholders, i.e. customers and consumers, farmers, community, society and environment, employees, government, business partners and competitors, and shareholders must be kept in balance.



KBS Group intends to sustain the maximum benefits and values for all stakeholders, not a single group of stakeholders. The goals to be achieved are the organization success and sustainable living in the society. The business operations by KBS Group are in line with the following principles :

1. Operate with transparency and ethics.
2. Respect to human rights, and strictly adhering to benefits of all stakeholders.
3. Act to protect health and safety of consumers, providing and improving quality of our products and services.
4. Promote all related parties to involve in creating and planning.
5. Improve and review environmental impacts to , communities and related persons by regularly complying with requirements, laws and other rules.
6. Create the business growth on the concept of sustainable and stable development.

CSR Activities in 2013

KBS Group carries out the corporate social responsibility on a concept that the business benefits and satisfaction of all stakeholders must be balanced. The Group has conducted the CSR-DIW (Corporate Social Responsibility, Department of Industrial Works) projects. In this regard, the CSR Committee was established, comprising representatives from every main operating department, with duties of promoting, supporting and monitoring the CSR activities to ensure that the CSR concept and practice framework would be undertaken constantly, and respond all related stakeholders thoroughly and equally according to the determined objectives. Another 8 subcommittee groups were also established :

1. Corporate Governance subcommittee
2. Human Rights subcommittee
3. Labor Force subcommittee
4. Environment subcommittee
5. Good Business Practice subcommittee
6. Consumer subcommittee
7. Community Relation and Development subcommittee
8. Public Relation Legal and Administration subcommittee

In 2013, the CSR Committee initiated and carried out the activities as listed below.

College in the Plant Project

From the dialogue with the Company's employees, who is a group of stakeholders from the benefit and impact assessment, both Company and employees achieved a mutual conclusion on "College in the Plant" project, initiated to build new generations of personnel, and to encourage employees to continue studies in the vocational and higher vocational levels. The Company carried out this project in collaboration with The Pakthongchai Technical College, Nakhon Ratchasima Province. Both parties signed the Memorandum of Understanding (MOU). The Company targets that its employees continuing their studies there would enhance the working skills and efficiency, apply the academic principles to reduce mistakes, and feel proud of their organization that value basic education for the employees. As a result, the employees would feel attached and have good attitude toward the organization while the Company engages more qualified employees. This project was participated by 48 employees. The first group of employees will complete the higher vocational level (PorWorSor.) in 2015 and the vocational level (PorWorChor.) in 2016 respectively.



----- KBS Good People,
Smart People Project



----- Clean Water for
Communities Project



College in the Plant Project -----



Clean Water for Communities Project

For the community-related activities, the “Public Network” Working Group was established for the good relationship between the Company and communities. The dialogues with every community located in the area of 5 kilometers around the sugar mill were held to enable these communities to access to the clean water and better living. The Company and these communities agreed to execute the “Clean Water for Communities” project, which were warmly welcomed by them. In 2012, this project was set up in 4 villages : Cholakaehin Village, Moo 1, 2, 3 and 8 with population of 800 - 1,000 people. This project has continued in 2013 in klong yang village with population of 800 - 1,000 people. We will continue this good projects to explant to other villages in the future.

Definitely, this project will continue, and the dialogues with many communities will be done further to select some more villages for this project.

KBS Good People, Smart People Project

The Company in collaboration with the “Public Network” Working Group carried out a scholarship project for students in the Lammoonbon School Group, consisting of 10 schools, under the project name of “KBS Good People, Smart People”. Under this project, each school selected students with proper conducts and gratitude to win the KBS Good People scholarships, and students attended the examination to win the KBS Smart People scholarships. There were total 80 scholarships given to local youths with good behavior so that they had more opportunities to access to the education. This project has continued for 3 consecutive years. The project main objective is to value local youths who are the country’s prospect. Apart from this project, Khonburi Sugar Public Company Limited initiated other projects for the communities, educational institutes and religious places.



..... Green Day 2556 Activities



Stop Corruption Project



Green Day 2556 Activities

The Company arranged the tree planting activity under the name of “Green Day” to launch the CSR-DIW project in 2013. This activity was held in the Company’s area, and joined by the Company’s management team, employees, village headmen, local people in Tambon Khonburi Tai, teachers and students of Ban Khlong Yang School (Moon Bon Oubpatham), who collaborately grew 2,000 trees around the village and plant. This activity not only builds the good relationship, harmony and experience, but helps mitigate the global warming, and enriches the environment there.

Stop Corruption Project

The Company arranged the Stop Corruption activities in still arouse the awareness of transparency and corporate social responsibility for the society and the country into our employees. Such activities root the good awareness not only the Company’s employees, but also the employee’s families.

Sugarcane Plantations for Sustainable and Secure Income of Sugarcane Farmers

The promotion of sugarcane plantations is one of main duties of KBS Group . The Group promotes and encourages the sugarcane farmers in the communities to grow the sugarcane according to the Company’s concept supportably academic principles, which helps increase the yield and reduce the plantation cost. The Company set up several projects to support the sugarcane farmers. Apart from the financial support (advance loans), micro agricultural stations were set up to allow the Company’s agricultural officers to give good service to the farmers, from the plantation preparation stage to the harvesting and transportation of sugarcane to the sugar mill. The Company sufficiently provided the related tools to boost the farmers’ efficiency; namely, sugarcane varieties, tractor, sugarcane planter, fertilizer, pesticide, sugarcane harvester, truck, etc. In addition, the Company conducted the research and development for sugarcane varieties, and encourages the invention of agricultural machines to get any new ideas for further development in the future. The Company also valued the management and distribution of ideas created by successful farmers so that others could apply such ideas and practice guideline to increase their yield. The farmers were grouped; the good management of agricultural machines and trucks could produce the efficient plantation, harvesting and transport, reduce the cost, and raise the income sustainably. The sugarcane plantation process by the Company’s advice helps improve the farmers’ living and economic status. Finally, the community economy will be strongly improved, which is a part of the social and national development.



Awards of Pride

From conducting the CSR-DIW Project in 2013, by the strong intention of every management and employee to become an organization operating businesses together with the corporate social responsibility, Khonburi Sugar Public Company Limited received 5 awards of pride, including Corporate Social Responsibility Honorable Award, CSR-DIW Advance Award Level 4 2013, CSR-DIW Continuous Award 2013, Best Entrepreneur Award – Outstanding Labor Welfare/Relations 2012 given by the Department of Industrial Works, Ministry of Industry. The other award is the certificate given to the entrepreneur with sustainable environmental management in type of “Green Industrial Plant” by the Department of Pollution Control, Ministry of Natural Resources and Environment.

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