



United Palm Oil Industry Public Company Limited



ANNUAL REPORT 2014
QUALITY + CORPORATE
SOCIAL RESPONSIBILITY

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**Investors can study more information of the Company
from the Annual Registration Statement (FORM 56-1)
published on www.sec.or.th or www.upoic.co.th**

FINANCIAL HIGHLIGHTS (CONSOLIDATED FINANCIAL STATEMENTS)

(Unit : million Baht)

	2012	2013	2014
Total Assets	1,174	1,501	1,560
Total Liabilities	131	399	437
Shareholders' Equity	1,043	1,102	1,123
Sales	1,536	1,352	1,171
Total Revenues	1,606	1,398	1,221
Gross Profit	442	325	315
Net Profit	327	221	188

FINANCIAL RATIOS

(Unit : %)

	2012	2013	2014
Net Profit Margin	20.33	15.78	15.42
Return on Equity	31.42	20.02	16.76
Return on Total Assets	27.92	14.70	12.07

PER SHARE DATA

(Unit : Baht)

	2012	2013	2014
Earnings per Share	1.01	0.68	0.58
Dividend Paid per Share	1.10	0.50	0.55
Dividend per Share (operational year)	0.90	0.60	0.30 ⁽¹⁾
Book Value per Share	3.22	3.40	3.47

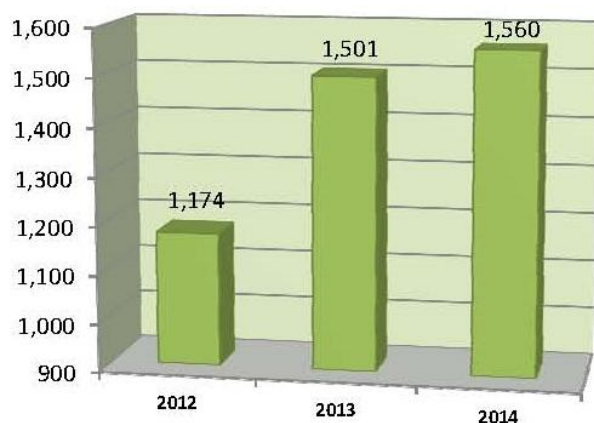
Note : ⁽¹⁾ According to the resolution of BOD meeting on 24 February 2015, to be proposed to AGM no. 38

2014 STOCK PRICE PERFORMANCE

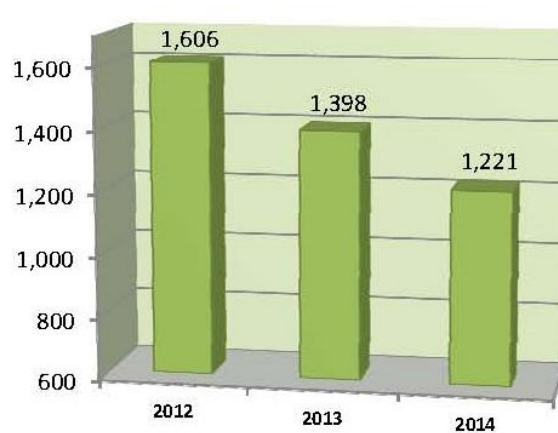


FINANCIAL HIGHLIGHTS (CONSOLIDATED FINANCIAL STATEMENTS)

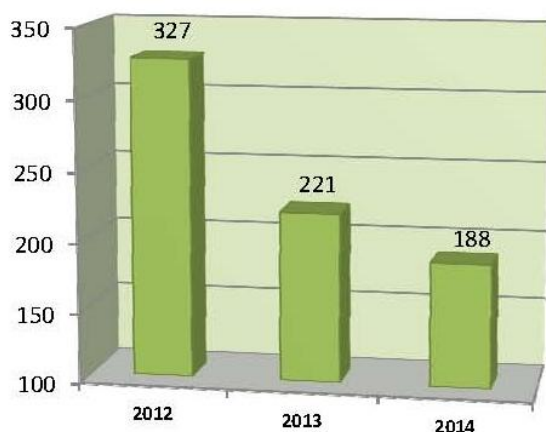
TOTAL ASSETS
(Million Baht)



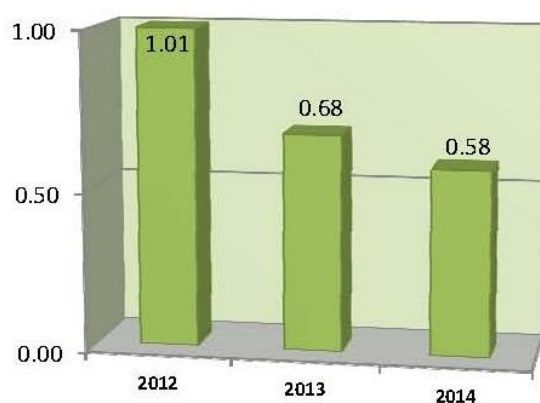
TOTAL REVENUES
(Million Baht)



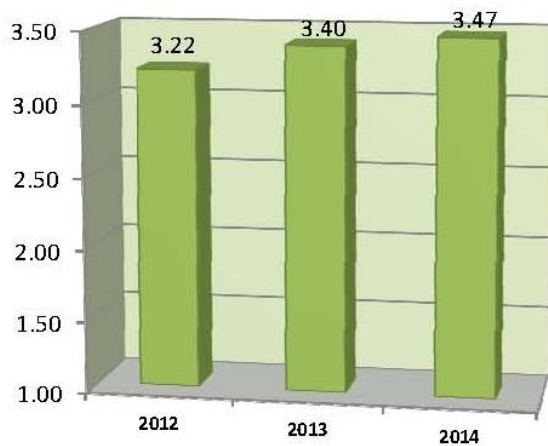
NET PROFIT
(Million Baht)



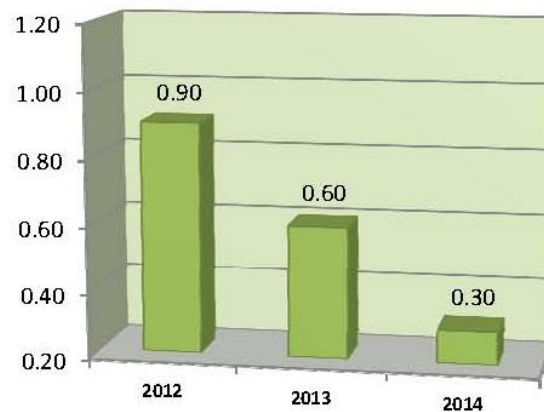
EARNINGS PER SHARE
(Baht)



BOOK VALUE PER SHARE
(Baht)



DIVIDEND PER SHARE
(Baht)





Industry Overview

The production volume of FFB (fresh fruit bunch) in the Kingdom in 2014 was comparable to that obtained in 2013, which was around 12 million MT. At the Q1/2014, the output of FFB was around 2.95 million MT, lower than the same period of 2013 being at 3.15 million MT. This was because of the drought condition and lack of rainfall from December 2013 until March 2014, reducing FFB output. Hence, the FFB price increased continuously from 5 Baht/Kg at the end of 2013 to higher than 6 Baht/Kg during February – early March 2014. CPO stock decreased from 203,999 MT in December 2013 to 154,349 MT in February 2014, which is considered as a critical level. This pushed up CPO price to its highest at 35.50 Baht/Kg in February 2014. On 28 February 2014, the Office of Agricultural Economics called a meeting with the Thai Oil Palm Board to discuss the situation, and to consider the importation of CPO. However, taking into consideration the fact that the crop season had just started and given the expectation of higher FFB output, it was decided to hold back the CPO importation. Furthermore, the Ministry of Energy announced that the proportion of CPO to be blended into diesel would be reduced from B5 to B4 effective 1 February 2014, and B7 implementation would be delayed, to mitigate the effect on food industry and the price pressure.



Later, more FFB output started to come onstream in Q2, even reaching the record high at 1.58 million MT in May. The State Government then announced the proportion of CPO to be blended into diesel would be raised from B4 to B7 to absorb supply of 80,000 MT/month. At the year end, there was less FFB output, falling to only 390,582 MT in Dec 2014. This reduced the nationwide palm oil stock to 167,591 MT which began critical again. Therefore, the Cabinet on 20 Jan 2015 endorsed the proposal to import 50,000 MT of crude palm olein to tackle the shortage problem. In addition, the proportion of CPO to be blended into diesel was reduced from B7 to B3.5.

Company's Performance

The operating performance was lower when compared with 2013. Own FFB crops from its plantations and concession lands reduced by 19.1% from 2013 for reasons explained below. In 2014, your Company recorded a net profit at 188 million Baht, decreasing by 14.7% (2013 : 221 million Baht). While the average selling prices of both CPO and CPKO were higher than 2013, increasing by 15.6% and 60.3% respectively, the cost of production also increased. Due to the lower CPO and CPKO production, the sales volume in 2014 in fact decreased by 27.2% and 31.9% respectively. Even though the revenue from the sales of electricity power increased, your Company recorded a lower sales turnover of 181 million Baht to 1,171 million Baht (2013 : 1,352 million Baht), or a 13.4% decrease.

Production and Investment

The total volume of FFB processed by your Company in 2014 was lower than in 2013. Out of this, 50.9% was from FFB purchased and 49.1% from own estates, compared to 46.9% and 53.1% in 2013 respectively. The harvesting of FFB from own estates was adversely affected by land invasion by squatters.

The concession from the Forest Department at Khiansa estate expired on 8 July 2014. Its subsidiary has been granted a permission from the Treasury Department to make use on 50% of actual utilised area, or 4,294 rai, for a period of 15 years (9 July 2014 to 8 July 2029). The other concession land with the Forest Department at Chaiburi had expired on 1 January 2015. The Company and its subsidiary are requesting the Forest Department to grant a permit to exploit or inhabit in such land.

To compensate for the loss of concession lands, your Company has been seeking suitable new land for planting palms. Apart from purchase of land, your Company did not invest in major capital projects in 2014, but rather put more focus on productivity increase and maintenance programme.

In accordance with the project to produce 1 megawatts of power from Biomass under VSPP Programme (Very Small Power Producer), your Company has signed an agreement with the Provincial Electricity Authority (PEA) since August 2014, and now is waiting for the permission to start operations and sell electricity from the Energy

Regulatory Commission (ERC), which is expected to obtain within the first quarter of 2015.

Responsibility to Community, Society and the Environment

Your Company is committed to growing its business together with the responsibility to community, society and the environment. In each year, your Company continues to cooperate with and support the various programmes targeting to reduce the effect of global warming from the production of palm oil, including regular local activities to enhance your Company's image and develop relationship between its crushing mill and local communities.

Siam Elite Palm (SEP), a joint venture between UPOIC and PalmElit (France) , has been actively in cooperating with several organisations from both the public and private sectors to arrange training programs for farmers. Currently, new unique varieties so-called CIRAD Elite are developed to reduce planting distance while increasing density and yield of 12%. Meanwhile, the average growth rate of palm trees is less than 40 cm./year and maintains high oil extraction rate and drought tolerance. This advanced material offers both direct benefits to quick investment return and efficient land use for sustainable agriculture.

Human Resources and Corporate Culture

Your Company gives priority to corporate culture and human resource development to promote capability of employees such as short term and long term training programme. This is to underline the continuing growth of both employees and the firm.

On behalf of the Board of Directors, our Management team and other employees, we would take this opportunity to thank our Company's shareholders, customers, and business partners for their continuing support and also for their interest in the development of the UPOIC business.



Mr. Thira Wipuchanin
The Chairman



Ms. Anchalee Suebchantasiri
Vice-Chairman and Managing Director

REPORT OF THE AUDIT COMMITTEE

The Audit Committee comprised independent directors as follows:-

Mr. Thira Wipuchanin	Chairman of the Audit Committee
Vilas Sinswat, Ph.D.	Member of the Audit Committee
Mr. Sangiam Santad	Member of the Audit Committee
Mr. Yut Sakdejayont	Secretary to the Audit Committee

In 2014, the Audit Committee has fulfilled and executed its duties and responsibilities in compliance with the Stock Exchange of Thailand's regulations and other activities assigned by the Board. The Committee held four meetings within the year, with substantive agenda as follows:

1. Approval of quarterly financial statements and review of annual financial statements including the disclosures of information in Notes to Financial Statements, submitted to the Board of Directors. The financial statements were in accordance with generally accepted accounting principles. The disclosures of information in Notes to Financial Statements were found to be adequate and accurate;
2. Examination of the reports and recommendations of internal audit regarding the internal control as set out in the annual audit plan, with proposals to the management to take necessary actions. In 2014, the Company was found to have exercised an appropriate and effective internal control system, with transparent governance and no material management failures;
3. Consultative meetings with the management, external and internal auditors in order to make suggestions and practical guidelines for management. The management has subsequently adopted these suggestions to improve the Company's working efficiency; In addition, in 2014 the AC had one meeting with the External Auditor without the management attending. The information disclosed by the management to the Auditor was found to be adequate without any deficiencies.
4. Consultative meetings with the management and external auditors regarding the implementation of new Thai Accounting Standard and the readiness of the company;
5. Proposal to the Board of Directors to consider the 2014 annual audit plan and renewal of the appointment of Dr. Virach and Associates to be outsourced internal auditor for a further two-year term, to 31 December 2015, including appropriate remuneration;
6. Consideration of the principles of Good Governance for Listed Companies, which Thai Institute of Directors (IOD) and the Stock Exchange of Thailand (SET) updated and improved to meet the standards of ASEAN CG Scorecard. ;
7. Reports to the Board of Directors the results of the meetings and all activities undertaken by the Audit Committee;
8. Proposal to the Board of Directors for approval at the 2015 annual general meeting of shareholders, the appointment of EY Office Limited to be the statutory auditor of the Company for 2015 including appropriate remuneration;
9. Consideration of "Board Self-Assessment" Form, a part of the Corporate Government Self-Assessment, as an instrument to internally practice for good corporate governance principles;

The Committee concluded that management continued systematically to exercise good internal control and did not find that any relevant statutes and regulations have been contravened.



Mr. Thira Wipuchanin
Chairman of the Audit Committee
24 February 2015

REPORT OF THE BOARD OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Board of Directors of the Company considered the consolidated financial statements of the Company and its subsidiaries, including information as shown in the Annual Report, and concluded that the financial statements have been prepared under generally accepted accounting standards in Thailand. Proper accounting policies have been chosen and have always been consistently adhered to. The financial statements have also been prepared with careful basis using the best estimation. Adequate material information has been disclosed in the notes to the financial statements. The Board has also adopted and maintained an effective system of internal controls in the Company so that we can be reasonably assured that accounting records are accurate, complete and adequate to protect the assets of the Company. These controls are also preventive measures against possible wrongdoing or other significant irregularities in the operations of the Company.

In this regard, the Board of Directors has appointed the Audit Committee responsible for the quality of the Company's financial reports and the internal control systems, as well as other processes to support the financial documents to be prepared under generally accepted accounting standards, including to disclose information transparently.

The Audit Committee considered the operational performance of the Company during the year 2014 and provided the opinion that the Board of Directors and the Management make a great effort to achieve the Company's objectives without any relevant statutes and regulations having been contravened, and attach importance to the effective internal control system and to the adequacy of the risk management. Information system has also been prepared to support the good corporate governance principles. In sum, the overall internal control system of the Company has been at satisfactory level which can assure the credibility of the consolidated financial statements of the Company and its subsidiaries as of December 31, 2014.

The opinion of the Audit Committee with regard to these matters is set out in the Report of the Audit Committee in this Annual Report and the Annual Registration Statement (Form 56-1).



Mr. Thira Wipuchanin
The Chairman



Ms. Anchalee Suebchantasiri
Vice-Chairman and Managing Director

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

United Palm Oil Industry Public Company Limited (UPOIC) recognizes the importance of Good Corporate Governance in promoting transparency in UPOIC's operations, fair and equitable treatment to all stakeholders as well as an efficient management system aiming at sustainable growth. UPOIC therefore draws up this corporate governance policy to be used as the principle in its business operations.

The corporate governance policy shall cover all topics in line with the Principles of Good Corporate Governance Practices of the Stock Exchange of Thailand (SET) namely, 1) Rights of Shareholders, 2) Equitable Treatment of Shareholders, 3) Role of Stakeholders, 4) Disclosure and Transparency, 5) Board Responsibilities.

The Board has assigned the Audit Committee to develop an action plan and measures for monitoring to ensure implementation, assessment of compliance, and recommending improvement on the policy, as appropriate.

1. Rights of Shareholders

- UPOIC shall hold an Annual General Meeting of Shareholders within 4 months of the end of UPOIC's fiscal year. The meeting will consider the Annual Report of the Board of Directors presenting the operational performance of the past year, statements of financial position, statements of comprehensive income, dividend distribution and legal reserve appropriation, election of directors to fill the vacancy caused by expiration of service term, director's remuneration, appointment of auditor and auditor's remuneration.
- For Annual General Meeting of Shareholders (AGM), UPOIC shall separate the agendas between the appointment of directors and the director's remuneration. The Company provides the ballot to shareholders to use for proposing candidates and voting directors as an individual.
- UPOIC shall hold an extraordinary general meeting of shareholders as the Board of Directors thinks fit. Shareholders holding shares amounting to not less than one-fifth of the total shares issued, or shareholders numbering not less than 25 persons holding shares amounting to not less than one-tenth of the total shares issued, shall be entitled to direct the board of directors to convene a shareholder meeting. The name of such persons and the reasons for calling such meeting shall be clearly stated in such request. The board of directors shall proceed to call a shareholder meeting to be held within one month of the date of receipt of such request from the said shareholders.
- UPOIC shall disclose the Board resolutions regarding the determination of AGM date and the meeting agendas with the reasonable details through the SET online system and the Company's website no later than the next working day after the Board having resolution.
- In calling a shareholder meeting, UPOIC shall prepare a written notice calling the meeting that states the place, date, time, agenda of the meeting and the matters to be proposed to the meeting with reasonable detail by indicating clearly whether it is the matter proposed for information, for approval or for consideration, as the case may be, including the opinions of the board of directors in the said matters, and the said notice shall be delivered to the shareholders and the Registrar for their information at least 21 days prior to the date of the meeting.
- At a shareholder meeting, in order to constitute a quorum, there shall be shareholders and proxies (if any) amounting to not less than 25 persons and holding shares amounting to not less than one-third of the total number of shares issued. The Chairman of the board of directors shall be the chairman of the meeting and conducting the meeting according to the sequence in the agenda stated in the meeting notice, and it is our policy not to add items to the agenda without advance notice to shareholders.
- In a regular agenda the ballot shall be used in the event any shareholder would like to cast a negative vote or abstain from voting. The ballot shall always be used in important agenda such as election of directors, approving connected transactions, acquisition or disposal of assets, amendment of memorandum of association and articles of association.
- UPOIC shall ensure that shareholders have the opportunity to propose the agenda for Annual General Meeting (AGM) as it deems material and beneficial including to propose candidate for selection as Director in advance, and to submit questions which are related to the Company prior the meeting date, the procedures of which are published on the Company's website.
- Adequate time shall be allocated for the meeting and equal opportunities provided for shareholders to express their opinions and ask questions.

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

- The Company's policy to facilitate and encourage shareholders to attend and participate at the shareholders' meetings has been established and posted on its website.
- UPOIC shall post meeting documents and meeting notices in both Thai and English languages on its website at least 30 days prior to the meeting date so that the shareholders can study the information for the meeting in advance.
- UPOIC shall ensure that shareholders have the opportunity to ask questions and shall record important issues raised by the shareholders and explanation of the board as well as recording clearly the number of affirmative votes, negative votes, and abstained votes, in the meeting minutes, once having votes in any respective agenda. Two shareholders are invited to act as witness in the counting of votes, and VDO has been recorded during the meeting until the meeting finishes.
- UPOIC shall disclose the resolutions together with voting result through the SET online system within the next day after the meeting date
- UPOIC shall post a draft minutes of the shareholder meeting on UPOIC's website within 14 days of the completion of the meeting. The shareholders may inspect the correctness and may make objection if necessary without having to wait until the next meeting to do so.

2. Equitable Treatment of Shareholders

- Regardless of their gender, age, skin color, race, nationality, religion, belief, political preference, or any physical handicap, the Company values all shareholders' investments in it by protecting their fundamental rights equally and fairly, including applies the one share one vote principle to ensure the investment confidence.
- UPOIC has determined the voting system to elect directors as cumulative voting.
- UPOIC shall provide a proxy form in which a shareholder can give comments on his votes enclosed in the meeting notices stating clearly the required documents and procedure for appointment of proxy and for attending the meeting. A shareholder who cannot attend the meeting in person but would like to exercise his voting right may appoint another person as proxy to attend and vote at the meeting. He may also appoint an independent director as his proxy.
- The Company establishes the policy for prevention of utilising insider information, and informs the same to employees, executives, and directors (details in item 5.8.1).
- The Company has had business connected transactions with its subsidiary as normal business on fair and at arm's length basis (details in item 5.8.2).

3. Role of Stakeholders

UPOIC has a policy that recognises the rights and interests of all groups of stakeholders whether they are employees, shareholders, creditors, customers, trade-counterparts, competitors, community and society. The expectations of one group of stakeholders may be different from another group. Therefore, UPOIC shall ensure that the rights of each group will be protected according to relevant laws and handled carefully and with sensitively. Procedures are stated as the Company's policy namely Policy and Practice toward stakeholders, and published on the Company's website as follows:-

- Policy and Practice toward employees
- Policy and Practice toward shareholders
- Policy and Practice toward creditors
- Policy and Practice toward customers
- Policy and Practice toward business partners
- Policy and Practice toward competitors
- Policy and Practice toward society
- Policy and Practice toward environment
- Policy and Practice toward human-right respect
- Policy and Practice toward anti-corruption and bribery
- Policy and Practice toward the intellectual property and copyright

Furthermore, the Company has implemented various standards from the quality management system to enhance focusing on role of stakeholders such as:-

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

- ISO9001, a quality management system, aiming to the quality assurance and conformity which can be audited and compared with the written working procedure to ensure personnel of the organisation know their roles and responsibilities
- OHSAS 18001, a standard for occupational health and safety management systems in working place, being a tool to control and mitigate danger and risk which could negatively affect health, life, and asset
- ISO 14001, an environmental management system that exists to help organisation improve and develop the environment continuously
- Roundtable on Sustainable Palm Oil (RSPO) being a good practice to promote the sustainable palm oil production in aspects of economic, social, communities, environment, and law conformity of various stakeholders from upstream to downstream.

4. Disclosure and Transparency

The Company recognizes the importance of timely disclosure of information that shareholders may use for their investment decision as well as decision in exercise their votes at the shareholder meetings. UPOIC periodically assess the efficiency of information disclosure. The following information is regularly disclosed:

- Disclosure of the following in Thai and English and updating of the information in the Company's website.
 - Corporate Governance Policy
 - Policy and Practice toward stakeholders
 - Environment Policy
 - Code of Business Conduct
 - Nature of Business
 - Business Structure
 - Shareholder Structure
 - Structure of the Board of Directors
 - Vision/Mission
 - Articles of Association
 - Annual Report
 - Form 56-1 (Thai version)
 - Financial Statements
 - Meeting notices and meeting documents
 - Minutes of the Shareholder Meetings
 - News published by the Company
- Submit periodically accurate, complete, and timely, information to the SET and the SEC such as Financial Statements, Form 56-1, Annual Report .
- News on important changes which may have material impact on securities prices according to the regulations of the SET.
- The Board of Directors assumes the responsibility for the financial statements and financial report which are signed by the Chairman of the Board and the Managing Director as disclosed in the Annual Report and Form 56-1. The financial statements are prepared in accordance with generally accepted accounting standards with appropriate accounting policies which are conformed to consistently. Information in the notes to the financial statements shall be audited by an independent external auditor and reviewed by the Audit Committee to ensure that sufficient disclosure is made.
- The Executive Directors shall be responsible for communicating with investors both individual and institutional, shareholders, analysts and relevant government sectors. Information can be requested from Tel: 02-361 8959-87 or Fax: 02-361 8988-9 or by email: company.secretary@upoic.co.th or through the Company's website.

Nevertheless, in case that stakeholders require to do whistle blowing or make any complaints to the Company, the below channels has been set up as the guideline.

Mechanism for stakeholders to do whistle blowing or make complaints

1. **UPOIC shall provide channel for stakeholders to do whistle blowing or make complaints**
: Any stakeholder wishes to communicate to the board of directors directly without passing through the management of the Company to express his opinions about the operation of the

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Company's business including whistle blowing or complaints such as incorrect financial report, violation of the law or ethics or deficiency of internal control system, etc. may address his communication directly to:

By post: Mr. Thira Wipuchanin
Chairman of the Audit Committee
United Palm Oil Industry Plc.
64 Fl. 1, Soi Bangna-Trad 25,
Bangna, Bangkok 10260

By email: acthira@hotmail.co.th

2. **Protection of informer's identity** : A Stakeholder who communicate or make complaints in item 1 will not be required to disclose his name.
3. **Action after receiving concerns or complaints** : The Audit Committee shall investigate the information and facts given by the informer in item 1 and report to the Board within 30 days of the date receiving the information.
4. **Measure of redress and damage compensation** : If the Board determine that a stakeholder has suffered damages from any violation of law by the Company, the Board shall take steps to redress the problem as soon as possible as well as finding measure to prevent recurrence of the problem. Appropriate compensation will be given to the person suffered from violation of law.

5. Board Responsibilities

5.1 Board of Directors

5.1.1 Structure of the Board

The Board composes of not less than 5 Directors of which at least one-third of the total number of directors are independent directors. Independent directors shall not be less than 3 persons.

5.1.2 Duties and responsibilities of the Board

1. To review and approve the vision, mission, strategy, objectives, risk, plan and budget of the Company.
2. To control and supervise the management in the implementation of the business plan to achieve the objectives and increase the wealth for the shareholders.
3. To set a Corporate Governance Policy and encourage every employee in the organisation to implement the policy, assessment of policy implementation and reviewing the policy at least once a year.
4. To set a code of business conduct to cover all levels of personnel namely, directors, executives, and employees. To encourage all persons in the Company to comply with the policy, monitoring of implementation and assessment of effectiveness of the implementation regularly.
5. To set up internal control system, internal auditing, and measures for risk management as well as regularly monitoring the same.
6. Appointment of sub-committees, assignment of roles and duties and responsibilities of each sub-committee.
7. To have clear communication regarding the roles, duties and responsibilities of the Board, Audit Committee, Remuneration Committee, Nomination Committee, Management and employees.
8. To be responsible for the disclosure of the Company's financial status in the Financial Statements of the Company and its subsidiaries, in the annual report, annual registration statement (Form 56-1) as well as disclosure of information to meet the requirement of law and relevant government authorities.
9. To set guideline for reviewing the suitability of transaction with potential conflict of interest.
10. To hold at least one board meeting every 3 months and convene a shareholder's meeting at least once a year.
11. Such other duties and responsibilities stipulated by law and resolutions passed at shareholder meeting.

5.1.3 Company Secretary

The Company appointed a company secretary in accordance to section 89/15 of the Securities and Exchange Act B.E. 2551 with the following duties and responsibilities:

REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

1. preparing and keeping the following documents:
 - a register of directors;
 - a notice calling director and shareholders meetings;
 - a minute of meeting of the board of directors and meeting of shareholders;
 - an annual report of the Company;
2. Follow-up to ensure implementation of the resolutions of the board and shareholder meetings.
3. Keeping a report on interest filed by a director or an executive and submit a copy of report to the Chairman and the Chairman of audit committee within 7 business days from the date on which the Company has received such report.
4. To advise directors with regard to the law and relevant regulation as well as to supervise and oversee to ensure that the Company, board of directors, and the management comply to all the laws and regulations.
5. To ensure the disclosure of information according to the regulations of the Stock Exchange of Thailand and the Securities and Exchange Commission and other relevant laws.
6. To liaise with relevant regulatory bodies.
7. To do other things assigned by the Board and/or performing any other acts as specified in the notification of the Capital Market Supervisory Board .

5.1.4 Procedure for director nomination

The Nomination Committee shall have the duty to recommend names of suitable candidates for the Board and Shareholder Meeting to elect directors according to the Company's Articles of Association. The Nomination Committee shall undertake the task of identifying, evaluating, selecting and proposing new nominees to the Board.

The Board shall consider that the candidates possess experience suitable for the post of directorship, to assist the board to act prudently as well as capability to make rational business decisions, strategic thinking, leadership, and expertise in the profession, honesty and suitable personal qualification.

5.1.5 The Chairman of the Board

The Chairman of the Board may be an independent director or non-executive director. The Chairman must be a different person from the managing director so that the two roles are clearly separated.

5.1.6 Qualification of Independent Directors

The Board has set the qualification of the Independent Directors as follows:

- (a) holding shares not exceeding 0.5 percent of the total number of voting rights of any Relevant Entity, including the shares held by related persons of the independent director;
- (b) neither being nor having been an executive director, employee, staff, or advisor who receives salary, or a controlling person of any Relevant Entity unless the foregoing status has ended not less than 2 years prior to the date of application filing with the Office;
- (c) not being a person related by blood or registration under laws, such as father, mother, spouse, sibling, and child, including spouse of the children of executives, major shareholders, controlling persons, or persons to be nominated as executive or controlling persons of the Company or its subsidiary;
- (d) not having a business relationship with any Relevant Entity, in the manner which may interfere with his independent judgment, and neither being nor having been a major shareholder, non-independent director or executive of any person having business relationship with any Relevant Entity unless the foregoing relationship has ended not less than 2 years prior to the date of application filing with the Office.

The term 'business relationship' includes any normal business transaction, rental or lease of immovable property, transaction relating to assets or services or grant or receipt of financial assistance through receiving or extending loans, guarantee, providing assets as collateral, including any other similar actions, which result in the applicant or his counterparty being subject to indebtedness payable to the other party in the value of three percent (3%) or more of the net tangible assets of the applicant or 20 million Baht or more, whichever is lower.

The amount of such indebtedness shall be calculated according to the calculation method for value of connected transactions under the Notification of the Capital Market Supervisory Board Re: Disclosure of Information and Act of Listed Companies Concerning the Connected Transactions *mutatis mutandis*. The combination of such indebtedness shall include indebtedness taking place during the course of one year prior to the date on which the business relationship with the person commences;

- (e) neither being nor having been an auditor of any Relevant Entity, and not being a major shareholder, non-independent director, executive or partner of an audit firm which employs auditors of any Relevant Entity unless the foregoing relationship has ended not less than 2 years from the date of application filing with the Office;
- (f) neither being nor having been any professional advisor including legal advisor or financial advisor who receives an annual service fee exceeding 2 million Baht from any Relevant Entity, and neither being nor having been a major shareholder, non-independent director, executive or partner of the professional advisor unless the foregoing relationship has ended not less than 2 years from the date of application filing with the Office;
- (g) not being a director who has been appointed as a representative of the Company's director, major shareholder or shareholders who are related to the Company's major shareholder;
- (h) not having any characteristics which make him incapable of expressing independent opinions with regard to the Company's business affairs.

The Board had set the criterion for the amount of shareholding allowed to an independent director to be more stringent than laid out by the SEC, The Company's independent directors are allowed to hold the Company's share not exceed 0.5%.

In this paragraph 5.1.6 a "Relevant Entity" means the Company, its parent company, subsidiary, affiliate, jointly controlled entity or juristic person who may have conflicts of interest.

5.1.7 Director's Term of Office

According to Article 12 of the Articles of Association of the Company in every annual general meeting of shareholders, a new board of directors shall be elected.

5.1.8 Directors concurrently being directors of other companies

To ensure that directors have sufficient time to perform his duties fully, the Company has set the number of companies allowed for Chairman, directors to be directors of other listed companies as follows:

- Chairman: not more than 3 companies
- Director: not more than 5 companies.

The Company does not set limit for being directors in other non-listed companies because most of Executive Directors are directors of subsidiaries, associates, jointly controlled entity, or related companies.

5.1.9 Executives holding directorship in other companies

Executives may hold directorship or executive positions in subsidiary, affiliates or jointly controlled entity or other related companies in the same group. In case of holding positions in companies other than those in the same group, prior approval must be obtained from the Managing Director.

5.2 Sub-committees

5.2.1 Audit Committee

The Audit Committee shall comprise at least 3 independent directors with at least 1 committee member possessing knowledge in finance and accounting. The Chairman of the audit committee may be the same person as the Chairman of the Board. The term of office shall be 1 year to be ended at the Annual General Meeting of Shareholders (AGM). A Board Meeting will be held after the conclusion of each AGM to appoint each sub-committee.

Duties and Responsibilities of the Audit Committee

1. To review the sufficiency and credibility of the financial reporting.
2. To review the adequacy and effectiveness of internal control systems and internal audit functions and the independence of internal auditing unit as well as to approve the appointment, transfer, dismissing of the head of internal auditing unit or any other unit responsible for internal auditing.
3. To review compliance with the Securities and Exchange Acts, Regulations of the SET, and any other relevant laws.
4. To consider and advise the appointment of an independent person to work as the external auditors including the audit fee. The Audit Committee shall hold at least one meeting with the auditor without the management's presence at the meeting.
5. To consider compliance with all connected transactions or the conflict-of-interests transactions disclosures, to ensure that the transaction is justified and for the best benefit of the Company.

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6. To report the activities of the Audit Committee in the Company's annual report, which must be signed by the chairman of the Audit Committee. The following information should be included in the report:

- (6.1) Comments on the Company's financial reporting process and the disclosure of its financial information, which must be correct, sufficient, and credible.
- (6.2) Comments on the adequacy of the Company's internal control systems.
- (6.3) Comments on compliance with the Securities and Exchange Acts, Regulations of the SET, and any other relevant laws.
- (6.4) Comments on whether the Company's auditor is suitable
- (6.5) Comments on the transaction with potential conflicts of interest.
- (6.6) The number of audit committee meetings and meeting attendance of each member.
- (6.7) General comments or observation from the performing of duties according to the Charter.
- (6.8) Other statements that shareholders and general investors deem to be considered under the scope of the functions and responsibilities assigned to them by the board.

7. To take care of any other matters assigned to it by the Board of Directors, with the consent of the Audit Committee.

In 2014 the Audit Committee held 4 meetings, with the attendance of each member shown as below:-

Name	Position	Period of Directorship	Attendance / Total Meetings
(1) Mr. Thira Wipuchanin	Chairman of the Audit Committee	2014-2015	4/4
(2) Vilas Sinswat, Ph.D.	Independent Director	2014-2015	4/4
(3) Mr. Sangiam Santad	Independent Director	2014-2015	4/4

5.2.2 Remuneration Committee

The Remuneration Committee shall comprise a majority of independent directors at 75% with its chairman being an independent director who shall not be the same person as the chairman of the board. The term of office shall be 1 year to be ended at the AGM. A Board Meeting will be held after the conclusion of each AGM to appoint each sub-committee.

Duties and Responsibilities of the Remuneration Committee

- To set the criteria and procedure for determining remuneration of directors, executive directors, managing director and proposed to the Board of Directors and/or the shareholder meeting for approval.
- Other functions related to remuneration as assigned by the Board.

In 2014, the Remuneration Committee held 2 meetings, with the attendance of each member shown as below:-

Name	Position	Period of Directorship	Attendance / Total Meetings
(1) Vilas Sinswat, Ph.D.	Chairman of the Remuneration Committee	2014-2015	2/2
(2) Mr. Thira Wipuchanin	Independent Director	2014-2015	2/2
(3) Mr. Sangiam Santad	Independent Director	2014-2015	2/2
(4) Mr. Whang Shang Ying	Director	2014-2015	2/2

5.2.3 Nomination Committee

The Nomination Committee shall comprise a majority of independent directors at 75% with its chairman being an independent director who shall not be the same person as the chairman of the board. The term of office shall be 1 year to be ended at the AGM. A Board Meeting will be held after the conclusion of each AGM to appoint each sub-committee.

Duties and Responsibilities of the Nomination Committee

- To specify the qualifications of candidates according to the structure, size and composition of the Board as set by the Board of Directors.
- Selecting qualified candidates for appointment as directors and recommend to the Board
- Selecting qualified candidates for executive positions especially, the managing director.

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In 2014, the Nomination Committee held 1 meeting, with the attendance of each member shown as below:-

Name	Position	Period of Directorship	Attendance / Total Meeting
(1) Vilas Sinswat, Ph.D.	Chairman of the Nomination Committee	2014-2015	1/1
(2) Mr. Thira Wipuchanin	Independent Director	2014-2015	1/1
(3) Mr. Sangiam Santad	Independent Director	2014-2015	1/1
(4) Mr. Whang Shang Ying	Director	2014-2015	1/1

5.3 Board of Directors' Meetings

The Company shall meet at least once in every quarter provided always that the Chairman of the Board may call special meetings as he deems necessary. The meeting schedule shall be set in advance annually and inform to each director in November every year.

The Company Secretary shall set agenda required to comply with the law and related regulations. Other agenda shall be jointly set by the Chairman and the Managing Director. Each Director may also propose agenda items for the meeting by sending the agenda items through the Company Secretary 14 days prior to the meeting date. The Company Secretary shall collect all the proposed agenda items for the Chairman consideration before include them in the meeting agenda.

The Company shall send to all directors meeting document with the meeting notice, clearly stating the matter as for information, for approval or for consideration as the case may be, at least 7 days prior to the meeting date to enable each director to have time to study the information before the meeting. During the meeting, the Chairman will allocate sufficient time for the management to present detail information and answer additional questions from the directors, and allow sufficient time for the directors to discuss the matters.

In 2014, the Board of Directors held 5 regular meetings. The attendance of each member is as follows :

Name of Director	Period of Directorship	Attendance / Total Meeting		
		Regular	Extra	Total
(1) Mr. Thira Wipuchanin	2014-2015	5/5	-	5/5
(2) Miss Anchalee Suebchantasiri	2014-2015	5/5	-	5/5
(3) Vilas Sinswat, Ph.D.	2014-2015	5/5	-	5/5
(4) Mr. Sangiam Santad	2014-2015	5/5	-	5/5
(5) Mr. Whang Shang Ying	2014-2015	5/5	-	5/5
(6) Miss Piyathida Sukchan	2014-2015	5/5	-	5/5
(7) Mr. Ampol Simarajana	2014-2015	5/5	-	5/5

The minutes of the meeting shall be in writing stating the date, time of meeting commencement and termination, names of directors attending the meeting and directors absent from the meeting, summary of topics and issues as well as observation of the directors, resolutions and opinion of dissenting directors, name of persons recording the minutes and certifying the minutes. After being confirmed the minutes shall be kept by the Company Secretary and will be ready for examination by related parties.

Non-executive directors may hold meetings among themselves without the management present at the meeting in order to discuss management issues of interest. The result of the meeting shall be reported to the managing director. In 2014, there was one meeting of non-executive Directors which were not attended by Executive Directors.

5.4 Board Self Assessment

The Company shall have the board assess themselves using the assessment form of the SET's Corporate Governance Center. The assessment will be done once each year in February. Each director shall hand in the completed assessment form to the Company Secretary to compile and report to the Board so that improvement can be considered.

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5.5 Remuneration of Directors and Executives

1) Remuneration of Directors

The Remuneration Committee shall consider the criteria and principle and the form of remuneration for directors and make its recommendation to the Board. The Remuneration of directors shall be approved by the shareholder meeting. Comparison shall be made to other companies in the same industry, of the same experience, commitment, scopes of roles and responsibilities as well as the remuneration survey of other companies listed on the SET. The remuneration shall be set at a level sufficient to attract and retain qualified persons.

Remuneration of Directors and Sub-Committees (Baht)	No. of Persons	2013	2014
Directors fees	7	4,358,519	4,369,200
Audit Committee fees	3	1,900,800	1,900,800
Remuneration Committee fees	4	-	-
Nomination Committee fees	4	-	-

Besides monetary remuneration, overseas directors attending the meeting shall be reimbursed for air-tickets and accommodation. The Company also takes out insurance against director liability for directors and executives. It is to cover the risk of directors and executives in performing duties for the Company. However, protection will not be provided in the case of wilful misconduct or gross negligence or any act in bad faith.

2) Remuneration of Executives

The remuneration of Executives shall be in accordance with guidelines and policy set by the Remuneration Committee from time to time. The remuneration shall be commensurate to job scope competence and the performance of the Company. The Remuneration Committee shall recommend the appropriateness of remuneration to the Board for review and approval.

In 2014 Executive Directors, Managing Director and Executives jointly defined key performance indicators (KPIs) for assessment criteria used by the Remuneration Committee in assessing the performance of Executive Directors, Managing Director and Executives.

Executive Remuneration (Baht)	No. of Persons	2013	No. of Persons	2014
Executives	9	17,202,640	10	18,695,309.67

Apart from salary and bonus, other forms of remuneration include provident fund, Company's cars and the related expenses, residence, medical expense, and accidental insurance. The Managing Director and Executive Directors received no other forms of remuneration.

Furthermore, some directors concurrently holding positions as directors and executives of subsidiary company and the jointly controlled entity will not receive remuneration from those companies.

5.6 Board and Management Training

The Company arranges orientation for new directors, which includes factory tour arranged by the management to observe production processes as well as introduction to the nature of business of the Company, its subsidiaries, and the jointly controlled entity. The following documents would be provided to the new directors:

1. Listed Company Director Handbook containing topics such as roles and responsibilities, things directors should not do as they are prohibited by relevant law, roles and responsibilities of sub-committees.
2. Good Corporate Governance Policy and Code of Business Conduct of the Company.
3. Memorandum and Articles of Association of the Company.
4. The latest annual report and Form-56-1 annual submission.

Furthermore, the Company has the policy to encourage directors to receive training or joining programme to enhance knowledge regarding roles and duties as company directors and sub-committee members. Particularly, DCP programme conducted by Thai Institute of Directors to promote knowledge of company directors and understanding of rules and regulations relating to listed company directorship.

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Board of Directors assigns the Company Secretary to continuously attend the seminars relevant to the directorship course or participate activities enhancing related knowledge, and then report to directors at the Board meeting.

5.7 Code of Business Conduct

The Company recognizes that following code of conduct on the part of executives and employees is necessary for the sustainability and achievement of the Company in the long term.

The Company believes that the code of business conduct is a basic foundation for promoting and upgrading good corporate governance. UPOIC has updated its code of business conduct as a codification of good behavior patterns which have been approved by the Board of Directors and announced to all directors, executives and employees. The Company has subsequently monitored the compliance to the code strictly and regularly.

5.8 Conflict of Interests

5.8.1 Prevention of use of inside information

To prevent directors and executives from using inside information for personal gains and disclose it to outside parties, UPOIC sets the following rules:

➤ Executives shall report their holding of UPOIC's shares and report change of holding to the Securities and Exchange Commission (SEC) according to section 59 of the Securities and Exchange Act B.E. 2535 within 3 days of the transaction date and handing copy thereof to the Company Secretary as well as report shareholding to the Board every quarter. Future change of law (if any) shall also enforceable.

"Executives" means directors, manager or top 4 management officers from managing director downward. This shall include executive level accounting or finance officer of manager level or equivalence who have the duty to prepare and file report of shareholding both in his own name, spouse and minor child to the SEC.

➤ Directors, executives, managers and employees who have access to inside information shall be prohibited from disclosing such information to outside parties who has no duty involving the Company and shall refrain from buying and selling UPOIC's shares in the period of 1 month prior to disclosure of Company financial statements to the public.

➤ Directors, executives, managers and employees shall be prohibited from using inside information, that may materially affect the share prices, which has not yet disclosed to the public, for personal gains and/or persuading other persons to buy or sell UPOIC's shares. The Company shall take action against violation of the rule which shall be punishable by law.

➤ In case directors, executives, managers and employees intentionally commit any criminal act according to law on securities and exchange, the Company shall punish the violators by any one or more penalties as follows:

- cut wages or compensation or other benefits
- layoff, dismiss, or discharge from the post of director, executive, manager and employee as it would be deemed intentionally causing damage to the Company's reputation. In case the violator is a director, the matter shall be submitted to the shareholder meeting to consider the penalty.
- report the violation to the SET and/or the SEC
- report to the police to take action according to the law
- take other measures according to the resolution of the board or the shareholder meetings.

5.8.2 Approval of transaction containing conflict of interest

In the event that directors, executives, or other persons enter into related party transaction or transaction containing potential conflict of interest and transaction regarding acquisition or disposal of material assets as defined by the Announcements of the SEC and the SET which are in force on the date of such transaction. The following rules shall be strictly followed:

(1) Person with interest or potential conflict of interest shall refrain from approving the transaction.

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(2) The price or compensation for such transaction shall be under normal business terms and conditions with the benefit of the Company as the main consideration.

(3) The Audit Committee shall review and give opinion prior to the transaction. If the Audit Committee has no expertise in the matter, the Company shall arrange to have independent expert to give opinion to the Audit Committee which will be used in its scrutiny of the matter before submitting to the Board and the shareholder meeting for approval.

However, in order to facilitate normal business transaction, the Board has approved in principle to allow the management to do the transaction between the Company and its subsidiaries if the transaction fall into the following categories:

1. Being a transaction with the same commercial terms as those an ordinary person would agree with any unrelated counterparty under the similar circumstances, on the basis of commercial negotiation and without any dependent interest resulted from the status of the director, executive or related person.
2. Being reasonable advance payments occurring in the normal course of business operation and with reimbursement on an actual basis.

The management shall report transaction with value over 500,000 Baht to the quarterly Board meetings.

(4) The Company shall disclose the transaction according to the rule and procedure set out by the SEC and the SET.

5.8.3 To disclose information on the interest of directors, executives, and related persons

In order for the Board to make decision based on the common interest of the Company and to have directors, executives who have transaction with interest involving the Company business to comply with the announcement of the Capital Market Supervisory Board no. Tor Jor. 2/2552 re: Reporting of interest of directors, executives and related persons, UPOIC set the following rules:

- Directors, Executives and related persons who have transaction with interest in relation to management of the Company or its subsidiary with the value of 1 million Baht or more, or 0.03% of the Net Tangible Assets (NTA) of the Company or its subsidiary, whichever amount is higher, shall file a report to the Company Secretary, according to the report form, within 7 business days from the date of transaction. Every time there is a change of the transaction, such change must be reported within 7 business days from the date of change.
- The Company Secretary shall submit a copy of the report on interest under paragraph 1 to the Chairman of the Board and Chairman of the Audit Committee within 7 business days from the date of receipt of such report.
- Directors and Executives who have interest in the agenda item under consideration of the meeting shall not participate in making decision and shall leave the meeting room. The Company will not send document related to the said agenda to such interested persons.
- The Company shall disclose such interest in the annual report and Form 56-1.

5.9 Controlling System and Internal Audit

In order to have an independent internal auditing which can be fully functioning the Audit Committee arranged for the Company to hire an outside firm which is an audit firm in the list approved by the SEC to do the auditing, to ensure that the operations, financial activities of the Company have complied with the guidelines effectively, including compliance with the law and regulations (Compliance Controls).

In 2014 the Audit Committee approved the Company to renew the contract with Dr. Virach & Associates Office to be the Company internal auditors. The internal auditor shall report directly to the Audit Committee every quarter.

5.10 Risk Management

The Company set a policy that risk management is part of the management to achieve objective, target, and strategic plans of the Company. Every executive and employee in the Company is the owner of the risk and has the duty to assess the risk in every unit and work

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process, assessing the efficiency and existing control measure and propose plan and method to reduce risk.

5.11 Succession Plan

The Company has prepared for succession plan by recruiting management trainees to develop knowledge and ability for being Company future executives.

In addition, the Company assigned the following persons to take charge and act in behalf in case the Managing Director is unable to function, namely,

1. Mr. Ampol Simarojana, Assistant Managing Director, to act and make decision regarding the crushing mill of the Company, its subsidiaries, and the jointly controlled entity;
2. Miss Piyathida Sukchan, Executive Director to act and make decision in other matters of the Company, its subsidiaries, and the jointly controlled entity.

Company Profile

Name of Company	:	United Palm Oil Industry Public Company Limited
No. of Registration	:	0107536000404 (formerly Bor Mor Jor 114)
Home Page	:	www.upoic.co.th
Nature of Business	:	A plantation company that produces crude palm oil (CPO) and crude palm kernel oil (CPKO)
Registered Share Capital	:	324,050,000 Baht
Outstanding common shares	:	324,050,000 shares
Par value	:	1 Baht
Corporate Headquarters	:	64 Floor 1, Soi Bangna-Trad 25, Bangna, Bangkok 10260 Tel 02-744 1046-8 Fax 02-744 1049
Krabi Office and Crushing Mill	:	98 Moo 6, Nuaklong-Khao Phanom Road, Km. 9.5 Huayyoong Sub-District, Nuaklong District, Krabi 81130 Tel 075-666 075 Fax 075-666 072
Oil Palm plantation	:	Oil palm planted area of 41,278.57 rai (6,604.57 ha) excluding building sites, swamp reserves and nursery area

Details of Estates

1. Krabi Noi Estate	7,136 rai (1,141.76 ha)
78 Moo 4, Krabi Noi Sub-District, Muang District, Krabi	
2. Khao Phanom Estate	5,191.19 rai (830.59 ha)
38/2 Moo 8, Khao Phanom Sub-District, Khao Phanom District, Krabi	
3. Khao Khen Estate	3,032.25 rai (485.16 ha)
Ao Luk Tai Sub-District, Ao Luk District, Krabi	
4. Ban Mark Estate	3,582.38 rai (573.18 ha)
65/1 Moo 6, Bangsawan Sub-District, Prasaeng District, Surat Thani	
5. Koh Noi Estate	3,701.50 rai (592.24 ha)
904 Moo 2, Bangsawan Sub-District, Prasaeng District, Surat Thani	
6. Tub Prik Estate	1,660 rai (265.60 ha)
Tub Prik Sub-District, Muang District, Krabi	
Sub-total Company's Planted area	24,303.32 rai (3,888.53 ha)
7. Khiansa Estate	4,093.75 rai (655 ha) -- subsidiary's concession land*
229 Moo 2, Khiansa Sub-District, Khiansa District, Surat Thani	
8. Chaiburi Estate	12,881.50 rai (2,061.04 ha) -- subsidiary's concession land*
16 Moo 5, Chaiburi Sub-District, Chaiburi District, Surat Thani	
Sub-total Subsidiaries Planted area	16,975.25 rai (2,716.04 ha)
Total Planted Area	41,278.57 rai (6,604.57 ha)

* Please refer to "News Highlights of previous year" for more information on the status of these concession lands.

Companies in which the Company has investment holding of more than 10%

- 1 Name of Company :** **Phansrivivat Company Limited**
- Office : 98 Moo 6, Nuaklong-Khao Phanom Road, Km. 9.5
Huayyoong Sub-District, Nuaklong District, Krabi 81130
- Tel 075-666 075
Fax 075-666 072
- Nature of Business : 99.99% shareholder in Phansri Company Limited^① and Prachakvivat Company Limited^②, which own the concession of oil palm plantation with combined concession area of 30,600 rai
- Registered Share Capital : 27,400 shares (par value of 10,000 Baht per share)
- Shareholding (common shares) : 27,394 shares or 99.98%
- Remarks :**
- ①Phansri Company Limited**
- Office : 98 Moo 6, Nuaklong-Khao Phanom Road, Km. 9.5
Huayyoong Sub-District, Nuaklong District, Krabi 81130
- Tel 075-666 075
Fax 075-666 072
- Concession Site : Chaiburi Sub-District, Chaiburi District, Surat Thani
- Concession Area : 20,000 rai
- Concession Period : from 2 January 1985 to 1 January 2015
- Registered Share Capital : 500 shares (par value of 10,000 Baht per share)
- ②Prachakvivat Company Limited**
- Office : 98 Moo 6, Nuaklong-Khao Phanom Road, Km. 9.5
Huayyoong Sub-District, Nuaklong District, Krabi 81130
- Tel 075-666 075
Fax 075-666 072
- Concession Site : Khiansa and Kamvaree Sub-District, Khiansa District, Surat Thani
- Concession Area : 4,294 rai
- Concession Period : from 9 July 2014 to 8 July 2029
- Registered Share Capital : 5,000 shares (par value of 1,000 Baht per share)
- 2 Name of Company :** **Siam Elite Palm Company Limited**
- Corporate Headquarters : 64 Soi Bangna-Trad 25,
Bangna, Bangkok 10260
- Tel 02-744 1046-8
Fax 02-744 1049
- Krabi Office : 98 Moo 6, Nuaklong-Khao Phanom Road, Km. 9.5
Huayyoong Sub-District, Nuaklong District, Krabi 81130
- Tel 075-666 075
Fax 075-666 072
- Nature of Business : Oil palm seed propagation
- Registered Share Capital : 5,000,000 shares (par value of 10 Baht per share)
- Shareholding (common shares) : 2,500,000 shares or 50.00%

Other references

1. Registrar

Name : Thailand Securities Depository Co., Ltd.
Address : 62 The Stock Exchange of Thailand Building,
Rajadapisek Road, Klongtoey, Klongtoey,
Bangkok 10110

Tel 02-229 2800
Fax 02-359 1259

2. Auditor

Name : Ms. Thipawan Nananuwat
Certified Public Accountant No. 3459
Address : EY Office Limited
33rd Floor, Lake Rajada Office Complex,
193/136-137 Rajadapisek Road,
Klongtoey, Bangkok 10110

Tel 02-264 0777
Fax 02-264 0789

No. of years being the Company's Auditor : 4
Relations or interests with the Company / : being the Auditor of the Company's
the Company's subsidiaries / subsidiaries, related company, and
the management / major shareholders / jointly controlled entity
or any relevant persons of the aforementioned

NATURE OF BUSINESS

United Palm Oil Industry Public Company Limited (UPOIC) is a plantation company that produces crude palm oil (CPO) from its own source of fresh fruit bunches (FFB) as well as FFB purchased from outgrowers in the immediate area of the crushing mill. Other minor products are crude palm kernel oil (CPKO) extracted from palm kernel (PK) and palm kernel cake (PKC) which are by-products from the earlier-mentioned process and mainly used for the feed mill industry.

UPOIC has the large holding under oil palm cultivation with a consolidated planted area of 41,278.57 rai (6,604.57 hectares) straddling Krabi and Surat Thani provinces.

UPOIC also owns a POM in Krabi province and with a processing capacity of up to 450,000 MT of FFB per annum (75 MT per hour). The palm kernel expeller plant (PKX) is capable of processing up to 26,500 MT of PK per annum.

UPOIC's current revenues come mainly from domestic sales. Its main products, namely CPO, CPKO, PKC, are important raw materials for products such as edible (cooking) oil, pet food, butter, margarine, soap, shampoo, detergent, cleansing liquid, cosmetics as well as food ingredients for snacks and ice cream. PKC is mainly supplied to local poultry farmers and feed millers.

Revenue structure

Product/Services	2012		2013		2014	
	Mil. Bht.	%	Mil. Bht.	%	Mil. Bht.	%
CPO	1,311	85.35	1,133	83.80	953	81.37
CPKO	128	8.33	134	9.91	146	12.48
Others	97	6.32	85	6.29	72	6.15
Total Sales	1,536	100.00	1,352	100.00	1,171	100.00

Note : All sales are carried out by UPOIC itself.

News Highlights of previous year

Approximately 21,349 rai, or 47.1% of the total planted areas of the Company and its subsidiaries, are held by two subsidiaries under concessions which have expired in July 2014 and January 2015.

The permit from the Forest Department granted to a subsidiary at Khiansa estate for the exploitation or inhabitation in the National Reserved Forests expired on 8 July 2014. Later on 11 December 2014, the subsidiary entered into a lease agreement with the Treasury Department for the area of 4,294 rai being half of the utilised land under the expired permit. The term of the agreement is 15 years, effective from 9 July 2014 to 8 July 2029. The subsidiary must comply with the current and/or future terms and conditions stated in the lease agreement including rules and regulations of the Finance Ministry related to treasury land exploitation. The other half of the area would be allocated by Surat Thani Province to the poor people who own no land at the rate of 10 rai/person. During the allocation period, the Treasury Department allowed the subsidiary to have right to exploit the land and pay the determined rental fee until such allocation is completed.

A permit from the Forest Department granted at Chaiburi estate expired in 1 January 2015. The Company and its subsidiary are requesting the Forest Department to grant a permit to exploit or inhabit in such land. The request is under consideration.

1. Part of Oil Palm Planted Areas Under Concession

Approximately 21,349 rai composed of Khiansa estate 8,467.44 rai and Chaiburi estate 12,881.50 rai, or 47.1%, of the total planted areas of the Company and its subsidiaries, are held by two subsidiaries under concessions which have expired in July 2014 and January 2015 respectively. As explained above, Khiansa estate had been given permission from the Treasury Department to extend the lease of 4,294 rai of the state owned land for a further period of 15 years, whereas Chaiburi estate has been during the consideration of relevant authority.

Even though Khiansa estate has been granted a lease permit from the Treasury Department, the area was only half of the utilised land under the expired permit. Therefore, planted area has been reduced by 9.4% of total planted area. In the meantime, Chaiburi estate is waiting for a permit from the Forest Department to exploit or inhabit in the land as well, the outcome of which is uncertain. In case, Chaiburi cannot get the permit or can get only half (the same as Khiansa estate) which accounts for 28.4% or 14.2% of total planted area respectively, the Company has to buy a higher proportion of FFB from outside sources and may face increased raw materials cost as a result.

2. Part of Oil Palm Planted Areas Announced Under the land of Agricultural Land Reform Office (ARLO)

It was announced that 2 plots of land owned by the Company overlapped with the land of Agricultural Land Reform Office (ARLO) after planting palms for 6 and 17 years respectively. In 2004, the ARLO issued a letter informing the Company to enter into the legal process of land reform. In 2005, the Company submitted related documents to ARLO to verify the right over the land as the Company exploited and inhabited in such land before it was announced as the national reserved forest land and the land of Agricultural Land Reform Office. In 2008, ARLO Krabi sent a letter informing the Company to enter into the land distribution process. Some parts of the land were completely distributed in 2010 accounting to 4,994.1 rai or 10.9% of total planted area of the Company. However, later the Company found that the distribution of the land of about 1,459 rai was in conflict with the Company's land title deed. The Company is now in a process to submit a request to the ARLO to nullify the status of being land under Sor Por Kor. Therefore, the Company will surrender such land accounting to 20.6% of total planted area.

In such case the Company has to buy a higher proportion of FFB from outside sources and may face increased raw materials cost as a result. However, the Company has a policy to invest more in land purchase for growing oil palms to compensate those lands which may lose.

3. Palm Oil Price Volatility and Interventions from Government Sector

Being a commodity, the price of CPO is highly volatile. The monthly average price of CPO in 2014 ranged between 24.27 and 34.50 Baht/Kg (2013 : 23.02 – 31.90 Baht/Kg). The average price in 2014 was 28.57 Baht/Kg, increasing by 13.19% from 2013, compared with the average price in global market at 24.03 Baht/Kg. The high volatility of local price during the year together with the huge price difference between local and global price is exacerbated by inadequate inventory management. Besides, the peak season of palm crop delivers abundant output leading to accumulated CPO stock balance which normally push the prices of FFB and CPO down sharply. Such circumstance may lead growers to protest and price intervention is likely to be introduced by the Government.

The short period of time left before the ASEAN Economic Community (AEC) comes into effect within 31 December 2015 is not sufficient to strengthen the competitiveness. The Government has never implemented a coherent long-term policy to develop the palm oil industry. Accordingly, intense competition from incoming free trade will have an adverse affect on farmers and all industry players.

4. Climate

Because the major raw material of the Company comes from agricultural product, its future financial performance is to a large extent dependent on uncontrollable factors such as weather condition, rainfall level, and the quantity of Fresh Fruit Bunch (FFB) harvested in Thailand in each season. Recently there have been fluctuations in weather phenomenon that is very uncommon. Heavy flooding in some years and severe drought in others have increased the volatility in output each year or during the year, leading to government intervention.

5. Excess Capacity of CPO Crushing Mills

At present, there are approximately 108 CPO crushing mills, most of which are located in Krabi, Surat Thani, Chumporn, and Trang provinces, giving rise to a combined fresh fruit bunch (FFB) processing capacity of 25 million MT per year. Therefore, there is a mismatch between such overall high processing capacity and FFB output in 2014 at 12 million MT from 4.5 million rai of mature growing area. Utilisation of milling capacity is only 50% leading to competition in the buying of FFB and high prices, irrespective of quality.

6. Selling of CPO to Major Customer

In 2013 and 2014, the Company sold 71% and 64% respectively of its products including CPO, CPKO, PKS and FFB to one major customer, namely Lam Soon (Thailand) Plc. (LST). While this constitutes a risk of over reliance on a single major customer, the Company has had continued good relations with LST, who is moreover also the Company's major shareholder. LST is a separate public listed company with strong financial background and has enjoyed a good reputation in the palm oil industry. For these reasons, the Company considers that the risk of losing LST as its customer or that it will encounter financial difficulty is remote. In any case, the Company can sell its products to other customers, whether for use as edible oil or as a source of alternative energy.

7. Major Shareholder Holds More Than 50% of Paid-Up Capital

Lam Soon (Thailand) Public Company Limited currently holds 69.96% of the Company's paid-up capital. As a consequence, it deems that LST has the control power over the Company's policy, including over the general management. Further, having the same Managing Director might lead to the conflict of interests between the two companies arisen from the connected business transactions.

Nevertheless, the business transactions with majority shareholder, selling CPO to LST in particular, have been reviewed by the external auditor to ensure that the prices shall be the same as the transaction with the third party. In addition, the said transactions as well as the transactions corresponding to the rules and regulations of the SET regarding related transactions are also mentioned and declared in item 6 of the Notes to financial statements.

INDUSTRY OVERVIEW AND COMPETITIVENESS

2014 Overview

2014	Production (MT.)		Price (Baht/Kg.)		Highlights
	FFB	CPO	FFB	CPO	
Q1	2,953,413	473,532	5.67	33.07	CPO stock at critical level 150,868 MT in January
Q2	4,256,909	700,359	4.21	27.40	FFB output reached a monthly peak of 1.57 mil MT in May
Q3	2,891,780	509,988	4.79	25.48	CPO price in global market slightly decreased due to the bearish soybean price
Q4	1,757,213	316,731	5.31	28.32	FFB output dropped sharply but palm oil stock in Malaysia gradually piled up

FFB output and CPO production

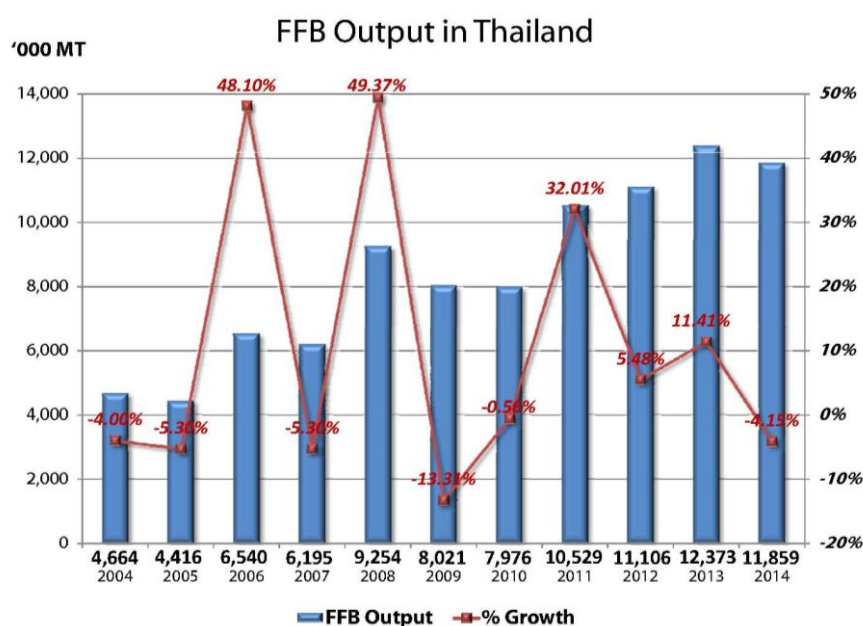
Despite an increase of planted area, Fresh fruit bunch (FFB) produced in 2014 overall was comparable to that obtained in 2013 but fluctuated from month to month. It reached a monthly peak of 1.57 million MT in May but subsequently fell to around 0.4 million MT in December. The effect of drought weather and lack of rainfall in the first quarter of 2012 devastated oil palm inflorescent development and resulted in lower yield later in the year. Total Crude Palm Oil (CPO) production in the Kingdom in 2014 was 2,000,610 MT, compared with 2,135,183 MT in 2013; Oil Extraction Rate (OER) was 17.18% (2013 : 17.54%). The CPO stock at the end of 2014 was 167,591 MT, compared with 203,999 MT at the end of 2013 (figure from the Internal Trade Department). The operational OER was less than optimal due to unregulated intermediary FFB collection ramps which now number over 2,000 units and intense competition among mills in crop procurement.

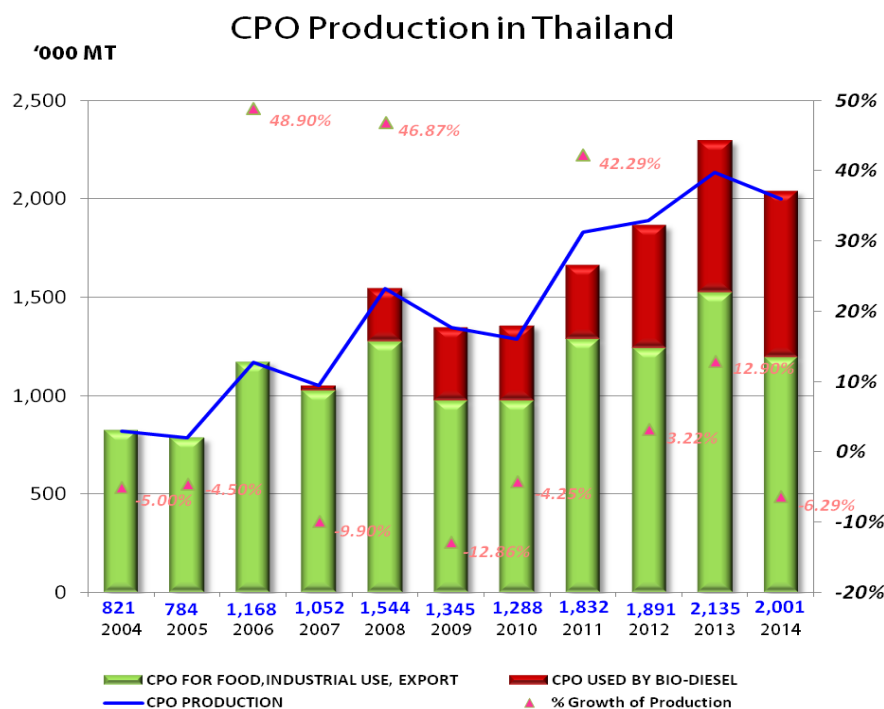
Q1 : CPO stock decreased from December 2013 at 203,999 MT to critical levels of 150,868 and 154,349 MT in January and February 2014 respectively. Furthermore, the average Oil Extraction Rate (OER) was only 16% (Q1/2013 : 17.3%).

Q2 : At the crop peak season, the nationwide volume of FFB was as high as 4.2 million MT, an increase of 28% compared with the same period of the previous year.

Q3 : FFB produced nationwide was only around 2.90 million MT, lower than the previous year. The lack of rainfall for several months at the beginning of the year had caused a seasonal shift of output.

Q4 : The crop output dropped sharply to only 1.76 million MT.



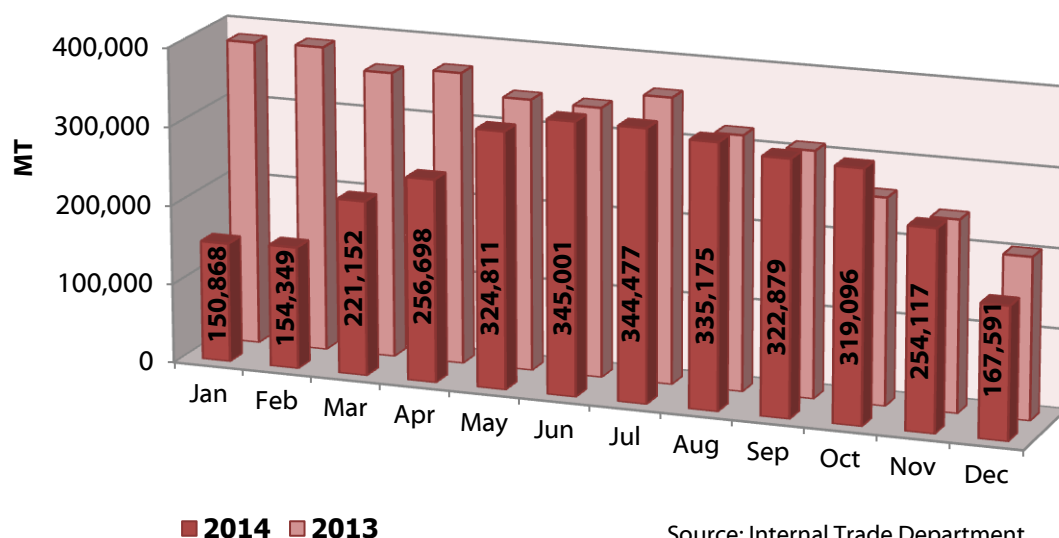


Importation of CPO

At the beginning of the year, producers of bottled cooking oil, the price of which has been controlled by the Internal Trade Department at 42 Baht/bottle (VAT included), requested to raise the said ceiling price as they could no longer bear the higher raw material cost. Therefore, the Office of Agricultural Economics called a meeting with The Thai Oil Palm Board on 28 February 2014 to monitor the situation of oil palm and palm oil, and to consider the importation of CPO amounting 40,000 MT. However, with the start of the crop season, there was more FFB output, leading to the CPO importation being held back.

At the year end, less FFB output to only 390,582 MT in Dec 2014 reduced the nationwide palm oil stock to 167,591 MT which began critical again. Therefore, the Cabinet on 20 Jan 2015 endorsed the proposal to import 50,000 MT of crude palm olein to tackle the shortage problem. In addition, the proportion of CPO to be blended into diesel was reduced from B7 to B3.5.

Stock of CPO Equivalent in 2014



INDUSTRY OVERVIEW AND COMPETITIVENESS

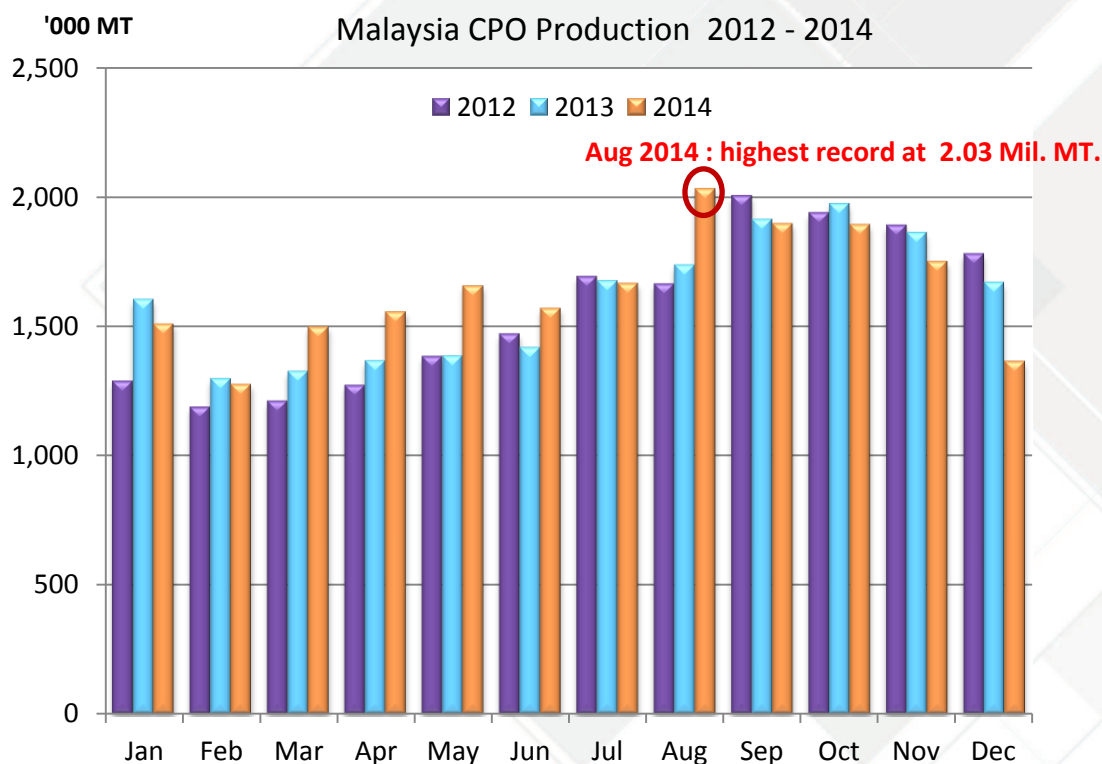
Processing capacity

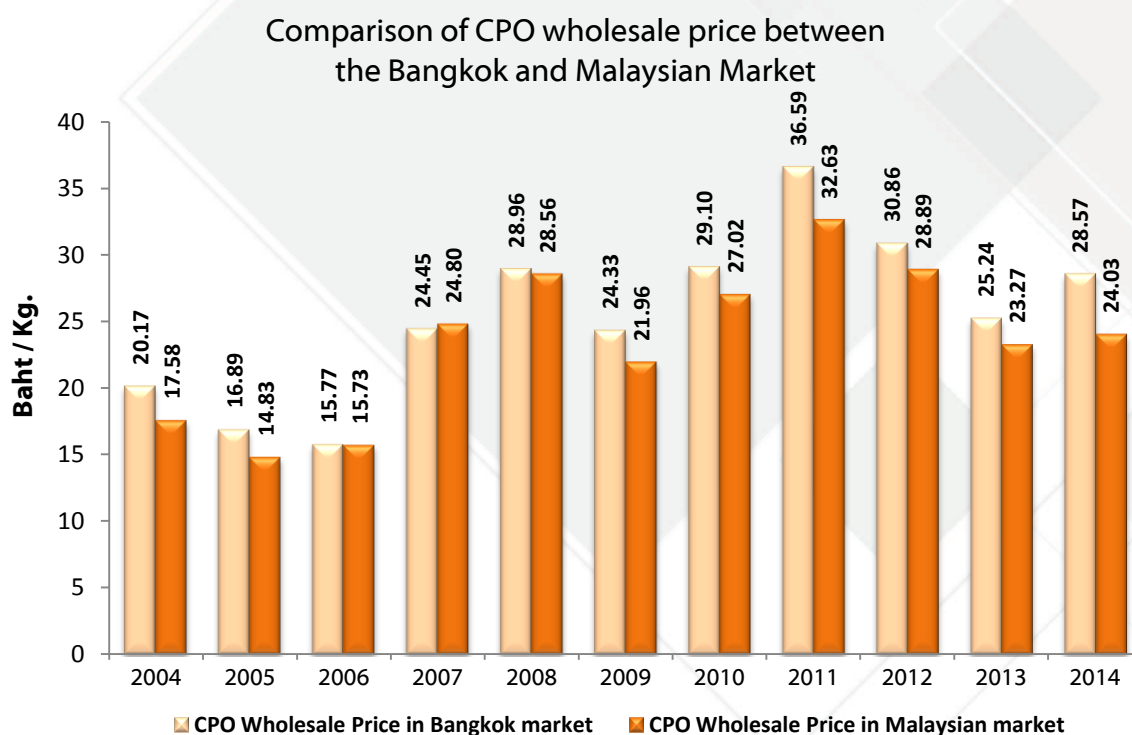
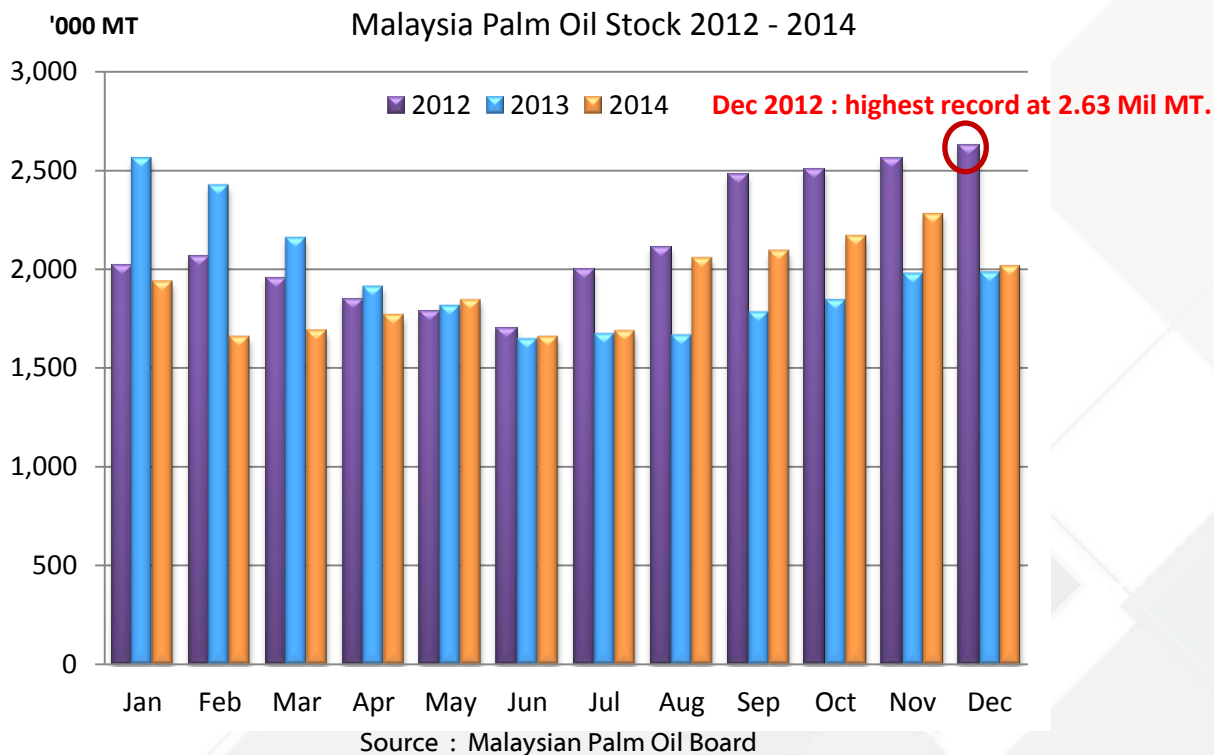
The number of CPO crushing mills has increased from 91 in 2013 to about 108 mills at present, giving rise to a current total milling capacity of over 25 million MT of FFB per year. This is significantly higher than the FFB output recorded in 2014 at about 12 million MT; and the capacity utilisation rate of crushing mills was around 50%. Because of the significant imbalance between demand and supply persists, there is price volatility and FFB quality is compromised ultimately hindering the development of the industry in Thailand.

Market Condition and Palm Oil Price

In 2014, average CPO price in global market were about the same level as 2013. The Bursa Malaysia Derivatives : 3rd Month market price reached the highest at 2,905 RM/MT in March and decreased continuously until brought the annual lowest at 1,903 RM/MT in August. The average annual Bursa Malaysia Derivatives : 3rd Month price was 2,396 RM/MT, a 0.83% decrease from 2013 when it was 2,416 RM/MT.

The major factors influencing the market condition and palm oil price movement in 2014 included downward pressure from seed oils due to output of seed oil increasing and petroleum price which continued falling to below five-year minimum. Another factor was the palm oil stock of Malaysia. The stock accumulated during the second half of the year, and hit the threshold level of 2 million MT in August before reaching the top at 2.28 million MT in November. Likewise, CPO production in Malaysia was highest at 2 million MT in August. This caused the global CPO price softened during the second half of the year.





Monthly CPO prices in the Kingdom in 2014 varied between 24.27 – 34.50 Baht/kg (2013 : 23.02 – 31.90 Baht/kg); likewise FFB prices varied between 3.91 – 6.09 Baht/kg (2013 : 3.43 – 5.53 Baht/kg) (figures from the Internal Trade Office). The annual average FFB and CPO prices were 5.00 and 28.57 Baht/kg (2013 : 4.16 and 25.24 Baht/kg).

At the beginning of 2014, the local FFB price rose continuously from 5 Baht/Kg at the end of 2013 to higher than 6 Baht/Kg during February – early March 2014. CPO price was pushed up to the highest at 35.50 Baht/Kg in February 2014. Later, when the crop season came, the FFB price was pressed down dramatically to below 4 Baht/Kg at the end of March 2014, reducing CPO price from 35 Baht to 26-27 Baht/Kg.

INDUSTRY OVERVIEW AND COMPETITIVENESS

In Q2/2014 FFB price still held at low level at 3-4 Baht/Kg. and CPO price at 26-27 Baht/Kg whereas in Q3/2014, more intense competition between crushing mills had pushed up the average FFB and CPO prices to 4.79 Baht/Kg. and 25.48 Baht/Kg. respectively. In the meantime, CPO price in the global market slightly decreased due to the bearish soybean price resulting from the ample supply of the crop, coupled with the less concern over the El Nino weather phenomenon at the year end. As palm oil stock in Malaysia gradually piled up, the Malaysian government announced in early September to scrap an export tax on palm oil to boost shipments and reduce the accumulated stock, followed by Indonesia announcing the same measure for the same reason.

In Q4/2014 FFB price was again pushed up to 6 Baht/Kg, driving the local CPO price above 30 Baht/Kg, even though the global price of CPO at the year-end was declining in tandem with the sharp decline in petroleum oil price. The price gap between the CPO from local and global market widened to as high as 10 Baht/Kg at the year-end. The huge price difference brought an active windfall to oil smugglers at the southern border of Thailand as reported in the mass media.

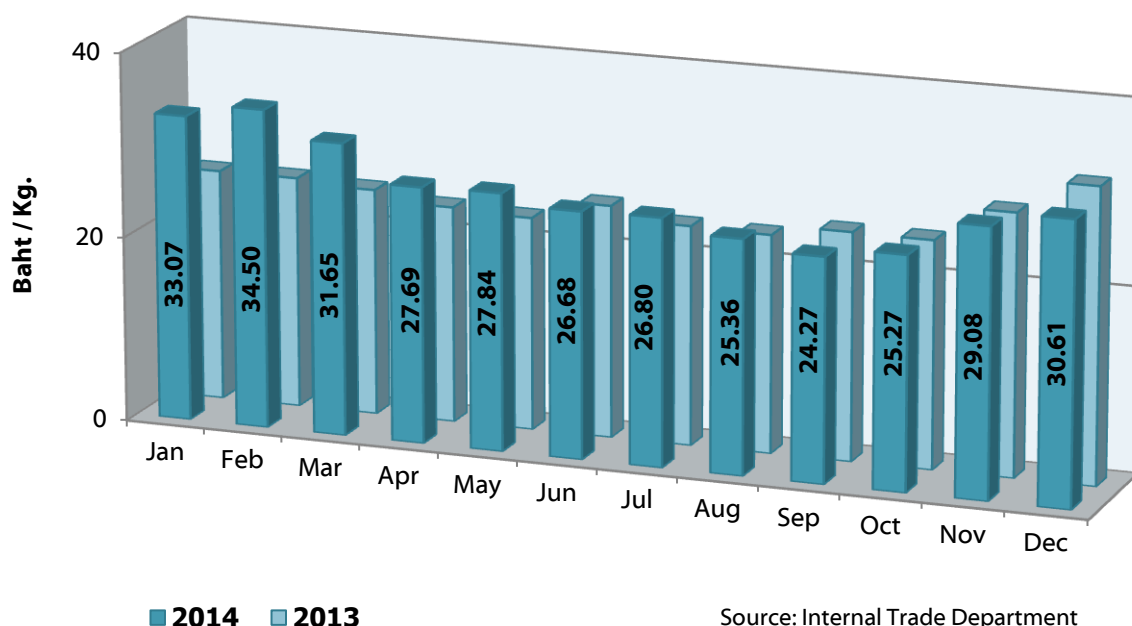
The government was determined to maintain the optimum palm oil stock at 200,000 – 230,000 MT at all times to keep the equilibrium between demand, supply, and palm oil price. Besides the discretion to allow the importation of palm oil from time to time, another instrument used in parallel to control the stock level is an adjustment of CPO proportion to be blended into diesel; for instance, at the end of 2013 when FFB output getting less, it announced the delay in implementation of B7, instead applying B4, until April 2014, when the higher crop was reported, and then in May 2014, it announced again to raise the proportion to B7 until January 2015 when B3.5 was announced to replace B7 to cope with the nationwide palm oil stock getting low.

FFB Price movement in 2014
(17% OER; delivery to major crushing mills)



Source: Internal Trade Department

CPO Price movement in 2014 (Delivery to Refinery)



Palm Oil Production and Price Outlook for 2015

The decreasing FFB quantity and consequent lower CPO volume in the last two months of 2014 will be carried until the upcoming peak FFB crop in the first quarter of 2015. And if the FFB price were to drop below 4 Baht/kg, repeatedly would likely lead to protest by oil palm growers and interventions by state government such as by adjusting percentage of CPO blending in Bio-diesel to be aligned with the CPO supply situation, to enhance the price stability of palm oil.

In 2015 the planting area is estimated to expand at the similar rate as 2014 i.e. 0.3 million rai. Moreover, the low rubber price and the policy to subsidise 26,000 Baht per rai in case farmers convert rubber to oil palm planting area but limited within the annual budget might encourage growers to reduce planting and convert to be other crops especially oil palm. By this mean, an estimation of additional replanting area is expected around 0.05 million rai.

Furthermore, the continual increase of harvesting area for young palms is a reason to higher crop expected in 2015. The drought conditions in the previous two years also affected number of FFB to be harvested in 2015. Therefore, considering the weather condition in 2013, it showed rather minimal effect to the palms hence rational yield would be obtained. However, if El Nino phenomenon caused prolonged dry period in the early 2015, it would affect the immediate yield by reducing bunch weight and as a consequence, bunch failure or abortion would also reduce yield about 6 -11 months later. The forecast of better FFB for 2015 is 14.5 million MT and would be around 13.5 million MT if adversely affected by serious drought within the year.

In terms of demand, the edible consumption in 2015 is estimated the same as 2014, at 1 million MT, and the usage from Bio-diesel will depend on petroleum price and local CPO price. In case the average price of petroleum is not exceeding 80 USD/barrel with the same price gap between local CPO and global CPO as in 2014, it is likely that 3.5-4% mixture to be implemented for the whole year. In such, the demand for CPO to produce Bio-diesel will decrease around 340,000 MT to 480,000 MT.

Overall, it is expected that in 2015 big difference between the local CPO price and the lower global price will remain at around 3-4 Baht/Kg on average. Assuming petroleum price at 80 USD/barrel maximum, local CPO price might be ranging around 26-28 Baht/Kg and FFB price at 4.50-5.00 Baht/Kg.

Factors affecting world palm oil industry in 2015

1. Petroleum price : The falling price of petroleum and eventual collapse to below 50 USD/barrel, dropping more than 50% during 6 months, put immediate pressure on palm oil market. In 2015 petroleum price is expected to be in the range of 60-80 USD/barrel in the first half with the prospect of upward movement in the second half after the next OPEC conference (5 June 2015), which may consider the new strategy on crude oil production.
2. Prices of seed oil : Upside potential for CPO price is likely to be limited by the prices of seed oil in EU and US, which is expected to maintain at the low level for the whole year.
3. Asian economy : The Asian economy is anticipated to improve in 2015, driven by the heavy fall of petroleum price resulting in an increase of consumption demand for food products including palm oil.
4. Implementation of Bio-diesel in Malaysia and Indonesia : In Malaysia, national implementation of the current 5% minimum palm content in Bio-diesel ran into problems in early 2014 due to delays in construction work of some blending facilities, causing the delay of B5 implementation from July to December. Nevertheless, the B7 Bio-diesel blend was imposed in Peninsular Malaysia in November 2014 boosting the domestic use of Bio-diesel to 575,000 MT a year. Indonesia too, has a policy to raise the palm oil blending percentage into diesel from 7.5% to 10%, and the next target set at 20%.

The Development of Oil Palm Industry

Oil palm is a naturally relative high yielding oil crop and lowest production unit cost. In addition, its broad utility for edible oil and industrial downstream products including Bio-diesel consumption, make it a potential perennial oil crop to enhance long-term profits for growers. One key factor for successful oil palm industry is the planting material; research and development is being undertaken for superior planting materials that gives comparatively higher oil per rai, early harvest age, slow vertical growth, broad adaptability to environment, and especially for tolerance to basal stem rot (*Garnoderma* disease) that can ruin most of the palm trees. Furthermore, there are efforts by both private and public sectors to promote sustainable growing oil palm and producing palm oil with the programs to promote awareness of health and safety of growers, environment conservation, soil and water management, and proper use of resources.

The Roundtable on Sustainable Palm Oil (RSPO) management system provides international standard criteria, methods, and guideline for operation but allows each country to adopt their own contents to situate particular condition of technology, social and economics. In 2014, about 11.7 million MT certified sustainable palm oil (CSPO) was produced from more than 2.6 million hectares, compared with 2008 and 2011 at 0.619 and 5.6 million MT, respectively.

Furthermore, today each crushing mill improves its technology to enhance the efficient use of energy and manpower within a relative compact sit. Most of the waste product is converted to energy and beneficial matters; electricity power producing from biogas captured from wastewater, the remaining wastewater from the process is used for oil palm or rubber land application as a source of minerals and moisture. In addition, after being pressed for oil, the fiber and empty fruit bunch are an energy source for biomass process and electricity generation or use for soil mulching in oil palm planting. This is all adding value while reducing pollution and global warming.

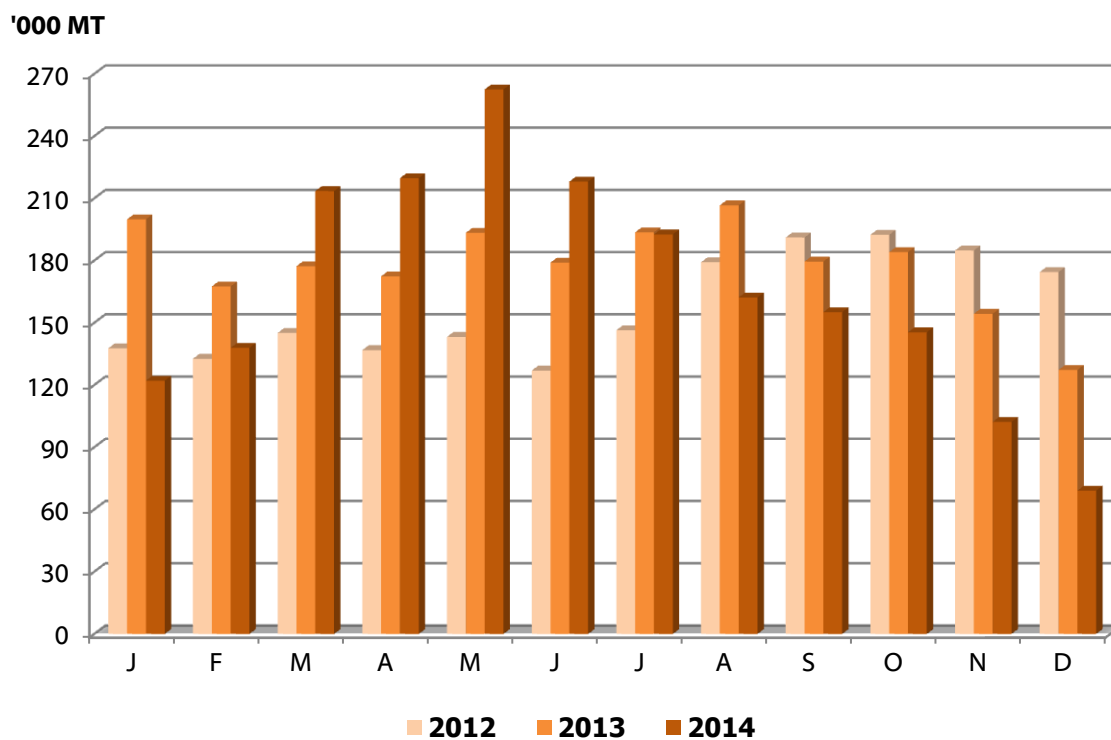
An increase of palm oil blending proportion for Bio-diesel product worldwide offers another role of palm oil as eco friendly Bio-diesel, which being biodegradable in nature is harmless to the environment. This will significantly increase the demand for palm oil and enhance instability of palm oil price in the absence of a comprehensive oil palm and palm oil industrial development plan in Thailand.

In the near future, the ASEAN Economic Community (AEC) shall be the goal of regional economic integration of the members of ASEAN Free Trade Area (AFTA) by 2015; which will significantly influence palm oil industry in the region to trade more freely. In the Kingdom of Thailand, palm oil formerly has set as volatile goods and progressively decreasing import tax to be 5% at 2007 and 0% at 2010. Further, the Kingdom under the AEC must completely eliminate nontariff and tax barriers within 31 December 2015. As a result, there would be a possibility to import palm oil from Indonesia and Malaysia at lower price to compete with local producers, which would affect the domestic palm oil price. The domestic palm oil price is therefore expected to be as low as Indonesian and Malaysian prices; as a consequence, the FFB price decreases, will inevitably affect small holders who form the majority of oil palm growers.

For the medium to long term, the trend of exploration and production of lower cost shale gas as a substitute for petroleum will have an influence on stabilising petroleum price. Overall, as an importer whose demand for natural gas is continuously increasing, Thailand would benefit in terms of lower production cost. Transportation sector will shift to use more natural gas. But if natural gas gradually replaces other petroleum, then the Bio-diesel may be adversely impacted.

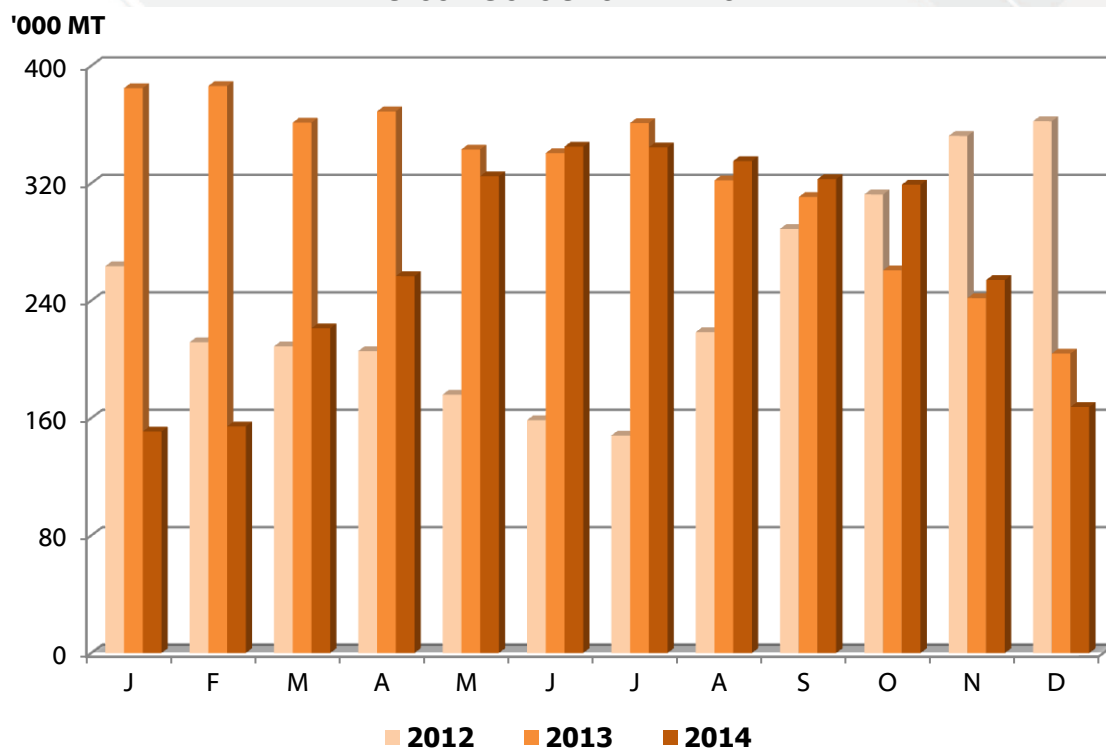
INDUSTRY OVERVIEW AND COMPETITIVENESS

PRODUCTION OF CPO



Source: Internal Trade Department

CLOSING STOCK OF PALM OIL

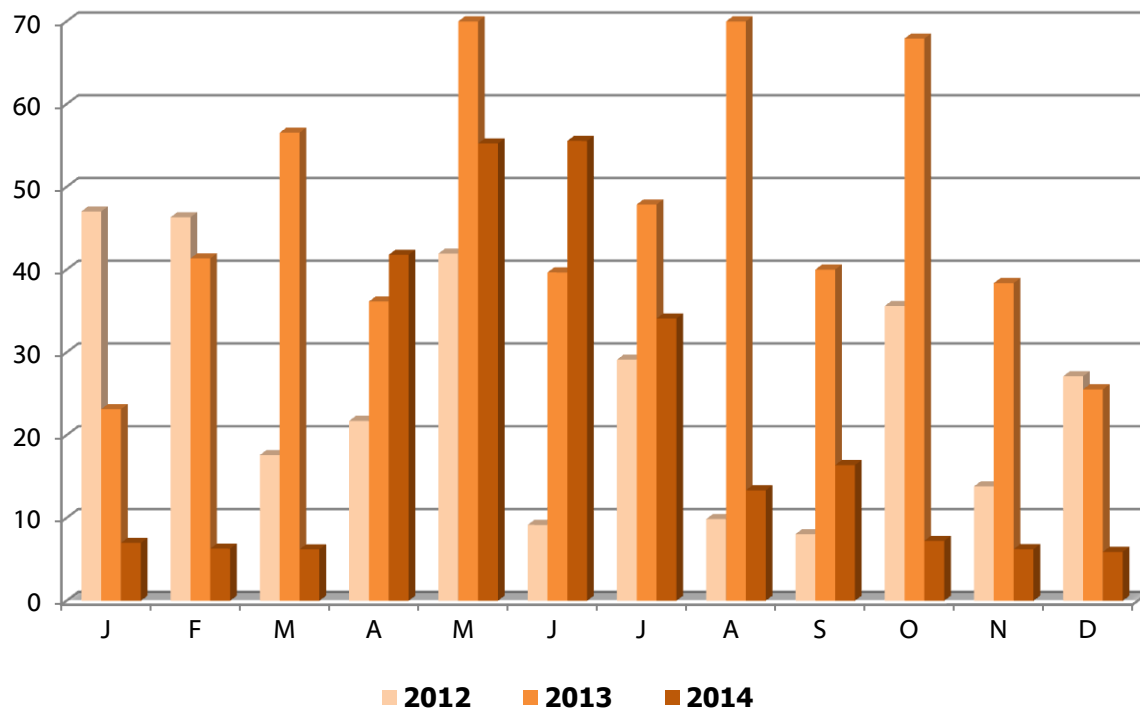


Source: Internal Trade Department

INDUSTRY OVERVIEW AND COMPETITIVENESS

EXPORT OF PALM OIL

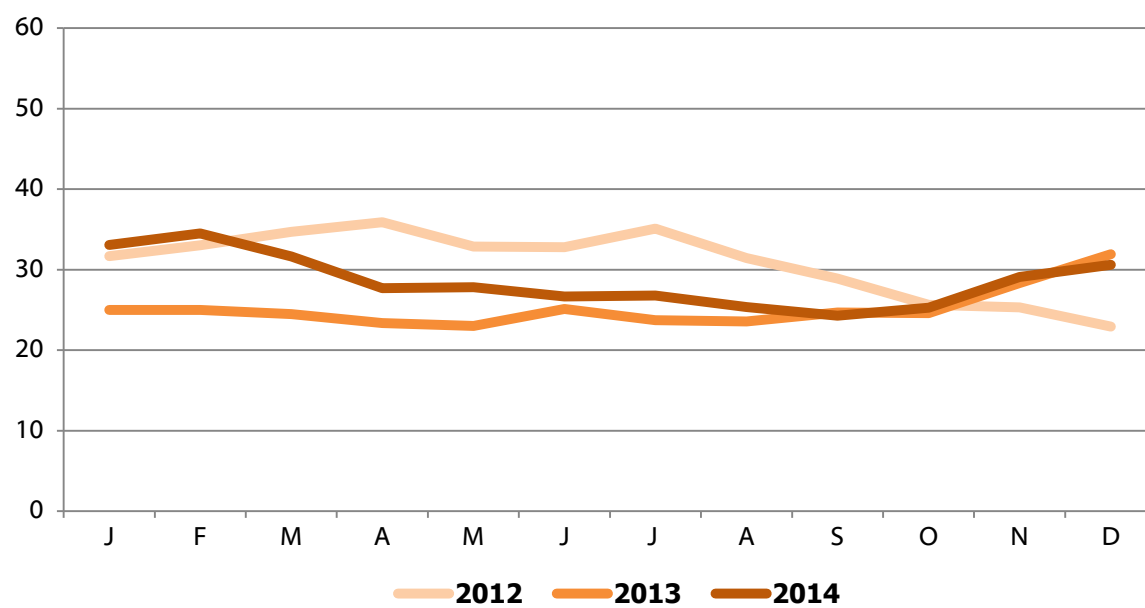
'000 MT



Source: Internal Trade Department

LOCAL DELIVERED CPO PRICE

Baht/Kg



Source: Internal Trade Department

Operations Overview

1) Productivity improvements

UPOIC Krabi

- Joined the palm cluster which was initiated by Industrial Promotion Region 10 (IPC 10) but later each crushing mill took turn to be host, and submitted its KPI data on monthly basis. UPOIC received the excellent KPI award for using less white clay at 1.7-1.8, compared with the normal usage of 2.2.
- Joined the Gas Engine research team of Prince of Songkhla University in Hat Yai. The purpose of this group is to discuss Biogas maintenance system and Gas Engine including the spare parts management.
- Improved the efficiency of Gas Engine system as a result of which UPOIC could increase the production capacity and sell 20% of more electricity.
- Joined the project to explore and set the guideline for efficiency improvement of Biogas Production as an alternative energy source for industrial sector. Also, UPOIC joined the improvement of steam system in palm oil mill project organised by the Department of Industrial Work in collaboration with King Mongkut's University of Technology Thonburi.

2) Awards and Standard Certifications

UPOIC Krabi

- UPOIC's crushing mill in Krabi was certified as the level 3 of the Green System under the Green Industry Project of the Ministry of Industry on 26 August 2014.
- UPOIC's crushing mill in Krabi has been awarded the CSR-DIW Continuous Awards 2014 in compliance with the Standard for Corporate Social Responsibility from Department of Industrial Work, the Ministry of Industry, on 21 September 2014.

Environment and Corporate Social Responsibility Overview

United Palm Oil Industry Public Company Limited conducts its business with the awareness of social and environmental responsibility to enhance the sustainable growth of the organisation as well as the society. Hence, the below Vision and Mission have been established in accordance with the normal operation.

Vision

The leading sustainable palm oil business company with operational excellence, international best practices, and world-class competitive strengths

Mission

1. Building capacity in entire palm oil business value chain from seeding, germinating, plantation, crop oil extraction and related business so as to be competitive and recognizing in the future
2. Performing the high value palm oil business by focusing in research and development of palm seed breeding of seed with high yield and adaptable to a range of cultivation area to fulfill grower requirements as well as providing the best services
3. Employing advanced technology in production, research and development with international management system as well as taking care of the environment, biodiversity, communities, and society.
4. Always ensuring the health, safety, and welfare of all employees and building trust and confidence among our customers, grower/suppliers and generate return to shareholders and other stakeholders appropriately.

The Company has a policy to focus on producing sustainable palm oil under RSPO (Roundtable on Sustainable Palm Oil) scheme. The Company's crushing mill and plantations have been certified the Mass Balance (MB) RSPO on 14 February 2013. The Company can also generate electricity power from biogas and biomass, and have been registered for the Clean Development Mechanism (CDM) Project. Furthermore, the Company respects the rights of the various groups of stakeholders, not only internal groups such as the employees but also other stakeholders such as shareholders, creditors, customers, trading partners, competitors, communities and society. The Company shall give fair treatment to all parties including employees, customers, trading partners, or any personnel regardless of nationality, race, religion, language, age, gender, and marital status or others. However, since the expectations of stakeholders might vary, the Company shall consider their legal rights thoroughly and carefully to ensure that such rights are protected and treated equitably. In respect of each group of stakeholders, the Company is resolved to follow the practices toward stakeholders which have been set up in the policy.

The Company determines the guideline of 8 CSR principles as follows:-

1. Conducting business on fair basis

The Company treats the business partners on the basis of equalities and fair competition, and honors the terms of all trading agreements entered into with its business partners. In addition, the Company's procurement policy and procedures are designed to ensure efficient appropriation, effectiveness, transparency and justification.

2. Anti-corruption

The Company has a policy to sustain and encourage employees adhere to ethics and be good citizen of the society as well as encourage the business partners to conduct business transparently. The practices therefore are established in the policy to enhance the importance of anti-corruption and bribery.

3. Respect of human rights

The Company has a policy to treat all stakeholders with justification and therefore shall adhere to laws and regulations concerning employees and the international fundamental principles of human rights, regardless of the place of birth, nationality, gender, age, skin color, religious belief, disability, financial status, family status, educational institute, or other status irrelevant to job performance, apart from respecting individualism and human dignity.

4. Treat employees on fair basis

The Company recognises its employees as a critical factor of its success; therefore, knowledge and skill development together with continuous training for employees are fully supported without discrimination, and provided as career development benefits including appropriate return and welfare. The Company also respects the international human rights principles and values the importance of the wellness and occupational health and safety, working environment and the support of corporate culture and team work.

MANAGEMENT DISCUSSION AND ANALYSIS

5. Responsibility to customers

The Company aims to create client satisfaction and confidence by focusing on its responsibility and client's need by improving quality of the products pursuant to the standard from the quality management systems such as:-

- ISO 9001 being a quality management system, aiming to the quality assurance and conformity.
- OHSAS 18001 being a standard for occupational health and safety management systems.
- ISO 14001, an environmental management system that exists to help organisation improve and develop the environment continuously.
- Roundtable on Sustainable Palm Oil (RSPO) being a good practice to promote the sustainable palm oil production in aspects of economic, social, communities, environment, and law conformity of various stakeholders from upstream to downstream.

In addition, the Company focuses on doing fair marketing and contract. It also keeps all customer information and transactions confidential. The customers' complaints are addressed by an ombudsman office to ensure customers' confidence and maximize customer satisfaction.

6. Take care of environment

The Company has a policy to conduct its business with full consideration of the environment. It will abide by laws and regulations pertaining to the environment. With its responsibility to the environment, the Company always focuses on the following good practice.

- to encourage its employees to be fully conscious of their responsibility toward the environment;
- to fully participate with the local communities in environmental activities, and to exchange knowledge and experience with other agencies to promote good environment and regularly modify its operation to improve the environment;
- to prevent any adverse impact to the environment, review and evaluate its operations regularly to check the progress and ensure that the Company has fully observed the environmental policies and standards.

6.1 UPOIC certified as the level 3 of Green System

On 26 Aug 2014, the Company's palm oil crushing mill was certified as the level 3 of Green System under Green Industry Project of the Ministry of Industry.



7. Contribute to develop the surrounding communities and society

The Company has a policy to jointly develop and promote a good relationship with the surrounding communities and society, observe local custom and culture, and cooperate with all parties in the communities to promote social harmony with sustainable growth.

7.1 UPOIC awarded CSR-DIW Continuous Awards

On 21 Sep 2014, the Company was awarded CSR-DIW Continuous Awards 2014 in compliance with the Standard for Corporate Social Responsibility from the Department of Industry.



7.2 Joined academic seminars in Oil Production Integrated Curriculum, Krabi

On 24 April 2014, the Company representative joined as a lecturer in a seminar of academic courses on the production of palm oil at a promotion and development of agriculture in Krabi (horticulture).



7.3 Co-organised an exhibition, Surat Thani

On 27-28 March 2014, the Company co-organised the exhibition and seminars, policy and operational guidelines of Agricultural Extension and Agricultural Development Centre at Surat Thani province (horticulture).



MANAGEMENT DISCUSSION AND ANALYSIS

7.4 Blood Donation

On 13 April 2014, Company staff at palm oil crushing mill and plantations joined in blood donation to Red Cross at Nuaklongprachabumrung School in Krabi province.



7.5 Donation of Computers to Baan Klong Yai School

On 22 August 2014, the Company donated 7 computers to Baan Klong Yai School in Krabi Province.



7.6 Releasing aquarium on the occasion of August 12, to give a royal charity to the Queen

On 7-8 August 2014, the Company collaborated with Phrasaeng in releasing fishes back to the water. This activity, which took place on the occasion of Aug 12 at the dike of Moo 7, Chaiburi District, Surat Thani province, and the I-Pan water dam at Moo 5, I-Pan Sub-district, Prasaeng District, Surat Thani province, was dedicated to Her Majesty the Queen. The ceremony was chaired by Prasaeng District Chief Officer.



8. Develop and publicise the innovation created from operation under corporate responsibility for society, environment, and stakeholders

At present, the Company can produce electricity power from biogas and biomass generated by waste water and milling waste from production process. Such project becomes knowledgeable source for students, learners, and nearby community in respect of waste elimination.

Furthermore, the Company has collaborated to develop oil palm planting material which is high yielding (around 4 – 5 MT/rai/year fresh fruit bunch for medium condition), drought tolerance, and slow vertical growth. As the result, the harvesting period can be extended to more than 30 years and contribute to efficient use of land and high return on investment that sustains environment.

Financial Overview

Financial performance analysis and explanation

1. Review of operations

Estate operations

The overall processed FFB crop from own estates and concession land decreased by 19.1% compared to 2013. Output from its own planted area decreased by 22.9% and from concession land reduced by 15.4%. This was due to the prolonged drought during 2013 in inflorescence flowering stage hence the reducing of average bunch weight and arising of inflorescence abortion.

Furthermore, the Company continued its replanting programme to replace fully mature and less productive palms. This continuous replanting programme, which commenced in 2001, has been completed at 88.6% out of the targeted area (excluded subsidiary's concession land).

Mill operations

The Company purchased 5% less outgrower crops compared to 2013. The volume of its own FFB crops also decreased by 19.1%. As such, the total volume of FFB processed decreased by 11.5% from 2013. The proportion of FFB from outside source and own estate was 50.9% and 49.1% (2013 : 46.9% and 53.1% respectively).

The cost of purchased crops increased by 13.1% from market mechanism and demand supply, and the cost of our own crops increased by 33.5%. Therefore, the average cost of total FFB processed increased by 23.0%. The CPO and CPKO processing cost of crushing mill consequently increased by 16.1% and 17.5% respectively when compared with 2013.

Under corporate income tax privilege no. 1043(2)/2548, dated January 18, 2005 from the Board of Investment for CPO and Palm Kernel Seed production capacity at 15 MT FFB/hour and for electricity produced from biomass power plant at 1.2 Megawatt, the Company is exempted from corporate income tax on business operation of an aggregate value not higher than 100% of investment value (excluding land value and working capital) for 8 years starting from the first date of realising income since January 7, 2009.

Under corporate income tax privilege no. 2245(9)/2550, dated December 18, 2007 from the Board of Investment for electricity produced from biogas power plant for 2 Megawatt, the Company is exempted from corporate income tax on business operation for 8 years starting from the first date of realising income since February 16, 2010.

Additionally the jointly controlled entity has received the BOI privilege no. 1262(2)/2550, dated March 13, 2007 for the project of oil palm seed propagation provided exemption of corporate income tax on business operation for 8 years starting from the first date of realising income since February 20, 2014.

Sales

Total sales of the group in 2014 decreased by 181.5 million Baht or 13.4% from 2013. This was because the sales volume of CPO and CPKO decreased by 27.2% and 31.9% respectively. On the other hand, the average CPO and CPKO selling prices increased by 15.6% and 60.3% respectively.

Cost of Sales and Selling and Administrative Expenses

- Cost of sales was at 73.1% of sales turnover (2013 : 76.0%) because in Q2/2014 the volume of own FFB crops and outgrower crops increased by 33.9% and 20% respectively, reducing cost of sales; whereas sales turnover at the same period increased by 65% with the sales volume and average selling price of CPO and CPKO increased by 63.2% and 101% respectively.
- Selling expenses decreased by 10.6 million Baht or 21.7% as transportation expenses fell in tandem with the decreased sales volume. A few customers also picked up goods by themselves at the mill and some new customers located near the mill.
- Administrative expenses increased by 12.0 million Baht, comprising consulting fee of legality and others increased by 8.4 million Baht.
- Other expenses increased by 41.8 million Baht due to the amortisation of cost of palm plantation at 35.4 million Baht and interest expense at 6.4 million Baht arisen from the loan to purchase land in Tub Prik Estate, Krabi.

MANAGEMENT DISCUSSION AND ANALYSIS

Consolidated Profits

As mentioned above, the decrease in sales turnover at 13.4%, caused by the sales volume of CPO and CPKO decreasing by 27.2% and 31.9% respectively, and cost of FFB processed increasing by 23% drove the group to record lower gross profit by 10 million Baht or 3.1%. Moreover, the Company recorded higher amortisation of cost of palm plantation, which increased by 35.4 million Baht. The group therefore recorded a decrease in net profit of 32.3 million Baht or 14.7% lower than 2013; earnings per share (EPS) in 2014 was 0.58 Baht (2013 : 0.68 Baht).

Return on Shareholders' Equity

With the lower net profit by 32.3 million Baht, return on shareholders' equity reduced from 20.02% in 2013 to 16.76% in 2014.

Dividend payout ratio

In May 2014 the Company paid final dividend of the 2013 financial year at the rate of 0.40 Baht per share. Combining with the 0.20 Baht per share interim dividend of 2013, the total dividend paid for the 2013 financial year amounted to 0.60 Baht per share, representing a payout ratio of 88% of its net profit.

In addition, during 2014, UPOIC already paid an interim dividend for January – September 2014 operating result at the rate of 0.15 Baht/share, combining with the 0.15 Baht per share dividend of the last quarter 2014, the total dividend for the 2014 financial year amounted to 0.30 Baht per share, representing a payout ratio of 58.1% of its net profit.

UPOIC has a policy of paying not less than 50% of net profit after tax as dividend.

Book value (weighted average number of ordinary shares)

As at December 31, 2014, the book value per share of the group was 3.47 Baht (weighted average number of shares at 324.05 million shares), a slight increase compared to 3.40 Baht in 2013 (weighted average number of shares at 324.05 million shares).

2. Financial position

Assets

The group had total assets of 1,560 million Baht, compared with 1,500.9 million in 2013, or a 3.9% increase. Return on assets decreased to 12.1% (2013 : 14.7%). The major factors for which are as follows:-

- Trade and other receivables decreased by 9.9 million Baht due to lower sales during the year-end.
- Inventories increased by 149.5 million Baht mainly due to the increase in CPO stock and the higher average price of stock than 2013.
- Cost of forest land rights and cost of palm plantation reduced 60.1 million Baht from the amortisation of cost of palm plantation.
- Short-term loan increased by 200 million Baht due to higher inventories and less operating result in 2014.
- Income tax payable reduced 11 million Baht due to less operating result and higher BOI income portion than in 2013.
- Provision for land rental charge of a subsidiary (Prachak Vivat) decreased by 20.5 million Baht owing to its concession expired.
- Long-term load decreased by 125 million Baht due to loan repayment based on the agreement.

3. Source of Fund

The structure of capital

The group had total debt to shareholders' equity ratio at 0.39 times in 2014 (2013 : 0.36). This was because of the increased short-term loan in 2014. However, the major source of fund derived from the operating performance of each year.

Shareholders' equity

The group recorded net profit in 2014 at 188.2 million Baht. During 2014, the Company paid the final dividend of the 2013 financial year amounting 129.6 million Baht, and paid for an interim dividend for January – September 2014 operating result amounting 48.6 million Baht. The total dividend paid in 2014 amounted to 178.2 million Baht. Therefore, shareholders' equity increased by 21.1 million Baht when compared with 2013.

Liabilities

The group recorded liabilities at 436.5 million Baht, comprising current liabilities at 355.9 million Baht and non-current liabilities at 80.6 million Baht. This was an increase of 37.7 million Baht from 2013 or 9.44%, due to net loan increasing by 75 million Baht from higher inventories and lower operating result in 2014 as explained above.

Financial liquidity (Cash flows)

At the end of 2014, the group recorded cash and cash equivalents at 170.4 million Baht, decreasing by 2.4 million Baht from 172.8 million Baht at the end of 2013. The major reasons are as follows:

- Net cash flows from operating activities of 186 million Baht decreasing by 215.4 million Baht from 2013 was because of higher inventories, lower operating results, and lost on amortisation of cost of palm plantation as stated above.
- Net cash flows used in investing activities of 85.1 million Baht decreasing by 471.6 million Baht when compared with 556.7 million Baht in 2013 because of the investment in land in Tub Prik, Krabi in 2013.
- Net cash flows used in financial activities amounting to 103.2 million Baht derived from the dividend paid from the operating results of 2H/2013 and 9M/2014 at 178.2 million Baht. Besides, net loan for operating activities increased by 75 million Baht.

Thus, in 2014 the group had net decrease in cash and cash equivalent of 2.4 million Baht combined with cash and cash equivalents at the beginning of 2014 amounting 172.8 million Baht. Therefore, cash and cash equivalent at December 31, 2014 was 170.4 million Baht.

Financial ratios

- The current ratio was 1.15 times in 2014, decreasing from 1.65 times in 2013 because of current liabilities e.g. short-term loan increasing at higher rate than an increase of current assets.
- The quick ratio in 2014 was 0.57 times (2013 : 1.30 times) because of higher short-term loan.
- The ratio of cash flow from operating activities to current liabilities was 0.52 times in 2014 (2013 : 2.47 times) owing to current liabilities increasing.

4. Capital expenditure

Capital expenditure was incurred mostly for the land purchase of oil palm growing, replanting programme, and improvement of mill efficiency.

- (a) In 2013 the Company purchased land to grow oil palm in Tub Prik, Krabi, to expand the its plantation area and to increase the volume of FFB processed to match with the milling capacity.
- (b) This continuous replanting programme, which commenced in 2001, has been completed at 88.6% out of the targeted area (excluding subsidiary's concession land).
- (c) Capital expenditure in the future shall be for the investment in machinery and equipment to replace the old ones including the old trucks using for FFB transportation from own estates to its crushing mill, and equipment to reduce labour.

Factors which might affect financial performance in the future

Please refer to [RISK FACTORS](#) and [INDUSTRY OVERVIEW AND COMPETITIVENESS](#) as explained earlier.

Remuneration of statutory auditor

1) Audit Fee

The group nominated the same office of the statutory auditor and paid audit fee as follows:-

Audit Fee (Baht)	2014	2015
for the Company	930,000	930,000
for one subsidiary	60,000	60,000
for related companies	295,000	395,000
Total	1,285,000	1,385,000

2) Non-Audit Fee

Apart from the Audit Fee, the group paid a fee to the statutory auditor for verifying BOI project including imported machineries and corporate income tax submission as follows:-

Fee for verifying BOI project (Baht)	2014	2015
for the Company	100,000	200,000
for related company	100,000	100,000
Total	200,000	300,000

SHAREHOLDERS AND MANAGEMENT

Shareholders

As at 21 November 2014, the top 10 shareholders and their holdings are as follows:-

Shareholder's Name	Percentage of Paid-up Capital
(1) Lam Soon (Thailand) Plc.*	69.96
(2) Wattanachote Co., Ltd.	5.70
(3) Mr. Somkiat Peetakanonda	1.68
(4) Thai NVDR Co., Ltd.	1.31
(5) Mr. Thammanoon Sahadithdamrong	1.18
(6) Wattanasophonpanich Co., Ltd.	1.12
(7) Mr. Dusadee Thanissaranont	0.74
(8) GreenSpot Co., Ltd.	0.73
(9) Mr. Chawalit Tsao	0.71
(10) Mrs. Nancy Chalermkanjana	0.63

Source : Thailand Securities Depository Co., Ltd.

* Lam Soon (Thailand) Plc. is a manufacturer and distributor of vegetable oil products, margarine and shortening. As at 7 May 2014, shareholders holding not less than 10% of Lam Soon (Thailand) Plc. are as follows:-

Shareholder's Name	Percentage of Paid-up Capital
(1) Lam Soon Holding Co., Ltd.	42.11
(2) Hap Seng Consolidated Berhad	20.00
(3) CIMB-Securities (Singapore) Pte Ltd	10.99

Source : Thailand Securities Depository Co., Ltd.

Board of Directors and Management Committee

1. The Composition of Board of Directors and Sub-committees

Board of Directors

(1) Mr. Thira Wipuchanin	Independent Director and Chairman of the Board
(2) Ms. Anchalee Suebchantasiri	Vice-Chairman of the Board of Directors and Managing Director
(3) Vilas Sinswat, Ph.D.	Independent Director
(4)) Mr. Sangiam Santad	Independent Director
(5) Mr. Whang Shang Ying	Director
(6) Ms. Piyathida Sukchan	Executive Director
(7) Mr. Ampol Simarajana	Executive Director
(8) Mr. Yut Sakdejayont	Company Secretary

Audit Committee

(1) Mr. Thira Wipuchanin	Independent Director and Chairman of Audit Committee
(2) Vilas Sinswat, Ph.D.	Independent Director
(3) Mr. Sangiam Santad	Independent Director
(4) Mr. Yut Sakdejayont	Secretary to Audit Committee

Nomination Committee

(1) Vilas Sinswat, Ph.D.	Independent Director and Chairman of Nomination Committee
(2) Mr. Thira Wipuchanin	Independent Director
(3) Mr. Sangiam Santad	Independent Director
(4) Mr. Whang Shang Ying	Director

Remuneration Committee

(1) Vilas Sinswat, Ph.D.	Independent Director and Chairman of Remuneration Committee
(2) Mr. Thira Wipuchanin	Independent Director
(3) Mr. Sangiam Santad	Independent Director
(4) Mr. Whang Shang Ying	Director

The details of duties and responsibilities of the Board and Sub-committees were presented in item 5.2 under "REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE".

The following member of the Audit Committee has an experience in reviewing financial statements.

Member of the Audit Committee	Experience in reviewing financial statements
Mr. Thira Wipuchanin (The Chairman of the Audit Committee)	Was Senior Executive Vice President (SEVP), Export-Import Bank of Thailand (1997-2003)

2. The Criteria on recruiting Directors and Management

The Nomination Committee is to recruit the suitable candidates to replace directors whose terms are expired in April 2015 by including the consideration of candidates proposed by shareholders under the rules and criteria regarding director nomination before submitting to the Board for further consideration. The Board shall submit a list of suitable candidates to the shareholders meeting for final approval. The qualification of such persons must conform to SEC regulations, and they must be knowledgeable and possess the relevant experience beneficial to the Company.

The qualifications of Independent Directors were presented in item 5.1.6 under "REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE".

In accordance with the Company's Articles of Association, the Company has not determined the number of directors based on proportionate shareholdings in the Company but the election for directors can be done as cumulative voting, which will allow shareholders to vote electing Directors based on proportionate shareholdings.

3. The Number of Board Meetings and the Attendance of Directors

In 2014, the Board of Directors held 5 meetings (5 regular meetings), with attendance of each member shown as below:-

Name	Attendance / Total Meetings
(1) Mr. Thira Wipuchanin	5/5
(2) Ms. Anchalee Suebchantasiri	5/5
(3) Vilas Sinswat, Ph.D.	5/5
(4) Mr. Sangiam Santad	5/5
(5) Mr. Whang Shang Ying	5/5
(6) Ms. Piyathida Sukchan	5/5
(7) Mr. Ampol Simarojana	5/5

4. Names and Position of the Management

Name	Position
(1) Ms. Anchalee Suebchantasiri	Managing Director
(2) Ms. Piyathida Sukchan	Executive Director
(3) Mr. Ampol Simarojana	Executive Director
(4) Mr. Supathrapong Chanpanich	Factory Manager
(5) Mr. Utane Pratoomrat	Plantation Manager
(6) Ms. Tiamros Jinakun	Accounting Manager
(7) Mr. Chanutt Saengaroorn	Human Resources Manager

5. Details of Executive Board and Company Executives

(1) Mr. Thira Wipuchanin

Independent Director, Chairman of the Board, Chairman of Audit Committee, Member of Remuneration Committee, Member of Nomination Committee

Age : 66 years

Nationality : Thai

% of share holding : None

The number of directorships in listed companies

- Chairman : 3 companies

- Director : 5 companies

Number of years as a director : 20 years (date of appointment : 24 May 1995)

Family relation with management : None

Education : BA Business Administration and Economics, University of Wisconsin, U.S.A.

Director Training Programme : Certificate of Completion DCP 6/2001, ACP 5/2005, DCP Refresher 1/2005 from Thai Institute of Directors (IOD)

Position in other listed companies :

■ Independent Director and Chairman of the Board, Precious Shipping Plc.

■ Independent Director and Member of Audit Committee, Siam Macro Plc.

■ Independent Director and Chairman of Audit Committee, Bangkok First Investment & Trust Plc.

■ Chairman, Interhides Plc.

Position in companies with relating business (specify only non-executive director) : None

Other Experience :

□ Independent Director, Privatisation Committee of TOT, CAT, PTT, AAT

□ Senior Executive Vice President (SEVP), Export-Import Bank of Thailand

Meeting Attendance in 2014 : Attending the Board Meeting 5 times out of 5 times
Attending the AC Meeting 4 times out of 4 times
Attending the RC Meeting 2 times out of 2 times
Attending the NC Meeting 1 time out of 1 time

Note : ■ *present* □ *past*

SHAREHOLDERS AND MANAGEMENT

(2) **Ms. Anchalee Suebchantasiri**

Vice-Chairman of the Board and Managing Director

Age : 56 years

Nationality : Thai

% of share holding : None

The number of directorships in listed companies

- Chairman : 0 company

- Director : 2 companies

Number of years as a director : 12 years (date of appointment : 18 June 2003)

Family relation with management : None

Education : Bachelor's degree in Accountancy, Thammasat University

Director Training Programme : Certificate of Completion DCP 36/2003 and CSP 26/2008 from Thai Institute of Directors (IOD)

Position in other listed companies :

■ Managing Director, Lam Soon (Thailand) Plc.

Other Experience :

■ Director, Lam Soon Holding Co., Ltd.

■ Director, Bangkok Edible Oil Co., Ltd.

■ Director, Phansrivivat Co., Ltd.

■ Director, Phansri Co., Ltd.

■ Director, Prachak Vivat Co., Ltd.

■ Chairman of Board of Directors, Siam Elite Palm Co., Ltd.

Meeting Attendance in 2014 : Attending the Board Meeting 5 times out of 5 times

(3) **Vilas Sinswat, Ph.D.**

Independent Director, Member of Audit Committee,

Chairman of Remuneration Committee, Chairman of Nomination Committee

Age : 71 years

Nationality : Thai

% of share holding : None

The number of directorships in listed companies

- Chairman : 0 company

- Director : 1 company

Number of years as a director : 22 years (date of appointment : 28 May 1993)

Family relation with management : None

Education : Doctor of Philosophy (Engineering), Cambridge University, United Kingdom

Director Training Programme : Certificate of Completion DAP 29/2004, ACP 4/2005, DCP 56/2005, FND 15/2005, QFR 3/2006 from Thai Institute of Directors (IOD)

Position in other listed companies : None

Position in companies with relating business (specify only non-executive director) : None

Other Experience :

□ Director, Chotechalit Co., Ltd.

□ Director, C.S. Capital Co., Ltd.

Meeting Attendance in 2014 : Attending the Board Meeting 5 times out of 5 times
Attending the AC Meeting 4 times out of 4 times
Attending the RC Meeting 2 times out of 2 times
Attending the NC Meeting 1 time out of 1 time

Note : ■ *present* □ *past*

(4) Mr. Sangiam Santad

Independent Director, Member of Audit Committee,
Member of Remuneration Committee, Member of Nomination Committee

Age : 68 years
Nationality : Thai
% of share holding : None
The number of directorships in listed companies
- Chairman : 0 company
- Director : 1 company
Number of years as a director : 3 years (date of appointment : 27 April 2012)
Family relation with management : None
Education : M.P.A., National Institute of Development Administration
Bachelor Degree in Law, Ramkhamhang University
The State Private & Political Sectors Course
(Class of the 1st, 2003), National Defense College
Director Training Programme : Certificate of Completion DAP 22/2004 and DCP 51/2004
from Thai Institute of Directors (IOD)

Position in other listed companies :

- ☐ Director and member of the Audit Committee, T.K.S. Technology Plc.
- ☐ Director and member of the Audit Committee, IRPC Plc.
- ☐ Director, TISCO Bank Plc.

Position in companies with relating business (specify only non-executive director) : None

Other Experience :

- ☒ Director, King Prajadhipok Institute's Society
- ☐ Director, Neighbouring Countries Economic Development Cooperation Agency
- ☐ Director, Provincial Electricity Authority
- ☐ Director, Dairy Farming Promotion Organization of Thailand
- ☐ Inspector General, the Ministry of Finance
- ☐ Legal Advisor, the Ministry of Finance
- ☐ Director of Regional Customs Bureau 1
- ☐ Secretary to the Customs Department

Meeting Attendance in 2014 : Attending the Board Meeting 5 times out of 5 times
Attending the AC Meeting 4 times out of 4 times
Attending the RC Meeting 2 times out of 2 times
Attending the NC Meeting 1 time out of 1 time

(5) Mr. Whang Shang Ying

Director, Member of Remuneration Committee and Member of Nomination Committee

Age : 54 years
Nationality : Singaporean
% of share holding : None
The number of directorships in listed companies
- Chairman : 0 company
- Director : 2 companies
Number of years as a director : 16 years (date of appointment : 26 April 1999)
Family relation with management : None
Education : Bachelor of Arts (Hons.) in Law,
Oxford University, United Kingdom
Director Training Programme : None

Position in other listed companies :

- ☒ Executive Director, Lam Soon (Thailand) Plc.

Position in companies with relating business (specify only non-executive director) :

- ☒ Chairman and Executive Director, Universal Food Plc.
- ☒ Chairman, Union Frost Co., Ltd.
- ☒ Director, Lam Soon Holding Co., Ltd.
- ☒ Director, Bangkok Edible Oil Co., Ltd.
- ☒ Executive Director, Lam Soon (M) Berhad
- ☒ Executive Director, Lam Soon Singapore Pte Ltd.

Other Experience :

- ☐ Director, Jurong Cement Limited, a public listed company in Singapore

Meeting Attendance in 2014 : Attending the Board Meeting 5 times out of 5 times
Attending the RC Meeting 2 times out of 2 times
Attending the NC Meeting 1 time out of 1 time

Note : ☒ present ☐ past

SHAREHOLDERS AND MANAGEMENT

(6) Miss Piyathida Sukchan

Executive Director

Age : 46 years
 Nationality : Thai
 % of share holding : None
 The number of directorships in listed companies
 - Chairman : 0 company
 - Director : 2 companies
 Number of years as a director : 12 years (date of appointment : 18 June 2003)
 Family relation with management : None
 Education : M.A. (Hons.) in Development Economics,
 National Institute Development Administration;
 B.A. in Economics (Finance),
 Thammasat University
 Director Training Programme : Certificate of Completion DCP 36/2003 from
 Thai Institute of Directors (IOD)
 Certificate of Thai Intelligent Investors 1/2012 (TIIP1) from
 Thai Investor Association and Stock Exchange of Thailand

Position in other listed companies :

■ Executive Director, Lam Soon (Thailand) Plc.

Other Experience :

■ Director, Bangkok Edible Oil Co., Ltd.

■ Director, Phansrivivat Co., Ltd.

■ Director, Phansri Co., Ltd.

■ Director, Prachak Vivat Co., Ltd.

■ Director, Siam Elite Palm Co., Ltd.

□ Assistant Vice President for Securities Analysis Dept, Cathay Capital Co., Ltd.

Meeting Attendance in 2014 : Attending the Board Meeting 5 times out of 5 times

(7) Mr. Ampol Simarojana

Executive Director

Age : 58 years
 Nationality : Thai
 % of share holding : None
 The number of directorships in listed companies
 - Chairman : 0 company
 - Director : 2 companies
 Number of years as a director : 2 years (date of appointment : 21 March 2013)
 Family relation with management : None
 Education : Bachelor of Science (Chemical Engineering),
 Chulalongkorn University;
 Director Training Programme : Certificate of Completion DCP 37/2003 from
 Thai Institute of Directors (IOD)

Position in other listed companies :

■ Executive Director and Factory Manager, Lam Soon (Thailand) Plc.

Other Experience :

■ Director, Lam Soon Holding Co., Ltd.

□ Manager of Melting Division, Siam Asahe-Technoglass Co., Ltd.

Meeting Attendance in 2014 : Attending the Board Meeting 5 times out of 5 times

(8) Mr. Yut Sakdejayont

Company Secretary and Secretary to the Audit Committee

Age : 74 years
 % of share holding : 0.07
 Family relation with management : None
 Education : M.A. (Sociology), University of Michigan, U.S.A.
 Barrister-at-law Thai Bar Association
 LL.B. (Hons), Thammasat University
 Director Training Programme : None
 Other Experience :
 ■ Attorney at law, Sak Law Office

Note : ■ *present* □ *past*

(9) Mr. Supathrapong Chanpanich

Factory Manager

Age : 47 years
 % of share holding : None
 Family relation with management : None
 Education : Bachelor of Mechanical Engineering,
 Srinakharinwirot University
 Director Training Programme : None
 Other Experience :
☐ Assistant Factory Director, Chumporn Palm Oil Plc.
☐ Factory Manager, Thai Tallow and Oil Co., Ltd.
☐ Maintenance Supervisor, Sri Trang Agro – Industry Plc.
☐ Maintenance Engineer, Dole Thailand Co., Ltd.

(10) Mr. Utane Pratoomrat

Plantation Manager

Age : 56 years
 % of share holding : 0.01
 Family relation with management : None
 Education : Bachelor of Science, Kasetsart University
 Director Training Programme : None
 Other Experience :
☐ Advisor PTT Green Energy (Thailand) Ltd.
☐ Plantation Manager, Phansrivivat Co., Ltd.

(11) Ms. Tiamros Jinakun

Accounting Manager

Age : 56 years
 % of share holding : None
 Family relation with management : None
 Education : Bachelor of Business Administration, Rajabhat University
 Director Training Programme : None
 Other Experience :
☐ Chief Accountant, South East Asia Tobacco Co., Ltd.
☐ Chief Accountant, Phansri Vivat Co., Ltd.

(12) Mr. Chanutt Saengaroorn

Human Resources Manager

Age : 53 years
 % of share holding : None
 Family relation with management : None
 Education : Master of Public Administration,
 National Institute of Development Administration (NIDA)
 Bachelor Degree of Political Science,
 Ramkhamhaeng University
 Director Training Programme : None
 Other Experience :
☐ Human Resources Manager, Nan Yang Textile Group of Companies
☐ Human Resources & Administration Manager, Thai Watana Phanich Press Co., Ltd.
☐ Sr. Human Resources & Administration Manager, Carpet International Plc.
☐ Human Resources & Administration Manager, Thai President Foods Plc.
☐ Personnel & Administration Manager, Munkhong Real Estate Plc.

Note : ■ *present* □ *past*

6. Directors and Executives holding shares in the Company

Name	No. of shares as of 31 December 2013	Increase (Decrease) in no. of shares during the financial year	No. of shares as of 31 December 2014
(1) Mr. Thira Wipuchanin	-	-	-
(2) Ms. Anchalee Suebchantasiri	-	-	-
(3) Vilas Sinswat, Ph.D.	-	-	-
(4) Mr. Sangiam Santad	-	-	-
(5) Mr. Whang Shang Ying	-	-	-
(6) Ms. Piyathida Sukchan	-	-	-
(7) Mr. Ampol Simarojana	-	-	-
(8) Mr. Yut Sakdejyont	229,000	-	229,000
(9) Mr. Supathrapong Chanpanich	-	-	-
(10) Mr. Utane Pratoomrat	23,000	-	23,000
(11) Ms. Tiamros Jinakun	-	-	-
(12) Mr.Chanutt Saengaroon	-	-	-

7. Remuneration of Directors and Management

Monetary Remuneration

(a) Director's fees : Total fees paid to all 7 members of the Board 6,270,000 Baht

Name of Directors	Position	Director's fees in 2014	
		Director	Audit Committee
(1) Mr. Thira Wipuchanin	Chairman of the Board of Directors, Chairman of Audit Committee, Member of Remuneration Committee, Member of Nomination Committee	884,400	633,600
(2) Ms. Anchalee Suebchantasiri	Vice-Chairman of the Board of Directors and Managing Director	567,600	
(3) Vilas Sinswat, Ph.D.	Independent Director, Member of Audit Committee, Chairman of Remuneration Committee, Chairman of Nomination Committee	607,200	633,600
(4) Mr. Sangiam Santad	Independent Director, Member of Audit Committee, Member of Remuneration Committee, Member of Nomination Committee	607,200	633,600
(5) Mr. Whang Shang Ying	Member of Remuneration Committee, Member of Nomination Committee	567,600	
(6) Ms. Piyathida Sukchan	Executive Director	567,600	
(7) Mr. Ampol Simarojana	Executive Director	567,600	

(b) Directors' fees paid to the Company's Directors as Directors of subsidiaries and the jointly controlled entity : -- None --

(c) Remuneration of all 10 persons of the Management including salary and bonus : 18,695,309 Baht*

* Remuneration of the Management includes remuneration paid to Executive Directors, Managing Director, the first 4 Heads of Department ranking immediately below the Managing Director including every person in the same level of the 4th ranking (as specified in the Notification of The Office of Securities and Exchange Commission).

Other Remuneration

The Company has paid no other remuneration, except the cost of air-ticket and accommodation for directors residing outside Thailand who attend the meetings, and the cost of director liability insurance for all members of the Board.

Other forms of remuneration for the Management include Company's cars and related expenses, health insurance, accidental insurance.

As for Provident Fund, the Management has been paid at 5% of salary for Provident Fund, the same rate as other employees. However, no Provident Fund has been paid to Directors.

8. Directors and the Management having positions in subsidiaries and related companies

Name	Company	Related Company			Subsidiaries			Jointly Controlled Entity Siam Elite Palm Co., Ltd.
		LST	UFC	UNF	Phansrivivat Co., Ltd.	Phansri Co., Ltd.	Prachakvivat Co., Ltd.	
(1) Mr. Whang Shang Ying	/	//	*	*				
(2) Ms. Anchalee Suebchantasiri	//	//			/	/	/	*
(3) Ms. Piyathida Sukchan	//	//			/	/	/	//
(4) Mr. Ampol Simarojana	//	//						

Notes * : Chairman of Board of Directors
/ : Director
// : Executive Director

LST : Lam Soon (Thailand) Plc.
UFC : Universal Food Plc.
UNF : Union Frost Co., Ltd.

9. Control system of utilising insider information

The following policy and guidelines of the Company prevents the Management from utilising insider information of the Company for personal gain:

1. Directors and Management are obliged to report to the Board on each person's securities holding and the holding of securities in the Company by his spouse and minor children. This includes penalty provisions under the Securities and Exchange Act B.E. 2535 and the regulations of the Stock Exchange of Thailand;
2. Management is obliged to report their holdings of securities in the Company to the Board in every quarter on which the Board meeting is called;
3. Material insider information of the Company should not be revealed to others. This includes impacts on the Company's securities, and the penalty provisions of a law that the Management may face according to the Securities and Exchange Act B.E. 2535, as a result of their violation;
4. Management is prohibited from trading in the Company's shares 1 month prior to the Company's financial statements being announced.

The Company has established the rules for prevention of using inside information including the penalties for violator stated in item 5.8.1 under "REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE".

10. Internal Control Management

The Company places importance on internal control system which it regards as a vital management tool to reduce business risk, to build up a confidence of business management, to assist the Company operating efficiency and fulfill expected goal. The internal control system also enhances shareholders' benefits and investment, supports verification and creditability of financial statement reports and operating reports of the Company, prevents loss of assets and assists employees working under laws and regulations.

The Company employed Dr. Virach & Associates Office to be the Company internal auditors. The Company assigns the Office to prepare quarterly internal audit plans, which are to evaluate the efficiency of the Company's internal control system and create effectively internal control system for the Company and practice in consistency.

During the Board Meeting No.1/2015 held on 24 February 2015, in the presence of 3 independent directors and audit committee members, the Board reviewed the internal control system of the Company by using the evaluation form initially completed and presented by the management and reviewed by the audit committee. The evaluation of the internal control system of the Company covered 5 areas, namely organisation and environment, risk management, operational control of the management, information system and communication, and monitoring. The Board concluded and provided an opinion that the Company has adequate internal control system for the above mentioned areas.

Besides, the business transactions with majority shareholder and subsidiary companies are declared in item 6 of the Notes to financial statements, as well as complied with the rules and regulations of the SET regarding related transactions. The Board provided the opinion that the Company maintains adequate internal control measures.

Other significant items of internal control have been reviewed every quarter by the audit committee and the Company's internal auditor, Dr. Virach & Associates. Major issues are reported to the Board by the audit committee. The Board provided an opinion that Company's internal control measure is further strengthened by the quarterly review as well.

Regarding the Company's subsidiaries and the jointly controlled entity, most of assets are oil palm plantations, which are monitored and supervised by the Management of the Company.

Details of Internal Auditor

Mr. Apiruk Ati-anuwat

Audit partner Dr. Virach and Associates Office Co., Ltd.

Age	:	44 years
% of share holding	:	None
Family relation with management	:	None
Education	:	B.B.A. (Accounting), Ramkhamhaeng University LL.B., Thammasat University MBA., Ramkhamhaeng University Certified Public Accountant
Training Course	:	COSO Internal Control System (The Committee of Sponsoring Organization of the Treadway Commission) Evaluation of internal control system COSO-ERM (The Committee of Sponsoring Organization of the Treadway Commission – Enterprise Risk Management)
Duties and responsibilities	:	Design the annual internal audit plan Review risk assessment of the internal control system Submit the finding reports to the Audit Committee
Other Experience	:	<ul style="list-style-type: none"> ■ Audit partner Dr. Virach and Associates Office Co., Ltd. ■ Internal auditor, United Palm Oil Industry Plc., 15 years ■ Internal auditor, Lam Soon (Thailand) Plc., 10 years

Note : ■ *present* □ *past*

Dividend Payout Policy

With effect from 1993, the Company has a policy of paying approximately 50% of net profit after tax as dividend, subject to prevailing economic situation and capital expenditure requirements.

At the Board Meeting No. 1/2015 on 24 February 2015, the Company's Board of Directors passed a resolution to propose the payment of a final dividend of 0.15 Baht/share in respect of 1 October to 31 December 2014 earnings. For the nine-month period of 2014, the Company already paid an interim dividend at the rate of 0.15 Baht/share. Thus, the total dividend for 2014 shall be 0.30 Baht/share, accounting for 58.1% of net profit, compared with 0.60 Baht/share in 2013 at accounting for 88.0% of net profit.

For its subsidiary and the jointly controlled entity, as no dividend payout policy has been determined yet, dividend is paid based on its financial performance and cash flow.

COMMON INTERESTED PERSONS AND CONNECTED TRANSACTIONS

Connected transactions with common interested persons, necessity and reasons for connected transactions

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

(a) With Lam Soon (Thailand) Public Company Limited (LST)

Relation	Transactions	Value of Transactions (million Baht)		Pricing Policy	Necessity
		2014	2013		
Major Shareholder	Sales of CPO and CPKO	755	943	Market prices on the contract's Date	The Company sold CPO to LST who is its major shareholder and customer. LST owns and operates a refinery in Thailand and has over 30 years experience in the palm oil business. As such, LST has assisted the Company to develop CPO quality.
	Sales of FFB and PKS	-	5	Market price	Being the support among the group which was happened when there is an excess supply of palm fruits, which could not be put in the process in time, or during the period of machinery break-down and maintenance.

(b) With Siam Elite Palm Company Limited (SEP)

Relation	Transactions	Value of Transactions (million Baht)		Pricing Policy	Necessity
		2014	2013		
Jointly controlled entity	Land rental income	1	1	Agreed between the parties	SEP requires land for doing business of propagation and distribution of CIRAD® oil palm seeds in Thailand. During the process of getting the land documents, SEP has rented the land from the Company.
	Purchase of oil palm seeds and FFB	6	6	Market price	

The balances of the accounts as at 31 December 2014 and 2013 between the Company and those related companies have been declared in Notes to financial statements item no. 6.

Measures or criteria to approve connected transactions

In 2014, 64.47% of the Company's total CPO, CPKO, PKS, and FFB sales were sold to LST. The selling was based on the ongoing market price as normal business transactions on an arm's length basis. It was done without any commitment, but on the basis of the CPO selling contract and in compliance with normal business practice in the palm oil industry.

Ms. Anchalee Suebchantasiri, Managing Director of the Company and of LST, approved the CPO sold to LST. The approval was based on the market price references of various customers at the same or the following day.

Connected transactions in the future

The Company has had business transaction with LST before the latter became a major shareholder, owing to LST's high usage of CPO, its strong financial status, and its being a reliable customer. The Company will continue to sell CPO to LST on an arm's length basis.

Legal conflicts

Phansrivivat Company Limited received notification from the Surat Thani Provincial Treasury Office of the Finance Ministry, informing that a land concession previously granted was state property, under the jurisdiction of the Ministry of Finance, by virtue of a ruling issued by the Judicial Council. Such concession land at Khiansa belongs to Prachakvivat Company Limited, and is leased to Phansrivivat Company Limited for oil palm plantation and Phansrivivat also rents this plantation to the Company. The notice called to enter into a land lease agreement for a period of 3 years, commencing January 1, 2001, and to pay retroactive land rental for the years 1991 to 2000, amounting to approximately 12 million Baht.

The subsidiary had recorded the provision of land rental charges retroactively from 1991 to 2007 amounting to 20 million Baht. In 2014, however, the subsidiary had reversed the provision of land rental since the subsidiary entered into a lease agreement with the Treasury Department after the permit with the Forest Department expired on 8 July 2014 and the subsidiary was no longer obliged to comply with the rules and regulations of the Forest Ministry.

Save for the above, there was no litigation involving the Company which could have a material adverse impact on the assets of the Company or its subsidiaries amounting higher than 5% of shareholders' equity in consolidated financial statements at December 31, 2014.

Obligations on future share issuance

- None -

- None -

United Palm Oil Industry Public Company Limited,
its subsidiaries and its jointly controlled entity
Report and consolidated financial statements
31 December 2014

Independent Auditor's Report

To the Shareholders of United Palm Oil Industry Public Company Limited

I have audited the accompanying consolidated financial statements of United Palm Oil Industry Public Company Limited, its subsidiaries and its jointly controlled entity, which comprise the consolidated statement of financial position as at 31 December 2014, and the related consolidated statements of comprehensive 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 United Palm Oil Industry 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.

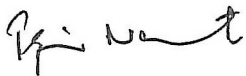
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Palm Oil Industry Public Company Limited, its subsidiaries and its jointly controlled entity and of United Palm Oil Industry Public Company Limited as at 31 December 2014, 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 13 to the financial statements. A permit from Royal Forest Department granted to a subsidiary company for the exploitation or inhabitation in the National Reserved Forests expired in January 2015. The subsidiary company has used the land of 13,030 rai to grow oil palm. The subsidiary company is requesting the government unit to grant a permit to exploit or inhabit in such land, and the request is under consideration of such government unit. My opinion is not qualified in respect of this matter.



Thipawan Nananuwat

Certified Public Accountant (Thailand) No. 3459

EY Office Limited

Bangkok: 24 February 2015

United Palm Oil Industry Public Company Limited, its subsidiaries and its jointly controlled entity

Statement of financial position

As at 31 December 2014

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2014	2013	2014	2013
Assets					
Current assets					
Cash and cash equivalents	7	170,415,726	172,812,024	72,076,902	159,322,265
Trade and other receivables	8	23,429,878	33,322,411	22,897,051	33,322,411
Short-term loans and advance to employees		679,089	616,263	679,089	616,263
Inventories	9	205,994,997	56,525,068	197,538,468	49,457,438
Other current assets		8,154,297	4,614,137	7,933,803	4,605,893
Total current assets		408,673,987	267,889,903	301,125,313	247,324,270
Non-current assets					
Investment in subsidiary	10	-	-	307,895,303	307,895,303
Investment in joint venture	11	-	-	25,000,000	25,000,000
Property, plant and equipment	12	918,885,451	937,743,837	909,356,470	927,865,783
Cost of forest land rights and cost of palm plantation	13	213,181,957	273,330,468	211,573,148	252,857,273
Intangible assets	14	9,547,779	10,109,479	1,270,121	1,460,810
Deferred tax assets	23	4,031,988	6,324,867	4,031,988	6,324,867
Other non-current assets		5,309,275	5,526,039	734,248	5,526,039
Total non-current assets		1,150,956,450	1,233,034,690	1,459,861,278	1,526,930,075
Total assets		1,559,630,437	1,500,924,593	1,760,986,591	1,774,254,345

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

United Palm Oil Industry Public Company Limited, its subsidiaries and its jointly controlled entity

Statement of financial position (continued)

As at 31 December 2014

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2014	2013	2014	2013
Liabilities and shareholders' equity					
Current liabilities					
Short-term loan from financial institution	15	200,000,000	-	200,000,000	-
Trade and other payables	16	18,736,606	16,803,514	280,935,434	347,643,398
Current portion of long-term loan	19	100,000,000	100,000,000	100,000,000	100,000,000
Income tax payable		2,051,272	13,057,762	-	11,002,688
Other current liabilities	17	35,128,363	32,427,206	31,671,525	30,973,944
Total current liabilities		355,916,241	162,288,482	612,606,959	489,620,030
Non-current liabilities					
Provision for land rental charge	18	-	20,468,000	-	-
Long-term loan, net of current portion	19	75,000,000	200,000,000	75,000,000	200,000,000
Provision for long-term employee benefits	20	5,604,160	16,111,150	4,742,514	16,111,150
Total non-current liabilities		80,604,160	236,579,150	79,742,514	216,111,150
Total liabilities		436,520,401	398,867,632	692,349,473	705,731,180
Shareholders' equity					
Share capital					
Registered					
324,050,000 ordinary shares of Baht 1 each		324,050,000	324,050,000	324,050,000	324,050,000
Issued and fully paid up					
324,050,000 ordinary shares of Baht 1 each		324,050,000	324,050,000	324,050,000	324,050,000
Share premium		321,544,740	321,544,740	321,544,740	321,544,740
Retained earnings					
Appropriated-statutory reserve	21	60,305,000	60,305,000	32,405,000	32,405,000
Unappropriated		417,210,296	396,157,221	390,637,378	390,523,425
Total shareholders' equity		1,123,110,036	1,102,056,961	1,068,637,118	1,068,523,165
Total liabilities and shareholders' equity		1,559,630,437	1,500,924,593	1,760,986,591	1,774,254,345

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

Directors

United Palm Oil Industry Public Company Limited, its subsidiaries and its jointly controlled entity

Statement of comprehensive income

For the year ended 31 December 2014

(Unit: Baht)

		<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>Note</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues					
Sales		1,170,938,741	1,352,429,488	1,154,662,114	1,335,005,581
Other income					
Dividend income	10	-	-	18,082,680	17,291,980
Others		50,526,161	45,204,352	30,274,977	45,925,788
Total revenues		<u>1,221,464,902</u>	<u>1,397,633,840</u>	<u>1,203,019,771</u>	<u>1,398,223,349</u>
Expenses					
Cost of sales		856,134,718	1,027,618,532	856,540,091	1,018,773,538
Selling expenses		38,301,227	48,908,902	31,445,846	48,548,746
Administrative expenses		58,432,605	46,456,470	55,723,398	45,124,799
Other expenses		37,865,703	2,480,644	37,865,520	2,481,711
Total expenses		<u>990,734,253</u>	<u>1,125,464,548</u>	<u>981,574,855</u>	<u>1,114,928,794</u>
Profit before finance cost and income tax expenses					
income tax expenses		230,730,649	272,169,292	221,444,916	283,294,555
Finance cost		(7,986,586)	(1,598,157)	(24,382,220)	(17,883,527)
Profit before income tax expenses		<u>222,744,063</u>	<u>270,571,135</u>	<u>197,062,696</u>	<u>265,411,028</u>
Income tax expenses	23	(34,503,356)	(49,985,272)	(29,761,111)	(44,479,218)
Profit for the year		<u>188,240,707</u>	<u>220,585,863</u>	<u>167,301,585</u>	<u>220,931,810</u>
Other comprehensive income:					
Actuarial gain - net of income tax		11,037,563	-	11,037,563	-
Other comprehensive income for the year		<u>11,037,563</u>	<u>-</u>	<u>11,037,563</u>	<u>-</u>
Total comprehensive income for the year		<u>199,278,270</u>	<u>220,585,863</u>	<u>178,339,148</u>	<u>220,931,810</u>
Earnings per share	25				
Basic earnings per share		<u>0.58</u>	<u>0.68</u>	<u>0.52</u>	<u>0.68</u>

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

United Palm Oil Industry Public Company Limited, its subsidiaries and its jointly controlled entity

Statement of changes in shareholders' equity

For the year ended 31 December 2014

(Unit: Baht)

	Consolidated financial statements				
	Issued and paid-up		Retained earnings		Total
	share capital	Share premium	Appropriated	Unappropriated	shareholders' equity
Balance as at 1 January 2013	324,050,000	321,544,740	60,305,000	337,591,338	1,043,491,078
Dividend paid (Note 28)	-	-	-	(162,019,980)	(162,019,980)
Total comprehensive income for the year	-	-	-	220,585,863	220,585,863
Balance as at 31 December 2013	<u>324,050,000</u>	<u>321,544,740</u>	<u>60,305,000</u>	<u>396,157,221</u>	<u>1,102,056,961</u>
					-
Balance as at 1 January 2014	324,050,000	321,544,740	60,305,000	396,157,221	1,102,056,961
Dividend paid (Note 28)	-	-	-	(178,225,195)	(178,225,195)
Total comprehensive income for the year	-	-	-	199,278,270	199,278,270
Balance as at 31 December 2014	<u>324,050,000</u>	<u>321,544,740</u>	<u>60,305,000</u>	<u>417,210,296</u>	<u>1,123,110,036</u>
					-

(Unit: Baht)

	Separate financial statements				
	Issued and paid-up		Retained earnings		Total
	share capital	Share premium	Appropriated	Unappropriated	shareholders' equity
Balance as at 1 January 2013	324,050,000	321,544,740	32,405,000	331,611,595	1,009,611,335
Dividend paid (Note 28)	-	-	-	(162,019,980)	(162,019,980)
Total comprehensive income for the year	-	-	-	220,931,810	220,931,810
Balance as at 31 December 2013	<u>324,050,000</u>	<u>321,544,740</u>	<u>32,405,000</u>	<u>390,523,425</u>	<u>1,068,523,165</u>
					-
Balance as at 1 January 2014	324,050,000	321,544,740	32,405,000	390,523,425	1,068,523,165
Dividend paid (Note 28)	-	-	-	(178,225,195)	(178,225,195)
Total comprehensive income for the year	-	-	-	178,339,148	178,339,148
Balance as at 31 December 2014	<u>324,050,000</u>	<u>321,544,740</u>	<u>32,405,000</u>	<u>390,637,378</u>	<u>1,068,637,118</u>
					-

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

United Palm Oil Industry Public Company Limited, its subsidiaries and its jointly controlled entity

Cash flow statement

For the year ended 31 December 2014

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Cash flows from operating activities				
Profit before tax	222,744,063	270,571,135	197,062,696	265,411,028
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	109,232,567	99,239,739	88,702,267	79,050,792
Loss on write off property, plant and equipment	4,010,246	219,521	4,010,246	-
Loss on write off of cost of palm plantation	37,862,606	2,480,644	37,862,606	2,480,644
Decrease (reversal) cost of inventories to net realisable value	371,719	158,987	(95,760)	158,987
Reversal of provision for land rental charge	(20,468,000)	-	-	-
Gain on sales of property, plant and equipment	(4,075,575)	(3,924,036)	(4,075,758)	(3,924,036)
Long-term employee benefits expenses	6,535,632	6,678,468	5,673,986	6,678,468
Dividend income	-	-	(18,082,680)	(17,291,980)
Interest expenses	7,986,586	1,598,157	24,382,220	17,883,527
Profit from operating activities before changes in operating assets and liabilities	364,199,844	377,022,615	335,439,823	350,447,430
Operating assets (increase) decrease				
Trade and other receivables	9,892,533	38,466,905	10,425,360	38,466,905
Short-term loans and advance to employees	(62,826)	(336,148)	(62,826)	(336,148)
Inventories	(132,514,802)	82,090,165	(130,658,425)	81,539,526
Other current assets	(3,540,160)	444,007	(3,327,910)	356,286
Other non-current assets	216,764	(4,185,591)	4,791,791	(5,244,891)
Operating liabilities increase (decrease)				
Trade and other payables	8,794,578	(13,711,056)	(44,400,185)	8,853,424
Other current liabilities	906,508	(4,247,547)	931,592	(3,250,028)
Cash paid for long-term employee benefits	(3,245,668)	(2,221,910)	(3,245,668)	(2,221,910)
Cash flows from operating activities	244,646,771	473,321,440	169,893,552	468,610,594
Cash paid for interest expenses	(8,530,234)	(117,122)	(42,400,853)	(21,432,274)
Cash paid for corporate income tax	(50,160,035)	(71,802,261)	(45,413,955)	(65,492,796)
Net cash flows from operating activities	185,956,502	401,402,057	82,078,744	381,685,524

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

United Palm Oil Industry Public Company Limited, its subsidiaries and its jointly controlled entity

Cash flow statement (continued)

For the year ended 31 December 2014

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Cash flows from investing activities				
Proceeds from sales of property, plant and equipment	8,627,007	5,647,030	8,627,002	5,647,030
Acquisitions of property, plant and equipment and payment of payables for purchases of equipment	(61,472,430)	(511,161,284)	(60,542,663)	(505,222,696)
Increase in cost of palm plantation	(32,071,547)	(49,970,168)	(32,057,946)	(48,672,152)
Increase in intangible assets	(209,312)	(1,234,887)	(206,662)	(1,234,887)
Dividend received	-	-	18,082,680	17,291,980
Net cash flows used in investing activities	<u>(85,126,282)</u>	<u>(556,719,309)</u>	<u>(66,097,589)</u>	<u>(532,190,725)</u>
Cash flows from financing activities				
Cash receipt from short-term loan from financial institution	250,000,000	50,000,000	250,000,000	50,000,000
Repayment of short-term loan from financial institution	(50,000,000)	(50,000,000)	(50,000,000)	(50,000,000)
Cash receipt from long-term loan	-	300,000,000	-	300,000,000
Repayment of long-term loan	(125,000,000)	-	(125,000,000)	-
Dividend paid	<u>(178,226,518)</u>	<u>(162,069,236)</u>	<u>(178,226,518)</u>	<u>(162,069,236)</u>
Net cash flows from (used in) financing activities	<u>(103,226,518)</u>	<u>137,930,764</u>	<u>(103,226,518)</u>	<u>137,930,764</u>
Net decrease in cash and cash equivalents	<u>(2,396,298)</u>	<u>(17,386,488)</u>	<u>(87,245,363)</u>	<u>(12,574,437)</u>
Cash and cash equivalents at beginning of year	<u>172,812,024</u>	<u>190,198,512</u>	<u>159,322,265</u>	<u>171,896,702</u>
Cash and cash equivalents at end of year	<u>170,415,726</u>	<u>172,812,024</u>	<u>72,076,902</u>	<u>159,322,265</u>
	-	-	-	-
Supplemental cash flows information:				
Non-cash transaction				
Transferred nursery to inventories	17,326,844	8,211,378	17,326,844	6,975,373
Purchase of equipment for which no cash has been paid	2,423,251	2,766,803	2,423,251	2,766,803

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

**United Palm Oil Industry Public Company Limited, its subsidiaries
and its jointly controlled entity**
Notes to consolidated financial statements
For the year ended 31 December 2014

1. General information

United Palm Oil Industry Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its parent company is Lam Soon (Thailand) Public Company Limited, which was incorporated in Thailand. The Company is principally engaged in the manufacture of crude palm oil and palm kernel oil. The registered office of the Company is at 64, 1st Floor, Soi Bangna-Trad 25, Bangna, Bangkok. Branch office and factory are located at 98 Moo 6, Nuaklong-Khao Phanom Road, Huayyoong Sub-District, Nuaklong District, Krabi.

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 United Palm Oil Industry Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”) and jointly controlled entity (“the jointly controlled entity”):

Company's name	Nature of business	Country of Incorporation	Percentage of shareholding	
			<u>2014</u>	<u>2013</u>
			Percent	Percent
<u>Shares held by the Company</u>				
Phansrivivat Co., Ltd.	Owner of oil palm plantation	Thailand	100	100
<u>Jointly controlled entity</u>				
Siam Elite Palm Co., Ltd.	Production and distribution of oil palm seeds	Thailand	50	50

Company's name	Nature of business	Country of incorporation	Percentage of indirect shareholding	
			<u>2014</u>	<u>2013</u>
			Percent	Percent
<u>Shares held by subsidiary company</u>				
Prachak Vivat Co., Ltd. (100 percent shares held by Phansrivivat Co., Ltd.)	Holder of concessions to use forest reserve land	Thailand	100	100
Phansri Co., Ltd. (100 percent shares held by Phansrivivat Co., Ltd.)	Holder of concessions to use forest reserve land	Thailand	100	100

- b) The subsidiaries and the jointly controlled entity are fully consolidated, 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 and the jointly controlled entity are prepared using the same significant accounting policies as the Company.
- d) Material balances and transactions between the Company, the subsidiary companies and the jointly controlled entity have been eliminated from the consolidated financial statements.
- 2.3 The separate financial statements, which present investments in subsidiaries and joint venture under the cost method, have been prepared solely for the benefit of the public.

3. New financial reporting standards

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

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

Conceptual Framework for Financial Reporting (revised 2014)

Accounting Standards:

TAS 1 (revised 2012)	Presentation of Financial Statements
TAS 7 (revised 2012)	Statement of Cash Flows
TAS 12 (revised 2012)	Income Taxes
TAS 17 (revised 2012)	Leases
TAS 18 (revised 2012)	Revenue
TAS 19 (revised 2012)	Employee Benefits
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates
TAS 24 (revised 2012)	Related Party Disclosures
TAS 28 (revised 2012)	Investments in Associates

TAS 31 (revised 2012)	Interests in Joint Ventures
TAS 34 (revised 2012)	Interim Financial Reporting
TAS 36 (revised 2012)	Impairment of Assets
TAS 38 (revised 2012)	Intangible Assets

Financial Reporting Standards:

TFRS 2 (revised 2012)	Share-based Payment
TFRS 3 (revised 2012)	Business Combinations
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (revised 2012)	Operating Segments

Accounting Standard Interpretations:

TSIC 15	Operating Leases - Incentives
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29	Service Concession Arrangements: Disclosures
TSIC 32	Intangible Assets - Web Site Costs

Financial Reporting Standard Interpretations:

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

Accounting Treatment Guidance for Stock Dividend

These financial reporting standards were amended primarily to align their content with the corresponding International Financial Reporting Standards. Most of the changes were directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of the accounting standards. These financial reporting standards do not have any significant impact on the financial statements.

(b) Financial reporting standards that will become effective in the future

The Federation of Accounting Professions has issued a number of revised and new financial reporting standards that become effective for fiscal years beginning on or after 1 January 2015. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of accounting standards. The management of the Company, its subsidiaries and its jointly controlled entity believes they will not have any significant impact on the financial statements in the year in which they are adopted. However, some of these financial reporting standards involve changes to key principles, as discussed below:

TAS 19 (revised 2014) Employee Benefits

This revised standard requires that the entity recognise actuarial gains and losses immediately in other comprehensive income while the existing standard allows the entity to recognise such gains and losses immediately in profit or loss, or in other comprehensive income, or to recognise them gradually in profit or loss. This revised standard does not have any impact on the financial statements as the Company and its jointly controlled entity already recognised actuarial gains and losses immediately in other comprehensive income.

IFRS 10 Consolidated Financial Statements

IFRS 10 prescribes requirements for the preparation of consolidated financial statements and replaces the part dealing with consolidated financial statements as included in TAS 27 *Consolidated and Separate Financial Statements*. This standard changes the principles used in considering whether control exists. Under this standard, an investor is deemed to have control over an investee if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns, even if it holds less than half of the shares or voting rights. This important change requires the management to exercise a lot of judgement when reviewing whether the Company and its subsidiaries have control over the investees and determine which entities have to be included for preparation of the consolidated financial statements.

The management of the Company and its subsidiaries believes that this standard will not have any significant impact on the Company's its subsidiaries' and its jointly controlled entitys' financial statements.

TFRS 11 Joint Arrangements

TFRS 11 replaces TAS 31 Interests in Joint Ventures, which is cancelled. This standard requires an entity to account for an investment in a jointly controlled entity that meets the definition of a joint venture using the equity method, while TAS 31 allows the entity to elect to apply either the proportionate consolidation method or the equity method to such an investment

At present, the Company use the proportionate consolidated method to account for jointly controlled entities when preparing the consolidated financial statements. The management of the Company have assessed the effect of this standard and believe that when it is applied in 2015 and the method of recognizing an investment in jointly controlled entities is changed to the equity method, there will be no impact to shareholders' equity and net profit in the financial statements, but only to the presentation in the consolidated statements of financial position and the consolidated statement of comprehensive income.

TFRS 12 Disclosure of Interests in Other Entities

This standard stipulates all required disclosures related to an entity's interests in subsidiaries, joint arrangements and associates, including structured entities. This standard therefore has no financial impact to the financial statements of the Company, its subsidiaries and its jointly controlled entity.

TFRS 13 Fair Value Measurement

This standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurements. Entities are to apply the guidance under this standard whenever relevant standards require them to measure any assets or liabilities at fair value. Changes resulting from the adoption of this standard are to be applied prospectively.

Based on the preliminary analysis performed, the management of the Company, its subsidiaries and its jointly controlled entity believes that this standard will not have any significant impact on the Company's its subsidiaries' and its jointly controlled entities' financial statements.

4. Significant accounting policies

4.1 Revenue recognition

Sales of goods

Sales of goods are recognised when the significant risks 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 dividends is established.

4.2 Cash and cash equivalents

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

4.3 Trade accounts receivable

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

4.4 Inventories

Finished goods and work in process are valued at the lower of average cost and net realisable value. Such cost includes all production costs and attributable factory overheads.

Raw materials, chemicals, spare parts and factory supplies are valued at the lower of average cost and net realisable value and are charged to production costs wherever consumed.

4.5 Investments

Investments in subsidiaries and joint venture are accounted for in the separate financial statements using the cost method.

4.6 Property, plant and equipment/Depreciation

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

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

Buildings and construction	-	20 years
Machinery and equipment	-	5-20 years
Furniture, fixtures and office equipment	-	5-10 years
Motor vehicles	-	5-15 years

Depreciation is included in determining income.

No depreciation is provided on land and assets under installation and under construction.

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 derecognized.

4.7 Cost of forest land rights and cost of palm plantation/Amortisation

Cost of forest land rights and cost of palm plantation are stated at cost less accumulated amortisation and allowance for impairment losses (if any). The cost includes development costs and expenses which are directly related to forest land rights, and oil palm seeding and plantation activities before the production period.

Amortisation is calculated by reference to cost of forest land rights and cost of palm plantation ready for harvest on a straight-line basis over the estimated remaining productive life of the palm trees (the productive life of palm trees generally 25 years) or over the remaining period of the forest reserve land concession, whichever is shorter.

Amortisation is included in determining income.

No amortisation is provided on cost of palm plantation not ready for harvest.

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

4.8 Intangible assets

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

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.

A summary of the intangible assets with finite useful lives is as follows:

<u>Useful lives</u>	
Licenses	- The remaining period of the license agreements as at the date of obtaining the right (approximately 29 years)
Computer software	- 5 years

4.9 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an asset, it is deducted in calculating the carrying amount of the asset. The grant is recognised over the useful life of a depreciable asset by way of a reduced depreciation charge.

4.10 Related party transactions

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

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

4.11 Long-term leases

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

4.12 Foreign currencies

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency. Items of each entity included in the consolidated financial statements are measured using the functional currency of that entity.

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

Gains and losses on exchange are included in determining income.

4.13 Impairment of assets

At the end of each reporting period, the Company, its subsidiaries and its jointly controlled entity performs impairment reviews in respect of the property, plant, equipment, cost of forest land rights and cost of palm plantation and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

An impairment loss is recognised in profit or loss.

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

Defined benefit plans

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

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

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

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

For the first-time adoption of TAS 19 Employee Benefits in 2011 the Company elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, as an expense on a straight-line basis over up to five years from the date of adoption.

4.15 Provisions

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

4.16 Income tax

Income tax 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, its subsidiaries and its jointly controlled entity 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, its subsidiaries and its jointly controlled entity 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, its subsidiaries and its jointly controlled entity record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

5. Significant accounting judgments 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:

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.

Fair value of financial instruments

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercise judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

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 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 when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

Cost of forest land rights and cost of palm plantation/Amortisation

In determining amortization of cost of forest land rights and cost of palm plantation, the management is required to make estimates of the useful lives of cost of forest land rights and cost of palm plantation and to review estimate useful lives when there are any changes.

In addition, the management is required to review the cost of forest land rights and cost of palm plantation for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

Intangible assets

The initial recognition and measurement of 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.

Contingent liabilities

The Company has contingent liabilities as a result of the land issue. The Company's management has used judgment to assess of the liabilities that may arise and believes that no significant loss will result. Therefore no contingent liabilities are recorded as at the end of reporting period.

6. Related party transactions

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

(Unit: Million Baht)

	Consolidated		Separate		Transfer Pricing Policy
	financial statements		financial statements		
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	
<u>Transactions with parent company</u>					
Sales of crude palm oil and crude palm kernel oil	755	943	755	943	Market price on the contract's date
Sales of fresh fruit bunch and palm kernel	-	5	-	5	Market price
<u>Transactions with subsidiary company</u>					
(eliminated from the consolidated financial statements)					
Dividend income	-	-	18	17	As declared by subsidiary
Palm plantation rental expenses	-	-	21	21	Fixed rental charge of Baht 21 million per annum
Interest expenses	-	-	16	16	MLR - 1.5% per annum

(Unit: Million Baht)

	Consolidated		Separate		Transfer Pricing Policy
	financial statements		financial statements		
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	
<u>Transactions with jointly controlled entity</u>					
Land rental income	-	-	1	1	Agreed between the parties
Purchases of oil palm seeds and fresh fruit bunch	6	3	12	6	Market price

As at 31 December 2014 and 2013, the balances of the accounts between the Company and those related companies are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Trade and other receivables - related party (Note 8)</u>				
Parent company	12,625	29,194	12,625	29,194
Related company (related by common shareholders and directors)	533	-	-	-
Total trade and other receivables - related parties	<u>13,158</u>	<u>29,194</u>	<u>12,625</u>	<u>29,194</u>
<u>Trade and other payables - related parties (Note 16)</u>				
Subsidiary	-	-	262,943	330,875
Related company (related by common shareholders and directors)	-	26	238	53
Total trade and other payables - related parties	<u>-</u>	<u>26</u>	<u>263,181</u>	<u>330,928</u>
<u>Advance from related parties (Note 16)</u>				
Parent company	195	64	193	64
Related company (related by common shareholders and directors)	136	19	17	-
Total advance from related parties	<u>331</u>	<u>83</u>	<u>210</u>	<u>64</u>

Directors and management's benefits

During the year ended 31 December 2014 and 2013, the Company had employee benefit expenses payable to their directors and management as below.

	(Unit: Thousand Baht)	
	Consolidated financial statements/ Separate financial statements	
	<u>2014</u>	<u>2013</u>
Short-term employee benefits	24,335	23,213
Post-employment benefits	698	442
Termination benefits	495	-
Total	<u>25,528</u>	<u>23,655</u>

7. Cash and cash equivalents

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Cash	2,671	1,867	2,644	1,851
Bank deposits	167,745	120,901	69,433	107,427
Investment in Bank of Thailand Bonds	-	50,044	-	50,044
Total	<u>170,416</u>	<u>172,812</u>	<u>72,077</u>	<u>159,322</u>

As at 31 December 2014, bank deposits in saving accounts carried interests between 0.10 and 1.25 percent per annum (2013: between 0.10 and 2.50 percent per annum).

8. Trade and other receivables

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Trade receivables - related parties</u>				
Aged on the basis of due dates				
Not yet due	<u>13,158</u>	<u>29,194</u>	<u>12,625</u>	<u>29,194</u>
Total trade receivables - related parties, net (Note 6)	<u>13,158</u>	<u>29,194</u>	<u>12,625</u>	<u>29,194</u>

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	9,345	3,484	9,345	3,484
Past due				
Up to 3 months	-	80	-	80
Total trade receivables - unrelated parties, net	9,345	3,564	9,345	3,564
Total trade receivable - net	22,503	32,758	21,970	32,758
<u>Other receivables</u>				
Accrued income	927	564	927	564
Other receivables	927	564	927	564
Trade and other receivables - net	23,430	33,322	22,897	33,322

9. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Finished goods	187,656	35,993	(468)	-	187,188	35,993
Work in process	870	1,018	-	-	870	1,018
Spare parts, supplies and others	18,716	20,389	(779)	(875)	17,937	19,514
Total	207,242	57,400	(1,247)	(875)	205,995	56,525

(Unit: Thousand Baht)

	Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Finished goods	180,323	31,096	-	-	180,323	31,096
Work in process	864	956	-	-	864	956
Spare parts, supplies and others	17,130	18,280	(779)	(875)	16,351	17,405
Total	198,317	50,332	(779)	(875)	197,538	49,457

10. Investment in subsidiary

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

(Unit: Thousand Baht)								
Company's name	Paid-up capital		Shareholding percentage		Cost		Dividend received during the year	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
			(%)	(%)				
Phansrivivat Co., Ltd.	Baht 274 million	Baht 274 million	100	100	307,895	307,895	18,083	17,292
Total					<u>307,895</u>	<u>307,895</u>	<u>18,083</u>	<u>17,292</u>

11. Investment in joint venture

11.1 Details of investment in joint venture:

Investment in joint venture represents investment in entity which is jointly controlled by the Company and other company. Details of this investment are as follows:

(Unit: Thousand Baht)					
Jointly controlled entity	Nature of business	Separate financial statements			
		Shareholding percentage		Cost	
		<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
		(%)	(%)		
Siam Elite Palm Co., Ltd.	Production and distribution of oil palm seeds	50	50	25,000	25,000
Total				<u>25,000</u>	<u>25,000</u>

11.2 Summarised financial information of jointly controlled entity

Siam Elite Palm Company Limited

The Company's proportionate shares of the assets, liabilities, revenue and expenses of Siam Elite Palm Company Limited, according to proportion under joint venture agreement, is as follows:

(Unit: Thousand Baht)

	As at 31 December	
	<u>2014</u>	<u>2013</u>
Current assets	26,132	15,610
Non-current assets	22,213	22,507
	<u>48,345</u>	<u>38,117</u>
Current liabilities	(4,612)	(1,558)
Non-current liabilities	(862)	-
	<u>(5,474)</u>	<u>(1,558)</u>
Net assets	<u>42,871</u>	<u>36,559</u>

(Unit: Thousand Baht)

	For the year ended 31 December	
	<u>2014</u>	<u>2013</u>
Revenue	22,383	20,434
Cost of sales	(5,694)	(14,231)
Selling and administrative expenses	(9,942)	(1,809)
Profit before income tax expenses	6,747	4,394
Income tax expenses	(435)	(884)
Profit for the year	<u>6,312</u>	<u>3,510</u>

12. Property, plant and equipment

(Unit: Thousand Baht)

Consolidated financial statements

	Land	Buildings and construction	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction	Total
Cost:							
1 January 2013	126,035	253,382	548,148	29,674	162,667	27,335	1,147,241
Additions	453,093	120	5,273	1,676	18,206	34,050	512,418
Disposals / write off	-	-	(5,329)	(1,298)	(14,674)	-	(21,301)
Transfer in / (out)	-	6,974	15,605	866	5,924	(29,369)	-
31 December 2013	579,128	260,476	563,697	30,918	172,123	32,016	1,638,358
Additions	-	-	5,030	1,087	6,859	48,150	61,126
Disposals / write off	(4,010)	(63)	(16,213)	(1,106)	(19,447)	-	(40,839)
Transfer in / (out)	-	6,248	25,632	160	9,574	(41,614)	-
31 December 2014	575,118	266,661	578,146	31,059	169,109	38,552	1,658,645

(Unit: Thousand Baht)

Consolidated financial statements

	Land	Buildings and construction	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction	Total
Accumulated depreciation:							
1 January 2013	-	154,557	345,327	27,065	110,626	-	637,575
Depreciation for the year	-	9,932	39,688	1,235	16,904	-	67,759
Depreciation on disposals / write off	-	-	(3,967)	(1,276)	(14,115)	-	(19,358)
31 December 2013	-	164,489	381,048	27,024	113,415	-	685,976
Depreciation for the year	-	9,733	41,875	1,393	18,424	-	71,425
Depreciation on disposals / write off	-	(18)	(12,079)	(1,081)	(19,101)	-	(32,279)
31 December 2014	-	174,204	410,844	27,336	112,738	-	725,122
Allowance for impairment loss:							
31 December 2013	14,638	-	-	-	-	-	14,638
31 December 2014	14,638	-	-	-	-	-	14,638
Net book value:							
31 December 2013	564,490	95,987	182,649	3,894	58,708	32,016	937,744
31 December 2014	560,480	92,457	167,302	3,723	56,371	38,552	918,885
Depreciation for the year							
2013 (Baht 65 million included in manufacturing cost, and the balance in selling and administrative expenses)							67,759
2014 (Baht 68 million included in manufacturing cost, and the balance in selling and administrative expenses)							71,425

(Unit: Thousand Baht)

Separate financial statements

	Land	Buildings and construction	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction	Total
Cost:							
1 January 2013	126,020	234,598	547,421	29,389	162,372	24,863	1,124,663
Additions	453,093	-	5,121	1,323	17,481	29,461	506,479
Disposals / write off	-	-	(5,329)	(1,298)	(14,379)	-	(21,006)
Transfer in / (out)	-	1,122	14,815	512	5,924	(22,373)	-
31 December 2013	579,113	235,720	562,028	29,926	171,398	31,951	1,610,136
Additions	-	-	4,921	1,000	6,166	48,111	60,198
Disposals / write off	(4,010)	(63)	(16,209)	(1,106)	(19,447)	-	(40,835)
Transfer in / (out)	-	6,248	25,593	160	9,574	(41,575)	-
31 December 2014	575,103	241,905	576,333	29,980	167,691	38,487	1,629,499
Accumulated depreciation:							
1 January 2013	-	137,468	345,162	26,836	110,605	-	620,071
Depreciation for the year	-	9,479	39,403	1,133	16,829	-	66,844
Depreciation on disposals / write off	-	-	(3,967)	(1,276)	(14,040)	-	(19,283)
31 December 2013	-	146,947	380,598	26,693	113,394	-	667,632
Depreciation for the year	-	9,239	41,475	1,234	18,199	-	70,147
Depreciation on disposals / write off	-	(18)	(12,075)	(1,081)	(19,101)	-	(32,275)
31 December 2014	-	156,168	409,998	26,846	112,492	-	705,504

(Unit: Thousand Baht)

	Separate financial statements						
	Land	Buildings and construction	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction	Total
Allowance for impairment loss:							
31 December 2013	14,638	-	-	-	-	-	14,638
31 December 2014	14,638	-	-	-	-	-	14,638
Net book value:							
31 December 2013	564,475	88,773	181,430	3,233	58,004	31,951	927,866
31 December 2014	560,465	85,737	166,335	3,134	55,199	38,487	909,357
Depreciation for the year							
2013 (Baht 64 million included in manufacturing cost, and the balance in selling and administrative expenses)							66,844
2014 (Baht 67 million included in manufacturing cost, and the balance in selling and administrative expenses)							70,147

As at 31 December 2014, 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 365 million (2013: Baht 331 million) (The Company only: Baht 351 million, 2013: Baht 318 million).

13. Cost of forest land rights and cost of palm plantation

(Unit: Thousand Baht)

	Consolidated financial statements		
	Cost of forest land rights and cost of palm plantation ready for harvest	Cost of palm plantation not ready for harvest	Total
Cost:			
1 January 2013	610,448	12,539	622,987
Additions	27,600	22,370	49,970
Write off	(3,223)	-	(3,223)
Transfer in / (out)	-	(8,211)	(8,211)
31 December 2013	634,825	26,698	661,523
Additions	8,286	23,785	32,071
Write off	(49,064)	-	(49,064)
Transfer in / (out)	978	(18,304)	(17,326)
31 December 2014	595,025	32,179	627,204
Accumulated amortisation:			
1 January 2013	358,334	-	358,334
Amortisation charged for the year	30,601	-	30,601
Amortisation on write off	(742)	-	(742)
31 December 2013	388,193	-	388,193
Amortisation charged for the year	37,036	-	37,036
Amortisation on write off	(11,207)	-	(11,207)
31 December 2014	414,022	-	414,022
Net book value:			
31 December 2013	246,632	26,698	273,330
31 December 2014	181,003	32,179	213,182
Amortisation for the year (included in manufacturing cost)			
2013			30,601
2014			37,036

(Unit: Thousand Baht)

	Separate financial statements		
	Cost of forest land rights and cost of palm plantation ready for harvest	Cost of palm plantation not ready for harvest	Total
Cost:			
1 January 2013	274,655	12,109	286,764
Additions	27,600	21,072	48,672
Write off	(3,223)	-	(3,223)
Transfer in / (out)	-	(6,975)	(6,975)
31 December 2013	299,032	26,206	325,238
Additions	8,286	23,771	32,057
Write off	(49,064)	-	(49,064)
Transfer in / (out)	-	(17,326)	(17,326)
31 December 2014	258,254	32,651	290,905
Accumulated amortisation:			
1 January 2013	61,423	-	61,423
Amortisation charged for the year	11,700	-	11,700
Amortisation on write off	(742)	-	(742)
31 December 2013	72,381	-	72,381
Amortisation charged for the year	18,158	-	18,158
Amortisation on write off	(11,207)	-	(11,207)
31 December 2014	79,332	-	79,332
Net book value:			
31 December 2013	226,651	26,206	252,857
31 December 2014	178,922	32,651	211,573
Amortisation for the year (included in manufacturing cost)			
2013			11,700
2014			18,158

Approximately 12,205 rai of the total area utilised by the Company has land title deeds or other land ownership documents (Nor Sor 3 Kor and Nor Sor 3) and for the remainder the Company has possessory rights and is currently in the process of acquiring legal documentation of ownership.

During the year 2014, other land ownership documents of the Company for the land of approximately 19 rai have been transformed into land title deeds

A permit from Royal Forest Department granted to a subsidiary company for the exploitation or inhabitation in the National Reserved Forests expired in January 2015. The subsidiary company has used the land of 13,030 rai to grow oil palm. The subsidiary company is requesting the government unit to grant a permit to exploit or inhabit in such land, and the request is under consideration of such government unit.

14. Intangible assets

The net book value of intangible assets as at 31 December 2014 and 2013 is presented below.

	(Unit: Thousand Baht)		
	Consolidated financial statements		Separate financial statements
	License	Computer software	Computer software
As at 31 December 2014			
Cost	10,764	3,606	3,603
<u>Less</u> Accumulated amortisation	(2,489)	(2,333)	(2,333)
Net book value	8,275	1,273	1,270
As at 31 December 2013			
Cost	10,764	3,397	3,397
<u>Less</u> Accumulated amortisation	(2,116)	(1,936)	(1,936)
Net book value	8,648	1,461	1,461

A reconciliation of the net book value of intangible assets for the years 2014 and 2013 is presented below.

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Net book value at beginning of year	10,109	9,754	1,461	732
Acquisition of computer software	209	1,235	206	1,235
Amortisation	(770)	(880)	(397)	(506)
Net book value at end of year	9,548	10,109	1,270	1,461

In April 2008, the jointly controlled entity paid royalty for the use of a trademark in the production and distribution of oil palm seed amounting to EUR 150,000 (proportionate to the control exercised by the Company) and technical assistance fees amounting to EUR 50,000 (proportionate to the control exercised by the Company) to a foreign shareholder. The jointly controlled entity recorded the amounts paid under "intangible assets" in the statements of financial position.

15. Short-term loan from financial institution

(Unit: Thousand Baht)			
	Interest rate per annum (Percent)	Consolidated/Separate financial statements	
		2014	2013
Short-term loan from financial institution	2.30	200,000	-
Total		200,000	-

16. Trade and other payables

(Unit: Thousand Baht)				
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Trade payables - unrelated parties	12,226	10,370	12,206	10,359
Other payables for purchase of machineries - unrelated parties	2,423	2,767	2,423	2,767
Other payables - related parties (Note 6)	-	26	263,181	330,928
Other payables - unrelated parties	3,757	3,557	2,915	3,525
Advance received from related parties(Note 6)	331	83	210	64
Total trade and other payables	18,737	16,803	280,935	347,643

17. Other current liabilities

(Unit: Thousand Baht)				
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Dividend payable	3,116	3,123	3,116	3,123
Accrued expenses	27,951	26,149	25,135	25,363
Others	4,061	3,155	3,420	2,488
Total other current liabilities	35,128	32,427	31,671	30,974

18. Provision for land rental charge

In 2001, a subsidiary company received notification from the Surat Thani Provincial Treasury Office of the Finance Ministry that land with an area of 8,600 rai covered by a concession previously granted to the subsidiary company by the Royal Forest Department was state property, under the jurisdiction of the Ministry of Finance, by virtue of a ruling issued by the Judicial Council. The notice called for the subsidiary company to enter into a land lease agreement commencing 1 January 2001, and also to pay retroactive land rental for the years 1991 to 2000. However, in 2014, the subsidiary had reversed the provision of land rental charge since the subsidiary entered into a lease agreement with the Treasury Department in December 2014 after the permit with the Royal Forest Department expired on 8 July 2014. During the said permit being still effective, the subsidiary was obliged to comply with the rules and regulations of the Royal Forest Department.

19. Long-term loan

		(Unit: Thousand Baht)	
		Consolidated/Separate financial statements	
Interest rate (%)	Repayment schedule	2014	2013
BIBOR+1	Quarterly installments as from February 2014 to November 2016	175,000	300,000
Less: Current portion		(100,000)	(100,000)
Long-term loan, net of current portion		75,000	200,000

The loan is not secured.

Under the loan agreement, the Company must comply with the conditions set out in such agreement, for example, the parent company is required to maintain its shareholding percentage at least 51% of the total shares of the Company.

20. Provision for long-term employee benefits

Provision for long-term employee benefits, which represents compensation payable to employees after they retire from the company, was as follows:

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2014	2013	2014	2013
Defined benefit obligation at beginning of year	24,430	24,133	24,430	24,133
Current service cost	1,866	1,706	1,004	1,706
Interest cost	510	813	510	813
Benefits paid during the year	(3,246)	(2,222)	(3,246)	(2,222)
Actuarial gain	(13,797)	-	(13,797)	-
Defined benefit obligation at end of year	9,763	24,430	8,901	24,430
Unrecognised transitional provisions	(4,159)	(8,319)	(4,159)	(8,319)
Provisions for long-term employee				
benefits at end of year	5,604	16,111	4,742	16,111

Long-term employee benefit expenses included in the profit or loss consist of the following:

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2014	2013	2014	2013
Current service cost	1,866	1,706	1,004	1,706
Interest cost	510	813	510	813
Transitional liability recognised during the year	4,159	4,159	4,159	4,159
Total expenses recognised in profit or loss	6,535	6,678	5,673	6,678
Line items in profit or loss under which such expenses are included				
Cost of sales	4,945	5,920	4,826	5,920
Selling and administrative expenses	1,590	758	847	758

As at 31 December 2014, cumulative actuarial gains, which were recognised in other comprehensive income amounted to Baht 14 million (The Company only: Baht 14 million).

Key actuarial assumptions used for the valuation are as follows:

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	4.3%-4.6%	3.1%	4.3%-4.6%	3.1%
Future salary increase rate	5.0%	5.0%	5.0%	5.0%
Employee turnover rate (depending on age of employees)	0%-35.0%	0%-45.0%	0%-35.0%	0%-45.0%

The amounts of defined benefit obligations and experience adjustments for the current year and the past four years are as follows:

	(Unit: Thousand Baht)			
	Defined benefit obligations		Experience adjustments on the obligations	
	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements
Year 2014	9,763	8,901	8,825	8,825
Year 2013	24,430	24,430	-	-
Year 2012	24,133	24,133	-	-
Year 2011	21,817	21,817	-	-
Year 2010	23,417	23,417	-	-

21. Statutory reserve

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

22. Expenses by nature

Significant expenses classified by nature are as follow:

			(Unit: Thousand Baht)	
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Salary and wages and other employee benefits	205,079	213,432	198,615	209,445
Depreciation	71,425	67,759	70,147	66,844
Amortisation expenses	37,806	31,480	18,555	12,206
Transportation expenses	30,384	47,392	30,366	47,348
Rental expenses from operating lease agreements	2,975	948	21,702	21,663
Repair and maintenance expenses	48,251	47,949	48,174	47,855
Raw materials and consumables used	556,887	552,732	556,606	530,537
Changes in inventories of finished goods and work in process	(151,047)	72,702	(149,135)	73,906

23. Income tax

Income tax expenses for the years ended 31 December 2014 and 2013 are made up as follows:

			(Unit: Thousand Baht)	
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current income tax:				
Current income tax charge	34,970	50,908	30,228	45,402
Deferred tax:				
Relating to origination and reversal of temporary differences	(467)	(923)	(467)	(923)
Income tax expense reported in the statement of comprehensive income	<u>34,503</u>	<u>49,985</u>	<u>29,761</u>	<u>44,479</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2014 and 2013 are as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements/ Separate financial statements	
	<u>2014</u>	<u>2013</u>
Deferred tax on actuarial gain	2,760	-
	<u>2,760</u>	<u>-</u>

The reconciliation between accounting profit and income tax expense is shown below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Accounting profit before tax	<u>222,744</u>	<u>270,571</u>	<u>197,063</u>	<u>265,411</u>
Applicable tax rate	15 and 20 percent	15 and 20 percent	20 percent	20 percent
Accounting profit before tax multiplied by				
income tax rate	44,484	55,150	39,413	53,082
Effects of:				
Promotional privileges (Note 24)	(9,783)	(5,073)	(8,626)	(5,073)
Non-deductible expenses	8,209	4,031	3,724	397
Additional expense deductions allowed	(8,407)	(4,123)	(4,300)	(3,927)
Total	<u>(9,981)</u>	<u>(5,165)</u>	<u>(9,652)</u>	<u>(8,603)</u>
Income tax expenses reported in the				
statement of comprehensive income	<u>34,503</u>	<u>49,985</u>	<u>29,761</u>	<u>44,479</u>

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

	(Unit: Thousand Baht)	
	Statements of financial position	
	Consolidated financial statements/ Separate financial statements	
	As at 31 December 2014	As at 31 December 2013
Deferred tax assets		
Allowance for diminution in value of inventories	155	175
Allowance for asset impairment	2,928	2,928
Provision for long-term employee benefits	949	3,222
Total	4,032	6,325

In 2013 the royal decree announced corporate income tax rate for companies with registered share capital of not over Baht 5 million and revenue of not over Baht 30 million for 2013 onwards, as follows:

<u>Net profit (Baht)</u>	<u>Tax rate</u>
0 - 300,000	0%
300,000 - 1,000,000	15%
Over 1,000,000	20%

24. Promotional privileges

The Company has received promotional privileges from Board of Investment for the manufacture of crude palm oil and dry palm kernels up to a capacity stipulated in the certificates, subject to certain imposed conditions. Details are as follow:

<u>Certificate No.</u>	<u>Principal privileges</u>
1043(2)/2548	- Exemption from corporate income tax on income from the promoted operations for a period of eight years from the date of first earning operating income (7 January 2009), with such tax exemption capped at 100 percent of the amount invested excluding in land and working capital.

In addition, the Company has been granted promotional privileges by the Board of Investment for the generation of electricity from biogases up to a capacity stipulated in the certificate, subject to certain imposed conditions. Details are as follow:

<u>Certificate No.</u>	<u>Principal privileges</u>
2245(9)/2550	- Exemption from corporate income tax on income from the promoted operations for a period of eight years commencing as from the date of first earnings operating income (16 February 2010).

The jointly controlled entity has received promotional privileges from the Board of Investment for the manufacture of palm seeds up to a capacity stipulated in the certificate, subject to certain imposed conditions. Details are as follow:

<u>Certificate No.</u>	<u>Principal privileges</u>
1262(2)/2550	- Exemption from corporate income tax on income from the promoted operations for a period of eight years from the date of first earning operating income, with such tax exemption capped at 100 percent of the amount invested excluding in land and working capital (20 February 2014).

The Company's operating revenues for the year ended 31 December 2014 and 2013, divided between to promoted and non-promoted operations, are summarised below.

(Unit: Thousand Baht)					
	<u>Promoted operations</u>		<u>Non-promoted operations</u>		<u>Total</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u> <u>2013</u>
Sales	225,402	236,983	929,260	1,098,023	1,154,662 1,335,006

25. Earnings per share

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

The following table sets forth the computation of basic earnings per share:

	<u>Consolidated</u>		<u>Separate</u>	
	<u>financial statements</u>		<u>financial statements</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Profit for the year (Thousand Baht)	188,241	220,586	167,302	220,932
Weighted average number of ordinary shares (Thousand shares)	324,050	324,050	324,050	324,050
Earnings per share (Baht)	0.58	0.68	0.52	0.68

26. 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.

The Company, its subsidiaries and its jointly controlled entity's business operations involve three principal segments (1) oil palm plantation, crude palm oil and crude palm kernel oil processing (2) generation of electricity from biogases (3) production and distribution of oil palm seeds. During the year, there were no material activities pertaining to the generation of electricity from biogases segment and the production and distribution of oil palm seeds segment for the Company, its subsidiaries and the jointly controlled entity. Accordingly, most of the revenues, profit and assets as reflected in these financial statements pertain to the industry segment (1) are as mentioned above.

The Company, its subsidiaries and its jointly controlled entity 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.

For the year 2014, the Company has revenue from one major customer in amount of Baht 755 million (2013: Baht 943 million), arising from oil palm plantation, crude palm oil and crude palm kernel oil processing.

27. Provident fund

The Company, its jointly controlled entity and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Their employees, the Company and its jointly controlled entity contributed to the fund monthly at the rate of 5 percent of basic salary. However, for employees who joined the Company and its jointly controlled entity from 15 January 2010, the contribution rates are 2 - 5 percent of basic salary. The fund, which is managed by Kasikorn Asset Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2014, the Company and its jointly controlled entity contributed Baht 2 million (2013: Baht 2 million) to the fund.

28. Dividends

Dividends	Approved by	Total dividends (Million Baht)	Dividends per share (Baht)
Final dividends for 2012	Annual General Meeting of the shareholders on 26 April 2013	97	0.30
Interim dividends from the net profit for the period of January to June 2013	Board of Directors' meeting on 8 August 2013	65	0.20
Total for 2013		162	0.50
Final dividends for 2013	Annual General Meeting of the shareholders on 25 April 2014	130	0.40
Interim dividends from the net profit for the period of January to September 2014	Board of Directors' meeting on 6 November 2014	48	0.15
Total for 2014		178	0.55

29. Commitments and contingent liabilities

29.1 Capital commitments

As at 31 December 2014, the Company and its jointly controlled entity had capital commitments of approximately Baht 25 million (2013: Baht 7 million), relating to the acquisition of building and equipments.

29.2 Operating lease commitments

The subsidiary company has entered into a lease agreement in respect of land. The term of the agreement is 15 years. The subsidiary company required to comply with conditions stipulated in the contract.

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

	(Unit: Million Baht)
	<u>As at 31 December 2014</u>
Payable:	
In up to 1 year	2
In over 1 and up to 5 years	7
In over 5 years	19

During the year 2014, the subsidiary company recognised rental expenses of Baht 1 million.

29.3 Long-term service commitments

Under the agreements with a foreign shareholder in relation to the use of its trademark in the production and distribution of oil palm seed, the jointly controlled entity is obliged to pay royalty fee calculated as a percentage of the net annual sales of the products, as defined in the agreements. The jointly controlled entity and such foreign shareholder are also required to comply with conditions stipulated in the contracts.

29.4 Guarantees

As at 31 December 2014, there were outstanding bank guarantees of approximately Baht 2 million (2013: Baht 2 million) issued by banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business.

29.5 Contingent liabilities

- a) In 2004, the Company received a letter of invitation from the Agricultural Land Reform Office (ALRO) concerning the issue of land overlapping with ALRO land. On 6 October 2004 the Company attended a fact-finding consultation meeting with ALRO and handed over various relevant documents for use by ALRO in considering this issue.

On 15 October 2005, the Company submitted related documents to Agricultural Land Reform Office to verify the right over the land.

Consequently, Agricultural Land Reform Office sent a letter to the Company regarding the distribution of land. The land of 4,994.10 rai had been distributed. However, the Company found that the distribution of the land of about 1,459 rai, with the cost of land and the net book value of the oil palm on such land as at 31 December 2014 totally Baht 11 million, was in conflict with the Company's land title deed. The Company is in a process to prepare the documents to submit to Agricultural Land Reform Office to nullify the status of being land under Sor Por Kor.

- b) On 11 April 2008, the Company met with the working committee responsible for reviewing practical methods and negotiations for distributing land belonging to holders of large plots in land reform areas to farmers, which was set up by the Surat Thani Land Reform Commission. The purpose of the meeting was to find a practical solution to the land issue arising as a result of the Company holding land amounting to approximately 1,210 rai in designated forest areas and another 276 rai in land reform areas. These land plots represent 3 percent of the total planted area of the Company. The 276 rai in land reform areas represents a large landholding and a holding in excess of the area that can be owned under Section 30 of the Land Reform for Agriculture Act.

On 29 August 2008, the Company entered into a memorandum of negotiation, agreeing to transfer land in land reform areas to the custody of ALRO for development for agricultural use; with the Company signalling its intention to allow ALRO to take approximately 80 rai of land into the land reform program. However, on 17 September 2009, the Company received notice from ALRO to vacate a total of approximately 133 rai of land in land reform areas and demolish all construction thereon, within 30 days from receipt of notice, since the Company has no land ownership documents. The cost of this land and the net book value of the palm plantation development on such land amounted to approximately Baht 0.2 million. The Company has already set aside full allowance for impairment loss on the cost of these assets in 2009.

At present, the Company is in the process of negotiating with the relevant government agencies concerning the land in designated forest areas.

- c) In 2008, its two subsidiaries received notification from the Surat Thani Provincial Office of Natural Resources, ordering it to enter into a memorandum of acknowledgement and consent to comply with the conditions of the Royal Forest Department regulation concerning permission to exploit National Reserved Forest land B.E. 2548, to lodge an application for permission to gather forest produce in accordance with Section 15 of the National Reserved Forest Act B.E. 2507, and to pay official royalty fees at the rate of 10 percent of the market price of oil palm and forest maintenance fees, at a rate of double the official royalty fees, when harvesting the oil palm crops planted.

On 6 August 2009, the subsidiaries entered into a memorandum of acknowledgement and consent to comply with the conditions stipulated by the Royal Forest Department. On 18 December 2009, the subsidiaries lodged an application for permission to gather forest produce in a National Reserved Forest.

On 8 July 2014, a permit from the Royal Forest Department granted to a subsidiary for the exploitation in the National Reserved Forests expired. As a result, the royalties paid to the Royal Forest Department terminated. On 11 December 2014, the subsidiary entered into a lease agreement for half of the land that was under the expired permit for land exploitation. The agreement is effective from 9 July 2014 to 8 July 2029.

30. Financial instruments

30.1 Financial risk management

The Company, its subsidiaries and its jointly controlled entity's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade and other receivables, short-term loans and advance to employees, short-term loan from financial institution, trade and other payables and long-term loan. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company and its jointly controlled entity are exposed to credit risk primarily with respect to trade accounts receivable since the majority of sales are supplied to a limited number of customers. However, due to those customers' creditworthiness, the Company and its jointly controlled entity do not anticipate material losses from its debt collection.

Interest rate risk

The Company, its subsidiaries and its jointly controlled entity's exposure to interest rate risk relates primarily to its cash at financial institutions, short-term loan from financial institution and long-term borrowings. Most of financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate.

Significant financial assets and liabilities classified by type of interest rate 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)

	As at 31 December											
	Consolidated financial statements											
	Fixed interest rates				Floating		Non-interest		Total		Effective	
	Within 1 year		1 - 5 years		interest rate		bearing				interest rate	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	(% per annum)											
<u>Financial Assets</u>												
Cash and cash equivalents	-	50	-	-	168	121	2	2	170	173	0.10 - 1.25	0.10 - 2.50
Trade and other receivables	-	-	-	-	-	-	23	33	23	33	-	-
Short-term loans and advance to employees	-	-	-	-	-	-	1	1	1	1	-	-
	-	50	-	-	168	121	26	36	194	207		
<u>Financial liabilities</u>												
Short-term loan from financial institution	200	-	-	-	-	-	-	-	200	-	2.30 - 2.70	-
Trade and other payables	-	-	-	-	-	-	19	17	19	17	-	-
Long-term loan	-	-	-	-	175	300	-	-	175	300	3.18 - 3.39	3.60
	200	-	-	-	175	300	19	17	394	317		

(Unit: Million Baht)

As at 31 December											
Separate financial statements											
	Fixed interest rates				Floating		Non-interest		Total		Effective
	Within 1 year		1 - 5 years		interest rate		bearing				interest rate
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	(% per annum)
<u>Financial Assets</u>											
Cash and cash equivalents	-	50	-	-	69	107	3	2	72	159	0.10 - 1.25 0.10 - 2.50
Trade and other receivables	-	-	-	-	-	-	23	33	23	33	- -
Short-term loans and advance to employees	-	-	-	-	-	-	1	1	1	1	- -
	-	50	-	-	69	107	27	36	96	193	
<u>Financial liabilities</u>											
Short-term loan from financial institution	200	-	-	-	-	-	-	-	200	-	2.30 - 2.70 -
Trade and other payables	-	-	-	-	-	-	281	348	281	348	- -
Long-term loan	-	-	-	-	175	300	-	-	175	300	3.18 - 3.39 3.60
	200	-	-	-	175	300	281	348	656	648	

Foreign currency risk

The Company and its jointly controlled entity exposure to foreign currency risk arises mainly from machinery purchase transactions that are denominated in foreign currency. The Company and its jointly controlled entity manages its exposure to foreign currency risk by considering purchase/sale of forward contracts from time to time so as to reduce exposure to the foreign currency risk which may incur. The Company and its jointly controlled entity had no forward contracts outstanding at the end of reporting period.

30.2 Fair value of financial instruments

Since the majority of the Company, its subsidiaries and its jointly controlled entity's financial instruments are short-term in nature or loan bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in statements of financial position.

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

31. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2014, the Group's debt-to-equity ratio was 0.39:1 (2013: 0.36:1) and the Company's was 0.65:1 (2013: 0.66:1).

32. Subsequent events

On 24 February 2015, a meeting of the Company's Board of Directors passed a resolution to propose the payment of a dividend of Baht 0.15 per share in respect of October to December 2014 earnings, or a total of Baht 49 million, for approval by the annual general meeting of the Company's shareholders.

33. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 24 February 2015.