

**Annual Report**  
**Year Ending 31 December 2010**  
**Food and Drinks Public Company Limited**

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## ■ General Information

<b>Company's Name</b>	Food and Drinks Public Company Limited
<b>Registration Number</b>	Public Company 193
<b>Head Office</b>	695/1 Banbung-Bankai Rd. Klongkew, Banbung Chonburi 20220 Tel.: 0-3820-1219-21
<b>Bangkok Office</b>	4F B.B. Building 54 Sukhumvit 21 Rd. Klongtoey-nua, Wattana Bangkok 10110 Tel.: 0-2664-1501 Fax: 0-2664-1500
<b>Homepage</b>	<a href="http://www.foodanddrinks.co.th">www.foodanddrinks.co.th</a>
<b>Type of Business</b>	Food and drinks Processing
<b>Registered shares</b>	16,250,000 ordinary shares Par value = Baht 10.00 Total registered capital is Baht162.5 million
<b>Paid-up Shares</b>	15,000,000 ordinary shares Par value = Baht 10.00 Baht 150 million Paid-up Capital
<b>Share Registration</b>	Thailand Securities Depository Company Limited 4 <sup>th</sup> , 6 <sup>th</sup> and 7 <sup>th</sup> Floor Stock Exchange of Thailand 62 Ratchadapisek Road Klongtoey, Klongtoey, Bangkok 10110 Tel.: 0-2359-1200-01 Fax: 0-2359-1259
<b>Auditor</b>	Mr.Narong Puntawong (CPA # 3315), or Ms. Siraporn Ouannunkun (CPA # 3844), or Mr. Termphong Opanaphan (CPA #4501) Ernst & Young Office Limited 33F Lake Ratchada Bldg. 193/136-137 New Ratchadapisek Road Klongtoey, Bangkok 10110 Tel.: 0-2264-0777
<b>Share Registra</b>	Thailand Securities Depository Company Limited 4 <sup>th</sup> , 6 <sup>th</sup> and 7 <sup>th</sup> Floor Stock Exchange of Thailand 62 Ratchadapisek Road Klongtoey, Klongtoey, Bangkok 10110 Tel.: 0-2359-1200-01 Fax: 0-2359-1259

<b>Legal Advisor</b>	Legal Advisory Council Co., Ltd. 16 F Olympia Thai Tower 444 Ratchdapisek Road Huay Kwang, Bangkok 10310 Tel.: 0-2512-5938-40
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## ■ Summary of Financial Information

### Financial Information

Unit: Baht

	2008	2009	2010
Current Assets	182,854,360	161,625,195	147,186,875
Investment accounted for under equity method	67,369,295	104,153,065	129,141,050
Fixed Assets	532,791,353	488,981,547	456,467,948
Other non - current assets	912,700	1,060,720	850,520
Total Assets	783,927,708	755,820,527	733,647,393
Current Liabilities	406,703,571	220,924,323	123,249,038
Long-term Liabilities	24,959,269	60,041,111	83,665,786
Total Liabilities	431,662,840	280,965,434	206,914,824
Registered Capital	125,000,000	162,500,000	162,500,000
Paid-up Capital	125,000,000	150,000,000	150,000,000
Share Premium	74,425,000	99,425,000	99,425,000
Revaluation Surplus	158,901,375	158,901,375	158,901,375
Legal Reserve	12,500,000	13,404,000	15,431,000
Unappropriated Retained Earnings	(18,561,507)	53,124,718	102,975,194
Total Shareholders' Equity	352,264,868	474,855,093	526,732,569
Net Sales	554,721,662	564,719,894	655,740,744
Other income	13,904,535	8,979,878	8,370,956
FX Gain/(Loss)	(3,680,003)	1,353,675	2,277,227
Share of loss from investment accounted for under equity method	30,744,004	36,783,770	30,512,445
Earnings before Income Tax	13,463,972	72,590,225	66,378,748
Income tax	0	0	851,272
Net Earnings for the Year	13,463,972	72,590,225	65,527,476
Earnings per Share	1.08	5.63	4.37

### Financial Ratio

	2008	2009	2010
Gross Margin	8.9 %	16.7 %	13.0 %
Operating Profit	-5.0 %	4.5 %	3.8 %
Net Profit	2.4 %	12.9 %	10.1 %
Debt/Equity Ratio	1.2 times	0.6 times	0.4 times
Dividend/Earnings Ratio	-	60.0 %	*

\* To be approved at the Annual General Shareholders meeting on 27 April 2011.

## ■ Message from the Board of Directors

Dear Shareholders,

In the past year of 2010, Thailand has been seriously affected in various areas continuously. These include the slow down of world economy due to the financial crisis started in the United States of America; the uncertainty of Thai Baht; and most importantly, the difference of in politics among Thais that led to strikes, and fights between the government and various groups of people. In any event, all the situations have a direct adverse affect to the operation of the private section that is unavoidable.

With the company policy of carry out the operation carefully in order to return the trust that shareholders have given to the company. As the result, the company was able to maintain the profit level at the satisfactory level. The company has increased its domestic sales to 56.6%. Although there is fluctuation in Thai Baht and political unrest have caused exports to be more difficult. Thus, the operation of the company is considered satisfactory under the circumstances that have never occurred in Thailand in the past.

All in all, the company was able to prevail over all obstacles and problems with sincere cooperation from the staffs and support from the shareholders, customers, government agencies, financial institutions, suppliers, and other supportive organizations. The Board of Directors would like to take this opportunity to express our sincere appreciation to all.

Phirasilp Subhapholsiri  
Chairman

Kasem Deemaitree  
Managing Director

## ■ Business Activities

### 1) History

Food and Drinks Public Co., Ltd. was established in 1985. The company became public company in 1993 and list in the Stock Exchange of Thailand in 1994 with the registered capital of Baht125 million. In September 2009, the company has increased its registered capital to Baht162.5 million in 16,250,000 ordinary shares with par value of Baht10. The paid up capital is now Baht150 million with 15,000,000 shares for the purpose of processing food.

The company has started the agricultural food processing by starting with export of processed fruits and vegetables. The company has started doing business in the domestic market in 1997 with the same products as for export. In 2004, the company has expanded the production line to include beverage in plastic bottles; and have a joint venture with Hon Chuan (Thailand) Company Limited to set up Hon Chuan FD Packaging Company Limited in which Food and Drinks Public Company Limited hold 35% for the production of plastic bottles, caps and shrink films. The bottle factory was opened for operation in June 2005; and caps factory was opened for operation in October 2005; and shrink film factory was opened for operation in January 2006.

At the same time, Food and Drinks Public Co., Ltd. has expanded its capacity for PET beverage bottling line in May 2005.

From 2007 – 2010, the company has the target to improve the production standards by renovating the main production facility. In September 2009, the company has increased its registered capital to Baht 162.50 million in order to expand its capacity as leading food processor.

For over 24 years, the company has increased its ability to competition continuously in all areas including the expansion of production line, improvement of the production facility to meet the international standards, and invest in plastic packaging, which supplement the base of the company's operation.

Not only the expansion is in the development of the production capability, the company also has interests in the environment. In 2006, the company has signed a cooperation agreement with Benears Inc. for waste water study. At present, the company has an area of 13,000 square meters for waste water treatment. The quality of the waste water dispatch by the factory is according to the standard set by the Department of Industrial Work, Ministry of Industry.

Furthermore, in 2008, the company has changed the boilers from bunker oil fuel to NGV. The change not only save the cost of operation, but also reduce the pollution dispatched to the environment and the community.

Realizing the importance of cooperation with the community, the company has continuously support the community service such as scholarship to students, forest planting program.

The company is under the management of the major shareholders, Deemaitree family and Iamsakulrat family, since the company was established.

## 2) Overview of the Business

Food and Drinks Public Co., Ltd. is in the main business of manufacture and sales of food products both for export and local markets. The food products include processed fruits, vegetables, and meat products. The type of products depends on customers' requirement. The company will consider the capacity of the machineries available, and ability to source raw materials, and the regulations required by exporting countries. The company uses the same measures for the production and sales for both export and local markets. For products sell under the company's brand name, "Zummer", the company will conduct a consumer research before launching the products.

Currently, the products of the company include:

1. Fruits/vegetables/spices and food in sealed containers such as baby corn, water chestnut, aloe vera, bamboo shoot, mango, papaya, and mixed fruits and vegetables. Spices are lemon grass, chilli, and coriander. Others include curry pastes, and ready-to-eat products.
2. Meat products include beef sauce, and chicken curries for export. The curries are from the existing products for adding value to the products.
3. Frozen fruits and vegetables are aloe vera, baby corn, mango, and others. This will also include spices, and curry sauce, and frozen food.
4. Juices and drinks include fruit and vegetable juices, and ready-to-drink tea.

## 3) Overview of the Joint Venture Business

Food and Drinks Public Co., Ltd. has a joint venture with Hon Chuan (Thailand) Co., Ltd. in Hon Chuan FD Packaging Co., Ltd for production of plastic PET bottles, and shrink film labels. Hon Chuan (Thailand) Co., Ltd. will be responsible for the production and distribution of the packaging materials of bottles, caps and shrink films.

## 4) Revenue Structure

	2008		2009		2010	
	million Baht	%	million Baht	%	million Baht	%
Export sales	244	44.0 %	298	53.0%	239	36.4 %
Domestic sales	310	50.0 %	267	47.0 %	417	63.6 %
<b>Total Sales</b>	<b>554</b>	<b>100.0 %</b>	<b>565</b>	<b>100.0%</b>	<b>656</b>	<b>100.0 %</b>
Share of loss from Investment accounted for under equity	31		37		31	



## 5) Future Business

The company has the objective to expand the market for both export and local. The company has the target of expanding the market by utilizing fully the new capacity that has expanded. However, the company has the investment plan that requires additional capital to increase the types of products. The investment will include purchase of new machines for improve and expand the production to meet the customers' requirements.

## Other Information

### Factory Standard

The company has received GMP certification from the Ministry of Health, HACCP certification and BRC standard from CMI in U.K.

### Board of Investment

The company received BOI Promotion number 2099(2)/2547 on 30<sup>th</sup> December 2004 for production of drinks. The privileges include

- Exemption of corporate tax from profits for the amount of not exceeding 100% of investment amount, excluding the cost of land and working capital, for a period of 8 years starting from the first sales.
- Exemption of personal tax from dividend payment
- Exemption of import tax for machineries.

### Community Service

The company has the policy to support the community for better development by giving cooperation and other private sectors. Some activities are

1. Scholarship  
The program was started in 2003 by giving scholarship to children of company staff and workers. From 2004, the program will be extended to schools in Banbung City.
2. Student Training  
The company has started hire students to work in the factory in 2003 to support the government's initiative to train students to working environment and gaining working experience and responsibilities.
3. Blood Donation  
The company has cooperated with the municipal health service in Banbung to join the blood donation scheme 4 times a year.

### Environment

The company has the waste water treatment area of about 13,000 square meters with the approval of the water after treatment in compliance with the requirement of Department of Industrial Works, Ministry of Industry. In 2006, the company has signed an agreement with Benears Inc for setting a waste water treatment by using new technology from Japan for the period of 2 years i.e. 2006-2007.

As for the waste of raw materials from the production, the company is in the process of studying in using the material for organic fertilizer, while others are being sold to other companies as materials.

The company has invested about Baht40 million in 2008 to change the boiler, which used to use bunker oil and saw dust as fuel to natural gas. This is not only for cost saving but also for the pollution released to the environment.

### Rewards

The company sees the importance of Corporate Social Responsibility. Thus, the company has entered the program organized by the Department of Industrial Work, Ministry of Industry.

The company was able to fulfill the requirements, and standards required for CSR-DIW, and received the award and certification together with the community on 25 January 2011.

## ■ Risk Factors

Risk management is an important of the company's business operation. The company has set up and appointed the Organizational Development Committee. One of its main role is to work closely with the management in assess risks that will affect the company in all operations, and review risk management policy to be adequate. Furthermore, it has communicated the risks to the management and staff in all levels for their understanding and practice. The organizational development committee and the management have together assess the risk factors and able to classify them into the following areas.

### 1. Financial Risk

#### a) Currency Risk

Due to the company sources its raw materials mainly from the locals in order to support the farmers in every part of the country to have income to support themselves, the main cost and expense are in the Thai Baht currency.

The fluctuations of Thai Baht vs US Dollar do affect the company for the business transactions for export. The Company seeks to reduce this risk by entering into forward exchange contracts when it considers appropriate. The forward contracts cover sales for 1-3 months with the contract period of not more than 6 months.

In addition, the company has changed the trade currencies with some customers in Europe and United Kingdom to Euro and British Pound in order to distribute the risk. The exchange rates are being monitored very closely by the organizational development committee and the management in order to handle the currency risk promptly, and able to reduce this risk accordingly.

#### b) Interest rate

The Company's exposure to interest rate risk relates primarily to its cash at banks, bank overdrafts, short-term and long-term borrowings. However, since most of the Company's financial assets and liabilities bear floating interest rates, the interest rate risk is expected to be minimal.

#### c) Credit Risk

The Company is exposed to credit risk primarily with respect to trade accounts receivable. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company does not have high concentration of credit risk since it has a large customer base.

### 2. Market/Competition

The company's main business is contract manufacturing. Sales will depend on the orders from customers and their success. Therefore, the company will assist customers in arranging trade promotions and product development in order to continue the growth of the market. The product development is the major role to create the product differentiation. Although the

process will take time and resource, but the customers will have a different product from their competitors.

As the company sees the uncertainty in export market, it decided to invest in the production line of ready-to-drink line for expanding the domestic sales. In 2010, the company was able to increase the ratio of domestic sales in comparison to export to 36/64.

The company has improved its efficiency in the production in order to reduce the cost of production while maintaining the quality of the products. This included the quality inspection system to be in line with the international standards in order to be ahead of the competition such as China, which has cheaper products by inferior in quality. The company has operated under the internationally recognized food manufacturing standards including GMP from Thai Ministry of Health, and HACCP and BRC from CMI from United Kingdom. This is part of the strength of the company.

### 3. Raw material

Most of the raw materials used in the production are sourced locally. The company has selected various produces from different parts of the country. There are risks in differences in quality, prices, and volume, depending on the weather situation. This is the risks that are unavoidable. The company tries to alleviate the risks of raw materials by the following methods:

- a. Produces many product lines.
- b. Plans its sales according to the seasonality of the raw materials.
- c. Cooperate with the farmers and state agencies to achieve the satisfactory quality and productivity.
- d. Develop programs for sustainability farming, provide knowledge to farmers. The programs will not only provide products with good quality but also quantity for the long term period.

From the continuous risk management of raw material, the company is able to manage the impact that it has upon the company's operation.

## ■ Shareholding and Management Structure

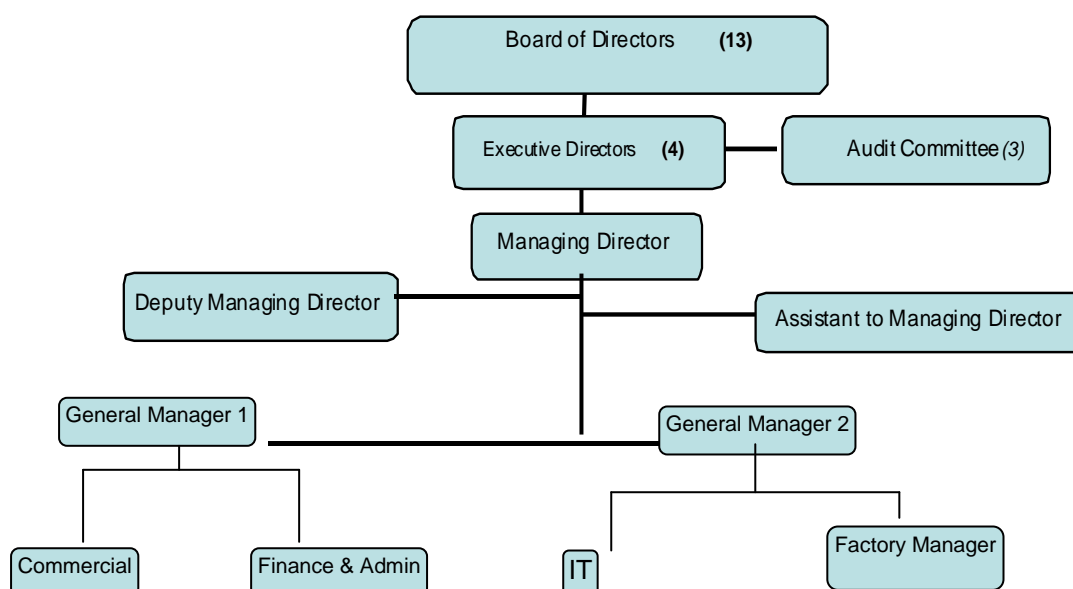
List of Shareholders groups as of December 31, 2009

Group	Name of Shareholder	Shares	%	Director
1	Mr. Kasem Deemaitree	2,302,400	15.35	*
	Ms. Huai Hui Lee	1,335,340	8.90	*
	Mr. Huai Hsin Lee	1,285,375	8.57	*
	Mr. Voravich Deemaitree	510,720	3.40	
	Mrs. Rungrak Deemaitree	510,720	3.40	
	Total Deemaitree Group Holding	<u>5,944,555</u>	<u>39.63</u>	
2	Iamsakulrat Co., Ltd.	581,000	3.87	
	Mrs. Chintana Asdornnithee	625,000	4.17	*
	Mr. Somsit Asdornnithee	12,500	0.08	
	Mr. Voravat Asdornnithee	62,500	0.42	
	Mr. Kamol Iamsakulrat	174,000	1.16	
	Total Iamsakulrat Group Holding	<u>1,455,000</u>	<u>9.70</u>	
3	Kawasho Corp.	1,200,000	8.00	
	Kawasho Food (Thailand) Co., Ltd.	100,000	0.67	
	Total Kawasho Group Holding	<u>1,300,000</u>	<u>8.67</u>	Represent by Mr. Aditep Nontratip
4	Mr. Udom Karoonkornsakul	390,625	2.60	*
	Mrs. Panee Karoonkornsakul	242,500	1.61	
	Mr. Apichart Karoonkornsakul	202,625	1.35	
	Ms. Chittima Karoonkornsakul	125,000	0.83	
	Ms. Anchalee Karoonkornsakul	192,750	1.29	
	Ms. Orawan Karoonkornsakul	187,500	1.25	
	Ms. Benjaporn Karoonkornsakul	187,500	1.25	
	Total Karoonkornsakul Group Holding	<u>1,528,500</u>	<u>10.19</u>	
5	JW International Worldwide Group Ltd	1,146,000	7.64	Represent by Mr. Wong Chun Num
6	CIMB (Thailand) Securities Co., Ltd.	828,000	5.52	Represent by Mr. Sansern Nilrat

## Management

In order to manage the company efficiently and achieving its goals to be the manufacturer and distributing quality food products according to the international standards with good governance, the company has organized the company's structure as follow:

### Organization Structure



### Management Structure

Food and Drinks Public Company Limited's management structure that is under the supervision of the Board of Directors, has appointed another 3 committees to oversee various areas. They are Audit Committee, Executive committee and the Organizational Development committee. Managing Director is top management of the operation, and manages through the executive directors.

### Board of Directors (See page 22)

The Board of Directors has the responsibility to the shareholders of the company. As the representative of the shareholders, and has part in the operation of the company, it has to operate freely and just for the best benefit to the shareholders, and other stakeholders. In addition to the intrigue part in overseeing the operation of the company, the operational units have to concern with the highest benefit to the company and other stakeholders, increase the value to the company's business with consideration of risks in various areas.

The Board of Directors is comprised of 13 members with 5 independent directors, 4 executive directors, and 4 non-executive directors.

1. Mr. Phirasilp Subhapholsiri	Chairman, Independent Director
2. Mr. Kasem Deemaitree	Managing Director, Executive Director
3. Mrs. Chintana Asdornnithee	Deputy Managing Director, Executive Director
4. Ms. Huai Hui Lee	Executive Director
5. Mr. Huai Hsin Lee	Executive Director
6. Mr. Udom Karoonkornsakul	Director
7. Mr. Aditep Nontratip	Director
8. Mr. Chun Nam Wong	Director
9. Mr. Sansern Nilrat	Director
10. Mrs. Vilai Kiatsrichart	Independent Director
11. Mr. Sumet Chey-O-nanund	Independent Director
12. Ms. Chaovana Vivatpanachati	Independent Director
13. Ms. Chitkarn Kiatkanokkul	Independent Director

\* Miss Huai Hui Lee is the company secretary and secretary to the board.

The Board of Director has scheduled to meet 4 times per year or as see appropriate.

### **Authorized Directors**

The directors who are authorized to sign to represent the company are Mrs. Chintana Assadornnithee or Mr. Aditep Nontratip co-sign with Mr. Kasem Deemaitree or Miss Huai Hui Lee or Mr. Huai Hsin Lee with company stamp.

### **The Responsibility Scope of the Board of Directors**

1. Monitor and manage the operation of the company on the basis of good corporate governance
2. Manage and discuss the business strategy as proposed by the executive directors and ensure that the executive directors and management carry out the plans as approved efficiently, added value to the company's business, and give good operational results.
3. Follow the regulatory requirement, articles of associations, and shareholder's resolutions.
4. Set up shareholders' annual meeting within 4 months from the year-end closing date and any other meetings necessary.
5. Set up board of directors meeting at least four times per year, which change to 7 times per year starting from year 2011. In each meeting, there will be at least 60% of all directors are present. The resolution is based on the majority vote. If equal, the chairman of the meeting will have one additional vote.
6. Consider and approve annual business plan, including budget for investment, and goals.
7. Report financial data and other information important to shareholders. Ensure that the information is correct, complete and sufficient.



8. Set up and follow up on internal control, internal audit and risks management to ensure the efficiency in the system.
9. Appoint and clarify the differences in responsibility among directors, various sub-committees, management and employee.
10. Oversea the executive directors and management to follow the policies and requirements that were approved or specified from the shareholders according to the requirement of SEC and Stock Exchange of Thailand.

The company's directors are comprised of those who have experiences in various fields, and have independence in making decisions freely, and knowledgeable. Upon the appointment to the directorship, each director will be briefed with the company's information and explanations about the binding by the laws, rules, and regulations required by SEC and Stock Exchange of Thailand as a director.

Directors may request consult from independent expert as deem appropriate. Each director can receive advice and service from company secretary who is responsible for the guidelines in the rules and regulations related to the requirement of being a director.

Each director is entitled to receive information in advance with enough time before each directors' meeting such that the directors can act fully and efficiently in governing the strategies in finance, operation, rules, regulations, and corporate governance. Other additional information will be given as requested by the directors. The Board of Directors will be evaluated.

The company has set the meeting schedule to be not less than 4 times per year or as see appropriate. In 2010, the attendance record is as follow:

The attendance records of Directors for year 2010

Name of Director	Directors Meeting (13)	Audit Committee Meeting (3)	Shareholders' Meeting 1/2010 (13)
Mr. Phirasilp Subhapholsiri	4/4		1/1
Mr. Kasem Deemaitree	4/4		1/1
Mrs. Chintana Asdornnithee	4/4		1/1
Mr. Udom Karoonkornsakul	4/4		1/1
Mrs. Vilai Kiatsrichart	2/4	4/4	1/1
Ms. Chaovana Vivatpanachati	4/4	4/4	1/1
Mr. Sumet Chey-O-nanund	4/4	4/4	1/1
Mr. Sansern Nilrat	4/4		1/1
Mr. Aditep Nontratip	4/4		1/1
Mr. Chun Nam Wong	2/4		1/1
Mr. Huai Hsin Lee	4/4		1/1
Miss Huai Hui Lee	4/4		1/1
Ms. Chitkarn Kiatkanokkul	4/4		1/1

**Audit Committee**

The audit committee comprised of 3 knowledgeable directors who have the qualification as required by the Stock Exchange of Thailand meaning the knowledge in accounting.

- |                                |                             |
|--------------------------------|-----------------------------|
| 1. Mrs. Vilai Kiatsrichart,    | Chairman of Audit committee |
| 2. Ms. Chaovana Vivatpanachati | Audit committee             |
| 3. Mr. Sumet Chey-O-Nanund     | Audit committee             |

### **The Responsibility Scope of Audit Committee**

1. Ensure the accuracy, completeness and reliability of financial statements and that sufficient information is disclosed.
2. Ensure that the Company has sufficient, appropriate and effective internal controls, risk management, and internal audit systems.
3. Have the authority to review, and investigate related to concern matters, under the scope of responsibility and authorization, by inviting directors, or management, or staff to attend the meeting and provide relevant information.
4. Select and propose the Company's auditors and determine their compensation, including meeting the auditor without the presence of the management at least once a year.
5. Ensure that the Company abides by all rules and regulations, and other regulations and laws related to the Company's business.
6. Ensure that there will be sufficient disclosure of company information, especially related parties transactions or those that might have conflicts of interests. Ensure that the transactions follow the requirement of SEC and Stock Exchange of Thailand, and ensure that they are reasonable and to the company's best interest.
7. Prepare an Audit Committee's Report according to the Scope of Responsibilities assigned by the Board of Directors and report in the Company's annual report, signed by the Chairman of the Audit Committee.
8. Report to the Board of Directors for corrections if the Audit Committee find appropriate in the case that there is suspicions of conflict of interests, fault, or corruptions or mistake in internal control or violation of business ethics.

The Audit Committee meets every 3 months or as appropriate and report to the Board of Directors. There were four (4) meetings in 2010.

The qualifications set out by the Stock Exchange of Thailand for audit committee to have knowledge in accounting are as follows:

1. Mrs. Vilai Kiatsrichart – Master in Political Science, Major in Arts; and High Level of Accounting Certificate from Belmonte College in the U.S.A.
2. Mr. Sumet Chey-O-Nanand –Accounting degree from Thammasart University.
3. Miss Chaovana Vivatpanachati –Master Degree from Chulalongkorn University in Accounting, Certified Public Accountant, and have experience in accounting/finance, which is in line with SET's requirement.

The Audit Committee will report directly to the Board of Directors, while the Board of Directors is still responsible to the company's operation to the public.

### **Executive Committee**

The executive committee was appointed by the Board of Directors to specify the strategy, business plans, control the daily operation to achieve the highest efficiency. The company has set up the Executive Committee with 4 members to work together under the policy of honesty, consider the best benefits to the company and to the shareholders, including participation in social responsibilities and environment. The operation is under the supervision of the managing director.

The executive directors are:

1. Mr. Kasem Deemaitree Managing Director
2. Mrs. Chintana Asdornnithee Deputy Managing Director
3. Ms. Huai Hui Lee Executive Director
4. Mr. Huai Hsin Lee Executive Director

### **The Responsibility Scope of Executive Directors**

1. Set plans, direction, strategy and budget in company's operations to achieve the target specified by the Board of Directors while operate under the requirement of the laws.
2. Review the company's operations from time to time to achieve the business projections.
3. Evaluate any major investments and budgets before presenting to the Board of Directors for consideration.
4. Report the quarterly operation at the Board of Directors' meeting.
5. Conduct financial transactions with financial institutions according to the authorization chart for the short term loans, withdraw and opening accounts.
6. Represent the company and operate on behalf of the company to the public.
7. Set up standard operating procedures, and internal control.
8. Govern the operation according to the risk assessment and policy as review by the organizational development committee, which include risks of finance (currency risk, interest rate, and credit risk), market/competition, and raw materials including the risk in the rules and regulations and the reputation of the company.
9. Ensure that the management and all employees follow the business ethics and integrity.

The Executive Directors has scheduled 6 meetings in a year or if see appropriate. In 2010, there are 7 meetings.

### **Organizational Development Committee**

The committee comprised of 3 members:

1. Mr. Phirasilp Subhapholsiri Chairman
2. Miss Huai Hui Lee Director
3. Mr. Huai Hsin Lee Director

The committee will meet once a week or monthly when appropriate.

### **The Responsibility Scope of Organizational Development Committee**

1. Arrange and consider the Organizational structure to present to the executive directors.
2. Arrange and present Company's Vision and Procedures to develop the organization to the Board of Directors.
3. Analyze risks in various areas of the Company to present to the executive directors.
4. Follow up on various projects.
5. Consider Company's strategy

### **Company Secretary**

The company has appointed Miss Huai Hui Lee as the company secretary with the responsibility specified in the Securities and Exchange Act Amended that company secretary will file and take care of all important documents used in the Board of Directors' meeting, sub-

committee meetings such as audit committee, and selection committee, and corporate governance committee, and remuneration committee, and shareholders' meetings. In addition, the company secretary will also be the contact person and coordinate between the company and shareholders, government agencies, and other organizations such Stock Exchange Commission (SEC) and Stock Exchange of Thailand (SET) or other related organizations.

### **Nomination of Directors and Administrators**

Currently, the company does not have the Nomination Committees or the Compensation Committee because the company size is rather small and the top management does not have many turnovers. However, the company sees the importance in the roles of the committee that required person with knowledge and capability and vast experiences in order to command the operation of the company to be successful. In the process of selecting directors, including independent directors, must be approved by the General Shareholders Meeting. The current directors will nominate candidates without scrutiny by the selection committee to the Shareholders' Meeting. The top executives will be selected by the Executive directors, except managing directors.

### **Directors Selection Procedures at Shareholders' Meeting**

The General Shareholders Meeting elects and removes directors according to the following rules and procedures:

1. The number of votes equal to the number of shares held by each shareholder.
2. During the election process, directors can be elected individually, several persons, or as a group, whichever deems appropriate by the Meeting. To pass a resolution, the shareholders shall cast all of their votes according to (1). No splitting of votes allowed.
3. A simple majority is applied to the election of directors. In the event of a tie, the Chairman of the Meeting has the deciding vote.
4. The Shareholders Meeting may pass a resolution to remove any director prior to the end of that director's term. Such resolution requires no less than three-fourths of shareholders present at the meeting with voting rights, and the total shares should not be less than half of those held by the attending shareholders with voting rights.

### **Directors Remuneration**

The company's director remuneration is that it will be required approval from the Shareholders' Meeting.

#### Financial Remuneration

The financial remuneration for 13 directors in 2010 equaled to Baht 1,000,000.

Name of Director	Annual	Meeting*
Mr. Phirasilp Subhapholsiri	40,000	40,000
Mr. Kasem Deemaitree	40,000	40,000
Mrs. Chintana Asdornnithee	40,000	40,000
Miss Huai Hui Lee	40,000	40,000

Mr. Huai Hsin Lee	40,000	40,000
Mr. Udom Karoonkornsakul	40,000	40,000
Mr. Aditep Nontratip	40,000	40,000
Mr. Chun Nam Wong	40,000	20,000
Mr. Sansern Nilrat	40,000	40,000
Mrs. Vilai Kiatsrichart	40,000	20,000
Ms. Chaovana Vivatpanachati	40,000	40,000
Mr. Sumet Chey-O-nanund	40,000	40,000
Miss Chitkarn Kiatkanokkul	40,000	40,000

\* Per attendance to the meeting.

The fix remuneration for three Audit Committee members is Baht 200,000 for 2010.

Name of Director	Annual
Mrs. Vilai Kiatsrichart	80,000
Ms. Chaovana Vivatpanachati	60,000
Mr. Sumet Chey-O-nanund	60,000

Salary and bonus for 17 executive directors and managers are Baht 15,505,000 for 2010.

#### Other Remuneration

None.

## Independent Directors

Name Position	Age	Education	Shares (%)	Family Relationship With other Directors	Period	Experience Position	Organization
Mr. Phirasilp Subhapholsiri Chairman Independent Director	58	Business Management Yokohama National University DAP 40/2005	-	-	2009 - Present 1998 - 2008	Chairman President	Food and Drinks PLC. Bank Thai Public Co., Ltd.
Mrs. Vilai Kiatsrichart Independent Director Chairman Audit Committee	65	Master of Political Science Ramkamhaeng University Accounting Certificate Belmonte College, U.S.A. DAP DCP 38/2003	-	-	1981 - Present 1996 - Present  Present  Present	Managing Director Independent Director/ Audit Committee Director  Honorary President	Pan Asia (1981) Co., Ltd. Food and Drinks PLC.  Thai Chambers of Commerce/ Board of Trade of Thailand Thai Food Processors' Association
Ms. Chaovana Vivatpanachati Independent Director Audit Committee	49	Master of Management University of Wollongong Australia Master of Accounting Chulalongkorn University DAP DCP 58/2003 ACP	-	-	1994 - Present 1994 - Present 2002 - Present 2001 - Present  2001 - Present 2001 - Present	Senior Partner Director Independent Director/ Audit Committee Independent Director/ Audit Committee Director	Pitisevi & Co., Ltd. Moore Stephens DIA Sevi Ltd. Food and Drinks PLC.  Inoue Rubber (Thailand) PLC.  saving Assets Management Co., Ltd.
Mr. Sumet Chey-O-Nanund Independent Director Audit Committee	67	B. Business Administration Thammasart University DAP 2/2003	-	-	1996 - present 2002 - present	- Audit Committee Independent Director/	Personal business Food and Drinks PLC.
Ms. Chitkarn Kietkanokkul Independent Director	50	Master of Law Dhurakij Pundit University DAP	-	-	2007 - present 2007 - 2009  2007 - present 1991 - 2006	Independent Director Associated Judge (employer) Director Managing Director	Food and Drinks PLC. Central Labour Court  Labor Law Association Do Food Co., Ltd.

**Executive Directors**

Name Position	Age	Education	Shares (%)	Family Relationship With other Directors	Period	Experience Position	Organization
Mr. Kasem Deemaitree Managing Director Authorized Director	76	B.S. Agricultural Chemistry Chung Hsin University Taiwan, R.O.C.	14.79	Father of Mr. Huai Hsin Lee, Ms. Huai Hui Lee	1986 - Present	Managing Director	Food and Drinks PLC.
Mrs. Chintana Asdornnithee Deputy Managing Director Authorized Director	72	High School St. Joseph Convent DAP	4.00	Daughter of Mr. Kamol Iamsakulrat	1985 - Present 1990 - Present	Deputy Managing Director Deputy Managing Director	Food and Drinks PLC. Lampang Food Products
Ms. Huai Hui Lee * Executive Director Authorized Director	48	MBA George Washington University DCP 19/2002	8.55	Daughter of Mr. Kasem Deemaitree; Sister of Mr. Huai Hsin Lee	1987 – present 2006 – present	Marketing Manager/ Director Director	Food and Drinks PLC. Food Processing Industry Club – Federation of Thai Industries
Mr. Huai Hsin Lee Executive Director Authorized Director	44	B.S. Mechanical Engineering University of Maryland U.S.A.	8.23	Son of Mr. Kasem Deemaitree; Brother of Ms. Huai Hui Lee	1994 – present	General Manager Engineering & Information Systems Director	Food and Drinks PLC.

\* Attend seminar on “Steering the IFRS Adoption” by the Listed Company Association on 5 August 2010.

## Directors

Name Position	Age	Education	Shares (%)	Family Relationship With other Directors	Period	Experience Position	Organization
Mr. Aditep Nontratip Director Authorized Director	46	PhD. Food Science Tokyo University of Fisheries DAP 80/2009	-	-	2007 – present 2002 – 2007 2009 – present	Managing Director General Manager Director	Kawasho Foods (Thailand) Co., Ltd. Kawasho Foods (Thailand) Co., Ltd. Food and Drinks Public Co., Ltd.
Mr. Udom Karoonkornsakul Director Authorized Director	75	High School DAP	2.50	-	1979 – present 1994 – present	Chairman Director	Sahamitree Fish Meal Co., Ltd. Food and Drinks PLC.
Mr. Chun-Nam Wong Director	63	High School Diploma Hong Kong	-	-	1990 – present Present	Director Chairman	Food and Drinks PLC. J. Wong & Co., Ltd.
Mr. Sansern Nilrat Director	57	MBA Kasetsart University DCP 4/2000, 5/2007 ACP 21/2008	-	-	2002 – present  2009 – present 2009 – present	Deputy Managing Director President Director	CIMB Securities Co., Ltd.  Investors Club Food and Drinks Public Co., Ltd.

## Management (Non Directors)

Name Position	Age	Education	Shares (%)	Family Relationship With other Directors	Period	Experience Position	Organization
Mr. Nakhon Mahakhun, Ph.D.	63	Ph.D. Food Science & Technology Texas A&M University, U.S.A.	-	-	2004 – present	Assistant to Managing Director	Food and Drinks PLC.
Mr. Theerapat Supanit	49	B. Business Administration (Accounting) Ramkamhaeng University	-	-	2002 – present	Accounting/Finance Mgr	Food and Drinks PLC.
Mr. Prasit Jaturaspansaeng	48	Bachelor of Law Ramkamhaeng University	-	-	1992 – present	Personnel/Administration Manager	Food and Drinks PLC.



All the directors and the management team do not have any criminal records, or in the process of being suit for criminal charges, or being bankrupt in the last 10 years.

Details of Directors for the Subsidiaries

None.

## Corporate Governance

The company recognizes the importance of good corporate governance for transparency in operation, and the responsibilities of the Board of Directors to enhance the shareholders' trust and value. The company has committed to comply with corporate governance guidelines issued by the regulatory bodies that govern its operations as a public company, and to the implementation and compliance with such other standards as are appropriate to the conduct of its business.

### (1) Shareholders' Rights

The company recognizes the rights of shareholders to cover the basic rights as investors in the listed firm and as owners such as the rights to buy, sell, and transfer the shares; rights to receive the share of dividends, and rights to the shareholders' meeting; rights to express opinions; rights to make the major decision such as electing the directors, and approve major decisions as to the directions of the company; and rights to amend the Article of Associations.

Thus, the company has the policy that all shareholders are eligible for information that are correct, complete, sufficient, and on time. In every shareholders' meeting, invitation letter with agendas and directors' recommendation are sent to shareholders 10 days before the meeting.

If any shareholders cannot attend the meeting personally, they can give proxy to anyone or recommended audit committee member or managing director to attend and vote on behalf.

For shareholders' meeting, the company will choose the location and time that are convenient to the shareholders to attend as much as possible.

In the meeting, the chairman will provide enough time for every shareholder to ask questions and express any opinions.

In 2010, there was only one shareholders' meeting. The meeting was held on 28 April 2010 at company's office in Bangkok. In 2010, all three independent directors attended the meeting.

### (2) The Equitable Treatment of Shareholders

The company has the policy to create the equal treatment to all groups of shareholders regardless of major shareholders, minor shareholders, institutional shareholders of foreign shareholders especially the minor shareholders. Therefore, details are set as follows:

1. The votes in the meeting are equal to the number of shares hold. One share is equal to one vote.
2. Prohibit company directors and employees who can benefit from inside information to disclose any inside information to outsiders within 30 days before disclose the financial information to the Stock Exchange of Thailand. In addition, the directors and management are required to report the change of shareholding to the Securities Exchange Commission within 3 days for disclosure purpose.

### (3) The Rights of Stakeholders

The company recognizes the importance of every group of stakeholders including the company staff, management, customers, suppliers, competitors, and government agencies. The company realizes the importance of cooperation with all groups of stakeholders enhances the value and the stability of the company.

- Shareholders: Other than the basic rights and legal rights and Article of Association such as rights to attend the meeting, rights to vote, rights to express opinions in the meeting, and rights to dividend, shareholders also entitle to the rights of suggestion and opinions for the business operation. Every comment will be taken into consideration by the Board of Directors.

- Customers: The company determined to ensure that the customers are satisfied with the quality and price through continuous development, and maintaining the standards determined by the customers, and regulations set by the government.
- Competitors: The company considered the competitors to be a major factor to drive the company to improve its operation in order to satisfy the customers under the requirement of the law. During the past year, the company does not have any legal issues with its competitors for unfair business.
- Creditors: the company realizes that setting good and trusting relationship with its creditors to ensure the payment is an important part of the operations.
- Employees: The company considered its employee as one of the most important assets. The company has the policy to treat all employees equally and fairly with reasonable pay. Therefore, there are programs set to develop the skills constantly for personally and for the expansion of the business.
- Community: the company realizes the importance of the community and the environment. The company has a clear policy in helping the community to develop and grow. The company has cooperate with the government agencies and other private sectors to join some community services such as:
  1. Scholarship – the company has started this program since 2003 to the children of the company employees and schools in Banbung areas for good grade students with financial needs.
  2. Student summer working program and training program – the company has started the program since 2003 in order to give training to students who need experience, and extra income during summer vacation.
  3. Blood donation – the company has joined the Health Office in Banbung to donate blood 4 times a year.
  4. Sufficient water, planting lemongrass, care for community project – the company joined the dam project to hold water in Ban Nong Kong Sao. To make use of the land above the dam, the company supports the farmers in the community to plant lemon grass by giving training for GAP standards and guarantee purchase as supplementing income.
  5. Other programs including converting wastes into use, Food and Drinks Public Co., Ltd. taking care of brothers, knowing trees gives dhamma, join the Banbung Hospital to provide information to the public about dangerous diseases, how to avoid, and protect to the local community.
  6. Environment – the company has waste water treatment area of 13,000 square meters. The quality of the water after treatment was qualified according to the Ministry of Industry's standard. In 2006, the company has signed the agreement with Benears Inc. to study the waste water treatment, which is a new technology from Japan. The project was conducted during 2006 – 2007.

In addition, the company is in the process of studying converting vegetable waste from the production for fertilizers. At present, the company sells the vegetables to the companies who can make benefits.

#### (4) Information Disclosure and Transparency

In addition to the disclosure of financial information and other information to the public according to the requirement of Securities Exchange Commission and Securities Exchange of Thailand, the company also discloses the following:

1. Disclose the duty and responsibilities of each sub committees including the attendance statistics
2. Disclose the remuneration in monetary and non-monetary (if any)

3. Give opportunities to questions and comments through public relations or secretary.

(5) The Directors' Responsibilities

The Board of Directors includes people with knowledge, vision, capability and experiences in different areas that will benefit the most to the company. The board determines and agrees in the vision, mission, target and business plans and oversee the management to follow in order to create the shareholders' wealth.

The Board of Directors' responsibilities include:

1. Monitor and manage the operation of the company on the basis of good corporate governance
2. Manage and discuss the business strategy as proposed by the executive directors and ensure that the executive directors and management carry out the plans as approved efficiently, added value to the company's business, and give good operational results.
3. Follow the regulatory requirement, articles of associations, and shareholder's resolutions.
4. Set up shareholders' annual meeting within 4 months from the year-end closing date and any other meetings necessary.
5. Set up board of directors meeting at least four times per year, which change to 7 times per year starting from year 2011. In each meeting, there will be at least 60% of all directors are present. The resolution is based on the majority vote. If equal, the chairman of the meeting will have one additional vote.
6. Consider and approve annual business plan, including budget for investment, and goals.
7. Report financial data and other information important to shareholders. Ensure that the information is correct, complete and sufficient.
8. Set up and follow up on internal control, internal audit and risks management to ensure the efficiency in the system.
9. Appoint and clarify the differences in responsibility among directors, various sub-committees, management and employee.
10. Oversee the executive directors and management to follow the policies and requirements that were approved or specified from the shareholders according to the requirement of SEC and Stock Exchange of Thailand.

The Board of Directors comprise of 13 directors with

- a) 4 executive directors
- b) 5 independent directors
- c) 4 non-executive directors, non-independent directors

At present, the ratio of independent director is according to the requirement by the Securities and Exchange Act i.e. not less than one-third of the board.

The Board of Directors holds regular meetings and extraordinary meetings if necessary. The documents need for the meetings are prepared and delivered to the directors at least 7 days in advance. Normally, the meeting takes 2-4 hours. The minutes are recorded and kept and approved by the Board. In 2010, there were 4 meetings. At the Board of Directors meeting no. 1/2011, the number of meetings in 2011 will be increased to 7 times such that the directors will have enough time to consider various matters about the company operations.

The company has appointed 3 sub-committees i.e. Audit Committee, Executive Committee, and Organizational Development Committee. The company does not have the Compensation Committee but use other appropriate measures for determination. The considerations will be considered in line with the industry standard and the results of operation for determination. When sub-committee is not available, the Board of Directors will be considering the matters.

## **Internal Control**

The Board of Directors has the opinion that internal control, risk management, and governance are satisfactory. The company is able to give the confidence about the transparency in operation, financial statements in 2010. The Audit Committee has reviewed with the management and external auditors to show the company's financial reports are correct, complete, and sufficient according to the general accounting rules. The accounting principles are considered constantly and follow accordingly. The disclosure of information is sufficient as auditor has expressed in the financial statements.

The company's independent auditor from Ernst & Young Office Limited did not have any comments in the company's internal control that would affect the financial statements as of 31 December 2010.

The Board of Directors had agreed to hire Office of DiA International Auditing to be our Internal Auditor as suggested by the Audit Committee since 2002. DiA has been auditing various systems in accordance with the internal control requirement that the company has set up and to advise any improvements.

## **Dividend Payment Policy**

The company has the policy of paying dividend annually for the amount of not less than 60% of net profit after tax and statutory reserve, and reserve for future investments. When the Board of Directors has the suggestion to pay the annual dividend, the matter will be presented to the Shareholders for approval unless it is interim dividend payment. Then, the Board of Directors can approve the payment and report to the shareholders at the next meeting.

## ■ Related-Party Transactions

Transactions occurred between the companies or persons who might have conflict of interest, or transactions occurred between the companies as normal business for the best interest of the company. The policy used in the transactions is based on the market price, or cost plus margin basis.

The company has purchase and sale transactions with Kawasho Corporation, which hold 8% shares. The type of products includes those that are same as other customers, and those that are different such as meat sauce. Because meat sauce has its own formulations, the price is calculated by using cost plus margin.

The company has purchase and rent and service charge from Hon Chuan FD Packaging Co., Ltd, which is a joint-venture company. The purchase price is according to the market price. The rent is based on the market price from the same area, and service fee is based on the ratio of service fee. The information is also disclosed in the financial statement as at 31 December 2010. The terms stated are per agreement of conditions stated in the contract between the companies, and according to the normal business practice.

	<u>2010</u>	<u>2009</u>	(Unit : Million Baht) <u>Pricing Policy</u>
Sales of Goods	32.33	23.62	Cost plus margin
Purchase of raw material	0.46	0.40	Market price
Rental income and other service	2.88	2.17	Contract price

The outstanding amounts from the above transactions are stated separately in the financial statement as follows:

	<u>2010</u>	<u>2009</u>	(Unit : Million Baht)
Receivable – related party			
- Hon Chuan FD Packaging Co., Ltd.	0.055	-	
- Kawasho Corporation	2.33	-	
Payable – related party			
- Hon Chuan FD Packaging Co., Ltd.	1.58	0.28	
- Kawasho Corporation	-	0.17	

All the transactions are the usual business terms and conditions as indicated in the contract or agreement. Approval procedure for related-party transactions is the same as that of normal business transactions. However, related shareholders and administrators do not have authority for approval. The above transactions are reviewed by the Audit Committee and presented to the Board of Directors. There was no questions in the transactions.

Future transactions are expected to continue. These transactions are normal business practice for all involved.

## ■ Management Analysis and Explanation

According to Food and Drinks Public Co., Ltd.'s operational result in 2010 posted a profit of Baht 65.5 million, which includes the profit shared from joint venture company in the amount of Baht 30.5 million. This is equal to profit of 4.37 per share, and equals to the book value on December 31, 2010 of Baht 35.12.

The changes are from the normal operation of the company. The details are explained in the following.

The revenue, comparing to the previous year, has increased by Baht 91 million (about 16%) from additional domestic sales. The gross profit has increased by Baht 9 million, but it can be offset by the decrease in financial expense of Baht 6 million. The company has the profit from company alone for the amount of Baht 35.9 million, a slight decrease from previous year. The company has share of profit from joint venture company, Hon Chuan FD Packaging Co., Ltd., in the amount that is Baht 6 million less than the previous year. It is one of the reason that the net profit after tax in 2010 equals to Baht 65.5 million when comparing 2009 when the net profit after tax was equal to Baht 72.6 million.

**Summary of Major Financial Ratios 2008 – 2010**

	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	
<b><u>Liquidity Ratio</u></b>				
Current ratio	0.4	0.7	1.2	times
Quick ratio	0.1	0.2	0.4	times
Cash ratio	0.1	0.3	0.5	times
Accounts Receivable turnover	8.0	11.8	17.5	times
Days sales outstanding	45.0	30.5	20.6	day
Inventory turnover	7.1	6.6	9.7	times
Days inventory outstanding	50.4	54.7	37.1	day
Accounts Payable turnover	9.7	9.2	19.5	times
Days Accounts Payable outstanding	37.2	39.3	18.4	day
<b><u>Profitability Ratio</u></b>				
Gross Margin	8.9	16.7	13.0	%
Operating Profit	-5.0	4.5	3.8	%
Profit Margin on Sales	2.4	12.9	10.1	%
Return on Equity -ROE	3.9	17.6	13.1	%
<b><u>Efficiency Ratio</u></b>				
Return on Total Assets -ROA	0.5	6.7	7.0	%
Return on Fixed Assets -ROFA	5.3	16.1	17.8	%
Assets turnover	0.7	0.7	0.9	times
<b><u>Financial Policy Ratio</u></b>				
Debt to Equity	1.2	0.6	0.4	times
Cash / Interest payment	3.7	7.1	11.7	times
Cash / Liabilities payment	0.9	1.3	0.9	times
Dividend payout	0.0	60.0	*	%

\* To be approved at the Annual General Shareholders meeting on 27 April 2011.



## ■ Financial Statement

Food and Drinks Public Co., Ltd.

Report and financial statements

31 December 2010 and 2009

## Report of Independent Auditor

To the Shareholders of Food and Drinks Public Company Limited

I have audited the accompanying balance sheets in which the equity method is applied of Food and Drinks Public Company Limited as at 31 December 2010, the related statements of income, changes in shareholders' equity and cash flows for the year then ended, and the separate financial statements of Food and Drinks Public Company Limited for the same year. These financial statements are the responsibility of the management of the Company as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The financial statements in which the equity method is applied and the separate financial statements of Food and Drinks Public Company Limited as at 31 December 2009 and for the year then ended, as presented herein for comparative purposes, were audited by another auditor of our firm who expressed an unqualified opinion on those statements, under her report dated 26 February 2010.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Food and Drinks Public Company Limited as at 31 December 2010, and the result of its operations, and cash flows for the year then ended in accordance with generally accepted accounting principles.

Termphong Opanaphan  
Certified Public Accountant (Thailand) No. 4501

Ernst & Young Office Limited  
Bangkok: 24 February 2011

## Food and Drinks Public Company Limited

## Balance sheets

As at 31 December 2010 and 2009

(Unit: Baht)

	Note	Financial statements in which equity method is applied		Separate financial statements	
		2010	2009	2010	2009
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	6	14,116,405	6,567,560	14,116,405	6,567,560
Current investment		1,000,000	-	1,000,000	-
Restricted bank deposits	7	-	6,901,330	-	6,901,330
Trade accounts receivable					
Related party	8	2,326,499	-	2,326,499	-
Unrelated parties		34,400,763	38,030,612	34,400,763	38,030,612
Total trade accounts receivable	9	36,727,262	38,030,612	36,727,262	38,030,612
Other receivable - related party	8	55,019	-	55,019	-
Inventories - net	10	88,721,384	100,335,672	88,721,384	100,335,672
Other current assets					
Advance payment for import duties		4,284,047	5,527,470	4,284,047	5,527,470
Value added tax refundable		-	1,974,350	-	1,974,350
Others		2,282,758	2,288,201	2,282,758	2,288,201
<b>Total current assets</b>		<b>147,186,875</b>	<b>161,625,195</b>	<b>147,186,875</b>	<b>161,625,195</b>
<b>Non-current assets</b>					
Investment in associate	11	129,141,050	104,153,065	68,202,710	68,202,750
Property, plant and equipment - net	12	338,467,948	370,981,547	338,467,948	370,981,547
Unutilised property	12	118,000,000	118,000,000	118,000,000	118,000,000
Other non-current assets		851,520	1,060,720	851,520	1,060,720
<b>Total non-current assets</b>		<b>586,460,518</b>	<b>594,195,332</b>	<b>525,522,178</b>	<b>558,245,017</b>
<b>Total assets</b>		<b>733,647,393</b>	<b>755,820,527</b>	<b>672,709,053</b>	<b>719,870,212</b>

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

## Food and Drinks Public Company Limited

## Balance sheets (continued)

As at 31 December 2010 and 2009

(Unit: Baht)

		Financial statements			
		in which equity method is applied		Separate financial statements	
	Note	2010	2009	2010	2009
Liabilities and shareholders' equity					
Current liabilities					
Short-term loans from					
financial institutions	13	58,417,562	147,110,000	58,417,562	147,110,000
Trade accounts payable					
Related parties	8	1,579,350	444,178	1,579,350	444,178
Unrelated parties		18,627,287	37,751,433	18,627,287	37,751,433
Total trade accounts payable		20,206,637	38,195,611	20,206,637	38,195,611
Current portion of liability under					
finance lease agreement	14	449,287	-	449,287	-
Current portion of long-term loans	15	19,259,052	21,070,000	19,259,052	21,070,000
Other current liabilities					
Corporate income tax payable		735,292	-	735,292	-
Value added tax payable		1,146,876	-	1,146,876	-
Accrued expenses		8,981,104	9,648,900	8,981,104	9,648,900
Other accounts payable		1,678,782	4,403,985	1,678,782	4,403,985
Advance received from customers		11,738,316	136,208	11,738,316	136,208
Others		636,130	359,619	636,130	359,619
Total current liabilities		123,249,038	220,924,323	123,249,038	220,924,323
Non-current liabilities					
Liability under finance lease agreement - net					
of current portion	14	794,302	-	794,302	-
Long-term loans, net of current portion	15	82,871,484	60,041,111	82,871,484	60,041,111
Total non-current liabilities		83,665,786	60,041,111	83,665,786	60,041,111
Total liabilities		206,914,824	280,965,434	206,914,824	280,965,434

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

## Food and Drinks Public Company Limited

## Balance sheets (continued)

As at 31 December 2010 and 2009

(Unit: Baht)

	Note	Financial statements in which equity method is applied		Separate financial statements	
		2010	2009	2010	2009
<b>Shareholders' equity</b>					
<b>Share capital</b>					
Registered					
16,250,000 ordinary shares of Baht 10 each		162,500,000	162,500,000	162,500,000	162,500,000
Issued and fully paid					
15,000,000 ordinary shares of Baht 10 each		150,000,000	150,000,000	150,000,000	150,000,000
Share premium		99,425,000	99,425,000	99,425,000	99,425,000
Unrealised gain					
Revaluation surplus on land	12, 16	158,901,375	158,901,375	158,901,375	158,901,375
Retained earnings					
Appropriated-statutory reserve	17	15,431,000	13,404,000	15,431,000	13,404,000
Unappropriated		102,975,194	53,124,718	42,036,854	17,174,403
<b>Total shareholders' equity</b>		<b>526,732,569</b>	<b>474,855,093</b>	<b>465,794,229</b>	<b>438,904,778</b>
<b>Total liabilities and shareholders' equity</b>		<b>733,647,393</b>	<b>755,820,527</b>	<b>672,709,053</b>	<b>719,870,212</b>

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

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Directors

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## Food and Drinks Public Company Limited

## Income statements

For the years ended 31 December 2010 and 2009

(Unit: Baht)

	Note	Financial statements		Separate financial statements	
		in which equity method is applied			
		2010	2009	2010	2009
<b>Revenues</b>					
Sales		655,740,744	564,719,894	655,740,744	564,719,894
Other income					
Dividend income from associate	11	-	-	5,524,420	-
Exchange gains		2,277,227	1,353,675	2,277,227	1,353,675
Others		8,370,956	8,979,878	8,370,956	8,979,878
<b>Total revenues</b>		<b>666,388,927</b>	<b>575,053,447</b>	<b>671,913,347</b>	<b>575,053,447</b>
<b>Expenses</b>					
Cost of sales		570,405,538	470,681,583	570,405,538	470,681,583
Selling expenses		13,505,058	17,621,189	13,505,058	17,621,189
Administrative expenses		20,942,822	17,628,460	20,942,822	17,628,460
Management's benefit expenses	8	15,505,000	16,748,400	15,505,000	16,748,400
<b>Total expenses</b>		<b>620,358,418</b>	<b>522,679,632</b>	<b>620,358,418</b>	<b>522,679,632</b>
<b>Income before share of income from investment in associate, finance costs and corporate income tax</b>		<b>46,030,509</b>	<b>52,373,815</b>	<b>51,554,929</b>	<b>52,373,815</b>
Share of income from investment in associate	11	30,512,445	36,783,770	-	-
<b>Income before finance costs and corporate income tax</b>		<b>76,542,954</b>	<b>89,157,585</b>	<b>51,554,929</b>	<b>52,373,815</b>
Finance costs		(10,164,206)	(16,567,360)	(10,164,206)	(16,567,360)
<b>Income before corporate income tax</b>		<b>66,378,748</b>	<b>72,590,225</b>	<b>41,390,723</b>	<b>35,806,455</b>
Corporate income tax	20	(851,272)	-	(851,272)	-
<b>Net income for the year</b>		<b>65,527,476</b>	<b>72,590,225</b>	<b>40,539,451</b>	<b>35,806,455</b>
<b>Basic earnings per share</b>	21				
Net income		4.37	5.63	2.70	2.78
Weighted average ordinary shares (shares)		15,000,000	12,889,593	15,000,000	12,889,593

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

Food and Drinks Public Company Limited  
**Statements of changes in shareholders' equity**  
**For the years ended 31 December 2010 and 2009**

(Unit: Baht)

**Financial statements in which equity method is applied**

	Issued and paid-up share capital	Share premium	Revaluation surplus on land	Retained earnings		Total
				Appropriated - statutory reserve	Unappropriated (deficit)	
<b>Balance as at 31 December 2008</b>	125,000,000	74,425,000	158,901,375	12,500,000	(18,561,507)	352,264,868
Share capital issued	25,000,000	25,000,000	-	-	-	50,000,000
Net income for the year	-	-	-	-	72,590,225	72,590,225
Unappropriated retained earnings transferred to statutory reserve	-	-	-	904,000	(904,000)	-
<b>Balance as at 31 December 2009</b>	<u>150,000,000</u>	<u>99,425,000</u>	<u>158,901,375</u>	<u>13,404,000</u>	<u>53,124,718</u>	<u>474,855,093</u>
						-
<b>Balance as at 31 December 2009</b>	150,000,000	99,425,000	158,901,375	13,404,000	53,124,718	474,855,093
Net income for the year	-	-	-	-	65,527,476	65,527,476
Dividend paid (Note 23)	-	-	-	-	(13,650,000)	(13,650,000)
Unappropriated retained earnings transferred to statutory reserve	-	-	-	2,027,000	(2,027,000)	-
<b>Balance as at 31 December 2010</b>	<u>150,000,000</u>	<u>99,425,000</u>	<u>158,901,375</u>	<u>15,431,000</u>	<u>102,975,194</u>	<u>526,732,569</u>
						-

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

## Food and Drinks Public Company Limited

## Statements of changes in shareholders' equity (continued)

For the years ended 31 December 2010 and 2009

(Unit: Baht)

	Separate financial statements					
	Issued and			Retained earnings		
	paid-up		Revaluation	Appropriated	Unappropriated	
	share capital	Share premium	surplus on land	- statutory reserve	(deficit)	Total
<b>Balance as at 31 December 2008</b>	125,000,000	74,425,000	158,901,375	12,500,000	(17,728,052)	353,098,323
Share capital issued	25,000,000	25,000,000	-	-	-	50,000,000
Net income for the year	-	-	-	-	35,806,455	35,806,455
Unappropriated retained earnings transferred						
to statutory reserve	-	-	-	904,000	(904,000)	-
<b>Balance as at 31 December 2009</b>	150,000,000	99,425,000	158,901,375	13,404,000	17,174,403	438,904,778
<b>Balance as at 31 December 2009</b>	150,000,000	99,425,000	158,901,375	13,404,000	17,174,403	438,904,778
Net income for the year	-	-	-	-	40,539,451	40,539,451
Dividend paid (Note 23)	-	-	-	-	(13,650,000)	(13,650,000)
Unappropriated retained earnings transferred						
to statutory reserve	-	-	-	2,027,000	(2,027,000)	-
<b>Balance as at 31 December 2010</b>	150,000,000	99,425,000	158,901,375	15,431,000	42,036,854	465,794,229

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



**Food and Drinks Public Company Limited****Cash flow statements****For the years ended 31 December 2010 and 2009**

(Unit: Baht)

	<b>Financial statements</b>		<b>Separate financial statements</b>	
	<b>in which equity method is applied</b>			
	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
<b>Cash flows from operating activities</b>				
Income before tax	66,378,748	72,590,225	41,390,723	35,806,455
Adjustments to reconcile income before tax to net cash provided by (paid from) operating activities:				
Depreciation	43,455,548	46,575,359	43,455,548	46,575,359
Reversal allowance for doubtful accounts	-	(1,019,361)	-	(1,019,361)
Allowance for diminution in value of inventories	733,144	3,260,325	733,144	3,260,325
Written-off obsolete stocks	797,535	-	797,535	-
Loss (gain) on sales of equipment	(415,137)	273,378	(415,137)	273,378
Share of income from investment in associate	(30,512,445)	(36,783,770)	-	-
Dividend income from associate	-	-	(5,524,420)	-
Unrealised gains on exchange	(72,838)	(25,621)	(72,838)	(25,621)
Interest expenses	8,182,223	14,474,907	8,182,223	14,474,907
Income from operating activities before changes in operating assets and liabilities	88,546,778	99,345,442	88,546,778	99,345,442
Operating assets (increase) decrease				
Trade accounts receivable	1,361,443	19,763,415	1,361,443	19,763,415
Other receivable - related party	(55,019)	69,550	(55,019)	69,550
Inventories	10,083,608	10,813,089	10,083,608	10,813,089
Other current assets	3,223,216	(944,982)	3,223,216	(944,982)
Other non-current assets	209,240	(148,020)	209,240	(148,020)
Operating liabilities increase (decrease)				
Trade accounts payable	(17,979,494)	(26,061,046)	(17,979,494)	(26,061,046)
Other current liabilities	10,458,970	(11,894)	10,458,970	(11,894)
Cash from operating activities	95,848,742	102,825,554	95,848,742	102,825,554
Cash paid for interest expenses	(8,219,818)	(15,122,535)	(8,219,818)	(15,122,535)
Cash paid for corporate income tax	(115,981)	-	(115,981)	-
<b>Net cash from operating activities</b>	<b>87,512,943</b>	<b>87,703,019</b>	<b>87,512,943</b>	<b>87,703,019</b>

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

**Food and Drinks Public Company Limited****Cash flow statements (continued)****For the years ended 31 December 2010 and 2009**

(Unit: Baht)

	<b>Financial statements</b>		<b>Separate financial statements</b>	
	<b>in which equity method is applied</b>			
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Cash flows from investing activities</b>				
Increase (decrease) in restricted bank deposits	6,901,330	(6,901,330)	6,901,330	(6,901,330)
Increase in current investment	(1,000,000)	-	(1,000,000)	-
Cash paid for additional shares of associate	-	(7,000,000)	-	(7,000,000)
Dividend income from associate	5,524,420	-	5,524,420	-
Acquisition of plant and equipment	(9,448,122)	(3,036,046)	(9,448,122)	(3,036,046)
Cash paid for account payable from purchase of plant and equipment	(888,442)	(9,887,362)	(888,442)	(9,887,362)
Proceeds from sales of equipment	415,140	79,875	415,140	79,875
<b>Net cash from (used in) investing activities</b>	<u>1,504,326</u>	<u>(26,744,863)</u>	<u>1,504,326</u>	<u>(26,744,863)</u>
<b>Cash flows from financing activities</b>				
Decrease in bank overdrafts and short-term loans from financial institutions	(88,692,438)	(133,978,603)	(88,692,438)	(133,978,603)
Proceeds from increase in share capital	-	50,000,000	-	50,000,000
Dividends paid	(13,650,000)	-	(13,650,000)	-
Repayment of liabilities under finance lease agreement	(145,411)	-	(145,411)	-
Cash receipt from long-term loan	43,319,425	70,000,000	43,319,425	70,000,000
Repayment of long-term loans	(22,300,000)	(43,049,336)	(22,300,000)	(43,049,336)
<b>Net cash used in financing activities</b>	<u>(81,468,424)</u>	<u>(57,027,939)</u>	<u>(81,468,424)</u>	<u>(57,027,939)</u>
<b>Net increase in cash and cash equivalents</b>	<u>7,548,845</u>	<u>3,930,217</u>	<u>7,548,845</u>	<u>3,930,217</u>
Cash and cash equivalents at beginning of year	6,567,560	2,637,343	6,567,560	2,637,343
<b>Cash and cash equivalents at end of year</b>	<u>14,116,405</u>	<u>6,567,560</u>	<u>14,116,405</u>	<u>6,567,560</u>

**Supplemental cash flows information:**

## Non-cash items

Purchase of equipment under finance lease agreement	1,389,000	-	1,389,000	-
Purchase of plant and equipment for which no cash had been paid	104,829	82,760	104,829	82,760

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

**Food and Drinks Public Company Limited****Notes to financial statements****For the years ended 31 December 2010 and 2009****1. Corporate information**

Food and Drinks Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the manufacture and distribution of canned foods and beverages, and frozen foods. The registered office of the Company is at 695/1 Moo 1 Banbung - Bankai Road, Klongkaew, Banbung, Chonburi.

**2. Basis of preparation**

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

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

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

- 2.2 The separate financial statements, which present investment in associate under the cost method, have been prepared solely for the benefit of the public.

**3. Adoption of new accounting standards**

During the current year, the Federation of Accounting Professions issued a number of revised and new accounting standards as listed below.

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

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

TAS 1 (revised 2009)      Presentation of Financial Statements

TAS 2 (revised 2009)      Inventories

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

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

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

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

#### **TAS 19 Employee Benefits**

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

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

#### **TAS 12 Income Taxes**

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

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

### **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.

#### **4.2 Cash and cash equivalents**

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

### **4.3 Trade accounts receivable**

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

### **4.4 Inventories**

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

Raw materials and packaging and supplies are valued at the lower of average cost and net realisable value and are charged to production costs whenever consumed.

### **4.5 Investments**

- a) Investment in associate is accounted for in the financial statements in which equity method is applied using the equity method.
- b) Investment in associate is accounted for in the separate financial statements using the cost method.

### **4.6 Property, plant and equipment, and unutilised property/Depreciation**

Land and unutilised property are stated at revalued amount.

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

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

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

- When the carrying amounts of land and unutilised property are increased as a result of a revaluation of the Company's land and unutilised property, the increase is credited directly to equity under the heading of "Revaluation surplus on land". However, a revaluation increase will be recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense.
- When the carrying amounts of land and unutilised property are decreased as a result of a revaluation of the Company's land and unutilised property, the decrease

is recognised as an expense in the income statement. However, a revaluation decrease is to be charged directly against the related “Revaluation surplus on land” to the extent that the decrease does not exceed the amount held in the “Revaluation surplus on land” in respect of those same assets. Any excess amount is to be recognised as an expense in the income statement.

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

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

Depreciation is included in determining income.

No depreciation is provided on land, unutilised property and assets under installation.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

#### **4.7 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.

#### **4.8 Long-term leases**

Leases of equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, while the

interest element is charged to the income statements over the lease period. The equipment acquired under finance leases is depreciated over the useful life of the asset.

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

#### **4.9 Foreign currencies**

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

Gains and losses on exchange are included in determining income.

#### **4.10 Impairment of assets**

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

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

#### **4.11 Employee benefits**

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



#### **4.12 Provisions**

Provisions are recognised when the Company has 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.

#### **4.13 Income tax**

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

### **5. Significant accounting judgments and estimates**

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

#### **Leases**

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

#### **Allowance for doubtful accounts**

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

#### **Allowance of diminution in value of inventory**

In determining an allowance of diminution in value of inventory, the management makes judgment and estimates net realisable value of inventory based on the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period. Also, the management makes judgment and estimates expected loss from stock obsolescence based upon aging profile of inventories and the prevailing economic condition.

### Property plant and equipment, and unutilised property/Depreciation

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

The Company measures land and unutilised property at revalued amounts. Such amounts are determined by the independent valuer using the market approach.

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

### 6. Cash and cash equivalents

	(Unit: Baht)	
	<u>2010</u>	<u>2009</u>
Cash	40,000	40,000
Bank deposits	14,076,405	6,527,560
Total	<u>14,116,405</u>	<u>6,567,560</u>

As at 31 December 2010, bank deposits in saving accounts carried interests between 0.50 and 1.25% per annum (2009: between 0.20 and 0.75% per annum).

### 7. Restricted bank deposits

The balance as at 31 December 2009 represented the fixed deposits pledged with the bank to secure short-term credit facilities granted by bank and letter of guarantee issued by bank. During the current year, the Company has redeemed those collaterals.

### 8. Related party 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.

(Unit: Million Baht)

	<u>2010</u>	<u>2009</u>	<u>Pricing policy</u>
<u>Transactions with associate</u>			
Purchases of packaging and supplies	15.35	3.66	Market price
Rental income and other service charges	2.88	2.17	Contract price
<u>Transactions with related company</u>			
Sales of goods	32.33	23.62	Cost plus margin
Purchases of raw material	0.46	0.40	Market price

As at 31 December 2010 and 2009, the balances of the accounts between the Company and those related parties are as follows:

(Unit: Baht)

	<u>2010</u>	<u>2009</u>
<b><u>Trade accounts receivable - related party</u></b>		
<b>Related Company</b>		
Kawasho Foods Corporation	2,326,499	-
Total trade accounts receivable - related party	<u>2,326,499</u>	<u>-</u>

**Other receivable - related party****Associate**

Hon Chuan FD Packaging Company Limited	55,019	-
Total other receivable - related party	<u>55,019</u>	<u>-</u>

**Trade accounts payable - related parties****Associate**

Hon Chuan FD Packaging Company Limited	1,579,350	277,425
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**Related company**

Kawasho Foods Corporation	-	166,753
Total trade accounts payable - related parties	<u>1,579,350</u>	<u>444,178</u>

**Directors and management's benefit**

In 2010, the Company had salaries, bonus and meeting allowances of their directors and management recognised as expenses totaling Baht 15.5 million (2009: Baht 16.7 million).

## 9. Trade accounts receivable

The balances of trade accounts receivable as at 31 December 2010 and 2009, aged on the basis of due date, are summarised below.

	(Unit: Baht)	
	<u>2010</u>	<u>2009</u>
<b><u>Age of receivables</u></b>		
<b><u>Related party</u></b>		
Not yet due	2,326,499	-
Total	2,326,499	-
<b><u>Unrelated parties</u></b>		
Not yet due	30,165,419	26,837,362
Past due		
Up to 3 months	3,759,087	11,132,068
3 - 6 months	476,257	-
6 - 12 months	-	6,230
Over 12 months	-	54,952
Total	34,400,763	38,030,612
Total trade accounts receivable	36,727,262	38,030,612

## 10. Inventories

	(Unit: Baht)					
	Cost		Allowance for diminution in value of inventories		Inventories - net	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Finished goods	51,803,561	65,788,610	(16,651,832)	(22,632,731)	35,151,729	43,155,879
Raw materials	24,782,170	25,251,998	-	-	24,782,170	25,251,998
Packaging and supplies	27,766,895	30,873,804	-	-	27,766,895	30,873,804
Goods in transit	1,020,590	1,053,991	-	-	1,020,590	1,053,991
Total	105,373,216	122,968,403	(16,651,832)	(22,632,731)	88,721,384	100,335,672

## 11. Investment in associate

### 11.1 Details of associate:

(Unit: Baht)

Company's name	Nature of business	Country of incorporation	Shareholding percentage		Cost		Carrying amounts based on equity method	
			2010	2009	2010	2009	2010	2009
			(%)	(%)				
Hon Chuan FD Packaging Company Limited	manufacture of plastic bottles and label	Thailand	35	35	68,202,710	68,202,750	129,141,050	104,153,065
Total					68,202,710	68,202,750	129,141,050	104,153,065

### 11.2 Share of income and dividend received

During the year, the Company has recognised its share of income from investment in associate in the financial statements in which equity method is applied and recognised dividend received in the separate financial statements as follows:

(Unit: Baht)

Company's name	Financial statement in which equity method is applied		Separate financial statements	
	Share of income from investment in associate during the year		Dividend received during the year	
	2010	2009	2010	2009
Hon Chuan FD Packaging Company Limited	30,512,445	36,783,770	5,524,420	-
Total	30,512,445	36,783,770	5,524,420	-

### 11.3 Summarised financial information of associate

Financial information of the associate is summarised below:

(Unit: Million Baht)

Company's name	Paid-up capital		Total assets		Total liabilities		Total revenues		Net income	
	as at		as at		as at		for the year ended		for the year ended	
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Hon Chuan FD Packaging Company Limited	195	195	450	470	82	173	589	538	87	105

## 12. Property, plant and equipment/Unutilised property

(Unit: Baht)

	Revaluation	Cost basis						
	basis							
					Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction	Total
	Land	Buildings	Building improvement	Machinery and equipment				
Cost / Revalued amount:								
31 December 2009	60,000,000	169,481,120	181,349,413	439,496,055	22,960,757	21,732,625	2,918,490	897,938,460
Additions	-	-	120,000	3,758,185	1,690,713	-	5,373,054	10,941,952
Disposals	-	-	-	-	-	(2,076,860)	-	(2,076,860)
Transfer between classes of accounts	-	-	409,500	5,342,936	-	-	(5,752,436)	-
31 December 2010	60,000,000	169,481,120	181,878,913	448,597,176	24,651,470	19,655,765	2,539,108	906,803,552
Accumulated depreciation:								
31 December 2009	-	77,608,222	99,963,036	308,708,569	22,144,285	18,532,801	-	526,956,913
Depreciation for the year	-	8,416,334	12,228,423	21,122,840	528,673	1,159,278	-	43,455,548
Depreciation on disposals	-	-	-	-	-	(2,076,857)	-	(2,076,857)
31 December 2010	-	86,024,556	112,191,459	329,831,409	22,672,958	17,615,222	-	568,335,604
Net book value:								
31 December 2009	60,000,000	91,872,898	81,386,377	130,787,486	816,472	3,199,824	2,918,490	370,981,547
31 December 2010	60,000,000	83,456,564	69,687,454	118,765,767	1,978,512	2,040,543	2,539,108	338,467,948
Depreciation for the year								
2009 (Baht 45.34 million included in manufacturing cost, and the balance in administrative expenses)								46,575,359
2010 (Baht 42.33 million included in manufacturing cost, and the balance in administrative expenses)								43,455,548

(Unit: Baht)

	Revalued amount	
	2010	2009
Unutilised property	118,000,000	118,000,000

The Company arranged for an independent professional valuer using the market approach to appraise the value of land and unutilised property in 2008.

Had the land and unutilised property been carried in the financial statements based on historical cost, their total net book values as of 31 December 2010 would have been approximately Baht 19.1 million (2009: Baht 19.1 million).

As at 31 December 2010, 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 312.5 million (2009: Baht 286.7 million).

The Company has pledged part of its land with constructions, its unutilised property and some of its machinery, with book values as at 31 December 2010 amounting to

approximately Baht 301.1 million (2009: Baht 214.1 million) as collateral against short-term and long term credit facilities received from commercial banks.

### 13. Short-term loans from financial institutions

		(Unit: Baht)	
	Interest rate		
	(percent per annum)	<u>2010</u>	<u>2009</u>
Promissory notes	4.15 - 4.35	45,000,000	70,000,000
Trust Receipts	4.00	507,562	-
Packing credit	3.04 - 4.00	12,910,000	77,110,000
Total		<u>58,417,562</u>	<u>147,110,000</u>

Banks overdrafts and short-term loans from financial institutions are pledged by part of land with constructions, unutilised property and parts of machinery as described in Note 12 to the financial statements.

### 14. Liability under finance lease agreement

	(Unit: Baht)	
	<u>2010</u>	<u>2009</u>
Liability under finance lease agreement	1,320,613	-
Less: Deferred interest expenses	<u>(77,024)</u>	<u>-</u>
Total	1,243,589	-
Less: Portion due within one year	<u>(449,287)</u>	<u>-</u>
Liability under finance lease agreement - net of current portion	<u>794,302</u>	<u>-</u>

During year, the Company has entered into the finance lease agreement with a leasing company for rental of computer for use in its operations, whereby it is committed to pay rental on a monthly basis. The term of the agreement is 3 years.

As at 31 December 2010, future minimum lease payments required under the finance lease agreement were as follows:

	(Unit: Baht)		
	Less than		
	1 year	1-3 years	Total
Future minimum lease payments	495,230	825,383	1,320,613
Deferred interest expenses	(45,943)	(31,081)	(77,024)
Present value of future minimum lease payments	449,287	794,302	1,243,589

## 15. Long-term loans

(Unit: Baht)				
Loan	Interest rate	Repayment	2010	2009
1	BKIBOR plus a certain percentage	Payable on a semi-annual basis, starting from March 2006.	1,111,111	11,111,111
2	BIBOR plus a certain percentage	Payable on a quarterly basis. Starting from December 2011.	40,000,000	-
3	MLR minus a certain percentage	Payable on a monthly basis, starting from April 2010.	57,700,000	70,000,000
4	MLR minus a certain percentage	Payable on a monthly basis. Starting from April 2011	3,319,425	-
Total			102,130,536	81,111,111
Less: Current portion			(19,259,052)	(21,070,000)
Long-term loans - net of current portion			82,871,484	60,041,111

Long-term loans are secured by mortgage of part of land with constructions, unutilised property and parts of machinery as described in Note 12 to the financial statements.

The loan agreements contain covenants as specified in the agreements that, among other things, require the Company to maintain certain debt to equity, current ratio, funded debt to EBITDA, debt service coverage ratios and creation of additional liabilities according to the agreements.

## 16. Revaluation surplus on land

The balance arising from revaluations of land and unutilised property.

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



**17. 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% of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10% of the registered capital. The statutory reserve is not available for dividend distribution.

**18. Expenses by nature**

Significant expenses by nature are as follow:

	(Unit: Baht)	
	<u>2010</u>	<u>2009</u>
Salary and wages and other employee benefits	105,491,531	103,185,288
Depreciation	43,455,548	46,575,359
Rental expenses from operating lease agreements	5,269,671	4,264,479
Raw materials and consumables used	343,367,704	257,598,028
Changes in inventories of finished goods	13,895,049	11,552,602

**19. Promotional privileges**

The Company has received promotional privileges from the Board of Investment for the manufacture of packaged vegetable and fruit juices, pursuant to the promotion certificate No. 2099(2)/2547 issued on 30 December 2004. Subject to certain imposed conditions, the privileges include an exemption from corporate income tax on income derived from the promoted operations for a period of eight years from the date the promoted operations commenced generating revenues (4 May 2005), with such tax exemption capped at 100% of the amount invested, excluding land and working capital.

The Company's operating revenues for the years are below shown divided according to promoted and non-promoted operations.

	(Unit: Baht)					
	Promoted operations		Non-promoted operations		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Sales						
Domestic sales	291,667,395	142,734,544	125,449,601	123,556,852	417,116,996	266,291,396
Export sales	38,387,409	58,865,178	200,236,339	239,563,320	238,623,748	298,428,498
Total sales	<u>330,054,804</u>	<u>201,599,722</u>	<u>325,685,940</u>	<u>363,120,172</u>	<u>655,740,744</u>	<u>564,719,894</u>

## 20. Corporate income tax

No corporate income tax was payable for the year 2009, since the Company had tax loss brought forward from previous years over its net income for the year.

## 21. Earnings per share

Basic earnings per share is calculated by dividing net income for the year by the weighted average number of ordinary shares in issue during the year.

## 22. Segment information

The Company's operations involve single industrial segment i.e. manufacture and distribution of food and beverage for export and domestic markets. Financial information of the Company for years ended 31 December 2010 and 2009, broken down by geographic segments, are as follows:

(Unit: Million Baht)

	Financial statements in which equity method is applied					
	Export sales		Domestic sales		Total	
	2010	2009	2010	2009	2010	2009
Sales	239	298	417	267	656	565
Segment income	16	41	69	53	85	94
Unallocated income and expenses:						
Other income					11	10
Selling expenses					(14)	(17)
Administrative expenses					(21)	(17)
Management's benefit expenses					(15)	(17)
Share of income from investment in associate					31	37
Finance costs					(10)	(17)
Corporate income tax					(1)	-
Net income for the year					66	73

(Unit: Million Baht)

	Separate financial statements					
	Export sales		Domestic sales		Total	
	2010	2009	2010	2009	2010	2009
Sales	239	298	417	267	656	565
Segment income	16	41	69	53	85	94
Unallocated income and expenses:						
Dividend income from associated					5	-

(Unit: Million Baht)

Separate financial statements					
	Export sales		Domestic sales		Total
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u> <u>2009</u>
Other income					11      10
Selling expenses					(14)      (17)
Administrative expenses					(21)      (17)
Management's benefit expenses					(15)      (17)
Finance costs					(10)      (17)
Corporate income tax					(1)      -
Net income for the year					<u>40</u> <u>36</u>

## 23. Dividend

(Unit: Baht)

Dividend	Approved by	Total dividend	Dividend per share
Final dividends on 2009 income	Annual General Meeting of the Shareholders on 28 April 2010	13,650,000	0.91
<b>Total for 2010</b>		<u>13,650,000</u>	<u>0.91</u>

## 24. Commitments and contingent liabilities

### 24.1 Operating lease commitments

The Company has entered into lease agreement in respect of the lease of office space. The terms of the agreement is 3 years.

As at 31 December 2010, future minimum lease payments required under that operating leases contract was as follows:

	<u>Million Baht</u>
Payable within:	
Less than 1 year	3.2
1 to 2 years	3.2

## 24.2 Guarantees

As at 31 December 2010, there were outstanding bank guarantees of approximately Baht 7.1 million issued by banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business. These included letters of guarantee amounting to Baht 3.8 million to guarantee electricity, and Baht 3.3 million to guarantee to custom.

## 25. Financial instruments

### 25.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, investment, and short-term and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

#### ***Credit risk***

The Company is exposed to credit risk primarily with respect to trade accounts receivable. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company does not have high concentration of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables as stated in the balance sheet.

#### ***Interest rate risk***

The Company's exposure to interest rate risk relates primarily to its cash at banks, bank overdrafts, short-term and long-term borrowings. However, since most of the Company's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 31 December 2010 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date or the repricing date if this occurs before the maturity date.

	Fixed				
	interest rate	Floating	Non-interest		Effective
	within 1 year	interest rate	bearing	Total	interest rate
	(Million Baht)				(% p.a.)
<b>Financial Assets</b>					
Cash and cash equivalent	-	14	-	14	0.50 - 1.25
Current investment	1	-	-	1	1.25
Trade accounts receivable	-	-	37	37	-
	1	14	37	52	
<b>Financial liabilities</b>					
Short-term loans	-	58	-	58	3.04 - 4.35
Trade accounts payable	-	-	20	20	-
Long-term loans	-	102	-	102	2.50 – 4.35
	-	160	20	180	

### Foreign currency risk

The Company's exposure to foreign currency risk arises mainly from trading transactions that are denominated in foreign currencies. The Company seeks to reduce this risk by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.

The balances of financial assets denominated in foreign currency as at 31 December 2010 is summarised below.

<i>Foreign currency</i>	Financial assets (Million)	Average exchange rate as at 31 December 2010 (Baht per 1 foreign currency unit)
<b>US dollar</b>	0.3	30.1513

Foreign exchange contracts outstanding at 31 December 2010 are summarised below.

<b>Foreign currency</b>	<b>Sold amount</b> (Million)	<b>Contractual exchange rate</b> (Baht per 1 foreign currency unit)
<b>US dollar</b>	1.5	29.85 - 31.97

## **25.2 Fair values of financial instruments**

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

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

## **26. Capital management**

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

According to the balance sheet in which equity method is applied as at 31 December 2010, the Company's debt-to-equity ratio was 0.39:1 (2009: 0.59:1) and according to the separate financial statements, the Company's debt-to-equity ratio was 0.44:1 (2009: 0.64:1)

## **27. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 24 February 2011.

Auditor has expressed an unqualified opinion on the financial statements for year 2009 and 2010.

## ■ Report of the Audit Committee

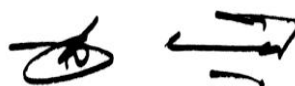
The Audit Committee of Food and Drinks Public Co., Ltd. was appointed by the Board of Directors of the company, and has the term of 2 years. The Audit Committee is comprised of 3 independent directors. They are Mrs. Vilai Kiatsrichart served as Chairman of the Committee; Mr. Sumet Chey-O-Nanand and Miss Chaovana Vivatpanachati served as members of the committee. The Committee has performed its duty and responsibilities according to the requirement set by Stock Exchange of Thailand, and report to the Board of Directors of the company.

The Audit Committee has performed the duty of review the appropriateness of the financial statement reports, review the internal control, and internal audit and other duties appointed by the board of directors. This is according to the requirement of Stock Exchange of Thailand to the audit committee.

In 2010, the Audit Committee has 4 meetings, and considered the following matters:

1. The Audit Committee has reviewed the quarterly and year-end 2010 financial statements to ensure the accuracy, completeness and reliability according to the generally accepted accounting standards, and that sufficient information is disclosed to report to the Board of Directors for approval. In 2010, the Audit committee has hold 1 meeting with the auditor without the presence of the management.
2. The Audit Committee has ensured that the Company hired an outside Internal Auditor to determine the sufficient internal control in the company. In 2010, the standard operating procedure system was evaluated for is sufficiency. The report sent by the internal auditor to the Audit Committee stated that there is sufficient evidence to show that different departments have followed the procedures. However, there are suggestions for improvements. The management will follow up on the matters consequently and ensure that corrections are made on time.
3. Review to ensure that the Company abides by all rules and regulations, and other regulations and laws related to the Company's business
4. Select and propose the Company's auditors and consider their fees. Then, the Audit Committee will present to the Board of Directors to present to the Shareholders for approval.
5. Review the related transactions or any other possible conflicts of interests in compliance with the rules set by Stock Exchange of Thailand to ensure that the Company will receive the utmost benefits.
6. Coordinate understandings among Audit Committee, Management, Internal Audits, and Auditors.
7. Prepare an Audit Committee's Report.
8. Review and consider the results of Internal Audit with the auditors regarding the results, observations, and suggestions.
9. Abide by any other rules and regulations or tasks assigned by the Board of Directors in the scope responsible by the Audit Committee.

In summary, the Audit Committee has considered that the Management of the Company has performed with the intention to comply with the good management system and according to the good governance expected.



Mrs. Vilai Kiatsrichart  
Chairman, Audit Committee

## ■ Report of the Board of Directors' Responsibilities for Financial Statements

The Board of Directors is aware of the duties and responsibilities in performing as the directors of a listed firm in ensuring that the financial reports are accurate, complete and transparent. This is for the benefit of the shareholders and general investors who are entitled to acknowledge the complete and accurate financial information.

The financial statements of Food and Drinks Public Co., Ltd. are in line with the generally accepted accounting standards, using appropriate and consistent accounting policy, disclosing adequate information by external auditor in Notes to financial statement. The correctness and adequacy in financial statements reviewed by external auditors are ensure to protect the Company's assets against fraud, or abnormalities.

The Board of Directors has the opinion that the Company's 2010 annual financial statements ended 31 December 2010, which has been reviewed by external auditor, audit committee, are prepared in line with the generally accepted accounting standards, using appropriate and consistent account policy, disclosing adequate information and complying with the related rules and regulations.

(Phirasilp Subhapholsiri)  
Chairman

(Kasem Deemaitree)  
Managing Director