

**Annual Report**  
**Year Ending 31 December 2011**  
**Food and Drinks Public Company Limited**

## Content

	<b>Page</b>
○ General Information.....	3
○ Summary of Financial Information .....	4
○ Message from the Board of Directors .....	5
○ Business Activities	
History.....	6
Overview of the Business and Joint Venture .....	7
Revenue Structure.....	8
Future Business.....	8
Other Information.....	9
○ Risk Factors .....	11
○ Shareholding structures.....	13
○ Management	
Organization Structure.....	14
Management Structure .....	14
Directors Attendance Records .....	16
Directors Selection Procedure .....	19
Remuneration .....	19
Details of Directors and Management.....	21
Corporate Governance .....	25
Internal Control .....	28
Dividend Payment Policy .....	28
○ Related-Party Transactions .....	29
○ Management Analysis and Explanation.....	31
○ Financial Statement.....	33
○ Audit Committee's Report.....	66
○ Report of the Board of Directors' Responsibilities	
For Financial Statements .....	67

## ■ 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>	15,500,000 ordinary shares Par value = Baht 10.00 Total registered capital is Baht150 million
<b>Paid-up Shares</b>	15,000,000 ordinary shares Par value = Baht 10.00 Baht 150 million Paid-up Capital
<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>Legal Advisor</b>	Legal Advisory Council Co., Ltd. 16 F Olympia Thai Tower 444 Ratchadapisek Road Huay Kwang, Bangkok 10310 Tel : 0-2512-5938-40
<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

## ■ Summary of Financial Information

### Financial Information

Unit: Baht

	2009	2010	2011
Current Assets	161,625,195	147,186,875	200,980,563
Investment accounted for under equity method	104,153,065	129,141,050	139,765,415
Fixed Assets	488,981,547	456,467,948	440,884,253
Other non - current assets	1,060,720	850,520	841,190
Total Assets	755,820,527	733,647,393	782,471,421
Current Liabilities	220,924,323	123,249,038	157,469,006
Long-term Liabilities	60,041,111	83,665,786	87,296,512
Total Liabilities	280,965,434	206,914,824	258,576,679
Registered Capital	162,500,000	162,500,000	150,000,000
Paid-up Capital	150,000,000	150,000,000	150,000,000
Share Premium	99,425,000	99,425,000	99,425,000
Revaluation Surplus	158,901,375	158,901,375	158,901,375
Legal Reserve	13,404,000	15,431,000	15,431,000
Unappropriated Retained Earnings	53,124,718	102,975,194	100,137,367
Total Shareholders' Equity	474,855,093	526,732,569	523,894,742
Net Sales	564,719,894	655,740,744	522,407,034
Other income	8,979,878	8,370,956	6,745,785
FX Gain/(Loss)	1,353,675	2,277,227	387,192
Share of loss from investment accounted for under equity method	36,783,770	30,512,445	19,490,717
Earnings before Income Tax	72,590,225	66,378,748	28,243,621
Income tax	0	851,272	2,381,939
Net Earnings for the Year	72,590,225	65,527,476	25,861,682
Earnings per Share	5.63	4.37	1.72

### Financial Ratio

	2009	2010	2011
Gross Margin	16.7 %	13.0 %	11.1 %
Operating Profit	4.5 %	3.8 %	1.6 %
Net Profit	12.9 %	9.8 %	4.9 %
Debt/Equity Ratio	0.6 times	0.4 times	0.5 times
Dividend/Earnings Ratio	60.0 %	50.0 %	60.0 %*

\* To be approved at the Annual General Shareholders meeting on 27 April 2012.

## ■ Message from the Board of Directors

Dear Shareholders,

The past year is another year that Thailand has received great impact from various factors. Earthquake in Japan in the beginning of 2011, and the economy in both the United States of America and Europe that has not recovered, the fluctuation of currency exchange, and the flood in Thailand. All of these have unavoidable effect to the private sectors. This results in the lower sales for both export and domestic market.

The company's operation in year 2011 resulted in the net profit of Baht 15.2 million, and received shares of profit from investment in the amount of Baht 19.5 million. The total net profit for year 2011 is equal to Baht 25.9 million. This is equal to Baht 1.72 per share. The book value as of 31 December 2011 is equal to Baht 34.93 per share.

As for 2012, it is expected that the world economy will be better, although it might not get back to the normal condition. The company will have to follow the situation very closely. The strategies in marketing, production, and management will be planned carefully in order to keep the company's competitiveness.

The company was able to overcome various 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.

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.

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 was Baht150 million with 15,000,000 shares. This step has strengthened the company's financial position.

In 2011, the company has invested in bean sprouting factory for the purpose of producing its own raw materials for export, and sale in the domestic market. In addition, the company has renovated its fruit and vegetable production line in order to keep the international standard requirement.

On 27 April 2011 at the company's annual shareholders' meeting, the company has the resolution to reduced its unpaid registered capital from Baht 162,500,000 (16,250,000 ordinary shares at Baht 10 per share) to Baht 150,000,000 (15,000,000 ordinary shares at Baht 10 per share) by cancelling the registered ordinary shares that have not been paid up of 1,250,000 shares at Baht 10 per share. The company has registered the capital reduction with the Ministry of Commerce on 11 May 2011.

For over 25 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, aloe vera, nata de coco, bamboo shoot, mango, 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. The company has 35% shares.

In 2008, Hon Chuan FD Packaging Co., Ltd. has the resolution to increase the capital by Baht 20 million by issuing 2 million shares at Baht 10 per share. The company has invested in the additional amount of Baht 7 million in order to maintain the shareholding of 35%.

#### 4) Revenue Structure

	2009		2010		2011	
	million Baht	%	million Baht	%	million Baht	%
Export sales	298	53.0 %	239	36.4%	169	32.3 %
Domestic sales	267	47.0 %	417	63.6 %	354	67.7 %
<b>Total Sales</b>	<u>565</u>	<u>100.0 %</u>	<u>656</u>	<u>100.0%</u>	<u>523</u>	<u>100.0 %</u>
Share of loss from Investment accounted for under equity	37		31		19	

#### 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.

### Corporate Social Responsibilities (CSR)

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.

### 4. Nature

With the nature disasters occurred in 2011 such as earthquake in Japan, or flood in Thailand, many companies do have to consider such risks in their operations.

Company's factory is located in Banbung, Chonburi, and thus was not affected by the flood. However, some of company's suppliers were affected and causing some disruptions to company's operation. Thus, the company is forced to look at some of the measures for future occurrences.

Company has prepared some measures to counteract with such problem in the future. Anyhow, the company has also bought the insurance to cover such nature disasters if it would occur.

## Shareholding Structure

### Company's Shares

As of 31 December 2011, the company has capital registered in the amount of Baht 150 million, and paid up Baht 150 million for total of 15 million shares at Baht 10 per share.

### Major Shareholders

The company's shareholder structure as of 31 December 2011 is as follows:

Description	Number of shares	Value (Baht)	Percentage
Registered capital	15,000,000	150,000,000	-
Paid up capital as of 31 December 2011			
- top 10 major shareholders	12,512,655	125,126,550	83.42
- other shareholders	2,487,345	24,873,450	16.58

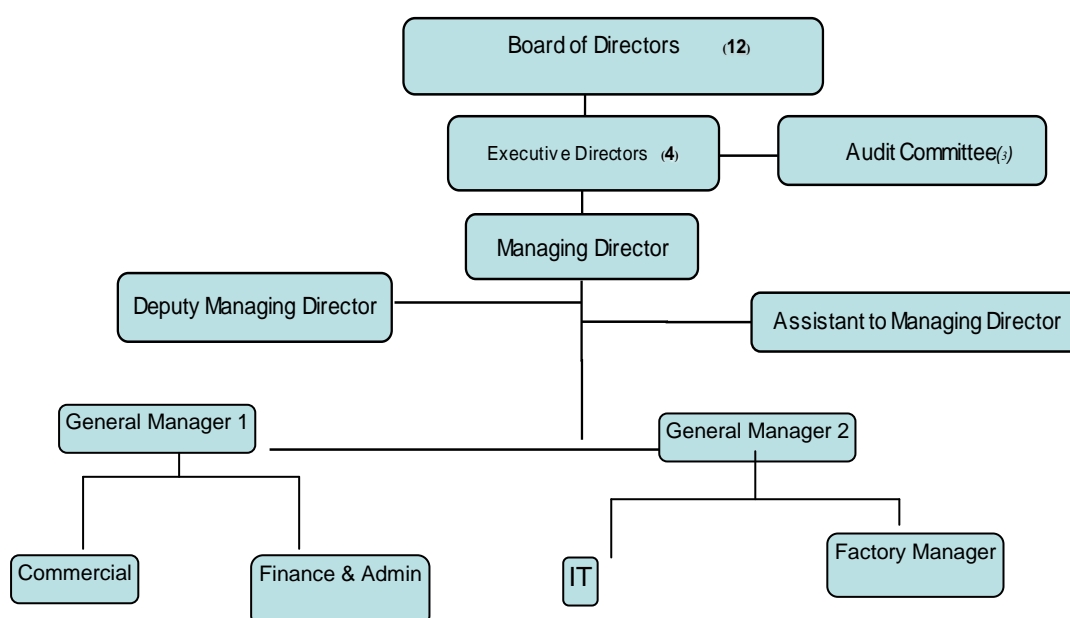
List of Shareholders groups as of December 31, 2011

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	391,625	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>1,529,500</u>	<u>10.19</u>	
5	JW International Worldwide Group Ltd	1,457,600	7.72	Represent by Mr. Wong Chun Num
6	CIMB (Thailand) Securities Co., Ltd.	828,000	5.51	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

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 12 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

\* 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 knowledgeably. 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 2011, the attendance record is as follow:

The attendance records of Directors for year 2011

Name of Director	Directors Meeting (12)	Audit Committee Meeting (3)	Shareholders' Meeting 1/2010 (12)
Mr. Phirasilp Subhapholsiri	6/6		1/1
Mr. Kasem Deemaitree	6/6		1/1
Mrs. Chintana Asdornnithee	6/6		1/1
Mr. Udom Karoonkornsakul	6/6		1/1
Mrs. Vilai Kiatsrichart	5/6	2/4	1/1
Ms. Chaovana Vivatpanachati	4/6	4/4	0/1
Mr. Sumet Chey-O-nanund	6/6	4/4	1/1
Mr. Sansern Nilrat	6/6		1/1
Mr. Aditep Nontratip	6/6		1/1
Mr. Chun Nam Wong	2/6		1/1
Mr. Huai Hsin Lee	6/6		1/1
Miss Huai Hui Lee	6/6		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. Ms. Chaovana Vivatpanachati | Chairman of Audit committee |
| 2. Mrs. Vilai Kiatsrichart,    | 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 2011.

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

1. 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.
2. Mrs. Vilai Kiatsrichart – Master Degree from Ramkhamhaeng University in Political Science, Major in Arts; and High Level of Accounting Certificate from Belmonte College in the U.S.A.
3. Mr. Sumet Chey-O-Nanand –Accounting degree from Thammasart University.

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 2011, there are 6 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 12 directors in 2011 equaled to Baht 1,248,000.

Name of Director	Annual	Meeting*
Mr. Phirasilp Subhapholsiri	40,000	68,000

Mr. Kasem Deemaitree	40,000	68,000
Mrs. Chintana Asdornnithee	40,000	68,000
Miss Huai Hui Lee	40,000	68,000
Mr. Huai Hsin Lee	40,000	68,000
Mr. Udom Karoonkornsakul	40,000	68,000
Mr. Aditep Nontratip	40,000	68,000
Mr. Chun Nam Wong	40,000	32,000
Mr. Sansern Nilrat	40,000	68,000
Mrs. Vilai Kiatsrichart	40,000	68,000
Ms. Chaovana Vivatpanachati	40,000	46,000
Mr. Sumet Chey-O-nanund	40,000	68,000

\* Per attendance to the meeting.

The fix remuneration for three Audit Committee members is Baht 200,000 for 2011.

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

Salary and bonus for 17 executive directors and managers are Baht 18,701,975 for 2011.

#### Other Remuneration

None.

## **Details of Directors and Management**

### **Independent Directors**

Name Position	Age	Education	Shares (%)	Family Relationship With other Directors	Period	Experience Position	Organization
Mr. Phirasilp Subhapholsiri Chairman Independent Director	59	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 Audit Committee	67	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 Chairman Audit Committee	50	Master of Management University of Wollongong Australia Master of Accounting Chulalongkorn University DAP, DCP 58/2003 ACP	-	-	1994 - Present 1994 - Present 2002 - Present	Managing Partner Director Independent Director/ Audit Committee	Pitisevi & Co., Ltd. Moore Stephens DIA Sevi Ltd. Food and Drinks PLC.
Mr. Sumet Chey-O-Nanund Independent Director Audit Committee	69	B. Business Administration Thammasart University DAP 2/2003	-	-	1996 - present 2002 - present	- Audit Committee Independent Director/	Personal business Food and Drinks PLC.

**Executive Directors**

Name Position	Age	Education	Shares (%)	Family Relationship With other Directors	Period	Experience Position	Organization
Mr. Kasem Deemaitree Managing Director Authorized Director	78	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	74	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	49	MBA George Washington University DCP 19/2002	8.55	Daughter of Mr. Kasem Deemaitree; Sister of Mr. Huai Hsin Lee	1987 – present 2006 – present	General Manager/ Director Director	Food and Drinks PLC. Food Processing Industry Club – Federation of Thai Industries
Mr. Huai Hsin Lee Executive Director Authorized Director	45	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.

**Directors**

Name Position	Age	Education	Shares (%)	Family Relationship With other Directors	Period	Experience Position	Organization
Mr. Aditep Nontratip Director Authorized Director	48	Ph.D. Food Science Tokyo University of Fisheries MBA Chulalongkorn University 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	77	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	65	High School Diploma Hong Kong	-	-	1990 – present Present	Director Chairman	Food and Drinks PLC. J. Wong & Co., Ltd.
Mr. Sansern Nilrat Director	58	MBA Kasetsart University DCP 4/2000, 5/2007 ACP 21/2008	-	-	2002 - 2009 2009 - present 2009 – present	Deputy Managing Director Head of Compliance and Legal Director	BT Securities Co., Ltd. CIMB Securities Co., Ltd. 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.	64	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	50	B. Business Administration (Accounting) Ramkhamhaeng University	-	-	2002 – present	Accounting/Finance Mgr	Food and Drinks PLC.
Mr. Prasit Jaturaspansaeng	49	Bachelor of Law Ramkhamhaeng 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 2011, there was only one shareholders' meeting. The meeting was held on 27 April 2011 at company's office in Bangkok. In 2011, 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 6 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 12 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 2011, there were 6 meetings. At the Board of Directors meeting no. 1/2011, the number of meetings in 2011 will be increased to at least 6 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 2011. 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 2011.

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 2011. The terms stated are per agreement of conditions stated in the contract between the companies, and according to the normal business practice.

	(Unit: Million Baht)		
	<u>2011</u>	<u>2010</u>	<u>Pricing Policy</u>
<u>Transactions with associate</u>			
Purchases of packaging and supplies	13	15	Market price
Rental income and other service charges	3	3	Contract price
<u>Transactions with related company</u>			
Sales of goods	23	32	Cost plus margin
Purchases of raw materials	1	1	Market price

As at 31 December 2011 and 2010, the balances of the accounts between the Company and those related parties are as follows:

	(Unit: Thousand Baht)	
	<u>2011</u>	<u>2010</u>
<b><u>Trade and other receivables - related parties (Note 9)</u></b>		
Associate	377	55
Related Company (related by director)	2,708	2,326
Total trade and other receivables - related parties	<u>3,085</u>	<u>2,381</u>
<b><u>Trade and other payables - related parties (Note 14)</u></b>		
Associate	5,335	1,580
Related company (related by director)	320	-

(Unit: Thousand Baht)

	<u>2011</u>	<u>2010</u>
Total trade and other payables - related parties	<u>5,655</u>	<u>1,580</u>

Directors and management's benefit

During the years ended 31 December 2011 and 2010, the Company had employee benefit expenses payable to their directors and management as below.

(Unit: Million Baht)

	<u>2011</u>	<u>2010</u>
Short-term employee benefits	18	16
Post-employment benefits	<u>1</u>	<u>-</u>
Total	<u>19</u>	<u>16</u>

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

The operation for fiscal year ending 31 December 2011 of financial statement, the company has a net profit of Baht 25.8 million, a decrease by Baht 39.7 million from the previous year which financial statement has the net profit of Baht 65.5 million. The points of interest are as follows:

- 1) Sales amount of Baht 522.4 million, a decrease by Baht 133.3 million or 20.3 % from the previous year. The main reason is the economic crisis.
- 2) Gain on Exchange rate-net amount of Baht 0.4 million while the previous year had gain on exchange Baht 2.3 million.
- 3) Share of profit from associated company by equity method was Baht 19.5 million, a decrease by Baht 11.0 million from the previous year.
- 4) Cost of goods sold decreased by Baht 106.0 million, or 18.6 % due to the decreasing of volume of products.
- 5) Selling expenses decreased by Baht 1.9 million according to the decreasing of sales.
- 6) Finance costs decreased Baht 1.9 million from the previous year due to the company had principal repayment.
- 7) Regarding the accounting policies, since 1 January 2011, the company adopted the new financial reporting standards. The accounting standard TAS 19 “Employee Benefits” which is The Company have recognized the employee benefit obligation amounted to Baht 2.0 million.
- 8) The corporate income tax of Baht 2.3 million, an increase by Baht 1.5 million from the previous year.

**Summary of Major Financial Ratios 2009 – 2011**

	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	
<b><u>Liquidity Ratio</u></b>				
Current ratio	0.7	1.2	1.3	times
Quick ratio	0.2	0.4	0.6	times
Cash ratio	0.3	0.5	0.4	times
Accounts Receivable turnover	11.8	17.5	9.8	times
Days sales outstanding	30.5	20.6	36.7	day
Inventory turnover	6.6	9.7	8.7	times
Days inventory outstanding	54.7	37.1	41.7	day
Accounts Payable turnover	9.2	19.5	9.8	times
Days Accounts Payable outstanding	39.3	18.4	36.7	day
<b><u>Profitability Ratio</u></b>				
Gross Margin	16.7	13.0	11.1	%
Operating Profit	4.5	3.8	1.6	%
Profit Margin on Sales	12.9	9.8	4.9	%
Return on Equity -ROE	17.6	13.1	4.9	%
<b><u>Efficiency Ratio</u></b>				
Return on Total Assets -ROA	6.7	7.0	4.1	%
Return on Fixed Assets -ROFA	16.1	17.8	15.4	%
Assets turnover	0.7	0.9	0.7	times
<b><u>Financial Policy Ratio</u></b>				
Debt to Equity	0.6	0.4	0.5	times
Cash / Interest payment	7.1	11.7	7.9	times
Cash / Liabilities payment	1.3	0.9	1.8	times
Dividend payout	60.0	50.0	60.0*	%

\* To be approved at the Annual General Shareholders meeting on 27 April 2012.



## ■ Financial Statement

Food and Drinks Public Co., Ltd.

Report and financial statements

31 December 2011 and 2010



**Ernst & Young Office Limited**  
 33rd Floor, Lake Rajada Office Complex  
 193/136-137 Rajadapisek Road  
 Klongtoey, Bangkok 10110  
 G.P.O.Box 1047, Bangkok 10501, Thailand  
 Tel: +66 2264 0777  
 Fax: +66 2264 0789-90  
 www.ey.com

บริษัท สํานักงาน เอ็นเอฟที ยัง จำกัด  
 ชั้น 33 อาคารโสภา 1  
 193-136-137 ถนนรัชดาภิเษก  
 เขตคลองเตย กรุงเทพฯ 10110  
 ตู้ไปรษณีย์ 1047 กรุงเทพฯ 10501  
 โทรศัพท์ +66 2264 0777  
 โทรสาร +66 2264 0789 90  
 www.ey.com

### Report of Independent Auditor

To the Shareholders of Food and Drinks Public Company Limited

I have audited the accompanying statements of financial position in which the equity method is applied of Food and Drinks Public Company Limited as at 31 December 2011 and 2010, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and have also audited the separate financial statements of Food and Drinks Public Company Limited for the same periods. 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 audits.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Food and Drinks Public Company Limited as at 31 December 2011 and 2010, and the results of its operations, and cash flows for the years then ended in accordance with generally accepted accounting principles.

Without qualifying my opinion on the aforementioned financial statements, I draw attention to Note 3 to the financial statements. During the current year, the Company adopted a number of revised and new accounting standards as issued by the Federation of Accounting Professions, and applied them in the preparation and presentation of its financial statements.

Termphong Opanaphan

Certified Public Accountant (Thailand) No. 4501

Ernst & Young Office Limited

Bangkok: 28 February 2012

Approved on behalf of Ernst & Young (Global) Limited

## Food and Drinks Public Company Limited

## Food and Drinks Public Company Limited

## Statements of financial position

As at 31 December 2011 and 2010

(Unit: Baht)

	Note	Financial statements			
		in which equity method is applied		Separate financial statements	
		2011	2010	2011	2010
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	8	17,361,467	14,116,405	17,361,467	14,116,405
Current investment		1,012,375	1,000,000	1,012,375	1,000,000
Trade and other receivables	9	73,195,307	37,225,225	73,195,307	37,225,225
Inventories	10	102,461,134	88,721,384	102,461,134	88,721,384
Advance payment for import duties		4,515,885	4,284,047	4,515,885	4,284,047
Other current assets		2,434,395	1,839,814	2,434,395	1,839,814
<b>Total current assets</b>		<u>200,980,563</u>	<u>147,186,875</u>	<u>200,980,563</u>	<u>147,186,875</u>
<b>Non-current assets</b>					
Investment in associate	11	139,765,415	129,141,050	68,202,710	68,202,710
Property, plant and equipment	12	440,884,253	456,467,948	440,884,253	456,467,948
Other non-current assets		841,190	851,520	841,190	851,520
<b>Total non-current assets</b>		<u>581,490,858</u>	<u>586,460,518</u>	<u>509,928,153</u>	<u>525,522,178</u>
<b>Total assets</b>		<u><u>782,471,421</u></u>	<u><u>733,647,393</u></u>	<u><u>710,908,716</u></u>	<u><u>672,709,053</u></u>

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

## Food and Drinks Public Company Limited

## Balance sheets (continued)

As at 31 December 2011 and 2010

(Unit: Baht)

	<u>Note</u>	<b>Financial statements</b>		<b>Separate financial statements</b>	
		<b>in which equity method is applied</b>		<b>2011</b>	<b>2010</b>
		<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Bank overdrafts and short-term loans from					
financial institutions	13	25,893,799	58,417,562	25,893,799	58,417,562
Trade and other payables	14	93,115,313	43,751,715	93,115,313	43,751,715
Current portion of liability under					
finance lease agreement	15	469,556	449,287	469,556	449,287
Current portion of long-term loans	16	35,154,588	19,259,052	35,154,588	19,259,052
Income tax payable		1,474,523	735,292	1,474,523	735,292
Other current liabilities		1,361,227	636,130	1,361,227	636,130
<b>Total current liabilities</b>		<b>157,469,006</b>	<b>123,249,038</b>	<b>157,469,006</b>	<b>123,249,038</b>
<b>Non-current liabilities</b>					
Liability under finance lease agreement, net					
of current portion	15	324,747	794,302	324,747	794,302
Long-term loans, net of current portion	16	86,971,765	82,871,484	86,971,765	82,871,484
Provision for long-term employee benefits	17	13,811,161	-	13,811,161	-
<b>Total non-current liabilities</b>		<b>101,107,673</b>	<b>83,665,786</b>	<b>101,107,673</b>	<b>83,665,786</b>
<b>Total liabilities</b>		<b>258,576,679</b>	<b>206,914,824</b>	<b>258,576,679</b>	<b>206,914,824</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 2011 and 2010**

(Unit: Baht)

	Note	Financial statements			
		in which equity method is applied		Separate financial statements	
		2011	2010	2011	2010
<b>Shareholders' equity</b>					
Share capital					
Registered	18				
15,000,000 ordinary shares of Baht 10 each					
(2010: 16,250,000 ordinary shares of Baht 10 each)		<u>150,000,000</u>	<u>162,500,000</u>	<u>150,000,000</u>	<u>162,500,000</u>
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
Retained earnings					
Appropriated-statutory reserve	19	15,431,000	15,431,000	15,431,000	15,431,000
Unappropriated		100,137,367	102,975,194	28,574,662	42,036,854
Other component of shareholders' equity		<u>158,901,375</u>	<u>158,901,375</u>	<u>158,901,375</u>	<u>158,901,375</u>
<b>Total shareholders' equity</b>		<u>523,894,742</u>	<u>526,732,569</u>	<u>452,332,037</u>	<u>465,794,229</u>
<b>Total liabilities and shareholders' equity</b>		<u>782,471,421</u>	<u>733,647,393</u>	<u>710,908,716</u>	<u>672,709,053</u>

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

-----

Directors

## Food and Drinks Public Company Limited

## Income statements

For the years ended 31 December 2011 and 2010

(Unit: Baht)

	Note	Financial statements in which equity method is applied		Separate financial statements	
		2011	2010	2011	2010
<b>Profit or loss:</b>					
<b>Revenues</b>					
Sales		522,407,034	655,740,744	522,407,034	655,740,744
Other income					
Dividend income from associate	11	-	-	8,866,352	5,524,420
Exchange gains		387,192	2,277,227	387,192	2,277,227
Others		6,745,785	8,370,956	6,745,785	8,370,956
<b>Total revenues</b>		<u>529,540,011</u>	<u>666,388,927</u>	<u>538,406,363</u>	<u>671,913,347</u>
<b>Expenses</b>					
Cost of sales		464,390,551	570,405,538	464,390,551	570,405,538
Selling expenses		11,576,778	13,505,058	11,576,778	13,505,058
Administrative expenses		36,519,446	36,447,822	36,519,446	36,447,822
<b>Total expenses</b>		<u>512,486,775</u>	<u>620,358,418</u>	<u>512,486,775</u>	<u>620,358,418</u>
<b>Profit before share of income from investment in associate, finance cost and corporate income tax</b>		17,053,236	46,030,509	25,919,588	51,554,929
Share of income from investment in associate	11	19,490,717	30,512,445	-	-
<b>Profit before finance cost and corporate income tax</b>		36,543,953	76,542,954	25,919,588	51,554,929
Finance cost		(8,300,332)	(10,164,206)	(8,300,332)	(10,164,206)
<b>Profit before corporate income tax</b>		28,243,621	66,378,748	17,619,256	41,390,723
Corporate income tax	21	(2,381,939)	(851,272)	(2,381,939)	(851,272)
<b>Profit for the year</b>		<u>25,861,682</u>	<u>65,527,476</u>	<u>15,237,317</u>	<u>40,539,451</u>
<b>Other comprehensive income:</b>		-	-	-	-
<b>Total comprehensive income for the year</b>		<u>25,861,682</u>	<u>65,527,476</u>	<u>15,237,317</u>	<u>40,539,451</u>
<b>Basic earnings per share</b>	23				
Profit for the year		<u>1.72</u>	<u>4.37</u>	<u>1.02</u>	<u>2.70</u>

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 2011 and 2010

(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 2009</b>	150,000,000	99,425,000	13,404,000	53,124,718	158,901,375	474,855,093
Dividend paid (Note 25)	-	-	-	(13,650,000)	-	(13,650,000)
Total comprehensive income for the year	-	-	-	65,527,476	-	65,527,476
Transferred to retained earnings	-	-	2,027,000	(2,027,000)	-	-
<b>Balance as at 31 December 2010</b>	150,000,000	99,425,000	15,431,000	102,975,194	158,901,375	526,732,569
						-
<b>Balance as at 31 December 2010</b>	150,000,000	99,425,000	15,431,000	102,975,194	158,901,375	526,732,569
Cumulative effect of change in accounting policy for employee benefits (Note 3)	-	-	-	(12,049,509)	-	(12,049,509)
Dividend paid (Note 25)	-	-	-	(16,650,000)	-	(16,650,000)
Total comprehensive income for the year	-	-	-	25,861,682	-	25,861,682
<b>Balance as at 31 December 2011</b>	150,000,000	99,425,000	15,431,000	100,137,367	158,901,375	523,894,742
						-

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 2011 and 2010

(Unit: Baht)

	Separate financial statements					
	Issued and		Revaluation	Retained earnings		Total
	paid-up	Share premium		Appropriated	Unappropriated	
	share capital		surplus on land	- statutory reserve	(deficit)	
<b>Balance as at 31 December 2009</b>	150,000,000	99,425,000	13,404,000	17,174,403	158,901,375	438,904,778
Dividend paid (Note 25)	-	-	-	(13,650,000)	-	(13,650,000)
Total comprehensive income for the year	-	-	-	40,539,451	-	40,539,451
Transferred to retained earnings	-	-	2,027,000	(2,027,000)	-	-
<b>Balance as at 31 December 2010</b>	150,000,000	99,425,000	15,431,000	42,036,854	158,901,375	465,794,229
<b>Balance as at 31 December 2010</b>	150,000,000	99,425,000	15,431,000	42,036,854	158,901,375	465,794,229
Cumulative effect of change in accounting						
policy for employee benefits (Note 3)	-	-	-	(12,049,509)	-	(12,049,509)
Dividend paid (Note 25)	-	-	-	(16,650,000)	-	(16,650,000)
Total comprehensive income for the year	-	-	-	15,237,317	-	15,237,317
<b>Balance as at 31 December 2011</b>	150,000,000	99,425,000	15,431,000	28,574,662	158,901,375	452,332,037

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 2011 and 2010**

(Unit: Baht)

	<b>Financial statements</b>			
	<b>in which equity method is applied</b>		<b>Separate financial statements</b>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities</b>				
Profit before tax	28,243,621	66,378,748	17,619,256	41,390,723
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation	43,051,768	43,455,548	43,051,768	43,455,548
Reducing cost of inventory to net realisable value (reversal)	(3,328,295)	733,144	(3,328,295)	733,144
Written-off obsolete stocks	4,398,810	797,535	4,398,810	797,535
Gain on sales of equipment	(192,170)	(415,137)	(192,170)	(415,137)
Share of income from investment in associate	(19,490,717)	(30,512,445)	-	-
Dividend income from associate	-	-	(8,866,352)	(5,524,420)
Provision for long-term employee benefits	2,011,108	-	2,011,108	-
Unrealised exchange losses (gains)	411,363	(72,838)	411,363	(72,838)
Interest income	(105,185)	(52,099)	(105,185)	(52,099)
Interest expenses	<u>7,561,148</u>	<u>8,182,223</u>	<u>7,561,148</u>	<u>8,182,223</u>
Profit from operating activities before changes in operating assets and liabilities	62,561,451	88,494,679	62,561,451	88,494,679
Operating assets (increase) decrease				
Trade and other receivables	(35,650,791)	980,591	(35,650,791)	980,591
Inventories	(14,810,265)	10,083,608	(14,810,265)	10,083,608
Other current assets	(1,032,953)	2,305,626	(1,032,953)	2,305,626
Other non-current assets	(221,508)	1,452,663	(221,508)	1,452,663
Operating liabilities increase (decrease)				
Trade and other payables	49,335,453	(8,623,509)	49,335,453	(8,623,509)
Other current liabilities	(428,516)	1,102,985	(428,516)	1,102,985
Provision for long-term employee benefits	<u>(249,456)</u>	<u>-</u>	<u>(249,456)</u>	<u>-</u>
Cash from operating activities	59,503,415	95,796,643	59,503,415	95,796,643
Cash paid for interest expenses	(7,498,848)	(8,219,818)	(7,498,848)	(8,219,818)
Cash receive from withholding tax refundable	438,372	-	438,372	-
Cash paid for corporate income tax	<u>(1,642,708)</u>	<u>(115,981)</u>	<u>(1,642,708)</u>	<u>(115,981)</u>
<b>Net cash from operating activities</b>	<u>50,800,231</u>	<u>87,460,844</u>	<u>50,800,231</u>	<u>87,460,844</u>

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 2011 and 2010**

(Unit: Baht)

	<b>Financial statements</b>		<b>Separate financial statements</b>	
	<b>in which equity method is applied</b>			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Cash flows from investing activities</b>				
Decrease in restricted bank deposits	-	6,901,330	-	6,901,330
Increase in current investment	-	(1,000,000)	-	(1,000,000)
Dividend income from associate	8,866,352	5,524,420	8,866,352	5,524,420
Acquisition of plant and equipment	(26,782,373)	(9,448,122)	(26,782,373)	(9,448,122)
Cash paid for account payable from purchase of plant and equipment	(104,829)	(888,442)	(104,829)	(888,442)
Proceeds from sales of equipment	193,552	415,140	193,552	415,140
Interest income	92,810	52,099	92,810	52,099
<b>Net cash from (used in) investing activities</b>	<u>(17,734,488)</u>	<u>1,556,425</u>	<u>(17,734,488)</u>	<u>1,556,425</u>
<b>Cash flows from financing activities</b>				
Decrease in bank overdrafts and short-term loans from financial institutions	(32,671,740)	(88,692,438)	(32,671,740)	(88,692,438)
Repayment of liabilities under finance lease agreement	(495,229)	(145,411)	(495,229)	(145,411)
Cash receipt from long-term loans	41,134,575	43,319,425	41,134,575	43,319,425
Repayment of long-term loans	(21,138,758)	(22,300,000)	(21,138,758)	(22,300,000)
Dividends paid	(16,649,529)	(13,650,000)	(16,649,529)	(13,650,000)
<b>Net cash used in financing activities</b>	<u>(29,820,681)</u>	<u>(81,468,424)</u>	<u>(29,820,681)</u>	<u>(81,468,424)</u>
<b>Net increase in cash and cash equivalents</b>	3,245,062	7,548,845	3,245,062	7,548,845
Cash and cash equivalents at beginning of year	<u>14,116,405</u>	<u>6,567,560</u>	<u>14,116,405</u>	<u>6,567,560</u>
<b>Cash and cash equivalents at end of year</b>	<u>17,361,467</u>	<u>14,116,405</u>	<u>17,361,467</u>	<u>14,116,405</u>
	-	-	-	-
<b>Supplemental cash flows information:</b>				
Non-cash items				
Acquisition of plant and equipment for which no cash had been	687,082	104,829	687,082	104,829
Acquisition of equipment under finance lease agreement	-	1,389,000	-	1,389,000

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 2011 and 2010****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 Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

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

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

- 2.2 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 year**

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

Accounting standards:

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

Financial reporting standards:

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

Financial Reporting Standard Interpretations:

TFRIC 15	Agreements for the Construction of Real Estate
----------	--

Accounting Standard Interpretations:

SIC 31	Revenue-Barter Transactions Involving Advertising Services
--------	--

These accounting standards do not have any significant impact on the financial statements, except for the following accounting standards.

**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. The Company previously accounted for such employee benefits when they were incurred.

The Company has changed this accounting policy in the current year and recognise the liability in the transition period through an adjustment to the beginning balance of retained earnings in the current year. The change has the effect of decreasing the profit of the Company for the year 2011 by Baht 2 million, (Baht 0.13 per share). The cumulative effect of the changes in the accounting policy of Baht 12 million has been separately presented in the statements of changes in shareholders' equity.

#### **4. New accounting standards issued during the years not yet effective**

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

Accounting standards:

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

Accounting Standard Interpretations:

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

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

##### **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 recognize 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.

## **5. Significant accounting policies**

### **5.1 Revenue recognition**

#### *Sales of goods*

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

#### *Interest income*

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

#### *Dividends*

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

### **5.2 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.

### **5.3 Trade accounts receivable**

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

### **5.4 Inventories**

Finished goods 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.

### **5.5 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.

## 5.6 Property, plant and equipment/Depreciation

Land and land awaiting for development 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 land awaiting for development 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 end of reporting period.

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

- When the carrying amounts of land and land awaiting for development are increased as a result of a revaluation of the Company's land and land awaiting for development, the increase is credited directly to the other comprehensive income and the cumulative increase is recognised equity under the heading of "Revaluation surplus on land". However, a revaluation increase is recognised as income to the extent that it reverses a revaluation decrease in respect of the same asset previously recognised as an expense.
- When the carrying amounts of land and land awaiting for development are decreased as a result of a revaluation of the Company's land and land awaiting for development, the decrease is recognised in profit or loss. However, the revaluation decrease is charged to the other comprehensive income to the extent that it does not exceed an amount already held in "Revaluation surplus on land" in respect of the same asset.

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, land awaiting for development and assets under installation and under construction.

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

## **5.7 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 company and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors, and officers with authority in the planning and direction of the Company's operations.

## **5.8 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 profit or loss 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 profit or loss on a straight line basis over the lease term.

## **5.9 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 end of reporting period.

Gains and losses on exchange are included in determining income.



## 5.10 Impairment of assets

At the end of each reporting period, the Company performs impairment reviews in respect of the property, plant and equipment 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 profit and loss. However in cases where land and land awaiting for development 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.

## 5.11 Employee benefits

### ***Short-term employee benefits***

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

### ***Post-employment benefits***

#### ***Defined benefit plans***

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

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

Actuarial gains and losses arising from post-employment benefits are recognised immediately in profit or loss.

For the first-time adoption of TAS 19 Employee Benefits, the Company elected to recognise the transitional liability through an adjustment to the beginning balance of retained earnings in the current year.

## 5.12 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.

## 5.13 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.

## 6. Significant accounting judgments and estimates

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

### Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use 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.

### Reduce cost of inventory to net realisable value

In determining a reduce cost of inventory to net realisable value, 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/Depreciation

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

The Company measures land and land awaiting for development 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 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.

## Post-employment benefits under defined benefit plans

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

## 7. 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>2011</u>	<u>2010</u>	<u>Pricing Policy</u>
<u>Transactions with associate</u>			
Purchases of packaging and supplies	13	15	Market price
Rental income and other service charges	3	3	Contract price
<u>Transactions with related company</u>			
Sales of goods	23	32	Cost plus margin
Purchases of raw materials	1	1	Market price

As at 31 December 2011 and 2010, the balances of the accounts between the Company and those related parties are as follows:

	(Unit: Thousand Baht)	
	<u>2011</u>	<u>2010</u>
<b><u>Trade and other receivables - related parties (Note 9)</u></b>		
Associate	377	55
Related Company (related by director)	2,708	2,326
Total trade and other receivables - related parties	<u>3,085</u>	<u>2,381</u>

**Trade and other payables - related parties (Note 14)**

Associate	5,335	1,580
Related company (related by director)	320	-
Total trade and other payables - related parties	<u>5,655</u>	<u>1,580</u>

**Directors and management's benefit**

During the years ended 31 December 2011 and 2010, the Company had employee benefit expenses payable to their directors and management as below.

	(Unit: Million Baht)	
	<u>2011</u>	<u>2010</u>
Short-term employee benefits	18	16
Post-employment benefits	1	-
Total	<u>19</u>	<u>16</u>

**8. Cash and cash equivalents**

	(Unit: Thousand Baht)	
	<u>2011</u>	<u>2010</u>
Cash	40	40
Bank deposits	17,321	14,076
Total	<u>17,361</u>	<u>14,116</u>

As at 31 December 2011, bank deposits in saving accounts carried interests between 0.50 and 2.35% per annum (2010: between 0.50 and 1.25% per annum).

## 9. Trade and other receivables

	(Unit: Thousand Baht)	
	<u>2011</u>	<u>2010</u>
<u>Trade receivables - related parties</u>		
Aged on the basis of due dates		
Not yet due	1,633	2,326
Past due		
Up to 3 months	1,059	-
3 - 6 months	16	-
Total trade receivables - related parties	<u>2,708</u>	<u>2,326</u>
<u>Trade receivables - unrelated parties</u>		
Aged on the basis of due dates		
Not yet due	58,803	30,166
Past due		
Up to 3 months	6,497	3,759
3 - 6 months	730	476
6 - 12 months	1,101	-
Over 12 months	65	-
Total trade receivables - unrelated parties	<u>67,196</u>	<u>34,401</u>
Total trade receivable	<u>69,904</u>	<u>36,727</u>
<u>Other receivables</u>		
Advances	359	437
Other receivable - related party	377	55
Other receivable - unrelated parties	2,555	6
Total other receivables	<u>3,291</u>	<u>498</u>
Total trade and other receivables	<u>73,195</u>	<u>37,225</u>

## 10. Inventories

	(Unit: Thousand Baht)					
	Cost		Reduce cost to net realisable value		Inventories - net	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Finished goods	54,907	51,804	(13,323)	(16,652)	41,584	35,152
Raw materials	28,031	24,782	-	-	28,031	24,782
Packaging and supplies	32,846	27,767	-	-	32,846	27,767
Goods in transit	-	1,020	-	-	-	1,020

Total	<u>115,784</u>	<u>105,373</u>	<u>(13,323)</u>	<u>(16,652)</u>	<u>102,461</u>	<u>88,721</u>
-------	----------------	----------------	-----------------	-----------------	----------------	---------------

## 11. Investment in associate

### 11.1 Details of associate:

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Shareholding percentage		Cost		Carrying amounts based on equity method	
			2011	2010	2011	2010	2011	2010
			(%)	(%)				
Hon Chuan FD Packaging Company Limited	manufacture of plastic bottles and label	Thailand	35	35	<u>68,203</u>	<u>68,203</u>	<u>139,765</u>	<u>129,141</u>
Total					<u>68,203</u>	<u>68,203</u>	<u>139,765</u>	<u>129,141</u>

### 11.2 Share of income and dividend received

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

(Unit: Thousand Baht)

Company's name	Financial statement in which equity method is applied		Separate financial statements	
	Share of profit from investment in associate during the year		Dividend received during the year	
	2011	2010	2011	2010
Hon Chuan FD Packaging Company Limited	<u>19,491</u>	<u>30,512</u>	<u>8,866</u>	<u>5,524</u>
Total	<u>19,491</u>	<u>30,512</u>	<u>8,866</u>	<u>5,524</u>

### 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		Profit	
	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
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Hon Chuan FD Packaging Company Limited	195	195	532	450	133	82	579	589	57	87

## 12. Property, plant and equipment

(Unit: Thousand Baht)

	Revaluation basis		Cost basis						
	Land	Land awaiting for development	Buildings	Building improvement	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction	Total
<b>Cost / Revalued amount:</b>									
1 January 2010	60,000	118,000	169,481	181,349	439,496	22,961	21,732	2,918	1,015,937
Additions	-	-	-	120	3,758	1,691	-	5,373	10,942
Disposals	-	-	-	-	-	-	(2,076)	-	(2,076)
Transfers in (out)	-	-	-	409	5,343	-	-	(5,752)	-
31 December 2010	60,000	118,000	169,481	181,878	448,597	24,652	19,656	2,539	1,024,803
Additions	-	-	-	-	4,748	57	-	22,665	27,470
Disposals	-	-	-	-	(1,381)	(330)	(58)	-	(1,769)
Transfers in (out)	-	-	-	3,120	19,229	-	-	(22,349)	-
31 December 2011	60,000	118,000	169,481	184,998	471,193	24,379	19,598	2,855	1,050,504
<b>Accumulated depreciation:</b>									
1 January 2010	-	-	77,608	99,963	308,709	22,144	18,533	-	526,957
Depreciation for the year	-	-	8,417	12,228	21,122	529	1,159	-	43,455
Depreciation on disposals	-	-	-	-	-	-	(2,077)	-	(2,077)
31 December 2010	-	-	86,025	112,191	329,831	22,673	17,615	-	568,335
Depreciation for the year	-	-	8,121	11,524	21,760	771	876	-	43,052
Depreciation on disposals	-	-	-	-	(1,379)	(330)	(58)	-	(1,767)
31 December 2011	-	-	94,146	123,715	350,212	23,114	18,433	-	609,620
<b>Net book value:</b>									
31 December 2010	60,000	118,000	83,456	69,688	118,766	1,978	2,041	2,539	456,468
31 December 2011	60,000	118,000	75,335	61,283	120,981	1,265	1,165	2,855	440,884
<b>Depreciation for the year</b>									
2010 (Baht 42 million included in manufacturing cost, and the balance in administrative expenses)									43,455
2011 (Baht 42 million included in manufacturing cost, and the balance in administrative expenses)									43,052

During the current year, the Company reclassified “Unutilised property” to “Investment property” following the adoption of revised and new accounting standards as described in Note 3 to the financial statements. Subsequently, on 30 September 2011, the Board of Directors’ meeting passed a resolution approving use of land for rubber plantation, with a value of investment of approximately Baht 28 million. The Company is currently drafting an agreement with the management of such project. As a result, the Company reclassified its land from “Investment property” to “Land awaiting for development”, which is presented in Property, plant and equipment.

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

Had the land and land awaiting for development been carried in the financial statements based on historical cost, their total net book values as of 31 December 2011 would have been approximately Baht 19 million (2010: Baht 19 million).

As at 31 December 2011, certain plant and equipment items have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation) of those assets amounted to approximately Baht 330 million (2010: Baht 313 million).

The Company has pledged part of its land with constructions, its land awaiting for development and some of its machinery, with book values as at 31 December 2011 amounting to approximately Baht 281 million (2010: Baht 301 million) as collateral against short-term and long term credit facilities received from financial institutions.

### 13. Bank overdrafts and short-term loans from financial institutions

(Unit: Thousand Baht)

	Interest rate (percent per annum)	<u>2011</u>	<u>2010</u>
Bank overdrafts	MOR	2,094	-
Promissory notes	4.00 - 5.75	20,000	45,000
Trust Receipts	3.40 - 4.26	3,800	508
Packing credit	3.04 - 4.00	-	12,910
Total		<u>25,894</u>	<u>58,418</u>

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

### 14. Trade and other payables

(Unit: Thousand Baht)

	<u>2011</u>	<u>2010</u>
Trade payables - related parties	5,655	1,580
Trade payables - unrelated parties	68,879	18,627
Accrued expenses	8,266	8,981
Other payables	3,506	2,826
Advance received	<u>6,809</u>	<u>11,738</u>



Total trade and other payables	93,115	43,752
--------------------------------	--------	--------

## 15. Liability under finance lease agreement

(Unit: Thousand Baht)

	2011	2010
Liability under finance lease agreement	825	1,321
Less: Deferred interest expenses	(31)	(77)
Total	794	1,244
Less: Portion due within one year	(469)	(449)
Liability under finance lease agreement - net of current portion	325	795

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 2011, future minimum lease payments required under the finance lease agreement was as follows:

(Unit: Thousand Baht)

	Less than 1 year	1-3 years	Total
Future minimum lease payments	495	330	825
Deferred interest expenses	(26)	(5)	(31)
Present value of future minimum lease payments	469	325	794

## 16. Long-term loans

(Unit: Thousand Baht)

Loan	Interest rate	Repayment	2011	2010
1	BKIBOR plus a certain percentage	Payable on a semi-annual basis, starting from March 2006.	-	1,111
2	BIBOR plus a certain percentage	Payable on a quarterly basis. Starting from December 2011.	65,882	40,000
3	MLR minus a certain percentage	Payable on a monthly basis, starting from March 2010.	42,940	57,700
4	MLR minus a certain percentage	Payable on a monthly basis. Starting from March 2011	3,950	3,319
5	MLR minus a certain percentage	Payable on a monthly basis, starting from January 2012	8,000	-

6	MLR minus a certain percentage	Payable on a monthly basis. Starting from January 2012	1,354	-
Total			122,126	102,130
Less: Current portion			(35,155)	(19,259)
Long-term loans, net of current portion			86,971	82,871

Long-term loans are secured by mortgage of part of land with constructions, land awaiting for development 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.

As at 31 December 2011, the long-term credit facilities of the Company which has not yet been drawn down amounted to Baht 12 million.

#### 17. Provision for long-term employee benefits

Provision for long-term employee benefits as at 31 December 2011, which is compensations on employees' retirement, was as follows:

(Unit: Thousand Baht)

Cumulative effect of change in accounting policy for employee benefits adjusted against beginning balance of retained earnings (Note 3)	12,050
Current service cost	1,576
Interest cost	435
Benefits paid during the year	(250)
Balance at end of year	13,811

Long-term employee benefit expenses included in the profit or loss for the year ended 31 December 2011 amounted to Baht 2 million.

Principal actuarial assumptions at the valuation date were as follows:

Discount rate	3.6% per annum
Future salary increase rate (depending on age of employee)	3.4 - 6.0% per annum
Staff turnover rate	3.0 - 83.0% per annum

#### 18. Share capital

On 27 April 2011, the Annual General Meeting of the Company's shareholders for the year 2011 passed a resolution approving a decrease in the Company's registered share capital from Baht 162,500,000 (16,250,000 ordinary shares with a par value of Baht 10 each) to Baht 150,000,000 (15,000,000 ordinary shares with a par value of Baht 10 each) by cancelling the 1,250,000 ordinary shares with a par value of Baht 10 each that have been registered but not yet issued. The Company registered the decrease in its registered capital with the Ministry of Commerce on 11 May 2011.

## 19. Statutory reserve

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

## 20. Expenses by nature

Significant expenses by nature are as follow:

	(Unit: Thousand Baht)	
	<u>2011</u>	<u>2010</u>
Salary and wages and other employee benefits	89,729	105,492
Depreciation	43,052	43,455
Rental expenses from operating lease agreements	4,970	5,270
Raw materials and consumables used	285,672	343,368
Changes in inventories of finished goods	(3,103)	13,895

## 21 Corporate income tax

Corporate income tax of the Company has been calculated on net income of the non-promoted activities after adding back certain expenses and deducting income which disallowable for tax computation purposes.

## 22. 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).

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

(Unit: Thousand Baht)

	Promoted operations		Non-promoted operations		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Sales						
Domestic sales	196,939	291,667	156,870	125,450	353,809	417,117
Export sales	30,437	38,388	138,161	200,236	168,598	238,624
Total sales	<u>227,376</u>	<u>330,055</u>	<u>295,031</u>	<u>325,686</u>	<u>522,407</u>	<u>655,741</u>

### 23. Basic earnings per share

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

### 24. 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 2011 and 2010, broken down by geographic segments, are as follows:

(Unit: Million Baht)

	Financial statements in which equity method is applied					
	Export sales		Domestic sales		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Sales	169	239	354	417	523	656
Segment income	2	16	56	69	58	85
Unallocated income and expenses:						
Other income					7	11
Selling expenses					(12)	(14)
Administrative expenses					(37)	(36)
Share of income from investment						
in associate					20	31
Finance cost					(8)	(10)
Corporate income tax					(2)	(1)
Profit for the year					<u>26</u>	<u>66</u>

(Unit: Million Baht)

	Separate financial statements					
	Export sales		Domestic sales		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Sales	169	239	354	417	523	656
Segment income	2	16	56	69	58	85
Unallocated income and expenses:						
Dividend income from associate					9	5
Other income					7	11
Selling expenses					(12)	(14)
Administrative expenses					(37)	(36)
Finance cost					(8)	(10)
Corporate income tax					(2)	(1)
Profit for the year					15	40

## 25. Dividends

(Unit: Baht)

Dividends	Approved by	Total dividends	Dividend per share
Final dividends for 2009	Annual General Meeting of the Shareholders on 28 April 2010	13,650,000	0.91
<b>Total for 2010</b>		<b>13,650,000</b>	<b>0.91</b>
Final dividends for 2010	Annual General Meeting of the Shareholders on 27 April 2011	16,650,000	1.11
<b>Total for 2011</b>		<b>16,650,000</b>	<b>1.11</b>

## 26. Revaluation surplus on land

The balance arising from revaluations of land and land awaiting for development.

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

## 27. Commitments and contingent liabilities

### 27.1 Capital commitments

As at 31 December 2011, the Company had capital commitments of Baht 1 million, relating to the factory building improvement.

## 27.2 Operating lease commitments

The Company has entered into several service agreements and lease agreement in respect of the lease of office space. The terms of the agreement are generally between 1 and 3 years.

As at 31 December 2011, future minimum lease payments required under these operating leases contract was payable within 1 year amounting to Baht 4 million.

## 27.3 Guarantees

As at 31 December 2011, there were outstanding bank guarantees of Baht 7 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 4 million to guarantee electricity, and Baht 2 million to guarantee to custom and Baht 1 million to other guarantees.

## 28. Financial instruments

### 28.1 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 and other receivables, 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 and other receivables. 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 statement of financial position.

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

(Unit: Million Baht)

	Fixed interest rates within 1 year	Floating interest rate	Non-interest bearing	Total	Effective interest rate (% per annum)
<b>Financial Assets</b>					
Cash and cash equivalent	-	16	1	17	Note 8
Current investment	1	-	-	1	2.75
Trade and other receivables	-	-	73	73	-
	<u>1</u>	<u>16</u>	<u>74</u>	<u>91</u>	
<b>Financial liabilities</b>					
Bank overdrafts and short-term loans					
from financial institutions	24	2	-	26	Note 13
Trade and other payables	-	-	93	93	-
Liability under finance lease agreement	1	-	-	1	4.42
Long-term loans	-	122	-	122	Note 16
	<u>25</u>	<u>124</u>	<u>93</u>	<u>242</u>	

### 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 2011 is summarized below.

<i>Foreign currency</i>	Financial assets	Average exchange rate as at 31 December 2011
	(Million)	(Baht per 1 foreign currency unit)
US dollar	1	31.69

Foreign exchange contracts outstanding at 31 December 2011 are summarized below.

<i>Foreign currency</i>	Sold amount	Contractual exchange rate
	(Million)	(Baht per 1 foreign currency unit)
US dollar	1	30.05 - 31.80

## 28.2 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 statements of financial position.

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

## 29. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximize shareholder value. As at 31 December 2011, according to the capital position in which equity method is applied, the Company's debt-to-equity ratio was 0.49:1 (2010: 0.39:1) and according to the separate financial statements, the Company's debt-to-equity ratio was 0.57:1 (2010: 0.44:1).



**30 Reclassification**

To comply with the Notification of the Department of Business Development relating to the financial statement presentation as described in Note 2 to the financial statements and as the result of the adoption of revised and new accounting standards as described in Note 3 to the financial statements, certain amounts in the financial statements for the year ended 31 December 2010 have been reclassified to conform to the current year's classification, without any effect to the previously reported profit or shareholder's equity.

**31. Approval of financial statements**

These financial statements were authorized for issue by the Company's Board of Directors on 28 February 2012.

**■ Audit Fees**

1. Audit Fee  
Audit fee of the company for the financial statements ending 31 December 2011 is equal to Baht 1,110,000.-
2. Non Audit Fee  
- None -

## ■ 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 2011, the Audit Committee has 4 meetings, and considered the following matters:

1. The Audit Committee has reviewed the quarterly and year-end 2011 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 2011, 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 2011, the inventory management 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.



Ms. Chaovana Vivatpanachati  
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 2011 annual financial statements ended 31 December 2011, 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