

Annual Report 2010



S. KHONKAEN FOODS PUBLIC COMPANY LIMITED

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Message from the Chairman

To Shareholders

In the midst of a global economic slowdown and the domestic problems caused by the political crisis and natural disasters, especially floods which occurred in several regions of Thailand in the preceding 2010, S. Khonkaen Foods Public Company Limited had successfully overcome the problems and obstacles in its business operations with the 2010 result showing strong growth.

As a Chairman of the Board of Directors, I summarized an overview of Thai economy and reported the results of operating performance of the Company in the past year and would like to inform the shareholders about an operation trend of the company in 2011.

Conditions of Thai Economy in 2010

In 2010 Thai economy grew approximately 7.5 percent compared to the growth rate of 2.2 percent for 2009, indicating a significant economic recovery. Major factors that contributed to the Thai economic growth of 2010 were the expansion in private consumption and foreign investment. However, the inflation rate also increased from negative 0.8 percent to 3 percent, which was still within the framework of inflation target set by the Bank of Thailand. Nevertheless to prevent future inflationary effect, the Bank of Thailand had increased the reference interest rate from 1.25 percent to 2 percent and finally to 2.5 percent.

The Operation of S. Khonkaen Foods Public Company Limited

In the preceding 2010 the operations of S. Khonkaen Foods Public Company Limited had demonstrated the continuous growth of the company, as evidenced by the company acquiring a new line of business, i.e. frozen foods production, in accordance with the new trend of food consumption behavior, which emphasizes on fresh food and minimal food preparation. In addition the Company started opening of its quick-service restaurants in residential areas with the emphasis on convenience and direct contact to its consumers. Moreover the Company aspires to lay the foundation of future franchise business.

The operating performance of the Company is in the Message from the Chief Executive Officer, which is included in this 2010 annual report.

Finally on behalf of the Board of Directors, I thank all shareholders and all customers of the company, who always provide patronage to the company as well as appreciation and gratitude to the management and staffs, who had been very dedicated, resulting in the steady progress of the company.

(Mr. Somchai Sakulsurarat)
Chairman of the Board of Directors

Message from the Chief Executive Officer

To Shareholders

In the preceding 2010, uncertainties of the internal politics, together with the dwindling global purchasing power, as resulted from natural disasters and rapidly rising oil prices, were the key factors affecting the growth of economy significantly.

Despite of the adverse circumstances mentioned above, the operating performance of the company in the preceding year had shown a record growth of 37 percent, compared to the 2009 growth of 14 percent. Its newly added business line, frozen food products, accounted for 10.1 percent of the total sales. The year 2010 was considered a milestone for our company as it was the year in which the Company has achieved its mission of **“Upstream-to-Downstream Integration”** or, in other words, it has completed its jigsaws from **“Farming to Food-Servicing Businesses”**.

Finally each successful step will be impossible without dedicated support from all of the staffs at every level. Therefore, I would like to take this opportunity to sincerely express my appreciation and gratitude to all involved.

(Mr. Charoen Rujirasopon)
Chief Executive Officer

General Information

Location of the Head Office:	No. 259/13, Soi Pridi Banomyong 13, Sukhumvit 71 Road (Pridi Banomyong), Prakanong Nua Sub-District, Watthana District, Bangkok 10110
Type of Business:	Production and distribution of processed food made from pork
Registration Number:	0107537001811
Telephone Number:	(02) 391-1010
Facsimile:	(02) 391-1792
Website:	http://www.sorkon.co.th
E-mail:	president@sorkon.co.th
Registered Capital:	THB 80,850,000 divided into ordinary shares of 8,085,000 shares
Total Paid – Up Shares:	8,085,000 shares
Par Value:	THB 10.00 per share
Number of Subsidiaries:	3 companies
Abbreviation in the Stock Exchange of Thailand:	SORKON

Summary of the Financial Information of the Company

Balance Sheet	As At					
	31 December 2010		31 December 2009		31 December 2008	
	THB in Million	Percent	THB in Million	Percent	THB in Million	Percent
Current Assets	408.52	38	338.40	34	415.53	44
Non – Current Assets	657.83	62	661.59	66	518.95	56
Total Assets	1,066.35	100	999.99	100	934.48	100
Current Liabilities	711.32	67	680.41	68	657.73	70
Non – Current Liabilities	53.42	5	69.22	7	58.75	7
Total Liabilities	764.74	72	749.63	75	716.48	77
Shareholders' Equity	301.61	28	250.36	25	218.00	23

Statement of Income	Year Ended					
	2010		2009		2008	
	THB in Million	Percent	THB in Million	Percent	THB in Million	Percent
Revenue from Sales	1,504.87	98	1,199.15	99	1,125.94	97
Other	23.95	2	14.22	1	31.18	3
Total Revenue	1,528.82	100	1,213.37	100	1,157.12	100
Operating Income	94.68	6	93.77	8	59.27	5
Earnings before Financial Cost and Corporate Income Tax	94.68	6	77.45	6	58.74	5
Operating Profit after Tax	51.44	3	37.41	3	9.44	1
Minority Interest	1.68	0	0.53	0	(0.04)	0
Net Profit	49.76	3	36.88	3	9.48	1
Earnings per Share	8.07		6.14		1.57	

Statement of Cash Flow	Year Ended		
	2010	2009	2008
	THB in Million	THB in Million	THB in Million
Net Cash Flows from Operating Activities	66.85	132.86	62.25
Net Cash Flows from Investing Activities	(16.12)	(76.35)	(32.76)
Net Cash Flows from Financing Activities	(46.73)	(57.22)	(30.94)
Net Increase in Cash and Cash Equivalents	4.00	(0.71)	(1.45)
Cash and Cash Equivalents at Beginning of the Period	2.18	2.90	4.34
Cash and Cash Equivalents at Ending of the Period	6.18	2.19	2.89

Financial Ratios	Year Ended		
	2010	2009	2008
Liquidity Ratios			
Current Ratio (Times)	0.6	0.5	0.6
Quick Ratio (Times)	0.4	0.4	0.5
Cash Flow Ratio (Times)	0.1	0.2	0.1
Account Receivable Turnover (Times)	6.3	5.6	6.3
Average Collection Period (Days)	58	65	58
Inventory Turnover (Times)	8.4	9.1	10.3
Average Day's Sales in Inventory (Days)	43	40	35
Account Payable Turnover (Times)	8.9	7.3	9.6
Average Payment Period (Days)	41	50	38
Cash Cycle (Days)	60	55	55
Profitability Ratio			
Gross Profit Margin (%)	24.3%	28.5%	28.5%
Operating Profit Margin (%)	4.8%	8.1%	2.5%
Net Profit Margin (%)	3.4%	3.1%	0.8%
Return on Equity (%)	18.6%	16.0%	4.3%
Efficiency Ratio			
Return on Fixed Assets (%)	31.3%	28.3%	19.7%
Total Assets Turnover (Times)	1.5	1.2	1.2
Financial Policy Ratio			
Debt to Equity Ratio (Times)	2.5	3.0	3.3
Interest Coverage Ratio (Times)	3.8	4.3	1.7
Fixed Charges Coverage Ratio (Times)	1.0	1.1	0.7
Dividend Payout Ratio (%)	57%	30%	35%

Nature of Businesses of the Company

The business operation of the group of companies is a manufacturer and distributor of processed foods made from pork, processed seafood, snack foods, ready-to-eat frozen foods, farming, which includes breeding and distributing of swines, and quick-service restaurants. The products of the group of companies are mainly distributed domestically with continuously rising exported segment.

Business Structure of the Group of Companies

Businesses Company	Processed Foods Made from Pork	Processed Seafood	Snack Foods	Ready-to-Eat Frozen Foods	Quick-Service Restaurants	Swine Farming
SORKON	Production and Distribution	Distribution	Production and Distribution	Production and Distribution	Distribution	
MFP		Production				
SKKF		Distribution				
SPS						Production and Distribution

SORKON: S. Khon Kaen Foods Public Company Limited

MFP: Mahachai Food Processing Company Limited

SKKF: S.K.K. Food Company Limited

SPS: S.Pasusat Company Limited

Processed Foods Made from Pork

Processed foods made from pork is one of the major businesses of the Company and is the first business unit since its incorporation. Processed foods made from pork is produced from two manufacturing facilities of SORKON, which are Bangplee Plant and Nakornpathom Plant. SORKON and SKKF are the distributors for domestic sales, including modern-trade outlets and all fresh-food markets. SORKON is also responsible for overseas markets; the products are distributed through importers in foreign countries, including China, Hong Kong and Macau.

Processed foods made from pork consist of dried shredded pork, sliced sheets of dried and crispy pork, pork sausages, Northeastern-type sausages, white pork sausages, pork ball, and others. Processed foods made from pork comes are manufactured under its customers' brands (OEM) and under its own brands; 10% of its total production is manufactured for OEM. The company's brands for its processed foods made from pork include "S. Khonkaen" "Moo-dee" "Moo Hoar" "Huay Kaew" and "Bann Pai".

Processed Seafood

Processed seafood is another major business of the Company, manufactured by MFP plant and distributed by SORKON and SKKF. SORKON is responsible for modern-trade channels and overseas markets while SKKF is responsible for fresh-food markets. Its major overseas markets include the United States, Europe, Japan and Korea. Currently export markets account for 15 percent of total sales. The remaining 85% of domestic sales comes from distribution through modern-trade channels for 35% and through fresh-food markets for 50%.

Processed seafood consists of fish ball of various grades, shrimp ball and squid ball. Presently, the Company is the largest manufacturer of fish ball in the country with the market share of 80 percent. In addition the Company has a plan to launch new products in this business line by investing in machinery in late 2010 and expects that the Company is able to manufacture new products within 2011. Processed seafood of the company is manufactured under its own brands and under its customers' brands (OEM); 95% of the total production is manufactured under the company's own brands. The company's brand is "Chiu Chow".

Seafood sauces and chilli pastes are manufactured under processed seafood business line as its main raw materials are shrimp and fish. These condiments are manufactured under its own brand of "Thai Derm". These condiments are distributed through modern-trade channels. For 2010, sales of seafood sauces and chilli pastes was approximately THB 25.68 million, an 8.03 percent growth from 2009.

Snack Foods

Snack foods are manufactured at the Bangplee Plant of SORKON. SORKON contracts Diethelm Company Limited to be its distributing agent. Snack foods consist of bacon, sliced sheets of dried and crispy pork, sliced sheets of dried and crispy fish, sliced sheets of dried and crispy shrimp under its own brand of "Entree". Presently domestic sales account for more than 90 percent of the total sales.

Ready-to-Eat Frozen Foods

Ready-to-eat frozen foods is manufactured by Mahachai Plant of SORKON, which had been purchased from Narai Inter Food Company Limited. Presently all products are manufactured under the customers' brands (OEM) and 70 percent of the total production are exported. Major overseas markets are Hong Kong, England, Germany, other European countries, and the United States.

Quick-Service Restaurants

The Company invests in two quick-service restaurants in 2010 namely "Zaap Express", which is an outlet for selling its ready-to-eat frozen foods. The Company expects the restaurant

to be an important distribution channel for its products in the future when the company expands more branches of the restaurant comprehensively through franchise system.

Farming and Distributing of Swine

The Company has a swine farm at Korat, using imported sows for breeding. The company sells both breeding swine and full-grown swine. Breeding swine are sold to swine farmers while fully-grown swine to slaughterhouses. Swine farming business has been added to the company's business lines in order to support its main business which uses pork as the major raw material.

Risk Factors

Financial Risks

The Company is exposed to financial risks through changing interest rates and volatility of exchange rates. Adverse changes in interest rates will affect both profitability and cash flow of the Company due to the fact that loan is an important source of fund for the Company. The Company has been mitigating its financial risks by efficiently managing its cash flow from operation in consistence with its planned use of funds. In addition, the Company has been attempting to maintain appropriate capital structure that is consistent with its cash flow from operation.

For the exchange rate risk exposure, the Company has not been actively hedging its positions due to the facts that its export value is still relatively low.

Labor Shortage

As the Company is in labor-intensive industry, labor and its expertise are the key ingredient in the production. It is always in the Company's interests that it offers its workers competitive incentives, welfares, and benefits. In addition, the Company also focuses on continuous training and learning for its workers in order to be able to constantly improve its production processes. Moreover, the Company plans to implement a more automated production processes in order to reduce its labour dependency; it plans to import a set of machinery in 2011 in order to replace the use of labour in some production process. When the machine is completely installed, the company will be able to reduce the number of its plant workers by approximately 30 percent.

Volatility in Cost of Production

Major costs of production come from its raw materials and wages. Major changes in its raw material costs came from fuel prices and animal feeds. High fuel prices continued to threaten its swine farming business as the price of crops, used for animal feeds, had continued to rise from rising demand for ethanol use. In addition, high fuel prices also caused rising transportation costs and thus pork prices. Other factors affecting the fluctuation of pork prices consist of pork consumption, production of swine farms, drought conditions, and animal flu. Furthermore, increasing minimum wage and competitive incentives given to workers to prevent labor shortage also contribute to rising costs of production. If the Company is unable to increase the selling prices of its products to be consistent with the increasing costs, its profitability will be compromised.

During the period of volatile costs, the company emphasizes increased operating efficiency in order to reduce its operating costs, improved inventory management, and long-term strategic planning in improved production processes through the implementation of fully-automated production lines.

Swine Flu

Swine flu directly affects farming revenues, prices of pork, and consumer confidence in food safety.

The company has its own department of research and development for its swine farming business, which studies, experiments, and implements improved farm management, sanitation systems, and quality control systems. This operation dedicates mainly to reduce flu and other diseases in its farm and ensure the safety of the products for its consumers. In addition, the location of the farm has provided an advantage in protecting airborne diseases to the farm; the surrounding mountains act as natural forts that prevent epidemics from other farms.

The Risk From Having the Major Shareholders Control the Resolutions of the Meeting of Shareholders and Having Control in Management of the Company

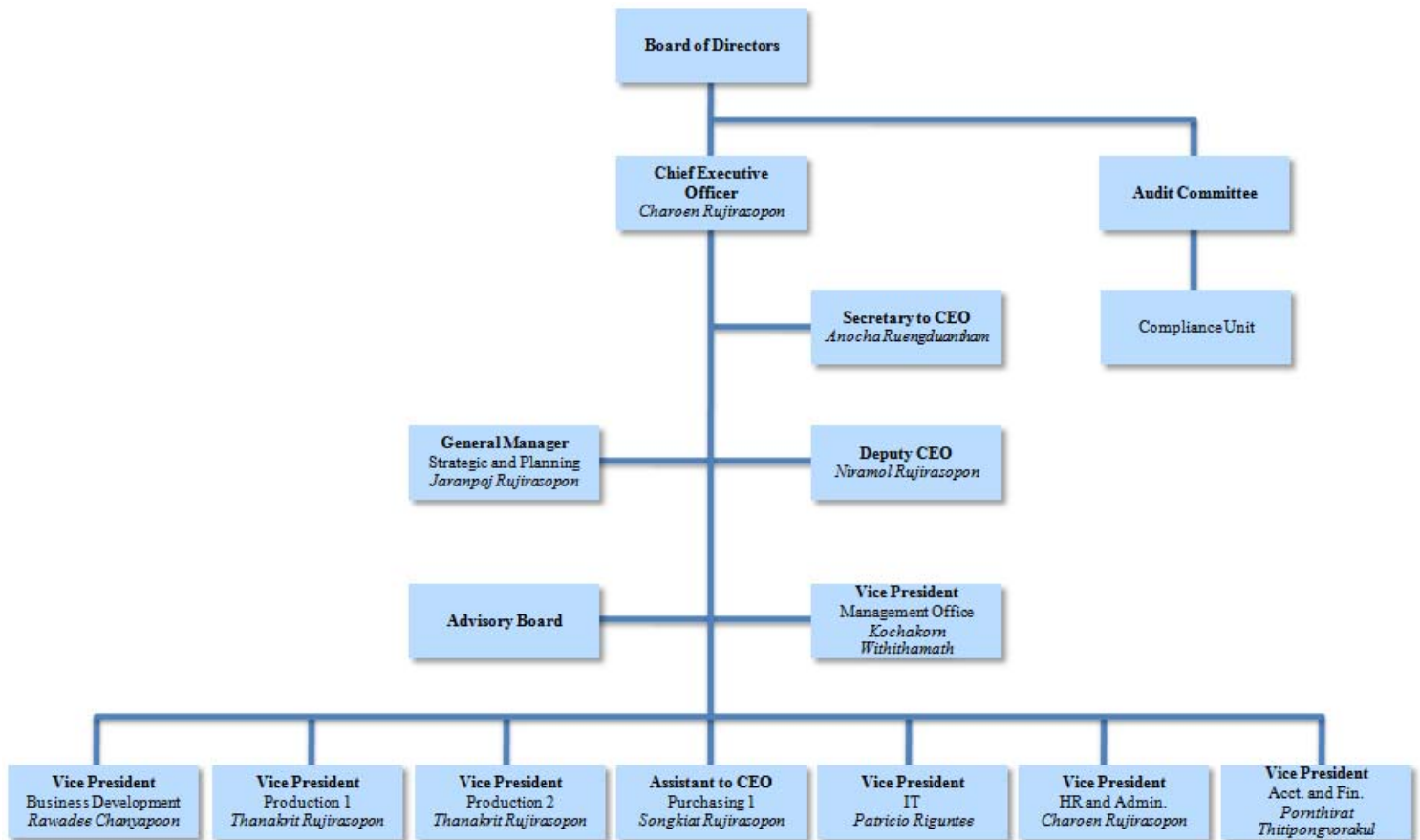
Rujirasopon Family holds 44.74 percent of the total common shares so the Family has substantial control on the management of the Company, including the appointment of its Board representatives as well as its ability to gather majority votes on important issues. However, under rules and regulations, the Rujirasopon Family is not eligible to vote for the agenda that relates to the Family as a stakeholder. In order to with good corporate governance, the company has appointed outsiders to the positions of independent directors and audit committee members, which perform supervisory role for the business transparency.

Shareholding Structure and Management

Shareholding Structure

Name	Number of Shares	Shareholding
1. Rujirasopon Family	3,617,212	44.74
Mr. Chareon Rujirasopon	2,317,500	28.66
Mr. Songkiat Rujirasopon	565,950	7.00
Mrs. Niramol Rujirasopon	446,292	5.52
Mr. Jaraspon Rujirasopon	162,058	2.00
Mr. Jaranpoj Rujirasopon	125,412	1.55
2. The Subsidiaries	1,873,860	23.18
S.K.K. Food Company Limited	1,438,860	17.80
Mahachai Food Processing Company Limited	435,000	5.38
3. Group of Pop Trade Company Limited	1,134,947	14.04
Metro Agro-Industry Company Limited	1,064,325	13.16
Pop Trade Company Limited	70,622	0.87
4. Thai Food Industry Company Limited	356,599	4.41
5. Sirichayaporn Family	262,000	3.24
Mr. Thiaratheap Sirichayaporn	137,000	1.69
Mrs. Thongthip Sirichayaporn	125,000	1.55
6. Mr. Amphol Deelertwong	50,000	0.62
7. Mr. Sopon Kluaymai Na Ayudhya	40,425	0.50
8. Admiral Banawit Kengrian	40,425	0.50
9. Mrs. Yuwadee Suprunghaweepon	40,425	0.50
10. General Chanchit Pianlert	30,640	0.38
Total	7,446,533	92.10

Organization Chart



Related Transactions

During 2010, the Company and its subsidiaries had the related transactions with directors and major shareholder as follows:

Person Who may have Conflicts of Interest	Relationship	Type of Major Related Transaction	Volume of Transaction in 2010
1. Mr. Chareon Rujirasopon	Major Shareholder and Management	A subsidiaries rent for a land No. 44, Moo 2, Phaya Yen Sub-District, Pak Chong District, Nakhon Ratchasima Province, approximately 368 rai and 72 square wah.	THB 103,680
2. Mr. Prasarn Marukpitak	Independent Director	Provide training services to the staffs of the Company Re: “Create Synergy for S. Khonkaen” and “Services Beyond Expectation”	THB 15,000

The Necessity and Reasonableness of the Transaction

Related transactions of the Company and its subsidiaries were performed under normal business operations and to support normal businesses of the Company. These transactions were committed under a general commercial terms that could have been attained if the company had entered into such transactions with outsiders.

Measures for Related Transactions

In doing related transaction of normal business either with outsiders or with person who may have conflicts of interest, the Company has the same guidance of approval by concerning the benefits of the Company as majority. For other related transactions, the Company agrees to have the transaction must be reviewed by the Audit Committee to ensure that there is no conflict of interest, the Audit Committee shall hire an independent appraiser or financial advisor for the valuation of such transactions in comparison purpose then to present to the Board of Directors for further consideration in approval.

Discussion and Analysis of Financial Status and Operating Performance

Overview of the Past Performance

The year 2010 is the year in which the business of the Company experienced a high growth rate of sales of 26 percent from THB 1,199 million in 2009 to THB 1,505 million, the highest growth rate for the past 7 years. This was also the year in which its ready-to-eat frozen food business had a full year production and generated THB 152 million in revenues, a significant increase from THB 12 million in 2009. Such increase in sales of this business line accounted for 46 percent of total additional sales of 2010. Processed seafood business in 2010 had grown 10 percent in revenues or an increase of THB 56 million. The year 2010 was also the year in which the Company entered food servicing businesses through an introduction of its quick-service restaurants; the service business generated the total income for the year of THB 3 million.

However 2010 was also the year in which the Company faced the problems of rising production costs caused by increasing raw material prices, wages and oil prices. Pork and swine's parts, the major raw materials, had greatly experienced increase in prices as a result of an increase in pork consumption together with high costs of swine farming. Consequently, the profitability decreased from the previous year by 4 percent. In addition, global oil prices had greatly increased last year, resulting in rising costs of other raw materials, e.g. costs of packaging. The gross profits for 2010 was THB 366 million or 24 percent of sales, compared to THB 342 million in 2009 or 29 percent of sales.

Selling and administrative expenses for 2010 were THB 294 million or 24.5 percent of sales, compared to selling and administrative expenses in 2009 of THB 245 million or 20.4 percent of sales. Selling expenses in 2010 accounted for 8 percent of sales, which was at the same level as the previous year, while the administrative expenses increased by 17 percent from those of 2009.

Operating Performance of Each Business

Revenue structure of each business line:

		2010		2009		2008	
		THB in Million	Proportion	THB in Million	Proportion	THB in Million	Proportion
Processed Food from Pork							
	Local	624.4	40.8%	570.5	47.0%	567.3	49.0%
	Export	21.6	1.4%	23.2	1.9%	14.4	1.2%
Processed Seafood							
	Local	392.3	25.7%	337.7	27.8%	320.4	27.7%
	Export	75.5	4.9%	68.5	5.6%	63.2	5.5%
Processed Snack Made from Pork							
	Local	86.7	5.7%	68.3	5.6%	70.3	6.1%
	Export	6.1	0.4%	4.5	0.4%	6.9	0.6%
Ready-to-Eat Frozen Food							
	Local	63.7	4.2%	6.2	0.5%	-	-
	Export	88.1	5.8%	5.7	0.5%	-	-
Restaurants		3.0	0.2%	0.2	0.0%	-	-
Revenue from Sales of Breeding Swine and Finishing Swine		143.5	9.4%	114.3	9.4%	83.3	7.2%
Total Revenue from Sales		1,504.9	98.4%	1,199.1	98.8%	1,125.9	97.3%

Processed Food from Pork Business

Revenue from sales in 2010 had grown 8.81 percent from THB 594 million in 2009 to THB 646 million in 2010 as a result of increasing demand in the domestic market. Gross profit margin in 2010 was 35.6 percent or 3.3 percent decrease from that of 2009.

Processed Seafood Business

Revenue from sales in 2010 had grown 15.20 percent from THB 406 million in 2009 to THB 468 million in 2010 as a result of increasing demand in both local and international markets. Local sales grew 16.20 percent while international sales grew 10.20 percent. Gross profit margin in 2010 was 18.7 percent, which was at the same level as that of 2009.

Processed Snack Made form Pork Business

Revenue from sales in 2010 had grown 27.50 percent from THB 73 million in 2009 to THB 93 million in 2010 from an increasing demand in the domestic market. Gross profit margin in 2010 was 21.3 percent or one percent increase from that of 2009.

Ready-to-Eat Frozen Food Business

Revenue from sales in 2010 increased from THB 12 million in 2009 to THB 152 million in 2010 as 2010 was the year that the business unit had its first full-year operation after the asset acquisition in the second half of 2009. Gross profit margin in 2010 was 6.3 percent. The increase in packaging costs was a major factor that dampened profitability.

Restaurant Business

Revenue from sales in 2010 had grown 1,400 percent from THB 0.2 million in 2009 to THB 3.0 million in 2010. Gross profit margin in 2010 was 49.3 percent or 33.6 percent increase from 2009.

Sales of Breeding Swine and Fully-Grown Swine

Revenue from sales in 2010 had grown 25.55 percent from THB 114 million in 2009 to THB 144 million in 2010. Gross profit margin in 2010 was 12.6 percent or 3.3 percent decrease from 2009 as a result of higher costs of raw materials, volatile prices, and inhospitable climate change.

The Analysis of Financial Position

Assets and Liquidity

As of 31 December 2010, total assets of the Company was THB 1,066 million, consisting of current assets of THB 409 million, property, plant and equipment of THB 307 million and other non-current assets of THB 351 million.

The Company had a cash and cash equivalent of THB 6 million compared to THB 2 million of 2009. Cash flow from operating activities was THB 67 million, decreasing from THB 133 million in 2009, as a result of increasing needs for working capital. The Company made an additional investment of THB 34 million in 2010 for the acquisition of machinery used for the expansion of its processed seafood business unit and for the initial investment in restaurant business. Cash flow used in financing activities in 2010 consisted of repayment of its interest-bearing liabilities for THB 8 million and dividend payment of THB 8 million.

The current ratio in accordance with the consolidated financial statement as of 31 December 2010 was 0.6 times, compared to that of 31 December 2009 of 0.5 times. The cash cycle was 60 days, an increase from the previous year of 55 days.

Sources of Funds

In 2010, short-term loan increased to THB 46 million as it was used for the repayment of a current portion of long-term loan. Loan from financial institution as at 31 December 2010 was THB 582 million consisting of short-term loan of THB 501 million, long-term loan of THB 65 million and liabilities under finance lease and hire-purchase of THB 16 million. The proportion of short-term loan to the total interest bearing debt increases by 8 percent from the structure of interest bearing debt as at 31 December 2009. Net debt to equity ratio as at 31 December 2010 was 1.9 times compares to 2.3 times as at 31 December 2009.

As at 31 December 2010, the shareholders' equity was THB 302 million or 21 percent increase from the previous year.

S. Khon Kaen Foods Public Company Limited and its
subsidiaries

(Formerly known as “S. Khon Kaen Food Industry Public
Company Limited”)

Report and consolidated financial statements

31 December 2010 and 2009

Report of Independent Auditor

To the Shareholders of S. Khon Kaen Foods Public Company Limited
(Formerly known as "S. Khon Kaen Food Industry Public Company Limited")

I have audited the accompanying consolidated balance sheets of S. Khon Kaen Foods Public Company Limited and its subsidiaries as at 31 December 2010 and 2009, the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, and the separate financial statements of S. Khon Kaen Foods Public Company Limited for the same periods. These financial statements are the responsibility of the management of the Company and its subsidiaries 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 S. Khon Kaen Foods Public Company Limited and its subsidiaries and of S. Khon Kaen Foods Public Company Limited as at 31 December 2010 and 2009, and the results of their operations, and cash flows for the years then ended in accordance with generally accepted accounting principles.

Sophon Permsirivallop
Certified Public Accountant (Thailand) No. 3182

Ernst & Young Office Limited
Bangkok: 28 February 2011

S. Khon Kaen Foods Public Company Limited and its subsidiaries

(Formerly known as “S. Khon Kaen Food Industry Public Company Limited”)

Balance sheets

As at 31 December 2010 and 2009

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2010	2009	2010	2009
Assets					
Current assets					
Cash and cash equivalents	7	6,186,079	2,183,778	1,167,760	524,871
Trade accounts receivable					
Related parties	6	-	-	3,605,456	3,297,504
Unrelated parties		240,052,693	214,493,669	230,479,233	206,880,339
Less: allowance for doubtful accounts		(500,329)	(1,051,000)	(500,329)	(1,051,000)
Trade accounts receivable - net	8	239,552,364	213,442,669	233,584,360	209,126,843
Short-term loans, interest receivable and					
advances to related parties	6	3,624,709	4,198,260	1,057,331	35,819
Inventories - net	9	135,595,966	94,551,053	84,731,798	57,264,085
Other current assets					
Other accounts receivable - related parties	6	-	6,534,721	-	6,534,721
Other accounts receivable - unrelated parties		13,286,016	7,574,624	11,315,474	5,363,772
Others - net		10,273,960	9,916,995	7,096,754	6,216,011
Total current assets		408,519,094	338,402,100	338,953,477	285,066,122
Non-current assets					
Restricted bank deposits	10	2,267,642	2,266,411	-	-
Investments in subsidiaries	11	-	-	223,077,559	223,077,559
Investments in associates - net	12	-	2,740,121	-	6,544,155
Other long-term investments - net	13	-	-	-	-
Breeding stocks - net	14	10,034,738	15,748,484	-	-
Property, plant and equipment - net	15	306,922,870	302,197,037	215,652,988	213,528,717
Other non-current assets					
Land awaiting for development - net	16	332,979,701	332,979,701	61,060,000	61,060,000
Others		5,623,418	5,660,399	5,534,458	5,648,399
Total non-current assets		657,828,369	661,592,153	505,325,005	509,858,830
Total assets		1,066,347,463	999,994,253	844,278,482	794,924,952

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

S. Khon Kaen Foods Public Company Limited and its subsidiaries

(Formerly known as “S. Khon Kaen Food Industry Public Company Limited”)

Balance sheets (continued)

As at 31 December 2010 and 2009

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2010	2009	2010	2009
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans from financial institutions	17	501,083,526	455,973,445	343,062,431	274,419,829
Trade accounts payable					
Related parties	6	-	-	13,325,747	12,534,371
Unrelated parties		128,522,681	117,395,316	93,162,604	80,727,783
Total trade accounts payable		128,522,681	117,395,316	106,488,351	93,262,154
Current portion of hire purchase creditors	18	3,962,950	2,677,654	2,661,554	1,689,808
Current portion of financial lease payables	18	2,210,079	3,802,051	1,951,915	3,423,663
Current portion of long-term loans	19	21,735,044	50,148,473	21,735,044	45,749,342
Other current liabilities					
Corporate income tax payable		6,982,238	4,619,841	814,106	3,205,198
Value added tax payable		5,866,302	5,881,804	3,921,095	4,201,902
Accrued expenses		36,529,664	34,948,251	31,395,118	29,704,685
Others		4,427,206	4,959,209	3,227,580	3,002,966
Total current liabilities		711,319,690	680,406,044	515,257,194	458,659,547
Non-current liabilities					
Hire purchase creditors - net of current portion	18	8,485,978	4,467,028	5,975,976	1,876,390
Financial lease payables - net of current portion	18	2,173,897	4,383,973	1,634,991	3,586,906
Long-term loans - net of current portion	19	42,765,000	60,368,099	42,765,000	59,673,915
Total non-current liabilities		53,424,875	69,219,100	50,375,967	65,137,211
Total liabilities		764,744,565	749,625,144	565,633,161	523,796,758

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

S. Khon Kaen Foods Public Company Limited and its subsidiaries

(Formerly known as “S. Khon Kaen Food Industry Public Company Limited”)

Balance sheets (continued)

As at 31 December 2010 and 2009

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2010	2009	2010	2009
Shareholders' equity					
Share capital					
Registered					
8,085,000 ordinary shares of Baht 10 each		80,850,000	80,850,000	80,850,000	80,850,000
Issued and fully paid					
8,085,000 ordinary shares of Baht 10 each		80,850,000	80,850,000	80,850,000	80,850,000
Share premium		50,281,000	50,281,000	50,281,000	50,281,000
Unrealised gain					
Revaluation surplus on land		75,918,420	75,918,420	75,918,420	75,918,420
Revaluation surplus on land of subsidiaries		10,904,024	10,904,024	-	-
The Company's shares held by its subsidiaries		(25,526,950)	(33,124,747)	-	-
Retained earnings					
Appropriated - statutory reserve	20	8,085,000	8,085,000	8,085,000	8,085,000
Unappropriated		93,971,161	51,983,272	63,510,901	55,993,774
Equity attributable to the Company's shareholders		294,482,655	244,896,969	278,645,321	271,128,194
Minority interest - equity attributable to minority shareholders					
of subsidiaries		7,120,243	5,472,140	-	-
Total shareholders' equity		301,602,898	250,369,109	278,645,321	271,128,194
Total liabilities and shareholders' equity		1,066,347,463	999,994,253	844,278,482	794,924,952
		0	0	0	0

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

Director

Director

S. Khon Kaen Foods Public Company Limited and its subsidiaries
(Formerly known as “S. Khon Kaen Food Industry Public Company Limited”)

Income statements

For the years ended 31 December 2010 and 2009

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	<u>Note</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues					
Sales		1,504,872,050	1,199,148,475	1,144,344,115	893,012,263
Other income					
Interest income		696,554	904,379	506,741	673,089
Dividend income		-	-	4,436,407	-
Gain on sales of investments	11	6,134,747	-	-	-
Others		17,112,054	13,312,794	8,989,089	2,608,489
Total revenues		1,528,815,405	1,213,365,648	1,158,276,352	896,293,841
Expenses					
Cost of sales		1,138,631,530	857,191,020	871,061,771	654,254,908
Selling expenses		120,757,995	97,724,595	105,654,623	84,338,809
Administrative expenses		122,160,336	95,923,790	93,295,076	73,436,794
Management benefit expenses		50,344,940	50,757,627	39,227,133	35,142,773
Other expenses					
Loss on sales of investments		-	11,052,995	3,806,280	3,446,997
Loss on exchange rate		2,247,288	354,290	2,247,288	354,290
Loss on impairment of other long-term investments		-	2,600,000	-	-
Loss on impairment of land awaiting for development		-	4,000,000	-	-
Total expenses		1,434,142,089	1,119,604,317	1,115,292,171	850,974,571
Income before share of income (loss) from investments in associates, finance cost and corporate income tax					
Share of income (loss) from investments in associates	12.2	7,060	(16,324,214)	-	-
Income before finance cost and corporate income tax		94,680,376	77,437,117	42,984,181	45,319,270
Finance cost		(31,203,655)	(32,642,884)	(21,845,082)	(20,420,918)
Income before corporate income tax		63,476,721	44,794,233	21,139,099	24,898,352
Corporate income tax		(12,043,965)	(7,397,337)	(3,515,722)	(5,006,201)
Net income for the year		51,432,756	37,396,896	17,623,377	19,892,151
Net income attributable to:					
Equity holders of the parent		49,753,064	36,870,171	17,623,377	19,892,151
Minority interests of the subsidiaries		1,679,692	526,725		
		<u>51,432,756</u>	<u>37,396,896</u>		
Basic earnings per share					
Net income attributable to equity holders of the parent	23	8.07	6.14	2.18	2.46
Weighted average number of ordinary shares (shares)		<u>6,163,772</u>	<u>6,002,322</u>	<u>8,085,000</u>	<u>8,085,000</u>

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

S. Khon Kaen Foods Public Company Limited and its subsidiaries
(Formerly known as “S. Khon Kaen Food Industry Public Company Limited”)

Cash flow statements

For the years ended 31 December 2010 and 2009

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Cash flows from operating activities				
Net income before tax	63,476,721	44,794,233	21,139,099	24,898,352
Adjustments to reconcile net income before tax to net cash provided by (paid from) operating activities:				
Reversal of allowance for doubtful accounts	(550,671)	(262,624)	(550,671)	(58,672)
Allowance for doubtful accounts of other receivables (reversal)	757,365	(359,086)	-	-
Depreciation - breeding stocks	6,672,328	5,557,363	-	-
Gain on sales of sows and boars	(890,794)	(1,026,693)	-	-
Depreciation - plant and equipment	37,258,130	36,387,367	25,565,891	26,898,001
Donation of equipment	-	7,449	-	43
Written-off of equipment	-	406,580	-	403,197
Gain on disposal of equipment	(1,122,740)	(735,924)	(887,807)	(684,581)
Share of (income) loss from investments in associates	(7,060)	16,324,214	-	-
Loss on sales of investments in associates	9,306	11,052,995	3,806,280	3,446,997
Gain on sales of other long-term investment	(6,144,052)	-	-	-
Loss on impairment of other long-term investment	-	2,600,000	-	-
Loss on impairment of land awaiting for development	-	4,000,000	-	-
Allowance of diminution in value of inventory (reversal)	(233,724)	1,168,143	523,641	-
Unrealised exchange loss	49,770	28,352	49,770	28,352
Dividend income	-	-	(4,436,407)	-
Interest income	(696,554)	(904,379)	(506,741)	(673,089)
Interest expenses	31,203,655	32,642,884	21,845,082	20,420,918
Income from operating activities before changes in operating assets and liabilities	129,781,680	151,680,874	66,548,137	74,679,518
Operating assets (increase) decrease				
Trade accounts receivable - related parties	-	-	(307,949)	(49,039)
Trade accounts receivable - unrelated parties	(25,608,794)	(35,042,071)	(23,648,667)	(35,798,493)
Inventories	(40,811,189)	(21,665,893)	(27,991,354)	(10,424,106)
Other accounts receivable	823,329	1,158,158	583,019	566,414
Other current assets	(356,965)	(1,499,150)	(880,743)	(720,433)

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

S. Khon Kaen Foods Public Company Limited and its subsidiaries
(Formerly known as “S. Khon Kaen Food Industry Public Company Limited”)

Cash flow statements (continued)

For the years ended 31 December 2010 and 2009

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Operating liabilities increase (decrease)				
Trade accounts payable - related parties	-	-	791,376	(202,149)
Trade accounts payable - unrelated parties	11,127,365	33,581,086	12,434,821	30,992,600
Value added tax payable	(15,502)	1,196,931	(280,807)	1,140,429
Accrued expenses	1,612,489	7,795,438	1,721,509	8,206,537
Other current liabilities	(532,003)	2,749,103	224,614	1,498,302
Cash flows from operating activities	76,020,410	139,954,476	29,193,956	69,889,580
Cash received from interest income	512,740	699,068	506,741	673,089
Cash paid for corporate income tax	(9,681,568)	(7,796,626)	(5,906,814)	(4,520,577)
Net cash flows from operating activities	66,851,582	132,856,918	23,793,883	66,042,092
Cash flows from investing activities				
Increase in restricted bank deposits	(1,231)	(1,103,036)	-	-
(Increase) decrease in short-term loans				
and advances to related parties	-	-	(1,021,512)	120,119
Cash paid for other long-term investment	-	(507,600)	-	-
Cash received from sales other long-term investment	13,741,849	-	-	-
Cash received from sales investment in associates	2,737,875	262,176	2,737,875	30,000
Dividend received	-	-	4,436,407	-
Cash paid for purchases of sows and boars	(3,286,592)	(4,330,987)	-	-
Cash received from sales of sows and boars	3,218,804	2,493,843	-	-
Cash paid for purchase of equipment	(33,918,349)	(74,099,136)	(21,105,659)	(64,805,438)
Cash received from sales of equipment	1,354,369	1,772,570	1,183,895	876,953
Cash paid for land awaiting for development	-	(1,080,700)	-	-
Decrease in other non-current assets	36,981	239,407	113,941	151,407
Net cash flows used in investing activities	(16,116,294)	(76,353,463)	(13,655,053)	(63,626,959)

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

S. Khon Kaen Foods Public Company Limited and its subsidiaries

(Formerly known as “S. Khon Kaen Food Industry Public Company Limited”)

Cash flow statements (continued)

For the years ended 31 December 2010 and 2009

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Cash flows from financing activities				
Increase (decrease) in bank overdrafts and short-term loans from				
financial institutions	45,110,081	(15,247,300)	68,642,602	19,850,359
Increase (decrease) in long-term loans	(46,016,528)	1,578,082	(40,923,213)	8,909,223
Decrease in financial lease payable	(3,802,048)	(3,432,367)	(3,423,663)	(3,074,497)
Decrease in hire purchase creditors	(2,992,997)	(2,992,627)	(1,809,259)	(1,783,126)
Cash paid for interest expenses	(31,234,731)	(32,599,321)	(21,876,158)	(20,348,956)
Dividend paid to minority shareholders	(31,589)	-	-	-
Dividend paid	(7,765,175)	(4,522,080)	(10,106,250)	(6,063,750)
Net cash flows used in financing activities	(46,732,987)	(57,215,613)	(9,495,941)	(2,510,747)
Net increase (decrease) in cash and cash equivalents	4,002,301	(712,158)	642,889	(95,614)
Cash and cash equivalents at beginning of year	2,183,778	2,895,936	524,871	620,485
Cash and cash equivalents at end of year	6,186,079	2,183,778	1,167,760	524,871
	-	-	-	-
Supplemental cash flows information				
Non-cash items transaction				
Purchases of equipment by financial lease and hire purchase agreements	8,297,243	8,275,937	7,750,516	3,611,750
Received settlement of account receivable by transfer of land				
awaiting for development	-	139,178,732	-	-

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

S. Khon Kaen Foods Public Company Limited and its subsidiaries
(Formerly known as "S. Khon Kaen Food Industry Public Company Limited")

Statements of changes in shareholders' equity

For the years ended 31 December 2010 and 2009

(Unit: Baht)

Consolidated financial statements										
	Equity attributable to the parent's shareholders							Minority interest -		
	Issued and fully paid-up share capital	Share premium	Revaluation surplus on land	Revaluation surplus on land of subsidiaries	The Company's shares held by its subsidiaries	Retained earnings		Total equity attributable to the parent's shareholders	to minority shareholders of subsidiaries	Total
						Appropriated	Unappropriated			
Balance as at 31 December 2008	80,850,000	50,281,000	75,918,420	10,655,836	(32,617,147)	8,085,000	19,635,181	212,808,290	5,193,603	218,001,893
Net income for the year	-	-	-	-	-	-	36,870,171	36,870,171	526,725	37,396,896
Dividend paid (Note 25)	-	-	-	-	-	-	(6,063,750)	(6,063,750)	-	(6,063,750)
Dividend paid in respect of the Company's shares held by subsidiaries	-	-	-	-	-	-	1,541,670	1,541,670	-	1,541,670
Dividend paid - net	-	-	-	-	-	-	(4,522,080)	(4,522,080)	-	(4,522,080)
The Company's shares held by its subsidiaries	-	-	-	-	(507,600)	-	-	(507,600)	-	(507,600)
Decrease in minority interest	-	-	-	248,188	-	-	-	248,188	(248,188)	-
Balance as at 31 December 2009	<u>80,850,000</u>	<u>50,281,000</u>	<u>75,918,420</u>	<u>10,904,024</u>	<u>(33,124,747)</u>	<u>8,085,000</u>	<u>51,983,272</u>	<u>244,896,969</u>	<u>5,472,140</u>	<u>250,369,109</u>
Balance as at 31 December 2009	80,850,000	50,281,000	75,918,420	10,904,024	(33,124,747)	8,085,000	51,983,272	244,896,969	5,472,140	250,369,109
Net income for the year	-	-	-	-	-	-	49,753,064	49,753,064	1,679,692	51,432,756
Dividend paid (Note 25)	-	-	-	-	-	-	(10,106,250)	(10,106,250)	-	(10,106,250)
Dividend paid in respect of the Company's shares held by subsidiaries	-	-	-	-	-	-	2,341,075	2,341,075	-	2,341,075
Dividend paid - net	-	-	-	-	-	-	(7,765,175)	(7,765,175)	-	(7,765,175)
The Company's shares held by its subsidiaries	-	-	-	-	7,597,797	-	-	7,597,797	-	7,597,797
Decrease in minority interest	-	-	-	-	-	-	-	-	(31,589)	(31,589)
Balance as at 31 December 2010	<u>80,850,000</u>	<u>50,281,000</u>	<u>75,918,420</u>	<u>10,904,024</u>	<u>(25,526,950)</u>	<u>8,085,000</u>	<u>93,971,161</u>	<u>294,482,655</u>	<u>7,120,243</u>	<u>301,602,898</u>
	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0

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

S. Khon Kaen Foods Public Company Limited and its subsidiaries
(Formerly known as “S. Khon Kaen Food Industry Public Company Limited”)

Statements of changes in shareholders' equity (continued)

For the years ended 31 December 2010 and 2009

(Unit: Baht)

	Separate financial statements					
	Issued and fully paid-up share capital	Share premium	Revaluation surplus on land	Retained earnings		Total
				Appropriated	Unappropriated	
Balance as at 31 December 2008	80,850,000	50,281,000	75,918,420	8,085,000	42,165,373	257,299,793
Net income for the year	-	-	-	-	19,892,151	19,892,151
Dividend paid (Note 25)	-	-	-	-	(6,063,750)	(6,063,750)
Balance as at 31 December 2009	80,850,000	50,281,000	75,918,420	8,085,000	55,993,774	271,128,194
Balance as at 31 December 2009	80,850,000	50,281,000	75,918,420	8,085,000	55,993,774	271,128,194
Net income for the year	-	-	-	-	17,623,377	17,623,377
Dividend paid (Note 25)	-	-	-	-	(10,106,250)	(10,106,250)
Balance as at 31 December 2010	80,850,000	50,281,000	75,918,420	8,085,000	63,510,901	278,645,321
	0	0	0	0	0	0
	0	0	0	0	0	0

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

S. Khon Kaen Foods Public Company Limited and its subsidiaries
(Formerly known as “S. Khon Kaen Food Industry Public Company Limited”)
Notes to consolidated financial statements
For the years ended 31 December 2010 and 2009

1. Corporate information

S. Khon Kaen Foods 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 processed food products. The registered office of the Company is at 259/13 Soi Pridi Banomyong 13, Sukhumvit 71 Road (Pridi Banomyong), Phraeknong Nuer, Vadhana, Bangkok.

On 26 April 2010, the General Meeting of the Company's shareholders held approved the change of the Company's name to S. Khon Kaen Foods Public Company Limited. The Company registered the name change with the Ministry of Commerce on 27 April 2010.

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 30 January 2009, issued under the Accounting Act B.E. 2543.

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

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

2.2 Basis of consolidation

- a) The consolidated financial statements include the financial statements of S. Khon Kaen Foods Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”):

(Unit: Percentage)

Company's name	Nature of business	Country of incorporation	Percentage directly and indirectly owned by the Company		Assets as a percentage to the consolidated total assets as at 31 December		Revenues as a percentage to the consolidated total revenues for the year ended 31 December	
			2010	2009	2010	2009	2010	2009
S. Pasusat Company Limited	Feeding and distribution of breeding stock	Thailand	93.08	93.08	8	8	9	9
S.K.K. Food Company Limited	Distribution of food products	Thailand	95.92	95.92	17	18	16	17
Mahachai Food Processing Company Limited	Manufacture and distribution of food products	Thailand	95.71	95.71	17	17	1	1

- b) Subsidiaries are fully consolidated as from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
 - c) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
 - d) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.
 - e) Minority interests represent the portion of net income or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet.
- 2.3 The separate financial statements, which present investments in subsidiaries and associates under the cost method, have been prepared solely for the benefit of the public.

3. Adoption of new accounting standards

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

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

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

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property
TFRS 2	Share-Based Payment
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources
TFRIC 15	Agreements for the Construction of Real Estate

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

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

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

TAS 19 Employee Benefits

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

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

TAS 40 (revised 2009) Investment Property

This accounting standard requires entities to classify rental building as investment property. In particular, an entity has to appraise the fair value every year. If an entity selects to record such investment property as fair value method, the differences from the revaluation will be recognised as profit or loss in the income statements.

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

TAS 12 Income Taxes

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

4. Significant accounting policies

4.1 Income 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 as interest accrues based on the effective rate method.

Dividends

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

4.2 Cash and cash equivalents

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

4.3 Trade accounts receivable and allowance for doubtful accounts

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 experiences and analysis of debt aging.

4.4 Inventories and allowance for diminution in inventory value

Inventories are valued at the lower of average cost and net realisable value. Cost of finished goods includes cost of raw materials, direct labour and production overhead.

Allowance for diminution in inventory value will be set up for slow-moving or deteriorated inventory.

4.5 Investments

- a) Investments in non-marketable equity securities, which the Company and its subsidiaries classifies as other investments, are stated at cost net of allowance for loss on diminution in value (if any).
- b) Investments in associates are accounted for in the consolidated financial statements using the equity method.
- c) Investments in subsidiaries and associates are accounted for in the separate financial statements using the cost method.

The weighted average method is used for computation of the cost of investments.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised as income or expenses in the income statement.

4.6 Property, plant and equipment and depreciation

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

Land is initially recorded at cost on the acquisition date. Land is subsequently revalued by independent appraisal company and is recorded at their fair value. Revaluation is made with sufficient regularity to ensure that their carrying amount does not differ materially from their fair value at the balance sheet date.

Differences arising from the revaluation are dealt with in the financial statements of the Company and subsidiaries as follows:

- When an asset's carrying amount is increased as a result of the revaluation of the Company and subsidiaries' assets, the increase is credited directly to equity under the heading of "Revaluation surplus on land". The Company's proportional interest in the surplus from revaluation of the fixed assets of the subsidiaries (based on the Company's equity holding in the subsidiaries) is also presented under the caption of "Revaluation surplus on land of subsidiaries" in shareholders' equity in the consolidated balance sheet. However, a revaluation increase will be recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense.

- When an asset's carrying amount is decreased as a result of the revaluation of the Company and subsidiaries' assets, the decrease is recognised as an expense in the income statement. However, a revaluation decrease is to be charged directly against the related "Revaluation surplus on land" to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of those same assets. Any excess amount is to be recognised as an expense in the income statement.

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

Land improvements	-	20 years
Building	-	20 years
Other fixed assets	-	5 - 20 years

No depreciation is provided on land and construction in progress.

Depreciation is included in determining income.

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

4.7 Breeding stocks

For subsidiary, the breeding stocks are expected to have useful working lives of three years. The approximate resale value of boars and sows are about Baht 6,800 each.

4.8 Related party transactions

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

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

4.9 Long-term leases

Leases of machinery and motor vehicles which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, while the interest element is charged to the income statements over the lease period. The asset acquired under finance leases is depreciated over the useful life of the asset.

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

4.10 Foreign currencies

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

Gains and losses on exchange are included in determining income.

4.11 Impairment of assets

At each reporting date, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. 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 and its subsidiaries could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

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

4.12 Employee benefits

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

4.13 Provisions

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

4.14 Income tax

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

5. Significant accounting judgments and estimates

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective 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 judgments and estimates are as follows:

Leases

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

Allowance for doubtful accounts

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

Fair value of financial instruments

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

Impairment of equity investments

The Company treats available-for-sale investments and other investments as impaired when the management judges that there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment.

Property plant and equipment/Depreciation

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

The Company measures land at revalued amounts. Such amounts are determined by the independent valuer using the market approach for land. The valuation involves certain assumptions and estimates.

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.

6. Related party transactions

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

(Unit: Million Baht)

	Consolidated		Separate		
	financial statements		financial statements		
	2010	2009	2010	2009	Transfer Pricing Policy
<u>Transactions with subsidiaries</u>					
(eliminated from the consolidated financial statements)					
Sales of goods	-	-	25.7	24.6	Gross profit of 10% - 20%
Rental income	-	-	0.1	0.3	Rental of Baht 1,350 - 2,550 per month (2009: Baht 1,350 - 20,000)
Sales of fixed assets and supplies	-	-	0.5	0.6	Net book value
Service income	-	-	3.0	-	Agreed price
Rental expenses	-	-	0.1	0.6	Rental of Baht 4,500 per month (2009: Baht 1,500 - 78,000)
Purchases of goods	-	-	207.4	179.4	Cost plus margin 5% - 20%
Purchases of fixed assets and supplies	-	-	0.2	0.2	Net book value
<u>Transactions with associate</u>					
Interest income	0.2	0.2	-	-	6.65 - 6.75% p.a. (2009: 6.65 - 7.50% p.a.)
<u>Transactions with related party</u>					
Interest income	-	0.1	-	-	6.65 - 7.00% p.a.

The balances of the accounts as at 31 December 2010 and 2009 between the Company and those related companies are as follows: -

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
<u>Trade accounts receivable - related parties</u>				
Subsidiaries				
Mahachai Food Processing Company Limited	-	-	0.3	-
S.K.K. Food Company Limited	-	-	3.3	3.2
Total trade accounts receivable - related parties	-	-	3.6	3.2
<u>Short-term loans to related parties</u>				
Related company				
S. Group Property Development Company Limited	3.0	3.0	-	-
<u>Interest receivable and advance to related parties</u>				
Subsidiary				
Mahachai Food Processing Company Limited	-	-	1.1	-
Related company				
S. Group Property Development Company Limited	0.6	1.2	-	-
Total short-term loans, interest receivable and advance to related parties	3.6	4.2	1.1	-

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
<u>Other account receivable - related party</u>				
Associate				
See Moom Muang Company Limited	-	6.5	-	6.5
Total other account receivable - related party	-	6.5	-	6.5
<u>Trade account payable - related party</u>				
Subsidiary				
Mahachai Food Processing Company Limited	-	-	13.3	12.5
Total trade account payable - related party	-	-	13.3	12.5

During year 2010, movements of short-term loan to related party are as follow:

(Unit: Million Baht)

	Consolidated financial statements			
	31 December 2009	Additional during the year	Repayment during the year	31 December 2010
<u>Short-term loan to related party</u>				
Associate				
S. Group Property Development Company Limited	3.0	-	-	3.0

Guarantee obligations with related parties

The Company has outstanding guarantee obligations with its related parties, as described in Note 26.2 (3) and 26.2 (4) to the financial statements.

7. Cash and cash equivalents

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Cash	243,155	178,190	22,488	26,850
Bank deposits	5,942,924	2,005,588	1,145,272	498,021
Total	6,186,079	2,183,788	1,167,760	524,871

As at 31 December 2010, bank deposits in saving accounts carried interests between 0.1 and 0.5 percent per annum (2009: between 0.1 and 0.75 percent per annum).

8. Trade accounts receivable

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

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2010	2009	2010	2009
<u>Receivables from related parties</u>				
Not yet due	-	-	3.6	3.3
Total	-	-	3.6	3.3
<u>Receivables from other parties</u>				
Not yet due	223.8	203.8	220.6	201.5
Overdue				
Less than 3 months	15.7	10.0	9.4	4.8
3 - 6 months	-	0.1	-	-
6 - 12 months	-	0.1	-	0.1
Over 12 months	0.5	0.5	0.5	0.5
Total	240.0	214.5	230.5	206.9
Grand total	240.0	214.5	234.1	210.2
Less: Allowance for doubtful accounts	(0.5)	(1.1)	(0.5)	(1.1)
Trade accounts receivable - net	239.5	213.4	233.6	209.1

The Company transferred rights of claim totaling Baht 114.5 million (2009: Baht 48.2 million) to financial institutions to secure short-term loans.

9. Inventories

(Unit: Million Baht)

Consolidated financial statements						
	Cost		Allowance for diminution in value of inventory		Inventory-net	
	2010	2009	2010	2009	2010	2009
Raw materials and packing materials	63.7	45.0	(1.9)	(1.3)	61.8	43.7
Finished goods	33.4	19.8	-	-	33.4	19.8
Work in process	10.7	8.4	-	-	10.7	8.4
Supplies	2.1	1.7	-	-	2.1	1.7
Breeding stocks during feeding	27.6	21.7	-	(0.7)	27.6	21.0
Total	137.5	96.6	(1.9)	(2.0)	135.6	94.6

(Unit: Million Baht)

Separate financial statements						
	Cost		Allowance for diminution in value of inventory		Inventory-net	
	2010	2009	2010	2009	2010	2009
Raw materials and packing materials	46.1	34.2	(1.9)	(1.3)	44.2	32.9
Finished goods	29.8	16.0	-	-	29.8	16.0
Work in process	10.7	8.4	-	-	10.7	8.4
Total	86.6	58.6	(1.9)	(1.3)	84.7	57.3

10. Restricted bank deposits

These represent bank deposits pledged with the banks to secure against letter of guarantee issued by those banks.

11. Investments in subsidiaries

Details of investments in subsidiaries as presented in separate financial statements are as follow:

(Unit: Million Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost		Dividend received during the year	
	2010	2009	2010	2009	2010	2009	2010	2009
			Percent	Percent				
S. Pasusat Company Limited	45	45	93.08	93.08	39.8	39.8	-	-
S.K.K. Food Company Limited	120	120	95.92	95.92	108.5	108.5	4.4	-
Mahachai Food Processing Company Limited	85	85	95.71	95.71	74.7	74.7	-	-
Total					223.0	223.0	4.4	-

12. Investments in associates

12.1 Details of associates

(Unit: Million Baht)

Company's name	Nature of business	Country of incorporation	Consolidated financial statements					
			Shareholding percentage		Cost		Carrying amounts based on equity method	
			2010	2009	2010	2009	2010	2009
			Percent	Percent				
See Moom Muang Company Limited	Goods distribution	Thailand	-	49.00	-	12.5	-	2.7

(Unit: Million Baht)

Company's name	Nature of business	Country of incorporation	Separate financial statements							
			Shareholding percentage		Cost		Provision for impairment of investments		Carrying amounts based on cost method - net	
			2010	2009	2010	2009	2010	2009	2010	2009
			Percent	Percent						
See Moom Muang Company Limited	Goods distribution	Thailand	-	49.00	-	12.5	-	6.0	-	6.5

12.2 Share of income (loss) and dividend received

During the year, the Company has recognised its share of net income/loss from investments in associate companies in the consolidated financial statements and dividend income in the separate financial statements as follows:

(Unit: Million Baht)

Company's name	Consolidated financial statements		Separate financial statements	
	Share of loss from investments			
	in associates during the year		Dividend received during the year	
	2010	2009	2010	2009
President Intertrade Company Limited	-	(3.9)	-	-
See Moom Muang Company Limited	-	(3.6)	-	-
S. Produce Company Limited	-	(2.8)	-	-
S. Group Property Development Company Limited	-	(2.5)	-	-
Boss Holding Company Limited	-	(3.5)	-	-
Total	-	(16.3)	-	-

The proportionate share of the operation results of the associates include in the Company's investments account in the consolidated financial statements is determined based on the financial statements prepared by the management of these associates and not audited by other auditors.

During year 2009 and 2010, the Company and its subsidiaries sold all investment in associates.

12.3 Summarised financial information of associates

Financial information of the associated companies is summarised below.

(Unit: Million Baht)

Company's name	Paid-up capital		Total assets		Total liabilities as at		Total revenues		Net loss	
	as at 31 December		as at 31 December		31 December		for the year ended		for the year ended	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
See Moom Muang Company Limited	-	13	-	12.1	-	6.5	-	0.1	-	(7.3)

13. Other long-term investments

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Thai Home Food Company Limited	2.0	2.0	2.0	2.0
Less: Allowance for impairment	(2.0)	(2.0)	(2.0)	(2.0)
Total long-term investments - net	-	-	-	-

14. Breeding stocks

(Unit: Baht)

	Sows	Boars	Total
Cost:			
31 December 2009	20,897,800	504,164	21,401,964
Transfers in/purchase	3,040,523	487,375	3,527,898
Disposals/transfers	(6,049,674)	(481,824)	(6,531,498)
31 December 2010	17,888,649	509,715	18,398,364
Accumulated depreciation:			
31 December 2009	(5,562,720)	(90,760)	(5,653,480)
Depreciation for the year	(6,521,292)	(151,036)	(6,672,328)
Depreciation on disposal	3,839,009	123,173	3,962,182
31 December 2010	(8,245,003)	(118,623)	(8,363,626)
Net book value:			
31 December 2009	15,335,080	413,404	15,748,484
31 December 2010	9,643,646	391,092	10,034,738
Depreciation charge in the income statement for the year:			
2009			5,557,363
2010			6,672,328

15. Property, plant and equipment

Consolidated financial statements

(Unit: Baht)

	Land	Land improvement	Building and improvement	Lease rights	Machinery and equipment	Office furniture	Office equipment	Tools	Motor vehicles	Computer software	Others	Construction in progress	Total
Cost/Revalued amount													
31 December 2009	131,563,659	6,744,228	192,327,876	7,821,650	156,161,183	2,925,010	33,154,434	64,249,654	37,056,310	7,044,573	17,416,318	9,688,826	666,153,721
Additions	-	-	2,463,774	-	7,096,236	256,719	3,284,213	3,418,128	11,102,386	459,700	1,053,420	13,081,016	42,215,592
Disposals	-	-	-	-	(319,500)	-	(361,585)	(195,589)	(6,020,445)	-	(135,400)	-	(7,032,519)
Transfers	-	-	4,381,606	-	7,670,593	-	174,100	977,650	-	-	-	(13,203,949)	-
31 December 2010	131,563,659	6,744,228	199,173,256	7,821,650	170,608,512	3,181,729	36,251,162	68,449,843	42,138,251	7,504,273	18,334,338	9,565,893	701,336,794
Accumulated depreciation													
31 December 2009	-	(2,660,242)	(107,162,415)	(5,864,690)	(116,254,996)	(2,747,217)	(28,347,582)	(57,361,100)	(20,733,041)	(6,666,530)	(12,421,819)	-	(360,219,632)
Depreciation for the year	-	(215,705)	(9,692,615)	(304,263)	(15,414,637)	(53,486)	(1,646,465)	(3,182,970)	(5,264,659)	(228,639)	(1,254,691)	-	(37,258,130)
Disposals	-	-	-	-	319,498	-	356,798	195,567	5,816,545	-	112,482	-	6,800,890
31 December 2010	-	(2,875,947)	(116,855,030)	(6,168,953)	(131,350,135)	(2,800,703)	(29,637,249)	(60,348,503)	(20,181,155)	(6,895,169)	(13,564,028)	-	(390,676,872)
Allowance for impairment loss													
31 December 2009	(3,737,052)	-	-	-	-	-	-	-	-	-	-	-	(3,737,052)
31 December 2010	(3,737,052)	-	-	-	-	-	-	-	-	-	-	-	(3,737,052)
Net book value													
31 December 2009	127,826,607	4,083,986	85,165,461	1,956,960	39,906,187	177,793	4,806,852	6,888,554	16,323,269	378,043	4,994,499	9,688,826	302,197,037
31 December 2010	127,826,607	3,868,281	82,318,226	1,652,697	39,258,377	381,026	6,613,913	8,101,340	21,957,096	609,104	4,770,310	9,565,893	306,922,870
Depreciation for the year													
2009 (Baht 23.2 million included in manufacturing cost, and the balance in selling and administrative expenses)													36,387,367
2010 (Baht 25.0 million included in manufacturing cost, and the balance in selling and administrative expenses)													37,258,130

Separate financial statements

(Unit: Baht)

	Land	Building and improvement	Lease rights	Machinery and equipment	Office furniture	Office equipment	Tools	Motor vehicles	Computer software	Others	Construction in progress	Total
Cost/Revalued amount												
31 December 2009	108,901,051	97,562,547	7,821,650	122,052,316	2,400,212	24,594,932	39,873,726	20,388,240	7,044,573	7,086,721	8,599,719	446,325,687
Additions	-	1,903,774	-	2,173,050	256,719	2,226,648	1,702,387	9,680,393	218,050	913,600	9,781,554	28,856,175
Disposals	-	-	-	-	-	(60,497)	-	(6,359,484)	-	-	-	(6,419,981)
Transfers	-	2,549,466	-	7,651,124	-	174,100	-	-	-	-	(10,374,690)	-
31 December 2010	108,901,051	102,015,787	7,821,650	131,876,490	2,656,931	26,935,183	41,576,113	23,709,149	7,262,623	8,000,321	8,006,583	468,761,881
Accumulated depreciation												
31 December 2009	-	(55,368,734)	(5,864,690)	(83,279,711)	(2,286,082)	(21,559,612)	(36,775,660)	(12,703,693)	(6,666,530)	(4,555,206)	-	(229,059,918)
Depreciation for the year	-	(4,971,057)	(304,263)	(14,257,777)	(38,081)	(1,090,970)	(1,424,639)	(2,532,352)	(219,880)	(726,872)	-	(25,565,891)
Disposals	-	-	-	-	-	58,719	-	5,195,249	-	-	-	5,253,968
31 December 2010	-	(60,339,791)	(6,168,953)	(97,537,488)	(2,324,163)	(22,591,863)	(38,200,299)	(10,040,796)	(6,886,410)	(5,282,078)	-	(249,371,841)
Allowance for impairment loss												
31 December 2009	(3,737,052)	-	-	-	-	-	-	-	-	-	-	(3,737,052)
31 December 2010	(3,737,052)	-	-	-	-	-	-	-	-	-	-	(3,737,052)
Net book value												
31 December 2009	105,163,999	42,193,813	1,956,960	38,772,605	114,130	3,035,320	3,098,066	7,684,547	378,043	2,531,515	8,599,719	213,528,717
31 December 2010	105,163,999	41,675,996	1,652,697	34,339,002	332,768	4,343,320	3,375,814	13,668,353	376,213	2,718,243	8,006,583	215,652,988
Depreciation for the year												
2009 (Baht 18.0 million included in manufacturing cost, and the balance in selling and administrative expenses)												26,898,001
2010 (Baht 16.0 million included in manufacturing cost, and the balance in selling and administrative expenses)												25,565,891

As at 31 December 2010, the Company and its subsidiaries have equipment acquired under hire purchase agreement and financial lease agreement, with net book value amounting to approximately Baht 24.2 million (2009: Baht 21.1 million) (Separate financial statements: Baht 16.8 million, 2009: Baht 13.3 million).

As at 31 December 2010, certain plant and equipment items have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 221.5 million (2009: Baht 203.4 million) (Separate financial statements: Baht 155.9 million, 2009: Baht 138.2 million).

The Company and its subsidiaries have mortgaged a plot of land and building constructed thereon and machineries with a total net book value as at 31 December 2010 of Baht 184.2 million (2009: Baht 175.1 million) as collateral for credit facilities granted by commercial banks (Separate financial statements: Baht 148.6 million, 2009: Baht 138.9 million).

16. Land awaiting for development

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land awaiting for development	358,190,635	358,190,635	82,270,934	82,270,934
Less: Allowance for loss on				
revaluation on land	<u>(25,210,934)</u>	<u>(25,210,934)</u>	<u>(21,210,934)</u>	<u>(21,210,934)</u>
Land awaiting for development - net	<u>332,979,701</u>	<u>332,979,701</u>	<u>61,060,000</u>	<u>61,060,000</u>

As at 31 December 2010, the Company and its subsidiaries have mortgaged a plot of land with a net book value of Baht 192.5 million (2009: Baht 192.5 million) with financial institutions to secure against loans of the Company and its subsidiaries (Separate financial statements: Baht 61.1 million, 2009: Baht 61.1 million).

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

(Unit: Million Baht)

	Interest rate (percent per annum)		Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009	2010	2009
Bank overdrafts	MOR,	MOR,	58.6	84.0	43.9	42.5
	MOR less 0.5%	MOR less 0.5%				
	MOR plus 1%	MOR plus 1%				
Short-term loans from financial institutions	MLR less 0.75-1.5%	MLR less 0.75-1.5%	442.5	372.0	299.1	231.9
Total bank overdrafts and short-term loans from financial institutions			501.1	456.0	343.0	274.4

The above credit facilities of the Company are secured by the mortgage of the Company's land and building and by the guarantee of the Company's directors.

The above credit facilities of its subsidiaries are secured by the mortgage of its subsidiaries' land and building, by the pledge of its subsidiary's investment and bank deposit, and by the guarantee of the Company and of its subsidiaries' directors.

18. Finance lease/hire purchase payable

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Liabilities under finance lease/hire purchase agreement	19.0	17.1	13.8	11.8
Less: Deferred interest expense	(2.2)	(1.8)	(1.6)	(1.2)
Total	16.8	15.3	12.2	10.6
Less: Current portion	(6.2)	(6.5)	(4.6)	(5.1)
Liabilities under finance lease/hire purchase agreement - net of current portion	10.6	8.8	7.6	5.5

The Company and its subsidiaries have entered into the finance lease/hire purchase agreements with leasing companies for rental of machinery/ motor vehicles/ equipment for use in their operation, whereby it is committed to pay rental on a monthly basis. The terms of the agreements are generally between 3 and 5 years.

As at 31 December 2010, Future minimum lease payments required under the finance lease agreements were as follows:-

(Unit: Million Baht)

	Consolidated financial statements		
	Less than		
	1 year	1-5 years	Total
Future minimum lease payments	6.9	12.1	19.0
Deferred interest expenses	(0.7)	(1.5)	(2.2)
Present value of future minimum lease payments	6.2	10.6	16.8

(Unit: Million Baht)

	Separate financial statements		
	Less than		
	1 year	1-5 years	Total
Future minimum lease payments	5.1	8.7	13.8
Deferred interest expenses	(0.5)	(1.1)	(1.6)
Present value of future minimum lease payments	4.6	7.6	12.2

19. Long-term loans

Long-term loans as at 31 December 2010 consist of: -

(Unit: Million Baht)

Contract date	Long-term loans			Significant condition			
	Current portion	Net of current portion	Total	Term	Principal due for repayment	Interest due for payment	Interest rate
<u>S. Khon Kaen Foods</u>							
<u>Public Company Limited</u>							
22 Mach 2004	10.0	8.2	18.2	7 years	every three months	every three months	year 1-2: 4.0% p.a. year 3-7: MLR p.a.
26 March 2008	0.5	-	0.5	3 years	every month	every month	7.6 - 8.4% p.a.
13 March 2008	0.4	-	0.4	3 years	every month	every month	MLR p.a.
26 November 2009	8.1	33.2	41.3	6 years	every month	every month	MLR p.a.
				2 months	(start in June 2010)		
12 November 2010	2.7	1.4	4.1	5 years	every month	every month	MLR p.a.
					(start in June 2011)		
Total	21.7	42.8	64.5				

The above long-term loans of the Company are secured by the mortgage of the Company's land and building and machineries and by the guarantee of the Company's directors.

The loan agreements contain covenants as specified in the agreements that, among other things, require the Company to maintain certain debt to equity and debt service coverage ratios according to the agreements.

20. 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 income until the reserve reaches 10 percent of the registered capital. The statutory is not available for dividend distribution.

21. Expenses by nature

Significant expenses by nature are as follow:

	(Unit: Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2010	2009	2010	2009
Salary and wages and other employee benefits	236,749,960	180,674,070	166,947,918	117,912,421
Depreciation	37,258,130	36,387,367	25,565,891	26,898,001
Rental expenses from operating lease agreements	14,429,774	10,861,266	13,494,792	10,768,833
Raw materials and consumables used	799,829,506	675,523,254	641,897,489	559,688,684
Changes in inventories of finished goods and work in progress	21,730,902	(7,417,227)	16,066,451	(5,769,270)

22. Promotional privileges

S. Pasusat Company Limited, the subsidiary was granted promotional privileges, numbered 1742/2537, under The Investment Promotion Act (B.E. 2520) by the Board of Investment on 4 October 1994. Subject to certain imposed conditions, the privileges include an exemption from corporate income tax for a period of 8 years from the date the promoted operations commenced generating revenues (1 March 1996) and a 50% reduction of corporate income tax on income derived from the promoted operations for a period of 5 years after the tax-exemption period end.

23. Basic earnings per share

Consolidated

Basic earnings per share is calculated by dividing the net income for the year by the weighted average number of ordinary shares held by outside shareholders in issue during the year by net from the treasury stock held by its subsidiaries, and adjusting the number of ordinary shares in proportion to the change in the number of shares as a result of the distribution of stock dividend. The number of ordinary shares of the prior year has been adjusted as if the stock dividend had been distributed at the beginning of the earliest period reported.

Separate financial statements

Basic earnings per share is calculated by dividing the net income for the year by the weighted average number of ordinary shares held by outside shareholders in issue during the year and adjusting the number of ordinary shares in proportion to the change in the number of shares as a result of the distribution of stock dividend. The number of ordinary shares of the prior year has been adjusted as if the stock dividend had been distributed at the beginning of the earliest period reported.

24. Financial information by segment

The operations of the Company and its subsidiaries involve the business segment of manufacturing processed meat food products, and breeding and rearing of purebred swine for sales to farmers. These activities are carried out in Thailand and oversea. Income comes from both local and export sales.

The financial information by segment for the years ended 31 December 2010 and 2009 of the Company and its subsidiaries are as follows:-

(Unit: Million Baht)

	Sales of foods products		Sales of breeding stocks		Elimination of inter-segment revenues		Consolidation	
	2010	2009	2010	2009	2010	2009	2010	2009
Revenue from external customers	1,361.2	1,084.8	143.6	114.3	-	-	1,504.8	1,199.1
Intersegment revenues	-	-	-	-	-	-	-	-
Total revenues	<u>1,361.2</u>	<u>1,084.8</u>	<u>143.6</u>	<u>114.3</u>	<u>-</u>	<u>-</u>	<u>1,504.8</u>	<u>1,199.1</u>
Segment income	348.0	323.7	18.1	18.1			366.1	341.8
Unallocated income and expenses:								
Interest income							0.7	0.9
Other income							17.1	13.3
Selling expenses							(120.8)	(97.7)
Administrative expenses							(122.1)	(95.9)
Management benefit expenses							(50.3)	(50.8)
Gain (loss) on sales of investment							6.1	(11.0)
Loss on exchange rate							(2.2)	(0.3)
Loss on impairment of other long-term investments							-	(2.6)
Loss on impairment of land awaiting for development							-	(4.0)
Share of loss of associates							-	(16.3)
Financial expenses							(31.2)	(32.6)
Corporate income tax							(12.0)	(7.4)
Net income							<u>51.4</u>	<u>37.4</u>

Transfer prices between business segments are as set out in Note 6 to the financial statements.

25. Dividends

The Company declared dividends in years 2010 and 2009 as follows.

(Unit: Baht)

	Approved by	Total dividends	Dividend per share
Dividends on 2008 income	Annual General Meeting of the shareholders on 22 April 2009	6,063,750	0.75
Dividends on 2009 income	Annual General Meeting of the shareholders on 26 April 2010	10,106,250	1.25

26. Commitments and contingent liabilities

26.1 Operating lease and service commitments

The Company has entered into several lease agreements in respect of the lease of land, office building space and service. The terms of the agreements are generally between 1 and 20 years.

As at 31 December 2010, future minimum lease payments required under these non-cancellable operating leases contracts and service agreements were as follows.

	Million Baht	
	Consolidated financial statements	Separate financial statements
Payable within:		
Less than 1 year	25.1	9.9
1 to 5 years	12.1	11.8
More than 5 years	7.6	7.6

26.2 Guarantees

- (1) The subsidiaries have pledged their bank deposits of approximately Baht 2.3 million (2009: Baht 2.3 million) to secure against letters of guarantee issued by those banks.
- (2) A plot of land and building constructed thereon has been mortgaged with financial institutions to secure loan of the Company and its subsidiaries.
- (3) The Company has issued a guarantee against bank overdrafts with the total of Baht 2.0 million (2009: Baht 2.0 million) obtained from financial institutions by S. Pasusat Company Limited, its subsidiary.
- (4) The Company has issued a guarantee against loan with the total of Baht 112.0 million (2009: Baht 112.0 million) obtained from financial institutions by Mahachai Food Processing Company Limited, its subsidiary.
- (5) As at 31 December 2010, there were outstanding consolidated bank guarantees of approximately Baht 4.8 million (2009: Baht 4.8 million) (Separate financial statements: Baht 2.2 million, 2009: Baht 2.2 million) issued by the banks on behalf of the Company and its subsidiaries in respect of guarantees as required in the normal course of business.

27. Financial instruments

27.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No.32 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, loans, trade accounts payable, bank overdrafts and loans from financial institutions. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable, loans and other receivables. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Company and its subsidiaries do 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 trade accounts receivable, loans and other receivables as stated in the balance sheet.

Interest rate risk

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

Foreign currency risk

The Company's exposure to foreign currency risk relates primarily to its receivables which are denominated in foreign currencies.

As at 31 December 2010, significant unhedged foreign currency-denominated assets are as follows:-

Foreign currency	Financial assets	Average exchange rate as at 31 December 2010
		(Baht per 1 foreign currency unit)
US dollar	0.1	30.0063
HK dollar	2.7	3.8440
Pound Sterling	0.1	46.4413

27.2 Fair values of financial instruments

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

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

28. Capital management

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

According to the balance sheet as at 31 December 2010, the Group's debt-to-equity ratio was 2.56:1 (2009: 2.99:1) and the Company's was 2.05:1 (2009: 1.93:1).

29. Reclassification

Certain amounts in the financial statements for the year ended 31 December 2009 have been reclassified to conform to the current year's classification but with no effect to previously reported net income or shareholders' equity. The reclassifications are as follows:

(Unit: Baht)

	<u>Consolidated financial statement</u>		<u>Separate financial statement</u>	
	As reclassified	As previously reported	As reclassified	As previously reported
Sales	1,199,148,475	1,243,842,451	893,012,263	937,706,239
Selling expenses	97,724,595	142,418,571	84,338,809	129,032,785

30. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 28 February 2011.