

## **AUDITOR'S REPORT**

To the Shareholders and Board of Directors of KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED

I have audited the accompanying consolidated and the separate balance sheets as at October 31, 2008 and 2007, the related consolidated and the separate statements of income, changes in shareholders' equity and cash flows for the years ended on October 31, 2008 and 2007 of KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED and its subsidiary companies and of KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED only. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit.

I have not audited the financial statements for the year ended on October 31, 2008 of three foreign subsidiaries, which have been included in these consolidated financial statements. The financial statements of the said subsidiaries show the total assets of Baht 3,403.62 million, total revenues of Baht 30.22 million and the total net loss of Baht 34.97 million. The financial statements of the said three subsidiary companies have been audited by other certified auditors. I have already received the reports of those certified auditors and my report in relation to amounts of various items in the subsidiaries, which are included in the consolidated financial statements, are based on the reports of those other auditors.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidences 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 statements presentation. I believe that my audit together with the reports of other auditors mentioned in the second paragraph provide reasonable basics for my opinion.

In my opinion, basing on my audits' and other auditor's reports mentioned in the second paragraph, the consolidated and the separate financial statements referred to above present fairly, in all material respects, the consolidated and the separate financial positions as at October 31, 2008 and 2007, the consolidated and the separate operating results and the consolidated and the separate cash flows for the years ended on October 31, 2008 and 2007 of KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED and its subsidiary companies and of KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED only in accordance with generally accepted accounting principles.

SAM NAK-NGAN A.M.C. CO., LTD.

(Miss Praphasri Leelasupha)

Certified Public Accountant Registration No. 4664

Bangkok,

December 26, 2008

## KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

## BALANCE SHEETS

As at October 31, 2008 and 2007

(Unit : Baht)

		Consolidated Financial Statements		Separate Financial Statements	
	Notes	2008	2007	2008	2007
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalent Items		507,380,223.72	290,295,834.83	18,061,454.83	32,268,062.83
Short-Term Investments-Net	7	1,333,500.00	2,978,000.00	-	-
Trade Accounts and Notes Receivable-Net	8	699,189,684.71	430,918,303.68	270,643,400.64	137,097,882.63
Trade Accounts Receivable-Subsidiaries and Related Companies	5.1 and 9	2,846,297.85	1,795,424.90	12,053,342.83	8,500.01
Farmer Accounts Receivable-Net	10	29,541,595.83	28,781,731.75	-	-
Short-Term Loans due from Subsidiary and Related Companies	5.1	78,602,190.27	95,580,731.22	-	47,600,000.00
Current Portion of Loans for Cane Plantation Development	21	28,600,030.14	8,143,330.22	-	-
Short-Term Loans due from Farmers	11	318,828,227.14	398,699,973.63	85,834,371.00	85,953,155.63
Inventories-Net	12	1,888,931,619.09	1,536,962,482.44	803,371,096.32	819,011,047.60
Real Estate Development Cost	13	49,234,713.54	43,604,663.39	-	-
Machine Maintenance Supplies		234,447,939.92	222,306,245.77	104,305,068.00	99,986,766.22
Other Accounts Receivable-Cane Value-Net	14	394,701,048.03	395,576,151.68	227,782,930.30	228,205,124.29
Share Subscriptions Receivable-Subsidiary Company's Shareholders		151,787,040.00	-	-	-
Accrued Dividend Receivable from Subsidiary Companies	5.1	-	-	108,257,486.00	143,899,851.25
Other Current Assets		95,285,120.45	142,277,990.36	54,787,287.20	51,482,607.98
TOTAL CURRENT ASSETS		4,480,709,230.69	3,597,920,863.87	1,685,096,437.12	1,645,512,998.44
NON-CURRENT ASSETS					
Investments in Subsidiary and Associated Companies-Net	15	47,434,445.10	49,676,382.41	3,926,233,666.76	2,463,528,799.37
Other Long-Term Investments-Net	16	94,100,612.62	77,620,699.48	57,456,154.19	49,914,767.34
Deferred Cane Plantation Cost-Net	17	402,248,014.32	156,249,369.11	23,342,715.57	22,745,067.22
Property, Plant and Equipment-Net	18	11,291,209,923.60	9,336,489,232.16	2,979,900,081.91	2,972,792,301.10
Land not Used in Operation-Net	19	305,504,516.80	277,752,445.80	98,281,732.26	98,281,732.26
Other Accounts Receivable-Compensation for Sugar Production and Distribution	20	244,952,528.07	246,205,101.42	132,770,099.96	130,540,716.87
Loans for Cane Plantation Development	21	80,002,055.77	121,346,771.61	-	-
Obligated Fixed Deposits		5,776,988.98	7,739,130.71	5,576,988.98	5,339,130.71
Other Non-Current Assets		32,883,724.08	5,570,057.22	147,623.06	150,623.06
TOTAL NON-CURRENT ASSETS		12,504,112,809.34	10,278,649,189.92	7,223,709,062.69	5,743,293,137.93
TOTAL ASSETS		16,984,822,040.03	13,876,570,053.79	8,908,805,499.81	7,388,806,136.37

Notes to financial statements are an integral part of these financial statements.

## KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

## BALANCE SHEETS

As at October 31, 2008 and 2007

(Unit : Baht)

		Consolidated Financial Statements		Separate Financial Statements	
	Notes	2008	2007	2008	2007
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Bank Overdrafts and Short-Term Loans due to					
Financial Institutions	22	891,345,585.55	647,220,721.87	70,360,483.92	300,000,000.00
Other Short-Term Loans-Net	23	1,596,339,104.75	1,525,468,562.18	1,596,339,104.75	1,525,468,562.18
Trade Accounts and Notes Payable	24	372,899,239.01	66,354,820.19	140,345,033.37	43,908,027.65
Trade Accounts and Notes Payable-Subsidiary					
and Related Companies	5.1	-	85,601.99	26,776,108.00	34,120,100.11
Current Portion of Long-Term Loans	28	102,250,000.00	203,500,000.00	-	116,000,000.00
Short-Term Loans due to Subsidiary Companies	5.1	-	-	279,000,000.00	91,500,000.00
Accrued Corporate Income Tax		142,678,327.50	154,952,939.89	37,707,613.31	1,852,096.65
Advance Received from Customers for Goods		101,916,375.69	71,521,427.19	8,983,452.36	42,316,830.17
Accrued Fee Payable to Cane and Sugar Fund	25	53,728,799.82	9,618,648.06	25,350,899.19	4,127,336.16
Accrued Stabilization Function Payment	26	30,833,045.68	-	15,186,045.29	-
Other Accrued Expenses		110,817,222.87	41,478,445.72	76,253,784.03	15,449,057.17
Account Payable-Assets		302,310,274.30	75,425,000.89	84,071,688.02	-
Other Accounts Payable		195,821,409.41	203,043,398.20	61,951,572.10	141,728,427.53
Other Current Liabilities		75,974,305.23	70,763,308.37	10,070,575.23	11,384,140.26
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,976,913,689.81</b>	<b>3,069,432,874.55</b>	<b>2,432,396,359.57</b>	<b>2,327,854,577.88</b>
<b>NON-CURRENT LIABILITIES</b>					
Debentures-Net	27	1,496,341,976.22	-	1,496,341,976.22	-
Long-Term Loans-Net from Current Portion	28	1,029,497,000.00	1,115,553,731.60	-	-
Other Non-Current Liabilities		24,947,154.48	27,591,644.67	10,752,430.66	9,774,391.80
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,550,786,130.70</b>	<b>1,143,145,376.27</b>	<b>1,507,094,406.88</b>	<b>9,774,391.80</b>
<b>TOTAL LIABILITIES</b>		<b>6,527,699,820.51</b>	<b>4,212,578,250.82</b>	<b>3,939,490,766.45</b>	<b>2,337,628,969.68</b>

Notes to financial statements are an integral part of these financial statements.

## KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

## BALANCE SHEETS

As at October 31, 2008 and 2007

(Unit : Baht)

		Consolidated Financial Statements		Separate Financial Statements	
	Notes	2008	2007	2008	2007
SHAREHOLDERS' EQUITY					
Share Capital	29				
Authorized Share Capital :					
1,705,000,000 Ordinary Shares @ Baht 1.00 Par		1,705,000,000.00	-	1,705,000,000.00	-
1,600,000,000 Ordinary Shares @ Baht 1.00 Par		-	1,600,000,000.00	-	1,600,000,000.00
Issued and Paid-Up Share Capital					
1,550,000,000 Ordinary Shares @ Baht 1.00 Par		1,550,000,000.00	1,550,000,000.00	1,550,000,000.00	1,550,000,000.00
Premium on Share Capital		1,554,617,243.34	1,554,617,243.34	1,554,617,243.34	1,554,617,243.34
Revaluation Surplus on Assets-Parent Company		1,296,880,669.71	1,403,784,448.02	1,296,880,669.71	1,403,784,448.02
Revaluation Surplus on Assets-Subsidiary Companies		135,062,713.77	140,272,515.14	-	-
Surplus from Internal Restructure of Entities under Common Control	30	1,842,877,148.17	2,049,172,720.54	-	-
Surplus from Changes in Shareholding Ratio in Subsidiary Companies		37,995,203.05	12,277,462.01	-	-
Unrealized Gain on Available-for-Sale Securities		977,617.75	3,252,603.68	1,725,415.00	3,750,070.00
Accumulated Result of Foreign Currency Translation Adjustment		( 1,672,711.32)	( 5,084,412.77)	-	-
Retained Earnings	31				
Appropriated					
Legal Reserve		162,620,000.00	144,120,000.00	162,620,000.00	144,120,000.00
Unappropriated		1,894,158,405.80	1,394,132,017.23	403,471,405.31	394,905,405.33
TOTAL SHAREHOLDERS' EQUITY OF PARENT COMPANY		8,473,516,290.27	8,246,544,597.19	4,969,314,733.36	5,051,177,166.69
Minority Shareholders' Equity		1,983,605,929.25	1,417,447,205.78	-	-
TOTAL SHAREHOLDERS' EQUITY		10,457,122,219.52	9,663,991,802.97	4,969,314,733.36	5,051,177,166.69
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		16,984,822,040.03	13,876,570,053.79	8,908,805,499.81	7,388,806,136.37

Notes to financial statements are an integral part of these financial statements.

## KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

## INCOME STATEMENTS

For the Years Ended on October 31, 2008 and 2007

(Unit : Baht)

	Consolidated Financial Statements		Separate Financial Statements	
Notes	2008	2007	2008	2007
REVENUES FROM OPERATION				
Sales and Services	10,767,797,588.66	8,468,486,426.42	5,287,154,142.64	4,228,055,559.13
Revenue from Sale of Fuel Oil, Fertiliser and Other Supplies	304,106,425.31	203,414,017.78	165,275,091.00	116,888,530.39
Revenue from Compensation for Sugar Production and Distribution	-	246,205,101.42	2,229,383.09	130,540,716.87
Dividends Income	178,710.00	168,892.50	151,739,190.40	260,179,463.15
Other Income	282,508,914.41	215,053,820.60	112,659,808.81	102,508,812.40
TOTAL REVENUES	11,354,591,638.38	9,133,328,258.72	5,719,057,615.94	4,838,173,081.94
EXPENSES FROM OPERATION				
Cost of Sales and Services	8,122,863,609.47	6,628,558,282.92	4,354,005,186.73	3,709,974,265.27
Other Cost of Sales	271,981,058.04	194,970,878.31	138,710,883.58	103,067,575.83
Selling and Administrative Expenses	996,961,858.31	731,223,415.72	481,309,720.70	319,079,980.07
Fee Payable to Cane and Sugar Fund	25 446,355,628.12	128,925,407.07	210,686,349.95	62,606,546.47
Directors' Remuneration	12,226,503.00	11,587,430.00	7,453,500.00	7,477,500.00
Participating Loss from Investments under Equity Method	2,241,937.31	3,768,425.20	-	-
TOTAL EXPENSES	9,852,630,594.25	7,699,033,839.22	5,192,165,640.96	4,202,205,867.64
PROFIT BEFORE INTEREST EXPENSES AND				
CORPORATE INCOME TAX	1,501,961,044.13	1,434,294,419.50	589,891,974.98	635,967,214.30
INTEREST EXPENSES	(213,945,507.18)	(183,882,568.86)	(142,445,575.84)	(107,815,601.47)
CORPORATE INCOME TAX	32 (312,980,313.83)	(328,735,985.07)	(79,380,399.16)	(68,843,348.49)
NET PROFIT AFTER INTEREST EXPENSES AND CORPORATE INCOME TAX	975,035,223.12	921,675,865.57	368,065,999.98	459,308,264.34
<u>(LESS) PLUS</u> NET (PROFIT) LOSS OF SUBSIDIARY COMPANIES BELONGING TO				
PARENT COMPANY BEFORE SHARE ACQUISITION	(3,012,790.84)	3,191,146.25	-	-
<u>LESS</u> MINORITY SHAREHOLDERS' NET PROFIT	(112,496,043.71)	(89,005,404.34)	-	-
NET PROFIT OF KHON KAEN SUGAR INDUSTRY				
PUBLIC COMPANY LIMITED	859,526,388.57	835,861,607.48	368,065,999.98	459,308,264.34
EARNINGS PER SHARE OF KHON KAEN SUGAR INDUSTRY				
PUBLIC COMPANY LIMITED	0.55	0.54	0.24	0.30
NUMBER OF ORDINARY SHARES (UNIT : SHARE)	1,550,000,000	1,550,000,000	1,550,000,000	1,550,000,000

Notes to financial statements are an integral part of the above statements.

**KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES**

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

**For the Years Ended on October 31, 2008 and 2007**

**Consolidated Financial Statements**

	Notes	Issued and Paid-up Share Capital	Premium on Share Capital	Revaluation Surplus on Assets- Parent Company	Revaluation Surplus on Assets- Subsidiary Companies	Surplus from Internal Restructure of Entities under Common Control	Surplus from Change in Shareholding Ratio in Subsidiary Companies	Unrealized Gain (Loss) on Available for Sale Securities	Accumulated Result of Translation Adjustment	Retained Earnings		Minority Shareholders' Equity	TOTAL
										Appropriated Legal Reserve	Unappropriated		
Balance as at October 31, 2006		1,550,000,000.00	1,554,617,243.34	805,481,337.91	144,592,337.11	1,123,344,381.03	16,469,779.11	2,248,510.71	1,554,901.42	121,120,000.00	922,270,409.75	1,104,020,399.11	7,345,719,299.49
Revaluation Surplus on Assets increase during the Period (Net)		-	-	655,101,985.02	-	1,073,976,313.56	-	-	-	-	-	75,304,861.36	1,804,383,159.94
Depreciation and Written off-Revaluation Surplus on Assets		-	-	(56,798,874.91)	(4,319,821.97)	(148,147,974.05)	-	-	-	-	-	-	(209,266,670.93)
Unrealized Gain on Available for Sale Securities		-	-	-	-	-	-	1,004,092.97	-	-	-	1,094,865.13	2,098,958.10
Accumulated Result of Translation Adjustment		-	-	-	-	-	-	-	(6,639,314.19)	-	-	(4,415,593.89)	(11,054,908.08)
Surplus from Change in Shareholding Ratio in Subsidiary Companies		-	-	-	-	-	(4,192,317.10)	-	-	-	-	4,192,317.10	-
Total Unrealized Transaction in Income Statements		1,550,000,000.00	1,554,617,243.34	1,403,784,448.02	140,272,515.14	2,049,172,720.54	12,277,462.01	3,252,603.68	(5,084,412.77)	121,120,000.00	922,270,409.75	1,180,196,848.81	8,931,879,838.52
Net Profit for the Year		-	-	-	-	-	-	-	-	-	835,861,607.48	85,814,258.09	921,675,865.57
Dividend Paid	31	-	-	-	-	-	-	-	-	-	(341,000,000.00)	(27,389,429.35)	(368,389,429.35)
Legal Reserve	31	-	-	-	-	-	-	-	-	23,000,000.00	(23,000,000.00)	-	-
Increase in Minority Shareholders' Equity		-	-	-	-	-	-	-	-	-	-	178,825,528.23	178,825,528.23
Balance as at October 31, 2007		1,550,000,000.00	1,554,617,243.34	1,403,784,448.02	140,272,515.14	2,049,172,720.54	12,277,462.01	3,252,603.68	(5,084,412.77)	144,120,000.00	1,394,132,017.23	1,417,447,205.78	9,663,991,802.97
Increase Revaluation Surplus on Assets		-	-	-	-	285,750.00	-	-	-	-	-	-	285,750.00
Depreciation and Written off-Revaluation Surplus on Assets		-	-	(106,903,778.31)	(5,209,801.37)	(206,581,322.37)	(882,527.55)	-	-	-	-	(4,727,591.80)	(324,305,021.40)
Unrealized Loss on Available for Sale Securities		-	-	-	-	-	-	(2,274,985.93)	-	-	-	(800,596.54)	(3,075,582.47)
Accumulated Result of Translation Adjustment		-	-	-	-	-	-	-	3,411,701.45	-	-	11,668,839.23	15,080,540.68
Surplus from Change in Shareholding Ratio in Subsidiary Companies		-	-	-	-	-	26,600,268.59	-	-	-	-	(26,600,268.59)	-
Total Unrealized Transaction in Income Statements		1,550,000,000.00	1,554,617,243.34	1,296,880,669.71	135,062,713.77	1,842,877,148.17	37,995,203.05	977,617.75	(1,672,711.32)	144,120,000.00	1,394,132,017.23	1,396,987,588.08	9,351,977,489.78
Net Profit for the Year		-	-	-	-	-	-	-	-	-	859,526,388.57	115,508,834.19	975,035,222.76
Dividend Paid	31	-	-	-	-	-	-	-	-	-	(341,000,000.00)	(16,439,519.60)	(357,439,519.60)
Legal Reserve	31	-	-	-	-	-	-	-	-	18,500,000.00	(18,500,000.00)	-	-
Increase in Minority Shareholders' Equity		-	-	-	-	-	-	-	-	-	-	487,549,026.58	487,549,026.58
Balance as at October 31, 2008		1,550,000,000.00	1,554,617,243.34	1,296,880,669.71	135,062,713.77	1,842,877,148.17	37,995,203.05	977,617.75	(1,672,711.32)	162,620,000.00	1,894,158,405.80	1,983,605,929.25	10,457,122,219.52

Notes to financial statements are an integral part of the above statements.

**KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES**

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

**For the Years Ended on October 31, 2008 and 2007**

**Separate Financial Statements**

								(Unit : Baht)
	Notes	Issued and Paid-up	Premium on	Revaluation	Unrealized Gain	Retained Earnings		TOTAL
		Share Capital	Share Capital	Surplus on Assets- Parent Company	(Loss) on Available for Sale Securities	Appropriated Legal Reserve	Unappropriated	
Balance as at October 31, 2006		1,550,000,000.00	1,554,617,243.34	805,481,337.91	3,088,320.00	121,120,000.00	299,597,140.99	4,333,904,042.24
Revaluation Surplus on Assets Increase during the Period-Net		-	-	655,101,985.02	-	-	-	655,101,985.02
Depreciation and Written off-Revaluation Surplus on Assets		-	-	(56,798,874.91)	-	-	-	(56,798,874.91)
Unrealized Gain on Available for Sale Securities		-	-	-	661,750.00	-	-	661,750.00
Total Unrealized Transaction in Income Statements		1,550,000,000.00	1,554,617,243.34	1,403,784,448.02	3,750,070.00	121,120,000.00	299,597,140.99	4,932,868,902.35
Net Profit for the Year		-	-	-	-	-	459,308,264.34	459,308,264.34
Dividend Paid	31	-	-	-	-	-	(341,000,000.00)	(341,000,000.00)
Legal Reserve	31	-	-	-	-	23,000,000.00	(23,000,000.00)	-
Balance as at October 31, 2007		1,550,000,000.00	1,554,617,243.34	1,403,784,448.02	3,750,070.00	144,120,000.00	394,905,405.33	5,051,177,166.69
Depreciation and Written off-Revaluation Surplus on Assets		-	-	(106,903,778.31)	-	-	-	(106,903,778.31)
Unrealized Loss on Available for Sale Securities		-	-	-	(2,024,655.00)	-	-	(2,024,655.00)
Total Unrealized Transaction in Income Statements		1,550,000,000.00	1,554,617,243.34	1,296,880,669.71	1,725,415.00	144,120,000.00	394,905,405.33	4,942,248,733.38
Net Profit for the Year		-	-	-	-	-	368,065,999.98	368,065,999.98
Dividend Paid	31	-	-	-	-	-	(341,000,000.00)	(341,000,000.00)
Legal Reserve	31	-	-	-	-	18,500,000.00	(18,500,000.00)	-
Balance as at October 31, 2008		1,550,000,000.00	1,554,617,243.34	1,296,880,669.71	1,725,415.00	162,620,000.00	403,471,405.31	4,969,314,733.36

Notes to financial statements are an integral part of the above statements.



## KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

## CASH FLOW STATEMENTS

For the Years Ended on October 31, 2008 and 2007

(Unit : Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	2008	2007	2008	2007
CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit	859,526,388.57	835,861,607.48	368,065,999.98	459,308,264.34
Reconciliation of Net Profit with Cash Received (Payment) from Operating Activities:-				
Doubtful Accounts-Trade and Farmer Accounts Receivable (Reversal)	2,489,451.84	33,301,198.72	-	-
Written off Bad Debt	-	4,345,470.60	-	-
Reversal of (Revenue from) Compensation for Sugar Production and Distribution	1,252,573.35	(246,205,101.42)	(2,229,383.09)	(130,540,716.87)
Loss from Dilapidated Inventories and written down the value of Inventories (Reversal)	(8,538,739.93)	8,416,494.93	-	-
Participating (Profit)Loss from Investments under Equity Method	2,241,937.31	3,768,425.20	-	-
Amortization of Premium on Bond	81,347.21	83,130.62	66,199.06	67,432.30
Loss from damaged cane and adjustment to decrease the value of Cane Plantation Cost	16,637,635.38	11,267,423.04	488,296.11	281,293.37
Depreciation	339,106,198.61	316,621,015.54	127,988,035.21	135,841,044.29
(Profit) Loss on Sales of Property, Plant and Equipment	(9,054,959.33)	15,935,141.23	(13,407,497.14)	17,517,756.99
Loss from Impairment of Property, Plant and Equipment (Reversal)	(1,754,615.51)	8,610,044.74	(1,552,083.74)	(367,271.90)
Loss from Impairment of Land Not Used in Operation (Reversal)	-	1,506,900.00	-	-
Loss from Impairment of Investments in Subsidiary and Associated Companies (Reversal)	-	-	50,150,609.90	27,819,624.60
Dividend Income	(178,710.00)	(168,892.50)	(151,739,190.40)	(260,179,463.15)
Written off Debentures Issuance Expense	1,361,976.22	-	1,361,976.22	-
Written off Leasehold Right Fee	497,667.82	-	-	-
Unrealized (Gain) Loss on Exchange Rate	1,553,780.17	281,968.45	(2,911,882.63)	134,673.28
Loss from Non Refundable Withholding Tax	21,829.63	20,140.29	-	-
Net Profit (Loss) of Subsidiary Companies belonging to Parent Company before			-	-
Share Acquisition	3,012,790.84	(3,191,146.25)	-	-
Minority Shareholders' Net Profit	112,496,043.71	89,005,404.34	-	-
Profit from Operation before Changes in Operating Assets and Liabilities	1,320,752,595.89	1,079,459,225.01	376,281,079.48	249,882,637.25
(Increase)Decrease in Trade Accounts and Notes Receivable	(264,920,554.96)	(186,142,043.18)	(130,633,635.38)	(37,018,100.38)
(Increase)Decrease in Trade Accounts Subsidiary and Related Companies	(803,077.72)	(861,527.13)	(12,044,842.82)	(8,500.01)
(Increase)Decrease in Farmer Accounts Receivable	(1,952,363.87)	16,539,391.65	-	-
(Increase)Decrease in Inventories	(343,430,396.72)	285,084,472.47	15,639,951.28	(165,548,310.23)
(Increase)Decrease in Machine Maintenance Supplies	(12,141,694.15)	(60,112,813.74)	(4,318,301.78)	(17,160,497.06)
(Increase)Decrease in Real Estate Development Cost	(7,061,796.09)	(8,250,734.91)	-	-
(Increase)Decrease in Other Accounts Receivable-Cane Value	875,103.65	(395,576,151.68)	422,193.99	(228,205,124.29)
(Increase)Decrease in Other Current Assets	32,553,307.52	(53,861,332.30)	2,195,337.75	(22,943,686.81)
(Increase)Decrease in Deferred Cane Plantation Cost	(207,074,617.14)	(66,228,164.91)	1,578,552.19	35,122,390.26
(Increase)Decrease in Other Non-Current Assets	(27,833,164.31)	16,918,983.89	3,000.00	-
Increase(Decrease) in Trade Accounts and Notes Payable	306,444,441.68	(440,242,201.18)	96,437,005.72	12,136,651.03
Increase(Decrease) in Trade Accounts and Notes Payable - Subsidiary and Related Companies	(85,601.99)	85,601.99	(7,343,992.11)	(13,639,118.96)
Increase(Decrease) in Accrued Corporate Income Tax	(12,274,612.39)	75,637,188.47	35,855,516.66	1,852,096.65
Increase(Decrease) in Advance Received from Customers for Goods	25,628,447.69	(53,452,334.06)	(33,333,377.81)	38,365,149.79

Notes to financial statements are an integral part of the above statements.

## KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

## CASH FLOW STATEMENTS

For the Years Ended on October 31, 2008 and 2007

(Unit : Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	2008	2007	2008	2007
CASH FLOW FROM OPERATING ACTIVITIES (Continued)				
Increase(Decrease) in Accrued Stabilization Function Payment	30,833,045.68	(66,945,780.27)	15,186,045.29	(33,340,741.83)
Increase(Decrease) in Accrued Fee Payable to Cane and Sugar Fund	44,110,151.76	(1,496,739.55)	21,223,563.03	(565,401.56)
Increase(Decrease) in Other Accrued Expenses	69,338,777.15	20,556,015.25	60,804,726.86	11,293,487.77
Increase(Decrease) in Other Accounts Payable	(6,473,356.36)	(7,307,337.87)	(79,776,855.43)	(92,169,296.45)
Increase(Decrease) in Other Current Liabilities	5,210,996.86	2,919,489.52	(1,313,565.03)	1,024,973.72
Increase(Decrease) in Other Non-Current Liabilities	(2,644,490.19)	(1,537,126.59)	978,038.86	(746,906.35)
Net Cash Received (Used) from Operating Activities	949,051,141.99	155,186,080.88	357,840,440.75	(261,668,297.46)
CASH FLOW FROM INVESTING ACTIVITIES				
(Increase)Decrease in Short-Term Investments	351,098.09	1,067,582.86	-	-
(Increase)Decrease in Short-Term Loans due from Subsidiary and Related Companies	16,978,540.95	57,586,648.78	47,600,000.00	(34,000,000.00)
(Increase)Decrease in Short-Term Loans due from Farmers	79,871,746.49	(250,785,346.43)	118,784.63	11,956,211.37
(Increase)Decrease in Loans for Cane Plantation Development	20,888,015.92	27,713,085.83	-	-
Cash Purchase of Investments in Subsidiary and Associated Companies	-	(17,000,000.00)	(1,512,644,998.20)	(372,725,650.00)
Cash Received form Dividend Paid by Subsidiary and Other Companies	178,710.00	168,892.50	187,381,555.65	116,279,611.90
Cash Purchase of Other Long-Term Investments	(18,343,440.91)	(490,058.92)	(9,842,720.00)	-
Purchase of Property, Plant and Equipment	(2,397,880,753.78)	(986,053,885.34)	(183,780,830.10)	(209,381,000.31)
Cash Received from Sale of Property, Plant and Equipment	37,014,469.67	28,101,751.12	32,647,991.05	15,570,481.89
Purchase of Land not Used in Operation	(28,933,775.00)	-	-	-
Cash Received from Sale of Land not Used in Operation	-	450,000.00	-	450,000.00
(Increase)Decrease in Obligated Fixed Deposits	1,962,141.73	(902,998.43)	(237,858.27)	(153,998.43)
Net Cash Used from Investing Activities	(2,287,913,246.84)	(1,140,144,328.03)	(1,438,758,075.24)	(472,004,343.58)
CASH FLOW FROM FINANCING ACTIVITIES				
Increase(Decrease) in Bank Overdrafts and Short-Term Loans due to Financial Institutions	244,124,863.68	(638,758,997.40)	(229,639,516.08)	(545,000,000.00)
Increase(Decrease) in Other Short-Term Loans	70,870,542.57	1,525,468,562.18	70,870,542.57	1,525,468,562.18
Increase(Decrease) in Short-Term Loans due to Subsidiary and Related Companies	-	-	187,500,000.00	26,500,000.00
Increase(Decrease) in Account Payable-Assets	(60,325,142.49)	(29,283,538.38)	-	-
Cash Received from Debentures	1,494,980,000.00	-	1,494,980,000.00	-
Cash Received from Long-Term Loans	716,747,000.00	884,700,000.00	-	200,000,000.00
Repayment of Long-Term Loans	(904,053,731.60)	(474,100,000.00)	(116,000,000.00)	(119,000,000.00)
Dividend Paid to Parent Company's Shareholders	(341,000,000.00)	(341,000,000.00)	(341,000,000.00)	(341,000,000.00)
Dividend Paid to Minority's Interest	(16,439,519.60)	(12,289,280.60)	-	-
Additional Investment from Minority's Interest	474,813,890.33	212,283,229.22	-	-
Decrease in Investment from Minority's Interest	(138,851,949.83)	(16,415,325.00)	-	-
Net Cash Received from Financing Activities	1,540,865,953.06	1,110,604,650.02	1,066,711,026.49	746,968,562.18
Increase (Decrease) from Accumulated Result of Translation Adjustment	15,080,540.68	(11,054,908.22)	-	-
Cash and Cash Equivalents Increase(Decrease)-Net	217,084,388.89	114,591,494.65	(14,206,608.00)	13,295,921.14
Cash and Cash Equivalents at the Beginning of the Period	290,295,834.83	175,704,340.18	32,268,062.83	18,972,141.69
Cash and Cash Equivalents at the End of the Period	507,380,223.72	290,295,834.83	18,061,454.83	32,268,062.83

Notes to financial statements are an integral part of the above statements.

## KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

## CASH FLOW STATEMENTS

For the Years Ended on October 31, 2008 and 2007

(Unit : Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	2008	2007	2008	2007
Additional Disclosure :				
1. Cash payment during the period				
- Interest Expenses	187,053,003.28	191,241,141.82	111,684,258.73	112,434,001.56
- Corporate Income Tax	325,300,039.14	253,324,173.67	43,524,822.50	66,991,251.84
2. Cash and cash equivalent items meant cash and bank deposits in the forms of savings, current, fixed accounts and promissory notes not over three months as follows :-				
- Cash	40,235,862.52	5,778,244.59	1,046,247.25	1,422,481.75
- Bank deposits	467,144,361.20	284,517,590.24	17,015,207.58	30,845,581.08
3. Significant non-cash items in the consolidated and the separate financial statements are as follows :-				
- Unrealised profit (loss) from available for sale securities	(3,075,582.47)	2,098,958.10	(2,024,655.00)	661,750.00
- Set off the allowance for impairment for general investment with the cost value of general investment	659,294.42	-	45,144.42	-
- Set off the allowance for farmer receivable and farmer receivable	397,676.07	-	397,676.07	-
- Transfer of other long-term investment to investment in subsidiary company	-	-	210,479.09	4,200,700.85
- Transfer of land development cost and depreciation to deferred cane plantation cost	55,561,663.45	18,788,183.27	2,664,496.65	2,565,177.03
- Transferred a part of real estate development cost to property, plant and equipment	1,431,745.94	-	-	-
- Purchase of fixed assets but not yet paid for	272,743,560.49	71,041,137.60	78,571,671.05	-
- Input tax to be submitted from the purchase of fixed assets but not yet paid for	13,058,444.39	-	5,500,016.97	-
- Receipt of debt repayment in assets	26,374,955.52	-	-	-
- Transferal of land not used in operation with property, plant and equipment	1,181,704.00	142,885,542.62	-	648,402.00
- Purchase of vehicles under hire-purchase contract	-	2,663,579.52	-	-
- Transfer of land to real estate development cost	-	14,080,625.00	-	-
- Subsidiary companies recorded interest expense as cost of asset	3,436,973.29	8,608,586.05	-	-
- Depreciation in capital surplus from assets revaluation	302,216,815.62	195,482,522.89	88,197,175.60	56,160,910.68
- Revaluation Surplus on Assets	285,750.00	1,804,383,159.94	-	655,101,985.02
- Capital surplus from assets revaluation written off and net from accumulated depreciation	22,088,205.78	13,784,148.04	18,706,602.71	-
- Transfer of minority shareholders' equity to surplus from changes in shareholding ratio in subsidiary companies	26,600,268.59	-	-	-
- A subsidiary company had share subscription receivables due from minority shareholders, which have not been received	151,787,040.00	12,841,675.00	-	-
- Two subsidiaries declared dividend payment; thus remaining accrued dividend income	-	-	108,257,486.00	143,899,851.25
- Allocated retained earnings to legal reserve	18,500,000.00	23,000,000.00	18,500,000.00	23,000,000.00

Notes to financial statements are an integral part of the above statements.

**KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED**

**AND ITS SUBSIDIARY COMPANIES**

**NOTES TO FINANCIAL STATEMENTS**

**OCTOBER 31, 2008 AND 2007**

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**1. General Information**

KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED was registered as a limited company under the Civil and Commercial Code on October 6, 1976 with the registration number 1163/2519 and was registered as a public company limited on March 18, 2004 with the registration number Bor Mor Jor 0107547000214. Its registered headquarter is located at 503 K.S.L.Tower, 9th Floor, Sriyudahya Road, Ratchathewi, Bangkok and its factory is located at 43 Moo 10, Namphong District, Namphong, Khonkaen Province. The Company's main business is to manufacture and distribute sugar and molasses and the subsidiary companies' main business operations are listed in notes to financial statements No. 4.1. Information concerning its employees as at October 31, 2008 and 2007 are as follows:

	<u>Consolidated</u>		<u>Separate</u>	
	<u>financial statements</u>		<u>financial statements</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Average Number of Employees during Production Season Period (Persons)	4,020	3,992	1,276	1,263
Average Number of Employees during Normal Period (Persons)	2,950	2,790	1,072	1,019
Employees Expenses (Million Baht)	721.68	635.52	247.79	231.00

**2. Basis of Financial Statements Preparation**

2.1 The consolidated and the separate financial statements are prepared in accordance with the generally accepted accounting principles under the Accounting Act B.E. 2543 which include the already announced accounting standards by Federation of Accounting Professions established under the Accounting Professions Act B.E. 2547 and in accordance with the regulation of the Office of Securities and Exchange Commission on the subject of preparation and presentation of the financial reports.

These financial statements have been prepared under the existing cost basis except disclosed otherwise under the accounting policy.

## 2.2 The New Accounting Standards Issuance

The Federation of Accounting Professions has issued Notifications Nos. 9/2007, 38/2007, 62/2007 and 86/2007 (in the process of being printed in the Royal Gazette) on accounting standards which determine to apply the new accounting standards as follows:-

### **A) Thai Accounting Standards that are effective for the current year**

- No. 44 (Revised 2007) Consolidated and Separate Financial Statements
- No. 45 (Revised 2007) Investment in Associated Company
- No. 46 (Revised 2007) Interests in Joint Ventures

The said Thai Accounting Standards have to be applied to the financial statements for the accounting period that commence on or after January 1, 2007 onward, the Company has already changed the accounting recording to compliance with the said Thai Accounting Standards for the accounting period of 2007.

### **B) Thai Accounting Standards that are not yet effective for the current year**

- No. 25 (Revised 2007) Cash Flow Statements
- No. 29 (Revised 2007) Leases
- No. 31 (Revised 2007) Inventories
- No. 33 (Revised 2007) Borrowing Costs
- No. 35 (Revised 2007) Presentation of Financial Statements
- No. 36 (Revised 2007) Impairment of Assets
- No. 39 (Revised 2007) Accounting Policies, Changes in Accounting Estimates and Errors
- No. 41 (Revised 2007) Interim Financial Reporting
- No. 43 (Revised 2007) Business Combinations
- No. 49 (Revised 2007) Construction Contracts
- No. 51 Intangible Assets
- No. 54 (Revised 2007) Non-Current Asset Held for Sale and Discontinued Operations

The said Thai Accounting Standards have to be applied to the financial statements for the accounting period that commence on or after January 1, 2008, except No. 36 (Revised 2007) and No. 54 (Revised 2007) have to be applied to the financial statements for the accounting period that commence on or after January 1, 2009. The management of the Company has evaluated and thought the said Thai Accounting Standards would not have material effects on the financial statements for the year the said accounting standards have to be applied.

- 2.3 The Company prepared its statutory financial statements in the Thai language in conformity with generally accepted accounting principles in Thailand. The accounting standards used may be different from generally accepted accounting principles in other countries. For the convenience of the reader, the financial statements in English version have been translated from the statutory financial statements in Thai version in order to requirement of domestic reporting purpose.
- 2.4 The accounting items in the consolidated and separate financial statements for the year ended on October 31, 2007 were reclassified in order to be compatible with those for the year ended on October 31, 2008 which bear no effect on net profit or shareholders' equity as already reported in the consolidated and separate financial statements. Major items are as follows :-
- Reclassify other accounts receivables compensation for production and distribution of sugar from being current asset to non-current asset in amount of Baht 246.21 million and Baht 130.54 million respectively.
  - Setting-off accrued stabilization function payment, other accrued expenses and other payables against other receivables for cane sold in amounts of Baht 176.50 million and Baht 81.93 million respectively.
  - Reclassify trade accounts and notes payable to other payables in amount of Baht 89.40 million and Baht 106.41 million respectively.
  - Reclassify property, plant and equipments to land not used in operation in the consolidated financial statements in amount of Baht 142.89 million.
- 2.5 In the separate financial statement for the year ended on October 31, 2007, there was an adjustment to decrease the amount of Baht 27.54 million in accounts of income and cost in exchange of sugar since this exchange transaction has similar nature and amounts which bear no effect on net profit or shareholders' equity as already reported.

### 3. Summary of Significant Accounting Policies

The Company and its subsidiary companies have significant accounting policies as follows:

- 3.1 The policies concerning its incomes are as follows:
- 3.1.1 Incomes from sales are recognized when goods are delivered.
  - 3.1.2 Service incomes are recognized when service has already been rendered.
  - 3.1.3 Rental incomes are recognized in accordance to rental period.
  - 3.1.4 Revenue from sale of houses together with land is recognized in accordance to installments due for payment under gross margin method. In payment of installments due is more than percentage of work completed, it will be restrictively recognized only that amount pursuant to the work already completed. The group companies will cease to recognize revenue immediately if purchaser becomes overdue by more than three consecutive installments.

The amount of money received by installments which exceeding the percentage of the work completed will be recorded as advance received from purchaser and is shown as other liabilities in the balance sheet.

- 3.1.5 Interest and discount receivable from discounting notes receivable are recognized according to the related period.
- 3.1.6 Dividend is recognized when entitled to receive it.
- 3.1.7 Other incomes are recognized by accrual basis.
- 3.2 The policies concerning its expenses are as follows:
  - 3.2.1 In case of cost of sale for house together with land, the group companies calculates by appropriating all estimated development costs of properties (based on actual costs) to house and land sold according to saleable areas and then recognizing it as cost of sales in the income statement in according to proportion of revenue recognition.
  - 3.2.2 Other expenses are recognized by accrual basis.
- 3.3 Cash and cash equivalent items includes cash, savings account deposit, current account deposit and not exceeding 3 months fixed deposits and short-term investments which are not exceeding 3 months duration for repayment with no obligation commitment.
- 3.4 Trade accounts and notes receivable, farmer accounts receivable, and loan receivables from loans for cane plantation promotion are shown at net realizable value with allowance for doubtful debts is made by assessing the current financial status of each account which is considered not collectable.
- 3.5 Inventories are shown at the lower of cost or net realizable value and adjusted by slow-moving or out-of-date goods. In case of cost, the following calculation is observed:
  - Raw materials, factory supplies and purchased for resale finished goods, first in- first out method is used.
  - Goods in process and finished goods, calculation is made from average production cost in each production year using first in-first out method.

Molasses, which are by product from sugar production, are shown at average net realizable value.
- 3.6 Real estate development cost is shown at the lower of cost or net realizable value which consist of land cost, filling cost, construction cost, utility-system development cost and direct cost to acquire the products and set them to be ready for sale.
- 3.7 Machine maintenance supplies are shown at cost using first in-first out method and adjusted by allowance for slow-moving or out-of-date supplies (if any).

### 3.8 Investments

- 3.8.1 Investments in subsidiary companies in the separate financial statements are recorded under the cost method net by the accumulated allowance for the impairment and record the recognition of the change in the investment in the income statement when the investment is disposed or the impairment of the investment incurred.
  - 3.8.2 Investments in associated companies in the consolidated financial statements are recorded by equity method and in the separate financial statements are recorded under the cost method net by the accumulated allowance for the impairment and record the recognition of the change in the investment in the income statement when the investment is disposed.
  - 3.8.3 Investment in marketable debt and equity instruments which are recorded as securities for sale are those held for an unspecified period which might be sold in need of liquidity and shown in total under of non-current assets except the management has intention to hold them less than 12 months from the balance sheet date or the management want to sell them to increase the working capital. In the latter case they will be classified as current asset. Normally the management will fix the appropriate classification at the time of investing and will review the classification regularly. These investments are valued at fair values which are calculated from the latest quote of purchase price as of the accounting year end date and recognised the change in value as a separate item in the shareholders' equity except when these investments are sold or impaired in value, the recognition will be made through the income statement.
  - 3.8.4 Investments in debt instruments which are held until maturity will be classified as short-term or long-term investments according to the remaining maturity period. They are shown at cost written down and deducted by allowance for impairment. The Company and subsidiary companies write off premium/discount over value of debt instruments by straight-line method and the amount written-off will be shown in the income statement.
  - 3.8.5 Long-term investment is non-marketable equity instruments which are treated as general investments are shown at cost net off by accumulated allowance for impairment and change in value of general investments is recognised in the income statement when they are sold or impaired.
- 3.9 Deferred cane plantation cost is the accumulated cost of cane plantation consisting of purchase cost of young canes, cost of cane used for expansion, fertiliser cost, wages and other related direct expenses which are measured at cost deducted by accumulated depreciation and impairments. For canes harvested for transfer to being raw material cost in production and cost of goods sold as at the harvest date, they are valued at fair value deducted by estimated expense at point of sale. The fair value of cane is considered from price the Company and subsidiary companies expected to purchase from cane farmers in each region.



3.10 Properties, plants and equipment are initially recorded at cost and later stated at fair value, base on valuation made by external independent appraisers. The Company have a policy to use independent appraisers to revalue assets at times and during the intervals if there are factors indicating a significant change in the value of assets, the revaluation will be performed in that year. Increase from appraisal value will be recorded as revaluation surplus on assets in the shareholders' equity, and decrease from cost recorded as loss from revaluation of assets in the income statement. Increase in revaluation surplus on building and machines will be amortized in accordance to the remaining useful lives of those assets.

Plant and equipment are shown at fair value net by accumulated depreciation and accumulated allowance for impairment. The Company and subsidiary companies calculate the depreciation by using the straight-line method over their estimated useful lives as follows: -

Land Improvement	5-61	years
Building and Construction	20-58	years
Machinery and Equipment	5-32	years
Motor Vehicle and Labour Saving Tool	5-20	years
Furniture and Office Equipment	5-10	years

The Company and its subsidiary companies record the depreciation as calculated above as follow: -

- The depreciation for those calculated from the cost value is included in the calculation of the operating result.
- The depreciation for the revaluation surplus is written-off to the revaluation surplus of asset in the shareholders' equity.

No depreciation is calculated for the land and work under construction.

Interest expense incurred from the loan obtained especially for the work under construction project and during installation are included in the cost of the said work under construction until it is ready for its intended usage.

3.11 Land not used in operation are initially recorded by cost method net by allowance for accumulated impairment.

3.12 Impairment of assets, the Company and subsidiary companies assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company and subsidiary companies make an estimate of the asset's recoverable amount. When the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the income statement. (An asset's recoverable amount is the higher of net selling price and value in use of the said asset).

- 3.13 Vehicles under hire-purchase contracts recorded as assets and liabilities at the amount equal to the fair value of the hire-purchased assets at the lower of the beginning of the contract or the present value of the minimum payment that must be paid according to the contract. The interest rate used to calculate the present value of the minimum payment that must be paid according to the contract is as stipulated in the contract. The interest paid is recorded at the interval throughout the term of the contract according to the remaining principal of the hire-purchase contracts at that period.
- 3.14 Lease operation contract in hiring assets which the risk and ownership of the hired assets remain with the lessor classified as lease operation. The lease fee paid under the operating lease recorded as expense throughout the term of the contract.
- 3.15 For liability estimates, the Company and subsidiary companies will record liability estimates when it is highly certain that obligations will occur at present legally or estimate result from past events. These obligations are expected to cause damage to economically beneficial resource in order to pay for such obligations and these amounts to be paid can be estimated confidently. If there is expectation to recover payment toward estimated liabilities certainly by all or part, the Company and subsidiary companies will recognized the returned payment as separate asset but its amount must not be more than related, estimated liabilities and the expense related to liability estimates is shown in the income statement at amount netted by recognized amount of expense to be recovered.
- 3.16 Deferred expense for debenture issuance is amortized as expenses in parts in the income statement by using the straight-line method over the period of debenture of 3-5 years and shown as deduction from debenture.
- 3.17 Surplus from internal restructure of entities under common control is the difference between net book value of investment received and purchase cost of investment occurred from internal restructure of entities under common control. This investment was a merger of identities with same former shareholders and management and the said surplus is shown as a separate item in the balance sheet under shareholders' equity.
- 3.18 Surplus from change in shareholding ratio in subsidiary companies is the difference between purchase price for increase proportion in subsidiary companies and book value of the subsidiary companies resulted from increased proportion of investment in that subsidiary companies. This surplus is shown as a separate item in the balance sheet under the shareholders' equity.
- 3.19 Foreign currency transactions are translated into Baht at the rates ruling on the occurrence dates. Assets and liabilities in foreign currency outstanding on the year-end date are translated into Baht at the rates ruling on that date. Exchange gains or losses are included as incomes or expenses in the income statement of the year.

### 3.20 Inter-Transaction between the related parties and related companies

The related parties and related companies with the Company and subsidiaries meant individuals or enterprises which have the controlling power over the Company and subsidiaries or are controlled by the Company and subsidiaries either directly or indirectly, or under the same control with the Company and subsidiaries. Furthermore, the related parties or related companies also meant the associated companies and the parties whose holding the shares with voting rights, either directly or indirectly, and have significant influence to the Company, important managers, directors or the employees of the Company and subsidiary companies who have the power to plan and control the operations of the Company and subsidiary companies including the family members close to the said persons which could persuade or power to persuade to act in compliance with the said persons and business that the said persons have control power or significant influence, either directly or indirectly.

### 3.21 Employee benefits

The group companies have set up the provident fund for the type that the contribution plan has already been determined. The provident fund's asset has been separated from the assets of the group companies and manages by an outside fund manager. The said provident fund receives contributions from the employees and the group companies. The contribution from the group companies is recorded as the expense in the income statements for the accounting period the transaction incurred. However, the group companies did not set up the liability for the employee benefits according to the Thai Labor Law.

### 3.22 Corporate income tax will be recognized as expense item whenever the Company is liable to pay tax.

### 3.23 Earnings or loss per share is calculated by dividing net profit or loss for the period with the weighted average number of issued and paid-up shares existing during the year.

### 3.24 Sectoral Business Operations

The business sector is the business sector that source products or provide services which have different risks and return from the risks and return of the products or services provide by other business sectors.

The sectoral business operation is disclosed under the separate business sectors of the group companies.

### 3.25 Financial Instruments

Financial assets and liabilities carried on the balance sheets include cash and cash equivalents, trade accounts receivable and payable, other accounts receivable and payable, and loan receivables and payables. The important accounting policies and measurement of these items are disclosed in the respective accounting policies for related items.

Foreign currency forward contracts are meant to prevent risk from volatile movements in exchange rates by establishing a future rate at which a foreign currency asset and liability will be settled. Gain or loss from the foreign currency forward contracts will be recorded in the income statement when the settlement is made.

3.26 For accounting estimates required for preparation of financial statements to confirm with generally accepted accounting principles, the management has to use various estimates and assumptions which would affect amounts relating to incomes, expenses, assets, liabilities and disclosure of data relating to contingent assets and liabilities. The actual result may differ from amounts already estimated.

#### 4. Basis of Consolidation

4.1 The consolidated financial statements include the consolidated, either directly or indirectly, financial statements of KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED and its subsidiary companies as follows: -

Company Name	Percentage of		Country of	Kind of Business	
	Holding		Incorporation		
	2008	2007			
Subsidiary Companies (The Company hold the shares directly)					
* Thai Sugar Terminal Public Company Limited	23.82	23.82	Thailand	Locating, silo warehouse and property rental	
New Krung Thai Sugar Factory Co., Ltd.	93.01	91.06	Thailand	Manufacture and distribution of sugar and molasses	
Tamaka Sugar Industry Co., Ltd.	90.21	90.21	Thailand	Manufacture and distribution of sugar and molasses	
New Kwang Soon Lee Sugar Factory Co., Ltd.	98.61	96.85	Thailand	Manufacture and distribution of sugar and molasses	
K.S.L. Real Estate Co., Ltd.	80.31	80.31	Thailand	Housing and land for agriculture estate including holiday resort for training and seminar center	
K.S.L. Export Trading Co., Ltd.	79.11	78.63	Thailand	Export sugar as exporting agent	
KSL Chemical Co., Ltd.	100.00	100.00	Thailand	Importer and distributor of chemicals	
Khon Kaen Sugar Power Plant Co., Ltd.	100.00	100.00	Thailand	Manufacture and distribution of electricity	
Khon Kaen Alcohol Co., Ltd.	100.00	100.00	Thailand	Manufacture and distribution of alcohol or fuel from agricultural produce and bio-fertilizer	
KSL. Agro Co., Ltd.	100.00	100.00	Thailand	Agricultural Operation	
Savannakhet Sugar Corporation	97.00	97.00	Laos	Agricultural Operation, Manufacture and distribution of sugar and molasses	
Koh Kong Plantation Co.,Ltd.	50.00	50.00	Cambodia	Agricultural operation which is during investment process	
Koh Kong Sugar Industry Co., Ltd.	50.00	-	Cambodia	Manufacture and distribution of sugar and molasses which are during investment process	
Wynn In Trading Co., Ltd.	100.00	-	Mauritius	Trading and consultancy service	
Subsidiary Companies (The Company hold the shares directly and indirectly through Thai Sugar Terminal Public Company Limited)					
* T S G Asset Co., Ltd. (shares held by subsidiary company at 19.00%)	23.11	23.11	Thailand	Real-estate leasing business	
* T S G Properties Co., Ltd. (shares held by subsidiary company at 14.78%)	18.90	18.90	Thailand	Business of trading, rental and development of real-estate	
* T S Flour Mill Co., Ltd. (shares held by subsidiary company at 23.54%)	23.63	23.63	Thailand	Property rental and produce and distribute wheat flour	
* T S Warehouse Co., Ltd. (shares held by subsidiary company at 15.28%)	19.30	14.61	Thailand	Warehousing and loading of goods	
* T S Transport and Logistics Co., Ltd. (shares held by subsidiary company at 18.44%)	34.64	-	Thailand	Transportation and security services. In the process of investment for the operation in industrial factory for polypropylene bag, plastic fiber, plastic resin and plastic import and export	

\* The group companies participate in controlling over, thus they are considered subsidiary companies under the definition specified in the accounting standard.

The financial statements of the foreign subsidiary companies, considered as foreign entities, in the preparation for the consolidated financial statements are translated into Baht by applying the following exchange rates:

- Assets and liabilities are translated by the closing rate at the end of the period
- Revenue and expenses are translated by the average exchange rate
- Share capital is translated at the rate when the transaction occurred.

The difference incurred from the exchange rate translation of the said financial statements is shown under the shareholders' equity.

- 4.2 The financial statements of KOH KONG SUGAR INDUSTRY Co., LTD. and WYNN IN TRADING CO., LTD. were included in preparation of consolidated financial statements for the first and third quarters of year 2008 respectively since the Company commenced investments in the said subsidiary companies which have been established in 2008.
- 4.3 THAI SUGAR TERMINAL PUBLIC CO., LTD. which is a subsidiary company, has increased its investment in T S TRANSPORT AND LOGISTIC CO., LTD. from 2% to 77.44% of the latter's issued and paid-up share capital, thus changing its status from an associated company to a subsidiary company. The financial statements of T S TRANSPORT AND LOGISTIC CO., LTD. are, therefore, included in the consolidated financial statements since the second quarter of year 2008.
- 4.4 The accounting periods of subsidiary companies ended on the same date as the parent company (accounting period ended on October 31) except the 8 subsidiary companies whose accounting periods ended on December 31 as follow :-
- |  |   |
|--|---|
| - Thai Sugar Terminal Public Company Limited | - TSG Asset Co., Ltd.                   |
| - TSG Properties Co., Ltd.                   | - T S Flour Mill Co., Ltd.              |
| - T S Warehouse Co., Ltd.                    | - T S Transport and Logistics Co., Ltd. |
| - Koh Kong Plantation Co., Ltd.              | - Koh Kong Sugar Industry Co., Ltd.     |
- 4.5 The balances between the Company and its subsidiary companies, investments in subsidiary companies and subsidiary companies' share capital were eliminated from the consolidated financial statements.

## 5. Inter-Transaction between the Related Parties and Companies

The Company and its subsidiary companies hold accounting transaction items with the related parties and companies by the same shareholders' group and mutual directors. Significant inter-transactions and remaining balances between the Company and its subsidiary companies with related entities and persons could be summarized as follows:-

### 5.1 Inter-Assets and Liabilities

<u>Type of Transaction/Company Name</u>	<u>Relationship</u>	(Unit : Thousand Baht)			
		<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		<u>As at October 31,</u>		<u>As at October 31,</u>	
		<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
- Trade Accounts					
Tamaka Sugar Industry Co., Ltd.	Subsidiary	-	-	8,678	-
Khon Kaen Alcohol Co., Ltd.	Subsidiary	-	-	3,375	-
Koh Kong Plantation Co., Ltd.	Subsidiary	-	-	-	9
Chengteh Chinaware (Thailand) Co., Ltd.	Related	514	-	-	-
Prachaup Industry Co.,Ltd.	Related	937	843	-	-
Thai Fermentation Industry Co., Ltd.	Related	1,395	417	-	-
Other Related Companies		-	535	-	-
Total		2,846	1,795	12,053	9
- Other Accounts Receivable					
Tamaka Sugar Industry Co., Ltd.	Subsidiary	-	-	-	1,527
New Krung Thai Sugar Factory Co., Ltd.	Subsidiary	-	-	-	1
Khon Kaen Alcohol Co., Ltd.	Subsidiary	-	-	1,927	665
Khon Kaen Sugar Power Plant Co., Ltd.	Subsidiary	-	-	32,902	29,792
K.S.L. Export Trading Co., Ltd.	Subsidiary	-	-	3,030	-
Thai Sugar Terminal Public Company Limited	Subsidiary	-	-	708	36
Savannakhet Sugar Corporation	Subsidiary	-	-	-	46
Koh Kong Plantation Co., Ltd.	Subsidiary	-	-	13	13
Chengteh Chinaware (Thailand) Co., Ltd.	Related	2	-	2	-
K. K. Wood Industry Co., Ltd.	Related	78	233	78	233
Total		80	233	38,660	32,313
- Accrued Dividend Received					
Tamaka Sugar Industry Co., Ltd.	Subsidiary	-	-	108,257	94,725
New Krung Thai Sugar Factory Co., Ltd.	Subsidiary	-	-	-	49,175
Total		-	-	108,257	143,900
- Accrued Receivable					
Prachaup Industry Co.,Ltd.	Related	108	-	-	-
- Cash Advance for Sugar					
K.S.L. Export Trading Co., Ltd.	Subsidiary	-	-	-	818
- Advance					
Koh Kong Plantation Co., Ltd.	Subsidiary	-	-	-	1,767
- Short-Term Loans due from					
Tamaka Sugar Industry Co., Ltd.	Subsidiary				
Beginning balance		-	-	-	-
Increase in the period		-	-	252,000	394,000
Repaid in the period		-	-	(252,000)	(394,000)
Ending balance		-	-	-	-

(Unit : Thousand Baht)

Type of Transaction/Company Name	Relationship	Consolidated financial statements		Separate financial statements	
		As at October 31,		As at October 31,	
		2008	2007	2008	2007
- Short-Term Loans due from (Continue)					
New Krung Thai Sugar Factory Co., Ltd.	Subsidiary				
Beginning balance		-	-	-	-
Increase in the period		-	-	80,000	178,000
Repaid in the period		-	-	(80,000)	(178,000)
Ending balance		-	-	-	-
New Kwang Soon Lee Sugar Factory Co., Ltd.	Subsidiary				
Beginning balance		-	-	34,000	-
Increase in the period		-	-	180,000	284,000
Repaid in the period		-	-	(214,000)	(250,000)
Ending balance		-	-	-	34,000
K.S.L. Real Estate Co., Ltd.	Subsidiary				
Beginning balance		-	-	13,600	13,600
Repaid in the period		-	-	(13,600)	-
Ending balance		-	-	-	13,600
Khon Kaen Alcohol Co., Ltd.	Subsidiary				
Beginning balance		-	-	-	-
Increase in the period		-	-	68,000	148,000
Repaid in the period		-	-	(68,000)	(148,000)
Ending balance		-	-	-	-
Khon Kaen Sugar Power Plant Co., Ltd.	Subsidiary				
Beginning balance		-	-	-	-
Increase in the period		-	-	100,000	22,000
Repaid in the period		-	-	(100,000)	(22,000)
Ending balance		-	-	-	-
KSL Chemical Co., Ltd.	Subsidiary				
Beginning balance		-	-	-	-
Increase in the period		-	-	-	2,000
Repaid in the period		-	-	-	(2,000)
Ending balance		-	-	-	-
Prachaup Industry Co., Ltd.	Related				
Beginning balance		95,581	153,167	-	-
Increase in the period		1,222,909	717,180	-	-
Repaid in the period		(1,239,888)	(774,766)	-	-
Ending balance		78,602	95,581	-	-
Total		78,602	95,581	-	47,600

As at October 31, 2008 and 2007, loans due from subsidiary and related companies were loans in the form of promissory notes and payable on demand bearing interest rates at 3.53-3.75% and 4.08-6.87% per annum respectively. The loan due from related company was incurred by a subsidiary company borrowing money in the form of packing credit on behalf of the related company as specified in notes to financial statements No. 22.

		(Unit : Thousand Baht)			
Type of Transaction/Company Name	Relationship	Consolidated financial statements		Separate financial statements	
		As at October 31,		As at October 31,	
		2008	2007	2008	2007
- Value of Assets Purchased					
New Kwang Soon Lee Sugar Factory Co., Ltd.	Subsidiary	-	-	2,538	4,290
K.S.L. Export Trading Co., Ltd.	Subsidiary	-	-	-	7,051
Khon Kaen Alcohol Co., Ltd.	Subsidiary	-	-	-	1,773
Sahamitre Machines Co., Ltd.	Related	1,541	20,287	-	-
Total		1,541	20,287	2,538	13,114
- Value of Assets Sold					
Tamaka Sugar Industry Co., Ltd.	Subsidiary	-	-	-	79
New Krung Thai Sugar Factory Co., Ltd.	Subsidiary	-	-	-	104
New Kwang Soon Lee Sugar Factory Co., Ltd.	Subsidiary	-	-	12,608	26
Khon Kaen Alcohol Co., Ltd.	Subsidiary	-	-	-	568
Khon Kaen Sugar Power Plant Co., Ltd.	Subsidiary	-	-	-	964
Koh Kong Plantation Co., Ltd.	Subsidiary	-	-	4	119
K. K. Wood Industry Co., Ltd.	Related	1,596	-	1,596	-
Total		1,596	-	14,208	1,860
- Trade Accounts and Notes Payable					
Tamaka Sugar Industry Co., Ltd.	Subsidiary	-	-	14,991	13,043
New Krung Thai Sugar Factory Co., Ltd.	Subsidiary	-	-	1,987	19,869
New Kwang Soon Lee Sugar Factory Co., Ltd.	Subsidiary	-	-	9,798	1,208
Other Related Companies		-	86	-	-
Total		-	86	26,776	34,120
- Other Accounts Payable					
Khon Kaen Alcohol Co., Ltd.	Subsidiary	-	-	4,039	2,142
Khon Kaen Sugar Power Plant Co., Ltd.	Subsidiary	-	-	-	12,858
K.S.L. Export Trading Co., Ltd.	Subsidiary	-	-	3	-
Thai Fermentation Industry Co., Ltd.	Related	27	18	3	18
K.S.L. IT Center Co., Ltd.	Related	153	330	153	16
Amarco Co., Ltd.	Related	3	-	-	-
On Nui Construction Co., Ltd.	Related	23	-	23	-
KSL Tower Juristic Person	Related Juristic Person	680	673	680	673
Kerry Siam Seaport Co., Ltd.	Related	1,679	616	1,679	616
Sahamitre Machines Co., Ltd.	Related	1,254	3,135	762	1,943
Total		3,819	4,772	7,342	18,266
- Accrued Expense					
Tamaka Sugar Industry Co., Ltd.	Subsidiary	-	-	2	-
New Krung Thai Sugar Factory Co., Ltd.	Subsidiary	-	-	16	4
Khon Kaen Alcohol Co., Ltd.	Subsidiary	-	-	12	-
Khon Kaen Sugar Power Plant Co., Ltd.	Subsidiary	-	-	17,799	980
TS Warehouse Co., Ltd.	Subsidiary	-	-	15	261
Kerry Siam Seaport Co., Ltd.	Related	1,151	297	1,151	297
KSL Tower Juristic Person Office	Related Juristic Person	11	27	-	27
K.S.L. IT Center Co., Ltd.	Related	84	-	-	-
Other Related Companies		7	-	-	-
Total		1,253	324	18,995	1,569



		(Unit : Thousand Baht)			
<u>Type of Transaction/Company Name</u>	<u>Relationship</u>	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		<u>As at October 31,</u>		<u>As at October 31,</u>	
		<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
- Advance Received from Customers for Goods					
Khon Kaen Alcohol Co., Ltd.	Subsidiary	-	-	-	20,436
Thai Fermentation Industry Co., Ltd.	Related	46,108	41,083	8,750	3,725
Total		46,108	41,083	8,750	24,161
- Advance Income-Rental					
Khon Kaen Alcohol Co., Ltd.	Subsidiary	-	-	2	2
Khon Kaen Sugar Power Plant Co., Ltd.	Subsidiary	-	-	28	26
K. K. Wood Industry Co., Ltd.	Related	17	-	17	-
Total		17	-	47	28
- Insurance Money Received					
Khon Kaen Alcohol Co., Ltd.	Subsidiary	-	-	90	268
Khon Kaen Sugar Power Plant Co., Ltd.	Subsidiary	-	-	440	440
K.S.L. IT Center Co., Ltd.	Related	110	110	110	110
Chengteh Chinaware (Thailand) Co., Ltd.	Related	410	410	410	410
On Nuj Construction Co., Ltd.	Related	142	142	142	142
K. K. Wood Industry Co., Ltd.	Related	359	276	359	276
Total		1,021	938	1,551	1,646
- Loan due to					
Tamaka Sugar Industry Co., Ltd.	Subsidiary				
Beginning balance		-	-	-	65,000
Increase in the period		-	-	238,000	160,000
Repayment in the period		-	-	(218,000)	(225,000)
Ending balance		-	-	20,000	-
New Krung Thai Sugar Factory Co., Ltd.	Subsidiary				
Beginning balance		-	-	43,000	-
Increase in the period		-	-	225,000	211,000
Repayment in the period		-	-	(133,000)	(168,000)
Ending balance		-	-	135,000	43,000
New Kwang Soon Lee Sugar Factory Co., Ltd.	Subsidiary				
Beginning balance		-	-	-	-
Increase in the period		-	-	30,000	-
Repayment in the period		-	-	(30,000)	-
Ending balance		-	-	-	-
K.S.L. Export Trading Co., Ltd.	Subsidiary				
Beginning balance		-	-	-	-
Increase in the period		-	-	-	660,000
Repayment in the period		-	-	-	(660,000)
Ending balance		-	-	-	-
Khon Kaen Alcohol Co., Ltd.	Subsidiary				
Beginning balance		-	-	-	-
Increase in the period		-	-	144,000	-
Repayment in the period		-	-	(39,000)	-
Ending balance		-	-	105,000	-

(Unit : Thousand Baht)

Type of Transaction/Company Name	Relationship	Consolidated financial statements		Separate financial statements	
		As at October 31,		As at October 31,	
		2008	2007	2008	2007
Khon Kaen Sugar Power Plant Co., Ltd.	Subsidiary				
Beginning balance		-	-	48,500	-
Increase in the period		-	-	93,000	165,500
Repayment in the period		-	-	(122,500)	(117,000)
Ending balance		-	-	19,000	48,500
TS Transport and Logistics Co., Ltd.	Related (in 2007)				
Beginning balance		-	-	-	-
Increase in the period		-	1,000	-	-
Repayment in the period		-	(1,000)	-	-
Ending balance		-	-	-	-
Total		-	-	279,000	91,500

As at October 31, 2008, loans from subsidiaries are in the form of promissory notes due in three-months at interest rate of 4.00-4.25% per annum and as at October 31, 2007 they were payable on demand and interest chargeable at 2.75-6.25% per annum.

In the year 2007, loan due to K.S.L. Export Trading Co., Ltd. was in the form of promissory notes repayable at call on demand and bearing interest rate at 4.00% per annum. This loan was incurred by K.S.L. Export Trading Co., Ltd. borrowing money in the form of packing credit on behalf of the Company which has been fully repaid during the period.

In the year 2007, short-term loans between subsidiaries and related companies were in the form of loan agreements with interest chargeable at the interest rate of 3 months deposit of a commercial bank which at the date of signing agreements stands at 3.25% per annum.

## 5.2 Inter-Revenues-Expenses and Inter-Sales-Purchase assets

(Unit : Thousand Baht)

Type of Transaction/Company Name	Relationship	Consolidated financial statements		Separate financial statement	
		For the years ended on October 31,			
		2008	2007	2008	2007
- Sales and Service					
Tamaka Sugar Industry Co., Ltd.	Subsidiary	-	-	122,687	13,010
New Krung Thai Sugar Factory Co., Ltd.	Subsidiary	-	-	7,102	89
New Kwang Soon Lee Sugar Factory Co., Ltd.	Subsidiary	-	-	4,133	13,593
Khon Kaen Alcohol Co., Ltd.	Subsidiary	-	-	256,662	196,690
Khon Kaen Sugar Power Plant Co., Ltd.	Subsidiary	-	-	11	15
KSL Chemical Co., Ltd.	Subsidiary	-	-	2	2
Thai Sugar Terminal Public Co., Ltd.	Subsidiary	-	-	2	5
KSL Agro Co., Ltd.	Subsidiary	-	-	-	15
Koh Kong Plantation Co., Ltd.	Subsidiary	-	-	4	8
Thai Fermentation Industry Co., Ltd.	Related	130,776	155,479	34,852	8,954

(Unit : Thousand Baht)

Type of Transaction/Company Name	Relationship	Consolidated financial statements		Separate financial statement	
		For the years ended on October 31,			
		2008	2007	2008	2007
- Sales and Service (Continue)					
Chengteh Chinaware (Thailand) Co., Ltd.	Related	55	58	55	58
K.S.L. IT Center Co., Ltd.	Related	128	18	8	7
Rajburi Sugar Co., Ltd.	Related	102	-	-	-
Prachaup Industry Co.,Ltd.	Related	13,585	-	-	-
Sahamitre Machines Co., Ltd.	Related	38	-	-	-
Other Related Companies		25	6	6	6
Total		144,709	155,561	425,524	232,452
- Purchases and Service					
Tamaka Sugar Industry Co., Ltd.	Subsidiary	-	-	476,559	429,086
New Krung Thai Sugar Factory Co., Ltd.	Subsidiary	-	-	274,918	428,598
New Kwang Soon Lee Sugar Factory Co., Ltd.	Subsidiary	-	-	40,391	83,664
Khon Kaen Alcohol Co., Ltd.	Subsidiary	-	-	11,328	8,454
Khon Kaen Sugar Power Plant Co., Ltd.	Subsidiary	-	-	148,721	122,526
Thai Fermentation Industry Co., Ltd.	Related	2,687	2,779	665	867
Sahamitre Machines Co., Ltd.	Related	9,116	3,218	3,142	2,935
Total		11,803	5,997	955,724	1,076,130
- Dividend received					
Tamaka Sugar Industry Co., Ltd.	Subsidiary	-	-	151,560	181,331
New Krung Thai Sugar Factory Co., Ltd.	Subsidiary	-	-	-	78,679
Total		-	-	151,560	260,010
- Other Incomes					
Tamaka Sugar Industry Co., Ltd.	Subsidiary	-	-	44	16
New Krung Thai Sugar Factory Co., Ltd.	Subsidiary	-	-	18	16
New Kwang Soon Lee Sugar Factory Co., Ltd.	Subsidiary	-	-	33	263
K.S.L. Export Trading Co., Ltd.	Subsidiary	-	-	34	53
KSL. Agro Co., Ltd.	Subsidiary	-	-	1	2
KSL Chemical Co., Ltd.	Subsidiary	-	-	11	11
Khon Kaen Alcohol Co., Ltd.	Subsidiary	-	-	34,363	39,046
Khon Kaen Sugar Power Plant Co., Ltd.	Subsidiary	-	-	297,434	217,151
Thai Sugar Terminal Public Co., Ltd.	Subsidiary	-	-	1,634	525
Savannakhet Sugar Corporation	Subsidiary	-	-	331	425
Koh Kong Plantation Co., Ltd.	Subsidiary	-	-	10,356	3,048
Koh Kong Sugar Industry Co., Ltd.	Subsidiary	-	-	391	-
Thai Fermentation Industry Co., Ltd.	Related	2,204	241	69	81
On Nuj Construction Co., Ltd.	Related	487	487	487	487
Chengteh Chinaware (Thailand) Co., Ltd.	Related	1,464	1,451	1,458	1,451
K. K. Wood Industry Co., Ltd.	Related	1,490	1,738	1,444	1,738
K.S.L. IT Center Co., Ltd.	Related	375	364	374	363
Amarco Co., Ltd.	Related	20	33	20	33
KSL Tower Juristic Person Office	Related Juristic Person	7	3	7	3
Prachaup Industry Co.,Ltd.	Related	63	8,551	-	-
Mitr Kaset Sugar Indrstry Co., Ltd.	Related	-	816	-	-
Eastern Sugar And Sugar Cane Co., Ltd.	Related	-	296	-	-
Rajburi Sugar Co., Ltd.	Related	-	2,291	-	-
Total		6,110	16,271	348,509	264,712

(Unit : Thousand Baht)

Type of Transaction/Company Name	Relationship	Consolidated financial statements		Separate financial statement	
		For the years ended on October 31,			
		2008	2007	2008	2007
- Interest Incomes					
Tamaka Sugar Industry Co., Ltd.	Subsidiary	-	-	2,394	2,725
New Krung Thai Sugar Factory Co., Ltd.	Subsidiary	-	-	549	2,693
New Kwang Soon Lee Sugar Factory Co., Ltd.	Subsidiary	-	-	2,678	4,060
K.S.L. Real Estate Co., Ltd.	Subsidiary	-	-	137	823
Khon Kaen Sugar Power Plant Co., Ltd.	Subsidiary	-	-	282	255
Khon Kaen Alcohol Co., Ltd.	Subsidiary	-	-	191	3,393
KSL Chemical Co., Ltd.	Subsidiary	-	-	-	6
Total		-	-	6,231	13,955
- Goods Custody and Exporting Fees					
Thai Sugar Terminal Public Co., Ltd.	Subsidiary	-	-	5,579	3,757
K.S.L. Export Trading Co., Ltd.	Subsidiary	-	-	4,352	2,809
TS Warehouse Co., Ltd.	Subsidiary	-	-	2,509	1,605
Kerry Siam Seaport Co., Ltd.	Related	16,172	6,617	12,379	6,617
Total		16,172	6,617	24,819	14,788
- Other Expenses					
Tamaka Sugar Industry Co., Ltd.	Subsidiary	-	-	157	6
New Krung Thai Sugar Factory Co., Ltd.	Subsidiary	-	-	7	22
K.S.L. Real Estate Co., Ltd.	Subsidiary	-	-	-	162
Khon Kaen Alcohol Co., Ltd.	Subsidiary	-	-	-	7,811
Khon Kaen Sugar Power Plant Co., Ltd.	Subsidiary	-	-	-	1,300
KSL Chemical Co., Ltd.	Subsidiary	-	-	3	-
Thai Fermentation Industry Co., Ltd.	Related	105	110	31	38
K.S.L. IT Center Co., Ltd.	Related	7,897	7,077	2,395	2,281
Amarco Co., Ltd.	Related	58	-	-	-
On Nuj Construction Co., Ltd.	Related	141	-	180	-
K.S.L. Tower Juristic Person Office	Related Juristic Person	8,542	8,332	8,420	8,332
Prachaup Industry Co.,Ltd.	Related	1,593	-	-	-
Rajburi Sugar Co., Ltd.	Related	-	183	-	-
Total		18,336	15,702	11,193	19,952
- Interest Expenses					
Tamaka Sugar Industry Co., Ltd.	Subsidiary	-	-	474	1,663
New Krung Thai Sugar Factory Co., Ltd.	Subsidiary	-	-	1,031	770
New Kwang Soon Lee Sugar Factory Co., Ltd.	Subsidiary	-	-	36	-
K.S.L. Export Trading Co., Ltd.	Subsidiary	-	-	-	2,502
Khon Kaen Alcohol Co., Ltd.	Subsidiary	-	-	246	-
Khon Kaen Sugar Power Plant Co., Ltd.	Subsidiary	-	-	584	560
Total		-	-	2,371	5,495
- Gain (loss) from Asset Sale					
Tamaka Sugar Industry Co., Ltd.	Subsidiary	-	-	-	1,349
New Krung Thai Sugar Factory Co., Ltd.	Subsidiary	-	-	-	(102)
New Kwang Soon Lee Sugar Factory Co., Ltd.	Subsidiary	-	-	7,392	(26)
Khon Kaen Alcohol Co., Ltd.	Subsidiary	-	-	-	409
Koh Kong Plantation Co., Ltd.	Subsidiary	-	-	-	18
K. K. Wood Industry Co., Ltd.	Related	(903)	-	(903)	-
Total		(903)	-	6,489	1,648

### Policy of Inter-Price Setting

- The inter-purchase and sales of sugar transactions between the Company and its subsidiaries, the Company's group uses the world market price when the sales-purchase is made for the first time of that year.
- The inter-sales-purchase goods for local sales, the Company has the policy to use mutually agreed price which is higher than cost price .
- The purchase/sale prices of assets with subsidiary and related companies are those mutually agreed upon which are higher than costs.
- Rental income are charged according to the normal price charged to general clients.
- The sales-purchase of properties, plants and equipment are charged according to the mutually agreed agreements which is higher than cost price.
- Revenue from selling of supplies are charged according to the cost.
- Income from land leased out to a subsidiary company was charged according to agreement, of which term is for 30 years, starting from January 25, 2005 until January 24, 2035 at annual fee of Baht 0.11 million to be increased by 10% for every 3 years. Once the lease is expired, ownership rights on all constructions built on the leased land were vested in the lessor.
- Inter-Service income, other income and expense are charged according to the normal price charged to general clients.
- Fees for goods custody are charged according to the volume of the goods and the custody time, which are general rates in the market.
- The expenses paid on behalf of each other are charged according to actual expenses.

### 5.3 Relationship of Related Companies

Consisted of: -

<u>Company Name</u>	<u>Relationship</u>	<u>Connection</u>
K.S.L. IT Center Co., Ltd.	Related Company	Same shareholder Group /Mutual directors
Chengteh Chinaware (Thailand) Co., Ltd.	Related Company	Same shareholder Group /Mutual directors
On Nuj Construction Co., Ltd.	Related Company	Same shareholder Group /Mutual directors
K.K. Wood Industry Co., Ltd.	Related Company	Same shareholder Group
Amarco Co., Ltd.	Related Company	Same shareholder Group
Thai Fermentation Industry Co., Ltd.	Related Company	Same shareholder Group
Rajburi Sugar Co., Ltd.	Related Company	Mutual directors in Subsidiary
Mitr Kaset Sugar Industry Co., Ltd.	Related Company	Mutual directors in Subsidiary
Kerry Siam Seaport Co., Ltd.	Related Company	Directors of the Related Company
KSL Tower Juristic Person office	Related Juristic Person	Shared Owner of Condominium Building
Eastern Sugar and Sugar Cane Co., Ltd.	Related Company	Mutual directors in Subsidiary
Sahamit Machinery Public Company Limited	Related Company	Mutual directors

Prachuap Industry Co., Ltd. held no part in management of the Company, but is a related company, where some directors of Prachuap Industry Co., Ltd. are also directors of Thai Sugar Terminal Public Co., Ltd. and K.S.L. Export Trading Co., Ltd. which are subsidiary companies of Khon Kaen Sugar Industry Public Company Limited.

#### 6. Privileges of Benefits from Promoted Investment

Two domestic subsidiary companies received 2 investment promotion certificates from the Board of Investment of Thailand (BOI) and 3 foreign subsidiary companies received the foreign investment certificate with 1 investment certificate from Lao People's Democratic Republic and 2 investment certificates from Cambodia with the following details:-

- 6.1 The promotional investment certificate No. 1929(2)2547: benefits under Investment Promotion Act. B.E. 2520 in sections 25, 26, 28, 31, 34 and 35(3) which cover exception of corporate income tax for 8 years for net profit derived from operation of promoted businesses i.e. production of pure alcohol and production of bio-fertilizers (in case of bio-fertilizers, the total shall not be more than 100% of invested capital not including land and working capital) commencing from the date the income first received from the promoted business. For alcohol or fuel from agricultural produce, the income was first received in January 2006 and for bio-fertilizer in March 2006.
- 6.2 The promotional investment certificate No. 1258(2)2548: benefits under Investment Promotion Act. B.E. 2520 in sections 25, 26, 28, 31, 34 and 35(3) which cover exception of corporate income tax for 8 years for net profit received from operation of promoted businesses i.e. production of electricity power and streams. The income was first received in December 2006.
- 6.3 Foreign investment certificate no. 017-06/ Khor Lor Tor receives tax privilege by exempting the corporate income tax for 5 years from the date the income is first derived from the selling of sugar, thereafter the subsidiary company has to pay the corporate income tax at the rate of 20%. As at October 31, 2008, there was no income derived from the said promoted business yet.
- 6.4 Foreign investment certificate no. 4420/06 Ghor Wor Ghor dated December 15, 2006 and issued by Council for the Development of Cambodia receives tax privilege by excepting duties in importing machines for manufacturing and construction materials.
- 6.5 Foreign investment certificate no. 4342/07 Ghor Wor Ghor dated November 20, 2007 and issued by Council for the Development of Cambodia receives tax privilege by excepting duties in importing machines for manufacturing and construction materials.

## 7. Short-Term Investments-Net

Consisted of:

(Unit : Baht)

Company's name	Type of business	Paid - up		Percentage of		Consolidated financial statements	
		Capital		shareholding		As of October 31,	
		(Thousand Baht)		%	%		
		2008	2007	2008	2007	2008	2007
Investments in marketable securities available for sales							
- TPI Polene Public Co., Ltd.	Cement plant and plastic industrial	20,190,000	20,190,000	0.004	0.004	2,721,589.64	2,721,589.64
- Italian-Thai Development Public Co., Ltd.	Real estate and construction	4,193,678	4,193,678	-	0.005	-	1,944,850.00
- Land and Houses Public Co., Ltd.	Real estate and construction	9,934,898	-	0.002	-	1,593,751.91	-
Total						4,315,341.55	4,666,439.64
<u>Less</u> Unrealized loss on revaluation of securities available for sale						(2,981,841.55)	(1,688,439.64)
Investments in marketable securities available for sales - net						1,333,500.00	2,978,000.00

## 8. Trade Accounts and Notes Receivable-Net

Consisted of:

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	As at October 31,		As at October 31,	
	2008	2007	2008	2007
Domestic Trade Accounts Receivable				
Not yet due	343,974,515.32	326,482,040.81	85,837,677.00	88,310,722.21
Overdue less than 3 months	93,583,489.71	22,595,677.84	-	-
Overdue more than 3 months but not over 6 months	1,007,861.38	-	-	-
Overdue more than 6 months but not over 9 months	2,154,180.03	-	-	-
Total	440,720,046.44	349,077,718.65	85,837,677.00	88,310,722.21
Overseas Trade Accounts Receivable-not yet due	228,709,715.73	69,520,242.59	175,079,686.49	42,418,026.48
Total	669,429,762.17	418,597,961.24	260,917,363.49	130,728,748.69
Notes Receivable	31,736,842.11	13,084,828.44	9,726,037.15	6,369,133.94
Total Trade Accounts and Notes Receivable	701,166,604.28	431,682,789.68	270,643,400.64	137,097,882.63
<u>Less</u> Allowance for Doubtful Debts	(1,976,919.57)	(764,486.00)	-	-
Net	699,189,684.71	430,918,303.68	270,643,400.64	137,097,882.63

## 9. Trade Accounts Receivable-Subsidiaries and Related Companies

Consisted of:

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	As at October 31,		As at October 31,	
	2008	2007	2008	2007
Trade Accounts Receivable				
Not yet due	2,846,297.85	883,651.59	12,503,342.83	8,500.01
Overdue less than 3 months	-	911,773.31	-	-
Total Trade Account Receivable	2,846,297.85	1,795,424.90	12,503,342.83	8,500.01

10. Farmer Accounts Receivable-Net

Consisted of:

(Unit : Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>As at October 31,</u>		<u>As at October 31,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Cane Accounts Receivable				
Before Season 2003 / 2004	42,927,639.79	46,054,143.98	-	397,676.07
Season 2003 / 2004	5,595,765.27	6,785,904.92	-	-
Season 2004 / 2005	6,971,230.46	7,712,143.01	-	-
Season 2005 / 2006	13,842,101.57	17,156,281.44	-	-
Season 2006 / 2007	4,656,179.18	15,518,015.18	-	-
Season 2007 / 2008	19,248,068.28	-	-	-
Total	93,240,984.55	93,226,488.53	-	397,676.07
Fuel Oil, Fertilizer and Other Service Charge				
Accounts Receivable	7,425,757.39	5,885,565.61	-	-
Total	100,666,741.94	99,112,054.14	-	397,676.07
<u>Less</u> Allowance for Doubtful Debts	(71,125,146.11)	(70,330,322.39)	-	(397,676.07)
Net	29,541,595.83	28,781,731.75	-	-

11. Short-Term Loans due from Farmers

As at October 31, 2008 and 2007, the majority of these loans, which are in the form of post-dated cheques in the consolidated financial statements at Baht 268.77 million and Baht 338.99 million respectively and in the separate financial statements at the portions of Baht 35.89 million and 27.04 million respectively, were discounted by the farmers with the Company and its subsidiary companies at the interest rate based on the lending rate of commercial banks and the remaining portions were advances made for farmers.



12. Inventories-Net

Consisted of:

(Unit : Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>As at October 31,</u>		<u>As at October 31,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Refined sugar	450,435,713.60	500,008,986.81	227,903,645.97	281,405,516.22
White sugar	402,519,464.05	445,440,476.61	291,665,384.45	232,227,520.45
Raw sugar	272,254,905.74	175,640,557.53	219,411,471.14	175,640,557.53
Molasses for sale	18,289,312.33	130,895,855.46	9,272,753.27	76,055,243.26
Alcohol and fertilizer in process	49,724,203.52	89,150,269.10	-	-
Finished alcohol and fertilizer	31,932,930.46	96,432,276.68	-	-
Finished wheat flour	5,898,733.04	2,233,959.73	-	-
Wheat flour in process	17,151,700.42	6,150,028.83	-	-
Wheat flour materials	504,186,976.07	14,066,463.30	-	-
Other inventories	4,078,476.73	2,966,100.70	-	-
Factory supplies	132,581,448.13	82,638,492.62	55,117,841.49	53,682,210.14
Total	1,889,053,864.09	1,545,623,467.37	803,371,096.32	819,011,047.60
<u>Less</u> Allowance for dilapidated goods and factory supplies	(122,245.00)	(122,245.00)	-	-
Allowance for the cost value exceeding net realizable value	-	(8,538,739.93)	-	-
Net	1,888,931,619.09	1,536,962,482.44	803,371,096.32	819,011,047.60

13. Real Estate Development Cost

Consisted of:

(Unit : Baht)

	<u>Consolidated financial statements</u>	
	<u>As at October 31,</u>	
	<u>2008</u>	<u>2007</u>
Land - Allotted land	17,111,590.68	17,111,590.68
- For Commercial shophouse construction	14,149,276.10	17,060,128.43
Other land related expenses	2,031,788.73	2,340,450.89
Utility systems	3,558,743.08	2,644,901.29
Other project related expenses	267,125.81	618,942.90
Work in progress	12,116,189.14	3,828,649.20
Total	49,234,713.54	43,604,663.39

As at October 31, 2008 in the consolidated financial statements, two subsidiary companies have entered into 48 contracts of sale and purchase commercial shophouse for the contractual value of Baht 50.15 million, representing 43.68% of the total project value.

In the consolidated financial statements, a subsidiary company had a portion of the appropriated land with the same book value of Baht 17.11 million in both years. This portion represented land appropriated for residence and agricultural purpose awaiting for sale and on September 21, 2007, the appraisal has been started to performed by an independent appraiser for all land using the market value approach and the appraised value was found to be higher than cost.

14. Other Accounts Receivable-Cane Value-Net

Consisted of:

	(Unit : Baht)			
	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>As at October 31,</u>		<u>As at October 31,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Other accounts receivable-Cane value	571,555,898.83	572,076,011.18	309,796,899.90	310,135,022.81
<u>Less</u> Payable for price stabilization cost	(94,879,050.51)	(94,656,202.19)	(46,138,399.28)	(46,187,762.92)
Fees for cane and sugar cane research	(21,791,426.89)	(21,659,283.91)	(10,060,751.67)	(9,927,316.95)
Payable to Bank for Agriculture and Agricultural Cooperatives	(60,184,373.40)	(60,184,373.40)	(25,814,818.65)	(25,814,818.65)
Net	394,701,048.03	395,576,151.68	227,782,930.30	228,205,124.29

For the harvest season 2006/2007, the final cane price and the final compensation for the production and distribution of sugar were less than the initial cane price. In accordance to the Cane and Sugar Act B.E. 2527, Section 56 determined that the Cane and Sugar Fund (“the Fund”) pay the compensation to the Company and its subsidiaries at the amount equal to such difference and the cane farmers do not have to return the excess amount of the cane price received. In year 2007, the difference of the amount which the Company and its subsidiary companies paid the initial cane price to the farmers as published in the Royal Gazette, mentioned in the note to the financial statements No. 24 was higher than the final cane price, which the management has estimated (that equal to the final cane price announcement published in the Royal Gazette) is reflected as the “Other Accounts Receivable-Cane Value”. According to the letter from the Fund No. W.026/2551 dated June 4, 2008 covering the matter about setting-off debts between amount that the Fund has to pay in compensation for the difference between cane price and sugar cane distribution price in harvest season 2006/2007 with the amount the sugar-cane factories once to the Fund, the Company and subsidiaries thus setting-off items in the consolidated and the separate financial statements i.e. price stabilization cost, fees for cane and sugar cane research and deductions from final cane price to repay debt due to Bank for Agriculture and Agricultural Cooperatives for the amounts Baht 176.85 million and Baht 82.01 million respectively, resulting in the decrease of the same amount in other receivables-cane value. The remaining amount will be informed later by the Fund and the management expects it to be repaid within a year.

## 15. Investments in Subsidiary and Associated Companies-Net

Consisted of:

(Unit : Baht)

Company Name	Consolidated financial statements							
	As at October 31, 2008				As at October 31, 2007			
	Paid-Up		Percentage of		Investment		Investment	
	Share Capital		Shareholding		Cost	Equity	Cost	Equity
	2008	2007	2008	2007		Dividend		Dividend
Associated Company	(Thousand Baht)		(%)					
Champion Fermentation Co., Ltd.	200,000	200,000	32.50	32.50	73,800,000.00	47,434,445.10	-	73,800,000.00
Total					73,800,000.00	47,434,445.10	-	73,800,000.00

(Unit : Baht)

Company Name	Separate financial statements							
	As at October 31,							
	Paid-Up		Percentage of		Investment		Investment	
	Share Capital		Shareholding		Cost		Cost	Dividend
	2008	2007	2008	2007	2008	2007	2008	2007
<u>Subsidiary and Associated Companies</u>								
Thai Sugar Terminal Public Co., Ltd.	120,000	120,000	23.82	23.82	79,108,599.79	79,108,599.79	-	-
New Krung Thai Sugar Factory Co., Ltd.	604,375	472,500	93.01	91.06	438,768,484.58	306,893,484.58	-	78,679,281.60
Tamaka Sugar Industry Co., Ltd.	600,000	600,000	90.21	90.21	523,337,347.61	523,337,347.61	151,560,480.40	181,331,289.05
New Kwang Soon Lee Sugar Factory Co., Ltd.	500,000	220,000	98.61	96.85	569,284,258.19	289,284,258.19	-	-
K.S.L. Real Estate Co., Ltd.	140,000	140,000	80.31	80.31	89,134,074.29	89,134,074.29	-	-
K.S.L. Export Trading Co., Ltd.	20,000	20,000	33.88	33.88	6,775,000.00	6,775,000.00	-	-
KSL Chemical Co., Ltd.	7,500	7,500	100.00	100.00	6,618,488.66	6,618,488.66	-	-
Khon Kaen Sugar Power Plant Co., Ltd.	660,000	400,000	100.00	100.00	659,972,000.00	399,972,000.00	-	-
Khon Kaen Alcohol Co., Ltd.	317,500	160,000	100.00	100.00	317,485,600.00	159,985,600.00	-	-
KSL Agro Co., Ltd.	175,000	100,000	100.00	100.00	174,999,920.00	99,999,920.00	-	-
Savannakhet Sugar Corporation	351,082	186,883	97.00	97.00	342,059,200.00	178,763,300.00	-	-
Koh Kong Plantation Co., Ltd.	553,905	180,980	50.00	50.00	276,952,250.00	90,490,250.00	-	-
Koh Kong Sugar Industry Co., Ltd.	798,900	-	50.00	-	399,450,000.00	-	-	-
Wynn In Trading Co., Ltd.	34,150	-	100.00	-	34,149,998.20	-	-	-
T. S.G Assets Co., Ltd.	50,000	50,000	4.10	4.10	2,061,429.54	2,061,429.54	-	-
T. S.G Properties Co., Ltd.	30,000	30,000	4.11	4.11	1,237,672.44	1,237,672.44	-	-
T. S. Flour Mill Co., Ltd.	400,000	400,000	0.09	0.09	393,055.34	393,055.34	-	-
T. S. Warehouse Co., Ltd.	12,500	12,500	4.02	4.02	508,543.53	508,543.53	-	-
T. S. Transport and Logistic Co., Ltd.	50,000	-	16.20	-	8,107,979.09	-	-	-
Champion Fermentation Co., Ltd.	200,000	200,000	32.50	32.50	73,800,000.00	73,800,000.00	-	-
Total	5,624,912	3,300,363			4,004,203,901.26	2,308,363,023.97	151,560,480.40	260,010,570.65
<u>Plus</u> Advance for share subscriptions								
- Koh Kong Plantation Co., Ltd.					-	102,412,000.00	-	-
- Savannakhet Sugar Corporation					-	80,573,400.00	-	-
Total					4,004,203,901.26	2,491,348,423.97	151,560,480.40	260,010,570.65
<u>Less</u> Allowance for impairment of investments					(77,970,234.50)	(27,819,624.60)	-	-
Net					3,926,233,666.76	2,463,528,799.37	151,560,480.40	260,010,570.65

In the fourth quarter of 2008, the Company made additional investment in ordinary shares for the capital increase of KSL AGRO CO., LTD. for the value of Baht 75.00 million and maintaining the same shareholding proportion as previously held.

During the third quarter to the fourth quarter of 2008, the Company made additional investment in ordinary shares for the capital increase of KHON KEAN SUGAR POWER PLANT CO., LTD. and KHON KEAN ALCOHOL CO., LTD. for the value of Baht 260.00 million and Baht 157.50 million respectively, and maintaining the same shareholding proportion as previously held.

In the third quarter of 2008, the Company made additional investment in ordinary shares for the capital increase of NEW KRUNG THAI SUGAR FACTORY CO., LTD. for the value 131.88 million resulting in the increase in proportion of shareholding from 91.06% to 93.01%.

In the third quarter of 2008, the Company made additional investment in ordinary shares of WYNN IN TRADING CO., LTD. in the Republic of Mauritius for the value of Baht 32.35 where the Company hold its share at 100 %. In the fourth quarter of 2008, the said subsidiary company increased its registered capital which the Company subscribed the full amount of increase share capital in value of Baht 34.15 million and maintaining the same shareholding proportion as previously held. The increased registered capital had been registered on August 20, 2008.

In the first quarter of the year 2008, the Company made additional investment in ordinary shares for the capital increase of NEW KWANG SOON LEE SUGAR FACTORY CO., LTD. for the value of Baht 280.00 million resulting in the increased in proportion of shareholding from 96.85 % to 98.61 %.

In the first quarter of the year 2008, the Company made additional investment in ordinary shares of KOH KONG SUGAR INDUSTRY CO., LTD. to build a sugar mill and apply for a concession of area to plant canes in Koh Kong Province, Kingdom of Cambodia in total of 10,000 hectares covering period of 90 years. The Company's shareholding ratio is 50%. The Company paid for the ordinary shares amounting to Baht 199.89 million and made payment for the remaining amount in the third quarter of 2008 in amount of Baht 199.56 million.

In the first quarter of the year 2007, the Company made additional investment in ordinary shares of KOH KONG PLANTATION CO., LTD. to apply for a concession of area to plant canes in Koh Kong Province, Kingdom of Cambodia in total of 10,000 hectares covering period of 90 years. The Company's shareholding ratio is 50% in amount of to Baht 90.49 million. As at October 31, 2007, the said subsidiary company increased its share capital, which the Company has already paid USD 3.00 million for the advance share subscription and in the first quarter of the year 2008, the Company made additional investment for the value of Baht 84.05 million while maintaining the same shareholding proportion as previously held and registered the increase share capital on December 12, 2007.

During the first quarter to the third quarter of 2007, the Company made additional investment in ordinary shares for the capital increase of SAVANNAKHET SUGAR CORPORATION for the value of Baht 49.61 million while maintaining the same shareholding proportion as previous held. During the fourth quarter of 2007, the Company made additional investment another Baht 29.25 million resulting in the increase in the proportion of shareholding from 80.00% to 97.00%. The Company has paid the advance share subscription in the fourth quarter of the year 2007 at USD 2.35 million (amount of Baht 80.57 million) and in the first quarter of the year 2008, at USD 2.50 million (amount of Baht 82.73 million). The subsidiary company has registered the increased capital on May 2, 2008.

The financial statements of three foreign subsidiary companies, which are included the consolidated financial statement and have been audited by other certified auditors, as at October 31, 2008 the said subsidiary companies' financial statements showed the total assets of Baht 3,403.62 million and for the years ended on October 31, 2008 the total revenue was Baht 30.22 million and the total net loss was Baht 34.97 million.

As at October 31, 2008 and 2007 in the consolidated financial statements, the financial statements of Champion Fermentation Co., Ltd., an associated company, which were accounted by equity method were prepared by the Company's management and have not been audited by a certified auditor. The Company recognized participating equity from investment in the associated company as participating loss recognized in the consolidated income statement for the years ended on October 31, 2008 and 2007 in amount of Baht 2.24 million and Baht 3.77 million respectively or equivalent to 0.26% and 0.45% of the consolidated net profit respectively.

## 16. Other Long-Term Investments-Net

Consisted of:

(Unit : Baht)										
Company Name	Kind of Business	Paid-Up		Percentage of Holding				Consolidated financial statements		Separate financial statements
		Share Capital		%		%		As at October 31,		As at October 31,
		(Thousand Baht)		Consolidated		Separate		2008		2007
				financial statements		financial statements				
		2008	2007	2008	2007	2008	2007	2008	2007	2008
<b>16.1 Available for Sale Securities Investment</b>										
Investment in Debt Securities										
- Subordinated Debenture								4,000,000.00	4,000,000.00	-
Investment in Marketable Equity Securities										
- Bangkok Bank Public Co., Ltd.								336,180.00	336,180.00	336,180.00
- Ratchaburi Egco Holding Public Co., Ltd.								791,700.00	791,700.00	791,700.00
- Finansa Public Co., Ltd.								50,000.00	50,000.00	50,000.00
<u>Add</u> Unrealized Gain on Available for Sale Securities								1,567,889.44	3,350,070.00	1,725,415.00
Available for Sale Securities Investment - Net								6,745,769.44	8,527,950.00	2,903,295.00
<b>16.2 General Investments</b>										
- TS Transport and Logistics Co., Ltd.	Transportation	-	1,250	-	18.20	-	16.20	-	235,479.09	-
- Thai Cane and Sugar Corp. Ltd.	Export Agent	20,000	20,000	3.93	3.93	1.61	1.61	786,600.00	786,600.00	322,600.00
- Thai Sugar Miller Co., Ltd.	Marketing									
	Information Service	109	109	8.00	8.00	2.00	2.00	8,700.00	8,700.00	2,175.00
- Kerry Siam Seaport Co., Ltd.	Seaport	650,000	484,500	11.23	11.23	5.95	5.95	72,968,599.47	54,389,679.47	47,629,728.37
- Krung Thai Investment and Security Co., Ltd.	Closed	-	-	-	-	-	-	-	45,000.00	-
- Mahanakorn Bank Public Co., Ltd.	Closed	-	-	-	-	-	-	-	614,294.42	-
<u>Less</u> Allowance for Impairment of Investments								-	(659,294.42)	-
General Investments - Net								73,763,899.47	55,420,458.56	47,954,503.37
<b>16.3 Investment in Held-to-Maturity Debt Securities</b>										
- Bond								13,590,943.71	13,672,290.92	6,598,355.82
Total other long-term Investments - Net								94,100,612.62	77,620,699.48	57,456,154.19

As at October 31, 2008 and 2007, the Company and its subsidiary companies used bonds to pledge as guarantee for electricity usage with the Provincial Electricity Authority, which had the book value in the consolidated financial statements of Baht 11.52 million and Baht 13.49 million respectively and in the separate financial statements Baht 6.42 million and Baht 6.48 million respectively.

In the second quarter of 2008, the Company made additional investment in ordinary shares of T S TRANSPORT AND LOGISTICS CO., LTD. for the value of Baht 7.90 million and THAI SUGAR TERMINAL PUBLIC CO., LTD. which is a subsidiary company, also made an additional investment in that company thus changing its status from related to subsidiary company.

In the second quarter of 2008, the Company and subsidiaries made additional investment in ordinary shares of KURRY SIAM SEAPORT CO., LTD. for the value of Baht 18.58 million in the consolidated financial statements and Baht 9.84 million in the separate financial statements while maintaining the previous proportion of shareholding.

#### 17. Deferred Cane Plantation Cost-Net

Movement of deferred cane plantation cost for the year ended on October 31, 2008 and 2007 are as follows:-

(Unit : Baht)

	<u>As at October 31,</u>			
	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Beginning Book Value-Net	156,249,369.11	82,500,443.97	22,745,067.22	55,583,573.82
Additional cost during the period				
- Cost of cane plantation	274,652,932.57	169,484,453.44	42,202,036.52	43,826,719.57
- Depreciation	55,561,663.45	18,788,183.27	2,664,496.65	2,565,177.03
Accumulated cost of cane planted	486,463,965.13	270,773,080.68	67,611,600.39	101,975,470.42
- Amortized written-off cane cost	(54,892,048.54)	(103,256,288.53)	(43,780,588.71)	(78,949,109.83)
- Written-off	(12,686,266.89)	-	-	-
Ending Book Value	418,885,649.70	167,516,792.15	23,831,011.68	23,026,360.59
Loss from damaged cane	(14,206,652.35)	(2,875,425.27)	(488,296.11)	(281,293.37)
Loss from value impairment	(2,430,983.03)	(8,391,997.77)	-	-
Ending Book Value-Net	402,248,014.32	156,249,369.11	23,342,715.57	22,745,067.22

The Company and its subsidiary companies recorded the deferred cane plantation cost at the cost value less accumulated depreciation and accumulated allowance for impairment because of the short cane plantation period of approximately 10-13 months and the fair value of the cane fluctuate with the weather of the plantation area which resulted in the volume and quality of the cane produced.

As at October 31, 2008 and 2007, majority portion of the deferred cane plantation cost belongs to the Company which planted on the farmers' lands at Baht 3.83 million and Baht 4.02 million respectively and the Baht 366.46 million and Baht 123.72 million portion belongs to two subsidiary companies who perform cane plantation on leased land as follows:-

- The first subsidiary company Baht 102.57 million and Baht 39.63 million respectively perform cane plantation on the land leased from the government of the Lao People's Democratic Republic as specified in the notes to the financial statements No. 35.1
- The second subsidiary company Baht 263.89 million and Baht 84.09 million respectively perform cane plantation on the land leased from the government of the Kingdom of Cambodia as specified in the notes to the financial statements No. 35.2

## 18. Property, Plant and Equipment-Net

Consisted of:

(Unit : Baht)

	Consolidated financial statements						
	Land and Land Improvement	Building and Construction	Machinery and Equipment	Motor Vehicle and Labor Saving Tools	Furniture and Office Equipment	Asset in Construction	Total
<b>Cost :</b>							
As at October 31, 2007	948,525,883.12	1,727,244,188.53	6,347,475,295.46	604,920,443.12	298,853,725.29	323,308,238.26	10,250,327,773.78
Purchase	372,557,731.40	4,616,263.19	69,100,097.85	172,959,953.72	16,595,089.78	2,063,783,583.78	2,699,612,719.72
Transfer in	16,504,574.91	57,099,611.81	356,384,280.77	30,151,183.44	5,494,733.87	440,069,697.36	905,704,082.16
Disposal/Write off	(8,631,582.00)	-	(96,619,397.03)	(21,270,611.12)	(3,050,580.08)	-	(129,572,170.23)
Transfer out	(976,912.00)	-	(410,881,197.57)	(2,113,914.40)	(5,967,774.93)	(485,764,283.26)	(905,704,082.16)
As at October 31, 2008	1,327,979,695.43	1,788,960,063.53	6,265,459,079.48	784,647,054.76	311,925,193.93	2,341,397,236.14	12,820,368,323.27
<b>Accumulated Depreciation :</b>							
As at October 31, 2007	(63,369,001.10)	(877,922,969.91)	(3,881,710,463.86)	(359,761,190.64)	(246,785,933.02)	-	(5,429,549,558.53)
Transfer in	-	-	-	-	-	(273,007,393.54)	(273,007,393.54)
Depreciation for the year	(4,862,373.25)	(40,544,576.70)	(237,139,075.63)	(95,698,270.83)	(16,423,565.64)	-	(394,667,862.05)
Disposal/Written off	-	5,873.76	77,731,098.79	20,856,667.06	3,019,020.28	-	101,612,659.89
Transfer out	-	-	273,007,393.54	-	-	-	273,007,393.54
As at October 31, 2008	(68,231,374.35)	(918,461,672.85)	(3,768,111,047.16)	(434,602,794.41)	(260,190,478.38)	(273,007,393.54)	(5,722,604,760.69)
<b>Revaluation Surplus on Assets :</b>							
As at October 31, 2007	1,254,016,165.16	997,859,679.44	3,871,428,518.91	4,658,000.00	21,717,956.42	-	6,149,680,319.93
Transfer in	-	-	-	-	-	99,463,612.25	99,463,612.25
Disposal	(318,418.00)	-	(28,318,973.04)	-	-	-	(28,637,391.04)
Increase(Decrease) in the period	285,750.00	-	-	-	-	-	285,750.00
Transfer out	-	-	(99,463,612.25)	-	-	-	(99,463,612.25)
As at October 31, 2008	1,253,983,497.16	997,859,679.44	3,743,645,933.62	4,658,000.00	21,717,956.42	99,463,612.25	6,121,328,678.89
<b>Accumulated Depreciation-Revaluation- Surplus on Assets :</b>							
As at October 31, 2007	(47,416,771.37)	(267,525,823.02)	(1,268,582,595.73)	(4,658,000.00)	(11,324,663.03)	-	(1,599,507,853.15)
Transfer in	-	-	-	-	-	(28,414,239.66)	(28,414,239.66)
Depreciation for the year	-	(41,999,300.44)	(256,770,393.76)	-	(3,447,121.42)	-	(302,216,815.62)
Disposal	-	-	6,549,185.26	-	-	-	6,549,185.26
Transfer out	-	-	28,414,239.66	-	-	-	28,414,239.66
As at October 31, 2008	(47,416,771.37)	(309,525,123.46)	(1,490,389,564.57)	(4,658,000.00)	(14,771,784.45)	(28,414,239.66)	(1,895,175,483.51)
<b>Allowance for Impairment on Assets :</b>							
As at October 31, 2007	(16,972,225.59)	(9,683,228.91)	(7,805,995.37)	-	-	-	(34,461,449.87)
(Increase)Decrease in the period	(327,000.00)	529,531.77	1,552,083.74	-	-	-	1,754,615.51
As at October 31, 2008	(17,299,225.59)	(9,153,697.14)	(6,253,911.63)	-	-	-	(32,706,834.36)
<b>Net Book Value :</b>							
As at October 31, 2007	2,074,784,050.22	1,569,971,846.13	5,060,804,759.41	245,159,252.48	62,461,085.66	323,308,238.26	9,336,489,232.16
As at October 31, 2008	2,449,015,821.28	1,549,679,249.52	4,744,350,489.74	350,044,260.35	58,680,887.52	2,139,439,215.19	11,291,209,923.60
<b>Depreciation in Income Statement</b>							
For the year ended on October 31, 2007							316,621,015.54
For the year ended on October 31, 2008							339,106,198.61

(Unit : Baht)

	Separate financial statements						Total
	Land and Land Improvement	Building and Construction	Machinery and Equipment	Motor Vehicle and Labor Saving Tools	Furniture and Office Equipment	Asset in Construction	
<b>Cost :</b>							
As at October 31, 2007	268,736,066.38	776,457,210.92	2,284,019,952.51	335,257,026.47	73,382,135.97	112,400,605.67	3,850,252,997.92
Purchase	1,929,399.00	1,083,097.98	28,799,002.76	36,681,905.85	3,275,198.97	190,583,896.59	262,352,501.15
Transfer in	490,912.00	23,896,917.66	116,102,488.95	5,961,400.00	625,146.00	-	147,076,864.61
Disposal	(261,582.00)	-	(86,950,369.20)	(15,342,152.24)	(459,910.27)	-	(103,014,013.71)
Transfer out	(490,912.00)	-	-	-	(5,961,400.00)	(140,624,552.61)	(147,076,864.61)
As at October 31, 2008	270,403,883.38	801,437,226.56	2,341,971,075.02	362,558,180.08	70,861,170.67	162,359,949.65	4,009,591,485.36
<b>Accumulated Depreciation :</b>							
As at October 31, 2007	(6,823,856.80)	(376,449,753.51)	(1,559,862,855.70)	(257,643,255.57)	(55,941,445.69)	-	(2,256,721,167.27)
Depreciation for the year	(294,180.60)	(11,725,535.00)	(78,935,525.46)	(34,529,352.35)	(5,167,938.45)	-	(130,652,531.86)
Transfer in	-	-	-	(1,992,577.58)	-	-	(1,992,577.58)
Disposal	-	-	68,257,426.08	15,061,306.81	454,786.91	-	83,773,519.80
Transfer out	-	-	-	-	1,992,577.58	-	1,992,577.58
As at October 31, 2008	(7,118,037.40)	(388,175,288.51)	(1,570,540,955.08)	(279,103,878.69)	(58,662,019.65)	-	(2,303,600,179.33)
<b>Revaluation Surplus on Assets :</b>							
As at October 31, 2007	316,752,203.09	451,477,725.95	851,819,175.52	-	-	-	1,620,049,104.56
Disposal	(318,418.00)	-	(24,836,681.47)	-	-	-	(25,155,099.47)
As at October 31, 2008	316,433,785.09	451,477,725.95	826,982,494.05	-	-	-	1,594,894,005.09
<b>Accumulated Depreciation-Revaluation Surplus on Assets :</b>							
As at October 31, 2007	-	(40,364,754.46)	(175,899,901.78)	-	-	-	(216,264,656.24)
Depreciation for the year	-	(12,151,873.88)	(76,045,301.72)	-	-	-	(88,197,175.60)
Disposal	-	-	6,448,496.76	-	-	-	6,448,496.76
As at October 31, 2008	-	(52,516,628.34)	(245,496,706.74)	-	-	-	(298,013,335.08)
<b>Allowance for Impairment on Assets :</b>							
As at October 31, 2007	(10,449,620.00)	(8,705,472.81)	(5,368,885.06)	-	-	-	(24,523,977.87)
Decrease in the period	-	-	1,552,083.74	-	-	-	1,552,083.74
As at October 31, 2008	(10,449,620.00)	(8,705,472.81)	(3,816,801.32)	-	-	-	(22,971,894.13)
<b>Net Book Value :</b>							
As at October 31, 2007	568,214,792.67	802,414,956.09	1,394,707,485.49	77,613,770.90	17,440,690.28	112,400,605.67	2,972,792,301.10
As at October 31, 2008	569,270,011.07	803,517,562.85	1,349,099,105.93	83,454,301.39	12,199,151.02	162,359,949.65	2,979,900,081.91
<b>Depreciation in Income Statement</b>							
For the year ended on October 31, 2007							135,841,044.29
For the year ended on October 31, 2008							127,988,035.21

In the consolidated financial statements as at October 31, 2008 and 2007, the Company and its subsidiary companies pledged land together with the construction and machinery at the book value of Baht 1,038.64 million and Baht 2,007.80 million respectively and in the separate financial statements at amount of Baht 136.11 million and Baht 291.65 million respectively as collaterals against short-term and long-term credit facilities received from commercial banks.

Interest expenses arisen from long-term loans obtained for construction of factory and machine installation for the years ended October 31, 2008 and 2007 in the consolidated financial statements of Baht 3.43 million and Baht 8.61 million respectively are included as the cost of asset.



As at October 31, 2008 and 2007, buildings and machinery of subsidiary companies for the amounts of Baht 765.08 million and Baht 808.00 million respectively were made on land leased from the Company for the period of 30 years. The ownership of the buildings at the book value of Baht 72.59 million and Baht 76.21 million respectively, when the asset agreement's term expired, would be transferred to the lessor as mentioned in the note to the financial statements no. 5.2

As at October 31, 2008 and 2007, buildings and factory buildings in construction of a subsidiary company at the book value of Baht 164.59 million and Baht 97.55 million respectively were located on the land leased from subsidiary company for the rent tenor of 1 year and can be extended for the period of 1 year until the total rental tenor reached 30 years.

As at October 31, 2008 and 2007, in the consolidated financial statement, assets in the book value of Baht 1,556.93 million and Baht 47.32 million respectively were located on the concessional land as mentioned in the note to the financial statements nos. 35.1 and 35.2.

As at October 31, 2008 and 2007, in the consolidated financial statements, assets in cost amount of Baht 750.15 million and Baht 759.41 million respectively and in the separate financial statements, of Baht 220.58 million and Baht 217.08 million respectively, were fully depreciated but still in use.

On October 15, 2007, the Company and its subsidiary companies set up the appraisal for the land together with the construction and machinery by an independent appraiser who has been approved by the Securities and Exchange Commission. The said appraisal has the following details: -

1. The land and condominium units used the Market Value Method which implied the value of the assets which expected to be sold in an appropriate time period from the appraised date with the seller's consent and the buyer fully aware of the detail of the said asset.
2. Construction and machinery used the Depreciated Replacement Cost which implied the replacement cost of the assets less the depreciation value according to the useful life and working condition. Furthermore, it could included the goodwill or the market demand for the said assets.

From the said appraisal resulted in the consolidated and the separate financial statements for the year ended on October 31, 2007 has the revaluation surplus on asset increased by Baht 1,990.90 million and Baht 760.19 million respectively, the revaluation surplus on asset decreased by Baht 186.52 million and Baht 105.08 million respectively. Furthermore, it also resulted in the allowance for the impairment of asset increased by Baht 32.42 million and Baht 22.90 million respectively and the reversal of the loss from impairment of asset at Baht 23.81 million and Baht 23.27 million respectively from the increase and decrease of the market price of the asset in the situation. In the first quarter of the year 2008, the Company and its subsidiary companies have changed the approximate useful life of assets as follows: -

	<u>New Rate</u>	<u>Previous Rate</u>
- Land Improvement	5-61 years	5-20 years
- Building and Construction	20-58 years	20-30 years
- Machine and Equipment	5-32 years	5-30 years

This was to better suite the situation by referring to the above appraisal report of the independent professional appraiser. The Company and its subsidiary companies recognized the effect of the change immediately in the consolidated and separate statement of income for the year 2008 and the next periods, thus the consolidated and separate statement of income for the year ended on October 31, 2008 the net profit increased by Baht 46.81 million and Baht 32.92 million respectively comparing with the previous estimate. In every following periods, the effect would be comparable to the above. The said change applied from November 1, 2007 onward.

As the Company and its subsidiary companies choose to account by cost method and when there is an increase in asset revaluation, only net value of increase book value will be recorded to related asset account along side with revaluation surplus on assets as at October 31, 2008 and 2007 in the consolidated financial statements, there appeared depreciation of capital surplus being charged to revaluation surplus on assets account under the shareholders' equity for the amounts of Baht 324.31 million and Baht 209.27 million respectively and in the separate financial statements, there appeared depreciation of capital surplus being charged to revaluation surplus on assets account under the shareholders' equity for the amounts of Baht 106.90 million and Baht 56.80 million respectively.

If the Company and subsidiary companies choose to account for depreciation for capital surplus through the income statement, the net profit for the years ended October 31, 2008 and 2007 in the consolidated financial statements will be shown at less amount of Baht 324.31 million and Baht 209.27 million respectively, and earning per share decreased by Baht 0.21 per share and Baht 0.14 per share respectively and in the separate financial statements will be shown at less amount of Baht 106.90 million and Baht 56.80 million respectively, and earnings per share decreased by Baht 0.07 per share and Baht 0.04 per share respectively.

19. Land not used in Operation- Net

Consisted of :

	(Unit : Baht)			
	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>as at October 31,</u>		<u>as at October 31,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land not used in operation	307,011,416.80	279,259,345.80	98,281,732.26	98,281,732.26
<u>Less</u> Accumulated allowance for impairment	(1,506,900.00)	(1,506,900.00)	-	-
Net	305,504,516.80	277,752,445.80	98,281,732.26	98,281,732.26

As at October 31, 2008 and 2007 in the consolidated financial statements, land not used in operation belonging to two subsidiary companies at book value of Baht 164.54 million and Baht 166.40 million respectively were held for business expansion in the future.

20. Other Accounts Receivable-Compensation for Sugar Production and Distribution

On January 9, 2008, the Office of Cane and Sugar Board issued letter No. Or Gor. 0602/Wor 72 informing the Cabinet resolution approving payment for compensation the difference between cane price and final and initial sugar production and distribution compensation to the Company and subsidiaries which calculated from the difference of compensation rate of final sugar production and distribution which is lower than initial price multiplied by the volume of cane going into the production process. In accordance to minutes of the Cane and Sugar Board's meeting No. 3/2551 held on March 4, 2008, it resolved to made payment for compensation of sugar production and distribution as a factory credit and Cane and Sugar Fund will gradually repays it out of collections from cane and sugar industry. (In accordance to the minutes of the Cane and Sugar Board's meeting No.4/2551 held on April 3, 2008, it is resolved to collect money for cane and sugar industry stabilisation maintenance in order to pay compensation to the factories for the period of 5 years and this matter is in the process of issuance of regulation to support such collections).

21. Loans for Cane Plantation Development-Net

Consisted of:

(Unit : Baht)

	<u>Consolidated financial statements</u>	
	<u>As at October 31,</u>	
	<u>2008</u>	<u>2007</u>
Loans for Cane Plantation Development	114,517,566.46	135,405,582.38
<u>Less</u> Current portion of loans for Cane Plantation Development	(28,600,030.14)	(8,143,330.22)
Total	85,917,536.32	127,262,252.16
<u>Less</u> Allowance for Doubtful Debts	(5,915,480.55)	(5,915,480.55)
Net	80,002,055.77	121,346,771.61

As at October 31, 2008 and 2007, loans for cane plantation development of the four subsidiary companies were loans made to farmers for the purpose to buy lands to plant cane and buy agricultural apparatus. The loan agreements were made for the period of 1-10 years or longer at the same interest rates of 6.00-10.00 % per annum for both years. These loans were mostly secured by the farmers using lands and vehicles as collaterals.

## 22. Bank Overdrafts and Short-Term Loans due to Financial Institutions

Consisted of:

(Unit : Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>As at October 31,</u>		<u>As at October 31,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Bank Overdrafts	360,483.92	3,639,990.65	360,483.92	-
Loans due to Financial Institutions	244,873,500.00	548,000,000.00	70,000,000.00	300,000,000.00
Trust Receipt	567,509,411.36	-	-	-
Packing Credit	78,602,190.27	95,580,731.22	-	-
Total	891,345,585.55	647,220,721.87	70,360,483.92	300,000,000.00

In the consolidated and the separate financial statements as at October 31, 2008 and 2007, bank overdrafts carrying the interest rate at MOR per annum the same rate for both period.

In the consolidated financial statements as at October 31, 2008 and 2007, loans due to financial institutions at Baht 70.00 million and Baht 548.00 million respectively, and in the separate financial statements, the entire amount of loans due to financial institutions are loans in the form of promissory notes with the maturity period ranged from 3-6 months, carrying interest rates of 4.35-6.50% and 3.625-4.58% per annum respectively. In the consolidated financial statements, the remaining Baht 174.87 million of the loans from financial institution in 2008 is under the loan agreement of a foreign subsidiary company with a Thai commercial bank in US Dollar currency carrying the floating interest rate at LIBOR+2% per annum.

In the consolidated financial statements as at October 31, 2008, trust receipts payable carrying the interest rates of 4.05-4.92% per annum.

Bank overdrafts, loans due to financial institutions and trust receipts payable are secured by land together with constructions, part of machinery and leasehold right of factory land location. There are inter-guarantees offered and the subsidiary companies' directors also participated in guarantee against the credit facilities. Short-term loan of a foreign subsidiary company utilized the joint collaterals with the tenth to eleventh credit lines long-term loan as mentioned in the note to the financial statement no. 28. In addition, when some of the credit lines have been drawn, the Company and its subsidiary companies must additionally pledge parts of their inventories as collaterals.

Packing credits payable is a loan agreement of a subsidiary company with three commercial banks for the benefit of the Company, subsidiary and related companies totaling five companies. As at October 31, 2008 and 2007, a related company issued a promissory note to pay the amount equivalent to that of the packing credit loan as a collateral as mentioned in the notes to financial statements no. 5.1. The remaining loan has the following details:-

- The remaining principal balance in the consolidated financial statements as at October 31, 2008 and 2007 at amounts of Baht 59.91 million and Baht 66.50 million respectively is required to be repaid within the year 2015. Those who provided credit facilities reserved the right to alter the repayment period of the principal annually. Land together with construction, machines and bank deposit of the related company were pledged as collaterals, and also the subsidiary company's directors and related persons took part in pledging guarantees.
- The remaining principal balances in the consolidated financial statements as at October 31, 2008 and 2007 at amounts of Baht 18.69 million and Baht 29.08 million respectively carried the interest rate at 6.50 % per annum and MLR-1% per annum respectively for the period of 1-6 months and guaranteed by the related company's goods.

### 23. Other Short-Term Loans-Net

As at October 31, 2008 and 2007, the Company issued unsecured short-term bills of exchange with the same discount rates at approximately 3.88-4.14% per annum and 3.42-5.15% per annum respectively with the details as follows:-

(Unit : Baht)

<u>Consolidated financial statements /Separate financial statements</u>						
<u>Bill of</u>	<u>Code</u>	<u>Term (Days)</u>	<u>Maturity date</u>	<u>Par Value</u>	<u>Prepaid Interest</u>	<u>Net</u>
<u>Exchange No.</u>						
14/2551	KSL08N05A	89	Nov 5, 2008	300,000,000.00	157,957.65	299,842,042.35
15/2551	KSL08N26A	89	Nov 26, 2008	200,000,000.00	582,517.37	199,417,482.63
16/2551	KSL08D09A	88	Dec 9, 2008	250,000,000.00	1,094,961.20	248,905,038.80
17/2551	KSL08N13A	45	Nov 13, 2008	400,000,000.00	581,171.89	399,418,828.11
18/2551	KSL08N26B	44	Nov 26, 2008	450,000,000.00	1,244,287.14	448,755,712.86
Total				1,600,000,000.00	3,660,895.25	1,596,339,104.75

24. Trade Accounts and Notes Payable

Consisted of:

(Unit : Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>As at October 31,</u>		<u>As at October 31,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Trade Accounts Payable-Cane purchase	290,747,294.04	-	115,530,888.94	-
Trade Accounts Payable	80,338,630.87	51,157,972.38	23,000,830.33	41,964,709.46
Notes Payable	1,813,314.10	15,196,847.81	1,813,314.10	1,943,318.19
Total	372,899,239.01	66,354,820.19	140,345,033.37	43,908,027.65

As at October 31, 2008, the Company and three subsidiary companies purchased canes for production season 2007/2008 using the announced initial cane price for production season 2007/2008 as published in the Royal Gazette dated March 5, 2008. The price is Baht 600 per cane ton with sweetness level at 10 c.c.s. and fluctuating cane price per one c.c.s. is fixed at Baht 36.00 per cane ton. Until the date the Company's board of directors approved the issuance of these financial statements, the Office of Cane and Sugar Board has not yet announced a final cane price for the production season 2007/2008, therefore the management of the Company and its subsidiary companies booked trade account payable to cane and calculate cost of goods sold and inventories for the years ended October 31, 2008 from estimation made by the management of the Company and its subsidiary companies at cane price of Baht 759.16-786.96 per cane ton with average sweetness level at 10.97-12.43 c.c.s.

As at October 31, 2007, the Company and three subsidiary companies purchased canes for production season 2006/2007 using announced initial cane price for production season 2006/2007 as published in the Royal Gazette dated January 19, 2007. This price is Baht 800 per cane ton with sweetness level at 10 c.c.s. and fluctuating cane price per one c.c.s. is fixed at Baht 48.00 per cane ton. Until the date the Company's board of directors approved the issuance of the financial statements for the year ended on October 31, 2007, the Office of Cane and Sugar Board has not yet announced a final cane price for the production season 2006/2007, which the management of the Company and its subsidiary companies expect that the final cane price will be lower than the initial price and therefore calculate the cost of goods sold and inventories for the year ended on October 31, 2007 from estimation by the management of the Company and its subsidiary companies at cane price of Baht 780.66-831.25 per cane ton with average sweetness level at 10.50-12.49 c.c.s. The difference of these two prices was booked as other accounts receivable-cane value as specified in the notes to financial statements No. 14. In the first quarter of 2008, the Office of the Cane and Sugar Board announced the final cane price for the production season 2006/2007 in the Royal Gazette dated March 5, 2008 without any different between the announced final cane price and the estimates made by the management of the Company and its subsidiary companies.

## 25. Accrued Fee payable to Cane and Sugar Fund

As at October 31, 2008 in the consolidated and the separate financial statements, the majority of Baht 53.73 million and Baht 25.35 million respectively represent the amounts to be sent to the Cane and Sugar Fund as per announcement of the office of the Cane and Sugar Board on determining the selling price of sugar for consumption in the Kingdom dated July 15, 2008 and ordering a levy of increased income from the selling price increased for white sugar and refined sugar within the Kingdom from April 30, 2008 onwards which must be distributed to the Fund at Baht 5 per kilogram. For the years ended October 31, 2008, the Company and its subsidiary companies have recognized such fees as selling and administrative expenses in the consolidated and separate financial statements in amounts of Baht 339.55 million and Baht 162.99 million respectively.

## 26. Accrued Stabilization Function Payment

As at October 31, 2008 the whole amounts were the amount that the Company and its subsidiary companies had to pay to the Office of the Cane and Sugar Fund to stabilize the cane and sugar industry basing on the production of cane and sugar.

## 27. Debentures-Net

On November 19, 2007, the Company issued 2 sets of Thai Baht currency debentures which are holder specified, non-subordinated and unsecured bonds at par value of Baht 1,000 per unit, and had been approved by the resolution of the annual general meeting of shareholders' meeting no. 1/2550 held on February 27, 2007, with the following details: -

(Unit : Baht)

<u>Consolidated financial statements / Separate financial statements</u>									
<u>As at October 31, 2008</u>									
<u>Bond</u>	<u>Symbol</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Interest</u>	<u>Number</u>	<u>Total</u>	<u>Amortized Bond</u>	<u>Net</u>	<u>Fair Value</u>
<u>Set No.</u>				<u>Per Annum</u>	<u>of Units</u>	<u>Value</u>	<u>Issuance Expense</u>		
1	KSL10NA	3 years	Nov 20, 2010	4.94	1,000,000.00	1,000,000,000.00	2,293,771.70	997,706,228.30	1,013,593,160.00
2	KSL12NA	5 years	Nov 20, 2012	5.44	500,000.00	500,000,000.00	1,364,252.08	498,635,747.92	517,936,245.00
Total					1,500,000.00	1,500,000,000.00	3,658,023.78	1,496,341,976.22	1,531,529,405.00

### Other significant compliance to the covenants of the debenture issuances.

- The Company shall maintain the debt to shareholders' equity in the consolidated financial statements at not more than 2.5 : 1 at any time for the entire debentures terms and the debt to shareholder's equity as at October 31 of each year shall be maintained at not more than 1.5 : 1 for the entire debentures terms.
- In case the credit rating of the debentures lower than the current Company's rating at that time, the Company shall pledge assets as collateral for the shareholders or proceed to correct the credit rating of the bond to be at the same level or better than the credit rating of the Company.

28. Long-Term Loans

Consisted of:

(Unit : Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>As at October 31,</u>		<u>As at October 31,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Loans due to Commercial Banks	1,131,747,000.00	1,319,053,731.60	-	116,000,000.00
<u>Less</u> Current Portion of Long-Term Loans	(102,250,000.00)	(203,500,000.00)	-	(116,000,000.00)
Net	1,029,497,000.00	1,115,553,731.60	-	-

Movements of long-term loans for the years ended on October 31, 2008 and 2007 are as follows: -

(Unit : Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>As at October 31,</u>		<u>As at October 31,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Beginning book value balance	1,319,053,731.60	908,453,731.60	116,000,000.00	35,000,000.00
Increase in the period	716,747,000.00	884,700,000.00	-	200,000,000.00
Repayment in the period	(904,053,731.60)	(474,100,000.00)	(116,000,000.00)	(119,000,000.00)
Ending book value balance	1,131,747,000.00	1,319,053,731.60	-	116,000,000.00

In the consolidated and the separate financial statements as at October 31, 2008 and 2007, the Company and its subsidiary companies obtained loans from commercial banks with the first to ninth credit lines carried the same interest rates at FIX 12 M+2.25% to MLR-1.00% per annum for both periods. In the year 2008, the tenth and eleventh credit lines carried the interest rate at LIBOR+2% per annum. The credit facilities obtained have the important covenants as follows:-

- The first credit line: the parent company's principal limit of the credit line is Baht 200.00 million with the remaining balance of the principal as at October 31, 2007 of Baht 116.00 million, which has to be repaid by August 31, 2008, repayable every three months commencing from March 2007 until June 2008 in total of 6 installments at Baht 28.00 million each and the final installment with Baht 32.00 million repayment made in August 2008. Interest has to be paid at the end of each month and no securities were required but the following conditions have to be followed:-
  - The Company shall not alter any significant matters to affect of change the status of the Company being a limited public company.
  - The Company must maintain the proportion of shareholding of the major shareholders group, both directly and indirectly at not less than 50% of the total shares of the Company.
  - The Company must maintain the ratio of total liabilities to shareholders' equity at lower than 1 : 1

As at October 31, 2008, the Company had already repaid the said loan in full.



- The second credit line: a subsidiary company's principal limit of the credit line is Baht 200.00 million with the remaining balance of the principal as at October 31, 2008 and 2007 of Baht 100.00 million and Baht 200.00 million respectively. The principal has a grace period of 2 years 6 months from the date of the first withdrawal (July 19, 2005). Afterwards, the repayment has to be made six-monthly, totaling 10 installments. The repayment for 1<sup>st</sup> to 9<sup>th</sup> installment is at Baht 20.00 million per installment. The remaining principal must be repaid on the 10<sup>th</sup> installment. The interest is repayable at the end of every month. The subsidiary company pledged all land together with construction and all machinery of the project as collaterals. This loan has following significant conditions :-
  - The subsidiary company must have the registered capital at not less than Baht 100.00 million and the paid-up capital must be not less than 25% prior to or at the date of the first withdrawal of the loan.
  - The Company must maintain the shareholding proportion in the said subsidiary company at the rate not less than 85% of the issued and paid-up share capital though out the period of the loan.
  - The subsidiary company is not able to pay dividend except when it can repay the principal and interest according to the agreement.
  - Except loans from shareholders or companies within the group, the subsidiary company must not enter into additional long-term loan agreements unless it has obtained prior approval from the lending bank.
- The third credit line: a subsidiary company's principal limit of the credit line is Baht 500.00 million with the remaining balance of the principal as at October 31, 2007 of Baht 358.05 million. The principal has a grace period of 3 years 6 months from the date of the first withdrawal (December 30, 2005). Afterwards, the repayments are to be made at six-monthly installment totaling 9 installments. The repayment for 1<sup>st</sup> to 8<sup>th</sup> installment is at Baht 57.50 million. The remaining principal must be repaid on the 9<sup>th</sup> installment. The interest is repayable at the end of every month. This loan has following significant conditions: -
  - The subsidiary company must hand over the leasehold right of the factory land to the bank where the land leasehold period must be not less than 30 years.
  - The subsidiary company has to register the pledge of construction which the company will have in the future and machinery of the project with the total principal of pledge at Baht 1,000.00 million to be completed within 2 years from the date of the first withdrawal.
  - The Company has to fully guaranteed against any form of credit facility.
  - The subsidiary company, with the lending bank as its beneficiary, has to insure the constructions and machinery. The highest insured value must be equal to the value acceptable by the insurance company.

On April 29, 2008, the subsidiary company requested to decrease the credit limit from former credit limit of Baht 500.00 million to Baht 258.05 million to redeem the entire above collateral; therefore, only the Company remains as the guarantor for the full credit limit. As at October 31, 2008, the subsidiary company had already repaid the said loan in full.

- The fourth credit line: a subsidiary company's principal limit of the credit line is Baht 300.00 million with the remaining balance of the principal as at October 31, 2007 of Baht 240.00 million. The principal is repayable every 6 months from the first installment on September 2006 to March 2012, totaling 12 installments and the interest is repayable at the end of every month. The Company has offered its guarantee for the full amount. The principal has been repaid in full on January 2008.

As at October 31, 2008, the subsidiary company had already repaid the said loan in full.

- The fifth credit line: a subsidiary company's principal limit of the credit line is Baht 200.00 million with the remaining balance of the principal as at October 31, 2008 and 2007 of Baht 80.00 million and Baht 125.00 million respectively. Interest is payable every three months and repayment of the principal loan to be made twice every year for the total of 12 installments within May 31 and November 30 of each year. Installments of principal repayment are uneven ranging from Baht 5.00-30.00 million commencing from the first installment on May 31, 2009 and the last one, to be completely repaid the outstanding contractual amount, within November 30, 2014. The Company has offered its guarantee for the full amount.
- The sixth credit line: a subsidiary company's principal limit of the credit line is Baht 200.00 million with the same remaining balance of the principle as at October 31, 2008 and 2007 of Baht 200.00 million for both periods. The principal must be repaid on six-monthly installments in total of 10 installments at Baht 20.00 million per installment. The first installment must be made in December 2008. The interest is payable at the end of each month.
- The seventh credit line: a subsidiary company's principal limit of the credit line is Baht 80.00 million with the remaining balance of the principle as at October 31, 2008 and 2007 of Baht 60.00 million and Baht 80.00 million respectively. The principal must be repaid on six-monthly installments in total of 8 installments at Baht 10.00 million per installment. The first installment must be made in January 2008. The interest is payable at the end of each month.

Principal limit of the sixth and seventh credit line are guaranteed by the mortgage registration of land together with the warehouse building, factory plant building, machines, the leasehold right of the land where the factory is located of the subsidiary companies at the total book value of Baht 451.77 million. The guarantee included the fire insurance for the constructions and machines with the equipments at the maximum limit accepted by the insurance company. The Company forfeits the benefit from the insurance to the bank as the beneficiary. This loan has following significant conditions: -

- The subsidiary company must maintain the debt to equity as stated in the financial statements at not exceeding 1 : 1
- The subsidiary company must maintain the debt service coverage ratio at not less than 1.2 : 1

- The eighth credit line: a subsidiary company's principal limit of the credit line is Baht 60.00 million with the remaining balance of the principle as at October 31, 2008 of Baht 45.00 million. The principal must be repaid on three-monthly installments in total of 20 installments at Baht 2.25 million per installment. The first installment must be made in September 2009 and interest is repayable at the end of every month with the following significant conditions :-
  - The subsidiary company has to register the mortgage of construction which the company may have in the future and machinery of project with the total principal of pledge at Baht 85.00 million to be completed within 1 month from the date of construction is completed.
  - The other subsidiary company has guaranteed for the full amount.
  - The subsidiary company must maintain debt to equity ratio at not more than 1.5 : 1
  - The subsidiary company must maintain the debt survive coverage ratio at not less than 1.2 : 1
- The ninth credit line: a subsidiary company's principal limit of credit line is Baht 800.00 million with the remaining balance of the principle as at October 31, 2008 of Baht 297.00 million. The principal must be repaid within 5 years. The principal must be repaid on six-monthly installments in total of 10 installments at Baht 37.50-92.50 million per installment and the first installment must be made in April 2009. The loans are guaranteed by machineries and all factory equipment of the subsidiary company and the Company and subsidiary's shareholder has also offered their guaranteed on this loan.
- The tenth credit line: the credit line of a foreign subsidiary company with an overseas commercial bank for the credit limit of USD 5 million. This loan is obtained for the purpose of purchasing machines and raw materials for cane plantation on concession land of the borrower (under the concession right held). As at October 31, 2008, the remaining balance is Baht 174.87 million. The repayment of the principle has to be made every six months for the total of 10 installments at USD 0.50 million per installment. The grace period of the principle is 2 years and the first repayment for the principle is to be made in March 2011. The interest is payable every three-month.
- The eleventh credit line: the credit line of a foreign subsidiary company with a commercial bank in Thailand for the credit limit of USD 5 million. This loan is obtained for the purpose of purchasing machines and raw materials for cane plantation on concession land of the borrower (under the concession right held). As at October 31, 2008, the remaining balance is Baht 174.87 million. The repayment of the principle has to be made every six months for the total of 10 installments at USD 0.50 million per installment. The grace period of the principle is 2 years and the first repayment for the principle is to be made in March 2011. The interest is payable every three-month.

The tenth and eleventh credit line are guaranteed by the Company, a subsidiary company, a shareholder and person who related with the shareholder of the subsidiary company, and a standby letter of credit of a foreign commercial bank of a related company.

## 29. Share Capital

In accordance with the minutes of the Company's board of directors' meeting No. 2/2551 held on March 28, 2008 and in accordance with the minutes of the extra-ordinary shareholders' meeting No. 1/2551 held on April 29, 2008, it approved the following issues: -

- Approve the issuance of the warrants to purchase the ordinary shares of Khon Kaen Sugar Industry Public Company no. 1 ("the Warrant") with the following details: -

Name	:	Warrants to purchase the ordinary shares of Khon Kaen Sugar Industry Public Company Limited No. 1
Type	:	In name certificated form and transferable
Offering and Issuance Amounts	:	Not exceeding 155,000,000 units
Issuance Date	:	Within 6 months after the acceptance of SEC's approval or within the time frame permitted by the SEC which must not exceed 12 months after the SEC's approval.
Term of Warrants	:	2 years from the issuance date.
Offering price per units	:	Baht -0-
Allocation Method	:	Allocate to the existing shareholders of the Company whose names appear in the share register book on the closing date for right to receive the warrants, the date of which the Board of Directors, the authorized directors or the persons who are authorized by the Board of Directors or the authorized directors will determined after acceptance of SEC's approval. The allocation will be at the ratio of 10 shares to 1 unit of warrant.
Exercise Ration	:	1 unit of warrant for 1 ordinary share (unless the exercise price is adjusted under rights adjustment).
Exercise Price	:	Baht 17 per share unless the exercise price is adjusted under rights adjustment.
Exercise Period and Condition of Exercise	:	The warrant holders may exercise their right for the first-time exercise after 1 year period from the issuance date (the first-time exercise date). The last-time exercise date is the date which the warrants reach 2 years from the issuance date.
Secondary Market of Warrants and the Exercised Shares	:	The Company will list the warrants and the ordinary shares on the Stock Exchange of Thailand (SET).

- Approve the decrease of the registered share capital and to amend the memorandum of association with the following details: -
  - 1) Decrease the registered share capital from formerly Baht 1,600.00 million to Baht 1,550.00 million by cancellation of Baht 50.00 million of the registered share which have not been offered for sale.
  - 2) Amend the Company's memorandum of association to correspond with the decrease of the registered share capital

The Company has already registered the change with the Ministry of Commerce on May 12, 2008.

- Approve the increase of the registered share capital and to amend the memorandum of association to support the exercise of warrant to purchase the Company's ordinary shares with the following details: -
  - 1) Increase the registered share capital from formerly Baht 1,550.00 million to Baht 1,705.00 million by issuance of 155.00 million new ordinary shares at the par value of Baht 1.00 per share.
  - 2) Amend the Company's memorandum of association to correspond with the increase of the registered share capital

The Company has already registered the change with the Ministry of Commerce on May 13, 2008.

- Approve the allocation of the 155.00 million increased capital ordinary shares at the par value of Baht 1.00 per share to support the exercise of the Company's warrant.
- Approve the allocation of capital-increase ordinary shares in case of ordinary shares remained from the exercise of the Company's warrants offered to the existing shareholders, if there are unexercised warrants, for whatever reasons, resulting from the ordinary shares allocated to support the exercise of the warrants remained, the remaining shares shall be allocated to offer to private placement not exceeding 35 persons and/or the Institutional Investors pursuant to the relevant notifications of the Securities and Exchange Commission. The Shareholders' Meeting shall grant the authority to the Board of Directors, the Authorized Director(s), or other persons delegated by the Board of Directors or the Authorized Director(s) to act as follows:
  - 1) To offer for sale or to sell the remaining ordinary shares, in a whole or in a part, in one or several issue(s) from time to time;
  - 2) To prescribe and/or change the details or conditions concerning to the offering for sale or the sale of shares, such as the price, period, method, other details and conditions concerning to the offering or sale of those ordinary shares;
  - 3) To proceed with all necessary or relevant acts in order to accomplish the allocation, offering or sale of the ordinary shares remained from the exercise of warrants.

### 30. Surplus from Internal Restructure of Entities under Common Control

In the consolidated financial statements, movement of surplus from internal restructure of entities under common control for the years ended on October 31, 2008 is as follows: -

	<u>Revaluation Surplus on</u>	<u>Discount from Internal Restructure</u>	(Unit : Baht)
	<u>Assets-Subsidiary Companies</u>	<u>of Entities under Common Control</u>	<u>Net</u>
Beginning balance	2,312,816,030.93	(263,643,310.39)	2,049,172,720.54
Increase in the period	285,750.00	-	285,750.00
Decrease in the period	(209,605,686.09)	3,024,363.72	(206,581,322.37)
Ending balance	2,103,496,094.84	(260,618,946.67)	1,842,877,148.17

### 31. Dividend Paid and Legal Reserve

In accordance with the minutes of the annual general shareholders' meeting No. 1/2008 held on February 28, 2008, it was unanimously resolved to appropriate Baht 23.00 million from net profit in 2007 to legal reserve and to pay dividends from operating result of the Company from November 1, 2006 to October 31, 2007 at the rate of Baht 0.22 per share totaling Baht 341.00 million. The dividend had been paid to shareholders on March 27, 2008.

In accordance with the minutes of the annual general shareholders' meeting No. 1/2007 held on February 27, 2007, it was unanimously resolved to appropriate Baht 30.20 million from net profit in 2006 to legal reserve and to pay dividends from operating result of the Company from November 1, 2005 to October 31, 2006 at the rate of Baht 0.22 per share totaling Baht 341.00 million. The dividend had been paid to shareholders on March 27, 2007.

In the fourth quarter of the year 2008, the Company had appropriated net profit for the year 2008 as a legal reserve in amount of Baht 18.50 million to comply with the Public Company Act.

In accordance to the Public Company Act B.E. 2535, the Company has to appropriate part of the annual net profit as legal reserve at rate not less than 5% of the annual net profit less by existing accumulated loss (if any) until this legal reserve hold not less than 10% of the registered capital. This legal reserve can not be used for paying dividends.

### 32. Corporate Income Tax

The corporate income tax of the Company for the year 2008 and 2007 and its subsidiary company, which listed in the stock exchange, for the year 2008, are calculated at the rate of 25% of the profit before tax for the profit not exceeding Baht 300 million and 30% for the part of the profit exceeding Baht 300 million (for the year 2007, the tax calculation of the subsidiary company listed in the stock market is calculated by using the only rate at 30%) after adding back the provision and non-tax allowable expenses and less the dividend exempted from including in the revenue. The said tax rates are in accordance with the Royal Decree no. 387 (B.E. 2544) dated August 28, 2001 and no. 475 (B.E. 2551) dated August 6, 2008.

The corporate income taxes of other domestic subsidiary companies are calculated at the rate of 25-30% of the profit not receiving tax privilege from the investment promotion before tax, adding back the provisions and the non-tax allowable expenses in the tax calculation and less the dividends received from the limited companies registered under Thai laws which are exempted from including in the revenue.

### 33. Disclosure of Sectoral Business Operations

The Company's business operation relates to manufacture and distribution of sugar and molasses and also to offer leasing of space for office use and only conduct its business in one geographical area namely Thailand.

Details of the sectoral business operation are as follows:-

#### Consolidated financial statements

For the years ended on October 31, 2008 and 2007

	(Unit : million Baht)																			
	Manufacture and Distribution of Sugar and Molasses						Manufacture and Distribution of Alcohol		Manufacture and Sale of Electricity		Real Estate Rental		Wheat Flour		Others		Inter-Transaction		Total	
	2008			2007			2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	Thai	Laos	Cambodia	Thai	Laos	Cambodia														
Net Sales and Service-Domestic	5,673	-	30	4,831	-	-	533	337	618	367	256	234	1,047	224	118	86	(2,452)	(1,574)	5,823	4,505
Net Sales and Service-Foreign	5,195	-	-	4,604	-	-	318	12	-	-	-	-	-	-	19	12	-	-	5,532	4,628
Total	10,868	-	30	9,435	-	-	851	349	618	367	256	234	1,047	224	137	98	(2,452)	(1,574)	11,355	9,133
Profit (loss) from Operation	1,053	(28)	(6)	1,056	(18)	(5)	122	22	230	184	112	116	119	24	(12)	(20)	(88)	75	1,502	1,434
Interest Expenses																			(214)	(184)
Corporate Income Tax																			(313)	(328)
Profit after Interest Expenses and Corporate Income Tax																			975	922
(Less)Add Net (Profit) Loss of the subsidiary company under the parent company before share acquisition																			(3)	3
Less Net Profit of Minority Shareholders																			(112)	(89)
Net Profit of Khon Kaen Sugar Industry Public Company Limited																			860	836
As at October 31, 2008 and 2007																				
Inventories-Net	1,227	-	-	1,329	-	-	38	132	-	-	-	-	527	23	498	53	(401)	-	1,889	1,537
Property, Plant and Equipment-Net	6,668	556	937	6,199	127	192	289	337	770	811	1,090	1,028	427	447	566	219	(12)	(24)	11,291	9,336
Central Assets	2,380	126	882	2,473	112	205	182	53	129	154	221	55	73	178	393	327	(582)	(554)	3,804	3,003
Total Assets	10,275	682	1,819	10,001	239	397	509	522	899	965	1,311	1,083	1,027	648	1,457	599	(995)	(578)	16,984	13,876



### 34. Obligations and Contingent Liabilities

As at October 31, 2008 and 2007, apart from liabilities reflected in the balance sheets, the Company and its subsidiary companies have obligations and contingent liabilities as follows:-

34.1 The Company and its subsidiary companies have obligations relating to agreements to sell goods but not yet delivered as in the consolidated financial statements for the amounts of Baht 2,122.68 million and Baht 2,230.94 million respectively and as in the separate financial statements for Baht 1,566.44 million and Baht 1,731.46 million respectively.

34.2 The Company and three subsidiary companies had issued post-dated cheques to farmers to purchase cane. The Company and the subsidiary companies have not recorded the said liabilities as the cheques are not yet due and the cane of the said production season has not been received from farmers as follows:-

(Unit : Million Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>As at October 31,</u>		<u>As at October 31,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
For the production season 2007/2008	-	452.21	-	47.18
For the production season 2008/2009	333.75	-	30.63	-
For the production season 2009/2010	12.82	-	12.82	-

34.3 The Company and three subsidiary companies had issued cheques as guarantee for abiding by the regulations to the Office of Cane and Sugar Fund as follows:-

(Unit : Million Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>As at October 31,</u>		<u>As at October 31,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
For the production season 2004/2005	-	79.56	-	42.98

34.4 A subsidiary company made a electricity sale-purchase contract with the Electricity Generating Authority of Thailand (EGAT) on February 21, 2005 requiring the subsidiary company to commence selling electricity within October 31, 2006 for 21 years and EGAT agrees to buy electricity not less than 80% of electricity supply generated under the contract (20 megawatts per month). The subsidiary company had commenced to sell electricity to EGAT since December 26, 2006.

34.5 As at October 31, 2008 and 2007, in the consolidated and separate financial statements have obligations and contingent liabilities as follows: -

(Unit : Million)

<u>Consolidated financial statements</u>							
<u>As at October 31,</u>							
		<u>2008</u>			<u>2007</u>		
	<u>Currency</u>	<u>Total Credit Line</u>	<u>Utilized</u>	<u>Remaining</u>	<u>Total Credit Line</u>	<u>Utilized</u>	<u>Remaining</u>
Letter of Guarantees	Baht	-	65.26	-	-	4.77	-
Note Acceptance	Baht	30.00	-	30.00	30.00	-	30.00
Letter of Credit	Baht	1,424.50	652.96	771.54	392.00	100	292.00
Letter of Credit	USD	26.92	2.72	24.20	4.27	4.27	-
Bank Overdraft and Short-Term Loans	Baht	13,867.00	148.96	13,718.04	6,147.00	643.58	5,503.42
Short-Term Loans	USD	23.00	5.00	18.00	-	-	-
Forward Contracts	Baht	1,193.00	-	1,193.00	200.00	-	200.00
Forward Contracts	USD	145.20	13.22	131.98	34.32	5.32	29.00
Long-Term Loans	Baht	1,480.00	927.00	553.00	2,680.00	1,663.05	1,016.95
Long-Term Loans	USD	40.00	10.00	30.00	-	-	-
Joint credit line in the Letter of Credit and Long-Term Loans	Baht	60.00	45.00	15.00	-	-	-

(Unit : Million)

<u>Separate financial statements</u>							
<u>As at October 31,</u>							
		<u>2008</u>			<u>2007</u>		
	<u>Currency</u>	<u>Total Credit Line</u>	<u>Utilized</u>	<u>Remaining</u>	<u>Total Credit Line</u>	<u>Utilized</u>	<u>Remaining</u>
Letter of Guarantees	Baht	-	1.73	-	-	1.73	-
Letter of Credit	Baht	30.00	-	30.00	30.00	-	30.00
Letter of Credit	USD	1.00	-	1.00	-	-	-
Bank Overdraft and Short-Term Loans	Baht	4,908.00	70.36	4,837.64	2,358.00	300.00	2,058.00
Short-Term Loans	USD	3.00	-	3.00	-	-	-
Forward Contracts	Baht	333.00	-	333.00	-	-	-
Forward Contracts	USD	10.00	6.01	3.99	-	-	-
Long-Term Loans	Baht	-	-	-	200.00	-	200.00

Parts of the above credit facilities guaranteed land together with construction, parts of machinery, leasehold for the land where the factory is located and Standby Letter of Credit from a foreign bank of a related company as collaterals. The inter-guarantee also offered between the Company and subsidiary companies, in addition to the Company's directors, the subsidiary companies' directors, shareholders and related persons with the shareholders of the subsidiary companies jointly offered their guarantees. Furthermore, for some of the credit facilities, if the drawn down is made, the Company and its subsidiary companies have to additionally pledge parts of their inventories as collaterals.

Moreover, the Company has entered into an agreement with a commercial bank against the indebtedness of a subsidiary company for all types of credit facility that may occur in the future at the total credit line as at October 31, 2008 at Baht 5,527.05 million and USD 93.20 million and as at October 31, 2007 at Baht 2,945.00 million and USD 9.00 million.

- 34.6 In the consolidated financial statements as at October 31, 2008 and 2007, the Company and six subsidiary companies and five subsidiary companies respectively have remaining obligations under the various contracts as follows: -

(Unit : Million)

<u>Consolidated financial statements</u>					
<u>As at October 31,</u>					
	<u>Currency</u>	<u>2008</u>		<u>2007</u>	
		<u>Contractual</u>	<u>Outstanding</u>	<u>Contractual</u>	<u>Outstanding</u>
		<u>Amount</u>	<u>Contractual Obligation</u>	<u>Amount</u>	<u>Contractual Obligation</u>
Construction and Subcontract Agreements	Baht	637.65	97.88	437.29	35.02
	USD	6.61	2.80	-	-
	KHR	475.25	283.29	-	-
Machine and Equipment Purchase Agreements	Baht	250.65	157.58	-	-
	USD	27.66	17.58	-	-
	YEN	3,191.67	3,191.25	-	-
Machine Disposal Agreement	Baht	48.68	2.89	-	-

Furthermore, as at October 31, 2008, three subsidiary companies entered into three inter-purchase/sale agreements of which the remaining obligation under the agreements is Baht 1,369.32 million.

- 34.7 As at October 31, 2008, two subsidiary companies entered into agreements with other companies to transport machinery, which the transportation fee payment depends on the percentage of work completed. The remaining contractual obligation is Baht 25.57 million.

### 35. Other Significant Information

- 35.1 On February 16, 2006, Savannakhet Sugar Corporation, which is a subsidiary company, made a contract to develop area in the Lao People's Democratic Republic with the government of that country to be used is the subsidiary company's office, factory unit, road and area for cane plantation for the total area of 10,000 hectares covering the period of 30 years which can be extended for another 20 years if approved by the counter party. In the fourth quarter of 2008, the subsidiary company has already utilized the area of 3,247.13 hectares and paid rental fee for the area used in amount of USD 28,389.36 at the rental rate of USD 6 per hectare per year.

35.2 In accordance to minutes of the Company's meeting of the executive board no. 8/2549 held on July 28, 2006, it resolved for the Company to invest in ordinary shares of Koh Kong Plantation Co., Ltd. and Koh Kong Sugar Industry Co., Ltd. at the rate of 50% in each company for the total USD 5.00 million. This investment was a joint investment with foreigners and the said two companies has enter into the memorandum of understanding with the government of Kingdom of Cambodia on August 2, 2006 in order to build a sugar factory and to apply for a concession of area to plant canes in Koh Kong Province, Kingdom of Cambodia in total of 20,000 hectares covering period of 90 years and the rental price has a grace period of the first 4 years, afterwards, the rate of rental price of USD 1 - 4 per hectare per annum. At present, it is in the process of fixing the area so that the rental price can be calculated.

35.3 In accordance with the minutes of the annual general shareholders' meeting No. 1/2551 held on February 28, 2008, it resolved for issuance and proposal for sale of debt instruments (including but not limit to debentures, short-term debenture, bills and short-term bills) in various forms at one time for full amount and/or several times and /or as a project depending on discretion and necessity for use of fund of the Company. The total limit amount for this issuance is not more than Baht 10,000.00 million with the following conditions:

- Category of debts instruments : with or without securities, subordinated or non-subordinated, convertible or non-convertible, specified names of debt-holders with or without representatives (in case of debenture).
- Currency : Thai Baht currency or equivalent foreign currency using exchange rate at each time of issuance.
- Proposed sale value : Principal amount of issued debt instruments must not be more than Baht 10,000 million at any time. The calculation of the maximum principal of the debt instrument which the Company can issue and place for sale at any time shall include the principal of the Company's debt instrument which has not been redeemed but shall not include the principal of the Company's debt instrument which has already been redeemed.
- The maturity period : Should not be more than 20 years.
- Sales method : Placement to the general investors, major investors or corporate investors in Thailand and/or overseas according to the announcement of the Securities and Exchange Commission and/or the announcement of the Office of the Securities and Exchange Commission and/or other related regulations which are in effect at the time of the debt instrument's issuance and offer for sales.

As of October 31, 2008, the Company has partially issued the debt instruments as mentioned in the notes to financial statements Nos. 23 and 27.

35.4 The Company and subsidiary companies jointly filed charge along with other companies in the sugar industry group against the Cane and Sugar Board as 1<sup>st</sup> defendant as the Office of the Cane and Sugar Board as 2<sup>nd</sup> defendant because of disagreement with final cane price fixing and compensation for final sugar distribution in the production season 2001/2002. As at April 30, 2008 the Supreme Administrative Court adjudicated in favour of the industry group and ordered the withdrawal of the announcement of the Office of Cane and Sugar Board dated November 19, 2003 on fixing final cane and production compensation for the season 2001/2002 with the effective date on December 3, 2003 which is the announcement date in the Royal Gazette, resulting in the Office of Cane and Sugar Board must pay compensation for final cane price and final sugar production and distribution compensation for the season 2001/2002 under the Court's verdict in amounts of Baht 37.91 million in the consolidated financial statements and Baht 31.95 million in the separate financial statements. Subsequently, the Company and subsidiary companies have been informed by the Office of Cane and Sugar Board (the Office) (the defendants) that the said amount is not an actual liability that the Office of Cane and Sugar Board has to pay to the sugar factory and the Office has to fix and announce the final cane price and compensation for final sugar production and distribution in the season 2001/ 2002 in the Royal Gazette to replace of the one which has been withdrawn. At present, this process is being proceed by the Office. The Company and subsidiary companies, therefore have not recognized the above transaction in the financial statements because the actual liability depends on the fixing of the said compansation.

### 36. Financial Instruments

#### Policy to manage financial risks

The Company and its subsidiary companies possess risks regarding to the change of market interest rate, currency exchange rate and from nonperformance of contractual obligations by counter parties. The Company and its subsidiary companies will consider to using appropriate financial instruments when it considers necessary to manage such risks. However, the Company and its subsidiary companies do not have any policy to hold or issue any financial instruments for speculation or for trading.

#### Risk on Interest Rate

Risk on interest rates is derived from the change of the market interest rate in the future, which will affect upon the Company's and its subsidiary companies' operating results and cash flows, However, companies within the group manage risk on interest rate by using various methods including the loan allocation to gain appropriate balance between fixed interest rate loans and floating interest rate loans and compatible to different activities of the group companies with the following majority of details as follow: -

(Unit : Baht)

## Consolidated financial statements

As at October 31, 2008

	Fixed interest rate			Floating interest rate	Total
	Within	More than	More than		
	1 year	1 year to 5 years	5 years		
<b>Financial assets</b>					
Bank Deposits	-	-	-	467,144,361.20	467,144,361.20
Short-term loans due to Related Companies	-	-	-	78,602,190.27	78,602,190.27
Short-term loans due from farmers	-	-	-	268,774,580.00	268,774,580.00
Total	-	-	-	814,521,131.47	814,521,131.47
<b>Financial liabilities</b>					
Short-term loans due to financial institutions	70,000,000.00	-	-	821,345,585.55	891,345,585.55
Other short-term loans	1,596,339,104.75	-	-	-	1,596,339,104.75
Debentures	-	1,496,341,976.22	-	-	1,496,341,976.22
Long-term loans	-	-	-	1,131,747,000.00	1,131,747,000.00
Total	1,666,339,104.75	1,496,341,976.22	-	1,953,092,585.55	5,115,773,666.52

(Unit : Baht)

## Consolidated financial statements

As at October 31, 2007

	Fixed interest rate			Floating interest rate	
	Within	More than	More than	Total	
	1 year	1 year to 5 years	5 years		
<b><u>Financial assets</u></b>					
Bank Deposits	-	-	-	284,517,590.24	284,517,590.24
Short-term loans due to Related Companies	-	-	-	95,580,731.22	95,580,731.22
Short-term loans due from farmers	-	-	-	338,992,800.00	338,992,800.00
Total	-	-	-	719,091,121.46	719,091,121.46
<b><u>Financial liabilities</u></b>					
Short-term loans due to financial institutions	548,000,000.00	-	-	99,220,721.87	647,220,721.87
Other short-term loans	1,525,468,562.18	-	-	-	1,525,468,562.18
Long-term loans	-	-	-	1,319,053,731.60	1,319,053,731.60
Total	2,073,468,562.18	-	-	1,418,274,453.47	3,491,743,015.65

Risk on Exchange Rate

Risks on exchange rates for the Company and its subsidiary companies mainly involve with sales of goods and import of machine as transactions are made in foreign currencies. As at October 31, 2008 and 2007, the Company and its subsidiary companies possessed assets and liabilities in foreign currencies over which the contract to hedge against risk of exchange rates has not been conducted as follows :-

(Unit : million)

<u>Currencies</u>	<u>Consolidated financial statements</u>				<u>Separate financial statements</u>			
	<u>As at October 31</u>				<u>As at October 31</u>			
	<u>2008</u>		<u>2007</u>		<u>2008</u>		<u>2007</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Us. Dollar	21.55	11.86	6.01	4.27	5.03	-	1.29	0.53
Yen	1,107.75	203.26	-	14.69	-	-	-	-

As at October 31, 2008 and 2007, in the consolidated and separate financial statements, the Company and a subsidiary company conducted a forward sale contract with a commercial bank to hedge against exchange rate risk from receipt and debt repayment denominated in foreign currency. The subsidiary company has not recorded such financial liability in the financial statements. The due date for payment of the forward contract already committed has outstanding period of not greater than 6 months in both periods with the following details :-

(Unit : million)

	<u>Currencies</u>	<u>Consolidated financial statement</u>		<u>Separate Financial Statement</u>	
		<u>As at October 31</u>		<u>As at October 31</u>	
		<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Contracted Amount	USD	13.22	2.26	6.01	-
Resulted Amount Earned under Contract	Baht	444.50	76.52	209.48	-
Fair Value	Baht	465.18	76.62	211.47	-

### Credit Risk

The Company and its subsidiary companies have risk on credit regarding trade accounts receivable, farmer accounts receivable, loans due from farmers, loans due from related persons and related companies and other accounts receivable. However, since the Company and its subsidiary companies pursue conservative lending policy and the numbers of debtors are several, the Company and its subsidiary companies do not anticipate any material damage from debt collections.

### Fair Value

Since the majority of the financial assets and liabilities are short-term and loans bearing interest rates closed to market rates, the Company's and its subsidiary companies' managements believe book value of such financial assets and liabilities are presented in values not materially different from relevant fair values. The fair value of debenture is shown under the notes to financial statements no. 27.

37. Provident Fund

The Company and 12 subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The group companies and their employees contribute to the fund monthly at the rate of 2.00% of basic salary. The fund, which is managed by Ayudhya Fund Management Co., Ltd., and Siam Commercial Fund Management Co., Ltd. will pay the employees upon their termination in accordance with the fund rules. During the years ended October 31, 2008 and 2007, in the consolidated financial statements the Company and its subsidiary companies contributed in amounts of Baht 5.59 million and Baht 5.15 million respectively and in the separate financial statements, the Company contributed in amounts of Baht 2.10 million and Baht 1.97 million respectively.

38. Approval of Financial Statements

These financial statements have been approved for issuance by the Company's board of directors on December 26, 2008.

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