

Report of Independent Auditor

To the Shareholders of Thai Union Frozen Products Public Company Limited

I have audited the accompanying consolidated balance sheet of Thai Union Frozen Products Public Company Limited and its subsidiaries as at 31 December 2009, the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, and the separate financial statements of Thai Union Frozen Products Public Company Limited for the same year. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits. I did not audit the financial statements of overseas subsidiaries, Thai Union International, Inc. and its subsidiaries and PT Juifa International Foods, which are included in the consolidated financial statements. As at 31 December 2009, these subsidiaries had total assets of Baht 12,529 million, and total revenues for the year then ended of Baht 30,081 million. The financial statements of these subsidiaries were audited by another auditors whose reports have been furnished to me, and my opinion in so far as it relates to amounts included for those subsidiaries in the consolidated financial statements is based solely on the report of those 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, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit and the reports of the other auditors referred to in the first paragraph, provide a reasonable basis for my opinion.

In my opinion, based on my audit and the report of another auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Thai Union Frozen Products Public Company Limited and its subsidiaries and of Thai Union Frozen Products Public Company Limited as at 31 December 2009, the results of their operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

The consolidated financial statements of Thai Union Frozen Products Public Company Limited and its subsidiaries, and the separate financial statements of Thai Union Frozen Products Public Company Limited for the year ended 31 December 2008 were audited in accordance with generally accepted auditing standards by another auditor of our firm who, under his report dated 18 February 2009, expressed an unqualified opinion on those statements and drew attention to the change in accounting policy on presentation of goodwill and negative goodwill in the consolidated financial statements.

Rungnapa Lertsuwankul
Certified Public Accountant (Thailand) No. 3516

Ernst & Young Office Limited
Bangkok: 12 February 2010

Thai Union Frozen Products Public Company Limited and its subsidiaries

Balance sheets

As at 31 December 2009 and 2008

(Unit: Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|---|------|-----------------------------------|-----------------------|-------------------------------|----------------------|
| | | 2009 | 2008 | 2009 | 2008 |
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | | 728,374,613 | 556,782,001 | 98,030,937 | 28,084,313 |
| Current investments | | | | | |
| Bill of exchange | | - | 1,000,000,000 | - | 1,000,000,000 |
| Trade accounts receivable | 7 | | | | |
| Related parties | 8 | 57,443,714 | 31,044,267 | 1,709,081,577 | 1,982,980,666 |
| Unrelated parties | | 6,601,564,693 | 7,225,471,264 | 1,010,256,553 | 1,405,187,675 |
| Total trade accounts receivable | | 6,659,008,407 | 7,256,515,531 | 2,719,338,130 | 3,388,168,341 |
| Less: Allowance for doubtful accounts | | (157,968,852) | (151,627,513) | (8,497,772) | (716,942) |
| Trade accounts receivable - net | | 6,501,039,555 | 7,104,888,018 | 2,710,840,358 | 3,387,451,399 |
| Short-term loans to related parties | 8 | - | - | 1,564,906,950 | 1,196,832,200 |
| Short-term loans to other company | | - | 15,000,000 | - | 15,000,000 |
| Current portion of long-term loans to subsidiaries | 8 | - | - | 1,159,291,000 | 173,564,500 |
| Current portion of long-term loans to other companies | | 1,445,320 | 3,064,710 | - | - |
| Inventories - net | 9 | 15,892,970,036 | 19,228,747,320 | 3,884,979,576 | 3,654,821,268 |
| Other current assets | | | | | |
| Prepaid expenses | | 134,271,678 | 153,677,506 | 16,035,412 | 16,633,791 |
| Prepaid income tax | | 147,200,878 | 85,981,979 | 28,111,078 | 14,042,375 |
| Spareparts | | 115,261,483 | 97,448,011 | 19,274,387 | 15,286,963 |
| Interest receivables | 8 | - | 7,923,102 | 38,080,468 | 44,427,330 |
| Advance payments | | 325,304,686 | 115,308,708 | 52,123,331 | 3,234,377 |
| Current portion of forward exchange contracts receivables | | 117,263,186 | 128,783,824 | 52,912,171 | 111,345,645 |
| Value added tax refundable | | 153,815,152 | 173,069,118 | 79,789,150 | 60,844,796 |
| Others | | 100,399,043 | 145,393,358 | 35,055,837 | 46,682,027 |
| Total other current assets | | 1,093,516,106 | 907,585,606 | 321,381,834 | 312,497,304 |
| Total current assets | | 24,217,345,630 | 28,816,067,655 | 9,739,430,655 | 9,768,250,984 |

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

Thai Union Frozen Products Public Company Limited and its subsidiaries

Balance sheets (continued)

As at 31 December 2009 and 2008

(Unit: Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|--|------|-----------------------------------|-----------------------|-------------------------------|-----------------------|
| | | 2009 | 2008 | 2009 | 2008 |
| Non-current assets | | | | | |
| Restricted deposits with financial institution | 10 | 989,800 | 730,300 | - | - |
| Investments in subsidiaries - net | 11 | - | - | 3,343,953,187 | 3,345,867,453 |
| Investments in associates - net | 12 | 401,792,397 | 264,341,020 | 66,231,008 | 38,510,000 |
| Other long-term investments - net | 13 | 86,871,022 | 102,586,800 | 39,105,560 | 39,130,560 |
| Long-term loans to subsidiaries - net of current portion | 8 | - | - | 3,444,750,400 | 4,477,964,100 |
| Long-term loans to other companies - net of current portion | | 10,333,000 | 16,217,940 | - | - |
| Property, plant and equipment - net | 14 | 9,279,978,439 | 8,514,956,732 | 2,365,438,793 | 2,127,716,443 |
| Properties foreclosed - net | 15 | 57,056,539 | 58,606,539 | 57,056,539 | 58,606,539 |
| Intangible assets - net | 16 | 700,002,460 | 754,474,494 | - | - |
| Other non-current assets | | | | | |
| Forward exchange contracts receivables | | 211,286,400 | 95,011,200 | 211,286,400 | 95,011,200 |
| Goodwill - net | | 290,507,075 | 301,466,285 | - | - |
| Leasehold rights - net | | 19,714,756 | 21,529,125 | - | - |
| Deferred tax assets | 21 | 525,003,585 | 650,855,684 | 17,390,255 | 11,034,431 |
| Others | | 69,061,976 | 184,403,974 | 10,078,656 | 13,537,821 |
| Total non-current assets | | 11,652,597,449 | 10,965,180,093 | 9,555,290,798 | 10,207,378,547 |
| Total assets | | 35,869,943,079 | 39,781,247,748 | 19,294,721,453 | 19,975,629,531 |

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

Thai Union Frozen Products Public Company Limited and its subsidiaries

Balance sheets (continued)

As at 31 December 2009 and 2008

(Unit: Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|--|------|-----------------------------------|-----------------------|-------------------------------|-----------------------|
| | | 2009 | 2008 | 2009 | 2008 |
| Liabilities and shareholders' equity | | | | | |
| Current liabilities | | | | | |
| Bank overdrafts and short-term loans from | | | | | |
| financial institutions | 17 | 5,601,267,718 | 10,659,178,727 | 883,333,000 | 3,289,677,527 |
| Trade accounts payable | | | | | |
| Related parties | 8 | 32,935,389 | 23,934,262 | 240,465,474 | 326,349,638 |
| Unrelated parties | | 2,596,659,847 | 3,423,616,162 | 1,016,612,207 | 1,069,864,143 |
| Total trade accounts payable | | 2,629,595,236 | 3,447,550,424 | 1,257,077,681 | 1,396,213,781 |
| Short-term loans from related parties | 8 | - | 2,500,000 | 978,610,000 | 2,500,000 |
| Short-term loans from directors of subsidiary | 8 | - | 109,746,000 | - | - |
| Short-term loans from shareholders of subsidiaries | 8 | - | 400,000 | - | - |
| Current portion of long-term loans | 18 | 183,760,310 | 225,774,940 | - | - |
| Current portion of debentures | | 1,500,000,000 | - | 1,500,000,000 | - |
| Other current liabilities | | | | | |
| Corporate income tax payable | | 151,679,918 | 139,732,519 | - | 25,640,210 |
| Accrued expenses | 8 | 652,706,406 | 606,179,677 | 175,570,488 | 184,706,702 |
| Accounts payable - construction and asset purchase | | 169,970,400 | 66,283,818 | 26,934,523 | 16,184,296 |
| Billback | | 357,453,742 | 145,593,204 | - | - |
| Others | | 792,933,149 | 818,714,843 | 226,440,555 | 227,553,749 |
| Total other current liabilities | | 2,124,743,615 | 1,776,504,061 | 428,945,566 | 454,084,957 |
| Total current liabilities | | 12,039,366,879 | 16,221,654,152 | 5,047,966,247 | 5,142,476,265 |
| Non-current liabilities | | | | | |
| Long-term loans - net of current portion | 18 | 1,264,303,640 | 1,416,042,339 | - | - |
| Debentures - net of current portion | 19 | 3,700,000,000 | 5,200,000,000 | 3,700,000,000 | 5,200,000,000 |
| Deferred tax liabilities | 21 | 274,406,989 | 293,152,913 | - | - |
| Forward exchange contracts payable - net of | | | | | |
| current portion | | - | 95,687,500 | - | 95,687,500 |
| Other non-current liabilities | | 181,100,786 | 323,985,730 | 47,845,603 | 24,920,855 |
| Total non-current liabilities | | 5,419,811,415 | 7,328,868,482 | 3,747,845,603 | 5,320,608,355 |
| Total liabilities | | 17,459,178,294 | 23,550,522,634 | 8,795,811,850 | 10,463,084,620 |

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

Thai Union Frozen Products Public Company Limited and its subsidiaries

Balance sheets (continued)

As at 31 December 2009 and 2008

(Unit: Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|--|------|-----------------------------------|-----------------------|-------------------------------|-----------------------|
| | | 2009 | 2008 | 2009 | 2008 |
| Shareholders' equity | | | | | |
| Share capital | 20 | | | | |
| Registered | | | | | |
| 885,090,950 ordinary shares of Baht 1 each | | 885,090,950 | 885,090,950 | 885,090,950 | 885,090,950 |
| Issued and paid-up | | | | | |
| 883,170,950 ordinary shares of Baht 1 each | | 883,170,950 | 883,170,950 | 883,170,950 | 883,170,950 |
| Share premium | | 4,518,796,858 | 4,518,796,858 | 4,518,796,858 | 4,518,796,858 |
| Unrealised loss | | | | | |
| Revaluation deficit on change in value of investments | 13 | (19,362,247) | (18,503,027) | (498,600) | (473,600) |
| Provision for changes in the value of pension fund | 28 | (13,561,118) | (85,953,035) | - | - |
| Translation adjustment | | (99,416,505) | (47,418,453) | - | - |
| Retained earnings | | | | | |
| Appropriated - statutory reserve | 22 | 89,000,000 | 89,000,000 | 89,000,000 | 89,000,000 |
| Unappropriated | | 10,972,493,287 | 9,023,177,341 | 5,008,440,395 | 4,022,050,703 |
| Equity attributable to the Company's shareholders | | 16,331,121,225 | 14,362,270,634 | 10,498,909,603 | 9,512,544,911 |
| Minority interest - equity attributable to minority shareholders | | | | | |
| of subsidiaries | | 2,079,643,560 | 1,868,454,480 | - | - |
| Total shareholders' equity | | 18,410,764,785 | 16,230,725,114 | 10,498,909,603 | 9,512,544,911 |
| Total liabilities and shareholders' equity | | 35,869,943,079 | 39,781,247,748 | 19,294,721,453 | 19,975,629,531 |
| | | - | - | - | - |

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

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Directors
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Thai Union Frozen Products Public Company Limited and its subsidiaries

Income statements

For the years ended 31 December 2009 and 2008

(Unit: Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|--|------|-----------------------------------|-----------------------|-------------------------------|-----------------------|
| | | 2009 | 2008 | 2009 | 2008 |
| Revenues | | | | | |
| Sales | | 68,994,493,487 | 69,048,124,396 | 20,210,023,115 | 18,845,594,104 |
| Other income | | | | | |
| Interest income | | 6,733,551 | 13,030,334 | 329,741,096 | 272,598,853 |
| Dividend income | | 265,000 | 310,000 | 1,389,482,014 | 538,190,006 |
| Compensation from accounts payable | | 22,365,963 | 61,597,899 | 22,096,362 | 31,424,335 |
| Tax coupon received | | 103,681,392 | 87,345,718 | 17,902,197 | 13,243,214 |
| Exchange gains | | 351,747,805 | 83,915,227 | 253,815,670 | 27,607,624 |
| Others | | 217,983,026 | 224,661,545 | 115,402,966 | 120,038,973 |
| Total other income | | 702,776,737 | 470,860,723 | 2,128,440,305 | 1,003,103,005 |
| Total revenues | | 69,697,270,224 | 69,518,985,119 | 22,338,463,420 | 19,848,697,109 |
| Expenses | | | | | |
| Cost of sales | | 58,550,500,255 | 60,290,808,311 | 18,100,012,627 | 16,662,459,511 |
| Selling expenses | | 3,671,348,806 | 3,701,893,245 | 922,924,076 | 802,250,680 |
| Administrative expenses | | 2,571,761,490 | 2,159,786,888 | 455,566,425 | 349,326,226 |
| Management benefit expenses | | 64,837,750 | 60,157,047 | 64,837,750 | 60,157,047 |
| Other expenses | | 3,891,697 | 12,400,027 | 931,157 | 3,233,797 |
| Total expenses | | 64,862,339,998 | 66,225,045,518 | 19,544,272,035 | 17,877,427,261 |
| Income before share of income from investments | | | | | |
| in associates | | | | | |
| Share of income from investments in associates | 12 | 4,834,930,226 | 3,293,939,601 | 2,794,191,385 | 1,971,269,848 |
| | | 48,915,369 | 16,463,877 | - | - |
| Income before finance cost and corporate income tax | | 4,883,845,595 | 3,310,403,478 | 2,794,191,385 | 1,971,269,848 |
| Finance cost | | (602,100,222) | (634,900,294) | (336,396,153) | (256,336,455) |
| Income before corporate income tax | | 4,281,745,373 | 2,675,503,184 | 2,457,795,232 | 1,714,933,393 |
| Corporate income tax | 21 | (431,070,905) | (106,653,783) | (40,678,977) | (85,500,747) |
| Net income for the year | | 3,850,674,468 | 2,568,849,401 | 2,417,116,255 | 1,629,432,646 |
| Net income attributable to: | | | | | |
| Equity holders of the parent | | 3,343,845,983 | 2,200,469,365 | 2,417,116,255 | 1,629,432,646 |
| Minority interests of the subsidiaries | | 506,828,485 | 368,380,036 | | |
| | | <u>3,850,674,468</u> | <u>2,568,849,401</u> | | |
| Earnings per share | | | | | |
| 25 | | | | | |
| Basic earnings per share | | | | | |
| Net income attributable to equity holders of the parent | | 3.79 | 2.51 | 2.74 | 1.86 |

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

Thai Union Frozen Products Public Company Limited and its subsidiaries

Cash flows statements

For the years ended 31 December 2009 and 2008

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|----------------------|-------------------------------|----------------------|
| | 2009 | 2008 | 2009 | 2008 |
| Cash flows from operating activities | | | | |
| Net income before tax | 4,281,745,373 | 2,675,503,184 | 2,457,795,232 | 1,714,933,393 |
| Adjustments to reconcile net income before tax to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortisation | 1,076,102,465 | 1,000,043,050 | 295,412,427 | 231,890,928 |
| Amortisation of premium/discount from forward exchange contracts | 100,230,170 | 10,579,441 | 117,010,378 | (3,014,464) |
| Write-off of withholding tax | - | 20,217,992 | - | 20,217,992 |
| Allowance for doubtful accounts (reversal) | 7,957,518 | (17,281,279) | 7,780,830 | - |
| Allowance for diminution in value of inventories (reversal) | (43,449,438) | 249,985,313 | 44,354,694 | (10,794,836) |
| Allowance for impairment loss of assets (reversal) | 205,910,400 | (1,735,000) | 100,794 | (1,735,000) |
| Reversal of allowance for impairment loss of properties foreclosed | (1,550,000) | - | (1,550,000) | - |
| Allowance for impairment loss of intangible assets | 34,592,947 | - | - | - |
| Allowance for impairment loss of long-term investments | 9,677,789 | - | - | - |
| Share of income from investments in associates | (48,915,369) | (16,463,877) | - | - |
| Gain on returned capital of investment in associate | - | (7,280,450) | - | (7,280,450) |
| Loss (gain) on sale of investment | 1,031,903 | (291,252) | - | - |
| Loss on dissolution of subsidiaries | 1,386,959 | - | 367,865 | - |
| Gain on sale / write-off of property, plant and equipment | (5,630,799) | (1,962,901) | (881,141) | (277,141) |
| Loss on write-off of leasehold right | 959,116 | - | - | - |
| Loss on sale of properties foreclosed | - | 3,083,084 | - | 3,083,084 |
| Unrealised exchange loss (gain) | (169,175,989) | 137,311,649 | (127,309,331) | 54,749,067 |
| Dividend income | (265,000) | (310,000) | (1,389,482,014) | (538,190,006) |
| Interest income | (6,733,551) | (13,030,334) | (329,741,096) | (272,598,853) |
| Interest expense | 568,285,774 | 589,052,335 | 335,037,635 | 237,396,429 |
| Income from operating activities before change in operating assets and liabilities | 6,012,160,268 | 4,627,420,955 | 1,408,896,273 | 1,428,380,143 |
| Decrease (increase) in operating assets | | | | |
| Trade accounts receivable | 464,995,883 | (501,680,482) | 659,415,939 | (740,885,086) |
| Inventories | 2,963,248,673 | (3,035,555,432) | (275,390,674) | (503,266,473) |
| Other current assets | (173,363,647) | (90,526,810) | (74,225,822) | (9,346,811) |
| Other non-current assets | 107,584,313 | (95,683,057) | (255,836) | 92,040 |
| Increase (decrease) in operating liabilities | | | | |
| Trade accounts payable | (684,098,582) | 417,027,587 | (136,455,144) | 309,634,710 |
| Other current liabilities | 443,456,777 | 34,790,828 | 12,695,601 | 43,728,352 |
| Other non-current liabilities | (128,490,264) | 299,174,289 | 30,038,739 | 725,094 |
| Cash flows from operating activities | 9,005,493,421 | 1,654,967,878 | 1,624,719,076 | 529,061,969 |
| Cash paid for corporate income tax | (427,763,392) | (284,216,731) | (86,743,713) | (56,996,803) |
| Net cash from operating activities | 8,577,730,029 | 1,370,751,147 | 1,537,975,363 | 472,065,166 |

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

Thai Union Frozen Products Public Company Limited and its subsidiaries

Cash flows statements (continued)

For the years ended 31 December 2009 and 2008

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|------------------------|-------------------------------|----------------------|
| | 2009 | 2008 | 2009 | 2008 |
| Cash flows from investing activities | | | | |
| Increase in restricted deposits with financial institutions | (259,500) | (61,500) | - | - |
| Acquisitions of property, plant and equipment | (1,987,818,485) | (1,724,254,521) | (520,060,967) | (689,461,459) |
| Acquisitions of intangible assets | (13,253,670) | (45,006,657) | - | - |
| Acquisitions of leasehold rights | (1,686,160) | (692,379) | - | - |
| Increase in short-term loans to related parties | - | - | (351,112,500) | (470,589,400) |
| Decrease (increase) in short-term loans to other company | 15,000,000 | (11,128,168) | 15,000,000 | (15,000,000) |
| Increase in long-term loans to subsidiaries | - | - | (116,500,000) | (240,017,250) |
| Increase in long-term loans to other companies | (7,119,550) | (418,000) | - | - |
| Cash paid to purchase of investment in subsidiary | - | (53,873,902) | - | - |
| Increase in investments in subsidiary (Note 11) | - | - | - | (25,500,000) |
| Increase in investments in associate | (88,536,008) | - | (27,721,008) | - |
| Increase in investments in common shares | - | (34,579,160) | - | (34,579,160) |
| Dissolution of subsidiaries | 244,075 | 199,572 | 1,546,401 | - |
| Transfer from associate to subsidiary | - | 1,322,620 | - | - |
| Interest received | 12,014,620 | 8,015,153 | 336,087,958 | 241,851,108 |
| Dividend received | 265,000 | 310,000 | 1,389,482,014 | 538,190,006 |
| Proceed from sale of investment | 3,664,747 | 12,786,975 | - | - |
| Proceed from return of capital of associate | - | 12,330,450 | - | 12,330,450 |
| Proceeds from sales of property, plant and equipment | 30,989,804 | 13,878,762 | 1,556,764 | 1,272,139 |
| Proceeds from sales of properties foreclosed | - | 186,916 | - | 186,916 |
| Net cash from (used in) investing activities | (2,036,495,127) | (1,820,983,839) | 728,278,662 | (681,316,650) |
| Cash flows from financing activities | | | | |
| Increase (decrease) in bank overdrafts and short-term loans from financial institutions | (4,891,872,302) | 1,511,497,467 | (2,406,344,527) | 602,508,101 |
| Increase (decrease) in short-term loans from subsidiaries | - | - | 978,610,000 | (197,400,000) |
| Decrease in short-term loans from associate | (2,500,000) | (5,500,000) | (2,500,000) | (5,500,000) |
| Increase in short-term loans from shareholders of subsidiary | - | 400,000 | - | - |
| Decrease in short-term loans from director of subsidiaries | (106,560,000) | (45,692,000) | - | - |
| Decrease in long-term loans from director of subsidiary | - | (26,222,400) | - | - |
| Decrease in long-term loans | (188,875,480) | (277,557,220) | - | - |
| Decrease in financial lease payable | - | (30,533,370) | - | - |
| Cash paid for interest expense | (582,274,842) | (580,417,211) | (335,346,311) | (218,791,264) |
| Increase in debentures | - | 2,000,000,000 | - | 2,000,000,000 |
| Proceed from issued additional share capital | - | 41,484,480 | - | 41,484,480 |
| Decrease in minority interest - equity attributable to minority shareholders of subsidiaries | (258,291,955) | (94,653,525) | - | - |
| Dividend paid (Note 29) | (1,430,726,563) | (986,682,648) | (1,430,726,563) | (986,682,648) |
| Net cash from (used in) financing activities | (7,461,101,142) | 1,506,123,573 | (3,196,307,401) | 1,235,618,669 |
| Decrease in translation adjustment | 91,458,852 | 15,485,839 | - | - |
| Net increase (decrease) in cash and cash equivalents | (828,407,388) | 1,071,376,720 | (930,053,376) | 1,026,367,185 |
| Cash and cash equivalents at beginning of year | 1,556,782,001 | 485,405,281 | 1,028,084,313 | 1,717,128 |
| Cash and cash equivalents at end of year (Note 30) | 728,374,613 | 1,556,782,001 | 98,030,937 | 1,028,084,313 |

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

Thai Union Frozen Products Public Company Limited and its subsidiaries

Cash flows statements (continued)

For the years ended 31 December 2009 and 2008

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|---|--|-------------|--------------------------------------|-------------|
| | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> |
| Supplement cash flows information | | | | |
| Non-cash items: | | | | |
| Undue installments for acquisition of fixed assets | 169,970,400 | 66,283,818 | 26,934,523 | 16,184,296 |
| Unrealised loss (gain) on changes in the value of investments | 859,220 | 10,342,542 | 25,000 | (11,900) |

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

Thai Union Frozen Products Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the years ended 31 December 2009 and 2008

(Unit: Baht)

| Consolidated financial statements | | | | | | | | | | |
|--|----------------------------------|----------------------|--|--|------------------------|-------------------|-----------------------|--|--|-----------------------|
| Equity attributable to the parent's shareholders | | | | | | | | | | |
| | Issued and paid-up share capital | Share premium | Revaluation deficit on changes in the value of investments | Provision for changes in value of pension fund | Translation adjustment | Retained earnings | | Total equity attributable to the parent's shareholders | Minority interest - equity attributable to minority shareholders of subsidiaries | Total |
| | | | | | | Appropriated | Unappropriated | | | |
| Balance as at 31 December 2007 - as restated | 878,794,950 | 4,481,688,378 | (8,160,485) | (6,440,234) | (73,045,204) | 89,000,000 | 7,724,167,074 | 13,086,004,479 | 1,483,704,724 | 14,569,709,203 |
| Cumulative effect of the change in accounting policy (Note 4) | - | - | - | - | - | - | 85,223,550 | 85,223,550 | - | 85,223,550 |
| Balance as at 31 December 2007 - as restated | 878,794,950 | 4,481,688,378 | (8,160,485) | (6,440,234) | (73,045,204) | 89,000,000 | 7,809,390,624 | 13,171,228,029 | 1,483,704,724 | 14,654,932,753 |
| Income and expenses recognised directly in equity: | | | | | | | | | | |
| Investments in available-for-sale securities | | | | | | | | | | |
| Loss recognised in shareholders' equity | - | - | (10,342,542) | - | - | - | - | (10,342,542) | - | (10,342,542) |
| Provision for changes in the value of pension fund | - | - | - | (79,512,801) | - | - | - | (79,512,801) | - | (79,512,801) |
| Translation adjustment | - | - | - | - | 25,626,751 | - | - | 25,626,751 | - | 25,626,751 |
| Net income and expenses recognised directly in equity | - | - | (10,342,542) | (79,512,801) | 25,626,751 | - | - | (64,228,592) | - | (64,228,592) |
| Net income for the year | - | - | - | - | - | - | 2,200,469,365 | 2,200,469,365 | 368,380,036 | 2,568,849,401 |
| Total income and expenses for the year | - | - | (10,342,542) | (79,512,801) | 25,626,751 | - | 2,200,469,365 | 2,136,240,773 | 368,380,036 | 2,504,620,809 |
| Dividend paid (Note 29) | - | - | - | - | - | - | (986,682,648) | (986,682,648) | (119,153,465) | (1,105,836,113) |
| Issuance of share capital by converted warrants to ordinary shares | 4,376,000 | 37,108,480 | - | - | - | - | - | 41,484,480 | - | 41,484,480 |
| Increase in investment in subsidiary | - | - | - | - | - | - | - | - | 24,500,000 | 24,500,000 |
| Increase in minority interest | - | - | - | - | - | - | - | - | 111,023,185 | 111,023,185 |
| Balance as at 31 December 2008 | <u>883,170,950</u> | <u>4,518,796,858</u> | <u>(18,503,027)</u> | <u>(85,953,035)</u> | <u>(47,418,453)</u> | <u>89,000,000</u> | <u>9,023,177,341</u> | <u>14,362,270,634</u> | <u>1,868,454,480</u> | <u>16,230,725,114</u> |
| Balance as at 31 December 2008 - as previously reported | 883,170,950 | 4,518,796,858 | (18,503,027) | (85,953,035) | (47,418,453) | 89,000,000 | 9,023,177,341 | 14,362,270,634 | 1,868,454,480 | 16,230,725,114 |
| Cumulative effect of the change in accounting policy (Note 4) | - | - | - | - | - | - | 36,196,526 | 36,196,526 | - | 36,196,526 |
| Balance as at 31 December 2008 - as restated | 883,170,950 | 4,518,796,858 | (18,503,027) | (85,953,035) | (47,418,453) | 89,000,000 | 9,059,373,867 | 14,398,467,160 | 1,868,454,480 | 16,266,921,640 |
| Income and expenses recognised directly in equity: | | | | | | | | | | |
| Investments in available-for-sale securities | | | | | | | | | | |
| Loss recognised in shareholders' equity | - | - | (859,220) | - | - | - | - | (859,220) | - | (859,220) |
| Provision for changes in the value of pension fund | - | - | - | 72,391,917 | - | - | - | 72,391,917 | - | 72,391,917 |
| Translation adjustment | - | - | - | - | (51,998,052) | - | - | (51,998,052) | - | (51,998,052) |
| Net income and expenses recognised directly in equity | - | - | (859,220) | 72,391,917 | (51,998,052) | - | - | 19,534,645 | - | 19,534,645 |
| Net income for the year | - | - | - | - | - | - | 3,343,845,983 | 3,343,845,983 | 506,828,485 | 3,850,674,468 |
| Total income and expenses for the year | - | - | (859,220) | 72,391,917 | (51,998,052) | - | 3,343,845,983 | 3,363,380,628 | 506,828,485 | 3,870,209,113 |
| Dividend paid (Note 29) | - | - | - | - | - | - | (1,430,726,563) | (1,430,726,563) | (257,384,899) | (1,688,111,462) |
| Subsidiaries terminated their operations | - | - | - | - | - | - | - | - | (907,056) | (907,056) |
| Decrease in minority interest | - | - | - | - | - | - | - | - | (37,347,450) | (37,347,450) |
| Balance as at 31 December 2009 | <u>883,170,950</u> | <u>4,518,796,858</u> | <u>(19,362,247)</u> | <u>(13,561,118)</u> | <u>(99,416,505)</u> | <u>89,000,000</u> | <u>10,972,493,287</u> | <u>16,331,121,225</u> | <u>2,079,643,560</u> | <u>18,410,764,785</u> |

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

Thai Union Frozen Products Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the years ended 31 December 2009 and 2008

(Unit: Baht)

| | Separate financial statements | | | | | Total |
|--|--|----------------------|---|-------------------|----------------------|-----------------------|
| | Issued and paid-up share capital | Share premium | Revaluation deficit on changes in value of investments | Retained earnings | | |
| | | | | Appropriated | Unappropriated | |
| Balance as at 31 December 2007 | 878,794,950 | 4,481,688,378 | (485,500) | 89,000,000 | 3,379,300,705 | 8,828,298,533 |
| Income recognised directly in equity: | | | | | | |
| Investments in available-for-sale securities | | | | | | |
| Gain recognised in shareholders' equity | - | - | 11,900 | - | - | 11,900 |
| Net income recognised directly in equity | - | - | 11,900 | - | - | 11,900 |
| Net income for the year | - | - | - | - | 1,629,432,646 | 1,629,432,646 |
| Total income for the year | - | - | 11,900 | - | 1,629,432,646 | 1,629,432,646 |
| Dividend paid (Note 29) | - | - | - | - | (986,682,648) | (986,682,648) |
| Issuance of share capital by converted warrants to ordinary shares | 4,376,000 | 37,108,480 | - | - | - | 41,484,480 |
| Balance as at 31 December 2008 | <u>883,170,950</u> | <u>4,518,796,858</u> | <u>(473,600)</u> | <u>89,000,000</u> | <u>4,022,050,703</u> | <u>9,512,544,911</u> |
| Balance as at 31 December 2008 | 883,170,950 | 4,518,796,858 | (473,600) | 89,000,000 | 4,022,050,703 | 9,512,544,911 |
| Expenses recognised directly in equity: | | | | | | |
| Investments in available-for-sale securities | | | | | | |
| Loss recognised in shareholders' equity | - | - | (25,000) | - | - | (25,000) |
| Net expenses recognised directly in equity | - | - | (25,000) | - | - | (25,000) |
| Net expenses for the year | - | - | - | - | 2,417,116,255 | 2,417,116,255 |
| Total income and expenses for the year | - | - | (25,000) | - | 2,417,116,255 | 2,417,091,255 |
| Dividend paid (Note 29) | - | - | - | - | (1,430,726,563) | (1,430,726,563) |
| Balance as at 31 December 2009 | <u>883,170,950</u> | <u>4,518,796,858</u> | <u>(498,600)</u> | <u>89,000,000</u> | <u>5,008,440,395</u> | <u>10,498,909,603</u> |

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

Thai Union Frozen Products Public Company Limited and its subsidiaries
Notes to consolidated financial statements
For the years ended 31 December 2009 and 2008

1. General information

1.1 Corporate information

Thai Union Frozen Products Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand and listed on the Stock Exchange of Thailand on 22 November 1994.

The Company operates its business in Thailand and its subsidiaries operate their businesses in Thailand and overseas. Their principal activities in Thailand are the manufacture and export of frozen and canned seafood, and local subsidiaries are also engaged in the packaging and printing, pet food businesses and fishery. The principal activities of the overseas subsidiaries are the manufacture and distribution of canned seafood, and the import of shrimp and other frozen seafood products for sale to restaurant chains, retailers, wholesalers and food processors which are principally located in the United States and the manufacture and distribution of seafood which are principally located in Indonesia and Vietnam.

The Company’s registered address is 72/1 Moo 7, Sethakit 1 Road, Tambon Tarsrai, Amphur Muang, Samutsakorn. The Company has 3 branches in Bangkok and Samutsakorn.

2. Basis of preparation

- 2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547, except for the early adoption of Accounting Standard No. 12 “Accounting for Income Tax” which is in line with International Accounting Standard (IAS) No. 12 “Income Taxes” (revised 1996).

The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 30 January 2009, issued under the Accounting Act B.E. 2543.

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

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

2.2 Basis of consolidation

a) The consolidated financial statements include the financial statements of Thai Union Frozen Products Public Company Limited (“the Company”) and the following subsidiaries (“the subsidiaries”):

| Company's name | Nature of business | Percentage of shareholding | | Country of incorporation |
|--|---|----------------------------|-------------|--------------------------|
| | | <u>2009</u> | <u>2008</u> | |
| | | Percent | Percent | |
| <u>Held by the Company</u> | | | | |
| Thai Union Manufacturing Co., Ltd. | Manufacturer & exporter of canned tuna and pet food | 90.08 | 90.08 | Thailand |
| Songkla Canning Pcl. | Manufacturer & exporter of canned seafood | 90.44 | 90.44 | Thailand |
| Thai Union Seafood Co., Ltd. | Manufacturer & exporter of frozen shrimp | 51.00 | 51.00 | Thailand |
| T-Holding Co., Ltd. | Distributor | 90.00 | 90.00 | Thailand |
| Thai Union Feedmill Co., Ltd. | Manufacturer & distributor of animal feeds | 51.00 | 51.00 | Thailand |
| Thai Union Graphic Co., Ltd. | Printing manufacturer | 74.00 | 74.00 | Thailand |
| Thai Union International, Inc. (TUI) | Holding company | 100.00 | 100.00 | USA |
| PT Juifa International Foods | Manufacturer & distributor of canned tuna and seafood | 76.50 | 76.50 | Indonesia |
| <u>Held by subsidiaries</u> | | | | |
| Tri-Union Seafoods, LLC (100% held by TUI) | Manufacturer & distributor of canned tuna and seafood | 100.00 | 100.00 | USA |
| Tri-Union Samoa Packing Corporation (100% held by Tri-Union Seafoods, LLC) | Manufacturer & distributor of canned tuna and seafood | 100.00 | 100.00 | USA |

| Company's name | Nature of business | Percentage of shareholding | | Country of incorporation |
|--|---|----------------------------|------------------------|--------------------------|
| | | <u>2009</u> Percent | <u>2008</u> Percent | |
| Empress International, Ltd. (Empress) (100% held by TUI) | Importer and distributor of frozen shrimp and other seafood | 100.00 | 100.00 | USA |
| Tri-Union Frozen Foods, LLC (70% held by TUI) | Importer and distributor of frozen seafood | 70.00 | 70.00 | USA |
| Empress International of California Ltd. (100% held by Empress) | Sales office | 100.00 | 100.00 | USA |
| Empress International Midwest Ltd. (100% held by Empress) | Sales office | 100.00 | 100.00 | USA |
| Asian-Pacific Can Co., Ltd. (90.5% held by Songkla Canning Pcl.) | Manufacturer & distributor of packaging for food products | 81.85 | 81.85 | Thailand |
| Yueh Chyang Canned Food Co., Ltd. (51% held by Songkla Canning Pcl.) | Manufacturer & distributor of canned tuna and seafood | 46.12 | 46.12 | Vietnam |
| Marine Biotech Co., Ltd. (51% held by Thai Union Feedmill Co., Ltd.) | Dissolution | - | 26.01 | Thailand |
| Thai Union Hatchery Co., Ltd. (99.99% held by Thai Union Feedmill Co., Ltd.) | Shrimp breeding and rearing | 51.00 | 51.00 | Thailand |
| Thai Quality Shrimp Co., Ltd. (95% held by Thai Union Feedmill Co., Ltd.) | Shrimp breeding and species developer | 48.45 | 48.45 | Thailand |
| Phuket Fishing Co., Ltd. (100% held by Thai Union Manufacturing Co., Ltd.) | Deep-sea fishing fleet operation and fishery supply trading | 90.08 | 90.08 | Thailand |
| Samui Fishing Co., Ltd. (100% held by Thai Union Manufacturing Co., Ltd.) | Deep-sea fishing fleet operation and fishery supply trading | 90.08 | 90.08 | Thailand |
| Phang-nga Fishing Co., Ltd. (100% held by Thai Union Manufacturing Co., Ltd.) | Deep-sea fishing fleet operation and fishery supply trading | 90.08 | 90.08 | Thailand |
| Songkla Fishing Co., Ltd. (100% held by Thai Union Manufacturing Co., Ltd.) | Deep-sea fishing fleet operation and fishery supply trading | 90.08 | 90.08 | Thailand |
| Siam Fishing Pte. Ltd. (100% held by Thai Union Manufacturing Co., Ltd.) | General wholesale trade (including importers and exporters) | 90.08 | 90.08 | Singapore |

In January 2008, Thai Quality Shrimp Co., Ltd., an associated company of Thai Union Feedmill Co., Ltd. registered the capital reduction with the Ministry of Commerce, and reduced its registered capital from Baht 8 million to Baht 4 million. As a result, the equity interest of Thai Union Feedmill Co., Ltd. increased from 49.99% to 95%. Consequently, that associated company became a subsidiary.

During 2008, Songkla Canning Pcl., its subsidiary purchased the investment of 51% of ordinary shares of Yueh Chyang Canned Food Co., Ltd., a company registered in Vietnam. These consolidated financial statements include the balance sheet of that company as at 31 December 2008 and the income statement for the period as from the investment date to 31 December 2008. Such company has recorded the net assets acquired at their net book value as of the acquisition date. The remaining excess of the purchase price over the net assets acquired has been recorded as other assets. The company is awaiting the receipt of a third party appraisal in order to allocate the fair value associated with the assets. The subsidiary obtained this appraisal and completed the purchase price allocation in December 2008. However, the appraisal value differs from net book value in immaterial amount. The subsidiary has therefore recognised the excess of the purchase price over the net book value in the income statements of 2008.

The net asset value of Yueh Chyang Canned Food Co., Ltd. at the investment date consisted of the followings: -

| | (Unit: Thousand Baht) |
|---|-----------------------|
| Cash and cash equivalents | 65,275 |
| Trade accounts receivable | 84,626 |
| Inventories | 166,438 |
| Property, plant and equipment - net | 129,003 |
| Other assets | 35,272 |
| Total assets | <u>480,614</u> |
| Short-term loans from financial institutions | 75,798 |
| Trade accounts payable | 53,548 |
| Other liabilities | 124,690 |
| Total liabilities | <u>254,036</u> |
| Net asset value | 226,578 |
| Net asset value attributable to the company's investment | 115,555 |
| Positive goodwill | 3,594 |
| Purchase price | 119,149 |
| Less: Cash and deposits at financial institutions of subsidiary | <u>(65,275)</u> |
| Net cash paid for purchase of subsidiary | <u><u>53,874</u></u> |

The financial statements of Thai Quality Shrimp Co., Ltd. and Yueh Chyang Canned Food Co., Ltd. are included in the consolidated financial statements. This is because the Company has control over the companies through its board of directors, and such companies are therefore regarded as subsidiaries.

- b) The total assets and total revenues of the subsidiaries included in the consolidated financial statements are as follows:

| Company's name | Assets as a percentage to the consolidated total assets as at 31 December | | Revenues as a percentage to the consolidated total revenues for the years ended 31 December | |
|--|--|------------------------|--|------------------------|
| | <u>2009</u> Percent | <u>2008</u> Percent | <u>2009</u> Percent | <u>2008</u> Percent |
| Thai Union Manufacturing Co., Ltd. and subsidiaries | 17.27 | 17.39 | 18.06 | 17.67 |
| Songkla Canning Pcl. and subsidiaries | 13.19 | 12.70 | 9.52 | 12.03 |
| Thai Union Seafood Co., Ltd. | 3.05 | 1.63 | 1.76 | 1.23 |
| T-Holding Co., Ltd. | 1.33 | 1.02 | 1.82 | 1.50 |
| Thai Union Feedmill Co., Ltd. and subsidiaries | 5.88 | 5.45 | 5.93 | 5.39 |
| Thai Union Graphic Co., Ltd. | 1.06 | 1.00 | 0.34 | 0.37 |
| Thai Union International, Inc. (TUI) and subsidiaries | 34.46 | 37.67 | 42.59 | 42.21 |
| PT Juifa International Foods | 0.47 | 0.54 | 0.57 | 0.81 |

- c) Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.
- d) The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent significant accounting policies.
- e) The financial statements of overseas subsidiaries are translated into Thai Baht at the closing exchange rate as to assets and liabilities, and at the monthly average exchange rates as to revenues and expenses. The resultant differences are shown under the caption of "Translation adjustment" in shareholders' equity.
- f) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.

g) Minority interests represent the portion of net income or loss and net assets of the subsidiaries that are not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet.

2.3 The separate financial statements, which present investments in subsidiaries and associates presented under the cost method, have been prepared solely for the benefit of the public.

3. Adoption of new accounting standards

In June 2009, the Federation of Accounting Professions issued Notification No. 12/2552, assigning new numbers to Thai Accounting Standards that match the corresponding International Accounting Standards. The numbers of Thai Accounting Standards as referred to in these financial statements reflect such change.

The Federation of Accounting Professions has issued Notifications No. 86/2551 and 16/2552, mandating the use of new accounting standards, financial reporting standard and accounting treatment guidance as follows.

3.1 Accounting standards, financial reporting standard and accounting treatment guidance which are effective for the current year

Framework for Preparation and Presentation of Financial Statements (revised 2007)

TAS 36 (revised 2007)

Impairment of Assets

TFRS 5 (revised 2007)

Non-current Assets Held for Sale

and Discontinued Operations

Accounting Treatment Guidance for Leasehold Right

Accounting Treatment Guidance for Business Combination under Common Control

These accounting standards, financial reporting standard and accounting treatment guidance became effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management has assessed the effect of these standards and believes that Accounting Treatment Guidance for Business Combination under Common Control are not relevant to the business of the Company, while Framework for Preparation and Presentation of Financial Statements (revised 2007), TAS 36 (revised 2007), TFRS 5 (revised 2007) and Accounting Treatment Guidance for Leasehold Right do not have any significant impact on the financial statements for the current year.

3.2 Accounting standards which are not effective for the current year

| | | <u>Effective date</u> |
|-----------------------|--|-----------------------|
| TAS 20 | Accounting for Government Grants and Disclosure of Government Assistance | 1 January 2012 |
| TAS 24 (revised 2007) | Related Party Disclosures | 1 January 2011 |
| TAS 40 | Investment Property | 1 January 2011 |

However, TAS 24 (revised 2007) and TAS 40 allow early adoption by the entity before the effective date.

The management of the Company has assessed the effect of these standards and believes that TAS 20 and TAS 40 are not relevant to the business of the Company, while TAS 24 (revised 2007) will not have any significant impact on the financial statements for the year in which it is initially applied.

4. Change in accounting policies

4.1 Change in accounting policy for recording negative goodwill

During 2008, the Company changed its accounting policy for recording negative goodwill from an investment in subsidiary in the consolidated financial statements, and adjusted the previously recorded negative goodwill which recognise beginning on or after 1 January 2008 against the opening balance of retained earnings, in compliance with Financial Reporting Standard No. 3 (Revised 2007) regarding "Business Combinations". The cumulative effect of the change in accounting policy has been presented under the heading of "Cumulative effect of the change in accounting policy" in the consolidated statements of changes in shareholders' equity.

Such change in accounting policy had no effect to the separate financial statements.

4.2 Change in accounting policy for recording goodwill

During 2008, the Company changed its accounting policy for measurement of goodwill acquired from a business combination, from stating it at cost less accumulated amortisation (the maximum amortisation period was 20 years) and impairment losses, to stating it at cost less accumulated impairment losses, in compliance with Financial Reporting Standard No. 3 (revised 2007). The Company applied the change prospectively, beginning with the accounting period commencing 1 January 2008, by discontinuing amortisation of goodwill and eliminating the accumulated carrying amount of amortisation of goodwill at the beginning of 2008, with a corresponding decrease in the amount of goodwill.

4.3 Change in accounting policy for recording non-controlling interest

During 2008, overseas subsidiary has changed its accounting policy regarding non-controlling interests to accord with FASB statement No. 160. In changing this accounting policy, the subsidiary had to restate the previous year's financial statements by presenting minority interest separately from retained earnings in the statements of changes in shareholders' equity, under the heading of "Cumulative effect of the change in accounting policy". The adjustment is immaterial to net income for the year 2008.

5. Significant accounting policies

5.1 Revenue recognition

Sales of goods

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

Sales of merchandise by an overseas subsidiary under commercial agreements are recognised when the subsidiary's distributor sells such merchandise. The overseas subsidiary may be reimbursed for bank charges, warehousing, and certain other costs incurred in connection with these agreements, and the subsidiary records such reimbursements as a deduction from cost of sales.

Interest income

Interest income is recognised as interest accrues based on the effective rate method.

Dividends

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

Tax coupon received

Subsidies granted by the Ministry of Finance in the form of tax coupons are recognised as income when the Company obtains written notification of approval of the tax coupon.

5.2 Cash and cash equivalents

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

5.3 Trade accounts receivable

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

5.4 Inventories

Finished goods and work in process are valued at the lower of standard cost (which approximates actual cost) and net realisable value. Standard cost includes all production costs and attributable factory overheads.

Raw materials are valued at cost (first-in, first-out method). Ingredients and packaging are valued at cost (weighted average method).

Some local subsidiaries record ingredients and packaging using the first-in, first-out method. The effect of the difference in accounting policy is immaterial to net income and the book values of inventories in the consolidated financial statements as at 31 December 2009 and 2008.

5.5 Investments

a) Investments in available-for-sale securities are determined at fair value. Changes in the value of securities are recorded as a separate item in shareholders' equity until the securities are sold, when the change is included in determining income.

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

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

5.6 Property, plant and equipment and depreciation

Land is stated at cost. Land improvement, plant and equipment are stated at cost less accumulated depreciation and allowance for impairment of assets (if any). Depreciation of land improvement, plant and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives:

| | | | |
|--|---|--------|-------|
| Land improvement, buildings and construction | - | 3 - 30 | years |
| Machinery and equipment | - | 3 - 22 | years |
| Furniture and fixture | - | 3 - 20 | years |
| Motor vehicles | - | 3 - 20 | years |

Depreciation of machinery and equipment, furniture and fixture and motor vehicles of an overseas subsidiary is calculated on the declining balance basis over their estimated useful lives of 5 - 20 years. The effect of the difference in accounting policy is immaterial to net income.

No depreciation is provided for land and construction in progress.

Equipment under a capital lease is stated at the present value of the minimum lease payments and amortised on a straight-line method over the lesser of the lease term or the estimated useful life of the equipment.

Depreciation is included in determining income.

5.7 Properties foreclosed

Properties foreclosed are stated at the lower of cost and net realisable value less allowance for impairment of properties foreclosed.

5.8 Intangible assets

Intangible assets acquired in a business combination are recognised at fair value on the date of acquisition. Other acquired intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to the income statement.

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

| | | | |
|------------|---|-----------|-------|
| Trademarks | - | 5, 10 ,20 | years |
| Copyrights | - | 1 - 7 | years |

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually.

5.9 Goodwill

Goodwill is initially measured at cost, which is the excess of the cost of the business combination over the Company and its subsidiaries' share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Company and its subsidiaries' cash generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combination. The Company and its subsidiaries estimate the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

5.10 Leasehold right and amortisation

Leasehold right is stated at cost less accumulated amortisation. Amortisation of leasehold right is calculated by reference to its cost on a straight-line basis over the period of lease.

5.11 Related party transactions

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

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

5.12 Long-term leases

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

5.13 Foreign currencies

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

Gains and losses on exchange are included in determining income.

5.14 Impairment of assets

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

An impairment loss is recognised in the income statement.

5.15 Employee benefits

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

An overseas subsidiary has a defined benefit pension plan covering all of its production employees in American Samoa. The benefits are based on a percentage of compensation during each year of service. The overseas subsidiary makes annual contributions to the plan equal to the minimum required by applicable regulations.

5.16 Provisions

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

5.17 Income tax

a) Current tax

The Company and its subsidiaries calculate corporate income tax in accordance with the basis regulated in the Revenue Code.

b) Deferred tax

Deferred income tax is calculated based on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts, by using the enacted tax rate at the balance sheet date.

The Company and its subsidiaries recognise deferred tax liabilities for taxable temporary differences and recognise deferred tax assets for deductible temporary differences and tax losses carried forward. The Company and its subsidiaries recognise deferred tax assets to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each balance sheet date, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

5.18 Asset retirement obligations

The overseas subsidiary accounts for asset retirement obligations in accordance with FASB statement No. 143, "Accounting for Asset Retirement Obligations". The effect of the difference in accounting policy is immaterial to net income for the years 2009 and 2008.

5.19 Derivatives

Forward exchange contracts

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling at the balance sheet. Gains and losses from the translation are included in determining income. Premiums or discounts on forward exchange contracts are amortised on a straight-line basis over the contract periods.

Interest rate swap contracts

The net amount of interest to be received from or paid to the counterparty under the interest rate swap contracts is recognised as income or expenses on an accrual basis.

Foreign currency option agreements

The notional amounts of the foreign currency option agreements utilised by the Company and its subsidiaries are not recognised as assets or liabilities upon inception of the agreements. Gain and loss from the translation are included in determining income.

6. Significant accounting judgments and estimates

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

Leases

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

Allowance for doubtful accounts

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

Impairment of equity investments

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

Property plant and equipment/Depreciation

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

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

Goodwill and intangible assets

The initial recognition and measurement of goodwill and other intangible assets, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised in respect of temporary differences only to the extent that it is probable that taxable profit will be available against which these differences can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future profits.

Litigation

The Company and its subsidiaries have contingent liabilities as a result of litigation. The Company and its subsidiaries' management has used judgment to assess the results of the litigation and believes that the losses incurred will not exceed the amount of provision for liabilities from litigation recorded in the financial statements.

7. Trade accounts receivable

The balances of trade accounts receivable as at 31 December 2009 and 2008, aged on the basis of due dates, are summarised below.

| | (Unit: Baht) | | | |
|--|-----------------------------------|----------------------|-------------------------------|----------------------|
| | Consolidated financial statements | | Separate financial statements | |
| | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> |
| <u>Age of receivable</u> | | | | |
| Trade accounts receivable - related companies | | | | |
| Not yet due | 26,698,660 | 12,465,223 | 1,261,859,721 | 797,429,173 |
| Overdue | | | | |
| 1 - 30 days | 30,658,730 | 18,579,044 | 239,910,078 | 544,105,647 |
| 31 - 60 days | 86,324 | - | 123,959,219 | 411,691,292 |
| 61 - 90 days | - | - | 71,612,850 | 219,107,972 |
| 91 - 120 days | - | - | - | 7,219,658 |
| 121 - 180 days | - | - | - | 3,357,432 |
| 181 - 365 days | - | - | 11,739,709 | 69,492 |
| Total trade accounts receivable - related companies | <u>57,443,714</u> | <u>31,044,267</u> | <u>1,709,081,577</u> | <u>1,982,980,666</u> |
| Trade accounts receivable - others | | | | |
| Not yet due | 5,189,768,087 | 5,455,020,629 | 864,529,897 | 1,047,543,011 |
| Overdue | | | | |
| 1 - 30 days | 1,069,916,647 | 1,255,124,214 | 119,886,297 | 206,009,656 |
| 31 - 60 days | 105,379,627 | 160,306,796 | 7,916,845 | 69,708,573 |
| 61 - 90 days | 40,897,934 | 114,655,872 | 4,891,253 | 43,219,228 |
| 91 - 120 days | 37,332,287 | 61,487,722 | 3,719,042 | 24,903,152 |
| 121 - 180 days | 29,714,267 | 53,221,897 | 4,660,073 | 8,655,012 |
| 181 - 365 days | 42,006,257 | 55,459,228 | 4,037,155 | 1,933,324 |
| Over 365 days | 86,549,587 | 70,194,906 | 615,991 | 3,215,719 |
| Total trade accounts receivable - others | <u>6,601,564,693</u> | <u>7,225,471,264</u> | <u>1,010,256,553</u> | <u>1,405,187,675</u> |
| Total trade accounts receivable | <u>6,659,008,407</u> | <u>7,256,515,531</u> | <u>2,719,338,130</u> | <u>3,388,168,341</u> |
| Less: Allowance for doubtful accounts | <u>(157,968,852)</u> | <u>(151,627,513)</u> | <u>(8,497,772)</u> | <u>(716,942)</u> |
| Trade accounts receivable - net | <u>6,501,039,555</u> | <u>7,104,888,018</u> | <u>2,710,840,358</u> | <u>3,387,451,399</u> |

As at 31 December 2009 and 2008, certain trade accounts receivable of three overseas subsidiaries have secured their credit facilities as mentioned in Note 17.

8. Related party transactions

During the years, the Company and its subsidiaries had significant business transactions with related parties. Such transactions are summarised below.

(Unit: Million Baht)

| | Consolidated | | Separate | | Transfer Pricing Policy |
|---|----------------------|-------------|----------------------|-------------|--|
| | financial statements | | financial statements | | |
| | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> | |
| Transactions with subsidiaries: | | | | | |
| (Eliminated from consolidated financial statements) | | | | | |
| Sales | - | - | 7,093.1 | 5,943.8 | Cost plus margin |
| Dividend received | - | - | 1,389.2 | 537.9 | As declared |
| Interest income | - | - | 324.3 | 266.2 | 1.87 - 6.40% per annum (2008: 3.40 - 6.40% per annum) |
| Purchases of goods | - | - | 1,187.9 | 1,985.7 | Cost plus margin |
| Interest expense | - | - | 7.7 | 10.0 | 1.45 - 1.55% per annum (2008: 3.20 - 3.45% per annum) |
| Transactions with associates: | | | | | |
| Purchases of goods | 10.7 | 11.7 | 0.1 | 0.1 | Cost plus margin |
| Purchases service expense | 0.9 | 0.7 | 0.6 | 0.2 | Near market price |
| Transactions with related companies: | | | | | |
| Sales | 1,000.1 | 1,065.9 | 240.1 | 197.6 | Cost plus margin |
| Purchases of goods | 3,248.5 | 4,068.2 | 1,872.1 | 1,603.2 | Cost plus margin |
| Transportation expense | 49.3 | 48.3 | 10.9 | 5.1 | Near market price |
| Expenses relating to assets | 89.6 | 67.0 | 27.2 | 55.3 | Near market price |

The Company and its subsidiaries have insured with Asia-Pacific Risk Consultants (Thailand) Co., Ltd. which is an insurance broker related by way of having common directors. During the year 2009, insurance premiums paid through that company amounted to Baht 59.4 million (2008: Baht 74.0 million).

Guarantee obligations with related parties

The Company has outstanding guarantee obligations with its related parties, as described in Note 31.2.

The relationships between the Company and the related parties are summarised below.

| List of related companies | Relationship |
|--|--|
| Songkla Canning Pcl. | Subsidiary |
| Thai Union Manufacturing Co., Ltd. | Subsidiary |
| Thai Union Seafood Co., Ltd. | Subsidiary |
| T-Holding Co., Ltd. | Subsidiary |
| Thai Union Feedmill Co., Ltd. | Subsidiary |
| Thai Union Graphic Co., Ltd. | Subsidiary |
| Thai Union International, Inc. (TUI) | Subsidiary |
| PT Juifa International Foods | Subsidiary |
| Tri-Union Seafoods, LLC | Subsidiary (Held by subsidiary) |
| Tri-Union Samoa Packing Corporation | Subsidiary (Held by subsidiary) |
| Tri-Union Frozen Foods, LLC | Subsidiary (Held by subsidiary) |
| Empress International, Ltd. (Empress) | Subsidiary (Held by subsidiary) |
| Empress International of California Ltd. | Subsidiary (Held by subsidiary) |
| Empress International Midwest Ltd. | Subsidiary (Held by subsidiary) |
| Asian-Pacific Can Co., Ltd. | Subsidiary (Held by subsidiary) |
| Yueh Chyang Canned Food Co., Ltd. | Subsidiary (Held by subsidiary) |
| Marine Biotech Co., Ltd. | Subsidiary (Held by subsidiary) |
| Thai Union Hatchery Co., Ltd. | Subsidiary (Held by subsidiary) |
| Phuket Fishing Co., Ltd. | Subsidiary (Held by subsidiary) |
| Samui Fishing Co., Ltd. | Subsidiary (Held by subsidiary) |
| Phang-nga Fishing Co., Ltd. | Subsidiary (Held by subsidiary) |
| Songkla Fishing Co., Ltd. | Subsidiary (Held by subsidiary) |
| Siam Fishing Pte. Ltd. | Subsidiary (Held by subsidiary) |
| Thai Quality Shrimp Co., Ltd. | Subsidiary (Held by subsidiary) |
| Lucky Union Foods Co., Ltd. | Associated company |
| Biz Dimension Co., Ltd. | Associated company |
| Avanti Thai Aqua Feeds Private Limited | Associated company |
| Century Trading (Shanghai) Co., Ltd. | Associated company (Held by subsidiary) |
| TN Fine Chemicals Co., Ltd. | Associated company (Held by subsidiary) |
| Moresby International Holdings Ltd. | Associated company (Held by subsidiary) |
| Geminai & Associate Co., Ltd. | Common shareholders |
| Chansiri Real Estate Co., Ltd. | Common major shareholders/Common directors |
| Thai Union Securities Co., Ltd. | Common major shareholders/Common directors |
| Asian Pacific Thai Tuna Co., Ltd. | Common major shareholders/Common directors |
| T.C. Union Global Pcl. | Common major shareholders/Common directors |
| Jana Fish Industries Limited | Common major shareholders/Common directors |
| T.C. Union Agrotech Co., Ltd. | Common major shareholders/Common directors |
| Waithai Co., Ltd. | Common major shareholders/Common directors |
| Merchant Partners Securities Co., Ltd. | Common shareholders/Common directors |

| List of related companies | Relationship |
|---|--|
| Thaipatana Stainless Steel Co., Ltd. | Common major shareholders/Common directors |
| Hanhong Kanchang Registered Ordinary Partnership | Common major shareholders/Common directors |
| Pae Ekawat | Relative of directors |
| Lucky Surimi Products Co., Ltd. | Common directors |
| Asia-Pacific Risk Consultants (Thailand) Co., Ltd | Common directors |
| Ahead Way International Co., Ltd. | Common major shareholders/Common directors |
| Ekawat Products Co., Ltd. | Relative of director |
| Bio Solution Co., Ltd. | Shareholder of subsidiary |
| Miss Rungtiwa Boonmechote | Relative of director |

The balances of the accounts as at 31 December 2009 and 2008 between the Company and those related companies are as follows:

| | (Unit: Baht) | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| | Consolidated | | Separate | |
| | financial statements | financial statements | financial statements | financial statements |
| | 2009 | 2008 | 2009 | 2008 |
| <u>Trade accounts receivable - related companies</u> | | | | |
| <u>Subsidiary companies</u> | | | | |
| (Eliminated from consolidated financial statements) | | | | |
| Empress International, Ltd. | - | - | 690,730,199 | 647,619,088 |
| Tri-Union Seafoods, LLC | - | - | 460,494,809 | 398,749,217 |
| Tri-Union Samoa Packing Corporation | - | - | - | 278,526,618 |
| Tri-Union Frozen Foods, LLC | - | - | 243,655,226 | 399,395,095 |
| Thai Union Manufacturing Co., Ltd. | - | - | 22,845,189 | 11,624,887 |
| T-Holding Co., Ltd. | - | - | 270,318,601 | 216,256,430 |
| Songkla Canning Pcl. | - | - | 2,889,768 | 10,466,161 |
| Thai Union Seafood Co., Ltd. | - | - | 2,970,768 | 13,586,758 |
| Others | - | - | 1,041,980 | 979,756 |
| Total trade accounts receivable - subsidiary companies | - | - | 1,694,946,540 | 1,977,204,010 |
| <u>Associated companies</u> | | | | |
| Trade accounts receivable - associated companies | 1,453,392 | 9,660 | 172,866 | 4,860 |

| | (Unit: Baht) | | | |
|--|----------------------|-------------------|------------------------|----------------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | 2009 | 2008 | 2009 | 2008 |
| <u>Related companies</u> | | | | |
| T.C. Union Agrotech Co., Ltd. | 27,532,973 | 5,771,796 | 13,962,171 | 5,771,796 |
| Jana Fish Industries Limited | 4,762,839 | 2,652,078 | - | - |
| Lucky Surimi Products Co., Ltd. | - | 7,775,154 | - | - |
| Ahead Way International Co., Ltd. | 23,248,640 | 14,436,385 | - | - |
| Others | 445,870 | 399,194 | - | - |
| Total trade accounts receivable - related companies | 55,990,322 | 31,034,607 | 13,962,171 | 5,771,796 |
| Total | <u>57,443,714</u> | <u>31,044,267</u> | <u>1,709,081,577</u> | <u>1,982,980,666</u> |
| <u>Short-term loans to subsidiary companies</u> | | | | |
| (Eliminated from consolidated financial statements) | | | | |
| Thai Union International, Inc. | - | - | 852,906,950 | 624,832,200 |
| Thai Union Manufacturing Co., Ltd. | - | - | 500,000,000 | 300,000,000 |
| Songkla Canning Pcl. | - | - | 200,000,000 | 200,000,000 |
| Thai Union Graphic Co., Ltd. | - | - | 12,000,000 | 22,000,000 |
| Asian-Pacific Can Co., Ltd. | - | - | - | 50,000,000 |
| Total | <u>-</u> | <u>-</u> | <u>1,564,906,950</u> | <u>1,196,832,200</u> |
| <u>Long-term loans to subsidiary companies</u> | | | | |
| (Eliminated from consolidated financial statements) | | | | |
| Thai Union International, Inc. | - | - | 2,616,685,400 | 2,568,754,600 |
| Thai Union Manufacturing Co., Ltd. | - | - | 1,987,356,000 | 2,082,774,000 |
| Total | <u>-</u> | <u>-</u> | <u>4,604,041,400</u> | <u>4,651,528,600</u> |
| Less: Current portion | | | | |
| Thai Union International, Inc. | <u>-</u> | <u>-</u> | <u>(1,159,291,000)</u> | <u>(173,564,500)</u> |
| Net | <u>-</u> | <u>-</u> | <u>3,444,750,400</u> | <u>4,477,964,100</u> |
| <u>Interest receivable</u> | | | | |
| (Eliminated from consolidated financial statements) | | | | |
| Thai Union International, Inc. | - | - | 29,095,057 | 30,375,902 |
| Thai Union Manufacturing Co., Ltd. | - | - | 8,102,342 | 7,532,486 |
| Songkla Canning Pcl. | - | - | 856,110 | 856,110 |
| Thai Union Graphic Co., Ltd. | - | - | 26,959 | 82,696 |
| Asian-Pacific Can Co., Ltd. | - | - | - | 179,452 |
| Total | <u>-</u> | <u>-</u> | <u>38,080,468</u> | <u>39,026,646</u> |

| | (Unit: Baht) | | | |
|--|----------------------|------------|----------------------|-------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | 2009 | 2008 | 2009 | 2008 |
| <u>Trade accounts payable - related companies</u> | | | | |
| <u>Subsidiary companies</u> | | | | |
| (Eliminated from consolidated financial statements) | | | | |
| Thai Union Manufacturing Co., Ltd. | - | - | 54,210,470 | 138,924,053 |
| Asian-Pacific Can Co., Ltd. | - | - | 67,166,851 | 122,785,158 |
| Thai Union Graphic Co., Ltd. | - | - | 12,414,669 | 9,778,532 |
| T-Holding Co., Ltd. | - | - | 17,704,793 | 14,446,430 |
| Tri-Union Seafoods, LLC | - | - | 12,276,948 | 834,997 |
| Empress International, Ltd. | - | - | 16,932,399 | 6,183,462 |
| Tri-Union Frozen Foods, LLC | - | - | 8,648,702 | - |
| Thai Union Feedmill Co., Ltd. | - | - | - | 5,361,471 |
| Thai Union Seafood Co., Ltd. | - | - | 7,580,078 | 13,917,787 |
| Songkla Canning Pcl. | - | - | 295,047 | 3,820 |
| Phuket Fishing Co., Ltd. | - | - | 33,956,970 | - |
| Others | - | - | 1,105,461 | - |
| Total trade accounts payable - subsidiary companies | - | - | 232,292,388 | 312,235,710 |
| <u>Associated companies</u> | | | | |
| Trade accounts payable - associated companies | 1,964,389 | 1,169,696 | 69,550 | 100,580 |
| <u>Related companies</u> | | | | |
| Pae Ekawat | - | 11,220,295 | - | 11,220,295 |
| T.C. Union Global Pcl. | - | 4,948,322 | - | - |
| T.C. Union Agrotech Co., Ltd. | 21,518,645 | 3,802,896 | - | - |
| Ekawat Products Co., Ltd. | 6,226,720 | 669,784 | 6,226,720 | 669,784 |
| Jana Fish Industries Limited | 1,348,818 | - | - | - |
| Miss Rungtiwa Boonmechote | 1,876,817 | 2,123,269 | 1,876,816 | 2,123,269 |
| Total trade accounts payable - related companies | 30,971,000 | 22,764,566 | 8,103,536 | 14,013,348 |
| Total | 32,935,389 | 23,934,262 | 240,465,474 | 326,349,638 |
| <u>Short-term loans from related parties</u> | | | | |
| <u>Subsidiary companies</u> | | | | |
| (Eliminated from consolidated financial statements) | | | | |
| Thai Union Manufacturing Co., Ltd. | - | - | 547,850,000 | - |
| Songkla Canning Pcl. | - | - | 430,760,000 | - |
| Total | - | - | 978,610,000 | - |
| <u>Associated company</u> | | | | |
| Biz Dimension Co., Ltd. | - | 2,500,000 | - | 2,500,000 |
| Total | - | 2,500,000 | 978,610,000 | 2,500,000 |

(Unit: Baht)

| | Consolidated | | Separate | |
|---|----------------------|-------------|----------------------|------------|
| | financial statements | | financial statements | |
| | 2009 | 2008 | 2009 | 2008 |
| <u>Short-term loans from director of subsidiary</u> | | | | |
| Mr. Cheng Niruttinanon | - | 109,746,000 | - | - |
| <u>Short-term loans from shareholder of subsidiary</u> | | | | |
| Bio Solution Co., Ltd. | - | 400,000 | - | - |
| <u>Accrued expenses</u> | | | | |
| <u>Accrued interest</u> | | | | |
| Thai Union Manufacturing Co., Ltd. | - | - | 462,105 | - |
| Songkla Canning Pcl. | - | - | 591,217 | - |
| Biz Dimension Co., Ltd. | - | 7,750 | - | 7,750 |
| | - | 7,750 | 1,053,322 | 7,750 |
| <u>Others</u> | | | | |
| Biz Dimension Co., Ltd. | - | 139,406 | - | - |
| Asia-Pacific Risk Consultant (Thailand) Limited | 9,318,813 | 35,230,715 | - | 15,678,231 |
| Waithai Co., Ltd. | 3,464,568 | 3,919,174 | 64,074 | 64,285 |
| Thaipatana Stainless Steel Co., Ltd. | 8,086,105 | 615,283 | 1,153,396 | 615,283 |
| Hanhong Kanchang Registered Ordinary Partnership | - | 3,208,379 | - | 2,801,421 |
| | 20,869,486 | 43,112,957 | 1,217,470 | 19,159,220 |
| Total | 20,869,486 | 43,120,707 | 2,270,792 | 19,166,970 |

During 2009, movements of loans to/from related companies were as follows:

(Unit: Baht)

| | Consolidated financial statement | | | | |
|--|----------------------------------|-----------------|---------------|-------------|------------------|
| | Balance as at | During the year | | | Balance as at |
| | 1 January 2009 | Increase | Decrease | Revaluation | 31 December 2009 |
| <u>Short-term loans from associated company</u> | | | | | |
| Biz Dimension Co., Ltd. | 2,500,000 | - | (2,500,000) | - | - |
| <u>Short-term loans from director of subsidiary</u> | | | | | |
| Mr. Cheng Niruttinanon | 109,746,000 | - | (106,560,000) | (3,186,000) | - |
| <u>Short-term loans from shareholders of subsidiary</u> | | | | | |
| Bio Solution Co., Ltd. | 400,000 | - | (400,000) | - | - |

(Unit: Baht)

| | Separate financial statements | | | | Balance as at 31 December 2009 |
|---|---------------------------------|----------------------|------------------------|----------------------|-----------------------------------|
| | Balance as at 1 January 2009 | During the year | | | |
| | | Increase | Decrease | Revaluation | |
| Short-term loans to subsidiary companies | | | | | |
| Thai Union International, Inc. | 624,832,200 | 913,770,000 | (702,657,500) | 16,962,250 | 852,906,950 |
| Thai Union Manufacturing Co., Ltd. | 300,000,000 | 231,450,000 | (31,450,000) | - | 500,000,000 |
| Songkla Canning Pcl. | 200,000,000 | - | - | - | 200,000,000 |
| Thai Union Graphic Co., Ltd. | 22,000,000 | 18,000,000 | (28,000,000) | - | 12,000,000 |
| Thai Union Seafood Co., Ltd. | - | 928,650,000 | (928,650,000) | - | - |
| Asian-Pacific Can Co., Ltd. | 50,000,000 | - | (50,000,000) | - | - |
| Thai Union Feedmill Co., Ltd. | - | 33,400,000 | (33,400,000) | - | - |
| | <u>1,196,832,200</u> | <u>2,125,270,000</u> | <u>(1,774,157,500)</u> | <u>16,962,250</u> | <u>1,564,906,950</u> |
| Long-term loans to subsidiary companies | | | | | |
| Thai Union International, Inc. | 2,568,754,600 | 331,500,000 | (215,000,000) | (68,569,200) | 2,616,685,400 |
| Thai Union Manufacturing Co., Ltd. | 2,082,774,000 | - | - | (95,418,000) | 1,987,356,000 |
| | <u>4,651,528,600</u> | <u>331,500,000</u> | <u>(215,000,000)</u> | <u>(163,987,200)</u> | <u>4,604,041,400</u> |
| Short-term loans from related parties | | | | | |
| Thai Union Manufacturing Co., Ltd. | - | 3,061,160,000 | (2,513,310,000) | - | 547,850,000 |
| Songkla Canning Pcl. | - | 2,341,880,000 | (1,911,120,000) | - | 430,760,000 |
| Thai Union Feedmill Co., Ltd. | - | 645,950,000 | (645,950,000) | - | - |
| Biz Dimension Co., Ltd. | 2,500,000 | - | (2,500,000) | - | - |
| | <u>2,500,000</u> | <u>6,048,990,000</u> | <u>(5,072,880,000)</u> | <u>-</u> | <u>978,610,000</u> |

9. Inventory

(Unit: Baht)

| | Consolidated financial statements | | | | | | | |
|--------------------------|--|-----------------------|---------------------|----------------------|----------------------|---------------------|-----------------------|-----------------------|
| | Allowance for diminution in value of inventory | | | | | | | |
| | Reduction cost to net realisable | | | | | | | |
| | Cost | | value | | Stock obsolescence | | Inventory - net | |
| 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | |
| Finished goods | 8,941,125,114 | 11,223,226,912 | (63,750,883) | (226,713,179) | (83,217,938) | (50,466,900) | 8,794,156,293 | 10,946,046,833 |
| Work in process | 108,768,196 | 166,360,562 | - | - | - | - | 108,768,196 | 166,360,562 |
| Raw materials | 4,440,599,759 | 5,053,673,747 | - | (35,257,454) | (71,842,493) | (3,280,011) | 4,368,757,266 | 5,015,136,282 |
| Ingredient and packaging | 867,786,990 | 1,120,105,963 | (17,234) | (17,159) | (57,819,806) | (9,597,705) | 809,949,950 | 1,110,491,099 |
| Goods in transit | 1,811,338,331 | 1,990,712,544 | - | - | - | - | 1,811,338,331 | 1,990,712,544 |
| Total | <u>16,169,618,390</u> | <u>19,554,079,728</u> | <u>(63,768,117)</u> | <u>(261,987,792)</u> | <u>(212,880,237)</u> | <u>(63,344,616)</u> | <u>15,892,970,036</u> | <u>19,228,747,320</u> |

(Unit: Baht)

| Separate financial statements | | | | | | | | |
|--|----------------------|----------------------|----------|----------|---------------------|---------------------|----------------------|----------------------|
| Allowance for diminution in value of inventory | | | | | | | | |
| Reduction cost to net realisable | | | | | | | | |
| | Cost | | value | | Stock obsolescence | | Inventory - net | |
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Finished goods | 1,543,501,864 | 1,477,609,044 | - | - | (25,142,924) | (10,791,543) | 1,518,358,940 | 1,466,817,501 |
| Work in process | 20,390,614 | 126,320,756 | - | - | - | - | 20,390,614 | 126,320,756 |
| Raw materials | 1,952,618,786 | 1,678,911,240 | - | - | (28,697,057) | (1,865,735) | 1,923,921,729 | 1,677,045,505 |
| Ingredient and packaging | 289,560,763 | 256,221,432 | - | - | (8,378,430) | (5,206,439) | 281,182,333 | 251,014,993 |
| Goods in transit | 141,125,960 | 133,622,513 | - | - | - | - | 141,125,960 | 133,622,513 |
| Total | 3,947,197,987 | 3,672,684,985 | - | - | (62,218,411) | (17,863,717) | 3,884,979,576 | 3,654,821,268 |

Three overseas subsidiaries have mortgaged the certain inventories of that company to financial institutions to secure its credit facilities as mentioned in Note 17.

10. Restricted deposits with financial institutions

These represent fixed deposits pledged with financial institution to secure credit facilities.

11. Investments in subsidiaries

Details of investments in subsidiaries as presented in separate financial statements are as follows.

| Company's name | Paid-up capital | | Shareholding percentage | | Cost | | Dividend received during the year | |
|---|------------------|------------------|-------------------------|--------|----------------------|----------------------|-----------------------------------|--------------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | | | % | % | | | | |
| Songkla Canning Pcl. | Baht 360 million | Baht 360 million | 90.44 | 90.44 | 1,379,790,847 | 1,379,790,847 | 309,289,780 | 146,505,686 |
| Thai Union Manufacturing Co., Ltd. | Baht 300 million | Baht 300 million | 90.08 | 90.08 | 1,212,172,182 | 1,212,172,182 | 945,887,600 | 324,304,320 |
| Thai Union Seafood Co., Ltd. | Baht 250 million | Baht 250 million | 51.00 | 51.00 | 163,816,187 | 163,816,187 | 14,025,000 | 18,360,000 |
| T-Holding Co., Ltd. | Baht 70 million | Baht 70 million | 90.00 | 90.00 | 20,698,851 | 20,698,851 | 5,040,000 | - |
| Thai Union Numhong Co., Ltd. | - | Baht 125 million | - | 100.00 | - | 91,000,000 | - | - |
| Thai Union Feedmill Co., Ltd. | Baht 300 million | Baht 300 million | 51.00 | 51.00 | 153,000,000 | 153,000,000 | 68,850,000 | 41,310,000 |
| Thai Union Graphic Co., Ltd. | Baht 40 million | Baht 40 million | 74.00 | 74.00 | 45,331,212 | 45,331,212 | 8,880,000 | 7,400,000 |
| Thai Union International, Inc. (TUI) | USD 8.1 million | USD 8.1 million | 100.00 | 100.00 | 325,770,350 | 325,770,350 | - | - |
| PT Juifa International Foods | USD 2.7 million | USD 2.7 million | 76.50 | 76.50 | 69,509,995 | 69,509,995 | 37,244,634 | - |
| Total | | | | | 3,370,089,624 | 3,461,089,624 | 1,389,217,014 | 537,880,006 |
| Less: Provision for impairment of investments | | | | | (26,136,437) | (115,222,171) | | |
| Net | | | | | 3,343,953,187 | 3,345,867,453 | | |

On 14 December 2007, a meeting of the Board of Directors of the Company approved the acquisition of ordinary shares in Yueh Chyang Canned Food Co., Ltd. in Vietnam by Songkla Canning Pcl., its subsidiary. A total of USD 3.56 million is to be invested to acquire 51% interest in this company which completed in July 2008.

On 6 October 2008, a meeting of shareholders of Thai Union Seafood Co., Ltd. approved the Baht 200 million increase in the registered share capital, from Baht 200 million to Baht 400 million. This subsidiary registered the additional shares with the Ministry of Commerce on 10 November 2008, 25% of which has been paid-up. During November 2008, the Company additionally invested Baht 25.5 million.

Thai Union Numhong Co., Ltd. has registered its dissolution with the Ministry of Commerce on 18 September 2008. Its liquidation was registered with the Ministry of Commerce on 6 January 2009.

During the second quarter of the current year, an overseas subsidiary (TUI) approved a restructuring plan to cease packing and canning operations in American Samoa, and begin canning operations in Georgia State. The packing and canning operations in American Samoa were currently scheduled to cease on 30 September 2009. TUI recorded expenses of these plans for the year ended 31 December 2009 amounting to Baht 568 million (USD 16 million). These expenses comprise employee severance payments, and write-offs of machinery, equipment and wastage as a result of the closure. Severance was paid only to those employees who continue working until the date that the packing and canning operations cease in American Samoa on 29 September 2009.

As at 31 December 2009, employee severance and other expenses were recorded in accrued expenses and other liabilities of Baht 41 million (USD 1.2 million).

Marine Biotech Co., Ltd., a subsidiary of Thai Union Feedmill Co., Ltd, registered its dissolution with the Ministry of Commerce on 18 June 2009. Its liquidation was registered with the Ministry of Commerce on 2 October 2009.

12. Investments in associates

12.1 Details of associates:

| (Unit: Baht) | | | | | | | | |
|---|--|--------------------------------|-------------------------|-------|-------------|-------------|---|-------------|
| Consolidated financial statements | | | | | | | | |
| Company's name | Nature of business | Country of incorporation | Shareholding percentage | | Cost | | Carrying amounts based on equity method | |
| | | | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | | | % | % | | | | |
| Investments in associates, directly held by the Company | | | | | | | | |
| Lucky Union Foods Co., Ltd. | Manufacturer & exporter of crab sticks | Thailand | 25.00 | 25.00 | 37,500,000 | 37,500,000 | 276,642,222 | 222,533,646 |
| Biz Dimension Co., Ltd. | E-Commerce under website | Thailand | 20.00 | 20.00 | 1,010,000 | 1,010,000 | 20,239,038 | 16,740,237 |
| Avanti Thai Aqua Feeds Private Limited | Manufacturer & distributor of animal feeds | India | 50.00 | - | 27,721,008 | - | 27,721,008 | - |
| Investments in associates, directly held by subsidiaries | | | | | | | | |
| Century Trading (Shanghai) Co., Ltd. (50% held by Thai Union Manufacturing Co., Ltd.) | Importer & exporter of food products | The People's Republic of China | 45.04 | 45.04 | 75,900,000 | 75,900,000 | 18,874,784 | 25,067,137 |
| TN Fine Chemical Co., Ltd. (49% held by Thai Union Manufacturing Co., Ltd.) | Manufacturer & exporter of by-products from seafoods | Thailand | 44.14 | - | 44,070,000 | - | 41,570,345 | - |
| Moresby International Holdings Ltd. (33% held by Thai Union Manufacturing Co., Ltd.) | Holding in fishing company | British Virgin Island | 33.02 | - | 16,745,000 | - | 16,745,000 | - |
| | | | | | 202,946,008 | 114,410,000 | 401,792,397 | 264,341,020 |
| (Unit: Baht) | | | | | | | | |
| Separate financial statements | | | | | | | | |
| Company's name | Nature of business | Country of incorporation | Shareholding percentage | | Cost | | | |
| | | | 2009 | 2008 | 2009 | 2008 | | |
| | | | % | % | | | | |
| Lucky Union Foods Co., Ltd. | Manufacturer & exporter of crab sticks | Thailand | 25.00 | 25.00 | 37,500,000 | 37,500,000 | | |
| Biz Dimension Co., Ltd. | E-Commerce under website | Thailand | 20.00 | 20.00 | 1,010,000 | 1,010,000 | | |
| Avanti Thai Aqua Feeds Private Limited | Manufacturer & distributor of animal feeds | India | 50.00 | - | 27,721,008 | - | | |
| | | | | | 66,231,008 | 38,510,000 | | |

12.2 Share of income/loss

During the year, the Company and its subsidiaries have recognised its share of net income/loss from investments in associated companies in the consolidated financial statements as follows:

| Company's name | (Unit: Baht) | |
|--------------------------------------|---|--------------------------|
| | Consolidated financial statements | |
| | Share of income/loss from investments in associates during the year | |
| | <u>2009</u> | <u>2008</u> |
| Lucky Union Foods Co., Ltd. | 54,108,576 | 20,231,720 |
| Biz Dimension Co., Ltd. | 3,498,800 | 1,678,363 |
| Century Trading (Shanghai) Co., Ltd. | (6,192,352) | (5,446,206) |
| TN Fine Chemicals Co., Ltd. | (2,499,655) | - |
| Total | <u>48,915,369</u> | <u>16,463,877</u> |

12.3 Summarised financial information of associates

Financial information of associated companies is summarised below.

| Company's name | (Unit: Million Baht) | | | | | | | | | |
|--|-----------------------|-------------|--------------------|-------------|-------------------------|-------------|-----------------------------------|-------------|--------------------------------------|-------------|
| | Paid-up capital as at | | Total assets as at | | Total liabilities as at | | Total revenues for the year ended | | Net income (loss) for the year ended | |
| | 31 December | | 31 December | | 31 December | | 31 December | | 31 December | |
| | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> |
| Lucky Union Foods Co., Ltd. | 150 | 150 | 1,639 | 1,390 | 542 | 508 | 1,034 | 1,273 | 216 | 81 |
| Biz Dimension Co., Ltd. | 25 | 25 | 59 | 38 | 8 | 4 | 92 | 63 | 17 | 8 |
| Avanti Thai Aqua Feeds Private Limited | Rupee | - | 101 | - | 47 | - | - | - | - | - |
| | 76.9 | | | | | | | | | |
| | million | | | | | | | | | |
| Century Trading (Shanghai) Co., Ltd. | USD 4 | USD 4 | 50 | 56 | 13 | 5 | 134 | 139 | (12) | (11) |
| | million | | | | | | | | | |
| TN Fine Chemicals Co., Ltd. | 90 | - | 109 | - | 24 | - | 2 | - | (5) | - |

In August 2008, Biz Dimension Co., Ltd. decreased the company's registered share capital from Baht 150 million to Baht 37.5 million by decreasing the number of shares held by existing shareholders to one of every four shares currently held. The Company received the returned capital of Baht 10 million. On 11 November 2008, this company decreased the company's registered share capital from Baht 37.5 million to Baht 25 million by decreasing the number of shares held by existing shareholders to one of every 1.5 shares currently held. The Company received the returned capital of Baht 2.5 million.

On 30 March 2009, a meeting of the Board of Directors of Thai Union Manufacturing Co., Ltd., its subsidiary, approved joint investment to set up a new company, "TN Fine Chemicals Co., Ltd.". The purpose of the investment is to manufacture and export by-products from seafoods. This subsidiary invests 49% of its registered capital of Baht 90 million. During the current period, the subsidiary fully paid Baht 44 million.

During the third quarter of current year, the Company invested in Avanti Thai Aqua Feeds Private Limited, a company registered in India. The purpose of the investment is to manufacture and distribute animal feeds. The Company invests 50% of its registered capital of Rupee 77 million and the Company paid Rupee 38 million (Baht 28 million).

During the last quarter of the current year, Thai Union Manufacturing Co., Ltd., its subsidiary invested in Moresby International Holdings Ltd. for setting up Majestic Seafood Corporation Ltd. in Papua New Guinea. The purpose of the investment is tuna processing/tuna fishing in Papua New Guinea waters and nearby maritime areas. This subsidiary invests 33.33% of its registered capital of USD 1.5 million and the Company paid USD 0.5 million (Baht 16.8 million). This company has not yet been operated.

Investments in some associated companies were determined on the basis of financial information provided by those companies' management. These were unaudited by their external auditors due to time constraints. However, the values of the investments in associates are immaterial.

13. Other long-term investments

(Unit: Baht)

| | Consolidated financial statements | | | |
|--|-----------------------------------|-------------------|---------------------|-------------------|
| | 2009 | | 2008 | |
| | Cost | Fair value | Cost | Fair value |
| Other long-term investments | | | | |
| Available-for-sale securities - Unit trusts | 64,823,530 | <u>45,461,283</u> | 69,520,180 | <u>51,017,153</u> |
| Unrealised loss on changes in the value of investments | <u>(19,362,247)</u> | | <u>(18,503,027)</u> | |
| Total available-for-sale securities | 45,461,283 | | 51,017,153 | |
| Other investments | | | | |
| - Ordinary shares | 50,987,528 | | 51,469,647 | |
| - Unit trust | <u>100,000</u> | | <u>100,000</u> | |
| Total other long-term investments | 96,548,811 | | 102,586,800 | |
| Less: Allowance for impairment of investments | <u>(9,677,789)</u> | | <u>-</u> | |
| Other long-term investments - net | <u>86,871,022</u> | | <u>102,586,800</u> | |

(Unit: Baht)

| | Separate financial statements | | | |
|--|-------------------------------|------------------|-------------------|------------------|
| | 2009 | | 2008 | |
| | Cost | Fair value | Cost | Fair value |
| Other long-term investments | | | | |
| Available-for-sale securities - Unit trust | 5,025,000 | <u>4,526,400</u> | 5,025,000 | <u>4,551,400</u> |
| Unrealised loss on changes in the value of investments | <u>(498,600)</u> | | <u>(473,600)</u> | |
| Total available-for-sale securities | 4,526,400 | | 4,551,400 | |
| Other investments | | | | |
| - Ordinary shares | <u>34,579,160</u> | | <u>34,579,160</u> | |
| Total other long-term investment | <u>39,105,560</u> | | <u>39,130,560</u> | |

14. Property, plant and equipment

(Unit: Thousand Baht)

| | Consolidated financial statements | | | | | | |
|------------------------------------|-----------------------------------|------------------|------------------|----------------|----------------|--------------------|-------------------|
| | Land and | Buildings | Machinery | Furniture | Motor | Assets under | Total |
| | land | and | and | and | vehicles | installation and | |
| Cost | | | | | | | |
| 31 December 2008 | 1,218,445 | 3,817,931 | 8,454,278 | 447,486 | 371,908 | 981,862 | 15,291,910 |
| Translation adjustment | 425 | (30,821) | (56,895) | (4,988) | (944) | (6,437) | (99,660) |
| Liquidation of subsidiary | - | - | - | (411) | (510) | - | (921) |
| Acquisitions | 6,772 | 4,954 | 81,288 | 20,214 | 19,779 | 1,963,765 | 2,096,772 |
| Transfer of asset to pay down debt | (3,393) | - | - | - | - | - | (3,393) |
| Disposals/write off | (3,928) | (976) | (48,394) | (23,332) | (30,758) | (3,934) | (111,322) |
| Transfer in (out) | <u>8,580</u> | <u>582,166</u> | <u>1,174,478</u> | <u>15,723</u> | <u>52,531</u> | <u>(1,830,378)</u> | <u>3,100</u> |
| 31 December 2009 | <u>1,226,901</u> | <u>4,373,254</u> | <u>9,604,755</u> | <u>454,692</u> | <u>412,006</u> | <u>1,104,878</u> | <u>17,176,486</u> |

(Unit: Thousand Baht)

Consolidated financial statements

| | Buildings | | | | | Assets under | | Total |
|--|---------------------------------|--------------------------------|-------------------------------|-----------------------------|-------------------|---|--|-----------|
| | Land and land improvement | and building improvement | Machinery and equipment | Furniture and fixture | Motor vehicles | installation and under construction | | |
| Accumulated depreciation | | | | | | | | |
| 31 December 2008 | 13,813 | 1,599,004 | 4,544,722 | 356,339 | 263,075 | - | | 6,776,953 |
| Translation adjustment | (42) | (13,019) | (30,076) | (4,076) | (587) | - | | (47,800) |
| Liquidation of subsidiary | - | - | - | (346) | (264) | - | | (610) |
| Depreciation for the year | 4,154 | 208,047 | 768,740 | 32,129 | 40,940 | - | | 1,054,010 |
| Depreciation for disposals/write off | - | (564) | (37,557) | (22,391) | (25,451) | - | | (85,963) |
| 31 December 2009 | 17,925 | 1,793,468 | 5,245,829 | 361,655 | 277,713 | - | | 7,696,590 |
| Allowance for loss on impairment of assets | | | | | | | | |
| 31 December 2008 | - | - | - | - | - | - | | - |
| Translation adjustment | - | - | (5,992) | - | - | - | | (5,992) |
| Allowance for loss on impairment of assets for the year | - | - | 205,910 | - | - | - | | 205,910 |
| 31 December 2009 | - | - | 199,918 | - | - | - | | 199,918 |
| Net book value | | | | | | | | |
| 31 December 2008 | 1,204,632 | 2,218,927 | 3,909,556 | 91,147 | 108,833 | 981,862 | | 8,514,957 |
| 31 December 2009 | 1,208,976 | 2,579,786 | 4,159,008 | 93,037 | 134,293 | 1,104,878 | | 9,279,978 |
| Depreciation for the years | | | | | | | | |
| 2008 | | | | | | | | 975,049 |
| 2009 | | | | | | | | 1,054,010 |

(Unit: Thousand Baht)

Separate financial statements

| | Buildings | | | | | Assets under | | Total |
|--|---------------------------------|--------------------------------|-------------------------------|-----------------------------|-------------------|---|--|-----------|
| | Land and land improvement | and building improvement | Machinery and equipment | Furniture and fixture | Motor vehicles | installation and under construction | | |
| Cost | | | | | | | | |
| 31 December 2008 | 366,077 | 1,185,633 | 1,341,166 | 55,671 | 105,344 | 462,800 | | 3,516,691 |
| Acquisitions | - | - | 17,950 | 2,695 | 3,816 | 506,351 | | 530,812 |
| Disposals/write off | - | - | (4,982) | (2,696) | (4,148) | - | | (11,826) |
| Transfer in (out) | - | 275,293 | 336,343 | 3,767 | 15,540 | (627,843) | | 3,100 |
| 31 December 2009 | 366,077 | 1,460,926 | 1,690,477 | 59,437 | 120,552 | 341,308 | | 4,038,777 |
| Accumulated depreciation | | | | | | | | |
| 31 December 2008 | - | 486,518 | 800,882 | 27,517 | 74,058 | - | | 1,388,975 |
| Depreciation for the year | - | 74,233 | 197,744 | 8,305 | 15,130 | - | | 295,412 |
| Depreciation for disposals/ write off | - | - | (4,675) | (2,497) | (3,877) | - | | (11,049) |
| 31 December 2009 | - | 560,751 | 993,951 | 33,325 | 85,311 | - | | 1,673,338 |

(Unit: Thousand Baht)

| | Separate financial statements | | | | | | Total |
|-----------------------------------|---------------------------------|---|-------------------------------|-----------------------------|-------------------|---|------------------|
| | Land and land improvement | Buildings and building improvement | Machinery and equipment | Furniture and fixture | Motor vehicles | Assets under installation and under construction | |
| Net book value | | | | | | | |
| 31 December 2008 | <u>366,077</u> | <u>699,115</u> | <u>540,284</u> | <u>28,154</u> | <u>31,286</u> | <u>462,800</u> | <u>2,127,716</u> |
| 31 December 2009 | <u>366,077</u> | <u>900,175</u> | <u>696,526</u> | <u>26,112</u> | <u>35,241</u> | <u>341,308</u> | <u>2,365,439</u> |
| Depreciation for the years | | | | | | | |
| 2008 | | | | | | | <u>231,891</u> |
| 2009 | | | | | | | <u>295,412</u> |

As at 31 December 2009, certain plant and equipment items of the Company and its subsidiaries have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 3,488 million (2008: Baht 2,934 million).

15. Properties foreclosed

In 2003, a local subsidiary has transferred most of its assets to the Company at its appraised value after deducting impairment losses, in settlement of loan debt and accrued interest. The Company recorded these assets as properties foreclosed in the balance sheet.

The balances of properties foreclosed as at 31 December 2009 and 2008 are as follows:

| | (Unit: Thousand Baht) | |
|--|-----------------------|-----------------|
| | <u>2009</u> | <u>2008</u> |
| Cost | 96,010 | 99,480 |
| Disposals/transfer out | (3,100) | (3,470) |
| Allowance for loss on impairment of assets | <u>(35,854)</u> | <u>(37,403)</u> |
| Net | <u>57,056</u> | <u>58,607</u> |

16. Intangible assets

(Unit: Million Baht)

| | 2009 | | | 2008 | | |
|-------------------------|-------|--------------|-----|-------|--------------|-----|
| | Cost | Accumulated | Net | Cost | Accumulated | Net |
| | | amortisation | | | amortisation | |
| Copyrights | 40 | (5) | 35 | 13 | (3) | 10 |
| Trademarks | 866 | (287) | 579 | 942 | (301) | 641 |
| Patent | 36 | - | 36 | 36 | - | 36 |
| Customer relationships | 141 | (91) | 50 | 147 | (80) | 67 |
| Covenant not to compete | 14 | (14) | - | 14 | (14) | - |
| Total | 1,097 | (397) | 700 | 1,152 | (398) | 754 |

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

The Company entered into interest rate swap agreements for short-term loans from financial institution to hedge interest rate risk, as mentioned in Note 32.1.

Empress International, Ltd. (Empress) entered into a revolving credit facility with Bank of America N.A.. The credit facility, which expired in 31 January 2010, was amended on 31 January 2010 extending the expiration date of the credit facility to 31 December 2010. The amended credit facility provides for borrowings and the issuance of letters of credit up to USD 23 million (old USD 30 million) subject to limitations based on eligible accounts receivable and inventory. The issuance of letters of credit reduces the amount of borrowing capacity. Borrowings under the credit facility amended on 29 May 2009 bear interest, at the subsidiary's option, at LIBOR, 1% minimum plus a margin of 3.5% per annum or the bank's prime rate plus 2.50% per annum, subject to quarterly adjustment. An unused line fee is charged at 0.375% per annum, subject to adjustment, on the average daily unused portion of the credit facility. The credit facility is secured by accounts receivable and inventory of the subsidiary. As at 31 December 2009, the balance under this facility was USD 24 million at interest rate between 4.5% to 5.75% per annum and actual unused availability based upon substantially all of collateralised assets was approximately USD 6 million. The subsidiary is subject to certain financial covenants including interest coverage ratio and leverage coverage ratio and others. As at 31 December 2009, the subsidiary determined it was in compliance with all of these covenants as of 31 December 2009.

Tri-Union Seafoods, LLC (Tri-U) entered into a revolving credit facility with Bank of America N.A. The credit facility, which expires on 31 October 2010, provides for borrowings and the issuance of letters of credit up to USD 40 million subject to limitations based on eligible accounts receivable and inventory. The issuance of letters of credit reduces the amount of borrowing capacity. Borrowings under the credit facility bear interest, at Tri-U's option, at LIBOR plus a margin of 3% per annum or 3.25% per annum, the bank's prime rate, or the bank's prime rate plus 2% per annum or 2.25% per annum, subject to quarterly adjustment. An unused line fee is charged at 0.375% per annum, subject to adjustment, on the average daily unused portion of the credit facility. The credit facility is secured by accounts receivable and inventory of Tri-U. As at 31 December 2009, the balance under the credit facility was USD 32 million with interest rate at 3.25% per annum and actual unused availability was approximately USD 6 million. Tri-U is subject to certain financial covenants including an interest coverage ratio and leverage ratio and others. Tri-U determined it was in compliance with all of these covenants as of 31 December 2009.

Tri-Union Frozen Foods, LLC (TUFF) entered into a revolving credit facility with Wells Fargo Foothill, LLC, which expires in 23 July in 2012, provides for borrowing and the issuance of letter of credit of up to USD 45 million subject to limitations based on eligible accounts receivable and inventory and may be increased to USD 75 million under certain conditions. The issuance of letters of credit reduces the borrowing capacity. Borrowings under the credit agreement bear interest, at TUFF's option, at LIBOR plus a margin of 2.75% per annum or the bank's base rate plus 2% per annum. The facility is guaranteed by the Company and collateralised by TUFF's accounts receivable and inventory. As of 31 December 2009, the amount outstanding under the TUFF facility was USD 24 million with interest at rates ranging from 2.98% to 5.25% per annum and actual unused availability was approximately USD 6 million.

TUFF is required to maintain certain financial covenants including a working capital ratio, and ratio of total liabilities to tangible net worth and other covenants. As of 31 December 2009, the subsidiary determined it was in compliance with these covenants.

18. Long - term loans

Long-term loans as at 31 December 2009 and 2008 consist of:

| | (Unit: Million Baht) | |
|-----------------------|----------------------|-------|
| | Consolidated | |
| | financial statements | |
| | 2009 | 2008 |
| USD loans | 85 | 165 |
| Baht loans | 1,363 | 1,477 |
| Total | 1,448 | 1,642 |
| Less: Current portion | (184) | (226) |
| Net | 1,264 | 1,416 |

On 21 July 2003, an overseas subsidiary entered into an agreement to borrow a total of USD 10 million from Standard Chartered Bank for use in the acquisition of Empress. Interest is charged at SIBOR plus 0.93% per annum, payable quarterly commencing from October 2003. Principal is to be repaid every six months commencing in July 2006. The Company has guaranteed repayment.

During the third quarter of 2006, a local subsidiary entered into two loan agreements amounting to Baht 150 million from two local financial institutions, carrying interest at MLR less 1.25% per annum and MLR less 0.50% per annum. These loans are to be repaid within June 2013 and have been guaranteed by a local subsidiary. As at 31 December 2009, the balance of this loan is Baht 90.6 million.

During the second quarter of 2007, a local subsidiary drew Baht 380 million of two loan agreements from a local financial institution, carrying interest at 4.85% per annum, and THBFIX plus 0.5% per annum. These loans are to be repaid within year 2012. As at 31 December 2009, the balance of this loan is Baht 182.5 million.

During the third quarter of 2007, a local subsidiary entered into a 7-year loan agreement amounting to Baht 1,190 million with a local financial institution. The loan carries interest at THBFIX plus 0.39% per annum and is to be repaid in semi-annually installments, the first of which will be due in January 2011. The loan contains covenants relating to various matters stipulated in the agreement. However, during 2008, the above subsidiary had repaid principal amount of Baht 100 million. As at 31 December 2009, the balance of this loan is Baht 1,090 million.

19. Debentures

On 26 October 2005, a meeting of the Company's Board of Directors approved the issuance of debentures of the Company and/or its subsidiary companies in an amount of up to Baht 8,500 million or the equivalent in another currency, for the purposes of refinancing debt and future expansion. Such debentures may be offered to the public and/or institutional investors and/or local and/or foreign investors.

On 7 June 2007, the Company issued Baht 3,200 million (3,200,000 units of debentures of Baht 1,000 each) of registered, unsubordinated, unsecured debentures with no trustee, with interest rate at 3.91% per annum and the redemption in full is in June 2011.

On 12 November 2008, the Company issued the 2-year debentures of Baht 1,500 million (1,500,000 units of debentures of Baht 1,000 each) of registered, unsubordinated, unsecured debentures with no trustee, with interest rate at 4.7% per annum and the 5-year debentures of Baht 500 million (500,000 units of debentures of Baht 1,000 each) of registered, unsubordinated, unsecured debentures with no trustee, with interest rate at 5.5% per annum.

The debentures contain covenants relating to various matters such as the maintenance of debt to shareholders' equity ratio and interest cover ratio, and certain conditions in issuance of debentures agreements, for example, annual dividend payment in the form of cash exceeding 60% of net income of the year is prohibited, etc.

20. Share capital

Reconciliation of ordinary shares is presented below.

| | (Unit: Shares) | |
|---|--------------------|--------------------|
| | <u>2009</u> | <u>2008</u> |
| Issued and paid-up - ordinary shares | | |
| Number of ordinary shares at beginning of year | 883,170,950 | 878,794,950 |
| Increase in number of ordinary shares due to exercise of warrants in July | - | 4,376,000 |
| Number of ordinary shares at end of year | <u>883,170,950</u> | <u>883,170,950</u> |

21. Corporate income tax/deferred tax assets (liabilities)

Corporate income tax of the Company and local subsidiaries have been calculated on the income from the non-promoted activities after adding back certain provisions and expenses which are disallowable for tax computation purposes.

Corporate income tax of the overseas subsidiaries has been calculated by applying those statutory rates.

Corporate income tax of the Company and subsidiaries for the years 2009 and 2008 are as follows:

| | (Unit: Thousand Baht) | | | |
|---|-----------------------|----------------|----------------------|---------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | 2009 | 2008 | 2009 | 2008 |
| Income tax on taxable income | 325,372 | 370,150 | 47,035 | 82,637 |
| Translation adjustment | 15,437 | (15,973) | - | - |
| Expense (income) in deferred income tax | 90,262 | (247,523) | (6,356) | 2,864 |
| Income tax as included in income statements | <u>431,071</u> | <u>106,654</u> | <u>40,679</u> | <u>85,501</u> |

The components of deferred tax assets as presented in balance sheets as at 31 December 2009 and 2008 consist of:

| | (Unit: Thousand Baht) | | | |
|---|-----------------------|----------------|----------------------|---------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> |
| Tax losses brought forward | 43,808 | 272,188 | - | - |
| Tax effect of non-deductible expenses | | | | |
| Allowance for doubtful accounts | 11,570 | 10,822 | 234 | 179 |
| Allowance for devaluation in the value of inventories | 14,426 | 13,986 | 8,193 | 1,504 |
| Other allowance | 10,282 | 11,304 | 8,963 | 9,351 |
| Accrued liabilities | 398,004 | 251,194 | - | - |
| Inventory cost capitalisation | 45,781 | 91,362 | - | - |
| Others | 1,133 | - | - | - |
| Total | <u>525,004</u> | <u>650,856</u> | <u>17,390</u> | <u>11,034</u> |

As at 31 December 2009, a local subsidiary has deferred tax liabilities amounting to Baht 42.0 million (2008: Baht 48.1 million) and overseas subsidiaries have deferred tax liabilities amounting to Baht 232.4 million or USD 7.0 million (2008: Baht 245.1 million or USD 7.0 million).

22. Statutory reserve

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

23. Expenses by nature

Significant expenses by nature are as follow:

| | Consolidated financial statements | | Separate financial statements | |
|-------------------------------------|-----------------------------------|-----------------|-------------------------------|----------------|
| | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> |
| Salary and wages and other employee | | | | |
| benefits | 5,197,538,996 | 4,876,812,036 | 1,608,239,989 | 1,408,422,007 |
| Depreciation | 1,054,011,753 | 862,218,529 | 295,412,427 | 231,890,928 |
| Amortisation expenses | 21,832,427 | 1,098,018 | - | - |
| Rental expenses | 519,597,814 | 402,226,356 | 235,196,066 | 150,784,118 |
| Raw materials, consumables used | | | | |
| and finished goods purchased | 52,745,637,580 | 45,571,054,691 | 14,974,339,577 | 14,403,845,005 |
| Changes in inventories of finished | | | | |
| goods and work in progress | 2,339,694,164 | (2,753,622,640) | 40,037,322 | (362,827,896) |

24. Promotional privileges

The Company has been granted promotional privileges by the Board of Investment to carry on the activity of producing frozen seafood, processed and semi-processed food and others. In addition, five subsidiaries were granted promotional privileges by the Board of Investment to produce frozen seafood, processed and semi-processed food, processed animal feeds and others. Subject to certain imposed conditions, the tax privileges of the Company and these subsidiaries include the following:

- Exemption from corporate income tax on income from the promoted activities for a period of 8 years commencing as from the date of first earning operating income.

In case that there are losses incurred during the corporate income tax exemption period, the Company and its subsidiaries are allowed to utilise the losses as a deduction against net income of future years after the expiry of the tax exemption period but with a time limit of 5 years after that period.

- Exemption from income tax on dividend paid to the shareholders from the income of the promoted operation during the corporate income tax exemption period.
- Exemption from import duty on raw materials and essential materials imported for use specifically in producing for export for a period of 1 year and/or 5 years as from the date of first import.
- Exemption from import duty on items which the promoted person imports for re-export for a period of 1 year and/or 5 years as from the date of first import.
- Five percent of any increment in export income over that of the preceding year is deductible from taxable income for a period of ten years commencing as from the date of first earning operating income, provided that the export sales of that year are not lower than the average export sales of the past three years, except for the first two years.
- Exemption from import duty on machinery as approved by the Board.

In addition, subsidiaries have been accorded the following additional privileges:

- A fifty percent reduction of corporate income tax on their net income, for a period of 5 years after the corporate income tax exemption expired.
- Permission to double deduct the costs of transportation, electricity and water supply for corporate income tax purpose, for a period of 10 years, commencing as from the date of first earning operating income.
- Permission to deduct twenty five percent of the cost of public utilities, in addition to normal depreciation charges.

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

(Unit: Baht)

| | 2009 | | | 2008 | | |
|----------------|-----------------------|----------------------|-----------------------|-----------------------|----------------------|-----------------------|
| | B.O.I. | Non - B.O.I. | Total | B.O.I. | Non - B.O.I. | Total |
| | promoted | promoted | | promoted | promoted | |
| Revenues | | | | | | |
| Sales | | | | | | |
| Local | 1,725,549,281 | 382,193,526 | 2,107,742,807 | 1,363,961,541 | 531,909,506 | 1,895,871,047 |
| Export | 16,135,589,035 | 1,966,691,272 | 18,102,280,307 | 15,114,813,382 | 1,834,909,675 | 16,949,723,057 |
| Other income | 290,148,164 | 1,838,292,142 | 2,128,440,306 | 85,749,786 | 917,353,219 | 1,003,103,005 |
| Total revenues | <u>18,151,286,480</u> | <u>4,187,176,940</u> | <u>22,338,463,420</u> | <u>16,564,524,709</u> | <u>3,284,172,400</u> | <u>19,848,697,109</u> |

25. Earnings per share

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

26. Segment information

Except for an overseas subsidiary of which the principal business activity is overseas investments, the operations of the Company and its subsidiaries principally involve the production, distribution and export of frozen seafood products, and these activities are carried out in Thailand and overseas. Their income comes from both local and export sales. Below is the consolidated financial information for the years ended 31 December 2009 and 2008 of the Company and its subsidiaries by segment.

(Unit: Million Baht)

| | Frozen and canned food products | | Other businesses | | Total | | Elimination | | Grand total | |
|---|------------------------------------|---------------|------------------|---------------|---------------|---------------|-----------------|-----------------|---------------|---------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | Sales | | | | | | | | | |
| - Local | 3,252 | 3,321 | 9,390 | 9,502 | 12,642 | 12,823 | (4,571) | (6,448) | 8,071 | 6,375 |
| - Export | <u>70,858</u> | <u>70,481</u> | <u>550</u> | <u>680</u> | <u>71,408</u> | <u>71,161</u> | <u>(10,485)</u> | <u>(8,488)</u> | <u>60,923</u> | <u>62,673</u> |
| Total sales | <u>74,110</u> | <u>73,802</u> | <u>9,940</u> | <u>10,182</u> | <u>84,050</u> | <u>83,984</u> | <u>(15,056)</u> | <u>(14,936)</u> | <u>68,994</u> | <u>69,048</u> |
| Segment operating income | | | | | | | | | 4,829 | 3,291 |
| Unallocated income (expenses): | | | | | | | | | | |
| Interest income | | | | | | | | | 7 | 13 |
| Administrative expenses | | | | | | | | | (1) | (10) |
| Share of income from investment in associated companies | | | | | | | | | 49 | 16 |
| Finance cost | | | | | | | | | (602) | (635) |
| Corporate income tax | | | | | | | | | (431) | (107) |
| Minority interest | | | | | | | | | (507) | (368) |
| Net income | | | | | | | | | <u>3,344</u> | <u>2,200</u> |

Financial information of the Company and its subsidiaries presented by geographical segment for the years ended 31 December 2009 and 2008 is as follows:

(Unit: Million Baht)

| | Thailand | | Overseas | | Total | | Elimination | | Grand total | |
|--------------------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|---------------|---------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Sales | | | | | | | | | | |
| - Frozen and canned | | | | | | | | | | |
| food products | 42,728 | 42,927 | 31,382 | 30,875 | 74,110 | 73,802 | (13,297) | (12,392) | 60,813 | 61,410 |
| - Other businesses | 9,940 | 10,182 | - | - | 9,940 | 10,182 | (1,759) | (2,544) | 8,181 | 7,638 |
| Total sales | <u>52,668</u> | <u>53,109</u> | <u>31,382</u> | <u>30,875</u> | <u>84,050</u> | <u>83,984</u> | <u>(15,056)</u> | <u>(14,936)</u> | <u>68,994</u> | <u>69,048</u> |
| Segment operating income | | | | | | | | | <u>4,829</u> | <u>3,291</u> |
| Property, plant and | | | | | | | | | | |
| equipment - net | 8,389 | 7,740 | 891 | 775 | 9,280 | 8,515 | - | - | 9,280 | 8,515 |
| Unallocated assets | | | | | | | | | <u>26,590</u> | <u>31,266</u> |
| Total assets | | | | | | | | | <u>35,870</u> | <u>39,781</u> |

Transfer prices between the Company and its subsidiaries are as set out in Note 8.

27. Provident fund

The Company, the local subsidiaries and their employees have jointly established provident funds under the Provident Fund Act B.E. 2530. The funds are contributed to on a monthly basis, by the employees at rates ranging from 2 to 5 percent of the basic salaries, and by the Company and its local subsidiaries at rates ranging from 2 to 10 percent, based on the length of employment. The Company's fund is managed by MFC Asset Management Pcl. and the local subsidiaries' fund is managed by American International Assurance Co., Ltd. and TISCO Asset Management Co., Ltd.

During the year 2009, the Company and its local subsidiaries contributed approximately Baht 38.4 million (2008: Baht 39.3 million) to the fund.

28. Provision for changes in the value of pension fund

An overseas subsidiary has established a pension fund under which it matches participants' contributions under these plans at a rate of 50 percent of an employee's contribution up to a maximum of 6 percent of eligible compensation. The overseas subsidiary contributed USD 0.4 million to the fund in the year 2009 (2008: USD 0.4 million).

29. Dividends

| Dividends | Approved by | Total dividends | (Unit: Baht) Dividend per share |
|----------------------------|---|----------------------|---------------------------------------|
| Final dividends for 2007 | Annual General Meeting of the shareholders on 21 April 2008 | 492,116,044 | 0.56 |
| Interim dividends for 2008 | Board of Directors' meeting on 11 August 2008 | 494,566,604 | 0.56 |
| Total dividends for 2008 | | <u>986,682,648</u> | |
| Final dividends for 2008 | Annual General Meeting of the shareholders on 9 April 2009 | 618,213,295 | 0.70 |
| Interim dividends for 2009 | Board of Directors' meeting on 4 August 2009 | 812,513,268 | 0.92 |
| Total dividends for 2009 | | <u>1,430,726,563</u> | |

30. Cash flow statements

For the purpose of the statements of cash flows, cash and cash equivalents include cash in hand and at financial institutions with an original maturity of 3 months or less and without restriction.

Cash and cash equivalents as reflected in the statements of cash flows consist of the followings:

| | (Unit: Thousand Baht) | | | |
|--|-----------------------|----------------------|----------------------|----------------------|
| | Consolidated | | Separate | |
| | financial statements | financial statements | financial statements | financial statements |
| | 2009 | 2008 | 2009 | 2008 |
| Cash and cash equivalents | 728,375 | 556,782 | 98,031 | 28,084 |
| Current investments - Bill of exchange | - | 1,000,000 | - | 1,000,000 |
| Cash and cash equivalents in statements of cash flows | <u>728,375</u> | <u>1,556,782</u> | <u>98,031</u> | <u>1,028,084</u> |

31. Commitments and contingent liabilities

31.1 Commitments

As at 31 December 2009, the Company and its subsidiaries have the following commitments:

a) The Company and its subsidiaries have the commitments under the following agreements:

| | Payable within | | | | | | |
|---|------------------|---------------|--------------|--------------|-------------------|-------------|--------------------|
| | Less than 1 year | | 1 to 5 years | | More than 5 years | | Total |
| Office rental and service agreements | Baht | 33.0 million | Baht | 40.6 million | Baht | 8.7 million | Baht 82.3 million |
| Land lease agreements | Baht | 0.7 million | Baht | 4.0 million | Baht | 4.4 million | Baht 9.1 million |
| | USD | 2.6 million | USD | 4.0 million | USD | 0.2 million | USD 6.8 million |
| Car lease agreements | Baht | 3.7 million | Baht | 1.8 million | | - | Baht 5.5 million |
| Machine lease agreements | Baht | 4.6 million | Baht | 3.1 million | | - | Baht 7.7 million |
| | USD | 0.3 million | USD | 1.1 million | USD | 0.4 million | USD 1.8 million |
| Computer & equipment lease agreements | Baht | 17.3 million | Baht | 16.1 million | | - | Baht 33.4 million |
| Warehouse and factory construction agreements | Baht | 37.9 million | Baht | 48.1 million | | - | Baht 86.0 million |
| Purchase land, machinery and equipment agreements | Baht | 108.8 million | Baht | 31.5 million | | - | Baht 140.3 million |
| | USD | 1.0 million | | - | | - | USD 1.0 million |
| | EUR | 1.9 million | | - | | - | EUR 1.9 million |
| Advertising agreements | Baht | 10.3 million | Baht | 14.5 million | | - | Baht 24.8 million |

b) The Company and its subsidiaries are committed to pay the uncalled portions of their investments as follows:

| | Amount |
|-------------------------|--------------------|
| The local subsidiary | Baht 406.5 million |
| The overseas subsidiary | USD 1.9 million |
| The overseas associates | USD 2.3 million |

c) The overseas subsidiary has agreed to make payments under royalty agreements for the use of certain production machinery and equipment. The agreements require fixed payments plus an additional sum based on output. Total payments made under these arrangement for the years ended 2009 amounting to USD 0.6 million (2008: USD 0.7 million).

d) Purchase commitments of the overseas subsidiaries

- TUI entered into contracts with independent fishing vessel operators to guarantee the supply of raw tuna. These contracts generally provide for the purchase of all fish caught by the respective vessel at the United Tuna Cooperative price and are renewable each year. Fish purchases under the terms of these contracts approximated 18 percent and 8 percent of total raw fish purchases for the years ended 31 December 2009 and 2008, respectively.
- In order to ensure procurement of frozen seafood, primarily shrimp products, from certain suppliers, Empress has entered into various purchase agreements with them ranging in length from one to four years. These agreements typically require either the purchase of a minimum amount of product during the year, or they require the company to purchase a portion, or in certain cases all, of the selected products produced by the supplier. The overseas subsidiary considers these agreements necessary to maintain a consistent supply of quality products and believes these commitments are within the normal requirements of the business. These purchase commitments have represented approximately 5 - 10 percent of total inventory purchases by Empress.
- Tri-U entered into an agreement with a vendor to supply cans and ends to Tri-U's facility. This agreement expires on 31 December 2010. The overseas subsidiary is required to purchase a minimum quantity of cans and ends per year from the vendor, or the vendor may terminate the agreement with 18 months prior written notice. The price for cans and ends purchased through this agreement is variable within a range based on the quantity purchased by the overseas subsidiary. Either the overseas subsidiary or the vendor may elect to terminate the agreement with 18 months prior written notice at any time after June 2009.
- Tri-U has a transportation contract with a freight carrier in which Tri-U agrees to transport a minimum amount of containers to and from American Samoa per calendar year. This agreement is in effect until 15 November 2009. Rates vary based on the contents of each shipment.

e) Co-Pack agreement

During the year 2007, TUI entered into a co-pack agreement with a third party whereby it supplies canned tuna products in compliance with the third party's specifications. The agreement is automatically renewed in one-year extension indefinitely, unless either party gives the other party twelve months' written notice of termination. The third party supplies the raw materials, and the overseas subsidiary is reimbursed for production costs. In connection with the agreement, the third party provided equipment which the overseas subsidiary installed in its facility and which it uses for its own production as well as for that under the co-pack agreement. The amount paid for the lease of the equipment is based on production and has the option to purchase the equipment upon termination of the agreement for cost plus interest, less lease payments previously made. TUI provided the third party 12 months' written notice on 30 April 2009 to terminate the agreement.

f) Others

- In connection with TUI's production facilities in American Samoa, TUI may become obligated to remove its improvements and installations of property and equipment upon expiration of its lease agreement with the American Samoa Government, which expires on 30 September 2013. TUI has not recognised a liability related to the asset retirement obligations because TUI lacks sufficient information to reasonably estimate the fair value.
- The Office of Attorney General of a US state filed a lawsuit against the three largest canned tuna companies in the US, including TUI, for failure to warn consumers that certain tuna contains mercury. TUI and the other producers have agreed to provide indemnification for related damages. However, on 10 May 2006 a decision was issued in the tuna companies' favor on all issues contained in the lawsuit. The Office of Attorney General of a US state filed an objection to the decision, but on 29 September 2006, the Superior Court of this state rendered its decision that the objections raised were without merit. However, on 18 January 2007 the Office of Attorney General of the state filed notice of appeal, and a decision on the appeal is pending. TUI is presently unable to predict the probable outcome of this matter. As at 31 December 2009, the Company's management of TUI believes that should the outcome of the case be finalised there would

be no significant less to TUI. Therefore, TUI has not yet provided for accrued expenses related this matter.

- Other states in the US have filed similar suits against TUI, for failure to warn consumers of the potential health hazards of mercury in tuna. On 13 January 2009, TUI filed a petition with the U.S. Supreme Court. TUI is presently unable to predict the probable outcome of this matter, and as such, TUI has no accrual related this matter as of 31 December 2009.
- In March 2008, the US Department of Commerce announced a preliminary anti-dumping (AD) rate for the Company and its subsidiary's shrimp exports to the US for the period of 1 February 2006 to 31 January 2007 from a rate of 5.95% (average rate of Thailand) to 15.3%. The Company and its subsidiary will pay AD USD 7.9 million for that period and the Company and its subsidiary have not recorded this amount in the accounts since the announcement is preliminary and not a final announcement. The Company has appointed a lawyer in US to negotiate with the US Department of Commerce. In September 2008, the announcement is finalised at a rate of 2.85% for the Company and its subsidiary. The Company and its subsidiary will receive the different amount. However, the management of the Company and its subsidiary have not recorded this amount because it is in the process of refunding.
- In January 2007, TUI and two employees of TUFF were named in a lawsuit whereby the plaintiff alleged misappropriation of trade secrets, unfair business practices, and unfair competition. The matters which were the subject of this litigation were settled in December 2008 without admission of liability on mutually agreeable terms.

31.2 Guarantees

- a) The Company's board of directors approved the issuance of corporate guarantees of USD 47.3 million (2008: USD 34.5 million) to several financial institutions to secure credit facilities of its subsidiaries and their loans.
- b) As at 31 December 2009, there were outstanding bank guarantees of approximately Baht 49.5 million and USD 6 million (2008: Baht 40.9 million) issued by banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business.

- c) As at 31 December 2009, there were outstanding bank guarantees of approximately Baht 108.8 million (2008: Baht 87.0 million) issued by banks on behalf of the subsidiaries in respect of certain performance bonds as required in the normal course of business.

32. Financial instruments

32.1 Financial risk management

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 32 "*Financial Instruments: Disclosure and Presentations*", principally comprise cash and cash equivalents restricted deposits with financial institution, trade accounts receivable, loans, investments, accounts payable, short-term loans, long-term loans and debentures. The financial risks associated with these financial instruments and how they are managed are described below.

Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable and loans. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. The maximum exposure to credit risk is limited to the carrying amounts of receivables and loans as stated in the balance sheet.

Interest rate risk

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

Significant financial assets and liabilities as at 31 December 2009 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

Consolidated financial statements as at 31 December 2009

| | Fixed interest rates | | | | | Total | Interest rate (% p.a.) |
|--|----------------------|--------------|-----------|---------------|---------------|---------------|---------------------------|
| | Within | Over | | Floating | Non- interest | | |
| | 1 year | 1-5 years | 5 years | interest rate | bearing | | |
| | (Million Baht) | | | | | | |
| Financial assets | | | | | | | |
| Cash and cash equivalents | 63 | - | - | 583 | 82 | 728 | 0.06 - 3.54 |
| Trade accounts receivable | - | - | - | - | 6,659 | 6,659 | - |
| Restricted deposits with financial institutions | - | - | - | 1 | - | 1 | 1.29 |
| Long-term loans to other companies | 1 | - | 10 | - | 1 | 12 | 3.75 - 6.10 |
| | <u>64</u> | <u>-</u> | <u>10</u> | <u>584</u> | <u>6,742</u> | <u>7,400</u> | |
| Financial liabilities | | | | | | | |
| Bank overdrafts and short-term loans from financial institutions | 2,681 | - | - | 2,920 | - | 5,601 | 1.16 - 5.50 |
| Trade accounts payable | - | - | - | - | 2,630 | 2,630 | - |
| Long-term loans | 20 | 38 | - | 1,390 | - | 1,448 | 1.83 - 5.18 |
| Debentures | 1,500 | 3,700 | - | - | - | 5,200 | 3.97 - 5.50 |
| | <u>4,201</u> | <u>3,738</u> | <u>-</u> | <u>4,310</u> | <u>2,630</u> | <u>14,879</u> | |

Separate financial statements as at 31 December 2009

| | Fixed interest rates | | | | Total | Interest rate (% p.a.) |
|--|----------------------|--------------|------------|---------------|--------------|---------------------------|
| | Within | Over | | Floating | | |
| | 1 year | 1-5 years | 5 years | interest rate | | |
| | (Million Baht) | | | | | |
| Financial assets | | | | | | |
| Cash and cash equivalents | - | - | 69 | 29 | 98 | 0.17 |
| Trade accounts receivable | - | - | - | 2,719 | 2,719 | - |
| Short-term loans to subsidiaries | 778 | - | 787 | - | 1,565 | 2.26 - 4.83 |
| Long-term loans to subsidiaries | 1,159 | 3,445 | - | - | 4,604 | 4.97 - 6.25 |
| | <u>1,937</u> | <u>3,445</u> | <u>856</u> | <u>2,748</u> | <u>8,986</u> | |
| Financial liabilities | | | | | | |
| Bank overdrafts and short-term loans from financial institutions | 883 | - | - | - | 883 | 1.37 |
| Trade accounts payable | - | - | - | 1,257 | 1,257 | - |
| Short-term loans from subsidiaries | 979 | - | - | - | 979 | 1.45 |
| Debentures | 1,500 | 3,700 | - | - | 5,200 | 3.97 - 5.50 |
| | <u>3,362</u> | <u>3,700</u> | <u>-</u> | <u>1,257</u> | <u>8,319</u> | |

The Company and its subsidiaries entered into interest rate swap agreement to manage risk associated with the financial liabilities carrying floating interest. The details of short-term loans from financial institutions and long-term loans are set out in Notes 17 and 18. The detail of the interest rate swap agreement outstanding as at 31 December 2009 is as follows:

The Company

| | Principal amount | Interest Revenue Rate Swap agreements | Interest Expense Rate Swap agreements | Terminal date |
|---|------------------|---|---|---------------|
| 1 | USD 90 million | Float rate 3-month LIBOR plus 0.47 % | Fixed rate 3.81 - 3.94% | June 2011 |
| 2 | USD 30 million | Fixed rate 3.94% as stipulated in the agreement | Float rate 3-month LIBOR plus 0.47% (7 Mar 08 to 7 Mar 09) Fixed rate 3.29% (7 Mar 09 to 7 Jun 11) | June 2011 |
| 3 | USD 20 million | Float rate 3-month LIBOR plus 0.65 % | Float rate 3-month LIBOR minus 0.105 % plus stipulated rate in the agreement | January 2011 |
| 4 | Baht 500 million | Fixed rate 4.7% | Float rate 3-month FDR plus 3.19% | November 2010 |

Subsidiaries

| | Principal amount | Interest Revenue Rate Swap agreements | Interest Expense Rate Swap agreements | Terminal date |
|---|---|---------------------------------------|---------------------------------------|---------------|
| 1 | USD 10 million | Fixed rate 3.00 % | Fixed rate 4.00 % | 2010 |
| 2 | USD 10 million (To convert contract 1) | Fixed rate 4.00 % | Fixed rate 3.00 % | 2010 |
| 3 | USD 40 million | Float rate 1-month LIBOR | Fixed rate 3.56 % | January 2011 |
| 4 | USD 10 million | Float rate 1-month LIBOR | Fixed rate 3.07 % | January 2011 |
| 5 | Baht 200 million | Float rate 3-month THBFX | Fixed rate 3.32% | February 2010 |
| 6 | Baht 100 million | Fixed rate 5.12% | Float rate 3-month THBFX | February 2010 |
| 7 | Baht 300 million | Float rate 3-month THBFX | Fixed rate 3.98% | August 2010 |

Cross currency swap agreements

The Company

| | Currency and Interest Revenue Rate Swap agreements | | Currency and Interest Expense Rate Swap agreements | | Terminal date |
|---|--|--------------------------|--|-------------------------------------|------------------------|
| | Principal amount | Interest rate | Principal amount | Interest rate | |
| 1 | Baht 3,114 million | Fixed rate 3.91% | USD 90 million | Float rate 3-month LIBOR plus 0.47% | June 2011 |
| 2 | Baht 1,561.8 million | Float rate 3-month THBFX | USD 47 million | Fixed rate 3.58% to 4.4086% | July 2010 to July 2012 |
| 3 | Baht 455.8 million | Fixed rate 3.57 % | USD 13.75 million | Float rate 3-month LIBOR plus 3.00% | December 2010 |
| 4 | USD 30 million | Fixed rate 3.29% | Baht 1,004.10 million | Float rate 6-month THBFX plus 0.66% | December 2011 |

Foreign currency risk

The Company and its subsidiaries' exposure to foreign currency risk arises mainly from trading transactions and borrowings that are denominated in foreign currencies. The Company and its subsidiaries seek to reduce this risk by entering into forward exchange contracts when it considers appropriate.

The balances of financial assets and liabilities denominated in foreign currencies as at 31 December 2009 are summarised below.

| Foreign currency | Consolidated | | Separate | | Average exchange rate as at 31 December 2009 (Baht per 1 foreign currency unit) |
|------------------|----------------------|--------------------------|----------------------|--------------------------|---|
| | financial statements | | financial statements | | |
| | Financial assets | Financial liabilities | Financial assets | Financial liabilities | |
| | (Million) | (Million) | (Million) | (Million) | |
| US dollar | 325 | 25 | 232 | 17 | 33.32 |
| Japanese yen | 250 | 700 | 250 | 456 | 0.36 |
| Euro | 1 | - | - | - | 47.73 |

Foreign exchange contracts outstanding as at 31 December 2009 are summarised below.

| Foreign currency | Bought amount (Million) | Sold amount (Million) | Contractual exchange rate (Baht per 1 foreign currency unit) | |
|----------------------------|----------------------------|--------------------------|---|---------------|
| | | | Bought | Sold |
| <u>The Company</u> | | | | |
| US dollar | - | 315 | - | 33.15 - 43.00 |
| Japanese yen | - | 189 | - | 0.37 - 0.38 |
| Euro | 1 | 3 | 44.56 - 46.29 | 49.38 - 50.16 |
| <u>Subsidiaries</u> | | | | |
| US dollar | 5 | 185 | 33.41 - 34.09 | 33.11 - 35.67 |
| Euro | 2 | 3 | 47.99 - 49.43 | 49.92 - 50.51 |

As at 31 December 2009, the Company and its subsidiaries have outstanding option agreements with special conditions with financial institutions under which they have obligations to sell amounts of between USD 71 million to USD 124 million, depending on conditions stipulated in the agreements, at rates ranging from Baht 33.43 to Baht 34.25 per USD 1. These agreements will terminate within November 2010.

32.2 Fair values of financial instruments

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

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

33. Capital management

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

According to the balance sheet as at 31 December 2009, the Group's debt to equity ratio was 0.95:1 (2008: 1.46:1) and the Company's was 0.84:1 (2008: 1.10:1).

34. Reclassification

Certain amounts in the financial statements for the year ended 31 December 2008 have been reclassified to conform to the current period classification but no effect to previously reported net income or shareholders' equity. The significant reclassification are as follows.

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|-----------------------------------|-----------------------------------|------------------------|-------------------------------|------------------------|
| | As reclassified | As previously reported | As reclassified | As previously reported |
| Other non-current assets - others | 184,403,974 | 268,437,636 | - | - |
| Forward exchange contracts | | | | |
| payable - net of current portion | 95,687,500 | - | 95,687,500 | - |
| Other non-current liabilities | 323,985,730 | 503,706,892 | 24,920,855 | 120,608,355 |
| Administrative expenses | 2,159,786,888 | 2,219,943,935 | 349,326,226 | 409,483,273 |
| Management benefit expenses | 60,157,047 | - | 60,157,047 | - |

35. Approval of financial statements

These financial statements were authorised for issue by the Audit Committee and the Company's management on 12 February 2010.