

PART 3

Financial Statements and Operating Results

13. Financial Statements and Operating Results

13.1 Financial Statements

(A) Report of Independent Auditor and Opinions

Report of independent auditor certified by Ernst & Young Office Limited of the Company and its subsidiaries for the years ended December 31, 2013, 2012 and 2011 was expressed an unqualified opinion with an emphasis of matters on the financial position of Siam City Cement Public Company Limited and its subsidiaries and of Siam City Cement Public Company Limited and the results of operations and cash flows for the years then ended in accordance with generally accepted accounting principles.

(B) Financial Statements

- Consolidated Statements of Financial Position
- Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
- Consolidated Statements of Cash Flows
- Consolidated Financial Ratios

(B) Consolidated Statements of Financial Position

(Unit : Million Baht)

	2013		2012		2011	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	3,173	9%	2,159	8%	1,921	7%
Trade and other receivables	3,944	12%	3,178	11%	2,387	9%
Inventories	1,967	6%	2,097	7%	2,393	9%
Other current assets	279	1%	241	1%	186	1%
TOTAL CURRENT ASSETS	9,363	28%	7,675	27%	6,887	26%
NON-CURRENT ASSETS						
Investment in associated company	1,797	5%	1,661	6%	1,525	6%
Other investment - related company	155	1%	155	1%	382	1%
Property, plant and equipment	18,860	56%	15,234	54%	14,762	56%
Assets not used in operations	394	1%	410	2%	436	2%
Intangible assets	1,975	6%	1,945	6%	1,734	6%
Deferred tax assets	533	2%	472	2%	631	2%
Other non-current assets	377	1%	450	2%	179	1%
TOTAL NON-CURRENT ASSETS	24,091	72%	20,327	73%	19,649	74%
TOTAL ASSETS	33,454	100%	28,002	100%	26,536	100%

(B) Consolidated Statements of Financial Position (continued)

(Unit : Million Baht)

	2013		2012		2011	
	Amount	%	Amount	%	Amount	%
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES						
Short-term loans from financial institutions	45	-	304	1%	170	-
Trade and other payables	2,537	8%	2,190	8%	1,867	7%
Current portion of long-term loans from related financial institution	220	1%	35	-	28	-
Current portion of long-term liabilities for concession	48	-	45	-	42	-
Current portion of debentures	-	-	3,999	14%	-	-
Income tax payable	560	2%	109	-	533	2%
Accrued rebate	515	1%	447	2%	435	2%
Accrued electricity	583	2%	536	2%	400	2%
Other accrued expenses	830	2%	681	2%	620	2%
Other current liabilities	368	1%	175	1%	174	1%
TOTAL CURRENT LIABILITIES	5,706	17%	8,521	30%	4,269	16%
NON-CURRENT LIABILITIES						
Long-term loans from related financial institution - net of current portion	1,298	4%	732	3%	252	1%
Long-term loans from other financial institution	81	-	-	-	-	-
Long-term liabilities for concession - net of current portion	-	-	48	-	93	-
Debentures - net of current portion	5,987	18%	-	-	3,996	16%
Provision for long-term employee benefits	1,064	3%	976	4%	827	3%
Provision for site restoration	74	-	73	-	92	-
TOTAL NON-CURRENT LIABILITIES	8,504	25%	1,829	7%	5,260	20%
TOTAL LIABILITIES	14,210	42%	10,350	37%	9,529	36%

(B) Consolidated Statements of Financial Position (continued)

(Unit : Million Baht)

	2013		2012		2011	
	Amount	%	Amount	%	Amount	%
SHAREHOLDERS' EQUITY						
Share capital						
Registered						
280,000,000 ordinary shares of Baht 10 each	2,800		2,800		2,800	
Issued and fully paid up						
230,000,000 ordinary shares of Baht 10 each	2,300	7%	2,300	8%	2,300	9%
Share premium	10,106	30%	10,106	36%	10,106	38%
Retained earnings						
Appropriated - statutory reserve	300	1%	300	1%	300	1%
Unappropriated	6,590	20%	5,015	18%	4,368	16%
Other components of shareholders' equity	(58)	-	(75)	-	(72)	-
Equity attributable to owners of the Company	19,238	58%	17,646	63%	17,002	64%
Non-controlling interests of the subsidiaries	6	-	6	-	5	-
TOTAL SHAREHOLDERS' EQUITY	19,244	58%	17,652	63%	17,007	64%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	33,454	100%	28,002	100%	26,536	100%

(B) Consolidated Income Statements and Consolidated Statements of Comprehensive Income

(Unit : Million Baht)

	2013		2012		2011	
	Amount	%	Amount	%	Amount	%
Revenues						
Net sales	29,950	100%	26,427	99%	23,150	99%
Dividend income	9	-	17	-	-	-
Gain on exchange	-	-	-	-	36	-
Other income	86	-	148	1%	101	1%
Total Revenues	30,045	100%	26,592	100%	23,287	100%
Expenses						
Production cost of goods sold	16,522	55%	15,273	57%	12,864	55%
Selling and distribution expenses	6,195	21%	5,718	22%	4,733	20%
Administrative expenses	1,237	4%	1,014	4%	1,051	5%
Loss on exchange	121	-	1	-	-	-
Other expenses	-	-	227	1%	-	-
Total expenses	24,075	80%	22,233	84%	18,648	80%
Profit before share of profit from investment in associate, finance cost and income tax expenses	5,970	20%	4,359	16%	4,639	20%
Share of profit from investment in associated company	284	1%	368	1%	483	2%
Profit before finance cost and income tax expenses	6,254	21%	4,727	17%	5,122	22%
Finance cost	(305)	(1%)	(267)	(1%)	(216)	(1%)
Profit before income tax expenses	5,949	20%	4,460	16%	4,906	21%
Income tax expenses	(1,153)	(4%)	(823)	(2%)	(1,615)	(7%)
Profit for the year	4,796	16%	3,637	14%	3,291	14%
Profit attributable to:						
Equity holders of the Company	4,796	16%	3,635	14%	3,293	14%
Non-controlling interests of the subsidiaries	-	-	2	-	(2)	-
	4,796	16%	3,637	14%	3,291	14%
Basic earnings per share						
Profit attributable to equity holders of the Company	20.85		15.81		14.32	
Weighted average number of ordinary shares (thousand shares)	230,000		230,000		230,000	

(B) Consolidated Income Statements and Consolidated Statements of Comprehensive Income (continued)

(Unit : Million Baht)

	2013	2012	2011
Profit for the year	4,796	3,637	3,291
Other comprehensive income:			
Exchange differences on translation of financial statements in foreign currency	2	(6)	(4)
Share of other comprehensive income of associated company	14	3	(64)
Change in fair value of cash flow hedges	-	1	8
Income tax relating to components of other comprehensive income	-	-	(2)
Other comprehensive income for the year	16	(2)	(62)
Total comprehensive income for the year	4,812	3,635	3,229
Total comprehensive income attributable to:	4,812	3,633	3,231
Equity holders of the Company	-	2	(2)
Non-controlling interests of the subsidiaries	4,812	3,635	3,229

(B) Consolidated Statements of Cash Flows

(Unit : Million Baht)

	2013		2012		2011	
	Amount	%	Amount	%	Amount	%
Cash flows from operating activities						
Profit before tax	5,949	100%	4,460	100%	4,907	100%
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:						
Share of profit from investment in associated company	(284)	(5%)	(369)	(8%)	(484)	(10%)
Dividend income	(9)	-	(17)	-	-	-
Allowance for diminution in value of other investment in related company	-	-	227	5%	-	-
Depreciation and amortization	1,166	20%	1,149	26%	1,079	22%
Increase (decrease) in allowance for doubtful accounts and reduction of inventory to net realisable value	(15)	-	(43)	(1%)	22	-
Increase (decrease) in allowance for impairment loss on property, plant and equipment and assets not used in operation	27	-	(18)	-	(46)	(1%)
Loss on disposals/write-off of property, plant and equipment and assets not used in operation	98	2%	35	1%	101	2%
Provision for long-term employee benefits and other provisions	233	4%	176	4%	267	5%
Unrealised loss (gain) on exchange	78	1%	6	-	(6)	-
Interest income	(87)	(2%)	(68)	(2%)	(59)	(1%)
Interest expenses	249	4%	210	5%	191	4%
Profit from operating activities before changes in operating assets and liabilities	7,405	124%	5,748	130%	5,972	121%
Operating assets (increase) decrease :						
Trade and other receivables	(757)	(12%)	(755)	(17%)	387	8%
Inventories	143	3%	299	7%	(848)	(17%)
Other current assets	(158)	(3%)	(54)	(1%)	(21)	-
Other non-current assets	67	1%	(240)	(5%)	-	-
Operating liabilities increase (decrease) :						
Trade and other payables	343	6%	322	7%	371	8%
Accrued expenses and other current liabilities	375	6%	214	5%	67	1%
Provision for long-term employee benefits	(27)	(1%)	(27)	(1%)	(191)	(4%)
Provision for site restoration	(2)	-	(28)	-	(3)	-
Cash from operating activities	7,389	124%	5,479	125%	5,734	117%
Cash received from interest income	87	2%	66	1%	57	1%
Cash paid for interest expenses	(242)	(4%)	(205)	(5%)	(188)	(4%)
Cash paid for corporate income tax	(762)	(13%)	(1,089)	(24%)	(1,444)	(29%)
Net cash from operating activities	6,472	109%	4,251	97%	4,159	85%

(B) Consolidated Statements of Cash Flows (continued)

(Unit : Million Baht)

	2013		2012		2011	
	Amount	%	Amount	%	Amount	%
Cash flows from investing activities						
Proceeds from disposal of property, plant and equipment and assets not used in operation	46	1%	163	4%	127	3%
Acquisitions of property, plant and equipment	(4,970)	(84%)	(1,895)	(43%)	(2,068)	(42%)
Increase in intangible assets	(70)	(1%)	(85)	(2%)	(137)	(3%)
Decrease (increase) in other non-current assets	6	-	(32)	(1%)	(2)	-
Dividend received	171	3%	254	6%	212	4%
Net cash used in investing activities	(4,817)	(81%)	(1,595)	(36%)	(1,868)	(38%)
Cash flows from financing activities						
Increase (decrease) in short-term loans from financial institutions	(259)	(4%)	135	3%	154	3%
Increase in long-term loans from related financial institution	803	13%	487	11%	280	6%
Increase in long-term loans from other financial institution	81	1%	-	-	-	-
Repayment of long-term loans from related financial institution	(53)	(1%)	-	-	-	-
Cash paid for redemption of debentures	(4,000)	(67%)	-	-	-	-
Net cash received from issuance of debentures	5,986	101%	-	-	-	-
Payment of long-term liabilities for concession	(45)	(1%)	(42)	(1%)	(40)	(1%)
Dividend paid	(3,220)	(54%)	(2,990)	(67%)	(2,760)	(56%)
Net cash used in financing activities	(707)	(12%)	(2,410)	(54%)	(2,366)	(48%)
Increase (decrease) in translation adjustments	64	1%	(6)	-	(4)	-
Net increase (decrease) in cash and cash equivalents	1,012	17%	240	5%	(79)	(1%)
Cash and cash equivalents at beginning of year	2,159	36%	1,921	43%	2,002	40%
Effect of change in foreign exchange rate on cash at banks	2	-	(2)	-	(2)	-
Cash and cash equivalents at end of year	3,173	53%	2,159	48%	2,159	48%

Supplemental disclosures of cash flows information :

Non-cash related transactions :

Transferred property, plant and equipment to intangible assets	-	160	505
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(C) Financial Ratio of Siam City Cement Public Company Limited and its subsidiaries

		2013	2012	2011
Unit				
Liquidity ratios				
Current ratio	Times	1.64	0.90	1.61
Quick ratio	Times	1.25	0.63	1.01
Cash flows from operating activities to current liabilities ratio	Times	0.91	0.66	1.04
Accounts receivable turnover	Times	8.64	9.80	9.22
Days receivable outstanding	Days	42	37	39
Inventory turnover	Times	8.13	6.80	6.48
Days inventory outstanding	Days	44	53	56
Accounts payable turnover	Times	7.25	7.79	7.92
Days payable outstanding	Days	50	46	45
Profitability ratios				
Gross profit margin	%	45	42	44
Operating profit margin	%	20	17	19
Cash flows from operating activities on net income margin	%	135	117	126
Net income margin	%	16	14	14
Return on shareholders' equity	%	26	21	20
Efficiency ratios				
Return on assets	%	20	17	20
Return on fixed assets	%	43	39	42
Total assets turnover	Times	0.98	0.98	0.90
Financial policy ratios				
Debt - to - equity ratio	Times	0.74	0.59	0.56
Interest coverage ratio	Times	25.12	22.51	26.82
Cash flows from operating activities to capital expenditure ratio	Times	1.14	0.98	0.92

14. Management Discussion and Analysis (MD&A)

Analysis of Financial Performance

(Unit : Million Baht)				
	2013	2012	+/-	+/- (%)
Revenues				
Net sales	29,950	26,427	3,523	13%
Dividend Income	9	17	(8)	(47%)
Other income	86	148	(62)	(42%)
Total Revenues	30,045	26,592	3,453	13%

Revenues

Total net sales for 2013 posted a 13 percent growth from the year 2012 as a result of higher selling price realization and solid demand experienced by cement and other construction material businesses during the year 2013.

Ready-mixed concrete, Mortar and Conwood products have continued to post great performances from the demand growth in domestic market, our own capacity addition and better selling prices in the industry. The Company has continuously expanded our production capacity of Ready-Mix concrete plants to serve high demand in the market. Regarding our new business, INSEE Superblock, which started its operation in March 2013, reported net sales at Baht 447 million in the first year..

Expenses

	(Unit : Million Baht)			
	2013	2012	+/-	+/- (%)
Expenses				
Production cost of goods sold	16,522	15,273	1,249	8%
Selling and distribution expenses	6,195	5,718	477	8%
Administrative expenses	1,237	1,014	223	22%
Loss on exchange	121	1	120	12,000%
Other expenses	-	227	(227)	(100%)
Total expenses	24,075	22,233	1,842	8%

Production of cost of goods sold posted an increase of 8 percent from the previous year which was in line with the increasing sales volumes and input factor inflation which could be recovered through the growth of the company's net sales. The company continued its good performance momentum from key energy saving initiatives, achieved through process improvement, optimized fuel mix and lower coal prices. However, cost base was adversely affected by higher power unit cost, increased maintenance cost, spending for safety and environment improvement.

Selling, distribution and administrative expenses increased as higher volume dispatched in multiple businesses to generate the net sale's growth while personal cost which were salary and bonus expenses increased due to record performance and manpower needs for new businesses. Additionally, administrative expenses were also increased due to expansion project development expenses.

Loss on exchange rate represents unrealized translation impact due to the rapid appreciation of USD currency against IDR currency which affected the revaluation of the loan outstanding at year-end.

Other expenses was decreased by Baht 227 million due to the absence of one-off allowance made for diminution in value of the investment in Holcim Bangladesh in the year.

The Company's net profit after non-controlling interests of the subsidiaries reached Baht 4,796 million in 2013, an improvement of 31.9 percent, compared to Baht 3,636 million in the previous year. Apart from the increased operating EBITDA, net profit further benefited from lower applicable tax rates of 20 percent in 2013 compared to 23 percent in 2012.

Analysis of Financial Position

	Unit	2013	2012
Accounts receivable turnover	Times	8.64	9.80
Days receivable outstanding	Days	42	37
Inventory turnover	Times	8.13	6.80
Days inventory outstanding	Days	44	53
Accounts payable turnover	Times	7.25	7.79
Days payable outstanding	Days	50	46

Net Working Capital

The increase in company's net sales made trade and other receivable increased while inventory balances and accounts payable could be improved. Overall, the company's liquidity position was better than the previous year. The company was able to improve the turnover of inventory by improving stock carrying by 9 days while responding to the market growth. The accounts payable reflects supply management effectiveness as shown in longer payable days and better accounts payable turnover. However, the increase of account receivable turnover and days came from the higher sales revenue and change in the mix of credit customer.

Investments

(Unit : Million Baht)

	As of December 31			
	2013	2012	+/-	+/- (%)
Property, plant and equipment	18,860	15,234	3,626	24%
Intangible assets	1,975	1,945	30	2%
Other non-current assets	377	450	(73)	(16%)

Property, plant and equipment represented 56 percent of the total assets, registered an increase of Baht 3,626 million or 24 percent which was due to the acquisition of property, plant and equipment totaling Baht 4,970 million offset by Baht 1,344 million of depreciation, transferred out, and disposal of assets during 2013.

Key investments in 2013 are in respect of the followings:

- Kiln 1 reactivation amounting to Baht 1,091 million,
- A new plant in Indonesia of fiber cement business amounting to Baht 770 million,
- Land, building and machines for light-weight concrete products business expansion amounting to Baht 720 million,
- Land for line expansion in Thailand of fiber cement business amounting to Baht 147 million,
- Quarry land at Ratchaburi and Chonburi for aggregates business amounting to Baht 191 and 120 million, respectively

Further investment noted in alternative fuel transfer station at Saraburi, INSEE Mortar 3rd production line at Saraburi and Conwood 4th production line at Saraburi.

Intangible assets were increased due to the renewal of concession license and forestry permit at Suphanburi and Saraburi in connection with Company's quarry activities to secure resources for the Company's operations.

Other non-current assets were decreased by Baht 73 million which was mainly due to recovery of the advance payments to supplier for raw material purchase.

Funding

The company has significant cash in hand at the year end to meet the operational requirements. However, SCCC has the following other sources of funds to finance long term investments;

Outstanding debentures consist of 2 sets of unsubordinated, unsecured and no discount debentures with a name-registered debenture certificate issued on 14 June 2013 totaling Baht 6,000 million which will be due in two tranches, Baht 4,000 million in 2017 and Baht 2,000 in 2020.

Loans from financial institution amounted to Baht 1,644 million was for financing of the following projects;

- Investment in fiber cement business expansion in Indonesia at Baht 981 million,
- Investment in fiber cement business at Saraburi for 3rd production line at Baht 266 million,
- Additional land purchases for future expansion at Baht 82 million,
- Investment in light-weight concrete products business at Baht 270 million

The remaining amount related to financing for normal operation.

Dividend

The Company declared Baht 15 per share dividend to shareholders out of the earnings for the year 2013 which was Baht 1 per share greater than for the year 2012. Dividend payout ratio for 2013 is 72 percent of consolidated financial statements which is much higher than the Company's dividend policy of 60 percent. The dividend amount of Baht 15 per share represented Baht 8 per share of interim and Baht 7 per share as final dividend.