

PART 3

Financial Statements and Operating Results

13. Financial Statements and Operating Results

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, 2014 and 2013 was expressed an unqualified opinion and 2012 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)

	2014		2013		2012	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	2,757	7%	3,173	9%	2,159	8%
Trade and other receivables	3,925	11%	3,944	12%	3,178	11%
Inventories	2,040	6%	1,967	6%	2,097	7%
Other current assets	331	1%	279	1%	241	1%
TOTAL CURRENT ASSETS	9,053	25%	9,363	28%	7,675	27%
NON-CURRENT ASSETS						
Investment in associated company	1,958	6%	1,797	5%	1,661	6%
Other investment in related company	155	1%	155	1%	155	1%
Property, plant and equipment	20,801	58%	18,860	56%	15,234	54%
Assets not used in operations	381	1%	394	1%	410	2%
Intangible assets	2,251	6%	1,975	6%	1,945	6%
Deferred tax assets	612	2%	533	2%	472	2%
Other non-current assets	306	1%	377	1%	450	2%
TOTAL NON-CURRENT ASSETS	26,464	75%	24,091	72%	20,327	73%
TOTAL ASSETS	35,517	100%	33,454	100%	28,002	100%

(B) Consolidated Statements of Financial Position (continued)

(Unit : Million Baht)

	2014		2013		2012	
	Amount	%	Amount	%	Amount	%
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES						
Short-term loans from related financial institutions	140	-	45	-	295	1%
Short-term loans from other financial institutions	151	-	-	-	9	-
Trade and other payables	2,674	8%	2,537	8%	2,190	8%
Current portion of long-term loans from related financial institution	335	1%	220	1%	35	-
Current portion of long-term loans from other financial institution	32	-	-	-	-	-
Current portion of long-term liabilities for concession	-	-	48	-	45	-
Current portion of debentures	-	-	-	-	3,999	14%
Income tax payable	499	2%	560	2%	109	-
Deferred revenue	758	2%	615	1%	553	2%
Accrued electricity	298	1%	583	2%	536	2%
Other accrued expenses	688	2%	730	2%	575	2%
Other current liabilities	356	1%	368	1%	175	1%
TOTAL CURRENT LIABILITIES	5,931	17%	5,706	17%	8,521	30%
NON-CURRENT LIABILITIES						
Long-term loans from related financial institution - net of current portion	1,008	3%	1,298	4%	732	3%
Long-term loans from other financial institution - net of current portion	444	1%	81	-	-	-
Long-term liabilities for concession - net of current portion	-	-	-	-	48	-
Debentures	5,990	17%	5,987	18%	-	-
Provision for long-term employee benefits	1,162	3%	1,064	3%	976	4%
Provision for site restoration and decommissioning costs	79	-	74	-	73	-
TOTAL NON-CURRENT LIABILITIES	8,683	24%	8,504	25%	1,829	7%
TOTAL LIABILITIES	14,614	41%	14,210	42%	10,350	37%

(B) Consolidated Statements of Financial Position (continued)

(Unit : Million Baht)

	2014		2013		2012	
	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	6%	2,300	7%	2,300	8%
Share premium	10,106	29%	10,106	30%	10,106	36%
Retained earnings						
Appropriated - statutory reserve	300	1%	300	1%	300	1%
Unappropriated	8,223	23%	6,590	20%	5,015	18%
Other components of shareholders' equity	(32)	-	(58)	-	(75)	-
Equity attributable to owners of the Company	20,897	59%	19,238	58%	17,646	63%
Non-controlling interests of the subsidiaries	6	-	6	-	6	-
TOTAL SHAREHOLDERS' EQUITY	20,903	59%	19,244	58%	17,652	63%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	35,517	100%	33,454	100%	28,002	100%

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

(Unit : Million Baht)

	2014		2013		2012	
	Amount	%	Amount	%	Amount	%
Revenues						
Net sales	31,862	100%	29,950	100%	26,427	99%
Dividend income	16	-	9	-	17	-
Gain on exchange	41	-	-	-	-	-
Other income	91	-	86	-	148	1%
Total Revenues	32,010	100%	30,045	100%	26,592	100%
Expenses						
Production cost of goods sold	17,598	55%	16,522	55%	15,273	57%
Selling and distribution expenses	6,696	21%	6,195	21%	5,718	22%
Administrative expenses	1,260	4%	1,237	4%	1,014	4%
Loss on exchange	-	-	121	-	1	-
Other expenses	-	-	-	-	227	1%
Total expenses	25,554	80%	24,075	80%	22,233	84%
Profit before share of profit from investments in associated companies, finance cost and income tax expenses	6,456	20%	5,970	20%	4,359	16%
Share of profit from investments in associated companies	227	1%	284	1%	368	1%
Profit before finance cost and income tax expenses	6,683	21%	6,254	21%	4,727	17%
Finance cost	(373)	(1%)	(305)	(1%)	(267)	(1%)
Profit before income tax expenses	6,310	20%	5,949	20%	4,460	16%
Income tax expenses	(1,228)	(4%)	(1,153)	(4%)	(823)	(2%)
Profit for the year	5,082	16%	4,796	16%	3,637	14%
Profit attributable to:						
Equity holders of the Company	5,082	16%	4,796	16%	3,635	14%
Non-controlling interests of the subsidiaries	-	-	-	-	2	-
	5,082	16%	4,796	16%	3,637	14%
Basic earnings per share						
Profit attributable to equity holders of the Company	22.10		20.85		15.81	
Weighted average number of ordinary shares (shares)	230,000		230,000		230,000	

(B) Consolidated Income Statements and Consolidated Statements of Comprehensive Income (continued) (Unit : Million Baht)

	2014	2013	2012
Profit for the year	5,082	4,796	3,637
Other comprehensive income:			
Exchange differences on translation of financial statements in foreign currency	5	2	(6)
Share of other comprehensive income of associated company	21	14	3
Change in fair value of cash flow hedges	-	-	1
Other comprehensive income for the year	5,108	4,812	3,635
Total comprehensive income for the year	5,108	4,812	3,635
Total comprehensive income attributable to:	5,108	4,812	3,633
Equity holders of the Company	-	-	2
Non-controlling interests of the subsidiaries	5,108	4,812	3,635

(B) Consolidated Statements of Cash Flows

(Unit : Million Baht)

	2014		2013		2012	
	Amount	%	Amount	%	Amount	%
Cash flows from operating activities						
Profit before tax	6,310	100%	5,949	100%	4,460	100%
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:						
Share of profit from investment in associated companies	(228)	(4%)	(284)	(5%)	(369)	(8%)
Dividend income	(16)	-	(9)	-	(17)	-
Allowance for diminution in value of other investment in related company	-	-	-	-	227	5%
Depreciation and amortization	1,253	20%	1,166	20%	1,149	26%
Increase (decrease) in allowance for doubtful accounts and reduction of inventory to net realisable value	28	-	(15)	-	(43)	(1%)
Increase (decrease) in allowance for impairment loss on assets not used in operation	(16)	-	27	-	(18)	-
Loss on disposals/write-off of property, plant and equipment and assets not used in operation	162	3%	98	2%	35	1%
Provision for long-term employee benefits and other provisions	131	2%	233	4%	176	4%
Unrealised loss (gain) on exchange	6	-	78	1%	6	-
Interest income	(78)	(1%)	(87)	(2%)	(68)	(2%)
Interest expenses	337	5%	249	4%	210	5%
Profit from operating activities before changes in operating assets and liabilities	7,889	125%	7,405	124%	5,748	130%
Operating assets (increase) decrease :						
Trade and other receivables	28	-	(757)	(12%)	(755)	(17%)
Inventories	(108)	(2%)	143	3%	299	7%
Other current assets	(50)	(1%)	(158)	(3%)	(54)	(1%)
Other non-current assets	72	1%	67	1%	(240)	(5%)
Operating liabilities increase (decrease) :						
Trade and other payables	140	2%	343	6%	322	7%
Accrued expenses and other current liabilities	(306)	(5%)	375	6%	214	5%
Provision for long-term employee benefits	(27)	-	(27)	(1%)	(27)	-
Provision for site restoration	(3)	-	(2)	-	(28)	(1%)
Cash from operating activities	7,635	120%	7,389	124%	5,479	125%
Cash received from interest income	78	2%	87	2%	66	1%
Cash paid for interest expenses	(335)	(5%)	(242)	(4%)	(205)	(5%)
Cash paid for corporate income tax	(1,369)	(22%)	(762)	(13%)	(1,089)	(24%)
Net cash from operating activities	6,009	95%	6,472	109%	4,251	97%

(B) Consolidated Statements of Cash Flows (continued)

(Unit : Million Baht)

	2014		2013		2012	
	Amount	%	Amount	%	Amount	%
Cash flows from investing activities						
Proceeds from disposal of property, plant and equipment and assets not used in operation	39	1%	46	1%	163	4%
Proceeds from disposals of intangible assets	3	-	-	-	-	-
Acquisitions of property, plant and equipment	(3,320)	(53%)	(4,970)	(84%)	(1,895)	(43%)
Increase in investment in associated company	(94)	(1%)	-	-	-	-
Increase in intangible assets	(233)	(4%)	(70)	(1%)	(85)	(2%)
Decrease (increase) in other non-current assets	(1)	-	6	-	(32)	(1%)
Dividend received	197	3%	171	3%	254	6%
Net cash used in investing activities	(3,409)	(54%)	(4,817)	(81%)	(1,595)	(36%)
Cash flows from financing activities						
Increase (decrease) in short-term loans from related financial institution	95	2%	(250)	(4%)	135	3%
Increase (decrease) in short-term loans from other financial institutions	151	2%	(9)	-	-	-
Increase in long-term loans from related financial institution	46	1%	803	13%	487	11%
Increase in long-term loans from other financial institution	395	6%	81	1%	-	-
Repayment of long-term loans from related financial institution	(220)	(3%)	(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	(48)	(1%)	(45)	(1%)	(42)	(1%)
Dividend paid	(3,450)	(55%)	(3,220)	(54%)	(2,990)	(67%)
Net cash used in financing activities	(3,031)	(48%)	(707)	(12%)	(2,410)	(54%)
Increase (decrease) in translation adjustments	16	-	64	1%	(6)	-
Net increase (decrease) in cash and cash equivalents	(415)	(7%)	1,012	17%	240	7%
Cash and cash equivalents at beginning of year	3,173	50%	2,159	36%	1,921	43%
Effect of change in foreign exchange rate on cash at banks	(1)	-	2	-	(2)	-
Cash and cash equivalents at end of year	2,757	43%	3,173	53%	2,159	50%

Supplemental disclosures of cash flows information :

Non-cash related transactions :

Increase in property, plant and equipment from decommissioning costs	7	-	-
Transferred property, plant and equipment to intangible assets	1	-	-
Increase in account payable from purchases of intangible assets	96	-	160

(C) Financial Ratio of Siam City Cement Public Company Limited and its subsidiaries

		2014	2013	2012
Unit				
Liquidity ratios				
Current ratio	Times	1.53	1.64	0.90
Quick ratio	Times	1.13	1.25	0.63
Cash flows from operating activities to current liabilities ratio	Times	1.03	0.91	0.66
Accounts receivable turnover	Times	8.32	8.64	9.80
Days receivable outstanding	Days	43	42	37
Inventory turnover	Times	8.78	8.13	6.80
Days inventory outstanding	Days	41	44	53
Accounts payable turnover	Times	6.98	7.25	7.79
Days payable outstanding	Days	52	50	46
Profitability ratios				
Gross profit margin	%	45	45	42
Operating profit margin	%	20	20	17
Cash flows from operating activities on net income margin	%	118	135	117
Net income margin	%	16	16	14
Return on shareholders' equity	%	25	26	21
Efficiency ratios				
Return on assets	%	19	20	17
Return on fixed assets	%	40	43	39
Total assets turnover	Times	0.93	0.98	0.98
Financial policy ratios				
Debt - to - equity ratio	Times	0.70	0.74	0.59
Interest coverage ratio	Times	19.83	25.12	22.51
Cash flows from operating activities to capital expenditure ratio	Times	0.91	1.14	0.98

14. Management Discussion and Analysis (MD&A)

Analysis of Financial Performance

(Unit : Million Baht)

As of December 31				
	2014	2013	+/-	+/- (%)
Revenues				
Net sales	31,862	29,950	1,912	6%
Dividend Income	16	9	7	78%
Gain on exchange	41	-	41	100%
Other income	91	86	5	6%
Total Revenues	32,010	30,045	1,965	7%

Revenues

Total net sales posted a 6 percent growth from the year 2013 which was principally derived by placing higher volumes into export markets while expanding key building material businesses domestically. However, the positive factors to sales such as pricing were partially offset by a decrease in domestic cement volumes.

Ready-mix and Mortar revenue posted better performance by Baht 664 million and Baht 47 million, respectively, as a result of back log orders and better selling prices. The sales revenue improvement was also achieved through increased production capacity, especially with the Kiln 1 reactivation in 2013, the No. of Ready-Mix concrete plants standing at 92 plants in 2014 (2013: 80 plants) and the new production line of Fiber cement business in Indonesia. However, intense competition has led to a slight drop in sales of Fiber cement and Light-weight block revenues in this year.

Expenses

(Unit : Million Baht)

As of December 31				
	2014	2013	+/-	+/- (%)
Expenses				
Production cost of goods sold	17,598	16,522	1,076	7%
Selling and distribution expenses	6,696	6,195	501	8%
Administrative expenses	1,260	1,237	23	2%
Loss on exchange	-	121	(121)	(100%)
Total expenses	25,554	24,075	1,479	6%

Production of cost of goods sold has increased by 7 percent from the previous year which was broadly in line with higher volumes, the same trend as sales except for certain cost escalation from electricity and wages inflation. The reactivation of Kiln 1 and the new plant expansion of building materials business of subsidiaries were the key factors for cost growth as well as sales in this year. Further, the Company has been affected by a higher electricity tariff rate at an increase of 28 percent or 0.15 Baht per unit). Key energy savings initiatives and a decline in coal prices have somewhat cushioned the negative effect, thus providing a constant gross profit margin of 45 percent.

Selling, distribution and administrative expenses have increased to support business expansion as reflected in the net sales of 2014, especially transportation to support bulk segment and packing material expenses for bag quality in the cement business. Other increases were attributable to higher promotion and marketing expenses to emphasize customer value proposition and relationship. The Company also spent on specific marketing research and sales planning for Fiber cement business to build the market in Indonesia. Lastly, competitive salary adjustments and bonus rates also resulted in higher expenses when compared with the prior year.

Loss on exchange represented the unrealized translation impact in 2013 due to the rapid appreciation of USD currency against IDR currency which affected the revaluation of the loan outstanding at year-end 2013, but in 2014 the Company presented a **gain on exchange** rate under other income.

The Company's net profit after non-controlling interests of the subsidiaries reached Baht 5,082 million in 2014 with an improvement of 5.96 percent, compared to Baht 4,796 million in the previous year due to the increase of operating EBITDA.

Analysis of Financial Position

	Unit	2014	2013
Accounts receivable turnover	Times	8.32	8.64
Days receivable outstanding	Days	43	42
Inventory turnover	Times	8.78	8
Days inventory outstanding	Days	41	44
Accounts payable turnover	Times	6.98	7
Days payable outstanding	Days	52	50

Net Working Capital

Overall, the Company has achieved efficient cash cycle management and better liquidity as it has a longer period of payable and higher turnover in inventory sold. Accounts receivable turnover was slightly decreased with the increase in credit sales at year end resulting in the increase of day receivable outstanding from 42 days to 43 days. However, the Company was able to maintain the effectiveness in credit as well as debt collecting management. The Company has been able to reduce stock carrying by 3 days with good plant shutdown management and sales operational planning. Accounts payable turnover slightly dropped resulting in a higher number of days payable outstanding by 2 days as the Company effectively paid off its creditors within the granted terms.

Investments

(Unit : Million Baht)

	As of December 31			
	2014	2013	+/-	+/- (%)
Property, plant and equipment	20,801	18,860	1,941	10%
Intangible assets	2,251	1,975	276	14%
Other non-current assets	306	377	(71)	(19%)

Property, plant and equipment represented 58 percent of the total assets, and registered an increase of Baht 1,941 million or 10 percent which was due to the acquisition of property, plant and equipment totaling Baht 3,277 million offset by Baht 1,336 million of depreciation and transferred out and disposal of assets during 2014.

Key investments in 2014 are in respect of the followings:

- A new Insee Poon Keaw separate grinding plant, purchase, replacement and modification for Kiln 5 and Kiln 6 amounting to Baht 562 million;
- A new dry mortar plant (line 3), part of the cost amounting to Baht 355 million;
- Installation of new clinker station and biomass feeding system as well as purchase of Kiln support roller for Kiln 3 and Kiln 4 amounting to Baht 338 million;
- A portion of the investment for the Fiber cement business expansion in Indonesia amounting to Baht 324 million;
- Implementation of in-plant IT system for logistics and dispatch capacity expansion amounting to Baht 302 million;
- Investment in new Aggregate business expansion at Chonburi and Ratchburi, totaling Baht 286 million; and
- Investment in new Ready-mix concrete plants for business expansion amounting to Baht 255 million.

Further investments were noted in alternative fuel transfer station, Kiln 1 reactivation and Light-weight concrete product's capacity expansion at Singburi and Rachburi.

Intangible assets have been increased due to the renewal of concession license and forestry permit at Suphanburi and Saraburi in connection with the Company's quarry activities to secure resources for the Company's operations. Software cost significantly increased for the new IT project and its licenses acquired in the year.

Other non-current assets were decreased by Baht 71 million which was mainly due to recovery of the advance payments to suppliers for raw material purchases.

Funding

The Company has healthy cash in hand at the year end to meet operational requirements and major investments. In addition, the Company has secured the following long-term fund sources to finance long term investments:

Outstanding debentures consisting of 2 sets of unsubordinated, unsecured and no discount debentures with a name-registered debenture certificate issued on 14 June 2013 totaling Baht 6 million as follows:

- Debenture amounting to Baht 4,000 million and will be due in 2017; and
- Debenture amounting to Baht 2,000 million and will be due in 2020.

Loans from financial institution amounting to Baht 2,110 million was for financing of the following long-term projects:

- Investment in Fiber cement business expansion in Indonesia at Baht 1,285 million;
- Investment in Light-weight concrete products business and expansion of production capacity at Singburi Baht 291 million;
- Investment in Fiber cement business at Saraburi for 3rd production line at Baht 197 million; and
- Investment in Fiber cement business at Saraburi for land purchase for 4th production line at Baht 46 million.

The remaining amount was related to financing for normal operation.

Dividend

The Company proposed Baht 15 per share dividend to the shareholders out of the earnings for the year 2014 which amount was not changed from the previous year. Dividend payout ratio for 2014 is 68 percent of the consolidated financial statements which is 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 which was already paid and Baht 7 per share as final dividend to be paid after the approval at Annual General Meeting of shareholders to be held in April 2015.