

Part 3

Financial status and operation result

13. Important financial data

A) Independent Auditor's Report

To the Shareholders of Siam Food Products Public Company Limited

Opinion

I have audited the consolidated and separate financial statements of Siam Food Products Public Company Limited and its subsidiaries (the “Group”) and of Siam Food Products Public Company Limited (the “Company”), respectively, which comprise the consolidated and separate statements of financial position as at 30 September 2019, the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group and the Company, respectively, as at 30 September 2019 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of my report. I am independent of the Group and the Company in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that is relevant to my audit of the consolidated and separate financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the consolidated and separate financial statement of the current period. These matters were addressed in the context of my audit of the consolidated and separate financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Recognition of deferred tax assets	
Refer to notes 3 (v) and 25 to the financial statements	
The key audit matter	How the matter was addressed in the audit
The Company have recognised deferred tax assets arising from unutilised tax losses carried forward. The recoverability of the deferred tax asset is dependent on future taxable profits and the ability to utilise those losses in the future prior to the expiry of tax losses. Because the consideration of the forecast of future taxable profits and assessing the ability to utilise those tax losses involved a significant level of judgment in determining the key assumptions of management. This area was focused on my audit accordingly.	My audit procedures included: ● understanding the basis of forecasting future taxable profit; ● assessing the reasonableness of the key assumptions use by management in the forecast of future taxable profit by considering with the internal and external sources of information, and considering the operation plan approved by management by comparing to the actual and the historical operating results and assessed the sensitivity of the outcomes to reasonably possible changes in assumptions, including of calculation testing the future taxable profits; ● evaluating the adequacy of the disclosure in accordance with Thai Financial Reporting Standards.

Valuation of investments in subsidiaries and property, plant and equipment of the Group	
Refer to notes 3 (h), 3 (j), 11 and 13 to the financial statements	
The key audit matter	How the matter was addressed in the audit
The Group and the Company have the operating loss and the subsidiaries incurred cumulative losses for many years. This indicate that investments in subsidiaries and the Group's property, plant and equipment may be impair. The management considers the impairment at the reporting period by the estimated recoverable amount was based on its value in use, determined by discounting future cash flows from its operations. Because the projection of cash flows involved a significant level of judgment in determining the key assumptions of management. This area was focused on my audit accordingly.	My audit procedures included: ● understanding the process of identifying and considering the assessment of impairment on investments in subsidiaries and property, plant and equipment; ● assessing the reasonableness of the key assumptions use by management in the forecast of future profit and cash flows projection by considering with the internal and external sources of information and considering the operation plan approved by management by comparing to the actual and the historical operating results, also consulted with valuation specialist relating to financial methodologies used in the calculating the estimates and discount rate; ● Understanding the process and valuation methods of land and buildings, assessing the independence, competency, professional qualifications and experience of the external expert, including using the work of expert engaged by KPMG in evaluation methodologies and key assumptions of the valuation; ● evaluating the sensitivity of key assumptions used in future cash flows projection which affect to the

	recoverable amount of cash-generating unit; ● evaluating the adequacy of the disclosure in accordance with Thai Financial Reporting Standards.
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Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and separate financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the consolidated and separate financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated and separate financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the correction be made.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with TFRSs, and for such internal control as management determines is necessary

to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

(Ekkasit Chuthamsatid)

Certified Public Accountant

Registration No. 4195

KPMG Phoomchai Audit Ltd.

Bangkok

26 November 2019

B) Schedule of financial statement summary (Consolidated financial statement)

(Unit : 1,000 Baht)

	Consolidated Financial Statements					
	2019 (12 months)		2018 (12 months)		2017 (12 months)	
	Amount	%	Amount	%	Amount	%
Total Assets	1,998,220	100	2,766,354	100	2,815,110	100
Total Liabilities	276,052	13.81	386,480	13.97	390,908	13.89
Shareholders' Equity	1,722,169	86.19	2,379,874	86.03	2,424,202	86.11
Total Revenues	1,972,011	100	2,430,762	100	3,586,182	100
Revenues from sale	1,917,809	97.25	2,376,064	97.75	3,510,528	97.89
Gross Profit (loss)	(315,963)	(16.48)	166,258	6.84	462,135	13.16
Net Profit (loss)	(467,060)	(23.68)	168,977	6.95	384,550	10.72
Net cash from (used in) operating activities	(279,859)		(10,432)		501,443	
Net cash from (used in) investing activities	190,443		(110,826)		246,656	
Net cash from (used in) financing activities	(271,308)		(111,078)		(325,588)	
Net increase (decrease) in cash and cash equivalents	(360,731)		(232,334)		422,511	

C) The important financial ratio reflects the financial status and operation result.

Financial Ratio	Unit	Consolidated Financial Statements		
		2019 (12 months)	2018 (12 months)	2017 (9 months)
Liquidity Ratios				
Current Ratio	Times	5.46	5.11	4.95
Quick Ratio	Times	2.84	3.40	3.61
Avg.Collection Period	Days	25.73	24.68	17.42
Avg.No.Days Inventory In Stock	Days	71.21	70.36	44.03
Profitability Ratios				
Gross Profit (Loss) Margin	%	(16.48)	7.00	13.16
Net Profit (Loss) Margin	%	(23.68)	6.95	10.72
Earning (Per)Share	Baht	(22.24)	8.05	18.31
Price earnings Ratio	Times	(8.63)	23.86	12.23
Assets Management Ratios				
Return On Equity (ROE)	%	(27.12)	7.10	15.86
Return On Total Asset (ROA)	%	(23.37)	6.11	13.66
Return On Total Fixed Asset	%	(78.99)	28.13	60.13
Total Assets Turnover	Times	0.81	0.85	1.25
Leverage Ratios				
Debt To Total Assets	Times	0.14	0.14	0.14
Debt To Equity (D/E)	Times	0.16	0.16	0.16

14. ANALYSIS OF FINANCIAL STATUS AND OPERATING PERFORMANCE

The consolidated Income Statements for the year ended September 30, 2019, the company earned the total income of Baht 1,972.01 million, net loss from the operation in amount of Baht 537.07 million. Upon combination with the profit share from the associated company in amount of Baht 70.01 million, the company earned the net loss of total Baht 467.06 million, while in the same period ended September 30, 2018, the company earned the total income of Baht 2,430.76 million, net loss from the operation in amount of Baht 36.57 million, upon combination with the profit share from the associated company in amount of Baht 205.55 million, the company earned the net profit of total Baht 168.98 million, change in net profit decreasing by Baht 636.04 million or 376.40%.

Analysis of Income Statements for the year ended September 30, 2019 (The audited Consolidated Financial Statements)

1) Revenue from sale amount of Baht 1,917.81 million, a decreased by Baht 458.25 million or 19.29%. Because the volume of products had sold according to the decreasing of raw material and the US dollar had been weaker.

The ratio of cost of goods sold and sales for the year 2019 was 116% while the same period of the previous year equal to 93%. Because:

1.1) Fruit cost was higher than while in the same period 32% which effected from the dry weather, a shortage of fresh pineapple and selling price of world market decreased because foreign buyers have a lot of stock and as overseas customers switched to buying from Thailand's competitors of the lower cost.

1.2) Due to a shortage of fresh pineapple fruit, production volume decreased by 25%, this resulted in a higher cost per unit.

2) The company had a gain on changes in fair value of biological assets of Baht 14.92 million in the year 2019 which effected from the company has adopted TAS 41: Agriculture start from 1 January 2016 because fruit cost from farmers as at September 30, 2019, has increased which was higher than our plantation cost. While the same period of the previous year the company had a loss on changes in the fair value of biological assets of Baht 63.28 million.

3) Idle capacity cost of the company increased by Baht 31.03 million from shortage of fresh pineapple, production was lower normal capacity.

4) The company had profit on the exchange rate of Baht 1.34 million in the year 2019 while the same period of the previous year had profit on exchange rate Baht 2.45 million.

5) About the operation result of the associated company; Eastern Seaboard Industrial (Rayong) Co., Ltd. Therefore, the company recognized profit sharing according to the equity method in Statement of Income of the company in amount of Baht 70.01 million, decreasing from the previous year Baht 135.54 million or 65.94 %due to last year had gained from the sale of assets to property fund.

As at 30 September 2019, the consolidated statement of financial position had a Debt to Equity Ratio at 0.16 equal to as at 30 September 2018.

Financial Status

As at 30 September 2019, the company's statements of financial position presents total assets of Baht 1,998.22 million, decreased of Baht 768.13 million from balance as at 30 September 2018 or 27.77%. The details of changes in assets and liabilities are as follows.

Assets

- Cash and cash equivalents an decreased Baht 360.73 million.
- Current investment decreased Baht 177.47 million.
- Investment in an associate decreased Baht 116.31 million
- Inventories decreased Baht 59.50 million.
- Deferred tax assets decreased Baht 32.28 million.
- Equity securities available-for-sale decreased Baht 14.87 million.
- Account receivable decreased Baht 12.85 million.
- Other receivables decreased Baht 10.24 million.
- Property, plant and equipment decreased Baht 9.41 million.
- Biological assets increased Baht 31.92 million.

Liabilities The company's total liabilities were Baht 276.05 million, an decreased by Baht 110.43 as at 30 September 2018 million from the previous year or 28.57%. The main transactions were decreased in Short-term loan from associate decreased Baht 100.00 million, Other payables decreased Baht 20.18 million, Account payable decreased Baht 15.46,employee benefit increased Baht 22.73 million and Advances received from sale of goods increased Baht 1.16 million.

The Shareholders' Equity In 2019, the balance was Baht 1,722.17 million, decreased by Baht 657.70 million from balance as at 30 September 2018 or 27.64%, Dividends paid Baht 168 million, net loss from operating for year 2019 amount Baht 467.06 million and decreased in other comprehensive income Baht 22.65 million.

Statement of Cash Flow

The statement of cash flow for year ended 30 September 2019 shows that the company had cash and cash equivalents decreased from balance as at September 30, 2018 by Baht 360.72 million. The cash flow was separated from each activity as the following :

1. Net cash flow used in operating activities in the amount of Baht (279.86) million, there were main activities as the following :

- Cash used in operation.	(268.24)	Million Baht
- Cash used in other payables	(20.47)	Million Baht
Cash used in account payable	(15.46)	Million Baht
- Cash used in employee benefit.	(10.66)	Million Baht
- Cash received from trade accounts receivable.	12.18	Million Baht
- Cash received from other receivables	10.77	Million Baht
- Cash received from inventories.	5.67	Million Baht
- Cash received from other current assets	2.52	Million Baht

2. Net cash flow received from investing activities in the amount of Baht 190.44 million, there were main activities as the following :

- Cash received from other debt securities.	175.00	Million Baht
- Cash received from dividend from associated company.	117.47	Million Baht
-Cash received from reduction in ordinary shares of associate	80.00	Million Baht
- Cash received from Interest .	7.88	Million Baht
- Cash used for increasing crop of biological assets.	(145.55)	Million Baht
- Cash used in purchases of property, plant and equipment.	(44.50)	Million Baht

3. Net cash flow used in financing activities in the amount of Baht (271.31) million ,there were main activities as the following :

- Dividend paid.	(168.00)	Million Baht
- Repayment of short-term loan from associate.	(100.00)	Million Baht
-Payment by a lessee for reduction of the outstanding liability relating to a finance lease.	(1.72)	Million Baht
-Interest paid.	(1.58)	Million Baht