

13. Financial Information

The corporate accounting period begins on November 1 and ends on October 31 of every year.

13.1) Report of Independent Auditor

1) Auditor

Year 2014	Miss Wimolporn Boonyusthian, Certified Public Accountant, Registration No. 4067, Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd.
Year 2015	Miss Wimolporn Boonyusthian, Certified Public Accountant, Registration No. 4067, Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd.
Year 2016	Mr. Niti Jungnitnirundr, Certified Public Accountant, Registration No. 3809, Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd.

2) Summary of the audit reports over the past three years

Year 2014	The Auditor reviewed corporate financial statements and issued unconditional opinions.
Year 2015	The Auditor reviewed corporate financial statements and issued unconditional opinions.
Year 2016	The Auditor reviewed corporate financial statements and issued unconditional opinions.

Note : for the year ended October 31, 2016, Khon Kaen Sugar Industry Public Company Limited and its subsidiaries have changed their accounting policies for investment property and assets not used in operation for land from cost method to fair value method and have adopted Thai Financial Reporting Standards No. 10 "Consolidated Financial Statements" and Thai Financial Reporting Standards No. 13 "Fair Value Measurement" for the first time. The corresponding figures thus have been retrospectively restated to be in accordance with those new accounting policies.

13.2) Percentage of Shareholding in the Subsidiaries and Consolidated Financial Statements Preparation Criteria

The financial statements for 2014, 2015 and 2016 include a total of 14 subsidiaries

Table 13.1: Percentage of Direct and Indirect Corporate Shareholding

	% of Shareholding		
	2014	2015	2016
Tamaka Sugar Industry Company Limited	90.21	90.21	90.21
New Krung Thai Sugar Factory Company Limited	95.78	95.78	95.78
New Kwang Soon Lee Sugar Factory Company Limited	98.61	98.61	98.61
KSL Real Estate Company Limited*	91.02	91.02	91.02
KSL Export Trading Company Limited**	79.55	79.55	79.55
KSL Material Supplies Company Limited	100.00	100.00	100.00
Khon Kaen Sugar Power Plant Company Limited	100.00	100.00	100.00
KSL Green Innovation Public Company Limited***	100.00	100.00	100.00
KSL Agro and Trading Company Limited	100.00	100.00	100.00
WSP Logistic Company Limited****			
Savannakhet Sugar Corporation	98.49	98.49	98.49
Koh Kong Plantation Company Limited*****	80.00	80.00	80.00
Koh Kong Sugar Industry Company Limited	80.00	80.00	80.00
Wynn In Trading Company Limited	100.00	100.00	100.00

NOTE:

* The Company hold shares indirectly through Tamaka Sugar Industry Company Limited

** The Company holds shares indirectly through New Krung Thai Sugar Factory Company Limited, Tamaka Sugar Industry Company Limited and New Kwang Soon Lee Sugar Factory Company Limited.

*** KSL Green Innovation Public Company Limited, formerly name Khon Kaen Alcohol Company Limited.

*** WSP Logistic Company Limited, established in year 2016, currently still does not operate, the company objective is to provide logistics services.

**** The Company holds shares indirectly through Wynn In Trading Company Limited.

The Company previously consolidated Thai Sugar Terminal Public Company Limited and its subsidiaries ("TSTE Group") because the Company and TSTE Group had mutual certain key management personnel. However, the Company's management have reassessed the principle of control in accordance with Thai Financial Reporting Standards No. 10 "Consolidated Financial Statements", and believe that having mutual key management personnel has not caused the Company to have control but only have significant influence over TSTE Group since the date of the Company has become involved with TSTE Group. Consequently, TSTE Group is classified as associate which is no longer consolidated in preparation of the Company's consolidated financial statements.

13.3) Profit and Loss Statement

In 2016, the company generated the revenues from operations of THB 16,911 million, in total, decreasing from that in the previous year by 3%. The revenue from sales amounted to THB 16,744 million and the revenue from services amounted to THB 167 million. Regarding the increase in world sugar price in 2016, the export sugar price increased by 7-15% but the company had sales

volume, dropped by 8% from lower sugar cane volume. In addition, the revenue from ethanol sales and electrical sales decreased. As a result, revenue from operations, in total, decreased from that in the previous year by 3%.

The company recorded the total cost of THB 13,279 million, decreased by 4% from previous year. The gross profit decreased by 2% from THB 3,692 million to THB 3,632 million.

Other incomes in 2016 amounted to THB 1,422 million, compared to THB 523 million in 2015. The increases came from, as followings:

	<u>2015</u>	<u>2016</u>
(1) Gain from asset sales	21 million	1 million
(2) Gain on fair value adjustments of investment property	1,138 million	20 million
(3) Gain (Loss) from exchange rate	37 million	-139 million
(4) Gain (Loss) from derivatives	27 million	171 million
(5) Revenue from Compensation for sugar production	- million	197 million
(6) Other incomes	275 million	273 million
(7) Asset Impairment	-76 million	- million
Total	1,422 million	523 million

As a result, the company had the profit before the selling and administrative expenses THB 5,055 million, increased by 20%, compared to previous year.

Regarding the selling and administrative expenses

- (1) The company incurred selling expenses totaled THB 542 million, decreasing by 12% due to decrease in export volume.
- (2) Administrative expenses totaled THB 758 million, increasing by 15% which caused by allowance for farmer bad debt THB 55 million and impairment of obsolete supplies of THB 28 million.
- (3) Fee paid to Sugar Fund, THB 1,150 million, dropped from previous year at THB 1,157 million.

Subsequently, the company had the profit before financial cost and tax expenses totaled THB 2,464 million, increasing by 50 %.

In 2016, the company incurred financial cost of THB 710 million, a decrease by 13%. The corporate income tax burden amounts to THB 371 million. After deduction of THB 14 million, minority interests, the company's net profit increased by 66% from the previous year, from THB 862 million to THB 1,426 million in 2016.

Table 13.2 : Consolidated Profit and Loss in the past 3 years

Income Statement Highlight (Million THB)	2016	2015 Restate	% Change	2014 Restate
Sales and Services	16,911	17,475	-3%	19,185
Cost of Sales and Services	(13,279)	(13,783)	-4%	(14,358)
Gross Profit from Sales and Services	3,632	3,692	-2%	4,827
Other Incomes	1,422	523	172%	447
Gross Profit before SG&A	5,055	4,216	20%	5,274
Selling Expenses	(542)	(618)	-12%	(623)
Administration Expenses	(758)	(659)	15%	(727)
Management Remuneration	(141)	(140)	1%	(193)
Proceeds to Fund	(1,150)	(1,157)	-1%	(992)
Total Cost	(2,591)	(2,575)	1%	(2,534)
Profit before financial cost and tax	2,464	1,641	50%	2,740
Financial cost	(710)	(817)	-13%	(834)
Share of Profit of Associated Company	57	55		(11)
Corporate Income Tax	(371)	(39)	848%	(109)
Non-Controlling interest	(14)	22		(159)
Net Profit	1,426	862	66%	1,626
EPS	0.32	0.21	50%	0.48
Gross Margin from Sales and Services	21.5%	21.1%		25.2%
Net Profit Margin	8.4%	4.9%		8.5%

Note : The income statement of 2015 and 2016 recorded TSTE Group as associates. The income statement of 2014 recorded TSTE Group as subsidiaries. Regarding EPS, for comparison purpose, the share volumes in 2014 were calculated by using par at 0.5 THB per share.

With reference to the company's revenue structure, the total revenues from operations were THB 16,911 million. The company had revenues from sales of sugar and molasses amounted to THB 13,564 million, accounting for 82% of the total revenue. Revenues from sales of ethanol and gasoline totaled THB 2,023 million, representing 12% of the total revenue. Electricity sales, which the corporate power generation facilities had distributed to Grid (EGAT & PEA), amounted to THB 808 million, accounting for 5% of the total revenue. Revenues from sales of fertilizer totaled THB 5 million. Revenues from service amounted to THB 167 million, and other revenues amounted to THB 13 million. The rest of the revenues were generated from trading amounted to THB 331 million.

Table 13.3 : Consolidated Revenue Structure in the past 3 years

Revenue Structure (Million THB)	2016	2015 Restate	% Change	2014 Restate
Sales and Services				
Sugar Sales	13,084 79%	12,933 76%	1%	13,154
Molasse Sales	326 2%	330 2%	-1%	190
Other Income from sugar & molasses	154 1%	113 1%	36%	136
Electric Sales	808 5%	1,011 6%	-20%	1,141
Ethanol and Benzene Sales	2,023 12%	2,510 15%	-19%	2,391
Fertilizer Sales	5 0%	17 0%	-70%	28
Wheat Flour, Palm oil and Sacks	0 0%	0 0%		1,161
Services	167 1%	156 1%	7%	466
Others	13 0%	18 0%	-27%	16
Total	16,580 100%	17,090 100%	-3%	18,683
Trading Activities				
Sales of fuels	186 56%	298 77%	-38%	377
Sales of fertilizer	118 36%	64 17%	84%	73
Sales of Supplies	26 8%	23 6%	13%	53
Total	331 100%	386 100%	-14%	502

Note : The revenue structure of 2015 and 2016 recorded TSTE Group as associates. The revenue structure of 2014 recorded TSTE Group as subsidiaries.

13.4) Statement of Financial Position of the Company and its Subsidiaries

Table 13.4 : A Summary of the Consolidated Statement of Financial Position in the past 3 years

Statement of Financial Position Highlight (Million THB)	2016	2015 Restate	% Change	2014 Restate
Cash & Short Term Investments	85	175	-51%	168
Trade and Other receivables	1,407	2,119	-34%	1,969
Short-Term Loans	1,273	1,097	16%	1,234
Inventories	2,552	3,394	-25%	3,992
Other Current Assets	85	92	-7%	94
Investment in an associate	387	357	8%	295
Other long-term investments	371	374	-1%	369
long-term loans	358	480	-25%	445
Deferred cane plantation costs	407	518	-21%	543
Investment property	4,496	3,355	34%	3,141
Property, plant and equipment	26,029	24,758	5%	25,183
Other non-current assets	925	800	16%	697
Total Assets	38,375	37,517	2%	38,131
Current liabilities	10,591	8,028	32%	13,649
Non-Current liabilities	11,134	15,047	-26%	10,683
Total Liabilities	21,724	23,075	-6%	24,332
Total Shareholders' Equity	16,650	14,442	15%	13,799
D/E Ratio	1.30	1.60		1.76
IBD/E Ratio	1.13	1.47		1.55

In 2016, the company and its subsidiaries had the total assets of THB 38,375 million, 2% increased from the total assets of previous year of THB 37,517 million. Total liabilities decreased by 6% from THB 23,075 million in 2015 to THB 21,724 million in 2016 which affected total debt to equity ratio decreased from 1.60 in 2015 to 1.30 in 2016 and interest-bearing debt to equity ratio also decreased from 1.47 in 2015 to 1.13 in 2016. The accounts that changed significantly are as follow;

(1) Trade and other receivables decreased by 34% from 2015, since the company received the revenue compensation for sugar production and the revenue compensation for the payment of the provisional sugarcane price more than final sugarcane price. As a result, the sugarcane and sugar fund had the obligation to pay the amount back to the company in total THB 652 million. In 2016, the company had received these full amount of payment.

(2) 15% increase in Short term loans due to that the company bought back post date check from the farmer, higher than those of previous year

(3) Inventories decreased by 25% from the reduction of goods storage in warehouses (sugar, ethanol, organic fertilizer), compared to the amount of year 2015.

(4) 34% increase in Investment property from the appraisal in higher value of the asset.

(5) Property, plant and equipments increased by 5%, from higher appraisal value of land and the investment in the expansion project of sugar mill and powerplant in Wangsapung, Loey.

(6) Other non-current assets increased by 16%, from higher appraisal value of land in assets not yet used in operation.

(7) Current liabilities increased by 32% while non-current liabilities decreased by 26% due to the portion of long-term debt which will be due within 1 year in 2016 with the amount of THB 5,011 million, higher than the current portion in 2015 of THB 2,512 million.

(8) The total liabilities decreased by 6% from THB 23,075 million to THB 21,724 million due to debt repayment. As a result, the debt to equity ratio reduced from 1.60 to 1.30 in 2016 and interest bearing debt ratio reduced from 1.47 to 1.13 in 2016.

13.5) Cash Flow Statement

Table 13.5 : Cash Flow Statements of the Company in the past 3 years

Cash Flow Highlight (Million THB)	2016	2015 Restate	% Change	2014 Restate
Net Profit + Depre + Non Cash	2,428	2,785	-13%	3,875
Change in Working Capital	1,585	(1,319)		(2,278)
<i>from Operating Activities</i>	4,012	1,466	174%	1,598
Invest in PP&E	(1,282)	(573)	124%	(2,638)
<i>from Investing Activities</i>	(1,320)	(552)	139%	(3,195)
<i>from Financing Activities</i>	(2,797)	(782)	258%	1,708
Change in Cash Flow	(86)	0		57
Ending Cash	82	168		256
Depreciation	1,118	1,139	-2%	1,131

Note : The cash flow statement of 2015 and 2016 recorded TSTE Group as associates. The statement of 2014 recorded TSTE Group as subsidiaries.

In 2016, the company and its subsidiaries received cash flows from their operations before change in working capital totaled THB 2,428 million, a 13% decreased from year 2015 due to the decrease from the ethanol and power plant operations, while in 2016, the company had better control in working capital, less receivables and less inventories. As a result in 2016, the company and its subsidiaries have THB 4,012 million of cash flow from operating activities or increased by 174%.

Regarding the cash flows from investing activities, the company and its subsidiaries had cash paid in (net) totaled THB 1,320 million, of which THB 1,282 million was mainly invested in properties, plants and equipment (net) mainly from the expansion project of sugar mill and powerplant in Wangsapung, Loey.

Regarding financing activities in 2016, the company and its subsidiaries paid the net cash of THB 2,797 million, mainly from debt repayment.

13.6) Financial Ratios**Table 13.6 : Financial Ratios**

Financial Ratios (Million THB)	2016	2015 Restate	2014 Restate
Short term liquidity ratios			
Current Ratio	0.51	0.86	0.55
Acid Test Ratio	0.26	0.42	0.25
Collection period	20	20	N/A
Days of inventory	69	89	N/A
Capital Structure and Solvency ratio			
D/E Ratio	1.30	1.60	1.76
IBD/E Ratio	1.13	1.47	1.55
LTD to equity	0.67	1.04	0.77
Return on Investment ratios			
ROA	4%	2%	4%
ROE	9%	6%	12%
Operating performance ratios			
Gross Profit Ratio	21%	21%	25%
Operating Profits to sales	15%	9%	14%
Pretax profit to sales	11%	5%	10%
Net income to Sales	8%	5%	8%
Market Measures			
Book Value per Share	3.67	3.49	3.91
Earning Per Share	0.32	0.21	0.48

According to the 2016 financial ratios, liquidity ratios that is part of Current ratio and Acid test ratio had reduced due to that the portion of long-term debt which will be due within 1 year in 2016, total amount of THB 5,011 million, caused higher current liabilities. However, the company had the plan to finance some portion of the debt by issue new debenture.

Regarding solvency ratios, it can be seen that the D/E ratio, IBD/E ratio and LTD to equity had decreased as a result of debt repayment, working capital control and higher appraisal value of assets.

In terms of profitability ratios, the gross profit margin was closed to those of previous year, while Operating Profit to sales, Pretax profit to sales, and Net Income to Sales improved, mainly from gain on fair value adjustments of investment property.

14. Management Discussion and Analysis

Regarding the report of our financial performance of year 2016 (November 2015 – October 2016), the Company recorded a net profit of THB 1,426 million, compared to the net profit of THB 862 million last year, representing an increase of 66%. The details were, as followings;

Sugar Business in Thailand recovered by the increase of world sugar price.

In 2016, the world sugar price increased, after the price dropped to the lowest at 10.13 cents/lbs during second half of 2015 (as shown in Chart 1: World Sugar Price, cents/lbs). As a result, the average sugar selling price in 2016 increased, raw sugar export price increased by 13.7% from 10,463 THB per ton to 11,893 THB per ton, refined and white sugar export price increased by 7.6% from 13,793 THB per ton to 14,837 THB per ton. Domestic sugar price was unchanged. In overall, sugar selling price increased by 5.9%. According to production cost, due to that raw material cost related to world sugar price, following the regulated system under 70:30 revenue sharing, higher world sugar price resulted in higher raw material cost. however, in 2016, with the improvement of the Company production efficiency (COW), the average production cost had a small increase by 4%-5%.

In 2016, the sugar sale volume dropped, due to (1) the drought, the sugar cane crushed decreased by 13% from 8.7 million tons to 7.6 million tons in 2016. (2) less inventory carryover than those of previous year. The sugar sale volume dropped by 8.1% from 895,786 tons in 2015 to 823,437 tons in 2016.

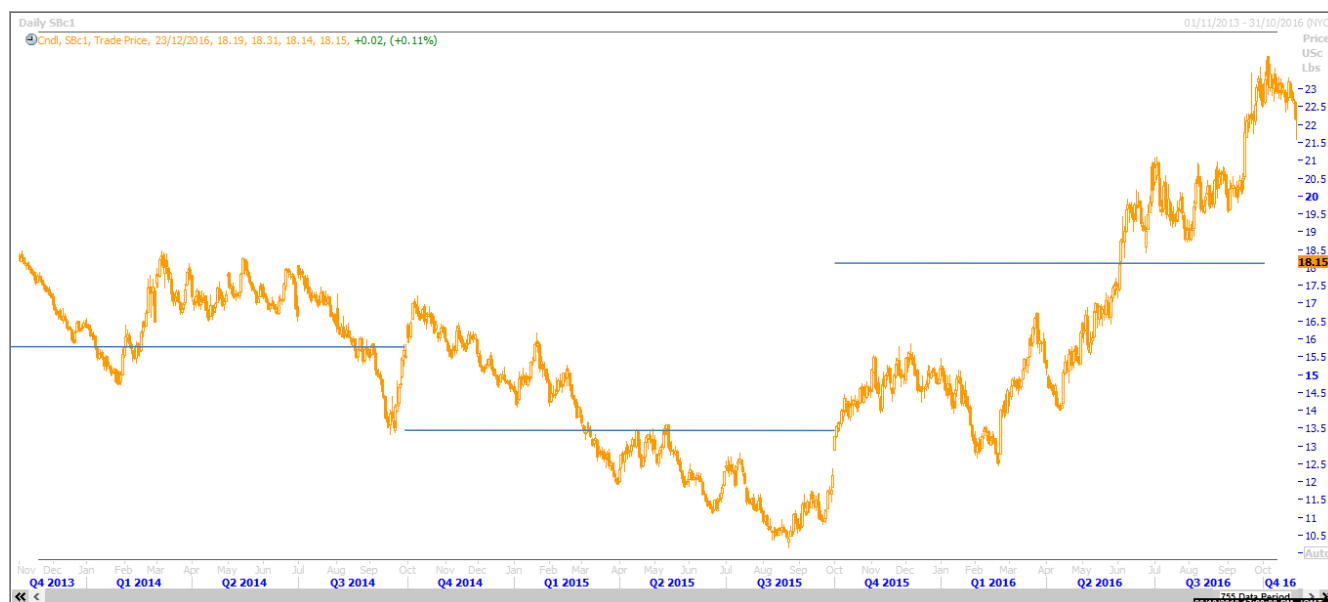


Chart 1 shown the world sugar price, cents/lbs, during the period from 1 Nov to 31 Oct, for 3 years

Sugar Business in Oversea, Less Loss compared to previous year by world sugar price recovery

The Company recorded the improvement in overseas sugar business performance by world sugar price recovery. Different from sugar business in Thailand, the raw material costs of overseas sugar business were mostly from actual sugar cane plantation costs. These costs were not related to world sugar price (the raw material cost of sugar business in Thailand related to world sugar price, under 70:30 revenue sharing system). In 2016, the Company recorded higher sugar sale volume

from 27,481 tons in 2015 to 52,404 tons in 2016. The sugar selling price increased by 23% - 26%. However, due to the drought, the sugar cane volume from our own cane plantation reduced, less than our expectation. As a result, the sugar business in oversea still got loss but less loss than previous year.

Note : Based on Separate statements of profit and loss of Khon Kaen Sugar Industry, the Company made an assessment of impairment loss to investment in sugar business in oversea and recorded impairment loss of THB 744.53 million.

Ethanol business performance decreased due to lower selling price and lower sale volume

In 2016, the Company ethanol sale volume dropped from 97.12 million litre in 2015 to 85.44 million litre in 2016, due to the drought in Kanchanaburi Area. This caused, there were not enough water to run the production for 3 months. In addition, the selling price in 2016 decreased to 23.56 THB per litre from 25.71 THB per litre in 2015 which came from the price drop in cassava, another competitive crop, used for producing ethanol. The ethanol producers based on cassava, were able to compete the price with the ethanol producers based on molasses. This ended up to lower selling ethanol price.

Power business dropped from lower selling price and lower sale volume

In 2016, due to one of turbine machine breakdown and the drought impact to Kanchanaburi Area, together with lower sugar cane crushed, the Company's power business had a decrease in performance. The electric sale volume to grid dropped by 8.3% from 300,292 MW-hr in 2015 to 275,456 MW-hr in 2016. The electric selling price dropped by 12.8% from 3,368 THB per MW-hr to 2,935 THB per MW-hr in 2016.

The value increase of investment property due to higher land price appraisal.

In 2016, due to higher government's land appraisal price and with the purpose to reflect current existing asset value, the Company had appraised the new value of the land used in operation, land not used in operation and the investment property. Regarding the investment property, the Company changed the policy recording the value of investment property in financial statement, from the valuation using cost method to the valuation using fair value method. These fair value of investment property were determined by an independent appraiser. As a result, the Company recorded the gain on fair value adjustments of investment property (after tax) of THB 910.62 million and recorded loss on impairment of assets (after tax) of THB 60.60 million. Totaling, the Company recorded net gain (after tax) at THB 850.02 million THB

In overall 2016 performance, the Company recorded a net profit of THB 1,426 million, compared to the net profit last year at THB 862 million, representing an increase of 66%. The Company's total assets were recorded at THB 38,275 million, with total liabilities of THB 21,724 million and total shareholders' equity of THB 16,650 million. Debt to Equity Ratio (D/E) and Interest Bearing Debt to Equity Ratio represented at 1.30 and 1.13, respectively. The Company recorded net cash received from operating activities of THB 4,012 million, net cash used in investing activities of THB 1,319 million, and net cash used in financial activities (pay back) of THB 2,797 million.