

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 2016	Mr. Niti Jungnitnirundr, Certified Public Accountant, Registration No. 3809, Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd.
Year 2017	Mr. Niti Jungnitnirundr, Certified Public Accountant, Registration No. 3809, Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd
Year 2018	Ms. Juntira Juntrachaichoat, Certified Public Accountant, Registration No. 6326, Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd

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

Year 2016	The Auditor reviewed corporate financial statements and issued unconditional opinions.
Year 2017	The Auditor reviewed corporate financial statements and issued unconditional opinions.
Year 2018	The Auditor reviewed corporate financial statements and issued unconditional opinions.

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

The financial statements for the year of 2016 - 2018 include a total of 13 subsidiaries (In 2016, the Company had 14 subsidiaries since KSL Green Innovation Public Company Limited was consolidated)

Table 13.1: Percentage of Direct and Indirect Corporate Shareholding

	<u>Percentage of Shareholding</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
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
KSL Agro and Trading Company Limited	100.00	100.00	100.00
WSP Logistic Company Limited****	100.00	100.00	100.00
Savannahet 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 holds 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 KSL's subsidiary. Currently The Company holds its shares indirectly through BBGI Public Company Limited which is a associated company.

**** 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.

13.3) Profit and Loss Statement

In 2018, the company generated the revenues from operations of THB 17,813 million, in total, increasing from that in the previous year by 14%. The revenue from sales amounted to THB 17,407 million and the revenue from services amounted to THB 406 million. Regarding the decrease in world sugar price in 2018, the export sugar price decreased by 28-32% but the company had sales volume, increased by 59% from higher sugar cane volume. In addition, the revenue from molasses sales and electrical sales increased. As a result, revenue in total, increased from that in the previous year by 14%.

The company recorded the total cost of goods sold of THB 14,681 million, increased 11% from previous year. The gross profit increased 28% from THB 2,443 million to THB 3,131 million.

Other incomes and other loss in 2018 compared 2017 are shown as follows:

	<u>2018</u>	<u>2017</u>
(1) Revenue from compensation of sugar production and distribution	440 million	-
(2) Gain (Loss) from exchange rate	57 million	53 million

Unofficial Translation

(3) Gain (Loss) on fair value adjustments of biological asset	(33) million	(54) million
(4) Gain on fair value adjustments of investment property	241 million	426 million
(5) Gain from Amalgamation	-	2,370 million
(6) Gain from Asset sales	(2) million	(19) million
(7) Gain (Loss) from asset impairment	(4) million	(223) million
(8) Other incomes	475 million	566 million
Total	1,174 million	3,119 million

As a result, the company had the profit before the selling and administrative expenses THB 4,305 million, decreased by 23%, compared to previous year.

Regarding the selling and administrative expenses

- (1) The company incurred selling expenses totaled THB 770 million, increasing by 82% due to increase in export volume.
- (2) Administrative expenses totaled THB 724 million, decreasing by 14%
- (3) Remuneration to executives THB 138 million
- (4) Fee paid to Sugar Fund, THB 1,116 million, increased slightly from previous year at THB 1,096 million.

Subsequently, the company had the profit before financial cost and tax expenses totaled THB 1,557 million, decreasing by 49%.

In 2018, the company incurred financial cost of THB 728 million, or increased by 9%. The corporate income tax burden amounts to THB 144 million and THB 145 million of profit sharing from affiliated companies. Apart from that, there are THB 18 million of non-controlling interest. The company's net profit decreased by 57% from the previous year, from THB 1,970 million to THB 848 million in 2018.

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

Income Statement Highlight (Million THB)	12M_2018	12M_2017	12M_2016 Restate	% Change
Sales and Services	17,813	15,623	16,911	14%
Cost of Sales and Services	(14,681)	(13,180)	(13,279)	11%
Gross Profit from Sales and Services	3,131	2,443	3,632	28%
Other Incomes	1,174	3,119	1,498	-62%
Gross Profit before SG&A	4,305	5,562	5,130	-23%
Selling Expenses	(770)	(424)	(542)	82%
Administration Expenses	(724)	(837)	(834)	-14%
Management Remuneration	(138)	(147)	(141)	-6%
Proceeds to Fund	(1,116)	(1,096)	(1,150)	2%
Total Cost	(2,748)	(2,503)	(2,666)	10%
Profit before financial cost and tax	1,557	3,059	2,464	-49%
Financial cost	(728)	(668)	(710)	9%
Share of Profit from Associated Company	145	121	57	
Corporate Income Tax	(144)	(560)	(371)	-74%
Non-Controlling interest	18	19	(14)	
Net Profit	848	1,970	1,426	-57%
EPS	0.19	0.45	0.32	-57%
Gross Margin from Sales and Services	17.6%	15.6%	21.5%	
Net Profit Margin	4.8%	12.6%	8.4%	

The company's revenue structure in 2018, the total revenue was THB 17,813 million. The company had revenues from sales of sugar and molasses amounted to THB 15,288 million, accounting for 89% of the total operating revenue. There is no revenue from sales of ethanol and gasoline since Amalgamation at the end of 2017. Electricity sales, which distributed to Grid (EGAT & PEA), amounted to THB 1,211 million, accounting for 7% of the total operating revenue. Revenues from service amounted to THB 405 million, and other revenues amounted to THB 89 million. The rest of the revenues were generated from trading amounted to THB 750 million.

Table 13.3 : Consolidated Revenue Structure in the past 3 years

Revenue Structure (Million THB)	12M_2018	12M_2017	12M_2016 Restate	% Change
Sales and Services				
Sugar Sales	13,668 80%	11,928 79%	13,084 79%	15%
Molasse Sales	1,620 9%	15 0%	326 2%	10693%
Other Income from sugar & molasses	64 0%	98 1%	154 1%	-34%
Electric and Steam Sales	1,211 7%	751 5%	808 5%	61%
Ethanol and Gasoline Sales	0 0%	2,100 14%	2,023 12%	-100%
Fertilizer Sales	4 0%	0 0%	5 0%	2525%
Services	405 2%	252 2%	167 1%	61%
Others	89 1%	11 0%	13 0%	730%
Total	17,063 100%	15,157 100%	16,580 100%	13%
Trading Activities				
Sales of fuels	440 59%	242 52%	186 56%	82%
Sales of fertilizer	273 36%	197 42%	118 36%	39%
Sales of Supplies	37 5%	28 6%	26 8%	32%
Total	750 100%	467 100%	331 100%	61%
Total Sales and Services	17,813	15,623	16,911	14%

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)	12M_2018	12M_2017	12M_2016 Restate	% Change
Cash & Short Term Investments	129	153	85	-16%
Current Trade and Other receivables	2,476	1,198	1,407	107%
Short-Term Loans	1,533	1,569	1,273	-2%
Inventories	4,089	3,100	2,552	32%
Biological Assets	61	112	251	-46%
Other Current Assets	46	64	85	-28%
Investment in an associate	3,879	3,747	387	4%
Other long-term investments	335	405	371	-17%
long-term loans	243	393	358	-38%
Investment property	5,167	4,917	4,496	5%
Property, plant and equipment	26,183	26,354	26,186	-1%
Other non-current assets	1,401	977	925	43%
Total Assets	45,542	42,991	38,375	6%
Current liabilities	13,924	14,818	10,591	-6%
Non-Current liabilities	12,979	10,080	11,134	29%
Total Liabilities	26,903	24,898	21,724	8%
Total Shareholders' Equity	18,639	18,092	16,650	3%
Equity attributable to owners of the parent	18,210	17,650	16,166	
D/E Ratio	1.44	1.38	1.30	
IBD/E Ratio	1.26	1.20	1.13	

In 2018, the company and its subsidiaries had the total assets of THB 45,542 million, 6% increased from the total assets of previous year of THB 42,991 million. Total liabilities increased by 8% from THB 24,898 million in 2016 to THB 26,903 million in 2018 which affected total debt to equity ratio increased from 1.38 in 2017 to 1.44 in 2018 and interest-bearing debt to equity ratio also increased from 1.20 in 2017 to 1.26 in 2018. The accounts that changed significantly compared to 2017 are as follows;

(1) 107% increase in Current trade and other receivable due to higher amount of receivable due in November 2018 than previous year. In addition, there is receivables from Sugar fund since final sugarcane price is less than provisional sugarcane price.

(2) Inventories increased by 32% from higher sugar stock volume, compared to the amount of previous year.

(3) 5% increase in Investment property from the appraisal in higher value of the asset.

(4) Biological assets decreased by 46%, from fair value adjustment.

(5) Other non-current assets increased by 43%, from Receivables from Revenue from compensation of sugar production and distribution.

(6) Current liabilities decreased by 6% while non-current liabilities increased by 29% due to the Company borrowed long-term debt to re-balance debt profile from short-term to long-term.

13.5) Cash Flow Statement

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

Cash Flow Highlight (Million THB)	12M_2018	12M_2017	12M_2016 Restate	% Change
Net Profit + Depre + Non Cash	2,449	2,185	2,462	12%
Change in Working Capital	(3,145)	(1,948)	1,575	
<i>from Operating Activities</i>	(696)	236	4,038	-394%
Invest in PP&E	(1,132)	(3,098)	(1,578)	-63%
<i>from Investing Activities</i>	(863)	(3,320)	(1,521)	-74%
<i>from Financing Activities</i>	1,512	3,149	(2,620)	-52%
Change in Cash Flow	(24)	71	(86)	
Ending Cash	129	153	82	
Depreciation	1,264	1,182	1,247	7%

In 2018, the company and its subsidiaries received cash flows from their operations before change in working capital totaled THB 2,449 million, a 12% increased from year 2017 due to the increase from overall operations, while in 2018, the company had more inventories. As a result, in 2018, the company and its subsidiaries have THB (696) million of cash flow from operating activities or decreased by 394%.

Regarding the cash flows from investing activities, the company and its subsidiaries had cash paid in (net) totaled THB 863 million, of which THB 1,132 million was mainly invested in properties, plants and equipment (net) from the expansion project of sugar mill and power plant in Wangsapung District, Loei Province.

Regarding financing activities in 2018, the company and its subsidiaries received the net cash of THB 1,512 million, mainly from financial institutions loan and debt instrument issuance.

13.6) Financial Ratios

Table 13.6 : Financial Ratios

Financial Ratios (Million THB)	12M_2018	12M_2017	12M_2016 Restate
Short term liquidity ratios			
Current Ratio	0.60	0.42	0.53
Acid Test Ratio	0.30	0.20	0.26
Collection period	47	44	29
Days of inventory	93	100	78
Capital Structure and Solvency ratio			
D/E Ratio	1.44	1.38	1.30
IBD/E Ratio	1.26	1.20	1.13
LTD to equity	0.61	0.47	0.60
Return on Investment ratios			
ROA	2%	5%	4%
ROE	5%	11%	9%
Operating performance ratios			
Gross Profit Marging	18%	16%	21%
Operating Profits Margin	9%	20%	15%
Pretax Profit Margin	5%	16%	11%
Net Profit Margin	5%	13%	8%
Market Measures			
Book Value per Share	4.13	4.00	3.67
Earning Per Share	0.19	0.45	0.32

According to the 2018 financial ratios, liquidity ratios that is part of Current ratio and Acid test ratio had improved due to the Company borrowed long-term debt to re-balance debt profile from short-term to long-term. However, the current portion of long-term debt of which the company had intention to finance fixed asset but has schedule to repay within 12 months are used in liquidity ratio calculation.

Regarding solvency ratios, it can be seen that the D/E ratio and IBD/E ratio had slightly increased as a result of higher production and inventory.

In terms of profitability ratios, the gross profit margin was increased compare to the previous year, while Operating Profit to sales, Pretax profit to sales, and Net Income to Sales decreased, mainly from huge gain on Amalgamation in 2017 which is considered to be extraordinary item.

14. Management Discussion and Analysis

Khon Kaen Sugar Industry Public Company Limited and its subsidiaries (“KSL”) would like to report our financial performance of year 2018 (Nov 2017 – Oct 2018). The Company recorded total revenue of THB 17,813 million compare to THB 15,623 million last year, representing a increase of 17% and recorded net profit of THB 848 million compare to net profit of THB 1,970 million at the same period last year, representing a decrease of 57%. The details were as followings;

Total Revenue

Increase in total revenue in 2018 due to increase in sugar sales volume from 687,046 tons last year to 1,091,228 tons or increase by 59%, however average selling price decrease from 17,362 THB/ton to 12,526 THB/ton.

At the beginning of 2017, world sugar price has climbed up to 20 cent/lb then dropped sharply to 12 – 13 cent/lb now, due to global sugar supply is surplus in 2018 with the additional of domestic price decrease from the new sugar regime that domestic price will float along with global price. As a result, the Company recorded average sugar price decrease from the previous year but the Company recorded sales volume increase as mentioned above. Therefore; the net effect is total revenue increased.

Other incomes

A reason of decrease in other income in 2018 compared to the same period previous year mainly due to in 2017, one of subsidiary which operates ethanol business has amalgamated with Bio-fuel business of subsidiary of Bangchak Corporation PCL. This amalgamation in accounting aspect has to be a sell of existing subsidiary, and then invest in the new bio-fuel company instead (KSL’s new associated company). As a result, the Company recorded gain from amalgamation of THB 2,370 million or THB 1,896 million after tax.

For 2018, there is no amalgamation gain as in 2017 but recorded revenue from compensation of sugar production and distribution, foreign exchange gain. Therefore; the net effect is decrease in other income.

Distribution Cost

An increase of distribution cost compares to the same period last year due to increase in sales volume that mentioned above. The Company incurred distribution cost THB 1,886 million compare to THB 1,519 million previous year.

Financial Cost

In 2017/18 harvesting season, the Company has crushed sugarcane 11.03 million tons compare to 6.83 million tons last year or increased by 61%. Therefore; the Company used more working capital to finance inventory that increased financial cost of THB 728 million compare to THB 668 million at the same period last year.

For overall 2018 performance, the Company recorded total revenue of THB 17,813 million compare to THB 15,623 million last year, representing an increase of 14% and net profit of THB 848 million compare to the net profit same period last year at THB 1,970 million, representing a decrease of 57%. The Company's total assets were recorded at THB 45,542 million, with total liabilities of THB 26,903 million and total shareholders' equity of THB 18,639 million. Debt to Equity Ratio (D/E) and Interest Bearing Debt to Equity Ratio represented at 1.44 and 1.26, respectively.