

### **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 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.
Year 2019	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 2017	The Auditor audited corporate financial statements and issued unqualified opinions.
Year 2018	The Auditor audited corporate financial statements and issued unqualified opinions.
Year 2019	The Auditor audited corporate financial statements and issued unqualified opinions.

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

The financial statements for the fiscal year of 2017 - 2019 include a total of 13 subsidiaries. The shareholding percentage as of October 31 is as follows:

**Table 13.1: Percentage of Direct and Indirect Corporate Shareholding**

	<u>Percentage of Shareholding</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</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
K.S.L. 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. Agro and Trading Company Limited	100.00	100.00	100.00
WSP Logistic Company Limited	100.00	100.00	100.00
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 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.

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

**13.3) Profit and Loss Statement**

In 2019, the company generated the revenues from operations of THB 17,855 million that slightly increased from the previous year by THB 43 million. The total revenue consists of revenue from sales amounted to THB 17,490 million and the revenue from services amounted to THB 365 million. Although average selling price of sugar was decreased by 13% as a result of declining in world sugar price in 2019, the company's sugar sale volume of both domestic sales and export sales were totally increased by 15% as well as the revenue from electrical and steam sales were increased. As a result, revenue in total, was slightly increased from that in the previous year.

The company's costs of goods sold of THB 14,230 million which decreased by 3% from previous year, was mainly due to the reduction of raw material costs. The gross profit increased by 16% from THB 3,131 million to THB 3,625 million.

Other incomes and other loss in 2019 compared 2018 are shown as follows:

Unit: Million THB

Type of income/expenses	2019	2018
(1) Other incomes	770	475
(2) Revenue from compensation of sugar production and distribution	101	441
(3) Gain (loss) from exchange rate	(16)	57
(4) Loss on fair value adjustments of biological asset	(26)	(33)
(5) Gain on fair value adjustments of investment property	207	241
(6) Gain (loss) on sales and disposal of assets	27	(3)
(7) Loss on impairment of assets	(62)	(4)
Total	1,001	1,174

As a result, the company had the profit before the selling and administrative expenses of THB 4,626 million that was increased by 7% comparison with the previous year.

Selling and administrative expenses consist of:

- (1) Selling expenses of THB 944 million increased by 23% was mainly due to increase in transportation costs and other related selling expenses in line with export sale volume of sugar.
- (2) Administrative expenses of THB 681 million decreased by 5% was mainly due to decrease in employee costs and other expenses.
- (3) Remuneration to executives THB 151 million
- (4) Fee paid to Sugar Fund of THB 1,262 million was increased by 13% due to increase in domestic sale volume of sugar.

Subsequently, the company had the profit before financial cost and tax expenses totaled THB 1,588 million, increasing by 2%.

In 2019, the company incurred financial cost of THB 710 million, decreased by 2%, and its corporate income tax expense amounted to THB 149 million. In addition, the company has obtained THB 101 million of profit sharing from affiliated companies and reported THB 8 million of non-controlling interest. As the result, the company's net profit decreased by 3% from the previous year, from THB 848 million to THB 822 million in 2019.

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

Income Statement Highlight (Million THB)	2019	2018	% Change	2017
Sales and Services	17,855	17,812	0%	15,623
Cost of Sales and Service	(14,230)	(14,681)	-3%	(13,180)
Gross Profit from Sales & Services	3,625	3,131	16%	2,443
Other Incomes - net	1,001	1,174	-15%	3,119
Gross Profit from Other Income	4,626	4,305	7%	5,562
Selling Expense	(944)	(770)	23%	(424)
Administration Expense	(681)	(720)	-5%	(833)
Management Remuneration	(151)	(142)	6%	(151)
Proceeds to Fund	(1,262)	(1,116)	13%	(1,096)
Total Expense	(3,038)	(2,748)	11%	(2,504)
EBIT	1,588	1,557	2%	3,058
Share of Profit of Associated Company	101	145	-30%	121
Financial cost	(710)	(728)	-2%	(668)
Corporate Income Tax	(149)	(144)	3%	(560)
Minority and others	(8)	18	-144%	19
Net Profit	822	848	-3%	1,970
Earnings per Share (EPS)	0.19	0.19	-3%	0.45
Gross Margin from Sales & Service	20.3%	17.6%		15.6%
Net Profit Margin	4.6%	4.8%		12.6%

The company's operating revenue structure in 2019, the total revenue was THB 17,855 million. The company's operating revenue consisted of (1) revenues from sales of sugar and molasses in the total amount of THB 15,413 million, representing 86% of the total operating revenue, (2) revenue from electricity and Steam sales, which electricity distributed to Grid (EGAT & PEA) and steam distributed to a related party, in the total amount of THB 1,326 million, representing 7% of the total operating revenue and (3) revenues from other service amounted to THB 365 million and revenues from trading business amounted to THB 665 million. The rest was other income amounted to THB 86 million.

**Table 13.3 : Consolidated Revenue Structure in the past 3 years**

Revenue Structure (Million THB)	2019		2018		% Change	2017	
Sales and Services							
Sugar Sales	13,688	77%	13,669	77%	0.1%	11,929	76%
Molasse Sales	1,496	8%	1,620	9%	-8%	15	0%
Other Income from sugar & molasses	229	1%	64	0%	258%	98	1%
Electric and Steam Sales	1,326	7%	1,211	7%	9%	751	5%
Ethanol and Benzene Sales	-	0%	-	0%		2,100	13%
Services	365	2%	405	2%	-10%	252	2%
Others	86	0%	93	1%	-8%	11	0%
Total	17,190	96%	17,062	96%	1%	15,156	97%
Trading Activities							
Sales of fuels	362	2%	440	2%		242	2%
Sales of fertilizer	242	1%	273	2%	-11%	197	1%
Sales of Supplies	61	0%	37	0%	65%	28	0%
Total	665	4%	750	4%	-11%	467	3%
<b>Total Sales and Services</b>	<b>17,855</b>	<b>100%</b>	<b>17,812</b>	<b>100%</b>	<b>0%</b>	<b>15,623</b>	<b>100%</b>

**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)	2019	2018	% Change	2017
Cash and cash equivalents	2,430	129	1784%	153
Trade and other current receivables	1,287	2,476	-48%	1,198
Short-term loans	926	1,533	-40%	1,569
Inventories	2,774	4,089	-32%	3,100
Biological assets	52	61	-15%	112
Other current assets	45	46	-2%	65
Investments in associates	3,965	3,879	2%	3,747
Other long-term investments	245	335	-27%	406
Long-term loans	146	243	-40%	393
Investment property	5,637	5,167	9%	4,917
Property, plant and equipment	25,868	26,183	-1%	26,354
Other non-current assets	746	1,401	-47%	977
Total Asset	44,121	45,542	-3%	42,991
Current Liabilities	11,818	13,924	-15%	14,819
Non-Current Liabilities	13,282	12,979	2%	10,080
Total Liabilities	25,100	26,903	-7%	24,899
Total Shareholder's Equity	19,021	18,639	2%	18,092
Total Equity Attributable to Owners of the Parent	18,606	18,210		17,650
D/E Ratio	1.32	1.44		1.38
IBD/E Ratio	1.16	1.26		1.20

In 2019, the company had the total assets of THB 44,121 million, 3% decreased from THB 45,542 million of total amount of assets at the end of previous year. The total liabilities decreased by 7% from THB 26,903 million in 2018 to THB 25,100 million in 2019 which partially caused the decrease in debt to equity ratio from 1.44 in 2018 to 1.32 in 2019 and interest-bearing debt to equity ratio also decreased from 1.26 in 2018 to 1.16 in 2019. The significant changes are as follows;

(1) A significant increase in cash and cash equivalents of THB 2,301 million or 1,784% was mainly due to increase in deposits in transit derived from high volume of export sale of sugar and its collection near the end of October 2019.

(2) Trade and other current receivables decreased by 48% as the result of debt collection from oversea trade receivable as well as there is an offset between “receivables from the Office of the Cane and Sugar Fund” and “short-term loans from the Office of the Cane and Sugar Fund” amounting to THB 1,029 million for the year 2019.

(3) Short-term loans and long-term loans decreased by 40% due to reduction of loans to cane farmers and loan collection during the year.

(4) A significant decrease in inventories of THB 1,315 million or 32% decrease was mainly due to selling of large amount of sugar stocks in 2019. Those sold stocks were partially produced in the current year and partially remained from the previous year. The sale volume was increased by 15% compared to the previous year.

(5) Other non-current assets decreased by 47% was mainly due to reclassification of “the assets not yet used in operation” to be part of “property, plant and equipment account” as those will be used in operation according to the company's business plan.

### 13.5) Cash Flow Statement

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

Cash Flow Highlight (Million THB)	2019	2018	% Change	2017
Net Profit + Depreciation + Non Cash	2,546	2,449	4%	2,185
Change in Working Capital	76	(3,145)	102%	(1,948)
<b><i>cash flow from Operating Activities</i></b>	<b>2,622</b>	<b>(696)</b>	<b>477%</b>	<b>237</b>
Invest in PP&E	(414)	(1,132)	63%	(3,098)
<b><i>cash flow from Investing Activities</i></b>	<b>117</b>	<b>(863)</b>	<b>114%</b>	<b>(3,320)</b>
<b><i>cash flow from Financing Activities</i></b>	<b>(457)</b>	<b>1,512</b>	<b>-130%</b>	<b>3,149</b>
Change in Cash Flow	2,301	(24)		71
Ending Cash	2,430	129		153
EBIT	1,689	1,702	-1%	3,179
Depreciation and Amortization	1,205	1,264	-5%	1,182
EBITDA	2,894	2,966	-2%	4,361

In 2019, the company and its subsidiaries received net cash inflows from their operations of THB 2,622 million, a 477% increased from year 2018. The major reasons are that the significant amount of stocks remained from the previous years were sold in 2019 and the debt collection term can be remained. In addition, the expediting of debt collection of oversea clients near the end of 2019 was caused increase in cash inflows and decrease in receivables balance compared to the previous year's.

Regarding the cash flows from investing activities, the company and its subsidiaries had net cash inflows from investing activities in the total amount of THB 117 million. The net cash inflow was mainly from repayment of short-term loans and long-term loans in the total amount of THB 688 million and cash received from dividend income and interest income in the total amount of THB 94 million, whereas net cash outflows of investment in properties, plants and machine was THB 414 million and investment in investment properties was THB 263 million.

Regarding financing activities, the company and its subsidiaries had net cash outflows in the total amount of THB 457 million. It was mainly from dividend payment and cash payment for short-term borrowings from financial institutions using the cash inflows of current year's operating activities.

### 13.6) Financial Ratios

**Table 13.6 : Financial Ratios**

Financial Ratios	2019	2018	2017
Short-term liquidity ratios			
Current Ratio	0.64	0.60	0.42
Acid Test Ratio	0.39	0.30	0.20
Collection period - trade receivables (days)	21	19	17
Days of inventory	88	89	78
Capital Structure and Solvency ratios			
D/E Ratio	1.32	1.44	1.38
IBD/E Ratio	1.16	1.24	1.20
LTD to equity	0.62	0.61	0.47
Return on Investment ratios			
ROA	2%	2%	5%
ROE	4.3%	4.5%	10.9%
Operating performance ratios			
Gross Profit Margin	20%	18%	16%
Operating Profits Margin	9%	9%	20%
Pre-tax Profit Margin	5%	5%	16%
Net Profit Margin	5%	5%	13%
Market Measures			
Book Value per Share	4.31	4.13	4.00
Earning Per Share	0.19	0.19	0.45

According to the 2019 financial ratios above, liquidity ratios are improved in overall since the better current ratio and acid test ratio are derived from increase in sale volume by maintaining credit term offered to clients. The 2019 sale volume was selling of both current year's stocks and previous year's outstanding stocks. Therefore, the cash inflows from this operating activity is caused ability to pay short-term loans during the fiscal year 2019. In addition, the higher liquidity is resulted from issuance of new debenture to finance investing in new fixed assets and repayment plan of the certain amount of long-term debts.

Regarding solvency ratios, the D/E ratio and IBD/E ratio had slightly decreased or improved as a result of repayment of short-term debts using the cash inflows derived from higher volume of sugar sales and the overall operating profits.



In terms of profitability ratios, the gross profit margin was slightly increased comparison with the previous year. The decrease in raw materials costs was compensated the average sale price declined from world sugar price pressure. However, other profitability ratios such as the operating profit to sales ratio, pre-tax profit to sales ratio, and net income to sales ratio were similar to previous year's and not increased in line with increase in the gross profit margin due to that shipping costs and other selling expenses were mainly increased according to the increase in sale volume as mentioned above.

## **14. Management Discussion and Analysis**

Khon Kaen Sugar Industry Public Company Limited and its subsidiaries (“KSL”) would like to report our financial performance for the year 2019 (from November 1, 2018 to October 31, 2019). The Company had net profit attributed to owners of the parent of THB 822 million, a decrease of 3% compared to the fiscal year 2018. The operating performance is summarized as follows:

### **Revenues from Sales and Rendering of Services**

In the year 2019, total revenues from sales and service of THB 17,855 million was slightly increased from THB 17,812 million in the year 2018. The increase in total revenue of THB 43 million was resulted from increase in sugar sales volume compensated the result of decrease in average selling price.

The company sold higher volume of sugar, both domestic sales and export sales. The total sugar sales volume for the year 2019 was 1.26 million tons or increased by 15.06% compared to the year 2018. However, the average selling price was decreased from 12,526 THB/ton in the year 2018 to 10,902 THB/ton in 2019 or decreasing by 12.97%.

### **Gross Profit**

In the year 2019, the company had gross profit of THB 3,625 million, representing 20.30% of total revenue from sales and service, which increased from THB 3,131 million or 17.58% of total revenue from sales and service in the year 2018. The increase in gross profit was mainly due to the reduction of raw material costs.

### **Other Income**

Other income decreased by THB 44 million was mainly due to the following details:

- Decrease in revenue from compensation for sugar productions and distributions of THB 340 million. The revenue in the year 2019 was THB 101 million, whereas the revenue in the year 2018 was THB 441 million. It is the compensation that would be reimbursed from the Cane and Sugar Fund (“The Fund”) as a result that the final sugar cane price and the final compensation for the production and distribution of sugar were lower than the initial sugar cane price of each year. The Fund has to compensate the sugar mills price difference and the compensation since the overpayment of sugar cane price is not directly required for refund from cane farmers.
- Increase in refund from the Office of the Cane and Sugar Fund according to the assistance project to support sugar cane planter and sugar plants of THB 154 million.
- Increase in gain on sugar futures contracts of THB 98 million was incurred from the hedging of sugar selling price due to the declining of the world sugar selling prices during the year 2019.

### **Distribution Costs**

Distribution costs increased from THB 1,886 million in the previous year to THB 2,206 million in the year 2019 due to increase in sugar sales volume as mentioned above.

**Administrative Expenses**

Administrative expenses decreased from THB 720 million in the previous year to THB 681 million in the year 2019, or decreasing by 5.47% due to decrease in employee costs and other expenses.

**Financial Costs**

In the year 2019, financial costs decreased by 2.38% or THB 17 million was mainly due to repayment of certain amount of working capital loans as the result that the company had better cash flow received from sales of goods during the year.

For the year 2019 financial status overview, the company had total assets of THB 44,121 million, total liabilities of THB 25,100 million and total shareholders' equity of THB 19,021 million. Interest bearing debt to equity ratio represented at 1.16.