

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 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.
Year 2020	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 2018	The Auditor audited corporate financial statements and issued unqualified opinions.
Year 2019	The Auditor audited corporate financial statements and issued unqualified opinions.
Year 2020	The Auditor audited corporate financial statements and issued unqualified opinions.

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

The financial statements for the fiscal year of 2018 - 2020 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>2020</u>	<u>2019</u>	<u>2018</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	98.00	98.49	98.49
Koh Kong Plantation Company Limited***	80.00	80.00	80.00
Koh Kong Sugar Industry Company Limited	88.02	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) Consolidated Profit and Loss Statement**Revenue from sale and services**

In FY2020, the Company's operating revenue in the total amount of THB 11,853 million was decreased from the previous year by THB 6,002 million or approximate 34% as detailed below:

(Unit : Million THB)

Structure of Revenues	2020	2019	Increase (decrease)
Revenues from sales	11,672	17,490	(5,818)
Sugar and molasses	10,043	15,413	(5,370)
Electricity	1,167	1,205	(38)
Fertilizer, fuels and others (supporting business)	462	872	(410)
Revenues from services	181	365	(184)
Total revenues from sales and services	11,853	17,855	(6,002)

For FY2020, (1) the decrease in revenues from sugar business was resulted from the severe drought in Thailand which caused a significant drop of sugar cane supply output by more than 40%. The decrease in revenue from sugar sale decreased by THB 5,370 or 35% was mainly due to sale volume dropped by 45% and averaged sale price raised by approximate 15% in line with raising of world sugar price, (2) revenue from electricity sales was slightly decreased by THB 38 million or 3% and (3) decrease in revenues from supporting business of THB 410 million or 47% was mainly caused from less volume of trading activities related to sugar business such as sale of fertilizer and pesticide and sale of fuels. As a result, the overall operating revenue was significantly dropped comparison with previous year.

The company's costs of goods sold and service in the total amount of THB 10,082 million decreased by THB 4,148 million or 29% from the previous year was mainly due to the approximate 20%-25% increase in raw material costs (sugar cane). The significant drop of sugar cane supply volume also caused an increase in production cost per unit (i.e. depreciation and other fixed costs) as well as consequently impacted to higher electricity production costs since other alternative fuels with high costs were used in replacement of bagasse.

Selling and administrative expenses

Selling and administrative expenses in the total amount of THB 1,365 million was decreased by 55% with the following major reasons:

- (1) Decrease in whole number of the Sugar Fund's remittance fee, THB 1,262 million, due to cancellation of the remittance fee charge by the Fund since October 2019.
- (2) Other administrative expenses of THB 451 million with 52% decrease was mainly due to decrease in both domestic and exported sale volume of sugar.
- (3) Employee costs of THB 309 million, 14% decrease.
- (4) Remuneration to executives of THB 142 million, 6% decrease.
- (5) Increase in whole amount of expense from cancellation of sugar sale contracts in the amount of THB 171 million.

Other incomes and other loss consist of:

Unit: Million THB		
Type of income/expenses	2020	2019
(1) Other incomes consist of:		
(1.1) Other incomes	248	341
(1.2) Revenue from compensation of sugar production and distribution	-	101
(1.3) Revenue or refund from the Cane and Sugar Fund under the assistant project	-	308
Total other incomes	248	750
(2) Other gain (loss) and other expense-net consist of:		
(2.1) Gain (loss) from exchange rate	29	-16
(2.2) Gain (loss) from investment in derivatives	-394	121
(2.3) Loss on fair value adjustments of biological asset	-36	-26
(2.4) Gain on fair value adjustments of investment property	123	207
(2.5) Gain on sales and disposal of assets	77	27
(2.6) Loss on impairment of property, plant and equipment	-113	-62
(2.7) The contributions to the Cane and Sugar Fund *	-330	-
Total other gain (loss) and other expense-net	-644	251

Note: * The contributions to the Cane and Sugar Fund of the previous years (the years 2019 and 2018) in the total amount of THB 330 million was recognized as expense as one-time transaction in the year 2020 according to the Cabinet Resolution announcement of the Royal Gazette dated May 26, 2020.

Share of gain on investment in associates companies

Share of gain on investment in associates in the amount of THB 323 million was increased by THB 221 million (FY2019: THB 101 million) due to business growth and higher profitability of BBGI Plc. Group's operating performance based on production and sales of alcohol, ethanol and biodiesel.

As a result, the company's earnings before interest and income tax (EBIT) was THB 333 million that was decreased by 8% comparison with the previous year (FY2019: THB 1,689 million).

Finance cost and income tax expense

In FY2020, the company's financial cost of THB 497 million was decreased by 30% due to long-term loan repayment during the year and decrease in the average interest rate of short-term loans. Whereas the corporate income tax of THB 66 million shown as income in the financial statement for the FY2020 as it is the benefit to be utilized in the future.

As a result, the company had a net loss in the amount of THB 98 million for FY2020 (FY2019: net profit of THB 830 million) which consists of loss of minority interest amounted to THB 15 million and net loss of the owner of the parent amounted to THB 83 million

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

Income Statement Highlight (Million THB)	2020	2019	% Change	2018
Sales and Services	11,853	17,855	-34%	17,812
Cost of Sales and Service	(10,082)	(14,230)	-29%	(14,681)
Gross Profit	1,771	3,625	-51%	3,131
Other Incomes	248	750	-67%	892
Selling Expense	(451)	(944)	-52%	(770)
Administration Expense	(772)	(681)	13%	(720)
Management Remuneration	(142)	(151)	-6%	(142)
Proceeds to Fund	-	(1,262)	-100%	(1,116)
Profits before other gain (loss) and other expenses	654	1,337	-51%	1,275
Other gain (loss) and other expense - net	(644)	251	-357%	282
Share of profit of associated companies	323	101	220%	145
Profits before financial cost and tax	333	1,689	-80%	1,702
Financial cost	(497)	(710)	-30%	(728)
Corporate Income Tax	66	(149)	-144%	(144)
Minority interest	15	(8)	-288%	18
Net Profit (loss)	(83)	822	-110%	848
Earnings (loss) per Share (EPS)	(0.02)	0.19		0.19
Gross Profit Margin	14.9%	20.3%		17.6%
Net Profit Margin	-0.7%	4.6%		4.8%

The company's operating revenue structure for FY2020, the total revenue was THB 11,853 million. The company's operating revenue consisted of (1) revenues from sales of sugar and molasses in the total amount of THB 10,043 million, representing 84.3% of the total operating revenue, (2) revenue from electricity and steam sales in the total amount of THB 1,251 million, representing 10.6% of the total operating revenue and (3) revenues from other services amounted to THB 181 million and revenues from trading business amounted to THB 353 million. The rest was other incomes amounted to THB 25 million. The revenue structure has not been significantly changed in the past 3 years.

Table 13.3 : Consolidated Revenue Structure in the past 3 years

Revenue Structure (Million THB)	2020		2019		% Change	2018	
Sales and Services							
Sugar and Molasses Sales	10,043	84.7%	15,413	86.3%	-35%	15,353	86.2%
Electric and Steam Sales	1,251	10.6%	1,326	7.4%	-6%	1,211	6.8%
Services	181	1.5%	365	2.0%	-50%	405	2.3%
Others	25	0.2%	86	0.5%	-71%	93	0.5%
Total	<u>11,500</u>	<u>97.0%</u>	<u>17,190</u>	<u>96.3%</u>	<u>-33%</u>	<u>17,062</u>	<u>95.8%</u>
Trading Activities							
Sales of fuels	182	1.5%	362	2.0%	-50%	440	2.5%
Sales of fertilizer	155	1.3%	242	1.4%	-36%	273	1.5%
Sales of Supplies	16	0.1%	61	0.3%	-74%	37	0.2%
Total	<u>353</u>	<u>3.0%</u>	<u>665</u>	<u>3.7%</u>	<u>-47%</u>	<u>750</u>	<u>4.2%</u>
Total Sales and Services	<u>11,853</u>	<u>100.0%</u>	<u>17,855</u>	<u>100.0%</u>	<u>-34%</u>	<u>17,812</u>	<u>100.0%</u>

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

Statement of Financial Position Highlight (Million THB)	2020	2019	% Change	2018
Cash and cash equivalents	138	2,430	-94%	129
Trade and other current receivables	1,203	1,287	-7%	2,476
Short-term loans	786	926	-15%	1,533
Inventories	2,049	2,774	-26%	4,089
Biological assets	42	52	-19%	61
Other current assets	56	45	24%	46
Investments in associates	4,273	3,965	8%	3,879
Other long-term investments	157	245	-36%	335
Finance lease receivable - net of current portion	361	-	100%	-
Receivables from the Office of the Cane and Sugar Fund - net of current portion	-	541	-100%	441
Long-term loans	144	146	-1%	243
Investment property	5,775	5,637	2%	5,167
Property, plant and equipment	25,891	25,868	0%	26,924
Other non-current assets	247	205	20%	219
Total Asset	41,122	44,121	-7%	45,542
Current Liabilities	11,388	11,818	-4%	13,924
Non-Current Liabilities	10,188	13,282	-23%	12,979
Total Liabilities	21,576	25,100	-14%	26,903
Total Shareholder's Equity	19,546	19,021	3%	18,639
Total Equity Attributable to Owners of the Parent	19,027	18,606		18,210
D/E Ratio	1.10	1.32		1.44
IBD/E Ratio	0.96	1.16		1.26

At the end of FY2020, the company had the total assets of THB 41,122 million, 7% decrease, and the total liabilities of THB 21,576 million, 14% decrease. Whereas the shareholders' equity of THB 19,546 million was from 3% increase. As a result, debt to equity ratio reduced from 1.32 to 1.10 and interest-bearing debt to equity ratio also reduced from 1.16 to 0.96 due to a large amount of repayment of long-term borrowings and increase in shareholders' equity from revalue of property in FY2020.

The significant changes in statement of financial position are as follows;

- A significant decrease in cash and cash equivalents of THB 2,292 million or 94% was mainly due to significant decrease in deposits in transit as there was high volume of export sale of sugar and its collection made close to the end of October 2019.

- A decrease in inventories of THB 725 million or 26% was mainly due to decrease in sugar volume resulted from severe drought circumstance, whereas there was no significant change in demands.

- Investment in associates increased by THB 308 million or 8% was mainly due to BBGI group's profits.

- Finance lease receivable was wholly increased by THB 381 million due to entering into finance lease agreement for a group of assets with limited period of repayment in 5 years. At the end of FY2020, its current portion was THB 20 million.

- Receivables from the Office of the Cane and Sugar Funds – net of current portion in the amount of THB 541 million was wholly decreased since it has been offset with the contribution to the Cane and Sugar Fund in FY2020, whereas the remaining balance after such offsetting in the amount of THB 447 million classified as its current portion.

- Long-term debentures decreased in the amount of THB 3,500 million was from repayment of debentures matured during the year.

In addition to the changes above, during the year 2020, the group of operating property was revalued by appraisal of an independent professional appraiser. Its fair value of the assets increased in total amount of Baht 1,033 million.

13.5) Consolidated Statement of Cash Flow

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

Cash Flow Highlight (Million THB)	2020	2019	% Change	2018
Net Profit + Depreciation + Non Cash	1,028	2,546	-60%	2,449
Change in Working Capital	507	76	567%	(3,145)
Cash flow from Operating Activities	1,535	2,622	-41%	(696)
Invest in PP&E	(435)	(414)	5%	(1,132)
Cash flow from Investing Activities	(228)	117	-295%	(863)
Cash flow from Financing Activities	(3,591)	(457)	686%	1,512
Change in Cash Flow	(2,293)	2,301		(24)
Ending Cash	138	2,430		129
EBIT	333	1,689	-80%	1,702
Depreciation and Amortization	1,080	1,205	-10%	1,264
EBITDA	1,413	2,894	-51%	2,966

In FY2020, the company received net cash inflows from operations of THB 1,535 million, a 41% decreased from FY2019. The major reasons are that sugar sale was significantly decreased from the previous year as a result of insufficient sugar cane supply output affected from drought in Thailand together with the lower stock level since large amount of stocks had been sold in FY2019. However, the company has managed cash inflows from limited new loans to farmers and gradually received from farmer debt collection. The credit term of trade receivables had been remained, whereas decrease in trade receivables was from an expediting of debt collection causing the improved cash inflows from such debt collection management.

Regarding the cash flows from investing activities, the company had net cash outflows from investing activities in the total amount of THB 228 million. The net cash outflow was mainly from net investment in fixed assets of THB 430 million, whereas net cash inflows was derived from cash collection from short-term loans and long-term loans in the total amount of THB 103 million and cash received from dividend income and interest income in the total amount of THB 81 million.

Regarding financing activities, the company had net cash outflows in the total amount of THB 3,591 million. It was mainly from repayment of debenture of THB 3,500 million and dividend payment of THB 221 million.

13.6) Financial Ratios**Table 13.6 : Financial Ratios in the past 3 years**

Financial Ratios	2020	2019	2018
Liquidity ratios			
Current Ratio	0.38	0.64	0.60
Acid Test Ratio	0.19	0.39	0.30
Collection period - trade receivables (days)	16	21	19
Average inventory period (days)	88	88	89
Capital Structure and Solvency ratios			
D/E Ratio	1.10	1.32	1.44
IBD/E Ratio	0.96	1.16	1.24
LTD to equity	0.44	0.62	0.61
Return on Investment ratios			
ROA	0%	2%	2%
ROE	-0.4%	4.3%	4.5%
Operating performance ratios			
Gross Profit Margin	15%	20%	18%
Operating Profits Margin	0%	9%	9%
Pre-tax Profit Margin	-1%	5%	5%
Net Profit Margin	-1%	5%	5%
Market Measures			
Book Value per Share	4.43	4.31	4.13
Earning Per Share	(0.02)	0.19	0.19

According to the 2020 financial ratios above, all related return on investment ratios and operating performance ratios were dropped from previous year's as a result of operating loss of THB 83 million (FY2019: profit of THB 822 million). The major reasons of material decrease in sugar business' revenue and profitability were the effect of severe drought in the crop year 2019/2020 and the recognition of the contribution to the Cane and Sugar funds of two previous years (FY2018 and FY2019) in the total amount of THB 330 million as one-time transaction expense in the current year. Decrease in gross profit ratio is mainly due to increase in costs of raw material supply and its lower utilization of fixed costs of both sugar and electricity productions resulting from decline in sugar cane volume. Although average sale price was increased in line with world sugar price, it could not be sufficient to compensate with increase in the cost.

The capital structure and solvency ratios such as D/E ratio and IBDE/E ratios were improved as a result of large amount of loan repayment during the year (THB 3,500 million) and working capital managed in the current year by limited amounts of new investment in fixed assets and funds given to farmers.

The liquidity ratios represented lower liquidity comparison with previous year's. The decline of current ratio and acid-test ratio were mainly due to finance cost management since the company increased in use of short-term credit facilities during the current year because new long-term borrowings will be considered in the first half year of FY2021 in line with term of FY2021 long-term repayment and debt securities market circumstance. In the year 2019, the higher liquidity was resulted from issuance of new long-term debenture in advance due to favorable market condition of debt securities, therefore the fund from debenture were temporarily refinanced short-term borrowings before repayment of long-term borrowing in the following year (FY2020). Regarding the collection period management, the collection period has been improved due to the expediting of debt collections since the end of FY2019 through FY2020.

14. Management Discussion and Analysis

Khon Kaen Sugar Industry Public Company Limited and its subsidiaries (“KSL” or “the company”) would like to report our financial performance for the fiscal year 2020 (from November 1, 2019 to October 31, 2020). The company had a net loss attributed to owners of the parent in the amount of THB 83 million. The operating performance and major changes by comparison with the year 2019 including the significant information are summarized as follows:

Overview of sugar business and significant business information

In the current year, severe drought in Thailand materially impacts on sugar business which caused significant decrease in sugar cane output by more than 40% in the crop year 2019/2020 comparison with the output in the crop year 2018/2019 and further affected to large amount of decrease in sugar outputs of all Thai sugar factories. For the crop year 2019/2020, the company was the fourth-largest market share in Thailand in term of sugar production with 7.05 % of sugar production volume proportion. The sugar output in Thailand of 0.59 million tons in FY2020 was decreased by approximate 48% comparison with the sugar output of 1.13 million tons in FY2019. The average price of both domestic and export sales was increased approximate 15%.

The Operating Performance and Significant Changes

For the year 2020, the company had a loss on operation of THB 83 million against profit on operation for the year 2019 of THB 822 million. The operating performance and significant changes are detailed as follows:

Revenues from Sales and Rendering of Services

For FY2020, the company’s total revenues from sale and service of THB 11,853 million was decreased by THB 6,002 million or 34% and summarized as follows:

(Unit : Million THB)

Structure of Revenues	FY2020	FY2019	Increase (decrease)
Revenues from sales	11,672	17,490	(5,818)
Sugar and molasses	10,043	15,413	(5,370)
Electricity	1,167	1,205	(38)
Fertilizer, fuels and others (supporting business)	462	872	(410)
Revenues from services	181	365	(184)
Total revenues from sales and services	11,853	17,855	(6,002)

(1) For the year 2020, the decrease in revenues from sugar sales of THB 5,370 million or 35% was mainly due to the severe drought as mentioned above. It was affected to the decrease in sugar sales volume by 45%, whereas the average sale price was increased by 15% as world sugar prices rose in 2020.

(2) Revenue from sale of electricity was slightly decreased by THB 38 million or 3%.

(3) Decrease in revenues from supporting business of THB 410 million or 47% was mainly caused from less volume of trading activities related to sugar business.

Gross Profit

For the year 2020, the company had a gross profit of THB 1,771 million, representing 15% of gross profit margin, which decreased from THB 3,625 million or 20% of gross profit margin for the year 2019. The decrease in gross profit was mainly due to decrease in sale volume, whereas the decrease in gross profit margin was caused from higher production costs which derived from higher costs of raw materials (sugarcane) included higher fuel costs in electricity production and other production costs per unit resulting from lower amount of cane crushed. The current estimated price of sugar cane for the production year 2019/2020 was increased by 20% - 25% comparison with the production year 2018/2019. The sugarcane price was estimated in line with calculation method of the Office of the Cane and Sugar Board.

Revenue from investments in associates and other Incomes

(1) Share of gain on investment in associates was increased by THB 221 million (2020: THB 322 million and 2019: THB 101 million).

(2) Other incomes decreased by THB 502 million was mainly due to the following seasons :

- In the year 2019, the company recognized a refund from the Cane and Sugar Fund according to the assistance project to support sugar cane planter and sugar plants in the amount of THB 308 million. (the year 2020: Nil)
- In the year 2019, the company recognized a revenue from the compensation for the production and distribution of sugar in the amount of THB 101 million. The compensation expected to be reimbursed from the Cane and Sugar Fund ("The Fund") as a result that the final price of sugar cane and the final compensation for the production and distribution of sugar are lower than the initial price's. 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. (the year 2020: Nil)

Distribution Costs

Distribution costs decreased from THB 451 million in the previous year to THB 2,206 million in the year 2020. The decrease of THB 1,755 million was mainly due to (1) the cancellation of remittance fee to Office of the Cane and Sugar Fund which effective from October 1, 2019 onwards, in the amount of THB 1,262 million and (2) the decrease in sugar sale volume, especially decrease in export sale volume, caused a significant decrease in sugar storage and shipping costs in approximate THB 493 million.

Administrative and other expenses

The significant changes in expenses are as follows:

- The Company recognized one-time transaction of expense in the current period as the contributions to the Cane and Sugar Fund of the previous years (the years 2019 and 2018) in the total amount of THB 330 million was recognized as expense in the year 2020. The contribution is calculated from volume of sugar cane crushing for production in the previous production year 2017/ 2018 (since January 15, 2018 onwards) and 2018/ 2019 at the rate of THB 20 per ton of sugar cane according to the Cabinet Resolution announcement of the Royal Gazette dated May 26, 2020.
- In the year 2020, the company recognized loss on investment in derivatives for sugar price hedging in the amount of THB 394 million, (the year 2020: profit from investment in derivatives of THB 121 million)

Financial Costs

Financial costs of THB 497 million was decreased from the previous year by THB 213 million due to repayment of long-term borrowings and debentures included decrease in the average interest rate.

Overview of Financial Position and Significant Ratios

For the fiscal year 2020 financial status overview, the company had total assets of THB 41,122 million, total liabilities of THB 21,576 million and total shareholders' equity of THB 19,546 million. Interest bearing debt to equity ratio (IBD/E ratio) as at October 31, 2020 represented at 0.96, which reduced from the rate of 1.16 as at October 31, 2019 due to a significant decrease in borrowings.