

Part 3

Financial Position and Operating Performance

13. Financial Information
13.1 Summary of the audit reports over the past three years

The consolidated and company financial statements have been prepared in accordance with Thai generally accepted accounting principles under the Accounting Act B.E. 2543, being those Thai Financial Reporting Standards issued under the Accounting Profession Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act.

1. Auditor for the consolidated and company financial statements in three years.

Financial Statements as at 31 December, 2017.
 Sumalee Reewarabandith
 Certified Public Accountant (Thailand) No. 3970
 EY Office Ltd.

Financial Statements as at 30 September, 2018.
 Vilailak Laohasrisakul
 Certified Public Accountant (Thailand) No. 6140
 EY Office Ltd.

Financial Statements as at 30 September, 2019.
 Vilailak Laohasrisakul
 Certified Public Accountant (Thailand) No. 6140
 EY Office Ltd.

2. Auditor's Reports for three years.

Auditor's opinion for financial statements as at 31 December 2017

I have audited the accompanying consolidated financial statements of Kaset Thai International Sugar Corporation Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Kaset Thai International Sugar Corporation Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kaset Thai International Sugar Corporation Public Company Limited and its subsidiaries and of Kaset Thai International Sugar Corporation Public Company Limited as at 31 December 2017, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Auditor's opinion for financial statements as at 30 September 2018

I have audited the accompanying consolidated financial statements of Kaset Thai International Sugar Corporation Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 September 2018, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the period from 1 January 2018 to 30 September 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Kaset Thai International Sugar Corporation Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kaset Thai International Sugar Corporation Public Company Limited and its subsidiaries and of Kaset Thai International Sugar Corporation Public Company Limited as at 30 September 2018, their financial performance and cash flows for the period from 1 January 2018 to 30 September 2018 in accordance with Thai Financial Reporting Standards.

Auditor's opinion for financial statements as at 30 September 2019

I have audited the accompanying consolidated financial statements of Kaset Thai International Sugar Corporation Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 September 2019, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the period from 1 October 2018 to 30 September 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Kaset Thai International Sugar Corporation Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kaset Thai International Sugar Corporation Public Company Limited and its subsidiaries and of Kaset Thai International Sugar Corporation Public Company Limited as at 30 September 2019, their financial performance and cash flows for the period from 1 October 2018 to 30 September 2019 in accordance with Thai Financial Reporting Standard.

13.2 Summary of financial statements of the Company and its subsidiaries.
Financial Statement

	For the year end					
	31-Dec-17 Consolidated		30-Sep-18 Consolidated		30-Sep-19 Consolidated	
	Million Baht	Percentage ¹	Million Baht	Percentage ¹	Million Baht	Percentage ¹
Current assets						
Cash and cash equivalents	329.66	1.85	300.87	1.73	294.96	1.54
Trade and other receivables	596.86	3.35	1,014.55	5.84	1,309.67	6.85
Planter receivables	563.82	3.16	574.82	3.31	391.46	2.05
Inventories	4,047.46	22.72	3,191.03	18.38	3,417.24	17.87
Biological assets	27.49	0.15	57.85	0.33	47.48	0.25
Factory overhaul costs	602.89	3.38	558.53	3.22	742.01	3.88
Amounts due from the Office of the Cane and Sugar Fund - net of current portion	-	-	1,169.11	6.74	1,419.85	7.43
Other current assets	32.69	0.18	101.60	0.59	86.09	0.45
Total current assets	6,200.87	34.80	6,968.39	40.14	7,708.77	40.32
Non-current assets						
Investments in joint venture	-	-	-	-	280.62	2.46
Other long-term investments	0.39	0.00	0.26	0.00	0.26	0.00
Amounts due from the Office of the Cane and Sugar Fund	-	-	472.15	2.72	576.80	3.02
Investment properties	321.05	1.8	322.32	1.86	323.74	1.69
Property, plant and equipment	10,513.94	59.01	9,941.64	57.27	9,526.81	49.83
Intangible assets	284.19	1.6	271.75	1.57	257.81	1.35
Deferred tax assets	297.79	1.67	206.91	1.19	217.23	1.14
Other non-current assets	197.89	1.11	175.00	1.01	227.65	1.19
Total non-current assets	11,615.26	65.20	11,390.03	65.62	11,410.91	59.68
Total assets	17,816.13	100.00	17,358.42	100.00	19,119.68	100.00

Remark 1-Percentage of Total Assets

Financial Statement (Continued)

	For the year end					
	31-Dec-17 Consolidated		30-Sep-18 Consolidated		30-Sep-19 Consolidated	
	Million Baht	Percentage ¹	Million Baht	Percentage ¹	Million Baht	Percentage ¹
Liabilities and shareholders' equity						
Current liabilities						
Bank overdrafts and short-term loans from financial institutions	2,365.60	13.28	3,560.51	19.39	3,848.50	20.13
Trade and other payables	2,440.39	13.70	1,377.88	7.51	1,672.44	8.75
Short-term loans from the Office of the Cane and Sugar Fund	-	-	268.49	1.46	1,170.92	6.12
Current portion of liabilities under finance lease agreements	7.82	0.04	8.68	0.05	9.63	0.05
Current portion of long-term loans from financial institutions	498.35	2.80	848.57	4.62	748.45	3.91
Current portion of long-term loans from related party	4.85	0.03	4.85	0.03	4.85	0.03
Current portion of long-term loans from the Office of the Cane and Sugar Fund	121.60	0.68	94.94	0.52	12.54	0.07
Income tax payable	61.81	0.35	63.95	0.35	59.32	0.31
Other current liabilities	83.43	0.47	85.92	0.47	65.75	0.34
Total current liabilities	5,583.86	31.34	6,313.79	34.39	7,592.40	39.71
Non-current liabilities						
Liabilities under finance lease agreements - net of current portion	791.1	4.44	782.42	4.26	772.78	4.04
Long-term loans from financial institutions - net of current portion	2,246.91	12.61	2,097.47	11.43	1,349.02	7.06
Long-term loans from related party - net of current portion	72.75	0.41	67.90	0.37	63.05	0.33
Long-term loans from the Office of the Cane and Sugar Fund - net of current portion	108.20	0.61	20.95	0.11	8.41	0.04
Provision for long-term employee benefits	333.16	1.87	342.86	1.87	481.44	2.52
Provision for decommissioning costs	29.36	0.16	30.16	0.16	31.28	0.16
Other non-current liabilities	538.64	3.02	508.86	2.77	479.15	2.51
Total non-current liabilities	4,120.12	23.13	3,850.63	20.97	3,185.14	16.66
Total liabilities	9,703.98	54.47	10,164.42	55.37	10,777.55	56.37

Remark 1 - Percentage of total liabilities and shareholders' equity

Financial Statement (Continued)

	For the year end					
	31-Dec-17 Consolidated		30-Sep-18 Consolidated		30-Sep-19 Consolidated	
	Million Baht	Percentage ¹	Million Baht	Percentage ¹	Million Baht	Percentage ¹
Shareholders' equity						
Share capital						
Registered						
3,888,000,010 ordinary shares of Baht 1 each	3,888.00	21.82	3,888.00	21.18	3,888.00	20.34
Issued and fully paid up						
3,860,000,010 ordinary shares of Baht 1 each	3,860.00	21.67	3,860.00	21.03	3,860.00	20.19
Share premium	5,202.88	29.20	5,202.88	28.34	5,202.88	27.21
Capital deficit from business combination under common control	(3,577.17)	(20.08)	(3,577.17)	(19.49)	(3,577.17)	(18.71)
Capital surplus on share-based payment	137.17	0.77	170.54	0.93	200.20	1.05
Retained earnings						
Appropriated - statutory reserve	289.75	1.63	305.53	1.66	324.48	1.70
Unappropriated	2,199.51	12.35	2,232.21	12.16	2,331.73	12.20
Total shareholders' equity	8,112.14	45.53	8,193.99	44.63	8,342.13	43.63
Total liabilities and shareholders' equity	17,816.12	100.00	18,358.42	100.00	19,119.68	100.00

Remark 1 - Percentage of total liabilities and shareholders' equity.

Financial Statement (Continued)

	For the year end					
	31-Dec-17 Consolidated		30-Sep-18 Consolidated		30-Sep-19 Consolidated	
	Million Baht	Percentage ¹	Million Baht	Percentage ¹	Million Baht	Percentage ¹
Sales and services income	17,524.64	100	17,305.67	100.00	16,130.02	100.00
Cost of sales and services	14,270.95	81.43	14,423.06	83.34	12,784.61	79.26
Gross Profit	3,253.69	18.57	2,882.61	16.66	3,345.41	20.74
Other income	668.39	3.81	289.32	1.67	755.95	4.69
Selling expenses	1,493.76	8.52	1,249.07	7.22	1,481.10	9.18
Administrative expenses	1,448.21	8.26	1,289.58	7.45	1,452.41	9.00
Loss on exchange	-	-	-	-	5.63	0.03
Finance cost	332.93	1.9	262.45	1.52	303.18	1.88
Profit (loss) before income tax expenses	647.17	3.69	842.98	4.87	859.04	5.33
Income tax benefits (expenses)	(1.68)	(0.01)	(213.71)	(1.23)	(118.96)	(0.74)
Profit (loss) for the year	645.49	3.68	629.27	3.64	740.08	4.59
Earnings per share						
Basic earnings (loss) per share	0.17		0.16		0.19	

Remark 1- Percentage of revenue from sales to service.

Cash flows

	For the year end		
	31-Dec-17	30-Sep-18	30-Sep-19
	Consolidated	Consolidated	Consolidated
Cash flows from operating activities			
Profit (loss) before tax	647.17	842.98	859.04
Adjustments to reconcile profit (loss) before tax to net cash provided by (paid from) operating activities:			
Depreciation and amortisation	1,269.22	964.82	1,270.36
Gain on realised discount from transferring right of planter receivables	(5.71)	(5.90)	(7.60)
Allowance for doubtful accounts	58.94	85.96	(37.77)
Reduction cost of inventory to net realisable value (reversal)	461.43	(242.53)	121.70
Loss (Gain) arising from change in fair value of biological assets	(3.51)	(10.53)	(5.39)
Unrealised loss on exchange	(5.97)	(0.18)	(0.71)
Share of loss from the joint venture	-	-	5.63
Loss on dissolution of company which classify as other long-term investment	-	0.10	-
Loss on impairment of investment properties (reversal)	7.8	1.29	1.59
Loss on impairment of property plant and equipment	9.28	8.21	24.40
Loss on sales of investment properties	-	-	(0.07)
Gain on sales of plant and equipment	(11.01)	(4.52)	(4.31)
Loss on write-off of equipment	0.01	0.01	0.03
Long-term employee benefits expenses	29.5	18.79	115.20
Share-based payment	44.49	33.37	29.66
Interest income	(35.65)	(30.71)	(61.01)
Interest expense	332.93	262.45	303.18
Profit (loss) from operating activities before changes in operating assets and liabilities	2,798.90	1,923.61	2,613.94

Cash flows (Continued)

	For the year end		
	31-Dec-17	30-Sep-18	30-Sep-19
	Consolidated	Consolidated	Consolidated
Profit (loss) from operating activities before changes in operating assets and liabilities	2,798.90	1,923.61	2,613.94
Trade and other receivables	91.97	(418.85)	(318.94)
Planter receivables	(88.57)	(102.70)	208.09
Inventories	(2,647.72)	1,098.96	(347.90)
Biological assets	5.67	(19.84)	15.76
Other current assets	-	(1,641.26)	(352.61)
Amounts due from the Office of the Cane and Sugar Fund	107.89	(24.58)	(144.40)
Other non-current assets	(28.15)	27.32	(48.54)
Trade and other payables	612.51	(1,067.08)	350.56
Other current liabilities	15.95	2.44	(20.19)
Cash paid for long-term employee benefits	(8.11)	(11.32)	(20.82)
Cash flows from operating activities	860.35	(233.30)	1,934.94
Cash paid for interest expenses	(262.91)	(190.66)	(249.79)
Cash paid for income tax	(82.88)	(124.68)	(136.41)
Net cash flows from operating activities	514.57	(548.63)	1,548.74

Cash flows (Continued)

	For the year end		
	31-Dec-17	30-Sep-18	30-Sep-19
	Consolidated	Consolidated	Consolidated
Cash flows from investing activities			
Cash received from dissolution of company which classify as other long-term investment	-	0.03	-
Cash paid for investment in joint venture	-	-	(286.25)
Acquisition of investment properties	-	-	(1.38)
Proceed from sales of investment properties	-	-	0.19
Acquisition of property, plant and equipment	(847.35)	(312.62)	(867.15)
Capitalised interest of plant and equipment	(3.46)	-	-
Proceed from sales of equipment	45.68	5.75	48.41
Cash paid for payable from purchases of property, plant and equipment	(131.41)	(70.24)	(67.74)
Acquisition of intangible assets	(6.61)	(0.09)	(2.87)
Interest income	35.66	30.64	58.21
Net cash flows from (used in) investing activities	(907.48)	(346.53)	(1,118.58)

Cash flows (Continued)

	For the year end		
	31-Dec-17	30-Sep-18	30-Sep-19
	Consolidated	Consolidated	Consolidated
Cash flows from financing activities			
Increase(Decrease) in bank overdrafts and short-term loans from financial institutions	1,294.56	1,194.91	287.99
Increase in short-term loans from the Office of the Cane and Sugar Fund	-	268.48	902.43
Decrease in long-term loans from financial institutions	(505.52)	199.52	(850.00)
Decrease in long-term loans from related party	(4.85)	(4.85)	(4.85)
Increase (decrease) in long-term loans from the Office of Cane and Sugar Fund	80.62	(117.05)	(96.97)
Payment of liabilities under finance lease agreements	(95.70)	(95.70)	(95.70)
Dividend paid	(385.97)	(578.95)	(578.97)
Net cash flows from (used in) financing activities	383.15	866.37	(436.07)
Net increase (decrease) in cash and cash equivalents	(9.76)	(28.79)	(5.90)
Cash and cash equivalents at beginning of year	339.43	329.66	300.87
Cash and cash equivalents at end of year	329.66	300.87	294.96

Financial Ratios

		Unit	For the year end		
			31-Dec-17	30-Sep-18	30-Sep-19
			Consolidated	Consolidated	Consolidated
Liquidity Ratio					
	Current Ratio	Times	1.16	1.10	1.02
	Quick ratio	Times	0.28	0.21	0.21
	Operating Cash Flow Ratio	Times	0.62	-0.09	0.22
	Accounts receivable turnover ratio	Times	16.10	21.48	14.02
	Average Collection Period	Days	22.68	16.99	26.03
	Inventory Turnover	Times	5.10	3.99	3.87
	Average Sale (Inventory) Period	Days	71.62	91.59	94.33
	Account Payable Turnover	Times	5.93	7.55	8.38
	Average Payment Period	Days	61.53	48.31	43.54
	Cash Cycle	Days	32.77	60.27	76.82
Profitability Ratio					
	Gross Profit Margin	%	18.91	16.66	20.74
	Operating Profit Margin	%	-1.01	4.72	2.52
	Net Profit Margin	%	-3.42	3.64	4.59
	Return on Equity	%	-6.21	7.72	8.95
Efficiency Ratio					
	Return on Asset	%	-0.41	6.29	6.37
	Return on Fixed Assets	%	-0.64	10.81	11.94
	Total Asset Turnover	Times	0.87	1.00	0.93
	Fixed Asset Turnover	Times	1.36	1.72	1.73
Financial Policy Ratio					
	D/E Ratio	Times	1.05	1.24	1.29
	Interest Coverage Ratio	Times	-0.23	4.21	3.83
	Dividend Payout 3	%	N/A	92.01	78.23

14. Management Discussion and Analysis
Overall operation of 2019

The total income composes of income from sale and service, income from the return of sugar production and sale, income from sugar cane farmers and sugar mill supporting project and other income. For 2019 financial year ended on 30th September 2019 (12 months), the company has the total income of 16,886.0 million Baht, while in 2018 financial year ended on 30th September 2018 (9 months) the company has the total income of 18,067.1 million Baht.

Income from sale and services in 2019 is 16,130.0 million Baht, decreased for 1,181.2 million Baht or 6.5% from 2018 which is 17,305.7 million Baht. The cause of a decrease of income in sugar business is explained as follows:

Production year		2017/2018	2018/2019	
Thailand	Sugar cane	134.9	131.0	Million tons
	Sugar	147.1	145.8	Million sacks (100 kilograms per sack)
	Molasses	5.5	5.9	Million tons
Company	Sugar cane	11.6	9.9	Million tons
	Sugar	11.9	10.3	Million sacks (100 kilograms per sack)
	Molasses	0.5	0.5	Million tons

Source: Office of Sugar and Cane Committee date 31st May 2019

- An income in sugar business decreased for 14.9% since the amount of sugar sale decreased for 9.8% and the amount of molasses sale decreased for 17.7% in average, and the selling price of sugar decreased for 4.9%, and the selling price of molasses decreased for 9.6% in average.
- An income from bagasse pulp business increased for 7.6% since the amount of bagasse pulp selling increased for 8.2% and the domestic bagasse pulp price increased for 4.4% in average.
- An income from ethanol business increased for 23.3% since the amount of ethanol sale increased for 30.9%, although the ethanol price decreased for 5.8% in average.
- An income from electricity increased for 28.8% since the amount of electricity sold by the company's 3 powerplants increased for 26%, and the electricity price per unit increased for 2.2% in average.
- An income from other sale and service increased for 8.4% since the increase of the variety of agricultural machine services, sale of fertilizer, pesticide and others

An income from the compensation of sugar production and distribution in 2018 is 472.2 million Baht and 101.9 in 2019 is million Baht. This compensation is expected to be paid to the company by the Cane and Sugar Fund since the production year 2017/2018 and 2018/2019 the final cane price and return from sugar production and distribution is expected to be lower than the preliminary price. The cane and sugar act designated the fund to compensate such difference to the Company and sugarcane farmers do not have to return the surplus of their sugarcane price.

An income from sugar cane farmers and sugar mill supporting program in 2019 is 162.1 million Baht, this income is paid from the Cane and Sugar Fund according to sugar cane farmers and sugar mill supporting program of the production year 2018/2019.

Other income composes of interest received, gain from exchange and profit for future contract of sugar sale.

- Interest received in 2019 is 61 million Baht increased 30.3 million Baht which increased for 98.7% from 2018
- Gain from exchange in 2019 is 85.2 million Baht, while in 2018 gain from exchange is 50.3 million Baht due to Thai Baht appreciation.
- Profit for future contract of sugar sale in 2019 decreased 33.2 million Baht or decreased for 35.9% from 2018

Cost of sale and services in 2019 decreased 1,638.5 million Baht or decreased for 11.4% from 2018 due to the decrease of sale amount.

Expense for sale and services in 2019 increased 394.9 million Baht or decreased for 15.6% from 2018 due to the money delivered to the office of the office of Cane and Sugar Fund, logistic expense, storage expense for sugar and molasses, human resources expenses and others

Financial expense in 2019 increased 40.7 million Baht or increased for 15.5% due to the increase of loan for investment in projects

Tax expense in 2019 decreased 94.8 million Baht or decreased for 44.3% due to the increase of deferred tax for 110%

According to the aforementioned factors, in 2019 the company gained the net profit of 740.1 million Baht increased for 17.6% compared with the net profit in 2018 which is 629.3 million Baht.

The analysis of the operation

Income	2018 (9 months) (million)	2019 (12 months) (million)	change (million)	Change (percentage)
Income from sale and services	17,305.7	16,130.0	(1,175.7)	(6.8%)
Sugar production and distribution business	13,056.9	11,107.5	(1,949.4)	(14.9%)
Income from sugar distribution	12,219.0	10,484.4	(1,734.6)	(14.2%)
Income from molasses distribution	837.9	623.1	(214.8)	(25.6%)
Downstream business	4,248.8	5,022.5	773.7	18.2%
Income from bagasse pulp	1,216.6	1,309.5	92.9	7.6%
Income from ethanol	1,313.4	1,619.4	306.0	23.3%
Income from electricity	1,131.2	1,456.8	325.5	28.8%
others	587.5	636.9	49.3	8.4%
Income from the return of sugar production and sale	472.2	101.9	370.3	(78.4%)
Income from sugar cane farmers and sugar mill supporting program	-	162.1		

Income	2018 (9 months) (million)	2019 (12 months) (million)	change (million)	Change (percentage)
Other income	289.3	492.0	202.6	70.0%
Total income	18,067.1	16,886.0	(1,181.2)	(6.5%)

Source: the company

Total income

The company's total income in 2019 (12 months) is 16,886 million Baht decreased for 6.5% from total income in 2018 (9 months) which is 18,067.1 million Baht with following detail

Sugar production and distribution business

Income of sugar production and distribution business in 2019 and 2018 is 11,107.5 million Baht and 13,056.9 million Baht accordingly and decreased for 14.9% due to these following factors:

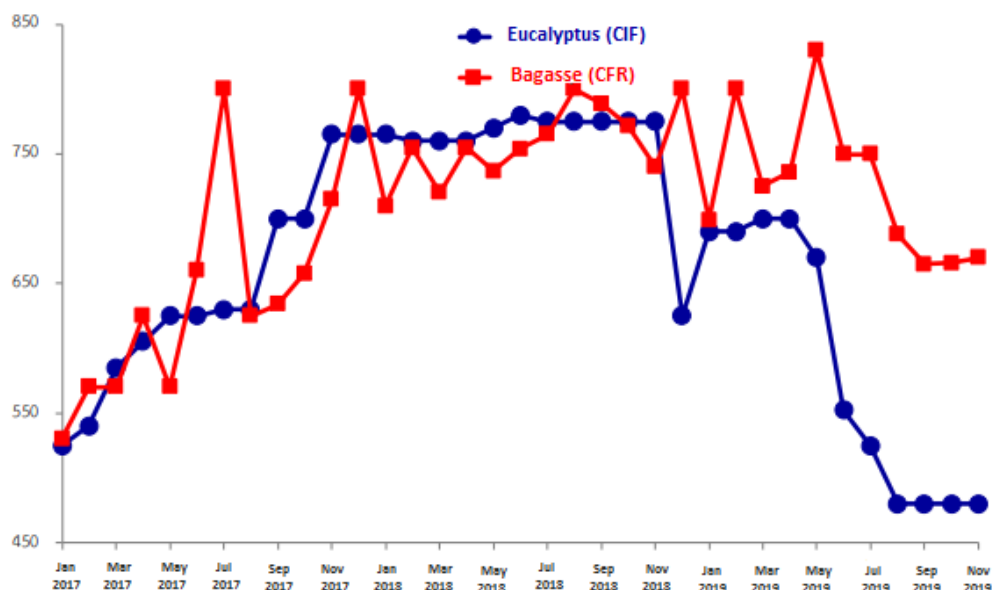
- The domestic sale amount of sugar in 2019 is 167,816.7 tons decreased 13.5% from 2018. And the international sale amount of sugar in 2019 is 787,804.8 tons decreased 9% from 2018.
- The domestic average sale price of sugar in 2019 is 16,904.2 Baht per ton decreased 4.1% from 2018 due to the sugar price floating policy since the beginning of 2018. And, the international average sale price of sugar in 2019 is 9,785.3 Baht per ton decreased 7.7% from 2018 due the serious decline of international sugar price.
- The molasses sale amount in 2019 is 197,661.7 tons decreased 17.7% from 2018
- The average sale price of molasses in 2019 is 3,152.3 Baht per ton decreased 9.16% from 2018 due to the competitive market caused by the surplus of molasses.

Downstream business

The company's income of downstream business in 2019 is 5,022.5 million Baht increased 18.2% from 2019 which is 4,248.8 million Baht with is the consequence of

- (1) Income from electricity sale in 2019 and 2018 is 1,456.8 million Baht and 1,131.2 million Baht accordingly, increased 28.8% due to the amount of electricity sold by the company's 3 powerplants increased, meanwhile the average electricity price per unit in 2019 is 3.12 Baht increased 2,2% compared to the average electricity price per unit in 2018 is 3.05 Baht
- (2) Income from bagasse pulp in 2019 and 2018 is 1,309.5 million Baht increased 7.6% from 2018 which is 1,216.6 million Baht due to these following factors,
 - The sale amount of bagasse pulp in 2019 and 2018 is 57,342.5 tons and 53,006.6 tons accordingly or increased 8.2% from the increase of domestic and international sale amount.
 - The domestic average sale price of bagasse pulp in 2019 reached 23,608.5 Baht per ton from the price 22,623.2 Baht per ton in 2018, the international average sale price of bagasse pulp in 2019 dropped to 22,613.3 Baht per ton from the price 23,023.7 Baht per ton in 2018

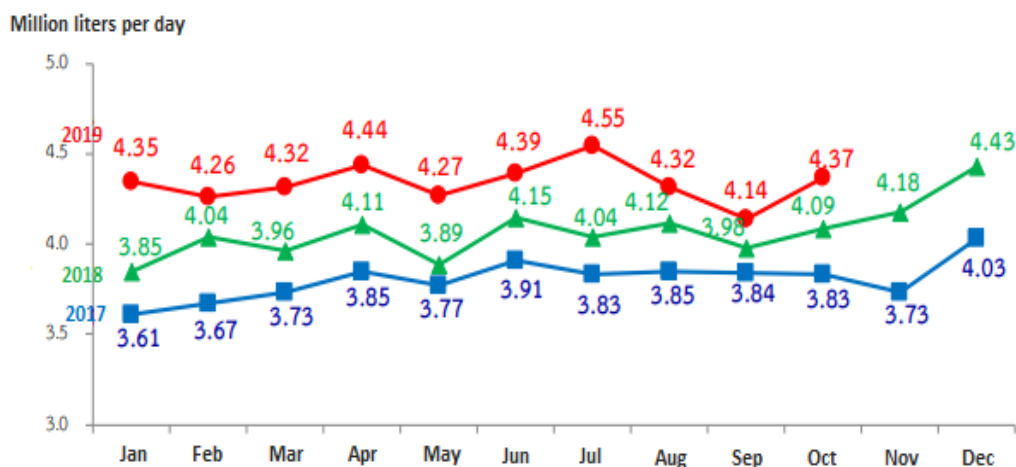
The graph exhibiting the previous change of bagasse pulp price



Source RISI and the Company

- (3) Income from ethanol in 2019 and 2018 is 1,619.4 million Baht and 1,313.4 million Baht accordingly, increased 23.3% due to these following factors
- The sale amount of ethanol in 2019 and 2018 is 73.6 million liters and 56.3 million liters accordingly or increased 30.9%
 - The domestic average sale price bagasse pulp in 2019 is 21.99 Baht per liter decreased 5.8% from 2018 which is 23.24 Baht per liter due to the serious price competitiveness for domestic fuel sale and the decline of international oil price.

The graph exhibiting the preious change of ethanol



Source Ministry of energy

- (4) Income from other services and others in 2018 and 2019 is 636.9 million Baht and 587.5 million Baht accordingly increased 8.4% due to the increase of the variety of agricultural machine services, sale of fertilizer, pesticide and others

Income from the compensation of sugar production and distribution

An income from the compensation of sugar production and distribution in 2018 is 472.2 million Baht and in 2019 is 101.9 million Baht. This compensation is expected to be paid to the company by the Cane and Sugar Fund since the production year 2017/2018 and 2018/2019 the final cane price and return from sugar production and distribution is expected to be lower than the preliminary price. The cane and sugar act designated the fund to compensate such difference to the Company and sugarcane farmers do not have to return the surplus of their sugarcane price.

Income from sugar cane farmers and sugar mill supporting program

An income from sugar cane farmers and sugar mill supporting program in 2019 is 162.1 million Baht, this income is paid from the Cane and Sugar Fund according to sugar cane farmers and sugar mill supporting program of the production year 2018/2019.

Other income

The company has interest received in 2019 (12 months) and 2018 (9 months) which is 61 million Baht and 30.7 million Baht accordingly

Gain from exchange in 2019 is 85.2 million Baht, while in 2018 gain from exchange is 50.3 million Baht due to Thai Baht appreciation.

- Profit for future contract of sugar sale in 2019 is 59.3 million Baht or decreased for 35.9% from 2018 (9 months) which is 92.5 million Baht

Other income in 2019 (12 months) is 286.4 million Baht increased for 147.3% from 2018 (9 months) which is 115.8 million Baht due to insurance claim, damages compensation, quota B fee and the sale of scrap.

Cost of sale and services and gross profit margin

Cost of sale and services in 2019 (12 months) 12,784.6 million Baht decreased for 11.4% from 2018 (9 months) which 14,423.1 million Baht

Cost of sale and services and gross profit margin of 2019 and 2018 comparison is exhibited in below table

Income	2018 (9 months) (million Baht)	2019 (12 months) (million Baht)	Change (million Baht)	Change
Income from sale and services	17,305.7	16,130.0	(1,175.7)	(6.8%)
Sugar production and distribution business	13,056.9	11,107.5	(1,949.4)	(14.9%)
Downstream business	4,248.8	5,022.5	773.7	18.2%
Cost of sale and services	14,423.1	12,784.6	(1,638.5)	(11.4%)
Sugar production and distribution business	11,857.2	9,506.9	(2,350.3)	(19.8%)

Income	2018 (9 months) (million Baht)	2019 (12 months) (million Baht)	Change (million Baht)	Change (million Baht)
Downstream business	2,565.9	3,277.8	711.9	27.7%
Gross profit	3,354.8	3,447.3	92.5	2.8%
Sugar production and distribution business	1,671.8	1,702.5	30.7	1.8%
Downstream business	1,682.9	1,744.8	61.9	3.7%
Gross profit margin	18.9%	21.2%		2.3%
Sugar production and distribution	12.4%	15.2%		2.8%
Downstream business	39.6%	34.7%		(4.9%)

Source: the Company

The gross profit in 2019 (12 months) is 3,447.3 million Baht increased from the gross profit of 2018 which is 3,354.8 million Baht or increased 2.8% due to the increase of gross profit of sugar production and distribution business and downstream business

The increase of gross profit of downstream business caused by these following reason

- The amount of electricity sale in 2019 is 466,688,087 units increased for 26% from 2018 which is 370,290,600 units. the average electricity price per unit in 2018 is 3.05 Baht increased to 3.12 Baht in 2019.
 - The sale amount of bagasse pulp in 2019 and 2018 is 57,342.5 tons increased 8.2% from 2018 which is 53,006.6 tons, although the average sale price bagasse pulp in 2019 decreased for 0.5% from 2018 which is 22,952.4 Baht per ton to 22,836.9 Baht per ton in 2019.
 - The sale amount of ethanol in 2019 is 73.6 million liters increased 30.9% from 2018 which is 56.3 million liters accordingly. Although the domestic average sale price of ethanol in 2019 decreased 5.8% from 2018 which is 23.44 Baht per liter to 21.99 Baht per liter in 2019.

The gross profit of sugar production and distribution business increased due to the cost of sale and services of sugar production and distribution decreased from 11,857.2 million Baht in 2018 to 9,506.9 million Baht in 2019.

The expense of sale and management

The expense of sale and management in 2019 (12 months) is 2,933.5 million Baht increased 15.6% from 2018 (9 months) which is 2,538.7 million Baht due to the money delivered to the office of the Cane and Sugar

Fund, logistic expense, storage expense for sugar and molasses, human resources expenses and others.

The financial expense

The financial expense in 2019 (12 months) is 303.2 million Baht increased 15.5% from 2018 (9 months) which is 262.4 million Baht due to additional investment,

Income tax

Tax expense in 2019 decreased 119.0 million Baht , while Tax expense in 2018 is 213.7 million Baht or

decreased for 44.3% due to the increase of deferred tax for 110%.

Net profit and net profit margin

In 2019 (12 months) the Company has the net profit of 740.1 million Baht compared with 2018 (9 months) which is 629.3 million Baht. The net profit margin in 2019 (12 months) and 2018 (9 months) is 4.56% and 3.54% accordingly.

Financial Analysis

Asset

On 30th September 2019 the non-current asset of company is 19,119.7 million Baht increased 4.1% from 2018 which is 18,358.4 million Baht

- The current asset of 30th September 2019 is 19,119.7 million Baht increased 740.4 million Baht or 10.6% from 2018 which is 6,968.4 million Baht with following factors
 - Account receivable and other receivable increased 318.7 million Baht
 - Receivable of Cane and Sugar Fund which shall due within a year is 250.7 million Baht
 - Inventory in stock increased for 226.2 million Baht
 - Deferred repair expenses increased for 183.5 million Baht
- the non-current asset of company at 30th September 2019 is 11,410.9 million Baht increased for 20.9 million Baht or increased for 2% from 2018 which is 11,390.0 million Baht with following factors
 - Investment in joint venture increased for 280.6 million Baht
 - Receivable of Cane and Sugar Fund which shall due after a year increased 104.6 million Baht
 - Deferred tax increased for 10.3 million Baht

Debt

On 30th September 2019 debt of the company is 10,777.5 million Baht increased 6 % from 2018 which is 10,164.4 million Baht.

- The current liability at 30th September 2019 is 7,592.4 million Baht increased for 1,278.6 million Baht or increased 20.3% from 2018 which is 6,313.8 million Baht with following factors
 - The current liability from the Cane and Sugar Fund increased for 902.4 million Baht
 - The overdraft and the short-term loan from banks increase for 288.0 million Baht with following factors
 - Account payable and other payable increases for 294.6 million Baht
- The non-current liability at 30th September 2019 is 3,185.1 million Baht decreased for 665.5 million Baht or decreased from 2018 which is 3,850.6 million Baht from the repayment of long-term loan with banks and long-term loan with the Cane and Sugar Fund include the decrease of other non-current liability.

Equity

On 30th September 2019 equity of the company is 8,342.1 million Baht increased 1.8 % from 2018 which is 8,194.0 million Baht from the profit return in 2019.

Liquidity and sufficiency of capital

The company has elevated the relationship and cooperation with financial institutions by focusing on strategic partner as the growing partners. The company has been partnering to develop financial products and services such as comprehensive cash management, online sale cheque. Therefore, the company gained trust from financial institutions and gain the support of sufficient capital and the cooperation to support the company's investment in future.

Cashflow

In 2019, the company has the net profit of 740.1 million Baht. The depreciation and amortization are 1,270.4 million Baht. After the adjustment of non-cash items, the company has the profit from operation before changes in asset and debt at 2,613.9 million Baht, and has the net cash used in financial activities at 436.1 million Baht which causes the cash and cash equivalent items is 5.9 million Baht. The cash and cash equivalent at the beginning period is 300.9 million Baht and the cash and cash equivalent at the end period is 295.0 million Baht.

Financial liquidity

The liquidity ratio under consolidated financial report at 30th September 2019 is 1.02 which decreased from the last year which is 1.10, and the quick ratio is at the same level with the last year which is 0.21.

The company has developed the cash management system with financial institutions in the whole group basis, which helps the company to use the surplus cash of each day to repay working capital. In the case that the company needs to use cash, it could also withdraw from daily working capital as well. Such management helps the company to save the financial cost which includes the option of capital market of working capital financing through short term bills of exchange that result in good liquidity and proper financial cost with the short term and long-term competitiveness.

Source of and uses of capital and the appropriateness of capital structure

The company has implemented the appropriate financial structure to support business operation and to create the value to the shareholders by taking a concern of financial risk prevention

After the company began to restructure its and its subsidiaries' financial structure since 2015 by long term loan from financial institutions. Currently the company has the remaining long-term loan with financial institutions after the loan due within 1year for 1,349.0 million Baht.

The debt to equity ratio at 30th September 2019 is 1.29 increased from 2018 which is 1.24. Such ration shall not cause any significant financial risk. Further, the company still have the capability to leverage for the operation of the company and its subsidiaries which includes the opportunity for future project,

Investment expense and source of fund

In 2019 the company has the net cashflow spent for investment at 1,118.6 million Baht. The majority of the investment is the investment in joint venture includes the investment in machinery renovation for better efficiency which used the company's working capital.

The situations that shall affect the company's future financial status or operation

The factor of uncertainty in world economic is still in unstable stage, especially the situation of politic in U.S.A, trade war between U.S.A., and China which still does not reach the settlement. Meanwhile the Brexit situation, the interest rate decrease of FOMC shall also affect Thailand's interest rate and currency exchange of Baht appreciation compared with US dollars. The fluctuation of oil price in world market shall also affect the cost of production and price of fuel in Thailand.

Meanwhile, Thailand still has a strong international reserve and has a good balance of trade and balance of current account with the policy of government's big investment. It shall result in the good economic policy drive and the year 2019/2020 should be a good year for Thailand but the aforementioned external factors should be reminded.

After the government cancel the policy of sugar distribution quota system and the controlled domestic sugar price and the domestic sugar demand of industrial needs and direct consumption, the domestic sale of sugar has a risk of intensive competition since all sugar producers could freely made domestic sale. The company realized such risk and has prepared the marketing plan to handle the occurring opportunity, Further the company has renovated the efficiency of machinery and equipment includes human resources, by the implementation of the modern technology into the production to serve the expectation and demand of customers.

The risk management committee has reviewed the policy and monitored the risks frequently, to ensure that the standard operation and the risk management plan in every aspect shall control the specified risk to be in the acceptable level.