

President Bakery Public Company Limited  
Report and financial statements  
31 December 2017

## **Independent Auditor's Report**

To the Shareholders of President Bakery Public Company Limited

### **Opinion**

I have audited the accompanying statement of financial position, in which the equity method is applied, of President Bakery Public Company Limited (“the Company”) as at 31 December 2017, and the related statements of comprehensive income, changes in shareholders’ equity and cash flows, in which the equity method is applied, for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of President Bakery 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 President Bakery Public Company Limited as at 31 December 2017, and its financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

### **Basis for Opinion**

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Company in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond for each matter are described below.

*Revenue recognition*

Sales of goods are significant accounting transactions as the amounts recorded are material and directly affect profit or loss of the Company. In addition, the sales transactions of the Company are made with a large number of customers and there are a variety of arrangements and conditions, pertaining to matters such as sales promotions, discounts and special discounts to boost sales. I therefore gave significant attention to the revenue recognition of the Company.

I evaluated the Company's revenue recognition by assessing and testing its internal controls with respect to the revenue cycle. I applied a sampling method to select sales transactions occurring during the year and near the end of the accounting period to examine the supporting documents and reviewed credit notes that the Company issued after the period-end. I tested the data being used in calculating and recording accrued sales promotions and discounts at the end of reporting period whether it was consistent with the conditions of the relevant agreements or arrangements with the customers. I also performed analytical procedures on disaggregated data to detect possible irregularities in sales transactions throughout the period, particularly for accounting entries made through journal vouchers.

### **Other Information**

Management is responsible for the other information. The other information comprise the information included in annual report of the Company, but does not include the financial statements and my auditor's report thereon. The annual report of the Company is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the annual report of the Company, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the group to express an opinion on the financial statements, in which the equity method is applied. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

I am responsible for the audit resulting in this independent auditor's report.

Kamontip Lertwitworatep  
Certified Public Accountant (Thailand) No. 4377

EY Office Limited  
Bangkok: 20 February 2018

**President Bakery Public Company Limited**

**Statements of financial position**

**As at 31 December 2017**

(Unit: Baht)

	Note	Financial statements in which the equity method is applied		Separate financial statements	
		2017	2016	2017	2016
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	6	685,080,431	536,988,427	685,080,431	536,988,427
Short-term investments	7	811,645,444	626,518,874	811,645,444	626,518,874
Trade and other receivables	8, 10	894,011,368	870,984,953	894,011,368	870,984,953
Inventories	9	205,019,857	205,446,309	205,019,857	205,446,309
Other current assets		24,036,607	27,593,283	24,036,607	27,593,283
<b>Total current assets</b>		<b>2,619,793,707</b>	<b>2,267,531,846</b>	<b>2,619,793,707</b>	<b>2,267,531,846</b>
<b>Non-current assets</b>					
Restricted bank deposit	29.5	36,348,041	36,348,041	36,348,041	36,348,041
Investment in joint venture	11	28,831,792	24,896,657	5,850,000	5,850,000
Long-term investments	12	699,351,012	539,383,280	699,351,012	539,383,280
Other long-term investments	13	79,500,000	60,962,500	79,500,000	60,962,500
Property, plant and equipment	14	4,509,281,181	4,563,713,321	4,509,281,181	4,563,713,321
Advance payments for purchase of assets		2,379,525	6,672,580	2,379,525	6,672,580
Intangible assets	15	10,582,914	9,477,509	10,582,914	9,477,509
Leasehold rights	16	929,986	1,346,653	929,986	1,346,653
Deferred tax assets	23	5,948,628	8,789,186	5,948,628	8,789,186
Other non-current assets		4,379,150	8,553,183	4,379,150	8,553,183
<b>Total non-current assets</b>		<b>5,377,532,229</b>	<b>5,260,142,910</b>	<b>5,354,550,437</b>	<b>5,241,096,253</b>
<b>Total assets</b>		<b>7,997,325,936</b>	<b>7,527,674,756</b>	<b>7,974,344,144</b>	<b>7,508,628,099</b>

The accompanying notes are an integral part of the financial statements.

**President Bakery Public Company Limited**  
**Statements of financial position (continued)**  
**As at 31 December 2017**

(Unit: Baht)

	<u>Note</u>	Financial statements in which the equity method is applied		Separate financial statements	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Trade and other payables	10, 17	680,568,666	752,350,945	680,568,666	752,350,945
Current portion of liabilities under finance lease agreements	10, 18	56,240,343	70,223,302	56,240,343	70,223,302
Corporate income tax payable		80,207,478	89,583,084	80,207,478	89,583,084
Accrued expenses		208,952,062	224,513,082	208,952,062	224,513,082
Other current liabilities		6,149,157	10,975,456	6,149,157	10,975,456
<b>Total current liabilities</b>		<u>1,032,117,706</u>	<u>1,147,645,869</u>	<u>1,032,117,706</u>	<u>1,147,645,869</u>
<b>Non-current liabilities</b>					
Liabilities under finance lease agreements - net of current portion	10, 18	52,643,161	75,190,261	52,643,161	75,190,261
Long-term loans from directors	10, 19	77,983,945	84,156,713	77,983,945	84,156,713
Long-term loans from employees	19	39,626,763	45,172,352	39,626,763	45,172,352
Provision for long-term employee benefits	20	84,270,609	82,988,886	84,270,609	82,988,886
Other non-current liabilities		3,028,862	2,829,951	3,028,862	2,829,951
<b>Total non-current liabilities</b>		<u>257,553,340</u>	<u>290,338,163</u>	<u>257,553,340</u>	<u>290,338,163</u>
<b>Total liabilities</b>		<u>1,289,671,046</u>	<u>1,437,984,032</u>	<u>1,289,671,046</u>	<u>1,437,984,032</u>

The accompanying notes are an integral part of the financial statements.

**President Bakery Public Company Limited**  
**Statements of financial position (continued)**  
**As at 31 December 2017**

(Unit: Baht)

	Note	Financial statements in which the equity method is applied		Separate financial statements	
		2017	2016	2017	2016
<b>Shareholders' equity</b>					
Share capital					
Registered					
450,000,000 ordinary shares of Baht 1 each		<u>450,000,000</u>	<u>450,000,000</u>	<u>450,000,000</u>	<u>450,000,000</u>
Issued and fully paid-up					
450,000,000 ordinary shares of Baht 1 each		450,000,000	450,000,000	450,000,000	450,000,000
Share premium		674,379,513	674,379,513	674,379,513	674,379,513
Retained earnings					
Appropriated - statutory reserve	21	45,000,000	45,000,000	45,000,000	45,000,000
Unappropriated		5,517,994,893	4,913,361,319	5,495,013,101	4,894,314,662
Other components of shareholders' equity		<u>20,280,484</u>	<u>6,949,892</u>	<u>20,280,484</u>	<u>6,949,892</u>
<b>Total shareholders' equity</b>		<u>6,707,654,890</u>	<u>6,089,690,724</u>	<u>6,684,673,098</u>	<u>6,070,644,067</u>
<b>Total liabilities and shareholders' equity</b>		<u>7,997,325,936</u>	<u>7,527,674,756</u>	<u>7,974,344,144</u>	<u>7,508,628,099</u>

The accompanying notes are an integral part of the financial statements.

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Directors  
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**President Bakery Public Company Limited**  
**Statements of comprehensive income**  
**For the year ended 31 December 2017**

(Unit: Baht)

	Note	Financial statements in which the equity method is applied		Separate financial statements	
		2017	2016	2017	2016
<b>Profit or loss:</b>					
<b>Revenues</b>					
Sales		7,448,960,736	7,568,751,714	7,448,960,736	7,568,751,714
Interest income		30,634,761	39,277,360	30,634,761	39,277,360
Other income		39,695,074	32,498,043	40,514,074	33,434,043
<b>Total revenues</b>		<u>7,519,290,571</u>	<u>7,640,527,117</u>	<u>7,520,109,571</u>	<u>7,641,463,117</u>
<b>Expenses</b>	22				
Cost of sales		4,348,268,864	4,361,990,764	4,348,268,864	4,361,990,764
Selling expenses		1,012,487,479	991,349,323	1,012,487,479	991,349,323
Administrative expenses		673,083,604	652,369,008	673,083,604	652,369,008
<b>Total expenses</b>		<u>6,033,839,947</u>	<u>6,005,709,095</u>	<u>6,033,839,947</u>	<u>6,005,709,095</u>
<b>Profit before share of profit from investment in joint venture, finance cost and income tax expenses</b>		1,485,450,624	1,634,818,022	1,486,269,624	1,635,754,022
Share of profit from investment in joint venture	11	<u>4,708,002</u>	<u>2,354,881</u>	-	-
<b>Profit before finance cost and income tax expenses</b>		1,490,158,626	1,637,172,903	1,486,269,624	1,635,754,022
Finance cost		<u>(11,288,152)</u>	<u>(11,812,733)</u>	<u>(11,288,152)</u>	<u>(11,812,733)</u>
<b>Profit before income tax expenses</b>		1,478,870,474	1,625,360,170	1,474,981,472	1,623,941,289
Income tax expenses	23	<u>(143,334,263)</u>	<u>(162,410,976)</u>	<u>(143,334,263)</u>	<u>(162,410,976)</u>
<b>Profit for the year</b>		<u>1,335,536,211</u>	<u>1,462,949,194</u>	<u>1,331,647,209</u>	<u>1,461,530,313</u>

The accompanying notes are an integral part of the financial statements.

**President Bakery Public Company Limited**  
**Statements of comprehensive income (continued)**  
**For the year ended 31 December 2017**

(Unit: Baht)

	Note	Financial statements in which the equity method is applied		Separate financial statements	
		2017	2016	2017	2016
<b>Other comprehensive income:</b>					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>					
Gain on changes in value of available-for-sale investments - net of income tax	12	13,330,592	11,711,132	13,330,592	11,711,132
Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax		13,330,592	11,711,132	13,330,592	11,711,132
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>					
Actuarial losses - net of income tax	20	(1,948,770)	(4,169,975)	(1,948,770)	(4,169,975)
Share of actuarial gain of joint venture - net of income tax	11	46,133	-	-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		(1,902,637)	(4,169,975)	(1,948,770)	(4,169,975)
<b>Other comprehensive income for the year</b>		<b>11,427,955</b>	<b>7,541,157</b>	<b>11,381,822</b>	<b>7,541,157</b>
<b>Total comprehensive income for the year</b>		<b>1,346,964,166</b>	<b>1,470,490,351</b>	<b>1,343,029,031</b>	<b>1,469,071,470</b>
<b>Earnings per share</b>					
Basic earnings per share	24	2.97	3.25	2.96	3.25

The accompanying notes are an integral part of the financial statements.

**President Bakery Public Company Limited**  
**Statements of changes in shareholders' equity**  
**For the year ended 31 December 2017**

(Unit: Baht)

Financial statements in which the equity method is applied

	Note	Issued and paid-up share capital	Share premium	Retained earnings		Other components of shareholders' equity		Total
				Appropriated - statutory reserve	Unappropriated	Other comprehensive income Changes in value of available-for-sale investments	Total other components of shareholders' equity	
<b>Balance as at 1 January 2016</b>		450,000,000	674,379,513	45,000,000	4,161,082,100	(4,761,240)	(4,761,240)	5,325,700,373
Profit for the year		-	-	-	1,462,949,194	-	-	1,462,949,194
Other comprehensive income for the year		-	-	-	(4,169,975)	11,711,132	11,711,132	7,541,157
Total comprehensive income for the year		-	-	-	1,458,779,219	11,711,132	11,711,132	1,470,490,351
Dividend payment	25	-	-	-	(706,500,000)	-	-	(706,500,000)
<b>Balance as at 31 December 2016</b>		<u>450,000,000</u>	<u>674,379,513</u>	<u>45,000,000</u>	<u>4,913,361,319</u>	<u>6,949,892</u>	<u>6,949,892</u>	<u>6,089,690,724</u>
<b>Balance as at 1 January 2017</b>		450,000,000	674,379,513	45,000,000	4,913,361,319	6,949,892	6,949,892	6,089,690,724
Profit for the year		-	-	-	1,335,536,211	-	-	1,335,536,211
Other comprehensive income for the year		-	-	-	(1,902,637)	13,330,592	13,330,592	11,427,955
Total comprehensive income for the year		-	-	-	1,333,633,574	13,330,592	13,330,592	1,346,964,166
Dividend payment	25	-	-	-	(729,000,000)	-	-	(729,000,000)
<b>Balance as at 31 December 2017</b>		<u>450,000,000</u>	<u>674,379,513</u>	<u>45,000,000</u>	<u>5,517,994,893</u>	<u>20,280,484</u>	<u>20,280,484</u>	<u>6,707,654,890</u>

The accompanying notes are an integral part of the financial statements.

President Bakery Public Company Limited

Statements of changes in shareholders' equity (continued)

For the year ended 31 December 2017

(Unit: Baht)

		Separate financial statements						
				Retained earnings		Other components of shareholders' equity		
		Issued and paid-up share capital	Share premium	Appropriated - statutory reserve	Unappropriated	Other comprehensive income	Total other components of shareholders' equity	Total
Note						Changes in value of available-for-sale investments		
	<b>Balance as at 1 January 2016</b>	450,000,000	674,379,513	45,000,000	4,143,454,324	(4,761,240)	(4,761,240)	5,308,072,597
	Profit for the year	-	-	-	1,461,530,313	-	-	1,461,530,313
	Other comprehensive income for the year	-	-	-	(4,169,975)	11,711,132	11,711,132	7,541,157
	Total comprehensive income for the year	-	-	-	1,457,360,338	11,711,132	11,711,132	1,469,071,470
	Dividend payment	25	-	-	(706,500,000)	-	-	(706,500,000)
	<b>Balance as at 31 December 2016</b>	<u>450,000,000</u>	<u>674,379,513</u>	<u>45,000,000</u>	<u>4,894,314,662</u>	<u>6,949,892</u>	<u>6,949,892</u>	<u>6,070,644,067</u>
	<b>Balance as at 1 January 2017</b>	450,000,000	674,379,513	45,000,000	4,894,314,662	6,949,892	6,949,892	6,070,644,067
	Profit for the year	-	-	-	1,331,647,209	-	-	1,331,647,209
	Other comprehensive income for the year	-	-	-	(1,948,770)	13,330,592	13,330,592	11,381,822
	Total comprehensive income for the year	-	-	-	1,329,698,439	13,330,592	13,330,592	1,343,029,031
	Dividend payment	25	-	-	(729,000,000)	-	-	(729,000,000)
	<b>Balance as at 31 December 2017</b>	<u>450,000,000</u>	<u>674,379,513</u>	<u>45,000,000</u>	<u>5,495,013,101</u>	<u>20,280,484</u>	<u>20,280,484</u>	<u>6,684,673,098</u>

The accompanying notes are an integral part of the financial statements.

**President Bakery Public Company Limited**

**Statements of cash flows**

**For the year ended 31 December 2017**

(Unit: Baht)

	Financial statements in which the equity method is applied		Separate financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities</b>				
Profit before tax	1,478,870,474	1,625,360,170	1,474,981,472	1,623,941,289
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	535,240,175	451,352,642	535,240,175	451,352,642
Gain on disposals of property, plant and equipment	(4,114,970)	(6,637,020)	(4,114,970)	(6,637,020)
Gain on sales of other long-term investment - net	-	(875,000)	-	(875,000)
Share of profit from investment in joint venture	(4,708,002)	(2,354,881)	-	-
Gain on sales of short-term investments	(73,196)	(33,614)	(73,196)	(33,614)
Gain on sales of long-term investments	(10,102,934)	(553,257)	(10,102,934)	(553,257)
Unrealised (gain) loss on exchange	91,802	(69,829)	91,802	(69,829)
Provision for long-term employee benefits	9,410,321	9,256,110	9,410,321	9,256,110
Interest income	(30,634,761)	(39,277,360)	(30,634,761)	(39,277,360)
Dividend income from investments	(3,488,145)	(3,683,706)	(3,488,145)	(3,683,706)
Dividend income from joint venture	-	-	(819,000)	(936,000)
Dividend income from other long-term investment	(4,500,000)	(3,000,000)	(4,500,000)	(3,000,000)
Interest expenses	8,569,119	9,332,851	8,569,119	9,332,851
Profit from operating activities before changes in operating assets and liabilities	1,974,559,883	2,038,817,106	1,974,559,883	2,038,817,106
Decrease (increase) in operating assets				
Trade and other receivables	(21,255,662)	13,546,493	(21,255,662)	13,546,493
Inventories	426,452	(15,844,305)	426,452	(15,844,305)
Other current assets	11,375,250	12,780,374	11,375,250	12,780,374
Other non-current assets	3,986,726	(141,838)	3,986,726	(141,838)
Increase (decrease) in operating liabilities				
Trade and other payables	(464,023)	(14,843,223)	(464,023)	(14,843,223)
Other current liabilities	(15,437,647)	4,912,369	(15,437,647)	4,912,369
Other non-current liabilities	198,911	581,261	198,911	581,261
Provision for long-term employee benefits	(10,635,875)	(10,087,810)	(10,635,875)	(10,087,810)
Cash from operating activities	1,942,754,015	2,029,720,427	1,942,754,015	2,029,720,427
Cash paid for interest expenses	(8,569,119)	(9,332,851)	(8,569,119)	(9,332,851)
Cash paid for income tax	(152,643,452)	(150,433,719)	(152,643,452)	(150,433,719)
<b>Net cash from operating activities</b>	<b>1,781,541,444</b>	<b>1,869,953,857</b>	<b>1,781,541,444</b>	<b>1,869,953,857</b>

The accompanying notes are an integral part of the financial statements.

**President Bakery Public Company Limited**

**Statements of cash flows (continued)**

**For the year ended 31 December 2017**

(Unit: Baht)

	Financial statements in which the equity method is applied		Separate financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Cash flows from investing activities</b>				
Cash received from sales of other long-term investment	-	875,000	-	875,000
Cash paid for other long-term investment	(18,537,500)	(962,500)	(18,537,500)	(962,500)
Cash paid for short-term investments	(927,759,663)	(1,519,760,752)	(927,759,663)	(1,519,760,752)
Cash paid for long-term investments	(763,795,064)	(522,565,936)	(763,795,064)	(522,565,936)
Cash received from sales of short-term investments	864,447,137	2,547,802,989	864,447,137	2,547,802,989
Cash received from sales of long-term investments	505,064,470	484,961,061	505,064,470	484,961,061
Acquisitions of property, plant and equipment	(522,038,743)	(2,004,152,035)	(522,038,743)	(2,004,152,035)
Proceeds from disposals of property, plant and equipment	5,033,804	7,512,790	5,033,804	7,512,790
Decrease in advance payments for purchase of assets	4,293,055	95,170,282	4,293,055	95,170,282
Increase in intangible assets	(2,971,360)	(5,292,485)	(2,971,360)	(5,292,485)
Increase in leasehold right	-	(1,000,000)	-	(1,000,000)
Interest income	25,286,380	34,902,851	25,286,380	34,902,851
Dividend income from investments	3,414,099	3,603,795	3,414,099	3,603,795
Dividend income from joint venture	819,000	936,000	819,000	936,000
Dividend income from other long-term investments	4,500,000	3,000,000	4,500,000	3,000,000
<b>Net cash used in investing activities</b>	<u>(822,244,385)</u>	<u>(874,968,940)</u>	<u>(822,244,385)</u>	<u>(874,968,940)</u>
<b>Cash from financing activities</b>				
Decrease in liabilities under finance lease agreements	(70,486,699)	(73,776,697)	(70,486,699)	(73,776,697)
Increase (decrease) in long-term loans from directors	(6,172,767)	7,170,597	(6,172,767)	7,170,597
Increase (decrease) in long-term loans from employees	(5,545,589)	11,167,738	(5,545,589)	11,167,738
Increase in short-term loan from financial institution	-	163,000,000	-	163,000,000
Cash paid for short-term loan from financial institution	-	(163,000,000)	-	(163,000,000)
Dividend payments	(729,000,000)	(706,500,000)	(729,000,000)	(706,500,000)
<b>Net cash used in financing activities</b>	<u>(811,205,055)</u>	<u>(761,938,362)</u>	<u>(811,205,055)</u>	<u>(761,938,362)</u>
<b>Net increase in cash and cash equivalents</b>	148,092,004	233,046,555	148,092,004	233,046,555
Cash and cash equivalents at beginning of year	536,988,427	303,941,872	536,988,427	303,941,872
<b>Cash and cash equivalents at end of year (Note 6)</b>	<u>685,080,431</u>	<u>536,988,427</u>	<u>685,080,431</u>	<u>536,988,427</u>
<b>Supplementary disclosures of cash flows information</b>				
Non-cash related transactions				
Purchases of vehicles under financial lease agreements	33,956,640	75,085,596	33,956,640	75,085,596
Other payables for purchases of machinery and equipment and retention	21,859,995	98,595,337	21,859,995	98,595,337

The accompanying notes are an integral part of the financial statements.

## **President Bakery Public Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2017**

#### **1. General information**

President Bakery Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Prior to 16 October 2017, its major shareholder is President Rice Products Public Company Limited, which is a public company incorporated in Thailand. The Company is principally engaged in the manufacture and sales of bakery products and its registered address is at No. 121/84-85, 29th Floor, RS Tower, Ratchadapisek Road, Dindaeng, Bangkok.

On 8 June 2017, Saha Pathana Inter-Holding Public Company Limited (“SPI”) completed the acceptance of the entire business transfer (“EBT”) of President Holding Co., Ltd. (“PH”) (which includes 84,450,000 ordinary shares or 18.77 percent of the Company and 49,037,000 shares or 32.76 percent of President Rice Products Public Company Limited (“PR”) held by PH). As a result of the entire business transfer, SPI holds 21.58 percent interest in the Company and holds 35.76 percent interest in PR. PR is the major shareholder of the Company holding 37.52 percent interest of the Company. As a result of the entire business transfer, SPI holds direct and indirect interest in the Company totaling 59.10 percent. In addition, SPI is required to make a mandatory tender offer for all securities in the Company in compliance with the Notification of Capital Market Supervisory Board. In this regard, Thai President Foods Public Company Limited (“TF”) will make the tender offer for all ordinary shares in the Company jointly with SPI (Co-Tender Offer). The process of the tender offer had been completed on 26 July 2017.

On 16 October 2017, the public company registrar, the Department of Business Development, the Ministry of Commerce has duly accepted the registration of the amalgamation of President Rice Products Public Company Limited (“PR”) and Thai President Foods Public Company Limited (“TF”). As a result, President Rice Products Public Company Limited (“PR”) and Thai President Foods Public Company Limited (“TF”) are no longer have the status of a juristic person. The new company from the amalgamation is Thai President Foods Public Company Limited (“TFMAMA”). As a result of the amalgamation, Thai President Foods Public Company Limited (“TFMAMA”) is the major shareholder of the Company holding 46.91 percent interest of the Company (Thai President Foods Public Company Limited (“TF”) and President Rice Products Public Company Limited (“PR”) formerly held 9.39 percent interest and 37.52 percent interest of the Company, respectively).

## **2. Basis of preparation**

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 11 October 2016, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

## **3. New financial reporting standards**

### **(a) Financial reporting standards that became effective in the current year**

During the year, the Company has adopted the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which are effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company's financial statements.

### **(b) Financial reporting standards that will become effective in the future**

During the current year, the Federation of Accounting Professions issued a number of revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements.

The management of the Company believes that the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied.

## **4. Significant accounting policies**

### **4.1 Revenue recognition**

#### *Sales of goods*

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyers. Sales are the invoiced value, excluding value added tax, after deducting goods returned, discounts and allowances.

#### *Interest income*

Interest income is recognised on an accrual basis based on the effective interest rate.

#### *Dividends*

Dividends are recognised when the right to receive the dividends is established.

### **4.2 Cash and cash equivalents**

Cash and cash equivalents consist of cash and deposits at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

### **4.3 Trade accounts receivable and allowance for doubtful accounts**

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debt aging.

### **4.4 Inventories**

Inventories are valued at the lower of cost (under weighted average basis) and net realisable value. Cost of finished goods and work in process comprises all production costs and attributable factory overhead.

Raw and packing materials, spare parts and factory supplies are charged to production costs whenever consumed.

### **4.5 Investments**

- a) Investment in joint venture is accounted for in the financial statements in which the equity method is applied using the equity method.
- b) Investment in joint venture is accounted for in the separate financial statements using the cost method.

- c) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in other comprehensive income, and will be recorded in profit or loss when the securities are sold.
- d) Investments in debt securities, both due within one year and expected to be held to maturity, are recorded at amortised cost. The premium/discount on debt securities is amortised/accreted by the effective rate method with the amortised/accreted amount presented as an adjustment to the interest income.
- e) Investments in other companies, which are non-marketable equity securities, are stated at cost. An allowance for impairment loss will be made when the net recoverable amount is lower than the cost of investment.

The fair value of marketable securities is based on the latest bid price of the last working day of the period. The fair value of unit trusts is determined from their net asset value.

The weighted average method is used for computation of the cost of investments.

In the event the Company reclassifies investments from one type to another, such investments will be readjusted to their fair value as at the reclassification date. The difference between the carrying amount of the investments and the fair value on the date of reclassification are recorded in profit or loss or recorded as other components of shareholders' equity, depending on the type of investment that is reclassified.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

#### **4.6 Property, plant and equipment and depreciation**

Land is stated at cost. Plant and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation of plant and equipment is calculated by reference to their costs on a straight-line basis over the estimated useful lives of assets, except for computer equipment acquired since 1 January 2002 calculated by double declining balance basis, as follows:

Buildings and improvements	-	10 - 20 years
Machinery and equipment	-	5 - 20 years
Computer equipment	-	3 - 5 years
Furniture and office equipment	-	3 - 5 years
Motor vehicles	-	5 years

No depreciation is provided on land, construction in progress and assets under installation.

Depreciation is included in determining income.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

#### **4.7 Intangible assets**

Intangible assets are initially recognised at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life, except for computer software acquired since 1 January 2002 to 31 December 2015 calculated by double declining balance basis and since 1 January 2016 calculated by straight-line basis, and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

A summary of the intangible assets with finite useful lives is as follows:

	<u>Useful lives</u>
Computer software	3 - 5 years

#### **4.8 Leasehold rights and amortisation**

Land leasehold rights are stated at cost less accumulated amortisation. Amortisation is calculated by reference to cost on a straight-line basis over the lease period between 10 and 15 years.

The amortisation is included in determining income.

#### **4.9 Related party transactions**

Related parties comprise individuals or enterprises that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies, and individuals or enterprises which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

#### **4.10 Long-term leases**

##### *Finance leases*

Leases of assets which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, while the interest element is charged to profit or loss over the lease period. The assets acquired under finance leases are depreciated over the useful life of the assets.

##### *Operating leases*

Leases, which a significant portion of the risks and rewards of ownership are not transferred to the lessee, are classified as operating leases. Operating lease payments are recognised as expenses in the profit or loss on a straight-line basis over the lease period. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

#### **4.11 Foreign currencies**

The financial statements are presented in Baht, which is also the Company's functional currency.

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period, with the exception of those covered by forward exchange contracts, which are translated at the contracted rates.

Gains and losses on exchange are included in determining income.

#### **4.12 Impairment of assets**

At the end of reporting period, the Company performs impairment reviews in respect of the property, plant and equipment whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in profit or loss.

In the assessment of asset impairment if there is any indication that the previously recognised impairment losses may no longer exist or may have decreased, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

#### **4.13 Employee benefits**

##### ***Short-term employee benefits***

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

##### ***Post-employment benefits and other long-term employee benefits***

###### *Defined contribution plans*

The Company and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company. The fund's assets are held in a separate trust fund and the Company's contributions are recognised as expenses when incurred.

#### *Defined benefit plans and other long-term employee benefits*

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law and death. The Company treats these severance payment obligations as a defined benefit plan. In addition, the Company provides other long-term employee benefit plan, namely long service awards.

The obligation under the defined benefit plan and other long-term employee benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

Actuarial gains and losses arising from other long-term benefits are recognised immediately in profit or loss.

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Company recognises restructuring-related costs.

#### **4.14 Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

#### **4.15 Income tax**

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

##### **Current tax**

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

##### **Deferred tax**

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company recognises deferred tax liabilities for all taxable temporary differences while it recognises deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

#### **4.16 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company applies a quoted market price in an active market to measure its assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company measures fair value using valuation techniques that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company determines whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

## **5. Significant accounting judgements and estimates**

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures and actual results could differ. Significant judgements and estimates are as follows:

### **Leases**

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

### **Allowance for doubtful accounts**

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

### **Impairment of equity investments**

The Company treats available-for-sale investments and other investments as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgement of the management.

### **Fair value of financial instruments**

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercises judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk (both bank and counterparty), liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the disclosures of fair value hierarchy.

## Property plant and equipment and depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the Company's plant and equipment and to review estimated useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and records impairment losses in the period when it is determined that their recoverable amount is lower than the carrying cost. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

## Post-employment benefits under defined benefit plans and other long-term employee benefits

The obligation under the defined benefit plan and other long-term employee benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

## Litigation

The Company has contingent liabilities as a result of litigation. The Company's management has used judgement to assess the results of the litigation and believes that no loss will result. Therefore, no provision for contingent liabilities is recorded as at the end of reporting period.

## 6. Cash and cash equivalents

(Unit: Thousand Baht)

	<u>2017</u>	<u>2016</u>
Cash	2,096	2,473
Bank deposits	454,601	293,482
Deposit receipt and government bond	140,000	231,000
Bank deposits, government bond and corporate bond (in private fund) (Note 12)	<u>88,383</u>	<u>10,033</u>
Total	<u>685,080</u>	<u>536,988</u>

As at 31 December 2017, bank deposits in current and savings accounts, fixed deposits, government bond and corporate bond carried interests between 0.10 and 5.13 percent per annum (2016: between 0.10 and 1.45 percent per annum).

## 7. Short-term investments

As at 31 December 2017 and 2016, short-term investments consisted of the following:

	(Unit: Thousand Baht)	
	<u>2017</u>	<u>2016</u>
Special savings account 6 months	-	17,051
Fixed deposits	1,280	694
Bills of exchange and deposit receipt	600,000	205,000
Short-term investments in private funds (Note 12)	210,365	403,774
Total	<u>811,645</u>	<u>626,519</u>

As at 31 December 2017, savings account, fixed deposits, bills of exchange, deposit receipt, government bond and corporate bond carried interests between 0.55 and 5.04 percent per annum (2016: between 0.75 and 4.52 percent per annum).

## 8. Trade and other receivables

	(Unit: Thousand Baht)	
	<u>2017</u>	<u>2016</u>
<u>Trade receivables - related party</u>		
Aged on the basis of due dates		
Not yet due	264	255
Total trade receivables - related party	<u>264</u>	<u>255</u>
<u>Trade receivables - unrelated parties</u>		
Not yet due	509,662	500,817
Past due		
Up to 3 months	381,417	367,754
3 - 6 months	109	382
6 - 12 months	11	99
Over 12 months	-	147
Total trade receivables - unrelated parties	<u>891,199</u>	<u>869,199</u>
Less: Allowance for doubtful accounts	(107)	(107)
Total trade receivables - unrelated parties - net	<u>891,092</u>	<u>869,092</u>
Total trade receivables - net	<u>891,356</u>	<u>869,347</u>
<u>Other receivables</u>		
Other receivables - related party	73	47
Other receivables - unrelated parties	2,582	1,591
Total other receivables	<u>2,655</u>	<u>1,638</u>
Total trade and other receivables - net	<u>894,011</u>	<u>870,985</u>

## 9. Inventories

(Unit: Thousand Baht)

	<u>2017</u>	<u>2016</u>
Finished goods	5,252	5,118
Work in process	5,511	3,836
Raw materials	88,962	89,120
Packaging materials	54,058	57,719
Spare parts and factory supplies	51,237	49,653
Total	<u>205,020</u>	<u>205,446</u>

## 10. Related party transactions

During the years, the Company had significant business transactions with its related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on the commercial terms and bases agreed upon between the Company and those related persons or parties.

(Unit: Million Baht)

	<u>2017</u>	<u>2016</u>	<u>Transfer pricing and lending policy</u>
<b>Transactions with related companies</b>			
Purchases of goods	625.4	640.7	Agreed price which approximates the market price by reference to purchase volume
Purchase of land	54.0	-	At the price stipulated in the agreement which approximates the market price
Rental expenses	0.5	1.3	At the rate stipulated in the agreement which approximates the market rate
Interest expenses under finance lease agreements	2.5	2.9	At the agreed rate in the agreement which approximates the market rate
Dividend payment	515.7	495.9	At the declared rate
Dividend income	4.5	3.0	At the declared rate
<b>Transactions with joint venture</b>			
Sales of goods	2.5	2.8	Agreed price which approximates the market price
Service income	2.7	2.9	Agreed price which approximates the market price
Dividend income	0.8	0.9	At the declared rate
<b>Transactions with related persons</b>			
Interest expenses	2.6	2.6	Interest at the rate of 2.75% per annum (2016: 3.00% per annum)

The balances of accounts as at 31 December 2017 and 2016 between the Company and those related persons or parties are as follows:

	(Unit: Thousand Baht)	
	<u>2017</u>	<u>2016</u>
<b>Trade and other receivables - related party (Note 8)</b>		
Joint venture (related by the Company holding interest in that company and by common shareholders and common directors)	337	302
Total trade and other receivables - related party	<u>337</u>	<u>302</u>
<b>Trade and other payables - related parties (Note 17)</b>		
Related companies (related by having holding interest in the Company and/or by common shareholders and common directors)	150,293	148,142
Connected companies (related by connected directors)	19,417	18,643
Total trade and other payables - related parties	<u>169,710</u>	<u>166,785</u>
<b>Liabilities under finance lease agreements - related party (Note 18)</b>		
Related company (related by having holding interest in the Company and by common shareholders and common directors)		
Liabilities under finance lease agreements	54,942	90,024
Less: Deferred interest expenses	(1,733)	(3,714)
Net	53,209	86,310
Less: Portion due within one year	(28,867)	(39,381)
Liabilities under finance lease agreements - related party - net	<u>24,342</u>	<u>46,929</u>
<b>Long-term loans from directors</b>	<u>77,984</u>	<u>84,157</u>

During the year, movements of long-term loans from directors (including interest payable) are as follows:

	(Unit: Thousand Baht)			
	Balance as at	During the year		Balance as at
	31 December 2016	Increase	Decrease	31 December 2017
Long-term loans from directors	84,157	42,645	(48,818)	77,984

## Directors' and management's remuneration

During the years ended 31 December 2017 and 2016, the Company had employee benefit expenses payable to its directors and management as below.

	(Unit: Million Baht)	
	<u>2017</u>	<u>2016</u>
Short-term employee benefits	62.0	55.6
Post-employment benefits and other long-term benefits	1.9	2.0
Total	<u>63.9</u>	<u>57.6</u>

## 11. Investment in joint venture

### 11.1 Details of investment in joint venture

Investment in joint venture represents investment in entity which is jointly controlled by the Company and other companies. Details of the investment are as follows:

Joint venture	Nature of business	Paid-up capital	Shareholding percentage		Financial statements in which the equity method is applied		Separate financial statements	
			31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
		Million Baht	Percent	Percent	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
President Green House Foods Co., Ltd.	Operating the Japanese restaurant	15	39	39	28,832	24,897	5,850	5,850
Total investment in joint venture					<u>28,832</u>	<u>24,897</u>	<u>5,850</u>	<u>5,850</u>

In May 2008, the Company, together with a foreign company and a local company, jointly established President Green House Foods Company Limited to operate a Japanese restaurant. The Company had invested in 585,000 ordinary shares of this company at par value Baht 10 per share, amounting to Baht 5.85 million, or equivalent to 39% interest, and has treated this investment as investment in joint venture.

## 11.2 Share of comprehensive income and dividend received

During the years, the Company recognised its share of comprehensive income from investment in the joint venture in the financial statements in which the equity method is applied and dividend income in the separate financial statements in which cost method is applied as follows:

(Unit: Thousand Baht)

Joint venture	Financial statements in which the equity method is applied				Separate financial statements	
	Share of profit from investment in joint venture during the year		Share of other comprehensive income from investment in joint venture during the year		Dividend received during the year	
	2017	2016	2017	2016	2017	2016
President Green House Foods Company Limited	4,708	2,355	46	-	819	936
<b>Total</b>	<b>4,708</b>	<b>2,355</b>	<b>46</b>	<b>-</b>	<b>819</b>	<b>936</b>

## 11.3 Summarised financial information of joint venture

Summarised information about financial position

(Unit: Million Baht)

	As at 31 December	
	2017	2016
<b>President Green House Foods Company Limited</b>		
Cash and cash equivalents	37.6	35.5
Other current assets	36.7	23.3
Non-current assets	10.1	14.3
Other current liabilities	(10.1)	(8.8)
Non-current liabilities	(0.5)	(0.5)
<b>Net assets</b>	<b>73.8</b>	<b>63.8</b>
Shareholding percentage	39%	39%
<b>Share of net assets</b>	<b>28.8</b>	<b>24.9</b>
<b>Carrying amounts of joint venture based on equity method</b>	<b>28.8</b>	<b>24.9</b>

Summarised information about comprehensive income

(Unit: Million Baht)

For the years ended 31 December

	<u>2017</u>	<u>2016</u>
<b>President Green House Foods Company Limited</b>		
Sales and service income	97.1	103.3
Other income	1.7	1.5
Depreciation and amortisation	4.7	9.3
Interest income	0.8	0.6
Income tax expenses	2.9	1.5
Profit	12.1	6.0
Other comprehensive income	0.1	-
Total comprehensive income	12.2	6.0

**12. Investments in private funds**

(Unit: Thousand Baht)

	<u>31 December 2017</u>		<u>31 December 2016</u>	
	Cost/ Carrying value	Fair value	Cost/ Carrying value	Fair value
<b>Deposits at financial institutions</b>				
Saving deposits	6,943	6,943	10,033	10,033
Fixed deposits	102,000	102,000	147,000	147,000
Investments in fixed deposits at financial institutions	108,943	108,943	157,033	157,033
<b>Available-for-sale securities</b>				
Bank of Thailand bond	275,932	276,572	299,624	299,494
Corporate bonds, notes or debt instruments	472,175	476,662	375,718	377,154
Local marketable equity instruments	115,698	135,922	112,128	119,509
Total	863,805	889,156	787,470	796,157
Add: Revaluation surplus on changes in value of investments	25,351	-	8,687	-
Investments in available-for-sale securities	889,156	889,156	796,157	796,157
<b>Total investments</b>	<b>998,099</b>	<b>998,099</b>	<b>953,190</b>	<b>953,190</b>
<b>Classified as:</b>				
Cash and cash equivalents (Note 6)		88,383		10,033
Short-term investments (Note 7)		210,365		403,774
Long-term investments		699,351		539,383
<b>Total investments</b>		<b>998,099</b>		<b>953,190</b>

Movement in short-term and long-term investments in private funds for the year ended 31 December 2017 and 2016 are summarised below.

	(Unit: Thousand Baht)	
	<u>2017</u>	<u>2016</u>
<b>Balance at beginning of year</b>	943,157	907,786
Purchases during the year - at cost		
Cash paid for investments	1,090,264	1,069,571
Payable for investments	379	1,139
Sales during the year - at cost		
Proceeds from sales	(1,146,756)	(1,047,744)
Receivable from sales	(1,771)	(787)
Gain on sales	10,176	587
Total	(1,138,351)	(1,047,944)
Premium on securities	(2,396)	(2,034)
Gain on changes in value of investments	16,663	14,639
<b>Balance at end of year</b>	<u>909,716</u>	<u>943,157</u>

The Company had set up private funds for investments which are managed by three asset management companies. The investments include fixed deposits at financial institutions, common stocks of companies listed on the Stock Exchange of Thailand, Bank of Thailand bonds and corporate bonds, which carried interests between 1.20 and 5.13 percent per annum (2016: 1.49 and 5.13 percent per annum). Investments in debt and equity instruments are classified as available-for-sale investments. During the year, the Company recognised return on such investments of Baht 36.1 million in profit or loss (2016: Baht 22.1 million).

As at 31 December 2017, the Company had assessed the fair value of available-for-sale securities by referring to the value quoted by the asset management companies in which the fair value had increased by approximately Baht 16.7 million (2016: increased by approximately Baht 14.6 million). The change in the fair value of such securities is shown as other comprehensive income in the statement of comprehensive income.

### 13. Other long-term investments

Company's name	Nature of business	Paid up capital		Shareholding percentage		Investment value (cost)	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
		Million Baht	Million Baht	Percent	Percent	Thousand Baht	Thousand Baht
President Flour Mills Co., Ltd.	Production and distribution of flour	600	600	10.0	10.0	60,000	60,000
American Food Co., Ltd.	Production and distribution of Ice-cream	140	-	9.0	-	12,600	-
Sahachol Foods Supplies Co., Ltd.	Foods exporter and manufacturer	325	60	2.2	1.6	6,900	963
Treasure Hill Co., Ltd.	Golf course service	200	200	1.0	1.0	2,000	2,000
Total						81,500	62,963
Less: Allowance for impairment of investments						(2,000)	(2,000)
Other long-term investments - net						<u>79,500</u>	<u>60,963</u>

According to the financial statements for the year ended 31 December 2017 prepared by the management of Treasure Hill Co., Ltd., the net worth attributable to the Company's investment was approximately Baht 0.1 million (2016: Baht 0.1 million). The Company expects that this investment will not be recoverable and has set full allowance for impairment loss of such investment.

In January 2017, Sahachol Foods Supplies Co., Ltd., increased its registered capital from Baht 60 million (600,000 ordinary shares of Baht 100 each) to Baht 325 million (3,250,000 ordinary shares of Baht 100 each). The Company made additional investment in this company amounting to Baht 5.9 million (59,375 ordinary shares of Baht 100 each) resulted in the increase in the shareholding percentage from 1.6 percent to 2.2 percent.

On 15 August 2017, the meeting of the Company's Board of Directors passed a resolution approving the Company to purchase of 1,260,000 ordinary shares of American Food Company Limited, which engages in manufacture and sales of ice-cream under the trademark "BUDS", at the par value of Baht 10 per share, amounting to Baht 12.6 million. This represents a 9 percent interest. The Company had payment of Baht 12.6 million in full in November 2017.

During the year ended 31 December 2017, the Company received dividend income from President Flour Mills Co., Ltd. of Baht 4.5 million (2016: Baht 3.0 million).

## 14. Property, plant and equipment

(Unit: Thousand Baht)

	Land	Buildings and improvements	Machinery and equipment	Furniture and office equipment	Motor vehicles	Construction in progress and assets under installation	Total
<b>Cost</b>							
1 January 2016	373,300	1,053,112	3,433,777	941,169	939,589	411,199	7,152,146
Additions	228,989	572	978	34,069	9,869	1,817,824	2,092,301
Transfers in (out)	-	118,465	30,186	18,159	84,143	(250,953)	-
Disposals	-	(1,952)	(1,910)	(63,792)	(24,118)	-	(91,772)
31 December 2016	602,289	1,170,197	3,463,031	929,605	1,009,483	1,978,070	9,152,675
Additions	246,978	721	6,073	34,013	6,663	184,809	479,257
Transfers in (out)	-	730,096	1,269,611	96,146	45,741	(2,141,594)	-
Disposals	-	(325)	(33,009)	(32,414)	(20,139)	-	(85,887)
31 December 2017	849,267	1,900,689	4,705,706	1,027,350	1,041,748	21,285	9,546,045
<b>Accumulated depreciation</b>							
1 January 2016	-	448,319	2,286,325	785,671	711,595	-	4,231,910
Depreciation for the year	-	53,964	232,863	70,240	90,880	-	447,947
Depreciation - disposals	-	(1,948)	(1,909)	(63,745)	(23,293)	-	(90,895)
31 December 2016	-	500,335	2,517,279	792,166	779,182	-	4,588,962
Depreciation for the year	-	76,842	289,996	74,286	91,646	-	532,770
Depreciation - disposals	-	(180)	(32,720)	(32,333)	(19,735)	-	(84,968)
31 December 2017	-	576,997	2,774,555	834,119	851,093	-	5,036,764
<b>Net book value</b>							
31 December 2016	602,289	669,862	945,752	137,439	230,301	1,978,070	4,563,713
31 December 2017	849,267	1,323,692	1,931,151	193,231	190,655	21,285	4,509,281
<b>Depreciation for the year</b>							
2016 (Baht 324 million included in manufacturing cost, and the balance included in selling and administrative expenses)							447,947
2017 (Baht 408 million included in manufacturing cost, and the balance included in selling and administrative expenses)							532,770

As at 31 December 2017, the Company has vehicles acquired under finance lease agreements, with net book value amounting to Baht 185 million (2016: Baht 230 million).

As at 31 December 2017, certain equipment items have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 2,724 million (2016: Baht 2,440 million).

## 15. Intangible assets

Details of intangible assets, which are computer software, are as follows:

	(Unit: Thousand Baht)	
	<u>2017</u>	<u>2016</u>
<b>Cost</b>		
Balance - beginning of year	26,749	21,457
Additions	<u>2,971</u>	<u>5,292</u>
Balance - end of year	29,720	26,749
Less: Accumulated amortisation	<u>(19,137)</u>	<u>(17,271)</u>
Net book value	<u>10,583</u>	<u>9,478</u>
Amortisation expenses included in the statements of comprehensive income	<u>1,866</u>	<u>2,859</u>

## 16. Leasehold rights

	(Unit: Thousand Baht)	
	<u>2017</u>	<u>2016</u>
<b>Cost</b>		
Balance - beginning of year	4,528	3,528
Additions	<u>-</u>	<u>1,000</u>
Less: Accumulated amortisation	<u>4,528</u>	<u>4,528</u>
Balance - end of year	<u>(3,598)</u>	<u>(3,181)</u>
Net book value	<u>930</u>	<u>1,347</u>
Amortisation expenses included in the statements of comprehensive income	<u>417</u>	<u>340</u>

## 17. Trade and other payables

	(Unit: Thousand Baht)	
	<u>2017</u>	<u>2016</u>
Trade payables - related parties	169,710	166,680
Trade payables - unrelated parties	389,440	381,738
Other payables - related party	-	105
Other payables - unrelated parties	105,145	115,768
Other payables for purchases of machinery and equipment	<u>16,274</u>	<u>88,060</u>
Total trade and other payables	<u><u>680,569</u></u>	<u><u>752,351</u></u>

## 18. Liabilities under finance lease agreements

	(Unit: Thousand Baht)		
	31 December 2017		
	<u>Related party</u>	<u>Unrelated parties</u>	<u>Total</u>
Liabilities under finance lease agreements	54,942	57,817	112,759
Less: Deferred interest expenses	<u>(1,733)</u>	<u>(2,143)</u>	<u>(3,876)</u>
Net	53,209	55,674	108,883
Less: Portion due within one year	<u>(28,867)</u>	<u>(27,373)</u>	<u>(56,240)</u>
Liabilities under finance lease agreements - net of current portion	<u><u>24,342</u></u>	<u><u>28,301</u></u>	<u><u>52,643</u></u>

	(Unit: Thousand Baht)		
	31 December 2016		
	<u>Related party</u>	<u>Unrelated parties</u>	<u>Total</u>
Liabilities under finance lease agreements	90,024	61,475	151,499
Less: Deferred interest expenses	<u>(3,714)</u>	<u>(2,372)</u>	<u>(6,086)</u>
Net	86,310	59,103	145,413
Less: Portion due within one year	<u>(39,381)</u>	<u>(30,842)</u>	<u>(70,223)</u>
Liabilities under finance lease agreements - net of current portion	<u><u>46,929</u></u>	<u><u>28,261</u></u>	<u><u>75,190</u></u>

The Company has entered into the finance lease agreements with leasing companies for lease of motor vehicles for use in operations, whereby it is committed to pay rental on a monthly basis. The terms of the agreements are generally 3 years. Finance lease agreements are non-cancelable.

Future minimum lease payments required under the finance lease agreements were as follows:

(Unit: Million Baht)

As at 31 December 2017			
	Less than		
	1 year	1 - 3 years	Total
Future minimum lease payments	58.9	53.8	112.7
Deferred interest expenses	(2.7)	(1.1)	(3.8)
Present value of future minimum lease payments	56.2	52.7	108.9

(Unit: Million Baht)

As at 31 December 2016			
	Less than		
	1 year	1 - 3 years	Total
Future minimum lease payments	74.0	77.5	151.5
Deferred interest expenses	(3.8)	(2.3)	(6.1)
Present value of future minimum lease payments	70.2	75.2	145.4

## 19. Long-term loans from directors and employees

The Company has received deposits from its directors and employees under its policy to promote staff deposits with the Company, for saving and to derive better returns from deposits and withdrawals than deposits with banks. Each director and employee has a passbook for such deposits and withdrawals. As at 31 December 2017, deposits carried interest at a rate of 2.75 percent per annum (2016: 3.00 percent per annum). The Company presents these deposits as non-current liabilities in the statements of financial position.

## 20. Provision for long-term employee benefits

(Unit: Thousand Baht)

	Employee retirement benefits	Other long-term employee benefits	Total
<b>Provision for long-term employee benefits as at</b>			
<b>1 January 2016</b>	72,751	6,388	79,139
Included in profit or loss:			
Current service cost	5,529	840	6,369
Interest cost	2,428	149	2,577
Actuarial loss (gain)			
Demographic assumptions changes	-	(29)	(29)
Financial assumptions changes	-	36	36
Experience adjustments	-	303	303
Included in other comprehensive income:			
Actuarial loss (gain)			
Demographic assumptions changes	(26)	-	(26)
Financial assumptions changes	(2,779)	-	(2,779)
Experience adjustments	7,487	-	7,487
Benefits paid during the year	(9,038)	(1,050)	(10,088)
<b>Provision for long-term employee benefits as at</b>			
<b>31 December 2016</b>	<u>76,352</u>	<u>6,637</u>	<u>82,989</u>

	(Unit: Thousand Baht)		
	Employee retirement benefits	Other long-term employee benefits	Total
<b>Provision for long-term employee benefits as at</b>			
<b>1 January 2017</b>	76,352	6,637	82,989
Included in profit or loss:			
Current service cost	5,620	1,107	6,727
Interest cost	2,775	150	2,925
Actuarial loss (gain)			
Demographic assumptions changes	-	(18)	(18)
Financial assumptions changes	-	78	78
Experience adjustments	-	(302)	(302)
Included in other comprehensive income:			
Actuarial loss (gain)			
Demographic assumptions changes	(747)	-	(747)
Financial assumptions changes	(163)	-	(163)
Experience adjustments	3,417	-	3,417
Benefits paid during the year	(9,476)	(1,160)	(10,636)
<b>Provision for long-term employee benefits as at</b>			
<b>31 December 2017</b>	<u>77,778</u>	<u>6,492</u>	<u>84,270</u>

Line items in profit or loss under which long-term employee benefit expenses are recognised are as follows:

	(Unit: Thousand Baht)	
	<u>2017</u>	<u>2016</u>
Cost of sales	4,080	3,675
Selling and administrative expenses	5,330	5,581
<b>Total expenses recognised in profit or loss</b>	<u>9,410</u>	<u>9,256</u>

The Company expects to pay Baht 8.3 million of long-term employee benefits during the next year (2016: Baht 8.2 million).

As at 31 December 2017 and 2016, the weighted average duration of the liabilities for long-term employee benefits are summarised below.

	<u>2017</u>	<u>2016</u>
		(Unit: Year)
Employee retirement benefits (depending on category of employees and type of benefits)	5 - 17	4 - 18
Other long-term employee benefits (depending on category of employees)	5, 6	5, 6

Significant actuarial assumptions are summarised below.

	<u>2017</u> (% per annum)	<u>2016</u> (% per annum)
Discount rate (depending on category of employees and type of benefits)	1.90 - 2.86	2.13 - 3.44
Salary increase rate (depending on category of employees)	4 - 5	4 - 5
Staff turnover rate (depending on age and category of employees)	12 - 51	12 - 52

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2017 and 2016 are summarised below.

	(Unit: Million Baht)					
	As at 31 December 2017					
	Discount rate		Salary increase rate		Staff turnover rate	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
	0.5%	0.5%	0.5%	0.5%	1.0%	1.0%
Employee retirement benefits	(3.0)	3.2	3.1	(2.9)	(6.6)	7.5
Other long-term employee benefits	(0.1)	0.1	-	-	(0.2)	0.2

(Unit: Million Baht)

	As at 31 December 2016					
	Discount rate		Salary increase rate		Staff turnover rate	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
	0.5%	0.5%	0.5%	0.5%	1.0%	1.0%
Employee retirement benefits	(2.9)	3.1	3.0	(2.9)	(6.4)	7.3
Other long-term employee benefits	(0.1)	0.1	-	-	(0.2)	0.2

## 21. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution. At present, the statutory reserve has fully been set aside.

## 22. Expenses by nature

Significant expenses classified by nature are as follows:

	(Unit: Thousand Baht)	
	<u>2017</u>	<u>2016</u>
Raw materials and consumables used	2,942,273	3,056,207
Changes in inventories of finished goods and work in process	(1,809)	129
Salaries and wages and other employee benefits	1,650,528	1,623,635
Depreciation and amortisation	535,240	451,353
Fuel and vehicle related expenses	294,730	275,059
Water and electricity expenses	196,173	170,023
Natural gas expenses	61,445	48,714

### 23. Income tax

Income tax expenses for the years ended 31 December 2017 and 2016 are made up as follows:

	(Unit: Thousand Baht)	
	<u>2017</u>	<u>2016</u>
<b>Current income tax:</b>		
Current income tax charge	143,268	161,234
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	<u>66</u>	<u>1,177</u>
<b>Income tax expenses reported in the profit or loss</b>	<u><u>143,334</u></u>	<u><u>162,411</u></u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2017 and 2016 are as follows:

	(Unit: Thousand Baht)	
	<u>2017</u>	<u>2016</u>
Deferred tax relating to:		
Gain on changes in value of available-for-sale investments	3,333	2,928
Actuarial loss	<u>(558)</u>	<u>(512)</u>
	<u><u>2,775</u></u>	<u><u>2,416</u></u>

The reconciliation between accounting profit and income tax expenses is shown below.

(Unit: Thousand Baht)

	Financial statements in which the			
	equity method is applied		Separate financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Accounting profit before tax	1,478,870	1,625,360	1,474,981	1,623,941
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by income tax rate	295,774	325,072	294,996	324,788
Effects of:				
Promotional privileges (Note 26)	(150,573)	(162,520)	(150,573)	(162,520)
Non-deductible expenses	12,393	11,548	12,393	11,548
Additional expense deductions allowed	(12,418)	(10,618)	(12,418)	(10,618)
Income not subject to tax	(1,842)	(1,071)	(1,064)	(787)
Total	(152,440)	(162,661)	(151,662)	(162,377)
Income tax expenses reported in the profit or loss	143,334	162,411	143,334	162,411

The components of deferred tax assets and deferred tax liabilities are as follows:

(Unit: Thousand Baht)

	Statements of financial position	
	As at	As at
	<u>31 December 2017</u>	<u>31 December 2016</u>
<b>Deferred tax assets</b>		
Accumulated depreciation - Plant and equipment	1,323	1,892
Provision for long-term employee benefits	9,696	8,634
Total	11,019	10,526
<b>Deferred tax liabilities</b>		
Gain on changes in value of available-for-sale investments	5,070	1,737
Total	5,070	1,737
<b>Deferred tax assets - net</b>	<u>5,949</u>	<u>8,789</u>

## 24. Earnings per share

Basic earnings per share is calculated by dividing profit for the year (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.

	Financial statements in which the equity method is applied		Separate financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Profit for the year (Thousand Baht)	1,335,536	1,462,949	1,331,647	1,461,530
Weighted average number of ordinary shares (Thousand shares)	450,000	450,000	450,000	450,000
Basic earnings per share (Baht)	2.97	3.25	2.96	3.25

## 25. Dividend payments

During the years ended 31 December 2017 and 2016, the Company had dividend payments as follows:

	<u>Approved by</u>	<u>Total dividends</u> (Thousand Baht)	<u>Dividend per share</u> (Baht)	<u>Paid on</u>
<b>For the year 2017</b>				
Final dividends for 2016	Annual General Meeting of the shareholders on 21 April 2017	409,500	0.91	19 May 2017
Interim dividend on profit for the six-month period ended 30 June 2017	The meeting of the Company's Board of Directors No. 9/2017 on 15 August 2017	319,500	0.71	12 September 2017
Total dividend payments for 2017		<u>729,000</u>	<u>1.62</u>	
<b>For the year 2016</b>				
Final dividends for 2015	Annual General Meeting of the shareholders on 22 April 2016	373,500	0.83	19 May 2016
Interim dividend on profit for the six-month period ended 30 June 2016	The meeting of the Company's Board of Directors No. 8/2016 on 23 August 2016	333,000	0.74	22 September 2016
Total dividend payments for 2016		<u>706,500</u>	<u>1.57</u>	

## 26. Promotional privileges

The Company has received the promotional privileges from the Board of Investment under the Investment Promotion Act B.E. 2520 as follows:

Certificate No.	1973(3)/2550	1343(2)/2555	2218(2)/2557
Date	26 September 2007	22 March 2012	25 September 2014
1. Promotional privileges for	Manufacture of ready-made foods	Manufacture of bakery products	Manufacture of whole grain products
2. Significant privileges			
2.1 Exemption from import duty on approved machinery	Granted	Granted	Granted
2.2 Exemption from corporate income tax on net income from promoted operation (commencing from the date of earning operating income) and exemption from income tax on dividend paid from the income of the operations on which the corporate income tax is exempted throughout the corporate income tax exemption period	8 years (will expire on 2 June 2017)	8 years (not over 100 percent of investment excluding land and working capital)	8 years (not over 100 percent of investment excluding land and working capital)
2.3 Allowance to deduct operating loss incurred during the corporate income tax exemption period from net income incurred thereafter (after exemption period in 2.2)	5 years	5 years	5 years
2.4 Exemption from import duty on raw and essential materials imported for export manufacturing commencing as from the first import date	1 year	Not granted	Not granted
2.5 Exemption from import duty on goods imported for re-export commencing as from the first import date	1 year	Not granted	Not granted
3. Commencing date	3 June 2009	1 June 2017	1 October 2014

Sales of the Company are derived from domestic sales which could be segregated between promoted and non-promoted operations as follows:

	(Unit: Million Baht)	
	<u>2017</u>	<u>2016</u>
Sales		
Promoted operations	3,193	3,666
Non-promoted operations	4,256	3,903
Total sales	<u>7,449</u>	<u>7,569</u>

## **27. Provident fund**

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contribute to the fund monthly at the rate of 3 - 5 percent of basic salary. The fund, which is managed by Tisco Fund Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2017, the Company recognised the contributions of Baht 27.2 million (2016: Baht 26.5 million) as expenses.

## **28. Operating segment information**

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance. The chief operating decision maker has been identified as Managing Director.

The one main reportable operating segment of the Company is manufacture and sales of bakery products and the single geographical area of its operations is Thailand. The distribution channels are through wholesale and retail. The wholesale for the year ended 31 December 2017 amounted to approximately Baht 6,779 million, or 90.2% of total revenues (2016: Baht 6,947 million, or 90.9% of total revenues). The Company's revenues were from a main local customer, representing about 46.5% of total revenues (2016: 46.2% of total revenues). Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss and total assets in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment and geographical area.

## **29. Commitments and contingent liabilities**

### **29.1 Capital commitments**

As at 31 December 2017, the Company had capital commitments in respect of procurement agreements for production machinery and equipment of approximately Baht 20.8 million and JPY 320.0 million and AUD 0.2 million, totaling approximately Baht 119.6 million (2016: Baht 16.1 million and JPY 342.0 million and Pound 0.1 million, totaling approximately Baht 128.9 million).

## 29.2 Operating lease commitments

The Company and joint venture have entered into several lease agreements in respect of the lease of land, office building space and related services. The terms of the agreements are generally between 1 and 5 years.

Future minimum lease and related service payments under these non-cancellable operating lease and service contracts were as follows:

(Unit: Million Baht)

	As at 31 December			
	The Company		Joint venture	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<u>Payable:</u>				
Within 1 year	14.1	15.4	10.9	9.2
1 to 5 years	7.0	9.9	14.2	8.1
Over 5 years	-	0.3	-	-

## 29.3 Long-term service commitments

The Company entered into a consulting service agreement with a company for consulting service in respect of the manufacture and marketing of products for a period of 1 year, commencing from 1 November 2015 to 31 October 2016. The agreement is automatically renewed for every 1 year. The Company is committed to pay service fee on the basis and at the rate as stipulated under the agreement, which the agreement was expired on 31 October 2017, the service fees for the year 2017 amounted to approximately Baht 0.5 million (2016: Baht 0.6 million).

Moreover, the joint venture entered into the license and technical assistance agreement with an overseas related company for the use of a trademark and the receipt of information related to operation and management of restaurants. Under the conditions of the agreement, the joint venture is to pay an annual license fee as stipulated in the agreement. The license fees for the year 2017 amounted to approximately Baht 2.2 million (2016: Baht 2.3 million).

## 29.4 Long-term purchase commitments

The Company has commitments under natural gas purchase agreement for a period of 1 - 7 years. Under the agreement, the Company is committed to purchase natural gas at a minimum quantity at the price stipulated in the agreement.

No.	Period (Years)	Expired date	Average minimum quantity purchase (Million BTU)
1.	1	30 November 2018	72,007 per annum
2.	5	30 December 2018	245 per day
3.	7	30 November 2020	23,385 per annum

## 29.5 Guarantees

As at 31 December 2017, there were outstanding bank guarantees of approximately Baht 26.3 million (2016: Baht 28.5 million) issued by the banks on behalf of the Company in respect of certain performance bonds as required in the normal course of the Company's business. These included letters of guarantee amounting to Baht 23.3 million (2016: Baht 23.2 million) to guarantee electricity use, Baht 3.0 million (2016: Baht 4.0 million) to guarantee contractual performance under the natural gas purchase agreement. The Company has no guarantee on land lease agreement (2016: Baht 1.3 million).

Moreover, the Company had pledged its fixed deposit of Baht 36.3 million with the Revenue Department as a guarantee for a retroactive tax assessment against the Company. Currently, the case is in the appeal process of the Central Tax Court.

## 29.6 Litigation

- a) In 2011, the Company was being sued for compensation totaling approximately Baht 30 million in connection with traffic accidents.

Currently, settlements have been negotiated for some of the cases, with compensation being paid by the insurance company. Some cases are under the consideration of the Court of Appeal and some case is under the consideration of the Supreme Court. As at 31 December 2017, total claims had therefore decreased to be Baht 4.9 million.

- b) In 2016, the Department of Empowerment of Persons with Disabilities sued the Company for contributions to the fund for Empowerment of Persons with Disabilities of Baht 21.6 million. Currently, the case is being considered by the Supreme Court.

The Company's management has performed an assessment and believes that it will not suffer any material losses from the legal cases; therefore no provision for contingent liabilities is set aside.

### 30. Fair value hierarchy

As at 31 December 2017 and 2016, the Company had the assets and liabilities that were measured at fair value or disclosed fair value using different levels of inputs as follows:

(Unit: Thousand Baht)

Financial statements in which the equity method is applied  
and separate financial statements

	2017			2016		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<b>Assets measured at fair value</b>						
Available-for-sale investments						
Equity instruments	135,922	-	135,922	119,509	-	119,509
Debt instruments	-	753,234	753,234	-	676,648	676,648
<b>Liabilities for which fair value are disclosed</b>						
Derivatives						
Forward exchange contracts	-	-	-	-	1,688	1,688

### 31. Financial instruments

#### 31.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, short-term investments, trade and other receivables, restricted bank deposit, long-term investments, trade and other payables, liabilities under finance lease agreements and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

#### ***Credit risk***

The Company is exposed to credit risk primarily with respect to trade accounts receivable in the normal course of business. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the majority of sales are supplied to credit worthy customers. The maximum exposure to credit risk is limited to the carrying amounts of receivables as stated in the statement of financial position.

### **Interest rate risk**

The Company's exposure to interest rate risk relates primarily to its cash at banks, short-term investments, long-term investments and long-term borrowings. However, since most of the Company's financial assets and liabilities are short-term and bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

	As at 31 December 2017					
	Fixed interest rates		Floating	Non-interest	Total	Effective
	Within 1 year	1 - 5 years	interest rate	bearing		interest rate
	Million Baht					(% p.a.)
<b>Financial assets</b>						
Cash and cash equivalents	157	-	506	22	685	0.10 - 5.13
Short-term investments	812	-	-	-	812	0.55 - 5.04
Trade and other receivables	-	-	-	894	894	-
Restricted bank deposit	-	36	-	-	36	1.38 - 1.55
Long-term investments	-	536	-	136	699	1.20 - 4.30
	<u>969</u>	<u>599</u>	<u>506</u>	<u>1,052</u>	<u>3,126</u>	
<b>Financial liabilities</b>						
Trade and other payables	-	-	-	681	681	-
Liabilities under finance lease agreements	56	53	-	-	109	2.80 - 4.70
Long-term loans from directors/employees	118	-	-	-	118	2.75
	<u>174</u>	<u>53</u>	<u>-</u>	<u>681</u>	<u>908</u>	

As at 31 December 2016

	Fixed interest rates				Total	Effective interest rate (% p.a.)
	Within 1 year	1 - 5 years	Floating interest rate	Non-interest bearing		
	Million Baht					
<b>Financial assets</b>						
Cash and cash equivalents	440	-	74	23	537	0.10 - 1.45
Short-term investments	627	-	-	-	627	0.75 - 4.52
Trade and other receivables	-	-	-	871	871	-
Restricted bank deposit	36	-	-	-	36	1.60
Long-term investments	-	420	-	119	539	1.49 - 5.13
	<u>1,103</u>	<u>420</u>	<u>74</u>	<u>1,013</u>	<u>2,610</u>	
<b>Financial liabilities</b>						
Trade and other payables	-	-	-	752	752	-
Liabilities under finance lease agreements	70	75	-	-	145	2.80 - 4.70
Long-term loans from directors/employees	129	-	-	-	129	3.00
	<u>199</u>	<u>75</u>	<u>-</u>	<u>752</u>	<u>1,026</u>	

### **Foreign currency risk**

The Company's exposure to foreign currency risk arises mainly from material and machinery purchasing transactions that are denominated in foreign currencies. The Company seeks to reduce this risk by entering into forward exchange contracts when it considers appropriate. Generally, the forward exchange contracts mature within one year.

The balances of financial liabilities denominated in foreign currencies are summarised below.

Foreign currency	Financial liabilities as at 31 December		Average exchange rate as at 31 December	
	2017	2016	2017	2016
	(Thousand)	(Thousand)	(Baht per foreign currency unit)	
Japanese Yen	15,365	43,623	0.29363	0.3113
US dollar	1,248	1,319	32.8472	36.0025
Euro	21	113	39.3938	38.1362
Pound sterling	6	-	44.4531	-

As at 31 December 2017, the Company had no outstanding forward exchange contracts. The outstanding forward exchange contracts as at 31 December 2016 are summarised below.

As at 31 December 2016			
Foreign currency	Bought amount	Contractual exchange rate	Contractual maturity date
	(Million)	(Baht per foreign currency unit)	
Japanese Yen	61.6	0.3196 - 0.3416	10 January - 17 February 2017
US dollar	0.7	35.1180 - 36.0700	5 January - 24 February 2017

### 31.2 Fair values of financial instruments

Since the majority of the Company's financial instruments are short-term in nature or carrying interest rates are close to the market rates, their fair value is not expected to be materially different from the amounts presented in the statements of financial position.

The estimated fair value of derivatives is as follows:

(Unit: Thousand Baht)	
As at 31 December 2017	As at 31 December 2016
Fair value	Fair value
	(Loss)

#### Derivatives

Forward exchange contracts	-	(1,688)
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The methods and assumptions used by the Company in estimating the fair value of financial instruments are as follows:

- For financial assets and liabilities which have short-term maturity, including cash and cash equivalents, accounts receivable and accounts payable, their carrying amounts in the statement of financial position approximate their fair value.
- For debts securities, their fair value is generally derived from quoted market prices or determined by using the yield curve as announced by the Thai Bond Market Association or by other relevant bodies.

- c) For equity securities, their fair value is generally derived from quoted market prices, or based on generally accepted pricing models when no market price is available.
- d) For long-term loans carrying interest approximate to the market rate, their carrying amounts in the statement of financial position approximates their fair value.
- e) For derivatives, their fair value has been determined by using a discounted future cash flow model and a valuation model technique. Most of the inputs used for the valuation are observable in the relevant market, such as spot rates of foreign currencies, yield curves of the respective currencies, interest rate yield curves and commodity price yield curves. The Company had considered to counterparty credit risk when determining the fair value of derivatives.

During the current year, there were no transfers within the fair value hierarchy.

### **32. Capital management**

The primary objective of the Company's capital management is to ensure that it has an appropriate capital structure in order to support its business and maximise shareholder value.

The Company manages its capital position with reference to its debt-to-equity ratio. As at 31 December 2017, the Company's debt-to-equity ratio was 0.19:1 (2016: 0.24:1).

### **33. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 20 February 2018.