

President Bakery Public Company Limited  
Report and financial statements  
31 December 2019

## **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 2019, 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 2019, 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.

Siriwan Nitdamrong  
Certified Public Accountant (Thailand) No. 5906

EY Office Limited  
Bangkok: 19 February 2020

**President Bakery Public Company Limited**

**Statements of financial position**

**As at 31 December 2019**

(Unit: Baht)

	Note	Financial statements in which the equity method is applied		Separate financial statements	
		2019	2018	2019	2018
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	6	366,620,036	153,189,421	366,620,036	153,189,421
Short-term investments	7	2,493,594,574	2,244,145,342	2,493,594,574	2,244,145,342
Trade and other receivables	8, 10	925,396,627	946,643,366	925,396,627	946,643,366
Inventories	9	174,251,441	183,377,709	174,251,441	183,377,709
Other current assets		33,495,177	34,983,395	33,495,177	34,983,395
<b>Total current assets</b>		<b>3,993,357,855</b>	<b>3,562,339,233</b>	<b>3,993,357,855</b>	<b>3,562,339,233</b>
<b>Non-current assets</b>					
Restricted bank deposit	29.5	36,348,041	53,399,370	36,348,041	53,399,370
Investment in joint venture	11	28,424,125	29,356,950	5,850,000	5,850,000
Long-term investments	12	1,270,804,712	645,416,212	1,270,804,712	645,416,212
Other long-term investments	13	129,500,000	79,500,000	129,500,000	79,500,000
Property, plant and equipment	14	3,995,534,000	4,286,932,435	3,995,534,000	4,286,932,435
Advance payments for purchase of assets		1,113,499	3,352,296	1,113,499	3,352,296
Intangible assets	15	10,667,228	11,836,256	10,667,228	11,836,256
Leasehold rights	16	450,820	617,486	450,820	617,486
Deferred tax assets	23	9,646,845	13,111,152	9,646,845	13,111,152
Other non-current assets		4,244,950	4,412,004	4,244,950	4,412,004
<b>Total non-current assets</b>		<b>5,486,734,220</b>	<b>5,127,934,161</b>	<b>5,464,160,095</b>	<b>5,104,427,211</b>
<b>Total assets</b>		<b>9,480,092,075</b>	<b>8,690,273,394</b>	<b>9,457,517,950</b>	<b>8,666,766,444</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 2019**

(Unit: Baht)

	Note	Financial statements in which the equity method is applied		Separate financial statements	
		2019	2018	2019	2018
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Trade and other payables	10, 17	627,747,142	693,834,802	627,747,142	693,834,802
Current portion of liabilities under finance lease agreements	10, 18	11,172,657	41,744,805	11,172,657	41,744,805
Corporate income tax payable		118,973,389	91,215,635	118,973,389	91,215,635
Accrued expenses		246,000,088	225,710,694	246,000,088	225,710,694
Other current liabilities		3,480,478	5,832,966	3,480,478	5,832,966
<b>Total current liabilities</b>		<b>1,007,373,754</b>	<b>1,058,338,902</b>	<b>1,007,373,754</b>	<b>1,058,338,902</b>
<b>Non-current liabilities</b>					
Liabilities under finance lease agreements - net of current portion	10, 18	101,327	11,273,985	101,327	11,273,985
Long-term loans from directors	10, 19	-	71,391,764	-	71,391,764
Long-term loans from employees	19	-	39,547,138	-	39,547,138
Provision for long-term employee benefits	20	99,414,664	85,080,523	99,414,664	85,080,523
Other non-current liabilities		3,829,643	3,497,183	3,829,643	3,497,183
<b>Total non-current liabilities</b>		<b>103,345,634</b>	<b>210,790,593</b>	<b>103,345,634</b>	<b>210,790,593</b>
<b>Total liabilities</b>		<b>1,110,719,388</b>	<b>1,269,129,495</b>	<b>1,110,719,388</b>	<b>1,269,129,495</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 2019**

(Unit: Baht)

	Note	Financial statements in which the equity method is applied		Separate financial statements	
		2019	2018	2019	2018
<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		7,189,820,469	6,256,349,037	7,167,246,344	6,232,842,087
Other components of shareholders' equity		<u>10,172,705</u>	<u>(4,584,651)</u>	<u>10,172,705</u>	<u>(4,584,651)</u>
<b>Total shareholders' equity</b>		<u>8,369,372,687</u>	<u>7,421,143,899</u>	<u>8,346,798,562</u>	<u>7,397,636,949</u>
<b>Total liabilities and shareholders' equity</b>		<u>9,480,092,075</u>	<u>8,690,273,394</u>	<u>9,457,517,950</u>	<u>8,666,766,444</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 2019**

(Unit: Baht)

	Note	Financial statements in which the equity method is applied		Separate financial statements	
		2019	2018	2019	2018
<b>Profit or loss:</b>					
<b>Revenues</b>					
Sales		7,743,972,947	7,495,566,718	7,743,972,947	7,495,566,718
Interest income		64,337,733	43,849,797	64,337,733	43,849,797
Other income		40,309,693	35,155,536	45,516,193	39,835,536
<b>Total revenues</b>		<b>7,848,620,373</b>	<b>7,574,572,051</b>	<b>7,853,826,873</b>	<b>7,579,252,051</b>
<b>Expenses</b>					
	22				
Cost of sales		4,143,415,462	4,294,405,588	4,143,415,462	4,294,405,588
Selling and distribution expenses		1,349,219,420	1,328,790,399	1,349,219,420	1,328,790,399
Administrative expenses		442,415,165	348,576,708	442,415,165	348,576,708
<b>Total expenses</b>		<b>5,935,050,047</b>	<b>5,971,772,695</b>	<b>5,935,050,047</b>	<b>5,971,772,695</b>
<b>Profit before share of profit from investment in joint venture, finance cost and income tax expenses</b>					
		1,913,570,326	1,602,799,356	1,918,776,826	1,607,479,356
Share of profit from investment in joint venture	11	4,124,442	5,205,158	-	-
<b>Profit before finance cost and income tax expenses</b>					
		1,917,694,768	1,608,004,514	1,918,776,826	1,607,479,356
Finance cost		(6,399,564)	(7,362,324)	(6,399,564)	(7,362,324)
<b>Profit before income tax expenses</b>		<b>1,911,295,204</b>	<b>1,600,642,190</b>	<b>1,912,377,262</b>	<b>1,600,117,032</b>
Income tax expenses	23	(210,555,433)	(169,288,046)	(210,555,433)	(169,288,046)
<b>Profit for the year</b>		<b>1,700,739,771</b>	<b>1,431,354,144</b>	<b>1,701,821,829</b>	<b>1,430,828,986</b>

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 2019**

(Unit: Baht)

	Note	Financial statements in which the equity method is applied		Separate financial statements	
		2019	2018	2019	2018
<b>Other comprehensive income:</b>					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>					
Gain (loss) on changes in value of available-for-sale investments - net of income tax	12	14,757,356	(24,865,135)	14,757,356	(24,865,135)
Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax		14,757,356	(24,865,135)	14,757,356	(24,865,135)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>					
Actuarial losses - net of income tax	20	(20,417,572)	-	(20,417,572)	-
Share of actuarial gain of joint venture - net of income tax	11	149,233	-	-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		(20,268,339)	-	(20,417,572)	-
<b>Other comprehensive income for the year</b>		<b>(5,510,983)</b>	<b>(24,865,135)</b>	<b>(5,660,216)</b>	<b>(24,865,135)</b>
<b>Total comprehensive income for the year</b>		<b>1,695,228,788</b>	<b>1,406,489,009</b>	<b>1,696,161,613</b>	<b>1,405,963,851</b>
<b>Earnings per share</b>					
Basic earnings per share	24	3.78	3.18	3.78	3.18

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 2019**

(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 2018</b>		450,000,000	674,379,513	45,000,000	5,517,994,893	20,280,484	20,280,484	6,707,654,890
Profit for the year		-	-	-	1,431,354,144	-	-	1,431,354,144
Other comprehensive income for the year		-	-	-	-	(24,865,135)	(24,865,135)	(24,865,135)
Total comprehensive income for the year		-	-	-	1,431,354,144	(24,865,135)	(24,865,135)	1,406,489,009
Dividend payment	25	-	-	-	(693,000,000)	-	-	(693,000,000)
<b>Balance as at 31 December 2018</b>		<u>450,000,000</u>	<u>674,379,513</u>	<u>45,000,000</u>	<u>6,256,349,037</u>	<u>(4,584,651)</u>	<u>(4,584,651)</u>	<u>7,421,143,899</u>
<b>Balance as at 1 January 2019</b>		450,000,000	674,379,513	45,000,000	6,256,349,037	(4,584,651)	(4,584,651)	7,421,143,899
Profit for the year		-	-	-	1,700,739,771	-	-	1,700,739,771
Other comprehensive income for the year		-	-	-	(20,268,339)	14,757,356	14,757,356	(5,510,983)
Total comprehensive income for the year		-	-	-	1,680,471,432	14,757,356	14,757,356	1,695,228,788
Dividend payment	25	-	-	-	(747,000,000)	-	-	(747,000,000)
<b>Balance as at 31 December 2019</b>		<u>450,000,000</u>	<u>674,379,513</u>	<u>45,000,000</u>	<u>7,189,820,469</u>	<u>10,172,705</u>	<u>10,172,705</u>	<u>8,369,372,687</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 2019

(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 2018</b>	450,000,000	674,379,513	45,000,000	5,495,013,101	20,280,484	20,280,484	6,684,673,098
	Profit for the year	-	-	-	1,430,828,986	-	-	1,430,828,986
	Other comprehensive income for the year	-	-	-	-	(24,865,135)	(24,865,135)	(24,865,135)
	Total comprehensive income for the year	-	-	-	1,430,828,986	(24,865,135)	(24,865,135)	1,405,963,851
	Dividend payment	25	-	-	(693,000,000)	-	-	(693,000,000)
	<b>Balance as at 31 December 2018</b>	<u>450,000,000</u>	<u>674,379,513</u>	<u>45,000,000</u>	<u>6,232,842,087</u>	<u>(4,584,651)</u>	<u>(4,584,651)</u>	<u>7,397,636,949</u>
	<b>Balance as at 1 January 2019</b>	450,000,000	674,379,513	45,000,000	6,232,842,087	(4,584,651)	(4,584,651)	7,397,636,949
	Profit for the year	-	-	-	1,701,821,829	-	-	1,701,821,829
	Other comprehensive income for the year	-	-	-	(20,417,572)	14,757,356	14,757,356	(5,660,216)
	Total comprehensive income for the year	-	-	-	1,681,404,257	14,757,356	14,757,356	1,696,161,613
	Dividend payment	25	-	-	(747,000,000)	-	-	(747,000,000)
	<b>Balance as at 31 December 2019</b>	<u>450,000,000</u>	<u>674,379,513</u>	<u>45,000,000</u>	<u>7,167,246,344</u>	<u>10,172,705</u>	<u>10,172,705</u>	<u>8,346,798,562</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 2019**

(Unit: Baht)

	Financial statements in which the equity method is applied		Separate financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities</b>				
Profit before tax	1,911,295,204	1,600,642,190	1,912,377,262	1,600,117,032
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	528,017,538	577,019,131	528,017,538	577,019,131
Reversal of allowance for doubtful accounts	-	(107,002)	-	(107,002)
Gain on disposals of property, plant and equipment	(1,969,990)	(4,601,230)	(1,969,990)	(4,601,230)
Provision for litigation	5,412,922	10,789,078	5,412,922	10,789,078
Share of profit from investment in joint venture	(4,124,442)	(5,205,158)	-	-
Gain on sales of short-term investments	(130,929)	(91,130)	(130,929)	(91,130)
Gain on sales of long-term investments	(5,089,880)	(7,116,755)	(5,089,880)	(7,116,755)
Unrealised gain on exchange	(55,272)	(287,403)	(55,272)	(287,403)
Provision for long-term employee benefits	9,282,525	7,940,829	9,282,525	7,940,829
Interest income	(64,337,733)	(43,849,798)	(64,337,733)	(43,849,798)
Dividend income from investments	(1,680,194)	(3,365,749)	(1,680,194)	(3,365,749)
Dividend income from joint venture	-	-	(5,206,500)	(4,680,000)
Dividend income from other long-term investment	(6,600,000)	(4,200,000)	(6,600,000)	(4,200,000)
Interest expenses	3,628,317	5,312,821	3,628,317	5,312,821
Profit from operating activities before changes in operating assets and liabilities	2,373,648,066	2,132,879,824	2,373,648,066	2,132,879,824
Decrease (increase) in operating assets				
Trade and other receivables	23,371,283	(37,033,902)	23,371,283	(37,033,902)
Inventories	9,126,268	21,642,148	9,126,268	21,642,148
Other current assets	7,347,033	(776,907)	7,347,033	(776,907)
Other non-current assets	167,054	(32,854)	167,054	(32,854)
Increase (decrease) in operating liabilities				
Trade and other payables	(69,143,896)	1,268,790	(69,143,896)	1,268,790
Other current liabilities	12,047,457	6,044,440	12,047,457	6,044,440
Other non-current liabilities	332,460	468,321	332,460	468,321
Provision for long-term employee benefits	(18,374,010)	(7,130,915)	(18,374,010)	(7,130,915)
Cash from operating activities	2,338,521,715	2,117,328,945	2,338,521,715	2,117,328,945
Cash paid for interest expenses	(3,628,317)	(5,312,821)	(3,628,317)	(5,312,821)
Cash paid for income tax	(180,014,658)	(159,225,862)	(180,014,658)	(159,225,862)
<b>Net cash from operating activities</b>	<u>2,154,878,740</u>	<u>1,952,790,262</u>	<u>2,154,878,740</u>	<u>1,952,790,262</u>

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 2019**

(Unit: Baht)

	Financial statements in which the equity method is applied		Separate financial statements	
	2019	2018	2019	2018
<b>Cash flows from investing activities</b>				
Restricted bank deposit	17,051,329	(17,051,329)	17,051,329	(17,051,329)
Cash paid for short-term investments	(4,453,072,147)	(3,604,004,120)	(4,453,072,147)	(3,604,004,120)
Cash paid for long-term investments	(1,843,672,263)	(1,199,615,618)	(1,843,672,263)	(1,199,615,618)
Cash received from sales of short-term investments	4,401,883,220	2,343,386,863	4,401,883,220	2,343,386,863
Cash received from sales of long-term investments	1,040,732,117	1,142,784,699	1,040,732,117	1,142,784,699
Cash paid for other long-term investments	(50,000,000)	-	(50,000,000)	-
Acquisitions of property, plant and equipment	(232,446,399)	(359,872,111)	(232,446,399)	(359,872,111)
Proceeds from disposals of property, plant and equipment	3,054,181	4,714,078	3,054,181	4,714,078
Decrease (increase) in advance payments for purchase of assets	2,238,797	(972,771)	2,238,797	(972,771)
Increase in intangible assets	(1,256,863)	(2,848,940)	(1,256,863)	(2,848,940)
Interest income	60,226,612	40,888,767	60,226,612	40,888,767
Dividend income from investments	1,690,499	3,324,085	1,690,499	3,324,085
Dividend income from joint venture	5,206,500	4,680,000	5,206,500	4,680,000
Dividend income from other long-term investments	6,600,000	4,200,000	6,600,000	4,200,000
<b>Net cash used in investing activities</b>	<b>(1,041,764,417)</b>	<b>(1,640,386,397)</b>	<b>(1,041,764,417)</b>	<b>(1,640,386,397)</b>
<b>Cash from financing activities</b>				
Decrease in liabilities under finance lease agreements	(41,744,806)	(56,240,343)	(41,744,806)	(56,240,343)
Decrease in long-term loans from directors	(71,391,764)	(6,592,181)	(71,391,764)	(6,592,181)
Decrease in long-term loans from employees	(39,547,138)	(79,625)	(39,547,138)	(79,625)
Dividend payments	(747,000,000)	(693,000,000)	(747,000,000)	(693,000,000)
<b>Net cash used in financing activities</b>	<b>(899,683,708)</b>	<b>(755,912,149)</b>	<b>(899,683,708)</b>	<b>(755,912,149)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>213,430,615</b>	<b>(443,508,284)</b>	<b>213,430,615</b>	<b>(443,508,284)</b>
Cash and cash equivalents at beginning of year	153,189,421	596,697,705	153,189,421	596,697,705
<b>Cash and cash equivalents at end of year (Note 6)</b>	<b>366,620,036</b>	<b>153,189,421</b>	<b>366,620,036</b>	<b>153,189,421</b>

**Supplementary disclosures of cash flows information**

Non-cash related transactions

Purchases of vehicles under financial lease agreements	-	375,629	-	375,629
Other payables for purchases of machinery and equipment and retention	21,680,130	19,015,791	21,680,130	19,015,791
Transferred plant and equipment to assets held for sales	-	4,528,401	-	4,528,401

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 2019**

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

President Bakery Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its major shareholder is Thai President Foods 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.

#### **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 (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. The adoption of these financial reporting standards does not have any significant impact on the Company’s financial statements. However, the new standard involves changes to key principles, which are summarised below.

## **TFRS 15 Revenue from Contracts with Customers**

TFRS 15 supersedes the following accounting standards together with related interpretations.

TAS 11 (revised 2017)	Construction Contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

This standard does not have any significant impact on the Company's financial statements.

### **(b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2020**

The Federation of Accounting Professions issued a number of new and revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards except the following new standards which involve changes to key principles, which are summarised below.

## **Financial reporting standards related to financial instruments**

A set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial Reporting Standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting Standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Company expects the adoption of these accounting standards to result in the following adjustments:

- Classification and measurement of investments in equity instruments of non-listed companies - The Company is to measure investments in equity instruments of non-listed companies at fair value and to classify the investments as financial assets at fair value, through either profit or loss or through other comprehensive income. If the Company elects to present subsequent changes in the fair value of the investment through other comprehensive income, the election is irrevocable.
- Recognition of credit losses - The Company is to recognise an allowance for expected credit losses on its financial assets, and it is no longer necessary for a credit-impaired event to have occurred. The Company applies the simplified approach to consider impairment of trade receivables.
- Recognition of derivatives - The Company is to initially recognise derivatives at their fair value on the contract date and subsequently measure them at fair value at the end of each reporting period. Changes in the fair value of derivatives are recognised in profit or loss.

The management of the Company is currently evaluating the impact of these standards on the financial statements in the year when they are adopted.

## **TFRS 16 Leases**

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

The Company plans to adopt TFRS 16 using the modified retrospective method of adoption of which the cumulative effect is recognised as an adjustment to the retained earnings as at 1 January 2020, and the comparative information was not restated.

The management of the Company expects the effect of the adoption of this accounting standard to the statement of financial position as at 1 January 2020 to be to increase the Company's assets by approximately Baht 27.9 million and the Company's liabilities by approximately Baht 27.9 million.

## **4. Significant accounting policies**

### **4.1 Revenue recognition**

#### *Sales of goods*

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Revenue is measured at the amount of the consideration received or receivable, excluding value added tax, of goods supplied after deducting returns, discounts, allowances and price promotions to customers.

When a contract provided a customer with a right to return the goods within a specified period, the Company recognises the amount ultimately expected they will have to return to customers as a refund liability and recognise the right to recover the goods expected to be returned by customers as a right of return asset in the statement of financial position. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods.

#### *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 6 and 10 years.

The amortisation is included in determining income.

#### **4.9 Assets held for sale**

Assets held for sale are stated at the lower of cost and estimated net realisable value.

Gain (loss) on disposal of assets held for sale are recognised in profit or loss in the statements of comprehensive income upon disposal.

Loss on impairment (if any) is recognised as an expense in profit or loss in the statements of comprehensive income.

#### **4.10 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.

#### **4.11 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.

#### **4.12 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.

#### **4.13 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.

#### **4.14 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.

#### **4.15 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.

#### **4.16 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.

#### **4.17 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 the provision made would be sufficient. However, actual results could differ from the estimates.

## 6. Cash and cash equivalents

	(Unit: Thousand Baht)	
	<u>2019</u>	<u>2018</u>
Cash	1,127	2,202
Bank deposits	365,493	150,987
Total	<u>366,620</u>	<u>153,189</u>

As at 31 December 2019, bank deposits in current and savings accounts and fixed deposits, carried interests between 0.37 and 1.30 percent per annum (2018: between 0.37 and 1.30 percent per annum).

## 7. Short-term investments

As at 31 December 2019 and 2018, short-term investments consisted of the following:

	(Unit: Thousand Baht)	
	<u>2019</u>	<u>2018</u>
Special savings account 4 - 6 months	220,000	155,000
Fixed deposits	602,439	351,853
Deposit receipt and government bond	1,000,000	1,190,000
Saving deposits and short-term investments in private funds (Note 12)	671,155	547,292
Total	<u>2,493,594</u>	<u>2,244,145</u>

As at 31 December 2019, savings account, fixed deposits, deposit receipt, government bond and corporate bond carried interests between 0.10 and 3.48 percent per annum (2018: between 0.10 and 4.30 percent per annum).

## 8. Trade and other receivables

	(Unit: Thousand Baht)	
	<u>2019</u>	<u>2018</u>
<u>Trade receivables - related party</u>		
Aged on the basis of due dates		
Not yet due	337	341
Total trade receivables - related party	<u>337</u>	<u>341</u>
<u>Trade receivables - unrelated parties</u>		
Not yet due	531,943	546,666
Past due		
Up to 3 months	390,258	383,526
3 - 6 months	4	6
Total trade receivables - unrelated parties	<u>922,205</u>	<u>930,198</u>
Total trade receivables	<u>922,542</u>	<u>930,539</u>
<u>Other receivables</u>		
Other receivables - related party	150	49
Other receivables - unrelated parties	2,705	16,055
Total other receivables	<u>2,855</u>	<u>16,104</u>
Total trade and other receivables	<u>925,397</u>	<u>946,643</u>

## 9. Inventories

	(Unit: Thousand Baht)	
	<u>2019</u>	<u>2018</u>
Finished goods	4,301	6,015
Work in process	4,350	6,008
Raw materials	80,374	77,840
Packaging materials	39,369	49,197
Spare parts and factory supplies	45,857	44,318
Total	<u>174,251</u>	<u>183,378</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.

	<u>2019</u>	<u>2018</u>	<u>Transfer pricing and lending policy</u>
(Unit: Million Baht)			
<b>Transactions with parent company</b>			
Dividend payment	388.4	325.0	At the declared rate
<b>Transactions with related companies</b>			
Purchases of goods	478.6	536.6	Agreed price which approximates the market price by reference to purchase volume
Interest expenses under finance lease agreements	0.3	1.1	At the agreed rate in the agreement which approximates the market rate
Dividend payment	174.2	161.2	At the declared rate
Dividend income	6.6	4.2	At the declared rate
<b>Transactions with joint venture</b>			
Sales of goods	3.2	2.9	Agreed price which approximates the market price
Service income	3.3	2.6	Agreed price which approximates the market price
Dividend income	5.2	4.7	At the declared rate
<b>Transactions with related persons</b>			
Interest expenses	1.6	1.5	Interest at the rate of 2.5% per annum (2018: 2.75% per annum)

The balances of accounts as at 31 December 2019 and 2018 between the Company and those related persons or parties are as follows:

	<u>2019</u>	<u>2018</u>
(Unit: Thousand Baht)		
<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)	487	390
Total trade and other receivables - related party	<u>487</u>	<u>390</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)	130,022	142,940
Connected companies (related by connected directors)	1,624	1,323
Total trade and other payables - related parties	<u>131,646</u>	<u>144,263</u>

(Unit: Thousand Baht)

	<u>2019</u>	<u>2018</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	-	20,450
Less: Deferred interest expenses	-	(324)
Net	-	20,126
Less: Portion due within one year	-	(20,126)
Liabilities under finance lease agreements - related party - net	-	-
<b>Long-term loans from directors</b>	-	71,392

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 2018	Increase	Decrease	31 December 2019
Long-term loans from directors	71,392	9,793	(81,185)	-

### Directors' and management's remuneration

During the years ended 31 December 2019 and 2018, the Company had employee benefit expenses payable to its directors and management as below.

	(Unit: Million Baht)	
	<u>2019</u>	<u>2018</u>
Short-term employee benefits	51.6	61.0
Post-employment benefits and other long-term benefits	1.8	1.3
Total	53.4	62.3

## 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 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
		Million	31	31	31	31	31	31
		Baht	December 2019	December 2018	December 2019	December 2018	December 2019	December 2018
			Percent	Percent	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
President Green House Foods Co., Ltd.	Operating the Japanese restaurant	15	39	39	28,424	29,357	5,850	5,850
Total investment in joint venture					28,424	29,357	5,850	5,850

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:

Joint venture	Financial statements in which the equity method is applied				Separate financial statements	
	Share of profit from investment in joint venture during the years		Share of other comprehensive income from investment in joint venture during the years		Dividend received during the years	
	2019	2018	2019	2018	2019	2018
President Green House Foods Company Limited	4,124	5,205	149	-	5,206	4,680
Total	4,124	5,205	149	-	5,206	4,680

(Unit: Thousand Baht)

### 11.3 Summarised financial information of joint venture

Summarised information about financial position

	(Unit: Million Baht)	
	As at 31 December	
	<u>2019</u>	<u>2018</u>
<b>President Green House Foods Company Limited</b>		
Cash and cash equivalents	10.3	13.6
Other current assets	66.6	64.6
Non-current assets	9.3	11.6
Other current liabilities	(12.0)	(13.9)
Non-current liabilities	(1.3)	(0.6)
<b>Net assets</b>	<u>72.9</u>	<u>75.3</u>
Shareholding percentage	<u>39%</u>	<u>39%</u>
<b>Share of net assets</b>	<u>28.4</u>	<u>29.4</u>
<b>Carrying amounts of joint venture based on equity method</b>	<u><u>28.4</u></u>	<u><u>29.4</u></u>

Summarised information about comprehensive income

	(Unit: Million Baht)	
	For the years ended 31 December	
	<u>2019</u>	<u>2018</u>
<b>President Green House Foods Company Limited</b>		
Sales and service income	104.2	105.9
Other income	1.9	1.6
Depreciation and amortisation	3.7	5.0
Interest income	1.0	0.8
Income tax expenses	2.5	3.3
Profit	10.6	13.3
Other comprehensive income	0.4	-
Total comprehensive income	11.0	13.3

## 12. Investments in private funds

	(Unit: Thousand Baht)			
	31 December 2019		31 December 2018	
	Cost/ Carrying value	Fair value	Cost/ Carrying value	Fair value
<b>Deposits at financial institutions</b>				
Savings deposits	11,715	11,715	5,408	5,408
Fixed deposits	77,000	77,000	70,000	70,000
Investments in fixed deposits at financial institutions	88,715	88,715	75,408	75,408
<b>Available-for-sale securities</b>				
Bank of Thailand bond	613,498	616,059	338,782	338,886
Corporate bonds, notes or debt instruments	1,149,219	1,159,159	642,482	642,374
Local marketable equity instruments	77,812	78,027	141,767	136,040
Total	1,840,529	1,853,245	1,123,031	1,117,300
Add: Gain (loss) from revaluation surplus on changes in value of investments	12,716	-	(5,731)	-
Investments in available-for-sale securities	1,853,245	1,853,245	1,117,300	1,117,300
<b>Total investments</b>	<b>1,941,960</b>	<b>1,941,960</b>	<b>1,192,708</b>	<b>1,192,708</b>
<b>Classified as:</b>				
Savings deposits (Note 7)		11,715		5,408
Short-term investments (Note 7)		659,440		541,884
Long-term investments		1,270,805		645,416
<b>Total investments</b>		<b>1,941,960</b>		<b>1,192,708</b>

Movements in short-term and long-term investments in private funds for the year ended 31 December 2019 and 2018 are summarised below.

	(Unit: Thousand Baht)	
	<u>2019</u>	<u>2018</u>
<b>Balance at beginning of year</b>	1,187,300	909,716
Purchases during the year - at cost		
Cash paid for investments	3,607,537	2,362,680
Payable for investments	924	12,243
Sales during the year - at cost		
Proceeds from sales	(2,885,301)	(2,057,829)
Receivable from sales	(2,125)	(15,491)
Gain on sales	5,221	7,207
<b>Total</b>	(2,882,205)	(2,066,113)
Premium on securities	(1,758)	(144)
Gain (loss) on changes in value of investments	18,447	(31,082)
<b>Balance at end of year</b>	<u>1,930,245</u>	<u>1,187,300</u>

The Company had set up private funds for investments which are managed by six 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 0.10 and 4.80 percent per annum (2018: 0.10 and 5.18 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 39.4 million in profit or loss (2018: Baht 33.3 million).

As at 31 December 2019, the Company had assessed the fair value of available-for-sale securities by referring to the value quoted by such six asset management companies in which the fair value had increased by approximately Baht 18.4 million (2018: decreased by approximately Baht 31.1 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</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
Saha Capital Tower Co., Ltd.	Property rental and development business	500	-	10.0	-	50,000	-
American Food Co., Ltd.	Production and distribution of ice-cream	140	140	9.0	9.0	12,600	12,600
Sahachol Foods Supplies Co., Ltd.	Foods exporter and manufacturer	325	325	2.2	2.2	6,900	6,900
Treasure Hill Co., Ltd.	Golf course service	200	200	1.0	1.0	<u>2,000</u>	<u>2,000</u>
Total						131,500	81,500
Less: Allowance for impairment of investments						<u>(2,000)</u>	<u>(2,000)</u>
Other long-term investments - net						<u><u>129,500</u></u>	<u><u>79,500</u></u>

According to the financial statements for the year ended 31 December 2019 prepared by the management of Treasure Hill Co., Ltd., the net worth attributable to the Company's investment was approximately Baht 0.1 million (2018: 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.

On 17 September 2019, the meeting of the Board of Directors of the Company passed a resolution approving the Company to purchase 2,000,000 ordinary shares of Saha Capital Tower Co., Ltd., which is engaged in property rental and development business at par value Baht 100 per share, amounting to Baht 200 million, or equivalent to 10% interest, and has treated this investment as other long-term investment. Saha Capital Tower Co., Ltd. called up 25 percent of its registered share capital and the Company made payment for share subscription of Baht 50 million in September 2019.

During the year ended 31 December 2019, the Company received dividend income from President Flour Mills Co., Ltd. of Baht 6.6 million (2018: Baht 4.2 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 2018	849,267	1,900,689	4,705,706	1,027,350	1,041,748	21,285	9,546,045
Additions	198,220	-	2,011	33,911	283	122,978	357,403
Transfers in (out)	-	65,958	26,416	32,248	1,014	(125,636)	-
Disposals	-	(10,216)	(19,137)	(26,250)	(17,820)	-	(73,423)
Transfers out to assets held for sales	-	(51,164)	(130,055)	(114,686)	-	-	(295,905)
31 December 2018	1,047,487	1,905,267	4,584,941	952,573	1,025,225	18,627	9,534,120
Additions	59,977	-	5,869	19,999	91	149,175	235,111
Transfers in (out)	-	51,055	18,631	11,387	33,122	(114,195)	-
Disposals	-	-	-	(3,404)	(13,567)	-	(16,971)
31 December 2019	1,107,464	1,956,322	4,609,441	980,555	1,044,871	53,607	9,752,260
<b>Accumulated depreciation</b>							
1 January 2018	-	576,997	2,774,555	834,119	851,093	-	5,036,764
Depreciation for the year	-	91,622	332,225	75,839	75,425	-	575,111
Depreciation - disposals	-	(10,216)	(19,137)	(26,137)	(17,820)	-	(73,310)
Depreciation - assets held for sales	-	(51,164)	(128,281)	(111,932)	-	-	(291,377)
31 December 2018	-	607,239	2,959,362	771,889	908,698	-	5,247,188
Depreciation for the year	-	94,148	302,689	70,895	57,693	-	525,425
Depreciation - disposals	-	-	-	(2,836)	(13,051)	-	(15,887)
31 December 2019	-	701,387	3,262,051	839,948	953,340	-	5,756,726
<b>Net book value</b>							
31 December 2018	1,047,487	1,298,028	1,625,579	180,684	116,527	18,627	4,286,932
31 December 2019	1,107,464	1,254,935	1,347,390	140,607	91,531	53,607	3,995,534
<b>Depreciation for the year</b>							
2018 (Baht 458 million included in manufacturing cost, and the balance included in selling and administrative expenses)							575,111
2019 (Baht 427 million included in manufacturing cost, and the balance included in selling and administrative expenses)							525,425

As at 31 December 2019, the Company has vehicles acquired under finance lease agreements, with net book value amounting to Baht 60 million (2018: Baht 113 million).

As at 31 December 2019, 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 2,874.4 million (2018: Baht 2,634.9 million).

As at 31 December 2019, the Company has plant and equipment which was held for sales, with net book value amounting to Baht 0.3 million (2018: Baht 4.5 million). Therefore, such assets are transferred out to be presented as other current assets in the statement of financial position.

## 15. Intangible assets

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

	(Unit: Thousand Baht)	
	<u>2019</u>	<u>2018</u>
<b>Cost</b>		
Balance - beginning of year	32,569	29,720
Additions	1,257	2,849
Balance - end of year	<u>33,826</u>	<u>32,569</u>
Less: Accumulated amortisation	<u>(23,159)</u>	<u>(20,733)</u>
Net book value	<u>10,667</u>	<u>11,836</u>
Amortisation expenses included in the statements of comprehensive income	<u>2,426</u>	<u>1,596</u>

## 16. Leasehold rights

	(Unit: Thousand Baht)	
	<u>2019</u>	<u>2018</u>
<b>Cost</b>		
Balance - beginning of year	<u>4,528</u>	<u>4,528</u>
Balance - end of year	4,528	4,528
Less: Accumulated amortisation	<u>(4,077)</u>	<u>(3,911)</u>
Net book value	<u>451</u>	<u>617</u>
Amortisation expenses included in the statements of comprehensive income	<u>166</u>	<u>313</u>

## 17. Trade and other payables

	(Unit: Thousand Baht)	
	<u>2019</u>	<u>2018</u>
Trade payables - related parties	131,408	144,233
Trade payables - unrelated parties	362,755	411,941
Other payables - related party	238	30
Other payables - unrelated parties	114,842	121,315
Other payables for purchases of machinery and equipment	<u>18,504</u>	<u>16,316</u>
Total trade and other payables	<u>627,747</u>	<u>693,835</u>

## 18. Liabilities under finance lease agreements

	(Unit: Thousand Baht)
	31 December 2019
	<u>Unrelated parties</u>
Liabilities under finance lease agreements	11,375
Less: Deferred interest expenses	<u>(101)</u>
Net	11,274
Less: Portion due within one year	<u>(11,173)</u>
Liabilities under finance lease agreements - net of current portion	<u>101</u>

	(Unit: Thousand Baht)		
	31 December 2018		
	<u>Related party</u>	<u>Unrelated parties</u>	<u>Total</u>
Liabilities under finance lease agreements	20,450	33,739	54,189
Less: Deferred interest expenses	<u>(324)</u>	<u>(846)</u>	<u>(1,170)</u>
Net	20,126	32,893	53,019
Less: Portion due within one year	<u>(20,126)</u>	<u>(21,619)</u>	<u>(41,745)</u>
Liabilities under finance lease agreements - net of current portion	<u>-</u>	<u>11,274</u>	<u>11,274</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 2019

	Less than		
	1 year	1 - 3 years	Total
Future minimum lease payments	11.3	0.1	11.4
Deferred interest expenses	(0.1)	-	(0.1)
Present value of future minimum lease payments	<u>11.2</u>	<u>0.1</u>	<u>11.3</u>

(Unit: Million Baht)

As at 31 December 2018

	Less than		
	1 year	1 - 3 years	Total
Future minimum lease payments	42.8	11.4	54.2
Deferred interest expenses	(1.1)	(0.1)	(1.2)
Present value of future minimum lease payments	<u>41.7</u>	<u>11.3</u>	<u>53.0</u>

## 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 deriving 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 2018, deposits carried interest at a rate of 2.75 percent per annum (2019: Nil). The Company presents these deposits as non-current liabilities in the statements of financial position.

During the year 2019, the Company announced the cancellation of the staff deposits, which will be effective on 1 January 2020. Therefore, there were no outstanding balances of long-term loans from directors and employees as at 31 December 2019.

## 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 2018</b>	77,778	6,492	84,270
Included in profit or loss:			
Current service cost	4,374	1,074	5,448
Interest cost	2,375	118	2,493
Benefits paid during the year	(5,781)	(1,350)	(7,131)
<b>Provision for long-term employee benefits as at</b>			
<b>31 December 2018</b>	78,746	6,334	85,080
Included in profit or loss:			
Current service cost	5,225	975	6,200
Interest cost	2,390	117	2,507
Past service costs	1,754	-	1,754
Actuarial loss (gain)			
Demographic assumptions changes	-	(920)	(920)
Financial assumptions changes	-	85	85
Experience adjustments	-	(343)	(343)
Included in other comprehensive income:			
Actuarial loss (gain)			
Demographic assumptions changes	5,613	-	5,613
Financial assumptions changes	(6,118)	-	(6,118)
Experience adjustments	23,931	-	23,931
Benefits paid during the year	(17,274)	(1,100)	(18,374)
<b>Provision for long-term employee benefits as at</b>			
<b>31 December 2019</b>	94,267	5,148	99,415

The Company expects to pay Baht 10.3 million of long-term employee benefits during the next year (2018: Baht 12.3 million).

As at 31 December 2019 and 2018, the weighted average duration of the liabilities for long-term employee benefits are summarised below.

	(Unit: Thousand Baht)	
	<u>2019</u>	<u>2018</u>
Employee retirement benefits (depending on category of employees and type of benefits)	11-12	5 - 17
Other long-term employee benefits (depending on category of employees)	11-12	5, 6

Significant actuarial assumptions are summarised below.

	<u>2019</u>	<u>2018</u>
	(% per annum) (% per annum)	
Discount rate (depending on category of employees and type of benefits)	1.22 - 1.24	1.90 - 2.86
Salary increase rate (depending on category of employees)	2 - 3	4 - 5

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2019 and 2018 are summarised below.

	(Unit: Million Baht)			
	As at 31 December 2019			
	Discount rate		Salary increase rate	
	Increase	Decrease	Increase	Decrease
	0.5%	0.5%	0.5%	0.5%
Employee retirement benefits	(6.2)	7.0	3.6	(3.3)
Other long-term employee benefits	(0.2)	0.2	-	-

  

	(Unit: Million Baht)			
	As at 31 December 2018			
	Discount rate		Salary increase rate	
	Increase	Decrease	Increase	Decrease
	0.5%	0.5%	0.5%	0.5%
Employee retirement benefits	(3.0)	3.2	3.1	(2.9)
Other long-term employee benefits	(0.1)	0.1	-	-

On 5 April 2019, The Labor Protection Act (No. 7) B.E. 2562 was announced in the Royal Gazette. This stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The law was effective from 5 May 2019. This change is considered a post-employment benefits plan amendment and the Company had additional long-term employee benefit liabilities of Baht 1.8 million as a result. The Company reflected the effect of the change by recognising past service costs as expenses in the profit or loss of the year in which the law was effective, which was the current year.

## 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>2019</u>	<u>2018</u>
Raw materials and consumables used	2,744,016	2,871,517
Changes in inventories of finished goods and work in process	3,371	(1,260)
Salaries and wages and other employee benefits	1,678,105	1,618,892
Depreciation and amortisation	528,018	577,019
Fuel and vehicle related expenses	286,461	310,609
Water and electricity expenses	204,472	201,621
Natural gas expenses	63,134	73,181

## 23. Income tax

Income tax expenses for the years ended 31 December 2019 and 2018 are made up as follows:

	(Unit: Thousand Baht)	
	<u>2019</u>	<u>2018</u>
<b>Current income tax:</b>		
Current income tax charge	207,772	170,234
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	2,783	(946)
<b>Income tax expenses reported in the profit or loss</b>	<u>210,555</u>	<u>169,288</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2019 and 2018 are as follows:

	(Unit: Thousand Baht)	
	<u>2019</u>	<u>2018</u>
Deferred tax relating to:		
Gain (loss) on changes in value of available-for-sale investments	3,690	(6,217)
Actuarial loss	(3,008)	-
	<u>682</u>	<u>(6,217)</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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Accounting profit before tax	1,911,295	1,600,642	1,912,377	1,600,117
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by income tax rate	382,259	320,128	382,475	320,023
Effects of:				
Promotional privileges (Note 26)	(174,433)	(149,148)	(174,433)	(149,148)
Non-deductible expenses	12,984	10,676	12,984	10,676
Additional expense deductions allowed	(8,110)	(10,487)	(8,110)	(10,487)
Income not subject to tax	(2,145)	(1,881)	(2,361)	(1,776)
Total	<u>(171,704)</u>	<u>(150,840)</u>	<u>(171,920)</u>	<u>(150,735)</u>
Income tax expenses reported in the profit or loss	<u>210,555</u>	<u>169,288</u>	<u>210,555</u>	<u>169,288</u>

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

(Unit: Thousand Baht)

	Statements of financial position	
	As at	As at
	31 December 2019	31 December 2018
<b>Deferred tax assets</b>		
Accumulated depreciation - plant and equipment	135	467
Provision for long-term employee benefits	12,055	10,183
Provision for litigation	-	1,315
Loss on changes in value of available-for-sale investments	-	1,146
<b>Total</b>	<b>12,190</b>	<b>13,111</b>
<b>Deferred tax liabilities</b>		
Gain on changes in value of available-for-sale investments	2,543	-
<b>Total</b>	<b>2,543</b>	<b>-</b>
<b>Deferred tax assets - net</b>	<b>9,647</b>	<b>13,111</b>

#### 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	Profit for the year (Thousand Baht)	1,700,740	1,431,354	1,701,822
Weighted average number of ordinary shares (Thousand shares)	450,000	450,000	450,000	450,000
Basic earnings per share (Baht)	3.78	3.18	3.78	3.18

## 25. Dividend payments

During the years ended 31 December 2019 and 2018, the Company had dividend payments as follows:

	Approved by	Total dividends (Thousand Baht)	Dividend per share (Baht)	Paid on
<b>For the year 2019</b>				
Final dividends for 2018	Annual General Meeting of the shareholders on 26 April 2019	382,500	0.85	24 May 2019
Interim dividend on profit for the six-month period ended 30 June 2019	The meeting of the Company's Board of Directors No. 8/2018 on 20 August 2019	364,500	0.81	19 September 2019
Total dividend payments for 2019		747,000	1.66	
<b>For the year 2018</b>				
Final dividends for 2017	Annual General Meeting of the shareholders on 27 April 2018	355,500	0.79	25 May 2018
Interim dividend on profit for the six-month period ended 30 June 2018	The meeting of the Company's Board of Directors No. 8/2018 on 14 August 2018	337,500	0.75	13 September 2018
Total dividend payments for 2018		693,000	1.54	

## 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.	1343(2)/2555	2218(2)/2557
Date	22 March 2012	25 September 2014
1. Promotional privileges for	Manufacture of bakery products	Manufacture of whole grain products
2. Significant privileges		
2.1 Exemption from import duty on approved machinery	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 (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
3. Commencing date	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>2019</u>	<u>2018</u>
Sales		
Promoted operations	3,092	2,962
Non-promoted operations	4,652	4,534
Total sales	<u>7,744</u>	<u>7,496</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 2019, the Company recognised the contributions of Baht 27.6 million (2018: Baht 27.3 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 2019 amounted to approximately Baht 7,058 million, or 90.0% of total revenues (2018: Baht 6,826 million, or 90.1% of total revenues). The Company's revenues were from a main local customer, representing about 48.7% of total revenues (2018: 47.2% 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

- a) As at 31 December 2019, the Company had capital commitments in respect of procurement agreements for production machinery and equipment of approximately Baht 5.3 million and AUD 0.03 million, totaling approximately Baht 5.9 million (2018: Baht 0.6 million and JPY 4.2 million and EURO 0.1 million, totaling approximately Baht 7.0 million).
- b) As at 31 December 2019, the joint venture had no capital commitments (2018: Bath 1.0 million, relating to shop decoration).

### 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<u>Payable:</u>				
Within 1 year	12.4	13.8	13.6	15.6
1 to 5 years	6.8	9.8	11.7	14.6

### 29.3 Long-term service commitments

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 2019 amounted to approximately Baht 2.3 million (2018: Baht 2.4 million).

#### 29.4 Long-term purchase commitments

The Company has commitments under natural gas purchase agreement for a period of 3 - 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.	3	30 November 2020	72,007 per annum
2.	5	31 December 2023	281 per day
3.	7	30 November 2020	23,385 per annum

#### 29.5 Guarantees

As at 31 December 2019, there were outstanding bank guarantees of approximately Baht 29.0 million (2018: Baht 28.7 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 26.0 million (2018: Baht 25.7 million) to guarantee electricity use, Baht 3.0 million (2018: Baht 3.0 million) to guarantee contractual performance under the natural gas purchase agreement.

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. During the current year, the Court of Appeal for Specialized Cases affirmed the judgment of the Court of First Instance. The case is currently under consideration of the Supreme Court.

During the year, the Company has already withdrawn the fixed deposit of Baht 17.1 million that had been pledged as a guarantee during the consideration of a lawsuit brought against the Company by the Department of Empowerment of Persons with Disabilities, seeking to have the Company pay contributions to the Fund for Empowerment of Persons with Disabilities.

#### 29.6 Litigation

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

Currently, settlement negotiations for some of the cases have been successful, whereby the Company and the insurance company agreed to pay the compensation. For the other cases, the Supreme Court rendered its judgment that the Company and the other three defendants are to compensate for the damage in the amount of Baht 3.3 million, including an interest of 7.5 percent per annum. Subsequently on 30 October 2019, the Company made payment according to Supreme Court's judgment, including interest totaling Baht 5.6 million.

- b) In 2016, the Company was sued by the Department of Empowerment of Persons with Disabilities seeking to have the Company pay to the fund for Empowerment of Persons with Disabilities. On 20 March 2019, the Company paid the debt according to the lawsuit, including interest in total amount of Baht 25.3 million.

### 30. Fair value hierarchy

As at 31 December 2019 and 2018, 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					
	2019			2018		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<b>Assets measured at fair value</b>						
Available-for-sale investments						
Equity instruments	78,027	-	78,027	136,040	-	136,040
Debt instruments	-	1,775,218	1,775,218	-	981,261	981,261
<b>Liabilities for which fair value are disclosed</b>						
Derivatives						
Forward exchange contracts	-	-	-	-	361	361

### 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 2019						
Fixed interest rates					Total	Effective interest rate
Within 1 year	1 - 5 years	Floating interest rate	Non-interest bearing			
Million Baht					(% p.a.)	
<b>Financial assets</b>						
Cash and cash equivalents	-	-	345	22	367	0.37 - 1.30
Short-term investments	2,482	-	12	-	2,494	0.10 - 3.48
Trade and other receivables	-	-	-	925	925	-
Restricted bank deposit	36	-	-	-	36	1.95
Long-term investments	-	1,193	-	78	1,271	1.20 - 4.80
	<u>2,518</u>	<u>1,193</u>	<u>357</u>	<u>1,025</u>	<u>5,093</u>	
<b>Financial liabilities</b>						
Trade and other payables	-	-	-	628	628	
Liabilities under finance lease agreements	11	-	-	-	11	3.00 - 4.70
	<u>11</u>	<u>-</u>	<u>-</u>	<u>628</u>	<u>639</u>	
As at 31 December 2018						
Fixed interest rates					Total	Effective interest rate
Within 1 year	1 - 5 years	Floating interest rate	Non-interest bearing			
Million Baht					(% p.a.)	
<b>Financial assets</b>						
Cash and cash equivalents	-	-	132	21	153	0.37 - 1.30
Short-term investments	2,239	-	5	-	2,244	0.10 - 4.30
Trade and other receivables	-	-	-	947	947	-
Restricted bank deposit	53	-	-	-	53	1.25 - 1.55
Long-term investments	-	509	-	136	645	1.20 - 5.18
	<u>2,292</u>	<u>509</u>	<u>137</u>	<u>1,104</u>	<u>4,042</u>	
<b>Financial liabilities</b>						
Trade and other payables	-	-	-	694	694	-
Liabilities under finance lease agreements	42	11	-	-	53	2.80 - 4.70
Long-term loans from directors/employees	111	-	-	-	111	2.75
	<u>153</u>	<u>11</u>	<u>-</u>	<u>694</u>	<u>858</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	
	<u>2019</u> (Thousand)	<u>2018</u> (Thousand)	<u>2019</u> (Baht per foreign currency unit)	<u>2018</u>
Japanese Yen	6,011	2,194	0.2796	0.2970
US dollar	1,016	1,434	30.3313	32.6148
Euro	138	-	34.0846	-
Pound sterling	29	-	21.4184	-

As at 31 December 2018, forward exchange contracts are summarised below (2019: Nil).

As at 31 December 2018			
Foreign currency	Bought amount	Contractual exchange rate	Contractual maturity date
	(Million)	(Baht per foreign currency unit)	
US dollar	1.2	32.60 - 32.94	3 January - 14 February 2019

### **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 2019	As at 31 December 2018
Fair value	Fair value
Gain (loss)	Gain (loss)
-	(361)

### Derivatives

Forward exchange contracts	-	(361)
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The methods and assumptions used by the Company in estimating the fair value of financial instruments are as follows:

- a) 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.
- b) 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 2019, the Company's debt-to-equity ratio was 0.13:1 (2018: 0.17:1).

### 33. Reclassification

The Company reclassified the following amounts in the statements of comprehensive income for the year ended 31 December 2018 to conform with the current period's classification. The reclassifications had no effect to previously reported profit or shareholders' equity.

(Unit: Thousand Baht)

	Financial statements in which the equity method is applied and separate financial statements	
	For the year ended 31 December 2018	
	As reclassified	As previously reported
<b>Statements of comprehensive income</b>		
Selling and distribution expenses	1,328,790	1,011,310
Administrative expenses	348,577	666,057

### 34. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 19 February 2020.