

S. Khonkaen Foods Public Company Limited
and its subsidiaries
Report and consolidated financial statements
31 December 2019

Independent Auditor's Report

To the Shareholders of S. Khonkaen Foods Public Company Limited

Opinion

I have audited the accompanying consolidated financial statements of S. Khonkaen Foods Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of S. Khonkaen Foods 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 S. Khonkaen Foods Public Company Limited and its subsidiaries and of S. Khonkaen Foods Public Company Limited as at 31 December 2019, their 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 Group 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

The revenue from sales is the most significant amount in the statement of income and is also the key indicator of business performance on which the users of financial statements focus. In addition, the Group has a large customer base. Therefore, I focused on my audit on the occurrence of the revenue from sales.

I have examined the revenue recognition of the Group by

- Assessing and testing the Group's IT system and its internal controls with respect to the revenue cycle by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls.
- Applying a sampling method to select sales and service agreements to assess whether revenue recognition was consistent with the conditions of the relevant agreement, and whether it was in compliance with the Group's policy.
- On a sampling basis, examining supporting documents for actual sales transactions occurring during the year and near the end of the accounting period.
- Reviewing credit notes that the Group issued after the period-end.
- Performing analytical procedures on disaggregated data to detect possible irregularities in sales transactions throughout the period.

Provision for diminution in the value of inventories

Estimating the net realisable value of inventories, as disclosed in Note 10 to the financial statements, is an area of significant management judgment corroborated with actual fact, particularly with regard to the estimation of allowance for diminution in the value of obsolete and damaged inventories. This requires detailed analysis of the product life cycle, the competitive environment, economic circumstances and the situation within the industry. In addition, the Group has a large quantity and number of categories of inventories. Therefore, I focused my audit on the measurement of provision set aside for diminution in the value of inventories.

I assessed and tested the internal controls of the Group relevant to the determination of allowance for diminution in the value of inventories by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls. In addition, I also assessed the method and the assumptions applied by management in determining such allowance. The procedures that I performed included:

- Gaining an understanding of the basis applied in determining an allowance for diminution in value of inventories and reviewing the consistency of the application of that basis, and the rationale for the recording of specific allowance.
- Comparing the inventories holding periods and inventory movements to identify product lines with indicators of lower than normal inventory turnover.
- Comparing proceeds from sales transactions occurring after the date of the financial statements with the cost of inventory for each product line.
- Comparing historical data of actual losses on sales and write-offs of inventories during previous years with the allowance for diminution in value of inventories recorded at the preceeding year-end.

Other Information

Management is responsible for the other information. The other information comprises the information included in annual report of the Group, but does not include the financial statements and my auditor's report thereon. The annual report of the Group 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 Group, 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 Group'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 Group'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 Group 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 entities or business activities within the Group to express an opinion on the consolidated financial statements. 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.

Pimjai Manitkajohnkit

Certified Public Accountant (Thailand) No. 4521

EY Office Limited

Bangkok: 24 February 2020

S. Khonkaen Foods Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2019

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2019	2018	2019	2018
Assets					
Current assets					
Cash and cash equivalents	8	152,250,713	78,307,864	108,746,660	50,052,387
Current investment		-	873,774	-	-
Trade and other receivables	7, 9	469,543,555	450,912,121	376,875,386	425,130,781
Short-term loans to subsidiaries	7	-	-	6,444,869	215,461,088
Inventories	10	250,919,797	174,263,297	179,988,736	102,568,502
Current biological assets	16	74,000,913	89,690,744	-	-
Other current assets		24,792,692	6,065,093	5,300,089	3,102,185
Total current assets		971,507,670	800,112,893	677,355,740	796,314,943
Non-current assets					
Restricted bank deposits	11	1,490,256	1,466,938	-	-
Long-term loans to subsidiary	7	-	-	83,000,000	-
Investments in subsidiaries	13	-	-	298,114,862	298,114,862
Investment properties	14	640,306,382	643,830,378	372,765,068	376,488,942
Property, plant and equipment	15	919,875,974	922,530,831	394,342,054	395,019,380
Non-current biological assets	16	9,214,442	14,147,773	-	-
Intangible assets	17	13,214,463	13,834,772	9,915,760	12,820,843
Deferred tax assets	25	66,400	142,900	-	-
Other non-current assets		10,454,867	9,642,592	8,662,131	8,319,265
Total non-current assets		1,594,622,784	1,605,596,184	1,166,799,875	1,090,763,292
Total assets		2,566,130,454	2,405,709,077	1,844,155,615	1,887,078,235

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

S. Khonkaen Foods Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2019

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2019	2018	2019	2018
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans					
from financial institutions	18	514,494,417	443,552,106	428,053,888	398,151,308
Trade and other payables	7, 19	296,966,446	324,739,568	216,519,962	257,199,165
Current portion of financial lease payables	20	1,616,613	1,034,954	525,287	-
Current portion of long-term loans	21	95,167,309	93,974,399	37,200,871	43,639,399
Income tax payable		14,343,521	16,664,151	6,611,745	9,488,355
Other current liabilities		24,149,412	19,966,932	17,112,178	14,678,584
Total current liabilities		946,737,718	899,932,110	706,023,931	723,156,811
Non-current liabilities					
Financial lease payables, net of current portion	20	2,316,999	1,751,106	1,219,238	-
Long-term loans, net of current portion	21	411,312,345	334,709,820	254,108,949	291,309,820
Deferred tax liabilities	25	26,995,726	32,193,418	16,949,303	18,939,425
Provisions for long-term employee benefits	22	90,507,963	76,749,380	64,596,950	56,843,655
Other non-current liabilities		2,696,675	2,213,659	2,191,170	1,748,218
Total non-current liabilities		533,829,708	447,617,383	339,065,610	368,841,118
Total liabilities		1,480,567,426	1,347,549,493	1,045,089,541	1,091,997,929

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

S. Khonkaen Foods Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2019

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2019	2018	2019	2018
Shareholders' equity					
Share capital					
Registered					
32,340,000 ordinary shares of Baht 10 each		323,400,000	323,400,000	323,400,000	323,400,000
Issued and paid-up					
32,340,000 ordinary shares of Baht 10 each		323,400,000	323,400,000	323,400,000	323,400,000
Share premium		50,281,000	50,281,000	50,281,000	50,281,000
Share premium on treasury stock		37,552,153	37,552,153	-	-
Retained earnings					
Appropriated - statutory reserve	23	32,340,000	32,340,000	32,340,000	32,340,000
Unappropriated		479,014,211	451,561,720	273,692,891	269,707,123
Other components of shareholders' equity		161,396,725	161,604,952	119,352,183	119,352,183
Equity attributable to owners of the Company		1,083,984,089	1,056,739,825	799,066,074	795,080,306
Non-controlling interests of the subsidiaries		1,578,939	1,419,759	-	-
Total shareholders' equity		1,085,563,028	1,058,159,584	799,066,074	795,080,306
Total liabilities and shareholders' equity		2,566,130,454	2,405,709,077	1,844,155,615	1,887,078,235

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

Director

Director

S. Khonkaen Foods Public Company Limited and its subsidiaries

Income statement

For the year ended 31 December 2019

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
			(Restated)		(Restated)
Revenues					
Sales		2,836,985,487	2,708,833,776	1,708,511,847	1,898,328,581
Revenue from rental and service	14	8,647,582	11,082,729	8,647,582	11,082,729
Dividend income	13	-	-	29,888,208	-
Interest income		213,999	532,033	8,041,947	7,753,165
Other income		19,114,491	14,518,093	17,334,119	9,185,774
Gain on sales of deposits for land		-	22,246,400	-	22,246,400
Gain on change in fair value less cost to sale of biological assets	16	-	34,026,230	-	-
Total revenues		2,864,961,559	2,791,239,261	1,772,423,703	1,948,596,649
Expenses					
Cost of sales		2,084,798,240	1,943,492,168	1,220,819,743	1,321,514,068
Cost of rental and service	14	14,911,940	15,032,666	14,911,940	15,820,742
Selling and distribution expenses		283,789,062	262,646,989	210,138,560	211,205,338
Administrative expenses		301,222,061	291,126,712	200,468,926	205,352,788
Loss on change in fair value less cost to sale of biological assets	16	10,018,474	-	-	-
Total expenses		2,694,739,777	2,512,298,535	1,646,339,169	1,753,892,936
Profit before finance cost and tax expense		170,221,782	278,940,726	126,084,534	194,703,713
Finance cost		(33,726,910)	(36,781,170)	(27,895,660)	(28,785,668)
Profit before tax expense		136,494,872	242,159,556	98,188,874	165,918,045
Income tax expenses	25	(24,008,156)	(50,510,253)	(10,924,968)	(29,973,390)
Profit for the year		112,486,716	191,649,303	87,263,906	135,944,655
Profit attributable to:					
Equity holders of the Company		112,105,882	191,272,526	87,263,906	135,944,655
Non-controlling interests of the subsidiaries		380,834	376,777		
		112,486,716	191,649,303		
Earnings per share					
26					
Basic earnings per share					
Profit attributable to equity holders of the Company		3.47	5.91	2.70	4.20

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

S. Khonkaen Foods Public Company Limited and its subsidiaries

Statement of comprehensive income

For the year ended 31 December 2019

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
Profit for the year		<u>112,486,716</u>	<u>191,649,303</u>	<u>87,263,906</u>	<u>135,944,655</u>
Other comprehensive income:					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>					
Exchange differences on translation of financial statements in foreign currency		(208,227)	(28,436)	-	-
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>					
Actuarial loss - net of income tax	22	(3,803,391)	-	(2,428,138)	-
Other comprehensive income for the year		<u>(4,011,618)</u>	<u>(28,436)</u>	<u>(2,428,138)</u>	<u>-</u>
Total comprehensive income for the year		<u><u>108,475,098</u></u>	<u><u>191,620,867</u></u>	<u><u>84,835,768</u></u>	<u><u>135,944,655</u></u>
Total comprehensive income attributable to:					
Equity holders of the Company		108,094,264	191,244,090	<u>84,835,768</u>	<u>135,944,655</u>
Non-controlling interests of the subsidiaries		<u>380,834</u>	<u>376,777</u>		
		<u><u>108,475,098</u></u>	<u><u>191,620,867</u></u>		

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

S. Khonkaen Foods Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity

For the year ended 31 December 2019

(Unit: Baht)

Consolidated financial statements													
Equity attributable to owners of the Company													
						Other components of equity holders							
						Other comprehensive income			Surplus on				
						Exchange differences			changes in		Total other		Total equity
	Issued and		Share premium			on translation of	Surplus on	Surplus on	proportion in	Total other	attributable to	Equity attributable	Total
	paid-up		on treasury	Retained earnings		financial statements	revaluation	revaluation of	interest of	components of	owners of	to non-controlling	shareholders'
share capital	Share premium	stock	Statutory reserve	Unappropriated	in foreign currency	of assets	subsidiary's assets	subsidiary	equity	the Company	the subsidiaries	equity	equity
Balance as at 1 January 2018	323,400,000	50,281,000	37,552,153	32,340,000	331,437,194	24,296	119,352,183	41,754,649	502,260	161,633,388	936,643,735	1,042,982	937,686,717
Profit for the year	-	-	-	-	191,272,526	-	-	-	-	-	191,272,526	376,777	191,649,303
Other comprehensive income for the year	-	-	-	-	-	(28,436)	-	-	-	(28,436)	(28,436)	-	(28,436)
Total comprehensive income for the year	-	-	-	-	191,272,526	(28,436)	-	-	-	(28,436)	191,244,090	376,777	191,620,867
Increase non-controlling interest													
of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid (Note 28)	-	-	-	-	(71,148,000)	-	-	-	-	-	(71,148,000)	-	(71,148,000)
Balance as at 31 December 2018	323,400,000	50,281,000	37,552,153	32,340,000	451,561,720	(4,140)	119,352,183	41,754,649	502,260	161,604,952	1,056,739,825	1,419,759	1,058,159,584
Balance as at 1 January 2019	323,400,000	50,281,000	37,552,153	32,340,000	451,561,720	(4,140)	119,352,183	41,754,649	502,260	161,604,952	1,056,739,825	1,419,759	1,058,159,584
Profit for the year	-	-	-	-	112,105,882	-	-	-	-	-	112,105,882	380,834	112,486,716
Other comprehensive income for the year	-	-	-	-	(3,803,391)	(208,227)	-	-	-	(208,227)	(4,011,618)	-	(4,011,618)
Total comprehensive income for the year	-	-	-	-	108,302,491	(208,227)	-	-	-	(208,227)	108,094,264	380,834	108,475,098
Increase non-controlling interest													
of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(19,862)	(19,862)
Dividends paid (Note 28)	-	-	-	-	(80,850,000)	-	-	-	-	-	(80,850,000)	(201,792)	(81,051,792)
Balance as at 31 December 2019	323,400,000	50,281,000	37,552,153	32,340,000	479,014,211	(212,367)	119,352,183	41,754,649	502,260	161,396,725	1,083,984,089	1,578,939	1,085,563,028
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

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

S. Khonkaen Foods Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity (continued)

For the year ended 31 December 2019

(Unit: Baht)

	Separate financial statements					
					Other components of equity holders	Total shareholders' equity
					Other comprehensive income	
	Issued and paid-up share capital	Share premium	Retained earnings		Surplus on revaluation of assets	
			Statutory reserve	Unappropriated		
Balance as at 1 January 2018	323,400,000	50,281,000	32,340,000	204,910,468	119,352,183	730,283,651
Profit for the year	-	-	-	135,944,655	-	135,944,655
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	135,944,655	-	135,944,655
Dividends paid (Note 28)	-	-	-	(71,148,000)	-	(71,148,000)
Balance as at 31 December 2018	<u>323,400,000</u>	<u>50,281,000</u>	<u>32,340,000</u>	<u>269,707,123</u>	<u>119,352,183</u>	<u>795,080,306</u>
Balance as at 1 January 2019	323,400,000	50,281,000	32,340,000	269,707,123	119,352,183	795,080,306
Profit for the year	-	-	-	87,263,906	-	87,263,906
Other comprehensive income for the year	-	-	-	(2,428,138)	-	(2,428,138)
Total comprehensive income for the year	-	-	-	84,835,768	-	84,835,768
Dividends paid (Note 28)	-	-	-	(80,850,000)	-	(80,850,000)
Balance as at 31 December 2019	<u>323,400,000</u>	<u>50,281,000</u>	<u>32,340,000</u>	<u>273,692,891</u>	<u>119,352,183</u>	<u>799,066,074</u>
	-	-	-	-	-	-
	-	-	-	-	-	-

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

S. Khonkaen Foods Public Company Limited and its subsidiaries

Cash flow statement

For the year ended 31 December 2019

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Cash flows from operating activities				
Profit before tax expense	136,494,872	242,159,556	98,188,874	165,918,045
Adjustments to reconcile profit before tax expense to net cash provided by (paid from) operating activities:				
Depreciation	90,962,073	87,600,849	40,657,095	39,430,942
Depreciation of biological assets	6,631,358	8,129,393	-	-
Amortisation of intangible assets	3,453,809	3,004,757	3,060,983	2,870,880
Amortisation of deferred rental expense	(1,018,213)	(641,666)	748,213	731,666
Allowance for doubtful accounts of trade and other receivables (reversal)	590,445	143,556	665,445	(119,967)
Allowance for loan to unrelated company	-	5,000,000	-	5,000,000
Reduction of inventories to net realisable value	(1,509,947)	(182,719)	(732,062)	(201,542)
Loss (gain) on sales of equipment	(872,161)	139,797	(747,058)	736,065
Write-off building and equipment	650,975	3,921,576	636,271	3,073,589
Loss on impairment of biological assets	-	877,459	-	-
Loss on diminution in value of investment in subsidiaries	-	-	-	73,336
Gain on sale of stud swine	(4,924,591)	(4,043,222)	-	-
Long-term employee benefit expense	20,351,171	16,972,659	14,796,311	11,702,829
Unrealised loss (gain) on exchange	(12,497)	250,030	359,342	221,250
Loss (gain) on changes in fair value less cost to sell of biological assets	10,018,474	(34,026,230)	-	-
Gain on sales of deposits for land	-	(22,246,400)	-	(22,246,400)
Interest income	(214,000)	(532,033)	(8,041,947)	(7,753,165)
Interest expenses	33,726,910	36,781,170	27,895,660	28,785,668
Dividends income	-	-	(29,888,208)	-
Profit from operating activities before changes in operating assets and liabilities	294,328,678	343,308,532	147,598,919	228,223,196

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

S. Khonkaen Foods Public Company Limited and its subsidiaries

Cash flow statement (continued)

For the year ended 31 December 2019

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Operating assets (increase) decrease				
Trade and other receivables	(19,209,381)	(33,460,104)	47,239,169	(25,713,323)
Inventories	(75,146,553)	(13,401,042)	(76,688,172)	(6,094,450)
Biological assets	1,243,410	(8,721,992)	-	-
Other current assets	(18,727,599)	(612,068)	(2,197,904)	(161,102)
Other non-current assets	(812,275)	635,625	(342,866)	716,767
Operating liabilities increase (decrease)				
Trade and other payables	(31,130,733)	34,382,367	(42,011,869)	13,725,369
Other current liabilities	4,182,480	1,726,612	2,433,594	2,656,538
Other non-current liabilities	1,501,229	(1,858,764)	(305,261)	(2,078,962)
Cash paid for long-term employee benefit	(11,371,655)	(4,940,900)	(10,078,189)	(3,560,568)
Cash flows from operating activities	144,857,601	317,058,266	65,647,421	207,713,465
Cash paid for corporate income tax	(29,908,684)	(41,336,357)	(15,184,665)	(26,934,649)
Net cash flows from operating activities	114,948,917	275,721,909	50,462,756	180,778,816
Cash flows from investing activities				
Decrease (increase) in restricted bank deposits	(23,318)	14,952	-	-
Decrease (increase) in current investments	873,774	(39,389)	-	-
Decrease (increase) in short-term loans to subsidiaries	-	-	208,644,380	(20,789,589)
Increase in long-term loans to subsidiary	-	-	(83,000,000)	-
Acquisition of equipment	(79,788,869)	(81,377,895)	(33,349,944)	(51,951,071)
Acquisition of computer software	(2,833,500)	(2,273,465)	(155,900)	(1,581,536)
Acquisition of investment properties	(199,878)	-	-	-
Cash paid for a deposits for purchase of land	-	(4,456,000)	-	(4,456,000)
Cash received from deposits for land	-	153,702,400	-	153,702,400
Proceeds from sales of equipment	1,234,884	4,815,642	914,154	577,268
Proceeds from sales of stud swine	7,654,511	6,983,917	-	-
Cash received from interest income	213,999	570,783	8,405,225	7,733,317
Dividend income	-	-	29,888,208	-
Net cash flows from (used in) investing activities	(72,868,397)	77,940,945	131,346,123	83,234,789

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

S. Khonkaen Foods Public Company Limited and its subsidiaries

Cash flow statement (continued)

For the year ended 31 December 2019

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Cash flows from financing activities				
Increase (decrease) in bank overdrafts and				
short-term loans from financial institutions	70,942,311	(203,113,013)	29,902,580	(183,395,392)
Cash receipt from long-term loans	175,675,499	114,680,859	-	114,680,859
Cash paid for long-term loans	(97,880,064)	(158,148,323)	(43,639,399)	(106,696,323)
Decrease in financial lease payables	(1,542,373)	(1,348,879)	(439,000)	(242,826)
Cash paid for interest expenses	(34,073,025)	(36,924,265)	(28,088,787)	(28,843,303)
Dividend paid	(81,051,792)	(71,148,000)	(80,850,000)	(71,148,000)
Net cash flows from (used in) financing activities	32,070,556	(356,001,621)	(123,114,606)	(275,644,985)
Net increase (decrease) in cash and cash equivalents	74,151,076	(2,338,767)	58,694,273	(11,631,380)
Translation adjustments	(208,227)	(28,436)	-	-
Cash and cash equivalents at beginning of year	78,307,864	80,675,067	50,052,387	61,683,767
Cash and cash equivalents at end of year (Note 8)	152,250,713	78,307,864	108,746,660	50,052,387
	-	-	-	-
Supplemental cash flows information				
Non-cash items transaction				
Purchases of vehicle under financial lease agreements	2,689,925	-	2,183,525	-
Undue installment for acquisition of equipment	3,118,246	4,176,239	1,525,793	2,606,309
Offsetting between accrued commission and				
accrued interest income	-	-	344,380	1,210,411

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

S. Khonkaen Foods Public Company Limited and its subsidiaries

Notes to consolidated financial statements

For the year ended 31 December 2019

1. General information

S. Khonkaen Foods Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the manufacture and distribution of processed food products, restaurants and swine farm.

The registered office of the Company is at 259/13 Soi Pridi Banomyong 13, Sukhumvit 71 Road (Pridi Banomyong), Phrakonong Nuer, Vadhana, Bangkok.

2. Basis of preparation

- 2.1 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.

2.2 Basis of consolidation

- a) The consolidated financial statements include the financial statements of S. Khonkaen Foods Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”):

Company's name	Nature of business	Country of incorporation	Percentage of shareholding (Percent)
S. Pasusat Company Limited	Breeding and sales of finishing swine	Thailand	100
S.K.K. Food Company Limited	Distribution of processed products	Thailand	99
Mahachai Foods Company Limited	Manufacture and distribution of processed food products	Thailand	99
3D Food and Beverage Company Limited	Restaurant business and distribution of food and beverage	Thailand	100
S. Training Center Company Limited	Training and seminar service	Thailand	100

Company's name	Nature of business	Country of incorporation	Percentage of shareholding (Percent)
Thai Home Food (Bangkok) Company Limited	Restaurant business and distribution of food and beverage and franchise business	Thailand	80
S. Khonkaen Foods (Netherlands) B.V.	Distribution of processed food products	The Netherlands	100

- b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
 - c) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
 - d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
 - e) The assets and liabilities in the financial statements of overseas subsidiary company are translated to Baht using the exchange rate prevailing on the end of reporting period, and revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of "Exchange differences on translation of financial statements in foreign currency" in the statements of changes in shareholders' equity.
 - f) Material balances and transactions between the Group have been eliminated from the consolidated financial statements.
 - g) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.
- 2.3 The separate financial statements of the Company, which present investments in subsidiaries under the cost method.

3 New financial reporting standards

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

During the year, the Group 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 and its subsidiaries' 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.

The Group adopted TFRS 15 using the full retrospective method of adoption.

The cumulative effect of the change is described in Note 4.

(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 Group believes that adoption of these standards will not have any significant impact on the financial statements.

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 Group 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 Group expects the adoption of this accounting standard to have the effect on financial position as at 1 January 2020 of increasing the Group's assets by approximately Baht 120 million (the Company only: approximately Baht 104 million) and the Group's liabilities by approximately Baht 120 million (the Company only: approximately Baht 104 million).

4. Cumulative effects of changes in accounting policies due to the adoption of new financial reporting standard

As described in Note 3 to the financial statements, during the current year, the Group has adopted TFRS 15 using the full retrospective method of adoption. The cumulative has no effect of the statement of financial position and the statement of changes in shareholders' equity.

The amounts of the adjustments affecting the statement of income is summarised below:

	(Unit: Baht)		
	Consolidated financial statements		
	Previous accounting policy	Decrease	TFRS 15
Statement of income			
Sales	2,869,754,387	(160,920,611)	2,708,833,776
Selling and distribution expenses	423,567,600	(160,920,611)	262,646,989

(Unit: Baht)

	Separate financial statements		
	Previous accounting policy	Decrease	TFRS 15
Statement of income			
Sales	2,059,249,192	(160,920,611)	1,898,328,581
Selling and distribution expenses	372,125,949	(160,920,611)	211,205,338

5. Significant accounting policies

5.1 Income 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 upon 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 Group 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.

Rendering of services

Service revenue is recognised at a point in time upon completion of the service.

Rental income

Rental income is recognised on an accrual basis over the term of the lease.

Interest income

Interest income is recognised as interest accrues based on the effective rate method.

Dividends

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

5.2 Cash and cash equivalents

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

5.3 Trade accounts receivable

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 experiences and analysis of debt aging.

5.4 Inventories

Finished goods and work in process are valued at the lower of cost and net realisable value. The cost of inventories is measured using the standard cost method, which approximates actual cost and includes all production costs and attributable factory overheads.

Raw materials, chemicals, spare parts and factory supplies are valued at the lower of average cost and net realisable value and are charged to production costs whenever consumed.

5.5 Investments

Investments in subsidiaries are accounted for in the separate financial statements using the cost method net of allowance for impairment loss (if any).

5.6 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for loss on impairment (if any).

Depreciation of investment properties with respect to office building for rent is calculated by reference to its cost on the straight-line basis over estimated useful lives of 20 years. Depreciation of the investment properties is included in determining income. No depreciation provided on land and land awaiting development.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period when the asset is derecognised.

5.7 Property, plant and equipment and depreciation

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

Land is initially recorded at cost on the acquisition date, and subsequently revalued by an independent professional appraiser to their fair values. Revaluation is made with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the end of reporting period.

Differences arising from the revaluation are dealt with in the financial statements as follows:

- When an asset's carrying amount is increased as a result of a revaluation of the Group's assets, the increase is credited directly to the other comprehensive income and the cumulative increase is recognised equity under the heading of "Surplus on revaluation of assets". However, a revaluation decrease is recognised as income to the extent that it reverses a revaluation decrease in respect of the same asset previously recognised as an expense.
- When an asset's carrying amount is decreased as a result of a revaluation of the Group's assets, the decrease is recognised in profit or loss. However, the revaluation decrease is charged to other comprehensive income to the extent that it does not exceed an amount already held in "Surplus on revaluation of assets" in respect of the same asset.

Depreciation of plant and equipment is calculated by reference to their costs on a straight-line basis over the following estimated useful lives:

Land improvements	5 - 20	years
Plant and improvements	5 - 20	years
Machinery and equipment	5 - 10	years
Furniture, fixtures and office equipment	5	years
Motor vehicles	5	years

Depreciation is included in determining income.

No depreciation is provided on land and construction in progress.

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.

5.8 Biological assets

Biological assets are measured at fair value less cost to sale (incremental costs directly attributable to the disposal of biological assets). If the fair value cannot be measured reliably, it is measured at cost less accumulated depreciation and accumulated impairment losses. Gains or losses on changes in fair value less cost to sale are recognised in profit or loss.

Current biological assets, comprising fattening swine and harvested agricultural produce, are presented under the caption "Current assets". Non-current biological assets, comprising stud swine and bearer plants, are presented under the caption "Non-current assets" in the statement of financial position.

5.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

5.10 Intangible assets

Intangible assets are recognised 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 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.

The intangible asset with finite useful lives is computer software which has useful lives of 5 - 10 years.

5.11 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 an 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.

5.12 Long-term leases

Leases of property, plant or equipment 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 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 asset.

Leases of property, plant or equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

5.13 Foreign currencies

The consolidated and separate financial statements are presented in Baht, which is also the Group's functional currency. Items of each entity included in the consolidated financial statements are measured using the functional currency of that entity.

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

5.14 Impairment of assets

At the end of each reporting period, the Group performs impairment reviews in respect of the property, plant and equipment and other intangible assets 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 Group 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. However in cases where land was previously revalued and the revaluation was taken to equity, a part of such impairment is recognised in equity up to the amount of the previous revaluation.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Group 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 unless the asset is carried at a revalued amount, in which case the reversal, which exceeds the carrying amount that would have been determined, is treated as a revaluation increase.

5.15 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 benefit plans and other long-term employee benefits

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

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

Actuarial gains and losses arising from defined benefit plans are recognised immediately in other comprehensive income.

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

5.16 Provisions

Provisions are recognised when the Group 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.

5.17 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 Group recognises deferred tax liabilities for all taxable temporary differences while they recognise 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 Group 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 Group records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

5.18 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 Group applies a quoted market price in an active market to measure their 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 Group measures fair value using valuation technique that are appropriate in the circumstances and maximise 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 categories 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 Group 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.

6. Significant accounting judgments 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 from these estimates. Significant judgements and estimates are as follows:

Allowance for diminution in value of inventories

The determination of allowance for diminution in the value of inventories requires the management to exercise judgement in estimating losses on outstanding inventories, based on the selling price expected in the ordinary course of business; less selling expenses and allowance for obsolete, slow-moving and deteriorated inventories, and taking into account the approximate useful lives of each type of inventories.

Property, plant and equipment / Depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the Group's plant and equipment and to review estimate 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 record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

Biological assets

Fattening swine are measured at their fair value less costs to sell. This fair value is measured with reference to the quoted prices of fattening swine at the reporting date, after deducting estimated cost to sale. The fair value of harvested agricultural produce is measured with reference to the quoted prices of such produce after deducting cost of sale at the point of harvest.

The measurement of fair value related to biological assets involves certain assumptions and some estimations, such as feeding costs of fattening swine and cost to sale.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

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 benefits 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.

7. Related party transactions

During the years, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarised below, were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Thousand Baht)

	Consolidated		Separate		
	financial statements		financial statements		
	2019	2018	2019	2018	Transfer Pricing Policy
<u>Transactions with subsidiary company</u>					
(eliminated from the consolidated financial statements)					
Sales of goods	-	-	26,387	26,026	Cost plus margin
Service income	-	-	6,484	845	As stipulated in agreements
Sales of equipment and supplies	-	-	72	124	Cost plus margin
Dividend income	-	-	29,888	-	As declared
Interest income	-	-	7,970	7,252	Average cost of debt 3.574% - 4.50% per annum
Purchases of goods	-	-	81,827	333,474	Cost plus margin
Rental expenses	-	-	-	600	As stipulated in agreements
Other expenses	-	-	911	3,086	Cost plus margin

As at 31 December 2019 and 2018, the balances of the accounts between the Company and those related companies are as follows:

(Unit: Thousand Baht)				
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
<u>Trade and other receivables (Note 9)</u>				
Subsidiaries	-	-	2,714	2,575
<u>Trade and other payables (Note 19)</u>				
Subsidiaries	-	-	4,671	20,387

Loans to the subsidiaries

As at 31 December 2019 and 2018, the balance of loans to the subsidiaries and the movements are as follows:

(Unit: Thousand Baht)

	Separate financial statements						
	Balance as at 31 December 2018	Increase during the year	Decrease during the year	Unrealised loss on exchange	Balance as at 31 December 2019	Less: Short-term loans to subsidiaries	Long-term loans to subsidiary
Short-term loans to subsidiaries							
Mahachai Foods Co., Ltd.	122,000	85,000	(207,000)	-	-	-	-
S. Pasusat Co., Ltd.	89,000	5,000	(11,000)	-	83,000	-	83,000
S. Training Center Co., Ltd.	300	-	(300)	-	-	-	-
S. Khonkaen Foods (Netherlands) B.V.	4,161	-	(344)	(372)	3,445	(3,445)	-
3D Food and Beverage Co., Ltd.	-	3,000	-	-	3,000	(3,000)	-
Total	215,461	93,000	(218,644)	(372)	89,445	(6,445)	83,000

Those short-term loans bear interest at rates of 3.697% - 4.50% per annum (2018: 3.574% - 4.50% per annum). No due date for repayment of principal and interests has been scheduled.

Short-term loans to S. Khonkaen Foods (Netherlands) B.V. of Euro 0.10 million (2018: Euro 0.11 million) were denominated in Euro. There was no fixed term for repayment.

Directors and management's benefits

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

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Short-term employee benefits	41,540	38,463	24,622	26,270
Post-employment benefits	7,996	4,681	4,323	3,737
Total	49,536	43,144	28,945	30,007

Guarantee obligations with related parties

The Company has outstanding guarantee obligations with its related parties, as described in Note 29.3 (2).

8. Cash and cash equivalents

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Cash	4,391	4,616	4,164	4,005
Bank deposits	147,860	73,692	104,583	46,047
Total	152,251	78,308	108,747	50,052

As at 31 December 2019, bank deposits in saving accounts carried interests between 0.10% and 0.80% percent per annum (2018: between 0.10% and 0.375% per annum).

9. Trade and other receivables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
<u>Trade accounts receivable - related parties</u>				
Aged on the basis of due dates				
Not yet due	-	-	1,847	1,867
Total trade accounts receivable - related parties	-	-	1,847	1,867
<u>Trade accounts receivable - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	443,354	417,882	349,666	396,987
Past due				
Up to 3 months	14,209	26,227	12,923	24,794
3 - 6 months	597	-	592	-
6 - 12 months	3,992	359	3,971	-
Over 12 months	1,563	363	1,242	363
Total	463,715	444,831	368,394	422,144
Less: Allowance for doubtful debts	(1,382)	(768)	(1,045)	(410)
Total trade accounts receivable - unrelated parties, net	462,333	444,063	367,349	421,734
Total trade accounts receivable, net	462,333	444,063	369,196	423,601
<u>Other receivables</u>				
Other receivables - related parties	-	-	867	708
Other receivables - unrelated parties	931	6,888	601	1,192
Others	7,023	728	6,643	32
Total	7,954	7,616	8,111	1,932
Less: Allowance for doubtful debts	(743)	(767)	(432)	(402)
Total other receivables - net	7,211	6,849	7,679	1,530
Total trade and other receivables - net	469,544	450,912	376,875	425,131

10. Inventories

(Unit: Thousand Baht)

Consolidated financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	2019	2018	2019	2018	2019	2018
Finished goods	42,148	44,745	(325)	(188)	41,823	44,557
Work in process	29,958	18,076	-	-	29,958	18,076
Raw materials	137,981	68,012	(83)	(439)	137,898	67,573
Packing materials	26,309	28,549	(1,582)	(2,699)	24,727	25,850
Spare parts and factory supplies	8,578	8,184	(119)	(292)	8,459	7,892
Animal foods and vaccine for swine	3,417	3,768	-	-	3,417	3,768
Raw materials for production of animal foods	4,638	6,547	-	-	4,638	6,547
Total	<u>253,029</u>	<u>177,881</u>	<u>(2,109)</u>	<u>(3,618)</u>	<u>250,920</u>	<u>174,263</u>

(Unit: Thousand Baht)

Separate financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	2019	2018	2019	2018	2019	2018
Finished goods	32,183	36,078	(124)	(67)	32,059	36,011
Work in process	29,003	16,568	-	-	29,003	16,568
Raw materials	94,281	24,871	(83)	(278)	94,198	24,593
Packing materials	20,650	22,052	(1,003)	(1,519)	19,647	20,533
Spare parts and factory supplies	5,132	4,992	(50)	(128)	5,082	4,864
Total	<u>181,249</u>	<u>104,561</u>	<u>(1,260)</u>	<u>(1,992)</u>	<u>179,989</u>	<u>102,569</u>

During the year, the Company and its subsidiaries reduced cost of inventories by Baht 1 million (2018: Baht 2 million) (the Company only: Baht 0.5 million and 2018: Baht 1 million), to reflect the net realisable value. This was included in cost of sales. In addition, the Company reversed reduced cost of inventories by Baht 2 million (2018: Baht 2 million) (the Company only: Baht 1 million and 2018: Baht 1 million), by reducing the amount of inventories recognised as expenses during the year.

11. Restricted bank deposits

These represent fixed deposits pledged with the banks to secure credit facilities.

12. Loan to unrelated company

As at 31 December 2019 and 2018, the balance of loan to unrelated company and the movements are as follows.

(Unit: Thousand Baht)

	Consolidated financial statements / Separate financial statements					
	Principal		Allowance for doubtful account		Loan to unrelated company - net	
	2019	2018	2019	2018	2019	2018
Loan to unrelated company						
Lao Inter Trade Sole Company Limited	5,000	5,000	(5,000)	(5,000)	-	-
Total	5,000	5,000	(5,000)	(5,000)	-	-

In October 2015, the Company provided loan of Baht 5 million to an overseas company. This loan has been guaranteed by the pledge of total shares of the Company amounting to LAK 1 billion. The loan carried interest at the rate of 9.125% per annum (2018: 9.125% per annum). The repayment term is five years which is fully repayable in October 2020. In 2018, the Company fully recognised allowance for doubtful account of loan to unrelated company.

13. Investments in subsidiaries

Details of investments in subsidiaries as presented in separate financial statements are as follows:

(Unit: Thousand Baht)

Subsidiaries' name	Paid-up capital	Shareholding percentage (Percent)	Cost		Allowance for impairment loss		Cost - net	
			2019	2018	2019	2018	2019	2018
S. Pasusat Co., Ltd.	Baht 45 million	100	44,968	44,968	-	-	44,968	44,968
S.K.K. Food Co., Ltd.	Baht 120 million	99	119,225	119,225	-	-	119,225	119,225
Mahachai Foods Co., Ltd.	Baht 85 million	99	127,992	127,992	-	-	127,992	127,992
3D Food and Beverage Co., Ltd.	Baht 10 million	100	10,000	10,000	(5,000)	(5,000)	5,000	5,000
S. Training Center Co., Ltd.	Baht 0.5 million	100	500	500	-	-	500	500
Thai Home Food (Bangkok) Co., Ltd.	Baht 5 million	80	3,999	3,999	(3,573)	(3,573)	426	426
S. Khonkaen Foods (Netherlands) B.V.	EUR 100	100	4	4	-	-	4	4
			306,688	306,688	(8,573)	(8,573)	298,115	298,115

In 2018, the Company received dividend of Baht 30 million from a subsidiary. Thai Home Food (Bangkok) Company Limited registered for the dissolution with the Ministry of Commerce on 14 November 2018 and currently has been in the liquidation process.

14. Investment properties

(Unit: Thousand Baht)

	Consolidated financial statements			Separate financial statements		
	Land awaiting development	Land, office building for rent	Total	Land awaiting development	Land, office building for rent	Total
Cost:						
1 January 2018	342,444	311,482	653,926	74,771	311,482	386,253
Disposals	-	-	-	-	-	-
31 December 2018	342,444	311,482	653,926	74,771	311,482	386,253
Additions	200	-	200	-	-	-
31 December 2019	342,644	311,482	654,126	74,771	311,482	386,253
Accumulated depreciation:						
1 January 2018	-	6,040	6,040	-	6,040	6,040
Depreciation for the year	-	3,724	3,724	-	3,724	3,724
31 December 2018	-	9,764	9,764	-	9,764	9,764
Depreciation for the year	-	3,724	3,724	-	3,724	3,724
31 December 2019	-	13,488	13,488	-	13,488	13,488
Allowance for impairment loss:						
1 January 2018	332	-	332	-	-	-
Reversal	-	-	-	-	-	-
31 December 2018	332	-	332	-	-	-
Reversal	-	-	-	-	-	-
31 December 2019	332	-	332	-	-	-
Net book value:						
31 December 2018	342,112	301,718	643,830	74,771	301,718	376,489
31 December 2019	342,312	297,994	640,306	74,771	297,994	372,765

Revenue and expenses related to land and office building for rent for the years ended 31 December 2019 and 2018 are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Revenue from rental and service	8,648	11,083	8,648	11,083
Cost of rental and service	14,912	15,033	14,912	15,821

The fair values of the investment properties as at 31 December 2019 and 2018 stated below:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Land awaiting development	910,567	910,567	140,252	140,252
Land and office building for rent	319,000	319,000	319,000	319,000

The Group hired an independent professional valuer in 2017, to appraise fair values of their investment properties. Land awaiting development have been appraised based on market approach, and land and office building for rent has been appraised based on income approach.

Key assumptions used in the valuation of office building for rent are summarised below:

	Consolidated/Separate financial statements	Result to fair value where as an increase in assumption value
Rental growth rate (%)	10	Increase in fair value
Vacancy rate (%)	35	Decrease in fair value
Expense increasing rate (%)	1-2	Increase in fair value
Discount rate (%)	10	Decrease in fair value

The Group have operating lease agreements in respect of the office rental. The terms of the agreements are generally between 1 month and 3 years. Future minimum rental income to be generated under these agreements are as follows.

	(Unit: Thousand Baht)	
	2019	2018
In up to 1 year	7,343	5,011
In over 1 year and up to 3 years	2,729	4,056

The Group has mortgaged investment properties with a total net book value of Baht 439 million (2018: Baht 442 million) (the Company only: Baht 373 million, 2018: Baht 376 million) as collaterals to secure credit facilities provided by banks.

15. Property, plant and equipment

(Unit: Thousand Baht)

Consolidated financial statements								
	Revaluation							
	basis	Cost basis						
					Furniture, fixtures and			
		Land	Buildings and	Machinery	office	Motor	Construction	
	Land	improvements	improvements	and equipment	equipment	vehicles	in progress	Total
Cost / Revalued amount:								
1 January 2018	271,470	25,308	612,018	458,362	58,140	52,345	18,207	1,495,850
Additions	-	-	3,997	12,582	7,101	940	60,934	85,554
Disposals	-	-	(761)	(6,567)	(2,022)	(215)	-	(9,565)
Write-off	-	-	(10,262)	(14,064)	(5,131)	(2)	(84)	(29,543)
Revaluations increase	-	527	28,034	33,263	812	-	(62,636)	-
31 December 2018	271,470	25,835	633,026	483,576	58,900	53,068	16,421	1,542,296
Additions	-	-	15,405	8,482	5,572	4,681	51,457	85,597
Disposals	-	-	-	(2,782)	(756)	(6,876)	-	(10,414)
Write-off	-	-	(315)	(22)	(26)	-	(405)	(768)
Transfers in (out)	-	1,400	21,463	22,447	687	-	(45,997)	-
31 December 2019	271,470	27,235	669,579	511,701	64,377	50,873	21,476	1,616,711
Accumulated depreciation:								
1 January 2018	-	8,451	237,643	246,558	33,702	36,771	-	563,125
Depreciation for the year	-	683	30,270	39,632	8,417	4,875	-	83,877
Depreciation on disposals	-	-	(518)	(2,624)	(1,419)	(75)	-	(4,636)
Depreciation on write-off	-	-	(5,794)	(12,441)	(4,363)	(3)	-	(22,601)
31 December 2018	-	9,134	261,601	271,125	36,337	41,568	-	619,765
Depreciation for the year	-	756	31,920	41,554	8,528	4,480	-	87,238
Depreciation on disposals	-	-	-	(2,730)	(749)	(6,572)	-	(10,051)
Depreciation on write-off	-	-	(87)	(7)	(23)	-	-	(117)
31 December 2019	-	9,890	293,434	309,942	44,093	39,476	-	696,835
Allowance for impairment loss:								
1 January 2018	-	-	1,620	1,174	248	-	-	3,042
Reversal	-	-	(1,620)	(1,174)	(248)	-	-	(3,042)
31 December 2018	-	-	-	-	-	-	-	-
31 December 2019	-	-	-	-	-	-	-	-
Net book value:								
31 December 2018	271,470	16,701	371,425	212,451	22,563	11,500	16,421	922,531
31 December 2019	271,470	17,345	376,145	201,759	20,284	11,397	21,476	919,876
Depreciation for the year								
2018 (Baht 61 million included in manufacturing cost, and the balance in selling and administrative expenses)								83,877
2019 (Baht 65 million included in manufacturing cost, and the balance in selling and administrative expenses)								87,238

Separate financial statements

	Revaluation							
	basis		Cost basis					
	Land	Land improvements	Buildings and improvements	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
Cost / Revalued amount:								
1 January 2018	182,173	2,247	174,483	235,108	43,353	25,870	12,805	676,039
Additions	-	-	5,449	4,879	3,904	940	39,385	54,557
Disposals	-	-	(761)	(1,713)	(2,181)	-	-	(4,655)
Write-off	-	-	(6,641)	(4,752)	(3,268)	-	-	(14,661)
Transfers in (out)	-	-	26,093	13,502	812	-	(40,407)	-
31 December 2018	182,173	2,247	198,623	247,024	42,620	26,810	11,783	711,280
Additions	-	-	1,049	4,174	3,570	2,899	25,367	37,059
Disposals	-	-	-	(2,745)	(427)	(5,675)	-	(8,847)
Write-off	-	-	(314)	-	(26)	-	(405)	(745)
Transfer in (out)	-	-	9,691	17,495	249	-	(27,435)	-
31 December 2019	182,173	2,247	209,049	265,948	45,986	24,034	9,310	738,747
Accumulated depreciation:								
1 January 2018	-	2,247	98,484	145,871	24,938	20,939	-	292,479
Depreciation for the year	-	-	7,958	19,236	6,415	2,098	-	35,707
Depreciation on disposals	-	-	(518)	(1,364)	(1,487)	-	-	(3,369)
Depreciation on write-off	-	-	(2,403)	(3,536)	(2,617)	-	-	(8,556)
31 December 2018	-	2,247	103,521	160,207	27,249	23,037	-	316,261
Depreciation for the year	-	-	9,694	19,347	6,121	1,771	-	36,933
Depreciation on disposals	-	-	-	(2,693)	(312)	(5,675)	-	(8,680)
Depreciation on write-off	-	-	(87)	-	(22)	-	-	(109)
31 December 2019	-	2,247	113,128	176,861	33,036	19,133	-	344,405
Allowance for impairment loss:								
1 January 2018	-	-	1,620	1,174	248	-	-	3,042
Reversal	-	-	(1,620)	(1,174)	(248)	-	-	(3,042)
31 December 2018	-	-	-	-	-	-	-	-
31 December 2019	-	-	-	-	-	-	-	-
Net book value:								
31 December 2018	182,173	-	95,102	86,817	15,371	3,773	11,783	395,019
31 December 2019	182,173	-	95,921	89,087	12,950	4,901	9,310	394,342
Depreciation for the year								
2018 (Baht 20 million included in manufacturing cost, and the balance in selling and administrative expenses)								35,707
2019 (Baht 24 million included in manufacturing cost, and the balance in selling and administrative expenses)								36,933

During the year 2017, land was revalued by an independent professional appraiser, using the market approach. Had the land been carried on a historical cost basis, their net book values as of 31 December 2019 and 2018 would have been as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Land	69,997	70,497	32,983	32,983

As at 31 December 2019, the Group have equipment acquired under financial lease agreement, with net book value amounting to approximately Baht 31 million (2018: Baht 56 million) (the Company only: Baht 27 million, 2018: Baht 52 million).

As at 31 December 2019, certain plant and equipment items have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation and allowance for impairment loss of those assets amounted to approximately Baht 370 million (2018: Baht 351 million) (the Company only: Baht 221 million, 2018: Baht 208 million).

The Group has mortgaged land and building constructed thereon and machinery with a total net book value of Baht 507 million (2018: Baht 441 million) (the Company only: Baht 182 million, 2018: Baht 182 million) as collaterals for credit facilities granted by banks.

16. Biological assets

	(Unit: Thousand Baht)	
	Consolidated	
	financial statements	
	2019	2018
Current biological assets	74,001	89,691
Non-current biological assets	9,214	14,148
Total biological assets	83,215	103,839

Biological assets comprise of fattening swine, stud swine and lemon trees. The Group presented the biological assets with feeding cycle not over one year as current biological assets. The biological assets with feeding cycle over one year presented as non-current biological assets.

Movements of the biological assets account for the years ended 31 December 2019 and 2018 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	2019	2018
Balance at beginning of year	103,839	73,038
Increases due to feeding costs	239,294	242,528
Decreases due to sales	(243,268)	(236,747)
Depreciation for the year	(6,631)	(8,129)
Allowance for impairment of biological assets	-	(877)
Gain (loss) on change in fair value less cost to sell of biological assets	(10,019)	34,026
Balance at end of year	83,215	103,839

17. Intangible assets

The net book value of intangible assets, computer software, as at 31 December 2019 and 2018 is presented below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
As at 31 December 2019		
Cost	33,516	29,231
Less: Accumulated amortisation	(20,302)	(19,315)
Net book value	<u>13,214</u>	<u>9,916</u>
As at 31 December 2018		
Cost	30,682	29,075
Less: Accumulated amortisation	(16,847)	(16,254)
Net book value	<u>13,835</u>	<u>12,821</u>

A reconciliation of the net book value of intangible assets for the years 2019 and 2018 is presented below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Net book value at beginning of year	13,835	14,614	12,821	14,148
Acquisitions	2,833	2,274	156	1,582
Amortisation during the year	(3,454)	(3,005)	(3,061)	(2,871)
Disposal/write-off during the year	-	(48)	-	(38)
Net book value at end of year	13,214	13,835	9,916	12,821

18. Bank overdrafts and short-term loans from financial institutions

(Unit: Thousand Baht)					
	Interest rates (% per annum)	Consolidated		Separate	
		financial statements		financial statements	
		2019	2018	2019	2018
Bank overdrafts	6.87 - 7.00	29,494	16,552	28,054	6,151
Short-term loans from financial institutions	2.10 - 3.05	485,000	427,000	400,000	392,000
Total		514,494	443,552	428,054	398,151

The above credit facilities of the Company are secured by the mortgages of land and building constructed thereon and machines of the Company.

The above credit facilities of subsidiaries are secured by the mortgages of subsidiaries' land and building constructed thereon of subsidiaries and guaranteed by the Company.

19. Trade and other payables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Trade accounts payable - related parties	-	-	4,671	20,142
Trade accounts payable - unrelated parties	166,331	199,056	108,226	128,262
Other accounts payable - related parties	-	-	-	245
Accrued sale promotions	69,500	66,518	59,744	66,518
Accrued expenses	57,222	52,365	41,861	38,825
Equipment payable	3,118	4,176	1,526	2,606
Others	795	2,625	492	601
Total trade and other payables	296,966	324,740	261,520	257,199

20. Liabilities under finance lease agreements

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Liabilities under finance lease agreements	4,209	2,986	1,889	-
Less: Deferred interest expenses	(275)	(200)	(145)	-
Total	3,934	2,786	1,744	-
Less: Portion due within one year	(1,617)	(1,035)	(525)	-
Liabilities under finance lease agreement - net of current portion	2,317	1,751	1,219	-

The Group has entered into the finance lease agreements with leasing companies for rental of vehicles, whereby they are committed to pay rental on a monthly basis. The terms of the agreements are 4 years.

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

	(Unit: Thousand Baht)					
	Consolidated financial statements					
	As at 31 December 2019			As at 31 December 2018		
	Less than 1 year	1-5 years	Total	Less than 1 year	1-5 years	Total
Future minimum lease payments	1,774	2,435	4,209	1,138	1,848	2,986
Deferred interest expenses	(157)	(118)	(275)	(103)	(97)	(200)
Present value of future minimum lease payments	1,617	2,317	3,934	1,035	1,751	2,786

	(Unit: Thousand Baht)					
	Separate financial statements					
	As at 31 December 2019			As at 31 December 2018		
	Less than 1 year	1-5 years	Total	Less than 1 year	1-5 years	Total
Future minimum lease payments	599	1,289	1,888	-	-	-
Deferred interest expenses	(74)	(70)	(144)	-	-	-
Present value of future minimum lease payments	525	1,219	1,744	-	-	-

21. Long-term loans

As at 31 December 2019 and 2018, long-term loans are presented below.

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Loans from banks	506,480	428,684	291,310	334,949
Less: Current portion of long-term loans	(95,168)	(93,974)	(37,201)	(43,639)
Net	<u>411,312</u>	<u>334,710</u>	<u>254,109</u>	<u>291,310</u>

Details of long-term loans are presented below.

Company's name	Balance of long-term loans		Interest rates	Repayment
	2019	2018		
	(Thousand Baht)	(Thousand Baht)	(% per annum)	(Monthly repayment)
S. Khonkaen Foods Pcl.	3,684	5,280	MLR less fixed rate	Final dued in April 2022
	71,610	91,650	Fixed rate	Final dued in July 2023
	11,516	27,519	Fixed rate	Final dued in March 2021
	204,500	210,500	MLR less fixed rate	Final dued in May 2025
Mahachai Foods Co., Ltd.	24,000	48,000	MLR less fixed rate	Final dued in December 2020
	19,400	41,600	MLR less fixed rate	Final dued in November 2020
	9,975	-	Fixed rate	Final dued in February 2022
	161,795	-	Fixed rate	Final dued in November 2024
S. Pasusat Co., Ltd.	-	4,135	Year 1: MLR less fixed rate	Final dued in December 2019
			Year 2-6: MLR	
Total	<u>506,480</u>	<u>428,684</u>		

The long-term loans of the Company is secured by the mortgages of land and building constructed thereon and investment properties of the Company.

The long - term loans of the subsidiaries are secured by the mortgage of land, building constructed thereon, machinery, investment properties of subsidiaries and guaranteed by the Company.

The loan agreements contain several covenants which, among other things, require the Group to maintain debt-to-equity ratio and debt service coverage ratio at the rate prescribed in the agreements.

As at 31 December 2019, the long-term credit facilities of the Group which have not yet been drawn down amounted to Baht 64 million (2018: Baht 88 million) (the Company only: Baht 64 million, 2018: Baht 64 million).

22. Provisions for long-term employee benefits

Provisions for long-term employee benefits, which represent compensations payable to employees after they retire, are as follows:

	Consolidated financial statements		(Unit: Thousand Baht) Separate financial statements	
	2019	2018	2019	2018
Provisions for long-term employee benefits at beginning of year	76,749	64,718	56,844	48,701
Included in profit or loss:				
Current service cost	6,978	15,112	4,367	10,342
Interest cost	2,031	1,860	1,431	1,361
Past service cost	11,342	-	8,998	-
Included in other comprehensive income:				
Actuarial (gain) loss arising from:				
Demographic assumptions changes	(2,189)	-	472	-
Financial assumptions changes	222	-	24	-
Experience adjustments	6,746	-	2,539	-
Benefits paid during the year	(11,371)	(4,941)	(10,078)	(3,560)
Provisions for long-term employee benefits at end of year	90,508	76,749	64,597	56,844

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

	Consolidated financial statements		(Unit: Thousand Baht) Separate financial statements	
	2019	2018	2019	2018
Cost of sales	3,005	6,792	1,647	4,068
Selling and administrative expenses	17,346	10,180	13,149	7,635
Total expense recognised in profit or loss	20,351	16,972	14,796	11,703

The Group expect to pay Baht 5 million of long-term employee benefits during the next year (2018: Baht 11 million) (the Company only: Baht 4 million, 2018: Baht 9 million).

As at 31 December 2019, the weighted average duration of the liabilities for retirement benefit of long-term employee benefit is 9 years (2018: 10-13 years) (the Company only: 9 years 2018: 10 years)

As at 31 December 2019, the weighted average duration of the liabilities for long service award of long-term employee benefit is 8 years (2018: 8-12 years) (the Company only: 8 years 2018: 8 years)

Significant actuarial assumptions are summarised below:

	(Unit: percent per annum)			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Discount rates for compensation on employee's retirement	1.88	2.55 - 2.80	1.88	2.55
Discount rates for long service award	1.83	-	1.83	-
Salary increase rates	6.14	6.80 - 6.95	6.14	6.84
Turnover rates	0.0 - 58.0	0.0 - 67.0	0.0 - 58.0	0.0 - 54.0

The results of sensitivity analysis for significant assumptions that affect the present value for retirement benefit of the long-term employee benefits obligation as at 31 December 2019 and 2018 are summarized below:

Consolidated financial statements					
	Increase	Obligation change		Obligation change	
		2019	2018	2019	2018
	(%)	(Thousand Baht)	(Thousand Baht)	(Thousand Baht)	(Thousand Baht)
Discount rate	1.0	(5,318)	(3,979)	5,885	4,417
Salary increase rate	1.0	5,496	4,804	(5,081)	(4,405)
Turnover rate	1.0	(4,762)	(4,341)	5,287	4,623

Separated financial statements					
	Increase	Obligation change		Obligation change	
		2019	2018	2019	2018
	(%)	(Thousand Baht)	(Thousand Baht)	(Thousand Baht)	(Thousand Baht)
Discount rate	1.0	(3,788)	(2,715)	4,188	2,993
Salary increase rate	1.0	3,916	3,291	(3,624)	(3,038)
Turnover rate	1.0	(3,185)	(2,818)	3,544	3,130

The results of sensitivity analysis for significant assumptions that affect the present value for long service award of the long-term employee benefits obligation as at 31 December 2019 and 2018 are summarized below:

Consolidated financial statements						
	Increase	Obligation change		Decrease	Obligation change	
		2019	2018		2019	2018
	(%)	(Thousand Baht)	(Thousand Baht)	(%)	(Thousand Baht)	(Thousand Baht)
Discount rate	1.0	(105)	(1,125)	(1.0)	115	1,414
Salary increase rate	1.0	-	-	(1.0)	-	-
Turnover rate	1.0	(111)	101	(1.0)	121	(59)

Separated financial statements						
	Increase	Obligation change		Decrease	Obligation change	
		2019	2018		2019	2018
	(%)	(Thousand Baht)	(Thousand Baht)	(%)	(Thousand Baht)	(Thousand Baht)
Discount rate	1.0	(70)	(810)	(1.0)	76	1,023
Salary increase rate	1.0	-	-	(1.0)	-	-
Turnover rate	1.0	(73)	75	(1.0)	79	(75)

23. Statutory reserve

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

24. Expenses by nature

Significant expenses classified by nature are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Salaries and wages and other				
employee benefits	640,226	580,877	419,680	392,952
Depreciation and amortisation	101,047	98,735	43,718	42,302
Rental expenses from operating				
lease agreements	47,075	42,109	33,861	30,315
Raw materials and consumables used	1,408,410	1,329,725	890,362	1,010,124
Changes in inventories of finished				
goods and work in process	(5,467)	41,345	8,944	5,259
Sale promotion expenses	136,705	142,781	132,819	142,781

25. Income tax

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Current income tax:				
Current income tax charge	27,588	47,003	12,308	31,675
Deferred tax:				
Relating to origination and reversal				
of temporary differences	(3,580)	3,507	(1,383)	(1,702)
Income tax expense reported				
 in profit or loss	<u>24,008</u>	<u>50,510</u>	<u>10,925</u>	<u>29,973</u>

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Accounting profit before tax	136,495	242,160	98,189	165,918
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by income tax rate	27,299	48,432	19,638	33,184
Effects of:				
Non-deductible expenses	2,648	4,105	1,949	3,424
Additional deductible expenses allowed	(4,811)	(7,362)	(4,368)	(7,092)
Exempted revenue	-	-	(5,977)	-
Others	(1,128)	5,335	(317)	457
Total	(3,291)	2,078	(8,713)	(3,211)
Income tax expense reported in the income statement	24,008	50,510	10,925	29,973

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

	(Unit: Thousand Baht)			
	Statements of financial position			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Deferred tax assets				
Allowance for doubtful accounts	1,425	1,308	1,296	1,162
Allowance for diminution in value of inventories	422	724	252	398
Impairment on equipment	587	587	521	521
Impairment of biological assets	175	176	-	-
Depreciation of stud swine	597	602	-	-
Provision for long-term employee benefits	17,422	14,509	12,919	11,369
Deferred rental expenses	248	76	225	-
Total deferred tax assets	20,876	17,982	15,213	13,450
Deferred tax liabilities				
Cost of fattening swine	(189)	(184)	-	-
Cost of machinery and equipment	(2,324)	(2,477)	(2,325)	(2,477)
Surplus on revaluation of assets	(40,295)	(40,295)	(29,837)	(29,837)
Gain on change in fair value less cost to sale of biological assets	(4,997)	(7,001)	-	-
Deferred rental expenses	-	(75)	-	(75)
Total deferred tax liabilities	(47,805)	(50,032)	(32,162)	(32,389)
Deferred tax liabilities - net	(26,929)	(32,050)	(16,949)	(18,939)

(Unit: Thousand Baht)

	Statements of financial position			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Deferred tax assets (liabilities) presented in statement of financial position				
Deferred tax assets	66	143	-	-
Deferred tax liabilities	(26,995)	(32,193)	(16,949)	(18,939)

As at 31 December 2019, two subsidiaries have deductible temporary differences and unused tax losses totaling Baht 10 million, on which deferred tax assets have not been recognised as those subsidiaries believe future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses.

The unused tax losses amounting to Baht 10 million will expire within 2024.

26. Earnings per share

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

Basic earnings per share are calculated as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Profit attributable to equity holders of the Company (Thousand Baht)	112,106	191,273	87,264	135,945
Weighted average number of ordinary shares (Thousand shares)	32,340	32,340	32,340	32,340
Earnings per share (Baht/share)	3.47	5.91	2.70	4.20

28. 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 Group are organised into business units based on its products and services. Their operating segments are classified into four reportable segments as follows:

1. Processed food from pork
2. Processed seafood
3. Restaurants
4. Swine farm

The chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss and total assets and total liabilities and on a basis consistent with that used to measure operating profit or loss, total assets and total liabilities in the financial statements.

The basis of accounting for any transactions between reportable segments is consistent with that for third party transactions.

The revenue and profit information regarding the Group operating segments for the years ended 31 December 2019 and 2018 is presented below:

(Unit: Thousand Baht)

For the years ended	Processed food		Processed seafood		Restaurants		Swine farm		Total segment		Elimination entries		Total	
	from pork													
31 December 2019 and 2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue from external customers	1,512,724	1,418,627	932,560	945,408	143,022	138,782	248,679	206,017	2,836,985	2,708,834	-	-	2,836,985	2,708,834
Inter-segment revenue	26,387	26,026	81,826	333,474	-	-	-	-	108,213	359,500	(108,213)	(359,500)	-	-
Total sales	<u>1,539,111</u>	<u>1,444,653</u>	<u>1,014,386</u>	<u>1,278,882</u>	<u>143,022</u>	<u>138,782</u>	<u>248,679</u>	<u>206,017</u>	<u>2,945,198</u>	<u>3,068,334</u>	<u>(108,213)</u>	<u>(359,500)</u>	<u>2,836,985</u>	<u>2,708,834</u>
Gross operating profit (loss)	409,089	463,063	251,940	245,222	79,028	76,995	12,130	(19,940)	752,187	765,340	-	2	752,187	765,342
Other income													13,064	33,346
Gain (loss) on change in fair value less cost to sale of biological assets													(10,019)	34,026
Selling and distribution expenses													(283,789)	(262,647)
Administrative expenses													(301,222)	(291,127)
Finance cost													(33,727)	(36,781)
Tax expense													(24,008)	(50,510)
Profit for the year													<u>112,486</u>	<u>191,649</u>
<u>Segment total assets</u>														
Property, plant and equipment	<u>363,578</u>	<u>359,052</u>	<u>445,431</u>	<u>442,436</u>	<u>30,955</u>	<u>36,089</u>	<u>79,912</u>	<u>84,954</u>	<u>919,876</u>	<u>922,531</u>	<u>-</u>	<u>-</u>	<u>919,876</u>	<u>922,531</u>
Intangible assets	<u>9,569</u>	<u>12,287</u>	<u>3,292</u>	<u>1,002</u>	<u>353</u>	<u>546</u>	<u>-</u>	<u>-</u>	<u>13,214</u>	<u>13,835</u>	<u>-</u>	<u>-</u>	<u>13,214</u>	<u>13,835</u>

Geographic information

Revenue from external customers is based on locations of the customers.

	(Unit: Thousand Baht)	
	2019	2018
Revenue from external customers		
Thailand	2,677,188	2,517,212
Others	159,797	191,622
Total	<u>2,836,985</u>	<u>2,708,834</u>

Major customers

During the year, the Group had revenue from one major customer amounting to Baht 621 million arising from processed food from pork segment (2018: Baht 614 million and Baht 322 million derived from two major customers in the same segment).

28. Dividends paid

Dividends paid	Approved by	Total dividends (Thousand Baht)	Dividend per share (Baht)
Dividend for 2018	Annual General Meeting of the shareholders on 25 April 2019	<u>80,850</u>	<u>2.50</u>
Dividend for 2017	Annual General Meeting of the shareholders on 26 April 2018	<u>71,148</u>	<u>2.20</u>

29. Commitments and contingent liabilities

29.1 Capital commitments

As at 31 December 2019, the Group had capital commitments in respect of construction of office building and acquisition of assets of approximately Baht 61 million (2018: Baht 15 million) (the Company only: Baht 57 million, 2018: Baht 12 million).

29.2 Operating lease and service commitments

The Group has entered into several lease agreements in respect of the lease of land, office building space and service agreement. The terms of the agreements are generally between 1 and 16 years.

Future minimum lease payments required under these non-cancellable operating lease contracts and service agreements are as follows.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Payable within:				
Less than 1 year	63,939	57,375	50,353	40,186
1 to 5 years	53,283	24,458	48,719	18,737
More than 5 years	80,150	8,205	71,750	-

29.3 Guarantees

- (1) As at 31 December 2019, the subsidiaries pledged their bank deposit to secure a fuel credit card of Baht 1 million (2018: Baht 1 million).
- (2) As at 31 December 2019, the Company has the obligations in respect of guarantees provided to banks for loan facilities of the subsidiaries of Baht 347 million (2018: Baht 282 million).
- (3) As at 31 December 2019, there were outstanding bank guarantees of approximately Baht 8 million issued by the banks on behalf of the Company and its subsidiaries to guarantee utility charges (2018: Baht 8 million) (the Company only: Baht 6 million, 2018: Baht 6 million).
- (4) As at 31 December 2019, there were outstanding bank guarantees of approximately Baht 10 million issued by the bank on behalf of the Company to guarantee auction.

30. Fair value hierarchy

As at 31 December 2019 and 2018, the Group had assets and liabilities that were measured at fair value using different levels of inputs as follows:

(Unit: Million Baht)

	As at 31 December 2019							
	Consolidated financial statements				Separate financial statements			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets measured at fair value								
Land	-	271	-	271	-	182	-	182
Biological assets	-	16	67	83	-	-	-	-
Assets for which fair value is disclosed								
Investment properties	-	911	319	1,230	-	140	319	459

(Unit: Million Baht)

	As at 31 December 2018							
	Consolidated financial statements				Separate financial statements			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets measured at fair value								
Land	-	271	-	271	-	182	-	182
Biological assets	-	30	74	104	-	-	-	-
Assets for which fair value is disclosed								
Investment properties	-	911	319	1,230	-	140	319	459

31. Financial instruments

31.1 Financial risk management

The Group's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprises cash and cash equivalents, current investment, trade accounts receivable, restricted bank deposits, loans, trade accounts payable, bank overdrafts, loans from financial institutions and financial lease payables. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Group is exposed to credit risk primarily with respect to trade accounts receivable, loans and other receivables. The Group manages the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Group does not have high concentration of credit risk since they have a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of trade accounts receivable, loans and other receivables as stated in the statement of financial position.

Interest rate risk

The Group exposures to interest rate risk relates primarily to their cash at banks, loans to unrelated company, bank overdrafts and loans from financial institutions. Most of the Group's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate.

Significant financial assets and liabilities classified by type of interest rate 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.

	(Unit: Thousand Baht)						
	Consolidate financial statements						
	As at 31 December 2019						
	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Effective interest rate (% per annum)
	Within 1 year	1-5 years	Over 5 years				
<u>Financial assets</u>							
Cash and cash equivalents	852	-	-	9,221	142,178	152,251	0.10 - 0.80
Trade and other receivables	-	-	-	-	469,544	469,544	-
Restricted bank deposits	344	1,146	-	-	-	1,490	0.90 - 1.05
<u>Financial liabilities</u>							
Bank overdrafts and short-term loans from financial institutions	-	-	-	514,494	-	514,494	2.10 - 7.00
Trade and other payables	-	-	-	-	296,966	296,966	-
Financial lease payables	1,617	2,317	-	-	-	3,934	2.45 - 4.75
Long-term loans	95,167	411,313	-	-	-	506,480	Note 21

(Unit: Thousand Baht)

Consolidate financial statements							
As at 31 December 2018							
Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Effective interest rate (% per annum)	
Within 1 year	1-5 years	Over 5 years					
<u>Financial assets</u>							
Cash and cash equivalents	-	-	-	16,014	62,294	78,308	0.10 - 0.375
Current investment	874	-	-	-	-	874	1.05
Trade and other receivables	-	-	-	-	450,912	450,912	-
Restricted bank deposits	-	1,414	53	-	-	1,467	0.90 - 1.05
<u>Financial liabilities</u>							
Bank overdrafts and short-term loans from financial institutions	-	-	-	443,552	-	443,552	3.00 - 7.125
Trade and other payables	-	-	-	-	324,740	324,740	-
Financial lease payables	1,035	1,751	-	-	-	2,786	1.99 - 4.75
Long-term loans	93,974	334,710	-	-	-	428,684	Note 21

(Unit: Thousand Baht)

Separate financial statements							
As at 31 December 2019							
	Fixed interest rates						
	Within 1 year	1-5 years	Over 5 years	Floating interest rate	Non-interest bearing	Total	Effective interest rate (% per annum)
<u>Financial Assets</u>							
Cash and cash equivalents	-	-	-	1,356	107,391	108,747	0.22 - 0.375
Trade and other receivables	-	-	-	-	376,875	376,875	-
Short-term loans to subsidiaries	3,445	-	-	3,000	-	6,445	3.697 - 4.50
Long-term loans to subsidiary	-	-	-	83,000	-	83,000	3.697
<u>Financial liabilities</u>							
Bank overdrafts and short-term loans from financial institutions	-	-	-	428,054	-	428,054	2.45 - 7.00
Trade and other payables	-	-	-	-	216,520	216,520	-
Financial lease payables	525	1,219	-	-	-	1,744	-
Long-term loans	37,201	254,109	-	-	-	291,310	Note 21

(Unit: Thousand Baht)

	Separate financial statements						
	As at 31 December 2018						
	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Effective interest rate (% per annum)
	Within 1 year	1-5 years	Over 5 years				
<u>Financial Assets</u>							
Cash and cash equivalents	-	-	-	11,057	38,995	50,052	0.25 - 0.375
Trade and other receivables	-	-	-	-	425,131	425,131	-
Short-term loans to subsidiaries	4,161	-	-	211,300	-	215,461	3.574 - 4.50
<u>Financial liabilities</u>							
Bank overdrafts and short-term							
loans from financial institutions	-	-	-	398,151	-	398,151	3.00 - 7.12
Trade and other payables	-	-	-	-	257,199	257,199	-
Long-term loans	43,639	291,310	-	-	-	334,949	Note 21

Foreign currency risk

The Group's exposure to foreign currency risk arises mainly from trading transactions and loans 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 contracts mature within one year.

As at 31 December 2019 and 2018, the balances of financial assets and liabilities denominated in foreign currencies are summarised below.

Foreign currency	Financial assets		Financial liabilities		Average exchange rate	
	2019	2018	2019	2018	2019	2018
(Baht per 1 foreign currency unit)						
US dollar	36,203	63,265	42,000	-	30.1540	32.2848
HK dollar	3,021,990	3,748,287	-	-	3.8328	4.1023
Euro	-	-	44,355	117,495	34.0846	37.4884

31.2 Fair values of financial instruments

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

32. Capital management

The primary objective of the Group's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2019, the Group's debt-to-equity ratio was 1.36:1 (2018: 1.27:1) and the Company's was 1.31:1 (2018: 1.36:1).

33. Event after the reporting period

The meeting of the Company's Board of Directors held on 24 February 2020 passed a resolution to propose to the shareholders' meeting to approve dividend payment from operating results of the year 2019 at Baht 2.00 per share, or a total of Baht 64.68 million. The dividend will be paid and accounted for after an approval of the Annual General Meeting of the shareholders of the Company.

34. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 24 February 2020.