

Taokaenoi Food & Marketing Public Company Limited and its subsidiaries

Notes to interim consolidated financial statements

For the three-month and six-month periods ended 30 June 2017

1. General information

1.1 Basis for the preparation of interim financial statements

These interim financial statements are prepared in accordance with Thai Accounting Standard No. 34 (revised 2016) “Interim Financial Reporting”, with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, comprehensive income, changes in shareholders’ equity and cash flows in the same format as that used for the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

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

1.2 Basis of consolidation

These interim consolidated financial statements include the financial statements of Taokaenoi Food & Marketing Public Company Limited (“the Company”) and its subsidiaries (hereinafter called as “the Group”), and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2016, with no change in shareholding structure of subsidiaries during the current period.

1.3 New financial reporting standards

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

1.4 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2016.

2. Current investments

(Unit: Thousand Baht)		
	Consolidated/Separate financial statements	
	30 June 2017	31 December 2016
Investments in available-for-sale securities		
Unit trusts (fixed income fund) - cost	108,731	451,912
Add: Change in fair value	795	3,711
Total investments in available-for-sale securities - fair value	109,526	455,623
Held-to-maturity investments		
Private debt instruments - bills of exchange	-	49,883
12-month fixed deposits	-	250,000
Total held-to-maturity investments	-	299,883
Total current investments	109,526	755,506

3. Related party transactions

The relationship between the Company and related parties are summarised below.

Name	Relationship
Taokaenoi Restaurant & Franchise Company Limited	Subsidiary
Want More Industry Company Limited	Subsidiary
NCP Trading & Supply Company Limited	Subsidiary
Dr. Tobi Company Limited	Common shareholder / directors
Gen C Inspire Corporation Company Limited*	Common shareholder / directors
Chubcheeva Company Limited	Common shareholder / director
Tokyo Runway Marketing Company Limited	Common shareholder / director

*ceased being a related company in 2017

(Unaudited but reviewed)

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

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		
	For the three-month periods ended 30 June				Transfer pricing policy
	2017	2016	2017	2016	
Transactions with subsidiaries					
(Eliminated from the consolidated financial statements)					
Sales	-	-	14.8	28.1	Cost plus margin at 15% - 45% depending on purchase volume and product types
Accounting and financing services income	-	-	0.9	0.9	Actual cost plus margin
Service and utilities charge income	-	-	0.4	0.4	Rate stipulated in agreement
Purchases of goods	-	-	38.8	42.4	Cost plus margin at 5% - 15% depending on product types
Sale promotion expenses	-	-	0.1	-	Rate stipulated in agreement
Transactions with related parties					
Purchase of goods	0.1	0.2	-	0.1	Cost plus margin at 35% - 70% depending on product types
Rental expense	0.5	0.5	0.1	0.1	Rate stipulated in agreement
Other expense	-	0.4	-	0.4	Cost plus margin

(Unit: Million Baht)

	Consolidated		Separate		
	financial statements		financial statements		
	For the six-month periods ended 30 June				Transfer pricing policy
	2017	2016	2017	2016	
Transactions with subsidiaries					
(Eliminated from the consolidated financial statements)					
Sales	-	-	28.3	53.2	Cost plus margin at 15% - 45% depending on purchase volume and product types
Accounting and financing services income	-	-	1.7	1.7	Actual cost plus margin
Service and utilities charge income	-	-	0.8	0.8	Rate stipulated in agreement
Purchases of goods	-	-	82.7	79.2	Cost plus margin at 5% - 15% depending on product types
Sale promotion expenses	-	-	0.2	-	Rate stipulated in agreement

(Unaudited but reviewed)

(Unit: Million Baht)

	Consolidated		Separate		
	financial statements		financial statements		
	For the six-month periods ended 30 June				Transfer pricing policy
	2017	2016	2017	2016	
Transactions with related parties					
Purchase of goods	0.3	1.7	-	1.5	Cost plus margin at 35% - 70% depending on product types
Rental expense	1.0	1.0	0.2	0.2	Rate stipulated in agreement
Other expense	-	0.9	-	0.9	Cost plus margin

The balances of the accounts between the Company and those related parties as at 30 June 2017 and 31 December 2016 are as follows.

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2017	2016	2017	2016
Trade and other receivables - related parties (Note 4)				
<i>Trade receivables - related party</i>				
Subsidiary	-	-	18,291	15,533
Total	-	-	18,291	15,533
<i>Other receivables - related parties</i>				
Subsidiaries	-	-	432	432
Total	-	-	432	432
Trade and other payables - related parties (Note 10)				
<i>Trade payables - related parties</i>				
Subsidiaries	-	-	18,891	14,086
Related companies	29	90	-	-
Total	29	90	18,891	14,086
<i>Accrued expenses - related parties</i>				
Subsidiaries	-	-	37	144
Related persons	-	17	-	-
Total	-	17	37	144
<i>Other payables for purchases of assets - related party</i>				
Related person	-	1,000	-	1,000
Total	-	1,000	-	1,000

(Unaudited but reviewed)

Directors and management's benefits

During the three-month and six-month periods ended 30 June 2017 and 2016, the Group had employee benefit expenses of its directors and management as below.

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	For the three-month periods ended 30 June			
	2017	2016	2017	2016
Short-term benefits	8.3	9.9	7.8	9.4
Post-employment benefits	0.5	0.5	0.5	0.5
Total	8.8	10.4	8.3	9.9

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	For the six-month periods ended 30 June			
	2017	2016	2017	2016
Short-term benefits	17.1	17.9	16.0	16.9
Post-employment benefits	1.1	1.0	1.1	1.0
Total	18.2	18.9	17.1	17.9

4. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Trade receivables - related parties				
Aged on the basis of due dates				
Not yet due	-	-	10,128	7,023
Past due				
1 - 90 days	-	-	8,163	8,510
Total trade receivables - related parties	-	-	18,291	15,533

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2017	2016	2017	2016
Trade receivables - unrelated parties				
Aged on the basis of due dates				
Not yet due	416,914	376,212	414,795	374,409
Past due				
1 - 90 days	89,219	102,263	88,447	101,063
91 - 180 days	12	2,671	-	239
181 - 270 days	-	-	-	-
Over 271 days	6,032	3,942	3,684	3,715
Total trade receivables - unrelated parties	512,177	485,088	506,926	479,426
Total trade receivables	512,177	485,088	525,217	494,959
Less: Allowance for doubtful accounts	(6,037)	(5,074)	(3,684)	(3,875)
Trade receivables - net	506,140	480,014	521,533	491,084
Other receivables				
Interest receivables - unrelated parties	-	4,589	-	4,589
Accrued income - unrelated parties	-	4,108	-	4,108
Other receivables - related parties	-	-	432	432
Other receivables - unrelated parties	2,142	2,259	1,833	2,044
Total other receivables - net	2,142	10,956	2,265	11,173
Trade and other receivables - net	508,282	490,970	523,798	502,257

5. Inventories

Movements in the allowance for reduction of cost of inventories to net realisable value account during the six-month periods ended 30 June 2017 and 2016 are summarised below.

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	For the six-month periods ended 30 June			
	2017	2016	2017	2016
Balance at beginning of period	10,066	17,958	9,968	16,735
Add: Reduction of cost of inventories to net realisable value	5,435	1,167	5,303	992
Less: Reversal due to destruction during period	(816)	-	(816)	-
Balance at end of period	14,685	19,125	14,455	17,727

(Unaudited but reviewed)

6. Other current assets

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Value added tax refundable	39,461	33,634	38,509	33,137
Advances for purchases of				
raw materials	596,562	61,167	596,562	61,167
Prepaid expenses	36,526	12,311	36,148	11,823
Others	835	248	835	248
Total	<u>673,384</u>	<u>107,360</u>	<u>672,054</u>	<u>106,375</u>

7. Investments in subsidiaries

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

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost	
	30 June	31 December	30 June	31 December	30 June	31 December
	2017	2016	2017	2016	2017	2016
			(%)	(%)		
Taokaenoi Restaurant & Franchise						
Company Limited	35,000	35,000	100	100	35,000	35,000
Want More Industry Company Limited	5,000	5,000	100	100	4,543	4,543
NCP Trading & Supply Company						
Limited	1,000	1,000	100	100	491	491
Total					<u>40,034</u>	<u>40,034</u>

For the six-month periods ended 30 June 2017 and 2016, no dividend was received from all above subsidiaries.

8. Property, plant and equipment

Movements of the property, plant and equipment account during the six-month periods ended 30 June 2017 and 2016 are summarised below.

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	For the six-month periods ended 30 June			
	2017	2016	2017	2016
Net book value at beginning of period	882,050	549,605	872,500	535,914
Acquisitions during period - at cost	149,097	222,382	139,900	221,643
Capitalised interest during period	193	2,236	193	2,236
Disposal/write-off during period - net book value at disposal/write-off date	(1,389)	(84)	(1,389)	(84)
Depreciation for period	(39,324)	(34,808)	(37,771)	(32,493)
Allowance for impairment loss recorded during period	-	(3,098)	-	-
Net book value at end of period	990,627	736,233	973,433	727,216

As at 30 June 2017, the Company had an outstanding balance of factory under construction amounting to Baht 18.3 million (31 December 2016: Baht 402.9 million). The construction has been financed with long-term loan from a bank. Borrowing costs amounting to Baht 0.2 million were capitalised as cost of assets during the six-month period ended 30 June 2017 (2016: Baht 2.2 million). The weighted average rate of 3.85% has been used to determine the amount of borrowing costs eligible for capitalisation (2016: 3.98%).

As at 30 June 2017, the Company had buildings and structures located on leased land with net book values amounting to Baht 89.9 million (31 December 2016: Baht 97.0 million). Under the land lease agreements, the Company has to transfer ownership of the buildings and structures to the lessors when the agreements are terminated.

The Company has pledged land with structures with net book values as at 31 December 2016 amounting to Baht 494.6 million as collateral against long-term loans received from a bank. During the current period, the Company made early repayment of the remaining loans prior to the due dates and redeemed the pledged assets.

(Unaudited but reviewed)

9. Short-term loans from banks

	Interest rate (% per annum)		(Unit: Thousand Baht)	
			Consolidated/Separate	
	financial statements			
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Promissory notes	2.40	-	80,000	-
Trust receipts	2.40 - 2.45	1.95 - 2.58	669,149	112,367
Total			<u>749,149</u>	<u>112,367</u>

10. Trade and other payables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Trade payables - related parties	29	90	18,891	14,086
Trade payables - unrelated parties	234,210	340,125	192,666	302,910
Accrued expenses - related parties	-	17	37	144
Accrued expenses - unrelated parties	205,238	201,223	201,148	198,274
Other payables for purchase of assets - related party	-	1,000	-	1,000
Other payables for purchases of assets - unrelated party	21,805	16,610	15,967	15,953
Total	<u>461,282</u>	<u>559,065</u>	<u>428,709</u>	<u>532,367</u>

11. Dividends

Dividends	Approved by	Shares	Dividend per share	Total dividends
		(Thousand shares)	(Baht)	(Thousand Baht)
Final dividend for the year 2015	Annual General Meeting of shareholders on 19 April 2016	1,380,000	0.105	<u>144,900</u>
Final dividend for the year 2016	Annual General Meeting of shareholders on 26 April 2017	1,380,000	0.300	<u>414,000</u>

12. Income tax

Interim corporate income tax was calculated on profit before income tax for the period, using the estimated effective tax rate for the year.

Income tax expenses for the three-month and six-month periods ended 30 June 2017 and 2016 are made up as follows.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the three-month periods ended 30 June			
	2017	2016	2017	2016
Current income tax				
Interim corporate income tax charge	35,433	44,024	33,453	43,397
Deferred tax				
Relating to origination and reversal of temporary differences	(1,360)	378	(1,586)	251
Income tax expenses reported in the statements of comprehensive income	34,073	44,402	31,867	43,648

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the six-month periods ended 30 June			
	2017	2016	2017	2016
Current income tax				
Interim corporate income tax charge	81,228	85,349	77,292	84,174
Deferred tax				
Relating to origination and reversal of temporary differences	(4,574)	(1,004)	(4,514)	(782)
Income tax expenses reported in the statements of comprehensive income	76,654	84,345	72,778	83,392

The amounts of income tax relating to each component of other comprehensive income for the three-month and six-month periods ended 30 June 2017 and 2016 are as follows.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the three-month periods ended 30 June			
	2017	2016	2017	2016
Deferred tax relating to unrealised gains on revaluation of available-for-sale investments	499	252	499	252

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	For the six-month periods ended 30 June			
	2017	2016	2017	2016
Deferred tax relating to unrealised gains on revaluation of available-for-sale investments	159	458	159	458

13. Earnings per share

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

14. Segment information

The Group is organised into business units based on its products. During the current period, the Group has not changed the organisation of its reportable segments.

The following tables present revenues and profit information regarding the Group's operating segments for the three-month periods ended 30 June 2017 and 2016.

(Unit: Million Baht)

	For the three-month period ended 30 June 2017					
	Snack segment	Retailer segment	Seasoning powder segment	Total segments	Eliminations	Consolidated
Revenues						
External customers	1,153.3	58.0	0.2	1,211.5	-	1,211.5
Inter-segment	14.9	1.0	37.8	53.7	(53.7)	-
Total revenues	1,168.2	59.0	38.0	1,265.2	(53.7)	1,211.5
Operating results						
Segment profit	155.0	9.0	0.8	164.8	1.5	166.3
Finance cost						(4.3)
Other income						7.4
Profit before income tax expenses						169.4
Income tax expenses						(34.1)
Profit for the period						135.3

(Unaudited but reviewed)

(Unit: Million Baht)

For the three-month period ended 30 June 2016

	Snack segment	Retailer segment	Seasoning powder segment	Total segments	Eliminations	Consolidated
Revenues						
External customers	1,058.3	61.5	-	1,119.8	-	1,119.8
Inter-segment	28.1	0.3	42.1	70.5	(70.5)	-
Total revenues	1,086.4	61.8	42.1	1,190.3	(70.5)	1,119.8
Operating results						
Segment profit	206.0	9.8	3.1	218.9	1.1	220.0
Finance cost						(1.7)
Other income						10.8
Profit before income tax expenses						229.1
Income tax expenses						(44.4)
Profit for the period						184.7

(Unit: Million Baht)

For the six-month period ended 30 June 2017

	Snack segment	Retailer segment	Seasoning powder segment	Total segments	Eliminations	Consolidated
Revenues						
External customers	2,224.6	107.7	0.3	2,332.6	-	2,332.6
Inter-segment	28.4	2.4	80.3	111.1	(111.1)	-
Total revenues	2,253.0	110.1	80.6	2,443.7	(111.1)	2,332.6
Operating results						
Segment profit	352.7	15.8	3.2	371.7	2.7	371.4
Finance cost						(6.2)
Other income						14.7
Profit before income tax expenses						382.9
Income tax expenses						(76.7)
Profit for the period						306.2

(Unit: Million Baht)

For the six-month period ended 30 June 2016

	Snack segment	Retailer segment	Seasoning powder segment	Total segments	Eliminations	Consolidated
Revenues						
External customers	2,021.5	116.1	-	2,137.6	-	2,137.6
Inter-segment	53.2	0.7	78.5	132.4	(132.4)	-
Total revenues	2,074.7	116.8	78.5	2,270.0	(132.4)	2,137.6
Operating results						
Segment profit	395.7	14.8	5.7	416.2	2.4	418.6
Finance cost						(4.1)
Other income						15.1
Profit before income tax expenses						429.6
Income tax expenses						(84.3)
Profit for the period						345.3

15. Commitments and contingent liabilities

15.1 Capital commitments

As at 30 June 2017, the Group had capital commitments of Baht 48.9 million, USD 0.2 million and EUR 0.6 million (31 December 2016: Baht 35.0 million, USD 0.2 million and EUR 0.6 million), relating to purchases of machinery and equipment and construction of factory buildings.

15.2 Commitments under operating lease and service agreements

The Group entered into several lease agreements in respect of the lease of land, building space and office, and service agreements including marketing agreements. The terms of the agreements are generally between 1 and 18 years.

Future minimum payments required under these contracts were as follows.

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
Payable	30 June 2017	31 December 2016	30 June 2017	31 December 2016
In up to 1 year	38.8	52.8	26.9	43.3
In over 1 and up to 5 years	33.0	21.0	20.6	18.4
In over 5 years	13.1	14.9	13.1	14.9

15.3 Commitments under purchase of raw material agreement

The Company entered into the agreements to purchase raw materials from overseas suppliers, for period of delivery within 1 year, in quantities and at prices stipulated in the agreements. As at 30 June 2017, the Company had the commitment under these agreements of USD 1.7 million (31 December 2016: USD 2.6 million).

15.4 Guarantees

As at 30 June 2017, there were outstanding bank guarantees of Baht 2.4 million (31 December 2016: Baht 2.4 million) issued by banks on behalf of the Company to guarantee electricity use.

15.5 Litigation

On 9 February 2016, a Japanese company filed a civil lawsuit against the Company with the Central Intellectual Property and International Trade Court for breach of a technical assistance agreement, claiming damages amounting to USD 150,000 plus interest at a rate of 7.5% per annum from the date the lawsuit was filed (or approximately Baht 5.5 million). On 2 May 2016, the Court dismissed the case since the plaintiff and the Company were bound by the rules of the arbitration clause stipulated in the agreement. As the plaintiff and the Company were bound to settle the dispute through the arbitration process at Singapore International Arbitration Centre, the case was ended. The Company's management believes that the plaintiff will appeal the Court's order to dismiss the case. However, the Company's management has assessed the circumstances and believes that the Company would not incur material losses. The Company therefore did not record any provision for compensation claims in the financial statements for the current period.

16. Financial instruments

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

	Consolidated/separate financial statements					
	Financial assets		Financial liabilities		Average exchange rate	
	30 June	31 December	30 June	31 December	30 June	31 December
	2017	2016	2017	2016	2017	2016
Foreign currency	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	1.9	1.3	0.5	6.3	33.98	35.83
Singapore dollar	1.0	1.7	0.4	0.6	24.67	24.80

The Company has forward exchange contracts outstanding as summarised below.

Foreign currency	As at 30 June 2017		
	Sold amount	Contractual exchange rate	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
US dollar	0.9	33.91 - 35.30	September - December 2017
Singapore dollar	0.5	24.40 - 24.59	October - December 2017

(Unaudited but reviewed)

As at 30 June 2017			
Foreign currency	Bought amount	Contractual exchange rate	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
US dollar	14.1	33.98 - 35.58	July - December 2017

As at 31 December 2016			
Foreign currency	Sold amount	Contractual exchange rate	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
US dollar	0.8	34.68 - 35.81	February - June 2017
Singapore dollar	0.9	24.77 - 25.10	March - June 2017

17. Fair value of financial instruments

The Company had the asset that was measured at fair value using different levels of inputs as follows.

(Unit: Thousand Baht)							
Consolidated/separate financial statements							
Level 1		Level 2*		Level 3		Total	
30	31	30	31	30	31	30	31
June	December	June	December	June	December	June	December
2017	2016	2017	2016	2017	2016	2017	2016
Available-for-sale investment							
Unit trusts - fixed income							
fund							
	-	-	109,526	455,623	-	-	109,526 455,623

*Level 2 - The fair value is measured using other observable inputs for such asset, whether directly or indirectly.

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

18. Event after the reporting period

On 15 August 2017, the Company's Board of Directors Meeting passed a resolution approving the payment of interim dividend for 2017 of Baht 0.17 per share, or a total of Baht 234.6 million to the shareholders.

19. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's Board of Directors on 15 August 2017.