

Patum Rice Mill and Granary Public Company Limited
and its subsidiaries
Report and financial statements
31 December 2014

Independent Auditor's Report

To the Shareholders of Patum Rice Mill and Granary Public Company Limited

I have audited the accompanying financial statements of Patum Rice Mill and Granary Public Company Limited and its subsidiaries which comprise the consolidated statement of financial position as at 31 December 2014, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statement of Patum Rice Mill and Granary public Company Limited for the same period.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Patum Rice Mill and Granary Public Company Limited and its subsidiaries as at 31 December 2014, and their financial performance for the year then ended in accordance with Thai Financial Reporting Standards.

Nonglak Pumnoi
Certified Public Accountant (Thailand) No. 4172

EY Office Limited
Bangkok: 17 February 2015

Patum Rice Mill and Granary Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2014

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
Assets					
Current assets					
Cash and cash equivalents	7	46,600,536	145,605,471	4,428,906	6,628,300
Trade and other receivables	6, 8	271,276,274	234,273,026	261,086,162	221,551,899
Inventories	9	168,719,533	274,030,381	149,127,885	249,989,583
Short-term loan to a subsidiary	6	-	-	-	11,630,000
Other current assets		57,276,447	100,255,671	21,106,293	67,704,820
Total current assets		543,872,790	754,164,549	435,749,246	557,504,602
Non-current assets					
Restricted bank deposit	10	-	511,000	-	-
Investments in subsidiaries	11	-	-	883,073,567	360,573,567
Investment in parent company					
- available-for-sale security	12	7,289,043,138	6,989,493,420	6,924,043,138	6,639,493,420
Other long-term investments		3,578,259	3,578,259	61,086	61,086
Long-term loan to a subsidiary	6	-	-	-	275,000,000
Investment properties	13	40,719,900	41,773,787	30,765,720	30,972,618
Property, plant and equipment	14	325,523,075	297,138,360	185,918,269	203,116,321
Prepaid rental fee	6	237,932,922	250,924,025	-	-
Intangible asset	15	6,298,775	6,305,564	5,099,776	5,773,104
Deferred tax assets	19	3,829,300	3,834,243	3,062,542	3,098,111
Goodwill	11	53,421,268	53,421,268	-	-
Other non-current assets		16,204,735	10,463,245	-	-
Total non-current assets		7,976,551,372	7,657,443,171	8,032,024,098	7,518,088,227
Total assets		8,520,424,162	8,411,607,720	8,467,773,344	8,075,592,829

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

Patum Rice Mill and Granary Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2014

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans from banks	16	513,076,251	776,525,326	513,076,251	776,142,964
Short-term loans from related persons	6	4,000,000	7,000,000	-	-
Short-term loan from a subsidiary	6	-	-	302,120,000	-
Trade and other payables	6, 17	103,156,827	75,502,125	63,129,449	45,154,225
Income tax payable		2,192,166	2,733,237	417,694	-
Other current liabilities		12,645,828	4,903,398	4,164,863	3,614,745
Total current liabilities		635,071,072	866,664,086	882,908,257	824,911,934
Non-current liabilities					
Provision for long-term employee benefits	18	19,284,819	19,171,216	15,312,712	15,490,552
Deferred tax liabilities	19	1,250,543,906	1,190,633,963	1,203,293,906	1,146,383,963
Other non-current liabilities		3,541,729	8,033,364	-	-
Total non-current liabilities		1,273,370,454	1,217,838,543	1,218,606,618	1,161,874,515
Total liabilities		1,908,441,526	2,084,502,629	2,101,514,875	1,986,786,449

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

Patum Rice Mill and Granary Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2014

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
Shareholders' equity					
Share capital	20				
Registered share capital					
900,000,000 ordinary shares of Baht 1 each (2013: 90,000,000 ordinary shares of Baht 10 each)		900,000,000	900,000,000	900,000,000	900,000,000
Issued and fully paid-up share capital					
600,000,000 ordinary shares of Baht 1 each (2013: 60,000,000 ordinary shares of Baht 10 each)		600,000,000	600,000,000	600,000,000	600,000,000
Share premium		160,000,000	160,000,000	160,000,000	160,000,000
Retained earnings					
Appropriated - statutory reserve	21	90,000,000	90,000,000	90,000,000	90,000,000
Unappropriated		612,438,619	569,202,455	703,082,844	653,270,529
Other components of shareholders' equity		5,083,082,875	4,843,443,101	4,813,175,625	4,585,535,851
Equity attributable to owners of the Company		6,545,521,494	6,262,645,556	6,366,258,469	6,088,806,380
Non-controlling interests of the subsidiaries		66,461,142	64,459,535	-	-
Total shareholders' equity		6,611,982,636	6,327,105,091	6,366,258,469	6,088,806,380
Total liabilities and shareholders' equity		8,520,424,162	8,411,607,720	8,467,773,344	8,075,592,829
		-	-	-	-

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

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Directors
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Patum Rice Mill and Granary Public Company Limited and its subsidiaries

Statement of comprehensive income

For the year ended 31 December 2014

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
Sales					
Revenues from sales	24	1,945,219,133	2,188,332,617	1,604,976,135	1,885,613,901
Revenues from services		10,752,004	10,610,442	-	-
Dividend income	12, 24	299,591,501	278,944,289	284,563,645	260,849,764
Other income	24	42,314,735	41,067,150	42,778,293	46,941,748
Total revenues		2,297,877,373	2,518,954,498	1,932,318,073	2,193,405,413
Expenses					
Cost of sales	24	1,650,131,920	1,949,928,062	1,333,239,831	1,682,972,783
Cost of services		10,742,770	10,610,442	-	-
Selling expenses	24	212,133,312	163,604,390	184,993,862	161,614,102
Administrative expenses	24	95,053,839	79,221,526	63,888,584	56,690,589
Total expenses		1,968,061,841	2,203,364,420	1,582,122,277	1,901,277,474
Profit before share of loss from investment					
in an associate, finance cost and income tax expenses		329,815,532	315,590,078	350,195,796	292,127,939
Share of loss from investment in an associate		-	(104,889)	-	-
Profit before finance cost and income tax expenses		329,815,532	315,485,189	350,195,796	292,127,939
Finance cost	24	(13,507,850)	(18,724,175)	(14,930,219)	(18,497,299)
Profit before income tax expenses		316,307,682	296,761,014	335,265,577	273,630,640
Income tax expenses	19	(2,069,911)	(3,933,763)	(453,262)	322,441
Profit for the year		314,237,771	292,827,251	334,812,315	273,953,081
Other comprehensive income:					
Gains (losses) on changes in values of available-for-sale investments		299,549,718	1,547,673,543	284,549,718	1,470,173,543
Income tax effect		(59,909,944)	(309,534,709)	(56,909,944)	(294,034,709)
Other comprehensive income for the year		239,639,774	1,238,138,834	227,639,774	1,176,138,834
Total comprehensive income for the year		553,877,545	1,530,966,085	562,452,089	1,450,091,915

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

Patum Rice Mill and Granary Public Company Limited and its subsidiaries

Statement of comprehensive income (continued)

For the year ended 31 December 2014

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
Profit attributable to:					
Equity holders of the Company		328,236,164	294,043,190	334,812,315	273,953,081
Non-controlling interest of the subsidiaries		(13,998,393)	(1,215,939)		
		<u>314,237,771</u>	<u>292,827,251</u>		
Total comprehensive income attributable to:					
Equity holders of the Company		567,875,938	1,532,182,024	562,452,089	1,450,091,915
Non-controlling interests of the subsidiaries		(13,998,393)	(1,215,939)		
		<u>553,877,545</u>	<u>1,530,966,085</u>		

(Unit: Baht)

Earnings per share

Basic earnings per share

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Profit attributable to equity holders of the Company		<u>0.55</u>	<u>0.49</u>	<u>0.56</u>	<u>0.46</u>
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The accompanying notes are an integral part of the financial statements.

Patum Rice Mill and Granary Public Company Limited and its subsidiaries

Cash flow statement

For the year ended 31 December 2014

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Cash flows from operating activities				
Profit before tax	316,307,682	296,761,014	335,265,577	273,630,640
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	35,968,055	31,555,205	18,895,467	19,008,779
Gain (loss) on sales of equipment	(28,825)	2,502,417	(9,248)	(8,440,123)
Amortisation of prepaid rental fee	12,991,102	-	-	-
Gain on sales of current investments	-	(1,069,656)	-	-
Allowance for doubtful debts (reversal)	(900,000)	300,000	(500,000)	300,000
Unrelised gain on exchange	(103,379)	(232,143)	(103,379)	(232,143)
Allowance for impairment on asset (reversal)	627,621	(9,150,159)	800,000	-
Allowance for diminution in value of inventories (reversal)	2,797,615	(737,753)	3,076,000	30,415
Share of loss from investment in an associate	-	104,889	-	-
Provision for long-term employee benefits	1,580,093	2,118,777	1,288,650	1,684,205
Dividend income	(299,591,501)	(278,944,289)	(284,563,646)	(260,849,764)
Interest income	(1,474,278)	(1,463,587)	(15,063,784)	(20,063,909)
Interest expenses	13,507,850	18,724,175	14,930,219	18,497,299
Profit from operating activities before changes in operating assets and liabilities	81,682,035	60,468,890	74,015,856	23,565,399
Operating assets (increase) decrease				
Trade and other receivables	(35,423,228)	3,168,435	(39,540,527)	3,798,295
Inventories	102,513,234	(70,683,566)	97,785,698	(67,856,953)
Other current assets	53,425,682	(60,916,904)	48,397,266	(48,326,807)
Other non-current assets	(5,737,490)	(10,463,245)	-	-
Prepaid rental fee	-	(250,924,025)	-	-
Operating liabilities increase (decrease)				
Trade and other payables	27,799,535	5,354,868	18,151,320	(20,377,996)
Other current liabilities	7,832,900	531,562	550,119	596,667
Other non-current liabilities	(4,491,635)	8,033,364	-	-
Long-term employee benefits paid	(1,466,490)	(72,000)	(1,466,490)	(72,000)
Cash flows from (used in) operating activities	226,134,543	(315,502,621)	197,893,242	(108,673,395)
Cash paid for income tax	(12,958,873)	(16,282,889)	(1,798,739)	(3,205,592)
Net cash flows from (used in) operating activities	213,175,670	(331,785,510)	196,094,503	(111,878,987)

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

Patum Rice Mill and Granary Public Company Limited and its subsidiaries

Cash flow statement (continued)

For the year ended 31 December 2014

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Cash flows from investing activities				
Cash paid for purchase of current investments	-	(37,826,044)	-	-
Cash received from sales of current investments	-	38,895,700	-	-
Cash received from reduction of capital of subsidiary	-	-	-	12,112,837
Cash paid for increase share capital of subsidiary (Note 11)	-	-	(522,500,000)	-
Net cash paid for acquisition share capital of subsidiary (Note 11)	(588,404)	(42,206,146)	-	(133,049,724)
Cash paid for non-controlling interests of a subsidiary from reduction of capital of a subsidiary	-	(4,037,612)	-	-
Cash received from non-controlling interest of subsidiary from increase share capital of a subsidiary	16,000,000	24,000,000	-	-
Cash received from sale of current investments in an associate	-	-	-	2,186,168
Cash received from short-term loans to a subsidiary	-	-	19,230,000	666,700,000
Increase in short-term loans to a subsidiary	-	-	(7,600,000)	(593,600,000)
Cash received from long-term loans to a subsidiary	-	-	286,200,000	-
Increase in long-term loans to a subsidiary	-	-	(11,200,000)	(275,000,000)
Proceed from sales of plant and equipment	369,165	73,662,477	16,355	8,630,822
Cash received from dividends	299,591,501	278,944,289	284,563,646	260,849,764
Cash received from interest income	1,423,975	1,463,587	15,129,718	20,576,967
Purchase of intangible assets	(1,003,499)	(1,040,408)	(385,200)	(594,821)
Purchase of investment properties	(641,255)	(312,950)	-	-
Purchase of plant and equipment	(62,615,301)	(34,093,927)	(1,239,096)	(6,473,224)
Net cash flows from (used in) investing activities	252,536,182	297,448,966	62,215,423	(37,661,211)
Cash flows from financing activities				
Increase (decrease) in bank overdrafts	(3,449,076)	3,525,326	(3,066,713)	3,142,964
Decrease in restricted bank deposit	511,000	-	-	-
Cash received from short-term loans from banks	1,437,000,000	2,081,750,000	1,437,000,000	2,081,750,000
Repayment of short-term loans from banks	(1,697,000,000)	(1,648,750,000)	(1,697,000,000)	(1,648,750,000)
Cash received from short-term loans from related company	-	-	369,320,000	-
Repayment of short-term loans from related company	-	-	(67,200,000)	-
Cash received from short-term loans from related person	-	7,000,000	-	-
Repayment of short-term loans from related person	(3,000,000)	-	-	-
Cash paid for dividend	(285,000,000)	(270,000,000)	(285,000,000)	(270,000,000)
Cash paid for interest expenses	(13,778,711)	(18,398,845)	(14,562,607)	(18,171,969)
Net cash flows from (used in) financing activities	(564,716,787)	155,126,481	(260,509,320)	147,970,995
Net increase (decrease) in cash and cash equivalents	(99,004,935)	120,789,937	(2,199,394)	(1,569,203)
Cash and cash equivalents as at beginning of year	145,605,471	24,815,534	6,628,300	8,197,503
Cash and cash equivalents as at end of year	46,600,536	145,605,471	4,428,906	6,628,300

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

Patum Rice Mill and Granary Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity

For the year ended 31 December 2014

(Unit: Baht)

Consolidated financial statements

	Equity attributable to the owners of the Company							Total Shareholders' equity
	Issued and fully paid-up share capital	Share premium	Retained earnings		Surplus on change in value of available-for-sale investment	Total equity attributable to the owners of the Company	Equity attributable to non-controlling interests of the subsidiaries	
			Appropriated - statutory reserve	Unappropriated				
Balance as at 1 January 2013	600,000,000	160,000,000	90,000,000	545,159,265	3,605,304,267	5,000,463,532	31,152,048	5,031,615,580
Increase in non-controlling interests of subsidiaries from investment and increase share capital in subsidiaries	-	-	-	-	-	-	38,561,039	38,561,039
Decrease in non-controlling interests of a subsidiary from reduction of capital of a subsidiary	-	-	-	-	-	-	(4,037,613)	(4,037,613)
Total comprehensive income for the year	-	-	-	294,043,190	1,238,138,834	1,532,182,024	(1,215,939)	1,530,966,085
Dividend paid (Note 26)	-	-	-	(270,000,000)	-	(270,000,000)	-	(270,000,000)
Balance as at 31 December 2013	<u>600,000,000</u>	<u>160,000,000</u>	<u>90,000,000</u>	<u>569,202,455</u>	<u>4,843,443,101</u>	<u>6,262,645,556</u>	<u>64,459,535</u>	<u>6,327,105,091</u>
Balance as at 1 January 2014	600,000,000	160,000,000	90,000,000	569,202,455	4,843,443,101	6,262,645,556	64,459,535	6,327,105,091
Increase in non-controlling interests of subsidiaries from investment and increase share capital in subsidiaries	-	-	-	-	-	-	16,000,000	16,000,000
Total comprehensive income for the year	-	-	-	328,236,164	239,639,774	567,875,938	(13,998,393)	553,877,545
Dividend paid (Note 26)	-	-	-	(285,000,000)	-	(285,000,000)	-	(285,000,000)
Balance as at 31 December 2014	<u>600,000,000</u>	<u>160,000,000</u>	<u>90,000,000</u>	<u>612,438,619</u>	<u>5,083,082,875</u>	<u>6,545,521,494</u>	<u>66,461,142</u>	<u>6,611,982,636</u>
	-	-	-	-	-	-	-	-

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

Patum Rice Mill and Granary Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity (continued)

For the year ended 31 December 2014

(Unit: Baht)

	Separate financial statements					Total Shareholders' equity
	Issued and fully paid-up share capital	Share premium	Retained earnings		Surplus on changes in value of available-for-sale investments	
			Appropriated - statutory reserve	Unappropriated		
Balance as at 1 January 2013	600,000,000	160,000,000	90,000,000	649,317,448	3,409,397,017	4,908,714,465
Total comprehensive income for the year	-	-	-	273,953,081	1,176,138,834	1,450,091,915
Dividend paid (Note 26)	-	-	-	(270,000,000)	-	(270,000,000)
Balance as at 31 December 2013	<u>600,000,000</u>	<u>160,000,000</u>	<u>90,000,000</u>	<u>653,270,529</u>	<u>4,585,535,851</u>	<u>6,088,806,380</u>
Balance as at 1 January 2014	600,000,000	160,000,000	90,000,000	653,270,529	4,585,535,851	6,088,806,380
Total comprehensive income for the year	-	-	-	334,812,315	227,639,774	562,452,089
Dividend paid (Note 26)	-	-	-	(285,000,000)	-	(285,000,000)
Balance as at 31 December 2014	<u>600,000,000</u>	<u>160,000,000</u>	<u>90,000,000</u>	<u>703,082,844</u>	<u>4,813,175,625</u>	<u>6,366,258,469</u>
	-	-	-	-	-	-

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

Patum Rice Mill and Granary Public Company Limited and its subsidiaries

Notes to consolidated financial statements

For the year ended 31 December 2014

1. Corporate information

Patum Rice Mill and Granary Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its parent company is MBK Public Company Limited, which was incorporated in Thailand. The Company is principally engaged in the processing and packaging of rice and related business. Its registered office and factory address is at 88, Moo 2, Tiwanont Road, Bangkadee Sub-District, Muang District, Pathumtani 12000 and a second factory is located at 109/3, Moo 14, Mitraparp Road Km.199, Lardbuakhow Sub-District, Sikhiu District, Nakornratchasima 30340.

2. Basis for preparation of the financial statements

- 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 28 September 2011, 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 Patum Rice Mill and Granary Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”):

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2014	2013
Directly owned			%	%
PRG Granary Co., Ltd.	Warehouse rental	Thailand	99.99	99.99
MBK Food and Entertainment Co., Ltd.	Food center	Thailand	75.00	75.00
MBK Food Island Co., Ltd.	Food center	Thailand	99.98	99.98
MBK Food System Co., Ltd.	Restaurant	Thailand	60.00	60.00
Indirectly owned				
(owned by PRG Granary Co., Ltd.)				
Ratchsima Rice Co., Ltd.	Distributor of rice, plant and machinery rental	Thailand	99.99	99.99
Sima Pac Co., Ltd.*	Manufacturer and distributor of plastic bag	Thailand	49.99	49.99
(owned by Ratchsima Rice Co., Ltd.)				
Innofood (Thailand) Co., Ltd.	Distributor of rice and development of product from rice	Thailand	99.99	99.99
(owned by MBK Food and Entertainment Co., Ltd.)				
MBK Suki Number One Co., Ltd.	Restaurant	Thailand	99.99	-

* The Company has control over financial and operating policies of Sima Pac Co., Ltd. through the Board of Directors of that company.

During the current year, there were significant changes the composition of the Group as described in Note 11.

- b) 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.
- c) The financial statements of the subsidiaries are prepared using the same reporting period and significant accounting policies as the Company.
- d) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- e) 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, which present investments in subsidiaries and associate under the cost method, have been prepared solely for the benefit of the public.

3. **New financial reporting**

Below is a summary of financial reporting standards that became effective in the current accounting year and those that will become effective in the future.

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

Conceptual Framework for Financial Reporting (revised 2014)

Accounting Standards:

TAS 1 (revised 2012)	Presentation of Financial Statements
TAS 7 (revised 2012)	Statement of Cash Flows
TAS 12 (revised 2012)	Income Taxes
TAS 17 (revised 2012)	Leases
TAS 18 (revised 2012)	Revenue
TAS 19 (revised 2012)	Employee Benefits
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates
TAS 24 (revised 2012)	Related Party Disclosures
TAS 28 (revised 2012)	Investments in Associates
TAS 31 (revised 2012)	Interests in Joint Ventures
TAS 34 (revised 2012)	Interim Financial Reporting
TAS 36 (revised 2012)	Impairment of Assets
TAS 38 (revised 2012)	Intangible Assets

Financial Reporting Standards:

TFRS 2 (revised 2012)	Share-based Payment
TFRS 3 (revised 2012)	Business Combinations
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (revised 2012)	Operating Segments

Accounting Standard Interpretations:

TSIC 15	Operating Leases - Incentives
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29	Service Concession Arrangements: Disclosures
TSIC 32	Intangible Assets - Web Site Costs

Financial Reporting Standard Interpretations:

TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4	Determining whether an Arrangement contains a Lease
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7	Applying the Restatement Approach under TAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>
TFRIC 10	Interim Financial Reporting and Impairment
TFRIC 12	Service Concession Arrangements
TFRIC 13	Customer Loyalty Programmes
TFRIC 17	Distributions of Non-cash Assets to Owners
TFRIC 18	Transfers of Assets from Customers

Accounting Treatment Guidance for Stock Dividend

These financial reporting standards were amended primarily to align their content with the corresponding International Financial Reporting Standards. Most of the changes were directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of the accounting standards. These financial reporting standards do not have any significant impact on the financial statements.

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

The Federation of Accounting Professions has issued a number of revised and new financial reporting standards that become effective for fiscal years beginning on or after 1 January 2015. 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 accounting standards. The management of the Company believes they will not have any significant impact on the financial statements in the year in which they are adopted. However, some of these financial reporting standards involve changes to key principles, as discussed below:

TAS 19 (revised 2014) Employee Benefits

This revised standard requires that the entity recognise actuarial gains and losses immediately in other comprehensive income while the existing standard allows the entity to recognise such gains and losses immediately in profit or loss, or in other comprehensive income, or to recognise them gradually in profit or loss.

This revised standard does not have any impact on the financial statements as the Company and its subsidiaries already recognised actuarial gains and losses immediately in other comprehensive income.

TFRS 10 Consolidated Financial Statements

TFRS 10 prescribes requirements for the preparation of consolidated financial statements and replaces the part dealing with consolidated financial statements as included in TAS 27 Consolidated and Separate Financial Statements. This standard changes the principles used in considering whether control exists. Under this standard, an investor is deemed to have control over an investee 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, even if it holds less than half of the shares or voting rights. This important change requires the management to exercise a lot of judgement when reviewing whether the Company and its subsidiaries have control over the investees and determine which entities have to be included for preparation of the consolidated financial statements.

The management of the Company and its subsidiaries believes that this standard will not have any significant impact on the Company and its subsidiaries' financial statements.

TFRS 11 Joint Arrangements

TFRS 11 supersedes TAS 31 Interests in Joint Ventures. This standard requires an entity to account for an investment in a jointly controlled entity using the equity method, while TAS 31 allows the entity to apply either the proportionate consolidation method or the equity method to account for such an investment.

The management of the Company and its subsidiaries believes that this standard will not have any impact on the Company and its subsidiaries' financial statements

TFRS 12 Disclosure of Interests in Other Entities

This standard stipulates disclosures relating to an entity's interests in subsidiaries, joint arrangements and associates, including structured entities. This standard therefore has no financial impact to the financial statements of the Company and its subsidiaries.

TFRS 13 Fair Value Measurement

This standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurements. Entities are to apply the guidance under this standard if they are required by other financial reporting standards to measure their assets or liabilities at fair value. The effect of the change from the adoption of this standard is to be recognised prospectively.

Based on the preliminary analysis, the management of the Company and its subsidiaries believes that this standard will not have any significant impact on the Company and its subsidiaries' financial statements

4. Significant accounting policies

4.1 Revenue recognition

a) Sales of goods

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

b) Service revenue

Service revenue is recognised when services have been rendered taking into account the stage of completion.

c) Interest income

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

d) Dividends

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

4.2 Cash and cash equivalents

Cash and cash equivalents consist of cash 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.

4.3 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 experience and analysis of debt aging.

4.4 Inventories

Finished goods and work in process are valued at the lower of cost under the first-in, first-out method and net realisable value and companies raw material, direct labour 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.

4.5 Investments

- a) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in other comprehensive income and will be recorded in profit or loss when the securities are sold.
- b) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for loss on impairment (if any).
- c) Investment in associate is accounted for in the consolidated financial statements using the equity method.
- d) Investments in subsidiaries and associate are accounted for in the separate financial statements using the cost method.

The fair value of marketable security is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. The fair value of debt instrument is determined based on yield rates or market price as quoted by the Thai Bond Market Association.

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

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

4.6 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 is calculated by reference to their costs on the straight-line basis over estimated useful lives of 10 - 20 years. Depreciation of the investment properties is included in determining income.

No depreciation is provided on land.

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.

4.7 Property, plant and equipment and depreciation

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

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

Buildings	5 - 20 years
Machinery and factory equipment	5 - 20 years
Furniture, fixtures and office equipment	3 - 10 years
Motor vehicles	5 years

Depreciation is included in determining income.

No depreciation is provided on land, land improvement, and assets under installation.

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

4.8 Intangible assets

Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life 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.

Computer software has useful life of 10 years.

4.9 Goodwill

Goodwill is initially recorded at cost, which equals to the excess of cost of business combination over the fair value of the net assets acquired. If the fair value of the net assets acquired exceeds the cost of business combination, the excess is immediately recognised as gain in profit or loss.

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Company's cash generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combination. The Company estimates the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

4.10 Related party transactions

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

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

4.11 Leases - where the Company and its subsidiaries are the lessee

Leases of assets which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, and payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Leases of property, plant and 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 other long-term payables, while the interest element is charged to profit or loss over the lease period. The assets acquired under finance leases is depreciated over the useful life of the asset.

4.12 Leases - where the Company and its subsidiaries are the lessor

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful life on a basis consistent with other similar property, plant and equipment owned by the Company and its subsidiaries. Rental income is recognised on a straight line basis over the lease term.

4.13 Foreign currencies

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.

4.14 Impairment of assets

At the end of each reporting period, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment and other 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.

An impairment loss is recognised in profit or loss.

4.15 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

Defined contribution plans

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

Defined benefit plans

The Company and its subsidiaries have obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a independent actuary based on actuarial techniques, using the projected unit credit method.

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

4.16 Provisions

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

4.17 Income taxes

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

a) Current tax

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

b) Deferred tax

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

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

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

The Company and its subsidiaries record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

5. Significant accounting judgements and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgments 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:

Leases

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

Allowance for doubtful accounts

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

Impairment of equity investments

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

Investment properties

In determining depreciation of investment properties, the management is required to make estimates of the useful lives and residual values of the Company and its subsidiaries' investment properties and to review estimate useful lives and residual values when there are any changes.

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

Property, plant and equipment and Depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the 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 when it is determined that their recoverable amounts are lower than the carrying amounts. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

Goodwill and intangible assets

The initial recognition and measurement of goodwill and intangible assets, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

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

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

6. Related party transactions

During the year, the Company and its subsidiaries 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 Company and those related parties.

(Unit: Baht)

	Consolidated financial statements		Separate financial statements		Transfer pricing policy
	2014	2013	2014	2013	
<u>Transactions with parent company</u>					
Sales	3,489,504	1,324,479	1,318,658	1,324,479	Market price or prices which approximated market prices
Dividend income	299,549,718	274,587,242	284,549,718	260,837,242	Declared rate
Prepaid rental fee payment	-	260,000,000	-	-	Contract price
Service expenses	66,059,706	13,928,242	672,355	447,398	Contract price
Acquisition of investment in a subsidiary (Note 11)	8,694,665	-	-	-	Contract price
<u>Transactions with subsidiaries</u> (eliminated from the consolidated financial statements)					
Sales	-	-	633,606	431,440	Market price or prices which approximated market prices
Rental income	-	-	780,064	1,435,503	Contract price
Service income	-	-	1,678,211	876,495	Contract price
Acquisition of investment in a subsidiary	-	-	-	185,435	Contract price
Sale of investment in an associate	-	-	-	2,186,168	Contract price
Purchase of raw materials	-	-	677,139,133	1,402,198,788	Cost plus margin

(Unit: Baht)

	Consolidated financial statements		Separate financial statements		Transfer pricing policy
	2014	2013	2014	2013	
<u>Transactions with subsidiaries</u>					
Rental expenses	-	-	4,516,558	3,553,772	Contract rate with reference to the rates charged to third parties
Interest income	-	-	15,010,411	19,957,571	MLR of a commercial bank
Interest expenses	-	-	1,809,003	-	Market price or prices which approximated market prices
<u>Transactions with associate</u>					
Rental income	-	6,000	-	6,000	Contract price
Service income	-	90,000	-	90,000	Contract price
Purchase of raw materials	-	891,954	-	891,954	Market price or prices which approximated market prices
<u>Transactions with related companies</u>					
Sales	1,108,580	990,189	1,091,799	990,189	Market price or prices which approximated market prices
Service income	60,660	60,660	-	-	The rate which approximated cost
Acquisition of investment in a subsidiary (Note 11)	-	96,864,289	-	96,864,289	Contract price
Service expenses	7,529,359	12,055,641	6,567,925	5,157,655	Contract price
Interest income	112,285	174,366	-	-	Market price or prices which approximated market prices
Dividend income	41,783	37,569	13,928	12,523	Declared rate

The outstanding balances of the above transactions have been presented in the statements of financial position as at 31 December 2014 and 2013 as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Trade and other receivables - related parties (Note 8)				
Parent company	1,581,884	1,710,834	814,971	933,920
Subsidiaries	-	-	472,255	316,730
Related parties (under common control of parent company)	167,167	242,182	133,380	231,433
Total	1,749,051	1,953,016	1,420,606	1,482,083
Trade and other payables - related parties (Note 17)				
Parent company	6,324,973	1,837,667	-	-
Subsidiaries	-	-	15,450,146	13,002,524
Related parties (under common control of parent company)	377,046	107,566	270,216	-
Total	6,702,019	1,945,233	15,720,362	13,002,524

Short-term loan to a subsidiary

As at 31 December 2014, the outstanding balance and movement of short-term loan to a subsidiary are as follows:

(Unit: Baht)

	Separate financial statements			Balance as at 31 December 2014
	Balance as at 31 December 2013	During the year		
		Increase	Decrease	
Short-term loan to a subsidiary				
PRG Granary Company Limited	11,630,000	7,600,000	(19,230,000)	-

Short-term loan to PRG Granary Company Limited carries interest at MLR rate of a local commercial bank and due at call.

Long-term loan to a subsidiary

As at 31 December 2014, the outstanding balance and movement of long-term loan to a subsidiary are as follows:

(Unit: Baht)

	Separate financial statements			Balance as at 31 December 2014
	Balance as at 31 December 2013	During the year		
		Increase	Decrease	
Long-term loan to a subsidiary				
MBK Food Island Company Limited	275,000,000	11,200,000	(286,200,000)	-

Loan to MBK Food Island Company Limited carries interest at MLR rate of a local commercial bank and due at call.

Short-term loans from related persons

As at 31 December 2014, the outstanding balance and movement of short-term loans from related persons are as follows:

(Unit: Baht)

	Consolidated financial statements			Balance as at 31 December 2014
	Balance as at 31 December 2013	During the year		
		Increase	Decrease	
Long-term loan to a subsidiary				
Sima Pac Co., Ltd.	7,000,000	-	(3,000,000)	4,000,000

Short-term loans from related persons amounting to Baht 4 million are loans from directors of Sima Pac Company Limited, a subsidiary, carry interest at MLR rate of a local commercial bank and due at call.

Short-term loans from subsidiaries

As at 31 December 2014, outstanding balance and movement of long-term loans from subsidiaries are as follows:

(Unit: Baht)

		Separate financial statements				
		Balance as at	During the year		Balance as at	
Related	by	31 December	Increase	Decrease	31 December	
		2013			2014	
Loans from subsidiaries						
MBK Food and Entertainment						
	Co., Ltd.	Subsidiary	-	65,500,000	(31,000,000)	34,500,000
	MBK Food System Co., Ltd.	Subsidiary	-	46,500,000	(24,500,000)	22,000,000
	MBK Food Island Co., Ltd.	Subsidiary	-	246,000,000	(11,000,000)	235,000,000
	PRG Granary Co., Ltd.	Subsidiary	-	5,320,000	(700,000)	4,620,000
	MBK Suki Number One Co., Ltd.	Subsidiary	-	6,000,000	-	6,000,000
			-	369,320,000	(67,200,000)	302,120,000

Prepaid rental fee

On 2 April 2013, MBK Food Island Company Limited, a subsidiary of the Company, entered into a long-term space rental agreement, a long-term building equipment and systems rental agreement, and a long-term promotion and development space agreement with MBK Public Company Limited, for periods of 20 years (from 21 April 2013 to 20 April 2033). Under these agreements the Company is required to pay prepaid rental fees over the terms of the contracts, totaling Baht 260 million. As at the date of the agreements date, the subsidiary classified the leases as operating leases, for which the rental payments are recognised as an expense on a straight-line basis over the lease period.

(Unit: Thousand Baht)

	2014	2013
Net book value at beginning of year	250,924	260,000
Less: Accumulated amortisation	(12,991)	(9,076)
Net book value at end of year	237,933	250,924
Amortisation for the period /year	12,991	9,076

Directors and management's benefits

During the years ended 31 December 2014 and 2013, the Company and its subsidiaries had employee benefit expenses of their directors and management as below.

(Unit: Baht)

	Consolidated and separate financial statements	
	2014	2013
	Short-term employee benefits	19,049,056
Long-term employee benefits	500,597	499,280
Total	19,549,653	15,277,328

7. Cash and cash equivalents

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	Cash on hand	2,553,932	1,417,871	110,000
Bank deposits	44,046,604	144,187,600	4,318,906	6,518,300
Total	46,600,536	145,605,471	4,428,906	6,628,300

Bank deposits include savings accounts and fixed deposits. The savings account carried interest 0.38 percent per annum (2013: 0.50 percent per annum) and fixed deposits carried interest at 1.10 - 2.60 percent per annum (2013: 1.45 - 3.20 percent per annum).

8. Trade and other receivables

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
<u>Trade receivables - related parties</u>				
Aged on the basis of due dates				
Not yet due	1,124,436	861,503	950,106	800,878
Past due				
Up to 3 months	6,720	364,475	6,720	364,475
Total trade receivables - related parties, net	1,131,156	1,225,978	956,826	1,165,353
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	227,394,670	123,907,793	225,433,702	119,822,307
Past due				
Up to 3 months	29,107,621	100,992,342	25,060,566	95,356,032
3 - 6 months	1,189,429	929,386	1,189,429	929,386
6 - 12 months	103,410	339,006	103,410	339,006
Over 12 months	962,309	1,148,084	962,310	1,148,084
Total	258,757,439	227,316,611	252,749,417	217,594,815
Less: Allowance for doubtful accounts	(1,000,000)	(1,900,000)	(1,000,000)	(1,500,000)
Total trade receivable - unrelated parties, net	257,757,439	225,416,611	251,749,417	216,094,815
Total trade receivable - net	258,888,595	226,642,589	252,706,243	217,260,168
<u>Other receivables</u>				
Other receivables - related parties	617,895	727,038	463,780	316,730
Other receivables - unrelated parties	11,769,784	6,903,399	7,916,139	3,975,001
Total other receivables	12,387,679	7,630,437	8,379,919	4,291,731
Trade and other receivables - net	271,276,274	234,273,026	261,086,162	221,551,899

9. Inventories

(Unit: Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2014	2013	2014	2013	2014	2013
Finished goods	51,871,701	57,899,014	(1,550,000)	(2,225,161)	50,321,701	55,673,853
Raw materials	104,040,253	190,473,291	(1,400,000)	(464,225)	102,640,253	190,009,066
Work in process	1,894,358	2,916,699	-	-	1,894,358	2,916,699
Store supplies	17,994,221	27,024,763	(4,131,000)	(1,594,000)	13,863,221	25,430,763
Total	175,800,533	278,313,767	(7,081,000)	(4,283,386)	168,719,533	274,030,381

(Unit: Baht)

	Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2014	2013	2014	2013	2014	2013
Finished goods	46,094,740	51,279,155	(1,550,000)	(1,000,000)	44,544,740	50,279,155
Raw materials	96,330,085	177,330,096	-	-	96,330,085	177,330,096
Store supplies	12,253,060	23,854,332	(4,000,000)	(1,474,000)	8,253,060	22,380,332
Total	154,677,885	252,463,583	(5,550,000)	(2,474,000)	149,127,885	249,989,583

During the current year, the Company reduced cost of inventories by Baht 4 million (The Company only: Baht 3.1 million), to reflect the net realisable value. This was presented as cost of sales. In addition, the Company reversed the write-down of cost of inventories by Baht 1.2 million (2013: Baht 1.1 million), and reduced the amount of inventories recognized as expenses during the year.

The Company has pledged inventories of approximately Baht 141 million (2014: Baht 227 million) to secure short-term loans from a bank, as discussed in Note 16.

10. Restricted bank deposit

This represents fixed deposit of a subsidiary pledged with a bank to secure a bank guarantee.

11. Investments in subsidiaries

Detail of investments in subsidiaries as presented in separate financial statements is as follow:

Company's name	Paid up capital		Shareholding percentage		Cost		(Unit: Baht) Dividend received during the year	
	2014	2013	2014	2013	2014	2013	2014	2013
	Thousand	Thousand	%	%				
	Baht	Baht						
PRG Granary Co., Ltd.	250,000	250,000	99.99	99.99	239,636,680	239,636,680	-	-
MBK Food and Entertainment Co., Ltd.	50,000	50,000	75.00	75.00	84,751,452	84,751,452	-	-
MBK Food Island Co., Ltd.	500,000	1,500	99.99	99.98	498,685,435	185,435	-	-
MBK Food System Co., Ltd.	100,000	60,000	60.00	60.00	60,000,000	36,000,000	-	-
					<u>883,073,567</u>	<u>360,573,567</u>	-	-

Acquisition of subsidiaries during the year

MBK Suki Number One Company Limited

On 2 October 2014, the meeting of the Board of the Directors of MBK Food and Entertainment Company Limited passed a resolution to approve the purchase of ordinary shares of MBK Suki Number One Company Limited from MBK Public Company Limited total 100,000 ordinary shares at 86.95 Baht per share, or for a total of Baht 8.69 million.

Estimates of fair values of the assets acquired and the liabilities assumed on the acquisition date of MBK Suki Number One Company Limited are presented below.

	(Unit: Baht)
Cash and cash equivalents	8,106,261
Trade and other receivables	526,339
Other current assets	184,092
Other non-current assets	4,000
Total assets	<u>8,820,692</u>
Trade and other payables	126,027
Total liabilities	<u>126,027</u>
Net assets value	<u>8,694,665</u>
Cost of business combination	8,694,665
Less: Net assets value	<u>(8,694,665)</u>
Goodwill	<u>-</u>
Reconcile net cash	
Cash paid for acquisition of the subsidiary	8,694,665
Less: Cash and cash equivalents of the subsidiary	<u>8,106,261</u>
Net cash paid for acquisition of the subsidiary	<u>588,404</u>

As required by the relevant financial reporting standard, the Company measured the fair value of identifiable assets and liabilities on the acquisition date. A fair value adjustment is in the process of being prepared and will be completed within a period of 12 months from the acquisition date, as required under Thai Financial Reporting Standard No. 3 (Revised 2009).

Revenues and profit of MBK Suki Number One Company Limited and its subsidiary for the period from the acquisition date (13 October 2014) to 31 December 2014, which was included in consolidated statements of comprehensive income total amounting to Baht 4.08 million and loss Baht 0.04 million, respectively.

On 21 October 2014, the Extraordinary General Meeting of shareholders of MBK Food Island Company Limited passed a resolution to approve for the company to increase its registered capital from Baht 1.5 million to Baht 500 million, through the issuance of 4,985,000 new ordinary shares with a par value of Baht 100 each, total amounting to Baht 498.5 million. The share allocation to the Company totaled 4,985,000 new ordinary shares with a par value of Baht 100 each, total amounting to Baht 498.5 million. The Company paid in the called-up share subscription on 21 October 2014 and the subsidiary registered the paid up capital with the Ministry of Commerce on 24 October 2014.

On 21 October 2014, the Extraordinary General Meeting of shareholders of MBK Food System Company Limited passed a resolution to approve for the company to increase its registered capital from Baht 60 million to Baht 100 million, through the issuance of 400,000 new ordinary shares with a par value of Baht 100 each, total amounting to Baht 40 million. The share allocation to the Company totaled 240,000 new ordinary, total amounting to Baht 24 million, or 60% of total new shares. The Company paid in the called-up share subscription on 21 October 2014 and the subsidiary registered the paid up capital with the Ministry of Commerce on 24 October 2014. However, the Company's shareholding interest will remain no change.

Goodwill

	(Unit: Baht)	
	Consolidated financial statements	
	2014	2013
Innofood (Thailand) Co., Ltd.	240,097	240,097
MBK Food and Entertainment Co., Ltd.	53,181,171	53,181,171
Goodwill	53,421,268	53,421,268

12. Investment in parent company - available-for-sale securities

(Unit: Baht)

		Consolidated financial statements					
		Shareholding percentage		Investments		Dividend received during the year	
Nature of business		2014	2013	2014	2013	2014	2013
		%	%				
MBK Public Company Limited	Property rental and development	26.47	26.47	955,416,356	955,416,356		
Add:	Unrealised gain on change in value of investment			6,333,626,782	6,034,077,064		
				<u>7,289,043,138</u>	<u>6,989,493,420</u>	<u>299,549,718</u>	<u>274,587,242</u>

(Unit: Baht)

		Separate financial statements					
		Shareholding percentage		Investments		Dividend received during the year	
Nature of business		2014	2013	2014	2013	2014	2013
		%	%				
MBK Public Company Limited	Property rental and development	25.14	25.14	907,573,606	907,573,606		
Add:	Unrealised gain on change in value of investment			6,016,469,532	5,731,919,814		
				<u>6,924,043,138</u>	<u>6,639,493,420</u>	<u>284,549,718</u>	<u>260,837,242</u>

The investment in parent company is long-term investment in marketable equity securities which classified as available-for-sale securities. Although the Company invests more than 20% of common shares of the parent company and has certain common directors, such investment is not classified as investment in associate because the Company has no significant influence in participating in the financial and operating policy decisions of the parent company.

As at 31 December 2014, the Company has pledged its investment in the listed securities of parent company and entered into a negative pledge agreement on such listed securities totalling 348 million shares, with value at end of reporting period amounting to Baht 5,081 million (2013: 34.8 million shares, Baht 4,872 million) to secure bank overdraft and short-term loan facilities from banks, as discussed in Note 16.

13. Investment properties

The net book value of investment properties as at 31 December 2014 and 2013 is presented below.

(Unit: Baht)

	Consolidated financial statements			Separate financial statements		
	Land	Building for rent	Total	Land	Building for rent	Total
31 December 2014:						
Cost	33,198,631	77,390,152	110,588,783	29,525,466	5,319,476	34,844,942
<u>Less</u> Accumulated depreciation	-	(69,868,883)	(69,868,883)	-	(4,079,222)	(4,079,222)
Net book value	<u>33,198,631</u>	<u>7,521,269</u>	<u>40,719,900</u>	<u>29,525,466</u>	<u>1,240,254</u>	<u>30,765,720</u>
31 December 2013:						
Cost	33,198,631	76,816,871	110,015,502	29,525,466	5,319,476	34,844,942
<u>Less</u> Accumulated depreciation	-	(68,241,715)	(68,241,715)	-	(3,872,324)	(3,872,324)
Net book value	<u>33,198,631</u>	<u>8,575,156</u>	<u>41,773,787</u>	<u>29,525,466</u>	<u>1,447,152</u>	<u>30,972,618</u>

A reconciliation of the net book value of investment properties for the years ended 31 December 2014 and 2013 is presented below.

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Net book value at beginning of year	41,773,787	44,766,859	30,972,618	31,179,516
Acquisition of Building for rent	641,255	312,950	-	-
Disposal - net book value	(1)	(1,654,777)	-	-
Depreciation charged	(1,695,141)	(1,651,245)	(206,898)	(206,898)
Net book value at end of year	<u>40,719,900</u>	<u>41,773,787</u>	<u>30,765,720</u>	<u>30,972,618</u>

The fair value of the investment properties as at 31 December 2014 and 2013 stated below.

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Land	315,731,000	315,731,000	43,393,102	32,880,000
Building for rent	45,032,350	45,921,250	3,119,953	3,654,000
Total	<u>360,763,350</u>	<u>361,652,250</u>	<u>46,513,055</u>	<u>36,534,000</u>

The fair value of the above investment properties have been determined based on appraisal value performed by an independent appraiser. The fair value of the blank land has been determined based on market approach amounting to Baht 316 million. The land for rent on separate financial statements has been determined using the income approach amounting to Baht 44 million. The fair value of the building for rent has been determine based on cost approach amounting to Baht 45 million (Separate financial statements: Baht 3 million).

14. Property, plant and equipment

(Unit: Baht)

Consolidated financial statements						
	Land and land improvement	Buildings	Machinery and factory equipment	Furniture fixtures, office equipment and motor vehicles	Asset under installation	Total
Cost:						
1 January 2014	107,278,388	236,217,974	259,136,448	116,131,543	3,363,100	722,127,453
Additions	92,448	45,500	16,980,179	3,951,006	41,546,168	62,615,301
Disposals/write-off	-	-	(5,518,376)	(3,249,014)	-	(8,767,390)
Transfer in/(transfer out)	-	176,350	33,271,955	3,854,030	(37,302,335)	-
31 December 2014	<u>107,370,836</u>	<u>236,439,824</u>	<u>303,870,206</u>	<u>120,687,565</u>	<u>7,606,933</u>	<u>775,975,364</u>
Accumulated depreciation:						
1 January 2014	-	157,703,962	167,202,601	100,082,530	-	424,989,093
Depreciation for the year	-	11,230,277	16,903,329	4,956,641	-	33,090,247
Depreciation on disposals	-	-	(5,517,627)	(2,909,424)	-	(8,427,051)
31 December 2014	-	<u>168,934,239</u>	<u>178,588,303</u>	<u>102,129,747</u>	-	<u>449,652,289</u>
Allowance for impairment loss:						
1 January 2014	-	-	-	-	-	-
Increase during the year	-	-	800,000	-	-	800,000
31 December 2014	-	-	<u>800,000</u>	-	-	<u>800,000</u>
Net book value:						
31 December 2014	<u>107,370,836</u>	<u>67,505,585</u>	<u>124,481,903</u>	<u>18,557,818</u>	<u>7,606,933</u>	<u>325,523,075</u>
Depreciation for the year						
2014 (Baht 27 million included in manufacturing cost, and the balances in selling and administrative expenses)						<u>33,090,247</u>

Consolidated financial statements

	Land and land improvement	Buildings	Machinery and factory equipment	Furniture fixtures, office equipment and motor vehicles	Asset under installation	Total
Cost:						
1 January 2013	107,278,388	378,981,771	425,765,181	72,337,291	18,686,463	1,003,049,094
Acquisition of subsidiaries during the year	-	2,131,845	10,508,062	48,961,013	-	61,600,920
Additions	-	-	21,622,057	5,230,160	7,241,710	34,093,927
Disposals	-	(145,829,212)	(220,386,766)	(10,400,510)	-	(376,616,488)
Transfer in/(transfer out)	-	933,570	21,627,914	3,589	(22,565,073)	-
31 December 2013	<u>107,278,388</u>	<u>236,217,974</u>	<u>259,136,448</u>	<u>116,131,543</u>	<u>3,363,100</u>	<u>722,127,453</u>
Accumulated depreciation:						
1 January 2013	-	225,225,875	358,984,493	57,997,250	-	642,207,618
Acquisition of subsidiaries during the year	-	555,039	7,908,430	47,641,219	-	56,104,688
Depreciation for the year	-	11,657,148	12,300,390	4,825,621	-	28,783,159
Depreciation on disposals	-	(79,734,100)	(211,990,712)	(10,381,560)	-	(302,106,372)
31 December 2013	<u>-</u>	<u>157,703,962</u>	<u>167,202,601</u>	<u>100,082,530</u>	<u>-</u>	<u>424,989,093</u>
Allowance for impairment loss:						
1 January 2013	-	9,150,159	-	-	-	9,150,159
Decrease during the year	-	(9,150,159)	-	-	-	(9,150,159)
31 December 2013	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net book value:						
31 December 2013	<u>107,278,388</u>	<u>78,514,012</u>	<u>91,933,847</u>	<u>16,049,013</u>	<u>3,363,100</u>	<u>297,138,360</u>
Depreciation for the year						
2013 (Baht 23 million included in manufacturing cost, and the balances in selling and administrative expenses)						<u>28,783,159</u>

(Unit: Baht)

	Separate financial statements					
	Land and land improvement	Buildings	Machinery and factory equipment	Furniture fixtures, office equipment and motor vehicles	Asset under installation	Total
Cost:						
1 January 2014	77,792,921	128,967,365	101,454,169	52,321,727	406,214	360,942,396
Additions	92,449	45,500	298,506	802,641	-	1,239,096
Disposals	-	-	(816,675)	(1,082,936)	-	(1,899,611)
31 December 2014	<u>77,885,370</u>	<u>129,012,865</u>	<u>100,936,000</u>	<u>52,041,432</u>	<u>406,214</u>	<u>360,281,881</u>
Accumulated depreciation:						
1 January 2014	-	70,314,569	44,502,762	43,008,744	-	157,826,075
Depreciation for the year	-	6,337,314	8,524,620	2,768,107	-	17,630,041
Depreciation on disposals	-	-	(816,022)	(1,076,482)	-	(1,892,504)
31 December 2014	-	<u>76,651,883</u>	<u>52,211,360</u>	<u>44,700,369</u>	-	<u>173,563,612</u>
Net book value:						
1 January 2014	-	-	-	-	-	-
Increase during the year	-	-	800,000	-	-	800,000
31 December 2014	-	-	<u>800,000</u>	-	-	<u>800,000</u>
Net book value:						
31 December 2014	<u>77,885,370</u>	<u>52,360,982</u>	<u>47,924,640</u>	<u>7,341,063</u>	<u>406,214</u>	<u>185,918,269</u>
Depreciation for the year						
2014 (Baht 12 million included in manufacturing cost, and the balances in selling and administrative expenses)						<u>17,630,041</u>

(Unit: Baht)

	Separate financial statements					
	Land and land improvement	Buildings	Machinery and factory equipment	Furniture fixtures, office equipment and motor vehicles	Asset under installation	Total
Cost:						
1 January 2013	77,792,921	140,150,792	79,152,067	61,714,009	18,295,736	377,105,525
Additions	-	-	2,531,001	338,318	3,603,905	6,473,224
Disposals	-	(11,183,427)	(1,718,737)	(9,734,189)	-	(22,636,353)
Transfer in/(transfer out)	-	-	21,489,838	3,589	(21,493,427)	-
31 December 2013	<u>77,792,921</u>	<u>128,967,365</u>	<u>101,454,169</u>	<u>52,321,727</u>	<u>406,214</u>	<u>360,942,396</u>
Accumulated depreciation:						
1 January 2013	-	74,664,373	38,513,264	49,326,457	-	162,504,094
Depreciation for the year	-	6,656,020	7,707,395	3,404,220	-	17,767,635
Depreciation on disposals	-	(11,005,824)	(1,717,897)	(9,721,933)	-	(22,445,654)
31 December 2013	-	<u>70,314,569</u>	<u>44,502,762</u>	<u>43,008,744</u>	-	<u>157,826,075</u>
Net book value:						
31 December 2013	<u>77,792,921</u>	<u>58,652,796</u>	<u>56,951,407</u>	<u>9,312,983</u>	<u>406,214</u>	<u>203,116,321</u>
Depreciation for the year						
2013 (Baht 12 million included in manufacturing cost, and the balances in selling and administrative expenses)						<u>17,767,635</u>

As at 31 December 2014, certain building, machinery and equipment items of the Company and its subsidiaries have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 222 million, (2013: Baht 268 million) (Separate financial statements: Baht 63 million (2013: Baht 63 million)).

15. Intangible asset - Computer software

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

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Cost	12,901,450	11,734,535	10,841,732	10,456,532
<u>Less: Accumulated amortisation</u>	<u>(6,602,675)</u>	<u>(5,428,971)</u>	<u>(5,741,956)</u>	<u>(4,683,428)</u>
Net book value	<u>6,298,775</u>	<u>6,305,564</u>	<u>5,099,776</u>	<u>5,773,104</u>
Amortisation expenses included in the profit or loss for the year	<u>1,182,667</u>	<u>1,120,801</u>	<u>1,058,528</u>	<u>1,034,246</u>

A reconciliation of the net book value of intangible assets for the years 2014 and 2013 is presented below.

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Net book value at beginning of year	6,305,564	6,212,529	5,773,104	6,212,529
Acquisition of subsidiaries	172,379	173,428	-	-
Acquisition of computer software	1,003,499	1,040,408	385,200	594,821
Amortisation	<u>(1,182,667)</u>	<u>(1,120,801)</u>	<u>(1,058,528)</u>	<u>(1,034,246)</u>
Net book value at end of year	<u>6,298,775</u>	<u>6,305,564</u>	<u>5,099,776</u>	<u>5,773,104</u>

16. Bank overdrafts and short-term loans from banks

(Unit: Baht)

	Interest rate		Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013	2014	2013
	(% per annum)	(% per annum)				
Bank overdrafts	7.425	7.425	76,251	3,525,326	76,251	3,142,964
Short-term loans from banks	2.39 - 2.40	2.39 - 2.40	<u>513,000,000</u>	<u>773,000,000</u>	<u>513,000,000</u>	<u>773,000,000</u>
Total			<u>513,076,251</u>	<u>776,525,326</u>	<u>513,076,251</u>	<u>776,142,964</u>

Bank overdrafts and short-term loan facilities from banks are secured by the pledge of inventories and listed securities as discussed in Notes 9 and 12.

17. Trade and other payables

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Trade payables - related parties	168,152	-	12,879,194	11,564,977
Trade payables - unrelated parties	60,699,746	49,138,541	25,347,211	14,957,168
Other payables - related parties	6,533,867	1,945,233	2,841,168	1,437,547
Other payables - unrelated parties	-	1,032,385	-	-
Accrued expenses	35,755,062	23,385,966	22,061,876	17,194,533
Total trade and other payables	103,156,827	75,502,125	63,129,449	45,154,225

18. Provision for long-term employee benefits

Provision for long-term employee benefits, which is compensations on employees' retirement, was as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Balance at beginning of year	19,171,216	16,947,313	15,490,552	13,878,347
Acquisition of subsidiaries	-	177,126	-	-
Current service cost	1,408,659	1,434,626	1,210,474	1,129,897
Interest cost	737,141	684,151	589,915	554,308
Benefits paid during the year	(1,466,490)	(72,000)	(1,466,490)	(72,000)
Gain on curtailments	(565,707)	-	(511,739)	-
Balance at end of year	19,284,819	19,171,216	15,312,712	15,490,552

Long-term employee benefit expenses included in the profit or loss was as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Current service cost	1,533,133	1,434,626	1,210,474	1,129,897
Interest cost	737,141	684,151	589,915	554,308
Gain on curtailments	(565,707)	-	(511,739)	-
Total expenses recognised in profit or loss	1,704,567	2,118,777	1,288,650	1,684,205
Line items under which such expenses are included in profit or loss				
Cost of sales	388,696	464,490	263,183	338,211
Selling expenses	82,422	107,476	82,422	105,954
Administrative expenses	1,233,449	1,546,811	943,045	1,240,040
	1,704,567	2,118,777	1,288,650	1,684,205

Principal actuarial assumptions at the valuation date were as follows:

	Consolidated/Separate financial statements	
	2014	2013
	(% per annum)	(% per annum)
Discount rate	4	4
Future salary increase rate	4 - 7	4 - 7
Staff turnover rate (depending on age)	0 - 10	0 - 10

Amounts of defined benefit obligation for the current and previous four periods are as follows:

(Unit: Baht)

	Consolidated	Separate
	financial statements	financial statements
Year 2014	19,284,819	15,312,712
Year 2013	19,171,216	15,490,552
Year 2012	16,974,313	13,878,347
Year 2011	7,985,202	7,152,968

19. Income tax

The Company and some subsidiaries are not liable for corporate income tax for the year ended 31 December 2014 and 2013 because the Company and some subsidiaries have tax loss brought forward from previous years.

Income tax expenses for the years ended 31 December 2014 and 2013 are made up as follows:

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Current income tax:				
Current income tax charge	2,074,854	4,343,118	488,831	-
Deferred tax:				
Relating to origination and reversal of temporary differences	(4,943)	(409,355)	(35,569)	(322,441)
Income tax expense reported in the statement of comprehensive income	2,069,911	3,933,763	453,262	(322,441)

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2014 and 2013 are as follows:

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Deferred tax relating to unrealised gain on investments in available-for-sale securities	59,909,943	309,534,709	56,909,943	294,034,709

Reconciliations between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2014 and 2013 are as follows:

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Accounting profit before tax	316,307,682	296,761,014	335,265,577	273,630,640
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by applicable tax rate	63,261,536	59,352,203	67,053,115	54,726,128
Tax effect of non-deductible expenses and income not subject to tax	(61,191,625)	(55,418,440)	(66,599,853)	(55,048,569)
Income tax expenses reported in the statement of comprehensive income	2,069,911	3,933,763	453,262	(322,441)

As of 31 December 2014 and 2013, the components of deferred tax assets and deferred tax liabilities are as follows:

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Deferred tax assets				
Provision for long-term employee benefits	3,829,300	3,834,243	3,062,542	3,098,111
Deferred tax liabilities				
Unrealised gain from available-for-sale investments	1,250,543,906	1,190,633,963	1,203,293,906	1,146,383,963

In October 2011, the cabinet passed a resolution to reduce the corporate income tax rate from 30 percent to 23 percent in 2012, and then to 20 percent from 2013. In addition, in order to comply with the resolution of the cabinet, in December 2011, the decreases in tax rates for 2012 - 2014 were enacted through a royal decree. In November 2014, a royal decrease was issued to maintain the corporate income tax rate at 20% for the year 2015. The Company reflected the changes in tax rates in its deferred tax calculation, as presented above.

As at 31 December 2014, subsidiaries have unused tax losses of Baht 102 million (2013: Baht 109 million) (Separate financial statements: Baht - million (2013: Baht 54 million)). The Company and subsidiaries do not recognize these tax losses as deferred tax asset because the Company and subsidiaries consider that it is not probable that taxable profit will be available against which the unused tax losses can be utilised before expiry date.

20. Share capital

On 30 April 2014, the Annual General Meeting of the Company's shareholders passed a resolution to approve the change of the par value of the Company's shares from Baht 10 each to Baht 1 each. Therefore, the registered ordinary shares will be changed from 90,000,000 shares to 900,000,000 shares and the paid-up ordinary shares will be changed from 60,000,000 shares to 600,000,000 shares. On 14 May 2014, the Company registered the share capital with the Ministry of Commerce.

21. Statutory reserve

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

22. Expenses by nature

Significant expenses by nature are as follows:

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Salary and wages and other employee benefits	118,026,693	106,321,854	70,438,777	67,324,355
Severance payment	1,979,666	-	1,338,410	-
Depreciation and amortisation expenses	35,950,436	31,554,700	18,869,467	19,008,779
Transportation expenses	65,546,303	50,161,939	65,454,979	48,627,198
Commission and sales promotion expenses	67,299,635	61,066,998	61,839,524	60,807,681
Repair and maintenance expenses	6,825,737	6,606,883	3,443,857	3,981,274
Electricity expenses	31,821,754	26,571,412	10,207,569	10,856,195
Rental expenses	29,218,431	20,067,546	8,747,547	8,012,250
Raw materials and consumables used	1,301,876,034	1,727,266,653	1,252,196,491	1,662,015,136
Changes in inventories of finished goods and work in progress (increase)	7,049,654	(3,511,536)	(8,184,415)	(2,279,577)

23. Basic 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, after adjusting the number of ordinary shares in proportion to the change in the par value of the shares from Baht 10 to Baht 1 per share as discussed in Note 20. The number of ordinary shares of the prior year used for the calculation, as presented for comparative purposes, has been adjusted in proportion to the change in the par value of the shares as a result of the change in the par value of the shares had been occurred at the beginning of the earliest period reported.

The following table sets forth the computation of basic earnings per share for the years ended 31 December 2014 and 2013:

	Profit for the years		Weighted average number of ordinary shares		Earnings per share	
	2014	2013	2014	2013	2014	2013
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht) (Restated)
Consolidated financial statements	328,236	294,043	600,000	600,000	<u>0.55</u>	<u>0.49</u>
Separate financial statements	334,812	273,953	600,000	600,000	<u>0.56</u>	<u>0.46</u>

24. 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.

For management purposes, the Company and its subsidiaries are organised into business units based on its products and services and have three reportable segments: (1) improving the quality and packaging of milled rice and (2) manufacturing and distribution of plastic bag (3) food center.

No operating segments have been aggregated to form the above reportable operating segments.

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 on a basis consistent with that used to measure operating profit or loss and total assets in the financial statements.

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

The following tables present revenue and profit information regarding the Company and its subsidiaries' operating segments for the years ended 31 December 2014 and 2013, respectively.

(Unit: Baht)

	Rice mill production and distribution		Manufacturing and distribution of plastic bag		Food center		Elimination of inter- segment revenues		Consolidated financial statements	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	Revenue from external customers	1,604,342,529	1,885,934,745	43,612,084	62,112,917	297,264,520	240,284,955	-	-	1,945,219,133
Inter-segment revenue	15,820	-	14,217,127	22,276,421	-	-	(14,232,947)	(22,276,421)	-	-
Interest revenue	15,011,810	13,694,959	38,973	67,676	3,131,117	1,266,933	(16,707,621)	(13,565,981)	1,474,279	1,463,587
Interest expense	(14,930,223)	(18,497,299)	(776,774)	(459,123)	(14,508,474)	(13,333,734)	16,707,621	13,565,981	(13,507,850)	(18,724,175)
Depreciation and amortisation	(24,930,609)	(25,255,113)	(5,958,650)	(5,079,060)	(5,078,796)	(1,221,031)	-	-	(35,968,055)	(31,555,204)
Interest in the loss of an associate accounted for by the equity method	-	(104,889)	-	-	-	-	-	-	-	(104,889)
Income tax expense or income	(423,440)	349,795	44,703	51,085	(1,691,174)	(4,334,643)	-	-	(2,069,911)	3,933,763
Segment profit (loss)	<u>50,144,503</u>	<u>9,091,193</u>	<u>(12,541,340)</u>	<u>(10,610,502)</u>	<u>(23,226,837)</u>	<u>15,496,110</u>	<u>269,944</u>	<u>(73,839)</u>	<u>14,646,270</u>	<u>13,882,962</u>
Unallocated income:										
Dividend income									299,591,501	278,944,289
Profit for the year									<u>314,237,771</u>	<u>292,827,251</u>

The following table presents segment assets of the Company and its subsidiaries' operating segments as at 31 December 2014 and 2013:

(Unit: Baht)

	Processing and packaging of rice		Manufacturing and distribution of plastic bag		Food center		Elimination of inter-segment		Consolidated financial statements	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	Property, plant and equipment	228,143,997	249,883,220	30,346,256	36,298,599	67,032,822	10,956,541	-	-	325,523,075
Prepaid rental fee	-	-	-	-	237,932,923	250,924,025	-	-	237,932,923	250,924,025
Unallocated assets										
- Investment in parent company - available-for-sale security									7,289,043,138	6,989,493,420
- Other assets									667,925,026	874,051,915
Total assets									8,520,424,162	8,411,607,720

Transfer prices between business segments are as set out in Note 6 to the financial statements.

Geographic information

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

	(Unit: Baht)	
	2014	2013
Revenue from external customers		
Thailand	1,519,795,303	1,894,218,724
United States/Canada	211,812,924	110,618,239
Europe	87,180,638	107,445,175
Asia Pacific	126,430,268	76,050,479
Total	<u>1,945,219,133</u>	<u>2,188,332,617</u>

Major customers

For the year 2014, the Company and its subsidiaries have revenue from two major customers in amount of Baht 413 million, arising from processing and packaging of rice segment (2013: Baht 573 million).

25. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Under the fund rules, the Company, its subsidiaries and their employees must contribute 5 percent of basic salary. The fund, which is managed by Thanachart Asset Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year ended 31 December 2014, the Company and its subsidiaries contributed Baht 2 million (2013: Baht 2 million) (Separate financial statements: Baht 2 million (2013: Baht 2 million)) to the fund.

26. Dividends

		(Unit: Million Baht)	
	Approved by	Total dividends	Dividend (Baht per share)
Final dividends on the year ended 31 December 2012	Annual General Meeting of the shareholders on 17 April 2013	135	2.25
Interim dividend on the six-month period ended 30 June 2013	Board of Director Meeting on 30 September 2013	<u>135</u>	2.00
		<u>270</u>	
Final dividends on the year ended 31 December 2013	Annual General Meeting of the shareholders on 30 April 2014	135	2.25
Interim dividend on the six-month period ended 30 June 2014	Board of Director Meeting on 2 October 2014	<u>150</u>	0.25
		<u>285</u>	

27. Commitments and guarantees

27.1 Capital commitments

As at 31 December 2014, four subsidiaries have capital commitments of Baht 4 million (2013: Baht 1 million), relating to the design and decoration of space and acquisition of computer system.

27.2 Operating lease commitments

Two subsidiaries have entered into several lease agreements in respect of the lease of building space and equipment. The terms of the agreements are 3 and 20 years.

As at 31 December 2014, future minimum lease payments required under these non-cancellable operating leases contracts were as follows.

	(Unit: Million Baht)
Payable:	
In up to 1 year	66
In over 1 and up to 5 years	122
In over 5 years	257

27.3 Long-term service commitments

A subsidiary has entered into license and technical assistance agreements with an overseas related company for the use of a trademark, training and providing of information related to restaurant business operation. Under the conditions of the license agreement, the subsidiary is to pay royalty fee at the rate as stipulated in the agreement.

27.4 Guarantees

As at 31 December 2014, there were outstanding bank guarantees of approximately Baht 19 million (2013: Baht 10 million) issued by the banks on behalf of the Company and its subsidiaries (Separate financial statements: Baht 19 million (2013: Baht 10 million)) in respect of utilities payments of the Company and its subsidiaries and purchase and sale agreements under The Paddy Pledging Schemes of 2013/2014.

28. Financial instruments

28.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, loans, investments, and short-term and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable and loans. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Company and its subsidiaries do not have high concentrations of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables as stated in the statement of financial position.

Interest rate risk

The Company and its subsidiaries' exposure to interest rate risk relates primarily to their cash at banks, bank overdrafts, and short-term loans from banks and related parties.

Significant financial assets and liabilities as at 31 December 2014 and 2013 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 repricing date if this occurs before the maturity date.

(Unit: Baht)

	Consolidated financial statements as at 31 December 2014				
	Fixed interest rates		Floating interest rate	Total	Interest rate (percent per annum)
	within 1 year	1-10 years			
Financial assets					
Cash equivalents (excluding cash)	18,000,000	-	26,046,604	44,046,604	0.375 - 2.60
Financial liabilities					
Bank overdrafts	-	-	76,251	76,251	7.425
Short-term loans from banks	513,000,000	-	-	513,000,000	2.39 - 2.40

(Unit: Baht)

	Consolidated financial statements as at 31 December 2013				
	Fixed interest rates		Floating interest rate	Total	Interest rate (percent per annum)
	within 1 year	1-10 years			
Financial assets					
Cash equivalents (excluding cash)	53,724,844	-	90,462,756	144,187,600	0.50 - 3.20
Restricted bank deposit	511,000	-	-	511,000	1.45
Financial liabilities					
Bank overdrafts	-	-	3,525,326	3,525,326	7.425
Short-term loans from banks	773,000,000	-	-	773,000,000	2.64 - 2.65

(Unit: Baht)

Separate financial statements as at 31 December 2014

	Fixed interest rates		Floating interest rate	Total	Interest rate (percent per annum)
	within 1 year	1-10 years			
Financial assets					
Cash equivalents (excluding cash)	-	-	4,318,906	4,318,906	0.375
Financial liabilities					
Bank overdrafts	-	-	76,251	76,251	7.425
Short-term loans from banks	513,000,000	-	-	513,000,000	2.39 - 2.40
Short-term loans from subsidiaries	-	-	302,120,000	302,120,000	2.41 - 6.75

(Unit: Baht)

Separate financial statements as at 31 December 2013

	Fixed interest rates		Floating interest rate	Total	Interest rate (percent per annum)
	within 1 year	1-10 years			
Financial assets					
Cash equivalents (excluding cash)	-	-	6,518,300	6,518,300	0.50
Short-term loans to subsidiaries	-	-	11,630,000	11,630,000	6.75
Long-term loan to subsidiaries	-	-	275,000,000	275,000,000	6.75
Financial liabilities					
Bank overdrafts	-	-	3,142,964	3,142,964	7.425
Short-term loans from banks	773,000,000	-	-	773,000,000	2.64 - 2.65

Foreign currency risk

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

The balances of financial assets denominated in foreign currencies as at 31 December 2014 and 2013 are summarised below.

Foreign currency	Financial assets		Exchange rate as at 31 December	
	2014 (Unit)	2013 (Unit)	2014 (Baht per 1 foreign currency unit)	2013 (Baht per 1 foreign currency unit)
US dollar	1,058,546	642,862	32.72	32.58

Forward exchange contracts outstanding are summarised below.

As at 31 December 2014			
Foreign currency	Sold amount	Contractual exchange rate	Maturity date
	(Unit)	(Baht per 1 foreign currency unit)	
US dollar	3,572,354	32.4020 - 33.0947	18 March 2015 - 30 June 2015

As at 31 December 2013			
Foreign currency	Sold amount	Contractual exchange rate	Maturity date
	(Unit)	(Baht per 1 foreign currency unit)	
US dollar	1,992,214	30.3906 - 32.6883	6 February 2014 - 24 June 2014

Option contract outstanding are summarised below.

As at 31 December 2014			
Foreign currency	Sold amount	Contractual exchange rate	Maturity date
	(Unit)	(Baht per 1 foreign currency unit)	
US dollar	-	-	-

As at 31 December 2013			
Foreign currency	Sold amount	Contractual exchange rate	Maturity date
	(Unit)	(Baht per 1 foreign currency unit)	
US dollar	500,000	30.30	13 January 2014

28.2 Fair value of financial instruments

Since the majority of the Company and its subsidiaries' financial instruments are short-term in nature and loans bear interest at the rate approximately to market interest rates, their fair value is not expected to be materially different from the amounts presented in the statements of financial position.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

29. Promotional privileges

Sima Pac Company Limited has received promotional privileges from the Board of Investment for the manufacturer of film plastics pursuant to the promotion certificate No. 2104(2)/2549 issued on 5 October 2006. Subject to certain imposed conditions, the privileges include an exemption from corporate income tax for a period of 8 years from the date the promoted operations commenced generating revenues (23 March 2007).

Operating revenues for the year ended 31 December 2014 and 2013 divided according to promoted and non-promoted operations are shown below.

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Revenues from sales - promoted operations	27,111,044	45,404,550	-	-
Revenues from sales - non-promoted operations	1,918,108,089	2,142,928,067	1,604,976,135	1,885,613,901
Total	<u>1,945,219,133</u>	<u>2,188,332,617</u>	<u>1,604,976,135</u>	<u>1,885,613,901</u>

30. Capital management

The primary objective of the Company's capital management is to ensure that it has an appropriate financial structure and preserves the ability to continue its business as a going concern. According to the statements of financial position as at 31 December 2014 and 2013, the Company and its subsidiaries' debt-to-equity ratio was 0.29:1 (2013: 0.33:1) and the Company's was 0.33:1 (2013: 0.33:1).

31. Approval of financial statements

These financial statements were authorised for issue by the Audit Committee of the Company on 17 February 2015.