

PART III
FINANCIAL POSITION AND OPERATING RESULTS

13. FINANCIAL HIGHLIGHTS

13.1 Summary of Financial Position and Operating Results for the past 3 years

13.1.1 Summary of Auditors' Findings and Significant Accounting Policies

The name of Company's auditor for the 2014 Financial Statements is Sophon Permsirivallop, Certified Public Accountant (Thailand) No. 3182 of EY Office Limited and the name of its subsidiaries' auditor is Rosaporn Decharkom, Certified Public Accountant (Thailand) No. 5659 of EY Office Limited.

Conclusion of the Auditor's Report

For the year ended 31 December 2014

In summary, a clean audit report was issued.

The financial statements were audited in accordance with Thai Standards on auditing which included compliance with ethical requirements and plan and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The auditors issued a clean audit opinion on the financial statements for the year ended 31 December 2014 and stated that the financial statements are presented fairly in all material respects. The financial position, financial performance and cash flows for the year then ended of the Company and its subsidiaries have been prepared in accordance with Thai Financial Reporting Standards.

For the year ended 31 December 2013

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The auditor draw attention to the note to financial statements regarding the change in accounting policy as a result of the adoption of Thai Accounting Standard 12 *Income taxes* and note to financial statements regarding to change in accounting policy for revalued property, plant and equipment. The auditor's opinion is not qualified in respect of this matter.

For the year ended 31 December 2012

In summary, a clean audit report was issued.

The financial statements were audited in accordance with Thai Standards on auditing which included compliance with ethical requirements and plan and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The auditor issued a clean audit opinion on the financial statements for the year ended 31 December 2012 and stated that the financial statements are presented fairly in all material respects. The financial position, financial performance and cash flows for the year then ended of the Company and its subsidiaries have been prepared in accordance with Thai Financial Reporting Standards.

New accounting standards for the year 2014

Below is a summary of accounting 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

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 Standard:

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 recognize actuarial gains and losses of post-employment benefits 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 of post-employment benefits 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 judgment 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 the standards will not have any significant 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.

13.1.2 Summary of Financial Statements

Consolidated Income Statement

Unit: Baht

	Consolidated financial statements		
	<u>2014</u>	<u>2013</u>	<u>2012</u> (Restated)
Revenue			
Revenue from hotel operations	3,039,990,887	3,428,458,199	3,164,823,205
Revenue from property development operations	815,205,013	744,416,413	892,571,753
Revenue from office rental operations	90,368,736	88,542,903	92,397,575
Other income	70,860,919	91,017,516	149,486,910
Total revenue	4,016,425,555	4,352,435,031	4,299,279,443
Expenses			
Cost of hotel operations	1,748,452,059	1,902,116,928	1,539,343,133
Cost of property development operations	424,589,152	337,427,604	427,179,985
Cost of office rental operations	45,333,910	43,265,799	39,252,860
Selling expenses	384,458,845	430,518,638	399,269,560
Administrative expenses	1,274,812,178	1,480,853,733	1,611,147,043
Reversal of loss on impairment of investment	(89,338,720)	(245,287,794)	-
Total expenses	3,788,307,424	3,948,894,908	4,016,192,581
Profit before share of loss from investment in associate, finance cost and income tax expenses	228,118,131	403,540,123	283,086,862
Share of loss from investment in associate	(36,189,121)	(21,065,652)	(5,427,759)
Profit before finance cost and income tax expenses	191,929,010	382,474,471	277,659,103
Finance cost	(162,075,264)	(180,457,409)	(179,887,551)
Profit before income tax expenses	29,853,746	202,017,062	97,771,552
Income tax expenses	(8,630,849)	(85,378,946)	(61,126,835)
Profit for the year	21,222,897	116,638,116	36,644,717
Profit attributable to:			
Equity holders of the Company	18,140,298	111,788,555	19,856,929
Non-controlling interests of the subsidiaries	3,082,599	4,849,561	16,787,788
	21,222,897	116,638,116	36,644,717
Basic earnings per share			
Profit attributable to equity holders of the Company	0.11	0.67	0.12

Consolidated Statement of Comprehensive Income

Unit: Baht

	Consolidated financial statements		
	<u>2014</u>	<u>2013</u>	<u>2012</u> (Restated)
Profit for the year	21,222,897	116,638,116	36,644,717
Other comprehensive income:			
Exchange differences on translation of financial statements in foreign currency	(13,160,094)	62,243,239	(6,493,235)
Actuarial gain (loss) of post-employment benefits, net of income tax	-	(10,714,023)	36,851,607
Unrealised gain on available-for-sales security, net of income tax	54,239,019	-	-
Addition (reversal) of revaluation surplus on assets, net of income tax	-	(1,160,903,353)	16,800,000
Other comprehensive income (loss) for the year	41,078,925	(1,109,374,137)	47,158,372
Total comprehensive income (loss) for the year	62,301,822	(992,736,021)	83,803,089
Total comprehensive income (loss) attributable to:			
Equity holders of the Company	60,447,873	(999,409,114)	66,677,662
Non-controlling interests of the subsidiaries	1,853,949	6,673,093	17,125,427
	62,301,822	(992,736,021)	83,803,089

Consolidated Statement of Financial Position

Unit: Baht

	Consolidated financial statements		
	31 December 2014	31 December 2013	31 December 2012 (Restated)
ASSETS			
Current assets			
Cash and cash equivalents	444,663,200	370,828,298	571,864,369
Current investment – short-term fixed deposit	10,587,991	10,424,865	-
Trade and other receivables	549,723,270	579,009,676	523,115,792
Inventories	107,779,102	123,132,426	133,423,556
Property development cost	3,888,709,119	3,414,814,251	2,387,510,437
Other current assets	178,918,303	204,771,602	192,237,232
Total current assets	5,180,350,985	4,702,981,118	3,808,151,386
Non-current assets			
Restricted deposits at financial institution	41,189	41,189	-
Long-term fixed deposit	2,000,000	2,000,000	2,000,000
Long-term trade accounts receivable	165,044,275	144,442,559	160,078,416
Investments in associates	409,464,982	456,568,175	516,305,462
Other long-term investments	1,008,789,883	851,652,389	544,332,731
Long-term loans to employees	-	183,034	2,093,256
Investment properties	1,112,275,932	1,100,635,059	1,076,544,000
Property, plant and equipment	10,224,887,848	10,207,075,537	12,819,404,762
Deferred tax assets	95,533,870	81,588,647	86,823,203
Goodwill	407,903,881	407,903,881	407,903,881
Leasehold rights	19,448,550	22,912,903	24,765,903
Other non-current assets	68,356,883	69,513,824	69,944,080
Total non-current assets	13,533,747,293	13,344,517,197	15,710,195,694
TOTAL ASSETS	18,714,098,278	18,047,498,315	19,518,347,080

Consolidated Statement of Financial Position (continued)

Unit: Baht

	Consolidated financial statements		
	31 December 2014	31 December 2013	31 December 2012 (Restated)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term loans from financial institutions	710,000,000	170,000,000	-
Trade and other payables	687,573,357	608,574,194	690,934,721
Current portion of long-term loans from financial institutions	657,750,000	457,000,000	422,950,743
Income tax payable	23,787,114	13,197,834	12,530,804
Advance received from customers	1,017,212,164	514,413,237	356,003,785
Other current liabilities	122,059,676	119,137,926	129,056,513
Total current liabilities	3,218,382,311	1,882,323,191	1,611,476,566
Non-current liabilities			
Long-term loans from financial institutions – net of current portion	1,819,575,819	2,513,325,819	2,974,325,820
Provision for long-term employee benefits	52,622,004	54,400,732	53,462,110
Long-term provision - provision for legal case	39,337,103	-	-
Deferred tax liabilities	2,091,589,988	2,097,827,508	2,372,356,299
Other non-current liabilities	84,959,992	97,628,519	91,163,057
Total non-current liabilities	4,088,084,906	4,763,182,578	5,491,307,286
Total liabilities	7,306,467,217	6,645,505,769	7,102,783,852
Shareholders' equity			
Share capital			
Registered			
211,675,358 ordinary shares of Baht 10 each	2,116,753,580	2,116,753,580	2,116,753,580
Issued and fully paid-up			
166,682,701 ordinary shares of Baht 10 each	1,666,827,010	1,666,827,010	1,666,827,010
Share premium	2,062,460,582	2,062,460,582	2,062,460,582
Capital reserve	568,130,588	568,130,588	568,130,588
Retained earnings			
Appropriated – statutory reserve	211,675,358	211,675,358	211,675,358
Unappropriated	2,482,805,944	2,521,328,953	2,441,089,082
Other components of shareholders' equity	4,134,100,817	4,091,793,242	5,192,276,888
Equity attributable to owner of the Company	11,126,000,299	11,122,215,733	12,142,459,508
Equity attributable to non-controlling interests of the subsidiaries	281,7630,762	279,776,813	273,103,720
Total shareholders' equity	11,407,631,061	11,401,992,546	12,415,563,228
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	18,714,098,278	18,047,498,315	19,518,347,080

Consolidated Cash Flow Statement

Unit: Baht

	Consolidated financial statements		
	<u>2014</u>	<u>2013</u>	<u>2012</u> <u>(Restated)</u>
Cash flows from operating activities			
Net cash flows from operating activities	370,247,799	264,983,255	507,555,666
Cash flows from investing activities			
Net cash flows use in investing activities	(284,233,472)	(203,518,944)	(588,289,860)
Cash flows from financing activities			
Net cash flows from (used in) financing activities	(9,663,307)	(277,785,405)	168,973,805
Net exchange differences on transaction of financial statements in foreign currency	(2,546,118)	15,285,023	4,627,923
Net increase (decrease) in cash and cash equivalents	73,804,902	(201,036,071)	92,867,534
Cash and cash equivalents at beginning of year	370,828,298	571,864,369	478,996,835
Cash and cash equivalents at end of year	444,633,200	370,828,298	571,864,369

Separate Income Statement

Unit: Baht

	Separate financial statements		
	<u>2014</u>	<u>2013</u>	<u>2012</u> (Restated)
Revenue			
Revenue from hotel operations	-	7,531,600	34,478,700
Revenue from property development operations	99,521,708	224,443,942	73,323,397
Revenue from office rental operations	39,607,701	40,632,272	42,770,398
Other income	245,119,692	237,761,550	168,189,520
Total revenue	384,249,101	510,369,364	318,762,015
Expenses			
Cost of hotel operations	-	331,660	8,129,556
Cost of property development operations	52,694,785	112,188,787	38,151,898
Cost of office rental operations	7,195,467	7,308,059	6,981,229
Selling expenses	6,943,772	17,179,411	11,117,136
Administrative expenses	156,077,666	225,328,750	257,174,571
Reversal of loss on impairment of investment	-	(31,161,043)	-
Total expenses	222,911,690	331,175,624	321,554,390
Profit (loss) before finance cost and income tax expenses	161,337,411	179,193,740	(2,792,375)
Finance cost	(61,765,911)	(59,913,373)	(40,082,794)
Profit (loss) before income tax expenses	99,571,500	119,280,367	(42,875,169)
Income tax expenses	(12,057,596)	(34,282,728)	(8,340,094)
Profit (loss) for the year	87,513,904	84,997,639	(51,215,263)
Profit (loss) attributable to:			
Equity holders of the Company	87,513,904	84,997,639	(51,215,263)
Basic earnings per share			
Profit (loss) attributable to equity holders of the Company	0.53	0.51	(0.31)

Separate Statement of Comprehensive Income

Unit: Baht

	Separate financial statements		
	<u>2014</u>	<u>2013</u>	<u>2012</u> (Restated)
Profit (loss) for the year	87,513,904	84,997,639	(51,215,263)
Other comprehensive income:			
Actuarial gain (loss) of post-employment benefits, net of income tax	-	(3,370,977)	9,275,558
Unrealised gain on available-for-sales security, net of income tax	125,709,995	171,301,401	-
Addition (reversal) of revaluation surplus on assets, net of income tax	-	(8,599,310)	6,559,127
Other comprehensive income for the year	125,709,995	159,331,114	15,834,685
Total comprehensive income (loss) for the year	213,223,899	244,328,753	(35,380,578)
Total comprehensive income (loss) attributable to:			
Equity holders of the Company	213,223,899	244,328,753	(35,380,578)

Separate Statement of Financial Position

Unit: Baht

	Separate financial statements		
	31 December 2014	31 December 2013	31 December 2012 (Restated)
ASSETS			
Current Assets			
Cash and cash equivalents	17,675,124	17,182,951	53,398,241
Trade and other receivables	203,899,461	205,710,145	183,353,889
Inventories	-	-	104,634
Property development cost	193,267,064	245,054,436	245,342,887
Other current assets	23,537,678	26,924,539	30,969,734
Total current assets	438,379,327	494,872,071	513,169,385
Non- current assets			
Long-term fixed deposit	2,000,000	2,000,000	2,000,000
Long-term trade accounts receivable	-	14,063,349	24,890,227
Investments in subsidiaries	3,479,025,077	3,479,025,077	3,479,025,077
Other long-term investments	402,425,290	245,287,796	-
Long-term loans to subsidiaries	2,257,020,629	1,948,000,629	1,690,900,629
Long-term loans to employees	-	23,325	162,966
Investment properties	181,225,030	168,997,818	169,914,661
Property, plant and equipment	49,796,176	50,878,389	174,392,630
Other non-current assets	1,334,653	3,041,643	3,057,237
Total non-current assets	6,372,826,855	5,911,318,026	5,544,343,427
TOTAL ASSETS	6,811,206,182	6,406,190,097	6,057,512,812

Separate Statements of Financial Position (continued)

Unit: Baht

	Separate financial statements		
	31 December 2014	31 December 2013	31 December 2012 (Restated)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term loans from financial institutions	360,000,000	150,000,000	-
Trade and other payables	24,925,616	51,223,896	60,900,673
Current portion of long-term loans from financial institutions	70,000,000	70,000,000	70,000,000
Advance received from customers	715,596	263,506	23,262,951
Other current liabilities	9,959,271	7,487,798	5,807,590
Total current liabilities	465,600,483	278,975,200	159,971,214
Non- current liabilities			
Long-term loans from subsidiaries	765,850,000	673,850,000	669,650,000
Long-term loans from financial institutions – net of current portion	35,000,000	105,000,000	175,000,000
Provision for long-term employee benefits	10,021,710	11,668,911	9,884,414
Deferred tax liabilities	196,846,463	153,361,368	79,245,863
Other non-current liabilities	5,881,045	7,888,729	11,809,524
Total non-current liabilities	1,013,599,218	951,769,008	945,589,801
Total liabilities	1,479,199,701	1,230,744,208	1,105,561,015
Shareholders' equity			
Share capital			
Registered			
211,675,358 ordinary shares of Baht 10 each	2,116,753,580	2,116,753,580	2,116,753,580
Issued and fully paid-up			
166,682,701 ordinary shares of Baht 10 each	1,666,827,010	1,666,827,010	1,666,827,010
Share premium	2,062,460,582	2,062,460,582	2,062,460,582
Retained earnings			
Appropriated – statutory reserve	211,675,358	211,675,358	211,675,358
Unappropriated	957,046,188	926,195,591	865,403,590
Other components of shareholders' equity	433,977,343	308,287,348	145,585,257
Total shareholders' equity	5,332,006,481	5,175,445,889	4,951,951,797
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6,811,206,182	6,406,190,097	6,057,512,812

Separate Cash Flow Statement

Unit: Baht

	Separate financial statements		
	<u>2014</u>	<u>2013</u>	<u>2012</u> <u>(Restated)</u>
Cash flows from operating activities			
Net cash flows from (used in) operating activities	78,009,731	146,336,343	(215,934,353)
Cash flows from investing activities			
Net cash flows from (used in) investing activities	(252,854,251)	(245,916,972)	64,729,137
Cash flows from financing activities			
Net cash flows from financing activities	175,336,693	63,365,339	178,450,000
Net increase (decrease) in cash and cash equivalents	492,173	(36,215,290)	27,244,784
Cash and cash equivalents at beginning of year	17,182,951	53,398,241	26,153,457
Cash and cash equivalents at end of year	17,675,124	17,182,951	53,398,241

13.1.3 Financial ratios of the Company and its subsidiaries

CONSOLIDATED FINANCIAL RATIOS

		Consolidated financial statements		
		<u>2014</u>	<u>2013</u>	<u>2012</u> <u>(Restated)</u>
<u>Liquidity Ratios</u>				
Current Ratio	Times	1.61	2.50	2.36
Quick Ratio	Times	0.26	0.44	0.61
Cash Flow From Operating Activities Ratio	Times	0.15	0.15	0.26
Receivables Turnover	Times	8.91	9.62	10.36
Collection Period	Days	40.40	37.42	34.75
Inventory Turnover	Times	15.14	11.12	9.18
Inventory Turnover Period	Days	23.77	32.36	39.20
Accounts Payable Turnover	Times	7.55	7.99	6.26
Payment Period	Days	47.68	45.06	57.51
Cash Cycle	Days	16.50	24.72	16.44
<u>Profitability Ratios</u>				
Gross Profit Margin	%	43.78	57.49	57.97
Profit Margin from Operations	%	5.78	9.47	6.82
Net Profit Margin	%	0.45	2.57	0.46
Return On Equity	%	0.16	0.94	0.16
<u>Efficiency Ratios</u>				
Return On Total Assets	%	0.10	0.60	0.10
Return On Fixed Assets	%	2.73	3.15	2.25
Asset Turnover	Times	0.22	0.23	0.22

CONSOLIDATED FINANCIAL RATIOS (Continued)

		Consolidated financial statements		
		<u>2014</u>	<u>2013</u>	<u>2012</u> <u>(Restated)</u>
<u>Financial Policy Ratios</u>				
Debt To Equity	Times	0.64	0.58	0.57
Interest Coverage	Times	3.62	2.83	4.27
Payout Ratio (Cash Basis)	Times	0.43	0.31	0.30
Dividend Payout Ratio*	%	114.86	50.70	104.93
<u>Share value</u>				
Book Value Per Share	Baht	68.44	68.41	74.49
Earnings Per Share	Baht	0.11	0.67	0.12
Dividend Per Share*	Baht	0.13	0.34	0.13
<u>Growth rate</u>				
Total Assets	%	3.69	(7.54)	0.87
Total Liabilities	%	9.95	(6.44)	1.60
Total Revenues	%	(7.72)	1.24	19.49
Total Expenses	%	(4.07)	(1.68)	7.58
Net Income (Loss)	%	(83.77)	462.97	(80.93)

*At the time of printing this report, the Board of Director proposed a final dividend of Baht 0.125 per share but this is subject to the approval of the Annual General Meeting.

SEPARATE FINANCIAL RATIOS

		Separate financial statements		
		<u>2014</u>	<u>2013</u>	<u>2012</u> <u>(Restated)</u>
<u>Liquidity Ratios</u>				
Current Ratio	Times	0.94	1.77	3.21
Quick Ratio	Times	0.06	0.11	0.51
Cash Flow From Operating Activities Ratio	Times	0.21	0.67	(0.47)
Receivables Turnover	Times	11.87	12.85	5.88
Collection Period	Days	30.33	28.02	61.22
Inventory Turnover*	Times	-	6.34	49.42
Inventory Turnover Period*	Days	-	56.78	7.28
Accounts Payable Turnover*	Times	-	0.09	1.25
Payment Period*	Days	-	4,000.00	288.00
Cash Cycle*	Days	-	(3,915.16)	(219.50)
<u>Profitability Ratios</u>				
Gross Profit Margin	%	56.95	56.04	64.63
Profit Margin from Operations	%	115.96	65.73	(1.85)
Net Profit Margin	%	22.78	16.65	(16.07)
Return On Equity	%	1.67	1.68	(1.03)
<u>Efficiency Ratios</u>				
Return On Total Assets	%	1.32	1.36	(0.84)
Return On Fixed Assets	%	40.84	32.18	(12.64)
Asset Turnover	Times	0.06	0.08	0.05

*In 2014, the liquidity ratios that shown in zero due to there are no inventories balance as of 31 December 2014 and Laguna Wedding Chapel operation that present as cost of hotel operation closed since November 2013.

SEPARATE FINANCIAL RATIOS (Continued)

		Separate financial statements		
		<u>2014</u>	<u>2013</u>	<u>2012</u> <u>(Restated)</u>
<u>Financial Policy Ratios</u>				
Debt To Equity	Times	0.28	0.24	0.22
Interest Coverage	Times	2.36	3.52	(4.29)
Payout Ratio (Cash Basis)	Times	0.03	0.06	(0.12)
Dividend Payout Ratio*	%	23.81	(66.67)	(40.68)
<u>Share value</u>				
Book Value Per Share	Baht	31.99	31.05	29.71
Earnings Per Share	Baht	0.53	0.51	(0.31)
Dividend Per Share*	Baht	0.13	0.34	0.13
<u>Growth rate</u>				
Total Assets	%	6.32	5.76	(1.03)
Total Liabilities	%	20.19	11.32	(2.44)
Total Revenues	%	(24.71)	60.11	(70.99)
Total Expenses	%	(32.69)	2.99	(18.23)
Net Income (Loss)	%	(2.96)	(265.96)	(107.94)

*At the time of printing this report, the Board of Director proposed a final dividend of Baht 0.125 per share but this is subject to the approval of the Annual General Meeting

14. MANAGEMENT DISCUSSION AND ANALYSIS

14.1 Analysis on Operating Results and Financial Position

For the year ended 31st December 2014, Laguna Resorts & Hotels Public Company Limited recorded a net profit of Baht 18 million which was Baht 94 million lower when compared to the year before.

Total revenue for the year was Baht 336 million as compared to last year and this was mainly due to the following:

- Revenue from hotel operations decreased by Baht 388 million. This was mainly due to the drop in occupancy rate in Laguna Phuket hotels and Banyan Tree Bangkok which were adversely impacted by the political unrest in Thailand and the devaluation of the ruble resulting in a sharp decline in Russian guests.
- A total of 113 property sales units amounting to Baht 1,522 million in value were sold in 2014 but only 30 units with a combined revenue of Baht 597 million from current and past years sales were recognized in accordance with Thai accounting standard. There are a total of Baht 2,520 million which will be recognized over the next 2 years barring any cancellations. The sales revenue recognized in 2014 was Baht 70 million higher than prior year in which 19 units were recognized. The higher sales revenue in 2014 was partially offset by the lower revenue from the sale of holiday club memberships.
- Revenue from office rental operations increased by Baht 2 million due largely to the increase in rental rate.
- Other income decreased by Baht 20 million mainly due to lower gain on change in fair value of investment properties when compared to the last year

Total expenses decreased by Baht 161 million as compared to last year due mainly to the following:

- Cost of hotel operations decreased by Baht 154 million which was in line with the lower hotel revenue.
- Cost of property development operations increased by Baht 87 million as a result of the increase in property sales recognized during the year.
- Cost of office rental operations increased by Baht 2 million due to higher common area charges which relates to higher building maintenance costs.
- Selling expenses decreased by Baht 46 million mainly due to lower expenses of hotel operations and the holiday club business offset by the higher expenses of property sales operation. This is in line with the revenues of each operation .
- Administrative expenses decreased by Baht 206 million mainly due to a decrease in staff costs, legal fee and write-off expenses offset by an increase in provision for a legal case.

- Reversal of loss on impairment of investment of Baht 89 million in 2014 is the reversal of the remaining amount of provision for impairment of investment in Thai Wah Starch Public Company Limited. In 2013 the Company reversed Baht 245 million. The total provision is Baht 334 million.

Share of loss from investment in associate increased by Baht 15 million relates to the higher loss of Lijiang Banyan Tree Hotel Company Limited.

Finance cost decreased by Baht 18 million as compared to last year. This is mainly due to lower loan balances and interest rates in the current year.

Income tax expenses decreased by Baht 77 million as compared to the prior year and this is due largely to lower profit and no non-refundable withholding tax in the current year.

Profit attributable to non-controlling interests of the subsidiaries decreased by Baht 2 million as compared to last year due mainly to lower profit of Laguna Service Company Limited in which there is a 27 percent non-controlling interest.

For the reasons stated above, the Company's profit is lower as compared to the last year.

Hotel Operations

(Unit: Million Baht)						
	2014	%	2013	%	2012	%
Revenues	3,040	100	3,428	100	3,165	100
Expenses	<u>1,748</u>	<u>58</u>	<u>1,902</u>	<u>55</u>	<u>1,539</u>	<u>49</u>
Gross Operating Profit	<u>1,292</u>	<u>42</u>	<u>1,526</u>	<u>45</u>	<u>1,626</u>	<u>51</u>

Hotel revenues were Baht 388 million and expenses were Baht 154 million lower than last year resulting in operating profit being Baht 234 million lower than last year. The operating margin of 42 percent was lower than the 2013 and 2012 level of 45 percent and 51 percent, respectively. The main reasons for this were:

- The decrease in revenue of the hotel operations is due to the political unrest in Thailand since November 2013 leading to a curfew for several months and culminated in a coup in 22nd May 2014 and the devaluation of the ruble resulting in a sharp decline in Russian guests in the fourth quarter which is the high season period.

- The decrease in the cost of hotel operations is due to the decrease with hotel revenue of Laguna Phuket hotels and Banyan Tree Bangkok.

Property Sales and Holiday Club Membership Operations

(Unit: Million Baht)

	2014	%	2013	%	2012	%
Revenues	815	100	744	100	892	100
Expenses	<u>425</u>	<u>52</u>	<u>337</u>	<u>45</u>	<u>427</u>	<u>48</u>
Gross Operating Profit	<u>390</u>	<u>48</u>	<u>407</u>	<u>55</u>	<u>465</u>	<u>52</u>

Revenues and expenses were Baht 71 million and Baht 88 million higher than last year respectively, resulting in a gross operating profit which is Baht 17 million lower than last year. The operating margin of 48 percent was lower than the 2013 level of 55 percent and lower than the 2012 level of 52 percent. The main reasons for the higher revenue are:

- 30 units of property sales were recognized as compared to 19 units in the prior year.
- The higher revenue from the club dues partially offset the decrease from sale of holiday club memberships.

Balance Sheet

The main balance sheet items at 31 December 2014 and 2013 are as follows:

(Unit: Million Baht)

	Note	31 December 2014	31 December 2013
Cash and cash equivalents	1	445	371
Trade and other receivables	2	550	579
Property development cost	3	3,889	3,415
Other long term investments	4	1,009	852
Investment properties	5	1,112	1,101
Property, plant, equipment and land	6	10,245	10,207
Loans from banks	7	3,187	3,140
Deferred tax liabilities	8	2,092	2,098
Shareholders' equity	9	11,408	11,402

The main points to be noted in regard to the Balance Sheet movements in the year ended 31 December 2014 are:

1. Main movements are explained in the commentary on Cash Flows below.
2. The decrease in accounts receivable balances is mainly due to the decrease in hotel receivables, timeshare receivables, and other receivables offset against increase in property sales receivables and insurance claim receivables.
3. The increase in property development cost is mainly due to the construction of Cassia and Laguna Park project.
4. The increase in other long term investment is due to increase in unrealized gain on investment in Thai Wah Starch Public Company Limited during the year.
5. The increase in investment property is due to increase in gain on change in fair value of investment properties.
6. The increase in property, plant, equipment and land is mainly due to renovations and upgrade of hotels and golf course.
7. Loans from banks increased in 2014 due to drawdown short term loan of Baht 540 million offset by scheduled loan repayments of Baht 493 million.
8. Deferred tax liabilities consist mainly of revaluation surplus of assets of Baht 1,374 million, temporary difference arising from revenue recognition of Baht 654 million and gain of change in value of investment properties of Baht 158 million.
9. The increase in shareholders' equity is mainly due to profit for the year 2014 amounting to Baht 18 million and unrealized gain on available-for-sale security amounting to Baht 54 million offset against dividend paid of Baht 57 million.

Cash Flows

The cash and cash equivalents of Baht 445 million as at 31 December 2014 is Baht 74 million higher as compared to 31 December 2013. The main component of cash inflow during the year was the net cash flow from operations amounting to Baht 370 million. This was largely a function of profit for the year adjusted for depreciation and working capital movements.

The drawdown of short-term loan from financial institutions of Baht 540 million and the dividend received from other investment of Baht 26 million also contributed to the cash inflow in 2014.

Cash outflow comprised of fixed assets of Baht 311 million which largely relates to the renovation of Banyan Tree Bangkok, Banyan Tree Phuket and the golf course. Furthermore, the Company paid a

dividend payment of Baht 57 million and made scheduled repayments amounting to Baht 493 million in long term loans.

Cash Inflow	Million Baht	Cash Outflow	Million Baht
Cash flow from operations	370	Payments made on construction	311
Dividend received from other investment	26	Long term loan repayment	493
Increase in short term loan	540	Dividend payment	57
Cash received from repayment of employee loans and sales of fixed assets	1	Net exchange differences on translation of financial statements in foreign currency	2
		Increase in cash and cash equivalent	74
Total	937	Total	937

Commentary on Consolidated Financial Ratios that shown in section 13.1.3

Liquidity ratios

- Current ratio – This is lower in 2014 due to the increase in property development cost coupled with higher short-term loan and current portion of long-term loan from financial institutions.
- Quick ratio – This is lower in 2014 due to the increase in cash from drawdown of short-term loan coupled with higher advance received from customers from property sales operations.
- Cash flow from operating activities ratio – This is consistent with the prior year.
- Receivable turnover – This is lower than the prior year levels due to the lower revenue from hotel operations, property development operations and office rental operations coupled with lower average accounts receivable.
- Collection period – This is higher than the prior year levels due to the lower revenue from hotel operations, property development operations and office rental operations coupled with lower average accounts receivable.
- Inventory turnover – This is higher than the prior year levels due to higher inventory cost offset against lower average inventories.
- Inventory turnover period – This is lower than the prior year levels due to the higher inventory cost offset against lower average inventories.
- Accounts payable turnover – This is lower than the prior year levels due to higher supplier purchases coupled with higher average accounts payables.

- Payment period – This is higher than prior year levels due to higher supplier purchases offset coupled with higher average accounts payables.
- Cash cycle – This is lower than the prior year levels due to longer collection period for property sales, decrease inventory turnover period of hotel operation and longer payment period.

Profitability ratios

- Gross profit margin, profit margin from operations, net profit margin from operations and return on equity – These are lower than the prior year due to lower revenue from hotel operations.

Efficiency ratios

- Return on total assets, return on fixed assets and asset turnover – These are lower than prior year due to lower revenue from hotel operations.

Financial policy ratios

- Debt to equity – This is higher than the prior year due to higher in bank loan and higher in advance received from customers of property sales.
- Interest coverage – This is higher than prior year due to higher cash flow from operations.
- Pay-out ratio (cash) – This is higher than the prior year due to higher capital expenditure, more purchase fixed asset, dividend payment and cash flow from operations offset by decrease in long term loan payment.
- Dividend pay-out ratio – Based on the dividend payment of Baht 0.125 per share proposed by the Board of Directors, the payout ratio is higher than the prior year but the final dividend payment is subject to approval at the Annual General Meeting.

14.2 Factors or Events Probably effecting Financial Position or Operation

Please see section 2 - Nature of business that identifies the factors or events probably effecting Financial Position and Operation.

Please see section 13- Financial Highlights that identify the accounting standards that will become effective in the future. However, The Company's management believes that these accounting standards, financial reporting standard, accounting standard interpretations and financial reporting standards interpretations will not have any significant impact on the financial statements for the year when they are initially applied.