

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 and its subsidiaries' auditor for the 2015 Financial Statements 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 2015

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 2015 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 2014

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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

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 2013 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.

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.

New financial reporting standards

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 year

The Company has adopted the revised (revised 2014) and new financial reporting standards issued by the Federation of Accounting Professions which 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 standards. The adoption of these financial reporting standards does not have any significant impact on the Company's financial statements. However, some of these standards involve changes to key principles, which are summarised below:

TAS 19 (revised 2014) Employee Benefits

This revised standard requires that the entity recognise 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 either profit or loss or 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 recognise 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 content of TAS 27 Consolidated and Separate Financial Statements dealing with consolidated 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 investees and determining which entities have to be included in preparation of the consolidated financial statements.

This standard does not have any impact on the Company's 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 on 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 measurement. 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 effects of the adoption of this standard are to be recognised prospectively.

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

(b) Financial reporting standard that will become effective in the future

During the current year, the Federation of Accounting Professions issued a number of the revised (revised 2015) and new financial reporting standards and accounting treatment guidance which is effective for fiscal years beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards. The Company's management believes that the revised and new financial reporting standards and accounting treatment guidance will not have any significant impact on the financial statements when it is initially applied.

13.1.2 Summary of Financial Statements

Consolidated Income Statement

Unit: Baht

	Consolidated		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenue			
Revenue from hotel operations	3,108,617,130	3,085,124,627	3,428,458,199
Revenue from property development operations	2,348,479,352	803,905,339	744,416,413
Revenue from office rental operations	86,427,410	90,368,736	88,542,903
Other income	114,705,625	70,860,919	91,017,516
Total revenue	5,658,229,517	4,050,259,621	4,352,435,031
Expenses			
Cost of hotel operations	1,790,560,358	1,782,286,125	1,427,047,634
Cost of property development operations	1,504,468,651	424,589,152	341,372,543
Cost of office rental operations	44,257,387	45,333,910	43,265,799
Selling expenses	348,248,688	384,458,845	430,518,638
Administrative expenses	1,443,662,475	1,274,812,178	1,951,978,088
Reversal of loss on impairment of investment	-	(89,338,720)	(245,287,794)
Total expenses	5,131,197,559	3,822,141,490	3,948,894,908
Profit (loss) before share of profit (loss) from investment in associate, finance cost and income tax expenses	527,031,958	228,118,131	403,540,123
Share of profit (loss) from investment in associate	(45,041,156)	(36,189,121)	(21,065,652)
Profit before finance cost and income tax expenses	481,990,802	191,929,010	382,474,471
Finance cost	(166,147,594)	(162,075,264)	(180,457,409)
Profit (loss) before income tax expenses	315,843,208	29,853,746	202,017,062
Income tax expenses	(139,409,887)	(8,630,849)	(85,378,946)
Profit for the year	176,433,321	21,222,897	116,638,116
Profit attributable to:			
Equity holders of the Company	175,262,057	18,140,298	111,788,555
Non-controlling interests of the subsidiaries	1,171,264	3,082,599	4,849,561
	176,433,321	21,222,897	116,638,116
Basic earnings per share			
Profit attributable to equity holders of the Company	1.05	0.11	0.67

Consolidated Statement of Comprehensive Income

Unit: Baht

	Consolidated		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Profit for the year	176,433,321	21,222,897	116,638,116
Other comprehensive income:			
Exchange differences on translation of financial statements in foreign currency	21,208,238	(13,160,094)	62,243,239
Actuarial gain (loss) of post-employment benefits, net of income tax	(7,984,789)	-	(10,714,023)
Unrealised gain on available-for-sales security, net of income tax	98,718,926	54,239,019	-
Addition (reversal) of revaluation surplus on assets, net of income tax	-	-	(1,160,903,353)
Other comprehensive income (loss) for the year	111,942,375	41,078,925	(1,109,374,137)
Total comprehensive income (loss) for the year	288,375,696	62,301,822	(992,736,021)
Total comprehensive income (loss) attributable to:			
Equity holders of the Company	286,293,947	60,447,873	(999,409,114)
Non-controlling interests of the subsidiaries	2,081,749	1,853,949	6,673,093
	288,375,696	62,301,822	(992,736,021)

Consolidated Statement of Financial Position

Unit: Baht

	Consolidated		
	31 December 2015	31 December 2014	31 December 2013
ASSETS			
Current assets			
Cash and cash equivalents	859,881,278	444,663,200	370,828,298
Current investment – short-term fixed deposit	10,719,374	10,587,991	10,424,865
Short-term restricted deposit at financial institution	75,930,055	-	-
Trade and other receivables	635,439,326	549,723,270	579,009,676
Inventories	129,484,970	107,779,102	123,132,426
Property development cost	3,787,142,311	3,888,709,119	3,414,814,251
Other current assets	200,791,227	178,918,303	204,771,602
Total current assets	5,699,388,541	5,180,350,985	4,702,981,118
Non-current assets			
Restricted deposits at financial institution	41,189	41,189	41,189
Long-term fixed deposit	2,178,200	2,000,000	2,000,000
Long-term trade accounts receivable	457,995,364	165,044,275	144,442,559
Investments in associates	383,086,601	409,464,982	456,568,175
Other long-term investments	1,132,188,540	1,008,789,883	851,652,389
Long-term loans to employees	-	-	183,034
Investment properties	1,120,761,173	1,112,275,932	1,100,635,059
Property, plant and equipment	10,687,451,126	10,224,887,848	10,207,075,537
Deferred tax assets	113,538,768	95,533,870	81,588,647
Goodwill	407,903,881	407,903,881	407,903,881
Leasehold rights	17,279,331	19,448,550	22,912,903
Other non-current assets	69,459,076	68,356,883	69,513,824
Total non-current assets	14,391,883,249	13,533,747,293	13,344,517,197
TOTAL ASSETS	20,091,271,790	18,714,098,278	18,047,498,315

Consolidated Statement of Financial Position (continued)

Unit: Baht

	Consolidated		
	31 December 2015	31 December 2014	31 December 2013
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term loans from financial institutions	554,803,557	710,000,000	170,000,000
Trade and other payables	959,252,849	687,573,357	608,574,194
Current portion of long-term loans from financial institutions	469,750,000	657,750,000	457,000,000
Income tax payable	62,547,936	23,787,114	13,197,834
Advance received from customers	546,545,142	1,017,212,164	514,413,237
Other current liabilities	140,483,145	122,059,676	119,137,926
Total current liabilities	2,733,382,629	3,218,382,311	1,882,323,191
Non-current liabilities			
Long-term loans from financial institutions – net of current portion	2,819,388,750	1,819,575,819	2,513,325,819
Unsecured debenture	493,846,200	-	-
Provision for long-term employee benefits	63,605,646	52,622,004	54,400,732
Provision for legal case	40,132,680	39,337,103	-
Deferred tax liabilities	2,166,335,216	2,091,589,988	2,097,827,508
Other non-current liabilities	99,409,011	84,959,992	97,628,519
Total non-current liabilities	5,682,717,503	4,088,084,906	4,763,182,578
Total liabilities	8,416,100,132	7,306,467,217	6,645,505,769
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	2,642,748,247	2,482,805,944	2,521,328,953
Other components of shareholders' equity	4,239,617,362	4,134,100,817	4,091,793,242
Equity attributable to owner of the Company	11,391,459,147	11,126,000,299	11,122,215,733
Equity attributable to non-controlling interests of the subsidiaries	283,712,511	281,630,762	279,776,813
Total shareholders' equity	11,675,171,658	11,407,631,061	11,401,992,546
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	20,091,271,790	18,714,098,278	18,047,498,315

Consolidated Cash Flow Statement

Unit: Baht

	Consolidated		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Cash flows from (used in) operating activities			
Net cash inflows (outflows) from operating activities	(199,584,148)	370,247,799	264,983,255
Cash flows from (used in) investing activities			
Net cash inflows (outflows) from investing activities	(516,452,758)	(284,233, 472)	(203,518,944)
Cash flows from (used in) financing activities			
Net cash inflows (outflows) from financing activities	1,129,627,588	(9,663,307)	(277,785,405)
Net exchange differences on transaction of financial statements in foreign currency	1,657,396	(2,546,118)	15,285,023
Net increase (decrease) in cash and cash equivalents	415,248,078	73,804,902	(201,036,071)
Cash and cash equivalents at beginning of year	444,633,200	370,828,298	571,864,369
Cash and cash equivalents at end of year	859,881,278	444,633,200	370,828,298

Separate Income Statement

Unit: Baht

	Separate		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenue			
Revenue from hotel operations	33,655,545	45,133,741	7,531,600
Revenue from property development operations	13,147,291	88,222,033	224,443,942
Revenue from office rental operations	31,673,108	39,607,701	40,632,272
Other income	132,428,362	245,119,692	237,761,550
Total revenue	210,904,306	418,083,167	510,369,364
Expenses			
Cost of hotel operations	26,411,793	33,834,066	331,660
Cost of property development operations	7,782,287	52,694,785	112,188,787
Cost of office rental operations	7,107,548	7,195,467	7,308,059
Selling expenses	1,499,823	6,943,772	17,179,411
Administrative expenses	169,794,424	156,077,666	225,328,750
Reversal of loss on impairment of investment	-	-	(31,161,043)
Total expenses	212,595,875	256,745,756	331,175,624
Profit (loss) before finance cost and income tax expenses	(1,691,569)	161,337,411	179,193,740
Finance cost	(32,566,209)	(61,765,911)	(59,913,373)
Profit (loss) before income tax expenses	(34,257,778)	99,571,500	119,280,367
Income tax expenses	11,984,074	(12,057,596)	(34,282,728)
Profit (loss) for the year	(22,273,704)	87,513,904	84,997,639
Profit (loss) attributable to:			
Equity holders of the Company	(22,273,704)	87,513,904	84,997,639
Basic earnings per share			
Profit (loss) attributable to equity holders of the Company	(0.13)	0.53	0.51

Separate Statement of Comprehensive Income

Unit: Baht

	Separate		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Profit (loss) for the year	(22,273,704)	87,513,904	84,997,639
Other comprehensive income:			
Actuarial gain (loss) of post-employment benefits, net of income tax	(5,147,571)	-	(3,370,977)
Unrealised gain on available-for-sales security, net of income tax	98,718,926	125,709,995	171,301,401
Addition (reversal) of revaluation surplus on assets, net of income tax	-	-	(8,599,310)
Other comprehensive income for the year	93,571,355	125,709,995	159,331,114
Total comprehensive income (loss) for the year	71,297,651	213,223,899	244,328,753
Total comprehensive income (loss) attributable to:			
Equity holders of the Company	71,297,651	213,223,899	244,328,753

Separate Statement of Financial Position

Unit: Baht

	Separate		
	31 December 2015	31 December 2014	31 December 2013
ASSETS			
Current Assets			
Cash and cash equivalents	25,640,736	17,675,124	17,182,951
Trade and other receivables	169,471,964	203,899,461	205,710,145
Inventories	-	-	-
Property development cost	185,502,070	193,267,064	245,054,436
Other current assets	25,906,002	23,537,678	26,924,539
Total current assets	406,520,805	438,379,327	494,872,071
Non-current assets			
Long-term fixed deposit	2,178,200	2,000,000	2,000,000
Long-term trade accounts receivable	-	-	14,063,349
Investments in subsidiaries	4,269,025,777	3,479,025,077	3,479,025,077
Other long-term investments	525,823,948	402,425,290	245,287,796
Long-term loans to subsidiaries	1,142,800,630	2,257,020,629	1,948,000,629
Long-term loans to employees	-	-	23,325
Investment properties	198,210,268	181,225,030	168,997,818
Property, plant and equipment	48,930,762	49,796,176	50,878,389
Other non-current assets	1,352,152	1,334,653	3,041,643
Total non-current assets	6,188,321,737	6,372,826,855	5,911,318,026
TOTAL ASSETS	6,594,842,542	6,811,206,182	6,406,190,097

Separate Statements of Financial Position (continued)

Unit: Baht

	Separate		
	31 December	31 December	31 December
	2015	2014	2013
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term loans from financial institutions	260,000,000	360,000,000	150,000,000
Trade and other payables	34,892,882	24,925,616	51,223,896
Current portion of long-term loans from financial institutions	35,000,000	70,000,000	70,000,000
Advance received from customers	404,695	715,596	263,506
Other current liabilities	4,492,303	9,959,271	7,487,798
Total current liabilities	334,789,880	465,600,483	278,975,200
Non- current liabilities			
Long-term loans from subsidiaries	648,280,000	765,850,000	673,850,000
Long-term loans from financial institutions – net of current portion	-	35,000,000	105,000,000
Provision for long-term employee benefits	15,352,976	10,021,710	11,668,911
Deferred tax liabilities	208,255,229	196,846,463	153,361,368
Other non-current liabilities	5,695,424	5,881,045	7,888,729
Total non-current liabilities	877,583,629	1,013,599,218	951,769,008
Total liabilities	1,212,373,509	1,479,199,701	1,230,744,208
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	908,789,814	957,046,188	926,195,591
Other components of shareholders' equity	532,716,269	433,977,343	308,287,348
Total shareholders' equity	5,382,469,033	5,332,006,481	5,175,445,889
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6,594,842,542	6,811,206,182	6,406,190,097

Separate Cash Flow Statement

Unit: Baht

	Separate		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Cash flows from (used in) operating activities			
Net cash inflows (outflows) from operating activities	(20,115,819)	78,009,731	146,336,343
Cash flows from (used in) investing activities			
Net cash inflows (outflows) from investing activities	336,486,563	(252,854,251)	(245,916,972)
Cash flows from (used in) financing activities			
Net cash inflows (outflows) from financing activities	(308,405,099)	175,336,693	63,365,339
Net increase (decrease) in cash and cash equivalents	7,965,645	492,173	(36,215,290)
Cash and cash equivalents at beginning of year	17,675,124	17,182,951	53,398,241
Cash and cash equivalents at end of year	25,640,769	17,675,124	17,182,951

13.1.3 Financial ratios of the Company and its subsidiaries

CONSOLIDATED FINANCIAL RATIOS

		Consolidated		
		<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Liquidity Ratios</u>				
Current Ratio	Times	2.09	1.61	2.50
Quick Ratio	Times	0.51	0.26	0.44
Cash Flow From Operating Activities Ratio	Times	(0.07)	0.15	0.15
Receivables Turnover	Times	11.20	8.98	9.62
Collection Period	Days	32.14	40.09	37.42
Inventory Turnover	Times	15.09	15.44	11.12
Inventory Turnover Period	Days	23.85	23.32	32.36
Accounts Payable Turnover	Times	5.09	7.70	7.99
Payment Period	Days	70.73	46.75	45.06
Cash Cycle	Days	(14.74)	16.66	24.72
<u>Profitability Ratios</u>				
Gross Profit Margin	%	39.76	43.40	57.49
Profit Margin from Operations	%	9.51	5.73	9.47
Net Profit Margin	%	3.10	0.45	2.57
Return On Equity	%	1.52	0.16	0.94
<u>Efficiency Ratios</u>				
Return On Total Assets	%	0.90	0.10	0.60
Return On Fixed Assets	%	4.21	2.73	3.15
Asset Turnover	Times	0.29	0.22	0.23

CONSOLIDATED FINANCIAL RATIOS (Continued)

		Consolidated		
		<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Financial Policy Ratios</u>				
Debt To Equity	Times	0.72	0.64	0.58
Interest Coverage	Times	(0.33)	3.62	2.83
Payout Ratio (Cash Basis)	Times	(0.15)	0.43	0.31
Dividend Payout Ratio	%	11.89	114.86	50.70
<u>Share value</u>				
Book Value Per Share	Baht	70.04	68.44	68.41
Earnings Per Share	Baht	1.05	0.11	0.67
Dividend Per Share	Baht	0.36	0.13	0.34
<u>Growth rate</u>				
Total Assets	%	7.36	3.69	(7.54)
Total Liabilities	%	15.19	9.95	(6.44)
Total Revenues	%	39.70	(6.94)	1.24
Total Expenses	%	34.25	(3.21)	(1.68)
Net Income (Loss)	%	866.15	(83.77)	462.97

SEPARATE FINANCIAL RATIOS

		Separate		
		<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Liquidity Ratios</u>				
Current Ratio	Times	1.21	0.94	1.77
Quick Ratio	Times	0.10	0.06	0.11
Cash Flow From Operating Activities Ratio	Times	(0.05)	0.21	0.67
Receivables Turnover	Times	8.49	14.75	12.85
Collection Period	Days	42.40	24.41	28.02
Inventory Turnover	Times	-	-	6.34
Inventory Turnover Period	Days	-	-	56.78
Accounts Payable Turnover	Times	6.85	19.06	0.09
Payment Period	Days	52.55	18.89	4,000.00
Cash Cycle	Days	(10.15)	5.52	(3,915.16)
<u>Profitability Ratios</u>				
Gross Profit Margin	%	47.37	45.81	56.04
Profit Margin from Operations	%	(2.16)	93.28	65.73
Net Profit Margin	%	(10.56)	20.93	16.65
Return On Equity	%	(0.42)	1.67	1.68
<u>Efficiency Ratios</u>				
Return On Total Assets	%	(0.33)	1.32	1.36
Return On Fixed Assets	%	(7.41)	40.84	32.18
Asset Turnover	Times	0.03	0.06	0.08

SEPARATE FINANCIAL RATIOS (Continued)

		Separate		
		<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Financial Policy Ratios</u>				
Debt To Equity	Times	0.23	0.28	0.24
Interest Coverage	Times	(0.57)	2.36	3.52
Payout Ratio (Cash Basis)	Times	-	0.03	0.06
Dividend Payout Ratio	%	(93.54)	23.81	(66.67)
<u>Share value</u>				
Book Value Per Share	Baht	32.29	31.99	31.05
Earnings Per Share	Baht	(0.13)	0.53	0.51
Dividend Per Share	Baht	0.36	0.13	0.34
<u>Growth rate</u>				
Total Assets	%	(3.18)	6.32	5.76
Total Liabilities	%	(18.04)	20.19	11.32
Total Revenues	%	(49.55)	(18.08)	60.11
Total Expenses	%	(17.20)	(22.47)	2.99
Net Income (Loss)	%	125.45	(2.96)	(265.96)

14. MANAGEMENT DISCUSSION AND ANALYSIS

14.1 Analysis on Operating Results and Financial Position

For the year ended 31st December 2015, Laguna Resorts & Hotels Public Company Limited recorded a net profit of Baht 175 million which was Baht 155 million higher as compared to the year before.

Total revenue for the year increased by Baht 1,608 million as compared to last year and this was mainly due to the following:

- The overall revenue from hotel operations which comprise of hotel, golf and retail operations increased by Baht 23 million. This is to a large extent attributed to higher revenues of Banyan Tree Bangkok which benefitted from a generally peaceful political environment in Bangkok. Additionally, the Laguna Phuket Golf Club fully reopened on 1 January 2015 after it was partially closed for a comprehensive upgrade in 2014. However, this was offset by the lower performance of the two Laguna Phuket hotels which were adversely impacted by the Russian rouble crisis and the lower revenue from retail operation.
- Revenue from property development operations which comprise property sales and the sale of holiday club memberships increased by Baht 1,545 million. The main increase in revenues is from the revenue recognition of two property sales projects namely Laguna Park and Cassia Phuket. There is a total of Baht 1,254 million in property sales revenue which will be recognized over the next several years barring any cancellations.
- Revenue from office rental operations which includes retail leasing decreased by Baht 4 million due largely to the decrease in the rental rate of Laguna Canal Village.
- Other income increased by Baht 44 million mainly due to insurance claim of Banyan Tree Bangkok amounting to Baht 39 million.

Total expenses increased by Baht 1,309 million as compared to last year due mainly to the following:

- Cost of hotel operations increased by Baht 8 million is largely the effect of the higher operating costs of Banyan Tree Bangkok hotel (which is in line with the higher business levels) and depreciation but partially offset by the lower operating costs of the two hotels in Laguna Phuket (which are in line with their lower business levels) and retail operation.
- Cost of property development operations increased by Baht 1,080 million as a result of the higher property sales recognized during the year.
- Cost of office rental operations decreased by Baht 1 million mainly as common area charges were lower as a result of lower building maintenance costs.

- Selling expenses decreased by Baht 36 million mainly because of lower sales commission, exhibition and advertising expenses for Cassia Phuket and Laguna Park projects. A majority of the sales of these two projects were made in 2014 but the revenues could only be recognized later in accordance with Thai accounting standard. This is partially offset by the higher selling expenses of the hotel operations.
- Administrative expenses increased by Baht 169 million mainly due to an increase in payroll costs, hotel repair and maintenance expenses, provision for doubtful accounts and specific business tax of property sales offset by a decrease of provision for legal case.
- Reversal of loss on impairment of investment of Baht 89 million in 2014 relates to the reversal of provision for impairment of investment in Thai Wah PLC (previously Thai Wah Starch PLC).

Share of loss from investment in associate increased by Baht 9 million relates to the higher loss of Lijiang Banyan Tree Hotel Co., Ltd.

Finance cost increased by Baht 4 million as compared to last year. This is mainly due to higher loan balances in the current year.

Income tax expenses increased by Baht 131 million as compared to the prior year as pre-tax profit was higher.

Profit attributable to non-controlling interests of the subsidiaries decreased by Baht 2 million as compared to last year due mainly to the lower profit of retail operations.

For the reasons stated above, the Company's profit in 2015 is higher as compared to the prior year.

Hotel Operations

(Unit: Million Baht)

	2015	%	2014	%	2013	%
Revenues	3,109	100	3,085	100	3,428	100
Expenses	<u>1,791</u>	<u>58</u>	<u>1,782</u>	<u>58</u>	<u>1,902</u>	<u>55</u>
Gross Operating Profit	<u>1,318</u>	<u>42</u>	<u>1,303</u>	<u>42</u>	<u>1,741</u>	<u>45</u>

Hotel revenues were Baht 24 million and expenses were Baht 9 million higher than last year resulting in operating profit being Baht 15 million higher than last year. The operating margin of 42 percent was equal to the year 2014 and lower than the 2013 level of 45 percent. The main reasons for this were:

- The increase in revenue of the hotel operations, especially Banyan Tree Bangkok, is due to achieved excellent performance of normal hotel performance plus insurance claim of Baht 39 million (included in other income). Although, Banyan Tree Phuket and Angsana Laguna Phuket got lower performance impacted from lower Russian business especially in the first quarter.
- The increase in the cost of hotel operations is mainly due to the increase in line with hotel revenue from the performance of Laguna Phuket hotels and Banyan Tree Bangkok.

Property Sales and Holiday Club Membership Operations

(Unit: Million Baht)

	2015	%	2014	%	2013	%
Revenues	2,348	100	804	100	744	100
Expenses	<u>1,504</u>	<u>64</u>	<u>425</u>	<u>53</u>	<u>337</u>	<u>45</u>
Gross Operating Profit	<u>844</u>	<u>36</u>	<u>379</u>	<u>47</u>	<u>407</u>	<u>55</u>

Revenues and expenses were Baht 1,544 million and Baht 1,079 million higher than last year respectively, resulting in a gross operating profit which is Baht 465 million higher than last year. The operating margin of 36 percent was lower than the 2014 and 2013 level of 47 percent and 55 percent respectively. The main reasons for the higher revenue are:

- Although a total of 324 units were sold, only 243 units could be recognized due to accounting income recognition policy as compared to 30 units in the prior year. The income of the remaining units will be recognized over the next several years.

- The higher other income from clearing long-outstanding balanced received from unit owners of outrigger villa since 2010 partially offset the decrease from sale of holiday club memberships and the club due income.

Balance Sheet

The main balance sheet items at 31 December 2015 and 2014 are as follows:

(Unit: Million Baht)

	Note	31 December 2015	31 December 2014
Cash and cash equivalents	1	860	445
Trade and other receivables	2	1,047	657
Property development cost	3	3,787	3,889
Other long term investments	4	1,132	1,009
Investment properties	5	1,121	1,112
Property, plant, equipment and land	6	10,687	10,245
Loans from banks	7	3,844	3,187
Deferred tax liabilities	8	2,166	2,092
Shareholders' equity	9	11,675	11,408

The main points to be noted in regard to the Balance Sheet movements in the year ended 31 December 2015 are:

1. Main movements are explained in the commentary on Cash Flows below.
2. The increase in accounts receivable balances is mainly due to the increase in property sales receivables and other receivables offset against decrease in hotel receivables, timeshare receivables, accrual other income, insurance claim receivables and receivable of Dusit Villa.
3. The decrease in property development cost is mainly due to the sales of Cassia Phuket project.
4. The increase in other long term investment is due to increase in unrealized gain on investment in Thai Wah Public Company, which is merged between Thai Wah Starch Public Company Limited and Thai Wah Foods Product Public Company Limited on 10 October 2015, during the year.
5. The increase in investment property is due to increase in construction in progress of renovation on 7th Floor of Thai Wah Plaza and Laguna Mall.

6. The increase in property, plant, equipment and land is mainly due to electrical system, staff dormitory painting, car park renovation, audio system at Xana and operating equipment of staff canteen in Angsana, replacement of air condition system at guest corridor, 23rd-42nd floor & Vertigo kitchen and a unit for new Technogym exit run of Banyan Tree Bangkok, upgrade in Double Pool Villa guest network for Banyan Tree Phuket and 2 units of soft mount washer-extractor in Laguna Service.
7. Loans from banks increased in 2015 due to drawdown long term loan of Baht 1,454 million offset to schedule of short term loan repayments of Baht 155 million and long term loan repayment of Baht 642 million.
8. Deferred tax liabilities consist mainly of revaluation surplus of assets of Baht 1,368 million, temporary difference arising from revenue recognition of Baht 836 million and gain of change in value of investment properties of Baht 157 million.
9. The increase in shareholders' equity is mainly due to profit for the year 2015 amounting to Baht 175 million, reversal of revaluation surplus for revenue recognition of Cassia Baht 14 million and unrealized gain on available-for-sale security amounting to Baht 99 million offset against dividend paid of Baht 21 million and actuarial loss of legal severance pay of Baht 8 million.

Cash Flows

The cash and cash equivalents of Baht 860 million as at 31 December 2015 is Baht 415 million higher as compared to 31 December 2014. The main component of cash outflow during the year was the net cash flow from operations amounting to Baht 200 million. This was largely a function of profit for the year adjusted for depreciation and working capital movements.

The drawdown of long-term loan from financial institutions of Baht 1,454 million, the proceed from debenture issuance of Baht 500 million and the dividend received from other investment of Baht 26 million also contributed to the cash inflow in 2015.

Cash outflow comprised of fixed assets of Baht 445 million which largely relates to the construction of Cassia Phuket and the renovation of Banyan Tree Bangkok, Banyan Tree Phuket and Angsana. Furthermore, the Company paid a dividend payment of Baht 21 million, increase in short-term restricted deposit of Baht 76 million, the payment for acquisition of investment properties of Baht 12 million and made scheduled repayments amounting to Baht 642 million in long term loans.

Cash Inflow	Million Baht	Cash Outflow	Million Baht
Dividend received from other investment	26	Cash flow from operations	200
Cash received from repayment of sales of fixed assets	1	Payment for acquisition of investment properties	12
Proceed from debenture issuance	500	Increase in short-term restricted deposits	76
Long-term loan draw down	1,454	Payments made on construction	455
Net exchange differences on translation of financial statements in foreign currency	1	Payment of transaction costs – debenture issuance	6
		Decrease in short-term loan	155
		Long term loan repayment	642
		Dividend payment	21
		Increase in cash and cash equivalent	415
Total	1,982	Total	1,982

Commentary on Consolidated Financial Ratios

Liquidity ratios

- Current ratio – This is higher in 2015 due to the increase in cash & cash equivalents and short-term restricted deposits coupled with higher trade account payables offset against lower short-term loan and advance received from customers.
- Quick ratio – This is higher in 2015 due to the increase in cash from drawdown of long-term loan offset against lower short-term loan and advance received from customers from property sales operations.
- Cash flow from operating activities ratio – This is lower than the prior year due to increase in revenue from hotel operations and property development operations coupled with decrease in net operating assets.
- Receivable turnover – This is higher than the prior year levels due to the higher revenue from hotel operations and property development operations coupled with higher average accounts receivable.
- Collection period – This is lower than the prior year levels due to the higher revenue from hotel operations and property development operations coupled with higher average accounts receivable.

- Inventory turnover and Inventory turnover period– This is consistent with the prior year.
- 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 shorter collection period for property sales, increase inventory turnover period of hotel operation and longer payment period.

Profitability ratios

- Gross profit margin – This is lower than the prior year due to higher direct cost of hotel operations and property development operations coupled with higher revenue from hotel operations and property development operations
- Profit margin from operations, net profit margin from operations and return on equity – These are higher than the prior year due to higher revenue from hotel operations and property development operations.

Efficiency ratios

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

Financial policy ratios

- Debt to equity – This is higher than the prior year due to higher in bank loan and unsecured debenture coupled with lower in advance received from customers of property sales.
- Interest coverage – This is lower than prior year due to lower cash flow from operations.
- Pay-out ratio (cash) – This is lower than the prior year due to lower cash flow from operations coupled with more purchase fixed asset and loan repayments.
- Dividend pay-out ratio – This is based on the dividend policy which is one-third of the consolidated net profit attributable to the shareholders and a variable component subject to the Board of Directors discretion on the availability of cash after taking into account major capital expenditure and debt repayment obligations.

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.