Laguna Resorts & Hotels Public Company Limited and its subsidiaries

Notes to consolidated financial statements

For the year ended 31 December 2017

1. General information

Laguna Resorts & Hotels Public Company Limited (“the Company”, “LRH”) is a public company incorporated and domiciled in Thailand. Its major shareholder is Banyan Tree Holdings Limited, which was incorporated in Singapore.

The Company and its subsidiaries are principally engaged in the hotel business and property development. There are four hotels in Laguna Phuket, namely Angsana Laguna Phuket, Banyan Tree Phuket, Angsana Villas Resort Phuket and Cassia Phuket, located in Phuket province and one hotel, the Banyan Tree Bangkok, located in Bangkok. The subsidiaries are also engaged in operating golf clubs (Laguna Golf Phuket and Laguna Golf Bintan), sales of merchandise (Banyan Tree Gallery), office and shops rental and sale of holiday club memberships.

The registered office of the Company is at 21/17B, 21/17C, 21/65, 21/66 and 21/68 Thai Wah Tower 1, 7th, 22nd and 24th Floor, South Sathorn Road, Tungmahamek, Sathorn, Bangkok.

**2. Basis of preparation**

2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547. Their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 11 October 2016, issued under the Accounting Act B.E. 2543.

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

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

2.2 Basis of consolidation

(a) The consolidated financial statements include the financial statements of Laguna Resorts & Hotels Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | | Country of | | Percentage of | | | |
| Company’s name | Nature of business | | incorporation | | shareholding | | | |
|  |  | |  | | 2017 | | 2016 | |
|  |  | |  | | % | | % | |
| Subsidiaries directly held by the Company |  | |  | |  | |  | |
| Banyan Tree Gallery (Singapore) Pte. Limited | Sale of merchandise | | Singapore | | 51.0 | | 51.0 | |
| Banyan Tree Gallery (Thailand) Limited | Sale of merchandise | | Thailand | | 51.0 | | 51.0 | |
| Laguna Banyan Tree Limited(1) | Hotel operations, property development sales and marketing service for holiday club membership | | Thailand | | 100.0 | | 100.0 | |
| Laguna Holiday Club Limited | Holiday club membership and property development | | Thailand | | 100.0 | | 100.0 | |
| Laguna Grande Limited(3) | Operating a golf club and property development | | Thailand | | 100.0 | | 100.0 | |
| Laguna Lakes Limited | Property development | | Thailand | | 95.0 | | 95.0 | |
| Laguna (3) Limited | Owns land on which a hotel is situated | | Thailand | | 100.0 | | 100.0 | |
| Laguna Service Company Limited(2) | Provide utilities and other services to hotels of the Company and subsidiaries | | Thailand | | 72.9 | | 72.9 | |
| TWR - Holdings Limited | Investment holding and property development | | Thailand | | 100.0 | | 100.0 | |
| Subsidiaries held through TWR - Holdings Limited | | |  | | | | | |
| Laguna Excursions Limited | Travel operations | | Thailand | | 49.0 | | 49.0 | |
| Laguna Village Limited | Hotel operations | | Thailand | | 100.0 | | 100.0 | |
| Mae Chan Property Company Limited | Holds land plots for future development | | Thailand | | 100.0 | | 100.0 | |
| Pai Samart Development Company Limited | Holds land plots for future development | | Thailand | | 100.0 | | 100.0 | |
| Phuket Resort Development Limited | Property development and hotel operations | | Thailand | | 100.0 | | 100.0 | |
| PT AVC Indonesia | Holiday club membership and operating a golf club | | Indonesia | | 100.0 | | 100.0 | |
| Talang Development Company Limited | Property development | | Thailand | | 50.0 | | 50.0 | |
| Thai Wah Plaza Limited | Hotel operations, lease of office building space and property development | | Thailand | | 100.0 | | 100.0 | |
| Thai Wah Tower Company Limited | Lease of office building space | | Thailand | | 100.0 | | 100.0 | |
| Thai Wah Tower (2) Company Limited | Owns land on which a hotel is situated | | Thailand | | 100.0 | | 100.0 | |
| Twin Waters Development Company Limited | Property development | | Thailand | | 100.0 | | 100.0 | |
| Subsidiaries held through Laguna Grande Limited | | |  | |  | |  | |
| Bangtao (1) Limited | Owns land on which the golf course is situated | | Thailand | | 100.0 | | 100.0 | |
| Bangtao (2) Limited | Owns land on which the golf course is situated | | Thailand | | 100.0 | | 100.0 | |
| Bangtao (3) Limited | Owns land on which a hotel staff dormitory is situated | | Thailand | | 100.0 | | 100.0 | |
| Bangtao (4) Limited | Owns land on which the golf course is situated | | Thailand | | 100.0 | | 100.0 | |
| Bangtao Development Limited | Owns land on which a hotel is situated | | Thailand | | 100.0 | | 100.0 | |
| Bangtao Grande Limited | Hotel operations | | Thailand | | 100.0 | | 100.0 | |
| Laguna Central Limited | Dormant | | Thailand | | 85.0 | | 85.0 | |
|  |  | Country of | | Percentage of | | | |
| Company’s name | Nature of business | incorporation | | shareholding | | | |
|  |  |  | | 2017 | | 2016 | |
|  |  |  | | % | | % | |
| Subsidiary held through Banyan Tree Gallery (Singapore) Pte Limited | |
| Lijiang Banyan Tree Gallery Trading Co., Ltd. | Sale of merchandise | The People’s Republic of China | | - | | 51.0 | |
| Subsidiary held through Laguna Holiday Club Limited | |
| Cheer Golden Limited | Investment holding | Hong Kong | | 100.0 | | 100.0 | |

(1) Laguna Banyan Tree Limited is held 49.0% by the Company and 51.0% through Bangtao Grande Limited.

(2) Laguna Services Company Limited is held 24.7% by the Company and 48.2% through 2 subsidiaries.

(3) Laguna Grande Company Limited is held 85.4% by the Company and 14.6% through 2 subsidiaries (2016: 87.8% by the Company and 12.2% through 2 subsidiaries).

The change of investment in subsidiaries has been described in Note 14.

A subsidiary has a 49% shareholding in Laguna Excursions Limited. However, the subsidiary has recognised its share of the income of this subsidiary at 100% after deducting the cumulative preferential annual dividend of 15% of the par value of the preference shares, in accordance with the income sharing percentage in the Articles of Association.

(b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.

(c) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.

(d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.

(e) The assets and liabilities in the financial statements of overseas subsidiaries are translated to Baht using the exchange rate prevailing on the end of reporting period, and revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of “Exchange differences on translation of financial statements in foreign currency” in the statements of changes in shareholders’ equity.

(f) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.

(g) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position.

2.3 The separate financial statements present investments in subsidiaries and associates under the cost method.

**3. New financial reporting standards**

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

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

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

During the current year, the Federation of Accounting Professions issued a number of revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements.

The management of the Company and its subsidiaries believe that the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied.

**4. Significant accounting policies**

**4.1 Revenue recognition**

(a) Revenue from hotel operations

- Revenue from hotel operations mainly comprises room sales, food and beverage sales and revenue from auxiliary activities. Sales are the invoiced value, excluding value added tax, of goods supplied and services rendered after deducting discounts.

- Revenue from sales of merchandise (Gallery operation) is recognised when the significant risk 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.

(b) Revenue from property development operations

- Revenue from the real estate sales

Revenue from sales of real estate is recognised when significant risks and rewards of ownership are transferred to the buyer, and the Company and its subsidiaries retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the real estate sold. In addition, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and its subsidiaries and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Where properties are sold to non-Thais, the land is sold under a long-term lease agreement comprising an initial term of thirty years with an option to extend for two or three successive periods of thirty years each, without any additional consideration to be paid in addition to the sum of the rental paid for the initial lease term. These long-term lease agreements also contain a further option that provides if Thai law permits non-Thais to own land on a freehold basis, the lessor shall consent to sell the land to the lessee in return for a token payment. Consequently, long-term leases are recognised as sales of land for accounting purposes in accordance with the principle of applying substance over form.

- Revenue from sales of furniture

Revenue from sales of furniture is recognised when furniture is completely and satisfactorily installed.

- Revenue from sale of holiday club memberships

Revenue from the sale of holiday club memberships is wholly recognised when a legally binding contract has been signed and at least fifty percent of the contract price has been received.

(c) Revenue from rental and services

Rental income is recognised over the lease period. Service revenue is recognised when services have been rendered taking into account the stage of completion.

(d) Interest income

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

(e) Dividends

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

4.2 Cost of property development

In determining the cost of property development sold, the anticipated total development cost (after recognising the cost incurred to date) are attributed to units already sold and then recognised as cost in profit or loss.

4.3 Cash and cash equivalents

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

4.4 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.

4.5 Property development cost

Property development cost is valued at the lower of cost and net realisable value. Cost comprises cost of land, design fee, infrastructure, construction and related interest.

4.6 Inventories

Inventories are valued at the lower of cost and net realisable value, cost being determined on either the first-in, first-out or the weighted average basis.

4.7 Investments

a) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for impairment loss (if any).

b) Investments in associates are accounted for in the consolidated financial statements using the equity method.

c) Investments in subsidiaries and associates are accounted for in the separate financial statements using the cost method.

The fair value of marketable securities is based on the latest bid price of the last working day of the year. The fair value of debt instruments is determined based on yield rates 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 reclassifies investments from one type to another, such investments will be readjusted to their fair value as at the reclassification date. The difference between the carrying amount of the investments and the fair value on the date of reclassification are recorded in profit or loss or recorded as other components of shareholders’ equity, depending on the type of investment that is reclassified.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

**4.8 Investment properties**

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Any gains or losses arising from changes in the value of investment properties are recognised in profit or loss when incurred.

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.

4.9 Property, plant and equipment/Depreciation

Land is stated at its revalued amount. Buildings and equipment are stated at cost or revalued amount less accumulated depreciation and allowance for loss on impairment of assets (if any).

Land and buildings are initially recorded at cost on the acquisition date, and subsequently revalued by an independent professional appraiser to their fair values. As a policy, the revaluation will be performed every three years. If within that period, there are factors which may cause significant changes in the value of assets, the revaluation will be performed in that year to ensure that the carrying amount does not differ materially from fair value at the end of reporting period.

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

- When an asset’s carrying amount is increased as a result of the revaluation of the Company’s and subsidiaries’ assets, the increase is credited directly to the other comprehensive income and the cumulative increase is recognised equity under the heading of “Revaluation surplus on assets”. However, a revaluation increase is recognised as income to the extent that it reverses a revaluation decrease in respect of the same asset previously recognised as an expense.

- When an asset’s carrying amount is decreased as a result of a revaluation of the Company’s and subsidiaries’ assets, the decrease is recognised in profit or loss. However, the revaluation decrease is charged to the other comprehensive income to the extent that it does not exceed an amount already held in “Revaluation surplus on assets” in respect of the same assets.

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

|  |  |
| --- | --- |
| Buildings and improvements | 10 - 50 years |
| Machinery and equipment | 5 - 15 years |
| Furniture, fixtures and motor vehicles | 5 years |
| Operating and office equipment | 3 - 5 years |
| Golf course, land improvement and external work | 5 - 10 years |

Depreciation is included in determining earnings.

No depreciation is provided on land and construction in progress.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised. The revaluation surplus presented in other components of shareholders' equity has been directly transferred to retained earnings on retirement or disposal of the assets.

**4.10 Leasehold rights and amortisation**

Leasehold rights of hotel units are stated at cost less accumulated amortisation and any impairment losses (if any). Amortisation of leasehold rights is calculated by reference to their cost on a straight-line basis over 20 years.

The amortisation is included in determining income.

**4.11 Borrowing costs**

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

Capitalisation rates are calculated based on the weighted average of the interest expenses incurring during the year on loans for development of projects.

**4.12 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.

**4.13 Deferred financial fees**

Financial expenses related to borrowings that are typically incurred on or before signing facility agreements and before actual draw down of the loans are recorded as deferred financial fees. A portion of deferred financial fees proportionate to the amount of the loan facility already drawn is presented as a deduction against the related loan account and amortised using the effective interest rate method over the term of the loans.

The amortisation of deferred financial fees is included in profit or loss.

**4.14 Related party transactions**

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

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

**4.15 Long-term leases**

Leases of property, plant or equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in long-term payables, while the interest element is charged to profit or loss over the lease period. The assets acquired under finance leases are depreciated over the useful life of the asset.

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

**4.16 Foreign currencies**

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

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

Gains and losses on exchange are included in determining income.

**4.17 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 intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. The Company and its subsidiaries also carry out annual impairment reviews in respect of goodwill. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset’s fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company and its subsidiaries could obtain from the disposal of the asset in an arm’s length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in profit or loss. However, in cases where property, plant and equipment was previously revalued and the revaluation was taken to equity, a part of such impairment is recognised in equity up to the amount of the previous revaluation.

In the assessment of asset impairment, if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company and its subsidiaries estimate the asset’s recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal, which exceeds the carrying amount that would have been determined, is treated as a revaluation increase.

**4.18 Employee benefits**

***Short-term employee benefits***

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

***Post-employment benefits and other long-term employee benefits***

*Defined contribution plans*

The Company, its subsidiaries and their 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 and other long-term employee benefits*

The Company and its subsidiaries have obligations in respect of the severance payments they must make to employees upon retirement under labor law and other employee benefit plans. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan. In addition, the Company and its subsidiaries provide other long-term employee benefits, namely long service awards.

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

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

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

**4.19 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.

**4.20 Income tax**

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

**Current tax**

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

**Deferred tax**

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

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

At each reporting date, the 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.

**4.21 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company and its subsidiaries apply a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company and its subsidiaries measure fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company and its subsidiaries determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

**5. Significant accounting judgements and estimates**

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follows:

**Leases**

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset have 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.

**Fair value of financial instruments**

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercise judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk (bank and counterparty, both) liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value recognised in the statement of financial position and disclosures of fair value hierarchy.

**Impairment of equity investments**

The Company and its subsidiaries treat 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**

The Company and its subsidiaries present investment properties at the fair value estimated by an independent appraiser, and recognises changes in the fair value in profit or loss. The independent appraiser valued the investment properties using the income approach, because there is no market price that could be used to apply a comparative approach. The key assumptions used in estimating the fair value are described in Note 17.

**Property, plant and equipment/Depreciation**

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the plant and equipment and to review estimated useful lives and residual values when there are any changes.

The Company and its subsidiaries measure land and buildings at revalued amounts. Such amounts are determined by independent valuer using the Market Approach for land, the Replacement Cost Approach or the Income Approach for buildings. The valuation involves certain assumptions and estimates as described in Note 18.

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 the 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.

**Goodwill**

The initial recognition and measurement of goodwill, 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 unutilised tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

**Post-employment benefits under defined benefit plans and other long-term employee benefits**

The obligation under the defined benefit plan and other long-term employee benefit plans 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.

**Litigation**

The Company and its subsidiaries have contingent liabilities as a result of litigation. The Company’s and subsidiaries’ management has used judgement to assess of the results of the litigation and recorded contingent liabilities under "Long-term provision - provision for legal case" as at the end of reporting period.

**Investments in associates**

The management determined that the Company has significant influence over some associates, even though the Company holds less than 20% of its shares. This is because the Company has key representative on the Board of Directors of the investees including participate in policy-making processes.

**6. Cash and cash equivalents**

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | Separate financial statements | |
|  | 2017 | 2016 | 2017 | 2016 |
| Cash | 7,836 | 7,712 | 131 | 144 |
| Bank deposits | 1,002,145 | 662,058 | 40,107 | 18,062 |
| Total | 1,009,981 | 669,770 | 40,238 | 18,206 |

As at 31 December 2017, bank deposits in saving accounts and fixed deposits carried interest rates between 0.25% and 0.85% per annum (2016: between 0.25% and 0.85% per annum).

**7. Long-term restricted deposits at financial institution**

The long-term restricted deposit pledged with a financial institution as security for bank guarantee facilities of a subsidiary.

**8. Trade and other receivables**

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | Separate financial statements | |
|  | 2017 | 2016 | 2017 | 2016 |
| Trade accounts receivable |  |  |  |  |
| Trade accounts receivable - hotel operations | 256,674 | 290,920 | 6,378 | 8,034 |
| Less: Allowance for doubtful accounts | (7,430) | (52,436) | (3,300) | (1,559) |
| Trade accounts receivable - hotel operations, net | 249,244 | 238,484 | 3,078 | 6,475 |
| Trade accounts receivable - sales of property |  |  |  |  |
| - Installments due | 51,499 | 41,083 | - | - |
| Current portion of long-term trade |  |  |  |  |
| accounts receivable (Note 13) | 196,269 | 204,135 | - | - |
| Trade accounts receivable - sales of property, net | 247,768 | 245,218 | - | - |
| Trade accounts receivable - sales of holiday club |  |  |  |  |
| memberships - Installments due and trade accounts  receivable from sales and marketing services for  holiday club memberships | 114,166 | 93,485 | - | - |
| Current portion of long-term trade |  |  |  |  |
| accounts receivable (Note 13) | 3,995 | 5,481 | - | - |
| Trade accounts receivable - sales of holiday club |  |  |  |  |
| memberships and sales and marketing services for  holiday club memberships, net | 118,161 | 98,966 | - | - |
| Trade accounts receivable - net | 615,173 | 582,668 | 3,078 | 6,475 |
| Other receivables |  |  |  |  |
| Amounts due from related parties (Note 9) | 51,161 | 39,455 | 22,969 | 158,582 |
| Other receivables | 14,451 | 30,335 | 56 | 341 |
| Insurance claim receivable | 413 | 98 | - | - |
| Accrued other income | 3,291 | 2,431 | 189 | 175 |
| Interest receivable | 114 | 86 | 67 | 37 |
| Accrued rental | 19,965 | 16,659 | 19,964 | 16,658 |
| Total other receivables | 89,395 | 89,064 | 43,245 | 175,793 |
| Trade and other receivables, net | 704,568 | 671,732 | 46,323 | 182,268 |

The balances of trade accounts receivable - hotel operations as at 31 December 2017 and 2016, aged on the basis of due dates, are summarised below.

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | Separate financial statements | |
|  | 2017 | 2016 | 2017 | 2016 |
| **Age of receivables** |  |  |  |  |
| Not yet due | 146,159 | 126,587 | 146 | 163 |
| Past due |  |  |  |  |
| Up to 30 days | 71,024 | 68,472 | 139 | 312 |
| 31 - 60 days | 15,123 | 11,368 | 146 | 306 |
| 61 - 90 days | 6,489 | 10,584 | 101 | 2,297 |
| 91 - 120 days | 2,564 | 1,898 | 61 | 310 |
| Over 120 days | 15,315 | 72,011 | 5,785 | 4,646 |
| Total | 256,674 | 290,920 | 6,378 | 8,034 |
| Less: Allowance for doubtful debts | (7,430) | (52,436) | (3,300) | (1,559) |
| Trade accounts receivable - hotel operations, net | 249,244 | 238,484 | 3,078 | 6,475 |

The balances of trade accounts receivable - sales of property as at 31 December 2017 and 2016, aged on the basis of due dates, are summarised below.

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | Separate financial statements | |
|  | 2017 | 2016 | 2017 | 2016 |
| **Age of receivables** |  |  |  |  |
| Not yet due | 209,131 | 222,918 | - | - |
| Past due |  |  |  |  |
| Up to 30 days | 10,333 | 7,460 | - | - |
| 31 - 60 days | 5,984 | 4,503 | - | - |
| 61 - 90 days | 3,876 | 2,738 | - | - |
| 91 - 120 days | 2,982 | 1,900 | - | - |
| Over 120 days | 15,462 | 5,699 | - | - |
| Trade accounts receivable - sales of property, net | 247,768 | 245,218 | - | - |

The balances of installments due of trade accounts receivable - holiday club memberships and trade account receivable from sales and marketing service for holiday club memberships as at 31 December 2017 and 2016, aged on the basis of due dates, are summarised below.

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | Separate financial statements | |
|  | 2017 | 2016 | 2017 | 2016 |
| **Age of receivables** |  |  |  |  |
| Not yet due | 36,030 | 17,900 | - | - |
| Past due |  |  |  |  |
| Up to 30 days | 10,462 | 18,415 | - | - |
| 31 - 60 days | 46 | 4,972 | - | - |
| 61 - 90 days | 42 | 5,883 | - | - |
| 91 - 120 days | 14 | 6,923 | - | - |
| Over 120 days | 67,572 | 39,392 | - | - |
| Trade accounts receivable - sales of holiday  club memberships - installments due and trade  accounts receivable from sales and marketing  service for holiday club memberships - net | 114,166 | 93,485 | - | - |

9. Related party transactions

During the years, 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, its subsidiaries and those related parties.

(Unit: Million Baht)

|  | Consolidated | | Separate | | |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | financial statements | | financial statements | | | Transfer pricing policy |
|  | 2017 | 2016 | 2017 | | 2016 |  |
| Transactions with subsidiaries | | |  | |  |  |
| (eliminated from the consolidated financial statements) | | |  | |  |  |
| Guarantee fee income | - | - | 1 | | 1 | (3) agreed basis |
| Guarantee fee expenses | - | - | 3 | | 3 | (3) agreed basis |
| Interest income | - | - | 56 | | 73 | (5) agreement |
| Interest expenses | - | - | 37 | | 49 | (5) agreement |
| Management fee income | - | - | 71 | | 56 | (4), (7) agreement |
| Reimbursement receipts | - | - | 9 | | 4 | (11) agreed basis |
| Reimbursement payments | - | - | 9 | | 10 | (11) agreed basis |
| Rental and service income | - | - | 5 | | 6 | (12)(iii) agreement |
| Rental and service expenses | - | - | 6 | | 6 | (12)(iv), (v) agreement |
| Resort service expenses | - | - | 9 | | 7 | (14) agreed basis |
| Sales of investment in subsidiary | - | - | 146 | | - | As stipulated in agreement |
| Dividend income | - | - | 33 | | - | As declared |
| Transactions with associates | | | |  |  |  |
| Inter resort receipts | 2 | 3 | - | | - | (1) agreed basis |
| Sale of goods | 1 | - | - | | - | (9) agreed basis |
| Dividend income | - | - | 19 | | - | As declared |
| Reimbursement receipts | 5 | - | - | | - | (11) agreed basis |
| Reimbursement payments | - | 1 | - | | - | (11) agreed basis |
| Rental and service income | 20 | - | - | | - | (12)(iv) agreement |
| Rental and service expenses | - | 1 | - | | - | (12)(iv) agreement |
| Transactions with related companies | | | |  |  |  |
| Credit card commission receipts | 1 | 1 | - | | - | (1) agreed basis |
| Inter resort payments | 80 | 85 | - | | - | (1) agreed basis |
| Inter resort receipts | 1 | - | - | | - | (1) agreed basis |
| Management fee income | 3 | 2 | 1 | | 1 | (4), (16), (18) agreement |
| Management fee expenses | 270 | 263 | 2 | | - | (6), (15) agreement |
| Purchase of spa and gallery  vouchers | 8 | 8 | 3 | | 3 | (2), (8) agreed basis |
| Sale of goods | 26 | 18 | - | | - | (9) agreed basis |
| Reimbursement receipts | 52 | 77 | | 5 | 6 | (11) agreed basis |
| Reimbursement payments | 61 | 47 | | 7 | 7 | (11) agreed basis |
| Rental and service income | 31 | 46 | | - | - | (12)(i), (ii), (iv), (vi), (vii) agreement |
| Rental return on hotel units | 4 | 4 | | - | - | (13) agreement |
| Resort service income | 6 | 7 | | - | - | (14) agreed basis |
| Training charges | 10 | 10 | | - | - | (10) agreed basis |
| Dividend payment | 22 | - | | - | - | As declared |
| Sales of investments in subsidiary and associate | 217 | - | | - | - | As stipulated in agreements |

|  | Consolidated | | Separate | | |  | |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | financial statements | | financial statements | | | Transfer pricing policy | |
|  | 2017 | 2016 | 2017 | | 2016 |  | |
| Transactions with management and directors | | | |  |  |  |
| Sales of property | 29 | - | - | | - | As selling price |
| Rental return on hotel units | 2 | - | - | | - | As actual |

The nature, pricing policy and agreements relating to the above transactions are summarised below:

(1) These charges relate to goods and services that are consumed by customers in one part of Laguna Phuket but are billed centrally to the customer at the hotel in which the customer is staying. Such charges relate to meals at restaurants, golf fees, treatments at the spa and goods purchased at shops in the resort.

On receiving the funds centrally from the customer, the hotel reimburses the company in which the goods and services are consumed. Actual receipts are paid and credit card commission is charged ranging from 2% to 5% of the revenue based on the commission rate charged by the credit card companies. Such inter resort charges are also incurred at the Banyan Tree Bangkok, Banyan Tree Lijiang and Laguna Golf Bintan primarily for treatments at the spa, goods purchased at the shops and golf fees at golf course.

(2) This relates to sale of spa and gallery vouchers by companies which operate Banyan Tree Spas and Banyan Tree Gallery to related companies for using as a marketing tool. The Spa vouchers are priced at a 55% discount to the Spa price list. The Gallery vouchers are priced at 20% discount to the face value of the voucher.

(3) Guarantee fee among group companies for permitting their assets to be pledged as collateral for other related companies’ bank loans by charging on 1% of proportion of value of pledged assets to total loan facilities.

(4) The Company charges a management fee to its subsidiaries for providing centralised duties and services for each operation in the group. The monthly fixed rate is charged dependent on the department serviced, except the internal audit service is charged by the working hours and project management service is charged as Note (7).

(5) Loans to subsidiaries and between group companies are unsecured and are denominated in Thai Baht. The loans carry interest at a rate equal to the lenders’ borrowing costs per annum (based upon commercial bank’s interest rates) plus a margin of 1.1%. The loans are repayable on demand, however it is expected that those loans would not be called for repayment in the short-term. Therefore such loans are recorded as non-current assets/liabilities in the statements of financial position.

(6) The terms of the operating agreements are disclosed in Note 35 and consist of a royalty agreement, hotel management agreement and technical assistance agreement. The payment terms of the contracts are as follows:

Royalty fee paid for the use of “Banyan Tree”, “Angsana”, and “Cassia” trademarks and all other proprietary rights associated with it.

(i) Banyan Tree Phuket (Laguna Banyan Tree Limited) and Cassia Phuket (Phuket Resort Development Limited) and Angsana Villas Resort Phuket (Laguna Village Limited) pay a royalty fee of 2% of total revenue.

(ii) Banyan Tree Bangkok (Thai Wah Plaza Limited) and Angsana Laguna Phuket (Bangtao Grande Limited) pay a royalty fee of 3% of total revenue.

(iii) Banyan Tree Gallery (Thailand) Limited and Banyan Tree Gallery (Singapore) Pte Ltd. pay a royalty fee of 1% of total revenue.

Hotel management and technical assistance fees.

(iv) The Technical Assistance Agreement of the Banyan Tree Phuket pay a technical fee of 7.5% of gross operating profit.

(v) The Hotel Management Agreement of the Banyan Tree Bangkok and the Angsana Laguna Phuket pays a hotel management fee of 10% of gross operating profit. Cassia Phuket and Angsana Villas Resort Phuket pay a hotel management fee of 7.5% of gross operating profit.

(vi) In addition, pursuant to the hotel management and technical assistance agreements, expenses relating to the sharing of group marketing costs such as promotional campaigns and adverts, sales staff salaries, central reservations and international sales offices incurred by the Banyan Tree and/or Angsana and/or Cassia corporate head office shall be charged as follows:

- Group marketing services shared on a group basis are based on 3% of total actual hotel revenue. The rate has been reduced to 2% of total actual hotel revenue since 1 July 2016.

- Reservation service fees are 1% of room revenue plus USD 12 per booking sourced through third party channels.

All management fees are consistent with industry practice and the sharing of group marketing costs incurred by Banyan Tree Phuket, Banyan Tree Bangkok, Angsana Laguna Phuket, Angsana Villas Resort Phuket and Cassia Phuket are the reimbursement of costs benefiting each of the hotels. As a result, these transactions are on normal commercial terms and conditions.

(7) The Company provides project management services, the contracted fee is set at a rate of 5% of the actual or budgeted costs of the project.

(8) Purchase of Banyan Tree Spa and Banyan Tree Gallery vouchers for distribution to management to provide an additional benefit scheme. The vouchers are issued yearly to qualifying executives and are valid only within the year of issue. The voucher is priced at the face value of the voucher.

(9) These transactions relate to:

(i) Sale of goods from Banyan Tree Gallery (Thailand) Limited to related companies is priced at a 15% to 30% discount to the retail price depending on the volume purchased.

(ii) Sale of guest and spa supplies of high volume purchases from companies which operate galleries to related companies is priced at cost plus up to 30% and 40% margin.

(10) Training charges by Banyan Tree Hotels & Resorts (Thailand) Limited in respect of providing centralised training facilities and courses for staff. The training costs are allocated to each operation based on actual cost.

(11) Costs are often incurred within the group which is reimbursed by the company to which the expense relates. Actual costs are reimbursed.

(12) Rental paid for premises and land. The rental periods are not over three years, except some transactions as stated in (12)(i).

(i) Rental and service fee is on the basis of 5% to 10% of sales revenue which is dependent on criteria such as the location, budgeted sales, term of the lease, size of area leased and type of operation.

Payee Payer Rental Period Expiry Date

BGL BTRS(T) 30 years November 2041

LBTL BTRS(T) 2 years December 2017

BGL : Bangtao Grande Limited

BTRS(T) : Banyan Tree Resorts & Spas (Thailand) Company Limited

LBTL : Laguna Banyan Tree Limited

(ii) Rental and service income for space in Banyan Tree Phuket for Banyan Tree Spa office and store is at Baht 1,138 per square metre per month.

(iii) Rental of space and service in Canal Village. The charges include rental and related service fees which are at market rate.

(iv) Rental and service income earned by Thai Wah Plaza Limited for renting the office space at Thai Wah Tower I and Banyan Tree Bangkok. The charges include rental and related service fees which are at market rate.

(v) Rental of land and lagoon on which hotel and hotel-related operations are located are at Baht 117,325 and Baht 11,733 per rai per annum respectively.

(vi) Service income from rental of Banyan Tree Management Academy is at Baht 128,750 per month.

(vii) Rental of land on which Spa premises are located is on the basis of Baht 0.7 million per annum.

(13) This relates to a Management Agreement to manage the hotel units of Cheer Golden Limited in the Angsana Resort & Spa on Bintan Island, Indonesia under which Cheer Golden Limited receives a return of 15% per annum on the investment of the leasehold rights.

(14) Resort service charged to the operations relates to revenue of Laguna Service Company Limited which provides centralised services to each operation in the group located at Laguna Phuket at the following rates:

- Water supply : at the determined price and actual usage

- Laundry charge : at the price based on cost plus a certain margin

- Common area services, : based on actual cost

transportation charges

- Staff buses : at the price based on cost plus a certain margin

- Marketing fee : at the rate of 0.75% of the operations’ actual revenue

- Community service : based on actual cost

- Other services : at the determined price and actual usage

(15) This relates to architectural and interior design services which the fees are based on construction cost at progressive rates which depend on type of services and type of constructions. The fees are consistent with industry practice. As a result, these transactions are on normal commercial terms and conditions.

(16) The Company charges a management fee to Banyan Tree Resorts & Spas (Thailand) Company Limited for providing administration services of information technology and human resources. The monthly fee is Baht 55,000.

(17) This relates to management fee charge to related companies for providing operational, visual and product training services. The fee are annual fee at SGD according to each agreement plus 15% of gross operating profit.

(18) This relates to project management services which the fees are based on 10% mark up of actual working hours in providing the service and included all cost.

The Company has contingent liabilities in respect of letters of guarantee issued to banks to guarantee facilities of its subsidiaries as follows:

(Unit: Million Baht)

|  |  |  |
| --- | --- | --- |
|  | 2017 | 2016 |
| Overdrafts and bank guarantee facilities | 106 | 106 |

Subsidiaries have contingent liabilities in respect of letters of guarantee issued to banks to guarantee facilities of the Company and other subsidiaries as follows:

(Unit: Million Baht)

|  |  |  |
| --- | --- | --- |
|  | 2017 | 2016 |
| Short-term loan facilities | 150 | 150 |
| Long-term loan facilities | 900 | 900 |
| Overdrafts and bank guarantee facilities | 20 | 20 |

As at 31 December 2017 and 2016, the balances of the accounts between the Company and those related companies are as follows:

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | Separate financial statements | |
|  | 2017 | 2016 | 2017 | 2016 |
| **Amounts due from related parties** |  |  |  |  |
| Subsidiaries | - | - | 22,319 | 156,971 |
| Associated companies | 109 | 4,140 | - | - |
| Related companies (related by |  |  |  |  |
| common shareholders) | 51,052 | 35,315 | 650 | 1,611 |
| Total amounts due from related |  |  |  |  |
| parties (Note 8) | 51,161 | 39,455 | 22,969 | 158,582 |
| **Amounts due to related parties** | |  |  |  |  |
| Subsidiaries | - | - | 10,219 | 12,138 |
| Associated companies | - | 376 | - | - |
| Related companies (related by |  |  |  |  |
| common shareholders) | 125,614 | 105,207 | 2,737 | 2,891 |
| Total amounts due to related parties |  |  |  |  |
| (Note 21) | 125,614 | 105,583 | 12,956 | 15,029 |

Long-term loans to subsidiaries and long-term loans from subsidiaries

As at 31 December 2017 and 2016, the balance of loans between the Company and those related companies and the movement are as follows:

Long-term loans to subsidiaries

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Separate financial statements | | | |
|  | 1 January 2017 | Addition | Repayment | 31 December 2017 |
| Laguna Banyan Tree Limited | 659,100 | 307,500 | (577,600) | 389,000 |
| Laguna Holiday Club Limited | 1,000 | 213,000 | (19,000) | 195,000 |
| Laguna Lakes Limited | 324,301 | 147,200 | (77,500) | 394,001 |
| Laguna Grande Limited | 131,600 | 177,500 | (309,100) | - |
| Total | 1,116,001 | 845,200 | (983,200) | 978,001 |

**Long-term loans from subsidiaries**

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Separate financial statements | | | |
|  | 1 January 2017 | Addition | Repayment | 31 December 2017 |
| Laguna Holiday Club Limited | - | 29,000 | (29,000) | - |
| Laguna Grande Limited | - | 149,000 | (149,000) | - |
| Laguna (3) Limited | 24,000 | 2,000 | - | 26,000 |
| TWR-Holdings Limited | 722,680 | 264,520 | (667,200) | 320,000 |
| Total | 746,680 | 444,520 | (845,200) | 346,000 |

Directors and management’s benefits

During the years ended 31 December 2017 and 2016, the Company and its subsidiaries had employee benefit expenses of their directors and management as below.

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | Separate financial statements | |
|  | 2017 | 2016 | 2017 | 2016 |
| Short-term employee benefits | 102,682 | 100,435 | 63,231 | 63,402 |
| Post-employment benefits | 2,709 | 2,506 | 1,503 | 1,440 |
| Other long-term employee benefits | 37 | 44 | 22 | 28 |
| Total | 105,428 | 102,985 | 64,756 | 64,870 |

**10. Inventories**

(Unit: Thousand Baht)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | | | | |
|  | Cost | | Reduce cost to net realisable value | | Inventories-net | |
|  | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Food and beverage | 28,054 | 26,757 | - | - | 28,054 | 26,757 |
| Finished goods and supplies | 86,000 | 88,457 | (1,457) | (276) | 84,543 | 88,181 |
| Total | 114,055 | 115,214 | (1,457) | (276) | 112,597 | 114,938 |

11. Property development cost

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | Separate financial statements | |
|  | 2017 | 2016 | 2017 | 2016 |
| Property for sale under holiday club memberships | 420,172 | 414,537 | - | - |
| Completed buildings | 806,596 | 461,796 | - | - |
| Land | 1,954,124 | 1,699,661 | 111,429 | 111,429 |
| Property under construction | 805,087 | 963,961 | 15,728 | 8,795 |
| Total | 3,985,979 | 3,539,955 | 127,157 | 120,224 |

Subsidiaries have mortgaged property development cost amounting to Baht 978 million (2016: Baht 1,029 million) as collateral against its credit facilities received from financial institutions.

The property development cost has been financed with a loan from a financial institution. Borrowing costs amounting to Baht 9 million were capitalised for the year ended 31 December 2017 (2016: Baht 13 million). The weighted average rate of 4.68% (2016: 4.88%) has been used to determine the amount of borrowing costs eligible for capitalisation.

12. Other current assets

(Unit: Thousand Baht)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | | Separate financial statements | |
|  | 2017 | 2016 | 2017 | | 2016 |
| Value added tax | 32,778 | 46,449 | 582 | | 625 |
| Prepaid expenses and withholding |  |  |  | |  |
| tax deducted at source | 47,190 | 49,298 | 7,183 | | 4,903 |
| Advances to suppliers and staff | 33,454 | 35,784 | 2,669 | | 9,534 |
| Income tax and VAT refundable | 25,457 | 25,289 | 4,362 | | 5,576 |
| Total | 138,879 | 156,820 | 14,796 | | 20,638 |

13. Long-term trade accounts receivable

Long-term trade accounts receivable consist of:

13.1 Installments receivable from property sales which bear interest at a rate of 5.0% - 7.0% and MLR plus 0.5% per annum and installments are repaid over a period of 3 to 10 years.

13.2 Installments receivable from sales of holiday club memberships which bear interest at a rate of 8.0% - 9.0% per annum and installments are repaid over a period of 2 to 5 years.

Long-term trade accounts receivable are due as follows:

(Unit: Thousand Baht)

|  |  |  |
| --- | --- | --- |
|  | Consolidated financial statements | |
|  | 2017 | 2016 |
| Current portion of long-term trade |  |  |
| accounts receivable | 200,264 | 209,616 |
| Long-term trade accounts receivable | 322,175 | 393,401 |
| Total | 522,439 | 603,017 |
| Sales of property |  |  |
| Within 1 year (Note 8) | 196,269 | 204,135 |
| Over 1 year to 5 years | 319,337 | 389,862 |
| Over 5 years | 347 | 588 |
| Long-term trade accounts receivable - |  |  |
| sales of property | 515,953 | 594,585 |
| Sales of holiday club memberships |  |  |
| Within 1 year (Note 8) | 3,995 | 5,481 |
| Over 1 year to 5 years | 2,491 | 2,951 |
| Long-term trade accounts receivable - |  |  |
| sales of holiday club memberships | 6,486 | 8,432 |
| Total | 522,439 | 603,017 |

**14. Investments in subsidiaries**

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Company’s name | Paid-up capital | | Shareholding percentage | | Cost | |
|  | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
|  | Million Baht | Million Baht | % | % | Million Baht | Million Baht |
| **Subsidiaries held by the Company** |  |  |  |  |  |  |
| Banyan Tree Gallery (Singapore) | SGD 0.43 | SGD 0.43 | 51.0 | 51.0 | 4.0 | 4.0 |
| Pte Limited | Million | Million |  |  |  |  |
| Banyan Tree Gallery (Thailand) Limited | 7.8 | 7.8 | 51.0 | 51.0 | 4.0 | 4.0 |
| Laguna Banyan Tree Limited(1) | 1,500.0 | 1,500.0 | 100.0 | 100.0 | 1,325.1 | 1,325.1 |
| Laguna Holiday Club Limited | 330.0 | 330.0 | 100.0 | 100.0 | 330.0 | 330.0 |
| Laguna Grande Limited(3) | 1,000.0 | 1,000.0 | 100.0 | 100.0 | 958.5 | 984.8 |
| Laguna Lakes Limited | 1.0 | 1.0 | 95.0 | 95.0 | 0.9 | 0.9 |
| Laguna Service Company Limited(2) | 90.5 | 90.5 | 72.9 | 72.9 | 22.4 | 22.4 |
| Laguna (3) Limited | 0.1 | 0.1 | 100.0 | 100.0 | 47.8 | 47.8 |
| TWR - Holdings Limited | 1,550.0 | 1,550.0 | 100.0 | 100.0 | 1,550.0 | 1,550.0 |
| **Subsidiaries held through TWR - Holdings Limited** |  |  |  |  |  |  |
| Laguna Excursions Limited | 8.0 | 8.0 | 49.0 | 49.0 | - | - |
| Laguna Village Limited | 6.0 | 6.0 | 100.0 | 100.0 | - | - |
| Mae Chan Property Company Limited | 232.3 | 232.3 | 100.0 | 100.0 | - | - |
| Pai Samart Development Company Limited | 28.4 | 28.4 | 100.0 | 100.0 | - | - |
| Phuket Resort Development Limited | 100.0 | 100.0 | 100.0 | 100.0 | - | - |
| PT AVC Indonesia | USD 2.3  Million | USD 0.9  Million | 100.0 | 100.0 | - | - |
| Talang Development Company Limited | 251.0 | 251.0 | 50.0 | 50.0 | - | - |
| Thai Wah Plaza Limited | 2,250.0 | 2,250.0 | 100.0 | 100.0 | - | - |
| Thai Wah Tower Company Limited | 455.0 | 455.0 | 100.0 | 100.0 | - | - |
| Thai Wah Tower (2) Company Limited | 21.0 | 21.0 | 100.0 | 100.0 | - | - |
| Twin Waters Development Company Limited | 214.4 | 214.4 | 100.0 | 100.0 | - | - |
| **Subsidiaries held through Laguna Grande Limited** |  |  |  |  |  |  |
| Bangtao (1) Limited | 20.9 | 20.9 | 100.0 | 100.0 | - | - |
| Bangtao (2) Limited | 19.1 | 19.1 | 100.0 | 100.0 | - | - |
| Bangtao (3) Limited | 7.8 | 7.8 | 100.0 | 100.0 | - | - |
| Bangtao (4) Limited | 14.6 | 14.6 | 100.0 | 100.0 | - | - |
| Bangtao Development Limited | 80.0 | 80.0 | 100.0 | 100.0 | - | - |
| Bangtao Grande Limited | 1,546.0 | 1,546.0 | 100.0 | 100.0 | - | - |
| Laguna Central Limited | 1.0 | 1.0 | 85.0 | 85.0 | - | - |
| **Subsidiary held through Banyan Tree Gallery (Singapore) Pte Limited** |  |  |  |  |  |  |
| Lijiang Banyan Tree Gallery Trading | - | USD 75 | - | 51.0 | - | - |
| Company Limited |  | Thousands |  |  |  |  |
| **Subsidiary held through Laguna Holiday Club Limited** |  |  |  |  |  |  |
| Cheer Golden Limited | - | - | 100.0 | 100.0 | - | - |
| **Total investments in subsidiaries** |  |  |  |  | 4,242.7 | 4,269.0 |

(1) Laguna Banyan Tree Limited is held 49.0% by the Company and 51.0% through Bangtao Grande Limited.

(2) Laguna Service Company Limited is held 24.7% by the Company and 48.2% through 2 subsidiaries.

(3) Laguna Grande Limited is held 85.4% by the Company and 14.6% through 2 subsidiaries (2016: 87.8% by the Company and 12.2% through 2 subsidiaries).

During the years, the Company received dividend income from its subsidiaries as detailed below.

(Unit: Thousand Baht)

|  | Separate financial statements | |
| --- | --- | --- |
| Company's name | 2017 | 2016 |
| Banyan Tree Gallery (Singapore) Pte Limited | 7,463 | - |
| Banyan Tree Gallery (Thailand) Limited | 25,690 | - |
| Total | 33,153 | - |

A subsidiary has a 49% shareholding in Laguna Excursions Limited. However, the subsidiary has recognised its share of the profits of this subsidiary at 100% after deducting the cumulative preferential annual dividend of 15% of the par value of the preference shares, in accordance with the income sharing percentage in the Articles of Association.

On 11 July 2017, Banyan Tree Gallery (Singapore) Pte Limited (a subsidiary) entered into an agreement to sell all shares in Lijiang Banyan Tree Gallery Trading Company Limited (an indirect subsidiary), for a selling price of SGD 0.2 million or Baht 5.7 million. On 8 August 2017, Banyan Tree Gallery (Singapore) Pte Limited entered into supplemental deed relating to the sale and purchase of the shares with 2 related companies to prescribe conditions and details in the agreement. The subsidiary received payment for the sale of shares on 28 September 2017. As a result of this transaction, Lijiang Banyan Tree Gallery Trading Co., Ltd. is no longer an indirect subsidiary of the Company.

The Company recognised the difference between the selling price and the net book value of the investment in the indirect subsidiary under the equity method of Baht 18 million as gain on sale of investment in subsidiary in the consolidated income statement for the current year.

The net assets value of Lijiang Banyan Tree Gallery Trading Company Limited as at disposal date, were detailed below:

(Unit: Thousand Baht)

|  |  |
| --- | --- |
|  | Net book value |
| Cash and cash equivalents | 11,184 |
| Trade and other receivables | 21,855 |
| Inventories | 16,403 |
| Property and equipment | 583 |
| Other current assets | 618 |
| Total assets | 50,643 |
| Trade and other payables | 48,545 |
| Corporate income tax payable | 283 |
| Other current liabilities | 11,090 |
| Total liabilities | 59,918 |
| Net asset value | (9,275) |
| Consideration received | 5,727 |
| Gain on sale of investment in subsidiary | 15,002 |
| Reversal of other comprehensive income of subsidiary | 2,986 |
| Total gain on sale of investment in subsidiary | 17,988 |
|  |  |
| Consideration received | 5,727 |
| Cash and cash equivalents of disposed subsidiary | (11,184) |
| Net cash decrease from disposal of subsidiary | (5,457) |

On 15 December 2017, the Company entered into the share sale agreement to sell 235,000 ordinary shares or 2.4% interest in Laguna Grande Limited (a subsidiary), for a selling price of Baht 146.4 million to Laguna Holiday Club Limited (a subsidiary).

The Company recognised the difference between the selling price and the net book value of the investment in subsidiary of Baht 120 million as a gain on sale of investment in subsidiary in the separate income statement for the current year. However, this transaction did not have any impact on the consolidated financial statement.

The Company has goodwill from purchase of shares in subsidiaries as follows:

(Unit: Thousand Baht)

|  |  |  |
| --- | --- | --- |
|  | Consolidated financial statements | |
|  | 2017 | 2016 |
| Thai Wah Plaza Limited | 56,976 | 56,976 |
| Laguna Banyan Tree Limited | 350,928 | 350,928 |
| Total | 407,904 | 407,904 |

Goodwill acquired through business combination was related to Thai Wah Plaza Limited and Laguna Banyan Tree Limited. Each entity has been identified as the single cash-generating unit (“CGU”) for impairment testing.

The recoverable amount of the CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Key assumptions used for value in use calculations are as below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Thai Wah Plaza Limited | | Laguna Banyan Tree Limited | |
|  | 2017 | 2016 | 2017 | 2016 |
| Growth rate (% per annum) | 2.97 | 3.63 | 9.65 | 4.93 |
| Discount rate (% per annum) | 8.18 | 7.14 | 8.22 | 7.49 |

Management determined the budgeted growth rate based on past performance and its expectation for market development. The discount rate represents the current market assessment of the risks specific to the CGU, regarding the time value of money and individual risks of the underlying assets.

With regards to the assessment of value in use, management believes that goodwill is not impaired.

**15. Investments in associates**

15.1 Details of associates

(Unit: Thousand Baht)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | Consolidated financial statements | | | | | |
| Company’s name | Nature of business | Country of incorporation | Shareholding percentage | | Cost | | Carrying amounts based on equity method | |
|  |  |  | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
|  |  |  | (%) | (%) |  |  |  |  |
| Lijiang Banyan Tree Hotel Co. Ltd. | Hotel operations and property development | The People’s Republic of China | - | 49 | - | 348,414 | - | 305,334 |
| Tropical Resorts Ltd. | Holding company | Hong Kong | 26 | 26 | 17,673 | 17,673 | - | - |
| Less: Allowance for impairment of investment | |  |  |  | (17,673) | (17,673) | - | - |
|  |  |  |  |  | - | - | - | - |
| Thai Wah Public Company Limited | Manufacture and distribution of vermicelli, tapioca starch and other | Thailand | 10.03 | 10.03 | 777,454 | 777,454 | 807,281 | 777,454 |
|  | food products |  |  |  |  |  |  |  |
| Banyan Tree China Pte. Ltd. | Holding company | Singapore | 10.69 | - | 125,057 | - | 121,118 | - |
| Total investments in associates - net | | |  |  | 902,511 | 1,125,868 | 928,399 | 1,082,788 |

(Unit: Thousand Baht)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  | Separate financial statements | | | |
| Company’s name | Nature of business | Country of incorporation | Shareholding percentage | | Cost | |
|  |  |  | 2017 | 2016 | 2017 | 2016 |
|  |  |  | (%) | (%) |  |  |
| Thai Wah Public Company Limited | Manufacture and distribution of vermicelli, tapioca starch and other food products | Thailand | 10.03 | 10.03 | 777,454 | 777,454 |
| Total |  |  |  |  | 777,454 | 777,454 |

Lijiang Banyan Tree Hotel Co., Ltd., held by Laguna Banyan Tree Limited, was incorporated in the People’s Republic of China and is engaged in the hotel business and property development.

Tropical Resorts Ltd., held by Laguna Banyan Tree Limited, was incorporated in Hong Kong and is engaged in investment holding.

On 10 August 2016, the Company’s Board of Directors’ meeting approved the additional acquisition of shares of Thai Wah Public Company Limited ("TWPC") from the Stock Exchange of Thailand.

During the year 2016, the Company additionally acquired 11 million ordinary shares of TWPC, equivalent to 1.25% of its register capital, with the purchase price of Baht 97 million. As a result, the Company held totaling 10.03% shareholding in that company. In addition, TWPC’s Board of Directors’ meeting approved the appointment of the Company’s key management as TWPC’s director which was effective on 25 December 2016. The management assessed that the Company has significant influence over TWPC, therefore, the Company changed the status of investment in TWPC from other long-term investment to investment in associate. The Company reversed unrealised gain on available-for-sale investment previously recognised in other comprehensive income through the consolidated statements of income amounting to Baht 346 million (Separate financial statements: Baht 649 million), under the caption “Gain on fair value adjustment of investment from changing status of investment”, due to transfer of investment from other long-term investments to investments in associate.

On 11 July 2017, Laguna Banyan Tree Limited (a subsidiary) entered into an agreement to sell its shares in Lijiang Banyan Tree Hotel Co., Ltd. (an associate) to a related company. On 8 August 2017, Laguna Banyan Tree Limited entered into supplemental deed relating to the sale and purchase of the shares with 2 related companies whereby Laguna Banyan Tree Limited agreed to sell 24.52 percent of shares in Lijiang Banyan Tree Hotel Co., Ltd. at a consideration of RMB 42.8 million or Baht 211.2 million. The subsidiary has fully received cash from sale of shares during the current year.

The subsidiary recognised the difference between the selling price and the net book value under the equity method of Baht 97.7 million as gain on sale of investment in associate in the consolidated income statement for the current year.

In addition, under the above supplemental deed, the subsidiary has restructured its remaining 24.52 percent interest in Lijiang Banyan Tree Hotel Co., Ltd. to its interest in Banyan Tree China Pte. Ltd. (BTC). The new percentage of shareholding in BTC was determined using the sale value under the agreement to sell and purchase shares for the 24.52% interest, as described above, and the fair value of BTC as appraised by independent valuers. The shares certificate in BTC has been issued on 22 December 2017.

As a result of the restructuring, the subsidiary holds a 10.69% interest in BTC and the initial cost of investment in BTC is equal to the net book value under the equity method of the 24.52% interest in the associate pre-restructuring. The management has determined that the Company and its subsidiary have significant influence over BTC as they have a key representative on the Board of Directors. Therefore, the Company and its subsidiary have classified the investment as an investment in an associate and used the equity method to recognise the investment in the consolidated financial statements.

As at 31 December 2017 and 2016, the Company has pledged the 10 million ordinary shares of Thai Wah Public Company Limited with a bank to secure a long-term loan of the Company.

15.2 Share of comprehensive income (loss) and dividend received

During the years, the Company and subsidiary have recognised their share of comprehensive income (loss) from investments in associate companies in the consolidated financial statements and dividend income in the separate financial statements as follows:

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | | |
|  | Share of profit (loss) from investments in | | Share of other comprehensive income (loss) from investments in | |
| Company’s name | associates during the years | | associates during the years | |
|  | 2017 | 2016 | 2017 | 2016 |
| Lijiang Banyan Tree Hotel Co., Ltd. | (50,256) | (49,605) | (4,964) | (28,148) |
| Thai Wah Public Company Limited | 51,402 | - | (3,022) | - |
| Banyan Tree China Pte. Ltd. | (4,267) | - | 328 | - |
| Total | (3,121) | (49,605) | (7,658) | (28,148) |

(Unit: Thousand Baht)

|  |  |  |
| --- | --- | --- |
|  | Separate financial statements | |
| Company’s name | Dividend received | |
|  | 2017 | 2016 |
| Thai Wah Public Company Limited | 18,553 | - |
| Total | 18,553 | - |

15.3 Fair value investments in a listed associate

In respect of investment in an associated company that is a listed company on the Stock Exchange of Thailand, its fair value is as follows:

|  |  |  |
| --- | --- | --- |
|  | (Unit: Million Baht) | |
| Associate | Fair values as at 31 December | |
|  | 2017 | 2016 |
| Thai Wah Public Company Limited | 826 | 826 |

15.4 Summarised financial information about material associates

Summarised information about financial position

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | (Unit: Million Baht) | | | | | |
|  | Lijiang Banyan Tree Hotel Co., Ltd. | | Thai Wah Public Company Limited | | Banyan Tree China Pte. Ltd. | |
|  | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Current assets | - | 205 | 3,148 | 2,797 | - | - |
| Non-current assets | - | 1,371 | 3,968 | 3,606 | 3,602 | - |
| Current liabilities | - | (796) | (808) | (750) | - | - |
| Non-current liabilities | - | (158) | (402) | (308) | - | - |
| Non-controlling interests | - | - | (560) | (246) | - | - |
| Net assets | - | 622 | 5,346 | 5,099 | 3,602 | - |
| Shareholding percentage (%) | - | 49 | 10.03 | 10.03 | 10.69 | - |
| Share of net assets | - | 305 | 536 | 512 | 385 | - |
| Difference in share of net assets and net book value of investment | - | - | - | - | (264) | - |
| Difference in fair value of identifiable assets | - | - | 166 | 167 | - | - |
| Goodwill | - | - | 98 | 98 | - | - |
| Other adjustment | - | - | 7 | - | - | - |
| Carrying amounts of associates based an equity method | - | 305 | 807 | 777 | 121 | - |

Summarised information about comprehensive income

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | (Unit: Million Baht) | | | | | |
|  | Lijiang Banyan Tree Hotel Co., Ltd. | | Thai Wah Public Company Limited | | Banyan Tree China Pte. Ltd. | |
|  | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenue | - | 283 | 6,472 | 6,306 | - | - |
| Profit (loss) | - | (101) | 493 | 669 | (40) | - |
| Other comprehensive income (loss) | - | (57) | (61) | 5 | 3 | - |
| Total comprehensive income (loss) | - | (158) | 432 | 674 | (37) | - |

15.5 Summarised financial information of other associate

| (Unit: Million Baht) | | |
| --- | --- | --- |
|  | For the year ended 31 December | |
|  | Tropical Resorts Ltd. | |
|  | 2017 | 2016 |
| Loss | (246) | (157) |
| Other comprehensive income (loss) | 338 | 6 |
| Total comprehensive income (loss) | 92 | (151) |

15.6 Investment in associate with capital deficit

The subsidiary recognised share of losses from investment in Tropical Resorts Ltd., until the value of the investment approached zero. Subsequent losses incurred by this associate has not been recognised in the subsidiary’s accounts since the subsidiary has no obligations, whether legal or constructive, to make any payments on behalf of those associates. The amount of such unrecognised share of losses is set out below.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| (Unit: Million Baht) | | | | |
|  | Unrecognised share of losses | | | |
| Company’s name | Share of losses during the years | | Cumulative share  of losses up to  31 December | |
|  | 2017 | 2016 | 2017 | 2016 |
| Tropical Resorts Ltd. | (23) | (41) | (252) | (229) |

16. Other long-term investments

| (Unit: Thousand Baht) | | |
| --- | --- | --- |
|  | Consolidated financial statements | |
|  | 2017 | 2016 |
| **Investments in other companies** |  |  |
| Bibace Investments Ltd. | 188,425 | 188,425 |
| Banyan Tree Indochina Hospitality Fund, L.P. | 417,940 | 417,940 |
| Total | 606,365 | 606,365 |

17. Investment properties

(Unit: Thousand Baht)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | | | | | | |
|  | 2017 | | | | 2016 | | | |
|  | Land  awaiting for development | Units in office building and shops | Construction in |  | Land  awaiting for development | Units in office building and shops | Construction in |  |
|  | / sales | for rent | progress | Total | / sales | for rent | progress | Total |
| Balance at beginning of year | 434,781 | 705,300 | 9,430 | 1,149,511 | 376,896 | 733,871 | 9,994 | 1,120,761 |
| Addition | - | 10,608 | - | 10,608 | - | - | 9,862 | 9,862 |
| Transfer | - | (242) | 242 | - | - | 10,426 | (10,426) | - |
| Net gain (loss) from a fair value adjustment | 261 | 4,954 | - | 5,215 | 57,885 | (38,997) | - | 18,888 |
| Balance at end of year | 435,042 | 720,620 | 9,672 | 1,165,334 | 434,781 | 705,300 | 9,430 | 1,149,511 |

(Unit: Thousand Baht)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Separate financial statements | | | | | | | |
|  | 2017 | | | | 2016 | | | |
|  | Land  awaiting for development | Units in office building and shops | Construction in |  | Land  awaiting for development | Units in office building and shops | Construction in |  |
|  | / sales | for rent | progress | Total | / sales | for rent | progress | Total |
| Balance at beginning of year | 159,378 | 17,230 | 9,430 | 186,038 | 141,745 | 47,050 | 9,415 | 198,210 |
| Addition | - | - | - | - | - | - | 15 | 15 |
| Net gain (loss) from a fair value adjustment | 19 | (330) | - | (311) | 17,633 | (29,820) | - | (12,187) |
| Balance at end of year | 159,397 | 16,900 | 9,430 | 185,727 | 159,378 | 17,230 | 9,430 | 186,038 |

The fair value of the investment properties has been determined based on valuation performed by an accredited independent valuer, using the basis as follows:

- Land awaiting development / sales was revalued using the Market Approach.

- Units in office building and shops for rent were revalued using the Income Approach.

Key assumptions used in the valuation are summarised below:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | | Result to fair value where as an increase in assumption value |
|  | Consolidated financial statements | Separate financial statements |
| Discount rate (%) | 9 - 11 | 9 | Decrease in fair value |
| Average rental rate per square  metre per month (Baht) | 580 and 620 | 620 | Increase in fair value |
| Price per rai (Thousand Baht) | 110 - 13,000 | 168 - 8,513 | Increase in fair value |

As at 31 December 2017, the subsidiaries have pledged investment properties amounting to approximately Baht 675 million (2016: Baht 663 million) as collateral against credit facilities received from financial institutions and as security deposit for the litigation in Note 41.

18. Property, plant and equipment

Consolidated financial statements

Assets carried at cost

(Unit: Thousand Baht)

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Land and | Building |  |  |  | Operating |  |  |  |  | |
|  | land | and |  | Machinery and | Furniture and | and office | External | Motor | Construction |  | |
|  | improvement | improvement | Golf course | equipment | fixtures | equipment | work | vehicles | in progress | Total | |
| **At cost** |  |  |  |  |  |  |  |  |  |  |
| As at 1 January 2016 | 1,512,119 | 4,846,965 | 407,387 | 1,545,520 | 968,270 | 437,351 | 58,519 | 180,130 | 338,629 | 10,294,890 |
| Additions | - | 9,564 | - | 29,209 | 39,146 | 34,617 | 748 | 4,139 | 184,560 | 301,983 |
| Disposals and write-off | - | 930 | (71) | (569) | (5,631) | (4,538) | - | (2,005) | - | (11,884) |
| Transfers in/out | - | 264,940 | 27,242 | 63,936 | 90,541 | 24,331 | 18 | 527 | (471,535) | - |
| Transfer to property development  cost | (134) | (26,141) | - | (3,991) | (9,527) | - | - | - | - | (39,793) |
| Adjustments | - | (1,014) | - | - | 391 | (135) | - | 68 | 237 | (453) |
| As at 31 December 2016 | 1,511,985 | 5,095,244 | 434,558 | 1,634,105 | 1,083,190 | 491,626 | 59,285 | 182,859 | 51,891 | 10,544,743 |
| Additions | - | 11,258 | 62 | 37,426 | 27,106 | 35,095 | 428 | 2,517 | 84,049 | 197,941 | |
| Disposals and write-off | - | (4,692) | (76) | (639) | (11,915) | (13,015) | (121) | (3,376) | (3,092) | (36,926) | |
| Disposal from sales of investment in subsidiaries | - | - | - | - | (2,223) | - | - | - | - | (2,223) | |
| Transfers in/out | - | 18,497 | 1,873 | 31,234 | 6,065 | 10,531 | 163 | 1,871 | (70,234) | - | |
| Transfer to property development  cost | (1,218) | (27,075) | - | - | - | - | - | - | - | (28,293) | |
| Adjustments | 50 | 679 | (2,734) | (1,993) | (2,526) | 1,917 | - | (343) | (361) | (5,311) | |
| As at 31 December 2017 | 1,510,817 | 5,093,911 | 433,683 | 1,700,133 | 1,099,697 | 526,154 | 59,755 | 183,528 | 62,253 | 10,669,931 | |
| **Accumulated depreciation** |  |  |  |  |  |  |  |  |  |  |
| As at 1 January 2016 | (571) | (1,402,822) | (305,646) | (1,011,950) | (859,521) | (301,174) | (36,389) | (156,892) | - | (4,074,965) |
| Depreciation charged for the year | - | (125,457) | (13,889) | (80,528) | (60,631) | (45,712) | (5,045) | (9,341) | - | (340,603) | |
| Disposals and write-off | - | (1,850) | 3 | 568 | 5,470 | 3,914 | - | 2,005 | - | 10,110 | |
| Transfer to property development cost | - | 6,854 | - | 3,185 | 4,351 | - | - | - | - | 14,390 | |
| Adjustments | - | 60 | - | (1) | (34) | 153 | - | (58) | - | 120 | |
| As at 31 December 2016 | (571) | (1,523,215) | (319,532) | (1,088,726) | (910,365) | (342,819) | (41,434) | (164,286) | - | (4,390,948) | |
| Depreciation charged for the year | - | (146,766) | (13,255) | (88,860) | (52,690) | (48,195) | (4,297) | (7,832) | - | (361,895) | |
| Disposals and write-off | - | 1,429 | 76 | 499 | 11,493 | 12,503 | 121 | 3,371 | - | 29,492 | |
| Disposal from sales of investment in subsidiaries | - | - | - | - | 1,639 | - | - | - | - | 1,639 | |
| Transfer to property development cost | - | 1,231 | - | - | - | - | - | - | - | 1,231 | |
| Adjustments | - | (1,763) | 33 | 1,917 | 818 | (340) | - | 281 | - | 946 | |
| As at 31 December 2017 | (571) | (1,669,084) | (332,678) | (1,175,170) | (949,105) | (378,851) | (45,610) | (168,466) | - | (4,719,535) | |

Consolidated financial statements (continued)

Assets carried at cost

(Unit: Thousand Baht)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Land and | | Building | |  | |  | |  | | Operating | |  | |  | |  | |  | |
|  | land | | and | |  | | Machinery and | | Furniture and | | and office | | External | | Motor | | Construction | |  | |
|  | improvement | | improvement | | Golf course | | equipment | | fixtures | | equipment | | work | | vehicles | | in progress | | Total | |
| **Allowance for impairment loss** | |  | |  | |  | |  | |  | |  | |  | |  | |  | |
| As at 1 January 2016 | - | | (11,037) | | - | | - | | - | | - | | (649) | | - | | - | | (11,686) | |
| Reversal | - | | 5,673 | | - | | - | | - | | - | | - | | - | | - | | 5,673 | |
| Adjustments | - | | 271 | | - | | - | | - | | - | | 649 | | - | | - | | 920 | |
| As at 31 December 2016 | - | | (5,093) | | - | | - | | - | | - | | - | | - | | - | | (5,093) | |
| Adjustments | - | | 170 | | - | | - | | - | | - | | - | | - | | - | | 170 | |
| As at 31 December 2017 | - | | (4,923) | | - | | - | | - | | - | | - | | - | | - | | (4,923) | |
| **Net book value - At cost** |  | |  | |  | |  | |  | |  | |  | |  | |  | |  | |
| As at 1 January 2016 | 1,511,548 | | 3,433,106 | | 101,741 | | 533,570 | | 108,749 | | 136,177 | | 21,481 | | 23,238 | | 338,629 | | 6,208,239 | |
| As at 31 December 2016 | 1,511,414 | | 3,566,936 | | 115,026 | | 545,379 | | 172,825 | | 148,807 | | 17,851 | | 18,573 | | 51,891 | | 6,148,702 | |
| As at 31 December 2017 | 1,510,246 | | 3,419,904 | | 101,005 | | 524,963 | | 150,592 | | 147,303 | | 14,145 | | 15,062 | | 62,253 | | 5,945,473 | |

Consolidated financial statements (continued)

Assets carried at revalued amount

(Unit: Thousand Baht)

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Land and | Building |  |  |  | Operating |  |  |  |  |
|  | land | and |  | Machinery and | Furniture and | and office | External | Motor | Construction |  |
|  | improvement | improvement | Golf course | equipment | fixtures | equipment | work | vehicles | in progress | Total |
| **Revaluation portion** |  |  |  |  |  |  |  |  |  |  |
| As at 1 January 2016 | 4,439,631 | 58,228 | - | - | - | - | - | - | - | 4,497,859 |
| Addition | 1,095,066 | 47,153 |  |  |  |  |  |  |  | 1,142,219 |
| Transfer to property development cost | (5,342) | (648) | - | - | - | - | - | - | - | (5,990) |
| As at 31 December 2016 | 5,529,355 | 104,733 | - | - | - | - | - | - | - | 5,634,088 |
| Transfer to property development cost | (237,355) | - | - | - | - | - | - | - | - | (237,355) |
| Disposal - others | - | (13) | - | - | - | - | - | - | - | (13) |
| As at 31 December 2017 | 5,292,000 | 104,720 | - | - | - | - | - | - | - | 5,396,720 |
| **Accumulated depreciation** |  |  |  |  |  |  |  |  |  |  |
| As at 1 January 2016 | - | (18,647) | - | - | - | - | - | - | - | (18,647) |
| Depreciation of revaluation surplus  on assets | - | (1,108) | - | - | - | - | - | - | - | (1,108) |
| Addition | - | (21,005) | - | - | - | - | - | - | - | (21,005) |
| Transfer to property development cost | - | 194 | - | - | - | - | - | - | - | 194 |
| As at 31 December 2016 | - | (40,566) | - | - | - | - | - | - | - | (40.566) |
| Depreciation of revaluation surplus  on assets | - | (1,773) | - | - | - | - | - | - | - | (1,773) |
| Disposal - others | - | 4 | - | - | - | - | - | - | - | 4 |
| As at 31 December 2017 | - | (42,335) | - | - | - | - | - | - | - | (42,335) |
| **Net book value - revaluation portion** |  |  |  |  |  |  |  |  |  |  |
| As at 1 January 2016 | 4,439,631 | 39,581 | - | - | - | - | - | - | - | 4,479,212 |
| As at 31 December 2016 | 5,529,355 | 64,167 | - | - | - | - | - | - | - | 5,593,522 |
| As at 31 December 2017 | 5,292,000 | 62,385 | - | - | - | - | - | - | - | 5,354,385 |
| **Property, plant and equipment - net** |  |  |  |  |  |  |  |  |  |  |
| As at 1 January 2016 | 5,951,179 | 3,472,687 | 101,741 | 533,570 | 108,749 | 136,177 | 21,481 | 23,238 | 338,629 | 10,687,451 |
| As at 31 December 2016 | 7,040,769 | 3,631,103 | 115,026 | 545,379 | 172,825 | 148,807 | 17,851 | 18,573 | 51,891 | 11,742,224 |
| As at 31 December 2017 | 6,802,246 | 3,482,289 | 101,005 | 524,963 | 150,592 | 147,303 | 14,145 | 15,062 | 62,253 | 11,299,858 |
| **Depreciation for the year** |  |  |  |  |  |  |  |  |  |  |
| 2016 |  |  |  |  |  |  |  |  |  | 340,791 |
| 2017 |  |  |  |  |  |  |  |  |  | 363,498 |

Separate financial statements

Assets carried at cost

(Unit: Thousand Baht)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Land and |  |  |  | Operating |  |  |  |  |
|  | land |  | Machinery and | Furniture and | and office | External | Motor | Construction |  |
|  | improvement | Building | equipment | fixtures | Equipment | work | vehicles | in process | Total |
| **At cost** |  |  |  |  |  |  |  |  |  |
| As at 1 January 2016 | 189 | 57,302 | 16,108 | 12,660 | 24,023 | 1,420 | 7,710 | - | 119,412 |
| Additions | - | - | - | 322 | 4,049 | - | 848 | - | 5,219 |
| Disposal and write off | - | - | - | (162) | (43) | - | - | - | (205) |
| As at 31 December 2016 | 189 | 57,302 | 16,108 | 12,820 | 28,029 | 1,420 | 8,558 | - | 124,426 |
| Additions | - | 40 | - | 2,353 | 9,453 | 107 | - | 281 | 12,234 |
| Disposal and write off | - | - | - | - | (859) | - | - | - | (859) |
| As at 31 December 2017 | 189 | 57,342 | 16,108 | 15,173 | 36,623 | 1,527 | 8,558 | 281 | 135,801 |
| **Accumulated depreciation** |  |  |  |  |  |  |  |  |  |
| As at 1 January 2016 | - | (29,528) | (3,299) | (10,997) | (21,390) | (1,325) | (7,493) | - | (74,032) |
| Depreciation charged for the year | - | (1,816) | (1,074) | (514) | (1,981) | (39) | (165) | - | (5,589) |
| Disposal and write off | - | - | - | 157 | 43 | - | - | - | 200 |
| As at 31 December 2016 | - | (31,344) | (4,373) | (11,354) | (23,328) | (1,364) | (7,658) | - | (79,421) |
| Depreciation charged for the year | - | (1,812) | (1,074) | (557) | (3,718) | (44) | (250) | - | (7,455) |
| Disposal and write off | - | - | - | - | 859 | - | - | - | 859 |
| As at 31 December 2017 | - | (33,156) | (5,447) | (11,911) | (26,187) | (1,408) | (7,908) | - | (86,017) |
| **Net book value - At cost** |  |  |  |  |  |  |  |  |  |
| As at 1 January 2016 | 189 | 27,774 | 12,809 | 1,663 | 2,633 | 95 | 217 | - | 45,380 |
| As at 31 December 2016 | 189 | 25,958 | 11,735 | 1,466 | 4,701 | 56 | 900 | - | 45,005 |
| As at 31 December 2017 | 189 | 24,186 | 10,661 | 3,262 | 10,436 | 119 | 650 | 281 | 49,784 |

Separate financial statements (continued)

Assets carried at revalued amount

(Unit: Thousand Baht)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Land and | |  | | |  | | |  | | | Operating | | |  | | |  | | |  | | |  |
|  | Land | |  | | | Machinery and | | | Furniture and | | | and office | | | External | | | Motor | | | Construction | | |  |
|  | Improvement | | Building | | | equipment | | | fixtures | | | equipment | | | work | | | vehicles | | | in process | | | Total |
| **Revaluation portion** |  | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |
| As at 1 January 2016 | 1,586 | | 3,657 | | | - | | | - | | | - | | | - | | | - | | | - | | | 5,243 |
| Additions | 2,218 | | 10,435 | | | - | | | - | | | - | | | - | | | - | | | - | | | 12,653 |
| As at 31 December 2016 | 3,804 | | 14,092 | | | - | | | - | | | - | | | - | | | - | | | - | | | 17,896 |
| As at 31 December 2017 | 3,804 | | 14,092 | | | - | | | - | | | - | | | - | | | - | | | - | | | 17,896 |
| **Accumulated depreciation** | |  | |  | | |  | | |  | | |  | | |  | | |  | | |  | |
| As at 1 January 2016 | - | | (1,692) | | | - | | | - | | | - | | | - | | | - | | | - | | | (1,692) |
| Depreciation of revaluation  surplus on assets | - | | (50) | | | - | | | - | | | - | | | - | | | - | | | - | | | (50) |
| Additions | - | | (5,487) | | | - | | | - | | | - | | | - | | | - | | | - | | | (5,487) |
| As at 31 December 2016 | - | | (7,229) | | | - | | | - | | | - | | | - | | | - | | | - | | | (7,229) |
| Depreciation of revaluation  surplus on assets | - | | (235) | | | - | | | - | | | - | | | - | | | - | | | - | | | (235) |
| As at 31 December 2017 | - | | (7,464) | | |  | | |  | | |  | | |  | | |  | | |  | | | (7,464) |
| **Net book value - revaluation portion** | | | |  | | |  | | |  | | |  | | |  | | |  | | |  | |
| As at 1 January 2016 | 1,586 | | 1,965 | | | - | | | - | | | - | | | - | | | - | | | - | | | 3,551 |
| As at 31 December 2016 | 3,804 | | 6,863 | | | - | | | - | | | - | | | - | | | - | | | - | | | 10,667 |
| As at 31 December 2017 | 3,804 | | 6,628 | | | - | | | - | | | - | | | - | | | - | | | - | | | 10,432 |
| **Property, plant and equipment – net** | | | | |  | | |  | | |  | | |  | | |  | | |  | | |
| As at 1 January 2016 | 1,775 | | 29,739 | | | 12,809 | | | 1,663 | | | 2,633 | | | 95 | | | 217 | | | - | | | 48,931 |
| As at 31 December 2016 | 3,993 | | 32,821 | | | 11,735 | | | 1,466 | | | 4,701 | | | 56 | | | 900 | | | - | | | 55,672 |
| As at 31 December 2017 | 3,993 | | 30,814 | | | 10,661 | | | 3,262 | | | 10,436 | | | 119 | | | 650 | | | 281 | | | 60,216 |
| **Depreciation for the year** |  | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |
| 2016 |  | |  | | |  | | |  | | |  | | |  | | |  | | |  | | | 5,639 |
| 2017 |  | |  | | |  | | |  | | |  | | |  | | |  | | |  | | | 7,690 |

The Company and subsidiaries arranged for an independent professional valuer to re-appraise the value of certain assets in the report dated 14 October 2016 on an asset-by-asset basis. The basis of the revaluation was as follows:

- Land was revalued using the Market Approach.

- Buildings were revalued using the Replacement Cost Approach or Income Approach.

Key assumptions used in the valuation are summarised below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | |  | | Result to fair value where as an increase in assumption value |
|  | Consolidated financial statements | | Separate financial statements |
| Building - Price per square  metre (Baht) | 1,000 - 67,000 | | 1,000 - 15,000 | Increase in fair value |
| Discount rate (%) | 13% | | - | Decrease in fair value |
| Average room rate per night (Baht) | 15,452 | | - | Increase in fair value |
| Land - Price per rai (Million Baht) | 1.5 - 380 | | 18 | Increase in fair value |

As at 31 December 2017, certain buildings and equipment of the Company and its subsidiaries have been fully depreciated but are still in use. The gross carrying amount, before deducting accumulated depreciation, of those assets amounted to Baht 2,182 million (2016: Baht 1,774 million) (Separate financial statements: Baht 41 million, 2016: Baht 38 million).

The subsidiaries have mortgaged land and buildings at fair value of Baht 7,388 million (2016: Baht 7,824 million) as collateral against credit facilities received from financial institutions.

**19. Leasehold rights**

(Unit: Thousand Baht)

|  |  |  |
| --- | --- | --- |
|  |  | Hotel units |
| **Cost** |  |  |
| As at 1 January 2017 |  | 50,367 |
| Exchange rate adjustment |  | (703) |
| As at 31 December 2017 |  | 49,664 |
| **Accumulated amortisation** |  |  |
| As at 1 January 2017 |  | (36,161) |
| Amortisation for the year |  | (2,559) |
| Exchange rate adjustment |  | 517 |
| As at 31 December 2017 |  | (38,203) |
| **Net book value** |  |  |
| As at 1 January 2017 |  | 14,206 |
| As at 31 December 2017 |  | 11,461 |

(Unit: Thousand Baht)

|  |  |  |
| --- | --- | --- |
|  |  | Hotel units |
| **Cost** |  |  |
| As at 1 January 2016 |  | 51,838 |
| Exchange rate adjustment |  | (1,471) |
| As at 31 December 2016 |  | 50,367 |
| **Accumulated amortisation** |  |  |
| As at 1 January 2016 |  | (34,559) |
| Amortisation for the year |  | (2,662) |
| Exchange rate adjustment |  | 1,060 |
| As at 31 December 2016 |  | (36,161) |
| Net book value |  |  |
| As at 1 January 2016 |  | 17,279 |
| As at 31 December 2016 |  | 14,206 |

Leasehold rights of hotel units are amortised over the term of the lease of 20 years from July 2002 to June 2022.

**20. Short-term loans from financial institutions**

(Unit: Thousand Baht)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Interest rate | Consolidated financial statements | | Separate  financial statements | |
|  | (percent per annum) | 2017 | 2016 | 2017 | 2016 |
| Short-term loans from financial institutions | 3.63  (2016: 3.63 - 5.00) | 510,000 | 515,000 | 260,000 | 265,000 |
| Total | | 510,000 | 515,000 | 260,000 | 265,000 |

These short-term loans from financial institutions are secured by the mortgage of plots of land and buildings of its subsidiaries, as described in Note 18 and by the guarantee provided by subsidiaries.

**21. Trade and other payables**

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | Separate financial statements | |
|  | 2017 | 2016 | 2017 | 2016 |
| Trade accounts payable | 330,676 | 316,377 | 1,666 | 927 |
| Amounts due to related  parties (Note 9) | 125,614 | 105,583 | 12,956 | 15,029 |
| Accrued expenses | 223,511 | 164,454 | 12,714 | 10,686 |
| Other payables | 100,651 | 100,181 | 29 | 114 |
| Service charge payable to  hotel staff | 37,565 | 36,128 | - | - |
| Accrued rental to villa owners | 106,878 | 97,119 | 7,156 | 7,529 |
| Total | 924,895 | 819,842 | 34,521 | 34,285 |

**22. Other current liabilities**

(Unit: Thousand Baht)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | | Separate financial statements | | |
|  | 2017 | 2016 | 2017 | | 2016 |
| Value added tax payable | 60,386 | 56,478 | 3,022 | | 4,086 |
| Unearned income | 35,418 | 39,709 | 72 | | - |
| Other tax payable | 63,870 | 57,248 | 3,748 | | 4,686 |
| Short-term provision | 6,884 | 10,205 | 1,050 | | 1,050 |
| Total | 166,558 | 163,640 | 7,892 | | 9,822 |

23. Long-term loans from financial institutions

(Unit: Thousand Baht)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | | | Separate financial statements | | | |
|  | 2017 | | 2016 | | 2017 | | 2016 | |
| Secured | 2,726,480 | | 3,047,821 | | 74,625 | | - | |
| Long-term loans are repayable as follows: | |  | |  | |  | |  | |
| Within 1 year | 518,610 | | 590,860 | | 500 | | - | |
| Over 1 year to 5 years | 2,084,620 | | 2,125,182 | | 33,875 | | - | |
| Over 5 years | 123,250 | | 331,779 | | 40,250 | | - | |
|  | 2,207,870 | | 2,456,961 | | 74,125 | | - | |
| Total | 2,726,480 | | 3,047,821 | | 74,625 | | - | |

Long-term loans consist of the following:

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | Separate financial statements | |
|  | 2017 | 2016 | 2017 | 2016 |
| **The Company** |  |  |  |  |
| (1) Baht loan from a bank, with a facility of Baht 75 million |  |  |  |  |
| repayable quarterly from April 2017 to January 2024, |  |  |  |  |
| at an interest rate as follows: |  |  |  |  |
| 2017 onwards: MLR less 0.75%, 1.25% and 1.5% per annum | 74,625 | - | 74,625 | - |
| Subsidiaries |  |  |  |  |
| (2) Baht loan from a bank, with a facility of Baht 1,000 million(a) |  |  |  |  |
| repayable quarterly from October 2009 to July 2022, at an |  |  |  |  |
| interest rate as follows: |  |  |  |  |
| 2012 -2017: MLR less 1% and 1.5% per annum |  |  |  |  |
| 2018 onwards: MLR less 0.5% and 0.75% per annum | 595,550 | 741,050 | - | - |
| (3) Baht loan from a bank, with a facility of Baht 800 million |  |  |  |  |
| repayable quarterly from March 2013 to December 2022, at an |  |  |  |  |
| interest rate as follows: |  |  |  |  |
| 2012 onwards: MLR less 1% and 1.5% per annum | 400,000 | 480,000 | - | - |
| (4) Baht loan from a bank, with a facility of Baht 298 million(a) |  |  |  |  |
| repayable quarterly from June 2014 to March 2022, at |  |  |  |  |
| an interest rate as follows: |  |  |  |  |
| 2016 onwards: MLR less 1% and 1.25% per annum | 146,729 | 178,729 | - | - |
| (5) Baht loan from a bank, with a facility of Baht 520 million |  |  |  |  |
| repayable quarterly from June 2014 to June 2017, at an |  |  |  |  |
| interest rate as follows: |  |  |  |  |
| 2012 onwards: MLR less 1% and 1.5% per annum | - | 63,610 | - | - |
| (6) Baht loan from a bank, with a facility of Baht 175 million, |  |  |  |  |
| repayable quarterly from January 2017 to October 2023, at an |  |  |  |  |
| interest rate as follows: |  |  |  |  |
| 2015 onwards: MLR less 1%, 1.25% and 1.5% per annum | 174,000 | 175,000 | - | - |
| (7) Baht loan from a bank, with a facility of Baht 100 million, |  |  |  |  |
| repayable quarterly from December 2016 to September 2022, at an |  |  |  |  |
| interest rate as follows: |  |  |  |  |
| 2015 onwards: MLR less 1%, 1.25% and 1.5% per annum | 80,000 | 96,000 | - | - |
| (8) Baht loan from a bank, with a facility of Baht 600 million (a) |  |  |  |  |
| repayable quarterly from June 2016 to Mar 2021, at an |  |  |  |  |
| interest rate as follows: |  |  |  |  |
| 2015 onwards: MLR less 0.75% and 1.25% per annum | 397,532 | 503,916 | - | - |
| (9) Baht loan from a bank, with a facility of Baht 900 million(a) |  |  |  |  |
| repayable quarterly from August 2018 to August 2022, at an |  |  |  |  |
| interest rate as follows: |  |  |  |  |
| 2015 onwards: MLR less 0.75%, 1.25% and 1.5% per annum | 507,669 | 606,199 | - | - |
|  |  |  |  |  |
|  |  |  | (Unit: Thousand Baht) | |
|  | Consolidated financial | | Separate financial | |
|  | statements | | statements | |
|  | 2017 | 2016 | 2017 | 2016 |
| **Subsidiaries (cont.)** |  |  |  |  |
| (10) Baht loan from a bank, with a facility of Baht 450 million(a) |  |  |  |  |
| repayable quarterly from August 2017 to May 2023, at an |  |  |  |  |
| interest rate as follows: |  |  |  |  |
| 2016 onwards: MLR less 1.0%, 1.25% and 1.5% per annum | 350,375 | 203,317 | - | - |
| Total long-term loans from financial institutions | 2,726,480 | 3,047,821 | 74,625 | - |

MLR: Minimum Lending Rate

(a) Also subject to mandatory prepayment in inverse order of maturity upon the ownership transfer of property sales units.

The loans are secured by mortgage of plots of land and buildings of its subsidiaries, as described in Notes 11, 17, 18. The loan in (9) above is guaranteed by a subsidiary and the pledge of 10 million ordinary shares of Thai Wah Public Company Limited.

The loan agreements contain several covenants which, among other things, require the Company and its subsidiaries to maintain debt to equity ratios and debt service coverage ratios at the rate prescribed in the agreements.

As at 31 December 2017, the long-term credit facilities of the subsidiaries which have not yet been drawn down amounted to Baht 543 million (2016: Baht 472 million).

**24. Unsecured debenture**

(Unit: Thousand Baht)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  | Consolidated financial statements | |
| Debenture | Interest rate | Terms | Due date | 2017 | 2016 |
| Debenture No. 1/2016 | 5.15% p.a. | 3 years | 24 December 2018 | 500,000 | 500,000 |
| Total debenture, at face value | |  |  | 500,000 | 500,000 |
| Less: Unamortised portion of deferred transaction costs | | |  | (2,020) | (4,087) |
| Total debenture |  |  |  | 497,980 | 495,913 |
| Less: Debenture due within one year | |  |  | (497,980) | - |
| Debenture - due over one year | |  |  | - | 495,913 |

Under rights and responsibilities of debenture issuer, the Company has to comply with certain covenants and restrictions including maintenance of a debt to equity ratio of consolidated financial statements at the rate prescribed in the prospectus.

25. Provision for long-term employee benefits

Provision for long-term employee benefits, which represents compensation payable to employees after they retire from the Company and other employee benefits plan, was as follows:

(Unit: Thousand Baht)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | | | | |
|  | 2017 | | | 2016 | | |
|  | Post-employment benefits | Other long-term benefits | Total | Post-employment benefits | Other long-term benefits | Total |
| **Balance at beginning of year** | 33,371 | 26,240 | 59,611 | 33,950 | 29,656 | 63,606 |
| Current service cost | 2,093 | 2,206 | 4,299 | 2,088 | 2,173 | 4,261 |
| Interest cost | 544 | 511 | 1,055 | 483 | 621 | 1,104 |
| Benefits paid during the year | (2,162) | (7,635) | (9,797) | (3,150) | (6,210) | (9,360) |
| **Balance at end of year** | 33,846 | 21,322 | 55,168 | 33,371 | 26,240 | 59,611 |

(Unit: Thousand Baht)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Separate financial statements | | | | | |
|  | 2017 | | | 2016 | | |
|  | Post-employment benefits | Other long-term benefits | Total | Post-employment benefits | Other long-term benefits | Total |
| **Balance at beginning of year** | 13,198 | 1,708 | 14,906 | 13,056 | 2,297 | 15,353 |
| Current service cost | 160 | 102 | 262 | 166 | 111 | 277 |
| Interest cost | 88 | 36 | 124 | 79 | 48 | 127 |
| Benefits paid during the year | - | (505) | (505) | (134) | (838) | (972) |
| Transfer from a subsidiary | - | - | - | 31 | 90 | 121 |
| **Balance at end of year** | 13,446 | 1,341 | 14,787 | 13,198 | 1,708 | 14,906 |

Long-term employee benefit expenses included in the profit or loss consist of the following:

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated  financial statements | | Separate  financial statements | |
|  | 2017 | 2016 | 2017 | 2016 |
| Current service cost | 4,299 | 4,261 | 262 | 277 |
| Interest cost | 1,055 | 1,104 | 124 | 127 |
| Transfer from a subsidiary | - | - | - | 121 |
| **Total expenses recognised in profit or loss** | 5,354 | 5,365 | 386 | 525 |
| Line items in profit or loss under which such expenses are included | | |  |  |
| Cost of sales | 4,970 | 4,963 | 13 | 12 |
| Selling and administrative expenses | 384 | 402 | 373 | 513 |

As at 31 December 2017, cumulative actuarial gains (net of actuarial losses) of post-employment benefits, which were recognised in other comprehensive income of the Company and its subsidiaries and recognised as a part of retained earnings as at 31 December 2017, amounted to Baht 19 million (2016: Baht 19 million) (Separate financial statements: Baht 1 million and 2016: Baht 1 million).

The Company and its subsidiaries expect to pay Baht 8 million of long-term employee benefits during the next year (Separate financial statements: Baht 2 million) (2016: Baht 7 million, separate financial statements: Baht 1 million).

As at 31 December 2017, the weighted average duration of the liabilities for long-term employee benefit is 10 years (Separate financial statements: 10 years) (2016: 10 years, separate financial statements: 10 years).

Significant actuarial assumptions are summarised below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | Separate financial statements | |
|  | 2017 | 2016 | 2017 | 2016 |
| Discount rate (% per annum) | 2.75 | 2.75 | 2.75 | 2.75 |
| Salary increase rate (% per annum) | 3.00 | 3.00 | 3.00 | 3.00 |
| Gold price (Baht) | 19,000 | 19,000 | 19,000 | 19,000 |

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2017 are summarised below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit: Thousand Baht) | |
|  | Consolidated financial statements | | Separate financial statements | |
|  | Increase | Decrease | Increase | Decrease |
| Discount rate (+/- 0.50%) | (947) | 1,491 | (120) | 127 |
| Salary increase rate (+/-1.00%) | 2,097 | (1,448) | 309 | (290) |
| Gold Price (+/- 1,000 Baht) | 885 | (404) | 126 | (125) |

26. Capital reserve

The capital reserve relates to the accounting of assets in subsidiaries at their fair values as at the acquisition date and cannot be used for dividend payments.

27. Revaluation surplus

This represents surplus arising from revaluation of property, plant and equipment.

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | Separate financial statements | |
|  | 2017 | 2016 | 2017 | 2016 |
| Balance - beginning of year | 4,801,621 | 3,921,718 | 142,719 | 136,986 |
| Addition of revaluation surplus on assets | - | 889,284 | - | 5,733 |
| Reversal of revaluation surplus on disposal of assets | (1,708) | (9,381) | - | - |
| Balance - end of year | 4,799,913 | 4,801,621 | 142,719 | 142,719 |

The revaluation surplus can neither be offset against a deficit nor used for dividend payment.

28. 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% of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10% of the registered capital. The statutory reserve is not available for dividend distribution. At present, the statutory reserve has fully been set aside.

**29. Other income**

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | Separate financial statements | |
|  | 2017 | 2016 | 2017 | 2016 |
| Interest income | 35,650 | 41,726 | 56,778 | 74,107 |
| Dividend income | - | 27,838 | 51,706 | 27,838 |
| Gain on fair value adjustment of investment from changing status of investment (Note 15) | - | 345,660 | - | 649,126 |
| Gain on sales of investments in subsidiaries (Note 14) | 17,988 | - | 120,042 | - |
| Gain on sale of investment in associate (Note 15) | 97,745 | - | - | - |
| Gain on change in fair value |  |  |  |  |
| of investment properties | 5,215 | 18,887 | - | - |
| Management fee income | 429 | 1,236 | 72,782 | 56,900 |
| Other | 20,849 | 26,034 | 1,415 | 1,239 |
| Total | 177,876 | 461,381 | 302,723 | 809,210 |

**30. Expenses by nature**

Significant expenses classified by nature are as follows:

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | Separate financial statements | |
|  | 2017 | 2016 | 2017 | 2016 |
| Salaries, wages and other employee benefits | 1,181,981 | 1,149,206 | 122,564 | 118,028 |
| Depreciation | 363,498 | 340,791 | 7,690 | 5,639 |
| Rental expenses from operating lease agreements | 264,250 | 245,696 | 33,410 | 35,379 |
| Repairs and maintenance | 173,289 | 180,656 | 2,008 | 2,437 |
| Water and electricity | 201,339 | 206,826 | 4,661 | 5,349 |
| Management, incentive fee and royalty fees | 180,028 | 171,335 | - | - |
| Commission | 197,960 | 145,677 | - | - |
| Sales and marketing expenses | 213,998 | 239,562 | 378 | 2,427 |
| Food and beverage cost | 352,584 | 356,991 | - | - |
| Increase in land and construction during the year | 1,065,170 | 595,649 | 6,932 | - |
| Change in property development cost | (446,024) | 247,187 | (6,932) | 65,278 |

**31. Income tax**

Income tax expenses for the years ended 31 December 2017 and 2016 are made up as follows:

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | Separate financial statements | |
|  | 2017 | 2016 | 2017 | 2016 |
| **Current income tax:** |  |  |  |  |
| Current income tax charge | 97,171 | 101,651 | - | - |
| Adjustment in respect of income tax of previous year | (1,766) | (1,654) | - | - |
| Write off prepaid withholding tax | 4,952 | - | - | - |
| **Deferred tax:** |  |  |  |  |
| Relating to origination and reversal of temporary differences | (31,996) | 33,894 | 9,738 | (3,285) |
| **Income tax expense reported in the income statement** | 68,361 | 133,891 | 9,738 | (3,285) |

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2017 and 2016 are as follows:

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | Separate financial statements | |
|  | 2017 | 2016 | 2017 | 2016 |
|  |  |  |  |  |
| Deferred tax relating to unrealised gain on available-for-sale security | - | 38,239 | - | 98,933 |
| Deferred tax relating to revaluation surplus on assets | - | (224,243) | - | (1,433) |
|  | - | (186,004) | - | 97,500 |

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

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | Separate  financial statements | |
|  | 2017 | 2016 | 2017 | 2016 |
| Accounting profit before income tax | 131,469 | 511,680 | 103,719 | 648,859 |
|  |  |  |  |  |
| Applicable tax rate | 0%-20% | 0%-30% | 20% | 20% |
| Accounting profit before tax multiplied by income tax rate | 26,170 | 97,055 | 20,744 | 129,772 |
| Adjustment in respect of income tax of  previous year | (1,766) | (1,654) | - | - |
| Write off prepaid withholding tax | 4,952 | - | - | - |
| Effects of: |  |  |  |  |
| Gain on fair value adjustment of investment from changing status of investment | - | (69,132) | - | (129,825) |
| Gain on sales of investments in subsidiaries in the Group | 39,527 | - | - | - |
| Gain on sale of investment in associate | (6,331) | - | - | - |
| Dividend income | - | (5,568) | (10,341) | (5,568) |
| Unused tax losses | (17,284) | 77,970 | - | 2,400 |
| Non-taxable expenses | 23,093 | 35,220 | (665) | (64) |
| Total | 39,005 | 38,490 | (11,006) | (133,057) |
| **Income tax expense reported in the**  **income statement** | 68,361 | 133,891 | 9,738 | (3,285) |

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

(Unit: Thousand Baht)

|  | Statements of financial position | |
| --- | --- | --- |
|  | Consolidated financial statements | |
|  | 2017 | 2016 |
| **Deferred tax assets (liabilities)** |  |  |
| Unutilised tax losses | 189,945 | 175,845 |
| Provision for long-term employee  benefits | 11,034 | 11,922 |
| Intercompany charges to property |  |  |
| development cost and property, plant  and equipment | 18,721 | 15,939 |
| Other items of deferred tax assets | 11,868 | 13,274 |
| Revaluation surplus on assets | (1,587,138) | (1,588,137) |
| Temporary differences arising from |  |  |
| revenue and cost recognition | (721,583) | (740,374) |
| Gain on change in fair value of  investment properties | (163,847) | (161,465) |
| **Net deferred tax liabilities** | (2,241,000) | (2,272,996) |
|  |  |  |
| Reflected in the statements of financial position as follows: | |  |
| Deferred tax assets | 98,128 | 83,964 |
| Deferred tax liabilities | (2,339,128) | (2,356,960) |
| **Deferred tax liabilities, net** | (2,241,000) | (2,272,996) |

(Unit: Thousand Baht)

|  | Statements of financial position | |
| --- | --- | --- |
|  | Separated financial statements | |
|  | 2017 | 2016 |
| **Deferred tax assets (liabilities)** |  |  |
| Unutilised tax losses | 13,593 | 27,204 |
| Provision for long-term employee   benefits | 2,957 | 2,981 |
| Other items of deferred tax assets | 1,326 | 1,257 |
| Revaluation surplus on assets | (22,098) | (22,145) |
| Temporary differences arising from |  |  |
| revenue recognition | (88,337) | (92,224) |
| Gain on change in fair value of  investment properties | (24,649) | (24,544) |
| **Net deferred tax liabilities** | (117,208) | (107,471) |

As at 31 December 2017, the Company and its subsidiaries have unused tax losses totaling Baht 282 million (2016: Baht 369 million), on which deferred tax assets have not been recognised on these amounts as the Company and its subsidiaries believe future taxable profits may not be sufficient to allow utilisation of the unused tax losses.

Details of expiry date of unused tax losses are summarised as below:

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | Separate financial statements | |
|  | 2017 | 2016 | 2017 | 2016 |
| 31 December 2017 | - | 22,673 | - | - |
| 31 December 2018 | 56,832 | 34,340 | - | - |
| 31 December 2019 | 51,287 | 48,627 | - | - |
| 31 December 2020 | 54,952 | 60,132 | - | - |
| 31 December 2021 | 38,585 | 203,549 | - | 11,552 |
| 31 December 2022 | 80,467 | - | - | - |
|  | 282,123 | 369,321 | - | 11,552 |

**32. Basic earnings per share**

Basic earnings per share is calculated by dividing the 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.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | For the years ended 31 December | | | |
|  | Consolidated  financial statements | | Separate  financial statements | |
|  | 2017 | 2016 | 2017 | 2016 |
| Profit attributable to equity holders of the Company (Thousand Baht) | 59,535 | 380,252 | 93,981 | 652,144 |
| Weighted average number of ordinary shares (Thousand shares) | 166,683 | 166,683 | 166,683 | 166,683 |
| Earnings per share (Baht/share) | 0.36 | 2.28 | 0.56 | 3.91 |

**33. Provident fund**

The Company and its subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Contributions are made to the fund by both employees and the Company and its subsidiaries and will be paid to employees upon termination in accordance with the fund rules of the Company and its subsidiaries’ provident fund.

During the years, the contributions were recognised as expenses as following details:

(Unit: Million Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Fund Manager | | Company’s contribution in | |
|  | Operation staffs | Office staffs | 2017 | 2016 |
| Laguna Resorts & Hotels Public Company Limited | MFC Asset Management Plc. | MFC Asset Management Plc. | 4.1 | 3.0 |
| Laguna Grande Limited | MFC Asset Management Plc. | MFC Asset Management Plc. | 1.1 | 1.0 |
| Bangtao Grande Limited | SCB Asset Management  Company Limited | - | 3.5 | 3.6 |
| Laguna Banyan Tree Limited | MFC Asset Management Plc. | MFC Asset Management Plc. | 6.3 | 6.8 |
| Banyan Tree Gallery (Thailand) Limited | - | MFC Asset Management Plc. | 0.6 | 0.7 |
| Banyan Tree Gallery (Singapore) Pte Ltd. | - | Central Provident Fund Board | 1.4 | 1.5 |
| Laguna Service Company Limited | - | MFC Asset Management Plc. | 2.2 | 2.1 |
| Laguna Holiday Club Limited | - | MFC Asset Management Plc. | 0.9 | 0.8 |
| Thai Wah Plaza Limited | TISCO Assets Management  Company Limited | MFC Asset Management Plc. | 3.9 | 3.5 |
| Laguna Village Limited | MFC Asset Management Plc. | - | 0.7 | 0.9 |
| Laguna Excursions Limited | - | MFC Asset Management Plc. | 0.4 | 0.5 |
| Phuket Resort Development Limited | MFC Asset Management Plc. | MFC Asset Management Plc. | 1.2 | 1.0 |

**34.** **Dividends**

Dividends declared in 2017 and 2016 consisted of:

|  | Approved by | Total dividends | Dividend per share |
| --- | --- | --- | --- |
|  |  | (Million Baht) | (Baht) |
| Dividends on 2016 retained earnings | Annual General Meeting of the shareholders on 20 April 2017 | 43.34 | 0.26 |
| Total for 2017 |  | 43.34 |  |
| Interim dividend | Board of Directors’ Meeting on  10 August 2016 | 20.00 | 0.12 |
| Dividends on 2015 retained earnings | Annual General Meeting of the shareholders on 26 April 2016 | 60.01 | 0.36 |
| Total for 2016 |  | 80.01 |  |

35. Commitments

Capital commitment

As at 31 December 2017, the Company and its subsidiaries have capital commitments as follows:

(a) The subsidiaries have commitments in respect of constructing new and renovating existing hotel properties and office rental amounting to Baht 22 million (2016: Baht 13 million).

(b) The subsidiaries have commitments that relate to projects to develop properties for sale amounting to Baht 412 million (2016: Baht 439 million).

(c) A subsidiary entered into an Agreement to Purchase and Sale of Land, having a total land area of 237 rai 1 ngan 39.6 square wah, with a third party. The subsidiary will periodically acquire the land in accordance with terms and conditions as set forth in the aforesaid Agreement. The subsidiary initially acquired the land, having a total area of 53 rai 2 ngan 3.4 square wah. The subsidiary holds the right to acquire the remaining land, having a total area of 183 rai 3 ngan 36.2 square wah, by 1 July 2018. The subsidiary paid the deposit of Baht 65 million and the purchase price of the remaining land shall be increased at rate of 5% on every anniversary date following the date that the Agreement to Purchase and Sale of Land was executed.

Operating agreements

As at 31 December 2017 and 2016, the subsidiaries have operating agreements as follows:

1. The subsidiaries have entered into operating agreements with certain companies whereby these companies are to operate the subsidiaries’ hotels and golf businesses. In consideration of such services, the subsidiaries are committed to pay remuneration at the rates, terms and basis specified in the agreements. These agreements are summarised below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Company | Business unit | Operator | Contract period | Fees |
| Bangtao Grande Limited | Angsana Laguna Phuket | Sanctuary Management | 1.7.2012 – 31.3.2017 | - Royalty fee: 3% of total revenue |
|  |  | Pte. Ltd.(1) |  |  |
|  |  | Banyan Tree Hotels & | 1.4.2017 - 30.11.2031 | - Royalty fee: 3% of total revenue |
|  |  | Resorts Pte. Limited(2) |  |  |
|  |  | Banyan Tree Hotels & Resorts | 1.7.2012 - 30.11.2031 | - Management fee: 10% of gross operating profit |
|  |  | (Thailand) Limited |  |  |
| Laguna Banyan Tree Limited | Banyan Tree Phuket | Sanctuary Management | 1.1.2016 – 31.3.2017 | - Royalty fee: 2% of total revenue |
|  |  | Pte. Ltd.(1) |  |  |
|  |  | Banyan Tree Hotels & | 1.4.2017 - 31.12.2025 | - Royalty fee: 2% of total revenue |
|  |  | Resorts Pte. Limited(2) |  |  |
|  |  | Banyan Tree Hotels & Resorts | 1.1.2016 - 31.12.2025 | - Technical fee: 7.5% of gross operating profit |
|  |  | (Thailand) Limited | (a) |  |
| Thai Wah Plaza Limited | Banyan Tree Bangkok | Sanctuary Management | 1.7.2012 - 31.3.2017 | - Royalty fee: 3% of total revenue |
|  |  | Pte. Ltd.(1) |  |  |
|  |  | Banyan Tree Hotels & | 1.4.2017 - 31.12.2021 | - Royalty fee: 3% of total revenue |
|  |  | Resorts Pte. Limited(2) |  |  |
|  |  | Banyan Tree Hotels & Resorts | 1.7.2012 - 31.12.2021 | - Management fee: 10% of gross operating profit |
|  |  | (Thailand) Limited | (b) |  |
| Laguna Village Limited | Angsana Villas Resort | Sanctuary Management | 1.8.2016 - 31.3.2017 | - Royalty fee: 2% of total revenue |
|  | Phuket | Pte. Ltd.(1) |  |  |
|  |  | Banyan Tree Hotels & Resorts | 1.4.2017 - 31.7.2041 | - Royalty fee: 2% of total revenue |
|  |  | Pte. Limited(2) |  |  |
|  |  | Banyan Tree Hotels & Resorts    (Thailand) Limited | 1.8.2016 - 31.7.2041  (c) | - Management fee: 7.5% of gross operating profit |
| Phuket Resort | Cassia Phuket | Sanctuary Management | 20.10.2015 - 31.3.2017 | - Royalty fee: 2% of total revenue |
| Development Limited |  | Pte. Ltd.(1) |  |  |
|  |  | Banyan Tree Hotels &  Resorts Pte. Limited(2) | 1.4.2017 - 19.10.2040 | - Royalty fee: 2% of total revenue |
|  |  | Banyan Tree Hotels & Resorts    (Thailand) Limited | 20.10.2015 - 19.10.2040  (c) | - Management fee: 7.5% of gross operating profit |

(1) Formerly known as Banyan Tree Hotels & Resorts Pte. Limited

(2) Formerly known as Banyan Tree Corporate Pte. Limited

(a) Operator has option to extend for 1 additional period of 10 years.

(b) Operator has option to extend for 1 additional period of 20 years.

(c) Either party may extend the contract period for another 20 years with indefinite number of extension.

1. The Company and its subsidiaries have commitments in respect of cash rewards options for villa rental scheme agreements. The cash rewards options are included fixed return or variable return based on actual hotel revenue or hotel profit. The terms of the agreements are generally 3 years.

As at 31 December 2017 and 2016, future minimum payments required under these agreements were as follows.

(Unit: Million Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated | | Separate | |
|  | financial statements | | financial statements | |
|  | 2017 | 2016 | 2017 | 2016 |
| Payable within: |  |  |  |  |
| In up to 1 year | 19 | 31 | 5 | 6 |
| In over 1 and up to 5 years | 17 | 40 | 13 | 18 |

During the year 2017, the Company and its subsidiaries recognised rental expenses of Baht 31 million (2016: Baht 44 million) (Separate financial statements: Baht 7 million and 2016: Baht 7 million).

Servitude over land

As at 31 December 2017, some subsidiaries have land servitudes of approximately 11 rai (2016: 10 rai) in Phuket province, which are presented under property development cost and property, plant and equipment.

36. Guarantees

a) As at 31 December 2017, there were bank guarantees amounting to Baht 54 million (Separate financial statements: Baht 2 million) issued to various parties on behalf of the Company and its subsidiaries, mainly provided for the usage of electricity, other utilities and telecommunication channels (2016: Baht 50 million, Separate financial statements: Baht 2 million).

b) As at 31 December 2016, the Company has the provision of a guarantee for a loan obtained by Lijiang Banyan Tree Hotel Co., Ltd. (LBTH) by issuing the letter of indemnity to its parent company, Banyan Tree Holdings Limited. The provision of the guarantee is to secure the loan of LBTH in proportion to the equity interest of 49.04% of the Company in LBTH (through Laguna Banyan Tree Limited) (2017: Nil).

**37. 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 the reportable segments as follows:

- Hotel business segment relates to hotel and restaurant operations including other relating businesses such as golf club and sales of merchandise.

- Property development segment relates to property sales and sale of holiday club memberships.

- Office rental segment relates to rental and service from lands and buildings which managements manage for lease.

- Head office segment relates to expenses incurred by corporate office and is not allocated to other operating segments.

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 on a basis consistent with that used to measure operating profit or loss 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 2017 and 2016, respectively.

Intersegment revenues are eliminated on consolidation.

(Unit: Million Baht)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | For the year ended 31 December 2017 | | | | |
|  | Hotel | Property | Office |  |  |
|  | Business | Development | Rental | Head Office | Total |
| Revenue:  Segment revenue |  |  |  |  |  |
| Total revenues | 3,842 | 933 | 108 | - | 4,883 |
| Intersegment revenues | (184) | (6) | (13) | - | (203) |
| Revenue from external customers | 3,658 | 927 | 95 | - | 4,680 |
| Results: |  |  |  |  |  |
| Segment results | 215 | 47 | 31 | (160) | 133 |
| Unallocated income |  |  |  |  | 142 |
| Profit from operations and other income |  |  |  |  | 275 |
| Interest income | 3 | 32 | 1 | - | 36 |
| Finance cost | (117) | (46) | - | (14) | (177) |
| Share of loss from investments in associates |  |  |  |  | (3) |
| Profit before income tax expenses |  |  |  |  | 131 |
| Income tax expenses | (33) | (21) | (6) | (8) | (68) |
| Profit for the year |  |  |  |  | 63 |
| **Other segment information** |  |  |  |  |  |
| Depreciation of property, plant and equipment | 344 | 10 | 3 | 7 | 364 |
| Amortisation of leasehold rights | - | 3 | - | - | 3 |
| Gain on sale of investment in subsidiary | - | - | - | 18 | 18 |
| Gain on sale of investment in associate | - | - | - | 98 | 98 |

(Unit: Million Baht)

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | For the year ended 31 December 2016 | | | | | | | | | |
|  | Hotel | Property | | Office | |  | | |  | |
|  | Business | Development | | Rental | | Head Office | | | Total | |
| Revenue: |  |  | |  | |  | | |  | |
| Segment revenue |  | |  | |  | |  | | |  | |
| Total revenues | 3,681 | 1,320 | | 104 | | - | | 5,105 | | |
| Intersegment revenues | (198) | (14) | | (13) | | - | | (225) | | |
| Revenue from to external customers | 3,483 | 1,306 | | 91 | | - | | 4,880 | | |
| Results: |  |  | |  | |  | |  | | |
| Segment results | 160 | 281 | | 22 | | (173) | | 290 | | |
| Unallocated income |  |  | |  | |  | | 420 | | |
| Profit from operations and other income |  |  | |  | |  | | 710 | | |
| Interest income | 2 | 39 | | 1 | | - | | 42 | | |
| Finance cost | (113) | (69) | | - | | (8) | | (190) | | |
| Share of loss from investment in associate |  |  | |  | |  | | (50) | | |
| Profit before income tax expenses |  |  | |  | |  | | 512 | | |
| Income tax expenses | (86) | (80) | | (4) | | 36 | | (134) | | |
| Profit for the year |  |  | |  | |  | | 378 | | |
|  |  |  | |  | |  | |  | | |
| **Other segment information** |  |  | |  | |  | |  | | |
| Depreciation of property, plant and equipment | 323 | 10 | | 3 | | 5 | | 341 | | |
| Amortisation of leasehold rights | - | 3 | | - | | - | | 3 | | |
| Gain on fair value adjustment of investment from changing status of investment | - | - | | - | | 346 | | 346 | | |

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

(Unit: Million Baht)

|  |  |  |  |
| --- | --- | --- | --- |
|  | 2017 |  | 2016 |
| Revenue from external customers |  |  |  |
| Thailand | 4,642 |  | 4,821 |
| Others | 38 |  | 59 |
| Total | 4,680 |  | 4,880 |
| Non-current assets other than financial instruments  and deferred tax assets |  |  |  |
| Thailand | 12,900 |  | 13,326 |
| Others | 61 |  | 65 |
| Total | 12,961 |  | 13,391 |

For the years 2017 and 2016, the Company and its subsidiaries have no major customer with revenue of 10% or more of an entity’s revenues.

**38. Fair value hierarchy**

As at 31 December 2017 and 2016, the Company and its subsidiaries had the assets and liabilities that were measured or disclosed at fair value using different levels of inputs as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| (Unit: Million Baht) | | | | |
|  | Consolidated financial statements | | | |
|  | 31 December 2017 | | | |
|  | Level 1 | Level 2 | Level 3 | Total |
| **Assets measured at fair value** |  |  |  |  |
| Investment properties | - | - | 1,165 | 1,165 |
| Property, plant and equipment - land and  building | - | - | 10,132 | 10,132 |
| **Assets disclosed at fair values** |  |  |  |  |
| Investment in associate - Thai Wah Plc. | 826 | - | - | 826 |
| **Liabilities for which fair value are disclosed** | |  |  |  |
| Unsecured debenture | - | 484 | - | 484 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| (Unit: Million Baht) | | | | |
|  | Separate financial statements | | | |
|  | 31 December 2017 | | | |
|  | Level 1 | Level 2 | Level 3 | Total |
| **Assets measured at fair value** |  |  |  |  |
| Investment properties | - | - | 186 | 186 |
| Property, plant and equipment - land and  Building | - | - | 35 | 35 |
| **Assets disclosed at fair values** |  |  |  |  |
| Investment in associate - Thai Wah Plc. | 826 | - | - | 826 |
| (Unit: Million Baht) | | | | |
|  | Consolidated financial statements | | | |
|  | 31 December 2016 | | | |
|  | Level 1 | Level 2 | Level 3 | Total |
| **Assets measured at fair value** |  |  |  |  |
| Investment properties | - | - | 1,150 | 1,150 |
| Property, plant and equipment - land and  building | - | - | 10,672 | 10,672 |
| **Assets disclosed at fair values** |  |  |  |  |
| Investment in associate - Thai Wah Plc. | 826 | - | - | 826 |
| **Liabilities for which fair value are disclosed** | |  |  |  |
| Unsecured debenture | - | 465 | - | 465 |
| (Unit: Million Baht) | | | | |
|  | Separate financial statements | | | |
|  | 31 December 2016 | | | |
|  | Level 1 | Level 2 | Level 3 | Total |
| **Assets measured at fair value** |  |  |  |  |
| Investment properties | - | - | 186 | 186 |
| Property, plant and equipment - land and  building | - | - | 37 | 37 |
| **Assets disclosed at fair values** |  |  |  |  |
| Investment in associate - Thai Wah Plc. | 826 | - | - | 826 |

**39. Financial instruments**

**39.1 Financial risk management**

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 107 “Financial Instruments: Disclosure and Presentations”, principally comprise cash and cash equivalents, trade and other receivables and payables, loans, investments, short-term and long-term loans and debenture. 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 from the hotel, space rental, and property development businesses. However, due to the large number and diversity of the entities comprising the Company and its subsidiaries’ customer base, the Company and its subsidiaries do not anticipate material losses from debt collection.

**Interest rate risk**

The Company and its subsidiaries’ exposure to interest rate risk relate primarily to their deposits with financial institutions, trade accounts receivable, long-term trade accounts receivable, bank overdrafts, loans and debenture. Most of the Company and its subsidiaries’ financial assets and liabilities have floating interest rates or fixed interest rates which are close to the market interest rates. The Company and its subsidiaries do not use derivative financial instruments to hedge such risk.

Significant financial assets and liabilities classified by type of interest rate are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | | | | |
|  | As at 31 December 2017 | | | | | |
|  | Fixed interest rates | |  | | |  |
|  | Within | Over 1 year | Floating | Non-Interest |  | Interest rate |
|  | 1 year | to 5 years | interest rate | bearing | Total | (% per annum) |
| Financial assets |  |  |  |  |  |  |
| Cash and cash equivalents | - | - | 1,002 | 8 | 1,010 | 0.25 - 0.85 |
| Current investments | 13 | - | - | - | 13 | 0.90 |
| Trade and other receivables | 192 | - | 13 | 500 | 705 | 3 - 9 |
| Long-term fixed deposit | - | 2 | - | - | 2 | 1.40 |
| Long-term trade accounts receivable | - | 312 | 10 | - | 322 | 3 - 9 |
| Financial liabilities |  |  |  |  |  |  |
| Trade and other payables | - | - | - | 925 | 925 | - |
| Short-term loans from financial institutions | - | - | 510 | - | 510 | 3.63 |
| Unsecured debenture | 498 | - | - | - | 498 | 5.15 |
| Long-term loans from financial institutions | - | - | 2,726 | - | 2,726 | 4.53 - 5.03 |

(Unit: Million Baht)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Separate financial statements | | | | | |
|  | As at 31 December 2017 | | | | | |
|  | Fixed interest rates | |  | | |  |
|  | Within | Over 1 year | Floating | Non-Interest |  | Interest rate |
|  | 1 year | to 5 years | interest rate | bearing | Total | (% per annum) |
| Financial assets |  |  |  |  |  |  |
| Cash and cash equivalents | - | - | 40 | - | 40 | 0.25 - 0.375 |
| Trade and other receivables | - | - | - | 46 | 46 | - |
| Long-term fixed deposit | - | 2 | - | - | 2 | 1.40 |
| Long-term loans to subsidiaries | - | - | 978 | - | 978 | 4.19 |
| Financial liabilities |  |  |  |  |  |  |
| Trade and other payables | - | - | - | 35 | 35 | - |
| Long-term loans from subsidiaries | - | - | 346 | - | 346 | 2.10 - 6.73 |
| Short-term loans from financial institution | - | - | 260 | - | 260 | 3.65 |
| Long-term loans from financial institution | - | - | 75 | - | 75 | 4.53 |

(Unit: Million Baht)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | | | | |
|  | As at 31 December 2016 | | | | | |
|  | Fixed interest rates | |  | | |  |
|  | Within | Over 1 year | Floating | Non-Interest |  | Interest rate |
|  | 1 year | to 5 years | interest rate | bearing | Total | (% per annum) |
| Financial assets |  |  |  |  |  |  |
| Cash and cash equivalents | - | - | 662 | 8 | 670 | 0.375 - 0.85 |
| Current investments | 13 | - | - | - | 13 | 1.40 |
| Trade and other receivables | 238 | - | 13 | 421 | 672 | 3 - 12 |
| Long-term fixed deposit | - | 2 | - | - | 2 | 1.40 |
| Long-term trade accounts receivable | - | 371 | 22 | - | 393 | 3 - 12 |
| Financial liabilities |  |  |  |  |  |  |
| Trade and other payables | - | - | - | 819 | 819 | - |
| Short-term loans from financial institutions | - | - | 515 | - | 515 | 3.60 - 5 |
| Unsecured debenture | - | 496 | - | - | 496 | 5.15 |
| Long-term loans from financial institutions | - | - | 3,048 | - | 3,048 | 4.48 - 5.28 |

(Unit: Million Baht)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Separate financial statements | | | | | |
|  | As at 31 December 2016 | | | | | |
|  | Fixed interest rates | |  | | |  |
|  | Within | Over 1 year | Floating | Non-Interest |  | Interest rate |
|  | 1 year | to 5 years | interest rate | bearing | Total | (% per annum) |
| Financial assets |  |  |  |  |  |  |
| Cash and cash equivalents | - | - | 18 | - | 18 | 0.375 |
| Trade and other receivables | - | - | - | 182 | 182 | - |
| Long-term fixed deposit | - | 2 | - | - | 2 | 1.40 |
| Long-term loans to subsidiaries | - | - | 1,116 | - | 1,116 | 6.01 |
| Financial liabilities |  |  |  |  |  |  |
| Trade and other payables | - | - | - | 34 | 34 | - |
| Long-term loans from subsidiaries | - | - | 747 | - | 747 | 2.10 - 6.62 |
| Short-term loans from financial institution | - | - | 265 | - | 265 | 3.65 |

**Foreign currency risk**

The Company and its subsidiaries’ exposure to foreign currency risk arises mainly from trading transactions and borrowings that are denominated in foreign currencies. In addition to those transactional exposures, the Company is also exposed to the effect of foreign exchange movements on its investment in foreign subsidiaries and associates, which currently are not hedged by any derivative financial instrument.

The balances of the Company and its subsidiaries’ financial assets and liabilities denominated in foreign currencies are summarised below.

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | | | Separate financial statements | | | |  | |
|  | Financial assets as at 31 December | | Financial liabilities as at 31 December | | Financial assets as at 31 December | | Financial liabilities as at 31 December | | Average exchange rate as at 31 December | |
| Foreign currency | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
|  | (Million) | (Million) | (Million) | (Million) | (Million) | (Million) | (Million) | (Million) | (Baht per 1 foreign currency unit) | |
| US Dollar | 2 | 2 | - | - | - | - | - | - | 32.6407 | 35.7843 |

**39.2 Fair value of financial instruments**

The methods and assumptions used by the Company and its subsidiaries in estimating the fair value of financial instruments are as follows:

1. For financial assets and liabilities which have short-term maturity, including cash and cash at banks, accounts receivable and accounts payable, their carrying amounts in the statement of financial position approximate their fair value.
2. For fixed rate debenture, their fair value is estimated by discounting expected future cash flow by the current market interest rate of the loans with similar terms and conditions.
3. For short-term and long-term loans carrying interest approximate to the market rate, their carrying amounts in the statement of financial position approximates their fair value.

The fair values of the Company and its subsidiaries’ financial instruments are estimated to approximately the amounts presented in the statements of financial position, except for the following:

(Unit: Million Baht)

|  | Consolidated financial statements | | | |
| --- | --- | --- | --- | --- |
|  | Carrying amount | | Fair value | |
|  | 2017 | 2016 | 2017 | 2016 |
| Financial liabilities |  |  |  |  |
| Unsecured debenture | 498 | 496 | 484 | 465 |

**40. Capital management**

The primary objective of the Company's capital management is to ensure that it has appropriate financial structure and preserves the ability to continue its business as a going concern.

According to the statement of financial position as at 31 December 2017, the Group’s debt-to-equity ratio was 0.65:1 (2016: 0.63:1) and the Company’s was 0.15 (2016: 0.21:1).

**41. Litigation**

A case was brought to the Phuket Provincial Court on 8 October 2009, in which 4 of LRH’s affiliated companies and 10 individual directors are the defendants. The plaintiffs referred in the plaint that they purchased units in Allamanda 1 Condominium during 1991 to 1995. The plaintiffs claim the Sale and Purchase Agreement called for common area of approximately 20 rai. On registration of Allamanda 1 Condominium, Allamanda 1 Condominium was registered with only 9 rai 2 ngan 9 square wah. As result, the plaintiffs claim that defendants have breached the Sale and Purchase Agreement. Therefore, the plaintiffs requested the defendants to completely deliver the common area as specified by the Agreement by transfer of the land totaling 10 rai 3 ngan 97.1 square wah to Allamanda 1 Juristic Person, as the 10th plaintiff, or to be jointly liable for the compensation of Baht 132 million in case the transfer of land cannot be made. The plaintiffs also requested for additional compensation in the amount of Baht 56 million for unlawful use of the land which is supposed to be common property of Allamanda 1 Condominium. The total amount of claim is Baht 188 million with interest at the rate of 7.5% per annum from the date the claim was lodged until the defendants have made full payment. The plaintiffs also claimed that the former and current directors, totaling ten, of those subsidiaries as the 5th to 14th defendants were the representatives of the subsidiaries being the 1st to 4th defendants, therefore, must also be jointly liable with those subsidiaries.

The plaintiffs filed a petition with the Court seeking the Court’s interim injunction of which the defendants shall not dispose and amend the status of nine plots of land in dispute with land registry office during the trial. On 20 January 2012, the Court granted the interim injunction.

On 27 June 2014, the Phuket Provincial Court has ordered the defendants (1) to transfer the nine plots of land totaling 10 rai 3 ngan 97.1 square wah to the plaintiffs (2) to pay Baht 5,890,956 for unlawful usage of the two plots of land with interest at the rate of 7.5% per annum from the following day after the claim was lodged until payment is made in full (3) to pay Baht 16,000.79 per day from the following day after the claim was lodged until the transfer of aforementioned land has been completed, and (4) to pay a further Baht 500,000 as legal fees to the plaintiffs. On 23 January 2015, the subsidiaries lodged an appeal on the judgement at the Court of First Instance. On 15 October 2015, the Appeal Court ordered the defendants to place a deposit, amounting to Baht 36 million for the monetary compensations that the Court of First Instance has awarded the plaintiffs. On 18 December 2015, the Court has granted the Company’s placement of land in Chiang Rai as security for the deposit.

On 19 April 2016, the Appeal Court has issued judgement ordering the defendants to transfer eight plots of land out of nine plots of land as awarded by the Court of First Instance totaling 4 rai 1 ngan 90.9 square wah to be common property of Allamanda 1 Condominium. The Appeal Court also ruled that the defendants did not unlawfully use the land, so the defendants do not have to compensate the plaintiffs. Moreover, the Appeal Court dismissed the plaint against the 5th to 14th defendants as directors. On 4 October 2016, the defendants submitted the request of submitting the appeal to the Supreme Court and the appeal statement. On 25 October 2016, the defendants also submitted the counter - statement to object the request of submitting the appeal of the plaintiffs.

On 13 February 2018, the plaintiffs and the defendants completely signed a settlement agreement to settle the outstanding disputes in relation to this case. On 20 February 2018, the litigators of both parties jointly submitted petitions to the Conciliation Centre of the Supreme Court with a request for the Supreme Court to render its judgment as per the settlement agreement.

As at 31 December 2017, subsidiaries have set aside a provision of Baht 41.0 million for liabilities arising as a result of this case (2016: Baht 40.6 million). This provision will be adjusted as per court order when the case is final.

**42.    Event after reporting period**

On 22 February 2018, the meeting of the Company's Board of Directors passed the following resolutions to propose to Annual General Meeting of the Company’s shareholders for approval of dividend payment from the retained earnings as at 31 December 2017. The dividend will be paid by cash at the rate of Baht 0.38 per share.  The payment of the final dividend is dependent on approval being granted by the shareholders.

**43. Approval of financial statements**

These financial statements were authorised for issue by the Company’s Board of Directors on 22 February 2018.