

KRUSELL (THAILAND) CO., LTD.

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FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

## INDEPENDENT AUDITOR'S REPORT

To The Shareholders and Board of Directors of  
Krusell (Thailand) Co., Ltd

### Opinion

I have audited the financial statements of Krusell (Thailand) Co., Ltd. (the Company), which comprise the statement of financial position as at December 31, 2019, and the statement of income and statement of changes in shareholders' equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Krusell (Thailand) Co., Ltd. as at December 31, 2019, and its financial performance for the year then ended in accordance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities.

### Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further describe in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Company in accordance with the Federation of Accounting Professions' Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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I communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

The engagement partner responsible for the audit resulting in this independent auditor's report is Ms. Arisa Chumwisut.

*Arisa Chumwisut*

(Ms. Arisa Chumwisut)

Certified Public Accountant

Registration No. 9393

Dharmniti Auditing Company Limited

Bangkok, Thailand

February 5, 2020

**KRUSELL (THAILAND) CO., LTD.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2019**

	<u>ASSETS</u>	Baht	
		Note	2019
Current assets			
Cash and cash equivalents	4	9,360,700.93	14,527,333.89
Trade accounts receivable and other accounts receivable	5	20,603,867.97	21,042,610.24
Inventories	6	47,148,451.14	41,683,573.96
Other current assets		1,360,088.58	2,631,735.78
Total current assets		78,473,108.62	79,885,253.87
Non-current assets			
Loan to related parties	7	536,200.00	574,000.00
General investments	8	510,800.00	530,800.00
Plant and equipment	9	3,063,973.09	5,272,239.29
Intangible Assets	10	59.00	11,210.87
Other non-current assets		1,348,655.65	1,408,655.65
Total non-current assets		5,459,687.74	7,796,905.81
<b>TOTAL ASSETS</b>		<b>83,932,796.36</b>	<b>87,682,159.68</b>

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Notes to the financial statements form an integral part of these statements.

**KRUSELL (THAILAND) CO., LTD.**  
**STATEMENT OF FINANCIAL POSITION (Cont.)**  
**AS AT DECEMBER 31, 2019**

**LIABILITIES AND SHAREHOLDERS' EQUITY**

	Note	Baht	
		2019	2018
Current liabilities			
Trade accounts payable and other account payable	11	25,070,895.31	32,583,674.09
Current portion of liabilities under financial lease agreements	12	864,917.08	893,444.11
Other current liabilities		191,594.57	248,077.64
Total current liabilities		<u>26,127,406.96</u>	<u>33,725,195.84</u>
Non - current liabilities			
Liabilities under lease financial agreement, net of current portion	12	780,552.33	1,309,668.49
Provision for employee retirement	13	9,293,725.81	6,665,584.64
Total Non - current liabilities		<u>10,074,278.14</u>	<u>7,975,253.13</u>
<b>TOTAL LIABILITIES</b>		<u>36,201,685.10</u>	<u>41,700,448.97</u>
Shareholders' equity			
Share capital	14		
Authorized share capital			
7,900 ordinary shares of Baht 1,000.00 each		7,900,000.00	7,900,000.00
2,100 preference shares of Baht 1,000.00 each		2,100,000.00	2,100,000.00
		<u>10,000,000.00</u>	<u>10,000,000.00</u>
Issued and fully paid-up shares capital			
7,900 ordinary shares of Baht 1,000.00 each		7,900,000.00	7,900,000.00
2,100 preference shares of Baht 1,000.00 each		2,100,000.00	2,100,000.00
		<u>10,000,000.00</u>	<u>10,000,000.00</u>
Retained earnings			
Appropriated			
Legal reserve	15	800,000.00	800,000.00
Unappropriated		36,931,111.26	35,181,710.71
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>47,731,111.26</u>	<u>45,981,710.71</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>83,932,796.36</u>	<u>87,682,159.68</u>

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Notes to the financial statements form an integral part of these statements.

KRUSELL (THAILAND) CO., LTD.  
STATEMENTS OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	Baht	
		2019	2018
<b>Revenues</b>			
Income from sale		164,886,536.75	201,908,547.33
Income from transportation		4,665,353.11	8,928,128.17
Other income		510,796.12	882,869.17
Gain on exchange rate		304,006.58	1,818,622.12
<b>Total revenues</b>		<u>170,366,692.56</u>	<u>213,538,166.79</u>
<b>Expenses</b>			
Cost of sale		126,033,112.52	157,314,507.57
Selling expenses		5,647,482.53	12,142,423.21
Administrative expenses		36,806,011.02	33,617,127.32
<b>Total expenses</b>		<u>168,486,606.07</u>	<u>203,074,058.10</u>
Profit (loss) before financial cost and income tax expenses		1,880,086.49	10,464,108.69
Financial costs		130,685.94	106,044.72
Income tax		-	-
<b>Profit (loss) for the year</b>		<u>1,749,400.55</u>	<u>10,358,063.97</u>
<b>Earnings (loss) per share</b>			
Basic (loss) earnings per share	17	<u>221.44</u>	<u>1,311.15</u>

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Notes to the financial statements form an integral part of these statements.

**KRUSELL (THAILAND) CO., LTD.**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Baht			Total
	Share capital	Retained earnings		
	issued and paid-up	Appropriated for legal reserve	Unappropriated	
Note				
Balance, as at January 1, 2018	10,000,000.00	800,000.00	24,823,646.74	35,623,646.74
Profit (loss) for the year 2018	-	-	10,358,063.97	10,358,063.97
Balance, as at December 31, 2018	10,000,000.00	800,000.00	35,181,710.71	45,981,710.71
Profit (loss) for the year 2019	-	-	1,749,400.55	1,749,400.55
Balance, as at December 31, 2019	<u>10,000,000.00</u>	<u>800,000.00</u>	<u>36,931,111.26</u>	<u>47,731,111.26</u>

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Notes to the financial statements form an integral part of these statements.



**KRUSELL (THAILAND) CO., LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**1. GENERAL INFORMATION**

(a) Legal status and address

The Company was incorporated in Thailand on October 1, 2010.

The address of its registered office is as follows:

3656/78-79, Green Tower, 23<sup>rd</sup> Floor, Rama 4 Road, Klongtan, Klongtoey,  
Bangkok 10110, Thailand.

(b) Nature of the Company's business

Main business activity of the Company are manufacturing of Leather/PU bags and cases for sale domestically and export.

(c) Name of parent company

The parent company of the Company is Krusell United AB Co., Ltd which is a company incorporated in Sweden, holds 97% shareholding.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis for preparation of financial statements**

The financial statements have been prepared in accordance with the accounting standards prescribed by Thai Accounts Act enunciated under the Accounting Profession Act B.E.2547 by complying with Thai Financial Reporting Standards for Non-Publicly Accountable Entities. The presentation of the financial statements has been made in compliance with the Notification of the Department of Business Development, the Ministry of Commerce, re : the financial statements presentation for limited company, issued under the Accounting Act B.E.2543.

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

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 such financial statements in Thai language.

**2.2 Recognition of revenue and expense**

Income from sale and income from transportation recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Income from sale are the invoiced value, excluding value added tax, of goods supplied after deducting discounts.

Other income and expenses is recognized on the accrual basis.

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KRUSELL (THAILAND) CO., LTD.  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2019

2.3 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand at bank and fixed deposit which are not due over 3 month or less and excluded cash at bank, which are used for guarantee.

2.4 Trade accounts receivable

Trade accounts receivable are initially recognized by the invoice amount and subsequently measured at the remaining amount less an allowance for doubtful accounts (if any) based on a review of all outstanding amounts at year end. The allowance for doubtful accounts is the difference between the carrying amount of trade accounts receivable and the amount expected to be collectible. Bad debts are immediately recognized in the income statement as part of administrative expenses.

Trade accounts receivable are shown net of allowance for doubtful accounts which is an estimate of those amounts which may prove to be uncollectible based on historical collection experience and a review of the current status of existing receivable.

2.5 Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is calculated as follows:

Finish goods and Work in process	Weighted average Method
Raw materials	First In First Out Method

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of conversion above include an appropriate share of production overheads based on normal production capacity.

The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties, transportation charges and other direct costs incurred in acquiring the inventories less all trade discounts, allowances or rebates.

The net realizable value of inventory is estimated from the selling price in the ordinary course of business less the estimated costs to complete production and the estimated costs to complete the sale.

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KRUSELL (THAILAND) CO., LTD.  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2019

2.6 General investments

Investments in non-marketable equity securities are general investments, which are stated at cost net from allowance on decline in value (if any).

The Company records the loss on decline in value (if any) of these investments in the statement of income.

On disposal of an investment, the difference between the net proceeds and the book value of the investment is recognized as income or expense in the statement of income. If partial investments are sold, the book value of the investment is determined by the weighted average method.

2.7 Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and allowance on decline in value (if any).

Cost is initially recognized upon acquisition of assets along with other direct costs attributing to acquiring such assets in the condition ready to serve the objectives, including the costs of asset demolition, removal and restoration of the asset location, which are the obligations of the company (if any).

Depreciation of plant and equipment is calculated by cost less residual value on the straight-line basis over the following estimated useful lives:

Office improvement	5 years
Vehicles	5 years
Office furniture and fixture	5 years
Computer	3 - 5 years

The Company has reviewed the residual value and useful life of the assets regularly.

The depreciation for each asset component is calculated on the separate components when each component has significant cost compared to the total cost of that asset.

Depreciation is included in determining income.

No depreciation is provided on construction in progress and equipment under installation.

Plant and equipment are written off at disposal. Gains or losses arising from sale or write-off of assets are recognized in the statement of income.

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KRUSELL (THAILAND) CO., LTD.  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2019

2.8 Intangible Asset

Intangible assets are stated at cost less accumulated amortization and allowance on decline in value (if any). Intangible assets are amortized in the statement of income on a straight-line basis over their estimated useful lives from the date that they are available for use. The estimated useful lives are as follows:

Software license	3 - 5 years
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2.9 Finance Lease

Leases of assets that substantially transfer to the Company all the rewards and risks of ownership of assets and that the Company intends to exercise the option of the leases to purchase the assets at the expiration of the lease term, are accounted for as finance leases.

At the inception of a finance lease, the cost of the asset is recorded together with the obligation, excluding the interest element, to pay future rentals. Finance charges are charged to the current period operations in proportion to the capital balances outstanding.

2.10 Operating Lease

Lease of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under an operating lease are recognized as expense on a straight-line basis over the lease term.

2.11 Provision

A provision is recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.12 Employee benefits

Short-term employment benefits

The Company recognizes salary, wage, bonus and contributions to social security fund as expenses when incurred.

Post-employment benefits (Defined benefit plans)

The Company has obligations in respect of the severance payments that it must pay to the employees upon retirement under the labor law and policy of the Company. The Company treats these severance payment obligations as a defined benefit plan and calculates post-employment benefits for employees who work for the Company until retirement.

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KRUSELL (THAILAND) CO., LTD.  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2019

2.13 Income tax

The Company records income tax expense, if any, based on the amount currently payable under the Revenue Code at the income tax rates 20% of net profit before income tax, after adding back certain expenses which are non-deductible for income tax computation purposes, and less certain transactions which are exemption or allowable from income tax.

2.14 Earning per share

Basic earning per share is calculated by dividing the net earnings for the year by the weighted average number of ordinary shares which are issued and paid up during the year.

2.15 Foreign currency conversions

Foreign currency assets and liabilities are converted into Thai Baht at rates of exchange ruling on the statement of financial position date. Transactions during the year are translated at rates prevailing on the transaction date. Gains or losses on exchange are credited or charged to current operations.

2.16 Financial instrument

The Company does not speculate in or engage the trading of any derivative financial instruments. The accounting policies on recognition and measurement of financial asset and financial liabilities are disclosed in the respective accounting policies.

2.17 Using of Accounting Estimation

Preparation of financial statements in conformity with generally accepted accounting principles in Thailand requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

2.18 Related parties

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

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**KRUSELL (THAILAND) CO., LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2019**

**3. RELATED PARTY TRANSACTIONS**

The company has significant transactions with its related company, those transactions are in the normal course of business. Amounts due from/to related companies are settled in the currencies which they are invoiced are recorded as follows :

	Relations	Pricing policy	Baht	
			2019	2018
Transactions during the period				
Krusell International AB	Fellow subsidiary			
Sale		Mutually agreed price	58,368,095.70	97,602,618.12
Purchase		Mutually agreed price	241,229.78	20,200,421.98
Krusell (Hong Kong) Co.,Ltd.	Subsidiary			
Sale		Mutually agreed price	2,863,833.04	10,677,823.53
Interest income		As agreement	26,810.00	28,700.00
Purchase		Mutually agreed price	8,742,583.24	17,623,935.04
Krusell (Trading) Co.,Ltd.	Associated company			
Sale		Mutually agreed price	1,741,438.41	1,334,835.81
Purchase		Mutually agreed price	585,753.16	3,123,723.14

	Baht	
	2019	2018
Ending Balances		
Accounts receivable		
Krusell International AB	13,904,554.61	9,028,884.82
Krusell (Hong Kong) Co.,Ltd.	337,865.91	2,612,636.03
Krusell (Trading) Co.,Ltd.	244,967.73	287,244.61
Loan receivable		
Krusell (Hong Kong) Co.,Ltd.	536,200.00	574,000.00
Accrued interest		
Krusell (Hong Kong) Co.,Ltd.	160,891.48	143,533.70
Accounts payable		
Krusell International AB	145,584.00	2,451,058.91
Krusell (Hong Kong) Co.,Ltd.	2,782,650.43	5,443,864.19
Krusell (Trading) Co.,Ltd.	-	3,462,437.84

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**KRUSELL (THAILAND) CO., LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2019**

**4. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consisted of :

	Baht	
	2019	2018
Cash on hand	180,000.00	180,000.00
Cash at bank - current account	8,540,634.78	13,836,596.31
Cash at bank - saving account	640,066.15	510,737.58
Total	<u>9,360,700.93</u>	<u>14,527,333.89</u>

**5. ACCOUNTS RECEIVABLE AND OTHER ACCOUNTS RECEIVABLE**

Accounts receivable and other accounts receivable consisted of :

	Baht	
	2019	2018
Account receivable	19,175,091.00	19,514,791.45
<u>Less</u> allowance for doubtful accounts	-	-
Account receivables, net	<u>19,175,091.00</u>	<u>19,514,791.45</u>
Other account receivable		
Accrual interest	160,891.48	143,533.70
Prepaid expenses	856,468.49	1,171,245.09
Advance payment	411,417.00	213,040.00
Total other account receivable	<u>1,428,776.97</u>	<u>1,527,818.79</u>
Total	<u>20,603,867.97</u>	<u>21,042,610.24</u>

As at December 31, 2019 and 2018, the company is trade account receivable aging as follow:

	Baht	
	2019	2018
Less 3 Months	16,467,962.09	19,219,823.63
Over 3 Months to 6 months	2,459,063.00	267,096.99
Over 6 Months to 1 year	-	27,870.83
Over 1 year	248,065.91	-
Total	<u>19,175,091.00</u>	<u>19,514,791.45</u>

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KRUSELL (THAILAND) CO., LTD.  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2019

6. INVENTORIES

Inventories consisted of :

	Baht	
	2019	2018
Finished goods	8,441,213.57	9,555,504.64
Work in process	13,259,165.43	10,855,240.24
Raw material	25,641,072.14	20,825,444.68
Goods in transit	-	773,384.40
Total	47,341,451.14	42,009,573.96
Less Allowance for obsolete Stock	(193,000.00)	(326,000.00)
Inventories, net	47,148,451.14	41,683,573.96
Reversal of the decline in value of inventory for the year	(133,000.00)	(1,074,000.00)
Decline in value of inventory recognized as administrative expenses	4,449,122.29	3,066,596.00

Allowance for obsolete stock is changed during the years as follow :-

	Baht	
	2019	2018
Beginning balance	326,000.00	1,400,000.00
Increase (Decrease) of obsolete Stock	(133,000.00)	(1,074,000.00)
Ending balance	193,000.00	326,000.00

7. Loans to related parties

Loans to related parties are as follows :

	(Baht)		Interest rate per annum	Repayment Condition
	2019	2018		
Promissory Note Krusell (Hongkong) Co., Ltd. (140,000 HKD)	536,200.00	574,000.00	At the rate of 5% per annum	To pay once a year in an equal amount for a period of 5 years by starting the first payment on August 22, 2013

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**KRUSELL (THAILAND) CO., LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2019**

Movement in the loan to related parties account during the year 2019 and 2018 are summarized below.

	Baht	
	2019	2018
Beginning balance	574,000.00	579,894.00
Add : Addition borrowings	-	-
Less : Repayment	-	-
Gain (loss) on exchange rate	(37,800.00)	(5,894.00)
Ending balance	536,200.00	574,000.00

**8. INVESTMENT IN OTHER COMPANIES**

Investment in other companies consist of :

Company	Nature of business	Shareholding (percent)		At cost Method (Baht)	
		2019	2018	2019	2018
Krusell (Hong Kong) Co.,Ltd.	Sourcing, trading and marketing consulting	100	100	40,800.00	40,800.00
Krusell (Trading) Co.,Ltd.	Trading	47	49	470,000.00	490,000.00
				510,800.00	530,800.00

**9. PLANT AND EQUIPMENT, NET**

Plant and equipment consisted of :

	Baht				
	Balance per book as at Jan 1, 19	Additions	Deduction	Transfers in (out)	Balance per Book as at Dec 31, 19
<u>As cost</u>					
Office improvement	6,614,503.62	27,142.99	-	-	6,641,646.61
Machinery and equipment	23,884,669.00	766,818.99	(1,001,942.38)	-	23,649,545.61
Furniture and fixture	11,791,273.38	11,355.14	(132,586.32)	-	11,670,042.20
Vehicles	9,941,336.44	486,528.04	(607,635.51)	-	9,820,228.97
Total	52,231,782.44	1,291,845.16	(1,742,164.21)	-	51,781,463.39
<u>Less Accumulated depreciation</u>					
Office improvement	(5,036,080.99)	(1,070,454.10)	-	-	(6,106,535.09)
Machinery and equipment	(23,435,741.90)	(422,736.06)	1,001,928.38	-	(22,856,549.58)
Furniture and fixture	(10,960,394.98)	(555,841.29)	131,681.86	-	(11,384,554.41)
Vehicles	(7,527,325.28)	(1,450,159.45)	607,633.51	-	(8,369,851.22)
Total	(46,959,543.15)	(3,499,190.90)	1,741,243.75	-	(48,717,490.30)
Plant and equipment, net	5,272,239.29				3,063,973.09

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**KRUSELL (THAILAND) CO., LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2019**

	Baht				Balance per Book as at Dec 31, 18
	Balance per book as at Jan. 1, 18	Additions	Deduction	Transfers in (out)	
<b>As cost</b>					
Office improvement	6,505,478.62	109,025.00	-	-	6,614,503.62
Machinery and equipment	23,876,169.00	36,000.00	(27,500.00)	-	23,884,669.00
Furniture and fixture	11,738,185.25	65,798.41	(12,710.28)	-	11,791,273.38
Vehicles	11,747,236.44	-	(1,805,900.00)	-	9,941,336.44
Total	<u>53,867,069.31</u>	<u>210,823.41</u>	<u>(1,846,110.28)</u>	-	<u>52,231,782.44</u>
<b>Less Accumulated depreciation</b>					
Office improvement	(3,923,585.68)	(1,112,495.31)	-	-	(5,036,080.99)
Machinery and equipment	(22,473,378.13)	(989,862.77)	27,499.00	-	(23,435,741.90)
Furniture and fixture	(10,262,192.00)	(710,912.26)	12,709.28	-	(10,960,394.98)
Vehicles	(7,236,738.04)	(1,840,442.40)	1,549,855.16	-	(7,527,325.28)
Total	<u>(43,895,893.85)</u>	<u>(4,653,712.74)</u>	<u>1,590,063.44</u>	-	<u>(46,959,543.15)</u>
Plant and equipment, net	<u>9,971,175.46</u>				<u>5,272,239.29</u>
<b>Depreciation for the year ended December 31,</b>					
2019 (Baht 1.01 million included in cost of sales and the balance in administrative expenses)					<u>3,499,190.90</u>
2018 (Baht 1.90 million included in cost of sales and the balance in administrative expenses)					<u>4,653,712.74</u>

As at December 31, 2019 and 2018 certain plant and equipment items have been fully depreciated but are still in use. The original cost, before deducting accumulated depreciation, of those assets amounted to approximately Baht 42.43 million and Bath 34.89 million, respectively.

As at December 31, 2019 and 2018 the Company has equipment acquired under financial lease agreements, with net book value amounting to approximately Baht 1.27 million and Baht 2.41 million, respectively.

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**KRUSELL (THAILAND) CO., LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2019**

10. INTANGIBLE ASSETS,

Intangible asset consisted of :-

	Baht			Balance per book as at Dec. 31, 19
	Balance per book as at Jan 1, 19	Additions	Deduction	
<u>As cost</u>				
Software computer	5,981,657.96	-	(436,000.00)	5,545,657.96
Total	5,981,657.96	-	(436,000.00)	5,545,657.96
<u>Less Accumulated amortization</u>				
Software computer	(5,970,447.09)	(11,147.87)	435,996.00	(5,545,598.96)
Total	(5,970,447.09)	(11,147.87)	435,996.00	(5,545,598.96)
Intangible assets, net	<u>11,210.87</u>			<u>59.00</u>
Amortization for the year				<u>11,147.87</u>

	Baht			Balance per book as at Dec. 31, 18
	Balance per book as at Jan. 1, 18	Additions	Deduction	
<u>As cost</u>				
Software computer	5,981,657.96	-	-	5,981,657.96
Total	5,981,657.96	-	-	5,981,657.96
<u>Less Accumulated amortization</u>				
Software computer	(5,864,752.96)	(105,694.13)	-	(5,970,447.09)
Total	(5,864,752.96)	(105,694.13)	-	(5,970,447.09)
Intangible assets, net	<u>116,905.00</u>			<u>11,210.87</u>
Amortization for the year				<u>105,694.13</u>

As at December 31, 2019 and 2018 certain Intangible asset items have been fully depreciated but are still in use. The original cost, before deducting accumulated depreciation, of those assets amounted to approximately Baht 5.55 million and Bath 5.87 million, respectively.

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**KRUSELL (THAILAND) CO., LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2019**

11. TRADE ACCOUNT PAYABLE AND OTHER ACCOUNTS PAYABLE

Trade account payable and other account payable consisted of :

	Baht	
	2019	2018
Trade account payable	13,354,583.94	19,443,661.45
Other account payable		
Income received in advance	8,752,050.00	9,387,018.24
Accrued expense	2,964,261.37	3,752,994.40
Total other account payable	11,716,311.37	13,140,012.64
Total	25,070,895.31	32,583,674.09

12. LIABILITIES UNDER FINANCE LEASE

Liabilities under finance lease agreements of the company are comprised of :

	Baht	
	2019	2018
Ending balance	1,645,469.41	2,203,112.60
<u>Less</u> Current portion	(864,917.08)	(893,444.11)
Liabilities under financial lease agreement - net of current portion	780,552.33	1,309,668.49
Liabilities under financial lease agreement - net portion due		
After 1 year but within 5 years	780,552.33	1,309,668.49
After 5 years	-	-
	780,552.33	1,309,668.49

Under these agreements, the company has an option to purchase such assets, at the end of contract and the company has to comply with conditions specified in agreement.

Current portion of liabilities under financial lease agreement is presented under current liabilities in the statement of financial position.

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**KRUSELL (THAILAND) CO., LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2019**

**13. EMPLOYEE BENEFIT OBLIGATIONS**

The movement of the employee benefit obligations for the years ended December 31, 2019 and 2018 as follow:

**The statements of financial position**

	Baht	
	2019	2018
Employee benefit obligations as at January 1	6,665,584.64	5,723,032.92
Increase (Decrease) in employee benefit obligations	2,708,141.17	942,551.72
Benefit paid during the year	(80,000.00)	-
Employee benefit obligations as at December 31	9,293,725.81	6,665,584.64

**Expenses recognized in the statements of income:**

	Baht	
	2019	2018
Cost of sales	1,655,107.02	709,338.34
Administrative expenses	1,053,034.15	233,213.38
Total	2,708,141.17	942,551.72

On April 5, 2019, the Labour Protection Act has been enacted in the Royal Gazette. The Labour Protection Act includes a requirement that an employee who is terminated after having been employed by the same employer for an uninterrupted period of 20 years or more, receives severance payment of 400 days of wages at the most recent rate, which is increased from the current maximum rate of 300 days. This Act shall come into force after the expiration of thirty days from the enacted date in the Royal Gazette onwards. This change is considered a post-employment benefits plan amendment. The effect of the change is recognized past service costs as expenses in the income statement.

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KRUSELL (THAILAND) CO., LTD.  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2019

14. SHARE CAPITAL

14.1 Reconciliation of number of ordinary shares

	Shares	
	2019	2018
<u>Registered share capital</u>		
Number of ordinary shares at the beginning of year	7,900	7,900
Increase in number of ordinary shares due to registration		
During the year	-	-
Number of ordinary shares at the end of year	<u>7,900</u>	<u>7,900</u>
<u>Issued and paid-up share capital</u>		
Number of ordinary shares at the beginning of year	7,900	7,900
Increase in number of ordinary shares due to registration		
during the year	-	-
Number of ordinary shares at the end of year	<u>7,900</u>	<u>7,900</u>

14.2 Reconciliation of number of preference shares

	Shares	
	2019	2018
<u>Registered share capital</u>		
Number of preference shares at the beginning of year	2,100	2,100
Increase in number of preference shares due to		
registration during the year	-	-
Number of preference shares at the end of year	<u>2,100</u>	<u>2,100</u>
<u>Issued and paid-up share capital</u>		
Number of preference shares at the beginning of year	2,100	2,100
Increase in number of preference shares due to		
registration during the year	-	-
Number of preference shares at the end of year	<u>2,100</u>	<u>2,100</u>

Preferred shares

Registered preferred shares represent 2,100 shares. For Group B shareholders 10 preference shares shall constitute one vote.

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**KRUSELL (THAILAND) CO., LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2019**

15. LEGAL RESERVE

Under the provisions of the Civil and Commercial Code of Thailand, the Company is required to set aside as legal reserve at least 5% of its net income at each dividend declaration until the reserve reaches 10% of the authorized share capital. The reserve is not available for dividend distribution.

16. EXPENSES BY NATURE

Significant expenses by nature are as follow :

	Baht	
	2019	2018
Purchase of finished goods	82,719,626.64	100,182,603.16
Change in inventories of finished goods and work in process	(1,289,634.12)	3,563,809.28
Employee benefit expenses	60,981,479.33	63,924,896.04
Depreciation	3,499,190.90	4,653,712.74
Amortization	11,147.87	105,694.13
Rental expenses	4,962,771.58	5,063,723.24

17. BASIC EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share are calculated by dividing the profit (loss) for the year by the weighted average number of ordinary shares which issued and paid-up during the period.

	2019	2018
Profit (loss) for the year of ordinary shares (Baht)	1,749,400.55	10,358,063.97
Weighted average number of ordinary shares (Shares)	7,900	7,900
Basic earnings (loss) per share (Baht/Share)	221.44	1,311.15

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**KRUSELL (THAILAND) CO., LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2019**

**18. COMMITMENTS UNDER OPERATING LEASE**

The Company has entered into several lease and service agreements in respect of building. Future rentals and related service fees payable under these agreements as at December 31, 2019 are as follow :

Payable within	Amount
1 year	4.62
2 to 5 years	6.20
Thereafter	-
	10.82

**19. FINANCIAL INSTRUMENTS**

(a) Financial Risk Management

The Company manages its financial risk exposure on financial assets and financial liabilities in normal business by its internal management and control system and the Company has not yet held or issued any derivative instruments.

(b) Fair Value

The fair value of significant financial assets and financial liabilities does not differ from their carrying value.

**20. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements have been approved by the Company's management on February 5, 2020.

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