

**KERRY EXPRESS (THAILAND) PUBLIC COMPANY LIMITED
(FORMERLY “KERRY EXPRESS (THAILAND) LIMITED”)**

FINANCIAL STATEMENTS

31 DECEMBER 2020

Independent Auditor's Report

To the shareholders and the Board of Directors of Kerry Express (Thailand) Public Company Limited
(Formerly "Kerry Express (Thailand) Limited")

My opinion

In my opinion, the consolidated financial statements and the separate financial statements present fairly, in all material respects, the consolidated financial position of Kerry Express (Thailand) Public Company Limited (the Company) and its subsidiaries (the Group) and the separate financial position of the Company as at 31 December 2020, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRS).

What I have audited

The consolidated financial statements and the separate financial statements comprise:

- the consolidated and separate statements of financial position as at 31 December 2020;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of my report. I am independent of the Group and the Company in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that are relevant to my audit of the consolidated and separate 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.

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of my audit of the consolidated and separate financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key audit matter	How my audit addressed the key audit matter
<p>1) Recognition of revenue from parcel delivery service</p> <p>Refer to note 6.16 'Accounting policies - Revenue recognition' and note 25 'Sales and services income' to the financial statements.</p> <p>Revenue from the parcel delivery service represents the major operating revenue of the Company and the Group with the characteristics of small parcel delivery transactions and large volume.</p> <p>The revenue from the parcel delivery service is recognised overtime where the collectability of the consideration is highly probable. The Group tracks the rendering of the parcel delivery service on a real-time basis, using the application on its information and technology systems, from which the data is used to determine revenue recognition. Also, the transaction price is determined based on a parcel's dimension and weight that's calculated by using the information and technology systems that support the revenue cycle. So, revenue recognition largely relies on the effectiveness of the design and operation of the internal controls over the relevant information and technology systems.</p> <p>For the year ended 31 December 2020, the Group made revenue of Baht 18,609 million from the parcel delivery service, accounting for 98.37% of total sales and service income in the consolidated and separate financial statements.</p> <p>I considered the recognition of revenue from the parcel delivery service as a key audit matter because the revenue from this service is material to the financial statements, and the Group has to deal with a large volume of transactions that relies on calculations and data collection in complex information and technology systems.</p>	<p>In response to the key audit matter, I performed the following procedures:</p> <ul style="list-style-type: none"> • Understood the process of the Group's parcel delivery business, obtained contract terms relating to revenue, and evaluated the revenue recognition accounting policy adopted by the Group with the requirements for revenue recognition under Thai Financial Reporting Standard no.15 - Revenue from contracts with customers. • Understood, evaluated and tested the Group's key internal controls relating to the recognition of revenue from the parcel delivery service to consider the effectiveness of internal controls relating to the accuracy, occurrence and completeness of transactions. • Understood, evaluated and tested the information and technology system's general controls and application controls which are relating to revenue from the parcel delivery service. This was executed with the assistance of information and technology system audit specialist. • With respect to the revenue from the parcel delivery service, on sample basis, I checked the relative supporting evidence such as contracts, invoices, receipt confirmation records, bank statements, etc. as well as reconciliation records with data from its information system and collection. • With respect to the revenue from the parcel delivery service which hadn't been settled, on sample basis, I requested confirmations of the outstanding accounts receivable year-end balance. • Tested the revenue from the parcel delivery service that occurred near the end of the accounting period (cut-off testing) including the revenue recognised before and after the end of reporting date. On a sample basis, I checked the parcels tracking status and relative supporting documents, so as to evaluate whether the revenue was recognised in the appropriate period. <p>Based on the above procedures performed, I note that the recognition of revenue from the parcel delivery service conformed to the Group's accounting policy of revenue recognition and was properly supported by the audit evidence we obtained.</p>

Key audit matter	How my audit addressed the key audit matter
<p>2) Share-based payment</p> <p>Refer to note 6.13 'Accounting policies - Share-based payment', note 8 (d) 'Critical accounting estimates and judgements - Share-based payment' and note 24 'Share-based payment' to the financial statements.</p> <p>In 2020, the Group granted 40 million warrants to the Group's director, executives and employees. According to the terms and conditions of the warrants that the warrant holders are entitled the right to purchase newly issued ordinary share of the Company, it is classified as an equity-settled share-based payment transaction in accordance with the principles of Thai Financial Reporting Standard no. 2 (TFRS 2) - Share-based payment.</p> <p>Management valued the warrants using the Black Shchole model and recognised share-based payment expense throughout the vesting period.</p> <p>I considered the share-based payment transaction as a key audit matter because</p> <ul style="list-style-type: none"> - The accounting for share-based payment is complex in relation to the interpretation against the principles-based criteria in TFRS 2. - The fair valuation of warrants requires a management's judgement for key assumptions, such as the underlying stock fair value as at the valuation date, the volatility of the underlying stock, the dividend yield and risk-free rate. 	<p>In response to the key audit matter, I performed the following procedures:</p> <ul style="list-style-type: none"> • Evaluated the accounting treatment of share-based payment transaction adopted by management to determine whether it was consistent with the requirements of TFRS 2. • Compared the warrant's terms and conditions included in the expense related to share-based payment calculations with applicable Board minutes, publicly available supporting data and announcement letters for warrants granted to employees. • Engaged an auditor's expert to evaluate the appropriateness of the valuation technique to ensure that it was consistent with generally accepted valuation methodologies for financial instruments and assess the appropriateness of key assumptions used. • Challenged the key assumptions used in the valuation by management to determine whether they were reasonable and in line with the Group's circumstances. This included looking at the following supporting documents: <ul style="list-style-type: none"> - The warrants' valuation date compared with the facts given in the announcement letter for warrants granted to employees. - The underlying stock fair value as at the valuation date compared with the IPO price of the Company's shares as at the grant date. - The volatility of the underlying stock price compared with the volatility of the reference stock prices which is computed from the listed stocks within the same industry. - The dividend yield of the underlying stock compared with the dividend yield of the reference listed stocks within the same industry. - The risk-free rate compared with the Thailand Government Bond yield for the period of five years based on the warrants' period which is generally accepted benchmark. • Tested the warrants' fair value calculation and the expenses recognised over the appropriate vesting period. • Evaluated the adequacy of disclosures made by the Group in the financial statements in view of the requirements of TFRS 2. <p>Based on the procedures above, I noted that the methodology and key assumptions used for evaluating the fair value of warrants were acceptable.</p>

Key audit matter**How my audit addressed the key audit matter****3) Adoption of TFRS 16 - Leases**

Refer to note 4.1 b) 'New and amended financial reporting standards - TFRS 16, Leases', note 5 'Impacts from initial application of the new and amended financial reporting standards', and note 6.9 'Accounting policies - Leases' to the financial statements.

The Group initially adopted TFRS 16 - 'Leases' on 1 January 2020, using the modified retrospective approach with no restatement of comparative figures. During the year, management determined accounting treatments of the new and amended leases in accordance with TFRS 16 principles, except for the discounts in the lease payments due to the COVID-19 situation which the Group has chosen to apply the temporary measures to relieve the impact from COVID-19 announced by TFAC.

As at 31 December 2020, the Group recognised right-of-use assets and lease liabilities of Baht 5,321 million and Baht 5,354 million in the consolidated financial statement, respectively which account for 27.54% and 63.20% of total assets and liabilities in the consolidated financial statements, respectively and recognised right-of-use assets and lease liabilities of Baht 1,414 million and Baht 1,432 million in the separate financial statement, respectively which account for 9.15% and 30.65% of total assets and liabilities in the separate financial statements.

The consideration to include TFRS 16 adoption as a key audit matter because

- this standard has a significant impact upon the Group's financial statements because the Group has a large number of lease contracts.
- the assumptions and estimates used in the assessment of lease terms and the determination of appropriate discount rates require management judgements, and
- the accounting treatment for amendments of lease terms is complex and requires interpretation of specified criteria in TFRS 16.

In response to the key audit matter, I performed the following procedures:

- Obtained an understanding of the content in lease contracts and evaluated the accounting treatment of leases adopted by the Group to determine whether it was consistent with the requirements of TFRS 16.
- On a sample basis, I:
 - tested the completeness of the lease data used in the of lease liability calculation prepared by management by selecting signed lease contracts and comparing them with the lease contract listing and reconciling total lease payments with rental expense during the year
 - tested the accuracy of the lease data i.e. contract effective date, lease payments, lease terms and other terms specified in lease contract through the inspection, on a sample basis, of signed lease contracts
 - challenged management to assess the appropriateness of the discount rates and lease terms by considering the renewal options
 - recalculated right-of-use assets and lease liabilities, including depreciation on the right-of-use assets and interest expense on lease liabilities recognised during the year
- On a sample basis, I verified whether adjustments arising from re-measurement of lease liabilities (including the corresponding adjustment to the related right-of-use assets) due to lease modification or termination, were appropriately made.
- Evaluated the appropriateness of the associated presentation and disclosure made by the Group in the financial statements under the requirements of TFRS 16.

Based on the above procedures, the Group's accounting treatments of leases were consistent with the requirements of TFRS 16. The recognition of right-of-use assets and lease liabilities including depreciation and interest expenses related to lease contracts was reasonable and supported by the available audit evidence.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and separate financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the consolidated and separate financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated and separate financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to the audit committee.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with TFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

The audit committee assists the directors in discharging their responsibilities for overseeing the Group's and the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

My objectives are to obtain reasonable assurance about whether the consolidated and separate 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 TSAs 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 consolidated and separate financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated and separate 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 Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 Group's and 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 consolidated and separate 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 Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with the audit committee 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.

I also provide the audit committee with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, I determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers ABAS Ltd.

Nopanuch Apichatsatien
Certified Public Accountant (Thailand) No. 5266
Bangkok
15 February 2021

Kerry Express (Thailand) Public Company Limited
(Formerly “Kerry Express (Thailand) Limited”)
Statements of Financial Position
As at 31 December 2020

	Notes	Consolidated	Separate	
		financial statements	financial statements	
		2020	2020	2019
		Thousand	Thousand	Thousand
		Baht	Baht	Baht
Assets				
Current assets				
Cash and cash equivalents	10	9,696,762	9,683,019	909,798
Trade and other receivables	11	1,466,786	1,463,452	1,722,468
Short-term loan to related party	31.4	-	60,000	-
Inventories	13	79,675	79,675	136,127
Other current assets		34,703	34,703	49,828
Total current assets		11,277,926	11,320,849	2,818,221
Non-current assets				
Investment in subsidiaries	14	-	530	-
Plant and equipment	15	2,258,546	2,258,546	2,706,036
Right-of-use assets	16	5,320,589	1,414,006	-
Intangible assets	17	199,150	199,112	235,252
Deferred tax assets	18	43,009	39,162	24,030
Deposits		219,015	219,015	228,279
Other non-current assets		-	-	2,389
Total non-current assets		8,040,309	4,130,371	3,195,986
Total assets		19,318,235	15,451,220	6,014,207

Director _____

Director _____

The accompanying notes are an integral part of these consolidated and separate financial statements.

Kerry Express (Thailand) Public Company Limited
(Formerly “Kerry Express (Thailand) Limited”)
Statements of Financial Position (Cont'd)
As at 31 December 2020

	Notes	Consolidated	Separate	
		financial statements	financial statements	
		2020 Thousand Baht	2020 Thousand Baht	2019 Thousand Baht
Liabilities and equity				
Current liabilities				
Current portion of long-term borrowings				
from financial institution	19	800,000	800,000	-
Trade and other payables	20	1,347,028	1,495,630	1,800,423
Cash on delivery payable		615,059	615,059	884,233
Deferred income		44,536	44,536	15,767
Accrued income tax		86,113	84,676	104,211
Current portion of lease liabilities	19	1,760,568	597,619	-
Other current liabilities		44,939	40,093	56,421
Total current liabilities		4,698,243	3,677,613	2,861,055
Non-current liabilities				
Long-term borrowings from financial institution	19	-	-	800,000
Lease liabilities	19	3,593,057	834,237	-
Employee benefit obligations	21	104,112	84,879	66,955
Other non-current liabilities		75,351	74,841	53,035
Total non-current liabilities		3,772,520	993,957	919,990
Total liabilities		8,470,763	4,671,570	3,781,045

The accompanying notes are an integral part of these consolidated and separate financial statements.

Kerry Express (Thailand) Public Company Limited
(Formerly “Kerry Express (Thailand) Limited”)
Statements of Financial Position (Cont'd)
As at 31 December 2020

	Notes	Consolidated	Separate	
		financial statements	financial statements	
		2020	2020	2019
		Thousand	Thousand	Thousand
		Baht	Baht	Baht
Liabilities and equity (Cont'd)				
Equity				
Share capital				
Authorised share capital				
Ordinary share, 1,780,000,000 shares				
at par value of Baht 0.50 each				
(2019: Ordinary share, 1,200,000 shares				
at par value of Baht 100 each)				
	22	890,000	890,000	120,000
Issued and paid-up share capital				
Ordinary share, 1,740,000,000 shares				
paid-up at Baht 0.50 each				
(2019: Ordinary share, 1,200,000 shares				
paid-up at Baht 100 each)				
	22	870,000	870,000	120,000
	22	8,111,061	8,111,061	-
	24	33,364	33,364	31,364
Retained earnings				
	23	89,000	89,000	12,000
		1,744,047	1,676,225	2,069,798
Total equity		10,847,472	10,779,650	2,233,162
Total liabilities and equity		19,318,235	15,451,220	6,014,207

The accompanying notes are an integral part of these consolidated and separate financial statements.

Kerry Express (Thailand) Public Company Limited

(Formerly “Kerry Express (Thailand) Limited”)

Statements of Comprehensive Income

For the year ended 31 December 2020

	Notes	Consolidated		Separate	
		financial statements		financial statements	
		2020	2020	2020	2019
		Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Sales and service income	25	18,917,062	18,917,062	19,781,926	
Cost of sales and services		(15,849,763)	(15,984,806)	(16,704,157)	
Gross profit		3,067,299	2,932,256	3,077,769	
Other income	26	92,992	120,120	112,678	
Selling expenses		(250,111)	(246,567)	(318,950)	
Administrative expenses		(1,064,157)	(1,063,319)	(1,195,201)	
Finance costs		(111,961)	(83,023)	(24,053)	
Profit before income tax		1,734,062	1,659,467	1,652,243	
Income tax	28	(329,037)	(321,856)	(323,691)	
Profit for the year		1,405,025	1,337,611	1,328,552	
Other comprehensive income:					
<i>Items that will not be reclassified to profit or loss</i>					
Remeasurements of post-employment benefit obligations, net of tax		(7,376)	(7,784)	(18,989)	
Other comprehensive expense for the year, net of tax		(7,376)	(7,784)	(18,989)	
Total comprehensive income for the year		1,397,649	1,329,827	1,309,563	
Profit attributable to:					
Owners of the Company		1,405,025	1,337,611	1,328,552	
Non-controlling interests		-	-	-	
		1,405,025	1,337,611	1,328,552	
Total comprehensive income attributable to:					
Owners of the Company		1,397,649	1,329,827	1,309,563	
Non-controlling interests		-	-	-	
		1,397,649	1,329,827	1,309,563	
Earnings per share					
Basic earnings per share (Baht)	29	1.111	1.058	5.536	
Dilute earnings per share (Baht)	29	1.111	1.058	5.536	

The accompanying notes are an integral part of these consolidated and separate financial statements.

Kerry Express (Thailand) Public Company Limited
(Formerly “Kerry Express (Thailand) Limited”)
Statements of Changes in Equity
For the year ended 31 December 2020

Consolidated financial statements							
Attributable to owners of the Company							
	Notes	Issued and	Share premium	Other reserves -	Retained earnings		Total equity
		paid-up		Share-based	Appropriated	Unappropriated	
		share capital	Thousand Baht	payments	- legal reserve	Thousand Baht	Thousand Baht
		Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Opening balance at 1 January 2020		120,000	-	31,364	12,000	2,069,798	2,233,162
Transactions with owners during the year							
Issue of shares	22	750,000	8,111,061	-	-	-	8,861,061
Legal reserve	23	-	-	-	77,000	(77,000)	-
Dividends	30	-	-	-	-	(1,646,400)	(1,646,400)
Share-based payments	24	-	-	2,000	-	-	2,000
Total comprehensive income for the year		-	-	-	-	1,397,649	1,397,649
Closing balance at 31 December 2020		870,000	8,111,061	33,364	89,000	1,744,047	10,847,472

The accompanying notes are an integral part of these consolidated and separate financial statements.

Kerry Express (Thailand) Public Company Limited

(Formerly “Kerry Express (Thailand) Limited”)

Statements of Changes in Equity

For the year ended 31 December 2020

	Notes	Separate financial statements					Total equity Thousand Baht
		Issued and paid-up share capital Thousand Baht	Share premium Thousand Baht	Other reserves - Share-based payments Thousand Baht	Retained earnings		
					Appropriated - legal reserve Thousand Baht	Unappropriated Thousand Baht	
Opening balance at 1 January 2019		120,000	-	9,574	12,000	1,348,235	1,489,809
Transactions with owners during the year							
Dividends	30	-	-	-	-	(588,000)	(588,000)
Share-based payments		-	-	21,790	-	-	21,790
Total comprehensive income for the year		-	-	-	-	1,309,563	1,309,563
Closing balance at 31 December 2019		<u>120,000</u>	<u>-</u>	<u>31,364</u>	<u>12,000</u>	<u>2,069,798</u>	<u>2,233,162</u>
Opening balance at 1 January 2020		120,000	-	31,364	12,000	2,069,798	2,233,162
Transactions with owners during the year							
Issue of shares	22	750,000	8,111,061	-	-	-	8,861,061
Legal reserve	23	-	-	-	77,000	(77,000)	-
Dividends	30	-	-	-	-	(1,646,400)	(1,646,400)
Share-based payments	24	-	-	2,000	-	-	2,000
Total comprehensive income for the year		-	-	-	-	1,329,827	1,329,827
Closing balance at 31 December 2020		<u>870,000</u>	<u>8,111,061</u>	<u>33,364</u>	<u>89,000</u>	<u>1,676,225</u>	<u>10,779,650</u>

The accompanying notes are an integral part of these consolidated and separate financial statements.

Kerry Express (Thailand) Public Company Limited
(Formerly “Kerry Express (Thailand) Limited”)

Statements of Cash Flows

For the year ended 31 December 2020

	Notes	Consolidated	Separate	
		financial statements	financial statements	
		2020	2020	2019
		Thousand Baht	Thousand Baht	Thousand Baht
Cash flows from operating activities				
Profit before income tax		1,734,062	1,659,467	1,652,243
Adjustments for:				
Depreciation expense and amortisation expense	15, 16, 17	2,355,559	1,974,491	677,615
Impairment losses		317	317	6,475
Share-based payment expense		2,000	2,000	21,790
Employee benefits expenses	21	28,282	25,047	14,434
Loss from disposal of equipment		21,558	21,558	2,536
Gain from disposal of intangible assets		-	-	(19)
Reversal of provision for decommissioning		(727)	(727)	-
Loss from cancellation of lease contracts		3,800	5,181	-
Gain from transfer of lease contracts to subsidiary	26	-	(24,955)	-
Loss from written-off of deposits		10,847	10,847	-
Interest income	26	(8,289)	(8,614)	(7,218)
Finance costs		111,961	83,023	24,053
		4,259,370	3,747,635	2,391,909
Changes in working capital:				
- Trade and other receivables		243,712	247,371	(178,599)
- Inventories		56,452	56,452	(97,009)
- Other current assets		21,196	21,196	22,148
- Deposits		-	-	(54,897)
- Other non-current assets		-	-	352
- Trade and other payables		(417,903)	(269,301)	230,304
- Cash on delivery payable		(269,174)	(269,174)	(86,758)
- Deferred income		28,769	28,769	145
- Other current liabilities		(11,482)	(16,328)	6,270
- Other non-current liabilities		13,022	13,022	(4,925)
- Employee benefit obligations	21	(345)	(16,853)	(34)
Cash generated from operations		3,923,617	3,542,789	2,228,906
Interest received		8,101	8,101	7,342
Interest paid		(110,706)	(81,768)	(22,711)
Income tax paid		(364,270)	(354,577)	(352,102)
Net cash generated from operating activities		3,456,742	3,114,545	1,861,435

The accompanying notes are an integral part of these consolidated and separate financial statements.

Kerry Express (Thailand) Public Company Limited
(Formerly “Kerry Express (Thailand) Limited”)
Statements of Cash Flows (Cont'd)
For the year ended 31 December 2020

	Notes	Consolidated	Separate	
		financial statements	financial statements	
		2020	2020	2019
		Thousand Baht	Thousand Baht	Thousand Baht
Cash flow from investing activities				
Cash payment for purchases of plant and equipment		(325,049)	(325,130)	(1,421,055)
Cash payment for purchases of intangible assets		(42,091)	(42,050)	(112,733)
Cash receipt from disposal of equipment		6,801	6,801	940
Cash receipt from disposal of intangible assets		-	-	65
Cash payment for deposits		(15,160)	(15,160)	-
Cash payment for short-term loan to related party	31.4	-	(60,000)	-
Cash payment for investment in subsidiaries	14	-	(490)	-
Net cash used in investing activities		(375,499)	(436,029)	(1,532,783)
Cash flows from financing activities				
Cash receipt from short-term borrowing from financial institutions		-	-	2,800,000
Cash repayments to short-term borrowings from financial institutions		-	-	(2,300,000)
Cash receipt from long-term borrowing from financial institutions	19	-	-	100,000
Cash payment on lease liabilities		(1,509,490)	(1,119,956)	-
Proceeds from issue of ordinary shares	22	8,861,061	8,861,061	-
Dividends paid	30	(1,646,400)	(1,646,400)	(588,000)
Proceeds from issue of shares of subsidiaries	14	550	-	-
Net cash generated from financing activities		5,705,721	6,094,705	12,000
Net increase in cash and cash equivalents		8,786,964	8,773,221	340,652
Opening balance of cash and cash equivalents		909,798	909,798	569,146
Closing balance of cash and cash equivalents	10	9,696,762	9,683,019	909,798

The accompanying notes are an integral part of these consolidated and separate financial statements.

Kerry Express (Thailand) Public Company Limited
(Formerly “Kerry Express (Thailand) Limited”)
Statements of Cash Flows (Cont'd)
For the year ended 31 December 2020

	Notes	Consolidated	Separate	
		financial statements	financial statements	
		2020	2020	2019
		Thousand Baht	Thousand Baht	Thousand Baht
Significant non-cash transactions				
Payables arising from purchases of plant and equipment		9,214	9,214	23,693
Payables arising from purchases of intangible assets		402	402	20,559
Payables arising from investment in a subsidiary	14	-	40	-
Provision arising from decommissioning costs		8,784	8,784	7,839
Acquisition of right-of-use assets under lease contracts	16	461,475	461,475	-
Acquisition of right-of-use assets under lease contracts from lease modification	16	2,356,684	226,903	-
Transfer lease contracts to subsidiary	16	-	2,170,099	-
Plant and equipment transferred to other current assets	15	6,071	6,071	-
Share-based payment expense		2,000	2,000	21,790
Reclassify from short-term borrowing from financial institutions to long-term borrowing from financial institutions	19	-	-	700,000

The accompanying notes are an integral part of these consolidated and separate financial statements.

1 General information

Kerry Express (Thailand) Public Company Limited (“the Company”) is a public limited company which listed on the Stock Exchange of Thailand. The Company is incorporated and domiciled in Thailand. The address of the Company’s registered office is as follows:

Head office: No.89 Chao Phaya Tower, 9 Fl. Room 906, Soi Wat Suanphloo, Charoen Krung Rd. Bang Rak, Bangkok 10500.

Main hub: 33/2 Moo7 Bang Pla, Bang Phli, Samut Prakarn 10540.

The Company registered to transform to a public limited company with the Department of Business Development on 24 February 2020. As a result, the Company changed its name from Kerry Express (Thailand) Limited to Kerry Express (Thailand) Public Company Limited. The Company’s ordinary shares are traded in the Stock Exchange of Thailand (SET) on 24 December 2020.

The principal business operations of the Company and its subsidiaries (together “the Group”) is domestic parcel delivery service. Kerry Logistics Network Limited, incorporated in British Virgin Islands and continued into Bermuda, is the ultimate parent company. For subsidiaries, KETH Corporate Services Limited was registered on 17 February 2020 in Hong Kong and Kerry Express Service Limited incorporated on 3 July 2020.

These consolidated and separate financial statements were authorised for issue by the Company’s authorised directors on 15 February 2021.

2 Significant events during the current year

Coronavirus Disease 2019 outbreak

Management considers that the outbreak of Coronavirus Disease 2019 (“COVID-19”) in early 2020 has no significant impact to the Group on operating results for the year ended 31 December 2020. However, the Group applies the temporary measures to relieve the impact from COVID-19 in respect to modification of lease contracts due to the situation of COVID-19 as described in note 6.9.

3 Basis of preparation

The consolidated and separate financial statements have been prepared in accordance with Thai Financial Reporting Standards (“TFRS”) and the financial reporting requirements issued under the Securities and Exchange Act.

The consolidated and separate financial statements have been prepared under the historical cost convention except certain financial assets as disclosed in note 6.

The preparation of financial statements in conformity with TFRS requires management to use certain critical accounting estimates and to exercise its judgement in applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas that are more likely to be materially adjusted due to changes in estimates and assumptions are disclosed in note 8.

An English version of the consolidated and separate financial statements has been prepared from the statutory financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

The Group prepares the consolidated financial statements for the year ended 31 December 2020 for the first time since the Group established the subsidiaries during the year 2020 as described in note 14.

4 New and amended financial reporting standards

4.1 New and amended financial reporting standards that are effective for accounting period beginning on or after 1 January 2020 that are relevant and have significant impacts to the Group

a) Financial instruments

The new financial standards related to financial instruments are as follows:

TAS 32	Financial instruments: Presentation
TFRS 7	Financial instruments: Disclosures
TFRS 9	Financial instruments
TFRIC 16	Hedges of a net investment in a foreign operation
TFRIC 19	Extinguishing financial liabilities with equity instruments

The new financial reporting standards related to financial instruments introduce new classification and measurement requirements for financial instruments as well as provide derecognition guidance on financial assets and financial liabilities. The new guidance also provides an option for the Group to apply hedge accounting to reduce accounting mismatch between hedged item and hedging instrument. In addition, the new rule provides detailed guidance on financial instruments issued by the Group whether it is a liability or an equity. Among other things, they require extensive disclosure on financial instruments and related risks.

The new classification requirements of financial assets require the Group to assess both i) business model for holding the financial assets; and ii) cash flow characteristics of the asset whether the contractual cash flows represent solely payments of principal and interest (SPPI). The classification affects the financial assets' measurement. The new guidance requires assessment of impairment of financial assets as well as contract assets and recognition of expected credit loss from initial recognition.

On 1 January 2020, the Group has adopted the financial reporting standards related to financial instruments in its financial statements. The impact from the first-time adoption has been disclosed in note 5.

b) TFRS 16, Leases

Where the Group is a lessee, TFRS 16, *Leases* will result in almost all leases being recognised on the balance sheet as the distinction between operating and finance leases is removed. A right-of-use asset and a lease liability will be recognised, with exception on short-term and low-value leases.

On 1 January 2020, the Group has adopted the new lease standard in its financial statements. The impact from the first-time adoption has been disclosed in note 5.

c) Amendment to TAS 12, Income tax clarified that the income tax consequences of dividends of financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.

d) Amendment to TAS 19, Employee benefits (plan amendment, curtailment or settlement) - clarified accounting for defined benefit plan amendments, curtailments and settlements that the updated assumptions on the date of change are applied to determine current service cost and net interest for the remainder of the reporting period after the plan amendment, curtailment or settlement.

e) TFRIC 23, Uncertainty over income tax treatments explained how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- that the Group should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored.
- that the Group should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment.
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The management has assessed that the amendments to TAS 12 *Income tax*, amendment to TAS 19 *Employee benefits (plan amendment, curtailment or settlement)* and TFRIC 23 *Uncertainty over income tax treatments* do not have a significant impact to the financial statements.

4.2 New and amended financial reporting standards that are effective for accounting period beginning or after 1 January 2021 that are relevant to the Group and are not early adopted by the Group

The Group are evaluating the impact of certain new and amended financial reporting standards that are not mandatory for current reporting period.

- a) **Revised Conceptual Framework for Financial Reporting** added the following key principals and guidance:
- Measurement basis, including factors in considering difference measurement basis
 - Presentation and disclosure, including classification of income and expenses in other comprehensive income
 - Definition of a reporting entity, which maybe a legal entity, or a portion of an entity
 - Derecognition of assets and liabilities

The amendment also includes the revision to the definition of an asset and liability in the financial statements, and clarification to the prominence of stewardship in the objective of financial reporting.

- b) **Amendment to TAS 1, Presentation of financial statements and TAS 8, Accounting policies, changes in accounting estimates and errors** amended to definition of materiality. The amendment allows for a consistent definition of materiality throughout the Thai Financial Reporting Standards and the Conceptual Framework for Financial Reporting. It also clarified when information is material and incorporates some of the guidance in TAS 1 about immaterial information.
- c) **Amendment to TFRS 16, Leases** amended to provide a practical expedient where lessees are exempted from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications. It applies to rent concessions that reduce lease payments due from 1 June 2020 to 30 June 2021. The amendment is effective for the annual accounting period beginning on or after 1 June 2020 where early application is permitted.

The Group and the Company has chosen to early apply the exemption for the current reporting period. The impacts from the exemptions is disclosed in note 6.9.

4.3 Amended financial reporting standards that are effective for accounting period beginning or after 1 January 2022 that are relevant to the Group and are not early adopted by the Group

Certain amended financial reporting standards have been issued that are not mandatory for current reporting period and have not been early adopted by the Group.

- a) **Amendment to TFRS 16, Leases** amended to include a practical expedient for leases that are modified as a direct consequence of IBOR reform (e.g. replacement of THBFIX as a benchmark interest rate due to the cancellation of LIBOR) for lessee to remeasure the lease liability by discounting the revised lease payments using a discount rate that reflects the change in the interest rate. An early application of the amendment is permitted.

The Group and the Company are assessing the impacts and have chosen not to early apply the exemption for the current reporting period.

5 Impacts from initial application of the new and revised financial reporting standards

This note explains the impact of the first-time adoption of TAS 32 *Financial Instruments: Presentation*, TFRS 7 *Financial Instruments: Disclosure*, TFRS 9 *Financial Instruments* and TFRS 16 *Leases* on the Group’s consolidated financial statements and the Company’s separate financial statements. The new accounting policies applied were disclosed in note 6.

The Group and the Company have adopted those accounting policies from 1 January 2020 by applying the modified retrospective approach. The comparative figures have not been restated. The reclassifications and the adjustments arising from the changes in accounting policies were therefore recognised in the statement of financial position as of 1 January 2020.

The impacts of the first-time adoption of new financial reporting standards on the consolidated and separate statements of financial position are as follows:

	Notes	Consolidated and separate financial statements			1 January 2020 Thousand Baht
		31 December 2019 Thousand Baht	TFRS 9 and TAS 32 Thousand Baht	TFRS 16 Thousand Baht	
Current assets					
Trade and other receivables	C	1,722,468	-	(11,841)	1,710,627
Non-current assets					
Right-of-use assets	A, B, C	-	13,577	4,170,111	4,183,688
Deposits	A	228,279	(13,577)	-	214,702
Other non-current assets	C	2,389	-	(2,389)	-
Total assets affected		1,953,136	-	4,155,881	6,109,017
Current liabilities					
Current portion of lease liabilities	B	-	-	1,586,525	1,586,525
Non-current liabilities					
Lease liabilities	B	-	-	2,569,356	2,569,356
Total liabilities affected		-	-	4,155,881	4,155,881

Note:

- A) Impacts from changes in classification and measurement of financial assets (note 5.1)
- B) Recognition of right of use assets and lease liabilities under TFRS 16 (note 5.2)
- C) Reclassification of prepaid rental expense incurred before adoption of TFRS 16 (note 5.2)

5.1 Financial instruments

Classification and measurement

On 1 January 2020 (the date of initial application), the management has assessed which business models apply to every item of financial assets and financial liabilities, and has classified its financial instruments into the appropriate TFRS 9 categories as follows.

	Consolidated and separate financial statements				
	Measurement categories		Carrying amounts		
	Previously reported (TAS 105 and other TAS)	Revised (TFRS 9)	Previously reported Thousand Baht	Revised Thousand Baht	Differences Thousand Baht
Current financial assets					
Cash and cash equivalents	Amortised cost	Amortised cost	909,798	909,798	-
Trade and other receivables	Amortised cost	Amortised cost	1,652,959	1,652,959	-
Non-current financial assets					
Deposits	Cost less impairment	Amortised cost	228,279	214,701	(13,578)
Current financial liabilities					
Trade and other payables	Amortised cost	Amortised cost	1,724,138	1,724,138	-
Cash on delivery payable	Amortised cost	Amortised cost	884,233	884,233	-
Current portion of lease liabilities	Amortised cost	Amortised cost	-	1,586,525	1,586,525
Non-current financial liabilities					
Long-term borrowings from financial institution	Amortised cost	Amortised cost	800,000	800,000	-
Lease liabilities	Amortised cost	Amortised cost	-	2,569,356	2,569,356

On 1 January 2020, the Group reclassified deposit in respect of lease contracts from previously measured at cost less impairment of Baht 228.28 million to be measured at amortised cost. The difference amount of Baht 13.58 million was recognised to right-of-use assets.

Impairment of financial assets

The Group and the Company have following financial assets that are subject to the expected credit loss model:

- cash and cash equivalents
- trade and other receivables
- contract assets

Management considers that the impairment losses on cash and cash equivalents is immaterial.

Trade receivables and contract assets

The Group applies the simplified approach in measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The expected loss rates are based on the historical payment profiles of sales, the corresponding historical credit losses experienced as well as forward-looking information that may affect the ability of the customers to settle the receivables.

As of 1 January 2020, the impact from change in basis of impairment assessment in accordance with this financial reporting standards does not have significant impact to the financial statements.

5.2 Leases

On adoption of TFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of TAS 17 Leases for leases of parcel shops, offices, warehouses and vehicles with lease terms more than 12 months. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2020. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2020 was ranged between 1.96% to 4.11%.

The right-of-use assets were measured at the amount equal to the lease liability in which the incremental borrowing rate for the remaining lease terms from the initial application date is applied, adjusted by the amount of any prepaid relating to that lease recognised in the statement of financial position as at 31 December 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

	Consolidated and separate financial statements Thousand Baht
Operating lease commitments disclosed as at 31 December 2019	4,413,773
Less: Discounted using the lessee’s incremental borrowing rate of at the date of initial application	(108,379)
Less: Short-term leases recognised on a straight-line basis as expense	(294,876)
Less: Low-value leases recognised on a straight-line basis as expense	(227,386)
Less: Contracts reassessed as service agreements	(154,380)
Add: Adjustments as a result of extension option	527,129
Lease liabilities recognised as at 1 January 2020	4,155,881
Current lease liabilities	1,586,525
Non-current lease liabilities	2,569,356

Practical expedients applied

In applying TFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2020 as short-term leases
- low-value leases contracts
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease, and
- elect not to reassess whether a contract is, or contains a lease as defined under TFRS 16 at the date of initial application but relied on its assessment made applying TAS 17 and TFRIC 4 Determining Whether an Arrangement Contains a Lease.

6 Accounting policies

6.1 Principles of consolidation

a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group until the date that control ceases.

In the separate financial statements, investment in subsidiaries are accounted for at cost less impairment (if any).

b) Intercompany transactions on consolidation

Intra-group transactions, balances and unrealised gains on transactions are eliminated.

6.2 Foreign currency translation

a) Functional and presentation currency

The financial statements are presented in Thai Baht, which is the Group's and the Company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Any exchange component of gains and losses on a non-monetary item that recognised in profit or loss, or other comprehensive income is recognised following the recognition of a gain or loss on the non-monetary item.

c) Group companies

The operational results and financial position of the Group's entities (none of which has the currency of a hyper-inflationary economy) that have a different functional currency from the Group's presentation currency are translated into the presentation currency as follows.

- Assets and liabilities are translated at the closing rate at the date of respective statement of financial position;
- Income and expenses for statement of comprehensive income are translated at average exchange rates; and
- All resulting exchange differences are recognised in other comprehensive income.

6.3 Cash and cash equivalents

In the statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call, short-term highly liquid investments with maturities of three months or less from acquisition date.

6.4 Trade accounts receivable

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost.

The impairment of trade receivables is disclosed in notes 6.6 e) and 11.2.

6.5 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost of inventories is determined by the weighted average method. Cost of inventories comprise all purchase cost and costs directly attributable to the acquisition of the inventory less all attributable discounts.

6.6 Financial assets

a) Classification

From 1 January 2020, the Group classifies its financial assets as follows:

- those to be measured subsequently at fair value either through profit or loss (FVPL) or through other comprehensive income (FVOCI)
- those to be measured at amortised cost

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

As at 31 December 2020, the Group has no financial assets to be measured subsequently at fair value.

b) Recognition and derecognition

Regular way purchases, acquires and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether the cash flows are solely payment of principal and interest.

d) Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the financial assets. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of comprehensive income.
- **FVOCI:** Financial assets that are held for i) collection of contractual cash flows; and ii) for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment gains or losses, interest income using the effective interest method, and foreign exchange gains and losses which are recognised in profit or loss. When the financial assets is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income is included in other income. Impairment expenses are presented separately in the statement of comprehensive income.
- **FVPL:** Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

e) **Impairment**

From 1 January 2020, the Group applies the TFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 48 months before 31 December 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The Group and the Company write-off trade receivables and contract assets when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments or cannot be contacted for a period greater than 24 months.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

Previous accounting policy for impairment of trade receivables for comparative period

In the year 2019, the Group recognised impairment of trade receivables based on the incurred loss model by considering the impairment indicator such as uncollectible or late payments more than 180 days, significant financial difficulties of the debtor and probability that the debtor will enter bankruptcy or financial restructuring.

For other financial assets carried at amortised cost, the Group applies TFRS 9 general approach in measuring the impairment of those financial assets. Under the general approach, the 12-month or the lifetime expected credit loss is applied depending on whether there has been a significant increase in credit risk since the initial recognition.

The significant increase in credit risk (from initial recognition) assessment is performed every end of reporting period by comparing i) expected risk of default as of the reporting date and ii) estimated risk of default on the date of initial recognition.

The Group assesses expected credit loss by taking into consideration forward-looking information and past experiences. The expected credit loss is a probability-weighted estimate of credit losses (probability-weighted present value of estimated cash shortfall). The cash shortfall is the difference between all contractual cash flows that are due to the Group and all cash flows expected to receive, discounted at the original effective interest rate.

When measuring expected credit losses, the Group reflects the following:

- probability-weighted estimated uncollectible amounts
- time value of money; and
- supportable and reasonable information as of the reporting date about past experience, current conditions and forecasts of future situations.

Impairment (and reversal of impairment) losses are recognised in profit or loss and included in administrative expenses.

Classification and measurement of financial assets for the year ended 31 December 2019 is disclosed in note 5.1.

6.7 Plant and equipment

All plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group. The carrying amount of the replaced part is derecognised.

All other repairs and maintenance are charged to profit or loss when incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings and building improvements	Based on lease period (include extended period)
Leasehold improvements	Based on lease period (include extended period)
Operating equipment	5 years
Furniture, fixtures and office equipment	5 years
Computers	5 years
Vehicles	5 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains or losses on disposal of plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised in other gains or losses.

6.8 Intangible assets - Computer software

Acquired computer software

Acquired computer software is measured at historical cost. These costs are amortised over their estimated useful lives of 5 - 10 years.

Cost associated with maintaining computer software are recognised as an expense as incurred.

Internally generated intangible asset

Research expenditure is recognised as an expense as incurred.

Development expenditure is recognised as an asset when the Company can demonstrate all of the following:

- the expenditure attributable to its development can be measured reliably;
- the Company can demonstrate that it is technically, financially, commercially, and resourcefully feasible; and
- the Company intends to and has the ability to complete the development for the purpose of using or selling.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Capitalised development costs are amortised when the asset is ready to use by applying a straight-line method over the period of its expected benefit, which is 5 - 10 years.

6.9 Leases

For the year ended 31 December 2020

Leases - where the Group is the lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise motorbike and small items of office equipment.

Lease Modifications

At the date of lease modifications, the Group shall account for lease modification as a separate lease if both:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification a lessee shall remeasure the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined. At commencement date, the Group shall account for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset for all other lease modifications.

However, during 2020 the Group received discounts in the lease payments from lessors due to the COVID-19 situation. The Group has chosen not to account for discounts in the lease payments under the lease modification in accordance with TFRS 16. Instead, the Group has chosen to apply the temporary measures to relieve the impact from COVID-19 announced by TFAC for the reporting periods ending between 1 January 2020 and 31 December 2020 by reducing lease liabilities in the proportion of the reduction to the lease payments throughout the period that the Group has received the reduction. The effect of receiving discounts of Baht 122,544 are recognised in profit or loss.

For the year ended 31 December 2019

Leases - where the Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

6.10 Financial liabilities

a) Classification

Financial instruments issued by the Group are classified as either financial liabilities or equity securities by considering contractual obligations.

- Where the Group has an unconditional contractual obligation to deliver cash or another financial asset to another entity, it is considered a financial liability unless there is a predetermined or possible settlement for a fixed amount of cash in exchange of a fixed number of the Group's own equity instruments.
- Where the Group has no contractual obligation or has an unconditional right to avoid delivering cash or another financial asset in settlement of the obligation, it is considered an equity instrument.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

b) Measurement

Financial liabilities are initially recognised at fair value, net of directly attributable transaction costs incurred, and are subsequently measured at amortised cost.

c) Derecognition and modification

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled, or expired.

Where the terms of a financial liability are renegotiated/modified, the Group assesses whether the renegotiation / modification results in the derecognition of that financial liability. Where the modification results in an extinguishment, the new financial liability is recognised based on fair value of its obligation. The remaining carrying amount of financial liability is derecognised. The difference as well as proceed paid is recognised as other gains/(losses) in profit or loss.

Where the modification does not result in the derecognition of the financial liability, the carrying amount of the financial liability is recalculated as the present value of the renegotiated / modified contractual cash flows discounted at its original effective interest rate. The difference is recognised in other gains/(losses) in profit or loss.

6.11 Current and deferred income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current tax

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is recognised on temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not recognised for temporary differences arise from:

- initial recognition of an asset or liability in a transaction other than a business combination that affects neither accounting nor taxable profit or loss is not recognised
- investments in subsidiaries, associates and joint arrangements where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is measured using tax rates of the period in which temporary difference is expected to be reversed, based on tax rates and laws that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

6.12 Employee benefits

6.12.1 Short-term employee benefits

Liabilities for short-term employee benefits such as wages, salaries, bonuses, and medical care that are expected to be settled wholly within 12 months after the end of the period are recognised in respect of employees' service up to the end of the reporting period. They are measured at the amount expected to be paid.

6.12.2 Defined contribution plan

The Group pays contributions to a separate fund on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

6.12.3 Defined benefit plans

Amount of retirement benefits is defined by the agreed benefits the employees will receive after the completion of employment. It usually depends on factors such as age, years of service and an employee's latest compensation at retirement.

The defined benefit obligation is calculated by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yield of government bonds that matches the terms and currency of the expected cash outflows.

Remeasurement gains and losses are recognised directly to other comprehensive income in the period in which they arise. They are included in retained earnings in the statements of changes in equity.

Past-service costs are recognised immediately in profit or loss.

6.13 Share-based payment

The Group receives services from employees as consideration for equity instruments of the Group in the forms of share and warrants. Share-based compensation plan operates an equity-settled. The fair value of the employee services received by the Group in exchange for the Group's equity instruments is determined at grant date. Fair value is recognised as an expense in the Group's profit or loss over the vesting period with a corresponding increase in equity.

The fair value of services received by the Group should be measurable directly. If the fair value cannot be measured reliably, the Group measures the value of the services by reference to the fair value of the equity instruments granted as consideration. This is referred to as the 'indirect method'.

The Group measures the value of the services by reference to the fair value of the equity instruments granted as consideration. The fair value of the Group's share is determined by Price-to-Earnings ratio of comparable entities in The Stock Exchange of Thailand within the same industry and adjusted by Discounts for Lack Of Marketability (DLOM) to reflect the Group's share value.

The fair value of the warrants is determined by:

- including any market performance conditions (e.g. the entity's share price);
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holdings shares for a specific period of time); and
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period).

Non-market performance and service conditions are included in assumptions about the number of warrants that are expected to vest.

At the end of each reporting period, the Group reviews the number of warrants that are expected to vest. It recognises the impact of the revision, if any, in profit or loss with a corresponding adjustment to equity.

When the warrants are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

6.14 Provisions

6.14.1 General provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in the provision due to passage of time is recognised as interest expense.

6.14.2 Provision for decommissioning costs

The Group recognises provision for decommissioning costs of plant and leasehold improvements, which are provided at the end of lease period by considering the option of extension of lease contract, at the present value of the estimate of the eventual costs relating to the removal of plant and leasehold improvement. The recognised provision for decommissioning costs is calculated based on many assumptions such as abandonment time, future inflation rate and the discount rate estimated by the management.

6.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options (net of tax) are shown as a deduction in equity.

6.16 Revenue recognition

Revenue include all revenues from ordinary business activities. All ancillary income in connection with the delivery of goods and rendering of services in the course of the Group’s ordinary activities are also presented as revenue.

Revenue are recorded net of value added tax. They are recognised in accordance with the provision of goods or services, provided that collectability of the consideration is highly probable.

Multiple element arrangements involving delivery or provision of multiple products or services are separated into distinct performance obligations. Total transaction price of the bundled contract is allocated to each performance obligation based on their relative standalone selling prices or estimated standalone selling prices. Each performance obligation is recognised as revenue on fulfillment of the obligation to the customer.

Services

Revenue of parcel delivery services, which are presented in sales and services income, are recognised over time based on the output method (progress of the delivery), regardless of the payment pattern. Normally, parcel delivery services occur over the short period of time.

Advertising income

Advertising income is recognised over time based on a straight-line basis over the period stipulated in the contract.

Contract assets and contract liabilities

A contract asset is recognised where the Group recorded revenue for fulfillment of a contractual performance obligation before the customer paid consideration or before the requirements for billing.

A contract liability is recognised when the customer paid consideration or a receivable from the customer that is due before the Group fulfilled a contractual performance obligation.

For each customer contract, contract liabilities are set off against contract assets.

Sale of goods

Sales are recognised when control of the products has transferred, being when the products are delivered, and there is no unfulfilled obligation that could affect the acceptance of the products.

Customer loyalty programme

The Group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to discount on future purchases. A contract liability for the award points is recognised at the time of the sale or service. Revenue is recognised when the points are redeemed or when they expire not over 12 months after the initial sale.

Other income and interest income

Other income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

6.17 Dividend distribution

Dividend distributed to the Company’s shareholders is recognised as a liability when interim dividends are approved by the Board of Directors, and when the annual dividends are approved by the shareholders.

7 Financial risk management

7.1 Financial risk

The Group’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance.

Risk management is carried out by the investment department under policies approved by the board of directors. The Group identifies, evaluates, and hedges financial risks in close co-operation with the Group’s operating units.

7.1.1 Market risk

a) Foreign exchange risk

The Group has no material business transactions in foreign currencies thus the risk arising from exchange rate fluctuation does not significantly have impacts to the Group.

b) Interest rate risk

The Group’s income and operating cash flows are substantially independent of change in market interest rates. The Group’s significant cash flow interest rate risk are deposits at financial institutions, short-term loans to related parties, long-term borrowings and lease liabilities.

The Group does not use derivative financial instruments to hedge certain exposures.

Significant financial assets and liabilities classified by type of interest rates are summarised in the table below

	Consolidated financial statements								
	Fixed interest rates			Floating interest rates			Non-Interest bearing	Total	Interest rate
	Within 1 year	1 - 5 years	Over 5 years	Within 1 year	1 - 5 years	Over 5 years			
As at 31 December 2020	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	(% p.a.)
Financial assets									
Cash and cash equivalents	-	-	-	9,654,146	-	-	42,616	9,696,762	0.25 - 0.30
Financial liabilities									
Borrowings from financial institutions	800,000	-	-	-	-	-	-	800,000	2.20
Lease liabilities	1,760,568	3,587,347	5,710	-	-	-	-	5,353,625	1.21 - 4.11
	Separate financial statements								
	Fixed interest rates			Floating interest rates			Non-Interest bearing	Total	Interest rate
	Within 1 year	1 - 5 years	Over 5 years	Within 1 year	1 - 5 years	Over 5 years			
As at 31 December 2020	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	(% p.a.)
Financial assets									
Cash and cash equivalents	-	-	-	9,640,443	-	-	42,576	9,683,019	0.25 - 0.30
Short-term loans to related parties	60,000	-	-	-	-	-	-	60,000	2.50
Financial liabilities									
Borrowings from financial institutions	800,000	-	-	-	-	-	-	800,000	2.20
Lease liabilities	597,619	828,527	5,710	-	-	-	-	1,431,856	1.21 - 4.11

7.1.2 Credit risk

Credit risk arises from cash and cash equivalents as well as credit exposures to customers, including outstanding receivables.

a) Risk management

The Group has policies in place to ensure that contracts are made with customers who have an appropriate credit history, limiting customers’ credit limit as well as obtaining appropriate guarantees from customers. Deposits are limited to high credit quality financial institutions.

b) Impairment of financial assets

The Group and the Company have four types of financial assets that are subject to the expected credit loss model:

- Trade and other receivables
- Contract assets
- Short-term loan to a related party
- Deposits

While cash and cash equivalents are also subject to the impairment requirements of TFRS 9, the identified impairment loss was immaterial.

Trade receivables and contract assets

The Group applies the TFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

Short-term loan to a related party

Short-term loan to a related party measured at amortised cost are considered to have low credit risk, and the loss allowance recognised during the year was therefore limited to 12 months expected losses. Lifetime expected credit losses is recognised for the loans that the credit risk is significant increased.

Other financial assets measured at amortised cost

Other financial assets measured at amortised cost include deposits in respect of lease contracts.

7.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions. The Group treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

a) Financing arrangements

The Group has access to the following undrawn credit facilities as at 31 December as follows:

	Consolidated financial statements		Separate financial statements	
	2020 Thousand Baht	2019 Thousand Baht	2020 Thousand Baht	2019 Thousand Baht
Floating rate				
Expiring within one year				
- Bank overdraft	20,000	-	20,000	-
- Bank loans	1,530,000	1,500,000	1,530,000	1,500,000
	1,550,000	1,500,000	1,550,000	1,500,000

b) Maturity of financial liabilities

The tables below analyse the maturity of financial liabilities grouping based on their contractual maturities. The amounts disclosed are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Consolidated financial statements				
	On demand	Within 1 year	1 - 5 years	Over 5 years	Total
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
As at 31 December 2020					
Trade and other payables	165,046	1,119,248	-	-	1,284,294
Cash on delivery payable	18,776	596,283	-	-	615,059
Lease liabilities	-	1,777,885	3,725,246	8,525	5,511,656
Current portion of long-term borrowings from financial institutions	-	800,000	-	-	800,000
Other financial liabilities	-	-	38,499	-	38,499
Total	183,822	4,293,416	3,763,745	8,525	8,249,508
	Separate financial statements				
	On demand	Within 1 year	1 - 5 years	Over 5 years	Total
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
As at 31 December 2020					
Trade and other payables	165,046	1,267,850	-	-	1,432,896
Cash on delivery payable	18,776	596,283	-	-	615,059
Lease liabilities	-	604,205	868,818	8,525	1,481,548
Current portion of long-term borrowings from financial institutions	-	800,000	-	-	800,000
Other financial liabilities	-	-	38,499	-	38,499
Total	183,822	3,268,338	907,317	8,525	4,368,002
	Separate financial statements				
	On demand	Within 1 year	1 - 5 years	Over 5 years	Total
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
As at 31 December 2019					
Trade and other payables	307,266	1,416,872	-	-	1,724,138
Cash on delivery payable	24,074	860,159	-	-	884,233
Long-term borrowings from financial institutions	-	-	800,000	-	800,000
Other financial liabilities	-	-	94,680	-	94,680
Total	331,340	2,277,031	894,680	-	3,503,051

7.2 Capital management

7.2.1 Risk management

The objectives when managing capital are to:

- safeguard their ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

7.2.2 Loan covenants

Under the terms of the major borrowing facilities, the Group is required to maintain Debt Service Coverage Ratio (DSCR) not less than 1.20 times. The Group has complied with these covenants throughout the reporting period. As at 31 December 2020, the DSCR was 3.10 times (2019: 2.68 times).

8 Critical accounting estimates and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Allocation of transaction price in contracts with customers

The customer loyalty programme provides a material right to customers. The promise to provide points to the customer is a separate performance obligation. Therefore, the transaction price is allocated to the provided service and the points on a relative stand-alone selling price basis. Management estimates stand-alone price per point on the basis of the discount granted when the points are redeemed and the likelihood of the redemption, based on past experience.

b) Determination of lease terms

Critical judgement in determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of properties, the most relevant factors are historical lease durations, the costs and conditions of leased assets.

Most extension options on parcel shops, offices, and warehouses leases have not been included in the lease liability, because the Group considers i) the underlying asset condition and/or ii) insignificant cost to replace the leased assets.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstance affecting this assessment occur, and that it is within the control of the Group.

c) Determination of discount rate applied to leases

The Group determines the incremental borrowing rate as follows:

- Where possible, use recent third-party financing received by the individual lessee as a starting point, adjusting to reflect changes in its financing conditions.
- Make adjustments specific to the lease, e.g. term, country, currency and security.

d) Share-based payment

The Group measures the value of the services by reference to the fair value of the equity instruments granted as consideration. The fair value of the Group’s share price is determined by Price-to-Earnings ratio of comparable entities in The Stock Exchange of Thailand and adjusted by Discounts for Lack Of Marketability (DLOM) to reflect the Company’s share price.

The Group measures warrants granted to the Group’s executives and employees by reference to the fair value of the warrants at the grant date. Fair value has been recognised depending on the assumptions used in the valuation of warrants’ fair value. The variability of those assumptions would affect to employee expense recognised in each year.

Management determines the appropriateness of the assumptions used in the equity’s purchase option fair valuation. Additional information of key assumptions used in assessing the fair value is disclosed in note 24.

e) Useful life of plant, equipment and intangible assets

Management assess the estimated useful lives and the residual values of the Group’s plant, equipment and intangible assets. Management review depreciation when useful lives and the residual values are difference from the previous estimation or written-off the damage or inactive assets when are sold.

f) Defined retirement benefit obligations

The present value of the retirement benefit obligations depends on a number of assumptions. Key assumptions used and impacts from possible changes in key assumptions are disclosed in note 21.

g) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about default risk and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs used in the impairment calculation, based on the Group’s past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period.

9 Segment information

The Group has not presented segment information since the chief operating decision-maker considers the Company only operates in one segment which is the domestic parcel delivery business. The chief operating decision-maker primarily uses of segment profit before tax, which is derived on a basis consistent with the measurement of profit for the year in the financial statements. The revenues by service type and by customer type are disclosed in note 25.

10 Cash and cash equivalents

	Consolidated financial statements	Separate financial statements	
	2020 Thousand Baht	2020 Thousand Baht	2019 Thousand Baht
Cash on hand	42,616	42,576	42,141
Cash at bank	9,654,146	9,640,443	867,657
Total	9,696,762	9,683,019	909,798

11 Trade and other receivables and contract assets

11.1 Trade and other receivables

	Consolidated financial statements	Separate financial statements	
	2020 Thousand Baht	2020 Thousand Baht	2019 Thousand Baht
Trade receivables - third parties	984,984	981,403	1,172,704
- related parties (note 31.3)	38,708	38,708	62,197
Contract assets - third parties	374,368	374,368	418,718
- related parties (note 31.3)	8,920	8,920	2,061
<u>Less</u> Allowance for expected credit loss (2019: Allowance for doubtful accounts under TAS 101)	(9,972)	(9,972)	(9,655)
Trade receivables, net	1,397,008	1,393,427	1,646,025
Other receivables - related parties (note 31.3)	1,620	2,294	6,811
Accrued interest income - third parties	311	311	123
- related parties (note 31.3)	-	325	-
Prepayments	67,847	67,095	69,509
Total	1,466,786	1,463,452	1,722,468

11.2 Impairments of trade receivables and contract assets

The loss allowance for trade receivables and contract assets was determined as follows:

	Consolidated financial statements					Total Thousand Baht
	Within 3 months Thousand Baht	3 - 6 months Thousand Baht	6 - 12 months Thousand Baht	Over 12 months Thousand Baht		
As of 31 December 2020						
Gross carrying amount						
- trade receivables	1,009,071	4,598	2,536	7,487		1,023,692
- contract assets	383,288	-	-	-		383,288
Loss allowance	-	64	2,421	7,487		9,972
	Separate financial statements					Total Thousand Baht
	Within 3 months Thousand Baht	3 - 6 months Thousand Baht	6 - 12 months Thousand Baht	Over 12 months Thousand Baht		
As of 31 December 2020						
Gross carrying amount						
- trade receivables	1,005,490	4,598	2,536	7,487		1,020,111
- contract assets	383,288	-	-	-		383,288
Loss allowance	-	64	2,421	7,487		9,972
	Separate financial statements					Total Thousand Baht
	Within 3 months Thousand Baht	3 - 6 months Thousand Baht	6 - 12 months Thousand Baht	Over 12 months Thousand Baht		
As of 1 January 2020						
Gross carrying amount						
- trade receivables	1,226,125	2,243	2,334	4,199		1,234,901
- contract assets	420,779	-	-	-		420,779
Loss allowance	879	2,243	2,334	4,199		9,655

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The reconciliations of loss allowances for trade receivables and contract assets for the year ended 31 December 2020 are as follows:

	Consolidated and separate financial statements Thousand Baht
31 December 2019 - calculated under TAS 101	9,655
Amounts restated through opening retained earnings	-
Opening credit loss allowance as at 1 January 2020 - calculated under TFRS 9	1,827
Increase in loss allowance recognised in profit or loss during the year	(1,510)
Unused amount reversed	-
As of 31 December 2020	9,972

12 Financial assets and financial liabilities

As at 31 December 2020, classification of the Group’s financial assets and financial liabilities are as follows:

	Consolidated financial statements Amortised cost Thousand Baht	Separate financial statements Amortised cost Thousand Baht
Financial assets		
Cash and cash equivalents	9,696,762	9,683,019
Trade and other receivables*	1,015,651	1,013,069
Short-term loan to a related party	-	60,000
Deposit	219,015	219,015
Financial liabilities		
Current portion of long-term borrowings from financial institution	800,000	800,000
Trade and other payables*	1,284,294	1,432,896
Cash on delivery payable	615,059	615,059
Lease liabilities	5,353,625	1,431,856
Other non-current financial liabilities	38,499	38,499

* Not including items that are not financial assets/liabilities

a) Fair values of other financial assets at amortised cost

Due to the short-term nature of the other current receivables, their carrying amount is considered to be the same as their fair value.

As at 31 December 2020 loans to a related party with a carrying amount of Baht 60 million (2019: Nil) have a fair value approximate their carrying amount, as the impact of discounting is not significant.

b) Loss allowance

There was no loss allowance for other financial assets at amortised cost other than trade receivables were recognised for the year ended 31 December 2020

13 Inventories

	Consolidated	Separate	
	financial statements	financial statements	
	2020	2020	2019
	Thousand Baht	Thousand Baht	Thousand Baht
Boxes	29,181	29,181	19,606
Satchels	11,011	11,011	58,541
Labels and tapes	23,691	23,691	27,781
Others	15,792	15,792	30,199
Total	79,675	79,675	136,127

During the year ended 31 December 2020, the cost of inventories was recognised as cost of sales and services in profit or loss in the consolidated and separate financial statement amounting to Baht 377.02 million (2019: Baht 360.94 million).

14 Investments in subsidiaries

14.1 Investment details

As at 31 December 2020, the subsidiaries included in consolidated financial statement are listed below. The subsidiaries have ordinary shares and preference shares of which entitle to the different voting right. The Group only directly holds the subsidiaries’ ordinary shares. At the result, the proportion of ownership interests held by the Group is not equal to voting rights in subsidiaries held by the Group.

Entity name	Country of incorporation	Nature of business	Ownership interest held by Company		Ownership interest held by the Group		Ownership interests held by non-controlling interests		Voting rights held by non-controlling interests		Investment in cost method	
			2020 (%)	2019 (%)	2020 (%)	2019 (%)	2020 (%)	2019 (%)	2020 (%)	2019 (%)	2020 Thousand Baht	2019 Thousand Baht
KETH Corporate Services Limited	Hong Kong	Providing administrative and corporate support	100.00	-	100.00	-	-	-	-	-	39.76	-
Kerry Express Service Limited	Thailand	Providing transportation services	49.00	-	49.00	-	51.00	-	9.43	-	490.00	-

14.2 Movements of investments

Movements of investments in subsidiaries during the year are as follows:

	Separate financial statements	
	Investment at cost method	
	2020	2019
	Thousand Baht	Thousand Baht
Opening net book amount	-	-
Increase in investment	530	-
Closing net book amount	530	-

On 4 February 2020, the Executive Committee’s meeting approved to establish a new subsidiary, KETH Corporate Services Limited, in Hong Kong with the registered share capital of Hong Kong Dollar 10,000 represents 10,000 ordinary shares with a par value of Hong Kong Dollar 1 each. The Company acquired 100% ownership interest in KETH Corporate Services Limited with the aim to provide administrative and corporate support for the Company. The new subsidiary was registered on 17 February 2020. Kerry Logistics (Hong Kong) Limited, a related company, has paid the share subscription on behalf of the Company amounting to Hong Kong Dollar 10,000.

On 24 June 2020, the Executive Committee’s meeting approved to establish a new subsidiary, Kerry Express Service Limited (KESL) with the registered capital of Baht 1 million consisting of 4,900 ordinary shares and 5,100 preferred shares with a par value of Baht 100 each. The Company holds all common shares of the new subsidiary while Miracle Rich Holding Limited, a related party, holds all preferred shares which ten preferred shares is entitled to one vote. The preferred shares shall receive only fixed dividend at 5% per annum of the paid-up value of the preferred shares which is made on a non-cumulative basis and shall not be entitled to any a residual. The new subsidiary will provide the Company with the transportation services. The new subsidiary was registered on 3 July 2020. Management consider that the Group has control over Kerry Express Service Limited with the 90.52% voting rights and the Company has right in the sharing of financial interests even though the Group has less than 50% shareholdings.

Non-controlling interests in subsidiaries are insignificant to the Group.

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15 Plant and equipment

	Consolidated and separate financial statements							Total Thousand Baht
	Buildings and buildings improvements Thousand Baht	Leasehold improvements Thousand Baht	Operating equipment Thousand Baht	Furniture, fixtures and office equipment Thousand Baht	Computers Thousand Baht	Vehicles Thousand Baht	Assets under installation Thousand Baht	
For the year ended 31 December 2020								
Opening net book amount	113,925	361,671	795,262	599,784	687,867	61,753	85,774	2,706,036
Additions	14,425	20,745	73,403	60,709	70,413	-	78,683	318,378
Disposals, net	-	(19,068)	(3,005)	(283)	(754)	(5,616)	-	(28,726)
Transfer out to current assets held for sale	-	-	(3,545)	(2,478)	(48)	-	-	(6,071)
Transfer in (out)	69,952	33,560	28,920	751	8,449	-	(141,632)	-
Depreciation charge	(48,053)	(97,183)	(198,813)	(168,935)	(200,297)	(17,790)	-	(731,071)
Closing net book amount	150,249	299,725	692,222	489,548	565,630	38,347	22,825	2,258,546
At 31 December 2020								
Cost	215,143	542,211	1,173,280	882,320	1,075,091	84,756	22,825	3,995,626
Less Accumulated depreciation	(64,894)	(242,486)	(481,058)	(392,772)	(509,461)	(46,409)	-	(1,737,080)
Net book amount	150,249	299,725	692,222	489,548	565,630	38,347	22,825	2,258,546

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	Separate financial statements							Total Thousand Baht
	Buildings and buildings improvements Thousand Baht	Leasehold improvements Thousand Baht	Operating equipment Thousand Baht	Furniture, fixtures and office equipment Thousand Baht	Computers Thousand Baht	Vehicles Thousand Baht	Assets under installation Thousand Baht	
At 1 January 2019								
Cost	35,030	274,212	649,325	542,454	709,444	100,659	288,013	2,599,137
Less Accumulated depreciation	(3,243)	(50,102)	(126,030)	(80,488)	(137,365)	(20,021)	-	(417,249)
Net book amount	31,787	224,110	523,295	461,966	572,079	80,638	288,013	2,181,888
For the year ended 31 December 2019								
Opening net book amount	31,787	224,110	523,295	461,966	572,079	80,638	288,013	2,181,888
Additions	25,450	171,928	191,543	259,446	282,445	-	226,297	1,157,109
Disposals, net	-	-	(1,507)	(267)	(1,489)	(215)	-	(3,478)
Transferred in (out)	70,286	70,094	249,472	23,225	15,459	-	(428,536)	-
Depreciation charge	(13,598)	(104,461)	(167,541)	(144,586)	(180,627)	(18,670)	-	(629,483)
Closing net book amount	113,925	361,671	795,262	599,784	687,867	61,753	85,774	2,706,036
At 31 December 2019								
Cost	130,766	516,234	1,084,548	824,572	1,000,265	99,687	85,774	3,741,846
Less Accumulated depreciation	(16,841)	(154,563)	(289,286)	(224,788)	(312,398)	(37,934)	-	(1,035,810)
Net book amount	113,925	361,671	795,262	599,784	687,867	61,753	85,774	2,706,036

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The depreciation charge has been recognised in the profit and loss as follows:

	Consolidated financial statements	Separate financial statements	
	2020 Thousand Baht	2020 Thousand Baht	2019 Thousand Baht
Cost of sales and services	634,865	634,865	546,595
Selling expenses	5,760	5,760	4,233
Administrative expenses	90,446	90,446	78,655
	731,071	731,071	629,483

16 Right-of-use assets

	Consolidated financial statements			
	Vehicles Thousand Baht	Buildings Thousand Baht	Operating equipment Thousand Baht	Total Thousand Baht
Balance as at 1 January 2020 (note 5)	2,633,389	1,532,871	17,428	4,183,688
Additions	158,269	300,887	2,319	461,475
Lease cancellation	(12,232)	(102,574)	-	(114,806)
Lease modifications and reassessments	2,129,781	226,903	-	2,356,684
Depreciation	(994,448)	(564,230)	(7,774)	(1,566,452)
Balance as at 31 December 2020	3,914,759	1,393,857	11,973	5,320,589
	Separate financial statements			
	Vehicles Thousand Baht	Buildings Thousand Baht	Operating equipment Thousand Baht	Total Thousand Baht
Balance as at 1 January 2020 (note 5)	2,633,389	1,532,871	17,428	4,183,688
Additions	158,269	300,887	2,319	461,475
Lease cancellation	-	(102,574)	-	(102,574)
Lease modifications and reassessments	-	226,903	-	226,903
Transfer lease contracts to subsidiary	(2,170,099)	-	-	(2,170,099)
Depreciation	(613,383)	(564,230)	(7,774)	(1,185,387)
Balance as at 31 December 2020	8,176	1,393,857	11,973	1,414,006

During the year ended 31 December 2020, the Company transferred all lease contracts of trucks and pick-up trucks from the Company to Kerry Express Service Limited. As a result, the Company reversed right-of-use assets and lease liabilities amount of Baht 2,170.10 million and Baht 2,195.05 million respectively and recognised gain from transferring lease contracts amount of Baht 24.95 million in the separate financial statements (note 26). In relation to the lease transfer, the Group has agreed to change certain conditions of the lease contracts such as lease period, monthly lease payment and obligation to purchase assets at end of lease period etc. At the consolidation level, these changes have been considered as lease modifications under TFRS 16, as a result, the Group adjusted the balance of right-of-use assets and lease liabilities at the modification date amounting to Baht 2,129.78 million in the consolidated financial statements.

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The expense relating to leases that not included in the measurement of lease liabilities and right-of-use and cash outflows for leases is as follows:

	Consolidated financial statements	Separate financial statements
	Thousand Baht	Thousand Baht
Expense relating to short-term leases	693,594	681,559
Expense relating to leases of low-value assets	138,572	138,572
Expense relating to variable lease payments	28,415	28,415

Total cash outflow for leases in 2020 was Baht 2,462.33 million in the consolidated financial statements and Baht 2,031.82 million in the separate financial statements.

17 Intangible assets

	Consolidated financial statements		
	Computer software	Software under installation	Total
	Thousand Baht	Thousand Baht	Thousand Baht
For the year ended 31 December 2020			
Opening net book amount	235,252	-	235,252
Additions	16,948	4,986	21,934
Transferred in (out)	4,452	(4,452)	-
Amortisation charge	(58,036)	-	(58,036)
Closing net book amount	198,616	534	199,150
At 31 December 2020			
Cost	348,385	534	348,919
<u>Less</u> Accumulated amortisation	(149,769)	-	(149,769)
Net book amount	198,616	534	199,150

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	Separate financial statements		
	Computer software Thousand Baht	Software under installation Thousand Baht	Total Thousand Baht
At 1 January 2019			
Cost	212,931	-	212,931
<u>Less</u> Accumulated amortisation	(43,617)	-	(43,617)
Net book amount	169,314	-	169,314
For the year ended 31 December 2019			
Opening net book amount	169,314	-	169,314
Additions	93,822	20,294	114,116
Disposals, net	(46)	-	(46)
Transfer in (out)	20,294	(20,294)	-
Amortisation charge	(48,132)	-	(48,132)
Closing net book amount	235,252	-	235,252
At 31 December 2019			
Cost	326,985	-	326,985
<u>Less</u> Accumulated amortisation	(91,733)	-	(91,733)
Net book amount	235,252	-	235,252
For the year ended 31 December 2020			
Opening net book amount	235,252	-	235,252
Additions	16,907	4,986	21,893
Transfer in (out)	4,452	(4,452)	-
Amortisation charge	(58,033)	-	(58,033)
Closing net book amount	198,578	534	199,112
At 31 December 2020			
Cost	348,344	534	348,878
<u>Less</u> Accumulated amortisation	(149,766)	-	(149,766)
Net book amount	198,578	534	199,112

Amortisation recognised in profit and loss are as follows:

	Consolidated financial statements	Separate financial statements	
	2020 Thousand Baht	2020 Thousand Baht	2019 Thousand Baht
Cost of sales and services	34,649	34,649	29,880
Selling expenses	618	618	587
Administrative expenses	22,769	22,766	17,665
	58,036	58,033	48,132

18 Deferred income taxes

The analysis of deferred tax assets is as follows:

	Consolidated financial statements		Separate financial statements	
	2020 Thousand Baht	2020 Thousand Baht	2020 Thousand Baht	2019 Thousand Baht
Deferred tax assets:				
Deferred tax assets to be recovered within 12 months	5,187	5,128		2,046
Deferred tax assets to be recovered more than 12 months	37,822	34,034		21,984
	43,009	39,162		24,030

The movements of deferred tax assets are as follows:

	Consolidated financial statements				
	Provision for decommissioning Thousand Baht	Employee benefit obligations Thousand Baht	Depreciation charge Thousand Baht	Loyalty program Thousand Baht	Total Thousand Baht
Deferred tax assets					
At 1 January 2020	420	13,391	10,219	-	24,030
Charged to profit or loss	376	5,588	6,866	4,305	17,135
Charged to other comprehensive expense	-	1,844	-	-	1,844
At 31 December 2020	796	20,823	17,085	4,305	43,009
	Separate financial statements				
	Provision for decommissioning Thousand Baht	Employee benefit obligations Thousand Baht	Depreciation charge Thousand Baht	Loyalty program Thousand Baht	Total Thousand Baht
Deferred tax assets					
At 1 January 2019	152	5,764	3,489	-	9,405
Charged to profit or loss	268	2,880	6,730	-	9,878
Charged to other comprehensive expense	-	4,747	-	-	4,747
At 31 December 2019	420	13,391	10,219	-	24,030
At 1 January 2020	420	13,391	10,219	-	24,030
Charged to profit or loss	376	1,639	6,866	4,305	13,186
Charged to other comprehensive expense	-	1,946	-	-	1,946
At 31 December 2020	796	16,976	17,085	4,305	39,162

19 Borrowings

	Consolidated	Separate	
	financial statements	financial statements	
	2020	2020	2019
	Thousand Baht	Thousand Baht	Thousand Baht
Current			
Current portion of long-term borrowings from financial institution	800,000	800,000	-
Current portion of lease liabilities	1,760,568	597,619	-
Total current borrowings	2,560,568	1,397,619	-
Non-current			
Long-term borrowings from financial institution	-	-	800,000
Lease liabilities	3,593,057	834,237	-
Total non-current borrowings	3,593,057	834,237	800,000
Total borrowings	6,153,625	2,231,856	800,000

As at 31 December 2020, the Company has the long-term borrowings from a financial institution for the purpose of capital expenditure. The borrowings are dominated in Thai Baht and secured by the ultimate parent company. The borrowings bear interest at the rate of 2.20% per annum and were due on 30 December 2021.

The movements of long-term borrowings can be analysed are as follows:

	Consolidated	Separate	
	financial statements	financial statements	
	2020	2020	2019
	Thousand Baht	Thousand Baht	Thousand Baht
At 1 January	800,000	800,000	-
Reclassified from short-term borrowings	-	-	700,000
Additions	-	-	100,000
At 31 December	800,000	800,000	800,000

The fair values of long-term borrowings are based on discounted cash flows using a discount rate based upon the borrowing rate of 1.60% and are within the level 2 of the fair value hierarchy. Fair value is equivalent to the carrying value of long-term borrowings.

Maturity of lease liabilities are as follows;

	Consolidated	Separate	
	financial statements	financial statements	
	2020	2020	2019
	Thousand Baht	Thousand Baht	Thousand Baht
Minimum lease liabilities payments			
Not later than one year	1,777,885	604,205	-
Later than 1 year but not later than 5 years	3,725,246	868,818	-
Later than 5 years	8,525	8,525	-
	5,511,656	1,481,548	-
<u>Less</u> Future finance charges on leases	(158,031)	(49,692)	-
Present value of lease liabilities	5,353,625	1,431,856	-

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	Consolidated financial statements		Separate financial statements		
	2020		2020		2019
	Thousand Baht		Thousand Baht		Thousand Baht
Present value of lease liabilities:					
Not later than one year	1,760,568	597,619			-
Later than 1 year but not later than 5 years	3,587,347	828,527			-
Later than 5 years	5,710	5,710			-
	5,353,625	1,431,856			-

20 Trade and other payables

	Consolidated financial statements		Separate financial statements		
	2020		2020		2019
	Thousand Baht		Thousand Baht		Thousand Baht
Trade payable - third parties	477,307	414,558			627,577
- related parties (note 31.3)	-	248,341			1
Other payables - third parties	99,514	99,514			133,378
- related parties (note 31.3)	11,014	51,098			14,032
Accrued staff costs	378,430	307,617			557,780
Accrued agent service fees	91,253	91,253			106,028
Accrued transportation expense	9,484	9,484			14,177
Accrued rental expense	22,379	22,379			26,110
Other accruals - third parties	166,481	160,229			217,086
- related parties (note 31.3)	20,903	20,894			18,249
Refundable deposits - third parties	7,529	7,529			9,720
Deferred franchise fee	62,734	62,734			76,285
Total	1,347,028	1,495,630			1,800,423

21 Employee benefit obligations

	Consolidated financial statements		Separate financial statements		
	2020		2020		2019
	Thousand Baht		Thousand Baht		Thousand Baht
Statement of financial position:					
Retirement benefits	104,112	84,879			66,955
Profit or loss charge included in operating profit for:					
Retirement benefits	28,282	25,047			14,434
Remeasurement for:					
Retirement benefits	9,220	9,730			23,736

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The movement in the defined benefit obligation over the year is as follows:

	Consolidated financial statements	Separate financial statements	
	2020 Thousand Baht	2020 Thousand Baht	2019 Thousand Baht
At 1 January	66,955	66,955	28,819
Current service cost	26,938	23,818	10,336
Past service cost	-	-	3,295
Interest expense	1,344	1,229	803
	95,237	92,002	43,253
Remeasurements:			
Gain from change in demographic assumptions	(158)	(158)	-
(Gain) Loss from change in financial assumptions	(3,135)	(2,906)	12,079
Experience loss	12,513	12,794	11,657
	9,220	9,730	23,736
Benefit payment from transfer of employees to subsidiary	-	(16,649)	-
Benefit payment	(345)	(204)	(34)
	(345)	(16,853)	(34)
At 31 December	104,112	84,879	66,955

The significant actuarial assumptions used were as follows:

	Consolidated financial statements	Separate financial statements	
	2020 Percentage	2020 Percentage	2019 Percentage
Discount rate	1.80%	1.80%	1.80%
Salary growth rate	3.75%	3.75%	4.00%
Staff turnover rate	15.95%	15.95%	15.90%

Sensitivity analysis for each significant assumption used is as follows:

	Consolidated financial statements		
	Impact on defined benefit obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
	2020	2020	2020
Discount rate	0.50%	Decrease by 6.34%	Increase by 6.90%
Salary growth rate	0.50%	Increase by 6.61%	Decrease by 6.11%
Staff turnover rate	1.00%	Decrease by 22.84%	Increase by 31.13%

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	Separate financial statements					
	Change in assumption		Impact on defined benefit obligations			
	2020	2019	Increase in assumption		Decrease in assumption	
	2020	2019	2020	2019	2020	2019
Discount rate	0.50%	0.50%	Decrease by 6.49%	Decrease by 6.79%	Increase by 7.08%	Increase by 7.42%
Salary growth rate	0.50%	1.00%	Increase by 6.74%	Increase by 14.72%	Decrease by 6.23%	Decrease by 12.52%
Turnover rate	1.00%	1.00%	Decrease by 23.36%	Decrease by 14.34%	Increase by 32.04%	Increase by 17.15%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the retirement benefits recognised in the statement of financial position.

The weighted average duration of the defined benefit obligations is 13.23 years (2019: 13.80 years).

Expected maturity analysis of undiscounted retirement benefits are as follows:

	Consolidated financial statements		Separate financial statements	
	2020	2019	2020	2019
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Less than 1 year	436	295	436	348
Between 1 - 5 years	7,591	5,673	7,591	3,583
Over 5 years	125,183	103,276	125,183	83,077
Total	133,210	109,244	133,210	87,008

22 Share capital and premium on share capital

	Consolidated and separate financial statements					
	Authorised share capital		Issued and paid-up share capital		Share premium	Total
	Number of Shares	Amount Thousand Baht	Number of Shares	Thousand Baht		
At 31 December 2019	1,200,000	120,000	1,200,000	120,000	-	120,000
Change in par value of shares	238,800,000	-	238,800,000	-	-	-
Issue of shares	1,540,000,000	770,000	1,500,000,000	750,000	8,250,000	9,000,000
Shares issuance expenses	-	-	-	-	(138,939)	(138,939)
At 31 December 2020	1,780,000,000	890,000	1,740,000,000	870,000	8,111,061	8,981,061

On 17 February 2020, the Extraordinary Shareholders Meeting passed the resolutions to approve the change in the par value of the Company's ordinary shares from Baht 100 to Baht 0.50 per share. As a result, the number of registered shares increased from 1.20 million shares to 240 million shares. The shareholders also passed a resolution to approve the increase in the registered shares by 1,540 million shares at the par value of Baht 0.50 per share totaling Baht 770 million. After the increase, the Company's registered shares are 1,780 million shares at the par value of Baht 0.50 per share totaling Baht 890 million. The Company registered the increased share capital with the Ministry of Commerce on 24 February 2020.

On 27 February 2020, the Company received subscription of newly issued 1,200 million shares at par value of Baht 0.50 per share, totaling Baht 600 million.

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Besides, the Company offered its newly issued 300 million shares to the initial public offering. The new shares were sold to subscribers at price of Baht 28 per share (Baht 0.50 of paid-up capital and Baht 27.50 of share premium), totaling Baht 8,400 million. The Company registered the increase in paid-up share capital with the Ministry of Commerce on 22 December 2020. The Company’s shares began trading in the Stock Exchange of Thailand on 24 December 2020. Directly attributable expenses of the initial public offering amounted to Baht 138.94 million were presented deducting from premium on share capital. Directly attributable expenses to the initial public offering is presented net of tax.

23 Legal reserve

	Consolidated		
	financial statements	Separate financial statements	
	2020	2020	2019
	Thousand Baht	Thousand Baht	Thousand Baht
At 1 January	12,000	12,000	12,000
Appropriation during the year	77,000	77,000	-
At 31 December	89,000	89,000	12,000

Under the Public Companies Act., B.E. 2535, the Company is required to set aside as statutory reserve at least 5 percent of its net profit after accumulated deficit brought forward (if any) until the reserve is not less than 10 percent of the registered capital. This reserve is not available for dividend distribution.

24 Share-based payment

On 22 December 2020, the Company granted ESOP warrants to the Company’s directors, executives and employees which is an equity-settled scheme. The scheme’s details are below:

	Grant date	Issued units Units	Exercise ratio Unit/Share	Exercise price Baht/Unit	Exercise period		
					Units	Start	End
KEX - ESOP	22 Dec 2020	40,000,000	1 : 1	28.00	20,000,000	25 Dec 2021	22 Dec 2025
					20,000,000	26 Dec 2022	22 Dec 2025

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

As at 31 December 2020, warrants of 39,800,000 units are outstanding (2019: Nil). There were no warrants exercised during the year 2020.

The Company assessed the weighted average fair value of the warrants using the Black Shchole model. The key assumptions of valuation model are as follows:

Assumptions	KEX - ESOP
Weighted average fair value of underlying stock as at the valuation date (Baht per share)	28.00
Volatility of underlying stock’s price (%)	17.85
Dividend yield (%)	1.64
Risk free rate (%)	0.66
Expected warrant exercise life (years)	2.15

During 2020, Baht 2.00 million has been recognised as share-based payment expense in the statement of comprehensive income, corresponding to share-based payment reserve in equity.

25 Sales and services income

	Consolidated financial statements	Separate financial statements	
	2020 Thousand Baht	2020 Thousand Baht	2019 Thousand Baht
Parcel delivery services income	18,609,162	18,609,162	19,360,314
Sales income	282,294	282,294	246,570
Advertising income	25,606	25,606	175,042
Total	18,917,062	18,917,062	19,781,926

Sales and parcel delivery service income (exclude advertising income) are categorised by types of customers as follows:

	Consolidated financial statements	Separate financial statements	
	2020 Thousand Baht	2020 Thousand Baht	2019 Thousand Baht
Business to Business (B2B)	352,078	352,078	426,220
Business to Customer (B2C)	8,528,429	8,528,429	8,948,887
Customer to Customer (C2C)	10,010,949	10,010,949	10,231,777
Total	18,891,456	18,891,456	19,606,884

26 Other income

	Consolidated financial statements	Separate financial statements	
	2020 Thousand Baht	2020 Thousand Baht	2019 Thousand Baht
Commission income	1,057	1,057	5,420
Management services income	37,005	40,155	22,974
IT services income	2,784	2,784	27,900
Interest income	8,289	8,614	7,218
Others	43,857	42,555	49,166
Gain from transfer of lease contracts to subsidiary (note 16)	-	24,955	-
Total	92,992	120,120	112,678

27 Expenses by nature

The following expenditure items, classified by nature, have been charged to profit or loss:

	Consolidated financial statements	Separate financial statements	
	2020 Thousand Baht	2020 Thousand Baht	2019 Thousand Baht
Staff expenses	6,065,174	5,644,783	6,632,401
Subcontract cost	3,789,050	5,020,427	3,584,226
Fuel cost	1,296,220	1,033,098	1,886,253
Lease payment - short-term leases	693,594	681,559	-
Lease payment - low-value leases	138,572	138,572	-
Operating lease payment	-	-	2,393,771
Cost of inventories and consumables supplies	480,347	480,347	604,514
Depreciation and amortisation	2,355,559	1,974,491	677,615
IT service fee (note 31.2)	13,712	13,703	39,256
Agent service fees	1,362,178	1,362,178	1,099,187
Mobile phone expense	148,387	148,387	185,083
Advertising expense	104,994	101,450	182,391

28 Income tax

Income tax for the year comprises the following:

	Consolidated financial statements	Separate financial statements	
	2020 Thousand Baht	2020 Thousand Baht	2019 Thousand Baht
Current tax:			
Current tax on profits for the year	346,172	335,042	333,569
Deferred income tax:			
Increase in deferred tax assets (note 18)	(17,135)	(13,186)	(9,878)
Income tax	329,037	321,856	323,691

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The tax on the Group’s profit before tax differs from the theoretical amount that would arise using the basic tax rate of the home country of the Company as follows:

	Consolidated financial statements	Separate financial statements	
	2020 Thousand Baht	2020 Thousand Baht	2019 Thousand Baht
Profit before tax	1,734,062	1,659,467	1,652,243
Tax calculated at a tax rate of 20%	346,812	331,893	330,449
Tax effect of:			
Expenses not deductible for tax purpose	6,376	14,114	11,701
Double deductible expense	(24,151)	(24,151)	(18,460)
Others	-	-	1
Tax charge	329,037	321,856	323,691

The weighted average applicable tax rate was 19.40% (2019: 19.59%).

The tax relating to component of other comprehensive income is as follows:

	Consolidated financial statements		
	2020		
	Before tax Thousand Baht	Tax credit Thousand Baht	After tax Thousand Baht
Remeasurement on retirement benefit obligations	9,220	(1,844)	7,376
Other comprehensive income	9,220	(1,844)	7,376

	Separate financial statements					
	2020			2019		
	Before tax Thousand Baht	Tax credit Thousand Baht	After tax Thousand Baht	Before tax Thousand Baht	Tax credit Thousand Baht	After tax Thousand Baht
Remeasurement on retirement benefit obligations	9,730	(1,946)	7,784	23,736	(4,747)	18,989
Other comprehensive income	9,730	(1,946)	7,784	23,736	(4,747)	18,989

29 Earnings per share

	Consolidated financial statements	Separate financial statements	
	2020	2020	2019
Reconciliations of earnings used in calculating earnings per share			
Basic earnings per share			
Profit attributable to ordinary shareholders of the Company used in calculating basic earnings per share (Thousand Baht)	1,405,025	1,337,611	1,328,552
Weighted average number of shares used as the denominator (Thousand shares)			
Weighted average number of ordinary shares outstanding used as the dominator in calculating basic earnings per share	1,264,110	1,264,110	240,000
Adjustments for diluted earnings per share calculation: Warrants - KEX ESOP	430	430	-
Weighted average number of ordinary shares outstanding used as the dominator in calculating diluted earnings per share	1,264,540	1,264,540	240,000
Basic earnings per share (Baht per share)	1.111	1.058	5.536
Diluted earnings per share (Baht per share)	1.111	1.058	5.536

On 17 February 2020, the Extraordinary Shareholders Meeting approved the change in par value of the Company's ordinary shares from Baht 100 to Baht 0.50 per share (note 22). The Company calculated basic earnings per shares for those periods based on the new number of shares. The weighted average number of ordinary shares used as the denominator in calculating basic earnings per share for the year ended 31 December 2019 have been adjusted to reflect such changes as if the change occurred since the beginning of such periods.

30 Dividends

2020

On 14 August 2020, the Board of Directors' Meeting approved an interim dividend payment in respect of the financial results of 2020 at Baht 0.435 per share for 1,440 million ordinary shares totaling Baht 626.40 million and appropriate its net income to legal reserve amounting to Baht 10.50 million. The dividends were paid on 11 September 2020.

On 23 April 2020, the Annual General Meeting of Shareholders approved an annual dividend payment in respect of the financial results of 2019 at Baht 0.25 per share for 1,440 million ordinary shares totaling Baht 360 million and appropriate its net income to legal reserve amounting to Baht 66.50 million. The dividends were paid on 22 May 2020.

On 17 January 2020, the Board of Directors' meeting approved an interim dividend payment in respect of the financial results of 2019 at Baht 550 per share for 1.20 million ordinary shares totaling Baht 660 million. The dividends were paid on 13 February 2020.

2019

On 29 March 2019, the Board of Directors' meeting approved an interim dividend payment in respect of the financial results of 2018 at Baht 280 per share for 1.20 million ordinary shares totaling Baht 336 million. The dividends were paid in May 2019.

On 8 November 2019, the Board of Directors' meeting approved an interim dividend payment in respect of the financial results of 2019 at Baht 210 per share for 1.20 million ordinary shares totaling Baht 252 million. The dividends were paid in December 2019.

31 Related party transactions

Individuals and entities that directly or indirectly control or are controlled by or are under common control with the Company, including investment entities, associates, joint venture and individuals or entities having significant influence over the Company, key management personnel, including directors and officers of the Company and close members of the family of these individuals and entities controlled or jointly controlled by 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.

The Company's major shareholder is KLN Logistics (Thailand) Limited which owns 52.14% (2019: 63.00%) of the Company's shares. The Company's ultimate controlling party is Kerry Logistics Network Limited.

Relationship between the Company and related parties, which has transactions are as follows:

Company	Nature of relationship
Kerry Logistics Network Limited	Ultimate parent company
Kerry Logistics (Hongkong) Limited	Entity under common control
Kerry Logistics (Thailand) Limited	Entity under common control
Kerry Logistics (Bangna) Limited	Entity under common control
Kerry Express (Hong Kong) Limited	Entity under common control
Kerry Express (Cambodia) Limited	Entity under common control
Kerry Express (Vietnam) Limited	Entity under common control
Kerry Freight (Thailand) Limited	Entity under common control
Kerry Freight (Lao) Co., Ltd.	Entity under common control
Kerry-Apex (Thailand) Co., Ltd.	Entity under common control
Kerry Siam Seaport Limited	Entity under common control
Kerry Distribution (Thailand) Limited	Entity under common control
Kerry Worldbridge Express (Holdings) Limited	Entity under common control
Kerry Worldbridge Express Limited	Entity under common control
KART (THAILAND) Limited	Entity under common control
KMMT Company Limited	Entity under common control
Times E-Commerce Limited	Entity under common control
Times E-Commerce (Thailand) Limited	Entity under common control
Shangri-la Hotel Public Company Limited	Entity under common control
Kuok Registrations Ltd.	Entity under common control
VGI Global Media Public Company Limited	Shareholder
Rabbit - Line Pay Company Limited	Joint venture of shareholder
Rabbit Rewards Company Limited	Joint venture of shareholder
888 Media Co., Ltd.	Subsidiary of shareholder
Kerry Express Service Limited	Subsidiary (since 3 July 2020)
Rabbit Insurance Broker Company Limited	Joint venture of shareholder
KLN (Thailand) Co., Ltd	Entity under common control

Pricing policy regarding business transactions with related entities comprises the following:

Related transaction	Pricing policies
Sales and services income	Mutually-agreed price by referring to market price or actual cost incurred plus margin
Management service income	Mutually-agreed price by referring to actual cost incurred plus margin
Commission income	Mutually-agreed price by referring to market price
Interest income	Fixed rate at 2.50% per annum
Rental income	Mutually-agreed price by referring to actual cost incurred plus margin
Cost of services and purchase of equipment and advertising	Mutually-agreed price by referring to market price or actual cost incurred plus margin
Transaction fee	Fixed percentage by referring to market price
Cost of rental and services	Mutually-agreed price by referring to market price
Management fee and IT service fee	Mutually-agreed price by referring to actual cost incurred

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Transactions with related parties are as follows:

31.1 Sales of goods and services

For the year ended 31 December	Consolidated financial statements	Separate financial statements	
	2020 Thousand Baht	2020 Thousand Baht	2019 Thousand Baht
Revenues			
Sales of services to:			
Shareholder	2,692	2,692	-
Related parties	234,818	234,818	161,992
	237,510	237,510	161,992
Other income			
Interest income from:			
Subsidiary	-	325	-
Management service income from:			
Subsidiary	-	3,150	-
Commission income from:			
Joint venture of shareholder	43	43	4,625
IT service income from:			
Related parties	-	-	5,036
Sales of equipment:			
Related parties	54	54	781
Rental income from:			
Related parties	5,911	5,911	-

31.2 Purchases of goods and services

	Consolidated financial statements	Separate financial statements	
	2020 Thousand Baht	2020 Thousand Baht	2019 Thousand Baht
For the year ended 31 December			
Purchases of service from:			
Shareholder	8,914	8,914	38,315
Subsidiary	-	1,231,377	-
Related parties	17,718	17,718	18,280
	26,632	1,258,009	56,595
Transaction fee:			
Joint venture of shareholder	15,620	15,620	27,669
Rental and service expense:			
Shareholder	1,874	1,874	3,501
Related parties	58,854	58,854	128,955
	60,728	60,728	132,456
Payment on lease liabilities:			
Shareholder	2,657	2,657	-
Related parties	85,860	85,860	-
	88,517	88,517	-
Interest expense on lease liabilities:			
Shareholder	249	249	-
Related parties	2,774	2,774	-
	3,023	3,023	-
IT service fee:			
Related parties	13,712	13,703	39,256
Purchases of equipment from:			
Related parties	5	5	177

31.3 Outstanding balances arising from sales and purchases of goods and services

The outstanding balances at the end of the period in relation to transactions with related parties are as follows:

	Consolidated financial statements	Separate financial statements	
	2020 Thousand Baht	2020 Thousand Baht	2019 Thousand Baht
Trade receivables from:			
Related parties	38,708	38,708	62,197
Other receivables from:			
Subsidiary	-	674	-
Related parties	1,620	1,620	6,811
	1,620	2,294	6,811
Contract assets:			
Shareholder	369	369	-
Related parties	8,551	8,551	2,061
	8,920	8,920	2,061
Accrued interest income from:			
Subsidiary	-	325	-
Deposit and advance to:			
Shareholder	1,219	1,219	-
Related parties	25,941	25,941	32,203
	27,160	27,160	32,203
Trade payables to:			
Subsidiary	-	248,341	-
Related parties	-	-	1
	-	248,341	1
Other payables to:			
Subsidiary	-	40,084	-
Related parties	11,014	11,014	14,032
	11,014	51,098	14,032
Cash on delivery payable to:			
Related parties	10,816	10,816	10,347
Accruals to:			
Related parties	20,903	20,894	18,249
Lease liabilities:			
Shareholder	11,076	11,076	-
Related parties	271,721	271,721	-
	282,797	282,797	-
Refundable deposits from:			
Related parties	21,521	21,521	14,857

31.4 Short-term loan to related party

The movements of short-term loan to related party can be analysed are as follows:

	Separate financial statements	
	2020 Thousand Baht	2019 Thousand Baht
At 1 January	-	-
Loans advanced during the period	60,000	-
Loans repayment received	-	-
At 31 December	60,000	-

The short-term loan to related party is unsecured loan denominated in Thai Baht. The loan bears interest rate at 2.50% per annum. This loan is due on 30 September 2021. No loss allowance has been required in 2020 for the loan made to the subsidiary.

Loan is current portion. The fair value is equal to the book value since the effect of the discount rate is insignificant. The fair value of loan to related party is calculated from future cash flows that is discounted at market interest rates of 2.50%. This is within the level 2 of the fair value hierarchy.

31.5 Key management compensation

Key management includes directors (executive and non-executive), members of the executive committee. The compensation paid or payable to key management are as follows:

	Consolidated financial statements	Separate financial statements	
	2020 Thousand Baht	2020 Thousand Baht	2019 Thousand Baht
Salaries and other short-term employee benefits	58,732	58,732	44,885
Post-employment benefits	3,489	3,489	2,825
Share-based payments	594	594	-
Total	62,815	62,815	47,710

32 Commitments and contingent liabilities

32.1 Capital expenditure commitments

Capital expenditure contracted as at the statement of financial position date but not recognised as liabilities is as follows:

	Consolidated financial statements	Separate financial statements	
	2020 Thousand Baht	2020 Thousand Baht	2019 Thousand Baht
Purchases of equipment	19,668	19,668	36,783
Purchases of intangible assets	3,685	3,685	2,486
	23,353	23,353	39,269

Capital expenditures arisen from purchases of equipment in the separate financial statements include the Company’s commitments to purchase pick-up trucks from lessors at end of lease contracts of subsidiary during 2022 to 2023.

32.2 Leases - where the Company is the lessee

The Group entered into various leases in respect of parcel shops, offices, warehouses and vehicles which are non-cancellable agreements. The majority of lease terms are between 1 year and 5 years renewable at the end of the lease period at market rate.

Commitments for minimum lease payments and related services in relation to non-cancellable leases which are not recognised in statement of financial position are as follows:

	Consolidated financial statements	Separate financial statements	
	2020 Thousand Baht	2020 Thousand Baht	2019 Thousand Baht
Within 1 year	443,406	435,745	2,032,402
Later than 1 year but not later than 5 years	105,622	105,622	2,370,881
Later than 5 years	1,569	1,569	10,490
Total	550,597	542,936	4,413,773

From 1 January 2020, the Group has recognised lease liabilities from lease contracts in the financial statements, except for short-term and low-value leases, see note 5. Therefore, the commitments as at 31 December 2020 and 2019 are non-comparable.

32.3 Letters of bank guarantee

As at 31 December 2020, the Group has letters of guarantee issued by a financial institution for the purpose of ordinary course of business amounting to Baht 204.04 million (31 December 2019: Baht 18.61 million).

32.4 Guarantee

As at 31 December 2020, the Company guaranteed to lessors under the lease contracts of trucks and pick-up trucks which are leased by a subsidiary. The guarantees are full amount of lease payments amounting to Baht 4,000.44 million (31 December 2019: Nil).

33 Events occurring after the reporting period

On 29 January 2021, the Group repaid long-term borrowings from financial institution which was shown as the current portion of long-term borrowings from financial institution in statements of financial position totalling Baht 800 million.

On 10 February 2021, Flourish Harmony Holdings Company Limited, an indirectly wholly-owned subsidiary of S.F. Holdings Co., Ltd., has expressed its intention to Kerry Logistics Network Limited (“KLN”) to make a conditional partial cash offer to acquire approximately 51.8% of total issued and paid-up shares of KLN. KLN is ultimate parent company and indirectly holds an interest in KLN Logistics (Thailand) Company Limited approximately 52.14% of the Company’s shares. However, the offer may not proceed subject to satisfaction or waiver of the pre-conditions and other relevant conditions.