NEP REALTY AND INDUSTRY PUBLIC COMPANY LIMITED

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**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

# INDEPENDENT AUDITOR’S REPORT

To The Shareholders and Board of Directors of

NEP Realty and Industry Public Company Limited

##### **Opinion**

I have audited the financial statements of NEP Realty and Industry Public Company Limited (the Company), which comprise the statement of financial position as at December 31, 2023, and the statement of comprehensive income, statement of changes in shareholders’ equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. The Company has presented the investment in associates in which the equity method is applied and the separate financial statements in which the cost method is applied.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of NEP Realty and Industry Public Company Limited as at December 31, 2023, its financial performance and its cash flows for the year then ended and they have both presented the investment in associates in which the equity method is applied and the separate financial statements in which the cost method is applied in accordance with Thai Financial Reporting Standards.

##### **Basis for Opinion**

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

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##### **EMPHASIS OF MATTER**

Going concern

I draw your attention to Note 1 (b) in the notes to the financial statements, the Company has consecutive loss from its major business since 2008 to the present and negative operating cash flow for the year ended December 31, 2023 according to the financial statements in which the equity method is applied and the separate financial statements in which the cost method is applied to present investments in associates in the amount of Baht 29.22 million. As at December 31, 2023, the Company has deficit in the financial statements in which the equity method is applied to present investments in associates in the amount of Baht 1,224.45 million and in the separate financial statements in which the cost method is applied to present investments in associates in the amount of Baht 1,049.84 million and its business plan that does not meet the estimates. Such factors including other matters mentioned note 1 (b) in the notes to the financial statements show that this uncertainty may cast significant doubt on the Company’s ability to continue as a going concern. However, my qualified opinion has not change due to this matter.

**Key Audit Matters**

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

**1) Risk - Estimating the Allowance for Decline in Value and Obsolete Inventory**

Due to the past operating losses, the Company had gross loss and net loss for a long time. This has effect in providing the allowance for decline in value inventory and the estimate of the damage from non-cancellable product selling agreements as at December 31, 2023 according to the financial statements in which the investment in associates is presented by the equity method and the separate financial statements in which the cost method is applied. The inventories taken to estimate the allowance for decline in value are raw material, work in process and finished goods the value Baht 14.81 million or 2.46% of the total assets in accordance with the financial statements in which investment is presented by the equity method (1.90% of the total assets in accordance with the separate financial statements). Therefore, the allowance for decline in value of inventory**,** especially work in process, requires the method that calculates to find out the continue cost when each finished goods is ready. The calculation is complex. Therefore, I focus on risk related to the accuracy of inventory value.

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**Risk Response**

My audit approach on such matter includes auditing the process in preparing the production cost structure of finished goods and goods in process, considering the reasonableness of the assumption and method used by the management in calculating the production cost estimate of the goods**.** It also includes comparing the cost of inventory against the net realizable value (NRV) which NRV is verified against the selling price and deducted selling expenses and verifying the provisions for damage from non-cancellable selling agreementsby calculating from the selling value under non-cancellable agreements and deducting the selling expense as compared to the cost of manufactured goods.

**2) Risk - Impairment of Investment in Associates Under the Cost Method**

According to Note 9 in the notes to the financial statements, the Company has investments in associates which operates the business relating to the development of property project in industrial promotion zone for sale and rent and facilities in the industrial promotion zone with the investment policy to invest in such company in the long-term to receive the dividend. As at December 31, 2023, the Company presents such investments in the associates the cost method in the amount of Baht 626.84 million which is a significant amount in the separate financial statements or 80.58% of total assets in the separate financial statements. From comparing investments in associates by the cost method and equity method, we found that the value of investments by the equity method is significantly lesser than investments by the cost method. Therefore, the Company has to annually test for impairment of investments in associates in accordance with the financial reporting standards. The impairment test is significant to the audit as this amount has materiality to the separate financial statements. The management has to estimate the recoverable amount of the associates to consider the estimate for impairment. The recoverable amount is estimated from the higher amount of the usage value and fair value less the cost of selling the assets. Such estimate requires the judgment of the management regarding significant assumptions in the forecast of each associates. I, therefore, consider it to be significant matter in the audit.

**Risk Response**

Significant audit methods include understanding about work procedure, related internal control, recognition of impairment, review of compliance to related internal control, assessment of the method used by management in measuring investment in associates and information used in considering impairment as well as testing significant assumption, comparative analysis of internal and external information to assess various estimates calculated by the specialist and testing the calculation of the recoverable value.

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**3) Risks - actual occurred and completeness of sales revenue recognition**

According to the users of the financial statements have paid attention to the sales revenue as stated in the statement of comprehensive income at the amount of Baht 126.56 million. This is considered as a material amount and an indicator of the Company's performance. Therefore, I pay attention to the risks that may occur of sales revenue to actual occur including the accounting record completely.

**Risk response**

For my audit approach on such matter, I do make an inquiry, understanding and testing the internal control system related to the sales revenue cycle, checking and recording sales items including the checking the sales cut-off before and after the end of period and checking the debit and credit note after the end of period.

**Other Information**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the 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 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 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 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 those charged with governance in order for those charged with governance to correct the misstatement.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

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

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

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**Auditor’s Responsibilities for the Audit of the Financial Statements**

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

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

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

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I communicate with those charged with governance 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 those charged with governance 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 those charged with governance, I determine those matters that were of most significance in the audit of the 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.

The engagement partner responsible for the audit resulting in this independent auditor’s report is Miss Chutinant Koprasertthaworn.

(Miss Chutinant Koprasertthaworn)

Certified Public Accountant

Registration No. 9201

Dharmniti Auditing Company Limited

Bangkok, Thailand

February 28, 2024