**NOVA ORGANIC PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023** *“UNAUDITED”*

1. **GENERAL INFORMATION**

Nova Organic Public Company Limited (“the Company”) is incorporated in Thailand and has its registered office at 190/4 Moo 8, Nai Khlong Bang Pla Kot, Phra Samut Chedi, Samut Prakan. The Company has 4 branches in Bangkok and upcountry.

The Company was listed on the Stock Exchange of Thailand on December 24, 2021.

The principal activities of the Company and its subsidiaries (“the Group”) involve production and distribution of food supplements and health beverages.

These interim financial statements have been approved for issue by the Company’s Board of Directors on May 12, 2023.

1. **BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS**

The interim financial statements are prepared in accordance with Thai Accounting Standards (“TAS”) No. 34 “Interim Financial Reporting”, including the guidelines promulgated by the Federation of Accounting Professions and applicable rules and regulations of the Thai Securities and Exchange Commission. The Company chooses to present the condensed interim financial statements, and presents the statement of financial position, comprehensive income, changes in shareholders’ equity and cash flows in the same format as the annual financial statements.

The interim financial statements do not include all of the financial information required for full annual financial statements but focus on new activities, events and circumstances to avoid repetition of information previously reported. Accordingly, these interim financial statements should be read in conjunction with the latest annual financial statements.

The interim financial statements in Thai language are presented in Thai Baht, which is the Company’s functional currency. The preparation of these official statutory financial statements is issued for Thai reporting purposes. The financial statements in English language have been translated from the financial statements in Thai language.

The preparation of the interim financial statements requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Subsequent actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, and in the period of the revision and future periods, if the revision affects both current and future periods.

**BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated interim financial statements have been prepared by including the accounts of the Company and its subsidiaries (together referred to as the “Group”) basing on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2022.



The preparations of the consolidated financial statements have been based on the same accounting policies for the same or similar accounting transactions or accounting events.

Elimination of items in the consolidated financial statements

Intra-group balances and transactions Including unrealized income or expenses resulting from intra-group transactions. are eliminated in the preparation of the consolidated financial statements.

**New financial reporting standards**

**New financial reporting standards that became effective in the current period**

During the period, the Group has adopted the revised financial reporting standards, which are effective for fiscal years beginning on or after January 1, 2023. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision and clarification of accounting practices, and for some standards, providing temporary reliefs or temporary exemptions to users of TFRSs.

The management assessed the financial statements of the Group do not have any significant impacts from the mentioned TFRSs in the period that it is adopted.

1. **SIGNIFICANT ACCOUNTING POLICIES**

**The measurement bases used in preparing the financial statements**

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended December 31, 2022.

1. **TRANSACTIONS WITH RELATED PARTIES**

A related party is a person or entity that has control, or are controlled by, the Company and subsidiaries, whether directly or indirectly, or which are under common control with the Company and subsidiaries.

They also include associated companies, and a person which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors, or officers with authority in the planning and direction of the Company’s operations, including, close family members of mentioned person and entity that has control or significant influence whether directly or indirectly.

Significant transactions with related parties for the three-month period ended March 31, 2023 and 2022 were as follows:



**Key management personnel compensation**

Key management personnel compensation for the three-month period ended March 31, 2023 and 2022 consisted of:

****

**Directors’ remuneration**

Directors’ remuneration represents benefits paid to the director of the Company in accordance with Section 90 of the Public Company Limited Act, exclusive of salaries and related benefits payable to directors who hold executive positions.

For the three-month period ended March 31, 2023, the Company paid directors’ remuneration in the amount of Baht 0.20 million (period 2022: Baht 0.29 million).

The significant balances of assets and liabilities with related parties as at March 31, 2023 and December 31, 2022 were as follows:



**Significant agreements**

The Company entered into 2 building rental agreements with related person for a rental period of 3 years, one starting from October 1, 2020 to September 30, 2023 with a monthly rental of Baht 30,000 and another starting from March 5, 2021 to March 4, 2024 with a monthly rental of Baht 30,000.

The Company entered into a building rental agreement with Nova Organic Holding Co., Ltd. for a rental period of 3 years, starting from January 1, 2022 to December 31, 2024 with a monthly rental of Baht 0.25 million.

**Advance for investment**

On January 3, 2023, the management brought the advance for investment to pay for share subscription to subsidiary in full amount.

**Co-guarantee for liabilities**

As at March 31, 2023 and December 31, 2022 related parties had co-guarantee liabilities as follows:

The Company’s directors mortgaged land with constructions as collateral for credit facilities from financial institution.

The Company's directors had guaranteed for credit of loan from financial institutions.

**Nature of relationship**



**Bases of measurement for intercompany revenues and expenses**



1. **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as at March 31, 2023 and December 31, 2022 consisted of:



1. **SHORT-TERM INVESTMENTS**

Short-term investments as at March 31, 2023 and December 31, 2022 consisted of:



1. **TRADE AND OTHER RECEIVABLES**

Trade and other receivables as at March 31, 2023 and December 31, 2022 consisted of:



As at March 31, 2023 and December 31, 2022 the Group had outstanding balances of trade receivables aged by number of months as follows:



1. **INVENTORIES**

Inventories as at March 31, 2023 and December 31, 2022 consisted of:



For the three-month period ended March 31, 2023 and 2022 cost of inventories was included in cost of sale:



Movements of allowance for devaluation of inventories for the three-month period ended March 31, 2023 were as follows:



1. **INVESTMENT IN SUBSIDIARIES**

Investment in subsidiaries as at March 31, 2023 consisted of:



1. **PROPERTY, PLANT AND EQUIPMENT**

Movements of property, plant and equipment for the three-month period ended March 31, 2023 were summarized as follows:

****

As at March 31, 2023 the Company mortgaged land with constructions as collateral for loan from financial institution which its net book value were summarized as follow:



1. **LEASES**

**Right-of-use assets**

Movements of the right-of-use assets for the three-month period ended March 31, 2023 were summarized as follows:



**Leases liabilities**

As at March 31, 2023 and December 31, 2022 leases liabilities consisted of:



Movements of leases liabilities for the three-month period ended March 31, 2023 were summarized as follows:



As at March 31, 2023 lease liabilities presented by term of repayment period were summarized as follow:



1. **TRADE AND OTHER PAYABLES**

Trade and other payables as at March 31, 2023 and December 31, 2022 consisted of:



1. **Litigation**

The 1st litigation

On August 16, 2021, the Company was sued against for a breach of contract and infringement of copyright of others for profit in the amount of Baht 1.80 million. Those prosecution was resulted from a company, who bought the products of the Company for sale, had republished the video filmed by the plaintiff in a talk show for the purpose to advertise and distribute the products of the Company and other distributor in the normal course of business, without permission and any commission for the plaintiff.

The Central Intellectual Property and International Trade Court ordered the defendant to pay of Baht 0.20 million with interest at the rate of 5% per annum of the principal from the date of filing.

On April 3, 2023, the Company filed an appeal against the judgment of the Central Intellectual Property and International Trade Court to the Court of Appeal of Specialized Cases.

The plaintiff is in the process of filing a request for extension of the appeal period of the judgment of the Central Intellectual Property and International Trade Court to the Court of Appeal of Specialized Cases.

The management assessed loss from the mentioned lawsuit and recognized the provision of Baht 0.20 million presented under the current liabilities.

The 2nd litigation

On November 1, 2022, the Company was sued against for a breach of selling agreement in the amount of Baht 9.42 million due to the Company had ordered goods and agreed to gradually receive and make the payment. A certain of raw material was kept at the supplier and had not been delivered to the Company, affecting that the supplier had not received the payment for goods and had to pay for the storing expense.

The Court scheduled an appointment to examine witnesses of the prosecution and the witnesses of the defendant on October 5-6, 2023.

The lawsuit is in the process of consideration by the Civil Court.

The management assessed that the evidence of the plaintiff was not sufficiently explicit and expected that the Company will not be affected by any damages from the above lawsuit.

The 3rd litigation

On February 13, 2023, the Company filed a lawsuit against another company (“the defendant”) for breach of contract and compensation in the amount of Baht 8.61 million due to the Company found the leakage of packaging containers which purchased from the defendant.

On April 12, 2023, another company filed a counter-claim against the Company to pay for a compensation of Baht 27.03 million as their rights to receive in according to the sale of goods agreement.

The Court scheduled a pre-trial conference on April 24, 2023.

The lawsuit is in the process of consideration by the Civil Court.

The management assessed that the Company will not be affected by any damages from the above lawsuit.

1. **SHARE CAPITAL**

Movement of share capital for the three-month period ended March 31, 2023, were summarized as follows:



The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

1. **Treasury stocks**

The Board of Directors' Meeting held on May 12, 2023 passed a resolution to approve the share repurchase program for financial management purpose in the maximum amount of Baht 70 million and the number of shares not exceeding 30 million shares, which is equivalent to 5% of the total paid-up shares capital at the par value of Baht 0.50 per share. The repurchase period covers from May 18, 2023 to November 17, 2023.

The Company will disclose the share repurchase program not later than 14 days prior to the date on which the shares will be repurchased through the main board of the Stock Exchange of Thailand. The repurchase price shall not exceed 115% of the average closing share price of 5 business days prior to each repurchase date and the implementation period shall not exceed 6 months. The Company's Board of Directors will determine the period for resale of those treasury stock within 6 months from the repurchase date but not over 3 years. The resale price are determined not less 85% of the average closing share price of 5 business days prior to each resale date. In case that the Company is unable to resell all treasury stock within the specified period since the repurchase date.

The Company appropriated retained earnings for treasury stocks reserve in the amount equal to the amount paid for treasury stocks.

The mentioned reserve represented as "Retained earnings appropriated - treasury stocks reserve" in the statement of financial position.

The treasury stock held by the Company shall not be counted as quorum at the shareholders meeting and shall not be eligible to vote and receive dividend payment.

In case that the Company is unable to resell all treasury stock within the specified period since the repurchase date, the Company shall written - off the outstanding unsold treasury stock and reduce the paid-up capital by writing off all registered treasury stock unsold.

1. **REVENUE FROM CONTRACT WITH CUSTOMERS**

Disaggregation of revenue for the three-month period ended March 31, 2023 and 2022 were as follows:



1. **INCOME TAX**

The Group recognized income tax expense for the three -month period ended March 31, 2023 and 2022 based on the best estimate of the weighted average annual income tax rate expected for the full financial year. Amounts accrued for income tax expenses in the interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual income tax rate changes.

Income tax (expense) for the three-month period ended March 31, 2023 and 2022 were as follow:



**Deferred tax**

Deferred tax as at March 31, 2023 and December 31, 2022 consisted of:



1. **OPERATING SEGMENT**

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance measured basing on segment operating profit or loss on a basis consistent with that used to measure operating profit or loss in the financial statements.

The chief operating decision maker has been identified as the Board of Directors of the Company.

**Business segment**

The Group operates its core business on the production and distribution of supplements and healthy drinks Therefore, the management considers that the Group has only one business segment.

**Information about geographic area**

The Group operates in a single geographical segment principally in Thailand. Therefore, revenue and assets presented in the financial statements are geographical segment reporting.

**Geographical segments**

**Major customers**

For the three-month period ended March 31, 2023 and 2022. The Group has revenue from major customers in each segment as follow:

****

Revenue in primary geographical markets for the three-month period ended March 31, 2023 and 2022 consisted of:



1. **COMMITMENTS**

Commitments as at March 31, 2023 and December 31, 2022, consisted of:



1. **FINANCIAL INSTRUMENTS**

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

Significant financial instruments of the Group presented in the statement of financial positions principally comprise deposits at banks, short-term investments, trade and other receivables, trade and other payables and lease liabilities.

**Risk management policy**

The Group are exposed to risks from changes in interest rates and currency exchange rates and risks from non-performance of contractual obligations by counterparties. The Group uses derivatives, as and when it considers appropriate, to manage such risks. In addition, the Group has a policy to enter into contracts with creditworthy counterparties. Therefore, the Group does not expect any material financial losses to arise from the fact that the counterparties will fail to discharge their obligations as stipulated in the financial instruments contracts.

Fair value

The fair value disclosures of financial instruments, considerable judgment is necessarily required in estimation of fair value. Accordingly, the estimated fair value presented herein is not necessarily indicative of the amount that could be amid in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value.

The fair value information disclosure does not include fair value information for financial assets and financial liabilities measured at amortized cost if the carrying amount is a reasonable approximation of fair value.



1. **RECLASSIFICATION**

The Group had reclassified certain accounts in the interim financial statements for the three-month period ended March 31, 2022, to conform to the presentation of statements of current period as follow:

