

Thai Steel Cable Public Company Limited
Report and financial statements
30 September 2018

Independent Auditor's Report

To the Shareholders of Thai Steel Cable Public Company Limited

Opinion

I have audited the accompanying financial statements of Thai Steel Cable Public Company Limited (the Company), which comprise the statement of financial position as at 30 September 2018, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thai Steel Cable Public Company Limited as at 30 September 2018, its financial performance and cash flows for the year then ended 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 described 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 as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. 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 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.

I have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report, including in relation to this matter. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond for such matters are described below.

Sales

Sales are significant to the Company's financial statements and directly impact on the Company's operating results. Moreover, the Company has both domestic and overseas sales transactions under various terms and conditions. I therefore focused on the Company's recognition of sales, especially the timing of revenue recognition.

I assessed and tested the Company's internal controls related to revenue cycle by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed key controls. On a sampling basis, I checked documents supporting sales transactions occurring during the year and near the period end. I reviewed credit notes issued by the Company to customers after the end of the reporting period and performed analytical review of the sales accounts.

Litigation

As discussed in Note 29.5 (b) to the financial statements, the Company had provision arising from litigation case resulting from termination of sales and purchases agreement with a vendor.

As the case is not yet finalised, the management needs to exercise significant judgment and take into account related laws and regulations in assessing the effects of the litigation, in order to determine the corresponding liabilities. However, the actual outcomes of the litigation may differ from the estimates. There are therefore risks with respect to the recognition of provision or disclosure of contingent liabilities with respect to the litigation.

I inquired with the Company's management and legal department regarding the details and progress of cases and the methods applied by the management in estimating liabilities from litigation, and assessed the judgment exercised by the management in estimating these liabilities. To carry out these procedures, I performed the following.

- Reviewed relevant conditions and provisions of agreements, together with the claims and objections submitted by the Company and counterparties to the court for the purpose of providing background into the disputes.
- Reviewed correspondence between the Company and the legal consultant involved in the litigation, and relevant supporting documentation used by management and prepared by external experts, and sent confirmation letters to the legal consultant whose services were used by the Company requesting written reports on case details and status, and legal opinions on the possible effects of the litigation on the Company. I also assessed the legal consultant's competence, experiences, independence and objectivity in accordance with relevant auditing standards, and I considered whether the legal principles and regulations referred to by the legal consultant were relevant to the Company's litigation.

In addition, I reviewed the disclosure of information relating to litigation in the notes to the financial statements.

Other Information

Management is responsible for the other information. The other information comprise the information included in annual report of the Company, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do 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 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. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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, as applicable, 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

I am responsible the audit resulting in this independent auditor's report.

Poonard Paچارoen
Certified Public Accountant (Thailand) No. 5238

EY Office Limited
Bangkok: 20 November 2018

Thai Steel Cable Public Company Limited**Statement of financial position****As at 30 September 2018**

		(Unit: Baht)	
	Note	2018	2017
Assets			
Current assets			
Cash and cash equivalents	7	322,256,681	575,990,985
Current investments	8	175,532,346	202,080,430
Trade and other receivables	9	543,786,831	549,507,290
Inventories	10	246,255,480	211,351,452
Other current assets		30,799,372	26,221,337
Total current assets		1,318,630,710	1,565,151,494
Non-current assets			
Long-term investment	11	25,704,000	25,704,000
Investment properties	12	125,005,953	127,154,781
Property, plant and equipment	13	975,260,788	1,019,984,581
Intangible assets	14	15,999,256	20,014,441
Deferred tax assets	23	8,995,959	8,375,093
Other non-current assets		17,879,092	15,772,231
Total non-current assets		1,168,845,048	1,217,005,127
Total assets		2,487,475,758	2,782,156,621

The accompanying notes are an integral part of the financial statements.

Thai Steel Cable Public Company Limited
Statement of financial position (continued)
As at 30 September 2018

		(Unit: Baht)	
	Note	2018	2017
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans from banks	15	-	300,000,000
Trade and other payables	16	662,285,704	599,373,250
Current portion of long-term loan from bank	17	48,520,000	64,920,000
Current portion of finance lease payables	18	4,454,060	4,686,772
Other current liabilities		11,651,542	12,335,700
Total current liabilities		726,911,306	981,315,722
Non-current liabilities			
Long-term loan from bank - net of current portion	17	-	48,520,000
Finance lease payables - net of current portion	18	1,812,983	6,024,028
Provision for long-term employee benefits	19	54,328,638	49,894,505
Provisions	20	20,230,202	11,600,012
Other non-current liabilities		93,056	96,456
Total non-current liabilities		76,464,879	116,135,001
Total liabilities		803,376,185	1,097,450,723
Shareholders' equity			
Share capital			
Registered			
268,500,000 ordinary shares of Baht 1 each		268,500,000	268,500,000
Issued and paid-up			
259,800,000 ordinary shares of Baht 1 each		259,800,000	259,800,000
Share premium		464,870,185	464,870,185
Retained earnings			
Appropriated - statutory reserve	21	26,850,000	26,850,000
Unappropriated		932,579,388	933,185,713
Total shareholders' equity		1,684,099,573	1,684,705,898
Total liabilities and shareholders' equity		2,487,475,758	2,782,156,621
		-	-

The accompanying notes are an integral part of the financial statements.

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Directors
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Thai Steel Cable Public Company Limited
Statement of comprehensive income
For the year ended 30 September 2018

		(Unit: Baht)	
	Note	2018	2017
Profit or loss:			
Revenues			
Sales	24	3,107,021,922	2,905,683,160
Other income		33,363,341	33,226,297
Total revenues		<u>3,140,385,263</u>	<u>2,938,909,457</u>
Expenses			
Cost of sales		2,509,020,281	2,384,784,381
Selling expenses		68,065,030	54,571,920
Administrative expenses		290,353,359	295,810,236
Total expenses		<u>2,867,438,670</u>	<u>2,735,166,537</u>
Profit before finance cost and income tax expenses		272,946,593	203,742,920
Finance cost		(9,817,662)	(15,309,952)
Profit before income tax expenses		263,128,931	188,432,968
Income tax expenses	23	(12,275,831)	(12,431,604)
Profit for the year		<u>250,853,100</u>	<u>176,001,364</u>
Other comprehensive income:			
<i>Other comprehensive income not to be reclassified</i>			
<i>to profit or loss in subsequent periods</i>			
Actuarial loss - net of income tax		(4,649,425)	-
Total comprehensive income for the year		<u><u>246,203,675</u></u>	<u><u>176,001,364</u></u>
Earnings per share			
25			
Basic earnings per share			
Profit attributable to equity holders of the Company		0.97	0.68
Weighted average number of ordinary shares (shares)		<u>259,800,000</u>	<u>259,800,000</u>

The accompanying notes are an integral part of the financial statements.

Thai Steel Cable Public Company Limited**Cash flows statement****For the year ended 30 September 2018**

	(Unit: Baht)	
	2018	2017
Cash flows from operating activities		
Profit before tax	263,128,931	188,432,968
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities		
Depreciation and amortisation	140,134,107	150,334,826
Reduction of inventory to net realisable value	3,970,396	3,932,784
Gain on disposal of equipment	(4,704,491)	(658,696)
Provisions	9,854,408	14,393
Provision for long-term employee benefits	966,101	4,821,197
Unrealised gain on exchange	(384,865)	(55,631)
Dividend income	(1,889,367)	(3,861,703)
Interest income	(3,720,779)	(4,088,585)
Interest expenses	9,817,662	15,309,952
Profit from operating activities before changes in operating assets and liabilities	417,172,103	354,181,505
Operating assets (increase) decrease		
Trade and other receivables	4,279,169	(59,874,315)
Inventories	(38,874,425)	20,681,178
Other current assets	(4,578,035)	(17,405,998)
Other non-current assets	(23,310,961)	(12,624,945)
Operating liabilities increase (decrease)		
Trade and other payables	64,234,953	46,454,069
Other current liabilities	(3,358,313)	(104,627)
Other non-current liabilities	(1,227,617)	(955,083)
Cash flows from operating activities	414,336,874	330,351,784
Cash paid for long-term employee benefits	(1,436,425)	(810,643)
Cash paid for interest expenses	(9,842,351)	(15,288,768)
Cash paid for income tax	(9,967,511)	(7,007,629)
Net cash flows from operating activities	393,090,587	307,244,744

The accompanying notes are an integral part of the financial statements.

Thai Steel Cable Public Company Limited**Cash flows statement (continued)****For the year ended 30 September 2018**

	(Unit: Baht)	
	2018	2017
Cash flows from investing activities		
(Increase) decrease in current investments	26,548,084	(1,577,865)
Cash paid for purchase of property, plant and equipment	(74,545,261)	(43,259,211)
Cash paid for purchase of intangible assets	(3,061,970)	(2,559,159)
Proceeds from sales of equipment	13,957,860	1,808,263
Dividend income	1,889,367	3,861,703
Interest income	4,909,086	2,816,420
Net cash flows used in investing activities	(30,302,834)	(38,909,849)
Cash flows from financing activities		
Decrease in short-term loans from banks	(300,000,000)	-
Repayment of long-term loan	(64,920,000)	(64,920,000)
Repayment of finance lease payables	(4,792,057)	(4,380,811)
Dividend paid	(246,810,000)	(129,900,000)
Net cash flows used in financing activities	(616,522,057)	(199,200,811)
Net increase (decrease) in cash and cash equivalents	(253,734,304)	69,134,084
Cash and cash equivalents at beginning of year	575,990,985	506,856,901
Cash and cash equivalents at end of year (Note 7)	322,256,681	575,990,985
	-	-
Non-cash items		
Increase (decrease) in other payables from purchase of equipment	(659,960)	1,811,409
Purchases of equipment under finance lease agreements	348,300	2,178,500
Transfer other non-current assets to equipment	21,112,850	9,888,342

The accompanying notes are an integral part of the financial statements.

Thai Steel Cable Public Company Limited

Statement of changes in shareholders' equity

For the year ended 30 September 2018

	Issued and paid-up		Retained earnings		(Unit: Baht)
	share capital	Share premium	Appropriated - statutory reserve	Unappropriated	Total shareholders' equity
Balance as at 1 October 2016	259,800,000	464,870,185	26,850,000	887,084,349	1,638,604,534
Profit for the year	-	-	-	176,001,364	176,001,364
Total comprehensive income for the year	-	-	-	176,001,364	176,001,364
Dividend paid (Note 28)	-	-	-	(129,900,000)	(129,900,000)
Balance as at 30 September 2017	<u>259,800,000</u>	<u>464,870,185</u>	<u>26,850,000</u>	<u>933,185,713</u>	<u>1,684,705,898</u>
Balance as at 1 October 2017	259,800,000	464,870,185	26,850,000	933,185,713	1,684,705,898
Profit for the year	-	-	-	250,853,100	250,853,100
Other comprehensive income for the year	-	-	-	(4,649,425)	(4,649,425)
Total comprehensive income for the year	-	-	-	246,203,675	246,203,675
Dividend paid (Note 28)	-	-	-	(246,810,000)	(246,810,000)
Balance as at 30 September 2018	<u>259,800,000</u>	<u>464,870,185</u>	<u>26,850,000</u>	<u>932,579,388</u>	<u>1,684,099,573</u>
	-	-	-	-	-
	-	-	-	-	-

The accompanying notes are an integral part of the financial statements.

Thai Steel Cable Public Company Limited

Notes to financial statements

For the year ended 30 September 2018

1. General information

Thai Steel Cable Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the manufacture and distribution of control cable of automobiles and motorcycles and window regulator of automobiles. The registered office of the Company is at Amatanakorn Industrial Estate 700/737, Moo 1, Tambol Panthong, Amphur Panthong, Chonburi.

2. Basis of preparation

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

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

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

3. New financial reporting standards

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

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

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

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

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

4. Significant accounting policies

4.1 Revenue recognition

Sales of goods

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

Interest income

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

Dividends

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

4.2 Cash and cash equivalents

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

4.3 Trade accounts receivable

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debt aging.

4.4 Inventories

Finished goods and work in process are valued at the lower of cost under the first-in, first-out method and net realisable value. The cost of inventories is measured using the standard cost method, which approximates actual cost and includes all production costs and attributable factory overheads.

Raw materials, spare parts and factory supplies are valued at the lower of average cost and net realisable value and are charged to production costs whenever consumed.

4.5 Investment

Investment in non-marketable equity security, which the Company classifies as other investment, is stated at cost net of allowance for impairment loss (if any).

The weighted average method is used for computation of the cost of investment.

4.6 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for loss on impairment (if any).

Depreciation of investment properties is calculated by reference to their costs on the straight-line basis over estimated useful lives of 20 years and 40 years. Depreciation of the investment properties is included in determining income.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the year when the asset is derecognised.

4.7 Property, plant and equipment/Depreciation

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

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

Land improvement	-	20 years
Building	-	20, 40 years
Building improvement	-	5 - 20 years
Machinery and equipment	-	3 - 20 years
Tools	-	3 - 10 years
Molds	-	2 - 10 years
Furniture, fixtures and office equipment	-	3 - 10 years
Motor vehicles	-	5 - 10 years

Depreciation is included in determining income.

No depreciation is provided on land and assets under installation and construction.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

4.8 Intangible assets

The intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

A summary of the intangible assets with finite useful lives is as follows:

	<u>Useful lives</u>
Computer software	3 - 10 years

4.9 Related party transactions

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

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

4.10 Long-term leases

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

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

4.11 Foreign currencies

The financial statements are presented in Baht, which is also the Company's functional currency.

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

Gains and losses on exchange are included in determining income.

4.12 Impairment of assets

At the end of each reporting period, the Company performs impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

An impairment loss is recognised in profit or loss.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

4.13 Employee benefits

Short-term employee benefits

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

Post-employment benefits and other long-term employee benefit

Defined contribution plans

The Company and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company. The fund's assets are held in a separate trust fund and the Company's contributions are recognised as expenses when incurred.

Defined benefit plan and other long-term employee benefit

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law and other long-term employee benefit plan, namely long service awards. The Company treats these severance payment obligations as a defined benefit plan.

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

Actuarial gains and losses arising from post-employment benefits are recognized in other comprehensive income and actuarial gains and losses arising from other long-term benefit are recognised in profit and loss.

4.14 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

4.15 Income tax

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

Current tax

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

Deferred tax

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

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

At each reporting date, the Company reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

4.16 Fair value measurement

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

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

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

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

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

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

5. Significant accounting judgements and estimates

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

Property plant and equipment/Depreciation

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

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

Litigation

The Company has contingent liabilities as a result of litigation, which is in the process of execute to file in the court. This requires judgements from management to assess of the results of the litigation.

6. Related party transactions

During the years, the Company had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Million Baht)

	2018	2017	Transfer Pricing Policy
<u>Transactions with related companies</u>			
Sales of goods	192	207	Cost plus margin
Purchases of raw materials and finished goods	434	449	Cost plus margin
Purchases of assets	5	1	Agreed upon basis
Royalty fee	35	43	2.0% on the net sales amount

As at 30 September 2018 and 2017, the balances of the accounts between the Company and those related companies are as follows:

(Unit: Thousand Baht)

	2018	2017
Trade and other receivables - related parties (Note 9)		
<u>Trade receivables - related parties</u>		
Related companies	40,562	34,643
<u>Other receivables - related parties</u>		
Related companies	84	134
Trade and other payables - related parties (Note 16)		
<u>Trade payables - related parties</u>		
Related companies	84,218	71,854
<u>Other payables - related parties</u>		
Related companies	1,018	1,523
<u>Accrued royalty - related party</u>		
Related company	6,743	11,718

Directors and management's benefits

During the years ended 30 September 2018 and 2017, the Company had employee benefit expenses payable to its directors and management as below.

	(Unit: Thousand Baht)	
	2018	2017
Short-term employee benefits	70,438	67,699
Post-employee benefits	1,580	2,836
Total	<u>72,018</u>	<u>70,535</u>

7. **Cash and cash equivalents**

	(Unit: Thousand Baht)	
	2018	2017
Cash	624	715
Bank deposits	321,633	575,276
Total	<u>322,257</u>	<u>575,991</u>

As at 30 September 2018, bank deposits in saving accounts carried interests between 0.05 and 0.375 percent per annum (2017: between 0.05 and 0.50 percent per annum).

8. **Current investments**

These represent fixed deposits with banks with an original maturity of more than three months and not subject to withdrawal restrictions.

9. **Trade and other receivables**

	(Unit: Thousand Baht)	
	2018	2017
<u>Trade receivables - related parties</u>		
Aged on the basis of due dates		
Not yet due	39,932	33,838
Past due up to 3 months	630	805
Total trade receivables - related parties	<u>40,562</u>	<u>34,643</u>
<u>Trade receivables - unrelated parties</u>		
Aged on the basis of due dates		
Not yet due	493,769	485,767
Past due up to 3 months	180	51
Total trade receivables - unrelated parties	<u>493,949</u>	<u>485,818</u>
Total trade receivables - net	<u>534,511</u>	<u>520,461</u>

	(Unit: Thousand Baht)	
	2018	2017
<u>Other receivables</u>		
Other receivables - related parties	84	134
Other receivables - unrelated parties	36,105	55,825
Total	36,189	55,959
Less: Allowance for doubtful debts	(26,913)	(26,913)
Total other receivables - net	9,276	29,046
Total trade and other receivables - net	543,787	549,507

10. Inventories

	(Unit: Thousand Baht)					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2018	2017	2018	2017	2018	2017
Finished goods	61,370	50,361	(8,433)	(5,905)	52,937	44,456
Work in process	36,969	33,107	(425)	(225)	36,544	32,882
Raw materials	118,527	98,415	(2,789)	(1,547)	115,738	96,868
Goods in transit	34,833	29,521	-	-	34,833	29,521
Spare parts	6,203	7,624	-	-	6,203	7,624
Total	257,902	219,028	(11,647)	(7,677)	246,255	211,351

During the current year, the Company reduced cost of inventories by Baht 4 million (2017: Baht 4 million), to reflect the net realisable value. This was included in cost of sales.

11. Long-term investment

Company's name	Nature of business	Country of incorporation	(Unit: Thousand Baht)					
			Paid-up capital		Shareholding percentage		Cost	
			2018	2017	2018	2017	2018	2017
Hi-Lex Vietnam Co., Ltd.	Manufacture automobile parts	Vietnam	USD	USD	(%)	(%)	25,704	25,704
			11,150,000	11,150,000	6.28	6.28		

12. Investment properties

The net book value of investment properties of the Company as at 30 September 2018 and 2017 is presented below.

	(Unit: Thousand Baht)		
	Land and land improvement	Building and building improvement	Total
30 September 2018:			
Cost	93,510	161,877	255,387
Less: Accumulated depreciation	(4,076)	(126,305)	(130,381)
Net book value	<u>89,434</u>	<u>35,572</u>	<u>125,006</u>
30 September 2017:			
Cost	93,510	161,877	255,387
Less: Accumulated depreciation	(4,076)	(124,156)	(128,232)
Net book value	<u>89,434</u>	<u>37,721</u>	<u>127,155</u>

A reconciliation of the net book value of investment properties for the years 2018 and 2017 is presented below.

	(Unit: Thousand Baht)	
	2018	2017
Net book value at beginning of year	127,155	129,316
Depreciation	(2,149)	(2,161)
Net book value at end of year	<u>125,006</u>	<u>127,155</u>

The fair value of the investment properties as at 30 September 2018 and 2017 stated below:

	(Unit: Thousand Baht)	
	2018	2017
Land	332,400	264,000
Buildings	68,400	82,400
Total	<u>400,800</u>	<u>346,400</u>

The fair value of the investment properties has been determined based on valuation performed by an accredited independent valuer. The fair value of the land has been determined based on market prices, while that of the buildings has been determined using the replacement cost approach.

13. Property, plant and equipment

(Unit: Thousand Baht)

	Land and land improvement	Building and building improvement	Machinery, equipment and other factory equipment	Motor vehicles	Furniture, fixtures, equipment and other operating equipment	Asset under installation and construction	Total
Cost							
1 October 2016	142,981	575,858	1,208,655	20,508	100,876	12,651	2,061,529
Additions	-	-	7,308	-	3,858	36,083	47,249
Disposals/write-off	-	-	(15,305)	-	(3,711)	(18)	(19,034)
Transfers in (out)	-	372	39,021	-	-	(29,505)	9,888
30 September 2017	142,981	576,230	1,239,679	20,508	101,023	19,211	2,099,632
Additions	-	-	5,378	7,458	2,393	59,004	74,233
Disposals/write-off	-	-	(48,319)	(15,240)	(11,328)	-	(74,887)
Transfers in (out)	-	856	34,514	-	6,658	(20,915)	21,113
30 September 2018	142,981	577,086	1,231,252	12,726	98,746	57,300	2,120,091
Accumulated depreciation							
1 October 2016	99	160,105	697,926	17,281	82,106	-	957,517
Depreciation for the year	36	15,801	114,504	1,062	8,612	-	140,015
Depreciation on disposals/ write-off	-	-	(14,259)	-	(3,626)	-	(17,885)
30 September 2017	135	175,906	798,171	18,343	87,092	-	1,079,647
Depreciation for the year	36	15,847	106,733	1,587	6,614	-	130,817
Depreciation on disposals/ write-off	-	-	(39,463)	(15,240)	(10,931)	-	(65,634)
30 September 2018	171	191,753	865,441	4,690	82,775	-	1,144,830
Net book value							
30 September 2017	142,846	400,324	441,508	2,165	13,931	19,211	1,019,985
30 September 2018	142,810	385,333	365,811	8,036	15,971	57,300	975,261
Depreciation for the year							
2017 (Baht 130 million included in cost of sales, and the balance in selling and administrative expenses)							140,015
2018 (Baht 122 million included in cost of sales, and the balance in selling and administrative expenses)							130,817

As at 30 September 2018, the Company had equipment with net book values of Baht 4 million (2017: Baht 7 million) which were acquired under finance lease agreements.

As at 30 September 2018, certain items of equipment were fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 459 million (2017: Baht 426 million).

14. Intangible assets

The net book value of intangible assets as at 30 September 2018 and 2017 is presented below.

	(Unit: Thousand Baht)		
	Computer software	Computer software under installation	Total
As at 30 September 2018:			
Cost	80,293	2,407	82,700
Less: Accumulated amortisation	(66,701)	-	(66,701)
Net book value	<u>13,592</u>	<u>2,407</u>	<u>15,999</u>
As at 30 September 2017:			
Cost	79,546	-	79,546
Less: Accumulated amortisation	(59,532)	-	(59,532)
Net book value	<u>20,014</u>	<u>-</u>	<u>20,014</u>

A reconciliation of the net book value of intangible assets for the years 2018 and 2017 is presented below.

	(Unit: Thousand Baht)	
	2018	2017
Net book value at beginning of year	20,014	25,614
Additions	3,153	2,559
Amortisation	(7,168)	(8,159)
Net book value at end of year	<u>15,999</u>	<u>20,014</u>

As at 30 September 2018, the Company had intangible assets with net book values of Baht 3 million (2017: Baht 5 million) which were acquired under finance lease agreements.

15. Short-term loans from banks

	(Unit: Thousand Baht)	
	Interest rate (% per annum)	
	2018	2017
Promissory notes	MMR	-
		<u>300,000</u>

The short-term loans from banks are clean and denominated in Baht.

16. Trade and other payables

	(Unit: Thousand Baht)	
	2018	2017
Trade payables - related parties	84,218	71,854
Trade payables - unrelated parties	410,413	362,725
Other payables	40,595	33,355
Accrued expenses	127,060	131,439
Total	<u>662,286</u>	<u>599,373</u>

17. Long-term loan from bank

		(Unit: Thousand Baht)	
Interest rate (% per annum)	Repayment schedule	2018	2017
3.90	Payment of principal in monthly installments of Baht 5.41 million commencing in June 2016	48,520	113,440
Less: Current portion		<u>(48,520)</u>	<u>(64,920)</u>
Long-term loan from bank - net of current portion		<u>-</u>	<u>48,520</u>

Movements in the long-term loan from bank account during the year ended 30 September 2018 are summarised below.

	(Unit: Thousand Baht)
Balance as at 1 October 2017	113,440
Less: Repayment	<u>(64,920)</u>
Balance as at 30 September 2018	<u>48,520</u>

The loan agreement contains several covenants which, among other things, requires the Company to maintain debt-to-equity ratio and debt service coverage ratio at the rate prescribed in the agreement. The loan is clean.

18. Liabilities under finance lease agreements

	(Unit: Thousand Baht)	
	2018	2017
Liabilities under finance lease agreements	6,633	11,648
Less: Deferred interest expenses	(366)	(937)
Total	6,267	10,711
Less: Portion due within one year	(4,454)	(4,687)
Liabilities under finance lease agreements		
- net of current portion	<u>1,813</u>	<u>6,024</u>

The Company has entered into the finance lease agreements with leasing companies for rental of equipment and intangible assets for use in its operation, whereby it is committed to pay rental on a monthly basis. The term of the agreements are generally between 3 and 5 years.

Future minimum lease payments required under the finance lease agreements were as follows:

	(Unit: Thousand Baht)		
	As at 30 September 2018		
	Less than		
	1 year	1 - 5 years	Total
Future minimum lease payments	4,772	1,861	6,633
Deferred interest expenses	(318)	(48)	(366)
Present value of future minimum lease payments	<u>4,454</u>	<u>1,813</u>	<u>6,267</u>

	(Unit: Thousand Baht)		
	As at 30 September 2017		
	Less than		
	1 year	1 - 5 years	Total
Future minimum lease payments	5,278	6,370	11,648
Deferred interest expenses	(591)	(346)	(937)
Present value of future minimum lease payments	<u>4,687</u>	<u>6,024</u>	<u>10,711</u>

19. Provision for long-term employee benefits

(Unit: Thousand Baht)

	Provision for employee retirement benefits	Provision for other long-term employee benefits	Total
Provision for long-term employee benefits			
as at 1 October 2016	42,399	3,485	45,884
Included in profit or loss:			
Current service cost	3,420	386	3,806
Interest cost	934	81	1,015
Benefit paid during the year	(304)	(506)	(810)
Provision for long-term employee benefits			
as at 30 September 2017	46,449	3,446	49,895
Included in profit or loss:			
Current service cost	3,849	381	4,230
Interest cost	1,046	82	1,128
Past service cost and gains or losses on settlement	(6,553)	2,161	(4,392)
Included in other comprehensive income:			
Actuarial (gain) loss arising from			
Demographic assumptions changes	11,205	-	11,205
Financial assumptions changes	(6,536)	-	(6,536)
Experience adjustments	235	-	235
Benefit paid during the year	(828)	(608)	(1,436)
Provision for long-term employee benefits			
as at 30 September 2018	48,867	5,462	54,329

Line items in profit or loss under which long-term employee benefit expenses are recognised are as follows:

	(Unit: Thousand Baht)	
	2018	2017
Cost of sales	608	3,042
Selling and administrative expenses	358	1,779
Total expenses recognised in profit or loss	<u>966</u>	<u>4,821</u>

The Company expects to pay Baht 8 million of long-term employee benefits during the next year (2017: Baht 1 million).

As at 30 September 2018, the weighted average duration of the liabilities for long-term employee benefit is 20 years (2017: 18 years).

Significant actuarial assumptions are summarised below:

	2018	2017
	(% per annum)	(% per annum)
Discount rate	3.3	2.7
Salary increase rate	3.0 - 6.5	0.0 - 6.5
Employee turnover rate (depending on age of employees)	2.0 - 20.0	0.0 - 20.0

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 30 September 2018 are summarised below:

	(Unit: Thousand Baht)
	Increase (decrease)
Discount rate	
Increase by 1%	(5,526)
Decrease by 1%	6,688
Salary increase rate	
Increase by 1%	6,478
Decrease by 1%	(5,477)
Employees turnover rate	
Increase by 20% of base in each age	(4,640)
Decrease by 20% of base in each age	5,546

20. Provisions

These provisions are provision for litigation and provisions for product warranty which have movements during the years ended 30 September 2018 and 2017 summarised below.

(Unit: Thousand Baht)

	Provision for litigation	Provision for product warranty	Total
Balance as at 1 October 2016	-	12,536	12,536
Increase during the year	-	3,788	3,788
Utilised	-	(950)	(950)
Reversal of provisions	-	(3,774)	(3,774)
Balance as at 30 September 2017	-	11,600	11,600
Increase during the year (Note 29.5)	11,546	2,908	14,454
Utilised	-	(1,224)	(1,224)
Reversal of provisions	-	(4,600)	(4,600)
Balance as at 30 September 2018	11,546	8,684	20,230

Provisions for product warranty is recognised at a percentage of sales. The rate used in the calculation is based on historical data of actual expenses.

21. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required set aside a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution. At present, the statutory reserve has fully been set aside.

22. Expenses by nature

Significant expenses classified by nature are as follows:

(Unit: Thousand Baht)

	2018	2017
Salaries and wages and other employee benefits	560,096	544,337
Depreciation	132,966	142,176
Amortisation	7,168	8,159
Warranty provisions	2,908	3,788
Rental expenses from operating lease agreements	9,686	21,654
Raw materials and consumables used	1,589,861	1,479,536
Changes in inventories of finished goods and work in process	14,871	12,224
Loss on reduction of inventories to net realisable value	3,970	3,933
Packaging expenses	9,082	3,477

23. Income tax

Income tax expenses for the years ended 30 September 2018 and 2017 are made up as follows:

	(Unit: Thousand Baht)	
	2018	2017
Current income tax:		
Current income tax charge	12,642	7,952
Deferred tax:		
Relating to origination and reversal of temporary differences	(366)	4,480
Income tax expenses reported in the statement of comprehensive income	<u>12,276</u>	<u>12,432</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 30 September 2018 and 2017 are as follows:

	(Unit: Thousand Baht)	
	2018	2017
Deferred tax relating to loss on actuarial	<u>(255)</u>	<u>-</u>

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

	(Unit: Thousand Baht)	
	2018	2017
Accounting profit before tax	<u>263,129</u>	<u>188,433</u>
Applicable tax rate	20%	20%
Accounting profit before tax multiplied by income tax rate	52,626	37,687
Effects of:		
Promotional privileges (Note 24)	(42,004)	(27,228)
Non-deductible expenses	1,900	(247)
Additional expense deductions allowed	(939)	(198)
Others	693	2,418
Total	<u>(40,350)</u>	<u>(25,255)</u>
Income tax expenses reported in the statement of comprehensive income	<u>12,276</u>	<u>12,432</u>

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

	(Unit: Thousand Baht)	
	As at 30 September 2018	As at 30 September 2017
Deferred tax assets		
Allowance for doubtful accounts	5,270	5,270
Allowance for diminution in value of inventories	606	399
Provision for long-term employee benefits	2,825	2,594
Provision for product warranty	452	603
Provision for litigation	600	-
Accrued rebate	1,070	1,100
Others	-	22
	10,823	9,988
Deferred tax liabilities		
Accumulated depreciation - investment properties	658	692
Advance payments tax	1,001	921
Others	168	-
	1,827	1,613
Net	8,996	8,375

24. Promotional privileges

The Company was granted investment promotional privileges by the Board of Investment under the Investment Promotion Act B.E. 2520. As at 30 September 2018, important tax privileges granted to the Company are summarised below.

	Investment promotion certificate no.	Exemption from import duty on machines	Exemption from corporate income tax for the periods	Commencing from
Manufacture of control cable of vehicles and window regulator of automobiles	1715(2)/2555	Expired	7 years	28 February 2013
Manufacture of control cable of vehicles and window regulator of automobiles	1006(2)/2557	Expired	7 years	9 December 2013
Manufacture of control cable of vehicles and window regulator of automobiles	1539(2)/2557	Expired	7 years	2 March 2016
Manufacture of control cable of vehicles and window regulator of automobiles	60-0797-0-00-1-0	Will expire on 19 January 2020	7 years	4 May 2017

The Company's operating revenues for the years ended 30 September 2018 and 2017, divided between promoted and non-promoted operations, are summarised below.

(Unit: Thousand Baht)

	Promoted operations		Non-promoted operations		Total	
	2018	2017	2018	2017	2018	2017
Sales						
Domestic sales	2,255,676	2,108,693	730,519	661,833	2,986,195	2,770,526
Exports sales	26,108	31,476	94,719	103,681	120,827	135,157
Total sales	<u>2,281,784</u>	<u>2,140,169</u>	<u>825,238</u>	<u>765,514</u>	<u>3,107,022</u>	<u>2,905,683</u>

25. Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.

26. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

The Company is principally engaged in the manufacture and distribution of control cable of automobiles and motorcycles and window regulator of automobiles. Its operations are carried on only in Thailand. Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain exclusively to the aforementioned reportable operating segment and geographical area.

Major customers

For the year 2018, the Company has revenues from three major customer groups in amount of Baht 606 million, Baht 555 million and Baht 370 million (2017: Baht 541 million, Baht 537 million and Baht 395 million, respectively).

27. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contribute to the fund monthly at the rate of 3 - 5 percent of basic salary. The fund, which is managed by AIA Company Limited, will be paid to employees upon termination in accordance with the fund rules. The contributions for the year 2018 amounting to approximately Baht 8 million (2017: Baht 8 million) were recognised as expenses.

28. Dividends

Dividends	Approved by	Total dividends (Thousand Baht)	Dividend per share (Baht)
Dividends for the year ended 30 September 2016	The Annual General Meeting of the Company's shareholders on 24 January 2017	64,950	0.25
Interim dividends for the year ended 30 September 2017	The Board of Directors Meeting of the Company on 9 May 2017	64,950	0.25
Total dividends for year 2017		129,900	0.50
Dividends for the year ended 30 September 2017	The Annual General Meeting of the Company's shareholders on 23 January 2018	142,890	0.55
Interim dividends for the year ended 30 September 2018	The Board of Directors Meeting of the Company on 8 May 2018	103,920	0.40
Total dividends for year 2018		246,810	0.95

29. Commitments and contingent liabilities

29.1 Capital commitments

As at 30 September 2018, the Company had capital commitments of approximately Baht 49 million and USD 0.05 million (2017: Baht 19 million and USD 0.03 million), relating to the purchase of equipment.

29.2 Operating lease and service commitments

The Company has entered into several operating lease agreements in respect of the lease of vehicles and equipment and service agreements. The terms of the agreements are generally between 1 and 5 years.

The Company had future minimum lease and service payments required under these non-cancellable operating leases and service agreements as follows.

	(Unit: Million Baht)	
Payable:	2018	2017
In up to 1 year	35	29
In over 1 and up to 5 years	19	10

29.3 License commitments

The Company has entered into license and technical assistance agreement with an overseas related company for the use of a trademark and the receipt of information related to the manufacture and assembly of control cable of automobiles and motorcycles. Under the conditions of the license agreement, the Company is to pay the fee twice a year as stipulated in the agreement. The fees for the year ended 30 September 2018 amounting to approximately Baht 35 million (2017: Baht 43 million) were recognised as expenses.

29.4 Guarantees

As at 30 September 2018, there were outstanding bank guarantees of approximately Baht 3 million (2017: Baht 3 million) issued by banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business. These included letters of guarantee to guarantee electricity use, among others.

29.5 Litigation

- a) The Customs Department conducted a post clearance audit at the Company, and accused the Company of making incorrect tariff code declarations (with lower duty rates) in import entries between 2003 and 2006. It therefore assessed import duty and VAT shortfalls amounting to Baht 17.9 million, excluding penalties and surcharges. In September 2017, the Central Tax Court delivered a judgment to revoke only the assessment of import duty and surcharges. The Company is not allowed to file a lawsuit against the Revenue Department demanding the revocation of the VAT assessment because the Company has not yet exercised its right to appeal to the Board of Appeal in accordance with Section 30 of the Revenue Code. As at 30 September 2018, the Customs Department and the Company was done in the process of file an appeal with the special court of Appeal. The Company's management has assessed the case and believes that the Company is not liable for the import duty and VAT shortfalls, including penalties and surcharges, because the Company correctly paid import duty in accordance with the Customs Tariffs Decree B.E. 2530. Considering legal opinions and the opinions of customs tariff experts, the declared imported products are classified according to the product definitions specified in the customs tariff schedule. The Company therefore did not record a provision for the contingent liabilities as a result of this litigation in the financial statements.

- b) The Company was accused of unfair termination of sales contract in value of Baht 12.8 million. In June 2018, the Court of first instance demanded the Company to pay compensation at Baht 10.1 million with interest at the rate 7.5% per annum from the date of filing (2 December 2016). The Company's management has assessed the case that the Company may be affected by the litigation. The Company therefore recorded a provision for the contingent liabilities as a result of this litigation in the financial statements as at 30 September 2018 (as shown in Note 20 to the financial statements). However, the Company has submitted the appeal toward such judgment to the Court of Appeal.

30. Financial instruments

30.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, investment, trade accounts payable, short-term loans and long-term loan. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company is exposed to credit risk primarily with respect to trade and other receivables. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company does not have high concentrations of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of trade and other receivables as stated in the statement of financial position.

Interest rate risk

The Company's exposure to interest rate risk relates primarily to its cash at banks, short-term and long-term interest bearing debts. However, since most of the Company's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

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

(Unit: Million Baht)

As at 30 September 2018

	Fixed interest rates				Total	Effective interest rate (% per annum)
	Within 1 year	1 - 5 years	Floating interest rate	Non - interest bearing		
<u>Financial assets</u>						
Cash and cash equivalent	-	-	307.5	14.8	322.3	0.05 - 1.00
Current investments	175.5	-	-	-	175.5	0.80 - 1.50
Trade and other receivables	-	-	-	543.8	543.8	-
Long-term investment	-	-	-	25.7	25.7	-
	<u>175.5</u>	<u>-</u>	<u>307.5</u>	<u>584.3</u>	<u>1,067.3</u>	
<u>Financial liabilities</u>						
Short-term loans from banks	-	-	-	-	-	-
Trade and other payables	-	-	-	662.3	662.3	-
Liabilities under finance lease agreements	4.5	1.8	-	-	6.3	2.46 - 6.47
Long-term loan from bank	48.5	-	-	-	48.5	3.90
	<u>53.0</u>	<u>1.8</u>	<u>-</u>	<u>662.3</u>	<u>717.1</u>	

(Unit: Million Baht)

As at 30 September 2017

	Fixed interest rates				Total	Effective interest rate (% per annum)
	Within 1 year	1 - 5 years	Floating interest rate	Non - interest bearing		
<u>Financial assets</u>						
Cash and cash equivalent	-	-	567.8	8.2	576.0	0.05 - 0.50
Current investments	202.1	-	-	-	202.1	0.80 - 1.375
Trade and other receivables	-	-	-	549.5	549.5	-
Long-term investment	-	-	-	25.7	25.7	-
	<u>202.1</u>	<u>-</u>	<u>567.8</u>	<u>583.4</u>	<u>1,353.3</u>	
<u>Financial liabilities</u>						
Short-term loans from banks	-	-	300.0	-	300.0	2.90 - 3.00
Trade and other payables	-	-	-	599.3	599.3	-
Liabilities under finance lease agreements	4.7	6.0	-	-	10.7	2.46 - 6.47
Long-term loan from bank	64.9	48.5	-	-	113.4	3.90
	<u>69.6</u>	<u>54.5</u>	<u>300.0</u>	<u>599.3</u>	<u>1,023.4</u>	

Foreign currency risk

The Company's exposure to foreign currency risk arises mainly from purchase and sale finished goods transactions that are denominated in foreign currencies. The Company seeks to reduce this risks by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.

The balances of financial assets and liabilities denominated in foreign currencies are summarised below.

Foreign currency	Financial assets		Financial liabilities		Average exchange rate	
	as at 30 September		as at 30 September		as at 30 September	
	2018	2017	2018	2017	2018	2017
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	0.6	0.5	1.1	1.1	32.41	33.37
Japanese yen	3.3	4.0	172.8	141.8	0.29	0.30

Foreign exchange contracts outstanding are summarised below.

As at 30 September 2018			
Foreign currency	Bought amount	Contractual exchange bought rate	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
US dollar	0.3	32.21 - 32.87	February - March 2019
Japanese yen	70.3	0.29 - 0.30	January - March 2019

As at 30 September 2017			
Foreign currency	Bought amount	Contractual exchange bought rate	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
US dollar	0.2	33.93 - 34.16	December 2017 - January 2018
Japanese yen	30.0	0.30 - 0.31	November 2017 - March 2018

30.2 Fair values of financial instruments

Since the majority of the Company's financial instruments are short-term in nature, loans bear interest closed to market interest rate, their fair value is not expected to be materially different from the amounts presented in statement of financial position.

As at 30 September 2018, the Company had the assets that were disclosed at fair value using different levels of inputs as follows:

	(Unit: Million Baht)			
	Level 1	Level 2	Level 3	Total
Assets for which fair value are disclosed				
Investment properties	-	401	-	401

During the current year, there were no transfers within the fair value hierarchy.

31. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 30 September 2018, the Company's debt-to-equity ratio was 0.48:1 (2017: 0.65:1).

32. Event after the reporting period

The meeting of company's Board of director, held on 20 November 2018 passed the resolution to propose the payment of a dividend for the year 2018 of Baht 1.00 per share. Since the Company's Board of Directors previously approved an interim dividend from income of the year 2018 of Baht 0.40 per share, the remaining dividend payment is Baht 0.60 per share, amounting to Baht 155.88 million. The Board of Director will propose the dividend payment for approval by the Annual General Meeting of the Company's Shareholders for the year 2018.

33. Approval of financial statements

These financial statements were authorized for issue by the Company's Board of Directors on 20 November 2018.