

**GOODYEAR (THAILAND) PUBLIC COMPANY LIMITED**

**STATUTORY FINANCIAL STATEMENTS**

**31 DECEMBER 2016**

## **Independent Auditor's Report**

To the shareholders of Goodyear (Thailand) Public Company Limited

### **My opinion**

In my opinion, the financial statements of Goodyear (Thailand) Public Company Limited (the Company) present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

### **What I have audited**

I have audited the accompanying financial statements of the Company, which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

### **Basis for opinion**

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

## Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. I determine one key audit matter: recoverable amount of machinery and equipment. The matter was 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 the matter.

Key audit matter	How my audit addressed the key audit matter
<b>Recoverable amount of machinery and equipment</b>  Refer to the accounting policies note 2.8 and note 7 to financial statements, Property, Plant and Equipment had carried net book value of Baht 2,457 million as at 31 December 2016 which included machinery and equipment at carrying amount of Baht 1,031 million.  The recoverable amount of machinery and equipment is considered as Key Audit Matter because the value of machinery and equipment is significant to the financial statements. The Company has possessed a lot of machinery and equipment. There was possibility of unused machinery and equipment which management needed to consider the future plan and assessed for impairment.	 In assessing whether there were any indications that the value of machinery and equipment might not be recovered or should be impaired, I considered both external and internal factors.  I discussed with management about the assessment of internal and external indicators of impairment.  I also attended the physical inspection of machinery and equipment, performed checking that the accounting recorded reflected physical count. I also looked at idle assets, if any, and discussed with management about the production plan to assess whether allowance for impairment is required. I did not find any exceptions.

## 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 the audit committee.

## **Responsibilities of Management for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRSs, and for such internal control as the management determine 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.

The audit committee assists management in discharging their responsibilities 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 TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with TSAs, 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 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 the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

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

PricewaterhouseCoopers ABAS Ltd.

**Sukhumaporn Wong-ariyaporn**  
Certified Public Accountant (Thailand) No. 4843  
Bangkok  
27 February 2017

**Goodyear (Thailand) Public Company Limited**  
**Statements of Financial Position**  
**As at 31 December 2016**

		<b>31 December 2016 Baht</b>	<b>31 December 2015 Baht</b>
	<b>Notes</b>		
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	1,011,225,314	1,268,168,967
Restricted short-term investment	21	65,000,000	82,000,000
Trade and other receivables, net	5	832,505,255	893,048,374
Inventories, net	6	748,571,600	616,513,152
Refundable value added tax		159,538,893	102,934,449
Other current assets		<u>7,195,210</u>	<u>7,884,872</u>
<b>Total current assets</b>		<u>2,824,036,272</u>	<u>2,970,549,814</u>
<b>Non-current assets</b>			
Property, plant and equipment, net	7	2,456,844,867	2,185,195,455
Computer software, net	8	676,257	1,195,272
Other non-current assets		<u>3,087,709</u>	<u>3,190,871</u>
<b>Total non-current assets</b>		<u>2,460,608,833</u>	<u>2,189,581,598</u>
<b>Total assets</b>		<u><u>5,284,645,105</u></u>	<u><u>5,160,131,412</u></u>

Director ..... Director .....

The accompanying notes on pages 11 to 31 are an integral part of these financial statements.

**Goodyear (Thailand) Public Company Limited**  
**Statements of Financial Position**  
**As at 31 December 2016**

		<b>31 December 2016 Baht</b>	<b>31 December 2015 Baht</b>
	<b>Notes</b>		
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other payables	9	1,000,747,173	1,013,619,904
Accrued withholding tax		18,490,214	9,421,703
Current income tax payable		51,366,315	62,395,785
Other current liabilities		6,395,470	4,456,621
<b>Total current liabilities</b>		<b>1,076,999,172</b>	<b>1,089,894,013</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	16	2,145,243	9,537,265
Reserves for savings fund and employee retirement benefits	10	181,875,392	155,489,255
<b>Total non-current liabilities</b>		<b>184,020,635</b>	<b>165,026,520</b>
<b>Total liabilities</b>		<b>1,261,019,807</b>	<b>1,254,920,533</b>
<b>Equity</b>			
Share capital			
Authorised share capital			
7,400,000 ordinary shares at par value of Baht 10 each		74,000,000	74,000,000
Issued and paid-up share capital			
7,400,000 ordinary shares fully paid-up of Baht 10 each	11	74,000,000	74,000,000
Premium on share capital	11	92,000,000	92,000,000
Retained earnings			
Appropriated - Legal reserve	12	7,400,000	7,400,000
Unappropriated		3,850,225,298	3,731,810,879
<b>Total equity</b>		<b>4,023,625,298</b>	<b>3,905,210,879</b>
<b>Total liabilities and equity</b>		<b>5,284,645,105</b>	<b>5,160,131,412</b>

The accompanying notes on pages 11 to 31 are an integral part of these financial statements.

**Goodyear (Thailand) Public Company Limited**  
**Statements of Income**  
**For the year ended 31 December 2016**

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	<b>Notes</b>	<b>2016 Baht</b>	<b>2015 Baht</b>
Sales	23	3,898,203,357	3,970,576,030
Cost of sales		<u>(3,005,130,653)</u>	<u>(3,108,504,581)</u>
<b>Gross profit</b>		893,072,704	862,071,449
Other income	14	16,327,211	12,854,402
Other gains - net		1,784,914	107,359,140
Selling expenses		<u>(397,255,798)</u>	<u>(347,063,101)</u>
Administrative expenses		<u>(158,074,195)</u>	<u>(152,092,084)</u>
<b>Profit before income tax expense</b>		355,854,836	483,129,806
Income tax expense	16	<u>(76,340,499)</u>	<u>(97,645,210)</u>
<b>Net profit for the year</b>		<u><u>279,514,337</u></u>	<u><u>385,484,596</u></u>
<b>Basic earnings per share (Baht)</b>	17		
Net profit for the year		<u><u>37.77</u></u>	<u><u>52.09</u></u>

The accompanying notes on pages 11 to 31 are an integral part of these financial statements.

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**Goodyear (Thailand) Public Company Limited**  
**Statements of Comprehensive Income**  
**For the year ended 31 December 2016**

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	<b>Notes</b>	<b>2016 Baht</b>	<b>2015 Baht</b>
<b>Net profit for the year</b>		279,514,337	385,484,596
Item that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	10	(16,374,897)	18,026,681
Income tax on item that will not be reclassified to profit or loss	16	<u>3,274,979</u>	<u>(3,605,336)</u>
<b>Total comprehensive income for the year</b>		<u><u>266,414,419</u></u>	<u><u>399,905,941</u></u>

The accompanying notes on pages 11 to 31 are an integral part of these financial statements.

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**Goodyear (Thailand) Public Company Limited**  
**Statements of Changes in Equity**  
**For the year ended 31 December 2016**

		Issued and paid-up share capital	Premium on share capital	Legal reserve	Unappropriated retained earnings	Total
	Note	Baht	Baht	Baht	Baht	Baht
<b>Beginning balance as at 1 January 2015</b>		74,000,000	92,000,000	7,400,000	3,479,904,938	3,653,304,938
<b>Changes in equity for the year</b>						
Total comprehensive income for the year		-	-	-	399,905,941	399,905,941
Dividends paid	18	-	-	-	(148,000,000)	(148,000,000)
<b>Ending balance as at 31 December 2015</b>		<u>74,000,000</u>	<u>92,000,000</u>	<u>7,400,000</u>	<u>3,731,810,879</u>	<u>3,905,210,879</u>
<b>Beginning balance as at 1 January 2016</b>		74,000,000	92,000,000	7,400,000	3,731,810,879	3,905,210,879
<b>Changes in equity for the year</b>						
Total comprehensive income for the year		-	-	-	266,414,419	266,414,419
Dividends paid	18	-	-	-	(148,000,000)	(148,000,000)
<b>Ending balance as at 31 December 2016</b>		<u>74,000,000</u>	<u>92,000,000</u>	<u>7,400,000</u>	<u>3,850,225,298</u>	<u>4,023,625,298</u>

The accompanying notes on pages 11 to 31 are an integral part of these financial statements.

**Goodyear (Thailand) Public Company Limited**  
**Statements of Cash Flows**  
**For the year ended 31 December 2016**

	<b>Notes</b>	<b>2016 Baht</b>	<b>2015 Baht</b>
<b>Cash flows generated from operating activities</b>	19	265,586,340	589,783,966
<b>Cash flows from investing activities</b>			
Restricted short-term investment		17,000,000	(5,134,560)
Purchases of plant and equipment		(407,671,692)	(363,893,032)
Purchases of computer software	8	(120,000)	-
Proceeds from disposals of equipment		1,738,200	3,474,682
Net cash used in investing activities		(389,053,492)	(365,552,910)
<b>Cash flows from financing activities</b>			
Dividends paid to shareholders	18	(148,000,000)	(148,000,000)
Net cash used in financing activities		(148,000,000)	(148,000,000)
<b>Net increase (decrease) in cash and cash equivalents</b>		(271,467,152)	76,231,056
Cash and cash equivalents at the beginning of the year		1,268,168,967	1,127,220,150
Exchange gains on cash and cash equivalents		14,523,499	64,717,761
<b>Cash and cash equivalents at the end of the year</b>	4	<u>1,011,225,314</u>	<u>1,268,168,967</u>

**Non-cash transactions**

Significant non-cash transactions for the years ended 31 December 2016 and 2015 are as follows:

Unpaid liabilities for purchases of plant and equipment	180,635,074	102,974,306
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The accompanying notes on pages 11 to 31 are an integral part of these financial statements.

## **1 General information**

Goodyear (Thailand) Public Company Limited ("the Company") is a public limited company incorporated and resident in Thailand. The address of the Company's registered office is as follows:

50/9 Moo 3, Phaholyothin Road, K.M. 36, Klongnueng, Klongluang, Pathumthani 12120.

The Company is listed on the Stock Exchange of Thailand.

The Company is principally engaged in the manufacturing, distribution and sale of motor vehicle and aero tires for domestic and export markets.

These financial statements were authorised for issue by the Board of Directors on 27 February 2017.

## **2 Accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below:

### **2.1 Basis for preparation**

The financial statements have been prepared in accordance with Thai generally accepted accounting principles under the Accounting Act B.E. 2543, being those Thai Financial Reporting Standards issued under the Accounting Profession Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

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

### **2.2 New accounting standards, amendments to accounting standards and new interpretation**

New Thai Financial Reporting Standards and revised accounting standards, revised Thai Financial Reporting Standards are effective on 1 January 2016. These standards are relevant to the Company are:

TFRS 8 (revised 2015), 'Operating segments' requires disclosure of judgments made by management in aggregating operating segments. It is also amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported to chief operating decision maker. This standard has no impact to the Company.

TAS 16 (revised 2015), 'Property, plant and equipment' clarifies how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. This standard has no impact to the Company.

## **2 Accounting policies (Cont'd)**

### **2.2 New accounting standards, amendments to accounting standards and new interpretation (Cont'd)**

TAS 24 (revised 2015), 'Related party disclosures' includes as a related party an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required. This standard has no impact to the Company.

Revised financial reporting standards are effective for annual periods beginning on or after 1 January 2017. Standards which are relevant to the Company and have not yet been early adopted are:

TAS 19 (revised 2016), the amendments clarify that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise. This standard has no impact to the Company.

TAS 34 (revised 2016), the amendments clarify that what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'; entities taking advantage of the relief must provide a cross-reference from the interim financial statements to the location of that information and make the information available to users on the same terms and at the same time as the interim financial statements. This standard has no impact to the Company.

### **2.3 Foreign currency translation**

#### **a) Functional and presentation currency**

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Baht, which is the Company's functional and the Company's presentation currency.

#### **b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in the statement of income, any exchange component of that gain or loss is recognised in the statement of income.

### **2.4 Financial instruments**

Financial assets carried on the statement of financial position include cash and cash equivalents, short-term investment, trade accounts receivable, other accounts receivable and other financial assets. Financial liabilities carried on the statement of financial position include trade accounts payable, other accounts payable and other financial liabilities. The methods adopted are disclosed in the individual policy statement associated with each item.

Disclosures related to financial instruments to which the Company is a party are provided in Note 20.

## **2 Accounting policies (Cont'd)**

### **2.5 Cash and cash equivalents**

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

### **2.6 Trade accounts receivable**

Trade accounts receivable are recognised initially at the original invoice amount and subsequently measured at the remaining amount less allowance for doubtful receivables based on a review of all outstanding amounts at the year end. The amount of the allowance is the difference between the carrying amount of the receivable and the amount expected to be collectible. Bad debts are written off during the year in which they are identified and recognised in the statement of income as administrative expenses.

### **2.7 Inventories**

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the weighted average method. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts, allowances or rebates. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Allowance is made, where necessary, for obsolete, slow-moving and defective inventories.

### **2.8 Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation except land is not depreciated as it is deemed to have an indefinite life. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

The straight-line method is used for depreciation of all types of fixed assets. The estimated useful life of each category of fixed assets is as follows:

Land improvements	10 - 44 years
Building	10 - 40 years
Machinery and equipment	3 - 30 years
Furniture, fixtures and office equipment	3 - 20 years
Motor vehicles	4 years

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

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other income in the statement of income.

## **2 Accounting policies (Cont'd)**

### **2.9 Computer software**

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

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed 5 years.

### **2.10 Impairment of assets**

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### **2.11 Accounting for leases - where the Company is the lessee**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

Leases of equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of income over the lease period so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant or equipment acquired under finance leases is depreciated over the shorter period of the useful life of the asset and the lease term.

## **2 Accounting policies (Cont'd)**

### **2.12 Current and deferred income taxes**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

Deferred income tax is recognised, using the liability method, on temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising from depreciation of equipment and accrued expenses, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### **2.13 Employee benefits**

The Company provides for a savings fund and retirement benefits, payable to employees under the Company's policy and Thai Labour Law, respectively. The present value of employee benefit liabilities recognised in the statement of financial position is determined on the Projected Unit Credit method. The assumptions used in determining the liabilities include discount rate, rates of salary increase and employee turnover. The discount rate represents the current market yield of government bonds. The Company records the reserves for savings fund and retirement benefits as a non-current liability and charges expenditure to the statement of income in the year to which it relates.

Remeasurement gains and losses arising from changes in actuarial assumptions and experience adjustments are charged or credited to equity in other comprehensive income in the period in which they arise.

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



## **2 Accounting policies (Cont'd)**

### **2.14 Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

### **2.15 Revenue recognition**

Revenue comprises the invoice value for the sale of goods net of output tax, rebates and discounts. Revenue from sales of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity.

### **2.16 Dividends paid**

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the interim dividends are approved by the Board of Directors and the annual dividends are approved by the Company's shareholders.

### **2.17 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Managing Director that makes strategic decisions.

## **3 Critical accounting estimates, assumption, judgments**

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

### **Carrying value of property, plant and equipment**

The estimated useful economic lives and residual values of property, plant and equipment are based upon management's judgment and experience. When management identifies that actual useful lives and residual values differ materially from the estimates used to calculate depreciation, that charge is adjusted prospectively. Due to the significance of investment in property, plant and equipment by the Company, variations between actual and estimated useful lives and residual values could impact operating results both positively or negatively.

Management considers the recoverable amount of machinery and equipment by assessing the impairment indicators from internal and external source of information. For example, the significant change which has negative effect to the Company during the period or in the near future, and the obsolescence or physical damage. These factors may impact to the recoverable amount or impairment.

**3 Critical accounting estimates, assumption, judgments (Cont'd)**

**Employee benefit obligations**

The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will have an impact on the carrying amount of pension obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers market yield of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Additional information of other key assumptions for retirement benefits obligations other is disclosed in Note 10.

**4 Cash and cash equivalents**

	<b>2016 Baht</b>	<b>2015 Baht</b>
Cash on hand	250,000	250,000
Deposits held at banks - current accounts	94,308,750	71,466,724
- savings accounts	916,666,564	1,196,452,243
	<u>1,011,225,314</u>	<u>1,268,168,967</u>

As at 31 December 2016, the weighted average interest rate of savings accounts was 0.36% per annum (2015 : 0.36% per annum).

**5 Trade and other receivables, net**

	<b>2016 Baht</b>	<b>2015 Baht</b>
Trade accounts receivable - third parties	252,112,864	274,439,712
<u>Less</u> Allowance for doubtful accounts	<u>(23,246,193)</u>	<u>(21,764,193)</u>
	228,866,671	252,675,519
Trade accounts receivable - related parties (Note 22)	513,783,696	560,769,068
Amounts due from related parties (Note 22)	36,234,048	21,031,115
Prepayments	5,970,519	6,737,033
Advances	6,132,551	5,025,784
Other receivables	<u>41,517,770</u>	<u>46,809,855</u>
Total trade and other receivables, net	<u>832,505,255</u>	<u>893,048,374</u>

**5 Trade and other receivables, net (Cont'd)**

Outstanding trade accounts receivable - third parties as at 31 December can be analysed as follows:

	<b>2016 Baht</b>	<b>2015 Baht</b>
Current	221,892,471	235,155,357
Overdue:		
1 - 3 months	2,378,322	16,186,604
4 - 12 months	5,671,208	668,110
Over 12 months	22,170,863	22,429,641
	252,112,864	274,439,712
<u>Less</u> Allowance for doubtful accounts	(23,246,193)	(21,764,193)
	<u>228,866,671</u>	<u>252,675,519</u>

Outstanding trade accounts receivable - related parties as at 31 December can be analysed as follows:

	<b>2016 Baht</b>	<b>2015 Baht</b>
Current	489,591,100	518,351,381
Overdue:		
1 - 3 months	24,167,709	38,184,661
4 - 12 months	-	4,233,026
Over 12 months	24,887	-
	513,783,696	560,769,068
<u>Less</u> Allowance for doubtful accounts	-	-
	<u>513,783,696</u>	<u>560,769,068</u>

**6 Inventories, net**

	<b>2016 Baht</b>	<b>2015 Baht</b>
Raw materials	163,525,732	158,718,582
Spare parts	205,419,894	170,206,372
Work in progress	55,549,475	38,205,254
Finished goods	248,806,255	181,799,690
Goods in transit	87,931,222	80,046,062
	761,232,578	628,975,960
<u>Less</u> Allowance for obsolete and defective inventories		
- spare parts	(8,048,692)	(8,056,774)
- finished goods	(4,612,286)	(4,406,034)
Total inventories, net	<u>748,571,600</u>	<u>616,513,152</u>

The cost of inventories recognised as expense and included in 'cost of sales' amounted to Baht 3,013,014,034 (2015 : Baht 3,117,510,786).

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7 Property, plant and equipment, net

	Land, land improvements and building Baht	Machinery and equipment Baht	Furniture, fixtures and office equipment Baht	Motor vehicles Baht	Assets under installation Baht	Total Baht
<b>As at 1 January 2015</b>						
Cost	1,086,719,231	4,953,956,316	105,802,017	11,599,972	210,277,250	6,368,354,786
<u>Less</u> Accumulated depreciation	(463,067,889)	(3,810,541,805)	(83,494,725)	(6,889,052)	-	(4,363,993,471)
Allowance for impairment loss	-	(17,965,744)	(26,330)	-	-	(17,992,074)
Allowance for assets written off	(960,379)	(1,143,944)	(763,299)	-	-	(2,867,622)
Net book amount	<u>622,690,963</u>	<u>1,124,304,823</u>	<u>21,517,663</u>	<u>4,710,920</u>	<u>210,277,250</u>	<u>1,983,501,619</u>
<b>For the year ended 31 December 2015</b>						
Opening net book amount	622,690,963	1,124,304,823	21,517,663	4,710,920	210,277,250	1,983,501,619
Additions	-	1,590,498	3,515,512	4,070,822	401,998,898	411,175,730
Transfers	17,668,722	107,592,759	-	-	(125,261,481)	-
Disposals, net	-	-	-	-	(4,214,890)	(4,214,890)
Write off, net	(486,640)	(637,041)	(479,063)	(5,995)	-	(1,608,739)
Depreciation charges (Note 13)	(25,713,615)	(174,686,736)	(6,701,633)	(1,023,559)	-	(208,125,543)
Reversal allowance for impairment loss	-	1,573,356	26,300	-	-	1,599,656
Reversal allowance for assets written off	960,379	1,143,944	763,299	-	-	2,867,622
Closing net book amount	<u>615,119,809</u>	<u>1,060,881,603</u>	<u>18,642,078</u>	<u>7,752,188</u>	<u>482,799,777</u>	<u>2,185,195,455</u>
<b>As at 31 December 2015</b>						
Cost	1,067,596,901	4,785,945,219	54,383,097	15,653,863	482,799,777	6,406,378,857
<u>Less</u> Accumulated depreciation	(452,477,092)	(3,708,671,228)	(35,740,989)	(7,901,675)	-	(4,204,790,984)
Allowance for impairment loss	-	(16,392,388)	(30)	-	-	(16,392,418)
Net book amount	<u>615,119,809</u>	<u>1,060,881,603</u>	<u>18,642,078</u>	<u>7,752,188</u>	<u>482,799,777</u>	<u>2,185,195,455</u>

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7 Property, plant and equipment, net (Cont'd)

	Land, land improvements and building Baht	Machinery and equipment Baht	Furniture, fixtures and office equipment Baht	Motor vehicles Baht	Assets under installation Baht	Total Baht
<b>For the year ended 31 December 2016</b>						
Opening net book amount	615,119,809	1,060,881,603	18,642,078	7,752,188	482,799,777	2,185,195,455
Additions	-	362,152	34,098,252	-	450,992,056	485,452,460
Transfers	61,779,098	141,387,963	-	-	(203,287,061)	(120,000)
Disposals, net	-	-	-	(212,323)	(2,370,788)	(2,583,111)
Write off, net	-	-	-	-	(1,737,527)	(1,737,527)
Depreciation charges (Note 13)	(25,922,809)	(171,776,785)	(10,641,974)	(1,020,842)	-	(209,362,410)
Closing net book amount	650,976,098	1,030,854,933	42,098,356	6,519,023	726,396,457	2,456,844,867
<b>As at 31 December 2016</b>						
Cost	1,129,375,999	4,927,695,334	88,481,349	15,441,540	726,396,457	6,887,390,679
Less Accumulated depreciation	(478,399,901)	(3,880,448,013)	(46,382,963)	(8,922,517)	-	(4,414,153,394)
Allowance for impairment loss	-	(16,392,388)	(30)	-	-	(16,392,418)
Net book amount	650,976,098	1,030,854,933	42,098,356	6,519,023	726,396,457	2,456,844,867

Depreciation expense of Baht 209,362,410 has been charged in 'cost of goods sold' of Baht 197,634,371 (2015 : Baht 201,671,736) and in 'selling expenses and administrative expenses' of Baht 11,728,039 (2015 : Baht 6,453,807).

**8 Computer software, net**

	<b>Computer software Baht</b>	<b>Computer software under installation Baht</b>	<b>Total Baht</b>
<b>As at 1 January 2015</b>			
Cost	194,813,244	92,625	194,905,869
<u>Less</u> Accumulated amortisation	(192,845,224)	-	(192,845,224)
Net book value	<u>1,968,020</u>	<u>92,625</u>	<u>2,060,645</u>
<b>For the year ended 31 December 2015</b>			
Opening net book amount	1,968,020	92,625	2,060,645
Write off, net	(24)	-	(24)
Amortisation charges (Note 13)	(865,349)	-	(865,349)
Closing net book amount	<u>1,102,647</u>	<u>92,625</u>	<u>1,195,272</u>
<b>As at 31 December 2015</b>			
Cost	148,611,858	92,625	148,704,483
<u>Less</u> Accumulated amortisation	(147,509,211)	-	(147,509,211)
Net book value	<u>1,102,647</u>	<u>92,625</u>	<u>1,195,272</u>
<b>For the year ended 31 December 2016</b>			
Opening net book amount	1,102,647	92,625	1,195,272
Transfer	212,625	(92,625)	120,000
Amortisation charges (Note 13)	(639,015)	-	(639,015)
Closing net book amount	<u>676,257</u>	<u>-</u>	<u>676,257</u>
<b>As at 31 December 2016</b>			
Cost	148,824,483	-	148,824,483
<u>Less</u> Accumulated amortisation	(148,148,226)	-	(148,148,226)
Net book value	<u>676,257</u>	<u>-</u>	<u>676,257</u>

**9 Trade and other payables**

	<b>2016 Baht</b>	<b>2015 Baht</b>
Trade accounts payable - third parties	557,014,610	580,848,762
Trade accounts payable - related parties (Note 22)	80,159,407	116,962,155
Other payables	128,222,341	100,016,137
Amounts due to related parties (Note 22)	73,528,962	63,441,924
Accrued expenses	161,821,853	152,350,926
Total trade and other payables	<u>1,000,747,173</u>	<u>1,013,619,904</u>

**10 Reserves for savings fund and retirement benefits**

	<b>2016 Baht</b>	<b>2015 Baht</b>
Statements of financial position		
Reserve for savings fund	75,339,527	63,735,185
Reserve for retirement benefits	106,535,865	91,754,070
	<u>181,875,392</u>	<u>155,489,255</u>
Statements of income		
Savings fund	14,716,798	13,365,781
Retirement benefits	9,753,944	13,715,149
	<u>24,470,742</u>	<u>27,080,930</u>

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

	<b>2016 Baht</b>	<b>2015 Baht</b>
At 1 January	155,489,255	156,997,976
Current service cost	20,835,548	21,349,200
Interest cost	3,635,194	5,731,730
Remeasurements:		
(Gain) loss from change in financial assumption	16,374,897	(18,026,681)
Benefits paid	(14,459,502)	(10,562,970)
At 31 December	<u>181,875,392</u>	<u>155,489,255</u>

Of the total charge during the year, Baht 9,118,623 and Baht 15,352,119 (2015 : Baht 10,448,867 and Baht 16,632,063) were included in 'cost of goods sold' and 'selling expenses and administrative expenses', respectively.

The principal of actuarial assumptions used was as follows:

	<b>2016</b>	<b>2015</b>
Discount rate	2.50%	2.50%
Future salary increase rate	3.00%	3.00%
Retirement ages	55 and 60 years	55 and 60 years

	<b>Change in assumption</b>		<b>Impact on defined benefit obligation</b>			
			<b>Increase in assumption</b>		<b>Decrease in assumption</b>	
	<b>2016</b>	<b>2015</b>	<b>2016 Baht</b>	<b>2015 Baht</b>	<b>2016 Baht</b>	<b>2015 Baht</b>
Discount rate	0.50%	0.50%	Decrease by 7,546,204	Decrease by 7,112,860	Increase by 7,845,670	Increase by 7,039,474
Salary growth rate	0.50%	0.50%	Increase by 5,181,844	Increase by 4,726,931	Decrease by 5,160,302	Decrease by 5,046,240

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

**10 Reserves for savings fund and retirement benefits (Cont'd).**

Through its defined retirement benefit plans and post-employment medical plans, the Company is exposed to a number of risks, the most significant of which are detailed below:

Changes in bond yields     A decrease in government bond yields will increase plan liabilities.

Inflation risk                Some of the Company retirement benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation).

The weighted average duration of the defined benefit obligation is 10 years (2015: 10 years).

Expected maturity analysis of undiscounted retirement:

	<b>2016 Baht</b>	<b>2015 Baht</b>
Less than a year	34,172,056	20,163,292
Between 1-2 years	6,517,274	18,222,074
Between 2-5 years	33,630,968	29,701,811
Over 5 years	94,498,228	73,838,026
Total	<u>168,818,526</u>	<u>141,925,203</u>

**11 Share capital and premium on share capital**

	<b>Number of ordinary shares</b>	<b>Share capital Baht</b>	<b>Premium on share capital Baht</b>
At 1 January 2015	7,400,000	74,000,000	92,000,000
Issue of shares	-	-	-
At 31 December 2015	7,400,000	74,000,000	92,000,000
Issue of shares	-	-	-
At 31 December 2016	<u>7,400,000</u>	<u>74,000,000</u>	<u>92,000,000</u>

Share capital represents authorised ordinary shares with a par value of Baht 10 per share (2015 : Baht 10 per share). All issued shares are fully paid.

**12 Legal reserve**

Under the Public Companies Act, B.E. 2535, the Company is required to set aside as a legal reserve at least 5% of profit arisen from the business of the Company after accumulated deficit brought forward (if any) at each dividend declaration until the reserve is not less than 10% of the registered share capital. This reserve is non-distributable.



**13 Expenses by nature**

The following expenditure items, classified by nature, have been charged in arriving at the operating profit:

	<b>2016 Baht</b>	<b>2015 Baht</b>
Raw materials and supplies used	1,420,976,052	1,565,270,502
Changes in inventories of finished goods and work in progress	92,029,694	40,879,407
Staff costs	576,419,253	527,073,688
Depreciation (Note 7)	209,362,410	208,125,543
Amortisation (Note 8)	639,015	865,349
Royalty fee (Note 22)	171,300,561	180,833,071
Management fee (Note 22)	199,805,082	183,385,054
Advertising and promotion expenses	68,273,022	56,909,239

**14 Other income**

	<b>2016 Baht</b>	<b>2015 Baht</b>
Interest income	3,403,565	4,249,910
Others	12,923,646	8,604,492
	<u>16,327,211</u>	<u>12,854,402</u>

**15 Promotional privileges**

The Company has received promotion privileges from the Board of Investment under a promotion certificate issued on 23 January 2008 for manufacturing of rubber compound. The main privileges include exemption of import duty on approved machinery, exemption from certain taxes and duties, including exemption from corporate income tax for a period of 8 years from the date of commencement of the Company's promoted business. As a promoted business, the Company is required to comply with the terms and conditions as specified in the promotion certificate.

For the years ended 31 December 2016 and 2015, there was no revenue derived from BOI-promoted activities.

**16 Deferred income taxes and income tax expenses**

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	<b>2016 Baht</b>	<b>2015 Baht</b>
<b>Deferred tax assets:</b>		
Deferred tax assets to be recovered within 12 months	11,820,080	14,196,586
Deferred tax assets to be recovered after 12 months	45,252,490	39,393,112
	<u>57,072,570</u>	<u>53,589,698</u>
<b>Deferred tax liabilities:</b>		
Deferred tax liabilities to be settled within 12 months	-	-
Deferred tax liabilities to be settled after 12 months	(59,217,813)	(63,126,963)
	<u>(59,217,813)</u>	<u>(63,126,963)</u>
<b>Net deferred income taxes</b>	<u>(2,145,243)</u>	<u>(9,537,265)</u>

The movement of deferred income taxes during the year is as follows:

	<b>2016 Baht</b>	<b>2015 Baht</b>
<b>As at 1 January</b>	(9,537,265)	(10,292,752)
Charged (credited) to profit or loss	4,117,043	4,360,823
Charged (credited) relation to components of other comprehensive income	3,274,979	(3,605,336)
<b>As at 31 December</b>	<u>(2,145,243)</u>	<u>(9,537,265)</u>

The movement in deferred income tax assets and liabilities during the year is as follows:

	<b>Provisions Baht</b>	<b>Depreciation Baht</b>	<b>Others Baht</b>	<b>Total Baht</b>
<b>Deferred tax assets</b>				
At 1 January 2015	52,064,023	-	4,171,939	56,235,962
Charged (credited) to				
- profit or loss	1,852,527	-	(893,455)	959,072
- other comprehensive income	(3,605,336)	-	-	(3,605,336)
At 31 December 2015	50,311,214	-	3,278,484	53,589,698
Charged (credited) to				
- profit or loss	207,893	-	-	207,893
- other comprehensive income	3,274,979	-	-	3,274,979
At 31 December 2016	<u>53,794,086</u>	<u>-</u>	<u>3,278,484</u>	<u>57,072,570</u>
<b>Deferred tax liabilities</b>				
At 1 January 2015	-	(66,528,714)	-	(66,528,714)
Charged (credited) to				
profit or loss	-	3,401,751	-	3,401,751
At 31 December 2015	-	(63,126,963)	-	(63,126,963)
Charged (credited) to				
profit or loss	-	3,909,150	-	3,909,150
At 31 December 2016	<u>-</u>	<u>(59,217,813)</u>	<u>-</u>	<u>(59,217,813)</u>
<b>Deferred income tax, net</b>	<u>53,794,086</u>	<u>(59,217,813)</u>	<u>3,278,484</u>	<u>(2,145,243)</u>

**16 Deferred income taxes and income tax expenses (Cont'd)**

The Company only recognised those deferred tax assets that in management's judgment is more likely that the deferred tax assets will be realised, due to the operating profits generated by the Company's operations. As at 31 December 2016, the Company had no tax loss carry forwards.

**Income tax**

	<b>2016 Baht</b>	<b>2015 Baht</b>
Current tax	80,457,542	102,006,033
Deferred tax	(4,117,043)	(4,360,823)
Total tax expenses	<u>76,340,499</u>	<u>97,645,210</u>

The difference between income tax expenses computed at statutory tax rates 20% (2015 : 20%) and income tax expenses provided is as follows:

	<b>2016 Baht</b>	<b>2015 Baht</b>
Profit before income tax	355,854,836	483,129,806
Income tax at statutory tax rates	71,170,967	96,625,961
Expenses not deductible for tax purposes	683,760	751,134
Current year temporary effects not for deferred tax	2,850,204	(2,441,331)
Adjustment in respect of prior year	1,635,568	2,709,446
Income tax expenses	<u>76,340,499</u>	<u>97,645,210</u>

**17 Basic earnings per share**

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	<b>2016</b>	<b>2015</b>
Net profit attributable to shareholders (Baht)	279,514,337	385,484,596
Weighted average of issued ordinary shares during the year (Shares)	7,400,000	7,400,000
Basic earnings per share (Baht)	37.77	52.09

There are no dilutive potential ordinary shares in issue during the years presented.

**18 Dividends paid**

At the Annual General Meeting of the Shareholders held on 26 April 2016, dividends in respect of the operating results and retained earnings of 2015 were declared at Baht 20 per share, totalling Baht 148 million. The dividend payment was paid on 25 May 2016.

At the Annual General Meeting of the Shareholders held on 28 April 2015, dividends in respect of the operating results and retained earnings of 2014 were declared at Baht 20 per share, totalling Baht 148 million. The dividend payment was paid on 27 May 2015.

## **19 Cash flows from operating activities**

Reconciliation of net profit before income tax to cash flows from operating activities:

	<b>Notes</b>	<b>2016 Baht</b>	<b>2015 Baht</b>
Net profit before income tax		355,854,836	483,129,806
Adjustments for:			
Allowance for doubtful accounts (reversal)	5	1,482,000	(1,335,025)
Allowance for defective inventories (reversal)	6	198,170	(2,978,401)
Depreciation	7	209,362,410	208,125,543
Gains on disposals of equipment		844,911	740,208
Write off equipment	7	1,737,527	1,608,739
Impairment loss of assets (reversal)	7	-	(4,467,278)
Write off computer software	8	-	24
Amortisation	8	639,015	865,349
Interest income	14	(3,403,565)	(4,249,910)
Unrealised (gains) loss on exchange rate		(17,492,707)	(60,846,963)
Changes in operating assets and liabilities:			
- trade and other receivables		66,926,286	(131,519,066)
- inventories		(132,256,618)	66,113,492
- refundable value added tax		(56,604,444)	(44,400,234)
- other current assets		689,662	3,574,412
- other non-current assets		103,162	513,161
- trade and other payables		(95,429,458)	156,961,356
- accrued withholding tax		9,068,511	(9,818,693)
- other current liabilities		1,938,849	(7,650,908)
- reserves for savings fund and retirement benefits, net of payment		10,011,240	16,517,960
Cash generated from operations		353,669,787	670,883,572
Interest received		3,403,565	4,249,910
Income taxes paid		(91,487,012)	(85,349,516)
Net cash generated from operating activities		265,586,340	589,783,966

## **20 Financial instruments**

The principal financial risks faced by the Company are exchange rate risk, interest rate risk and credit risk. Exchange rate risk results from the Company's export sales and import purchases. Interest rate risk relates to the deposits of cash and cash equivalents in financial institutions and other investments. Credit risk arises when sales are made on deferred credit terms and in respect of deposits with financial institutions.

### **i) Exchange rate risk**

The Company has no policy to use financial derivatives to locally manage the risks arising from fluctuations in currency exchange rates. However, management may consider the use of foreign currency forward contract to hedge, on a case by case basis, the risks arising from fluctuations in currency exchange rates.

The Company has no open forward exchange contracts at 31 December 2016.

**20 Financial instruments (Cont'd)**

**ii) Interest rate risk**

The Company earns interest on cash and cash equivalents, and short-term investment. The Company manages its interest rate risks by placing cash, cash equivalents and investments on various maturities and interest rates.

**iii) Credit risk**

Concentrations of credit risk with respect to trade accounts receivable are limited since the Company has large number of customers, covering manufacturing, distribution and end customers. Management believes that no additional credit risk apart from the amounts provided for collection losses in the Company's trade accounts receivable.

The Company does not expose to certain concentration of credit risk relating to its cash and cash equivalents. The Company places its cash with several high quality institutions. The Company's policy is not to invest with any one institution but invest with various institutions. The Company places its excess cash in low risk accounts, high credit quality accounts that matured 90 days. The Company has not experienced any losses on such accounts.

**iv) Fair values**

The carrying amounts of the following financial assets and financial liabilities approximate to their fair values: cash and cash equivalents, trade accounts receivable and payable, amounts due from and to related parties, other receivables and payable which are current assets and current liabilities.

**v) Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

**21 Commitments**

**Bank guarantees**

As at 31 December 2016, the Company had commitments in respect of bank guarantees amounting to Baht 18.7 million and US Dollar 10,000 (2015: Baht 18.7 million and US Dollar 10,000).

**Restricted short-term investment**

As at 31 December 2016, the Company pledged its short-term investment to a bank in the form of savings accounts amounting to Baht 65 million (2015: Baht 82 million), in respect of banking facilities related to sales of goods.

**Capital commitments**

As at 31 December 2016, the Company has outstanding capital commitments in respect of the investment of machinery and equipment totalling Baht 34.73 million (2015: Baht 43.79 million).

**21 Commitments (Cont'd)**

**Operating lease commitments - where the Company is the lessee**

The future minimum lease payments under non-cancellable operating leases in respect of motor vehicles and office equipment are as follows:

	<b>2016 Baht</b>	<b>2015 Baht</b>
Not later than 1 year	8,076,971	8,628,543
Later than 1 year and not later than 5 years	5,867,216	8,292,072
	<u>13,944,187</u>	<u>16,920,615</u>

**22 Related party transactions**

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

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

The Company is controlled by The Goodyear Tire & Rubber Company (registered and located in the USA), which owns 66.79% of the Company's issued shares. The remaining 33.21% of the shares are widely held.

The following material transactions were carried out with related parties:

**i) Sales of goods**

	<b>2016 Baht</b>	<b>2015 Baht</b>
Sales of finished goods:		
Parent company	406,423,492	400,113,547
Related parties - same common control	1,642,592,056	1,837,691,655
	<u>2,049,015,548</u>	<u>2,237,805,202</u>
Sales of assets and spare parts:		
Related parties - same common control	4,267,109	6,726,178
	<u>4,267,109</u>	<u>6,726,178</u>

**22 Related party transactions (Cont'd)**

The following material transactions were carried out with related parties: (Cont'd)

**ii) Purchases of goods and services**

	<b>2016 Baht</b>	<b>2015 Baht</b>
Purchases of raw materials and finished goods:		
Parent company	132,144,468	114,326,704
Related parties - same common control	361,907,849	250,559,418
	<u>494,052,317</u>	<u>364,886,122</u>
Purchases of machinery and spare parts:		
Parent company	22,544,473	11,042,677
Related parties - same common control	9,509,164	81,741,868
	<u>32,053,637</u>	<u>92,784,545</u>
Royalty fee:		
Parent company	171,300,561	180,833,071
Production service fee:		
Parent company	31,096,444	36,198,914
Management fee:		
Related parties - same common control	199,805,082	183,385,054

**iii) Outstanding balances arising from sales/purchases of goods/services**

	<b>2016 Baht</b>	<b>2015 Baht</b>
Trade accounts receivables - related parties:		
Parent company	138,563,852	102,605,672
Related parties - same common control	375,219,844	458,163,396
	<u>513,783,696</u>	<u>560,769,068</u>
Amounts due from related parties:		
Parent company	1,382,208	1,265,895
Related parties - same common control	34,851,840	19,765,220
	<u>36,234,048</u>	<u>21,031,115</u>
Trade accounts payables - related parties:		
Parent company	30,510,245	16,238,451
Related parties - same common control	49,649,162	100,723,704
	<u>80,159,407</u>	<u>116,962,155</u>
Amounts due to related parties:		
Parent company	41,123,209	37,621,411
Related parties - same common control	32,405,753	25,820,513
	<u>73,528,962</u>	<u>63,441,924</u>

**22 Related party transactions (Cont'd)**

The following material transactions were carried out with related parties: (Cont'd)

**iv) Directors' and key management's compensation**

	<b>2016 Baht</b>	<b>2015 Baht</b>
Salaries and other short-term employee benefits	37,966,451	38,503,768
Savings fund and retirement benefits	9,940,881	8,231,469
	<u>47,907,332</u>	<u>46,735,237</u>

**23 Segment information**

The Company operates in the business segments, which are ground tires and aero tires. The Company has manufacturing facilities in Thailand. The Company reports its segment information as distribution market in domestic and overseas markets. Aero tires are principally export based products and domestic sales are not significant. Management believes that no material difference exists in making an assessment of the Company's past performance and in making informed judgments about the Company as a whole if either the business segments or the geographical segments is presented. Therefore, the Company is reporting geographical segments information based on location of its market, as a single reporting format. Segments information is reported to Managing Director for the purpose of assessment of operating performance by considering from profit before income tax expense.

	<b>Domestic sales Baht</b>	<b>Export sales Baht</b>	<b>Total Baht</b>
<b>Year ended 31 December 2016</b>			
Sales	<u>1,843,625,422</u>	<u>2,054,577,935</u>	<u>3,898,203,357</u>
Segment gross profit	<u>584,505,044</u>	<u>308,567,660</u>	893,072,704
Unallocated costs/other income, net			(537,217,868)
Profit before income tax expense			<u>355,854,836</u>
<b>Year ended 31 December 2015</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Sales	<u>1,738,092,296</u>	<u>2,232,483,734</u>	<u>3,970,576,030</u>
Segment gross profit	<u>528,414,214</u>	<u>333,657,235</u>	862,071,449
Unallocated costs/other income, net			(378,941,643)
Profit before income tax expense			<u>483,129,806</u>