

GOODYEAR (THAILAND) PUBLIC COMPANY LIMITED

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2018

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 2018, 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

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2018;
- the statement of income for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include 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: *Appropriateness of capitalisation of factory, 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
<p>Appropriateness of capitalisation of factory, machinery and equipment</p> <p>During 2018, the Company recorded additions in assets under construction and installation of Baht 731 million. These mostly relate to the construction of a radial aviation tyre factory and the acquisition of new machinery and equipment to expand production capacity. There are other expenses related to the construction of this factory; for example, costs related to machine testing during installation and factory construction. The management need to use their judgment and consider whether these expenses should be capitalised as costs of assets under Thai Accounting Standard No. 16, Property, plant and equipment.</p> <p>Determining whether this expenditure is considered costs of assets or expenses relies on management's judgment. Also, the factory construction is not a recurring event, but it does involve a significant amount of money. Therefore, there is a risk of errors in the accounting, which might have a significant impact on the operating result.</p>	<p>I tested the capitalised costs of factory, machinery and other expenses related to the construction of this factory, for example, costs related to machine testing during installation and factory construction, to assess whether the Company appropriately recognised these transactions in accordance with Thai Accounting Standard No. 16, Property, plant and equipment.</p> <p>My testing, on a sample basis, consisted of examining the supporting documents and challenging responsible management and staff. This is to assess whether these expenses were actual direct costs and whether they were appropriately recognised as costs of assets.</p> <p>Based on the procedures I performed, I determine that the costs of assets under construction and installation were appropriately recognised.</p>

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 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 the 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.

Chaisiri Ruangritchai

Certified Public Accountant (Thailand) No. 4526

Bangkok

21 February 2019

Goodyear (Thailand) Public Company Limited
Statements of Financial Position
As at 31 December 2018

		31 December 2018 Baht	31 December 2017 Baht
	Notes		
Assets			
Current assets			
Cash and cash equivalents	4	198,977,897	192,878,223
Trade and other receivables, net	5	707,033,352	915,176,194
Inventories, net	6	913,026,812	853,488,992
Refundable value added tax within one year		223,710,580	90,277,783
Other current assets		3,204,059	5,516,992
Total current assets		2,045,952,700	2,057,338,184
Non-current assets			
Property, plant and equipment, net	7	3,873,494,262	3,429,151,177
Computer software, net	8	424,166	599,789
Deferred tax assets	18	23,074,524	8,075,515
Refundable value added tax, net		171,839,209	175,882,525
Other non-current assets		9,381,317	4,944,425
Total non-current assets		4,078,213,478	3,618,653,431
Total assets		6,124,166,178	5,675,991,615

Director Director

The accompanying notes on pages 11 to 36 are an integral part of these financial statements.

Goodyear (Thailand) Public Company Limited
Statements of Financial Position
As at 31 December 2018

		31 December 2018 Baht	31 December 2017 Baht
	Notes		
Liabilities and equity			
Current liabilities			
Short-term loan from a financial institution	9	165,000,000	-
Trade and other payables	10	1,132,885,469	1,421,450,152
Withholding tax payables		20,392,705	14,122,623
Current income tax payable		9,081,112	39,259,072
Other current liabilities		4,987,713	5,317,213
Total current liabilities		1,332,346,999	1,480,149,060
Non-current liabilities			
Long-term loan from a financial institution	11	687,670,960	-
Employee benefit obligations	12	244,608,761	187,768,315
Total non-current liabilities		932,279,721	187,768,315
Total liabilities		2,264,626,720	1,667,917,375
Equity			
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	13	74,000,000	74,000,000
Premium on share capital	13	92,000,000	92,000,000
Retained earnings			
Appropriated - Legal reserve	14	7,400,000	7,400,000
Unappropriated		3,686,139,458	3,834,674,240
Total equity		3,859,539,458	4,008,074,240
Total liabilities and equity		6,124,166,178	5,675,991,615

The accompanying notes on pages 11 to 36 are an integral part of these financial statements.

Goodyear (Thailand) Public Company Limited
Statements of Income
For the year ended 31 December 2018

	Notes	2018 Baht	2017 Baht
Sales	25	3,858,845,069	4,000,311,036
Cost of sales		<u>(3,259,162,168)</u>	<u>(3,227,379,157)</u>
Gross profit		599,682,901	772,931,879
Other income	16	8,302,712	9,128,024
Selling expenses		(382,434,174)	(403,565,325)
Administrative expenses		(171,990,066)	(155,151,042)
Exchange loss, net		<u>(6,382,991)</u>	<u>(45,834,807)</u>
Profit before finance cost and income tax		47,178,382	177,508,729
Finance costs		<u>(345,566)</u>	<u>-</u>
Profit before income tax		46,832,816	177,508,729
Income tax	18	<u>(13,028,095)</u>	<u>(39,464,385)</u>
Net profit for the year		<u><u>33,804,721</u></u>	<u><u>138,044,344</u></u>
 Basic earnings per share (Baht)	 19		
Net profit for the year		<u><u>4.57</u></u>	<u><u>18.65</u></u>

The accompanying notes on pages 11 to 36 are an integral part of these financial statements.

Goodyear (Thailand) Public Company Limited
Statements of Comprehensive Income
For the year ended 31 December 2018

	Notes	2018 Baht	2017 Baht
Net profit for the year		<u>33,804,721</u>	<u>138,044,344</u>
Item that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	12	(42,924,379)	(6,994,253)
Income tax on item that will not be reclassified to profit or loss	18	<u>8,584,876</u>	<u>1,398,851</u>
Total comprehensive income (loss) for the year		<u><u>(534,782)</u></u>	<u><u>132,448,942</u></u>

The accompanying notes on pages 11 to 36 are an integral part of these financial statements.

Goodyear (Thailand) Public Company Limited
Statements of Changes in Equity
For the year ended 31 December 2018

	Note	Issued and paid-up share capital Baht	Premium on share capital Baht	Retained earnings		Total Baht
				Legal reserve Baht	Unappropriate Baht	
Beginning balance as at 1 January 2017		74,000,000	92,000,000	7,400,000	3,850,225,298	4,023,625,298
Changes in equity for the year						
Total comprehensive income for the year		-	-	-	132,448,942	132,448,942
Dividends paid	20	-	-	-	(148,000,000)	(148,000,000)
Ending balance as at 31 December 2017		<u>74,000,000</u>	<u>92,000,000</u>	<u>7,400,000</u>	<u>3,834,674,240</u>	<u>4,008,074,240</u>
Beginning balance as at 1 January 2018		74,000,000	92,000,000	7,400,000	3,834,674,240	4,008,074,240
Changes in equity for the year						
Total comprehensive income (loss) for the year		-	-	-	(534,782)	(534,782)
Dividends paid	20	-	-	-	(148,000,000)	(148,000,000)
Ending balance as at 31 December 2018		<u>74,000,000</u>	<u>92,000,000</u>	<u>7,400,000</u>	<u>3,686,139,458</u>	<u>3,859,539,458</u>

The accompanying notes on pages 11 to 36 are an integral part of these financial statements.

Goodyear (Thailand) Public Company Limited
Statements of Cash Flows
For the year ended 31 December 2018

	Notes	2018 Baht	2017 Baht
Cash flows generated from operating activities	21	303,759,112	220,863,204
Cash flows from investing activities			
Restricted short-term investment		-	65,000,000
Purchases of plant and equipment		(1,006,894,861)	(956,890,746)
Purchases of computer software	8	-	(485,000)
Proceeds from disposals of equipment		2,639,965	1,317,937
Net cash used in investing activities		(1,004,254,896)	(891,057,809)
Cash flows from financing activities			
Net cash receipts from short-term loan from a financial institution		165,000,000	-
Cash receipts from long-term loan from a financial institution	11	692,113,430	-
Dividends paid to shareholders	20	(148,000,000)	(148,000,000)
Net cash receipts from (used in) financing activities		709,113,430	(148,000,000)
Net increase (decrease) in cash and cash equivalents		8,617,646	(818,194,605)
Cash and cash equivalents at the beginning of the year		192,878,223	1,011,225,314
Exchange loss on cash and cash equivalents		(2,517,972)	(152,486)
Cash and cash equivalents at the end of the year	4	198,977,897	192,878,223
Non-cash transactions			
Payable from purchases of property and equipment	10	172,513,261	446,617,790

The accompanying notes on pages 11 to 36 are an integral part of these financial statements.

1 General information

Goodyear (Thailand) Public Company Limited (“the Company”) is a public limited company which is listed on the Stock Exchange of Thailand and is incorporated and domiciled 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 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 21 February 2019.

2 Accounting policies

The principal accounting policies applied 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-language 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 Revised financial reporting standards

2.2.1 Revised financial reporting standards are effective for annual periods beginning on or after 1 January 2018 which are relevant to the Company.

TAS 7 (revised 2017)	Statement of cash flows
TAS 12 (revised 2017)	Income taxes

TAS 7 (revised 2017), the amendments require additional disclosure of changes in liabilities arising from financing activities. This includes changes arising from cash and non-cash.

2 Accounting policies (Continued)

2.2 Revised financial reporting standards (Continued)

2.2.1 Revised financial reporting standards are effective for annual periods beginning on or after 1 January 2018 which have significant changes and are relevant to the Company. (Continued)

TAS 12 (revised 2017), the amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.
- An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit.
- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.
- Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profits.

The management assessed and considered that the above revised standards will not have a material impact on the Company.

2.2.2 New and revised financial reporting standards and interpretation which have been issued but not yet effective.

2.2.2.1 The FAP has issued new standard, TFRS15 Revenue from contracts with customers. This standard will become effective for annual periods beginning on or after 1 January 2019. The Company has not early adopted this standard.

TFRS 15 provide the requirements for the recognition of revenue. This standard will supersede the following standards:

TAS 11 (revised 2017)	Construction Contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

Entities will have a choice to apply this standard retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, subject to the expedients or retrospectively with the cumulative effect recognised as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application with additional disclosures.

2 Accounting policies (Continued)

2.2 Revised financial reporting standards (Continued)

2.2.2 New and revised financial reporting standards and interpretation which have been issued but not yet effective. (Continued)

2.2.2.2 Revised financial reporting standards will become effect for annual periods beginning on or after 1 January 2019 and are relevant to the Group. The Group has not yet adopt these standards.

TFRIC 22 Foreign Currency Transactions and Advance Consideration

The TFRIC 22 interpretation provides guidance for determining the exchange rate to be used on the initial recognition of a related asset, expense or income where an entity pays or receives an advance consideration in a foreign currency. The interpretation requires an entity to use the exchange rate at the date on which an entity recognises the non-monetary assets, such as prepayments and advances, or non-monetary liability, such as deferred income arising from the advance consideration. If there are multiple advance payments or receipts of payments, the exchange rate is to be used on the date when each non-monetary asset or liability is recognised.

2.2.2.3 The group of financial reporting standards related to financial instruments is effective for annual periods beginning on or after 1 January 2020. They comprise accounting standards and financial reporting standards as shown below. The early application is permitted only for the period beginning on or after 1 January 2019.

TAS 32	Financial Instruments: Presentation
TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments
TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The above new standards and interpretations will supersede the following standards:

TAS 101	Bad and Doubtful Debts
TAS 103	Disclosures in the Financial Statements of Bank and Similar Financial Institutions
TAS 104	Accounting for Troubled Debt Restructuring
TAS 105	Accounting for Investment in Debts and Equity securities
TAS 106	Accounting for Investment Companies
TAS 107	Financial Instruments: Disclosure and Presentation

TAS 32 Financial Instruments: Presentation, provides the requirements for the presentation financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset.

TFRS 7 Financial Instruments: Disclosures, provides the requirements for the disclosure that are intended to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, and to understand the nature and extent of risks arising from those financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

2 Accounting policies (Continued)

2.2 Revised financial reporting standards (Continued)

2.2.2 New and revised financial reporting standards and interpretation which have been issued but not yet effective. (Continued)

2.2.2.3 The group of financial reporting standards related to financial instruments is effective for annual periods beginning on or after 1 January 2020. They comprise accounting standards and financial reporting standards as shown below. The early application is permitted only for the period beginning on or after 1 January 2019. (Continued)

TFRS 9 Financial Instruments establishes principles for the classification, measurement and derecognition of financial assets and financial liabilities, impairment requirement and hedge accounting as follow:

- Classification and measurement:
 - The classification and measurement of debt instrument financial assets has three classification categories, which are amortised cost, fair value through profit or loss and fair value through other comprehensive income. Classification of debt assets will be driven by the entity's business model for managing the financial assets and contractual cash flows characteristics of the financial assets.
 - Equity instrument financial assets shall be measured at fair value through profit or loss. An entity can make an irrevocable election to recognise the fair value change in other comprehensive income without subsequent recycling to profit or loss.
 - Financial liabilities are classified and measured at amortised cost. An entity can choose to measure a liability at fair value through profit or loss when the conditions are met.
 - Derivatives are classified and measured at fair value through profit or loss.
- The impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets measured at amortised cost, investments in debt instruments measured at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts. It is no longer necessary for a credit event to have occurred before credit losses are recognised. The entity always accounts for expected credit losses which involves a three stage approach. The stage dictates how the entity measures impairment losses and applies the effective interest rate method. Except for trade receivables and contractual assets which apply in TFRS 15 and are no significant financial components and lease receivables, they are permitted to measure by simplified approach for credit-impaired consideration.
- The objective of hedge accounting is to represent, in the financial statements, the effect of an entity's risk management activities that use financial instruments to manage exposures arising from particular risks that could affect profit or loss (or other comprehensive income, in the case of investments in equity instruments for which an entity has elected to present changes in fair value in other comprehensive income). This approach aims to convey the context of hedging instruments for which hedge accounting is applied in order to allow insight into their purpose and effect.

The Company's management is currently assessing the impact of initial adoption of these standards.

2 Accounting policies (Continued)

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 presentation currencies.

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 and other receivables and other financial assets. Financial liabilities carried on the statement of financial position include trade and other payables 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 22.

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 receivable

Trade receivable are carried 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 Accounting policies (Continued)

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 based on normal capacity. It excludes borrowing costs. Net realisable value is the estimate of the selling price in the ordinary course of business, less applicable variable selling expenses. Allowance is made, where necessary, for obsolete, slow-moving and defective inventories.

2.8 Property, plant and equipment

Land is stated at historical cost less allowance for impairment. Other property, plant and equipment are stated at historical cost less accumulated depreciation. 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.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, 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/expenses in the statement of income.

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 Accounting policies (Continued)

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 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 property, plant and 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.

2.12 Borrowings

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

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as expense in the period in which they are incurred.

2 Accounting policies (Continued)

2.13 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.

2.14 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 (Continued)

2.15 Provisions

Provisions (excluding employee benefits) 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 the amount has been reliably estimated. Provisions are not recognised for future operating.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.16 Share capital

Ordinary shares with discretionary dividends are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and service in the ordinary course of the Company's activities. Revenue is shown net of value added tax, returns, 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 accrual basis using the effective interest method. Other income is recognised on an accrual basis.

2.18 Dividends distribution

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.

2.19 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, and judgments

Estimates 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 affect 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 affect to the recoverable amount or impairment.

Capitalisation of factory, machinery and equipment

The capitalisation of factory, machinery and equipment includes purchases of new machinery and equipment and other expenses related to the construction. This requires management's judgment to consider whether these expenses should be capitalised as cost of assets under Thai Accounting Standard No. 16, Property, plant and equipment.

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, including 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 interest rate 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 12.

4 Cash and cash equivalents

	2018 Baht	2017 Baht
Cash on hand	250,000	250,000
Deposits held at banks - current accounts	37,529,690	28,304,418
- savings accounts	161,198,207	164,323,805
	<u>198,977,897</u>	<u>192,878,223</u>

As at 31 December 2018, the weighted average interest rate of savings accounts was 0.23% per annum (2017: 0.35% per annum).

5 Trade and other receivables, net

	2018 Baht	2017 Baht
Trade receivables - third parties	195,934,860	278,304,003
<u>Less</u> Allowance for doubtful accounts	(8,389,118)	(35,245,120)
	187,545,742	243,058,883
Trade receivables - related parties (Note 24)	398,701,934	539,003,646
Amounts due from related parties (Note 24)	102,830,821	85,626,068
Prepayments	6,841,978	4,932,575
Advance payments	4,921,086	2,314,697
Other receivables	6,191,791	40,240,325
Total trade and other receivables, net	<u>707,033,352</u>	<u>915,176,194</u>

Outstanding trade receivables - third parties can be analysed as follows:

	2018 Baht	2017 Baht
Not yet due	176,694,956	237,039,015
Up to 3 months	10,780,678	5,392,416
3 - 12 months	7,649,803	4,076,744
Over 12 months	809,423	31,795,828
	195,934,860	278,304,003
<u>Less</u> Allowance for doubtful accounts	(8,389,118)	(35,245,120)
	<u>187,545,742</u>	<u>243,058,883</u>

Outstanding trade receivables - related parties can be analysed as follows:

	2018 Baht	2017 Baht
Not yet due	381,822,072	513,373,743
Up to 3 months	16,345,381	21,465,870
3 - 12 months	410,663	3,223,690
Over 12 months	123,818	940,343
	<u>398,701,934</u>	<u>539,003,646</u>

6 Inventories, net

	2018 Baht	2017 Baht
Raw materials	237,506,443	190,887,632
Spare parts	243,559,339	256,024,681
Work in progress	53,520,637	38,209,214
Finished goods	238,689,186	282,047,032
Goods in transits	163,812,134	99,973,080
	937,087,739	867,141,639
<u>Less</u> Provision for net realisable value and obsolescence		
- spare parts	(17,014,611)	(8,008,629)
- finished goods	(7,046,316)	(5,644,018)
Total inventories, net	<u>913,026,812</u>	<u>853,488,992</u>

The cost of inventories recognised as expense and included in 'cost of sales' amounted to Baht 3,274,808,022 (2017: Baht 3,233,550,494).

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For the year ended 31 December 2018

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 construction and installation Baht	Total Baht
As at 1 January 2017						
Cost	1,129,375,999	4,927,695,334	88,481,349	15,441,540	726,396,457	6,887,390,679
<u>Less</u> 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	<u>650,976,098</u>	<u>1,030,854,933</u>	<u>42,098,356</u>	<u>6,519,023</u>	<u>726,396,457</u>	<u>2,456,844,867</u>
For the year ended 31 December 2017						
Opening net book amount	650,976,098	1,030,854,933	42,098,356	6,519,023	726,396,457	2,456,844,867
Additions	-	-	-	-	1,223,358,462	1,223,358,462
Transfers	55,266,432	515,115,906	2,343,298	-	(573,210,636)	(485,000)
Disposals, net	-	(943,471)	-	-	-	(943,471)
Write off, net	-	(6,079,371)	-	-	-	(6,079,371)
Impairment loss	-	(7,750,339)	-	-	-	(7,750,339)
Depreciation charges (Note 15)	(28,929,467)	(193,258,805)	(12,634,420)	(971,279)	-	(235,793,971)
Closing net book amount	<u>677,313,063</u>	<u>1,337,938,853</u>	<u>31,807,234</u>	<u>5,547,744</u>	<u>1,376,544,283</u>	<u>3,429,151,177</u>
As at 31 December 2017						
Cost	1,184,642,431	5,435,788,398	90,824,647	15,441,540	1,376,544,283	8,103,241,299
<u>Less</u> Accumulated depreciation	(507,329,368)	(4,073,706,818)	(59,017,383)	(9,893,796)	-	(4,649,947,365)
Allowance for impairment loss	-	(24,142,727)	(30)	-	-	(24,142,757)
Net book amount	<u>677,313,063</u>	<u>1,337,938,853</u>	<u>31,807,234</u>	<u>5,547,744</u>	<u>1,376,544,283</u>	<u>3,429,151,177</u>

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7 Property, plant and equipment, net (Continued)

	Land, land improvements and building Baht	Machinery and equipment Baht	Furniture, fixtures and office equipment Baht	Motor vehicles Baht	Construction in progress and assets under installation Baht	Total Baht
For the year ended 31 December 2018						
Opening net book amount	677,313,063	1,337,938,853	31,807,234	5,547,744	1,376,544,283	3,429,151,177
Additions	-	-	1,373,369	-	731,416,963	732,790,332
Transfers	359,346,423	1,106,537,452	-	-	(1,465,883,875)	-
Disposals, net	-	(2,239,330)	-	-	-	(2,239,330)
Write off, net	-	(1,377,284)	-	-	-	(1,377,284)
Impairment loss	-	(18,646,709)	-	-	-	(18,646,709)
Depreciation charges (Note 15)	(35,643,647)	(218,606,095)	(11,120,016)	(814,166)	-	(266,183,924)
Closing net book amount	<u>1,001,015,839</u>	<u>2,203,606,887</u>	<u>22,060,587</u>	<u>4,733,578</u>	<u>642,077,371</u>	<u>3,873,494,262</u>
As at 31 December 2018						
Cost	1,543,988,854	6,536,224,533	92,198,016	15,441,540	642,077,371	8,829,930,314
Less Accumulated depreciation	(542,973,015)	(4,289,828,210)	(70,137,399)	(10,707,962)	-	(4,913,646,586)
Allowance for impairment loss	-	(42,789,436)	(30)	-	-	(42,789,466)
Net book amount	<u>1,001,015,839</u>	<u>2,203,606,887</u>	<u>22,060,587</u>	<u>4,733,578</u>	<u>642,077,371</u>	<u>3,873,494,262</u>

Depreciation expense of Baht 266,183,924 has been charged in 'cost of goods sold' of Baht 246,223,723 (2017: Baht 218,774,790) and in 'selling expenses and administrative expenses' of Baht 19,960,201 (2017: Baht 17,019,181).

The impairment charge of Baht 18.65 million was made during the year because the assets have not been used. The Company set up the provision for impairment loss in full amount.

Borrowing costs of Baht 5.40 million were capitalised during the year and are included in "additions". A capitalisation rate of 4.67% per annum was used, which was the actual borrowing cost of the loan.

8 Computer software, net

	Baht
As at 1 January 2017	
Cost	148,824,483
<u>Less</u> Accumulated amortisation	<u>(148,148,226)</u>
Net book value	<u>676,257</u>
For the year ended 31 December 2017	
Opening net book amount	676,257
Transfer	485,000
Amortisation charges (Note 15)	<u>(561,468)</u>
Closing net book amount	<u>599,789</u>
As at 31 December 2017	
Cost	149,309,483
<u>Less</u> Accumulated amortisation	<u>(148,709,694)</u>
Net book value	<u>599,789</u>
For the year ended 31 December 2018	
Opening net book amount	599,789
Amortisation charges (Note 15)	<u>(175,623)</u>
Closing net book amount	<u>424,166</u>
As at 31 December 2018	
Cost	149,309,483
<u>Less</u> Accumulated amortisation	<u>(148,885,317)</u>
Net book value	<u>424,166</u>

9 Short-term loan from a financial institution

As at 31 December 2018, the Company had a promissory note of Baht 165,000,000 with a financial institution in Thailand, bearing interest rate of 2.70% per annum. The outstanding principal and interest are due for payable on 3 January 2019.

10 Trade and other payables

	2018 Baht	2017 Baht
Trade payables - third parties	619,336,316	590,539,575
Trade payables - related parties (Note 24)	118,748,773	95,844,643
Amounts due to related parties (Note 24)	48,703,261	64,682,157
Payables from purchases of property and equipment - third parties	127,624,381	286,517,458
Payables from purchases of property and equipment - related parties (Note 24)	44,888,880	160,100,332
Accrued expenses	<u>173,583,858</u>	<u>223,765,987</u>
Total trade and other payables	<u>1,132,885,469</u>	<u>1,421,450,152</u>

11 Long-term loan from a financial institution

The movements of a long-term loan from a financial institution during the year can be analysed as follows:

For the year ended 31 December	2018 Baht	2017 Baht
Opening balance	-	-
Addition	692,113,430	-
Unrealised gain on foreign exchange rate	(4,442,470)	-
Closing balance	<u>687,670,960</u>	<u>-</u>

In May 2018, the Company entered into a long-term loan facility agreement of USD 21 million with a financial institution in Thailand for operation and construction of factory. This long-term loan shall be repaid within 72 months from the first drawdown date. The loan bears interest between BIBOR plus 2.40% per annum and LIBOR plus 2.80% per annum. The parent company issued a comfort letter in favour of the financial institution, confirming it did not intend to take any action to sell or otherwise voluntarily dispose of its shares or substantial assets in the Company. The comfort letter also stated that the parent company does not and will not guarantee any obligation of, or in any other manner assure the performance of any obligation by, the Company to the financial institution.

The effective interest rate at the statements of financial position date was 4.86% per annum.

The fair value of current borrowings equal their carrying amount, as the impact of discounting is not significant.

Maturity of a long-term loan is as follows:

As at 31 December	2018 Baht	2017 Baht
Within 1 year	-	-
Between 1 and 5 years	644,691,525	-
Over 5 years	42,979,435	-
Closing balance	<u>687,670,960</u>	<u>-</u>

As at 31 December 2018, the unused loan facility is Baht 3.70 million.

12 Employee benefit obligations

	2018 Baht	2017 Baht
Statements of financial position		
Reserve for savings fund	92,193,493	76,973,592
Reserve for retirement benefits	152,415,268	110,794,723
	<u>244,608,761</u>	<u>187,768,315</u>
Statements of income		
Savings fund	18,643,810	14,704,718
Retirement benefits	12,431,299	10,963,138
	<u>31,075,109</u>	<u>25,667,856</u>

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

	2018 Baht	2017 Baht
At 1 January	187,768,315	181,875,392
Current service cost	26,580,563	21,593,241
Interest cost	4,494,546	4,074,615
Remeasurements:		
Loss from change in demographic assumption	-	538,308
Loss from change in financial assumption	-	6,455,945
Experience loss	42,924,379	-
Benefits paid	(17,159,042)	(26,769,186)
At 31 December	<u>244,608,761</u>	<u>187,768,315</u>

The principal of actuarial assumptions used was as follows:

	2018	2017
Discount rate	2.50%	2.50%
Salary increase rate	3.00%	3.00%
Retirement ages	55 and 60 years	55 and 60 years

	Change in assumption		Impact on defined benefit obligation			
			Increase in assumption		Decrease in assumption	
	2018	2017	2018 Baht	2017 Baht	2018 Baht	2017 Baht
Discount rate	0.50%	0.50%	Decrease by 11,051,383	Decrease by 11,943,091	Increase by 10,444,809	Increase by 8,652,813
Salary increase rate	0.50%	0.50%	Increase by 8,327,628	Increase by 7,831,992	Decrease by 6,648,544	Decrease by 5,496,929

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

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

13 Share capital and premium on share capital

	Number of ordinary shares	Share capital Baht	Premium on share capital Baht
At 1 January 2017	7,400,000	74,000,000	92,000,000
Issue of shares	-	-	-
At 31 December 2017	7,400,000	74,000,000	92,000,000
Issue of shares	-	-	-
At 31 December 2018	7,400,000	74,000,000	92,000,000

Share capital represents authorised ordinary shares with a par value of Baht 10 per share (2017: Baht 10 per share). All issued shares are fully paid.

Under the Public Companies Act B.E. 2535 requires companies to set aside share subscription monies received in excess of the issued shares' par value to a reserve account (share premium). The share premium is not available for dividend distribution.

14 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.

15 Expenses by nature

	2018 Baht	2017 Baht
Raw materials and supplies used	1,389,137,829	1,529,162,791
Changes in inventories of finished goods and work in progress	37,380,825	26,910,642
Staff costs	624,704,753	570,000,313
Depreciation (Note 7)	266,183,924	235,793,971
Amortisation (Note 8)	175,623	561,468

16 Other income

	2018 Baht	2017 Baht
Interest income	482,241	1,741,162
Others	7,820,471	7,386,862
	<u>8,302,712</u>	<u>9,128,024</u>

17 Promotional privileges

The Company has received a promotional privilege from the Office of the Board of Investment (“BOI”) for the manufacturing of radial aviation tire. Under this privilege, the Company has received exemption from certain taxes and duties as detailed in the certificate including exemption from corporate income tax for a period of 8 years from the date of commencement of earning promoted revenue. As a promoted business, the Company is required to comply with the terms and conditions as specified in the promotion certificates.

Revenue classified by BOI and Non-BOI promoted activities are as follows:

For the years ended 31 December	BOI promoted activities		Non-BOI promoted activities		Total	
	2018	2017	2018	2017	2018	2017
	Baht	Baht	Baht	Baht	Baht	Baht
Domestic sales	-	-	1,372,857,317	1,733,706,886	1,372,857,317	1,733,706,886
Export sales	109,071,335	-	2,376,916,417	2,266,604,150	2,485,987,752	2,266,604,150
	<u>109,071,335</u>	<u>-</u>	<u>3,749,773,734</u>	<u>4,000,311,036</u>	<u>3,858,845,069</u>	<u>4,000,311,036</u>

18 Deferred income taxes and income tax

Deferred income taxes

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

	2018 Baht	2017 Baht
Deferred tax assets:		
Deferred tax assets to be recovered within 12 months	11,964,176	13,333,354
Deferred tax assets to be recovered after 12 months	<u>63,317,728</u>	<u>50,178,757</u>
	<u>75,281,904</u>	<u>63,512,111</u>
Deferred tax liabilities:		
Deferred tax liabilities to be settled within 12 months	(2,924,498)	-
Deferred tax liabilities to be settled after 12 months	<u>(49,282,882)</u>	<u>(55,436,596)</u>
	<u>(52,207,380)</u>	<u>(55,436,596)</u>
Net deferred income taxes	<u>23,074,524</u>	<u>8,075,515</u>

18 Deferred income taxes and income tax (Continued)

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

	2018 Baht	2017 Baht
As at 1 January	8,075,515	(2,145,243)
Charged (credited) to profit or loss	6,414,133	8,821,907
Charged (credited) relation to components of other comprehensive income	8,584,876	1,398,851
As at 31 December	23,074,524	8,075,515

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

	Provisions for receivables and inventories Baht	Provision liabilities Baht	Depreciation Baht	Impairment loss Baht	Total Baht
Deferred tax assets					
At 1 January 2017	7,181,434	46,612,652	-	3,278,484	57,072,570
Charged (credited) to					
- profit or loss	2,598,120	892,503	-	1,550,067	5,040,690
- other comprehensive income	-	1,398,851	-		1,398,851
At 31 December 2017	9,779,554	48,904,006	-	4,828,551	63,512,111
Charged (credited) to					
- profit or loss	(3,289,545)	2,745,120	-	3,729,342	3,184,917
- other comprehensive income	-	8,584,876	-	-	8,584,876
At 31 December 2018	6,490,009	60,234,002	-	8,557,893	75,281,904
Deferred tax liabilities					
At 1 January 2017	-	-	(59,217,813)	-	(59,217,813)
Charged (credited) to profit or loss	-	-	3,781,217	-	3,781,217
At 31 December 2017	-	-	(55,436,596)	-	(55,436,596)
Charged (credited) to profit or loss	-	-	3,229,216	-	3,229,216
At 31 December 2018	-	-	(52,207,380)	-	(52,207,380)
Deferred income tax, net	6,490,009	60,234,002	(52,207,380)	8,557,893	23,074,524

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.

18 Deferred income taxes and income tax (Continued)

Income tax

	2018 Baht	2017 Baht
Current income tax:		
Current income tax on profits for the year	20,754,698	47,077,303
Adjustment in respect of prior year	(1,312,471)	1,208,989
Total current income tax	<u>19,442,227</u>	<u>48,286,292</u>
Deferred income tax:		
Decrease in deferred tax assets	(3,184,916)	(5,040,690)
Increase in deferred tax liabilities	(3,229,216)	(3,781,217)
Total deferred income tax	<u>(6,414,132)</u>	<u>(8,821,907)</u>
Income tax expenses	<u>13,028,095</u>	<u>39,464,385</u>

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate of 20% (2017: 20%) as follow:

	2018 Baht	2017 Baht
Profit before income tax	46,832,816	177,508,729
Income tax at statutory tax rates	9,366,563	35,501,746
Tax effect of:		
Expenses not deductible for tax purposes	4,974,003	2,753,650
Adjustment in respect of prior year	(1,312,471)	1,208,989
Income tax expenses	<u>13,028,095</u>	<u>39,464,385</u>

19 Basic earnings per share

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

	2018	2017
Net profit attributable to shareholders (Baht)	33,804,721	138,044,344
Weighted average of issued ordinary shares during the year (shares)	7,400,000	7,400,000
Basic earnings per share (Baht)	4.57	18.65

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

20 Dividends

At the Annual General Meeting of the Shareholders held on 25 April 2018, dividends in respect of the operating results and retained earnings of 2017 were declared at Baht 20 per share, totaling Baht 148 million. The dividend payment was paid on 24 May 2018.

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21 Cash flows from operating activities

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

	Notes	2018 Baht	2017 Baht
Net profit before income tax		46,832,816	177,508,729
Adjustments for:			
Allowance for doubtful accounts		(26,856,002)	11,998,927
Provision for net realisable value and obsolescence		10,408,278	991,669
Depreciation	7	266,183,924	235,793,971
Gains on disposals of machinery and equipment		(400,635)	(374,466)
Write off equipment	7	1,377,284	6,079,371
Impairment loss of assets	7	18,646,709	7,750,339
Amortisation	8	175,623	561,468
Interest income	16	(482,241)	(1,741,162)
Finance costs		345,566	-
Unrealised loss on exchange rate		7,131,294	8,272,523
Changes in operating assets and liabilities:			
- trade and other receivables		220,446,453	(104,693,419)
- inventories		(69,946,100)	(105,909,061)
- refundable value added tax		(129,389,481)	(106,621,415)
- other current assets		2,312,933	1,678,218
- other non-current assets		(4,436,892)	(1,856,716)
- trade and other payables		(9,309,120)	156,623,779
- accrued withholding tax		6,270,082	(4,367,591)
- other current liabilities		(329,500)	(1,078,257)
- reserves for employee benefit obligations, net of payments		13,916,067	(1,101,330)
Cash generated from operations		352,897,058	279,515,577
Interest received		482,241	1,741,162
Income taxes paid		(49,620,187)	(60,393,535)
Net cash generated from operating activities		<u>303,759,112</u>	<u>220,863,204</u>

22 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 2018.

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.

23 Commitments

Bank guarantees

As at 31 December 2018, the Company had commitments in respect of bank guarantees amounting to Baht 19.4 million and US Dollar 10,000 (2017: Baht 18.7 million and US Dollar 10,000).

Capital commitments

As at 31 December 2018, the Company has outstanding capital commitments in respect of the investment of machinery and equipment totaling Baht 92 million (2017: Baht 189.61 million).

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:

	2018 Baht	2017 Baht
Not later than 1 year	17,380,614	14,099,953
Later than 1 year and not later than 5 years	18,807,150	21,370,297
	<u>36,187,764</u>	<u>35,470,250</u>

24 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.

24 Related party transactions (Continued)

The following material transactions were carried out with related parties:

i) Sales of goods

For the years ended 31 December	2018 Baht	2017 Baht
Sales of finished goods:		
Parent company	576,778,968	465,211,271
Related parties - same common control	1,909,208,784	1,801,392,879
	<u>2,485,987,752</u>	<u>2,266,604,150</u>
Sales of assets and spare parts:		
Parent company	919,843	-
Related parties - same common control	3,721,794	5,357,821
	<u>4,641,637</u>	<u>5,357,821</u>

ii) Purchases of goods and services

For the years ended 31 December	2018 Baht	2017 Baht
Purchases of raw materials and finished goods:		
Parent company	121,169,736	183,858,663
Related parties - same common control	322,597,053	288,687,390
	<u>443,766,789</u>	<u>472,546,053</u>
Purchases of machinery and spare parts:		
Parent company	102,506,022	394,324,234
Related parties - same common control	78,299,360	26,545,475
	<u>180,805,382</u>	<u>420,869,709</u>
Royalty fee:		
Parent company	<u>167,245,056</u>	<u>180,487,608</u>
Production service fee:		
Parent company	<u>31,936,616</u>	<u>19,838,334</u>
Management fee:		
Related parties - same common control	<u>157,607,558</u>	<u>172,637,191</u>

24 Related party transactions (Continued)

The following material transactions were carried out with related parties (Continued):

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

As at 31 December	2018 Baht	2017 Baht
Trade receivables - related parties:		
Parent company	167,985,625	113,654,311
Related parties - same common control	230,716,309	425,349,335
	<u>398,701,934</u>	<u>539,003,646</u>
Amounts due from related parties:		
Parent company	74,375,503	49,498,597
Related parties - same common control	28,455,318	36,127,471
	<u>102,830,821</u>	<u>85,626,068</u>
Trade payables - related parties:		
Parent company	29,143,243	33,391,020
Related parties - same common control	89,605,530	62,453,623
	<u>118,748,773</u>	<u>95,844,643</u>
Amounts due to related parties:		
Parent company	34,691,290	49,065,194
Related parties - same common control	14,011,971	15,616,963
	<u>48,703,261</u>	<u>64,682,157</u>
Payable from purchases of property and equipment:		
Parent company	32,028,451	159,746,891
Related parties - same common control	12,860,429	353,441
	<u>44,888,880</u>	<u>160,100,332</u>

iv) Directors' and key management's compensation

For the years ended 31 December	2018 Baht	2017 Baht
Salaries and other short-term employee benefits	29,770,247	28,880,156
Employee benefit obligations	16,536,117	9,980,346
	<u>46,306,364</u>	<u>38,860,502</u>

25 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.

	Domestic sales Baht	Export sales Baht	Total Baht
Year ended 31 December 2018			
Sales	<u>1,372,857,317</u>	<u>2,485,987,752</u>	<u>3,858,845,069</u>
Segment gross profit	<u>308,887,496</u>	<u>290,795,405</u>	599,682,901
Unallocated costs/other income, net			<u>(552,850,085)</u>
Profit before income tax			<u>46,832,816</u>
Year ended 31 December 2017			
Sales	<u>1,733,706,886</u>	<u>2,266,604,150</u>	<u>4,000,311,036</u>
Segment gross profit	<u>468,469,758</u>	<u>304,462,121</u>	772,931,879
Unallocated costs/other income, net			<u>(595,423,150)</u>
Profit before income tax			<u>177,508,729</u>

26 Post statement of financial position event

On 21 February 2019, the Board of Directors of the Company passed a resolution to propose the dividend payment from unappropriated retained earnings of Baht 5 per share, totaling Baht 37 million. However, the approval for the dividend payment shall be proposed to the Annual General Shareholders' Meeting for further consideration and approval.