

GOODYEAR (THAILAND) PUBLIC COMPANY LIMITED

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2019

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 2019, 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 2019;
- 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: *Impairment assessment of property, plant 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>Impairment assessment of property, plant and equipment</p> <p>Refer to Note 4.2 'Impairment of property, plant and equipment' and Note 9 'Property, plant and equipment'.</p> <p>As at 31 December 2019, the Company had property, plant and equipment of Baht 4,038 million in its statement of financial position.</p> <p>Under Thai Financial Reporting Standards, the Company has to assess whether there's an indicator of impairment for property, plant and equipment including the identification of the cash generating unit (CGU). This year, the Company discovered an impairment indicator of certain items of property, plant and equipment due to the current year's operation loss. The Company therefore tested impairment of these assets. Following impairment testing by the management, they found that these assets were not impaired.</p> <p>The impairment test was assessed by value-in-use method by using the discounted cash flow model. The assessment involves the management's significant judgments and estimated key assumptions such as expected future cash flows, revenue growth rates and discount rates applied to cash flow projections.</p> <p>I focussed on the impairment test of property, plant and equipment because of the significant level of judgment involved and because the carrying amounts of these assets are material to the financial statements.</p>	<p>My audit procedures included:</p> <ul style="list-style-type: none">• assessing if the management's identification of the Company's CGU was appropriate;• assessing the cash flow projections, which included assessing the reasonableness of management's estimates and evaluating future business plans by assessing the current and future markets if those plans are consistent with the business plan;• challenging management on the reliability of their key estimations and evaluating if their assumptions were appropriate. In particular, I focussed on testing the assumptions related to the forecasted revenue growth, profit margins for a CGU and the pre-tax discount rate, the weighted average cost of capital and other data used in management's impairment analysis. I did these by comparing them to external and historical data, such as external market growth expectations; and• analysing the sensitivity in the available carrying amount for a CGU and evaluating whether a possible change in key assumptions could cause the recoverable amount to be less than its carrying amount. <p>Based on my procedures, I considered that the management's key assumptions used in the impairment testing were within an acceptable range.</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
25 February 2020

Goodyear (Thailand) Public Company Limited
Statements of Financial Position
As at 31 December 2019

	Notes	31 December 2019 Baht	31 December 2018 Baht
Assets			
Current assets			
Cash and cash equivalents	6	354,072,056	198,977,897
Trade and other receivables, net	7	691,478,952	707,033,352
Inventories, net	8	971,072,682	913,026,812
Refundable value added tax within one year		148,009,340	223,710,580
Other current assets		5,890,986	3,204,059
Total current assets		2,170,524,016	2,045,952,700
Non-current assets			
Property, plant and equipment, net	9	4,038,433,245	3,873,494,262
Computer software, net	10	294,013	424,166
Deferred tax assets	14	46,877,268	23,074,524
Refundable value added tax, net		36,613,054	171,839,209
Other non-current assets		9,560,221	9,381,317
Total non-current assets		4,131,777,801	4,078,213,478
Total assets		6,302,301,817	6,124,166,178

Director

Director

The accompanying notes on pages 11 to 34 are an integral part of these financial statements.

Goodyear (Thailand) Public Company Limited
Statements of Financial Position (Continued)
As at 31 December 2019

	Notes	31 December 2019 Baht	31 December 2018 Baht
Liabilities and equity			
Current liabilities			
Short-term loan from a financial institution	11	630,000,000	165,000,000
Trade and other payables	12	940,952,648	1,132,885,469
Withholding tax payables		18,673,687	20,392,705
Current income tax payable		-	9,081,112
Other current liabilities		4,734,479	4,987,713
Total current liabilities		1,594,360,814	1,332,346,999
Non-current liabilities			
Long-term loan from a financial institution	13	664,379,260	687,670,960
Employee benefit obligations	15	305,225,224	244,608,761
Total non-current liabilities		969,604,484	932,279,721
Total liabilities		2,563,965,298	2,264,626,720
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	16	74,000,000	74,000,000
Premium on share capital	16	92,000,000	92,000,000
Retained earnings			
Appropriated - Legal reserve	17	7,400,000	7,400,000
Unappropriated		3,564,936,519	3,686,139,458
Total equity		3,738,336,519	3,859,539,458
Total liabilities and equity		6,302,301,817	6,124,166,178

The accompanying notes on pages 11 to 34 are an integral part of these financial statements.

Goodyear (Thailand) Public Company Limited
Statements of Income
For the year ended 31 December 2019

	Notes	2019 Baht	2018 Baht
Sales	5, 22	3,892,195,569	3,858,845,069
Cost of sales		<u>(3,371,437,380)</u>	<u>(3,259,162,168)</u>
Gross profit		520,758,189	599,682,901
Other income	19	17,324,237	8,302,712
Selling expenses		(400,952,975)	(382,434,174)
Administrative expenses		(177,170,109)	(171,990,066)
Gain (Loss) on exchange rates, net		<u>11,355,255</u>	<u>(6,382,991)</u>
Profit (Loss) before finance cost and income tax		(28,685,403)	47,178,382
Finance costs	20	<u>(48,484,418)</u>	<u>(345,566)</u>
Profit (Loss) before income tax		(77,169,821)	46,832,816
Income tax	21	<u>16,574,194</u>	<u>(13,028,095)</u>
Net profit (loss) for the year		<u><u>(60,595,627)</u></u>	<u><u>33,804,721</u></u>
Basic earnings(loss) per share (Baht)	23		
Net profit (loss) for the year		<u><u>(8.19)</u></u>	<u><u>4.57</u></u>

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Goodyear (Thailand) Public Company Limited
Statements of Comprehensive Income
For the year ended 31 December 2019

	Notes	2019 Baht	2018 Baht
Net profit (loss) for the year		<u>(60,595,627)</u>	<u>33,804,721</u>
Item that will not be reclassified to profit or loss:			
Remeasurements loss from post-employment benefit obligations	15	(29,509,140)	(42,924,379)
Income tax on item that will not be reclassified to profit or loss	14	<u>5,901,828</u>	<u>8,584,876</u>
Total comprehensive expense for the year		<u><u>(84,202,939)</u></u>	<u><u>(534,782)</u></u>

The accompanying notes on pages 11 to 34 are an integral part of these financial statements.

Goodyear (Thailand) Public Company Limited
Statements of Changes in Equity
For the year ended 31 December 2019

	Note	Issued and paid-up share capital Baht	Premium on share capital Baht	Retained earnings		Total Baht
				Appropriated - Legal reserve Baht	Unappropriate Baht	
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 expenses for the year		-	-	-	(534,782)	(534,782)
Dividends paid	24	-	-	-	(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>
Beginning balance as at 1 January 2019		74,000,000	92,000,000	7,400,000	3,686,139,458	3,859,539,458
Changes in equity for the year						
Total comprehensive expenses for the year		-	-	-	(84,202,939)	(84,202,939)
Dividends paid	24	-	-	-	(37,000,000)	(37,000,000)
Ending balance as at 31 December 2019		<u>74,000,000</u>	<u>92,000,000</u>	<u>7,400,000</u>	<u>3,564,936,519</u>	<u>3,738,336,519</u>

The accompanying notes on pages 11 to 34 are an integral part of these financial statements.

Goodyear (Thailand) Public Company Limited
Statements of Cash Flows
For the year ended 31 December 2019

	Notes	2019 Baht	2018 Baht
Cash flows generated from operating activities	25	351,646,299	303,759,112
Cash flows from investing activities			
Purchases of plant and equipment		(577,404,712)	(1,006,894,861)
Proceeds from disposals of equipment		2,613,247	2,639,965
Net cash used in investing activities		(574,791,465)	(1,004,254,896)
Cash flows from financing activities			
Interest paid		(48,220,544)	-
Cash receipts from short-term loans from a financial institution		8,483,000,000	165,000,000
Cash payments for short-term loans from a financial institution		(8,018,000,000)	-
Cash receipts from long-term loan from a financial institution	13	-	692,113,430
Dividends paid to shareholders	24	(37,000,000)	(148,000,000)
Net cash receipts from financing activities		379,779,456	709,113,430
Net increase in cash and cash equivalents		156,634,290	8,617,646
Cash and cash equivalents at the beginning of the year		198,977,897	192,878,223
Exchange loss on cash and cash equivalents		(1,540,131)	(2,517,972)
Cash and cash equivalents at the end of the year	6	<u>354,072,056</u>	<u>198,977,897</u>
Non-cash transactions			
Payable from purchases of plant and equipment	12	71,028,395	172,513,261

The accompanying notes on pages 11 to 34 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 25 February 2020.

2 Accounting policies

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

2.1 Basis of preparation

The financial statements have been prepared in accordance with Thai Financial Reporting Standards (“TFRSs”) and the financial reporting requirements issued 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 TFRSs requires management to use certain critical accounting estimates and to exercise its judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas that are more likely to be materially adjusted due to changes in estimates and assumptions are disclosed in Note 4.

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 and amended financial reporting standards that are relevant and have significant impacts to the Company

2.2.1 The Company has applied the following standard and amendments for the first time for their annual reporting commencing 1 January 2019

Thai Financial Reporting Standard no.15 (TFRS 15), Revenue from contracts with customers

The standard provides principle and approach of revenue recognition under five-step process. The underlying principle is that the Company will recognise revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. It replaces the principles of transferring the significant risks and rewards of ownership of the goods or services to the buyer in accordance with TAS 18, Revenue and TAS 11, Construction contracts.

The Company has adopted the new TFRS 15, Revenue from contracts with customers from 1 January 2019 (initial application date) by applying the modified retrospective approach and the comparative figures have not been restated. The Company did not apply practical expedient relates to completed contracts and contract modification as allowed by TFRS 15.

The reclassifications and the adjustments arising from the changes in accounting policies are therefore recognised in the statement of financial position as at 1 January 2019. However, the adoption of TFRS 15 did not result in significant impact to the financial statements as at 31 December 2018 and 1 January 2019.

2.2.2 New and amended financial reporting standards that are effective for accounting period beginning or after 1 January 2020

Certain new and amended financial reporting standards have been issued that are not mandatory for current period end 31 December 2019 reporting period and have not been early adopted by the Company.

a) Financial instruments

The new financial standards relate to financial instruments are:

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

These new standards address the classification, measurement, derecognition of financial assets and financial liabilities, impairment of financial assets, hedge accounting, and presentation and disclosure of financial instruments.

On 1 January 2020, the Company will apply the new financial reporting standards on financial instruments in its financial statements by applying modified retrospective approach. From the preliminary assessment, the management expect that the Company will be affected on the following areas.

The new provisions on the accounting of impairment losses will lead to expected credit losses having to be considered and recognised at the initial recognition and subsequent period. The Company's management is assessing the impact of these standards.

b) TFRS 16, Leases

Where the Company is a lessee, TFRS 16, Leases will result in almost all leases being recognised on the balance sheet as the distinction between operating and finance leases is removed. A right-of-use asset and a lease liability will be recognised, with exception on short-term and low-value leases.

On 1 January 2020, the Company will apply TFRS 16, Leases and adjust cumulative impact to opening retained earnings (modified retrospective approach). From the preliminary impact assessment, the management expect that the Company will be affected by lease liabilities. The Company will recognised an impact upon adoption of TFRS 16.

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

c) Other new/amended standards

The new/amended financial reporting standards that will have impact on the Company are:

TAS 12	Income tax
TAS 19	Employee benefits
TAS 23	Borrowing cost
TFRS 9	Financial instruments
TFRIC 23	Uncertainty over income tax treatments

2.3 Foreign currency translation

a) Functional and presentation currency

The financial statements are presented in Thai Baht, which is the Company's functional and 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 the date of valuation.

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 profit or loss.

Any exchange component of gains and losses on a non-monetary item that recognised in profit or loss, or other comprehensive income is recognised following the recognition of a gain or loss on the non-monetary item.

2.4 Cash and cash equivalents

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

In the statement of financial position, bank overdrafts are shown in current liabilities.

2.5 Trade accounts receivable

Trade receivables are amounts due from customers for goods sold or service performed in the ordinary course of business.

Trade receivables are recognised initially at the amount of consideration that is unconditionally unless they contain significant financing components, when they are recognised at its present value. The Company presented trade receivables at cost less allowance for doubtful accounts.

2.6 Inventories

Inventories are stated at the lower of cost or net realisable value.

Cost of inventories is determined by weighted average method. Cost of raw materials comprise all purchase cost and costs directly attributable to the acquisition of the inventory less all attributable discounted. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and directly attributable costs in bringing the inventories to their present location and condition.

2.7 Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount, only when it is probable that there is future economic benefits associated with the item will flow to the Company. The carrying amount of the replaced part is derecognised.

All other repairs and maintenance are charged to profit or loss when 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.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other income/expenses in profit or loss.

2.8 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.

2.9 Impairment of assets

Assets that are subject to amortisation are reviewed for impairment whenever there is an indication of impairment. 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 of disposal 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.

2.10 Leases - where the Company is the lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

At the inception of finance lease, the lower of the fair value of the leased property and the present value of the minimum lease payments is capitalised. Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the liabilities balance outstanding. The corresponding rental obligations is presented net of finance charges. Finance cost is charged to profit or loss over the lease period.

2.11 Borrowings

Borrowings are recognised initially at the fair value, net of directly attributable transaction costs incurred. Borrowings are subsequently stated at amortised cost.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it will be drawn down. The fee is deferred until the drawn down occurs and included in effective interest calculation. However, if it is probable that facility will not be drawn down, that portion of the fee paid is recognised as a prepayment and amortised over the period of related facility.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled, or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

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 reporting date.

2.12 Borrowings costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets less investment income earned from those specific borrowings. The capitalisation of borrowing costs is ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Other borrowing costs are expensed in the period in which they are incurred.

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.

Current income tax

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. 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

Deferred income tax is recognised on temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is measured using tax rates of the period in which temporary difference is expected to be reversed, based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred 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 tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.14 Employee benefits

a) Short-term employee benefits

Liabilities for short-term employee benefits such as wages, salaries and bonuses that are expected to be settled wholly within 12 months after the end of the period are recognised in respect of employees' service up to the end of the reporting period. They are measured at the amount expected to be paid.

b) Defined contribution plan

The Company pays contributions to a separate fund on a voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

c) Defined benefit plans

Amount of retirement benefits is defined by the agreed benefits the employees will receive after the completion of employment. It usually depends on factors such as age, years of service and an employee's latest compensation at retirement.

The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yield of government bonds that matches the terms and currency of the expected cash outflows.

Remeasurement gains and losses are recognised directly to other comprehensive income in the period in which they arise. They are included in retained earnings in the statements of changes in equity.

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

d) Termination benefits

The Company recognises termination benefits at the earlier of (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for the related restructuring. Benefits due more than 12 months are discounted to their present value.

2.15 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 the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle 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

The Company recognises revenue from sales of goods at point in time when control of the goods transferred to the customer, which depending on the terms of the underlying contract. In the case that a customer receives control of the goods at the shipping point, the Company will separate revenue from transportation as another performance obligation and recognise revenue over time of promises to deliver goods to a customer. If a customer receives control of the goods at the destination, the Company will recognise the shipping costs in bringing the product to the destination as cost incurred to complete the promise to transfer goods, which is not a separate performance obligation. The shipping cost will be recognised in the period that sales of goods incurred.

The Company recognises revenue from sales of goods at the price, which is entitled in exchange for the goods, net of value-added tax, returns and discounts. For the contract with more than one performance obligations, the transaction price will be allocated to each distinct performance obligation based on the relative standalone-selling price of the goods and other performance obligations.

2.18 Dividends distribution

Dividend distributed to the Company's shareholders is recognised as a liability when interim dividends are approved by the Board of Directors, and when the annual dividends are approved by the shareholders.

3 Financial instruments

3.1 Financial risk factors

i) Foreign exchange risk

The Company's primary functional currency is Thai Baht. 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 2019.

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. The Company has no significant interest-bearing assets.

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) Liquidity risk

The Company manages sufficient cash, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market questions.

3.2 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.

3.3 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.

4 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.

4.1 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.

4.2 Impairment of property, plant and equipment

The Company tests impairment of property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of asset is greater than its estimated recoverable amount. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The calculations use cash flow projections based on financial budget approved by management covering a five-year period.

4.3 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.

4.4 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 is disclosed in Note 12.

5 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. Export sales are made to related parties and domestic sales are made to third parties. 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.

	<u>Domestic sales</u>	<u>Export sales</u>	<u>Total</u>
	<u>Baht</u>	<u>Baht</u>	<u>Baht</u>
For the year ended 31 December 2019			
Sales	1,439,670,211	2,452,525,358	3,892,195,569
Segment gross profit	179,336,538	341,421,651	520,758,189
Unallocated costs/other income, net			(597,928,010)
Profit before income tax			(77,169,821)
Timing of revenue recognition			
At a point in time	1,439,670,211	2,452,525,358	3,892,195,569
For the year ended 31 December 2018			
Sales	1,372,857,317	2,485,987,752	3,858,845,069
Segment gross profit	308,887,496	290,795,405	599,682,901
Unallocated costs/other income, net			(552,850,085)
Profit before income tax			46,832,816
Timing of revenue recognition			
At a point in time	1,372,857,317	2,485,987,752	3,858,845,069

Major customers

For the year ended 31 December 2019, the Company's revenues are derived from two major customers which are related parties of Baht 1,501 million or 39% of the Company's total revenue (2018: Baht 1,425 million or 37% of the Company's revenue).

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6 Cash and cash equivalents

	2019	2018
	Baht	Baht
Cash on hand	38,976	250,000
Deposits held at banks - current accounts	33,822,381	37,529,690
- savings accounts	320,210,699	161,198,207
	354,072,056	198,977,897

As at 31 December 2019, the weighted average interest rate of savings accounts was 0.55% per annum (2018: 0.23% per annum).

7 Trade and other receivables, net

	2019	2018
	Baht	Baht
Trade receivables - third parties	219,919,934	195,934,860
<u>Less</u> Allowance for doubtful accounts	(16,127,018)	(8,389,118)
	203,792,916	187,545,742
Trade receivables - related parties (Note 27)	343,395,092	398,701,934
Amounts due from related parties (Note 27)	119,535,142	102,830,821
Prepayments	6,014,572	6,841,978
Advance payments	5,978,955	4,921,086
Other receivables	12,762,275	6,191,791
	691,478,952	707,033,352

Outstanding trade receivables can be analysed as follows:

	2019	2018
	Baht	Baht
<u>Trade receivables - third parties</u>		
Not yet due	183,992,275	176,694,956
Up to 3 months	17,600,865	10,780,678
3 - 12 months	4,520,203	7,649,803
Over 12 months	13,806,591	809,423
	219,919,934	195,934,860
<u>Less</u> Allowance for doubtful accounts	(16,127,018)	(8,389,118)
	203,792,916	187,545,742
<u>Trade receivables - related parties</u>		
Not yet due	321,060,211	381,822,072
Up to 3 months	21,813,824	16,345,381
3 - 12 months	425,669	410,663
Over 12 months	95,388	123,818
	343,395,092	398,701,934

8 Inventories, net

	2019 Baht	2018 Baht
Raw materials	196,250,543	237,506,443
Spare parts	221,153,580	243,559,339
Work in progress	71,907,199	53,520,637
Finished goods	404,679,176	238,689,186
Goods in transits	107,663,332	163,812,134
	1,002,653,830	937,087,739
<u>Less</u> Provision for net realisable value - slow moving	(25,008,658)	(17,014,611)
- net realisable value	(6,572,490)	(7,046,316)
Total inventories, net	971,072,682	913,026,812

The cost of inventories recognised as expense and included in 'cost of sales' amounted to Baht 3,355,271,761 (2018: Baht 3,274,808,022).

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9 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 2018						
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>
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 18)	(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
<u>Less</u> 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>

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	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 2019						
Opening net book amount	1,001,015,839	2,203,606,887	22,060,587	4,733,578	642,077,371	3,873,494,262
Additions	-	3,349,576	-	4,491,907	468,078,363	475,919,846
Transfers	39,269,054	499,804,771	4,895,265	-	(543,969,090)	-
Disposals, net	-	(3)	-	-	-	(3)
Write off, net	(657,978)	-	-	-	-	(657,978)
Depreciation charges (Note 18)	(39,638,578)	(262,103,308)	(7,766,832)	(814,164)	-	(310,322,882)
Closing net book amount	999,988,337	2,444,657,923	19,189,020	8,411,321	566,186,644	4,038,433,245
As at 31 December 2019						
Cost	1,582,584,497	7,023,285,626	97,093,281	19,933,447	566,186,644	9,289,083,495
<u>Less</u> Accumulated depreciation	(582,596,160)	(4,535,838,267)	(77,904,231)	(11,522,126)	-	(5,207,860,784)
Allowance for impairment loss	-	(42,789,436)	(30)	-	-	(42,789,466)
Net book amount	999,988,337	2,444,657,923	19,189,020	8,411,321	566,186,644	4,038,433,245

Depreciation expense of Baht 310,322,882 has been charged in 'cost of goods sold' of Baht 290,928,777 (2018: Baht 246,223,723) and in 'selling expenses and administrative expenses' of Baht 19,394,105 (2018: Baht 19,960,201).

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During 2019, the Company found an indicator of impairment for property, plant and equipment mainly for production ground tires due to the current year's operation loss. These assets had net book value amounting to Baht 1,589 million. The Company therefore tested impairment of these assets. Following impairment testing by the management, these assets were not impaired. The key assumptions relating to impairment assessment are:

	Percentage
Average revenue growth rates	15.00
Discount rates	10.50

10 Computer software, net

	Baht
As at 1 January 2018	
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 18)	<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>
For the year ended 31 December 2019	
Opening net book amount	424,166
Amortisation charges (Note 18)	<u>(130,153)</u>
Closing net book amount	<u>294,013</u>
As at 31 December 2019	
Cost	149,309,483
<u>Less</u> Accumulated amortisation	<u>(149,015,470)</u>
Net book value	<u>294,013</u>

11 Short-term loans from financial institutions

As at 31 December 2019, the Company had a promissory note of Baht 630 million with a financial institution in Thailand, bearing interest rate 2.58% per annum. The outstanding principle and interest are due for payable on 3 January 2020.

12 Trade and other payables

	2019	2018
	Baht	Baht
Trade payables - third parties	567,019,750	619,336,316
Trade payables - related parties (Note 27)	79,204,377	118,748,773
Amounts due to related parties (Note 27)	64,312,943	48,703,261
Payables from purchases of plant and equipment - third parties	60,014,793	127,624,381
Payables from purchases of plant and equipment - related parties (Note 27)	11,013,602	44,888,880
Accrued expenses	159,387,183	173,583,858
Total trade and other payables	940,952,648	1,132,885,469

13 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	2019	2018
	Baht	Baht
Opening balance	687,670,960	-
Addition	-	692,113,430
Unrealised gain on foreign exchange rate	(23,291,700)	(4,442,470)
Closing balance	664,379,260	687,670,960

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 4.85% per annum (2018: 4.86% per annum).

The fair value of 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	2019	2018
	Baht	Baht
Within 1 year	124,571,111	-
Between 1 and 5 years	539,808,149	644,691,525
Over 5 years	-	42,979,435
Closing balance	664,379,260	687,670,960

As at 31 December 2019, the unused loan facility is Baht 3.7 million (2018: Baht 3.7 million).

14 Deferred income taxes and income tax

Deferred income taxes

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

	2019	2018
	Baht	Baht
Deferred tax assets:		
Deferred tax assets to be recovered within 12 months	17,082,442	11,964,176
Deferred tax assets to be recovered after 12 months	79,458,946	63,317,728
	96,541,388	75,281,904
Deferred tax liabilities:		
Deferred tax liabilities to be settled within 12 months	(2,256,368)	(2,924,498)
Deferred tax liabilities to be settled after 12 months	(47,407,752)	(49,282,882)
	(49,664,120)	(52,207,380)
Net deferred income taxes	46,877,268	23,074,524

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

	2019	2018
	Baht	Baht
As at 1 January	23,074,524	8,075,515
Charged (credited) to profit or loss	17,900,916	6,414,133
Charged (credited) relation to components of other comprehensive income	5,901,828	8,584,876
As at 31 December	46,877,268	23,074,524

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

	Provisions for receivables and inventories	Provision liabilities	Depreciation	Impairment loss	Carried forward loss	Total
	Baht	Baht	Baht	Baht	Baht	Baht
Deferred tax assets						
At 1 January 2018	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
Charged (credited) to						
- profit or loss	4,473,086	5,944,501	-	-	4,940,069	15,357,656
- other comprehensive income	-	5,901,828	-	-	-	5,901,828
At 31 December 2019	10,963,095	72,080,331	-	8,557,893	4,940,069	96,541,388
Deferred tax liabilities						
At 1 January 2018	-	-	(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)
Charged (credited) to profit or loss	-	-	2,543,260	-	-	2,543,260
At 31 December 2019	-	-	(49,664,120)	-	-	(49,664,120)
Deferred income tax, net	10,963,095	72,080,331	(49,664,120)	8,557,893	4,940,069	46,877,268

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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.

15 Employee benefit obligations

	2019	2018
	Baht	Baht
Statements of financial position:		
Reserve for savings fund	107,452,087	92,193,493
Reserve for retirement benefits	197,773,137	152,415,268
	<u>305,225,224</u>	<u>244,608,761</u>
Statements of income		
Savings fund	17,423,608	18,643,810
Retirement benefits	47,761,611	12,431,299
	<u>65,185,219</u>	<u>31,075,109</u>
Remeasurement for:		
Savings fund	11,767,305	5,725,157
Retirement benefits	17,741,835	37,199,222
	<u>29,509,140</u>	<u>42,924,379</u>

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

	2019	2018
	Baht	Baht
At 1 January	244,608,761	187,768,315
Current service cost	27,904,215	26,580,563
Past service cost	31,300,942	-
Interest expense	5,980,062	4,494,546
Remeasurements:		
Loss from change in demographic assumption	1,474,469	-
Loss from change in financial assumption	28,929,487	-
(Gain) Loss from Experience loss	(894,816)	42,924,379
Benefits paid	(34,077,896)	(17,159,042)
At 31 December	<u>305,225,224</u>	<u>244,608,761</u>

On 5 April 2019, an amendment bill to the Labour Protection Law was published in the Government Gazette. The amended law will become effective 30 days after its publication. The main amendment is that the compensation for employees who have retired and have more than or equal to 20 years of service has changed from 300 day's pay to 400 day's pay. The effects of the amendment of Baht 31.3 million were recognised as past service cost during the year.

The significant actuarial assumptions used were as follows:

	2019	2018
Discount rate	1.50%	2.50%
Salary increase rate	3.00%	3.00%

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	Change in assumption		Impact on defined benefit obligation			
			Increase in assumption		Decrease in assumption	
	2019	2018	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Discount rate	0.50%	0.50%	Decrease by 9,595,582	Decrease by 11,051,383	Increase by 10,357,547	Increase by 10,444,809
Salary increase rate	0.50%	0.50%	Increase by 10,150,242	Increase by 8,327,628	Decrease by 9,505,829	Decrease by 6,648,544

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 retirement benefits recognised in 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.

The weighted average duration of the defined benefit obligation is 10 years (2018: 9 years).

16 Share capital and premium on share capital

	Number of ordinary shares	Share capital Baht	Premium on share capital Baht
At 1 January 2018	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
Issue of shares	-	-	-
At 31 December 2019	7,400,000	74,000,000	92,000,000

The total number of authorised ordinary shares is 7,400,000 shares with (2018: 7,400,000 shares) a par value of Baht 10 per share (2018: 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.

17 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.

18 Expenses by nature

	2019 Baht	2018 Baht
Raw materials and supplies used	1,389,271,197	1,389,137,829
Changes in inventories of finished goods and work in progress	124,098,285	37,380,825
Staff costs	656,008,360	624,704,753
Depreciation (Note 9)	310,322,882	266,183,924
Amortisation (Note 10)	130,153	175,623

19 Other income

	2019 Baht	2018 Baht
Interest income	1,118,671	482,241
Others	16,205,566	7,820,471
Total other incomes	17,324,237	8,302,712

20 Finance cost

	2019 Baht	2018 Baht
Promissory notes	18,906,337	345,566
Loan from a financial institution	29,578,081	-
Total finance costs	48,484,418	345,566

21 Income tax

	2019 Baht	2018 Baht
Current income tax:		
Current income tax on profits for the year	-	20,754,698
Adjustment in respect of prior year	1,326,722	(1,312,471)
Total current income tax	1,326,722	19,442,227
Deferred income tax:		
Increase in deferred tax assets	(15,357,656)	(3,184,916)
Decrease in deferred tax liabilities	(2,543,260)	(3,229,216)
Total deferred income tax	(17,900,916)	(6,414,132)
Income tax expenses	(16,574,194)	13,028,095

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The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate of 20% (2018: 20%) as follow:

	2019	2018
	Baht	Baht
Profit before income tax	(77,169,821)	46,832,816
Income tax at statutory tax rates	(15,433,964)	9,366,563
Tax effect of:		
Income not subject to tax	(3,525,270)	-
Expenses not deductible for tax purposes	1,058,318	4,974,003
Adjustment in respect of prior year	1,326,722	(1,312,471)
Income tax expenses	(16,574,194)	13,028,095

22 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	
	2019	2018	2019	2018	2019	2018
	Baht	Baht	Baht	Baht	Baht	Baht
Domestic sales	3,497,928	-	1,436,172,283	1,372,857,317	1,439,670,211	1,372,857,317
Export sales	265,061,715	109,071,335	2,187,463,643	2,376,916,417	2,452,525,358	2,485,987,752
	268,559,643	109,071,335	3,623,635,926	3,749,773,734	3,892,195,569	3,858,845,069

23 Basic earnings (loss) per share

Basic earnings(loss) 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.

	2019	2018
Net profit (loss) attributable to shareholders (Baht)	(60,595,627)	33,804,721
Weighted average of issued ordinary shares during the year (shares)	7,400,000	7,400,000
Basic earnings (loss) per share (Baht)	(8.19)	4.57

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

24 Dividends per share

At the meeting on 30 April 2019, the Shareholders have approved a dividend in respect of the operating results and retained earnings of 2018 at Baht 5 per share, totaling Baht 37 million. The dividend was paid on 30 May 2019.

At the meeting on 25 April 2018, the Shareholders have approved a dividend in respect of the operating results and retained earnings of 2017 at Baht 20 per share, totaling Baht 148 million. The dividend payment was paid on 24 May 2018.

25 Cash flows from operating activities

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

	Notes	2019 Baht	2018 Baht
Net profit(loss) before income tax		(77,169,821)	46,832,816
Adjustments for:			
Allowance for doubtful accounts		7,737,900	(26,856,002)
Provision for net realisable value of inventories		7,520,221	10,408,278
Depreciation	9	310,322,882	266,183,924
Gains on disposals of machinery and equipment		(2,613,244)	(400,635)
Write-off equipment	9	657,978	1,377,284
Impairment loss of assets	9	-	18,646,709
Amortisation	10	130,153	175,623
Employee benefit obligations	15	65,185,219	31,075,109
Interest income	19	(1,118,671)	(482,241)
Finance costs	20	48,484,418	345,566
Unrealised (gain) loss on exchange rate		(14,791,849)	7,131,294
Changes in operating assets and liabilities:			
- trade and other receivables		1,134,074	220,446,453
- inventories		(65,566,091)	(69,946,100)
- refundable value added tax		210,927,395	(129,389,481)
- other current assets		(1,678,131)	2,312,933
- other non-current assets		(178,904)	(4,436,892)
- trade and other payables		(90,989,123)	(9,309,120)
- accrued withholding tax		(1,719,018)	6,270,082
- other current liabilities		(253,234)	(329,500)
- employee benefit obligations paid	15	(34,077,896)	(17,159,042)
Cash generated from operations		361,944,258	352,897,058
Interest received		1,118,671	482,241
Income taxes paid		(11,416,630)	(49,620,187)
Net cash generated from operating activities		351,646,299	303,759,112

26 Commitments

Bank guarantees

As at 31 December 2019, the Company had commitments in respect of bank guarantees amounting to Baht 23.9 million and US Dollar 10,000 (2018: Baht 19.4 million and US Dollar 10,000).

In addition, during the year, the Company received VAT refund as total of Baht 139 million from Revenue Department whilst the auditing VAT refund is still in process. The parent company requests a domestic financial institution to issue bank guarantees to Revenue Department in amounting of Baht 139 million in order to guarantee VAT refund.

Capital expenditure commitments

As at 31 December 2019, the Company has outstanding capital commitments in respect of the investment of machinery and equipment totaling Baht 102 million (2018: Baht 92 million).

Non-cancellable operating leases - where the Company is the lessee

The Company leases warehouses, office equipment and motor vehicles under operating lease agreements expiring within 1 to 5 years, and the majority of the leases are renewable at the end of the lease period at market rate.

Commitments for minimum lease payments in relation to operating leases are payable as follows:

	2019	2018
	Baht	Baht
Not later than 1 year	14,537,765	17,380,614
Later than 1 year and not later than 5 years	6,594,670	18,807,150
	21,132,435	36,187,764

27 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.

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The following material transactions were carried out with related parties:

i) Sales of goods

For the years ended 31 December	2019 Baht	2018 Baht
Sales of finished goods:		
Parent company	563,642,957	576,778,968
Companies under common control	1,888,824,765	1,909,208,784
	<u>2,452,467,722</u>	<u>2,485,987,752</u>
Sales of assets and spare parts:		
Parent company	-	919,843
Companies under common control	7,078,663	3,721,794
	<u>7,078,663</u>	<u>4,641,637</u>

ii) Purchases of goods and services

For the years ended 31 December	2019 Baht	2018 Baht
Purchases of raw materials and finished goods:		
Parent company	283,603,163	121,169,736
Companies under common control	303,072,480	322,597,053
	<u>586,675,643</u>	<u>443,766,789</u>
Purchases of machinery and spare parts:		
Parent company	37,607,745	102,506,022
Companies under common control	87,206,946	78,299,360
	<u>124,814,691</u>	<u>180,805,382</u>
Royalty fee:		
Parent company	160,034,596	167,245,056
Production service fee:		
Parent company	38,081,867	31,936,616
Management fee:		
Companies under common control	164,561,365	157,607,558

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

As at 31 December	2019 Baht	2018 Baht
Trade receivables - related parties:		
Parent company	58,878,214	167,985,625
Companies under common control	284,516,878	230,716,309
	<u>343,395,092</u>	<u>398,701,934</u>
Amounts due from related parties:		
Parent company	38,907,250	74,375,503
Companies under common control	80,627,892	28,455,318
	<u>119,535,142</u>	<u>102,830,821</u>
Trade payables - related parties:		
Parent company	54,794,540	29,143,243
Companies under common control	24,409,837	89,605,530
	<u>79,204,377</u>	<u>118,748,773</u>
Amounts due to related parties:		
Parent company	39,325,948	34,691,290
Companies under common control	24,986,995	14,011,971
	<u>64,312,943</u>	<u>48,703,261</u>
Payable from purchases of plant and equipment:		
Parent company	3,312,011	32,028,451
Companies under common control	7,701,591	12,860,429
	<u>11,013,602</u>	<u>44,888,880</u>

iv) Directors' and key management's compensation

For the years ended 31 December	2019 Baht	2018 Baht
Salaries and other short-term employee benefits	43,554,094	45,404,338
Employee benefit obligations	1,517,793	6,555,771
	<u>45,071,887</u>	<u>51,960,109</u>