**ITALIAN - THAI DEVELOPMENT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

1. GENERAL INFORMATION

Italian - Thai Development Public Company Limited (“the Company”) is incorporated and domiciled in Thailand. The Company and subsidiaries are principally engaged in the construction business both in Thailand and overseas, and in addition providing soil and coal extraction and removal services. Its registered office address is 2034/132-161, New Petchburi Road, Kwaeng Bangkapi, Khet Huaykwang, Bangkok.

1. BASIS OF FINANCIAL STATEMENTS PREPARATION AND PRINCIPLE OF CONSOLIDATION
   1. Statement of compliance

The accompanying financial statements have been prepared in accordance with the Accounting Act B.E. 2543, Thai Financial Reporting Standards (“TFRS”) issued under the Accounting Professions Act B.E. 2547 and the financial reporting requirements promulgated by the Securities and Exchange Commission under the Securities and Exchange Act B.E. 2535. These financial statements are officially prepared in the Thai language. The translation of these financial statements to other languages must conform to the official report in Thai.

* 1. Basis of consolidation

The consolidated financial statements include the financial statements of Italian-Thai Development Public Company Limited and subsidiaries which the Company can exercise control as follows:-

|  | Country of | Percentage of share held | |
| --- | --- | --- | --- |
| Name of Entity | incorporation | by the Company | |
|  |  | 2018 | 2017 |
| Overseas subsidiaries |  |  |  |
| Myanmar ITD Co., Ltd. | Myanmar | - | 99.99 |
| PT.Thailindo Bara Pratama | Indonesia | 99.99 | 99.99 |
| ITD Cementation India Limited | India | 46.64 | 51.63 |
| ITD - Madagascar S.A. | Madagascar | 99.98 | 99.98 |
| ITD Construction SDN. BHD. | Malaysia | 99.99 | 99.99 |
| First Dhaka Elevated Expressway Co., Ltd. | Bangladesh | 99.99 | 99.99 |
| ITD Bangladesh Company Limited | Bangladesh | 99.99 | 99.99 |
| Italian - Thai Development Vietnam Co., Ltd. | Vietnam | 80.00 | 80.00 |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
| ITD Mozambique Limitada | Mozambique | 99.00 | 99.00 |
| Thai Mozambique Logistica SA | Mozambique | 60.00 | 60.00 |
| Momaz Logistics | Republic of Mauritius | 100.00 | 100.00 |
| Italian - Thai Development (Myanmar) Co., Ltd. | Myanmar | 99.90 | 99.90 |
|  |  |  |  |
| Local subsidiaries |  |  |  |
| Italian - Thai International Co., Ltd. | Thailand | 99.99 | 99.99 |
| Bhaka Bhumi Development Co., Ltd. | Thailand | 99.99 | 99.99 |
| Thai Pride Cement Co., Ltd. | Thailand | 99.99 | 99.99 |
| Nha Pralan Crushing Plant Co., Ltd. | Thailand | 99.99 | 99.99 |
| Siam Concrete and Brick Products Co., Ltd. | Thailand | 99.80 | 99.80 |
| Italthai Marine Co., Ltd. | Thailand | 92.59 | 92.59 |
| Italthai Trevi Co., Ltd. | Thailand | 90.94 | 90.94 |
| Asian Steel Product Co., Ltd. | Thailand | 69.90 | 69.90 |
| Thai Maruken Co., Ltd. | Thailand | 50.96 | 50.96 |
| Italian Thai Land Co., Ltd. | Thailand | 99.99 | 99.99 |
| Palit Palangngan Co., Ltd. | Thailand | 74.93 | 74.93 |
| Palang Thai Kaowna Co., Ltd. | Thailand | 99.94 | 99.94 |
| Italian Thai Power Co., Ltd. | Thailand | 99.99 | 99.99 |
| Saraburi Construction Technology Co., Ltd. | Thailand | 99.93 | 99.93 |
| Asia Logistics Development Co., Ltd. | Thailand | 99.93 | 99.93 |
| Asia Industrial and Port Corporation Co., Ltd. | Thailand | 99.93 | 99.93 |
| Myanmar Italian – Thai Power 1 Co., Ltd. | Thailand | 99.95 | 99.95 |
| Italian – Thai Hongsa Co., Ltd. | Thailand | 99.97 | 99.97 |
| APPC Holding Co., Ltd. | Thailand | 60.00 | 60.00 |
|  |  |  |  |
| Indirect overseas subsidiaries |  |  |  |
| Italian – Thai Development (BVI) Co., Ltd. | British Virgin Islands | 99.99 | 99.99 |
| Ayeyarwady Multitrade Co., Ltd. | Myanmar | 99.99 | 99.99 |
| ITD Cementation Projects India Limited | India | 99.99 | 99.99 |
| Koh Kong Power Light Co., Ltd. | Cambodia | 93.00 | 93.00 |
| ITD Vertex Consortium SDN. BHD | Malaysia | 70.00 | 70.00 |
| Dawei Development Company Limited (BVI) | British Virgin Islands | 75.00 | 75.00 |
| Dawei Development Company Limited (Myanmar) | Myanmar | 75.00 | 75.00 |
| Future Prosperity Investment Company Limited | Republic of Mauritius | 99.99 | 99.99 |
| APPC Hong Kong Company Limited | Hong Kong | 100.00 | 100.00 |
| THAI INTERNATIONAL INDUSTRIAL ESTATE DEVELOPMENT PRIVATE COMPANY LIMITED | Singapore | 100.00 | 100.00 |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
| THAI POWER DEVELOPMENT PRIVATE COMPANY LIMITED | Singapore | 100.00 | 100.00 |
| THAI TELECOM DEVELOPMENT PRIVATE  COMPANY LIMITED | Singapore | 100.00 | 100.00 |
| DAWEI TELECOM HOLDING PRIVATE  COMPANY LIMITED | Singapore | 100.00 | 100.00 |
| DAWEI RESIDENCE HOLDING PTE LTD. | Singapore | 50.00 | 50.00 |
| DAWEI POWER HOLDING PTE LTD. | Singapore | 100.00 | 100.00 |
| DAWEI LNG TERMINAL HOLDING PTE LTD. | Singapore | 50.00 | 50.00 |
| MYANDAWEI INDUSTRIAL ESTATE HOLDING PTE LTD. | Singapore | 50.00 | 50.00 |
| DAWEI TELECOM COMPANY LIMITED | Myanmar | 100.00 | 100.00 |
| DAWEI RESIDENCE COMPANY LIMITED | Myanmar | 50.00 | 50.00 |
| DAWEI POWER COMPANY LIMITED | Myanmar | 100.00 | 100.00 |
| DAWEI LNG TERMINAL COMPANY LIMITED | Myanmar | 50.00 | 50.00 |
| MYANDAWEI INDUSTRIAL ESTATE COMPANY LIMITED | Myanmar | 50.00 | 50.00 |
|  |  |  |  |
| Indirect local subsidiaries |  |  |  |
| Aquathai Co., Ltd. | Thailand | 99.99 | 99.99 |
| Sarithorn Co., Ltd. | Thailand | 99.99 | 99.99 |
| Southern Industries (1996) Co., Ltd. | Thailand | 99.99 | 99.99 |
| Asia Pacific Potash Corporation Limited | Thailand | 90.00 | 90.00 |
| Lasalle Company Limited | Thailand | 99.30 | 99.30 |
| Tongkrai Company Limited | Thailand | 99.40 | 99.40 |
| Tayakhee Company Limited | Thailand | 99.40 | 99.40 |
| Dithee Company Limited | Thailand | 99.40 | 99.40 |
| Panoot Company Limited | Thailand | 99.40 | 99.40 |
| Phannin Company Limited | Thailand | 99.40 | 99.40 |
| Takolkiat Company Limited | Thailand | 99.40 | 99.40 |
| Tridayuk Company Limited | Thailand | 99.40 | 99.40 |
| Bhantuwong Company Limited | Thailand | 99.40 | 99.40 |
| Nahathai Company Limited | Thailand | 99.40 | 99.40 |
| Kanika Company Limited | Thailand | 99.40 | 99.40 |
| Sin Rae Muang Thai Co., Ltd. | Thailand | 99.99 | 99.99 |
| Wildemere Co., Ltd. | Thailand | 99.99 | 99.99 |
| APPC Holding Co., Ltd. | Thailand | 40.00 | 40.00 |
|  |  |  |  |
|  |  |  |  |

* 1. Significant changes during the year 2018 are as follows:
* An overseas subsidiary company increased its share capital but the Company did not participate in additional investment. This diluted the Company proportion of investment from 51.63% to 46.64%. However, the Company continues to consolidate the financial statements of such subsidiary since it has not lost control from the change of shareholding structure in such subsidiary. In addition, such overseas subsidiary company has investment in a joint venture of 40.00%. This also causes the dilution of the Company equity of such joint venture from 20.70% to 18.66%
* The Company and Sumitomo Mitsui Corporation Company Limited jointly invested in SMCC-ITD Joint Venture for which 49% is invested by the Company. Such Joint venture is incorporated under the laws of Bangladesh and is principally engaged in the construction of Dhaka Mass Transit Development project (CP-06) at Dhaka, Bangladesh.
* The Company made an investment for share capital increment of Italian Thai Power Co., Ltd of Baht 550.00 million. Its proportion of investment still remains at 99.99%.
* The Company made additional payment of BDT 821.06 million for share capital of First Dhaka Elevated Expressway Co., Ltd.
* A local Joint Venture registered the liquidation of Joint Venture.
* An overseas subsidiary registered the liquidation of company.
  1. Significant changes during the year 2017 are as follows :
* The Company registered to establish a branch in Bangladesh.
* The Company made additional payment of BDT 585.63 million for share capital of First Dhaka Elevated Expressway Co., Ltd.
* An indirect subsidiary registered the liquidation of 13 group companies in overseas.
* The Company registered the liquidation of 2 domestic and overseas joint ventures.
* The Company and Sinohydro Corporation Limited invested in ITD-SINOHYDRO Joint Venture which was incorporated under the laws of Bangladesh and is principally engaged in providing construction service. The Company has 51% investment in the joint venture.
* The Company and Right Tunnelling Co., Ltd. entered into a joint venture Agreement under the name of “ITD-RT Joint Venture” to engage in the construction of Track Doubling Project : Map Kabao – Thanon Chira Junction, Contract No.3 Tunnel Works. The Company’s portion in the joint venture is 70%.
* An indirect subsidiary increased its proportion of investment from 35% to 50% of registered share capital in 2 group companies established in Singapore and Republic of the Union of Myanmar.
  1. The financial statements of the overseas project offices, branches and subsidiaries are translated into Thai Baht using exchange rates at the statement of financial position date for assets and liabilities, and using the monthly average exchange rates for revenues and expenses. The resultant differences are presented under the caption “Translation adjustments for foreign currency financial statements” in other comprehensive income, other components of shareholders’ equity.
  2. Significant transactions and account balances with subsidiaries have been eliminated from the consolidated financial statements, except for intercompany profit in inventories at the end of the year, which has insignificant effect on the consolidated financial statements.
  3. Non-controlling interests represent the portion of subsidiary companies’ profit or loss and net assets that are not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position.
  4. All subsidiaries have the same reporting date of 31 December and have been prepared with the same accounting policies as the separate financial statements for the same accounting transactions or accounting events.
  5. Dilution gains (loss) arose on shares issued by subsidiaries and sold to third parties are recognized as surplus (discount) on dilution of investment in subsidiary companies, which is presented in shareholders’ equity in the consolidated financial statements.
  6. The Company’s financial statements for the years ended 31 December 2018 and 2017 include the audited financial statements of 2 overseas project offices, 5 overseas branches, 9 overseas subsidiaries, and 3 overseas joint ventures with aggregate assets and revenues in Baht equivalent as follows:-

|  |  | | (Unit : Million Baht) | |
| --- | --- | --- | --- | --- |
|  | 2018 | | 2017 | |
|  | Total | Total | Total | Total |
|  | assets | Revenues | assets | revenues |
|  |  |  |  |  |
| KOLDAM Project Office | 1,009 | 1 | 1,132 | 7 |
| West Bengal Project Office | 8 | - | 12 | 10 |
| Italian – Thai Development Public Co., Ltd. – Philippines Branch | 51 | - | 56 | 1 |
| Italian – Thai Development Public Co., Ltd. – Taiwan Branch | 2 | 1 | 7 | 14 |
| Italian – Thai Development Public Co., Ltd. – India Branch | 660 | 249 | 505 | 193 |
| Italian – Thai Development Public Co., Ltd. – Cambodia Branch | 9 | 283 | 64 | 111 |
| Italian – Thai Development Public Co., Ltd. – Bangladesh Branch | 5,712 | 4,376 | 2,276 | 727 |
| ITD Cementation India Limited | 12,384 | 13,120 | 11,804 | 11,775 |
| PT. Thailindo Bara Pratama | 544 | 260 | 512 | 23 |
| ITD Madagascar S.A. | 30 | 3 | 115 | 10 |
| First Dhaka Elevated Expressway Co., Ltd. | 2,952 | 1 | 2,338 | 11 |
| ITD Bangladesh Company Limited | 2 | - | 2 | - |
| Italian – Thai Development Vietnam Co., Ltd. | 3 | - | 3 | - |
| Italian – Thai Development (Myanmar) Co., Ltd. | 2 | - | 3 | 4 |
| ITD Mozambique Limitada | 144 | 8 | 126 | 12 |
| Thai Mozambique Logistica SA | 209 | - | 212 | - |
| ITD – Cemindia JV | 67 | 24 | 29 | 27 |
| ITD – ITD CEM JV | 1,724 | 806 | 2,164 | 758 |
| ITD – ITD CEM JV (Consortium) | 44 | - | 54 | 8 |
| Total | 25,556 | 19,132 | 21,414 | 13,691 |

* 1. The Company’s management considered the economic content of the joint venture agreements and concluded that the investments in some arrangements are joint operations. The Company therefore, prepared and presented the financial statements by recognizing assets, liabilities, revenues and expenses of such joint operations proportionately based on the Company’s interest.

Joint operations are as follows:

|  | Interest in joint operations (percent) | |  |
| --- | --- | --- | --- |
| Name of Entity | 2018 | 2017 | Type of businesses |
|  |  |  |  |
| ITD – SQ Joint Venture | 50.00 | 50.00 | Soil and coal extraction and removal services for the Electricity Generating Authority of Thailand |
| ITD – Unique Joint Venture | 60.00 | 60.00 | Construction harbour at Trad Province for the Marine Department, Ministry of Transport, Thailand |
| SQ – ITD Joint Venture | 50.00 | 50.00 | Soil and coal extraction and removal services for the Electricity Generating Authority of Thailand |
| ITD – SMCC Joint Venture | 40.00 | 40.00 | Construction the Chao Phraya River Crossing Bridge at Nonthaburi 1 Road Construction Project with the Department of Rural Roads under the Ministry of Transport, Thailand |
| Samsung – ITD Joint Venture | 24.00 | 24.00 | Construction the LPG expansion project at Khao Bo Ya, Chonburi Province with PTT Public Company Limited, Thailand |
| ITD – RT Joint Venture | 70.00 | 70.00 | Construction the double track train from Map Kabao – Thanon Chira junction, Contract No.3 tunnel works under the state railway of Thailand |
| SMCC – ITD Joint Venture | 49.00 | - | Construction of Dhaka Mass Transit Development project (CP-06) at Dhaka, Bangladesh with Dhaka Mass Transit Company Limited. |

The consolidated and separate financial statements as at 31 December 2018 and 2017 and for the years then ended included assets, liabilities, revenues and expenses of such joint operations are as follows:

|  |  | |  | |  |  | (Unit : Million Baht) | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2018 | | | | 2017 | | | |
|  | Current assets | Non – current assets | Current  liabilities | Non – current  liabilities | Current assets | Non – current assets | Current  liabilities | Non – current  Liabilities |
|  |  |  |  |  |  |  |  |  |
| ITD – SQ Joint Venture | 922 | 678 | 554 | 233 | 704 | 884 | 1,781 | 277 |
| ITD – Unique Joint Venture | 9 | - | - | - | 18 | - | 226 | - |
| SQ – ITD Joint Venture | 53 | - | - | - | 248 | 142 | 44 | - |
| ITD – SMCC Joint Venture | 22 | - | 1 | - | 24 | - | 3 | - |
| Samsung – ITD Joint Venture | 27 | 1 | 1 | - | 255 | 4 | 460 | - |
| ITD – RT Joint Venture | 709 | 34 | 271 | 431 | 6 | - | 6 | - |
| SMCC – ITD Joint Venture | 957 | 97 | 32 | 1,144 | - | - | - | - |

|  |  | | (Unit : Million Baht) | |
| --- | --- | --- | --- | --- |
|  | 2018 | | 2017 | |
|  | Revenues | Expenses | Revenues | Expenses |
|  |  |  |  |  |
| ITD – SQ Joint Venture | 1,372 | 1,637 | 837 | 953 |
| ITD – Unique Joint Venture | 1 | 3 | 4 | 7 |
| SQ – ITD Joint Venture | 31 | 23 | 5 | 29 |
| ITD – SMCC Joint Venture | - | - | - | 2 |
| Samsung – ITD Joint Venture | 311 | 137 | 1 | 12 |
| ITD – RT Joint Venture | 39 | 28 | 5 | 5 |
| SMCC – ITD Joint Venture | 321 | 307 | - | - |

1. NEW AND REVISED FINANCIAL REPORTING STANDARDS, INTERPRETATIONS AND GUIDANCE
   1. Amendments and interpretations to existing Standards that are effective from 1 January 2018

The Federation of Accounting Professions has issued revised Thai Financial Reporting Standards (TFRS), interpretations and guidance, that are effective for annual accounting periods beginning on or after 1 January 2018. The changes are to align with the corresponding International Financial Reporting Standards where most of the changes are relating to the revision of wording and terminology, and the provision of interpretations and accounting guidance to users of the standards.

The adoption of these revised TRFS has not had a material impact on the consolidated and separate financial statements except for the addition disclosures required under TAS 7 (see Note 32).

* 1. New Standards that are effective from 1 January 2019

During the year, the Federation of Accounting Professions issued Thai Financial Reporting Standard No. 15 “Revenue from Contracts with Customers” (TFRS 15). TFRS 15 is effective for annual accounting periods beginning on or after 1 January 2019, and defines new requirements for the recognition of revenue, replacing Thai Accounting Standard No. 18 “Revenue”, Thai Accounting Standard No.11 “Construction Contracts”, and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas which are limited in detail under existing Thai Financial Reporting Standards.

The Group is planning to adopt TFRS 15 commencing from 1 January 2019 using the Standard’s modified cumulative catch-up (modified) approach, which will be adjusted the cumulative impact of the adoption to equity with no restatement of the cumulative effect on the comparative information. The Group’s management is currently assessing the final impact of adoption of this standard.

* 1. New Standards that are effective from 1 January 2020

During the year, the Federation of Accounting Professions issued Thai Financial issue several TFRSs for financial instruments, which consists of TFRS 9 “Financial instruments”, TAS 32 “Financial instruments: Presentation”, TFRS 7 “Financial instruments: Disclosure”, TFRIC 16 “Hedges of a Net Investment in a Foreign Operation” and TFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”, which are effective for annual accounting periods beginning on or after 1 January 2020. The new TFRS establishes new requirements relating to the definition, recognition, classification, measurement, impairment of financial assets and liabilities, as well as providing guidance on hedge accounting.

The Group will adopt these new standards when they become effective, and management is in the process to assess the impact on the financial statements in the period of initial application.

1. SIGNIFICANT ACCOUNTING POLICIES
   1. Revenues recognition

*Revenues from construction work*

Revenues from construction work are recognized when services have been rendered taking into account the stage of completion measured by the proportion of actual construction costs incurred up to the end of the year and the total anticipated costs to complete the construction. Provision for the total anticipated loss on construction projects is made in the accounts as soon as the possibility of loss is ascertained.

*Revenue from sales*

Revenue from sales are recognized when the significant risks and rewards of ownership of the goods have passed to the buyers. Revenue from sales are presented at invoiced values, excluding value added tax, of goods supplied after deducting discounts and allowances.

*Revenue from services*

Revenue from services are recognized when the services have been rendered.

*Interest income*

Interest income is recognized over time – period on an accrued basis.

*Dividend income*

Dividend income is recognized when the right to receive the dividends is established.

* 1. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash at banks, and all highly liquid investments with an original maturity of 3 months or less and not subject to withdrawal restrictions.

* 1. Trade accounts receivable and allowance for doubtful accounts

Trade accounts receivable are stated at the net realisable value. The Company and subsidiaries provide allowances for doubtful accounts for the estimated losses that may occur in collection of receivables. The allowance is generally based on collection experiences and analysis of debtor aging, and the likelihood of settlement of debt, on a specific account basis.

* 1. Earned revenues not yet billed/receipt in excess of contract work in progress

The recognized revenues which are not yet due as per contracts are presented as “Earned revenues not yet billed” in the statement of financial position. The instalment amounts due and received according to the contracts but not yet recognized as revenue is presented as “Receipt in excess of contract work in progress” in the statement of financial position.

* 1. Inventories and work in process

Inventories and work in process are valued at the lower of weighted average cost and net realizable value and are charged to production costs whenever consumed. Management periodically review and provide allowance for obsolete inventories.

* 1. Costs of property development projects

Costs of property development projects are presented at costs or net realizable value whichever is lower. Project development costs include land cost, construction costs and expenses directly related to the development projects, including interest expense incurred from related loan interest. These will be amortized to cost of sales based on the percentage of sold area of each project.

* 1. Borrowing costs

Interest expense incurred on loans to finance the acquisition and development of the project is capitalized as a cost of each project. The Group will cease the capitalization of interest when the project is completed, or if suspended, until development is resumed.

* 1. Non – current assets held – for – sale

Asset groups are classified as held-for-sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is met only when the sale is highly probable and the asset is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets. Management must commit to the sale of the assets and they must be actively marketed at a price that is reasonable compared to their current fair value, with the expectation that sale should be recorded as completed within 1 year from the date of classification. These disposed asset groups are measured at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognized in the statement of profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

The Company ceases to depreciate plant and equipment from the date the assets meet the criteria for classification as assets held – for – sale.

* 1. Investments

1. Investments in available for sale securities are presented at fair value. Gains or losses arising from changes in the value of such investments are separately presented as part of shareholders’ equity under the caption “Unrealized gain/loss on changes in value of investments”. When the securities are sold, the change is included in the statement of profit or loss.
2. Investments in non-marketable equity securities, which the Company classifies as other investments, are presented at cost net of allowance for impairment (if any).
3. Investments in subsidiaries, associated companies and joint ventures are accounted for by the cost method in the separate financial statements. Investments in associated companies and joint ventures are accounted for by the equity method in the consolidated financial statements.

The fair value of available-for-sale securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand.

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

The Company and subsidiaries will record impairment losses (if any) for the investment in subsidiaries, associated companies, joint ventures and other investments in the statement of profit or loss when the carrying amount exceeds the recoverable amount.

* 1. Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by the Company, whether directly or indirectly, or which are under common control with the Company. They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and directing the Company’s operations.

*Subsidiaries*

Subsidiaries are those companies controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

*Associated companies*

Associated companies are those companies in which the Company has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Company’s share of the total recognized gains or losses of associated companies by the equity accounting method, from the date that significant influence commences until the date that significant influence ceases. When the Company’s share of losses exceeds its interest in an associate company, the Company will account for the share of losses not exceeding its investments and further losses are no longer accounted for, except to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associated company.

*Joint arrangement*

A joint arrangement is an arrangement of which two or more parties have joint control in an entity. A joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Under the equity method of accounting, interests in joint ventures are initially recorded at cost and adjusted thereafter to recognize the Company’s share of the post-acquisition profits or losses and movements in other comprehensive income. When the Company’s share of losses in a joint venture equals or exceeds its interests in the joint ventures, the Company will recognize such losses as obligation of the Company’s interest in the joint ventures.

The Company recognizes its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

* 1. Land awaiting developments

Land awaiting developments are valued at cost or net realisable value whichever is lower.

* 1. Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, the Company and subsidiaries state investment properties at fair value. Any gains or losses arising from changes in the value of investment properties are recognised in the statement of profit or loss.

On disposal of investment properties, the Company and subsidiaries recognized the difference between the net disposal proceeds and the carrying amount of the asset in the statement of profit or loss in the period when the asset is derecognized.

* 1. Property, plant and equipment, and depreciation

Property, plant and equipment are presented at cost less accumulated depreciation and allowance for impairment of assets (if any). Costs are measured by the cash or cash equivalent price including interest expense on incurred from related loan for the acquisition of asset that bring it to the location and condition necessary for its intended use.

The Company and subsidiaries depreciate buildings and equipment by the straight – line method over their estimated useful lives based on the segregation of components of assets, if each part is significant with different useful lives. Estimated useful lives of the assets are as follows:

|  |  |
| --- | --- |
| Buildings | 20 years |
| Machinery and equipment | 3 – 25 years |
| Furniture, fixtures and office equipment | 3 – 7 years |
| Vehicles | 5 – 12 years |
| Site offices and temporary camps | 5 – 12 years |

Expenditures for expansion, renewal and betterment are capitalized. Repair and maintenance costs are recognized as expenses when incurred.

* 1. Goodwill

Goodwill in a business combination represents the excess of the cost of acquisition over the fair value of the share of the identifiable net assets which the Company acquired. Goodwill is measured at cost less allowance for impairment. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

* 1. Potash mining right

Potash mining right represents the excess of the cost of investment over the fair value of the subsidiary’s net assets which, in management’s view, represents future economic benefits attributable to the potash mining rights. Potash mining right will be amortized using the units of potash production over the estimated potash reserve from the start of production.

* 1. Deferred exploration and development costs

All costs incurred in relation to the exploration for mineral reserves and expenses for the application of the mining concession are recorded as deferred exploration and development costs until the commencement of the commercial production or the abandonment of the project. These costs will be amortized based on the proportion of the units of production and the total estimated proven and probable recoverable reserves, from the commencement of the commercial operations. When the project is proven not commercially feasible and the property is abandoned or becomes worthless, these costs will be recorded as expenses.

* 1. Advances from customers under construction contracts

Advances from customers under construction contracts will be deducted from the bill of work over the period as indicated in the construction agreement. Advances from customers under construction contracts spanning more than 1 year are classified as non - current liabilities.

* 1. Debentures

Debentures are recognized initially at fair value less attributable transaction charges. Subsequent to initial recognition, debentures are presented at amortized cost with any difference between cost and redemption value being recognized in the statement of profit or loss over the period of the borrowing on an effective interest basis. Gains or losses on early redemption are recognized in the statement of profit or loss upon redemption.

* 1. Lease – where the Company and subsidiaries are the lessees

Leases of equipment where the Company and subsidiaries assume substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalized at the fair value of the leased assets or estimated present value of the underlying lease payments, whichever is lower. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the outstanding finance balance. Lease payments deducted by financial charges are recognized as liabilities under finance lease agreements. The financial expense is charged to the statement of profit or loss over the lease period. Assets acquired under finance lease agreements are depreciated over the useful lives of the assets.

Leases of assets in which the lessor effectively retains all the risks and benefits of ownership, are classified as operating leases. Payments made under operating leases are charged to the statement of profit or loss on the straight – line basis over the lease period. When an operating lease is terminated before expiry date of the lease period, any payment required by the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

* 1. Leases – where the Company and subsidiaries are the lessors

Assets leased out under operating leases are included in building and equipment in the statement of financial position. Depreciation is calculated over their estimated useful lives on a basis consistent with other similar assets. Rental income is recognized on a straight – line basis over the lease period.

* 1. Hire – purchase payables

These represent hire - purchase payables less deferred interest. The repayment sub-schedules of the hire - purchase contracts are for 24 – 60 months. The fixed assets acquired under hire - purchase agreements are recorded as assets of the Company at their cash prices and will be registered in the name of the Company upon the completion of payments. Interest on hire purchases payable is recognized as an expense in the statement of profit or loss.

* 1. Impairment of asset

The Company and subsidiaries assess whether there is an indication that any assets may be impaired. If any such indication exists, the Company and subsidiaries make an estimate of the assets recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the statement of profit or loss. An asset recoverable amount is the higher of fair value less cost to sell and value in use.

* 1. Income tax

Income tax expense for the year comprises current and deferred taxes. Current and deferred taxes are recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or other comprehensive income.

*Current income tax*

Current income tax is the expected tax payable or claimable on the taxable profit or loss for the year, using income tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to income tax payable in respect of previous years, which is different from profit or loss in the financial statements.

*Deferred tax*

Deferred taxes are calculated on temporary differences between the accounting amounts of assets and liabilities and the amounts used for tax computation purpose. Deferred taxes are calculated at the income tax rates that are expected to be applied to the temporary differences when they reverse, using income tax rates enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and if they are intended to be settled on a net basis or when tax assets and liabilities will be realized simultaneously.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that the related tax benefit will be realized.

* 1. Foreign currencies

Foreign currency transactions are translated into Baht at the exchange rates ruling on the transaction dates. Financial assets and liabilities, denominated in foreign currencies, which are outstanding at the reporting date, are translated into Baht at the exchange rates ruling on the reporting date. Gains and losses on exchange are included in the statement of profit or loss.

* 1. Employee benefits

*Short-term employment benefits*

Salaries, wages, bonuses and contribution to the social security are recognized as expenses when incurred on the accrual basis.

*Post-employment benefits (Defined contribution plan)*

The Company and subsidiaries, and their employees have jointly established a provident fund plan whereby monthly contribution are made by employees and by the Company and subsidiaries. The fund’s assets are held in a separate trust fund from the Company’s and subsidiaries’ assets. The Company’s and subsidiaries’ contributions to the fund are recognized as expenses when incurred.

*Post-employment benefits (Defined benefit plan)*

The Company and its subsidiaries have obligations in respect of the severance payments they must make to employees upon retirement under the labour law.

The obligations under the defined benefit plan are determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains or losses for the computation of post-employee benefits are recognised in other comprehensive income.

The defined benefits liability comprises the present value of the defined benefit obligation, fair value of plan assets and actuarial gains (losses).

The expected rate of return of plan assets is the Company’s expectation of the average long – term rate of return expected on investments of the fund during the estimated term of obligations. Plan assets are measured at fair value as at the reporting date.

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* 1. Segment reporting

Segment results that are reported to the Group’s executive committee (the chief operating decision makers) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

* 1. Dividend payment

Dividend payment is recorded in the financial statements in the year in which they are approved by the Shareholders or Board of Directors.

* 1. Basic earnings per share

Basic earnings per share are determined by dividing the profit for the year by the weighted average number of common shares outstanding during the year.

* 1. Diluted earnings per share

For the purpose of calculating diluted earnings per share, the weighted average number of outstanding common shares is assumed to be converted to common shares that dilute the total number of shares.

A calculation is done to determine the potential number of shares that could have been acquired at market price (determined as the average share price of the Company’s shares during the year) based on the outstanding warrants to determine the number of potential common shares to be additionally issued.

* 1. Derivatives

*Forward exchange contracts*

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling on the reporting date. Unrealized gains and losses from the translation are included in the statement of comprehensive income.

*Cross currency and interest rate swap agreements*

Receivables and payables arising from the cross-currency swap agreements are translated into Baht at the rates of exchange ruling on the reporting date. Unrealized gains and losses from the translation are included in the statement of profit or loss. The differences under interest rate swaps are recorded as adjustments to the interest expense relating to the hedged financial obligations in the statement of comprehensive income.

* 1. Provision for liabilities and expenses, and contingent assets

The Company and subsidiaries recognised provision for liabilities and expenses in the financial statements when they have present legal or constructive obligations as a result of past events with probable future outflows of resources to settle the obligations, and where a reliable estimate of the amount can be made. The contingent asset will be recognized as a separate asset only when the realization is virtually certain.

* 1. Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into 3 levels of a fair value hierarchy. The 3 levels are defined based on the observability of significant inputs to the measurement, as follows:

* Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
* Level 2: inputs other than quoted prices included within Level 1 that are observable comparable for the asset or liability, either directly or indirectly
* Level 3: no observable inputs for the asset or liability.

1. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTION AND JUDGEMENT

The preparation of the financial statements requires management to undertake judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management.

Critical accounting estimates, assumption and judgments are as follows:

1. Construction revenues

The stage of completion of any construction contract is assessed by management by taking into consideration all information available at the reporting date. In this process, management carries out significant judgements about milestones, actual work performed and the estimated costs to complete the work. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion. Actual outcomes in terms of actual costs or revenues may be higher or lower than estimates at reporting date, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

1. Claims income

A claim is an amount that the Company and subsidiaries seek to collect from their customers or another party as reimbursement for costs not included in the contract price. A claim may arise from, for example, customer caused delays, errors in specifications or design, and disputed variations in contract work. The measurement of the amounts of revenue arising from claims is subject to a high level of uncertainty and often depends on the outcome of negotiations.

1. Allowance for loss on construction projects

The Company and subsidiaries review their construction work-in-progress to determine whether there is any indication of foreseeable losses. Identified foreseeable losses are recognized immediately in the statement of comprehensive income when it is probable that total contract costs will exceed total contract revenue as determined by the management.

1. Impairment of receivables

The Company and subsidiaries account for allowance for doubtful accounts equal to the estimated collection losses that may incur in the collection of receivables. The estimated losses are based on historical collection experience coupled with a review of outstanding receivables at reporting date.

1. Allowance for obsolete, slow-moving and defective inventories

The Company and subsidiaries provide allowances for obsolete, slow-moving and defective inventories to reflect impairment of inventories. The allowance is based on consideration of inventory turnover and deterioration of each category and such requires management judgment.

1. Allowance for diminution in value of cost of property development projects and land held for development

The Company and subsidiaries treat cost of property development projects and land held for development, as diminution when the management judges that there have been significant or prolonged declines in the fair value below their cost. The management determines the devaluation of such cost of property development projects and land held for development based on net realisable value. The determination of what is “significant” or “prolonged” and such devaluation requires management judgment.

1. Allowance for impairment of investments

The Company and subsidiaries treat investments as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires management judgment.

1. Impairment of goodwill

The Company annually reviews goodwill from investments in subsidiary companies to determine whether it is impaired or not. The recoverable amounts of cash-generating units are determined based on value in use calculations. These calculations require the use of management estimates.

1. Non – current assets classified as held for sale

The Company presents non-current assets held for sale at the fair value and recognize loss on decline value on initial classification as held for sales and subsequent gains and losses on remeasurement are recognized in the statement of profit or loss. The fair value of non-current assets held for sales is determined by the independent appraiser by using the depreciated replacement cost approach which the valuation involves certain assumptions and estimates.

1. Property, plant and equipment and intangible assets

Management regularly determines the estimated useful lives and residual values for plant and equipment and intangible assets and will revise the depreciation and amortization charge where useful lives and residual values previously estimated have changed or subject to be written off for their technical obsolescence or if they are no longer in use.

1. Investment property

The Company and subsidiaries present investment property at the fair value estimated by an independent appraiser, and recognize changes in the fair value in profit or loss. The fair values of investment properties are determined by the independent valuer using the market approach. The valuation involves certain assumptions and estimates.

1. Allowances for impairment of assets

The Company and subsidiaries consider allowances for impairment of assets when there is an indication that an asset may be impaired. If any such indication exists when there has been a significant decline in the fair value below their cost, the Company and subsidiaries, make an estimate of the assets recoverable amount. The determination of recoverable amount requires management judgment.

1. Post-employment benefits under defined benefit plans

Obligation under defined benefit plans is determined based on actuarial techniques. Inherent within these calculations are assumptions as to discount rates, future salary increases, mortality rates and other demographic factors. Actual post-retirement costs may ultimately differ from these estimates.

1. Deferred tax assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Company and subsidiaries future taxable income against which the deductible temporary differences can be utilized. In addition, management judgment is required in assessing the impact of any legal or economic limits or uncertainties in tax jurisdictions.

1. Litigation

The Company and subsidiaries normally have contingent liabilities as a result of disputes and litigation. Management use judgment to assess the results of the disputes and litigation and recognize reasonable provision for losses in the accounts at the reporting date. However, actual results could differ from the estimates.

1. RESTRICTED DEPOSITS WITH BANKS

As at 31 December 2018 and 2017, the consolidated and separate financial statements have savings and fixed deposits of the Company and subsidiaries totaling approximately Baht 162.74 million and Baht 445.63 million, respectively (the separate financial statements : Baht 4.19 million and Baht 138.43 million) have been pledged with banks as the normal course of business of the Company, subsidiaries, and the overseas branches and collaterals for loans obtained by the Company and subsidiaries to finance specific projects, Most of these restricted deposits with banks are turned over within one year so they are classified as current assets

1. PROMISSORY NOTES – NET

|  |  |  |
| --- | --- | --- |
|  | (Unit : Thousand Baht) | |
|  | Consolidated and Separate F/S | |
|  | 31 December 2018 | 31 December 2017 |
|  |  |  |
| Promissory Notes | 485,939 | - |
| Less : Current portion | (50,000) | - |
| Net | 435,939 | - |

During the year 2018, the Company entered into an agreement with a debtor for the repayment of construction work. Such debtor agreed to settlement the debt by issues promissory notes to the Company for installment payments of 10 years with interest at 4.18 percent per annum.

As at 31 December 2018, the Company has long-term loan from a local financial institution of Baht 485.94 million. Such loan bears interest at 4 percent per annum. The principal and interest are repayable when the Company received debt settlement from the promissory notes from the debtor mentioned above.

1. TRADE ACCOUNTS RECEIVABLE – UNRELATED PARTIES – NET

## 

## The aging of outstanding trade accounts receivable balances as at 31 December 2018 and 2017 are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit : Thousand Baht) | |
|  | Consolidated F/S | | Separate F/S | |
| Receivable Ages | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |
| Less than 3 months | 8,387,542 | 7,632,380 | 6,536,377 | 6,658,682 |
| 3 – 6 months | 438,802 | 449,812 | 243,969 | 158,943 |
| 6 – 12 months | 1,459,357 | 353,200 | 1,168,619 | 7,635 |
| More than 12 months | 1,180,290 | 1,230,896 | 260,046 | 402,137 |
| Total | 11,465,991 | 9,666,288 | 8,209,011 | 7,227,397 |
| Less : Allowance for doubtful accounts | (953,801) | (969,052) | (326,274) | (396,706) |
| Net | 10,512,190 | 8,697,236 | 7,882,737 | 6,830,691 |

The Company sets up a full allowance for doubtful accounts for receivables from major private customers that have been overdue for more than 12 months and at 50 percent for those accounts overdue for more than 6 months, except for the following receivables:

* At as 31 December 2018, the consolidated financial statements include trade account receivable of an overseas subsidiary of Baht 269.76 million (net of an allowances for doubtful account amount to Baht 36.93 million) (31 December 2017 : Baht 309.98 million) which the debtor had complied with the repayments schedule as planned. During the period, the subsidiary’s management considered recognizing an allowance for impairment in value of such receivable by using discounted cash flow from the repayment plan of such receivable and recognized an allowance for impairment of Baht 36.93 million. The subsidiary’s management believes that such allowance for impairment is reasonable.
* As at 31 December 2018, the consolidated and separate financial statements include trade receivable from the State Enterprise for a construction project which has been under process of negotiation to extend the construction period from the ended of contract date. The Company has not received payment for outstanding receivable totaling Baht 825.33 million since the Company has not completed some construction work according to the milestone plan. However, the Company has completed such construction work within the contract period and it has been inspected from project consultant and employer. The repayment of construction work depends on the approval for extend the construction period from the ended of contract date. This process has been initially considered by the project consultant and the work inspection committee. On 20 December 2018, the Company, project consultant and employer’s representative have meeting to find out the solution as well as the approval for the extension of construction contract. The Company’s management believes that they will obtain the extension of the construction period and will receive the outstanding receivable in full amount. The Company therefore has not set up provision loss for the delay submit some part of construction work which is not according with the plan.

As at 28 February 2019, the project consultant agreed and submit details for the employer to consider approving for the extension of construction period to 17 May 2019.

During the year 2018, the Company received a payment of works and retentions for a trade receivable totaling to Baht 81.67 million. The Company has previously recognized full allowance for doubtful accounts for such receivable. Therefore, the Company reversed such allowance for doubtful accounts in the statement of profit or loss in this year.

1. TRADE ACCOUNTS RECEIVABLE – RELATED PARTIES – NET

# 

# The outstanding balances as at 31 December 2018 and 2017 are as follows :

|  |  | | (Unit: Thousand Baht) | |
| --- | --- | --- | --- | --- |
|  | Consolidated F/S | | Separate F/S | |
|  | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |
| Subsidiaries | - | - | 2,083,301 | 1,761,470 |
| Associated companies and joint ventures | 1,020,417 | 1,182,412 | 940,977 | 1,129,910 |
| Related parties | 624,458 | 1,470,758 | 512,039 | 1,308,318 |
| Joint operations | 5,368 | 25,958 | 5,368 | 25,958 |
| Total | 1,650,243 | 2,679,128 | 3,541,685 | 4,225,656 |
| Less : Allowance for doubtful accounts | (734,464) | (617,903) | (766,421) | (687,186) |
| Trade accounts receivable  – related parties – net | 915,779 | 2,061,225 | 2,775,264 | 3,538,470 |

The ages of outstanding balances of accounts receivable – related parties as at 31 December 2018 and 2017 are as follows :

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | (Unit : Thousand Baht) | |
|  | Consolidated F/S | | Separate F/S | |
| Outstanding Ages | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |
| Less than 3 months | 508,252 | 447,786 | 1,027,870 | 790,904 |
| 3 – 6 months | 13,244 | 108,456 | 163,297 | 877,501 |
| 6 – 12 months | 62,112 | 116,637 | 426,939 | 303,972 |
| More than 12 months | 1,066,635 | 2,006,249 | 1,923,579 | 2,253,279 |
| Total | 1,650,243 | 2,679,128 | 3,541,685 | 4,225,656 |
| Less : Allowance for doubtful accounts | (734,464) | (617,903) | (766,421) | (687,186) |
| Net | 915,779 | 2,061,225 | 2,775,264 | 3,538,470 |

As at 31 December 2017, the consolidated and separate financial statements include trade accounts receivable - related companies totaling Baht 162.94 million and Baht 103.57 million, respectively. Such related companies had been negotiating with strategic investors for project feasibility study to join the operations in the future. Debt repayment from such debtors depends on the materialization of the project feasibility and financial support from financial institution for project operation. However, managements have assessed an opportunity to recover such receivables to be remote and therefore recognized full allowance for doubtful accounts in the financial statements for year ended 31 December 2018.

During the year 2018, the Company received the repayment of receivable from a local subsidiary of Baht 27.48 million. The Company had previously recognized full allowance for doubtful accounts for such receivable. The Company, therefore reversed allowance for doubtful account for such receivable during the year.

During the year 2018, a joint venture sold machineries and vehicles to the Company for debt settlement totaling to Baht 947.79 million

1. FINANCE LEASE RECEIVABLE - SUBSIDIARY - NET

|  |  |  |
| --- | --- | --- |
|  | (Unit : Thousand Baht) | |
|  | Separate F/S | |
|  | 2018 | 2017 |
|  |  |  |
| Not over 1 year | 10,240 | 6,400 |
| Over 1 year but not over 5 years | 19,200 | 19,200 |
| Over 5 years | 27,840 | 31,680 |
| Total | 57,280 | 57,280 |
| Less : Unearned finance income | (16,412) | (18,634) |
| Total | 40,868 | 38,646 |
| Less : Allowance for doubtful accounts | (1,920) | - |
| Total | 38,948 | 38,646 |
| Less : Current portion | (6,202) | (4,178) |
| Net | 32,746 | 34,468 |

The above finance lease receivable is for machinery and equipment with a subsidiary with scheduled repayment terms of 15 years.

1. SHORT - TERM LOANS AND ADVANCES TO SUBSIDIARIES AND RELATED PARTIES - NET

|  |  | | (Unit : Thousand Baht) | |
| --- | --- | --- | --- | --- |
|  | Consolidated F/S | | Separate F/S | |
|  | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |
| Subsidiaries | - | - | 3,377,042 | 3,233,016 |
| Associated companies and joint ventures | 280,113 | 255,908 | 222,620 | 198,730 |
| Related companies | 15,481 | 16,018 | - | - |
| Joint operations | - | 23 | - | 23 |
| Other joint venture partner | 2,278 | - | 2,278 | - |
| Total | 297,872 | 271,949 | 3,601,940 | 3,431,769 |
| Less : Allowance for doubtful accounts | (27,003) | (11,255) | (2,180,373) | (2,059,344) |
| Short – term loans and advances to  Subsidiaries and related parties – net | 270,869 | 260,694 | 1,421,567 | 1,372,425 |

Movements in the short - term loans and advances to subsidiaries and related parties for the year ended 31 December 2018 are as follows :

|  |  | (Unit: Thousand Baht) | | |
| --- | --- | --- | --- | --- |
|  | Consolidated F/S | | | |
|  | 1 January | During the year | | 31 December |
|  | 2018 | Increase | Decrease | 2018 |
|  |  |  |  |  |
| Associated company and joint venture | 255,908 | 24,205 | - | 280,113 |
| Related companies | 16,018 | - | 537 | 15,481 |
| Joint operations | 23 | - | 23 | - |
| Other joint venture partner | - | 2,278 | - | 2,278 |
| Total | 271,949 | 26,483 | 560 | 297,872 |

|  |  | (Unit: Thousand Baht) | | |
| --- | --- | --- | --- | --- |
|  | Separate F/S | | | |
|  | 1 January | During the year | | 31 December |
|  | 2018 | Increase | Decrease | 2018 |
|  |  |  |  |  |
| Subsidiaries | 3,233,016 | 144,026 | - | 3,377,042 |
| Associated company and joint venture | 198,730 | 23,890 | - | 222,620 |
| Joint operations | 23 | - | 23 | - |
| Other joint venture partner | - | 2,278 | - | 2,278 |
| Total | 3,431,769 | 170,194 | 23 | 3,601,940 |

As at 31 December 2017, the consolidated financial statements include short – term loans and advances to related companies totaling to Baht 16.02 million. Debt repayment from such related companies depends on the condition discussed in Note 9 to the financial statements. However, the Subsidiary’s management assessed an opportunity to recover such loans to be remote and recognized full allowance for non-collection in the financial statement for the years ended 31 December 2018.

1. INVENTORIES AND WORK IN PROCESS - NET

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Unit : Thousand Baht) | | | |
|  | Consolidated F/S | | Separate F/S | |
|  | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |
| Work in process | 269,026 | 108,535 | 143,182 | - |
| Materials and inventories | 4,860,865 | 3,510,750 | 3,166,987 | 2,164,053 |
| Total | 5,129,891 | 3,619,285 | 3,310,169 | 2,164,053 |
| Less : Allowance for obsolete inventories | (60,063) | (87,795) | (45,687) | (68,684) |
| Net | 5,069,828 | 3,531,490 | 3,264,482 | 2,095,369 |

During the years 2018 and 2017, movements in the allowance for obsolete inventories are as follows :

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | (Unit : Thousand Baht) | |
|  | Consolidated F/S | | Separate F/S | |
|  | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |
| Balance as at 1 January | 87,795 | 54,867 | 68,684 | 34,153 |
| Add : Additional allowance | 13,700 | 38,469 | 13,700 | 35,341 |
| Less : Reversal of allowance | (40,995) | (4,731) | (36,260) | - |
| Less : Translation adjustment | (437) | (810) | (437) | (810) |
| Balance as at 31 December | 60,063 | 87,795 | 45,687 | 68,684 |

1. COSTS OF PROPERTY DEVELOPMENT PROJECTS – NET

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | (Unit : Thousand Baht) | |
|  |  | Consolidated F/S | |
|  |  | 2018 | 2017 |
|  |  |  |  |
| Land |  | 332,909 | 1,069,053 |
| Cost of property development projects |  | 446,925 | 2,153,282 |
| Utilities installation |  | 69,084 | 114,860 |
| Capitalized borrowing costs |  | 5,127 | 43,479 |
| Total |  | 854,045 | 3,380,674 |
| Less : Accumulated amounts transferred to cost of sales |  | (434,876) | (2,948,800) |
| Net |  | 419,169 | 431,874 |

As at 31 December 2018 and 2017, the above land and constructions have been pledged as collaterals for overdraft, loan and credit facilities with local banks as discussed in Note 26.

During the years 2018 and 2017 the Company capitalized interest amounting to Baht 7.60 million and Baht 3.32 million, respectively, to the cost of property development project. The capitalization rates of interest are based on the borrowing costs as discussed in Note 26.

The changes in cost of property development projects for the years ended 31 December 2018 and 2017 are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | (Unit : Thousand Baht) | |
|  |  | Consolidated F/S | |
|  |  | 2018 | 2017 |
|  |  |  |  |
| Balance as at 1 January |  | 431,874 | 472,137 |
| Add : Cost of property development |  | 422,171 | 403,643 |
| Less : Cost of sales |  | (434,876) | (443,906) |
| Balance as at 31 December |  | 419,169 | 431,874 |

1. NON - CURRENT ASSETS HELD FOR SALE – NET

SQ-ITD Joint venture had completed its soil and coal extraction and removal service to Electricity Generating Authority of Thailand (EGAT) and ITD-SQ Joint venture during June 2015 and September 2016, respectively. It has been confined itself to the follow-up of collections for the sales of assets from joint venture partner.

As at 31 December 2017, the non-current assets held-for-sale of Baht 165.72 million (net of impairment of assets) represented machineries and equipment of the joint venture in proportion held by the Company which are in the process of agreed price with such joint venture.

On 28 November 2018, the joint venture agreed to sale machineries and equipment to joint venture partner at the mutually agreed price. The Company received the transfer of those assets in the year 2018.

1. INVESTMENTS
   1. Investments in subsidiaries – net

Movements in investments in subsidiaries for the years ended 31 December 2018 and 2017 are as follows:

(Unit : Thousand Baht)

|  |  |  |  |
| --- | --- | --- | --- |
|  | Separate F/S | | |
|  | 2018 | 2017 | |
|  |  |  | |
| Balance as at 1 January | 6,878,187 | 6,635,355 | |
| Add : Additional investments during the year | 919,121 | 242,832 | |
| Less : Provision for impairment | (570,354) | - | |
| Balance as at 31 December | 7,226,954 | | 6,878,187 |

Investments in subsidiaries as at 31 December 2018 and 2017 comprise investments as follows:

|  |  |  |  | | (Unit : Thousand Baht) | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | Percentage | | Separate F/S | | | |
|  |  | Paid-up | of shareholding | | Cost | | | |
|  | Nature of business | Capital | 2018 | 2017 | 2018 | | 2017 | |
|  |  |  | Percent | Percent |  | |  | |
| **Investments in subsidiaries** |  |  |  |  |  | |  | |
| Italian-Thai International Co., Ltd. | Holding company | 400,000 | 99.99 | 99.99 | 400,000 | | 400,000 | |
| Less : Allowance for impairment |  |  |  |  | (400,000) | | (400,000) | |
| Net |  |  |  |  | - | | - | |
| Bhaka Bhumi Development Co., Ltd. | Real estate development | 5,075 | 99.99 | 99.99 | 5,075 | | 5,075 | |
| Thai Pride Cement Co., Ltd. | Manufacture and distribution of cement | 1,300,000 | 99.99 | 99.99 | 1,585,000 | | 1,585,000 | |
| Nha Pralan Crushing Plant Co., Ltd. | Rock quarrying, processing and distribution | 31,000 | 99.99 | 99.99 | 30,999 | | 30,999 | |
| Less : Allowance for impairment |  |  |  |  | (30,999) | | (10,999) | |
| Net |  |  |  |  | - | | 20,000 | |
| Siam Concrete and Brick Products Co., Ltd. | Manufacture and distribution of concrete products | 126,000 | 99.80 | 99.80 | 124,296 | | 124,296 | |
| Italthai Marine Co., Ltd. | Production and sale of vessels and equipment | 810,000 | 92.59 | 92.59 | 430,000 | | 430,000 | |
| Less : Allowance for impairment |  |  |  |  | (430,000) | | (430,000) | |
| Net |  |  |  |  | - | | - | |
| Italthai Trevi Co., Ltd. | Foundation and piling work services | 80,000 | 90.94 | 90.94 | 84,189 | | 84,189 | |
| Asian Steel Product Co., Ltd. | Manufacture and distribution of large steel pipes | 20,000 | 69.90 | 69.90 | 7,004 | | 7,004 | |
| Thai Maruken Co., Ltd. | Lease and sale of sheet piles and beams for foundation construction work | 20,000 | 50.96 | 50.96 | 10,196 | | 10,196 | |
| Italian-Thai Land Co., Ltd. | Not yet operational | 10,000 | 99.99 | 99.99 | 50 | | 50 | |
| Less : Allowance for impairment |  |  |  |  | (50) | | (50) | |
| Net |  |  |  |  | - | | - | |
| Palang Thai Kaowna Co., Ltd. | Not yet operational | 1,000 | 99.94 | 99.94 | 650 | | 650 | |
| Less : Allowance for impairment |  |  |  |  | (650) | | (650) | |
| Net |  |  |  |  | - | | - | |
| Palit Palang Ngan Co., Ltd. | Not yet operational | 1,000 | 74.93 | 74.93 | 50 | | 50 | |
| Less : Allowance for impairment |  |  |  |  | (50) | | (50) | |
| Net |  |  |  |  | - | | - | |
| Italian Thai Power Co., Ltd. | Production and distribution of electricity | 650,000 | 99.99 | 99.99 | 650,000 | | 100,000 | |
| Less : Allowance for impairment | (2017 :100,000) | |  |  | (650,000) | | (100,000) | |
| Net |  |  |  |  | - | | - | |
| Saraburi Construction Technology Co., Ltd. | Manufacture, distribution and installation of concrete sheet | 250 | 99.93 | 99.93 | 250 | | 250 | |
| Asia Logistics Development Co., Ltd. | Not yet operational | 1,000 | 99.93 | 99.93 | 999 | | 999 | |
| Asia Industrial and Port Corporation Co., Ltd. | Not yet operational | 1,000 | 99.93 | 99.93 | 999 | | 999 | |
| Myanmar Italian-Thai Power 1 Co., Ltd. | Not yet operational | 250 | 99.95 | 99.95 | 250 | | 250 | |
| Italian - Thai Hongsa Co., Ltd. | Coal mining contractor | 250 | 99.97 | 99.97 | 250 | | 250 | |
| APPC Holding Co., Ltd. | Holding company | 3,795,987 | 60.00 | 60.00 | 2,277,592 | | 2,277,592 | |
| ITD-ETF Joint venture | Construction services | 27,841 | 100.00 | - | 27,841 | | - | |
|  |  |  |  |  |  | |  | |
| **Overseas subsidiary companies** |  |  |  |  |  | |  | |
| Myanmar ITD Co., Ltd. | Service agent for Myanmar companies | 1,483 | - | 99.99 | - | 1,483 | |
| Less : Allowance for impairment |  | |  |  | - | (1,483) | |
| Net |  |  |  |  | - | - | |
|  |  |  |  |  |  |  | |
| PT. Thailindo Bara Pratama | Coal mining contractor | 25,250 | 99.99 | 99.99 | 108,071 | 108,071 | |
|  |  | Million IDR |  |  |  |  | |
| ITD Cementation India Limited | Construction services in India | 172 | 46.64 | 51.63 | 2,143,951 | 2,143,951 | |
|  |  | (2017 : 155) |  |  |  |  | |
|  |  | Million INR |  |  |  |  | |
| ITD–Madagascar S.A. | Mining business | 20 | 99.98 | 99.98 | 99,527 | 99,527 | |
|  |  | Million MGA |  |  |  |  | |
| Less : Allowance for impairment |  |  |  |  | (99,527) | (99,173) | |
| Net |  |  |  |  | - | 354 | |
| ITD Construction SDN.BHD. | Construction services in Malaysia | 0.75 | 99.99 | 99.99 | 7,312 | 7,312 | |
|  |  | Million MYR |  |  |  |  | |
| Less : Allowance for impairment |  |  |  |  | (7,312) | (7,312) | |
| Net |  |  |  |  | - | - | |
| First Dhaka Elevated Expressway Co., Ltd. | Concession for constructing elevated expressway in Bangladesh | 1,941  (2017 : 1,120) Million BDT | 99.99 | 99.99 | 798,627 | 463,949 | |
| ITD Bangladesh Company Limited | Construction services in Bangladesh | 4  Million BDT | 99.99 | 99.99 | 1,546 | 1,546 | |
| Italian–Thai Development Vietnam Co., Ltd. | Not yet operational | 6,000  Million VND | 80.00 | 80.00 | 9,160 | 9,160 | |
| Less : Allowance for impairment |  |  |  |  | (9,160) | (9,160) | |
| Net |  |  |  |  | - | - | |
| ITD Mozambique Limitada | Construction services in the Republic of Mozambique | 1,187,915  USD | 99.00 | 99.00 | 39,986 | 38,447 | |
| Thai Mozambique Logistica SA. | Concession for constructing Port and Railway in the Republic of Mozambique | 302,000  USD | 60.00 | 60.00 | 10,018 | 4,955 | |
| Momaz Logistics | Not yet operational | -  USD | 100.00 | 100.00 | - | - | |
| Italian - Thai Development (Myanmar)  Co., Ltd | Construction services in the Republic of the Union of Myanmar | 25,000  USD | 99.90 | 99.90 | 814 | 814 | |
| Total Investments in subsidiaries - net |  |  |  |  | 7,226,954 | 6,878,187 | |

On 2 February 2018, an overseas subsidiary re-issued 16,629,684 new shares at price of 202.55 INR per share (par value at 1 INR per share) to Qualified Institutional Buyers by legal and received paid-up share capital amounting to INR 3,368.34 million (net cash received from share issuance expenses of Baht 1,531.67 million). Such subsidiary increased its registered share capital from 155,157,900 shares to 171,787,584 shares. Consequently, the proportion the Company’s investment was diluted from 51.63% to 46.64%. However, the Company still continues to consolidate the financial statements of such subsidiary since it has not lost control from the change of shareholding structure. As a result of the increase share capital of subsidiary, the Company’s surplus on investment in subsidiary increases by Baht 511.54 million, which is recognized in other components of shareholders’ equity during the year.

During the year 2018, the Company paid for share capital increase of a local subsidiary of Baht 550 million which was used for debt settlement to the Company. The Company, then recognized full provision for impairment of such investment.

During the year 2018, the Company purchases stake of interests in a joint venture from joint venture partner in the proportion of 35% for an amount of Baht 27.84 million. Such transaction affected the change of investment in joint venture change to investment in subsidiary since October 2018 with detail of net assets as follows:

|  |  |
| --- | --- |
|  | Thousand Baht |
|  |  |
| Assets |  |
| Cash and cash equivalents | 18,403 |
| Trade accounts receivable – unrelated parties | 16,688 |
| Trade accounts receivable – related parties | 22,016 |
| Retentions receivable | 240 |
| Inventories and work in process | 1,188 |
| Income tax withheld at sources | 4,020 |
| Refundable value added tax | 854 |
| Other current assets | 589 |
| Property, plant and equipment | 31,793 |
| Other non – current assets | 26 |
|  |  |
| Liabilities |  |
| Trade accounts and other payable – unrelated parties | 2,135 |
| Trade accounts payable – related parties | 39,620 |
| Accrued expenses | 397 |
| Retentions payable | 166 |
| Other current liabilities | 287 |
| Short – term loan – related parties | 17,238 |
| Identifiable net assets | 35,974 |
|  |  |
| Cash paid for purchase investment in joint venture | 27,841 |
| Consideration transferred | 27,841 |

The Company included the results of operations for the business since the acquisition date in the preparation of the consolidated statement of profit or loss for the year ended 31 December 2018. Significant details are as follow:

|  |  |
| --- | --- |
|  | Thousand Baht |
|  |  |
| Revenue from sales and services | 51,933 |
| Loss for the period attributable to equity holders of the Company | (6,876) |

non – controlling interests

Subsidiaries with material non-controlling interests are as follows :

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  | (Unit: Million Baht) | | | |
|  | Proportion of ownership  interests held by the NCI (Percentage) | | Comprehensive  Income (loss) allocated to NCI | | Accumulated NCI | |
| Name | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |  |  |
| Italthai Trevi Co., Ltd. | 9.06 | 9.06 | 13 | 18 | 63 | 56 |
| Asian Steel Product Co., Ltd. | 30.10 | 30.10 | 6 | 2 | 45 | 45 |
| Thai Maruken Co., Ltd. | 49.04 | 49.04 | 13 | 34 | 211 | 228 |
| ITD Cementation India Limited | 53.36 | 48.37 | 347 | 226 | 2,480 | 1,341 |
| Italthai Marine Co., Ltd. | 7.41 | 7.41 | 1 | (7) | (31) | (32) |
| APPC Holding Co.,Ltd. | 10.00 | 10.00 | (4) | (7) | 348 | 352 |

During the year 2018, Subsidiaries paid dividends to the non-controlling-interests of Baht 59.97 million (2017 : Baht 35.91 million).

Significant financial information of the subsidiaries with material non-controlling interest in the aggregate amounts before eliminations are summarized as follows :

|  |  | |  | |  | |  | | (Unit : Million Baht) | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | For the years ended 31 December | | | | | | | | | | | | | |
|  | Italthai Trevi Co., Ltd. | | | Asian Steel Product Co., Ltd. | | | Thai Maruken Co., Ltd. | | ITD Cementation India Limited | | Italthai Marine  Co., Ltd. | | APPC Holding Co., Ltd. | |
|  | 2018 | 2017 | | 2018 | | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
|  |  |  | |  | |  |  |  |  |  |  |  |  |  |
| Current assets | 1,125 | 815 | | 127 | | 132 | 251 | 197 | 9,640 | 9,069 | 222 | 37 | 10 | 9 |
| Non – current assets | 491 | 406 | | 55 | | 51 | 602 | 562 | 2,744 | 2,735 | 57 | 60 | 4,004 | 4,004 |
| Current liabilities | 713 | 512 | | 21 | | 22 | 386 | 260 | 6,779 | 7,249 | 685 | 519 | 67 | 68 |
| Non - current liabilities | 210 | 85 | | 10 | | 11 | 36 | 33 | 957 | 1,781 | 10 | 12 | 465 | 422 |
| Equity attributable to the Company’s shareholder | 630 | 568 | | 106 | | 105 | 220 | 238 | 2,168 | 1,432 | (385) | (402) | 3,134 | 3,171 |
| Non – controlling interests | 63 | 56 | | 45 | | 45 | 211 | 228 | 2,480 | 1,342 | (31) | (32) | 348 | 352 |
| Revenue | 1,482 | 1,331 | | 154 | | 89 | 506 | 596 | 13,120 | 11,775 | 360 | 233 | - | 41 |
| Profit (loss) for attributable to the Company’s shareholders | 139 | 178 | | 14 | | 3 | 13 | 36 | 304 | 242 | 14 | (87) | (35) | (59) |
| Profit (loss) for attributable to non –  controlling interests | 13 | 18 | | 6 | | 2 | 13 | 34 | 347 | 226 | 1 | (7) | (4) | (7) |
| Profit (loss) for the year | 152 | 196 | | 20 | | 5 | 26 | 70 | 651 | 468 | 15 | (94) | (39) | (66) |
| Other comprehensive income (loss) | (2) | (1) | | - | | (1) | (1) | (3) | (14) | (51) | 3 | (1) | (1) | (2) |
| Total comprehensive income (loss) to the Company’s shareholder | (2) | (1) | | - | | (1) | (1) | (3) | (7) | (26) | 3 | (1) | (1) | (2) |
| Total comprehensive income (loss) attributable to non – controlling interests | - | - | | - | | - | - | - | (7) | (25) | - | - | - | - |
| Total comprehensive income (loss) for the year | (2) | (1) | | - | | (1) | (1) | (3) | (14) | (51) | 3 | (1) | (1) | (2) |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | |  | (Unit : Million Baht) | | | |
|  | For the year ended 31 December 2018 | | | | | | |
|  | Italthai Trevi Co., Ltd. | Asian Steel Product Co., Ltd. | | Thai Maruken Co., Ltd. | ITD Cementation India Limited | Italthai Marine  Co., Ltd. | APPC Holding Co., Ltd. |
|  |  |  | |  |  |  |  |
| Net cash from (used in) operating activities | 144 | (25) | | 136 | (1,172) | (93) | (39) |
| Net cash from (used in) investing activities | (196) | (12) | | (151) | (580) | (1) | (2) |
| Net cash from (used in) financing activities | 68 | (20) | | 16 | 1,487 | 96 | 41 |
| Net cash inflows (outflows) | 16 | (57) | | 1 | (265) | 2 | - |

* 1. Investments in associated companies - net

Significant judgement and assumptions

Associated are those companies in which the Company has significant influence, but not control, over the financial and operating policies. The Company’s share voting right 20 - 50 percentage of voting right. Except Siam pacific holding which the company holding 46.69 percentage and a subsidiary holding 4.30 percentage (totalling 50.99 percentage) because the Company has no control such company and classifies as associated investments.

Investment in associated companies are initially recorded at cost and adjusted thereafter to recognise profit or loss by the proportion of the Company in the associated companies.

Movements in investments in associated companies, which are accounted for using the equity method in the consolidated financial statements, for the year ended 31 December 2018 and 2017 are as follows :

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | (Unit : Thousand Baht) | | |
|  | Consolidated F/S | | Separate F/S | |
|  | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |
| Balance as at 1 January | 633,637 | 658,947 | 697,963 | 697,963 |
| Add (Less) : Share of profit (loss) from associated  companies | (20,662) | 15,588 | - | - |
| Less: Dividend from associated companies | (2,971) | (2,064) | - | - |
| Less: Translation adjustment for foreign currency  financial statements | (7,984) | (38,834) | - | - |
| Balance as at 31 December | 602,020 | 633,637 | 697,963 | 697,963 |

A reconciliation of the condensed financial information for the carrying amounts of the investments in associated companies are as follows:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | | |  |  | (Unit : Thousand Baht) | | |
|  | 31 December 2018 | | | | | | | |
|  | ATO-Asia Turnouts Co., Ltd. | Siam Pacific Holding Co., Ltd. | Bangkok Steel Wire Co., Ltd. | Oriental Residence Bangkok Co., Ltd. | MCRP Construction Corporation,  Philippines | Sino Lao Aluminum Corporation Limited | MCRP  Holding | Total |
|  |  |  |  |  |  |  |  |  |
| Total net assets of associated companies | 64,709 | 56,828 | 497,591 | (210,240) | - | 807,080 | - | 1,215,968 |
| Proportion of ownership interests held by the Company (%) | 48.99 | 46.69 | 19.98 | 15 | 24 | 50\* | 24 | - |
| Net assets by the Company’s proportion | 31,700 | 26,534 | 99,419 | (31,536) | - | 403,540 | - | 529,657 |
| Other adjustment | - | 2,525 | 868 | 31,536 | - | 37,434 | - | 72,363 |
| Carrying amount of the investment in associated companies | 31,700 | 29,059 | 100,287 | - | - | 440,974 | - | 602,020 |
|  |  |  |  |  |  |  |  |  |
| Dividend received from associated company | - | - | 2,971 | - | - | - | - | 2,971 |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | | |  |  | (Unit : Thousand Baht) | | |
|  | 31 December 2017 | | | | | | | |
|  | ATO-Asia Turnouts Co., Ltd. | Siam Pacific Holding Co., Ltd. | Bangkok Steel Wire Co., Ltd. | Oriental Residence Bangkok Co., Ltd. | MCRP Construction Corporation,  Philippines | Sino Lao Aluminum Corporation Limited | MCRP  Holding | Total |
|  |  |  |  |  |  |  |  |  |
| Total net assets of associated companies | 71,853 | 57,002 | 502,620 | (197,902) | - | 886,587 | - | 1,320,160 |
| Proportion of ownership interests held by the Company (%) | 48.99 | 46.69 | 19.98 | 15 | 24 | 50\* | 24 | - |
| Net assets by the Company’s proportion | 35,199 | 26,615 | 100,423 | (29,685) | - | 443,294 | - | 575,846 |
| Other adjustment | - | 2,525 | 869 | 29,685 | - | 24,712 | - | 57,791 |
| Carrying amount of the investment in associated companies | 35,199 | 29,140 | 101,292 | - | - | 468,006 | - | 633,637 |
|  |  |  |  |  |  |  |  |  |
| Dividend received from associated company | - | - | 2,064 | - | - | - | - | 2,064 |

\* The Company had paid for share capital for its portion of 34% in accordance with agreement but a shareholder has not paid for its share capital in accordance with shareholder agreement. As a result, the Company’s interest become 50% of share capital.

Unrecognized loss from associated companies

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | (Unit : Thousand Baht) | |
|  |  | 2018 | 2017 |
|  |  |  |  |
| Unrecognized loss from associated companies |  | 1,851 | 539 |
| Cumulative share of losses of associated companies |  | 31,536 | 29,685 |

Investments in associated companies as at 31 December 2018 and 2017, comprise investments in the following:

|  |  |  |  | | (Unit : Thousand Baht) | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | Percentage | | Consolidated F/S | | Separate F/S | |
|  |  | Paid-up Capital | of shareholding | | Equity | | Cost | |
|  | Nature of business | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
|  |  |  | Percent | Percent |  |  |  |  |
| **Investments in associated companies** | |  |  |  |  |  |  |  |
| ATO-Asia Turnouts Co., Ltd. | Production and distribution of turnouts for railway projects | 5,000 | 48.99 | 48.99 | 31,700 | 35,199 | 2,450 | 2,450 |
| Siam Pacific Holding Co., Ltd. | Holding company | 58,625 | 46.69 | 46.69 | 26,534 | 26,615 | 27,373 | 27,373 |
| Bangkok Steel Wire Co., Ltd. | Production and distribution of P.C. wire | 313,000 | 19.98 | 19.98 | 100,287 | 101,292 | 71,603 | 71,603 |
| Oriental Residence Bangkok Co., Ltd. | Real estate development | 500,000 | 15.00 | 15.00 | - | - | 75,000 | 75,000 |
|  |  |  |  |  |  |  |  |  |
| **Overseas companies** | | |  |  |  |  |  |  |
| MCRP Construction Corporation,  Philippines | Construction contractor in Philippines | 25  Million Peso | 24.00 | 24.00 | 12,000 | 12,000 | 12,000 | 12,000 |
| Less : Allowance for impairment |  |  |  |  | (12,000) | (12,000) | (12,000) | (12,000) |
| Net |  |  |  |  | - | - | - | - |
| MCRP Holding Corporation,  Philippines | Holding company in Philippines | 5  Million Peso | 24.00 | 24.00 | 3,000 | 3,000 | 3,000 | 3,000 |
| Less : Allowance for impairment |  |  |  |  | (3,000) | (3,000) | (3,000) | (3,000) |
| Net |  |  |  |  | - | - | - | - |
| Sino Lao Aluminum | Bauxite mine business in | 32 | 34.00 | 34.00 | 440,974 | 468,006 | 521,537 | 521,537 |
| Corporation Limited | Laos | Million USD) |  |  |  |  |  |  |
| Total Investments in associated companies – net | |  |  |  | 599,495 | 631,112 | 697,963 | 697,963 |
|  | |  |  |  |  |  |  |  |
| **Investments in associated companies held by subsidiaries** | |  |  |  |  |  |  |  |
| Siam Pacific Holding Co., Ltd. | Holding company | 58,625 | 4.30 | 4.30 | 2,525 | 2,525 | - | - |
| Total investments in associated companies held by subsidiaries | |  |  |  | 2,525 | 2,525 | - | - |
|  | |  |  |  |  |  |  |  |
| Total Investments in associated companies – net | |  |  |  | 602,020 | 633,637 | 697,963 | 697,963 |

Significant financial information of the associate companies in the aggregate amounts are summarized as follows:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | (Unit : Million Baht) | | | | | | | |
|  | For the years ended 31 December | | | | | | | |
|  | Current assets | | Non - current assets | | Current liabilities | | Non - current liabilities | |
|  | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |  |  |  |  |
| ATO-Asia Turnouts Co., Ltd. | 145 | 133 | 48 | 49 | 128 | 110 | - | - |
| Bangkok Steel Wire Co., Ltd. | 835 | 774 | 290 | 309 | 607 | 522 | 20 | 59 |
| Oriental Residence Bangkok Co., Ltd. | 2,124 | 2,036 | 1,235 | 1,330 | 2,590 | 2,495 | 979 | 1,069 |
| Sino Lao Aluminum Corporation Limited | 2 | 3 | 1,370 | 1,385 | 316 | 290 | 249 | 211 |
| Siam Pacific Holding Co., Ltd. | - | - | 63 | 63 | - | - | 6 | 6 |
| Total | 3,106 | 2,946 | 3,006 | 3,136 | 3,641 | 3,417 | 1,254 | 1,345 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | |  | | (Unit : Million Baht) | |
|  | For the years ended 31 December | | | | | |
|  | Revenues | | Profit (loss) | | Other  comprehensive income | |
|  | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |  |  |
| ATO-Asia Turnouts Co., Ltd. | 192 | 302 | (7) | 24 | - | - |
| Bangkok Steel Wire Co., Ltd. | 1,308 | 1,094 | 17 | 41 | - | - |
| Oriental Residence Bangkok Co., Ltd. | 357 | 361 | (22) | (18) | - | - |
| Sino Lao Aluminum Corporation Limited | - | 18 | (56) | (8) | 5 | 13 |
| Total | 1,857 | 1,775 | (68) | 39 | 5 | 13 |

* 1. Investments in joint ventures - net

Movements in investments in joint ventures, which are accounted for by using the equity method in the consolidated financial statements, during the year ended 31 December 2018 and 2017 are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit : Thousand Baht) | |
|  | Consolidated F/S | | Separate F/S | |
|  | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |
| Balance as at 1 January | 126,524 | 90,812 | - | - |
| Add : Share of profit from joint ventures | 185,127 | 45,063 | - | - |
| Less : Receipt of capital from joint ventures | - | (5,146) | - | - |
| Less : Receipts for the share of profit from  joint venture | (31,000) | - | - | - |
| Less : Transferred investment in joint ventures to subsidiary company | (66,804) | - | - | - |
| Add (less) : Translation adjustment on  financial statements | 3,628 | (4,205) | - | - |
| Balance as at 31 December | 217,475 | 126,524 | - | - |

Investments in joint ventures as at 31 December 2018 and 2017, comprise investments in the following entities :

|  |  |  | | (Unit : Thousand Baht) | | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Percentage | | Consolidated F/S | | Separate F/S | |
|  |  | of shareholding | | Equity | | Cost | |
|  | Nature of business | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
|  |  | Percent | Percent |  |  |  |  |
| **Investments in joint ventures** |  |  |  |  |  |  |  |
| ITD-EGC Joint Venture | Construction services in Republic of China | 55.00 | 55.00 | 299,430 | 295,766 | 295,206 | 295,206 |
| Less : Allowance for impairment |  |  |  | (289,977) | (292,896) | (295,206) | (295,206) |
| Net |  |  |  | 9,453 | 2,870 | - | - |
| ITD – ETF Joint Venture | Machinery rental services | - | 65.00 | - | 52,525 | - | - |
| ITD – ETF – MVM Joint Venture | Construction services | - | 55.25 | - | 19,831 | - | - |
| IOT Joint Venture | Construction services | 40.00 | 40.00 | - | - | - | - |
| CMC/ITD/SONG DA Joint Venture | Construction services | 30.00 | 30.00 | 125,388 | 48,223 | - | - |
| ITD SINOHYDRO Joint Venture | Construction services | 51.00 | 51.00 | 16,138 | 3,075 | - | - |
| Total investments in joint venture – net | |  |  | 150,979 | 126,524 | - | - |
| **Investments in joint ventures held by subsidiaries** | |  |  |  |  |  |  |
| CEC-ITD Cem-TPL Joint Venture | Construction services | 18.66 \* | 20.70 \* | 66,496 | - | - | - |
| Total investments in joint venture held by subsidiaries – net | |  |  | 66,496 | - | - | - |
|  | |  |  |  |  |  |  |
| **Total investments in subsidiaries, associated** | |  |  |  |  |  |  |
| **companies and joint venture – net** | |  |  | 819,495 | 760,161 | 7,924,917 | 7,576,150 |

\* The Company has investment in joint ventures held by this subsidiary of 40%. During the year 2018, such subsidiary increased its share capital. Consequently, the proportion of investment in such subsidiary was diluted from 51.63% to 46.64%. Therefore, the proportion of the Company in the joint venture also was diluted from 20.70% to 18.66%.

A reconciliation of the condense financial information to the carrying amounts of the investments in joint ventures are as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | (Unit : Million Baht) | | | | | | | | | | | | | |
|  | For the years ended 31 December | | | | | | | | | | | | | |
|  | ITD – EGC Joint Venture | | ITD – ETF  Joint Venture | | ITD – ETF – MVM Joint Venture | | IOT Joint Venture | | CMC/ITD/SONGDA  Joint Venture | | ITD-SINOHYDRO Joint Venture | | CEC-ITD CEM-TPL Joint Venture | |
|  | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total net assets of joint venture | 17 | 5 | - | 81 | - | 36 | - | - | 418 | 161 | 32 | 6 | 111 | - |
| Proportion of ownership  Interest (%) | 55% | 55% | - | 65% | - | 55.25% | 40% | 40% | 30% | 30% | 51% | 51% | 18.66% | 20.70% |
| Net assets by proportion | 9 | 3 | - | 53 | - | 20 | - | - | 125 | 48 | 16 | 3 | 21 | - |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Other adjustment | - | - | - | - | - | - | - | - | - | - | - | - | 45 | - |
| Carrying amount of the investment (obligation) | 9 | 3 | - | 53 | - | 20 | - | - | 125 | 48 | 16 | 3 | 66 | - |

Significant financial information of the joint ventures in the aggregate amounts are summarised as follows :

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | (Unit : Million Baht) | | | | | | | | | | | | | | | |
|  | For the years ended 31 December | | | | | | | | | | | | | | | |
|  | ITD - EGC Joint Venture | | ITD - ETF Joint Venture | | ITD - ETF - MVM Joint Venture | | IOT Joint Venture | | ITD-SINOHYDRO Joint Venture | | CMC/ITD/SONGDA  Joint Venture | | CEC-ITD CEM-TPL Joint Venture | | Total | |
|  | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cash and cash equivalents | 11 | 3 | - | 9 | - | 14 | - | - | 54 | 464 | 559 | 657 | 444 | 537 | 1,068 | 1,684 |
| Other current assets | 6 | 65 | - | 190 | - | 44 | - | - | 555 | 77 | 1,536 | 1,011 | 687 | 817 | 2,784 | 2,204 |
| Total current assets | 17 | 68 | - | 199 | - | 58 | - | - | 609 | 541 | 2,095 | 1,668 | 1,131 | 1,354 | 3,852 | 3,888 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Non-current assets | - | - | - | 102 | - | 1 | - | - | 93 | 28 | 1,360 | 1,456 | 682 | 747 | 2,135 | 2,334 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Other current liabilities (including trade payables and provision) | - | 57 | - | 220 | - | 23 | - | - | 115 | 24 | 3,037 | 2,963 | 613 | 2,100 | 3,765 | 5,387 |
| Total current liabilities | - | 57 | - | 220 | - | 23 | - | - | 115 | 24 | 3,037 | 2,963 | 613 | 2,100 | 3,765 | 5,387 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Non-current liabilities | - | 6 | - | - | - | - | - | - | 555 | 539 | - | - | 1,089 | 1 | 1,644 | 546 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net assets | 17 | 5 | - | 81 | - | 36 | - | - | 32 | 6 | 418 | 161 | 111 | - | 578 | 289 |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | (Unit : Million Baht) | | | | | | | | | |
|  | For the years ended 31 December | | | | | | | | | |
|  | Revenues | | Profit (loss) | | Other comprehensive income (loss) | | Depreciation and amortization | | Tax | |
|  | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |  |  |  |  |  |  |
| ITD – EGC Joint Venture | 3 | 4 | (1) | (13) | - | - | - | - | - | - |
| ITD – ETF Joint Venture | 139 | 218 | 22 | 9 | - | - | 13 | 21 | - | - |
| ITD – ETF – MVM Joint Venture | - | 77 | (4) | (6) | - | - | - | 2 | - | - |
| IOT Joint Venture | - | - | - | - | - | - | - | - | - | - |
| CMC/ITD/SONGDA Joint Venture | 4,116 | 2,168 | 266 | 158 | - | - | 324 | 71 | 30 | 37 |
| ITD-SINOHYDRO Joint Venture | 948 | 78 | 26 | 6 | - | - | 12 | 1 | 23 | 3 |
| CEC – ITD CEM – TPL Joint Venture | 2,338 | 1,274 | 113 | - | - | - | 205 | 32 | 63 | - |
| Total | 7,544 | 3,819 | 422 | 154 | - | - | 554 | 127 | 116 | 40 |

The Company regularly assesses the values of investments in subsidiaries, associated and joint ventures. An allowance for impairment is promptly taken up when there is a reliable indication that the decline value can be determined.

1. OTHER LONG – TERM INVESTMENTS – NET

Movements in other long – term investments during the years ended 31 December 2018 and 2017 are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | (Unit : Thousand Baht) | | |
|  | Consolidated F/S | | Separate F/S | |
|  | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |
| Balance as at 1 January | 861,138 | 845,703 | 691,793 | 677,315 |
| Add : Reversal of allowance for impairment of investment | 200,000 | - | 200,000 | - |
| Add : Unrealized gain (loss) from changes in value of investments | (151,373) | 15,435 | (142,763) | 14,478 |
| Balance as at 31 December | 909,765 | 861,138 | 749,030 | 691,793 |

Other long – term investments as at 31 December 2018 and 2017 comprise investments as follows :

|  |  |  | | (Unit : Thousand Baht) | | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Percentage of | |  | |  | |
|  |  | Shareholding | | Consolidated F/S | | Separate F/S | |
|  | Nature of business | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
|  |  | Percent | Percent |  |  |  |  |
| **Investments in other companies** |  |  |  |  |  |  |  |
| a) Non-listed companies |  |  |  |  |  |  |  |
| M-Home SPV 3 Co., Ltd. | Real estate development | 11.54 | 11.54 | 12 | 12 | 12 | 12 |
| Less : Allowance for impairment |  |  |  | (12) | (12) | (12) | (12) |
| Net |  |  |  | - | - | - | - |
| Siam Steel Syndicate Plc. | Manufacture and distribution for construction | 1.15 | 1.15 | 55,885 | 55,885 | 55,885 | 55,885 |
| Siam Fiber Optics Co., Ltd. | Manufacture and distribution of optic fibers | 10.00 | 10.00 | 24,000 | 24,000 | 24,000 | 24,000 |
| Bell Development Co., Ltd. | Real estate development | 2.29 | 2.29 | 47,313 | 47,313 | 47,313 | 47,313 |
| The Bangkok Club Co., Ltd. | Entertainment services | 0.44 | 0.44 | 3,000 | 3,000 | 3,000 | 3,000 |
| Less : Allowance for impairment |  |  |  | (1,985) | (1,985) | (1,985) | (1,985) |
| Net |  |  |  | 1,015 | 1,015 | 1,015 | 1,015 |
| Nishio Rent All (Thailand) Co., Ltd. | Construction machinery Rental | 15.00 | 15.00 | 7,500 | 7,500 | 7,500 | 7,500 |
| Praram 9 Square Co., Ltd. | Real estate development  and rental | 6.32 | 6.32 | 200,000 | 200,000 | 200,000 | 200,000 |
| Less : Allowance for impairment |  |  |  | - | (200,000) | - | (200,000) |
| Net |  |  |  | 200,000 | - | 200,000 | - |
| Total Investment in other non – listed |  |  |  |  |  |  |  |
| companies – net |  |  |  | 335,713 | 135,713 | 335,713 | 135,713 |
|  |  |  |  |  |  |  |  |
| b) Listed companies |  |  |  |  |  |  |  |
| Charoong Thai Wire and Cable Plc. | Manufacture and distribution of wire and cable | 12.90 | 12.90 | 308,715 | 308,715 | 308,715 | 308,715 |
| Add : Unrealized gain from changes in value of investments |  |  |  | 101,902 | 240,485 | 101,902 | 240,485 |
| Net market value |  |  |  | 410,617 | 549,200 | 410,617 | 549,200 |
| TTCL Plc. | Construction services | 0.07 | 0.07 | 400 | 400 | 400 | 400 |
| Add : Unrealized gain from changes in value of investments |  |  |  | 2,300 | 6,480 | 2,300 | 6,480 |
| Net market value |  |  |  | 2,700 | 6,880 | 2,700 | 6,880 |
| Total Investment in other listed  companies – net |  |  |  | 413,317 | 556,080 | 413,317 | 556,080 |
|  |  |  |  |  |  |  |  |
| Total Investments in other companies – net | |  |  | 749,030 | 691,793 | 749,030 | 691,793 |
|  |  |  |  |  |  |  |  |
| **Investments held by subsidiaries**  a) Non-listed companies |  |  |  |  |  |  |  |
| Bell Development Co., Ltd. | Real estate development | 6.55 | 6.55 | 135,226 | 135,226 | - | - |
|  |  |  |  |  |  |  |  |
| b) Listed company |  |  |  |  |  |  |  |
| Charoong Thai Wire and Cable Plc. | Manufacture and distribution of wire and cable | 0.80 | 0.80 | 19,178 | 19,178 | - | - |
| Add : Unrealized gain from changes in value of investments |  |  |  | 6,331 | 14,941 | - | - |
| Net market value |  |  |  | 25,509 | 34,119 | - | - |
| Total investment held by subsidiaries – net |  |  |  | 160,735 | 169,345 | - | - |
|  |  |  |  |  |  |  |  |
| **Total other long-term investments – net** | |  |  | 909,765 | 861,138 | 749,030 | 691,793 |

During the year 2018, the Company’s management reversed an allowance for impairment of investment in a company of Baht 200 million since the assessment of its financial position and operations indicates no longer impaired.

1. LAND LEASE CONCESSION AND PROJECT UNDER DEVELOPMENT

(Unit : Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated F/S | | Separate F/S | |
|  | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |
| Land lease concession | 30,198 | 30,198 | - | - |
| Project under development | 7,708,226 | 7,621,557 | 5,205,964 | 5,130,170 |
| Total | 7,738,424 | 7,651,755 | 5,205,964 | 5,130,170 |

As at 31 December 2018 and 2017, the Company has costs for acquisition of the right to develop the industrial estate and related infrastructure and utilities in the Dawei Special Economic Zone (“DSEZ”) amounting to Baht 7,738.42 million and Baht 7,651.76 million, respectively.

This project has been supported by the governments of Thailand and the Republic of the Union of Myanmar who have established the Special Purpose Vehicle (“SPV”) to mutually manage the development policy of the project. It was agreed that the Company has the right to reimburse such costs and other investments from new investors or to be granted the right to develop additional industrial estate land in accordance to the due diligence results as conducted by the advisory firm of the SPV under the Tripartite Memorandum and Supplemental Memorandum of Understanding to the Tripartite Memorandum as signed by and between the Company, SPV, and the Dawei SEZ Management Committee (“DSEZ MC”).

At present, the Company along with its partners were granted for the DSEZ Initial Phase concessions under the concession agreements as signed with the DSEZ MC on the 5th August 2015 to develop 27 square kilometers of industrial estate land and its related infrastructure and utilities. Wherein each respective partner of the individual concessions will be responsible for the Company’s previous investment through the due diligence. The progress of the project development is as follows:

1. **Submission of the reports of Detailed Design and Environmental Impact Assessment Reports (“EIA Reports”) to the DSEZ MC**

In accordance with the obligations of the concession agreements, the Company and its partners have conducted and submitted the reports of Detailed Design and Environmental Impact Assessment Reports (“EIA Reports”) for each respective concession to the DSEZ MC. In March 2018, the DSEZ MC arranged the last Public Consultation Meeting for all concessions. Thereafter, the EIA Reports for all concessions were approved by the Environmental Conservation Department under the Myanmar Ministry of Natural Resources and Environmental Conservation.

1. **Land lease agreements from the Government of the Republic of Union of Myanmar**

The concessionaires have had ongoing discussions with the DSEZ MC and its Legal Advisory Team in order to finalize the agreements in due course. Recently, the DSEZ MC and its Legal Advisory Team held an internal meeting in January 2019 to discuss the content and principle of the land lease agreements to be in line with international practice in order to further continue discussions with the concessionaires going forward.

1. **Government support for construction of the 2-lane road linking the DSEZ to the Thailand-Myanmar border**

In March 2018, the Government of the Republic of the Union of Myanmar approved the terms and conditions of a loan offered by the Government of Thailand for construction of the 2-lane road linking the DSEZ to the Thailand-Myanmar border. In May 2018, the Joint Technical Taskforce under both governments arranged the meeting to discuss the engineering issues of the 2-lane road as well as discuss the terms of loan offered by the Government of Thailand. Thereafter, it was agreed by both governments to select an engineering advisory firm to conclude the construction plan of the 2-lane road and related information necessary for the construction tendering process and the loan document between the two governments and the selected engineering advisory firm was later engaged in February 2019. This support from both governments is an advancement for the cooperation between the two countries. The development of this road linkage infrastructure will effectively generate economic and social benefits for both counties and will also create a positive impact to the DSEZ Initial Phase project development and the betterment of the well-being and livelihood of the population in DSEZ and the surrounding areas of both countries.

1. POTASH MINING RIGHT

The Company holds a 90% investment in a potash mine project through a group of subsidiary companies with has total investment of Baht 2,293.49 million. The Ministry of Finance also holds 10% of the registered share capital.

The subsidiary company has the right to do potash exploration in Udon Thani Province in Northeast of Thailand, and has successfully identified two large potash resources at South Udon and North Udon. Such project is under process application for potash mining concessions from the government. The progress of mining project are as follows;

During the year 2016, the Udon Thani Governor had organized a public hearing meeting of the stakeholders as stipulated in the Mining Act. and submitted such report to the Department of Primary Industries and Mines (DPIM) in order to consideration for the mining license approval.

During the year 2017, the Office of the Attorney General issued a letter to the Department of Primary Industries and Mines (DPIM) clarifying legal issues associated with the right to explore potash mining. The letter confirmed that government authorities have executed the process in accordance with the concession contract regarding to compensation to the state made since 1984. As a result, the subsidiary company has met the requirements and takes to proceed to a step for obtaining a mining license.

At the present, DPIM is in process review the documents for the mining license application approval for the approval of subsidiary to the Ministry of Industry. In June 2018, DPIM made the legal consultations letter to the Office of the Council of State to request an opinion for proper implementations and compliance with both the concession agreement and the Mineral Act. B.E. 2017.

In January 2019, the Office of the Council of State has response such letter to DPIM in order to continued process consideration for the approval of mining concession of subsidiary company in accordance with the Mineral Act. B.E. 2017 and adhere to the commitment made between the subsidiary company and the Government to proceed the consideration process for the concession application. DPIM has to establish the Committee to determine the compensation and gather the information and documentation of subsidiary company for mining application to submit to the Mineral’s Board for the consideration and propose to the Director-General of DPIM to sign for the grant of mining license of subsidiary company.

The Company’s management believes that this project will generate benefits both for neighboring area and for the country. The project is expected to be approved by the government and become operational as planned. The management of the Company believes that there will be no impairment in the value of investment.

1. DEFERRED EXPLORATION AND DEVELOPMENT COSTS

All costs incurred in relation to the exploration for mineral reserves and expenses for the application of mining concession are recorded as deferred exploration and development costs until the commencement of the commercial production or abandonment of the project. These costs will be amortized based on the proportion of the units of production and the total estimated proven and probable reserves, from the commencement of the commercial operations. When the project is proven not commercially feasible and the property is abandoned or becomes worthless, these costs will be written off as expenses.

| (Unit : Thousand Baht) | | |
| --- | --- | --- |
|  | Consolidated F/S | |
|  | 2018 | 2017 |
| Exploration expenditures cost |  |  |
| Beginning balance | 566,570 | 566,570 |
| Increase during the year | - | - |
| Ending balance | 566,570 | 566,570 |
|  |  |  |
| Mining license expenditures cost |  |  |
| Beginning balance | 381,957 | 384,118 |
| Increase during the year | 1,449 | 4,562 |
| Adjustment during the year | - | (6,723) |
| Ending balance | 383,406 | 381,957 |
|  |  |  |
| Total deferred exploration and development costs | 949,976 | 948,527 |

1. LONG - TERM LOANS AND ADVANCES TO SUBSIDIARIES - NET

The outstanding balances as at 31 December 2018 and 2017 are as follows:

|  |  | | (Unit : Thousand Baht) | |
| --- | --- | --- | --- | --- |
|  | Consolidated F/S | | Separate F/S | |
|  | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |
| Subsidiaries | - | - | 6,667,554 | 7,026,668 |
| Less : Allowance for doubtful accounts | - | - | (933,449) | (1,355,601) |
| Net | - | - | 5,734,105 | 5,671,067 |

Significant movements in the long - term loans and advances to subsidiaries and related parties for the year ended 31 December 2018 are as follows :

|  |  | (Unit : Thousand Baht) | | |
| --- | --- | --- | --- | --- |
|  | Separate F/S | | | |
|  | 1 January | During the year | | 31 December |
|  | 2018 | Increase | Decrease | 2018 |
|  |  |  |  |  |
| Subsidiaries | 7,026,668 | 162,700 | 521,814 | 6,667,554 |

During the year 2018, a local subsidiary repaid its long-term loans and advance to the Company amounted to Baht 520.62 million. The Company had previously recognized full allowances for doubtful accounts of such long-term loans and advance. The Company, therefore reversed allowances for doubtful account of such long-term loans and advance during the year.

1. LAND AWAITING DEVELOPMENT – NET

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit : Thousand Baht) | |
|  | Consolidated F/S | | Separate F/S | |
|  | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |
| Land awaiting development | 770,615 | 765,124 | 474,846 | 474,846 |
| Add : Purchase during the year | - | 5,491 | - | - |
| Less : Reclassify to fixed assets | (474,846) | - | (474,846) | - |
| Land awaiting development – net | 295,769 | 770,615 | - | 474,846 |

As at 31 December 2018 and 2017, land awaiting of development of the Company and its subsidiaries of Baht 284.04 million and Baht 758.88 million, respectively, are the land for using in Map Ta Phut Jetty Project and Potash Mining Project in Udon Thani province.

During the year 2018, the Company classified certain units of land included as part of the land awaiting development for its own use to fixed assets. The net book value of such unit is Baht 474.85 million.

1. INVESTMENT PROPERTIES

As at 31 December 2018, investment properties presented at fair value consist of :

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | |  |  | (Unit : Thousand Baht) | |
|  | |  |  | Consolidated F/S | Separate F/S |
|  | |  |  |  |  |
| Land |  | |  | 1,727,270 | 765,219 |
| Building |  | |  | 303,602 | 303,602 | |
| Total |  | |  | 2,030,872 | 1,068,821 |

During the year 2017, the Company hired independent appraisers to re-appraise the value of land and building under the market approach.

Movements in investment properties for the years ended 31 December 2018 and 2017 are as follows :

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit : Thousand Baht) | |
|  | Consolidated F/S | | Separate F/S | |
|  | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |
| **Net book value** **as at 1 January** | 2,113,270 | 1,925,363 | 1,151,219 | 1,040,043 |
| Add : Increased during the year | - | 95,856 | - | 95,856 |
| Less : Disposal during the year | (82,398) | (27,392) | (82,398) | (27,392) |
| Add : Gain on revaluation of assets | - | 119,443 | - | 42,712 |
| **Net book value** **as at 31 December** | 2,030,872 | 2,113,270 | 1,068,821 | 1,151,219 |

During the year 2017, the Company received the transfer of a condominium unit from a related company for debt settlement of construction service of Baht 95.86 million according to the Board of Directors meeting in 2016.

During the year 2018, the Company transferred condominium units for a total value of Baht 13.84 million for the repayment of the debt of an indirect subsidiary.

1. PROPERTY, PLANT AND EQUIPMENT – NET

|  | (Unit : Thousand Baht) | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Consolidated F/S | | | | | | | |
|  |  | |  | Machinery, |  | |  |  |
|  |  | |  | Office | Site office | | Machinery |  |
|  |  | |  | equipment, | and | | and equipment |  |
|  |  | | Building | Furniture | temporary | | under |  |
|  | Land | | and factories | and vehicle | camps | | installation | Total |
| **Cost** |  | |  |  |  | |  |  |
| **1 January 2017** | 1,297,901 | | 6,209,516 | 32,610,847 | 1,225,283 | | 725,811 | 42,069,358 |
| Acquisitions / Transfer in | 34,873 | | 278,960 | 3,281,657 | 13,518 | | 1,103,163 | 4,712,171 |
| Disposals / Transfer out | - | | - | (1,831,494) | (12,310) | | (727,407) | (2,571,211) |
| Translation adjustment | (852) | | (3,498) | (268,811) | (1,870) | | (868) | (275,899) |
| **31 December 2017** | 1,331,922 | | 6,484,978 | 33,792,199 | 1,224,621 | | 1,100,699 | 43,934,419 |
| **1 January 2018** | 1,331,922 | | 6,484,978 | 33,792,199 | 1,224,621 | | 1,100,699 | 43,934,419 |
| Acquisitions / Transfer in | 50,970 | | 57,357 | 5,584,795 | 61,996 | | 2,038,089 | 7,793,207 |
| Increase acquisition | - | | - | 287,095 | - | | - | 287,095 |
| Disposals / Transfer out | - | | (11,390) | (2,608,318) | (28,003) | | (1,121,976) | (3,769,687) |
| Reclassify from Land awaiting development | 474,846 | | - | - | - | | - | 474,846 |
| Translation adjustment | (2,514) | | (13,467) | (530,168) | (222) | | (31,549) | (577,920) |
| **31 December 2018** | 1,855,224 | | 6,517,478 | 36,525,603 | 1,258,392 | | 1,985,263 | 48,141,960 |
|  |  | | | | | | | |
| **Accumulated depreciation** |  | |  |  |  | |  |  |
| **1 January 2017** | - | | 4,255,106 | 18,044,464 | 789,246 | | - | 23,088,816 |
| Depreciation for the year | - | | 264,011 | 1,994,413 | 105,948 | | - | 2,364,372 |
| Depreciation for disposals | - | | - | (1,090,464) | (7,711) | | - | (1,098,175) |
| Translation adjustment | - | | (923) | (168,884) | (411) | | - | (170,218) |
| **31 December 2017** | - | | 4,518,194 | 18,779,529 | 887,072 | | - | 24,184,795 |
| **1 January 2018** | - | | 4,518,194 | 18,779,529 | 887,072 | | - | 24,184,795 |
| Depreciation for the year | - | | 361,204 | 2,546,644 | 96,646 | | - | 3,004,494 |
| Depreciation from increase acquisition | - | | - | 185,303 | - | | - | 185,303 |
| Accumulated depreciation for disposals | - | | (152) | (2,270,018) | (62,544) | | - | (2,332,714) |
| Accumulated depreciation from transfer in  (transfer out) | - | | - | 23,000 | (23,000) | | - | - |
| Translation adjustment | - | | (2,906) | (306,797) | (64) | | - | (309,767) |
| **31 December 2018** | - | | 4,876,340 | 18,957,661 | 898,110 | | - | 24,732,111 |
|  |  | |  |  |  | |  |  |
| **Less Allowance for impairment** |  | |  |  |  |  | |  | |
| 31 December 2017 | 15,219 | | 1,818 | 85,726 | - | - | | 102,763 | |
| 31 December 2018 | 15,219 | | 1,818 | 2,802 | - | - | | 19,839 | |
|  |  | |  |  |  |  | |  | |
| **Net book value** |  | |  |  |  | |  |  |
| **31 December 2017** | 1,316,703 | | 1,964,966 | 14,926,944 | 337,549 | | 1,100,699 | 19,646,861 |
| **31 December 2018** | 1,840,005 | | 1,639,320 | 17,565,140 | 360,282 | | 1,985,263 | 23,390,010 |
|  | |  |  |  |  | |  |  |
| **Depreciation for the year 2017** | | | |  |  | |  | 2,364,372 |
| **Depreciation for the year 2018** | | | |  |  | |  | 3,004,494 |
|  | | | |  |  | |  |  |

|  | (Unit : Thousand Baht) | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Separate F/S | | | | | | | | | | |
|  |  |  | | Machinery, | |  | |  | |  | |
|  |  |  | | Office | | Site office | | Machinery | |  | |
|  |  |  | | equipment, | | and | | and equipment | |  | |
|  |  | Building | | Furniture | | Temporary | | under | |  | |
|  | Land | and factories | | and vehicle | | Camps | | installation | | Total | |
| **Cost** |  |  | |  | |  | |  | |  | |
| **1 January 2017** | 1,077,815 | 4,476,405 | | 16,361,510 | | 1,061,325 | | 566,547 | | 23,543,602 | |
| Acquisitions / Transfer in | 34,873 | 243,619 | | 1,569,032 | | 13,119 | | 750,689 | | 2,611,332 | |
| Disposals / Transfer out | - | - | | (668,651) | | (9,939) | | (585,749) | | (1,264,339) | |
| Translation adjustment | - | - | | (22,643) | | (152) | | - | | (22,795) | |
| **31 December 2017** | 1,112,688 | 4,720,024 | | 17,239,248 | | 1,064,353 | | 731,487 | | 24,867,800 | |
| **1 January 2018** | 1,112,688 | 4,720,024 | | 17,239,248 | | 1,064,353 | | 731,487 | | 24,867,800 | |
| Acquisitions / Transfer in | 50,970 | 30,311 | | 4,059,905 | | 58,970 | | 1,805,063 | | 6,005,219 | |
| Disposals / Transfer out | - | - | | (2,038,830) | | (28,003) | | (773,211) | | (2,840,044) | |
| Reclassify from Land awaiting development | 474,846 | - | | - | | - | | - | | 474,846 | |
| Translation adjustment | - | - | | (30,839) | | (7) | | (9,236) | | (40,082) | |
| **31 December 2018** | 1,638,504 | 4,750,335 | | 19,229,484 | | 1,095,313 | | 1,754,103 | | 28,467,739 | |
|  |  |  | |  | |  | |  | |  | |
| **Accumulated depreciation** |  |  | |  | |  | |  | |  | |
| **1 January 2017** | - | 3,361,554 | | 10,603,652 | | 763,179 | | - | | 14,728,385 | |
| Depreciation for the year | - | 188,424 | | 927,719 | | 92,593 | | - | | 1,208,736 | |
| Depreciation for disposals | - | - | | (531,797) | | (7,190) | | - | | (538,987) | |
| Translation adjustment | - | - | | (18,388) | | (58) | | - | | (18,446) | |
| **31 December 2017** | - | 3,549,978 | | 10,981,186 | | 848,524 | | - | | 15,379,688 | |
| **1 January 2018** | - | 3,549,978 | | 10,981,186 | | 848,524 | | - | | 15,379,688 | |
| Depreciation for the year | - | 283,565 | | 1,316,932 | | 83,664 | | - | | 1,684,161 | |
| Accumulated depreciation for disposals | - | - | | (1,962,366) | | (62,544) | | - | | (2,024,910) | |
| Accumulated depreciation from transfer in  (transfer out) | - | - | | 23,000 | | (23,000) | | - | | - | |
| Translation adjustment | - | - | | (21,570) | | (7) | | - | | (21,577) | |
| **31 December 2018** | - | 3,833,543 | | 10,337,182 | | 846,637 | | - | | 15,017,362 | |
|  |  |  | |  | |  | |  | |  | |
| **Net book value** |  |  | |  | |  | |  | |  | |
| **31 December 2017** | 1,112,688 | 1,170,046 | | 6,258,062 | | 215,829 | | 731,487 | | 9,488,112 | |
| **31 December 2018** | 1,638,504 | 916,792 | | 8,892,302 | | 248,676 | | 1,754,103 | | 13,450,377 | |
|  | | |  | |  | |  | |  | |
| **Depreciation for the year 2017** | | |  | |  | |  | | 1,208,736 | |
| **Depreciation for the year 2018** | | |  | |  | |  | | 1,684,161 | |

During the year 2018, the Company classified certain units of land included as part of the land awaiting development for its own use to fixed assets. The net book value of such unit is Baht 474.85 million.

During the year 2018, the Company received the transfer of machineries and equipment from a joint venture as discussed in Note 14.

As at 31 December 2018 and 2017, certain building, machinery and equipment items of the Company and subsidiaries have been fully depreciated but are still in use. The original cost, before deducting accumulated depreciation, of those assets amounted to Baht 10,929.04 million and Baht 10,217.95 million, respectively (Separate F/S : Baht 8,095.81 million and Baht 7,829.77 million, respectively).

As at 31 December 2018 and 2017, the Company and subsidiaries’ machinery, equipment and vehicles with a total net book value of Baht 3,351.19 million and Baht 2,764.40 million, respectively, were acquired under finance leases/ hire purchase agreements (Separate F/S: Baht 3,090.27 million and Baht 2,530.60 million, respectively).

As at 31 December 2018 and 2017, the Company has assets under construction for precast and limestone production to support the project under development of Baht 122.44 million and Baht 138.49 million, respectively. The Company’s management believes that these assets are not impaired.

1. GOODWILL

|  |  |  |
| --- | --- | --- |
| (Unit : Thousand Baht) | | |
|  | Consolidated F/S | |
|  | 2018 | 2017 |
|  |  |  |
| Goodwill | 958,785 | 958,785 |
| Less : Allowance for impairment | (16,673) | (16,673) |
| Less : Translation adjustment for foreign currency financial statements | (78,540) | - |
| Net | 863,572 | 942,112 |

A segment - level summary of the goodwill allocation is presented as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | (Unit : Thousand Baht) | | |
|  | Consolidated F/S | | |
|  | Cement business in Thailand | Potash mining in Thailand | Construction business in India |
|  |  |  |  |
| Goodwill allocation | 275,619 | 458,699 | 129,254 |

Impairment tests of goodwill

The Company annually tested impairment of goodwill resulting from cement, mining and construction business. The Company compared the carrying amount of goodwill and recoverable amount of cash generated unit which is consider based on the estimated financial value of the cash flows for the period of 5 - 25 years.

Key assumptions used in the recoverable amount assessment include:

|  |  |  |
| --- | --- | --- |
|  | Cement business | Construction business in India |
|  |  |  |
| Gross margin (%) | 20 | 20 |
| Growth rate (%) | 2 | 7 |
| Discount rate (%) | 10 | 19 |

The Group assesses recoverable value from Potash Mining Project by considering project feasibility and internal rate of return (IRR) with the discount rate of 8% which management considered appropriate. Based on this assessment, the recoverable value from the project is higher than the carrying amount of investment.

Cash flow assumptions

Management determines budgeted gross margin to approximate the normal gross margin from past experiences and the expectations of market development. Management believes that this is the best available input for this projection.

Growth rate

Weighted average growth rate is based on the industry growth. Weighted average growth rate is used to extrapolate cash flows after cash flow projection of 5 years.

Discount rate

Discount rate reflect the current market assessments of the time value of money and risks specific to assets.

The Company recognizes impairment losses on goodwill in the statement of profit or loss when the recoverable amounts of cash generate unit is lower than book value and cannot reverse in the future.

Based on impairment test for goodwill by increasing discount rate for 0.5 percent, the Company does not have to recognize an impairment of goodwill in the consolidated financial statements for the year end 31 December 2018.

1. DEFERRED CONCESSION COST AND COSTS OF PROJECT UNDER DEVELOPMENT

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | | (Unit : Thousand Baht) | | |
|  | Consolidated F/S | | Separate F/S | | |
|  | 31 December 2018 | 31 December 2017 | | 31 December 2018 | 31 December 2017 | |
| Project under development |  |  | |  |  | |
| – Mozambique | 2,061,382 | 1,943,705 | | 1,863,679 | 1,740,234 | |
| – Bangladesh | 2,532,915 | 1,826,268 | | - | - | |
| Total | 4,594,297 | 3,769,973 | | 1,863,679 | 1,740,234 | |

*Project under development – Mozambique*

In the year 2013, An overseas subsidiary has signed the Concession agreement with the Ministry of Transportation and Communications, Government of the Republic of Mozambique. The Company will hold 60% of project.

On 24 November 2017, an overseas subsidiary has been amendment of the Concession agreement as proposed by the financial advisor to confident a supporting bank to be bankable the contract. The project value of USD 4,500 million equivalents to Baht 148,500 million and project details are as follows:

1. Construction of a Heavy Haul Railway Lines from Moatize to Macuse Port, the approximate length of the standard gauge railways is about 613 kilometers.
2. Construction of a Deep-Sea Port at Macuse with the starting port capacity, for exporting coal, of 40 million tons annually to the maximum capacity of 100 million tons annually.
3. Operation of the Heavy Haul Railway Lines and Macuse Deep Sea Port on the Concession Agreement of 30 years (including the Construction) and the Concession period could be extended for another 10 years.

The Company paid USD 5 million within 30 days after signing the concession agreement and USD 5 million will be used in human development program and formation of national framework from the start-up of the project.

Currently, an overseas subsidiary is selected Engineering Procurement and Construction (EPC Contractor) and already completed Environmental and Social Impact Assessment (ESIA) processes. In addition, an overseas subsidiary is under negotiation process to sign Take or Pay agreement (ToP) with Mines owner which has progress more than 60% and after signed ToP agreement, they will be prepare for Financial Close process.

*Project under development – Bangladesh*

During the year 2011, the Company entered into a Concession Agreement with Bangladesh Bridge Authority of the Government of the People’s Republic of Bangladesh to proceed with the development of the Dhaka Elevated Expressway. Total project development value is approximately Baht 41,192 million. The Company established and registered Project Company as the concessionaire, to operate the project in according to the legal of the People’s Republic of Bangladesh. The Company will be appointed as the EPC Contractor for the design, construction and completion of the project.

On 1 April 2018, Bangladesh Bridge Authority has issued the Construction Commencement Date notification which is considered as formal permission to start the project. The construction and inception of concession period is 25 years included 42 months of construction period. Currently, the Company has performed the construction work for the 1st Tranche of construction distance of 7.45 kilometers which work progress of approximately 28.47%

1. BANK OVERDRAFTS AND SHORT – TERM LOANS FROM FINANCIAL INSTITUTIONS

The outstanding balances of bank overdrafts and short – term loans from financial institutions as at 31 December 2018 and 2017 are as follows :

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit : Thousand Baht) | |
|  | Consolidated F/S | | Separate F/S | |
|  | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |
| Bank overdrafts | 1,590,879 | 791,468 | 122,913 | - |
| Short – term loans from financial institutions | 6,163,363 | 7,700,113 | 4,343,835 | 5,348,803 |
| Total | 7,754,242 | 8,491,581 | 4,466,748 | 5,348,803 |

These represent loans obtained from local and overseas financial institutions in the following currencies:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit : Million) | |
|  | Consolidated F/S | | Separate F/S | |
|  | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |
| THB | 4,975 | 5,738 | 4,327 | 5,349 |
| INR | 2,521 | 3,845 | - | - |
| USD | 0.5 | - | 0.5 | - |

These loans are subject to interest at domestic market rates for Thai Baht currency loans and at the market rates of India for Rupee currency loans.

The subsidiary companies have loan agreements with commercial banks for credit facilities of Baht 215.04 million. These loans bear interest per annum at MLR – 0.75%. Such long – term loans are collateralized by its land and structure including most present and future thereon, and the guarantee of the Company and subsidiary. The subsidiary companies will reduce credit facilities upon the redemption of the mortgage at 70% – 80% of selling price of the projects’ assets as stipulated in the agreements. The payback period for the principals are within 36 – 42 months from agreements date.

As at 31 December 2018 and 2017, part of loans amounting to Baht 2,760.92 million and Baht 3,869.50 million, respectively, have been used to finance certain specific projects (Project Finance). The lending banks had set a condition for the Company to process the cash transactions from the projects through the Company’s accounts with those banks.

As at 31 December 2018 and 2017, bank overdrafts and short – term credit facilities that have not been drawn down amounted to Baht 13,067.15 million and Baht 7,100.72 million, respectively.

1. TRADE ACCOUNTS PAYABLE – RELATED PARTIES

##### 

##### The outstanding balances as at 31 December 2018 and 2017 are as follows :

|  |  | | (Unit : Thousand Baht) | |
| --- | --- | --- | --- | --- |
|  | Consolidated F/S | | Separate F/S | |
|  | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |
| Subsidiaries | - | - | 986,426 | 460,569 |
| Associated companies and joint ventures | 285,176 | 389,174 | 260,647 | 372,829 |
| Related companies | 1,602,129 | 1,183,482 | 1,555,697 | 1,046,130 |
| Total trade accounts payable  – related parties | 1,887,305 | 1,572,656 | 2,802,770 | 1,879,528 |

1. FINANCE LEASES PAYABLE – NET

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit : Thousand Baht) | |
|  | Consolidated F/S | | Separate F/S | |
|  | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |
| Not over one year | 769,156 | 684,920 | 681,101 | 561,648 |
| Over one year but not over five years | 1,117,073 | 816,403 | 1,020,137 | 641,672 |
| Total | 1,886,229 | 1,501,323 | 1,701,238 | 1,203,320 |
| Less : Deferred interest | (106,686) | (91,376) | (87,964) | (57,383) |
|  | 1,779,543 | 1,409,947 | 1,613,274 | 1,145,937 |
| Less : Current portion | (712,878) | (629,534) | (636,371) | (524,987) |
| Net | 1,066,665 | 780,413 | 976,903 | 620,950 |

The above finance leases payable are for machinery, equipment and vehicles leases with scheduled repayment terms of 2 - 5 years.

1. LONG - TERM LOANS - NET

As at 31 December 2018 and 2017, the outstanding balance of long - term loans are as follows :

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit : Thousand Baht) | |
|  | Consolidated F/S | | Separate F/S | |
|  | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |
| Outstanding balances | 21,084,335 | 15,236,546 | 15,068,794 | 9,209,727 |
| Less : Current portion | (10,608,923) | (8,823,130) | (8,300,934) | (7,398,073) |
| Net | 10,475,412 | 6,413,416 | 6,767,860 | 1,811,654 |

Movements in the long – term loans for the years ended 31 December 2018 and 2017 are summarised as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit : Thousand Baht) | |
|  | Consolidated F/S | | Separate F/S | |
|  | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |
| Balance as at 1 January | 15,236,546 | 10,994,098 | 9,209,727 | 6,138,104 |
| Add : Additional borrowings | 10,517,379 | 7,218,177 | 9,379,821 | 5,307,269 |
| Less : Repayments | (4,636,874) | (2,811,410) | (3,522,868) | (2,235,646) |
| Add (less) : Translation adjustment for foreign currency financial statements | (32,716) | (164,319) | 2,114 | - |
| Balance as at 31 December | 21,084,335 | 15,236,546 | 15,068,794 | 9,209,727 |

As at 31 December 2017, a subsidiary company has not been able to maintain some financial ratios as stipulated in the loan agreements with a bank. As a result, a subsidiary company has presented the balance of such loan as current liabilities in the statement of financial position.

The outstanding balance of long - term loans as at 31 December 2018 and 2017 are as follows:

|  |  |  |  |  | Million Baht | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | Consolidated F/S | | Separate F/S | |
| Loan | Credit amount (Million Baht) | Interest rate (Percentage) | Condition | Guarantee | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |  |  |  |  |
| **The Company** | |  |  |  |  |  |  |  |
|  | 18,104 | MLR – 0.50 per annum | Repayment within 2018 or upon completion of the project, whichever is earlier | Assignment on revenue from construction contract | 15,069 | 9,210 | 15,069 | 9,210 |
|  |  | MLR – 1 per annum | Repayable within 2019 – 2020 or upon completion of the project, whichever is earlier | Assignment on revenue from construction contract |  |  |  |  |
|  |  | MLR – 1.25 per annum | Repayable within 2018 and 2020 or upon completion of the project, whichever is earlier | Assignment on revenue from construction contract |  |  |  |  |
|  |  | MLR – 1.50 per annum | Repayable within 2019 – 2021 or upon completion of the project, whichever is earlier | Assignment on revenue from construction contract |  |  |  |  |
|  |  | MLR – 1.375 per annum | Repayable within 2017 – 2021 or upon completion of the project, whichever is earlier | Assignment of collection from construction contract |  |  |  |  |
|  |  | MLR – 2 per annum | Repayable within 2028 or upon completion of the project, whichever is earlier | Assignment of collection from construction contract |  |  |  |  |
|  |  | Libor + 4% per annum | Repayment per contract | - |  |  |  |  |
|  |  | Market rate per annum | Repayable within 2019 - 2020 upon completion of the project, whichever is earlier | Bank account opened for receive revenue from construction |  |  |  |  |
|  |  | 4% per annum | Repayable per contract | - |  |  |  |  |
| **Subsidiaries** | |  |  |  |  |  |  |  |
| 1 | 250 | MLR – 1 and MLR - 1.70 per annum | Repayment within 36 months from initial drawdown | Machinery | 234 | 65 | - | - |
| 2 | 951 | MLR per annum | Repayment per agreement | Land and Machinery | 296 | 329 | - | - |
| 3 | 265 Million INR | 10.15 per annum | Repayable by quarterly start from November 2017 | Construction and Equipment | - | 135 | - | - |
| 4 | 10,242 | MLR – 1.50 per annum | Repayable within 2018 – 2026 | Assignment on revenue from construction contract | 3,758 | 4,235 | - | - |
| 5 | 8,000 Million BDT | Floating rate of Bank of Bangladesh plus 6 percent per annum | Repayment per contract | Guarantee by parent company | 1,727 | 1,263 | - | - |
|  |  |  |  | Total | 21,084 | 15,237 | 15,069 | 9,210 |
|  |  |  |  | Less : Current portion | (10,609) | (8,823) | (8,301) | (7,398) |
|  |  |  |  | Net | 10,475 | 6,414 | 6,768 | 1,812 |

1. DEBENTURES – NET

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | (Unit : Thousand Baht) | |
|  |  |  |  | Interest | Consolidated and Separate F/S | |
| Debenture | Duration | Date of issue | Maturity date | rate | 2018 | 2017 |
|  |  |  |  | (% p.a.) |  |  |
| 1 | 5 years 1 day | 21 September 2015 | 22 September 2020 | 4.95 | 3,495,478 | 3,492,858 |
| 2 | 5 years | 8 June 2016 | 8 June 2021 | 4.40 | 3,496,165 | 3,494,590 |
| 3 | 3 years 2 days | 15 September 2016 | 17 September 2019 | 4.00 | 199,896 | 199,750 |
| 4 | 2 years 1 month 29 days | 27 February 2017 | 25 April 2019 | 4.20 | 249,922 | 249,672 |
| 5 | 5 years 3 days | 26 June 2017 | 29 June 2022 | 4.70 | 5,989,929 | 5,987,044 |
| 6 | 269 days | 29 August 2017 | 25 May 2018 | 3.00 | - | 630,000 |
| 7 | 270 days | 20 October 2017 | 17 July 2018 | 3.00 | - | 200,000 |
| 8 | 2 years 5 month 27 days | 30 November 2017 | 27 May 2020 | 4.10 | 299,659 | 299,416 |
| 9 | 270 days | 25 May 2018 | 19 February 2019 | 3.00 | 850,000 | - |
| 10 | 269 days | 17 July 2018 | 12 April 2019 | 3.00 | 200,000 | - |
| Total |  |  |  |  | 14,781,049 | 14,553,330 |
| Less: Current Portion | |  |  |  | (1,499,818) | (830,000) |
| Debentures – net | |  |  |  | 13,281,231 | 13,723,330 |

Movements of debentures for the years ended 31 December 2018 and 2017 are as follows:

|  |  |  |
| --- | --- | --- |
|  | (Unit : Thousand Baht) | |
|  | Consolidated and  Separate F/S | |
|  |
|  | 2018 | 2017 |
|  |  |  |
| Balance as at 1 January | 14,553,330 | 13,662,803 |
| Add : Newly issued debentures | 1,050,000 | 7,380,000 |
| Less : Redemption of former debentures | (830,000) | (6,500,000) |
| Less : Cost of issuing debentures | - | (15,593) |
| Add : Amortization of costs of issuing debentures | 7,719 | 26,120 |
| Balance as at 31 December | 14,781,049 | 14,553,330 |
| Less : Current Portion | (1,499,818) | (830,000) |
| Net | 13,281,231 | 13,723,330 |

On 25 May 2018, the Company issued new short-term debentures to specific persons, unsecured, unsubordinated with no representative holders, for a principal amount of Baht 850 million with 270 days tenure and with a face value of Baht 1,000. These bear interest at a rate of 3 percent per annum which is payable on the redemption date. The debentures will be due for redemption on 19 February 2019. The Company used the proceeds from this issuance to repay debts.

On 17 July 2018, the Company issued new short-term debentures to specific persons, unsecured, unsubordinated with no representative holders, for a principal amount of Baht 200 million with 269 days tenure and with a face value of Baht 1,000. These bear interest at a rate of 3 percent per annum which is payable on the redemption date. The debentures will be due for redemption on 12 April 2019. The Company used the proceeds from this issuance to repay debts.

On 27 February 2017, the Company issued new debentures to specific persons, unsecured, unsubordinated with no representative holders, for a principal amount of Baht 250 million with two-years, one-month and twenty-nine days tenure with a face value of Baht 1,000. These bear interest at a rate of 4.20 percent per annum which is payable quarterly. The debentures will be due for redemption on 25 April 2019. The Company used the proceeds from this issuance to repay debts and/or for working capital required to fund business expansion.

On 26 June 2017, the Company exercised its right for early redemption of the debentures under the terms and conditions of ITD196A of Baht 6,000 million, with 0.25 percent per annum redemption fee.  On the same day, the Company issued new debenture to specific persons, unsecured, unsubordinated with representative holder for the same amount of principal with five-years and three-days tenure with a face value of Baht 1,000.  This bears interest at a rate of 4.70 percent per annum which is payable quarterly.  The new debenture will be due for redemption on 29 June 2022.

On 29 August 2017, the Company issued new short-term debenture to specific persons, unsecured, unsubordinated with on representative holders, for a principle amount of Baht 630 million with two hundred and sixty-nine days tenure with a face value of Baht 1,000. This bears interest at a rate of 3.00 percent per annum which is payable on the redemption date. The debentures will be due for redemption on 25 May 2018. The Company used the proceeds from this issuance to repay debts.

On 20 October 2017, the Company issued new short-term debenture to specific persons, unsecured, unsubordinated with on representative holders, for a principle amount of Baht 200 million with two hundred and seventy days tenure with a face value of Baht 1,000. These bear interest at a rate of 3.00 percent per annum which is payable on the redemption date. The debentures will be due for redemption on 17 July 2018. The Company used the proceeds from this issuance to repay debts.

On 30 November 2017, the Company issued new debentures to specific persons, unsecured, unsubordinated with no representative holders, for a principal amount of Baht 300 million with two-years, five-month and twenty-seven days tenure with a face value of Baht 1,000. These bear interest at a rate of 4.10 percent per annum which is payable quarterly. The debentures will be due for redemption on 27 May 2020. The Company used the proceeds from this issuance to repay debts and/or for working capital required to fund business expansion.

The debentures were issued with covenants relating to various matters such as the decrease in share capital, merger, the payment of dividend and limitations on the execution of new loan obligation.

1. EMPLOYEE BENEFITS OBLIGATION - NET

|  | (Unit : Thousand Baht) | | | | |
| --- | --- | --- | --- | --- | --- |
|  | Consolidated F/S | | Separate F/S | |
|  | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |
| Present value of employee benefits obligation as at 31 December | 1,383,694 | 1,245,173 | 989,484 | 903,064 |
| Fair value of plan assets as at 31 December | (99,088) | (91,125) | - | - |
| Obligation – net | 1,284,606 | 1,154,048 | 989,484 | 903,064 |
|  |  |  |  |  |
| Employee benefits obligation |  |  |  |  |
| Balance as at 1 January | 1,245,173 | 1,100,406 | 903,064 | 800,856 |
| Current service costs | 117,393 | 66,624 | 58,429 | 48,698 |
| Interest on obligation | 41,963 | 39,473 | 22,012 | 22,844 |
| Actuarial loss | 90,032 | 107,671 | 69,849 | 79,374 |
| Benefit paid | (92,185) | (63,354) | (63,806) | (48,732) |
| Translation adjustments for foreign currency financial statements | (18,682) | (5,647) | (64) | 24 |
| Balance as at 31 December | 1,383,694 | 1,245,173 | 989,484 | 903,064 |
| Less : Current Portion | (523,580) | (445,791) | (453,581) | (396,207) |
| Net | 860,114 | 799,382 | 535,903 | 506,857 |
|  |  |  |  |  |
| Plan assets |  |  |  |  |
| Balance as at 1 January | 91,125 | 85,115 | - | - |
| Expected returns on plan assets | 6,643 | 6,148 | - | - |
| Contribution | 28,440 | 15,612 | - | - |
| Benefit paid | (1,291) | (13,796) | - | - |
| Actuarial gain (loss) | (17,347) | 721 | - | - |
| Translation adjustments for foreign currency financial statements | (8,482) | (2,675) | - | - |
| Balance as at 31 December | 99,088 | 91,125 | - | - |

Plan assets invested with two insurance companies as at 31 December 2018 and 2017 are Baht 99.09 million and Baht 91.13 million, respectively. The management believes that the assets in these portfolios are well diversified risk and, as such, the long term return thereon is expected to be higher than the rate of return on Government Bonds.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The amount of employee benefits obligation, plan assets, the deficit thereof and the experiences of adjustments on plan assets and plan liabilities of overseas entities for the current and previous 3 years are as follows :

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | (Unit : Thousand Baht) | |
|  | 2018 | 2017 | 2016 | 2015 |
|  |  |  |  |  |
| Employee benefits obligation | 225,309 | 195,808 | 172,205 | 145,870 |
| Plan assets | 99,088 | 91,125 | 85,115 | 74,187 |
| Deficit | (126,221) | (104,683) | (87,090) | (71,683) |
| Experience adjustments on plan assets | 17,347 | (721) | (2,513) | 2,282 |
| Experience adjustment on plan liabilities | (12,254) | (17,226) | (14,707) | (20,695) |

The employee benefit obligations of the Company and subsidiaries are measured using actuarial techniques. The estimated amount is computed by the discounted cash flows for amounts to be paid in the future based on the government bond interest rate with a term to maturity that approximates the term of the related obligation. The estimated future cash outflows are based on employee wages, turnover rate, retirement ages, mortality, length of service and others. The employee benefits expenses are recognized in the statement of profit or loss to allocate the expenses through the hiring period. Principal actuarial assumptions are as follows:

|  | Consolidated F/S | | Separate F/S | |
| --- | --- | --- | --- | --- |
|  | 2018 | 2017 | 2018 | 2017 |
| Financial assumptions |  |  |  |  |
| Discount rates | 2.18 – 8.21% per annum | 1.87 – 7.85% per annum | 2.47 – 2.50% per annum | 2.29% per annum |
| Future average salary increment rates | 1.79 – 8.00% per annum | 0.06 – 6.33% per annum | 1.79 – 5.63% per annum | 1.81 – 5.43% per annum |
|  |  |  |  |  |
| Demographic assumptions |  |  |  |  |
| Mortality rate | Thai Mortality Table 2017 | Thai Mortality Table 2017 | Thai Mortality Table 2017 | Thai Mortality Table 2017 |
| Normal retirement ages | 50 - 60 years | 60 years | 60 years | 60 years |
| Weighted average duration of the defined benefit obligation (years) | 5 - 28 years | 5 - 28 years | 8 - 9 years | 8 years |

* Defined benefit plan expenses

Amounts recognised in profit or loss related to employee benefits obligation are as follows:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | (Unit : Thousand Baht) | | | | | | |
|  | Consolidated F/S | | |  | Separate F/S | | |
|  | 2018 |  | 2017 |  | 2018 |  | 2017 |
|  |  |  |  |  |  |  |  |
| Current service cost | 88,953 |  | 51,012 |  | 58,429 |  | 48,698 |
| Net interest expense | 35,320 |  | 33,325 |  | 22,012 |  | 22,844 |
| Total expenses recognized in profit or loss | 124,273 |  | 84,337 |  | 80,441 |  | 71,542 |

The current service cost is included in employee benefits expense. The net interest expense is included in finance costs.

* Amounts recognized in other profit or loss related to the employee benefits obligation plans are as follows:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | (Unit : Thousand Baht) | | | | | | |
|  | Consolidated F/S | | |  | Separate F/S | | |
|  | 2018 |  | 2017 |  | 2018 |  | 2017 |
|  |  |  |  |  |  |  |  |
| Actuarial loss from changes in experience assumptions | (91,831) |  | (75,364) |  | (71,344) |  | (58,952) |
| Actuarial loss from changes in demographic assumptions | (1,189) |  | (27,457) |  | (29) |  | (24,400) |
| Actuarial gain (loss) from changes in financial assumptions | (2,771) |  | (7,594) |  | 1,524 |  | 3,978 |
| Translation adjustments for foreign currency financial statement | 9,578 |  | 860 |  | - |  | - |
| Total income (loss) recognised in other profit or loss | (86,213) |  | (109,555) |  | (69,849) |  | (79,374) |

All expenses summarised above were included within item that will not be reclassified subsequently to profit or loss.

* Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below :

|  | (Unit : Thousand Baht) | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Consolidated F/S | | | | |  | Separate F/S | | | | | |
|  | 2018 | |  | 2017 | |  | 2018 | |  | 2017 | | |
|  | Increase 0.5% | Decrease 0.5% |  | Increase 0.5% | Decrease 0.5% |  | Increase 0.5% | Decrease 0.5% |  | Increase 0.5% | Decrease 0.5% | |
| **Discount rate** |  |  |  |  | |  |  | |  |  | | |
| Increment (decrement) of  employee benefit obligation | (55,535) | 151,151 |  | (50,149) | 136,180 |  | (24,334) | 24,792 |  | (22,602) | | 22,213 |
| **Future salary growth** |  | |  |  | |  |  | |  |  | | |
| Increment (decrement) of  employee benefit obligation | 149,670 | (56,446) |  | 135,887 | (50,048) |  | 24,071 | (23,904) |  | 21,555 | | (22,210) |

* As at 31 December 2018 and 2017, expected maturity of employee benefits obligation before discount are as follow:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | (Unit : Thousand Baht) | | | | | | |
|  | Consolidated F/S | | |  | Separate F/S | | |
|  | 2018 |  | 2017 |  | 2018 |  | 2017 |
|  |  |  |  |  |  |  |  |
| Within 1 year | 523,580 |  | 445,791 |  | 453,581 |  | 396,207 |
| Between 2 – 5 years | 390,929 |  | 348,799 |  | 300,317 |  | 271,005 |
| Between 6 – 10 years | 532,236 |  | 442,726 |  | 390,885 |  | 338,060 |
| Between 11 – 15 years | 484,062 |  | 371,232 |  | 311,191 |  | 286,704 |

On 13 December 2018, the National Legislative Assembly approved the Labor Protection Act, that will become effective 30 days after its publication in the Government Gazette This will require the Company to pay compensation, if an employee work consecutively period of 20 years or more, employees has right to receives severance payment of 400 days of wages at the most recent rate. When the labor law come into force, the Group will recognise the increase in provision for employee benefits including past services cost of Baht 310.64 million in the consolidated FS and Baht 277.95 million in the separate financial statement. The Group selected to recognise such effect in the year 2019.

1. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The amendment to TAS 7, effective 1 January 2018, requires the Group to provide disclosures about the changes in liabilities from financing activities. The Group categorizes those changes into changes arising from cash flows and non-cash changes with further sub-categories as required by TAS 7.

The changes in the Group’s liabilities arising from financing activities can be classified as follows;

|  |  | (Unit : Thousand Baht) | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Consolidated F/S | | | | | | |
|  |  | Finance lease payables |  | Short - term loans |  | Long - term loans |  | Total |
|  |  |  |  |  |  |  |  |  |
| 1 January 2018 |  | 1,408,880 |  | 7,563,270 |  | 15,236,546 |  | 24,208,696 |
| Cash-flows: |  |  |  |  |  |  |  |  |
| - Repayment |  | (1,277,479) |  | (20,972,050) |  | (4,636,873) |  | (26,886,402) |
| - Proceeds |  | - |  | 19,751,793 |  | 10,517,379 |  | 30,269,172 |
| Non-cash: |  |  |  |  |  |  |  |  |
| - Acquisition |  | 1,137,597 |  | - |  | - |  | 1,137,597 |
| - Translation adjustments for foreign currency financial statement |  | - |  | (25,909) |  | (32,716) |  | (58,625) |
| 31 December 2018 |  | 1,268,998 |  | 6,317,104 |  | 21,084,336 |  | 28,670,438 |
|  |  |  |  |  |  |  |  |  |
| 1 January 2017 |  | 1,583,491 |  | 7,297,541 |  | 10,994,098 |  | 19,875,130 |
| Cash-flows: |  |  |  |  |  |  |  |  |
| - Repayment |  | (697,569) |  | (21,928,611) |  | (2,811,410) |  | (25,437,590) |
| - Proceeds |  | - |  | 22,194,340 |  | 7,218,177 |  | 29,412,517 |
| Non-cash: |  |  |  |  |  |  |  |  |
| - Acquisition |  | 522,958 |  | - |  | - |  | 522,958 |
| - Translation adjustments for foreign currency financial statement |  | - |  | - |  | (164,319) |  | (164,319) |
| 31 December 2017 |  | 1,408,880 |  | 7,563,270 |  | 15,236,546 |  | 24,208,696 |

|  |  | (Unit : Thousand Baht) | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Separate F/S | | | | | | |
|  |  | Finance lease payables |  | Short - term loans |  | Long - term loans |  | Total |
|  |  |  |  |  |  |  |  |  |
| 1 January 2018 |  | 1,145,936 |  | 5,348,803 |  | 9,209,727 |  | 15,704,466 |
| Cash-flows: |  |  |  |  |  |  |  |  |
| - Repayment |  | (1,156,781) |  | (18,734,546) |  | (3,522,868) |  | (23,414,195) |
| - Proceeds |  | - |  | 17,729,364 |  | 9,379,821 |  | 27,109,185 |
| Non-cash: |  |  |  |  |  |  |  |  |
| - Acquisition |  | 1,091,904 |  | - |  | - |  | 1,091,904 |
| - Translation adjustments for foreign currency financial statement |  | - |  | 214 |  | 2,114 |  | 2,328 |
| 31 December 2018 |  | 1,081,059 |  | 4,343,835 |  | 15,068,794 |  | 20,493,688 |
|  |  |  |  |  |  |  |  |  |
| 1 January 2017 |  |  |  |  |  |  |  |  |
| Cash-flows: |  | 1,374,527 |  | 5,110,778 |  | 6,138,104 |  | 12,623,409 |
| - Repayment |  | (614,660) |  | (20,099,976) |  | (2,235,646) |  | (22,950,282) |
| - Proceeds |  | - |  | 20,338,001 |  | 5,307,269 |  | 25,645,270 |
| Non-cash: |  |  |  |  |  |  |  |  |
| - Acquisition |  | 386,069 |  | - |  | - |  | 386,069 |
| 31 December 2017 |  | 1,145,936 |  | 5,348,803 |  | 9,209,727 |  | 15,704,466 |

1. INCOME TAX

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit : Thousand Baht) | |
|  | Consolidated F/S | | Separate F/S | |
|  | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |
| Deferred tax assets | 414,928 | 476,077 | - | - |
| Deferred tax liabilities | (900,415) | (996,720) | (158,889) | (207,616) |
| Deferred tax – net | (485,487) | (520,643) | (158,889) | (207,616) |

The movements in deferred tax assets and liabilities are as follows:

|  |  |  | (Unit : Thousand Baht) | |
| --- | --- | --- | --- | --- |
|  | Consolidated F/S | | | |
|  |  | Recognised as income (expense) | |  |
|  | 1 January 2018 | Statement of profit and loss | Shareholders’ Equity | 31 December 2018 |
| **Deferred tax assets** |  |  |  |  |
| From allowance for doubtful accounts | 88,582 | 13,592 | (8,174) | 94,000 |
| From allowance for obsolete inventories | 556 | (93) | - | 463 |
| From depreciation of assets | 264,508 | (59,356) | (22,480) | 182,672 |
| From employee benefits obligations | 113,595 | 22,146 | (8,654) | 127,087 |
| From finance lease payables | 8,836 | (3,648) | - | 5,188 |
| From other timing differences | - | 5,628 | (110) | 5,518 |
| Total | 476,077 | (21,731) | (39,418) | 414,928 |
|  |  |  |  |  |
| **Deferred tax liabilities** |  |  |  |  |
| From unrealized gain on changes  in the value of investments | 52,382 | - | (30,276) | 22,106 |
| From finance lease payables | 97,150 | (11,543) | - | 85,607 |
| From depreciation of machinery | 270,557 | (38,045) | (17,012) | 215,500 |
| From debentures | 5,334 | (1,543) | - | 3,791 |
| From potash mining right | 458,699 | - | - | 458,699 |
| From investment properties | 97,248 | 2,974 | - | 100,222 |
| From other timing differences | 15,350 | 523 | (1,383) | 14,490 |
| Total | 996,720 | (47,634) | (48,671) | 900,415 |

|  |  |  | (Unit : Thousand Baht) | |
| --- | --- | --- | --- | --- |
|  | Consolidated F/S | | | |
|  |  | Recognised as income (expense) | |  |
|  | 1 January 2017 | Statement of profit and loss | Shareholders’ Equity | 31 December 2017 |
| **Deferred tax assets** |  |  |  |  |
| From allowance for doubtful accounts | 109,904 | (18,034) | (3,288) | 88,582 |
| From allowance for obsolete inventories | 951 | (395) | - | 556 |
| From depreciation of assets | 326,681 | (52,612) | (9,561) | 264,508 |
| From loss carry forward | 7,512 | (7,512) | - | - |
| From employee benefits obligations | 92,161 | 22,795 | (1,361) | 113,595 |
| From finance lease payables | 13,358 | (4,522) | - | 8,836 |
| From provision for loss on construction  project | 8,838 | (8,513) | (325) | - |
| From other timing differences | (2,008) | - | 2,008 | - |
| Total | 557,397 | (68,793) | (12,527) | 476,077 |
|  |  |  |  |  |
| **Deferred tax liabilities** |  |  |  |  |
| From unrealized gain on changes in the value of investments | 49,295 | - | 3,087 | 52,382 |
| From finance lease payables | 97,348 | 69 | (267) | 97,150 |
| From depreciation of machinery | 291,992 | (14,867) | (6,568) | 270,557 |
| From debentures | 7,439 | (2,105) | - | 5,334 |
| From potash mining right | 458,699 | - | - | 458,699 |
| From investment properties | 70,232 | 27,016 | - | 97,248 |
| From other timing differences | 15,561 | - | (211) | 15,350 |
| Total | 990,566 | 10,113 | (3,959) | 996,720 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | (Unit : Thousand Baht) | |
|  | Separate F/S | | | |
|  |  | Recognised as income (expense) | |  |
|  | 1 January  2018 | Statement of profit or loss | Shareholders’ Equity | 31 December 2018 |
| **Deferred tax liabilities** |  |  |  |  |
| From unrealized gain on changes  in the value of investments | 49,394 | - | (28,554) | 20,840 |
| From finance lease payables | 85,300 | (9,049) | - | 76,251 |
| From depreciation of machinery | 42,296 | (12,280) | (275) | 29,741 |
| From debentures | 5,334 | (1,543) | - | 3,791 |
| From Investment properties | 25,292 | 2,974 | - | 28,266 |
| Total | 207,616 | (19,898) | (28,829) | 158,889 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | (Unit : Thousand Baht) | |
|  | Separate F/S | | | |
|  |  | Recognised as income (expense) | |  |
|  | 1 January  2017 | Statement of profit or loss | Shareholders’ Equity | 31 December 2017 |
| **Deferred tax liabilities** |  |  |  |  |
| From unrealized gain on changes  in the value of investments | 46,498 | - | 2,896 | 49,394 |
| From finance lease payables | 82,173 | 3,127 | - | 85,300 |
| From depreciation of machinery | 32,093 | 10,915 | (712) | 42,296 |
| From debentures | 7,439 | (2,105) | - | 5,334 |
| From Investment properties | 14,992 | 10,300 | - | 25,292 |
| Total | 183,195 | 22,237 | 2,184 | 207,616 |

Income tax consist of:

|  |  | | (Unit : Thousand Baht) | |
| --- | --- | --- | --- | --- |
|  | Consolidated F/S | | Separate F/S | |
|  | 2018 | 2017 | 2018 | 2017 |
| **Domestic income tax** |  |  |  |  |
| Current tax | 48,451 | 59,483 | 2,431 | - |
| **Overseas income tax** |  |  |  |  |
| Current tax | 657,106 | 298,420 | 320,821 | 11,751 |
|  | 705,557 | 357,903 | 323,252 | 11,751 |
|  |  |  |  |  |
| **Deferred tax** |  |  |  |  |
| Change in temporary differences | (25,903) | 78,906 | (19,898) | 22,237 |
|  |  |  |  |  |
| **Total** | 679,654 | 436,809 | 303,354 | 33,988 |
|  |  |  |  |  |
| **Income tax recognised in other comprehensive income** | | |  |  |
| Unrealised gain (loss) on changes in value of investments | 30,276 | (3,087) | 28,554 | (2,896) |
| Actuarial loss | (8,654) | (1,361) | - | - |
| Others | (12,369) | 4,120 | 275 | 712 |
| **Total** | 9,253 | (328) | 28,829 | (2,184) |

Reconciliation of effective tax rate

|  |  | | (Unit : Thousand Baht) | |
| --- | --- | --- | --- | --- |
|  | Consolidated F/S | | Separate F/S | |
|  | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |
| Accounting profit before income tax | 1,354,920 | 1,118,059 | 455,924 | 222,954 |
| Tax rate for parent company (%) | 20 | 20 | 20 | 20 |
| Tax expense | 270,984 | 223,612 | 91,185 | 44,591 |
|  |  |  |  |  |
| Adjustment for tax – rate difference in foreign  jurisdictions | 262,666 | (12,486) | 214,788 | 9,834 |
| Adjustment for eliminate transaction | 42,167 | 65,149 | 10,517 | (13,910) |
| Tax on deductible for revenue code | (469,406) | (457,163) | (275,038) | (162,618) |
| Tax on expenses not subject to tax for  revenue code | 369,950 | 356,876 | 177,671 | 173,403 |
| Recognition of previously unrecognized  loss carry forward | (81) | (48,852) | - | (48,550) |
| Current year losses for which no deferred tax asset  was recognized | 203,374 | 309,673 | 84,231 | 31,238 |
| Tax expense | 679,654 | 436,809 | 303,354 | 33,988 |

Deferred tax assets arising from temporary differences and unused tax losses that have not been recognized in the financial statement are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit : Thousand Baht) | |
|  | Consolidated F/S | | Separate F/S | |
|  | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |
| Temporary differences | 1,416,111 | 1,498,755 | 1,386,860 | 1,469,115 |
| Unused loss carried forward | 341,565 | 393,498 | 213,442 | 220,593 |
| **Total** | 1,757,676 | 1,892,253 | 1,600,302 | 1,689,708 |

The tax losses will expire in 2018 to 2022. The deductible temporary differences do not expire under current tax legislation. The Company and subsidiaries have not recognized deferred tax assets in respect of these items because it is not probable that future taxable profit will be available against which the Company and subsidiaries can utilize the benefits.

1. SHARE CAPITAL AND WARRANT

34.1 Share capital

At the Annual General Shareholders Meeting held on 27 April 2017, shareholders passed a resolution to increase the registered share capital from Baht 6,335,808,993 (6,335,808,993 shares at Baht 1 par value) to Baht 6,337,920,861 (6,337,920,861 shares at Baht 1 par value) to reserve for the adjustment of the warrants no.1 (ITD-W1) exercising. The Company registered such changes with the Department of Business Development on 19 May 2017.

34.2 Warrant

At the Annual General Shareholders Meeting held on 27 April 2017, shareholders passed a resolution to adjust the exercising price and exercising ratio of the warrant no.1 (ITD-W1), from the existing rights offering 1 unit of warrant for 1 common share at Baht 14 each, to 1 unit of warrant for 1.002 common share at Baht 13.971 each.

1 unit of warrant is exercisable to purchase 1 common share at Baht 14 each within 4 years starting from 14 May 2015 to 13 May 2019. It first exercise is on 30 June 2015 and able to exercise on the last working day of each quarter. The Company has the exercise of warrants No. 6 on 30 September 2016 that the warrant holders exercised 20 warrants to buy 20 common shares. As at 31 December 2016, the Company has the outstanding warrant totaling 1,055,934,093 units unexercised warrants.

1. DIVIDEND PAYMENT

At the Annual General Shareholders Meeting held on 27 April 2017, shareholders passed a resolution to approve the dividend payment from the operations for the year 2016 at Baht 0.01026 per share for 5,279.84 million shares, totaling of Baht 54.17 million. The Company paid for such dividend on 26 May 2017.

1. EARNING PER SHARE

There is no potential dilution in earnings per share arose from warrant because the average share price during this period was lower than the exercise price. The Company therefore, has not computed the diluted earnings per share from warrant.

1. RELATED PARTY TRANSACTIONS

During the year, the Company and subsidiaries has significant business transactions with related parties, which have been conducted on commercial terms and based on agreed upon in the ordinary course of businesses between the Company and those related parties, as follows :

|  |  |
| --- | --- |
| Transaction | Pricing policy |
| Turn - key construction service income | Cost plus margin |
| Construction service income, exclusive the procurements of materials | Cost or cost-plus margin |
| Land rental income | Mutually agreed rate |
| Sales of equipment | Cost or mutually agreed price |
| Sales of investment | Market price |
| Purchases of construction materials | Approximate market price |
| Turn - key construction expenses | Cost plus margin |
| Hire of construction services, exclusive procurements of materials | Cost |
| Purchases of investments | Approximate net book value |
| Purchases of assets | Mutually agreed prices |
| Interest on loans with related parties | Mutually agreed rate |
| Rental expenses | Mutually agreed rate |

Below are summaries of significant related party transactions during the year :

|  |  | | (Unit : Million Baht) | |
| --- | --- | --- | --- | --- |
|  | Consolidated F/S | | Separate F/S | |
|  | For the years ended 31 December | | | |
|  | 2018 | 2017 | 2018 | 2017 |
| Transactions with subsidiaries |  |  |  |  |
| Construction services, sales and other income | - | - | 927 | 773 |
| Sales of equipment | - | - | - | 37 |
| Purchases of construction materials and services | - | - | 1,563 | 1,434 |
|  |  |  |  |  |
| Transactions with associated companies and joint ventures | | | | |
| Construction services, sales and other income | 251 | 251 | 177 | 244 |
| Sales of equipment | - | 25 | - | 25 |
| Purchases of construction materials and services | 350 | 274 | 287 | 229 |
|  |  |  |  |  |
| Transactions with related parties |  |  |  |  |
| Construction services, sales and other income | 763 | 471 | 701 | 336 |
| Sales of equipment | - | 1 | - | 1 |
| Purchases of construction materials and services | 3,259 | 2,825 | 3,015 | 2,486 |
| Purchases of equipment | 1,646 | 474 | 1,604 | 278 |
|  |  |  |  |  |
| Key management personnel compensation |  |  |  |  |
| Short - term employee benefits | 155 | 145 | 124 | 114 |
| Post - employment benefits | 14 | 12 | 2 | 2 |

During the 4th quarter of the year 2018, the Company entered into management service agreements with a subsidiary and charged for total fees of Baht 130 million in addition to the normal service charges of Baht 421.20 million.

As at 31 December 2018, a subsidiary has loan to director amounted to Baht 7.00 million which bear interest at rate 2.00 per annum and repayment at call.

Furthermore, the Company also has significant transactions with its related parties in respect of loans and advances. The outstanding balances of such transactions are presented as separate items in the statement of financial position.

Accrued rental expenses

As at 31 December 2018, a subsidiary has accrued rental expenses of Baht 79.94 million (2017 : Baht 77.38 million).

1. ALLOWANCE FOR LOSSES ON PROJECT

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit : Thousand Baht) | |
|  | Consolidated F/S | | Separate F/S | |
|  | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |
| Allowance for losses on project | 232,780 | 169,712 | 232,780 | 167,179 |
| Less : Classified to current liability | (186,000) | - | (186,000) | - |
| Net | 46,780 | 169,712 | 46,780 | 167,179 |

Movements of allowance for losses on project for the years ended 31 December 2018 and 2017 are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit : Thousand Baht) | |
|  | Consolidated F/S | | Separate F/S | |
|  | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |
| Balance as at 1 January | 169,712 | 291,587 | 167,179 | 221,100 |
| Allowance (reversal) for loss on projects | 63,068 | (121,875) | 65,601 | (53,921) |
| Balance as at 31 December | 232,780 | 169,712 | 232,780 | 167,179 |

1. PROVIDENT FUND

The Company and subsidiaries and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company, and subsidiaries, contributed to the fund monthly at the rate of 2.00 – 15.00 percent of basic salary. The fund, which is managed by CIMB - Principal Asset Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the years 2018 and 2017, the Company and its subsidiaries contributed Baht 129.70 million and Baht 124.68 million, respectively. (Separate F/S : Baht 56.22 million and Baht 53.32 million, respectively).

1. COST OF CONSTRUCTION WORK

(Unit : Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated F/S | | Separate F/S | |
|  | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |
| Accumulated aggregate costs  incurred and recognized profit | 176,405,074 | 131,210,661 | 123,887,313 | 110,056,128 |
| Less : Accumulated aggregate loss recognised and progress billing | (153,463,121) | (111,822,186) | (104,438,254) | (94,032,147) |
| Balance | 22,941,953 | 19,388,475 | 19,449,059 | 16,023,981 |
| Add : Reclassify to billing in excess | 460,917 | 1,466,291 | 460,917 | 1,466,291 |
| Earned revenues not yet billed | 23,402,870 | 20,854,766 | 19,909,976 | 17,490,272 |

1. LEGAL RESERVE

Pursuant to Section 116 of the Public Company Act B.E. 2535, the Company is required to set aside as a legal reserve at least 5% of its net income after deducting accumulated deficit brought forward (if any) until the reserve reaches 10% of the registered capital. The legal reserve is not available for dividend distribution.

1. OTHER INCOME

Significant other income for the years ended 31 December 2018 and 2017 are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit: Thousand Baht) | |
|  | Consolidated F/S | | Separate F/S | |
|  | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |
| Royalty income | 38,760 | 45,843 | 38,760 | 45,843 |
| Rental income | 54,925 | 67,508 | 71,985 | 116,714 |
| Insurance claim | 14,409 | 27,468 | 2,697 | - |
| Subcontractor and labour charge | - | 18,870 | - | 16,721 |
| Gain on disposal of assets | 15,312 | 181,470 | 9,384 | 54 |
| Claim income | - | 68,393 | - | 68,393 |
| Income from reduction debt | 104 | 35,940 | - | - |
| Service income | 109,798 | 72,989 | 5,032 | 8,542 |
| Consulting income | 37,635 | 40,474 | 37,635 | 40,474 |
| Bad debt written back | 49,003 | 38,160 | 46,630 | 54 |
| Income from sale scrap | 77,346 | 18,193 | 73,660 | 16,520 |
| Others | 282,438 | 88,759 | 70,096 | 83,869 |
| Total | 679,730 | 704,067 | 355,879 | 397,184 |

1. EXPENSES BY NATURE

Significant expenses by nature are as follows :

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit : Thousand Baht) | |
|  | Consolidated F/S | | Separate F/S | |
|  | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |
| Salaries, wages and other employee benefits | 12,201,036 | 10,429,343 | 9,005,906 | 7,690,649 |
| Depreciation | 3,004,494 | 2,364,372 | 1,684,161 | 1,208,736 |
| Amortisation | 39,421 | 57,694 | 37,566 | 32,031 |
| Rental expenses | 2,128,019 | 1,724,073 | 1,626,793 | 1,185,220 |
| Materials and supplies used | 21,100,371 | 19,364,915 | 14,165,803 | 13,727,431 |
| Subcontract costs | 14,351,377 | 13,072,753 | 10,570,821 | 9,354,698 |
| Utilities expenses | 1,106,180 | 892,303 | 621,279 | 354,833 |
| Transportation expenses | 763,104 | 602,172 | 472,491 | 327,071 |
| Repair and maintenance expenses | 719,002 | 669,424 | 351,088 | 364,526 |
| Prebid expenses | 30,407 | 25,657 | 27,698 | 21,405 |
| Professional fee | 1,048,258 | 672,717 | 444,686 | 275,545 |
| Fuel expenses | 1,839,366 | 1,495,091 | 1,295,185 | 1,007,086 |

1. GUARANTEES

As at 31 December 2018, the Company and subsidiaries have outstanding guarantees totaling approximately Baht 65,588.00 million issued by financial institutions on behalf of the Company and subsidiaries in respect of certain performance bonds required in the normal course of business. The Company does not expect to incur losses from these guarantees.

As at 31 December 2018, the Company has outstanding guarantees approximately Baht 6,490.10 million issued to financial institutions to collateralize credit facilities granted by those financial institutions to the subsidiaries and joint venture. The Company issued guarantees in proportion to its shareholding (except for Italthai Trevi Co., Ltd., Italthai Marine Co., Ltd., Aquathai Co., Ltd., Sarithorn Co., Ltd., Asian Steel Product Co., Ltd., and ITD Cementation India Limited for which the Company issued full guarantees for the credit facilities).

1. COMMITMENTS
   1. As at 31 December 2018, the Company, subsidiaries and joint venture have outstanding commitments with major subcontractors, classified by currencies as follows :

(Unit : Million Baht)

|  |  |  |
| --- | --- | --- |
|  | Baht Equivalent | |
|  | Consolidated F/S | Separate F/S |
| Currency |  |  |
| THB | 5,996.77 | 5,159.61 |
| INR | 1,453.63 | 0.69 |
| BDT | 522.52 | 455.65 |

* 1. As at 31 December 2018, the Company and subsidiaries have the following outstanding commitments, proportionately, for purchases of materials, machinery, software, related services and service contracts :

(Unit : Million Baht)

|  |  |  |
| --- | --- | --- |
|  | Baht Equivalent | |
|  | Consolidated F/S | Separate F/S |
| Currency |  |  |
| THB | 2,233.39 | 2,168.90 |
| USD | 1,292.33 | 538.44 |
| INR | 173.97 | - |
| EUR | 1,510.33 | 1,507.93 |
| VND | 10.98 | 10.98 |
| BDT | 2,328.15 | 2,506.99 |

* 1. As at 31 December 2018, the Company has outstanding commitments in respect of the un-callable portion of investments in nine subsidiary companies of Baht 2.25 million, USD 1.50 million, BDT 26,579.13 million and MMK 344.17 million.
  2. As at 31 December 2018, the Company has outstanding commitments of USD 8.35 million for purchase shares transfer agreement of an associated company from existing shareholder.
  3. A subsidiary company has a commitment to apply for and to obtain a mining concession from the Government of Thailand prior to the commencement of the potash mining operations. A fee of USD 5 million is payable to the Ministry of Industry upon receipt of the mining concession and an annual fee subsidizing the Education Fund of USD 0.20 million is payable to the Department of Primary Industries and Mines in accordance with an agreement between the Ministry of Industry and the Department of Primary Industries and Mines and the Company.
  4. A subsidiary company entered into a land purchase and sale agreement for the land located in the mining project area in Udon Thani Province. The total area of land is approximately 1,239 rais for a total cost of Baht 279 million. The subsidiary company has paid a deposit of Baht 1.58 million for the land purchase, and the balance will be paid according to the terms of the agreements.
  5. Several indirect subsidiary companies into entered service agreements for project consultant with commitment to pay fee at the rate as specified in agreements.
  6. An overseas subsidiary has a commitment to pay Environmental and Social Impact Assessment license (ESIA License) for the construction of Deep-Sea Port and Heavy Haul Railway for USD 1.60 million and USD 3.90 million, respectively.

1. CONTINGENT LIABILITIES

The Company and subsidiary companies have been claimed by certain customers for breaches of service agreements amounting to Baht 866.08 million.

1. SEGMENT REPORTING

Consolidated financial statements as at 31 December 2018 and 2017 and for the years ended 31 December 2018 and 2017 combined geographic segment reporting as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Unit : Million Baht) | | | |
|  | Consolidated F/S | | | |
|  | Revenues from construction work | | Non - current assets\* | | |
|  | 2018 | 2017 | 2018 | 2017 | |
| Geographic information |  |  |  |  | |
| Thailand | 35,295 | 35,865 | 28,584 | 24,362 | |
| India | 13,718 | 12,893 | 2,802 | 2,923 | |
| Others | 5,751 | 1,422 | 13,608 | 12,035 | |
| Total | 54,764 | 50,180 | 44,994 | 39,320 | |

*\* Exclude deferred tax asset and goodwill*

External customers of the Group are in Thailand and India which is major markets, revenue have been identified on the basis of the customer’s geographical location. Non - current assets are allocated based on their physical location.

The operations of the Company and subsidiaries for the years ended 31 December 2018 and 2017 are mainly engaged in a single industry segment, construction services, and are conducted in the following geographical segments as follows:

|  | (Unit : Million Baht) | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Consolidated F/S | | | | | | | | | | | |
|  | For the years ended 31 December | | | | | | | | | | | |
|  | Thailand | | India | | Other countries | | Total | | Eliminate | | Grand Total | |
|  | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Revenue from construction work |  |  |  |  |  |  |  |  |  |  |  |  |
| Gross segment revenues | 35,295 | 35,865 | 13,718 | 12,893 | 5,751 | 1,422 | 54,764 | 50,180 | - | - | 54,764 | 50,180 |
| Inter - segment revenues | 1,115 | 766 | 165 | 30 | - | - | 1,280 | 796 | (1,280) | (796) | - | - |
| Net revenues from third parties | 36,410 | 36,631 | 13,883 | 12,923 | 5,751 | 1,422 | 56,044 | 50,976 | (1,280) | (796) | 54,764 | 50,180 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Revenue from sale and service |  |  |  |  |  |  |  |  |  |  |  |  |
| Gross segment revenues | 4,055 | 3,480 | - | - | 1,825 | 1,577 | 5,880 | 5,057 | - | - | 5,880 | 5,057 |
| Inter - segment revenues | 693 | 770 | - | - | 554 | 486 | 1,247 | 1,256 | (1,247) | (1,256) | - | - |
| Net revenues from third parties | 4,748 | 4,250 | - | - | 2,379 | 2,063 | 7,127 | 6,313 | (1,247) | (1,256) | 5,880 | 5,057 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Gross profit (loss) | 3,086 | 2,992 | 2,352 | 2,643 | 1,203 | 880 | 6,641 | 6,515 | (80) | 58 | 6,561 | 6,573 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Other income | 404 | 438 | 229 | 370 | 76 | 136 | 709 | 944 | (29) | (240) | 680 | 704 |
| Interest income | 148 | 82 | 87 | 94 | 2 | 4 | 237 | 180 | (49) | (40) | 188 | 140 |
| Interest expense | (1,772) | (1,603) | (475) | (584) | (193) | (198) | (2,440) | (2,385) | 47 | 39 | (2,393) | (2,346) |
| Depreciation and amortization | (1,959) | (1,781) | (407) | (185) | (689) | (468) | (3,055) | (2,434) | 11 | 12 | (3,044) | (2,422) |
| Reversal of allowance (provision) for doubtful accounts | 311 | (469) | (40) | (609) | (120) | 1 | 151 | (1,077) | (293) | 313 | (142) | (764) |
| Gain (loss) on exchange rate | 9 | (128) | 3 | 3 | (264) | (225) | (252) | - | - | - | (252) | (350) |
| Share of profit from investment in associated companies  and joint ventures |  |  |  |  |  |  |  |  |  |  | 164 | 61 |
| Income tax expense |  |  |  |  |  |  |  |  |  |  | (680) | (437) |
| Profit for the year |  |  |  |  |  |  |  |  |  |  | 675 | 681 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | (Unit : Million Baht) | | | | | | | | | | | |
|  | Thailand | | India | | Other countries | | Total | | Elimination | | Grand total | |
|  | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Property, plant and equipment - net | 14,466 | 11,188 | 2,460 | 2,624 | 6,475 | 5,857 | 23,401 | 19,669 | (11) | (22) | 23,390 | 19,647 |
| Other assets | 66,681 | 63,832 | 13,437 | 13,418 | 14,404 | 9,865 | 94,522 | 87,115 | (19,897) | (18,933) | 74,625 | 68,182 |
| Total assets | 81,147 | 75,020 | 15,897 | 16,042 | 20,879 | 15,722 | 117,923 | 106,784 | (19,908) | (18,955) | 98,015 | 87,829 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total liabilities | 58,632 | 52,836 | 14,682 | 16,639 | 22,603 | 17,632 | 95,917 | 87,107 | (14,373) | (14,050) | 81,544 | 73,057 |

Major Customer

For the year ended 31 December 2018, the Company and subsidiaries revenues derived from Government agencies amounting of Baht 40,861.87 million (2017: Baht 32,838.37 million).

1. FINANCIAL INSTRUMENTS

*Financial risk management*

The Company and subsidiaries have financial instruments principally comprise cash and cash equivalent, pledged deposits at banks, trade accounts receivable, loans, investments, bank overdrafts and short – term loans from financial institutions, loans, finance lease payables, debentures and long-term loans. The financial risks associated with these financial instruments and how they are managed are described below.

*Credit risk*

The Company and subsidiaries have exposure to credit risk primarily with respect to trade accounts receivable, loans, and other receivables. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses since most of the credit grantings are covered with contracts and guarantees. The maximum exposure to credit risk is limited to the carrying amounts of receivables, loans, and other receivables as presented in the statement of financial position.

*Interest rate risk*

The Company and subsidiaries exposure to interest rate risk relates primarily to its cash at banks, bank overdrafts and short-term loans from financial institutions, short-term loans, finance lease payables, debentures and long-term borrowings. However, since most of the Company’s financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

*Foreign currency risk*

The Company and subsidiaries have exposure to foreign currency risk from trading transactions and borrowings that are denominated in foreign currencies. The Company, subsidiaries and joint ventures seek to manage this risk by entering into forward exchange and currency swap contracts when it considers appropriate.

The significant balances of financial assets and liabilities denominated in foreign currencies as at 31 December 2018 are summarized as follows :

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Consolidated F/S | | Separate F/S | |  |
|  | Financial | Financial | Financial | Financial | Average exchange rate |
| Foreign currency | assets | liabilities | assets | liabilities | as at 31 December 2018 |
|  | (Million) | (Million) | (Million) | (Million) | (Baht per foreign currency unit) |
|  |  |  |  |  |  |
| USD | 26 | 6 | 49 | 6 | 32.3223 |
| LAK | - | 416 | - | - | 0.0038 |
| JPY | - | 1 | - | 1 | 0.296963 |
| INR | - | - | 20 | - | 0.4340 |

Forward exchange contracts which remaining outstanding as at 31 December 2018 are summarised as follows :

|  |  |  |
| --- | --- | --- |
| Currency | Balance (Million) | Forward contract exchange rate |
|  |  |  |
| EUR (buy) | 3 | 38.6800 |
| CNY (buy) | 1 | 4.7600 |

As at 31 December 2018, significant foreign currency denominated assets and liabilities which are unhedged of the Company, subsidiaries and joint venture as follow:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Consolidated F/S (Net) | | |
|  | USD | EUR | LAK |
|  | Million | Million | Million |
|  |  |  |  |
| Trade accounts receivable and retention | 9 | - | - |
| Trade accounts receivable and loan to – related companies | 17 | - | - |
| Trade accounts payable | 2 | 1 | 416 |
| Loans from financial institutions | 4 | - | - |
|  |  |  |  |
|  | Separate F/S (Net) | | |
|  | USD | JPY | INR |
|  | Million | Million | Million |
|  |  |  |  |
| Trade accounts receivable and loan to – related companies | 49 | - | 20 |
| Trade accounts payable | 2 | 1 | - |
| Loans from financial institutions | 4 | - | - |

In addition, the Company and subsidiaries have foreign currency exposure risk with respect to their investments in subsidiaries and associated companies in overseas which are not covered by the hedges against foreign currency risk.

As at 25 September 2017, a subsidiary has restructured the detail of derivatives totaling Baht 2,702.39 million signed with a financial institution in Year 2015 to be Baht 2,706 million, starting from 25 September 2017 to 30 December 2022. The objective is to reduce financial cost by adjusting the hedging management in terms of foreign currency exchange risk and interest risk in present situation.

1. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement as follows:

* + Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
  + Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset

or liability, either directly or indirectly

* + Level 3: no observable inputs for the asset or liability.

The following table present financial and liabilities assets that are measured at fair value as at 31 December 2018:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | (Unit : Thousand Baht)  Consolidated F/S | | | | | | |
|  | Level 1 |  | Level 2 |  | Level 3 |  | Total |
| Assets |  |  |  |  |  |  |  |
| Current investments | - |  | 46 |  | - |  | 46 |
| Other long – term investments | 438,826 |  | - |  | - |  | 438,826 |
| Investment properties | - |  | 2,030,872 |  | - |  | 2,030,872 |
| Total | 438,826 |  | 2,030,918 |  | - |  | 2,469,744 |
|  |  |  |  |  |  |  |  |
| Liabilities |  |  |  |  |  |  |  |
| Forward contract liabilities | - |  | 8,339 |  | - |  | 8,339 |
| Total | - |  | 8,339 |  | - |  | 8,339 |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | (Unit : Thousand Baht) | | |
|  | Separate F/S | | | | | | |
|  | Level 1 |  | Level 2 |  | Level 3 |  | Total |
|  |  |  |  |  |  |  |  |
| Assets |  |  |  |  |  |  |  |
| Other long – term investment | 413,317 |  | - |  | - |  | 413,317 |
| Investment properties | - |  | 1,068,821 |  | - |  | 1,068,821 |
| Total | 413,317 |  | 1,068,821 |  | - |  | 1,482,138 |
|  |
| Liabilities |  |  |  |  |  |  |  |
| Forward contract liabilities | - |  | 8,339 |  | - |  | 8,339 |
| Total | - |  | 8,339 |  | - |  | 8,339 |

The following table present financial and liabilities assets that are measured at fair value as at 31 December 2017:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | (Unit : Thousand Baht)  Consolidated F/S | | | | | | |
|  | Level 1 |  | Level 2 |  | Level 3 |  | Total |
| Assets |  |  |  |  |  |  |  |
| Forward contract assets | - |  | 3,792 |  | - |  | 3,792 |
| Current investments | - |  | 46 |  | - |  | 46 |
| Other long – term investments | 590,199 |  | - |  | - |  | 590,199 |
| Investment properties | - |  | 2,113,270 |  | - |  | 2,113,270 |
| Total | 590,199 |  | 2,117,108 |  | - |  | 2,707,307 |
|  |  |  |  |  |  |  |  |
|  | (Unit : Thousand Baht)  Separate F/S | | | | | | |
|  | Level 1 |  | Level 2 |  | Level 3 |  | Total |
| Assets |  |  |  |  |  |  |  |
| Forward contract assets | - |  | 3,865 |  | - |  | 3,865 |
| Other long – term investment | 556,080 |  | - |  | - |  | 556,080 |
| Investment properties | - |  | 1,151,219 |  | - |  | 1,151,219 |
| Total | 556,080 |  | 1,155,084 |  | - |  | 1,711,164 |

Investment properties are carried out using a market approach comparable with market price of the same assets reflects were observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the investment properties in question, including plot size, location, encumbrances and current use.

1. CAPITAL RISK MANAGEMENT

The Company’s and subsidiaries’ objective in the management of capital are to safeguard their 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 minimize the cost of capital. In addition, the Company and subsidiaries are required to maintain a debt to equity ratio as stipulated in loan facility agreements.

In order to maintain or adjust the capital structure, the Company and subsidiaries may adjust the dividend payment to shareholders, issue new shares or issue new debentures to finance debts or sell assets to reduce debts.

1. EVENT AFTER REPORTING PERIOD

On 15 February 2019, the Company issued debentures to specific persons, unsecured, unsubordinated with representative holders, for a principal amount of Baht 2,000 million with 5 years tenure and with a face value of Baht 1,000. These bear interest at a rate of 5.25 percent per annum which is payable quarterly. The debentures will be due for redemption on 15 February 2024. The Company used the proceeds from this issuance to repay debts.

1. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements have been approved by the Company’s Board of Directors on 28 February 2019.