

Tipco Asphalt Public Company Limited and its subsidiaries  
Report and consolidated financial statements  
31 December 2018

## Independent Auditor's Report

To the Shareholders of Tipco Asphalt Public Company Limited

### Opinion

I have audited the accompanying consolidated financial statements of Tipco Asphalt Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Tipco Asphalt Public Company Limited (the Company) for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tipco Asphalt Public Company Limited and its subsidiaries and of Tipco Asphalt Public Company Limited as at 31 December 2018, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

### Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Group in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

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

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

### **Revenue recognition**

The revenue from sales is significant in amount in the financial statements and directly affects the Company financial performance. I therefore focus on revenue recognition to ensure that revenue is recognised in the correct period.

I assessed the appropriateness and tested the effectiveness of the internal controls of the Company with respect to the revenue cycle by examining supporting documents, on a sampling basis, for actual sales transactions occurring during the year and expanding the scope of audit near the end of the reporting period. I also audited credit notes that the Company issued after the period-end. In addition, I performed analytical procedures on disaggregated data to detect possible irregularities in sale transactions throughout the period, particularly for accounting entries made through journal vouchers.

### **Valuation of financial instruments**

The Group has entered into the financial instruments to protect the exposure from the fluctuation in price of raw materials and finished goods and exchange rate of foreign currency, with many counterparties, and presented the fair value of such financial instruments in statement of financial position. Management therefore relied on a valuation technique and model suggested by expert, in which the assumptions used in the model were based on comparable and observable market inputs. The difference in assumption used in calculation affected the fair value of such financial instruments presented in statement of financial position.

I gained an understanding of the transaction and recording process of fair value of financial instruments. I recalculated the fair value of such financial instruments. I sent the confirmation to counterparties to determine the completeness of transaction and verified supporting documents, on a sampling basis, for actual transactions occurring during the year and after the period-end. In addition, I tested the appropriateness of fair value used by comparing to the counterparties' info and available market inputs. Moreover, I examined the information disclosed in notes to the financial statements for appropriateness and completeness.

### **Estimation of net realisable value of inventory**

Estimating the net realisable value of inventory is an area of significant management judgment. This is because such estimation requires significant assumptions based on market price of crude oil and petroleum products which fluctuate according to the economic circumstances and the situation within the industry and also effect in determining the allowance set aside for diminution in the value of inventory causing the value of inventories presented in statement of financial position.

I gained an understanding of the process relevant to the determination of allowance for diminution in the value of inventories and assessed the appropriateness of the assumptions applied by management in determining such allowance as well as the consistency of the application of that basis and assumptions. I also tested the calculation of the allowance for diminution in the value of inventories.

## **Other Information**

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

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.



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I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

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

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

Krongkaew Limkittikul

Certified Public Accountant (Thailand) No. 5874

EY Office Limited

Bangkok: 12 February 2019

Tipco Asphalt Public Company Limited and its subsidiaries

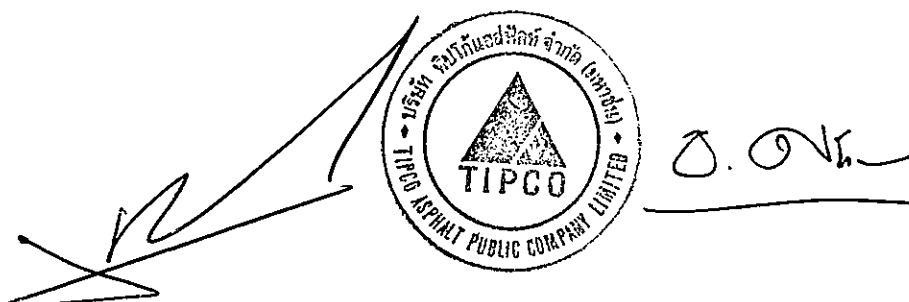
Statement of financial position

As at 31 December 2018

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents		1,103,710,709	1,025,410,421	269,948,936	153,903,305
Trade and other receivables	6, 7	5,041,903,953	3,667,896,644	4,467,234,602	3,138,407,368
Short-term loan to related party	7	-	-	-	32,514,600
Inventories	8	7,321,720,492	3,892,145,391	6,292,329,561	3,072,990,826
Price hedging contracts	32, 33	660,802,762	344,889,174	660,802,762	344,889,174
Other current assets		262,350,558	323,625,336	45,053,649	61,727,713
<b>Total current assets</b>		<b>14,390,488,474</b>	<b>9,253,966,966</b>	<b>11,735,369,510</b>	<b>6,804,432,986</b>
<b>Non-current assets</b>					
Investments in subsidiaries	9	-	-	7,693,264,766	7,631,132,471
Investments in joint ventures	10	130,496,162	42,047,725	67,552,611	-
Investments in associates	11	540,898,893	526,641,530	243,447,034	243,447,034
Long-term loans to related parties	7	-	-	1,248,755,789	1,290,158,909
Investment properties	12	256,932,559	256,932,559	94,342,234	94,342,234
Property, plant and equipment	13	8,127,640,054	8,558,655,479	900,028,849	865,067,859
Goodwill		146,293,504	146,293,504	-	-
Other intangible assets	14	230,015,833	260,995,385	87,873,685	103,481,916
Leasehold rights	15	318,525,947	331,790,689	2,734,827	2,962,729
Deferred tax assets - net	25	94,054,596	88,749,652	96,469,896	92,628,726
Other non-current assets		18,120,153	46,624,461	3,933,452	2,208,307
<b>Total non-current assets</b>		<b>9,862,977,701</b>	<b>10,258,730,984</b>	<b>10,438,403,143</b>	<b>10,325,430,185</b>
<b>Total assets</b>		<b>24,253,466,175</b>	<b>19,512,697,950</b>	<b>22,173,772,653</b>	<b>17,129,863,171</b>

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





Tipco Asphalt Public Company Limited and its subsidiaries

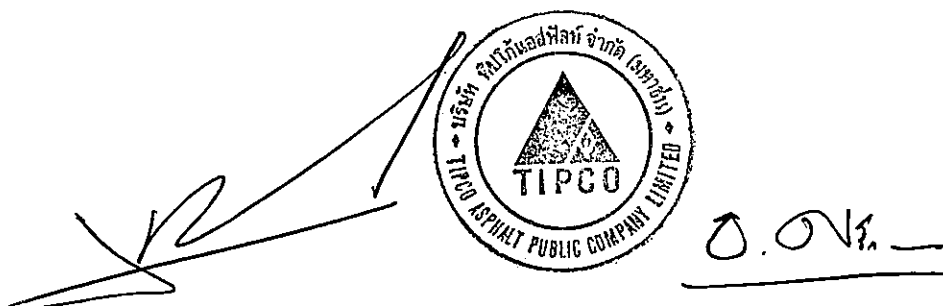
Statement of financial position (continued)

As at 31 December 2018

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Bank overdrafts and short-term loans					
from financial institutions	16	6,936,125,867	2,026,716,961	6,450,173,607	1,677,195,906
Trade and other payables	7, 17	4,015,396,838	2,982,455,370	4,544,660,701	3,346,870,270
Short-term loans from related parties	7	-	-	25,000,000	256,000,000
Current portion of long-term loans from financial institutions	18	131,614,800	324,862,596	-	-
Income tax payable		127,568,575	48,817,391	76,259,882	10,238,461
Price hedging contracts	32, 33	152,720,526	774,516,833	152,720,526	774,516,833
Other current liabilities		116,591,974	67,750,532	110,707,183	156,576,584
<b>Total current liabilities</b>		<b>11,480,018,580</b>	<b>6,225,119,683</b>	<b>11,359,521,899</b>	<b>6,221,398,054</b>
<b>Non-current liabilities</b>					
Long-term loans from financial institutions -					
net of current portion	18	79,906,260	212,322,840	-	-
Long-term loan from related party	7	6,943,839	7,371,315	-	-
Provision for long-term employee benefits	20	149,496,442	137,624,257	107,683,832	87,540,137
Other non-current liabilities		-	1,020,307	-	889,671
<b>Total non-current liabilities</b>		<b>236,346,541</b>	<b>358,338,719</b>	<b>107,683,832</b>	<b>88,429,808</b>
<b>Total liabilities</b>		<b>11,716,365,121</b>	<b>6,583,458,402</b>	<b>11,467,205,731</b>	<b>6,309,827,862</b>

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



## As at 31 December 2018

Consolidated financial statements	Separate financial statements
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	<u>Note</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Shareholders' equity</b>					
Share capital	21				
Registered					
1,579,883,570 ordinary shares (2017: 1,579,343,570					
ordinary shares) of Baht 1 each		<u>1,579,883,570</u>	<u>1,579,343,570</u>	<u>1,579,883,570</u>	<u>1,579,343,570</u>
Issued and fully paid					
1,573,821,570 ordinary shares (2017: 1,562,464,570					
ordinary shares) of Baht 1 each		1,573,821,570	1,562,464,570	1,573,821,570	1,562,464,570
Premium on share capital		1,118,474,325	1,046,878,673	1,118,474,325	1,046,878,673
Share subscription	21	8,073,525	8,638,781	8,073,525	8,638,781
Non-controlling interests of subsidiary acquired					
by the Company at price lower than book value		6,237,755	6,237,755	-	-
Change in the Company's interest in subsidiaries					
which did not result in a loss of control		(570,310,802)	(570,310,802)	-	-
Capital reserve for share-based payment transactions	22	174,753,421	155,756,068	174,753,421	155,756,068
Retained earnings					
Appropriated - statutory reserve	23	172,123,329	172,123,329	172,123,329	172,123,329
Unappropriated		10,163,249,305	11,008,947,953	7,259,324,083	7,874,173,888
Other components of shareholders' equity		<u>(264,281,730)</u>	<u>(589,750,271)</u>	<u>399,996,669</u>	-
Equity attributable to owners of the Company		12,382,140,698	12,800,986,056	10,706,566,922	10,820,035,309
Non-controlling interests of the subsidiaries		<u>154,960,356</u>	<u>128,253,492</u>	-	-
<b>Total shareholders' equity</b>		<u>12,537,101,054</u>	<u>12,929,239,548</u>	<u>10,706,566,922</u>	<u>10,820,035,309</u>
<b>Total liabilities and shareholders' equity</b>		<u>24,253,466,175</u>	<u>19,512,697,950</u>	<u>22,173,772,653</u>	<u>17,129,863,171</u>

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

O. O. V. r. -

Directors



Tipco Asphalt Public Company Limited and its subsidiaries  
Statement of comprehensive income  
For the year ended 31 December 2018

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
<b>Revenues</b>					
Sales and service income		27,631,919,678	28,260,329,614	24,683,028,049	23,862,492,964
Other income					
Dividend income from subsidiaries and associates	9, 11	-	-	442,392,992	393,447,765
Gain on exchange		122,473,322	244,459,050	154,504,134	242,359,242
Others		110,151,645	337,670,331	152,107,966	383,872,365
<b>Total revenues</b>		<b>27,864,544,645</b>	<b>28,842,458,995</b>	<b>25,432,033,141</b>	<b>24,882,172,336</b>
<b>Expenses</b>					
Cost of sales and services		24,487,808,333	24,108,781,591	22,784,446,600	21,305,674,104
(Gain) loss from price hedging contracts	32, 33	(2,121,615)	740,492,785	(6,570,846)	775,228,013
Reduction of cost of inventory to net realisable value (reversal)	8	782,445,589	(67,452,010)	935,401,371	(174,714,169)
		25,268,132,307	24,781,822,366	23,713,277,125	21,906,187,948
Selling expenses		166,044,813	158,547,029	90,918,709	89,461,001
Administrative expenses		1,180,074,246	1,177,877,983	596,915,180	642,005,340
Other expenses					
Allowance for doubtful accounts (reversal)		6,394,352	(112,063,488)	6,862,848	(71,363,550)
Reversal of allowance for impairment loss on investment properties	12	-	(57,500,000)	-	(9,000,000)
Damages from a fire at a subsidiary	8, 35	358,115,207	-	-	-
<b>Total expenses</b>		<b>26,978,760,925</b>	<b>25,948,683,890</b>	<b>24,407,973,862</b>	<b>22,557,290,739</b>
<b>Profit before share of profit from investments in joint ventures and associates, finance cost and income tax</b>		<b>885,783,720</b>	<b>2,893,775,105</b>	<b>1,024,059,279</b>	<b>2,324,881,597</b>
Share of profit from investments in joint ventures and associates	10, 11	98,198,509	139,780,225	-	-
<b>Profit before finance cost and income tax</b>		<b>983,982,229</b>	<b>3,033,555,330</b>	<b>1,024,059,279</b>	<b>2,324,881,597</b>
Finance cost		(169,217,353)	(105,967,714)	(102,929,326)	(47,458,823)
<b>Profit before income tax</b>		<b>814,764,876</b>	<b>2,927,587,616</b>	<b>921,129,953</b>	<b>2,277,422,774</b>
Income tax	25	(234,454,946)	(370,632,231)	(116,848,100)	(271,100,689)
<b>Profit for the year</b>		<b>580,309,930</b>	<b>2,556,955,385</b>	<b>804,281,853</b>	<b>2,006,322,085</b>
<b>Other comprehensive income:</b>					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>					
Exchange differences on translation of financial statements in foreign currencies		(81,965,707)	(578,467,791)	-	-
Change in fair value of hedging instruments of cash flow hedges - net of income tax	25, 33	399,996,669	-	399,996,669	-
Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax		318,030,962	(578,467,791)	399,996,669	-
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>					
Actuarial loss - net of income tax	20, 25	(2,398,426)	(1,421,198)	(11,365,455)	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		(2,398,426)	(1,421,198)	(11,365,455)	-
<b>Other comprehensive income for the year</b>		<b>315,632,536</b>	<b>(579,888,989)</b>	<b>388,631,214</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>895,942,466</b>	<b>1,977,066,396</b>	<b>1,192,913,067</b>	<b>2,006,322,085</b>

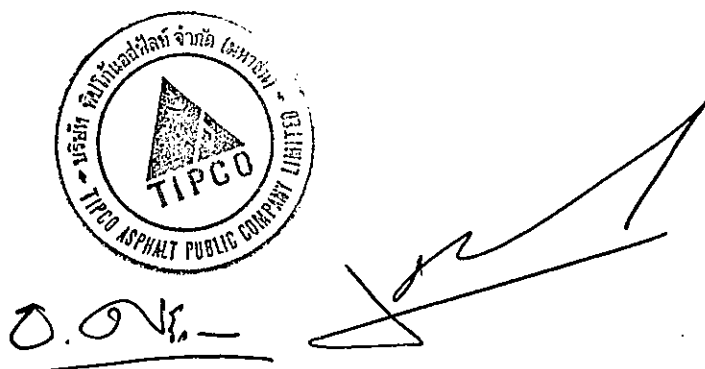
The accompanying notes are an integral part of the financial statements.

## For the year ended 31 December 2018

### Separate financial statements

	<u>Note</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Profit attributable to:</b>					
Equity holders of the Company		564,465,981	2,537,110,873	<u>804,281,853</u>	<u>2,006,322,085</u>
Non-controlling interests of the subsidiaries		<u>15,843,949</u>	<u>19,844,512</u>		
		<u>580,309,930</u>	<u>2,556,955,385</u>		
<b>Total comprehensive income attributable to:</b>					
Equity holders of the Company		887,536,096	1,959,443,069	<u>1,192,913,067</u>	<u>2,006,322,085</u>
Non-controlling interests of the subsidiaries		<u>8,406,370</u>	<u>17,623,327</u>		
		<u>895,942,466</u>	<u>1,977,066,396</u>		
<b>Earnings per share</b>	<b>28</b>				
Basic earnings per share					
Profit attributable to equity holders of the Company		<u>0.36</u>	<u>1.63</u>	<u>0.51</u>	<u>1.29</u>
Diluted earnings per share					
Profit attributable to equity holders of the Company		<u>0.36</u>	<u>1.61</u>	<u>0.51</u>	<u>1.28</u>

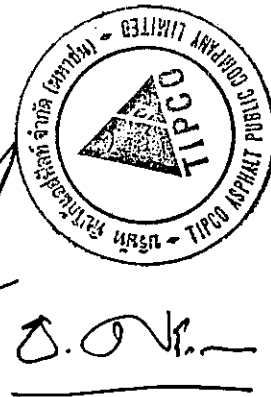
The accompanying notes are an integral part of the financial statements.



Tipco Asphalt Public Company Limited and its subsidiaries  
Statement of changes in shareholders' equity  
For the year ended 31 December 2018

Consolidated financial statements													(Unit: Baht)	
Equity attributable to owners of the Company														
	Issued and paid-up share capital	Premium on share capital	Share subscription	Non-controlling interests of subsidiary acquired by the Company at price lower than book value	Change in the Company's interest in subsidiary which did not result in a loss of control	Capital reserve for share-based payment transactions	Retained earnings		Exchange differences on translation of financial statements in foreign currencies	Other components of equity		Total equity attributable to shareholders of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total shareholders' equity
							Appropriated	Unappropriated		Change in fair value of hedging instruments of cash flow hedges	Total other components of shareholders' equity			
Balance as at 1 January 2017	1,552,888,070	1,008,953,799	4,825,807	6,237,755	(570,310,802)	119,392,361	172,123,329	9,873,733,941	(13,503,665)	-	(13,503,665)	12,154,440,595	110,630,675	12,265,071,270
Profit for the year	-	-	-	-	-	-	-	2,537,110,873	-	-	-	2,537,110,873	19,844,512	2,556,955,385
Other comprehensive income for the year	-	-	-	-	-	-	-	(1,421,158)	(576,246,606)	-	(576,246,606)	(577,667,804)	(2,221,185)	(579,888,989)
Total comprehensive income for the year	-	-	-	-	-	-	-	2,535,689,675	(576,246,606)	-	(576,246,606)	1,959,443,069	17,623,327	1,977,066,396
Warrant holders exercised warrants	9,466,500	37,924,874	(4,825,807)	-	-	-	-	-	-	-	-	42,565,567	-	42,565,567
Cash receipts from share subscription	-	-	8,638,781	-	-	-	-	-	-	-	-	8,638,781	-	8,638,781
Share-based payment transactions (Note 22)	-	-	-	-	-	36,373,707	-	-	-	-	-	36,373,707	-	36,373,707
Dividend paid (Note 30)	-	-	-	-	-	-	-	(1,400,475,663)	-	-	-	(1,400,475,663)	-	(1,400,475,663)
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(510)	(510)
Balance as at 31 December 2017	1,562,464,570	1,046,878,673	8,638,781	6,237,755	(570,310,802)	155,756,068	172,123,329	11,008,947,953	(589,750,271)	-	(589,750,271)	12,800,986,056	128,253,492	12,929,239,548
Balance as at 1 January 2018	1,562,464,570	1,046,878,673	8,638,781	6,237,755	(570,310,802)	155,756,068	172,123,329	11,008,947,953	(589,750,271)	-	(589,750,271)	12,800,986,056	128,253,492	12,929,239,548
Profit for the year	-	-	-	-	-	-	-	564,465,981	-	-	-	564,465,981	15,843,949	580,309,930
Other comprehensive income for the year	-	-	-	-	-	-	-	(2,398,426)	(74,528,128)	399,996,669	325,468,541	323,070,115	(7,437,579)	315,632,536
Total comprehensive income for the year	-	-	-	-	-	-	-	562,067,555	(74,528,128)	399,996,669	325,468,541	887,536,096	8,406,370	895,942,666
Warrant holders exercised warrants (Note 21)	-	-	-	-	-	-	-	-	-	-	-	74,313,871	-	74,313,871
Cash receipts from share subscription (Note 21)	-	-	8,073,525	-	-	-	-	-	-	-	-	8,073,525	-	8,073,525
Increase in share capital in new subsidiary (Note 9)	11,357,000	71,595,652	(8,638,781)	-	-	-	-	-	-	-	-	-	-	-
Share-based payment transactions (Note 22)	-	-	-	-	-	18,997,353	-	-	-	-	-	18,300,551	-	18,300,551
Share-based payment transactions (Note 22)	-	-	-	-	-	-	-	(1,407,766,203)	-	-	-	18,997,353	-	18,997,353
Dividend paid (Note 30)	-	-	-	-	-	-	-	-	-	-	-	(1,407,766,203)	-	(1,407,766,203)
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(57)	(57)
Balance as at 31 December 2018	1,573,821,570	1,118,474,325	8,073,525	6,237,755	(570,310,802)	174,753,421	172,123,329	10,463,249,305	(684,278,399)	399,996,669	(284,281,730)	12,382,140,699	154,960,356	12,537,101,054

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



Tipco Asphalt Public Company Limited and its subsidiaries

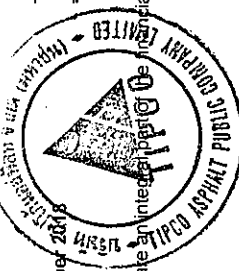
Statement of changes in shareholders' equity (continued)

For the year ended 31 December 2018

(Unit: Baht)

	Separate financial statements									
	Issued and paid-up share capital	Premium on share capital	Share subscription	Capital reserve for share-based payment transactions	Retained earnings		Other components of equity			Total
					Appropriated statutory reserve	Unappropriated	Change in fair value of hedging instruments of cash flow hedges	Total other components of shareholders' equity		
Balance as at 1 January 2017	1,552,998,070	1,008,953,799	4,825,807	119,382,361	172,123,329	7,268,327,466	-	-	-	10,126,610,832
Profit for the year	-	-	-	-	-	2,006,322,085	-	-	-	2,006,322,085
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	2,006,322,085	-	-	-	2,006,322,085
Warrant holders exercised warrants	9,466,500	37,924,874	(4,825,807)	-	-	-	-	-	-	42,565,567
Cash receipts from share subscription	-	-	8,638,781	-	-	-	-	-	-	8,638,781
Share-based payment transactions (Note 22)	-	-	-	36,373,707	-	-	-	-	-	36,373,707
Dividend paid (Note 30)	-	-	-	-	-	(1,400,475,663)	-	-	-	(1,400,475,663)
Balance as at 31 December 2017	1,562,464,570	1,046,878,673	8,638,781	155,756,068	172,123,329	7,874,173,888	-	-	-	10,820,035,309
Balance as at 1 January 2018	1,562,464,570	1,046,878,673	8,638,781	155,756,068	172,123,329	7,874,173,888	-	-	-	10,820,035,309
Profit for the year	-	-	-	-	-	804,281,853	-	-	-	804,281,853
Other comprehensive income for the year	-	-	-	-	-	(11,365,455)	-	399,996,669	399,996,669	388,631,214
Total comprehensive income for the year	-	-	-	-	-	792,916,398	-	399,996,669	399,996,669	1,192,913,067
Warrant holders exercised warrants (Note 21)	11,357,000	71,595,652	(8,638,781)	-	-	-	-	-	-	74,313,871
Cash receipts from share subscription (Note 21)	-	-	8,073,525	-	-	-	-	-	-	8,073,525
Share-based payment transactions (Note 22)	-	-	-	18,997,353	-	-	-	-	-	18,997,353
Dividend paid (Note 30)	-	-	-	-	-	(1,407,766,203)	-	-	-	(1,407,766,203)
Balance as at 31 December 2018	1,573,821,570	1,118,474,325	8,073,525	174,753,421	172,123,329	7,259,324,083	-	399,996,669	399,996,669	10,706,566,922

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



Tipco Asphalt Public Company Limited and its subsidiaries

Cash flow statement

For the year ended 31 December 2018

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<b>Cash flows from operating activities:</b>				
Profit before income tax	814,764,876	2,927,587,616	921,129,953	2,277,422,774
Adjustments to reconcile profit before income tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	1,001,210,295	1,007,091,685	267,723,151	196,644,669
Written off withholding tax	-	23	-	-
Bad debt and allowance for doubtful accounts (reversal)	6,394,352	(112,063,488)	6,862,848	(71,363,550)
Reduction of cost of inventory to net realisable value (reversal)	782,445,589	(67,452,010)	935,401,371	(174,714,169)
Impairment on equipments	2,385,481	-	-	-
Allowance for loss on impairment from fire incident at a subsidiary	289,935,903	-	-	-
Dividend income from subsidiaries and associates	-	-	(442,392,992)	(393,447,765)
Unrealised (gain) loss on exchange rate	(31,776,619)	(3,876,026)	(16,250,698)	114,710,062
Gain on sale of investment properties	-	-	-	(45,504,435)
(Gain) loss on sales of land and equipment	12,113,306	(74,308,830)	(5,611,325)	(26,583,972)
Reversal of allowance for impairment loss on investment properties	-	(57,500,000)	-	(9,000,000)
Share of profit from investments in joint ventures and associates	(98,198,509)	(139,780,225)	-	-
Share-based payment transactions	18,997,353	36,373,707	11,766,711	29,040,190
Provision for long-term employee benefits	19,242,301	17,564,423	11,334,528	8,960,025
Change in fair value of forward exchange contracts	9,143,858	(524,743)	(1,270,504)	882,779
Change in fair value of price hedging contracts	(521,878,361)	893,617,177	(521,878,361)	893,617,177
Change in fair value of interest rate swap contracts	(735,522)	(8,412,606)	(889,671)	(8,647,831)
Interest expenses	153,176,429	95,810,436	99,280,606	50,317,734
Profit from operating activities before changes in operating assets and liabilities	2,457,220,732	4,514,127,139	1,265,205,617	2,842,333,688
(Increase) decrease in operating assets				
Trade and other receivables	(1,364,882,082)	(47,180,928)	(1,360,880,651)	(438,352,789)
Inventories	(4,383,178,628)	(56,104,468)	(4,154,740,106)	207,830,076
Other current assets	(75,589,574)	(193,763,529)	(100,686,171)	(91,807,376)
Other non-current assets	27,832,647	3,458,154	(1,725,145)	2,018,642
Increase (decrease) in operating liabilities				
Trade and other payables	998,122,451	(1,096,671,047)	1,107,132,738	(438,242,234)
Other current liabilities	38,275,343	(69,857,805)	21,773,174	(19,867,688)
Other non-current liabilities	(8,265,084)	(13,371,419)	(5,397,652)	(8,917,202)
Cash flows from (used in) operating activities	(2,310,464,195)	3,040,636,097	(3,229,318,196)	2,054,995,117
Cash paid for interest expenses	(120,155,104)	(72,130,854)	(95,425,590)	(58,021,356)
Cash paid for corporate income tax	(190,116,875)	(613,599,181)	(67,661,350)	(447,641,353)
<b>Net cash flows from (used in) operating activities</b>	<b>(2,620,736,174)</b>	<b>2,354,906,062</b>	<b>(3,392,405,136)</b>	<b>1,549,332,408</b>

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



Tipco Asphalt Public Company Limited and its subsidiaries

Cash flow statement (continued)

For the year ended 31 December 2018

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<b>Cash flows from investing activities:</b>				
Cash paid for investments in subsidiaries	-	-	(23,891,805)	(288,199,017)
Cash paid for investments in joint venture	(85,924,733)	-	(67,552,611)	-
Dividends received from subsidiaries and associates	80,211,962	38,448,365	442,392,992	188,448,245
(Increase) decrease in short-term loan to related party	-	-	32,566,400	(37,434,236)
(Increase) decrease in long-term loans to related parties	-	-	32,566,400	(738,958,425)
Acquisition of equipment	(574,127,523)	(1,238,669,894)	(159,951,270)	(106,783,508)
Acquisition of computer software	(16,355,308)	(65,365,638)	(11,626,961)	(63,485,202)
Proceeds from sales of software	-	-	7,200	-
Proceeds from sales of investment properties	-	-	-	60,000,000
Proceeds from sales of land and equipment	32,465,675	99,099,377	6,945,645	32,406,777
<b>Net cash flows from (used in) investing activities</b>	<b>(563,729,927)</b>	<b>(1,166,487,790)</b>	<b>251,455,990</b>	<b>(954,005,366)</b>
<b>Cash flows from financing activities:</b>				
Cash receipts from shares subscription from related party	7,968,551	-	-	-
Increase in bank overdrafts and short-term loans from financial institutions	4,970,382,227	590,649,159	4,811,391,613	417,685,114
Increase (decrease) in short-term loans from related parties	-	-	(231,000,000)	256,000,000
Cash paid under finance lease agreements	(265,074)	(640,953)	-	(380,380)
Repayment of long-term loans	(324,438,621)	(609,366,639)	-	-
Cash receipts in advance from capital increase	74,313,871	42,565,567	74,313,871	42,565,567
Cash receipts from share subscription	8,073,525	8,638,781	8,073,525	8,638,781
Dividend paid to shareholders	(1,405,784,232)	(1,400,010,413)	(1,405,784,232)	(1,400,010,413)
Dividend paid to non-controlling interests of subsidiaries	(57)	(510)	-	-
<b>Net cash flows from (used in) financing activities</b>	<b>3,330,250,190</b>	<b>(1,368,165,008)</b>	<b>3,256,994,777</b>	<b>(675,501,331)</b>
<b>Exchange differences on translation of</b>				
<b>financial statements in foreign currencies</b>	<b>(67,483,801)</b>	<b>(128,071,936)</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>78,300,288</b>	<b>(307,818,672)</b>	<b>116,045,631</b>	<b>(80,174,289)</b>
Cash and cash equivalents at beginning of year	1,025,410,421	1,333,229,093	153,903,305	234,077,594
<b>Cash and cash equivalents at end of year</b>	<b>1,103,710,709</b>	<b>1,025,410,421</b>	<b>269,948,936</b>	<b>153,903,305</b>

Supplemental cash flows information

Non-cash transactions

Accounts payable from purchase of equipment	28,054,921	5,361,098	-	-
Settlement of dividend received from subsidiary with account payable,				
short-term loans from and accrued interest expenses to related parties (Note 9)	-	-	-	204,999,520
Investment in subsidiary for which cash has not been paid (Note 9)	-	-	31,009,848	-

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



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## **Tipco Asphalt Public Company Limited and its subsidiaries**

### **Notes to consolidated financial statements**

**For the year ended 31 December 2018**

#### **1. General information**

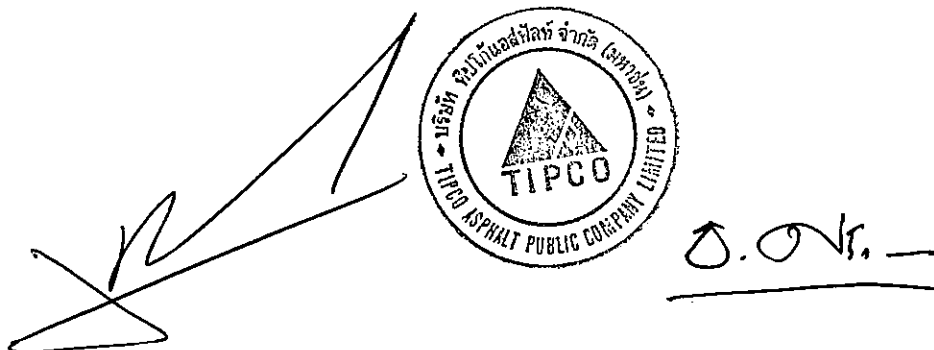
Tipco Asphalt Public Company Limited ("the Company") is a public company incorporated and domiciled in Thailand. The major shareholders of the Company are Supsakorn family and Colas Group, a company incorporated in French Republic. The Company is principally engaged in the manufacture and distribution of asphalt and petroleum products and its registered address is 118/1 Rama 6 Road, Phayathai Sub district, Phayathai District, Bangkok.

#### **2. Basis of preparation**

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

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

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

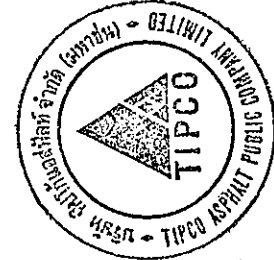


The image shows a handwritten signature on the left, a circular stamp in the center, and another handwritten signature on the right. The circular stamp features a triangle with the word 'TIPCO' inside, surrounded by the text 'บริษัท อสฟัลต์ จำกัด (มหาชน)' at the top and 'TIPCO ASPHALT PUBLIC COMPANY LIMITED' at the bottom.

## 2.2 Basis of consolidation

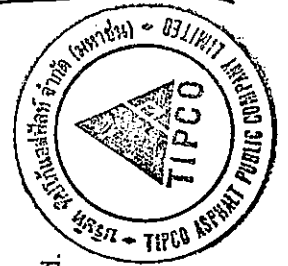
a) The consolidated financial statements include the financial statements of the Company and the following subsidiaries:

Company's name	Nature of business	Paid-up capital		Shareholding percentage	
		<u>2018</u> (Million Baht)	<u>2017</u> (Million Baht)	<u>2018</u> (%)	<u>2017</u> (%)
<u>Subsidiaries incorporated in Thailand</u>					
Raycol Asphalt Co., Ltd.	Manufacture and distribution of asphalt products	111	111	100.00	100.00
Thai Bitumen Co., Ltd.	Manufacture and distribution of asphalt products	375	375	99.99	99.99
Tipco Maritime Co., Ltd.	Shipping management and agency	2	2	99.99	99.99
Alpha Maritime Co., Ltd.	Marine transportation	143	143	99.99	99.99
Bitumen Marine Co., Ltd.	Marine transportation	150	150	99.99	99.99
Delta Shipping Co., Ltd.	Marine transportation	80	80	99.99	99.99
Tasco Shipping Co., Ltd.	Marine transportation	290	290	99.99	99.99



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Company's name	Nature of business	Paid-up capital		Shareholding percentage	
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
				(%)	(%)
<b><u>Subsidiaries incorporated in Malaysia</u></b>					
Kemaman Oil Corporation Sdn Bhd ("KOC")	Holding company and manufacture and distribution of asphalt and petroleum products	151.96 Million ringgit	151.96 Million ringgit	100.00	100.00
Kemaman Bitumen Company Sdn Bhd	Manufacture and distribution of asphalt and petroleum products	305.55 Million ringgit	305.55 Million ringgit	100.00	100.00
KBC Trading Sdn Bhd (10% owned by the Company and 20% owned by KOC)	Distribution of asphalt products	0.30 Million ringgit	0.30 Million ringgit	30.00	30.00
<b><u>Subsidiaries incorporated in Singapore</u></b>					
Highway Resources Trading Pte. Ltd. (100% owned by HR, previously known as KBC Energy Pte. Ltd. which 100% owned by KOC)	Dormant	0.01 Million USD	0.01 Million USD	100.00	100.00
Pacific Bitumen Shipping Pte. Ltd.	Marine transportation	0.04 Million USD	0.04 Million USD	100.00	100.00
Highway Resources Pte. Ltd. ("HR")	Holding company	4.78 Million SGD	4.78 Million SGD	100.00	100.00
AD Shipping Pte. Ltd.	Marine transportation	7.13 Million SGD	7.13 Million SGD	100.00	100.00
Reta Link Pte. Ltd.	Marine transportation	0.05 Million SGD	0.05 Million SGD	100.00	100.00

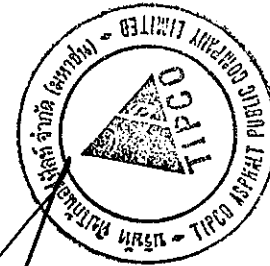


Company's name	Nature of business	Paid-up capital		Shareholding percentage	
		2018	2017	2018	2017
				(%)	(%)
<b><u>Subsidiary incorporated in Vietnam</u></b>					
Asphalt Distribution Co., Ltd. (100% owned by HR)	Manufacture and distribution of asphalt products	115,650 Million VND	115,650 Million VND	100.00	100.00
<b><u>Subsidiaries incorporated in Indonesia</u></b>					
PT Asphalt Bangun Sarana ("ABS")	Manufacture and distribution of asphalt products	58,450 Million IDR	58,450 Million IDR	99.98	99.98
PT Saranaraya Reka Cipta (100% owned by ABS)	Manufacture and distribution of asphalt products	10,477 Million IDR	10,477 Million IDR	99.98	99.98
<b><u>Subsidiary incorporated in Cambodia</u></b>					
Tipco Asphalt (Cambodia) Co., Ltd.	Manufacture and distribution of asphalt products	20.00 Million riel	20.00 Million riel	100.00	100.00
<b><u>Subsidiary incorporated in Hong Kong</u></b>					
Tasco International (Hong Kong) Ltd. ("TIHK")	Holding company	97.97 Million HKD	97.97 Million HKD	100.00	100.00



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Company's name	Nature of business	Paid-up capital		Shareholding percentage	
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
				(%)	(%)
<u>Subsidiaries incorporated in China (owned by TIHK)</u>					
Langfang Tongtai Road Material Co., Ltd.	Manufacture and distribution of asphalt products	2.10 Million USD	2.10 Million USD	51.00	51.00
Zhenjiang Tipco Asphalt Co., Ltd.	Manufacture and distribution of asphalt products	20.00 Million RMB	20.00 Million RMB	51.00	51.00
Tipco Asphalt (Xinhui) Co., Ltd.	Manufacture and distribution of asphalt products	30.00 Million RMB	30.00 Million RMB	100.00	100.00
Guangzhou Tipco Asphalt Trading Co., Ltd.	Distribution of asphalt products	6.00 Million RMB	6.00 Million RMB	100.00	100.00
<u>Subsidiaries incorporated in Lao People's Democratic Republic</u>					
Tipco Asphalt Lao Company Limited	Manufacture and distribution of asphalt products	20,006 Million LAK	-	75.00	-



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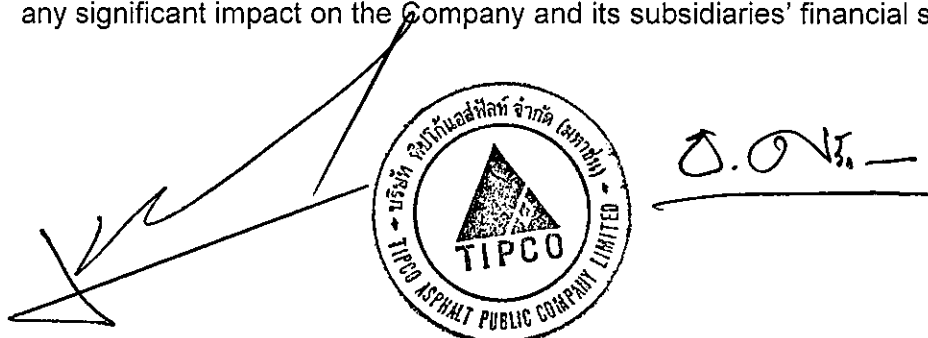
- b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- c) Subsidiaries are fully consolidated as from the date on which the Company obtains control and continue to be consolidated until the date when such control ceases.
- d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as those of the Company.
- e) The assets and liabilities in the financial statements of overseas subsidiary companies are translated to Baht using the exchange rate prevailing on the end of reporting period, and revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of "Exchange differences on translation of financial statements in foreign currencies" in the statement of changes in shareholders' equity.
- f) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.
- g) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

2.3 The separate financial statements present investments in subsidiaries, joint ventures and associates under the cost method.

### 3. New financial reporting standards

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

During the year, the Company and its subsidiaries have adopted the revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements. The adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiaries' financial statements.



**(b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2019**

During the current year, the Federation of Accounting Professions issued a number of revised and new financial reporting standards and interpretations (revised 2018), which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The management of the Company and its subsidiaries believe that most of the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied. However, the new standard involves changes to key principles, as summarised below.

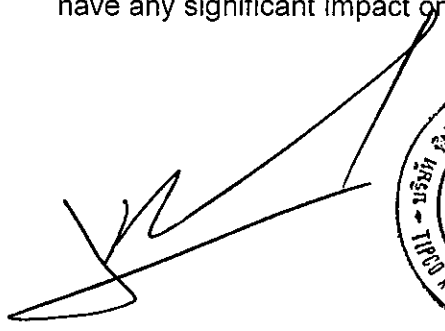
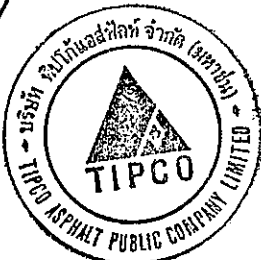

**TFRS 15 Revenue from Contracts with Customers**

TFRS 15 supersedes the following accounting standards together with related Interpretations

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

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

The management of the Company and its subsidiaries believe that this standard will not have any significant impact on the financial statements when it is initially applied.

**(c) Financial reporting standards related to financial instruments that will become effective for fiscal years beginning on or after 1 January 2020**

During the current year, the Federation of Accounting Professions issued a set of TFRSs related to financial instruments, which consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

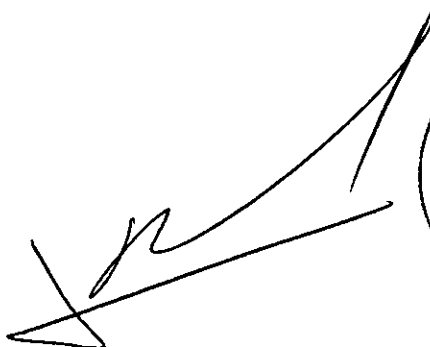


TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Company and its subsidiaries is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.



#### **4. Significant accounting policies**

##### **4.1 Revenue recognition**

###### *Sales of goods*

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

###### *Rendering of services*

Service revenue is recognised when services have been rendered taking into account the stage of completion.

Vessel operating income consists of time charters and voyage charters. Income from time charters is recognised when the right to use a vessel is transferred to a lessee for an agreed period of time, while income from voyage charters is recognised by reference to the stage of completion.

###### *Interest income*

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

###### *Dividends*

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

##### **4.2 Cash and cash equivalents**

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

##### **4.3 Trade and other receivables**

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

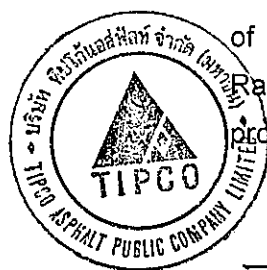
##### **4.4 Inventories**

Finished goods and work in process are valued at the lower of cost (the weighted average cost method) and net realisable value. Cost of finished goods includes all production costs and attributable factory overheads.

Raw materials, packaging materials, spare parts and factory supplies are valued at the lower of cost determined under the weighted average cost method and net realisable value.

Raw materials, packaging materials, spare parts and factory supplies are charged to production costs whenever consumed.





#### 4.5 Investments

- a) Investments in joint ventures and associates are accounted for in the consolidated financial statements using the equity method.
- b) Investments in subsidiaries, joint venture and associates are accounted for in the separate financial statements using the cost method less allowance for loss on impairment.

#### 4.6 Investment properties

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

Depreciation of investment properties is calculated by reference to their costs on the straight-line basis over the estimated useful lives of 5 and 20 years. Depreciation is included in profit or loss. No depreciation is provided on land.

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

#### 4.7 Property, plant and equipment/Depreciation

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

Building and equipment acquired through business combination are initially recognised at their fair value on the date of business acquisition. Following the initial recognition, the building and equipment are carried at cost less accumulated depreciation and less allowance for loss on impairment of assets (if any).

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

Land improvement	20 years
Buildings and complements	20 to 47 years
Building improvements	20 to 30 years
Machinery, tools and equipment	5 to 20 years
Furniture and office equipment	3 to 5 years
Vehicles	5 to 10 years
Vessels, tools and equipment	2.5 to 30 years

Depreciation is included in profit or loss.

No depreciation is provided on land, construction in progress and equipment under installation.

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



#### 4.8 Intangible assets

Intangible assets acquired through business combination are initially recognised at their fair value on the date of business acquisition while intangible assets acquired in other cases are recognised at cost. Following the initial recognition, the intangible assets are carried at cost less accumulated amortisation and less allowance for loss on impairment of assets (if any).

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

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

	<u>Useful lives</u>
Computer software	5 years
Customer relationship	12 years
Non-competition clause	5 years

#### 4.9 Goodwill

Goodwill is initially recorded at cost, which equals to the excess of cost of business combination over the fair value of the net assets acquired. If the fair value of the net assets acquired exceeds the cost of business combination, the excess is immediately recognised as gain in profit or loss.

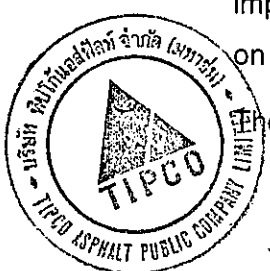
Goodwill is carried at cost less allowance for impairment loss (if any). Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of group of cash-generating unit that are expected to benefit from the synergies of the combination. The Company and its subsidiaries estimate the recoverable amount of each group of cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss and will not be reversed in future periods.

#### 4.10 Leasehold rights

Leasehold rights are stated at cost less accumulated amortisation and less allowance for impairment loss of leasehold rights (if any). Amortisation is calculated by reference to cost on a straight-line basis over the lease periods.

The amortisation is included in profit or loss.



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#### 4.11 Related party transactions

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

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

#### 4.12 Long-term leases

Leases of equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in long-term payables, while the interest element is charged to profit or loss over the lease period. The assets acquired under finance leases are depreciated over the shorter of the useful life of the assets and the lease period, if the Company and its subsidiaries expect not to purchase such assets at the end of the lease period.

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

#### 4.13 Foreign currencies

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency. Items of each entity included in the consolidated financial statements of each entity are measured using the functional currency of that entity.

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

Gains and losses on exchange are included in profit or loss.

#### 4.14 Impairment of assets

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

An impairment loss is recognised in profit or loss.

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In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, such reversal except for that of goodwill, is recognised in profit or loss. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

#### **4.15 Employee benefits**

##### ***Short-term employee benefits***

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

##### ***Post-employment benefits and other long-term employee benefits***

###### ***Defined contribution plans***

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

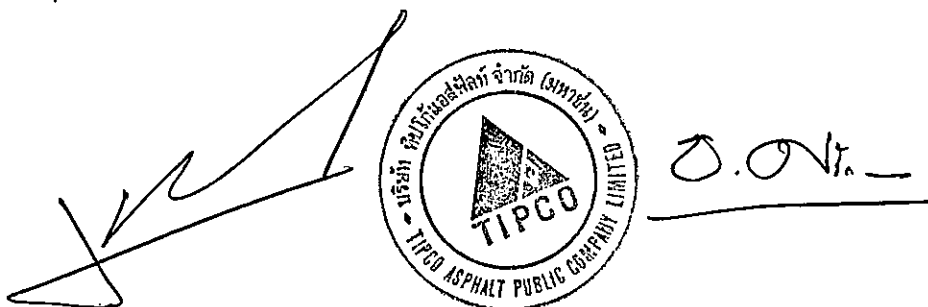
###### ***Defined benefit plans and other long-term employee benefits***

The Company and its subsidiaries have obligations in respect of the severance payments they must make to employees upon retirement under labor law and other employee benefit plans. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan. In addition, the Company and its local subsidiaries provide other long-term employee benefit plan, namely long service awards.

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

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

Actuarial gains and losses arising from other long-term benefits are recognised immediately in profit or loss.



The block contains a handwritten signature on the left and a circular official stamp in the center. The stamp features a triangle with the letters 'TIPCO' inside. The text around the triangle reads 'บริษัท อุตสาหกรรมยางมะตอย จำกัด (มหาชน)' at the top and 'TIPCO ASPHALT PUBLIC COMPANY LIMITED' at the bottom. To the right of the stamp is another handwritten signature.

#### 4.16 Equity-settled share-based payment transactions

The Company and its subsidiaries recognise the share-based payment transactions at the date on which the options are granted, based on the fair value of the share options. They are recorded as expenses over the expected life of the share options, and a capital reserve for share-based payment transactions is presented in shareholders' equity.

#### 4.17 Provisions

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

#### 4.18 Income Tax

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

##### Current tax

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

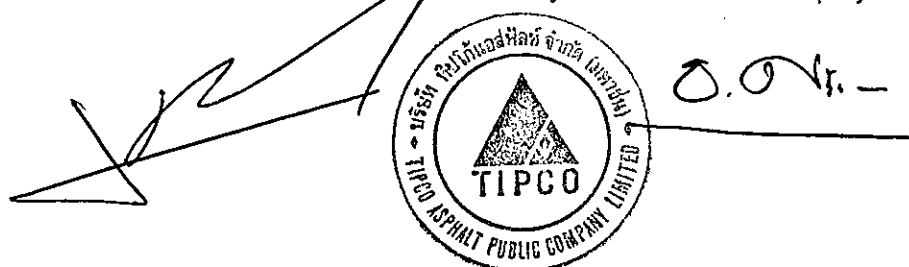
##### Deferred tax

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

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

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

The Company and its subsidiaries record deferred tax directly to shareholders' equity if the tax relates to items those are recorded directly to shareholders' equity.


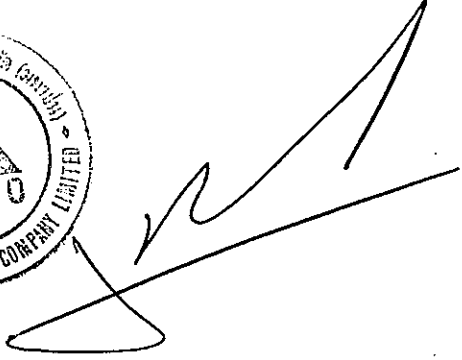


#### 4.19 Derivatives

The Group use derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedge item affects profit or loss.

In 2018, the Company applies cash flow hedging to mitigate the risk exposures relating to price fluctuations on the Company's forecasted sales. The Company designated the forecasted sales as hedged items in a cash flow hedge using forward contracts as hedging instruments. Such accounting method is applied only when the Company has clearly identified the risks to be hedged, when economic relationship has been established and when the hedge effectiveness can be reliably assessed. Gains or losses arising from changes in the fair value of hedging instruments that effectively hedge the identified risk exposures are recognised directly in other comprehensive income and are subsequently reclassified in profit or loss when the forecasted transaction occurs. Any ineffectiveness measured shall be recognised immediately in profit or loss. In the event that the hedged item is no longer expected to occur, any gains or losses from changes in the fair value of the hedging instrument are recognised immediately to profit or loss.

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#### 4.20 Fair value measurement

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

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

- Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities
- Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly
- Level 3 - Use of unobservable inputs such as estimates of future cash flows

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

#### 5. Significant accounting judgments and estimates

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

##### **Consolidation of subsidiaries that the Company and its subsidiary hold less than half of shares**

The management of the Company determined that the Company has control over KBC Trading Sdn Bhd, even though the Company and its subsidiary hold 30 percent of shares that is less than half of shares. This is because the Company and its subsidiary have control over that company through its board of directors. As a result, KBC Trading Sdn Bhd is deemed to be a subsidiary of the Group and has to be included in the consolidated financial statements from the date on which the Group assumed control.



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### **Allowance for doubtful accounts**

In determining an allowance for doubtful accounts, the management needs to make judgment and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

### **Fair value of financial instruments**

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercise judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk (bank and counterparty, both) liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value recognised in the statement of financial position and disclosures of fair value hierarchy.

### **Net realisable value of inventories**

The management uses judgment to estimate the net realisable value of inventories taking into consideration the fluctuation of price or cost directly relating to events occurring after the reporting period.

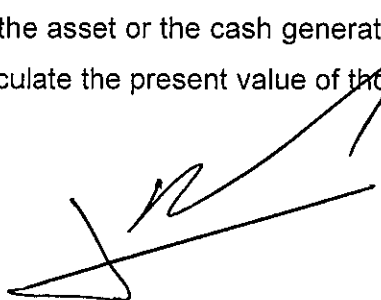

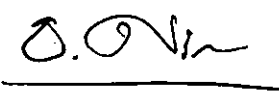
### **Property plant and equipment/Depreciation**

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

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

### **Goodwill and intangible assets**

The initial recognition and measurement of goodwill and intangible assets, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

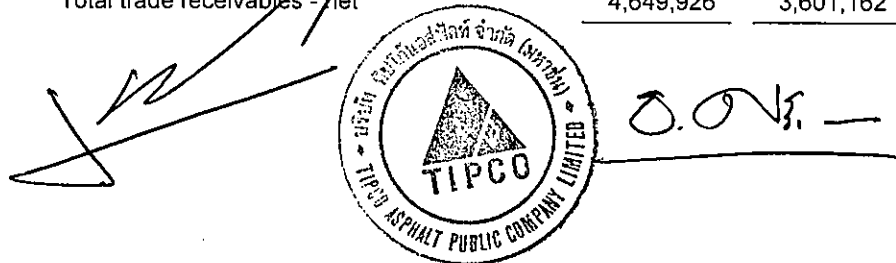
  

## Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

## 6. Trade and other receivables

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	2018	2017	2018	2017
<b><u>Trade receivables - related parties</u></b> (Note 7)				
Aged on the basis of due dates				
Not yet due	366,725	347,626	1,051,575	1,094,424
Past due				
Up to 3 months	49,900	7,791	294,008	775
3 - 6 months	-	-	232,569	44,300
6 - 9 months	-	-	563	3,558
9 - 12 months	-	-	5,699	54
Over 12 months	-	-	235,325	244,360
Total	416,625	355,417	1,819,739	1,387,471
Less: Allowance for doubtful accounts	-	-	(230,936)	(245,207)
Total trade receivables - related parties, net	416,625	355,417	1,588,803	1,142,264
<b><u>Trade receivables - unrelated parties</u></b>				
Aged on the basis of due dates				
Not yet due	3,275,547	2,577,871	2,060,353	1,728,593
Past due				
Up to 3 months	656,903	513,027	205,283	46,430
3 - 6 months	199,723	109,450	15,502	6,961
6 - 9 months	50,682	24,111	23,917	7,450
9 - 12 months	48,300	15,832	10,796	4
Over 12 months	315,601	329,728	69,664	63,567
Total	4,546,756	3,570,019	2,385,515	1,853,005
Less: Allowance for doubtful accounts	(313,455)	(324,274)	(70,021)	(63,158)
Total trade receivables - unrelated parties, net	4,233,301	3,245,745	2,315,494	1,789,847
Total trade receivables - net	4,649,926	3,601,162	3,904,297	2,932,111



	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b><u>Other receivables</u></b>				
Amounts due from related parties (Note 7)	29,104	16,614	203,526	153,380
Accounts receivable from price hedging contracts	355,905	44,298	355,905	44,298
Other receivables	6,969	5,823	3,507	8,618
Total other receivables	391,978	66,735	562,938	206,296
Trade and other receivables - net	5,041,904	3,667,897	4,467,235	3,138,407

## 7. Related party transactions

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

(Unit: Million Baht)

	Consolidated		Separate		Transfer Pricing Policy
	financial statements		financial statements		
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	
<b><u>Transactions with subsidiaries</u></b>					
(eliminated from the consolidated financial statements)					
Sales and service income	-	-	6,437	4,059	Cost plus certain margin
Rental and service income	-	-	20	20	Contract price
Technical and administrative assistance income	-	-	49	65	Contract price
Interest income	-	-	36	21	At rate of 1.4 - 2.5 percent and LIBOR plus 1.5 percent per annum
Purchases of goods	-	-	18	21	Cost plus certain margin
Rental and service expenses	-	-	1,888	2,236	Contract price
Interest expense	-	-	1	-	At rate of 1.0 percent per annum
Dividend income	-	-	362	355	
<b><u>Transactions with joint ventures</u></b>					
Sales and service income	633	1,405	630	1,305	Market price / contract price
Rental and service income	1	-	1	-	Contract price
Purchases of goods	57	-	-	-	Contract price



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(Unit: Million Baht)

	Consolidated		Separate		Transfer Pricing Policy
	financial statements		financial statements		
	2018	2017	2018	2017	
<b><u>Transactions with associates</u></b>					
Sales and service income	256	342	219	279	Market price / contract price
Rental and service income	1	1	1	1	Contract price
Rental and service expenses	-	1	-	-	Contract price
Dividend income	-	-	80	38	
<b><u>Transactions with related companies</u></b>					
Sales and service income	2,212	1,177	2,179	1,169	Market price / contract price
Rental and service income	2	3	2	3	Contract price
Rental and service expenses	78	87	72	80	Contract price
Technical and administrative assistance expenses	38	37	38	37	Contract price

The balances of the accounts between the Company and its subsidiaries and those related companies as at 31 December 2018 and 2017 are as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
<b><u>Trade and other receivables- related parties</u></b> (Note 6)				
Subsidiaries	-	-	1,629,441	1,197,418
Joint ventures	140,949	115,089	138,953	115,086
Associates	97,043	114,379	63,840	86,253
Related companies (common shareholders and directors)	207,737	142,563	191,031	142,094
Total trade and other receivables - related parties	445,729	372,031	2,023,265	1,540,851
Less: Allowance for doubtful accounts	-	-	(230,936)	(245,207)
Total trade and other receivables - related parties, net	445,729	372,031	1,792,329	1,295,644
<b><u>Short-term loan to related party</u></b>				
Subsidiary	-	-	-	32,515
Total short-term loan to related party	-	-	-	32,515
<b><u>Long-term loans to related parties</u></b>				
Subsidiaries	-	-	1,248,756	1,290,159
Total long-term loans to related parties	-	-	1,248,756	1,290,159



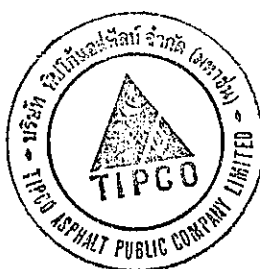
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		(Unit: Thousand Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
		2018	2017	2018	2017
<b><u>Trade and other payables - related parties</u></b> (Note 17)					
Subsidiaries		-	-	1,115,471	985,643
Joint venture		399	-	399	-
Associates		194	270	98	20
Related companies (common shareholders and directors)		78,707	126,017	78,048	124,626
<b>Total trade and other payables - related parties</b>		<b>79,300</b>	<b>126,287</b>	<b>1,194,016</b>	<b>1,110,289</b>
<b><u>Advance received from customers - related parties</u></b>					
Subsidiary		-	-	53,399	130,600
Related company (common shareholders and directors)		224	-	224	-
<b>Total advance received from customers - related parties</b>		<b>224</b>	<b>-</b>	<b>53,623</b>	<b>130,600</b>
<b><u>Short-term loans from related parties</u></b>					
Subsidiaries		-	-	25,000	256,000
<b>Total short-term loans from related parties</b>		<b>-</b>	<b>-</b>	<b>25,000</b>	<b>256,000</b>
<b><u>Long-term loan from related party</u></b>					
Related company (shareholder of subsidiary)		6,944	7,371	-	-
<b>Total long-term loan from related party</b>		<b>6,944</b>	<b>7,371</b>	<b>-</b>	<b>-</b>

The balances and the movements of loans between the Company and those related companies were as follows:

		(Unit: Thousand Baht)		
		Consolidated financial statements		
		Exchange differences		
		Balance as at	on translation of	Balance as at
		31 December	financial statements in	31 December
Company's name	Related by	2017	foreign currencies	2018
<b><u>Long-term loan from related party</u></b>				
Zhenjiang Highway Materials Company	Shareholder of subsidiary	7,371	(427)	6,944

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(Unit: Thousand Baht)

		Separate financial statements				
Company's name	Related by	Balance as at 31 December 2017	Increase during the year	Decrease during the year	Gain (Loss) on exchange	Balance as at 31 December 2018
<b><u>Short-term loan to related party</u></b>						
Highway Resources Pte. Ltd.	Subsidiary	32,515	-	(32,566)	51	-
<b><u>Long-term loans to related parties</u></b>						
AD Shipping Pte. Ltd.	Subsidiary	260,117	-	(32,566)	(1,557)	225,994
Reta Link Pte. Ltd.	Subsidiary	146,316	-	-	(1,034)	145,282
Pacific Bitumen Shipping Pte. Ltd.	Subsidiary	883,726	-	-	(6,246)	877,480
Total		1,290,159	-	(32,566)	(8,837)	1,248,756
<b><u>Short-term loans from related parties</u></b>						
Raycol Asphalt Co., Ltd.	Subsidiary	55,000	75,000	(105,000)	-	25,000
Thai Bitumen Co., Ltd.	Subsidiary	201,000	-	(201,000)	-	-
Total		256,000	75,000	(306,000)	-	25,000

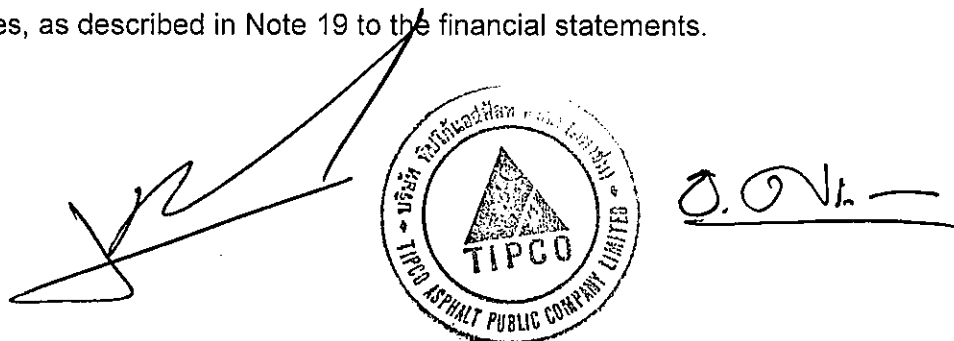
**Directors and management's benefits**

During 2018 and 2017, the Company and its subsidiaries had employee benefit expenses of their directors and management as detailed below.

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Short-term employee benefits	181	162	167	146
Post-employment benefits and other long-term benefits (Note 20)	4	4	4	4
Share-based payment transactions (Note 22)	8	21	7	18
Total	193	187	178	168

**Guarantee obligations with related parties**

The Company and its subsidiaries have outstanding guarantee obligations with its related parties, as described in Note 19 to the financial statements.



The image shows a handwritten signature in black ink over a circular corporate stamp. The stamp contains the text 'TIPCO ASPHALT PUBLIC COMPANY LIMITED' around the perimeter and a logo in the center. To the right of the stamp is another handwritten signature.

## 8. Inventories

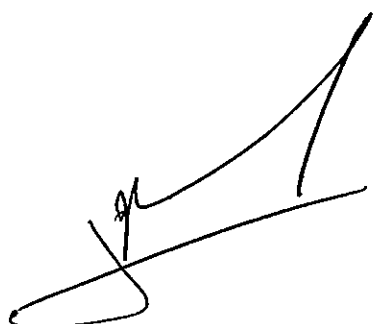
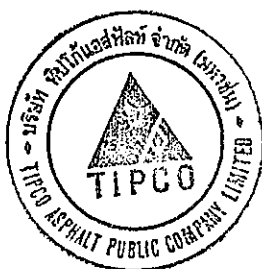
(Unit: Thousand Baht)

Consolidated financial statements						
	Cost		Reduction of cost to net realisable value		Inventories - net	
	2018	2017	2018	2017	2018	2017
Finished goods	1,833,510	1,231,605	(188,299)	(19,610)	1,645,211	1,211,995
Raw materials	1,789,471	1,153,291	(445,592)	(5,749)	1,343,879	1,147,542
Packaging materials, spare parts and factory supplies	96,489	114,197	(489)	(2,935)	96,000	111,262
Goods in transit	4,580,160	1,421,346	(343,530)	-	4,236,630	1,421,346
Total	8,299,630	3,920,439	(977,910)	(28,294)	7,321,720	3,892,145

(Unit: Thousand Baht)

Separate financial statements						
	Cost		Reduction of cost to net realisable value		Inventories - net	
	2018	2017	2018	2017	2018	2017
Finished goods	1,373,518	645,516	(210,540)	-	1,162,978	645,516
Raw materials	1,288,734	1,019,547	(289,615)	-	999,119	1,019,547
Packaging materials, spare parts and factory supplies	10,086	25,488	(489)	(2,935)	9,597	22,553
Goods in transit	4,554,340	1,385,375	(433,704)	-	4,120,636	1,385,375
Total	7,226,678	3,075,926	(934,348)	(2,935)	6,292,330	3,072,991

During the current year, the Company and its subsidiaries reduced cost of inventories by Baht 782 million, to reflect the net realisable value. This was included in cost of sales (2017: reversed by Baht 67 million) (The Company only: Baht 935 million (2017: reversed by Baht 175 million)). In addition, a subsidiary in Malaysia recorded the amount of inventories damaged by a fire amounting to Baht 170 million, presented under the caption "Damages from a fire incident at a subsidiary" in the statement of comprehensive income.

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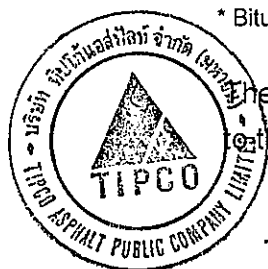
## 9. Investments in subsidiaries

Details of investments in subsidiaries as presented in the separate financial statements are as follows:

Company's name	Investment cost		(Unit: Thousand Baht) Dividend received during the year	
	2018	2017	2018	2017
<b><u>Domestic subsidiaries</u></b>				
Raycol Asphalt Co., Ltd.	580,712	580,712	111,000	-
Thai Bitumen Co., Ltd. ("Thai Bitumen")	374,916	374,916	187,500	150,000
Less: Provision for impairment loss of investment	(60,775)	(60,775)	-	-
Tipco Maritime Co., Ltd.	1,999	1,999	-	-
Alpha Maritime Co., Ltd.	142,999	142,999	-	-
Bitumen Marine Co., Ltd.	149,999	149,999	-	165,000*
Delta Shipping Co., Ltd.	79,999	79,999	-	40,000*
Tasco Shipping Co., Ltd.	289,999	289,999	-	-
<b><u>Overseas subsidiaries</u></b>				
Tasco International (Hong Kong) Ltd. ("TIHK")	417,216	417,216	-	-
Add: Additional investment cost from the acquisition of subsidiary under common control	115,849	115,849	-	-
Less: Provision for impairment loss of investment	(65,420)	(65,420)	-	-
Kemaman Oil Corporation Sdn Bhd ("KOC")	1,303,035	1,303,035	-	-
Kemaman Bitumen Company Sdn Bhd ("KBC")	2,752,967	2,752,967	-	-
KBC Trading Sdn Bhd ("KBT")	1,377	1,377	-	-
Tipco Asphalt (Cambodia) Co., Ltd.	165	165	63,681	-
PT Asphalt Bangun Sarana	337,254	337,254	-	-
Pacific Bitumen Shipping Pte. Ltd. ("PBS")	1,340	1,340	-	-
Highway Resources Pte. Ltd.	717,054	717,054	-	-
AD Shipping Pte. Ltd. ("ADS")	430,232	430,232	-	-
Reta Link Pte. Ltd. ("RTL")	28,682	28,682	-	-
Tipco Asphalt Lao Company Limited ("TAL")	54,902	-	-	-
Total investments in subsidiaries	7,654,501	7,599,599	362,181	355,000
Cost of share-based payment transactions, under warrants to purchase new ordinary shares of the Company issued to the subsidiaries' employees (Note 22)	38,764	31,533		
Total investments in subsidiaries - net	7,693,265	7,631,132		

\* Bitumen Marine Co., Ltd. and Delta Shipping Co., Ltd. offset the dividend against the amount due from the Company.

The paid-up capital and percentage of shareholding were presented in Note 2.2 of the financial statements.





Warrants to purchase new ordinary shares of the Company issued to the subsidiaries' employees

During 2018, the Company recorded cost of share-based payment transactions, under warrants to purchase new ordinary shares of the Company issued to the subsidiaries' employees (Note 22) amounted to Baht 7.2 million (2017: Baht 7.3 million), as a cost of investments in subsidiaries.

Investment in Tasco International (Hong Kong) Limited ("TIHK")

In November 2017, the Board of Director's meeting of TIHK passed a resolution to approve the increase in its registered and paid up capital by HKD 67 million (approximately Baht 287 million), through the issue of 67 million new shares of HKD 1 each. As a result of the capital increase, TIHK's registered and paid-up capital consists of 97,966,000 shares of HKD 1 each, totaling HKD 97,966,000. TIHK completed the share increase process and registered the new share capital on 29 November 2017.

Investment in Pacific Bitumen Shipping Pte. Ltd. ("PBS")

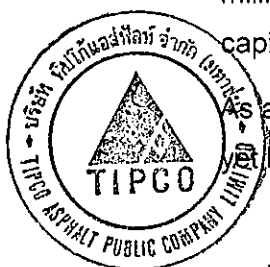
In October 2017, the extraordinary shareholders' meeting of PBS passed a resolution to approve the increase in its registered and paid up capital of USD 29,500 (approximately Baht 1 million), through the issue of 29,500 new ordinary shares of USD 1 each. The Company has invested in such new shares in full. As a result of the capital increase, PBS's registered and paid-up capital consists of 39,500 shares of USD 1 each, totaling USD 39,500. PBS completed the share increase process and registered the new share capital on 11 October 2017.

Investment in Tipco Asphalt Lao Co., Ltd. ("TAL")

On 9 August 2017, the Board of Directors Meeting No.5/2017 of the Company passed a resolution to approve the investment in a new company incorporated in Lao People's Democratic Republic. This company will be engaged in the manufacture and distribution of asphalt emulsion and other asphalt products. The Company has 75 percent of shareholding in such company. Subsequently, on 24 October 2017, the Company entered into a Joint Venture Agreement with Seneoudom Company Limited, a company incorporated in Lao People's Democratic Republic, to establish TAL. TAL completed the incorporation process on 12 January 2018 with the registered share capital of LAK 26,675 million.

In March 2018, TAL called for a payment for shares at 70 percent of the registered share capital from shareholders or amounting to LAK 18,672.5 million. The Company needs to pay for such shares at 75 percent or amounting to LAK 14,004 million (approximately Baht 54.9 million). During the first quarter of the current year, the Company already paid for such share capital amounting to LAK 6,133 million (approximately Baht 23.9 million).

At 31 December 2018, the investment in share capital of TAL which the Company has not yet been paid amounted to LAK 7,871 million (approximately Baht 31.0 million).



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## 10. Investments in joint ventures

### 10.1 Details of investments in joint ventures:

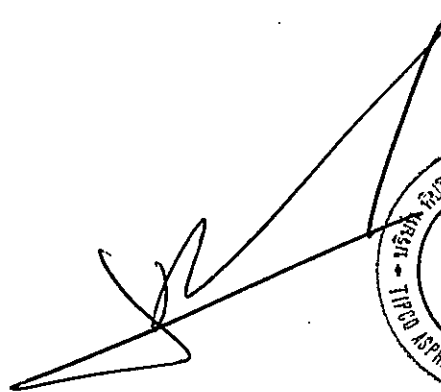
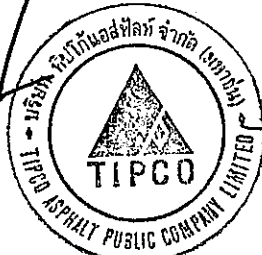

Investments in joint ventures represent investments in entities which the Company and its subsidiaries jointly control with other companies. Details of these investments are as follows:

(Unit: Thousand Baht)

Joint ventures	Consolidated financial statements					
	Shareholding		Cost		Carrying amounts based	
	percentage				on equity method	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	(%)	(%)				
Asia Bitumen Trading Pte. Ltd.						
(Distribution of asphalt and petroleum products)	50	50	242	242	42,849	38,362
Borneo Asphalt Sdn Bhd						
(Distribution of asphalt products)	50	50	23,815	4,759	20,017	3,686
Phoenix Asphalt Philippines Inc.						
(Manufacture and distribution of asphalt and petroleum products)	40	-	67,553	-	67,630	-
Total			91,610	5,001	130,496	42,048

(Unit: Thousand Baht)

Joint ventures	Separate financial statements					
	Shareholding		Cost		Carrying amounts based	
	percentage				on cost method	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	(%)	(%)				
Phoenix Asphalt Philippines Inc.						
(Manufacture and distribution of asphalt and petroleum products)	40	-	67,553	-	67,533	-
Total			67,553	-	67,533	-

#### Investment in Borneo Asphalt Sdn Bhd ("BA")

In June 2017, Kemaman Bitumen Company Sdn Bhd ("KBC") invested in BA a new company incorporated in Malaysia with the registered capital of MYR 2, which is the joint venture with Senari Synergy Sdn Bhd, to trade bitumen. KBC has 50 percent of shareholding in this company.

During the years 2017 and 2018, KBC invested in additional ordinary shares of BA in proportion to its shareholding as follows:

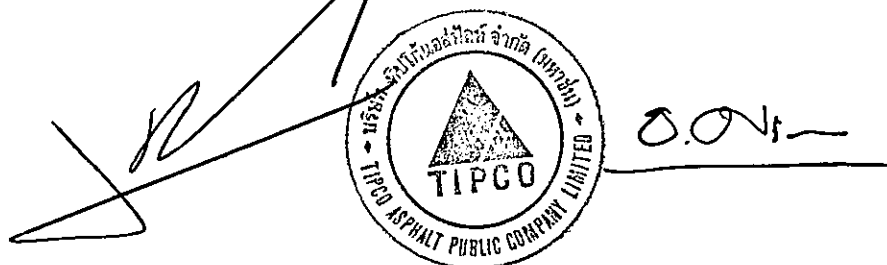
Share registration date	Registered capital		Shareholding percentage	Amount	
	Increase	Balance			
	(Ringgit)	(Ringgit)	(%)	(Ringgit)	(Million Baht)
16 October 2017	99,998	100,000	50	49,999	0.4
11 November 2017	1,100,000	1,200,000	50	550,000	4.4
16 March 2018	1,000,000	2,200,000	50	500,000	3.9
19 July 2018	3,800,000	6,000,000	50	1,900,000	15.1

#### Investment in Phoenix Asphalt Philippines Inc. ("PAPI")

On 11 January 2018, the Board of Directors Meeting No.1/2018 of the Company passed a resolution to approve the investment in a new company incorporated in the Philippines. This company will be engaged in the manufacture and distribution of asphalt and petroleum products. The Company will have 40 percent of shareholding in this company. Subsequently, on 16 January 2018, the Company entered into a Joint Venture Agreement with P-H-O-E-N-I-X Petroleum Philippines, Inc., a company incorporated in the Philippines, and Mr. Carlito B. Castrillo, a Filipino citizen, to establish PAPI. In February 2018, PAPI called for a partial payment for shares of PHP 20 million from shareholders to use as minimum amount of capital registration. The Company paid for the share of PHP 8 million (approximately Baht 4.8 million) or 40 percent from the paid-up share capital. PAPI completed its incorporation process, with registered capital of PHP 275 million, in March 2018.

In May 2018, PAPI called for an additional payment for shares of PHP 95 million from shareholders. In June 2018, the Company paid for the share of PHP 38 million (approximately Baht 23.3 million) or 40 percent from such paid-up share capital.

In September 2018, PAPI called for an additional payment for shares of PHP 160 million from shareholders. In October 2018, the Company paid for the share of PHP 64 million (approximately Baht 38.8 million) or 40 percent from such paid-up share capital.



## 10.2 Share of comprehensive income

The Company and its subsidiaries recognised their share of profit/loss from investments in the joint ventures in the consolidated financial statements as follows:

(Unit: Thousand Baht)

Joint ventures	Consolidated financial statements	
	Share of profit (loss) from investments in joint ventures during the year	
	2018	2017
Asia Bitumen Trading Pte. Ltd.	4,833	10,660
Borneo Asphalt Sdn Bhd	(2,665)	(1,074)
Phoenix Asphalt Philippines Inc.	(374)	-
<b>Total</b>	<b>1,794</b>	<b>9,586</b>

## 10.3 Summarised financial information about material joint ventures

Summarised information about financial position as at 31 December 2018 and 2017:

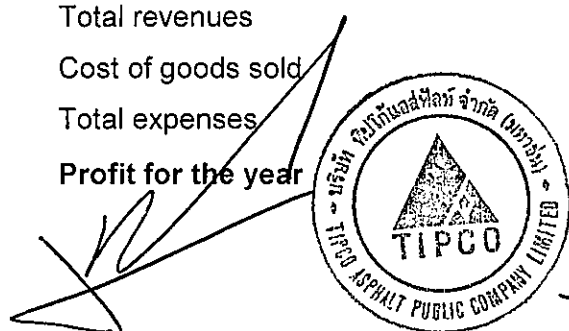
(Unit: Million Baht)

	Asia Bitumen Trading Pte. Ltd.	
	2018	2017
Cash and cash equivalents	182.9	155.7
Trade and other receivables	508.1	255.9
Other assets	2.4	5.7
Trade and other payables	(599.4)	(287.3)
Other liabilities	(8.3)	(53.4)
<b>Net assets</b>	<b>85.7</b>	<b>76.6</b>
Shareholding percentage (%)	50	50
<b>Carrying amounts of joint venture based on equity method</b>	<b>42.9</b>	<b>38.3</b>

Summarised information about profit and loss for the years ended 31 December 2018 and 2017:

(Unit: Million Baht)

	Asia Bitumen Trading Pte. Ltd.	
	2018	2017
Total revenues	3,636.2	3,260.8
Cost of goods sold	(3,587.5)	(3,198.4)
Total expenses	(39.0)	(41.0)
<b>Profit for the year</b>	<b>9.7</b>	<b>21.4</b>



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## 11. Investments in associates

### 11.1 Details of associates:

(Unit: Thousand Baht)

		Consolidated financial statements					
Company's name	Nature of business	Shareholding percentage		Cost		Carrying amounts based on equity method	
		2018 (%)	2017 (%)	2018	2017	2018	2017
Colasie Co., Ltd.	Holding company	40	40	18,404	18,404	301,600	271,835
PT Sarana Distribusi	Barge rental service						
Aspal Nusantara		49	49	1,313	1,313	431	645
Thai Slurry Seal Company Limited	Road rehabilitation contractor	25	25	225,043	225,043	238,868	254,162
Total investments in associates				244,760	244,760	540,899	526,642

(Unit: Thousand Baht)

		Separate financial statements					
Company's name	Nature of business	Shareholding percentage		Cost		Carrying amounts based on cost method	
		2018 (%)	2017 (%)	2018	2017	2018	2017
Colasie Co., Ltd.	Holding company	40	40	18,404	18,404	18,404	18,404
Thai Slurry Seal Company Limited	Road rehabilitation contractor	25	25	225,043	225,043	225,043	225,043
Total investments in associates				243,447	243,447	243,447	243,447

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## 11.2 Share of comprehensive income and dividend received

The Company and its subsidiaries recognised their share of profit/loss from investments in associates in the consolidated financial statements and dividend income in the separate financial statements as follows:

(Unit: Thousand Baht)

Company's name	Consolidated financial statements		Separate financial statements	
	Share of profit (loss) from investment		Dividend received	
	in associates during the year		during the year by the Company	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Colasie Co., Ltd.	99,342	101,290	67,779	38,448
PT Sarana Distribusi				
Aspal Nusantara	(76)	(215)	-	-
Thai Slurry Seal Company				
Limited	(2,861)	29,119	12,433	-
Total	<u>96,405</u>	<u>130,194</u>	<u>80,212</u>	<u>38,448</u>

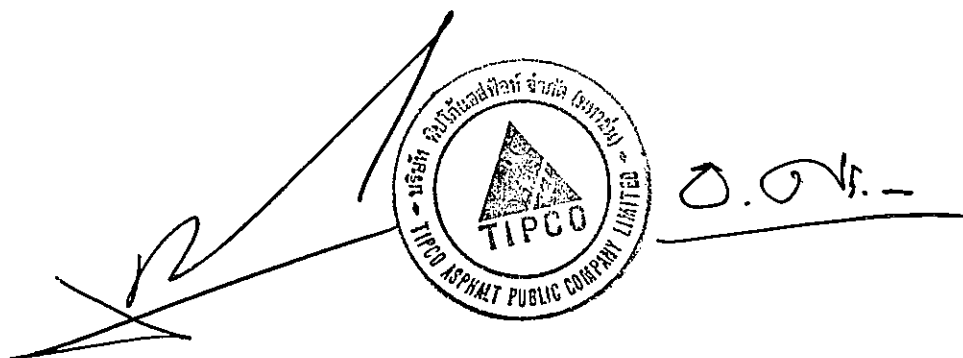
## 11.3 Summarised financial information about material associates

### Financial information of Colasie Co., Ltd.

Financial information of Colasie Co., Ltd. as at 31 December 2018 and 2017 and for the years then ended are summarised below.

(Unit: Million Euro)

	<u>2018</u>	<u>2017</u>
Paid-up capital	1.04	1.04
Total assets	4.19	5.57
Total liabilities	0.01	-
Total revenues	2.97	4.37
Profit for the year	3.02	4.40



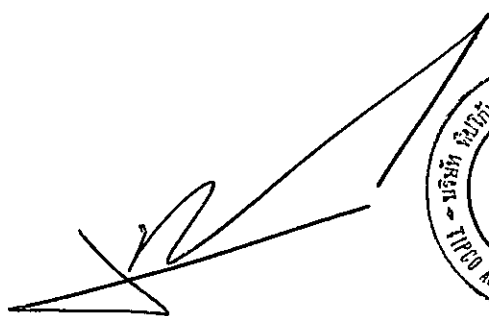
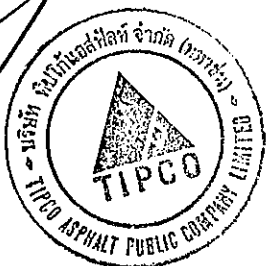

## Financial information of Thai Slurry Seal Company Limited

Summarised information about financial position of Thai Slurry Seal Company Limited as at 31 December 2018 and 2017 are as follows:

	(Unit: Million Baht)	
	<u>2018</u>	<u>2017</u>
Current assets	603	748
Non-current assets	662	748
Current liabilities	(322)	(465)
Non-current liabilities	(97)	(125)
<b>Net assets</b>	<b>846</b>	<b>906</b>
<b>Net assets attributable to the Company's investment (25%)</b>	<b>212</b>	<b>227</b>
Goodwill	27	27
<b>Carrying amounts of the associate based on equity method</b>	<b>239</b>	<b>254</b>

Summarised information about comprehensive income for the year ended 31 December 2018 and 2017 are summarised below.

	(Unit: Million Baht)	
	<u>2018</u>	<u>2017</u>
Total revenues	1,152	1,794
Cost of goods sold	(1,049)	(1,457)
Total expenses	(114)	(221)
<b>Profit (loss) for the year</b>	<b>(11)</b>	<b>116</b>

## 12. Investment properties

(Unit: Thousand Baht)

### Consolidated financial statements

	The Company's land, buildings and equipment located at Petchburi plant	Land of Thai Bitumen	Total
As at 31 December 2018:			
Cost	268,377	383,608	651,985
<u>Less</u> Accumulated depreciation	(138,692)	-	(138,692)
<u>Less</u> Allowance for diminution in value	(86,885)	(169,475)	(256,360)
Net book value	42,800	214,133	256,933
As at 31 December 2017:			
Cost	268,377	383,608	651,985
<u>Less</u> Accumulated depreciation	(138,692)	-	(138,692)
<u>Less</u> Allowance for diminution in value	(86,885)	(169,475)	(256,360)
Net book value	42,800	214,133	256,933

(Unit: Thousand Baht)

### Separate financial statements

	The Company's land, buildings and equipment located at Petchburi plant	The Company's land for rent located at Suratthani province	Total
As at 31 December 2018:			
Cost	268,377	61,438	329,815
<u>Less</u> Accumulated depreciation	(138,692)	(9,896)	(148,588)
<u>Less</u> Allowance for diminution in value	(86,885)	-	(86,885)
Net book value	42,800	51,542	94,342
As at 31 December 2017:			
Cost	268,377	61,438	329,815
<u>Less</u> Accumulated depreciation	(138,692)	(9,896)	(148,588)
<u>Less</u> Allowance for diminution in value	(86,885)	-	(86,885)
Net book value	42,800	51,542	94,342






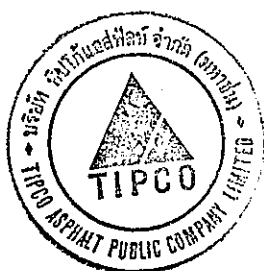
A reconciliation of the net book value of investment properties for 2018 and 2017 is presented below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net book value at beginning of year	256,933	199,433	94,342	99,837
Disposals - net book value	-	-	-	(14,495)
Reversal of allowance for diminution in value	-	57,500	-	9,000
Net book value at end of year	<u>256,933</u>	<u>256,933</u>	<u>94,342</u>	<u>94,342</u>

The fair values of the investment properties, appraised by an independent professional valuer using the Sales Comparison Approach, as at 31 December 2018 and 2017 are stated below:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
The Company's land for rent located at				
Suratthani province	-	-	213,000	213,000
The Company's land, buildings and equipment				
located at Petchburi plant	42,800	42,800	42,800	42,800
Land of Thai Bitumen	219,908	219,908	-	-

In December 2017, the Company and Thai Bitumen arranged for an independent professional valuer to appraise the value of the land, buildings and equipment using the Sales Comparison Approach, with the valuer appraising the assets at Baht 262.7 million. As a result of the appraisal, the Company and Thai Bitumen reversed an allowance for impairment loss of the assets amounting to Baht 57.5 million and presented in the consolidated profit or loss for 2017 (The Company only: amounting to Baht 9.0 million).


13. Property, plant and equipment

(Unit: Thousand Baht)

Cost	Consolidated financial statements					
	Land and land improvement	Buildings, building improvements and complements	Machinery, tools and equipment	Furniture, office equipment and vehicles	Vessels	Construction in progress and equipment under installation
As at 1 January 2017	641,242	787,403	6,919,014	1,497,443	3,225,021	257,143
Additions	5,969	3,636	83,555	36,638	91,009	1,015,298
Disposals/write-off	(907)	(2,221)	(21,226)	(172,259)	(5,044)	-
Transfer in (transfer out)	12,991	24,764	69,281	12,646	927,389	(1,047,071)
As at 31 December 2017	659,295	813,582	7,050,624	1,374,468	4,238,375	225,370
Additions	6,432	19,667	78,668	30,759	87,637	373,659
Disposals/write-off	(9,316)	(9,316)	(45,999)	(83,637)	(104,101)	-
Transfer in (transfer out)	8,948	35,969	102,396	56,614	-	(203,927)
As at 31 December 2018	674,675	859,902	7,185,689	1,378,204	4,221,911	395,102
						14,715,483



(Unit: Thousand Baht)

## Consolidated financial statements

	Land and land improvement	Buildings, improvements and complements	Machinery, tools and equipment	Furniture, office equipment and vehicles	Vessels	Construction in progress and equipment under installation	Total
<b>Accumulated depreciation</b>							
As at 1 January 2017	314,278	450,758	2,670,940	742,785	660,421	-	4,839,182
Depreciation for the year	13,913	40,589	497,489	132,545	214,440	-	898,976
Accumulated depreciation on disposals/write-off	(906)	(1,493)	(19,511)	(162,495)	-	-	(184,405)
As at 31 December 2017	327,285	489,854	3,148,918	712,835	874,861	-	5,553,753
Depreciation for the year	12,095	27,533	391,373	133,266	213,887	-	778,154
Accumulated depreciation on disposals/write-off	-	(8,386)	(32,527)	(78,082)	(67,826)	-	(186,821)
As at 31 December 2018	339,380	509,001	3,507,764	768,019	1,020,922	-	6,145,086
<b>Allowance for impairment loss</b>							
As at 1 January 2017	1,183	50,431	21,808	1,985	-	2,828	78,235
Disposals/write-off	-	-	(496)	-	-	-	(496)
As at 31 December 2017	1,183	50,431	21,312	1,985	-	2,828	77,739
Increase during the year	-	338	88,169	85	-	31,397	119,989
As at 31 December 2018	1,183	50,769	109,481	2,070	-	34,225	198,224



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(Unit: Thousand Baht)

## Consolidated financial statements

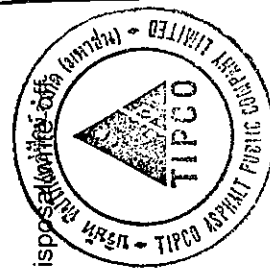
	Land and land improvement	Buildings, building improvements and complements	Machinery, tools and equipment	Furniture, office equipment and vehicles	Vessels	Construction in progress and equipment under installation	Total
<b>Translation adjustments</b>							
As at 1 January 2017	-	20,526	213,384	2,025	(3,348)	47,946	280,533
Translation adjustments during the year	-	7,904	(365,415)	(12,884)	(61,274)	(20,431)	(452,100)
As at 31 December 2017	-	28,430	(152,031)	(10,859)	(64,622)	27,515	(171,567)
Translation adjustments during the year	-	(4,282)	(23,125)	(2,405)	(41,133)	(2,517)	(73,462)
As at 31 December 2018	-	24,148	(175,156)	(13,264)	(105,755)	24,998	(245,029)
<b>Net book value</b>							
As at 31 December 2017	330,827	301,727	3,728,363	648,789	3,298,892	250,057	8,558,655
As at 31 December 2018	334,112	324,280	3,393,288	594,851	3,095,234	385,875	8,127,640
<b>Depreciation for the year</b>							
2017 (Baht 702 million included in manufacturing cost, and the balance in selling expenses and administrative expenses)							898,976
2018 (Baht 626 million included in manufacturing cost, and the balance in selling expenses and administrative expenses)							778,154



(Unit: Thousand Baht)

## Separate financial statements

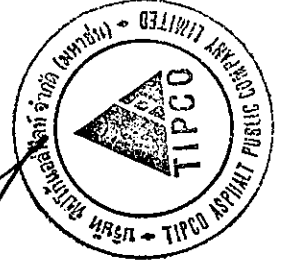
	Land and land improvement	Buildings, building improvements and complements	Machinery, tools and equipment	Furniture, office equipment and vehicles	Construction in progress and equipment under installation	Total
<b>Cost</b>						
As at 1 January 2017	474,373	262,821	544,281	963,294	51,656	2,296,425
Additions	5,784	1,681	34,168	11,439	53,712	106,784
Disposals/write-off	(907)	(577)	(8,942)	(138,024)	-	(148,450)
Transfer in (transfer out)	1,286	1,416	32,933	2,963	(38,598)	-
As at 31 December 2017	480,536	265,341	602,440	839,672	66,770	2,254,759
Additions	3,924	4,222	26,091	5,067	120,647	159,951
Disposals/write-off	-	-	(11,503)	(47,539)	-	(59,042)
Transfer in (transfer out)	4,944	17,533	14,363	49,853	(86,693)	-
As at 31 December 2018	489,404	287,096	631,391	847,053	100,724	2,355,668
<b>Accumulated depreciation</b>						
As at 1 January 2017	229,763	187,652	472,290	520,380	-	1,410,085
Depreciation for the year	10,364	6,744	30,615	72,320	-	120,043
Accumulated depreciation on disposal/write-off	(905)	(478)	(8,698)	(131,539)	-	(141,620)
As at 31 December 2017	239,222	193,918	494,207	461,161	-	1,388,508
Depreciation for the year	9,059	6,573	34,607	73,408	-	123,647
Accumulated depreciation on disposal/write-off	-	-	(11,480)	(46,219)	-	(57,699)
As at 31 December 2018	248,281	200,491	517,334	488,350	-	1,454,456



(Unit: Thousand Baht)

	Separate financial statements				
	Land and land improvement	Buildings, building improvements and complements	Machinery, tools and equipment	Furniture, office equipment and vehicles	Construction in progress and equipment under installation
<b>Allowance for impairment loss</b>					
As at 31 December 2017	1,183	-	-	-	1,183
As at 31 December 2018	1,183	-	-	-	1,183
<b>Net book value</b>					
As at 31 December 2017	240,131	71,423	108,233	378,511	66,770
As at 31 December 2018	239,940	86,605	114,057	358,703	100,724
<b>Depreciation for the year</b>					
2017 (Baht 85 million included in manufacturing cost, and the balance in selling expenses and administrative expenses)					120,043
2018 (Baht 106 million included in manufacturing cost, and the balance in selling expenses and administrative expenses)					123,647

As at 31 December 2018, certain items of plant and equipment items had been fully depreciated but were still in use. The original cost of those assets amounted to approximately Baht 2,774 million (2017: Baht 2,433 million) (The Company only: Baht 1,337 million (2017: Baht 1,087 million)).

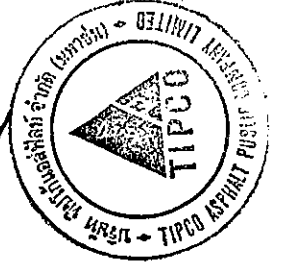


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#### 14. Intangible assets

The net book value of intangible assets as at 31 December 2018 and 2017 is presented below.

	Consolidated financial statements					(Unit: Thousand Baht)		
	Separate financial statements							
	Computer software	Customer relationship	Non-competition clause	Computer software under installation	Total	Computer software	Computer software under installation	Total
As at 31 December 2018:								
Cost	177,549	177,083	11,724	96	366,452	147,648	96	147,744
<u>Less</u> Accumulated amortisation	(85,569)	(44,271)	(7,588)	-	(137,428)	(59,870)	-	(59,870)
Translation adjustments	1,914	-	(922)	-	992	-	-	-
Net book value	93,894	132,812	3,214	96	230,016	87,778	96	87,874
As at 31 December 2017:								
Cost	167,525	177,083	11,724	2,020	358,352	140,406	1,977	142,383
<u>Less</u> Accumulated amortisation	(63,253)	(29,514)	(5,269)	-	(98,036)	(38,901)	-	(38,901)
Translation adjustments	1,212	-	(533)	-	679	-	-	-
Net book value	105,484	147,569	5,922	2,020	260,995	101,505	1,977	103,482



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

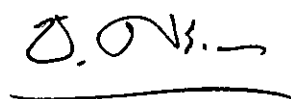
	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net book value at beginning of year	260,995	228,849	103,482	53,722
Acquisition of computer software	16,355	65,366	11,627	63,486
Amortisation	(46,542)	(32,445)	(27,235)	(13,726)
Disposal/Write-off	(302)	-	-	-
Translation adjustments	(490)	(775)	-	-
Net book value at end of year	230,016	260,995	87,874	103,482

## 15. Leasehold rights

The Company and its subsidiaries entered into agreements to lease buildings and land. The lease agreements can be summarised below.

Leasee	Country the leased asset located in	Lease period (year)	Lease agreement ending year	Prepaid lease amount at inception of the lease
1. The Company	China	30	2031	1.4 million renminbi
2. A subsidiary in China	China	30	2029	5.7 million renminbi
3. A subsidiary in China	China	50	2050	6.9 million renminbi
4. A subsidiary in China	China	45	2055	2.5 million renminbi
5. A subsidiary in Malaysia	Malaysia	50	2055	19.8 million ringgit
6. A subsidiary in Malaysia	Malaysia	50	2063	11.0 million ringgit
7. A subsidiary in Vietnam	Vietnam	20	2032	36,257 million Vietnam Dong







The book value of the leasehold rights as at 31 December 2018 and 2017 can be summarised below.

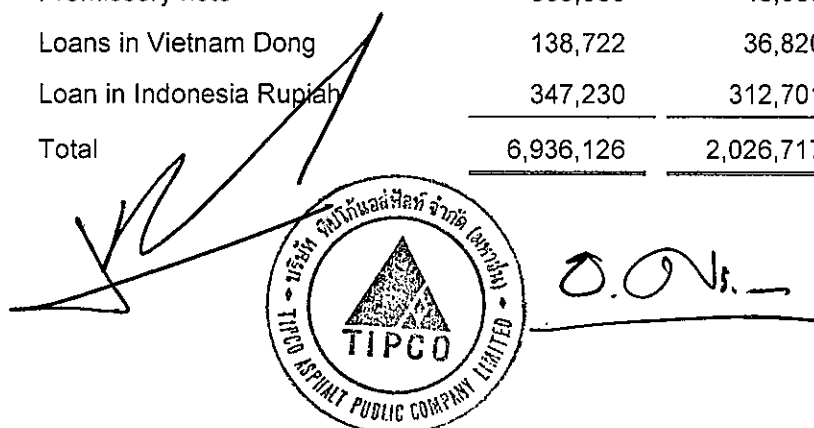
	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	2018	2017	2018	2017
Cost	427,284	427,284	6,837	6,837
<u>Less</u> Accumulated amortisation	(86,921)	(77,541)	(4,102)	(3,874)
<u>Less</u> Allowance for impairment loss	(12,019)	(12,019)	-	-
Translation adjustments	(9,818)	(5,933)	-	-
Net book value	318,526	331,791	2,735	2,963

A reconciliation of the net book value of leasehold rights for the years 2018 and 2017 are presented below.

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	2018	2017	2018	2017
Net book value at beginning of year	331,791	375,085	2,963	3,191
Amortisation	(9,721)	(10,562)	(228)	(228)
Translation adjustments	(3,544)	(32,732)	-	-
Net book value at end of year	318,526	331,791	2,735	2,963

#### 16. Bank overdrafts and short-term loans from financial institutions

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	2018	2017	2018	2017
Bank overdrafts	12,781	-	12,781	-
Trust receipts	5,631,793	1,629,196	5,631,793	1,629,196
Promissory note	805,600	48,000	805,600	48,000
Loans in Vietnam Dong	138,722	36,820	-	-
Loan in Indonesia Rupiah	347,230	312,701	-	-
Total	6,936,126	2,026,717	6,450,174	1,677,196



Bank overdrafts from local bank carry interest at the rate 7.43 percent per annum.

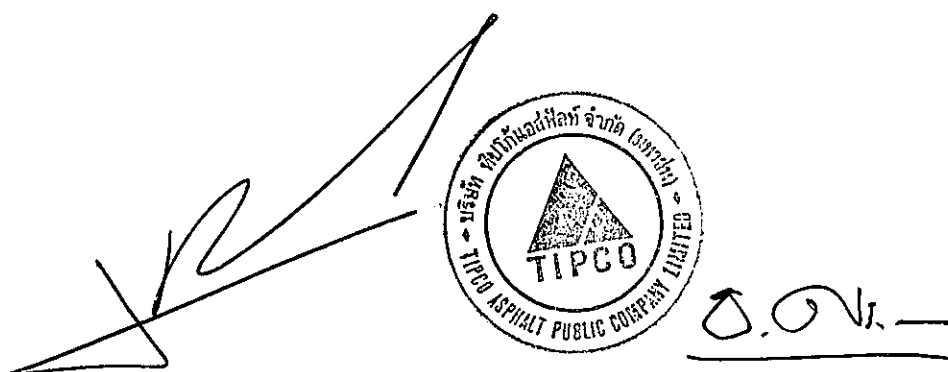
The Trust receipts is revolving in nature and used to fund the working capital of crude inventory and receivables which have less than four-month cash conversion cycle.

Short-term loans from local banks carry interest at the rates ranging from 1.65 to 3.08 percent per annum (2017: 1.65 to 2.64 percent per annum).

Short-term loans from overseas financial institutions, located in the same country of overseas subsidiaries, carry interest at the rates ranging from 5.95 to 10.13 percent per annum (2017: 3.80 to 8.35 percent per annum).

#### 17. Trade and other payables

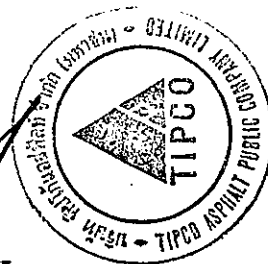
	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	2018	2017	2018	2017
Trade payables - related parties (Note 7)	352	1,647	917,035	986,885
Trade payables - unrelated parties	3,228,501	1,987,392	2,998,782	1,792,820
Amounts due to related parties (Note 7)	78,948	124,640	276,981	123,404
Accounts payable from price hedging contracts	53,518	27,102	53,518	27,102
Other payables and accrued expenses	654,078	841,674	298,345	416,659
Total trade and other payables	4,015,397	2,982,455	4,544,661	3,346,870



The image shows a handwritten signature in black ink, which appears to be 'D. O. N.', written over a circular official stamp. The stamp contains the text 'บริษัท อุตสาหกรรมยางมะตอย จำกัด (มหาชน)' at the top, 'TIPCO' in the center, and 'TIPCO ASPHALT PUBLIC COMPANY LIMITED' at the bottom. To the left of the stamp is another large, stylized handwritten mark.

# 18. Long-term loans from financial institutions

Loan	Borrower	Interest rate	Repayment schedule	(Unit: Thousand Baht)	
				Consolidated financial statements	
				2018	2017
<b>Long-term loans in Baht from Bank in Thailand</b>					
(1)	Thai Bitumen Company Limited	Fixed rate	Quarterly installments, as stipulated in the agreement, commencing from November 2014	99,000	171,000
(2)	Tasco Shipping Company Limited	Fixed rate for the first three years and for the fourth to the eighth years at a rate referenced to BIBOR	Quarterly installments as stipulated in the agreement, commencing from May 2012	-	69,400
(3)	Tasco Shipping Company Limited	Rate referenced to THBFIX	Quarterly installments as stipulated in the agreements, commencing from October 2012	-	150,615
<b>Long-term loans in USD from bank in Thailand</b>					
(4)	Alpha Maritime Company Limited	Rate referenced to LIBOR	Quarterly installments as stipulated in the agreements, commencing from July 2015	112,521	146,170
Total				211,521	537,185
Less: Current portion				(131,615)	(324,862)
Long-term loans from financial institutions - net of current portion				79,906	212,323



During the year 2017, two subsidiaries repaid long-term loan from banks amounted to 6.32 USD million before the repayment schedule specified in its loan agreements which no penalty for such repayment.

#### Loan covenants

The loan agreements of the subsidiaries contain certain restrictive covenants pertaining to, among others things, the maintenance of financial ratios, the corporate guarantees from the Company and its subsidiaries, the loan to related parties, restriction on dividend payment, the maintenance of shareholders and the limitation on creation of additional long-term debt.

### **19. Credit facilities**

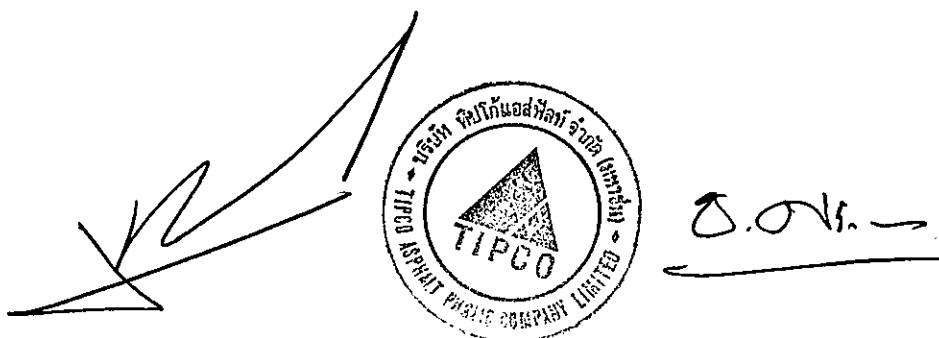
The credit facilities of the Company and its subsidiaries granted by financial institutions are secured by the following collaterals:

- a) The guarantees by the Company, its subsidiaries and a shareholder of a subsidiary.
- b) The pledges/mortgages by the assets of subsidiaries of which the net book value as at 31 December 2018 and 2017 of the assets are summarised below.

(Unit: Million Baht)

	Consolidated financial statements	
	<u>2018</u>	<u>2017</u>
Leasehold rights - net	137	165
Property, plant and equipment - net	3,088	3,518

- c) The prohibition from creating lien over assets of the Company and its subsidiaries.
- d) Financial support letters provided by the Company and its subsidiaries to banks.
- e) The Company allows its subsidiaries to use its facilities obtained from banks, with the Company responsible to the banks for the amounts drawn down by the subsidiaries.



The image shows a handwritten signature on the left and a circular official stamp in the center. The stamp contains the text 'TPCO ASPHALT PAVEMENT COMPANY LIMITED' around the perimeter and a triangle logo in the center. To the right of the stamp is another handwritten signature.

## 20. Provision for long-term employee benefits

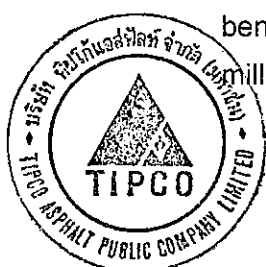
Provision for long-term employee benefits, which is compensations on employees' retirement and long service award, are as follows:

			(Unit: Thousand Baht)	
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Provision for long-term employee</b>				
<b>benefits at beginning of year</b>	137,624	130,487	87,540	87,497
Included in profit or loss:				
Defined benefit plans				
Current service cost	11,697	12,878	6,584	6,515
Interest cost	4,300	4,057	2,116	1,977
Long service award	3,245	629	2,635	468
Included in other comprehensive income:				
Actuarial (gain) loss arising from				
Demographic assumptions changes	1,067	-	849	-
Financial assumptions changes	(5,137)	1,879	34	-
Experience adjustments	6,888	16	13,324	-
Benefits paid during the year	(8,265)	(9,898)	(5,398)	(8,917)
Translation adjustments	(1,923)	(2,424)	-	-
<b>Provision for long-term employee</b>				
<b>benefits at end of year</b>	<u>149,496</u>	<u>137,624</u>	<u>107,684</u>	<u>87,540</u>

Long-term employee benefit expenses included in the profit or loss consist of the following:

			(Unit: Thousand Baht)	
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Cost of sales	6,512	6,899	3,121	2,921
Selling and administrative expenses	12,730	10,665	8,214	6,039
<b>Total expense recognised in profit or loss</b>	<u>19,242</u>	<u>17,564</u>	<u>11,335</u>	<u>8,960</u>

The Company and its subsidiaries expect to pay Baht 48 million of long-term employee benefits during the next year (Separate financial statements: Baht 45 million) (2017: Baht 7 million, separate financial statements: Baht 9 million)



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As at 31 December 2018, the weighted average duration of the liabilities for long-term employee benefit was 8 years (Separate financial statements: 8 years) (2017: 9 years, separate financial statements: 9 years).

Key actuarial assumptions used for the valuation are as follows:

	Consolidated financial statements		Separate financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	2.5 - 8.3	2.5 - 7.1	2.5	2.5
Future salary increase rate	5.0 - 7.0	5.0 - 7.0	5.0	5.0
Staff turnover rate (depending on age of employee)	0.0 - 15.0	0.0 - 15.0	0.0 - 15.0	0.0 - 15.0

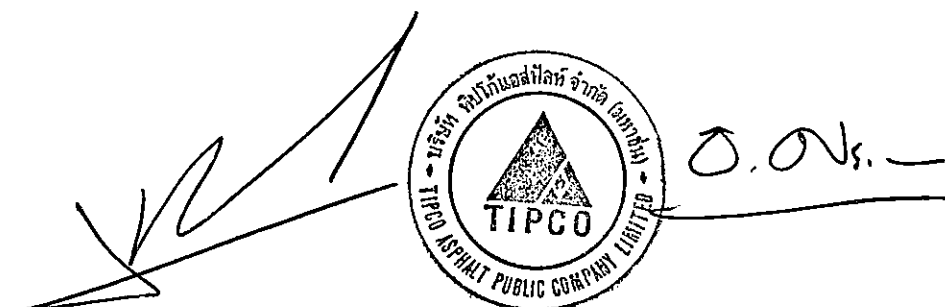
The results of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2018 and 2017 are summarised below:

(Unit: Million Baht)

	31 December 2018			
	Consolidated financial statements		Separate financial statements	
	<u>Increase 1%</u>	<u>Decrease 1%</u>	<u>Increase 1%</u>	<u>Decrease 1%</u>
Discount rate	(6)	7	(4)	4
Salary increase rate	7	(6)	4	(3)

(Unit: Million Baht)

	31 December 2017			
	Consolidated financial statements		Separate financial statements	
	<u>Increase 1%</u>	<u>Decrease 1%</u>	<u>Increase 1%</u>	<u>Decrease 1%</u>
Discount rate	(7)	8	(4)	4
Salary increase rate	10	(9)	6	(5)

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On 13 December 2018, The National Legislative Assembly passed a resolution approving the draft of a new Labour Protection Act, which is in the process being published in the Royal Gazette. The new Labour Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive compensation at a rate of not less than that of the last 400 days. This change is considered a post-employment benefits plan amendment and the Company and its subsidiaries have additional liabilities for long-term employee benefits of Baht 17 million (The Company only: Baht 13 million). The Company and its subsidiaries will reflect the effect of the change by recognising past services costs as expenses in the income statement of the period in which the law is effective.

## 21. Share capital

Below is the summary of the share registration from exercise of ESOP-W3, ESOP-W4 and ESOP-W5 warrants during the year.

	2018
Number of warrants exercised (warrants)	7,737,200
Number of ordinary shares issued (shares)	11,357,000
Amount of cash received (Baht)	82,952,652
Paid-up capital after share registration	1,573,821,570

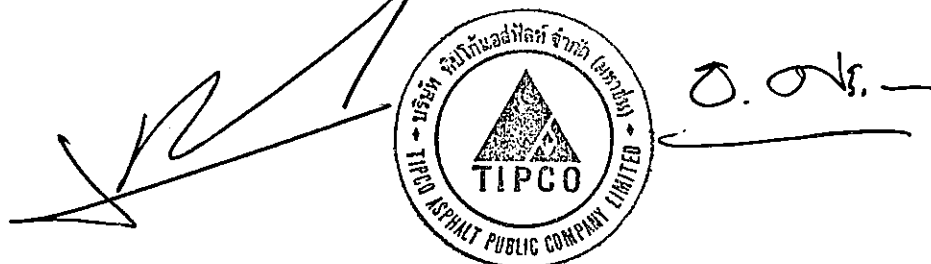
As at 31 December 2018, the Company received advance subscription from the exercise of ESOP-W4 and ESOP-W5 warrants as follows:

	ESOP-W4	ESOP-W5	Total
Number of warrants exercised (warrants)	12,500	870,000	882,500
Number of ordinary shares issued (shares)	125,000	870,000	995,000
Amount of cash received (Baht)	617,625	7,455,900	8,073,525

The Company registered the capital increase from the exercise of such warrants with the Ministry of Commerce on 10 January 2019.

## 22. Warrants to purchase new ordinary shares of the Company issued to the executive directors and/or employees of the Company and subsidiaries ("ESOP")

The expenses recognised for employee services received during 2018 of the Company and its subsidiaries were totaled Baht 19 million (2017: Baht 36 million) (the Company only: Baht 12 million (2017: Baht 29 million)).



As at 31 December 2018, the fair value of remaining option granted and the inputs of the model used were summarised below.

	<u>ESOP-W5</u>
Fair value of options granted	Baht 9.02 per share
Dividend yield	2.48%
Expected stock volatility*	40.3%
Risk-free interest rate	1.77%
Expected life of share options	3 years
Model used	Black-Scholes

\* The expected volatility of the share options is based on historical data of the Company's stock price.

As at 31 December 2018 and 2017, the remain unexercised of ESOP are summarised below.

	<u>2018</u>	<u>2017</u>
ESOP-W3	-	50,000 units
ESOP-W4	46,100 units	236,700 units
ESOP-W5	3,545,000 units	11,140,000 units

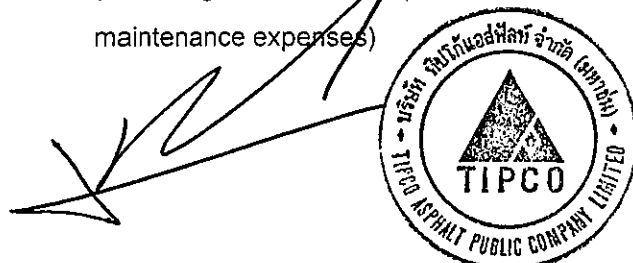
## 23. Statutory reserve

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

## 24. Expenses by nature

Significant expenses by nature are as follows:

	Consolidated		(Unit: Million Baht)	
	financial statements		Separate	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Salary and wages and other employee benefits	1,090	1,205	468	532
Depreciation and maintenance expenses	961	1,072	219	155
Costs related to production of goods and services (excluding of staff cost, depreciation and maintenance expenses)	22,437	22,751	22,098	21,001



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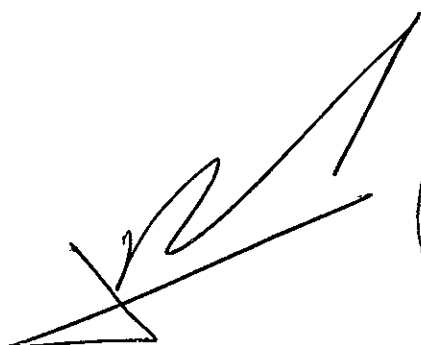
## 25. Income tax

Income tax expenses for the years ended 31 December 2018 and 2017 are made up as follows:

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
	2018	2017
<b>Current income tax:</b>		
Current income tax charge	(260,131)	(437,648)
Adjustment in respect of income tax of previous year	(2,744)	10,260
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	28,420	56,756
<b>Income tax expense reported in the statement of comprehensive income</b>	<b>(234,455)</b>	<b>(370,632)</b>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2018 and 2017 are as follows:

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
	2018	2017
Deferred tax relating to actuarial (gain) loss	419	(459)
Deferred tax relating to change in fair value of hedging instruments of cash flow hedges	(15,835)	-
	(15,416)	(12,994)

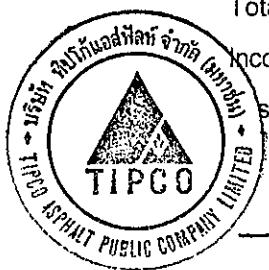




Reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2018 and 2017 are as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Accounting profit before tax	814,765	2,927,588	921,130	2,277,423
Income tax at Thai corporate income tax rate of 20%	(162,953)	(585,518)	(184,226)	(455,485)
Adjustment in respect of income tax of previous year	(2,744)	10,260	-	-
Utilisation of previously unrecognised tax losses and capital allowance	2,235	87,113	-	-
Unused tax loss which has not recognised as deferred tax assets	(33,727)	(11,966)	-	-
Difference of tax rate in group companies	(12,512)	(26,185)	-	-
Effects of:				
Non-deductible expenses	(52,974)	(33,437)	(1,816)	(6,820)
Additional expenses deductions allowed	14,151	29,789	9,841	11,954
Exemption of income	23,345	82	62,187	71,000
Promotional privileges (Note 26)	7,254	27,173	-	-
Tax privilege for a company that operates as an international trading center	4,996	174,261	31,288	181,951
Temporary difference of tax privilege for a company that operates as an international trading center	(62,622)	(73,354)	(62,622)	(73,354)
Tax privilege for a company that operates as an international headquarters	32,171	10,655	32,171	10,655
Tax privileges for maritime commerce (Note 27)	3,970	6,981	-	-
Share of profit from investment in joint ventures and associates	19,640	27,956	-	-
Others	(14,685)	(14,442)	(3,671)	(11,002)
Total	(24,754)	155,664	67,378	184,384
Income tax expenses reported in the statement of comprehensive income	(234,455)	(370,632)	(116,848)	(271,101)



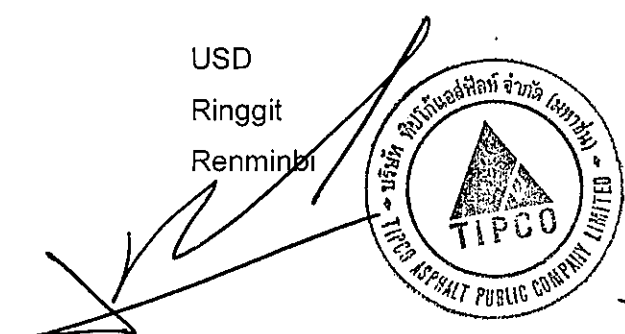

The tax rates enacted at the end of the reporting period of the Company and its subsidiaries is 0% to 25% (2017: 0% to 25%).

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statement	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Deferred tax assets</b>				
Allowance for doubtful accounts	38,278	39,261	60,191	61,673
Reduction of cost of inventories to net realisable value	43,518	4,265	36,968	587
Fair value of price hedging contracts	1,158	23,149	1,158	23,149
Allowance for asset impairment	51,519	51,519	17,614	17,614
Provision for long-term employee benefits	30,651	29,211	21,537	17,508
Others	7,446	6,270	4,717	284
<b>Total</b>	<u>172,570</u>	<u>153,675</u>	<u>142,185</u>	<u>120,815</u>
<b>Deferred tax liabilities</b>				
Fair value of price hedging contracts	(25,168)	(10,308)	(25,168)	(10,308)
Difference depreciation for tax purpose	(23,161)	(19,758)	(20,504)	(17,819)
Fair value of forward exchange contracts	(47)	(65)	(43)	(59)
Fair value adjustment of assets from investments in subsidiaries	(30,139)	(34,794)	-	-
<b>Total</b>	<u>(78,515)</u>	<u>(64,925)</u>	<u>(45,715)</u>	<u>(28,186)</u>
<b>Deferred tax assets - net</b>	<u>94,055</u>	<u>88,750</u>	<u>96,470</u>	<u>92,629</u>

As at 31 December 2018 and 2017, the overseas subsidiaries had deductible temporary differences and unused tax losses on which deferred tax assets have not been recognised as these subsidiaries believed that future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses, as follows:

	<u>2018</u>	<u>2017</u>
	(Million)	(Million)
USD	13	14
Ringgit	98	98
Renminbi	33	27

## 26. Promotional privileges

The subsidiaries were granted investment promotional privileges by the Board of Investment for marine transportation. Important tax privileges granted to the companies is exemption of corporate income tax not exceeding of the stipulated amount for 8 years commencing from the following date.

<u>Alpha Maritime Company Limited</u>	<u>Bitumen Marine Company Limited</u>	<u>Tasco Shipping Company Limited</u>
28 June 2011	15 June 2015	24 May 2011
9 October 2014		19 December 2012

In addition, KBC was granted tax privilege for a corporate income tax reduction in Malaysia from the stipulated investment amount.

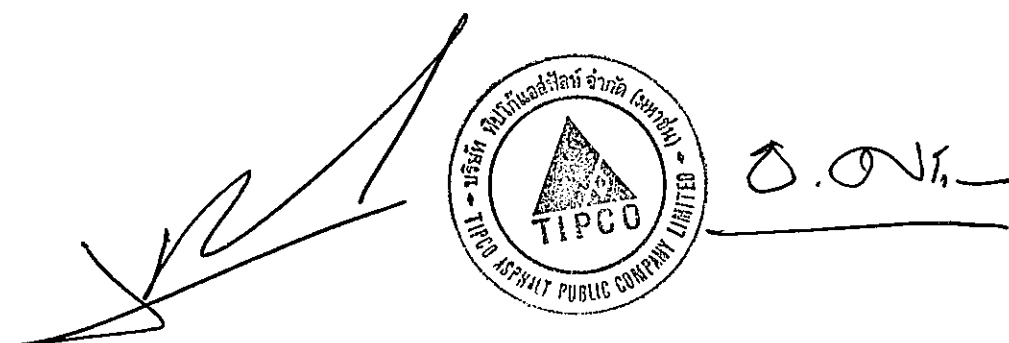
## 27. Tax privileges for maritime commerce

The subsidiaries in Thailand which engaged in marine transportation business, are entitled to withholding income tax privileges under the Revenue Department Instruction No. Por 110/2545 since they are international marine transportation business operators, whereby income from vessel rental is subject to withholding tax at a rate of 1%. Moreover, the subsidiaries are exempted from corporate income tax on their income from international marine transportation under Announcement of the Director-General of the Revenue Department No. 72.

## 28. Earnings per share

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

Diluted earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year plus the weighted average number of ordinary shares which would need to be issued to convert all potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the period or on the date the potential ordinary shares were issued without consideration of exercising period.

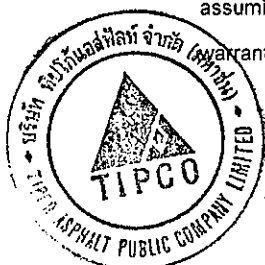


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The following tables set forth the computation of basic and diluted earnings per share:

Consolidated financial statements						
	Profit for the year		Weighted average number of ordinary shares		Earnings per share	
	2018	2017	2018	2017	2018	2017
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
<b>Basic earnings per share</b>						
Profit attributable to equity holders						
of the Company	564,466	2,537,111	1,568,222	1,557,968	0.36	1.63
<b>Effect of dilutive potential</b>						
ordinary shares						
ESOP-W2	-	-	-	89		
ESOP-W3	-	-	112	682		
ESOP-W4	-	-	1,183	6,515		
ESOP-W5	-	-	4,614	6,553		
	-	-	5,909	13,839		
<b>Diluted earnings per share</b>						
Profit of ordinary shareholders						
assuming the conversion of warrants to ordinary shares	564,466	2,537,111	1,574,131	1,571,807	0.36	1.61

Separate financial statements						
	Profit for the year		Weighted average number of ordinary shares		Earnings per share	
	2018	2017	2018	2017	2018	2017
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
<b>Basic earnings per share</b>						
Profit attributable to equity						
holders of the Company	804,282	2,006,322	1,568,222	1,557,968	0.51	1.29
<b>Effect of dilutive potential</b>						
ordinary shares						
ESOP-W2	-	-	-	89		
ESOP-W3	-	-	112	682		
ESOP-W4	-	-	1,183	6,515		
ESOP-W5	-	-	4,614	6,553		
	-	-	5,909	13,839		
<b>Diluted earnings per share</b>						
Profit of ordinary shareholders						
assuming the conversion of warrants to ordinary shares	804,282	2,006,322	1,574,131	1,571,807	0.51	1.28



## 29. Segment information

The Company and its subsidiaries are engaged in single operating segment which is manufacturing and trading of asphalt and petroleum oil products. Whereas, the marine logistic business complements the manufacturing and trading of asphalt and petroleum oil products. The Board of Directors of the Group is the chief operating decision makers of the Company and its subsidiaries. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment. Therefore, financial information by segment has been presented only by geographical based on locations of each company, as follows:

(Unit: Million Baht)

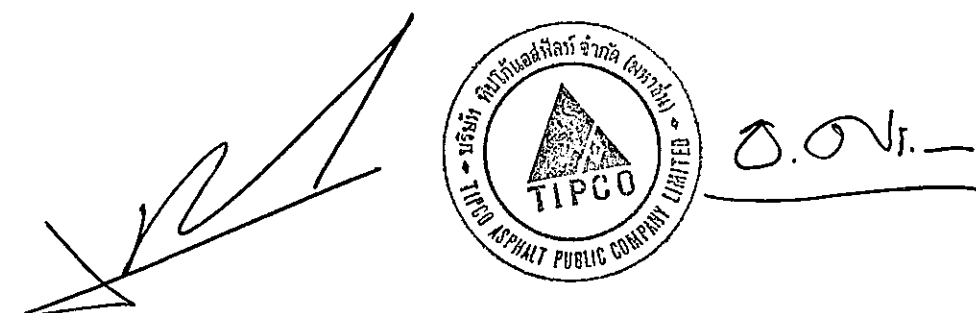
	Geographic segment located in Thailand		Geographic segment located in overseas		Eliminated transactions		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenue from external customers	20,372	22,460	7,260	5,800	-	-	27,632	28,260
Intersegment revenues	5,826	3,418	226	1,423	(6,052)	(4,841)	-	-
Total revenue	26,198	25,878	7,486	7,223	(6,052)	(4,841)	27,632	28,260
Segment operating income (loss)	721	2,031	(81)	505	(76)	1	564	2,537

Non-current assets (other than deferred tax assets-net)

(Unit: Million Baht)

	Geographic segment located in Thailand		Geographic segment located in overseas		Total	
	2018	2017	2018	2017	2018	2017
Non-current assets	3,347	3,448	6,422	6,679	9,769	10,127

Transfer prices between the segments are as set out in Note 7 to the financial statements.



### 30. Dividend

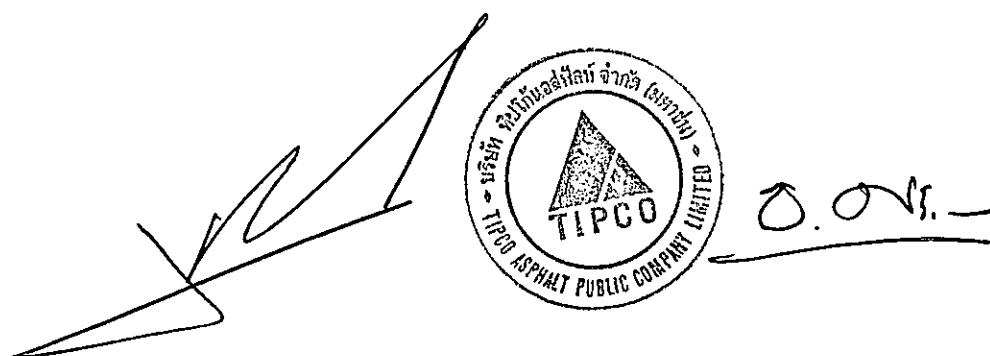
Dividends	Approved by	Total dividends (Million Baht)	Dividend per share (Baht per share)
Final dividends for 2016	Annual General Meeting of the shareholders on 5 April 2017	932.3	0.6
Interim dividends for 2017	Board of Directors' meeting on 9 August 2017	468.2	0.3
Total for 2017		1,400.5	0.9
Final dividends for 2017	Annual General Meeting of the shareholders on 5 April 2018	1,407.8	0.9
Total for 2018		1,407.8	0.9

### 31. Commitments and contingent liabilities

#### 31.1 Capital commitment

As at 31 December 2018 and 2017, the Company and its subsidiaries had outstanding capital commitments relating to the purchase of machinery, equipment and computer software, as follows:

Foreign currency	Consolidated financial statements		Separate financial statements	
	<u>2018</u> (Million)	<u>2017</u> (Million)	<u>2018</u> (Million)	<u>2017</u> (Million)
Baht	115	40	109	25
Ringgit	63	10	-	-
Vietnam Dong	26,742	23,972	-	-



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### 31.2 Operating lease commitments

The Company and its subsidiaries have entered into several agreements in respect of the lease of buildings, warehouses and motor vehicles, and other service agreements. The terms of the agreements are generally between 1 and 5 years.

Future minimum rental and service fees payable under these agreements as at 31 December 2018 and 2017 were as follows:

(Unit: Million)

As at 31 December 2018

Payable within:	Consolidated financial statements				Separate financial statements		
	Baht	US Dollar	Vietnam Dong	Indonesia Rupiah	Malaysian Ringgit	Baht	US Dollar
1 year	68	1	4,510	1,486	2	59	-
2 to 5 years	32	1	7,873	2,722	-	28	-
Over 5 years	-	1	29,649	3,444	-	-	-

(Unit: Million)

As at 31 December 2017

Payable within:	Consolidated financial statements				Separate financial statements		
	Baht	US Dollar	Vietnam Dong	Indonesia Rupiah	Malaysian Ringgit	Baht	US Dollar
1 year	65	8	3,366	2,095	2	57	7
2 to 5 years	24	-	7,977	3,055	-	20	-
Over 5 years	-	-	29,295	4,111	-	-	-





### 31.3 Long-term service commitments

The Company has entered into a service agreement with Colas S.A. under which it receives management and marketing services and advice on methods and systems of management and technical assistance in the manufacture of Asphalt Emulsion and Modified Asphalt. Under this agreement, the Company agrees to pay an annual lump sum administrative fee of Euro 145,000 plus a technical assistance fee equivalent to 0.75 percent of the consolidated revenues of the Company and its subsidiaries generated from the stipulated products. The fees for the year-ended 31 December 2018 and 2017 amounted to approximately Baht 38 million and Baht 37 million, respectively.

### 31.4 Crude oil purchase commitments

During the year 2014, the Company entered into an agreement with a company in Venezuela to purchase crude oil amounting to 44 million barrels. The term of the agreement is 4 years and ends in December 2017. However, on 25 May 2016, the Company has amended such agreement to increase the crude oil quantity by another 33 million barrels, to totaling 77 million barrels, and extend the term of agreement to another 3 years ending in December 2020.

As at 31 December 2018, the Company had outstanding commitment in respect of receiving crude oil under such purchase agreement of approximately 28 million barrels.

### 31.5 Bank guarantees

As at 31 December 2018 and 2017, there were outstanding bank guarantees issued by the banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the normal course of business which are summarised below.

Foreign currency	Consolidated financial statements		Separate financial statements	
	<u>2018</u> (Million)	<u>2017</u> (Million)	<u>2018</u> (Million)	<u>2017</u> (Million)
Baht	3	3	2	2
Ringgit	9	10	-	-

### 31.6 Tax assessment

An oversea subsidiary, of which investment cost is Baht 3 million, has been assessed by the authority on corporate income tax, withholding tax and value added tax by approximately USD 18 million (equivalent to Baht 593 million), covering the years 2008 - 2012 and 2014. The management has appointed an independence tax advisor to appeal the assessments and the independence tax advisor is of an opinion that the case is defensible. The Company's management believes that there will not be any significant loss resulting from the assessment in excess of the investment cost.



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### 32. Fair value of financial instruments

The assets and liabilities of the Company and its subsidiaries that were measured at fair value are derivatives. The level in determining the fair value of such assets and liabilities is level 2.

As at 31 December 2018 and 2017, the fair value of such assets and liabilities are presented below.

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	2018	2017	2018	2017
<b>Financial assets measured at fair value</b>				
Forward exchange contracts	1,238	2,637	1,238	1,987
Price hedging contracts	660,803	344,889	660,803	344,889
Interest rate swap contracts	-	154	-	-
<b>Financial liabilities measured at fair value</b>				
Forward exchange contracts	11,435	3,690	1,550	3,569
Price hedging contracts	152,721	774,517	152,721	774,517
Interest rate swap contracts	-	890	-	890

### 33. Financial instruments

#### 33.1 Financial risk management

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade and other receivables, trade and other payables, liabilities under finance lease agreements and loans. The financial risks associated with these financial instruments and how they are managed are described below.

#### *Credit risk*

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



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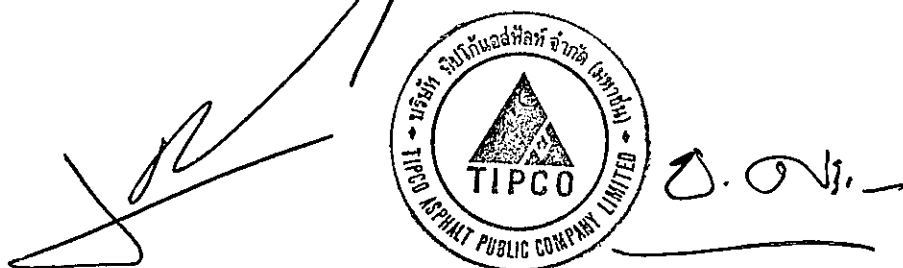
### Interest rate risk

The Company and its subsidiaries are exposed to interest rate risk relates primarily to its cash at banks, short-term loans to related party, long-term loans to related party, bank overdrafts and short-term loans from financial institutions, short-term loan from related party, long-term loans from financial institutions, and long-term loan from related party. However, since most of the Company and its subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

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

(Unit: Million Baht)

	Consolidated financial statements					
	As at 31 December 2018					
	Fixed interest rates		Floating	Non-		
	Within		interest	interest		
	1 year	1-5 years	rate	bearing	Total	Interest rate
						(% p.a.)
<b>Financial assets</b>						
Cash and cash equivalents	621	-	137	346	1,104	0.1 - 5.8
Trade and other receivables	-	-	-	5,042	5,042	-
<b>Financial liabilities</b>						
Bank overdrafts and short-term loans from						
financial institutions	6,589	-	347	-	6,936	Note 16
Trade and other payables	-	-	-	4,015	4,015	-
Long-term loans from financial institutions	99	-	113	-	212	Note 18
Long-term loan from related party	-	-	-	7	7	-



(Unit: Million Baht)

## Consolidated financial statements

As at 31 December 2017

	Fixed interest rates		Floating	Non-		
	Within		interest	interest		
	1 year	1-5 years	rate	bearing	Total	Interest rate
						(% p.a.)
Financial assets						
Cash and cash equivalents	158	-	236	631	1,025	0.1 - 5.5
Trade and other receivables	-	-	-	3,668	3,668	-
Financial liabilities						
Short-term loans from financial institutions	2,027	-	-	-	2,027	Note 16
Trade and other payables	-	-	-	2,982	2,982	-
Long-term loans from financial institutions	72	99	366	-	537	Note 18
Long-term loan from related party	-	-	-	7	7	-

(Unit: Million Baht)

## Separate financial statements

As at 31 December 2018

	Fixed interest rates		Floating	Non-		
	Within		interest	interest		
	1 year	1-5 years	rate	bearing	Total	Interest rate
						(% p.a.)
Financial assets						
Cash and cash equivalents	-	-	65	205	270	0.1 - 0.6
Trade and other receivables	-	-	-	4,467	4,467	-
Long-term loans to related parties	-	-	1,249	-	1,249	LIBOR plus 1.5
Financial liabilities						
Bank overdrafts and short-term loans from						
financial institutions	6,450	-	-	-	6,450	Note 16
Trade and other payables	-	-	-	4,545	4,545	-
Short-term loans from related parties	25	-	-	-	25	1.0



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(Unit: Million Baht)

## Separate financial statements

As at 31 December 2017

	Fixed interest rates		Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1-5 years				
<b>Financial assets</b>						
Cash and cash equivalents	-	-	68	86	154	0.3 - 0.6
Trade and other receivables	-	-	-	3,138	3,138	-
Short-term loans to related party	33	-	-	-	33	1.4
Long-term loans to related parties	-	884	406	-	1,290	2.5 and LIBOR plus 1.5
<b>Financial liabilities</b>						
Short-term loans from financial institutions	1,677	-	-	-	1,677	Note 16
Trade and other payables	-	-	-	3,347	3,347	-
Short-term loans from related parties	256	-	-	-	256	1.0

**Foreign currency risk**

The Company and its subsidiaries are exposed to foreign currency risk arises mainly from trading transactions and borrowings that are denominated in foreign currencies. The Company and its subsidiaries seek to reduce risk by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.

The balances of financial assets and liabilities of the Company and its subsidiaries denominated in foreign currencies are summarised below.

## Consolidated financial statements

Foreign currency	Financial assets as at 31 December		Financial liabilities as at 31 December		Average exchange rate as at 31 December	
	2018 (Million)	2017 (Million)	2018 (Million)	2017 (Million)	2018 (Baht per 1 foreign currency unit)	2017
US Dollar	37	28	148	60	32.4	32.7
Euro	-	-	2	33	37.1	39.0
Yen	-	-	1	3	0.3	0.3
Ringgit	-	7	-	33	7.8	8.1
Vietnam Dong	-	5	-	-	0.0014	0.0014
Myanmar Kyat	-	-	2	-	0.0209	0.0239



Foreign currency	Separate financial statements					
	Financial assets		Financial liabilities		Average exchange rate	
	as at 31 December		as at 31 December		as at 31 December	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US Dollar	112	86	164	62	32.4	32.7
Euro	-	-	2	32	37.1	39.0
Renminbi	52	58	-	-	4.7	5.0
Ringgit	-	-	3	-	7.8	8.1
Indonesia Rupiah	-	-	76	11	0.0022	0.0024
Myanmar Kyat	-	-	2	-	0.0209	0.0239

The Company and its subsidiaries outstanding foreign exchange contracts which maturity date within one year are summarised below.

As at 31 December 2018						
Foreign currency	Consolidated		Separate		Contractual exchange rate	
	financial statements		financial statements			
	Sold	Bought	Sold	Bought		
	amount	amount	amount	amount	Sold	Bought
	(Million)	(Million)	(Million)	(Million)	(Per 1 foreign currency unit)	
US Dollar	6	8	6	7	32.4 - 32.7 Baht	32.6 - 33.0 Baht
US Dollar	-	5	-	-	-	23,245 - 23,348
						Vietnam Dong
US Dollar	-	11	-	-	-	14,458 - 15,391
						Indonesia Rupiah
Euro	-	12	-	12	-	1.1 US Dollar per

As at 31 December 2017						
Foreign currency	Consolidated		Separate		Contractual exchange rate	
	financial statements		financial statements			
	Sold	Bought	Sold	Bought		
	amount	amount	amount	amount	Sold	Bought
	(Million)	(Million)	(Million)	(Million)	(Per 1 foreign currency unit)	
US Dollar	9	13	8	12	32.5 - 33.2 Baht	32.5 - 33.2 Baht
US Dollar	-	1	-	-	-	22,721
						Vietnam Dong
US Dollar	-	8	-	-	-	13,588 - 13,664
						Indonesia Rupiah



In addition, the Company and its subsidiaries exposed to foreign exchange risk on their investments in overseas subsidiaries, joint ventures and associates, loans to overseas subsidiaries and loans from financial institution. These investments and loans are currently not hedged by derivative financial instruments.

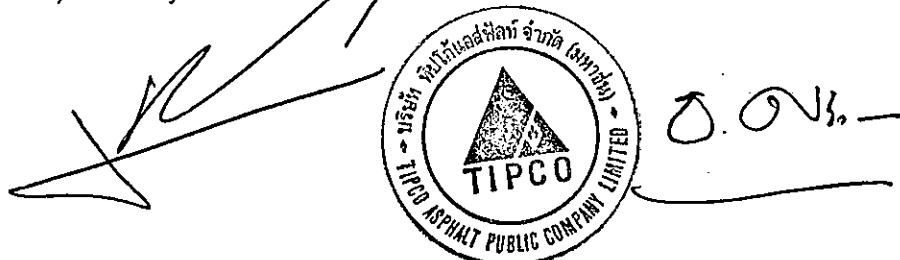
***Risk from fluctuation in raw materials and finished goods prices***

The Company and its subsidiaries are exposed to risk from fluctuations in the price of raw materials and finished goods. To manage these risks, the Company and its subsidiaries have entered into forward/future contracts to purchase/sell of raw materials and finished goods, and option contracts to purchase/sell of raw materials and finished goods to hedge the risk from fluctuation in such prices.

As at 31 December 2018 and 2017, the Company and its subsidiaries had outstanding price hedging contracts which maturity date within one year are presented in the statements of financial position at fair value and were summarised below.

(Unit: Million Baht)			
Contract type	Type of product	Consolidated/ Separate financial statements	
		2018	2017
<b><u>Contracts presented as assets</u></b>			
Bought forward contract	Crude oil	-	195
Sold forward contract	Crude oil	27	-
Sold forward contract	Petroleum product	634	-
Four-way collar option	Crude oil	-	150
Total price hedging contracts presented as assets		661	345
<b><u>Contracts presented as liabilities</u></b>			
Bought forward contract	Petroleum product	22	-
Sold forward contract	Crude oil	9	697
Two-way collar option	Crude oil	122	78
Total price hedging contracts presented as liabilities		153	775

From the adoption of hedge accounting for cash flow hedges of forecasted sales as described in Note 4 to the financial statements. The Company recognised loss arising from changes in fair value of the forward contract of USD 13 million (approximately Baht 416 million) for the year ended 31 December 2018.



### 33.2 Fair value of financial instruments

Since the majority of the Company and its subsidiaries' financial instruments are short-term in nature or bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in statement of financial position. For derivatives, fair value is generally derived from quoted market prices, or based on generally accepted pricing models when no market price is available.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

### 34. Capital management

The primary objective of the capital management of the Company and its subsidiaries is to ensure that they have an appropriate financial structure and preserve the ability to continue their business as a going concern.

The Group manages its capital position with reference to financial ratio. As at 31 December 2018 and 2017, these financial ratios were as follow:

Financial Ratio	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Interest Bearing Short-term Debt-to-Equity Ratio	0.56 : 1	0.18 : 1	0.60 : 1	0.18 : 1
Interest Bearing Long-term Debt-to-Equity Ratio	0.01 : 1	0.02 : 1	-	-

### 35. Damages from a fire at a subsidiary

A fire broke out on 5 July 2018 at a subsidiary's crude oil tanks in Malaysia, resulting in the carrying value of damaged assets totalling USD 8.8 million, or equivalent to Baht 289.9 million, and related expenses totalling USD 2.1 million, or equivalent to Baht 68.2 million, being recorded in the statement of comprehensive income for the year ended 31 December 2018.

The management of the Company and its subsidiary believed that there would be no substantial loss resulting from the incident because of insurance coverage for the assets and business interruption. On 31 January 2019, the insurers have accepted liability under the insurance policy subject to due process of claim. Currently, the management of the Company and its subsidiary and insurers are in the process of insurance claim assessment.

### 36. Approval of financial statements

These financial statements were authorised for issue by the Company's authorised directors on 12 February 2019.



