

TRC Construction Public Company Limited
and its subsidiaries
Report and consolidated financial statements
31 December 2018

Independent Auditor's Report

To the Shareholders of TRC Construction Public Company Limited

Opinion

I have audited the accompanying consolidated financial statements of TRC Construction 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 income, 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 TRC Construction Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TRC Construction Public Company Limited and its subsidiaries and of TRC Construction 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.

Emphasis of Matters

My opinion is not modified in respect of these matters.

1. I draw attention to Notes 6 and 13 to the consolidated financial statements. The Company (as approved by the Executive Committee on 12 February 2019) recorded provision for impairment loss on its investment in an associate, ASEAN Potash Chaiphum Public Company Limited, in which the Company held a 25.13% interest through two subsidiaries. The investment was presented in the consolidated statement of financial position under the equity method as at 31 December 2018 at Baht 1,213 million. In addition, the Company recorded allowance for doubtful debts in respect of long-term loans to related parties, granted for the purpose of investment in this associate, and related accrued interest income, which as presented in the separate statement of financial position as at 31 December 2018 totals Baht 1,502 million. Furthermore, the Company has recorded allowance for doubtful debts in respect of the outstanding balance of other current assets relating to construction services provided by the Company to the associate, presented in the consolidated and separate financial statements as at 31 December 2018, which consists of trade and other receivables, unbilled receivables and accounts receivable - retention under construction contracts totaling approximately Baht 366 million. In addition, the Company recorded expenses, commitments and other obligations relating to the associate totaling approximately Baht 468 million as project costs. Total provision for loss with respect to this matter recognised in the year 2018 were Baht 2,047 million in the consolidated financial statements, and Baht 2,336 million in the separate financial statements since the management of the Company determined, on a prudent basis, that in 2018 there were several significant indications of impairment that would affect the expected recoverable amount of investment in the associate as well as other current assets related to the associate.

Such provisions for loss were made due to a delay in the associate planned potash mining development as a result of a working capital issue; namely that, none of the shareholders made payment for the new shares called up by the associate during the year 2018.

Moreover, no progress was made in finding new investors, from either the government or private sectors, and the project was not able to secure loans from financial institutions.

As a result, the associate has breached the terms of special state benefit payment as notified in writing by relevant government agencies, under which the associate was to pay the first installment of special state benefits within August 2018, or the license may be revoked, and the second installment of special state benefits was to be paid within 15 January 2019.

Currently, the associate is still unable to pay either of the special state benefit installments.

According to the information in the financial statements of the associate for the year ended 31 December 2018, the auditor of the associate did not express an opinion under the report dated 22 February 2019 because of a number of significant uncertainties being faced by the associate, and the breach of payment terms with respect to both installments of the special state benefits, which gave rise to a risk that the potash mining concessions granted by the relevant government agencies might be revoked, and that the auditor might not be able to obtain sufficient and appropriate audit evidence related to the intangible assets and non-current assets used in the operation of the mining business under the concessions.

Even though the Company has set up a full provision for loss on assets related to the potash mining project, it still has a duty and responsibility to use its best efforts to recover the value of those assets. If, in the future, the value of the assets is recovered, the Company may be able to reverse excess provision and recognise profit in the future to compensate the losses from provisions set aside in the current year.

2. I draw attention to the Note 22 to the consolidated financial statements, as the Company has considered under conservative approach to set up provision for loss at the significant amount in 2018 on assets related to Potash Mining Project as discussed in item 1 above, as at 31 December 2018, the Company could not maintain financial ratio related to EBITDA to Interest Ratio in accordance with the conditions specified in the terms on the rights and obligations of the issuers and debenture holders. The debenture holders have the right to call the debenture issuer to pay the principal together with interest immediately, which resulted in the debenture becoming payable on demand, presented as current liabilities in the consolidated and separate statement of financial position. However, the Company has informed the intention to redeem the debentures prior to the maturity date, as a result of not complying with the conditions in maintaining financial ratios, by making a tender offer for all debentures with all debenture holders.

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 relating to construction contracts

The Company and its subsidiaries have disclosed its policies on revenue recognition for services provided under construction contracts, cost estimates for projects under construction contracts and allowance for loss on projects under construction contracts in Notes 4.1 and 5 to the financial statements. I identified revenue recognition and estimation of possible losses from construction contracts to be areas of significant risk in the audit. This is because the amount of revenue that the Company and its subsidiaries recognise from such construction contracts in each period forms a significant portion of the Group's total revenue. In addition, the process of measurement, the determination of appropriate timing of recognition, and the estimation of possible losses are areas requiring management to exercise significant judgement to assess the percentage of completion, the probability of loss, and the measurement of possible loss. There are therefore risks with respect to amount of the recognition of revenue and provisions for construction contracts.

I assessed and tested the internal controls put in place by the Company and its subsidiaries over the process of entering into contracts, estimates of project costs and revisions thereto, recognition of revenue and estimation of percentage of completion and possible losses under construction contracts by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls. I also read the contracts, circularised requests for confirmation regarding the amount and the terms of the contracts, inquired with the management about the terms of and risks associated with these contracts relevant to revenue recognition and estimates of possible loss. I made enquiries of responsible executives, gain an understanding of the Company and its subsidiaries' processes to assess the percentage of completion and cost estimates for projects, compared actual costs with supporting documents and tested the calculation of the percentage of completion based on actual costs incurred. In addition, I compared the percentage of completion as determined by the project management to the assessment report sent to the project owners, considered the consistency of

these figures with supporting documents and obtained a letter of representation from the project management, and reviewed the rationale for the conclusion reached by management as a result of comparison of the percentage of completion as evaluated by the project management and actual costs incurred. Moreover, I evaluated the possible losses on projects assessed by the management through an analysis of the gross profit of the construction against cost estimates for projects.

Investment in associate

As described in Note 13 to the financial statements, the Company had a significant investment in an associate which, according to the management of the Company, might be impaired as a number of significant indicators of impairment were identified during the current year.

In determining the impairment of the investment in the associate, management was required to exercise significant judgement with respect to the assessment of the feasibility of the project development plans and the commercial operations of the associate in the future. There is thus a risk with respect to the recognition of the provision for impairment of the investment in the associate.

I gained an understanding of and evaluated the appropriateness of the management's assessment, which concluded that there were indicators of impairment loss on investment in the associate, by determining whether the management had considered both external and internal sources of information, and had taken into account the implementation of the project development plan and the associate's ability to start commercial operations of the associate in the future. I also checked relevant documents to evaluate the appropriateness of the impairment of the investment in associate assessed by the management of the Company. In addition, I assessed the adequacy of disclosure of information relating to the assessment of impairment loss on the investment in associate.

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. The annual report of the Group is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I 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.

When I read the annual report of the Group, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

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.

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.

Orawan Techawatanasirikul

Certified Public Accountant (Thailand) No. 4807

EY Office Limited

Bangkok: 25 February 2019

TRC Construction Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2018

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2018	2017	2018	2017
Assets					
Current assets					
Cash and cash equivalents	7	82,256,498	336,369,445	7,181,371	10,825,521
Trade and other receivables	6, 8	715,322,660	825,587,318	483,621,496	852,950,312
Unbilled receivables	6, 9	1,010,493,370	854,291,357	614,444,722	359,022,629
Accounts receivable - retention under					
construction contracts	6, 9	103,272,163	100,306,896	49,252,312	53,205,255
Advances paid to subcontractors under					
construction contracts	6	257,517,738	329,586,856	57,643,521	169,942,944
Construction in progress	6	60,122,790	56,243,218	28,633,519	46,651,260
Inventories	10	5,542,143	5,513,620	5,513,620	5,513,620
Short-term loans to related parties	6	-	-	-	2,913,947
Withholding tax deducted at source	11	69,254,538	55,306,079	49,196,854	20,999,107
Other current assets		38,371,044	35,913,661	29,142,459	22,370,628
Total current assets		2,342,152,944	2,599,118,450	1,324,629,874	1,544,395,223
Non-current assets					
Restricted deposits at banks	12	16,359,848	16,329,548	-	-
Long-term loans to related parties	6	-	-	-	1,306,517,215
Investment in associate	13	-	1,259,003,235	-	-
Investments in subsidiaries	14	-	-	476,073,232	476,073,232
Investments in joint ventures	15	24,622,523	7,359,476	2,375,587	2,375,587
Property, plant and equipment	16	640,962,329	684,744,143	605,773,668	644,061,723
Intangible assets	17	12,972,717	12,847,372	12,530,286	12,321,056
Deferred tax assets	29	12,999,513	12,395,496	8,545,005	9,816,192
Other non-current assets		5,710,394	6,580,863	5,453,223	6,264,463
Total non-current assets		713,627,324	1,999,260,133	1,110,751,001	2,457,429,468
Total assets		3,055,780,268	4,598,378,583	2,435,380,875	4,001,824,691

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

TRC Construction Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2018

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2018	2017	2018	2017
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans from banks	18	581,803,829	70,357,683	480,000,000	70,357,683
Trade and other payables	6, 19	744,130,976	451,030,060	496,667,959	220,147,875
Unbilled payables		349,488,927	414,273,722	132,056,482	221,109,824
Unearned construction revenue	9	6,000,000	-	-	-
Accounts payable - retention under					
construction contracts		45,457,691	48,783,159	10,468,588	12,370,056
Advances received from customers					
under construction contracts	6, 9	294,016,021	371,280,297	24,821,591	81,990,108
Short-term loans	20	-	30,000,000	-	30,000,000
Short-term loans from related parties	6	-	-	510,000,000	98,000,000
Provision for liabilities under					
construction projects	21	24,530,822	19,650,308	6,350,827	14,962,276
Current portion of debentures	22	179,749,895	300,000,000	179,749,895	300,000,000
Current portion of liabilities under finance					
lease agreements	23	4,210,861	11,237,541	-	7,232,788
Income tax payable		10,929,548	1,852,410	-	-
Other current liabilities	24	34,227,610	48,687,452	28,135,840	43,181,528
Total current liabilities		2,274,546,180	1,767,152,632	1,868,251,182	1,099,352,138
Non-current liabilities					
Liabilities under finance lease agreements					
- net of current portion	23	1,765,375	5,977,590	-	-
Provision for long-term employee benefits	25	56,453,560	49,424,694	47,845,082	42,760,366
Provision for litigation	36.1	20,000,000	20,000,000	20,000,000	20,000,000
Total non-current liabilities		78,218,935	75,402,284	67,845,082	62,760,366
Total liabilities		2,352,765,115	1,842,554,916	1,936,096,264	1,162,112,504

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

TRC Construction Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2018

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2018	2017	2018	2017
Shareholders' equity					
Share capital	26				
Registered					
6,163,177,960 ordinary shares of Baht 0.125 each					
(2017: 5,869,698,010 ordinary					
shares of Baht 0.125 each)		770,397,245	733,712,251	770,397,245	733,712,251
Issued and paid-up					
6,163,165,825 ordinary shares of Baht 0.125 each					
(2017: 5,869,693,296 ordinary					
shares of Baht 0.125 each)		770,395,728	733,711,662	770,395,728	733,711,662
Share premium	26	1,041,739,823	1,041,739,823	1,041,739,823	1,041,739,823
Other deficit		(2,955,890)	(2,955,890)	-	-
Retained earnings (deficits)					
Appropriated - statutory reserve	27				
The Company		73,371,225	73,371,225	73,371,225	73,371,225
Subsidiaries		4,108,018	4,108,018	-	-
Unappropriated		(1,168,874,948)	920,121,276	(1,386,222,165)	990,889,477
Other components of shareholders' equity		14,525,756	13,398,607	-	-
Equity attributable to owners of the Company		732,309,712	2,783,494,721	499,284,611	2,839,712,187
Non-controlling interests of the subsidiaries		(29,294,559)	(27,671,054)	-	-
Total shareholders' equity		703,015,153	2,755,823,667	499,284,611	2,839,712,187
Total liabilities and shareholders' equity		3,055,780,268	4,598,378,583	2,435,380,875	4,001,824,691

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

Directors

TRC Construction Public Company Limited and its subsidiaries

Income statement

For the year ended 31 December 2018

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2018	2017	2018	2017
Revenues					
Construction services income	6	2,256,649,610	2,370,133,222	1,329,568,297	1,215,338,685
Sales		5,725,201	-	-	-
Interest income	6	837,141	1,339,972	234,802	65,661,076
Other income	6	41,311,535	64,354,172	18,724,048	60,396,350
Total revenues		2,304,523,487	2,435,827,366	1,348,527,147	1,341,396,111
Expenses					
Cost of construction services	6	2,344,764,613	1,859,716,316	1,569,576,700	908,386,508
Cost of sales		6,327,582	-	-	-
Administrative expenses		318,426,612	341,911,264	272,737,424	290,387,774
Bad debt and doubtful debt (reversal)	6	365,688,596	(127,330)	1,805,762,835	-
Loss from impairment on investment in associate	13	1,212,730,981	-	-	-
Loss on change in shareholders' equity of associate	13	-	35,001,334	-	-
Total expenses		4,247,938,384	2,236,501,584	3,648,076,959	1,198,774,282
Profit (loss) before share of profit (loss) from investments in associate and joint ventures, finance cost and income tax expenses					
		(1,943,414,897)	199,325,782	(2,299,549,812)	142,621,829
Share of loss from investment in associate	13.2	(47,389,365)	(34,337,471)	-	-
Share of profit (loss) from investments in joint ventures	15.2	1,963,196	(116,061)	-	-
Profit (loss) before finance cost and income tax expenses		(1,988,841,066)	164,872,250	(2,299,549,812)	142,621,829
Finance cost	6	(21,289,459)	(16,396,236)	(27,867,071)	(16,634,777)
Profit (loss) before income tax expenses		(2,010,130,525)	148,476,014	(2,327,416,883)	125,987,052
Income tax expenses	29	(32,298,577)	(57,806,327)	(1,271,187)	(24,080,688)
Profit (loss) for the year		(2,042,429,102)	90,669,687	(2,328,688,070)	101,906,364
Profit (loss) attributable to:					
Equity holders of the Company		(2,040,572,652)	92,782,562	(2,328,688,070)	101,906,364
Non-controlling interests of the subsidiaries		(1,856,450)	(2,112,875)		
		(2,042,429,102)	90,669,687		
Earnings per share					
30					
Basic earnings (loss) per share		0	0		
Profit (loss) attributable to equity holders of the Company		(0.331)	0.015	(0.378)	0.017

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

TRC Construction 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
Profit (loss) for the year		(2,042,429,102)	90,669,687	(2,328,688,070)	101,906,364
Other comprehensive income:					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>					
Exchange differences on translation of financial statements in foreign currency		242,984	3,220,888	-	-
Share of other comprehensive income from associate	13.2	1,117,110	-	-	-
Gain on change in shareholders' equity of associate	13	-	9,498	-	-
Net other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax		1,360,094	3,230,386	-	-
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>					
Actuarial loss on employee benefit	25	-	(1,733,458)	-	(759,199)
Income tax effect	29	-	346,691	-	151,840
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		-	(1,386,767)	-	(607,359)
Other comprehensive income for the year		1,360,094	1,843,619	-	(607,359)
Total comprehensive income for the year		(2,041,069,008)	92,513,306	(2,328,688,070)	101,299,005
Total comprehensive income attributable to:					
Equity holders of the Company		(2,039,445,503)	91,478,283	(2,328,688,070)	101,299,005
Non-controlling interests of the subsidiaries		(1,623,505)	1,035,023		
		(2,041,069,008)	92,513,306		
		0	0		

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

TRC Construction 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
Cash flows from operating activities				
Profit (loss) before tax	(2,010,130,525)	148,476,014	(2,327,416,883)	125,987,052
Adjustments to reconcile profit (loss) before tax				
to net cash provided by (paid from) operating activities				
Depreciation and amortisation	112,872,397	106,451,651	100,962,278	96,889,957
Bad debt and doubtful debt (reversal)	365,688,596	(127,330)	1,805,762,835	-
Unrealised loss on exchange rate	3,149,091	6,042,494	1,538,182	9,335,058
(Gain) loss on disposal of equipment	(18,926)	105,150	(7,801)	176,825
Loss on write-off of equipment	1,613,862	4,784,870	1,653,214	4,749,298
Allowance for impairment loss on equipment	343,607	-	-	-
Loss from impairment on investment in associate	1,212,730,981	-	-	-
Loss on change in shareholders' equity of associate	-	35,001,334	-	-
Share of loss from investment in associate	47,389,365	34,337,471	-	-
Share of profit (loss) from investments in joint ventures	(1,963,196)	116,061	-	-
Provision for liabilities under construction projects	37,095,921	1,180,240	20,782,380	303,884
Provision for long-term employee benefits	10,308,110	8,655,697	8,345,689	7,127,686
Amortised transaction cost of debenture	829,895	-	829,895	-
Interest income	(837,141)	(1,339,972)	(234,802)	(65,661,076)
Interest expenses	21,673,193	18,992,412	28,343,666	19,397,651
Profit (loss) from operating activities before changes in operating assets and liabilities	(199,254,770)	362,676,092	(359,441,347)	198,306,335
(Increase) decrease in operating assets				
Trade and other receivables	(275,329,556)	(416,594,875)	(143,861,111)	(416,967,650)
Unbilled receivables	(156,879,247)	915,187,293	(256,834,064)	754,449,077
Accounts receivable - retention under construction contracts	(10,819,256)	(12,836,222)	(3,901,046)	(7,115,133)
Advance paid to subcontractors under construction contracts	72,069,118	107,429,654	112,299,423	(112,669,666)
Construction in progress	(3,879,572)	(56,243,218)	18,017,741	(46,651,260)
Inventories	(28,523)	-	-	-
Other current assets	(2,457,383)	(5,721,967)	(6,771,831)	(3,429,880)
Other non-current assets	870,469	1,180,190	811,240	1,376,289
Increase (decrease) in operating liabilities				
Trade and other payables	285,624,471	(12,300,854)	252,422,339	(108,108,485)
Unbilled payables	(63,784,795)	(509,196,746)	(88,053,342)	(176,810,575)
Unearned construction revenue	6,000,000	-	-	-
Accounts payable - retention under construction contracts	(3,325,468)	(2,449,078)	(1,901,468)	(12,200,496)
Advances received from customers under construction contracts	(77,264,276)	25,538,615	(57,168,517)	(9,236,134)
Provision for liabilities under construction projects	(33,215,407)	(4,537,422)	(30,393,829)	(3,556,416)
Other current liabilities	11,079,557	28,127,229	11,106,185	23,965,539
Provision for long-term employee benefits	(3,279,244)	(309,522)	(3,260,973)	(227,043)
Cash flows from (used in) operating activities	(453,873,882)	419,949,169	(556,930,600)	81,124,502
Cash paid for income tax	(52,023,277)	(80,738,857)	(28,197,747)	(64,170,279)
Received from withholding tax refund	14,249,361	-	-	-
Net cash flows from (used in) operating activities	(491,647,798)	339,210,312	(585,128,347)	16,954,223

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

TRC Construction 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	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Cash flows from investing activities				
Decrease in current investments	-	360,770	-	360,770
Increase in restricted deposits at banks	(30,300)	(29,620)	-	-
Increase in short-term loans to related parties	-	-	(594,947)	(337,048)
Cash paid for investment in subsidiary	-	-	-	(249,925)
Cash paid for investment in joint venture	(15,299,850)	(5,099,950)	-	-
Interest income	836,964	1,375,162	233,479	247,456
Cash received from disposal of equipment	50,290	370,461	39,158	198,479
Cash paid for purchase of equipment	(63,437,315)	(54,920,840)	(46,234,770)	(48,467,287)
Cash paid for purchase of intangible assets	(1,909,712)	(2,043,530)	(1,909,712)	(1,980,000)
Net cash flows used in investing activities	(79,789,923)	(59,987,547)	(48,466,792)	(50,227,555)
Cash flows from financing activities				
Increase (decrease) in bank overdrafts and short-term loans from banks	511,446,146	(33,896,959)	409,642,317	(33,896,959)
Increase (decrease) in short-term loans	(30,000,000)	30,000,000	(30,000,000)	30,000,000
Increase in short-term loans from related parties	-	-	412,000,000	68,000,000
Cash received from issuance of debenture	180,000,000	100,000,000	180,000,000	100,000,000
Cash paid for transaction cost of debenture	(1,080,000)	-	(1,080,000)	-
Repayment of debenture	(300,000,000)	(100,000,000)	(300,000,000)	(100,000,000)
Dividend paid	(11,739,506)	(20,544,540)	(11,739,506)	(20,544,540)
Interest expenses	(20,395,658)	(19,072,856)	(21,639,034)	(19,302,196)
Decrease in liabilities under finance lease agreements	(11,238,895)	(12,804,571)	(7,232,788)	(8,997,190)
Increase in non-controlling interest from establishment of subsidiary	-	75	-	-
Net cash flows from (used in) financing activities	316,992,087	(56,318,851)	629,950,989	15,259,115
Increase in translation adjustments	332,687	4,439,884	-	-
Net increase (decrease) in cash and cash equivalents	(254,112,947)	227,343,798	(3,644,150)	(18,014,217)
Cash and cash equivalents at beginning of the year	336,369,445	109,025,647	10,825,521	28,839,738
Cash and cash equivalents at end of the year (Note 7)	82,256,498	336,369,445	7,181,371	10,825,521
	-	-	-	-

Supplemental cash flows information

Non-cash items consist of

Increase (decrease) in purchase of assets that have yet to be paid	5,857,734	9,605,500	16,423,542	(3,173,159)
Transfer construction supplies to assets under construction	-	1,608,139	-	1,608,139
Interest expenses recorded as cost of project	1,132,897	3,755,148	1,132,897	3,755,148
Issuance of stock dividend	36,684,066	91,713,442	36,684,066	91,713,442
Actuarial loss on employee benefit	-	(1,733,458)	-	(759,199)
Share of other comprehensive income from associate	1,117,110	-	-	-

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

TRC Construction Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity

For the year ended 31 December 2018

(Unit: Baht)

Consolidated financial statements														
Equity attributable to the parent's shareholders														
									Other components of equity					
									Other comprehensive income					
									Exchange differences					
									on translation of financial statements in foreign currency	Share of other comprehensive income from associate	Total other components of shareholders' equity	Total equity attributable to owners of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total shareholders' equity

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

TRC Construction 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						
	Note	Issued and paid-up share capital	Share premium	Retained earnings Appropriated - Statutory reserve	Unappropriated	Total shareholders' equity
Balance as at 1 January 2017		641,998,220	1,041,739,823	72,637,344	1,002,582,335	2,758,957,722
Profit for the year		-	-	-	101,906,364	101,906,364
Other comprehensive income for the year		-	-	-	(607,359)	(607,359)
Total comprehensive income for the year		-	-	-	101,299,005	101,299,005
Increase in capital from share dividend	31	91,713,442	-	-	(91,713,442)	-
Appropriated to statutory reserve	27	-	-	733,881	(733,881)	-
Dividend paid	31	-	-	-	(20,544,540)	(20,544,540)
Balance as at 31 December 2017		733,711,662	1,041,739,823	73,371,225	990,889,477	2,839,712,187
Balance as at 1 January 2018		733,711,662	1,041,739,823	73,371,225	990,889,477	2,839,712,187
Loss for the year		-	-	-	(2,328,688,070)	(2,328,688,070)
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		-	-	-	(2,328,688,070)	(2,328,688,070)
Increase in capital from share dividend	26, 31	36,684,066	-	-	(36,684,066)	-
Dividend paid	31	-	-	-	(11,739,506)	(11,739,506)
Balance as at 31 December 2018		770,395,728	1,041,739,823	73,371,225	(1,386,222,165)	499,284,611
		-	-	-	-	-
		-	-	-	-	-

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

TRC Construction Public Company Limited and its subsidiaries
Notes to consolidated financial statements
For the year ended 31 December 2018

1. General information

TRC Construction Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in construction service and its registered address is No. 8, Soi Sukhapiban 5 soi 32, Kwang Tha Raeng, Khet Bang Khen, 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.

2.2 Basis of consolidation

- a) The consolidated financial statements include the financial statements of TRC Construction Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”).

Company's name	Nature of business	Country of Incorporation	Percentage of shareholding	
			2018 (%)	2017 (%)
<u>Held by the Company</u>				
Sahakarn Wisavakorn Company Limited	Construction services - basic infrastructure	Thailand	99.99	99.99
TRC Investment Limited	Holding company	The Republic of Mauritius	100.00	100.00
TRC Utility Company Limited	To produce and distribute tap water	Thailand	99.97	99.97

Company's name	Nature of business	Country of Incorporation	Percentage of shareholding	
			2018 (%)	2017 (%)
<u>Held by the Company's subsidiaries</u>				
Hydrotek Sahakarn Joint Venture (held by Sahakarn Wisavakorn Company Limited)	Construction services	Thailand	49.00	49.00
TRC International Limited (held by TRC Investment Limited)	Holding company	Hong Kong	100.00	100.00
TRC Middle East LLC (held by TRC International Limited)	Construction services	Sultanate of Oman	70.00	70.00
TRC Engineering LLC (held by TRC International Limited)	Construction services	Sultanate of Oman	70.00	70.00

- 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, being 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 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 yearly average exchange rates. The resulting differences are shown under the caption of "Exchange differences on translation of financial statements in foreign currency" in the statements of changes in shareholders' equity.
- f) Material balances and transactions between the Company and its subsidiary companies 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, associate and joint ventures under the cost method.

- 2.4 The subsidiary has joint arrangements which assessed as joint operations between the subsidiary and other joint operators. The subsidiary recognises its shares of assets, liabilities, revenue and expenses of the joint operation, in proportion to its interest, to the separate financial statements, the details as follows:

Name of entity	Nature of Business	Country of incorporation	Interest in joint operations	
			2018 (%)	2017 (%)
Sahahydro Joint Venture	Construction services	Thailand	-	-

During the current year, Sahakarn Wisavakorn Company Limited, which is the Company's subsidiary, entered into joint venture contract with Hydrotek Public Company Limited under the name of "Sahahydro Joint Venture" in order to bid and execution a new project from Provincial Waterworks Authority. The portion of investment between Sahakarn Wisavakorn Company Limited and Hydrotek Public Company Limited was 49% and 51%, respectively. Later, both parties agree that Sahakarn Wisavakorn Company Limited will not share any gain and loss as well as damage maybe arisen from this project whereas Hydrotek Public Company Limited will be responsible for project execution. The subsidiary has outstanding obligation by Baht 112 million in respect of bank guarantee provided to joint venture.

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

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 recognised 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 is currently evaluating the impact of this standard to the financial statements in the year when it is adopted.

(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

Rendering of construction services

Services income from construction contracts is recognised on the basis of percentage of completion based on the assessment of the project engineer, and also compared with the percentage of completion which is arrived at based on the proportion of actual construction costs incurred up to the end of the year to the total anticipated construction costs. Allowance for the total anticipated loss on construction projects will be made in the accounts as soon as the possibility of loss is ascertained.

The recognised revenues which have not yet been due as per contracts have been shown under the caption of "Unbilled receivable" in the statements of financial position.

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.

Interest income

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

4.2 Cost of construction services and expenses

In determining cost of construction services, the total anticipated construction costs are attributed to each construction projects and then recognised as cost of services in profit or loss on the basis of percentage of completion.

The recognised cost of construction which have not yet been due have been shown under the caption of "Unbilled payable" in the statements of financial position.

The actual cost of construction incurred but not yet recognised as cost of services in profit or loss has been regarded as "Construction in progress" in the statements of financial position.

Construction in progress includes the cost of raw material, direct labour and other expenses incurred for each project. Such construction in progress is valued at the lower of cost or net realisable value.

Expenses are recognised on an accrual basis.

4.3 Cash and cash equivalents

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

4.4 Trade and other receivables

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

4.5 Inventories

Finished goods is valued at the lower of cost (under the weighted average method) and net realisable value and includes all production costs and attributable factory overheads.

Raw materials, chemicals, spare parts and factory supplies are valued at the lower of cost under the first-in, first-out method and net realisable value and are charged to production costs whenever consumed.

4.6 Investments

- a) Investments in associate and joint ventures are accounted for in the consolidated financial statements using the equity method.
- b) Investments in associate, subsidiaries and joint ventures are accounted for in the separate financial statements using the cost method less provision for impairment of investments (if any).

4.7 Property, plant and equipment/Depreciation

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

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

Building and leasehold improvement	3 - 30	years
Tools and equipment	5	years
Furniture, fixtures and office equipment	3 - 5	years
Motor vehicles	5	years

Depreciation is included in determining income.

No depreciation is provided on land and construction in progress.

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

The intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (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 assets 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	3 - 10 years

4.9 Related party transactions

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

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

4.10 Long-term leases

Leases of property, plant or equipment which transfer substantially all the risks and rewards of ownership are classified as financial leases. Financial 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 other long-term payables, while the interest element is charged to profit or loss over the lease period. The assets acquired under financial leases is depreciated over the useful life of the asset.

Lease of property, plant or equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

4.11 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 are measured using that 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 reporting period.

Gains and losses on exchange are included in determining income.

4.12 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 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. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company and its subsidiaries could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in profit or loss.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company and its subsidiaries estimate the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. 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. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal, which exceeds the carrying amount that would have been determined, is treated as a revaluation increase.

4.13 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 and its subsidiaries and their 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 the Company and its subsidiaries' contributions 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. The Company and its subsidiaries treat the severance payment obligations as a defined benefit plan. In addition, the Company and its subsidiaries provides other long-term employee benefits 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 defined benefit plans are recognised immediately in other comprehensive income.

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

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Company and its subsidiaries recognise restructuring-related costs

4.14 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.

4.15 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 that are recorded directly to shareholders' equity.

4.16 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 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 judgements and estimates

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

Estimated construction project costs

Management applied judgement in estimating the costs of construction projects based on details of the construction work, taking into account the volume and value of construction materials to be used in the project, labour costs and other miscellaneous costs to be incurred to completion of service, taking into account the direction of the movement in these costs.

Provision for liabilities under construction projects

Provision for liabilities under project warranties

A provision is recognised for expected warranty claims in respect of construction projects completed during the year, based on repair expenses expected to be paid in the future, actual costs incurred in the past and the contract value. It is expected that most of these costs will be incurred in the next financial year and all will have been incurred within two years of the end of reporting period.

Provision for losses on construction projects

A provision is recognised for the loss expected to be realised on each construction project, based on estimates of anticipated costs that take into account the progress of the project and actual costs incurred to the completion date.

Provision for penalties due to project delays

A provision is recognised for the loss expected to be realised on construction projects that cannot be completed within the stipulated timeframe. The loss is estimated based on the penalty rate stipulated in the contract and the amount expected to be paid in the future.

Impairment of investments

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

Post-employment benefits under defined benefit plans and other long-term employee benefits

The obligation under the defined benefit plan and other long-term employee benefit plans is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

6. Related party transactions

During the years, 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, its subsidiaries and those related parties.

(Unit: Million Baht)

	Consolidated		Separate		
	financial statements		financial statements		Transfer Pricing Policy
	2018	2017	2018	2017	
<u>Transactions with subsidiary companies</u>					
(eliminated from the consolidated financial statements)					
Construction service income	-	-	-	2	Cost plus margin
Cost of construction services	-	-	9	13	Cost plus margin
Interest income	-	-	-	65	At rate of 3.5 - 5.0% p.a.
Interest expense	-	-	7	1	At rate of 2.5 - 4.5% p.a. (2017: 2.5% p.a.)
Other income	-	-	4	3	Cost plus margin
<u>Transactions with associated company</u>					
Construction services income	16	298	16	298	Cost plus margin
Rental income	2	1	2	1	Contract price
<u>Transactions with related parties</u>					
Construction services income	-	1	-	1	Cost plus margin
Cost of construction services	138	-	-	-	Contract price
Other income	9	-	8	-	Cost plus margin

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

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
<u>Trade and other receivables - related parties (Note 8)</u>				
Subsidiary companies	-	-	219,489	159,227
Associated company	382,537	380,104	382,537	380,104
Joint ventures	6,487	223	6,237	-
Total	389,024	380,327	608,263	539,331
Less: Allowance for doubtful debts	(382,537)	-	(594,906)	(13,128)
Total trade and other receivables - related parties - net	6,487	380,327	13,357	526,203
<u>Unbilled receivable - related parties (Note 9)</u>				
Subsidiary companies	-	-	-	617
Associated company	-	11,992	-	11,992
Total	-	11,992	-	12,609
<u>Account receivable - retention under construction contracts - related parties (Note 9)</u>				
Associated company	7,854	7,514	7,854	7,514
Joint venture	45,691	45,691	45,691	45,691
Total	53,545	53,205	53,545	53,205
Less: Allowance for doubtful debts	(7,854)	-	(7,854)	-
Total account receivable - retention under construction contracts - related parties - net	45,691	53,205	45,691	53,205
<u>Advances paid to subcontractor under construction contract - related party</u>				
Joint venture	32,454	-	-	-
Total	32,454	-	-	-
<u>Construction in progress - related party</u>				
Associated company	-	46,651	-	46,651
Total	-	46,651	-	46,651

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
<u>Short-term loans to related parties</u>				
Subsidiary companies	-	-	60,129	59,537
Total	-	-	60,129	59,537
Less: Allowance for doubtful debts	-	-	(60,129)	(56,623)
Total short-term loans to related parties				
- net	-	-	-	2,914
<u>Long-term loans to related parties</u>				
Subsidiary companies	-	-	1,306,517	1,306,517
Total	-	-	1,306,517	1,306,517
Less: Allowance for doubtful debts	-	-	(1,306,517)	-
Total long-term loans to related parties				
- net	-	-	-	1,306,517
<u>Trade and other payables - related parties (Note 19)</u>				
Subsidiary companies	-	-	11,481	22,705
Joint Ventures	44,072	-	-	-
Total	44,072	-	11,481	22,705
<u>Advances received from customers under construction contracts - related party (Note 9)</u>				
Associated company	-	27,869	-	27,869
Total	-	27,869	-	27,869
<u>Short-term loans from related parties</u>				
Subsidiary companies	-	-	510,000	98,000
Total	-	-	510,000	98,000

On 12 February 2019, the meeting No. 3/2019 of the Company's Executive Committee passed its resolution to approve the recording of bad debt and allowance for doubtful debts for an outstanding balance of loans to TRC Investment Limited and TRC International Limited and the related accrued interest income, totaling Baht 1,505.3 million (including the short-term loans and the related accrued interest income unrelated to the investment in APOT of Baht 3.8 million), and the outstanding balance relating to construction services provided to the associate, consists of trade and other receivables, accounts receivable - retention under construction contracts and unbilled receivables, totaling Baht 365.7 million since there are uncertainties of the associate's operation, as described in Note 13, and the outstanding balance of the receivables had been due for long. The Executive Committee is of the opinion that there is high possibility that the Company may not receive the repayment of the loan, together with the related accrued interest income, and the outstanding balance relating to construction services.

As at 31 December 2018 and 2017, the balance of loans to and short-term loans from between the Company and those related companies and the movement are as follows:

(Unit: Thousand Baht)

		Separate financial statements				
		Balance as at 31 December			Exchange rate adjustment	Balance as at 31 December
Loans to	Related by	2017	Increase	Decrease		2018
<u>Short-term loans</u>						
TRC Investment Limited	Subsidiary company	2,914	311	-	(3)	3,222
TRC Engineering LLC	Subsidiary company	56,623	81	-	-	56,704
TRC Middle East LLC	Subsidiary company	-	203	-	-	203
ASEAN Potash Chaiyaphum Public Company Limited	Associated company	-	13,000	(13,000)	-	-
Total		59,537	13,595	(13,000)	(3)	60,129
Less: Allowance for doubtful debts		(56,623)	(3,506)	-	-	(60,129)
Short-term loans - net		2,914	10,089	(13,000)	(3)	-
<u>Long-term loans</u>						
TRC Investment Limited	Subsidiary company	1,260,508	-	-	-	1,260,508
TRC International Limited	Subsidiary company	46,009	-	-	-	46,009
Total		1,306,517	-	-	-	1,306,517
Less: Allowance for doubtful debts		-	(1,306,517)	-	-	(1,306,517)
Long-term loans - net		1,306,517	(1,306,517)	-	-	-

Loans to related parties carried interest at rates of 3.5% - 7.0% per annum (2017: 3.5% - 7.0% per annum), due for repayment on demand and no security to guarantee.

The purpose of loans to TRC Investment Limited and TRC International Limited are long-term investments in ordinary share of ASEAN Potash Chaiyaphum Public Company Limited as described in Note 13. The Company classified these loans as long-term loans to related parties in the separate financial statements.

(Unit: Thousand Baht)

Short-term loans	Related by	Separate financial statements			
		Balance as at 31 December 2017	Increase	Decrease	Balance as at 31 December 2018
Sahakarn Wisavakorn Company Limited	Subsidiary company	31,000	819,000	(394,000)	456,000
Hydrotek Sahakarn Joint Venture	Subsidiary company	67,000	90,000	(103,000)	54,000
Total		98,000	909,000	(497,000)	510,000

Short-term loans from related parties carried interests at rates of 2.5% - 4.5% per annum (2017: 2.5% per annum), due for repayment on demand and no security to guarantee.

Directors and management's benefits

During the years ended 31 December 2018 and 2017, the Company and its subsidiaries had employee benefit expenses of their directors and management as below.

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Short-term employee benefits	33	36	33	35
Post-employment benefits	2	2	2	2
Total	35	38	35	37

Guarantee obligations with related parties

The Company has outstanding guarantee obligations with its related parties, as described in Note 35.4 and 35.5.

7. Cash and cash equivalents

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Cash	1,354	1,375	451	481
Deposits at banks	80,902	199,069	6,730	10,345
Investment in mutual fund	-	135,925	-	-
Total	82,256	336,369	7,181	10,826

As at 31 December 2018, deposits in saving accounts and fixed deposits carried interests between 0.10% and 1.30% per annum (2017: between 0.13% and 0.63% per annum).

Investment in mutual fund consist of the money market fund which invests in deposits at banks and short-term debt instruments with an average maturity of three months or less and not subject to withdrawal restrictions.

8. Trade and other receivables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
<u>Trade accounts receivable - related parties</u>				
Aged on the basis of due dates				
Not yet due	3,111	14,102	3,111	14,102
Past due				
Up to 3 months	-	131,071	-	132,636
3 - 6 months	10,627	-	10,627	-
6 - 12 months	34,147	234,918	35,204	234,918
Over 12 months	333,166	-	334,731	-
Total trade accounts receivable - related parties	381,051	380,091	383,673	381,656
Less: Allowance for doubtful debts	(381,051)	-	(381,051)	-
Total trade accounts receivable - related parties - net	-	380,091	2,622	381,656
<u>Trade accounts receivable - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	439,580	408,714	330,162	290,666
Past due				
Up to 3 months	183,735	33,742	55,349	33,742
3 - 6 months	83,106	-	83,066	-
6 - 12 months	6	-	-	-
Over 12 months	12,596	12,685	-	-
Total trade accounts receivable - unrelated parties	719,023	455,141	468,577	324,408
Less: Allowance for doubtful debts	(11,928)	(11,928)	-	-
Translation adjustment	(668)	(757)	-	-
Total trade accounts receivable - unrelated parties - net	706,427	442,456	468,577	324,408
Total trade accounts receivable - net	706,427	822,547	471,199	706,064
<u>Other receivables</u>				
Advance to related parties	7,973	236	14,239	16,514
Interest receivable from related parties	-	-	210,351	141,160
Others	2,409	2,804	1,687	2,339
Total other receivables	10,382	3,040	226,277	160,013
Less: Allowance for doubtful debt	(1,486)	-	(213,855)	(13,127)
Total other receivables - net	8,896	3,040	12,422	146,886
Total trade and other receivables - net	715,323	825,587	483,621	852,950

The Company and the subsidiaries transferred rights to receive payment under construction contracts to secure the credit facilities with financial institutions. Pledged accounts receivable amounting to Baht 935 million included in the accounts receivable balance as at 31 December 2018 (the Company only: Baht 827 million) (2017: Baht 800 million, the Company only: Baht 692 million).

9. Unbilled receivables/advances received from customers under construction contracts

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Unbilled receivables and advances received from customers under construction contracts				
Project value as per contracts	19,357,590	16,245,331	12,432,894	11,993,514
Accumulated amount recognised as revenue on percentage of completion basis	12,355,890	10,122,651	8,687,951	7,358,383
Less: Bad debt	(300)	-	(300)	-
Less: Value of total billed	(11,639,113)	(9,639,640)	(8,098,028)	(7,081,350)
Unbilled receivables - net	1,010,493	854,291	614,445	359,023
Advances received from customers	(294,016)	(371,280)	(24,822)	(81,990)
Total	716,477	483,011	589,623	277,033
Accounts receivables - retention under construction contract	111,126	100,307	57,106	53,205
Less: Allowance for doubtful debt	(7,854)	-	(7,854)	-
Accounts receivable - retention under construction contract - net	103,272	100,307	49,252	53,205
Unearned construction revenue				
Project value as per contracts	600,000	-	-	-
Value of total billed	6,000	-	-	-
Less: Accumulated amount recognised as revenue on percentage of completion basis	-	-	-	-
Unearned construction revenue	6,000	-	-	-

10. Inventories

(Unit: Thousand Baht)

Consolidated financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	2018	2017	2018	2017	2018	2017
Raw materials and construction supplies	7,909	7,892	(2,378)	(2,378)	5,531	5,514
Finished goods	11	-	-	-	11	-
Total	<u>7,920</u>	<u>7,892</u>	<u>(2,378)</u>	<u>(2,378)</u>	<u>5,542</u>	<u>5,514</u>
(Unit: Thousand Baht)						
Separate financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	2018	2017	2018	2017	2018	2017
Raw materials and construction supplies	7,892	7,892	(2,378)	(2,378)	5,514	5,514
Total	<u>7,892</u>	<u>7,892</u>	<u>(2,378)</u>	<u>(2,378)</u>	<u>5,514</u>	<u>5,514</u>

11. Withholding tax deducted at source

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Year 2014	-	14,249	-	-
Year 2015	7,861	7,861	-	-
Year 2016	6,522	6,522	-	-
Year 2017	26,674	26,674	20,999	20,999
Year 2018	28,198	-	28,198	-
	<u>69,255</u>	<u>55,306</u>	<u>49,197</u>	<u>20,999</u>

The Company and its subsidiary record withholding tax deducted at source as an asset since they are entitled to claim for a refund of such tax. However, the net realisable value of tax refund is subject to the exercise of the claim right by the Company and its subsidiary, and to the result of an audit of the Company's and its subsidiary's taxes by Government Agency related.

12. Restricted deposits at banks

These represent saving deposit and fixed deposits pledged with banks to secure credit facilities and bank guarantee facilities issued by the bank on behalf of the subsidiary, as described in Note 35.4.

13. Investment in associate

13.1 Details of associate

Company's name	Nature of business	Country of incorporation	Consolidated financial statements					
			Shareholding percentage		Cost		Carrying amounts based on equity method	
			2018	2017	2018	2017	2018	2017
			(%)	(%)	(Thousand Baht)	(Thousand Baht)	(Thousand Baht)	(Thousand Baht)
<u>Held by TRC Investment Limited</u>								
ASEAN Potash Chaiyaphum Public Company Limited	Mining Industries	Thailand	22.46	22.46	1,261,274	1,261,274	1,126,742	1,168,092
<u>Held by TRC International Limited</u>								
ASEAN Potash Chaiyaphum Public Company Limited	Mining Industries	Thailand	2.67	2.67	100,000	100,000	85,989	90,911
Total					1,361,274	1,361,274	1,212,731	1,259,003
Less: Allowance for loss on impairment of investment					(1,361,274)	-	(1,212,731)	-
Total investment in associate - net					-	1,361,274	-	1,259,003

On 18 January 2012, the meeting No. 1/2012 of the Company's Board of Directors approved an investment of Baht 50 million by TRC International Limited, which is the company's subsidiary in Hong Kong, in ordinary shares of ASEAN Potash Chaiyaphum Public Company Limited (APOT). On 6 January 2015, TRC International Limited (TRCI), increased its investment in APOT by purchasing additional 250,000 ordinary shares from its shareholders at Baht 200 per share, a total of Baht 50 million. As a result, TRCI's investment increase to Baht 100 million.

On 16 September 2015, the Meeting No. 9/2015 of the Company's Board of Directors approved TRC Investment Limited, a subsidiary in Mauritius, to acquire additional ordinary shares of ASEAN Potash Chaiyaphum Public Company Limited (APOT) at the aggregate of not exceeding 6.3 million shares, at price of Baht 200 per share, total value of Baht 1,260 million from Thermal Trade and Investment Limited. Subsequently, on 15 October 2015, TRC Investment Limited make the first payment for APOT's shares totaling of Baht 355 million in accordance with terms of payment stipulated in Share Sale and Purchase Agreement ("SPA"). On 30 October 2015, APOT's share certificates of 1.8 million shares were transferred to TRC Investment Limited.

During January and May 2016, TRC Investment Limited made the second through fourth payments for the 4.5 million share subscription totaling Baht 906 million. As a result, TRC Group's shareholding in APOT increased to 26.22%, consisting of 23.43% shareholding of TRC Investment Limited and 2.79% shareholding of TRC International Limited, with APOT's current paid-up capital as of 31 December 2016 of Baht 2,688 million and classifies this investment as investment in an associate.

During the year 2017, APOT received the proceeds of Baht 80 million from a shareholder in payment for additional ordinary shares 1,174,886 newly issued shares at the price of Baht 68.43 per share), and registered the change in its paid-up capital from Baht 2,688 million to Baht 2,806 million. As a result, TRC Group's shareholding in APOT decreased from 26.22% at the end of 2016 to 25.13% at the end of 2017 (consisting of 22.46% interest held by TRC Investment Limited and a 2.67% interest held by TRC International Limited). The Company recorded the net result from the change in the shareholders' equity of Baht 35 million, presenting in the consolidated comprehensive income for the year ended 31 December 2017.

In accordance with the concession agreements with the Department of Primary Industries and Mines, Ministry of Industry, in January 2015, APOT has an obligations to pay a special state benefits for concession in 8 equal installments, each of Baht 433 million plus interest at the rate of 6.5% per annum, or a total of Baht 569 million, commencing from 2018. APOT is also committed to pay various funds each year throughout the concession period. APOT received a demand letter from Chaiyaphum Provincial Industry Office to pay the first installment of special state benefits of Baht 569 million, together with a fine at 15% per annum, within 90 days from the receipt date of the letter which due in August 2018. Otherwise the license may be revoked in accordance with Section 128 of the Minerals Act B.E. 2560.

In April 2018, APOT approved the first increase of paid up capital for not exceeding 29 million ordinary shares which will be allocated to the existing shareholders at the offering price of Baht 68.43 per share. The period for subscription and settlement was by the end of July 2018. Upon the ending of the period for new shares subscription and settlement, none of the shareholders subscribed for the new shares.

On 22 February 2019, the Meeting of APOT's Board of Director passed a resolution to propose that the Annual General Meeting of the shareholders to be held on 26 April 2019 adopt a resolution to offer approval for the amendment a share offering price from Baht 68.43 per share to Baht 15.00 per share and offer approval for called up ordinary share No.1 in amounting by allotment 35 million newly issued ordinary shares to the existing shareholders at a ratio of 4 existing shares to 5 new shares at the offering price of Baht 15.00 per share or totaling by Baht 526 million. The Company's management is during consideration for the proceeding of this issue.

As per the APOT's financial statements for the year ended 31 December 2018, APOT is unable to comply with the terms of special state benefits payment since APOT is in the process of acquiring for the additional investment from its shareholders and/or applying for credit approval from commercial banks. In November 2018, APOT received a demand letter to pay the second installment of special state benefits of Baht 569 million within 15 January 2019.

On 12 February 2019, the meeting No. 3/2019 of the Company's Executive Committee passed its resolution not to involve in any further investment in the associate, including not to be awarded any construction services from the associate unless there will be the promising source of funds for its project development. The Committee also approved the subsidiaries' recording of a full allowance for impairment of its investment, amounting to Baht 1,361 million, since the associate situation contains various uncertainties, such as the obligation to pay two installments of the special state benefits for concession which may cause the revocation of the concession. There is also the uncertainty to acquire the source of funds for potash project development both in the aspect of the capital investment which there is no progress made in finding new investors, both government and private sector, and in the aspect of credit facilities approval from the commercial banks. Consequently, causing the financial liquidity problem to the associate which delay the progress of its project. In addition, the Company has had to recognise substantial losses of the associate under the equity method for several consecutive years. Moreover, the amounts of the losses recognised will increase in the future because of the recognition of fines imposed due to the associate's inability to make payment of the special state benefits that it is required to pay each year. Furthermore, the associate's current liabilities substantially exceeded its current assets.

In addition, the Company's Executive Committee passed its resolution to record the expenses and commitments relating to construction services provided to the associate as the cost of the project. These consisted of advance payment to subcontractors both construction and engineering services, construction in progress, prepaid insurance expense and bank guarantee fee, totaling Baht 468 million.

Even though the Company has set up a full provision for loss on assets related to Potash Mining Project, it still has a duty and responsibility to use its best efforts to recover the value of those assets. If, in the future, the value of the assets is recovered, the Company may be able to reverse excess provision and recognise profit in the future to compensate the losses from provisions set aside in the current year.

13.2 Share of loss

During the years, the Company has recognised its share of loss from investment in associated company in the consolidated financial statements as follows:

Company's name	(Unit: Thousand Baht)			
	Share of loss from		Share of other	
	investments in associate		comprehensive income from	
	investments in associate		investments in associate	
	For the years ended 31 December			
	2018	2017	2018	2017
ASEAN Potash Chaiyaphum				
Public Company Limited	(47,389)	(34,337)	1,117	-
Total	(47,389)	(34,337)	1,117	-

13.3 Summarised financial information about material associate

Summarised information about financial position

	(Unit: Million Baht)	
	2018	2017
Current assets	23	110
Non-current assets	6,871	6,127
Current liabilities	(1,928)	(531)
Non-current liabilities	(3,459)	(4,018)
Net assets	1,507	1,688
Shareholding percentage (%)	25.13	25.13
Share of net assets	379	424
Elimination entries	(13)	(12)
Goodwill	847	847
Total	1,213	1,259
Less: Allowance for loss on impairment of investment	(1,213)	-
Carrying amounts of associate based on equity method	-	1,259

Summarised information about comprehensive income

	(Unit: Million Baht)	
	For the year ended 31 December	
	2018	2017
Revenue	7	2
Profit (loss)	(186)	(112)
Other comprehensive income	4	-
Total comprehensive income	(182)	(112)

14. Investments in subsidiaries

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

Company's name	Nature of business	Country of incorporation	Paid-up capital		Shareholding percentage		Cost method	
			2018	2017	2018	2017	2018	2017
					(%)	(%)	(Baht)	(Baht)
Sahakarn Wisavakorn Company Limited	Construction services - basic infrastructure	Thailand	500,000,000 Baht	500,000,000 Baht	99.99	99.99	620,894,691	620,894,691
TRC Investment Limited	Holding company	The Republic of Mauritius	1 USD	1 USD	100.00	100.00	32	32
TRC Utility Company Limited	To produce and distribute tap water	Thailand	250,000 Baht	250,000 Baht	99.97	99.97	249,925	249,925
Total							621,144,648	621,144,648
Less: Allowance for loss on impairment of investment							(145,071,416)	(145,071,416)
Total investments in subsidiaries - net							476,073,232	476,073,232

Details of investments in subsidiaries which are held by the Company's subsidiaries are as follows:

Company's name	Nature of business	Country of incorporation	Paid-up capital		Shareholding percentage		Cost method	
			2018	2017	2018	2017	2018	2017
					(%)	(%)	(Baht)	(Baht)
<u>Held by Sahakarn Wisavakorn Company Limited</u>								
Hydrotek Sahakarn Joint Venture	Construction services	Thailand	1,000,000 Baht	1,000,000 Baht	49.00	49.00	490,000	490,000
<u>Held by TRC Investment Limited</u>								
TRC International Limited	Holding company	Hong Kong	10 HKD	10 HKD	100.00	100.00	33	33
<u>Held by TRC International Limited</u>								
TRC Middle East LLC	Construction services	Sultanate of Oman	150,000 Omani Rial	150,000 Omani Rial	70.00	70.00	12,322,330	12,322,330
TRC Engineering LLC	Construction services	Sultanate of Oman	250,000 Omani Rial	250,000 Omani Rial	70.00	70.00	13,654,506	13,654,506
Total							26,466,869	26,466,869
Less: Allowance for loss on impairment of investment							(25,976,836)	(25,976,836)
Total investments in subsidiaries which are held by the Company's subsidiaries - net							490,033	490,033

Sahakarn Wisavakorn Company Limited, which is the Company's subsidiary, and Hydrotek Public Company Limited agree that the subsidiary will be responsible for project execution of Hydrotek Sahakarn Joint Venture whereas Hydrotek Public Company Limited will not share any gain and loss as well as damage maybe arisen from this project.

On 10 March 2016, the Meeting No. 3/2016 of the Company's Board of Directors passed a resolution to approve the closure of TRC Middle East LLC and TRC Engineering LLC. On 31 December 2018, these subsidiaries have been in the liquidation process.

15. Investments in joint ventures

15.1 Details of joint ventures

		Consolidated financial statements					
Company's name	Nature of business	Shareholding		Cost		Carrying amounts	
		percentage				based on equity method	
		2018	2017	2018	2017	2018	2017
		(%)	(%)	(Thousand Baht)	(Thousand Baht)	(Thousand Baht)	(Thousand Baht)
<u>Held by the Company</u>							
Sinopec-TRC Joint Venture	Construction service	30	30	2,376	2,376	2,376	2,376
<u>Held by Sahakarn Wisavakorn Company Limited</u>							
SH Crossings Company Limited	Construction service	51	51	20,400	5,100	22,247	4,983
Total				22,776	7,476	24,623	7,359

Separate financial statements					
Company's name	Nature of business	Shareholding percentage		Cost	
		2018	2017	2018	2017
		(%)	(%)	(Thousand Baht)	(Thousand Baht)
Sinopec-TRC Joint Venture	Construction service	30	30	2,376	2,376
Total				<u>2,376</u>	<u>2,376</u>

On 12 March 2018, The Meeting No. 3/2018 of the Company's Board of Directors passed its resolution to approve the establishment of a joint venture with SINOHYDRO (Thailand) Company Limited to be the subcontractor for Surface Processing Plant and Facilities of ASEAN Potash Mining Project in Bamnet Narong District, Chaiyaphum Province from which the Company obtained the letter of award for the captioned works in February 2016.

On 20 March 2018, The Meeting No. 1/2018 of SH Crossings Company Limited's Board of Directors passed its resolution to approve calling for the capital increase of remaining registered capital of Baht 30 million or 75% of a total shares. The joint venture received the full payment of addition shares on 30 April 2018.

15.2 Share of profit (loss)

During the years, the Company has recognised its share of profit (loss) from investments in joint ventures in the consolidated financial statements as follows:

Company's name	(Unit: Thousand Baht)			
	Share of profit (loss) from		Share of other	
	investments in joint ventures		comprehensive income from	
	investments in joint ventures		investments in joint ventures	
	For the years ended 31 December			
	2018	2017	2018	2017
SH Crossings Company Limited	1,963	(116)	-	-
Total	1,963	(116)	-	-

The consolidated financial statements for the years ended 31 December 2018 and 2017 do not include share of profit (loss) on investment in Sinopec-TRC Joint Venture because the effect of these transactions on the financial statements is immaterial.

15.3 Summarised financial information about material joint venture

Summarised information about financial position

	(Unit: Million Baht)	
	SH Crossings Company Limited	
	2018	2017
Cash and cash equivalent	2	10
Other current assets	127	-
Non-current assets	15	-
Current liabilities	(100)	-
Net assets	44	10
Shareholding percentage (%)	51	51
Share of net assets	22	5

Summarised information about comprehensive income

	(Unit: Million Baht)	
	For the years ended 31 December	
	SH Crossings Company Limited	
	2018	2017
Revenue	138	-
Depreciation and amortization	(2)	-
Income tax expense	(1)	-
Profit (loss)	4	-
Other comprehensive income	-	-
Total comprehensive income	4	-

16. Property, plant and equipment

(Unit: Thousand Baht)

Consolidated financial statements							
	Land	Building	Tools and equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
Cost:							
1 January 2017	142,062	212,768	499,695	96,908	99,130	57,113	1,107,676
Additions	-	270	2,842	2,847	47	61,578	67,584
Disposals	-	-	(239)	(490)	(1,270)	-	(1,999)
Written-off	-	(2,676)	(9,811)	(3,339)	-	-	(15,826)
Transfers in (out)	-	75,622	10,217	1,731	-	(87,570)	-
31 December 2017	142,062	285,984	502,704	97,657	97,907	31,121	1,157,435
Additions	-	761	39,511	5,353	30	23,640	69,295
Disposals	-	-	(49)	(150)	-	-	(199)
Written-off	-	-	(11,970)	(4,625)	-	-	(16,595)
Transfers in (out)	-	7,003	31,266	743	-	(39,547)	(535)
31 December 2018	142,062	293,748	561,462	98,978	97,937	15,214	1,209,401
Accumulated depreciation:							
1 January 2017	-	19,555	238,495	60,022	62,990	-	381,062
Depreciation for the year	-	7,679	70,203	13,439	12,872	-	104,193
Depreciation on disposals	-	-	(139)	(446)	(938)	-	(1,523)
Depreciation on written-off	-	(2,676)	(5,274)	(3,091)	-	-	(11,041)
31 December 2017	-	24,558	303,285	69,924	74,924	-	472,691
Depreciation for the year	-	10,737	75,691	13,198	10,927	-	110,553
Depreciation on disposals	-	-	(18)	(150)	-	-	(168)
Depreciation on written-off	-	-	(10,480)	(4,501)	-	-	(14,981)
31 December 2018	-	35,295	368,478	78,471	85,851	-	568,095
Allowance for impairment loss:							
1 January 2018	-	-	-	-	-	-	-
Increase during the year	-	-	344	-	-	-	344
31 December 2018	-	-	344	-	-	-	344
Net book value:							
31 December 2017	142,062	261,426	199,419	27,733	22,983	31,121	684,744
31 December 2018	142,062	258,453	192,640	20,507	12,086	15,214	640,962
Depreciation for the year							
2017 (Baht 65 million included in cost of sales and construction services, and the balance in administrative expenses)							104,193
2018 (Baht 66 million included in cost of sales and construction services, and the balance in administrative expenses)							110,553

(Unit: Thousand Baht)

	Separate financial statements						
	Land	Building	Tools and Equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
Cost:							
1 January 2017	140,472	212,768	375,314	84,975	77,302	57,113	947,944
Additions	-	237	2,397	2,400	44	43,274	48,352
Disposals	-	-	-	(358)	(621)	-	(979)
Written-off	-	(2,676)	(8,465)	(2,862)	-	-	(14,003)
Transfers in (out)	-	75,622	10,217	1,731	-	(87,570)	-
31 December 2017	140,472	285,951	379,463	85,886	76,725	12,817	981,314
Additions	-	761	38,068	4,859	-	18,970	62,658
Disposals	-	-	(49)	(64)	-	-	(113)
Written-off	-	-	(7,498)	(3,463)	-	-	(10,961)
Transfers in (out)	-	7,003	8,292	743	-	(16,573)	(535)
31 December 2018	140,472	293,715	418,276	87,961	76,725	15,214	1,032,363
Accumulated depreciation:							
1 January 2017	-	19,555	139,087	49,440	44,317	-	252,399
Depreciation for the year	-	7,679	62,657	12,817	11,558	-	94,711
Depreciation on disposals	-	-	-	(315)	(289)	-	(604)
Depreciation on written-off	-	(2,676)	(3,952)	(2,626)	-	-	(9,254)
31 December 2017	-	24,558	197,792	59,316	55,586	-	337,252
Depreciation for the year	-	10,735	65,506	12,500	9,985	-	98,726
Depreciation on disposals	-	-	(18)	(63)	-	-	(81)
Depreciation on written-off	-	-	(5,959)	(3,349)	-	-	(9,308)
31 December 2018	-	35,293	257,321	68,404	65,571	-	426,589
Allowance for impairment loss:							
1 January 2018	-	-	-	-	-	-	-
Increase during the year	-	-	-	-	-	-	-
31 December 2018	-	-	-	-	-	-	-
Net book value:							
31 December 2017	140,472	261,393	181,671	26,570	21,139	12,817	644,062
31 December 2018	140,472	258,422	160,955	19,557	11,154	15,214	605,774
Depreciation for the year							
2017 (Baht 64 million included in cost of sales and construction services, and the balance in administrative expenses)							94,711
2018 (Baht 61 million included in cost of sales and construction services, and the balance in administrative expenses)							98,726

As at 31 December 2018, certain equipment items have been fully depreciated but are still in use. The gross carrying amount, before deducting accumulated depreciation of those assets, amounted to approximately Baht 204 million (The Company only: Baht 117 million) (2017: Baht 188 million, the Company only: Baht 96 million).

As at 31 December 2018, the Company and its subsidiary has tools and motor vehicles acquired under finance lease agreements, with net book value amounting to approximately Baht 10 million (The company only: Baht 8 million) (2017: Baht 27 million, the Company only: Baht 16 million).

As at 31 December 2018, the Company has mortgaged land and building which has book value amounting to Baht 100 million (2017: Baht 180 million) with banks to be collateral against credit facilities received from the bank.

17. Intangible assets

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

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
As at 31 December 2018		
Cost	26,521	25,682
Less: Accumulated amortisation	(13,548)	(13,152)
Net book value	12,973	12,530
As at 31 December 2017		
Cost	24,076	23,237
Less: Accumulated amortisation	(11,229)	(10,916)
Net book value	12,847	12,321

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

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Net book value at beginning of year	12,847	14,511	12,321	13,970
Acquisition of computer software	1,910	594	1,910	530
Transfer from property, plant and equipment	535	-	535	-
Amortisation	(2,319)	(2,258)	(2,236)	(2,179)
Net book value at end of year	12,973	12,847	12,530	12,321

18. Bank overdrafts and short-term loans from banks

(Unit: Thousand Baht)

		Consolidated financial statements	
	Interest rate (% per annum)	2018	2017
Bank overdrafts	6.87%	1,804	-
Promissory note	3.00% - 4.60%	580,000	-
Trust receipt	- (2017: 4.35%)	-	70,358
Total		581,804	70,358

(Unit: Thousand Baht)

		Separate financial statements	
	Interest rate (% per annum)	2018	2017
Promissory note	3.00% - 4.60%	480,000	-
Trust receipt	- (2017: 4.35%)	-	70,358
Total		480,000	70,358

As at 31 December 2017, trust receipt has been secured by the transfer of right to receive from accounts receivable, as described in Note 8.

19. Trade and other payables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Trade accounts payable - related party	44,072	-	-	-
Trade accounts payable - unrelated parties	434,822	367,312	234,976	141,540
Advances from related parties	-	-	5,792	22,526
Fixed assets payable	17,717	11,322	17,702	129
Accrued interest expense - related parties	-	-	5,689	179
Accrued expenses - unrelated parties	247,520	72,396	232,509	55,774
Total trade and other payables	744,131	451,030	496,668	220,148

As at 31 December 2018, the Company has outstanding accrued expenses amounting to Baht 157.8 million from recording of expenses and commitments relating to construction services provided to the associate, as described in Note 13.

20. Short-term loans

These represent non-transferable bill of exchanges amounting to Baht 30 million issued through the private placement with an interest rate of 3.85% per annum. The bill of exchanges have a term of 183 days. The Company repaid the bill of exchanges on 20 February 2018.

21. Provision for liabilities under construction projects

(Unit: Thousand Baht)

	Consolidated financial statements		
	Warranties	Loss on construction	Total
As at 1 January 2017	22,808	199	23,007
Increase during the year	2,000	876	2,876
Decrease from occurrence of actual expense	(4,338)	(199)	(4,537)
Reversal of provisions	(1,696)	-	(1,696)
As at 31 December 2017	18,774	876	19,650
Increase during the year	40,768	2,554	43,322
Decrease from occurrence of actual expense	(32,339)	(876)	(33,215)
Reversal of provisions	(5,226)	-	(5,226)
As at 31 December 2018	21,977	2,554	24,531

(Unit: Thousand Baht)

	Separate financial statements		
	Warranties	Loss on construction	Total
As at 1 January 2017	18,215	-	18,215
Increase during the year	2,000	-	2,000
Decrease from occurrence of actual expense	(3,557)	-	(3,557)
Reversal of provisions	(1,696)	-	(1,696)
As at 31 December 2017	14,962	-	14,962
Increase during the year	20,650	2,554	23,204
Decrease from occurrence of actual expense	(30,394)	-	(30,394)
Reversal of provisions	(1,421)	-	(1,421)
As at 31 December 2018	3,797	2,554	6,351

22. Debentures

The Company has issued unsubordinated and unsecured debentures without a debentureholders' representative in the name-registered, as detailed below.

(Unit: Thousand Baht)

Debentures	Interest rate	Interest payment schedule	Terms	Due date	Consolidated / Separate financial statements	
					2018	2017
Debentures 1/2016	4.40%	Quarterly, starting from 10 June 2016	2 years	10 March 2018	-	200,000
Debentures 1/2017	4.50%	Quarterly, starting from 12 October 2017	1 year	12 July 2018	-	100,000
Debentures 1/2018	4.80%	Quarterly, starting from 17 March 2018	2 years 2 days	17 March 2020	180,000	-
Total debentures - at face value					180,000	300,000
Less: Unamortised portion of deferred transaction costs					(250)	-
Debentures - net					179,750	300,000
Less: Current portion					(179,750)	(300,000)
Debentures - net of current portion					-	-

Movement of the debentures account during the year ended 31 December 2018 are summarised below:

(Unit: Thousand Baht)

	Consolidated/Separate financial statements
Balance as at 1 January 2018	300,000
Issuance of debenture	180,000
Repayment of debenture	(300,000)
Transaction cost of debenture	(1,080)
Amortisation of transaction cost of debenture	830
Balance as at 31 December 2018	179,750

Under rights and responsibilities of debenture issuer, the Company has to comply with certain covenants and restrictions including maintenance of interest bearing debt to equity ratio and EBITDA to interest ratio at the rate prescribed in the agreements along with debentures' periods (debts mean interest bearing loans).

The Company has considered under conservative approach to set up provision for loss at the significant amount in 2018 on assets related to Potash Mining Project. As a result, as at 31 December 2018, the Company could not maintain EBITDA to interest ratio at the rate prescribed in the agreement, which resulted in the debenture becoming payable on demand. Therefore, the Company classified such debenture as current liabilities. However, in February 2019, the Company has offered to redeem the debenture prior to the maturity date from all debenture's holders. The classification of such liabilities to be current is in accordance with financial reporting standards.

23. Liabilities under finance lease agreements

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Liabilities under finance lease agreements	6,203	17,992	-	7,374
Less: Deferred interest	(227)	(776)	-	(141)
Total	5,976	17,216	-	7,233
Less: Current portion	(4,211)	(11,238)	-	(7,233)
Liabilities under finance lease agreements - net of current portion	1,765	5,978	-	-

The Company and its subsidiary have entered into the finance lease agreements with leasing companies for rental of tools and motor vehicles for use in its operation, whereby it is committed to pay rental on a monthly basis. The terms of the agreements are generally between 3 and 5 years.

Future minimum lease payments required under the finance lease agreements were as follows.

(Unit: Thousand Baht)

	As at 31 December 2018					
	Consolidated financial statements			Separate financial statements		
	Less than			Less than		
	1 year	1-5 years	Total	1 year	1-5 years	Total
Future minimum lease payments	4,415	1,788	6,203	-	-	-
Deferred interest expenses	(204)	(23)	(227)	-	-	-
Present value of future minimum lease payments	4,211	1,765	5,976	-	-	-

(Unit: Thousand Baht)

As at 31 December 2017

	Consolidated financial statements			Separate financial statements		
	Less than			Less than		
	1 year	1-5 years	Total	1 year	1-5 years	Total
Future minimum lease payments	11,789	6,203	17,992	7,374	-	7,374
Deferred interest expenses	(551)	(225)	(776)	(141)	-	(141)
Present value of future minimum lease payments	11,238	5,978	17,216	7,233	-	7,233

24. Other current liabilities

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Suspense output VAT	29,696	43,990	26,505	41,799
VAT payable	1,044	1,769	-	-
Others	3,488	2,928	1,631	1,383
Total	34,228	48,687	28,136	43,182

25. Provision for long-term employee benefits

Provision for long-term employee benefits, which is compensations on employees' retirement, was as follows:

(Unit: Thousand Baht)

	Consolidated financial statements					
	2018			2017		
	Post-employment benefits	Other long-term benefits	Total	Post-employment benefits	Other long-term benefits	Total
Defined benefit obligation at beginning of year						
	44,806	4,619	49,425	35,053	4,292	39,345
Current service cost	7,845	1,387	9,232	7,099	1,361	8,460
Interest cost	970	106	1,076	921	113	1,034
Actuarial (gain) loss arising from						
Demographic assumptions changes	-	-	-	578	(82)	496
Financial assumptions changes	-	-	-	1,375	42	1,417
Experience adjustments	-	-	-	(220)	(798)	(1,018)
Benefits paid during the year	(2,756)	(523)	(3,279)	-	(309)	(309)
Defined benefit obligation at end of year						
	50,865	5,589	56,454	44,806	4,619	49,425

(Unit: Thousand Baht)

	Separate financial statements					
	2018			2017		
	Post-employment benefits	Other long- term benefits	Total	Post-employment benefits	Other long- term benefits	Total
Defined benefit obligation at beginning						
of year	38,794	3,966	42,760	31,423	3,677	35,100
Current service cost	6,269	1,163	7,432	5,795	1,131	6,926
Interest cost	824	90	914	817	96	913
Actuarial (gain) loss arising from						
Demographic assumptions changes	-	-	-	(109)	(119)	(228)
Financial assumptions changes	-	-	-	1,118	29	1,147
Experience adjustments	-	-	-	(250)	(621)	(871)
Benefits paid during the year	(2,756)	(505)	(3,261)	-	(227)	(227)
Defined benefit obligation at end of year	43,131	4,714	47,845	38,794	3,966	42,760

Line items in profit or loss under which long-term employee benefit expenses are recognised are follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Current service cost	9,233	8,460	7,432	6,926
Interest cost	1,076	1,034	914	913
Actuarial gain	-	(838)	-	(711)
Total expenses recognised in profit or loss	10,309	8,656	8,346	7,128

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Cost of sales	4,512	3,086	3,404	2,504
Administrative expenses	5,797	5,570	4,942	4,624
Total expenses recognised in profit or loss	10,309	8,656	8,346	7,128

The Company and its subsidiaries expect to pay Baht 5 million of long-term employee benefits during the next year (the Company only: Baht 5 million) (2017: Baht 3 million, the Company only: Baht 3 million).

As at 31 December 2018, the weighted average duration of the liabilities for long-term employee benefit is 9 years (the Company only: 9 years) (2017: 9 years, the Company only: 9 years).

Key actuarial assumptions used for the valuation are as follows:

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Discount rate (% per annum)	2.28 - 2.43	2.28 - 2.43	2.28	2.28
Future salary increase rate (% per annum)	5.00	5.00	5.00	5.00
Staff turnover rate (depending on age) (% per annum)	0.00 - 20.00	0.00 - 20.00	0.00 - 20.00	0.00 - 20.00
Gold price (Baht)	20,600	20,600	20,600	20,600

The result 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)

	Consolidated financial statements			
	As at 31 December 2018		As at 31 December 2017	
	Increase	Decrease	Increase	Decrease
Discount rate (1.0%)	(4.0)	4.6	(3.4)	3.9
Salary increase rate (1.0%)	4.8	(4.3)	3.7	(3.3)
Turnover rate (1.0%)	(4.3)	1.6	(3.7)	1.4
Gold price (1,000 Baht)	0.2	(0.2)	0.1	(0.1)

(Unit: Million Baht)

	Separate financial statements			
	As at 31 December 2018		As at 31 December 2017	
	Increase	Decrease	Increase	Decrease
Discount rate (1.0%)	(3.3)	3.8	(2.9)	3.3
Salary increase rate (1.0%)	4.0	(3.6)	3.1	(2.8)
Turnover rate (1.0%)	(3.6)	1.4	(3.1)	1.2
Gold price (1,000 Baht)	0.1	(0.1)	0.1	(0.1)

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 not less than 400 days' compensation at the latest wage rate. 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 9 million (The Company only: Baht 8 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.

26. Share capital

Movements in the number of ordinary shares, the paid-up share capital and premium on ordinary shares are as follows:

Description	Number of shares (Thousand shares)	Amount (Thousand Baht)	Premium on ordinary shares (Thousand Baht)	Registration date with the Ministry of Commerce
<u>Registered share capital</u>				
At the beginning of the year	5,869,698	733,712		
Decrease during the year	(5)	(1)		23 May 2018
Increase during the year	293,485	36,686		25 May 2018
At the end of the year	6,163,178	770,397		
<u>Issued and paid-up share capital</u>				
At the beginning of the year	5,869,693	733,712	1,041,740	
Increase in capital from stock dividend	293,473	36,684	-	30 May 2018
At the end of the year	6,163,166	770,396	1,041,740	

On 27 April 2018, the Annual General Meeting of the Company's shareholders passed the following significant resolutions:

- 26.1 Approved a stock dividend with a total value of up to 293.5 million ordinary shares with a par value of Baht 0.125 per share to be distributed at a rate of 1 dividend share for every 20 existing shares, equivalent to a dividend of Baht 0.00625 per share.

- 26.2 Approved a decrease in the registered capital of the Company from Baht 733.7123 million to Baht 733.7117 million consisting of 5,869.7 million shares with a par value of Baht 0.125 each, by cancelling the Company's unissued ordinary shares. The Company registered the decrease of its registered capital at the Ministry of Commerce on 23 May 2018.
- 26.3 Approved an increase in the registered capital from Baht 733.7 million to Baht 770.4 million through the issuance of an additional 293.5 million ordinary shares with a par value of Baht 0.125 each, to be reserved for the distribution of the stock dividend. On 25 May 2018, the Company registered with the Ministry of Commerce the increase in its registered capital to Baht 770.4 million, or 6,163.2 million shares, which it issued and paid-up capital to Baht 733.7 million, or 5,869.7 million shares.

27. Statutory reserve

The Company

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% of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10% of the registered capital. The statutory reserve is not available for dividend distribution.

Local subsidiaries

According to the Thai Civil and Commercial Code, the subsidiaries are required to set aside to a statutory reserve an amount equal to at least 5% of its net profit each time the Company pays out a dividend, until such reserve reaches 10% of its registered share capital. The statutory reserve cannot be used for dividend payment.

Overseas subsidiaries

According to the Civil and Commercial Code, the subsidiaries are required to set aside to a statutory reserve an amount equal to at least 10% of its net profit until such reserve reach one-third of the Company's capital.

28. Expenses by nature

Significant expenses by nature are as follow:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Salary and wages and other employee benefits	484,114	437,036	421,705	394,294
Depreciation	110,553	104,193	98,726	94,711
Amortisation expenses	2,318	2,258	2,235	2,179
Construction materials and consumables used and subcontractors costs	1,515,632	1,904,586	846,768	644,086
Rental expenses from operating lease				
Agreements	109,301	81,648	88,065	77,010
Gain (loss) on exchange rate	10,874	13,573	(111)	13,573

29. 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	2018	2017
Current income tax:				
Current corporate income tax charge	32,904	36,205	-	24,692
Deferred tax:				
Relating to origination and reversal of temporary differences	(605)	21,601	1,271	(611)
Income tax expense reported in the statement of income	32,299	57,806	1,271	24,081

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	2018	2017
Deferred tax relating to actuarial gain or loss on long-term employee benefits	-	(347)	-	(152)
	-	(347)	-	(152)

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 (loss) before tax	(2,010,131)	148,476	(2,327,417)	125,987
Applicable tax rate	12% - 20%	12% - 20%	20%	20%
Accounting profit (loss) before tax multiplied by applicable tax rate	(342,790)	30,222	(465,483)	25,197
Tax effect of intercompany transactions	1,778	(15,827)	-	-
Effects of:				
Non-deductible expenses	261,964	3,148	377,751	1,910
Additional expense deductions allowed	(2,819)	(3,005)	(2,812)	(2,996)
Tax exempted income	-	(55)	-	(30)
Loss on change in shareholders' equity of associate	-	7,000	-	-
Share of loss from investment in associate	9,478	6,868	-	-
Share of (gain) loss from investment in joint venture	(393)	23	-	-
Unused tax losses which may net utilise	105,081	29,432	91,815	-
Total	373,311	43,411	466,754	(1,116)
Income tax expenses reported in the statement of income	32,299	57,806	1,271	24,081

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

	(Unit: Thousand Baht)			
	Statement of financial position			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Deferred tax assets				
Allowance for diminution in value of inventories	476	476	476	476
Provision for liabilities under construction projects	3,230	3,349	594	2,411
Provision for long-term employee benefits	11,291	9,849	9,569	8,552
Unutilised tax loss	-	228	-	-
Total	14,997	13,902	10,639	11,439
Deferred tax liabilities				
Asset under finance lease agreements	1,997	1,507	2,094	1,623
Total	1,997	1,507	2,094	1,623

Corporate income tax of overseas subsidiaries company is calculated at the rate 12% on taxable profit in excess of 30,000 Omani Rial.

As at 31 December 2018, the Company and its subsidiaries has deductible temporary differences totaling Baht 2,142 million (the Company only: Baht 2,137 million) (2017: Baht 235 million, the Company only: Nil), on which deferred tax assets have not been recognised as the Company believes that it may not utilise the temporary differences in the future.

As at 31 December 2018, the Company and its subsidiaries have unused tax losses totaling Baht 467 million, USD 9 million and Omani Rial 1 million (the Company only: Baht 459 million) (2017: USD 4 million and Omani Rial 2 million, the Company only: Nil) will expire by 2023.

30. 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, after adjusting the number of ordinary shares in proportion to the change in the number of shares as a result of the distribution of the stock dividend in accordance with the resolutions of the Annual General Meeting of the Company's shareholders held on 27 April 2018, as discussed in Note 26. The number of ordinary shares of the prior period used for the calculation, as presented for comparative purposes, has been adjusted in proportion to the change in the number of shares, as if the shares comprising such changes had been issued at the beginning of the earliest period reported.

The following table sets forth the computation of basic earnings per share:

	For the periods ended 31 December			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
		(Restated)		(Restated)
Profit (loss) for the year (Thousand Baht)	(2,040,573)	92,792	(2,328,688)	101,906
Weighted average number of ordinary shares (Thousand shares)	6,163,166	6,163,166	6,163,166	6,163,166
Earnings per share (Baht per share)	(0.331)	0.015	(0.378)	0.017

31. Dividends / stock dividends

Dividends / stock dividends	Approved by	Total dividends	Dividend per share
		(Thousand Baht)	(Baht)
Dividend from operations of 2017	Annual General Meeting of the shareholders on 27 April 2018	11,740	0.0020000
Stock dividend from operations of 2017	Annual General Meeting of the shareholders on 27 April 2018	36,684	0.0062500
Total dividend and stock dividend paid in 2018		48,424	0.0082500
Dividend from operations of 2016	Annual General Meeting of the shareholders on 28 April 2017	20,545	0.0040000
Stock dividend from operations of 2016	Annual General Meeting of the shareholders on 28 April 2017	91,713	0.0178571
Total dividend and stock dividend paid in 2017		112,258	0.0218571

32. Contracts in progress

As at 31 December 2018, the aggregate amount of construction cost incurred and recognised profits or losses to date for contracts in progress of the Company and its subsidiaries was approximately Baht 12,416 million (the Company only: Baht 8,716 million) (2017: Baht 10,179 million, the Company only: Baht 7,405 million), gross amounts due from customers for contracts in progress were approximately Baht 1,071 million (the Company only: Baht 643 million) (2017: Baht 911 million, the Company only: Baht 406 million), and gross amounts due to customers for contracts in progress were approximately Baht 300 million (the Company only: Baht 25 million) (2017: Baht 371 million, the Company only: Baht 82 million).

33. Provident fund

The Company, the subsidiary and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Company, the subsidiary and their employees contributed to the fund monthly at the rate of 3% - 7% of basic salary. The fund, which is managed by TISCO Asset Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. The contributions for the year 2018 amounting to approximately Baht 8 million (Separate financial statements: Baht 7 million) (2017: Baht 7 million, Separate financial statements: Baht 6 million) were recognised as expenses.

34. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

For management purposes, the Company and its subsidiaries are organized into business units based on its products and services and have four reportable segments as follows:

- Pipeline system construction segment
- Engineering system installation and factory construction for energy and petrochemical business segment
- Civil work construction segment
- Sales and other services

No operating segments have been aggregated to form the above reportable operating segments.

The chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss and total assets and on a basis consistent with that used to measure operating profit or loss and total assets in the financial statements.

The basis of accounting for any transactions between reportable segments is consistent with that for third party transactions.

The following tables present revenue and profit information regarding the Company's and its subsidiaries' operating segments for the year ended 31 December 2018 and 2017, respectively.

(Unit: Thousand Baht)

For the year ended 31 December 2018

	Pipeline system	Engineering system	Civil work	Sales and other services	Total Segments	Adjustments and eliminations	Consolidated
Revenues from external customers	1,007,816	420,157	812,256	5,725	2,245,954	-	2,245,954
Revenues from subsidiary	-	-	-	370	370	(370)	-
Revenues from associate	-	-	16,420	-	16,420	-	16,420
Depreciation	(68,686)	(29,179)	(10,775)	(3,404)	(112,044)	1,491	(110,553)
Administrative expense	(164,768)	(70,155)	(37,115)	(5,448)	(277,486)	3,372	(274,114)
Segment profit (loss)	82,554	(86,700)	(411,417)	(6,102)	(421,665)	14,521	(407,144)
Other income							41,312
Interest revenue							837
Interest expense							(21,289)
Bad debt and doubtful debt							(365,689)
Loss from impairment on investment in associate							(1,212,731)
Share of loss from investment in associate							(47,389)
Share of profit from investments in joint ventures							1,963
Loss before income tax expense							(2,010,130)
Income tax expense							(32,299)
Loss for the year							(2,042,429)

(Unit: Thousand Baht)

For the year ended 31 December 2017

	Pipeline system	Engineering system	Civil work	Sales and other services	Total Segments	Adjustments and eliminations	Consolidated
Revenues from external customers	1,073,285	345,446	651,831	-	2,070,562	-	2,070,562
Revenues from subsidiary	-	-	-	2,080	2,080	(2,080)	-
Revenues from associate	-	-	298,171	-	298,171	-	298,171
Revenues from joint venture	1,400	-	-	-	1,400	-	1,400
Depreciation	(67,378)	(7,454)	(30,814)	(8)	(105,654)	1,461	(104,193)
Administrative expense	(187,815)	(23,000)	(90,628)	(1,072)	(302,515)	21	(302,494)
Segment profit (loss)	90,281	35,969	27,663	(911)	153,002	15,503	168,505
Other income							64,354
Interest revenue							1,340
Reversal of allowance for doubtful debt							127
Interest expense							(16,396)
Loss on change in shareholders' equity of associate							(34,992)
Share of loss from investment in associate							(34,337)
Share of loss from investments in joint ventures							(116)
Profit before income tax expense							148,485
Income tax expense							(57,806)
Profit for the year							90,679

Geographic information

The Company and its subsidiaries operated in Thailand only. As a result, all the revenues and assets as reflected in these financial statements pertain exclusively to this geographical reportable segment.

Major customers

For the year 2018, the Company and its subsidiaries have revenue from two major customers in amount of Baht 863 million and Baht 256 million, respectively arising from pipeline system segment and engineering system segment (2017: Baht 841 million and Baht 568 million, two major customers from pipeline system segment and civil work segments).

35. Commitments and contingent liabilities

35.1 Purchase construction materials and subcontracted work commitments

As at 31 December 2018, the Company and the subsidiary have outstanding commitments of Baht 2,683 million and USD 1 million, respectively in respect of purchase construction materials and subcontracted work (the Company only: Baht 167 million and USD 1 million, respectively) (2017: Baht 1,196 million, Euro 40 million and USD 3 million, the Company only: Baht 233 million, Euro 40 million and USD 3 million, respectively).

35.2 Operating lease commitments

The Company and its subsidiary have entered into lease agreements in respect of the lease of land, machines, motor vehicles and equipment. The terms of the agreements are generally between 1 and 5 years.

Future minimum lease payments required under these non-cancellable operating leases contracts were as follows.

(Unit: Million Baht)

	As at 31 December			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Payable:				
In up to 1 year	19	19	17	17
In over 1 and up to 5 years	10	24	9	21

35.3 Service agreement commitments

The Company and its subsidiary have entered into service agreements in respect of the consultant and security. The terms of the agreements are generally between 1 and 2 years.

Future minimum lease payments required under these non-cancellable operating leases contracts were as follows.

(Unit: Million Baht)

	As at 31 December			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Payable:				
In up to 1 year	1	1	1	1

35.4 Bank guarantees

The bank guarantees issued by banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the normal course of business were as follows.

	As at 31 December			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Guarantee of construction contract	Baht 1,746 million	Baht 1,518 million	Baht 583 million	Baht 1,101 million
and bidding	EUR 1 million	EUR 2 million	-	EUR 1 million
Guarantee of advance payment bond	Baht 734 million	Baht 1,007 million	Baht 142 million	Baht 442 million
and retention	-	USD 1 million	-	USD 1 million
	-	EUR 3 million	-	EUR 1 million
	-	SGD 2 million	-	SGD 2 million
Guarantee of others	Baht 7 million	Baht 24 million	Baht 6 million	Baht 24 million
Total	Baht 2,487 million	Baht 2,549 million	Baht 731 million	Baht 1,567 million
	-	USD 1 million	-	USD 1 million
	EUR 1 million	EUR 5 million	-	EUR 2 million
	-	SGD 2 million	-	SGD 2 million

As at 31 December 2018, the Company and its subsidiary have outstanding obligation by Baht 2 million (the Company only: Baht 2 million) (2017: Baht 2 million the Company only: Baht 2 million) in respect of bank guarantee provided to the related party.

35.5 Guarantees

- (a) As at 31 December 2018, the Company has commitments from guarantee of credit facilities of the subsidiary amounting to Baht 800 million (2017: Baht 700 million) and guarantee of liabilities under finance lease agreements of the subsidiary amounting to Baht 23 million (2017: Baht 23 million).
- (b) As at 31 December 2018, the Company and its subsidiary have commitment from cross guarantee of credit facilities of the Company and its subsidiary amounting to Baht 3,268 million (2017: Baht 2,818 million).

36. Litigations

- 36.1 On 6 December 2011, a government agency sent a letter to a bank asking to hold the bank guarantee of Baht 20 million that the Company deposited as the mortgage since the said agency claimed that the Company failed to perform according to the contract.

On 29 December 2011, the Company filed the abovementioned agency and its parties to the Central Administrative Court for the sentence of releasing the captioned bank guarantee with the compensation charge totally Baht 27.5 million plus the interest rate of 7.5 % per annum including any related fee from the next day of filing date until completion of payment since the Company considered that such a claim was not caused by the Company's fault on the contrary, the Company could not perform according to the contract due to the law of restricted areas.

On 20 May 2015, the Central Administrative Court had rendered judgement and ordered the government agency to return the Company's Baht 20 million bank guarantee dated 31 August 2007 to the Company under the condition that both the Company and government agency jointly shared the responsibility to pay the total of Baht 10 million plus the interest rate of 7.5 % per annum from the next day of filing date (29 December 2011) until completion of payment or within 60 days starting from the date of final judgement whereas all remaining parts to be dismissed.

On 19 June 2015, the government agency made an appeal to the Central Administrative Court and later on 16 October 2015, the Company made an appeal clarification to the court and for ease of reference as of 31 December 2018 and 2017, the Company has already recorded the contingent liabilities of Baht 20 million maybe arisen in the financial statements.

36.2 On 24 May 2011, a private company (litigant) filed the case to the Commercial Court against the subsidiary claiming that the subsidiary defaulted the contract with recover damage of Baht 17.5 million plus the interest rate of 7.5 % per annum starting from the filing date until completion of payment.

On 21 September 2011, the subsidiary submitted the clarification statement to the Commercial Court by refusing the accusation of the litigant and requested the court for dismissal and also to order the litigant to pay the completed work charge of Baht 10.9 million, according to the contract, to the subsidiary.

On 21 July 2014, the Commercial Court made a sentence to have the subsidiary to pay to the litigant the penalty charge of Baht 11.0 million plus the interest rate of 7.5% per annum starting from the filing date until the completion of payment and cost of execution of Baht 0.1 million for the litigant.

However, the fact for litigation, the subsidiary then submitted an appeal for the Civil Court's judgement to the court.

On 8 July 2015, the subsidiary submitted a request to place the mortgage as per the Civil Court's judgement to waive the judgement execution and the court later ordered on 21 July 2015 that the subsidiary had placed the mortgage as per the report dated 8 July 2015 consisting of a deposit account book and confirmation letter of deposited amount of Baht 15.4 million at Kasikorn Bank Plc. and the certificate of utilisation of land (Nor Sor 3) located at Nongkradorn Sub-district, Muang Nakhonsawan District, Nakhonsawan Province, totally 7 plots of 102 rai, 9 ngan and 289 square wah with the certificate of land appraisal issued by Nakhonsawan Land Office dated 3 July 2015, totally Baht 3.1 million. The court therefore restrained the judgement execution temporarily until the Appeal Court shall issue an order for the request to suspend the execution of the sentence.

On 20 October 2015, the Appeal Court sentenced to vacate judgement of the Civil Court to dispose of the case in order for both plaintiff and defendant to settle their dispute through institutional arbitration and the executing officer later issued the withdrawal order of sequestration on 28 October 2015.

On 12 November 2015, the court ordered to return the mortgage and pay the appeal fee of Baht 0.2 million including the related fee of Baht 0.3 million to the subsidiary.

On 19 November 2015, the litigant submitted a petition whereas on 28 January 2016, the subsidiary also submitted a petition to the Supreme Court, respectively. On 13 September 2016, the Supreme Court rendered judgement to dismiss the lawsuit since the Commercial Court had no authority to consider and also advised the plaintiff to proceed the dispute through institutional arbitration.

On 16 January 2017, the litigant, had submitted the requirement to the arbitral institution for claiming that the subsidiary to compensate the breach of contract with recover damage of Baht 24.4 million.

On 7 April 2017, the subsidiary filed an objection against the requirement of the litigant and later on 20 April 2017, the institutional arbitration accepted the subsidiary's objection and proceeds to submit the objection to the litigant.

On 21 March 2018, the arbitral institution ordered the subsidiary and the Party to define the dispute and scheduled the date of taking evidence to be during June to November 2018.

On 24 December 2018, the subsidiary submitted the closing statement to arbitration within the due date and currently remains under the final decision.

Since the mentioned case is not yet finalised. The subsidiary believed that the subsidiary's the fact and the matter of law can defend against the Party. The management of the subsidiary believes this case will be dismissed and that there will be no significant impact to the subsidiary's financial position. Therefore, the subsidiary has not yet recognised provision for contingent liabilities in the financial statements.

- 36.3 On 4 December 2007, the subsidiary filed a suit to the Central Administrative Court against a government agency (litigant) in order for payment of a penalty charge of Baht 13.4 million for termination of construction contract by deducting the advance payment of Baht 7.7 million as per the contract and the total of penalty charge to be paid Baht 6.1 million plus the interest rate of 7.5% per annum starting from the filing date until the completion of payment. However, the litigant submitted its pleading to the court on 20 August 2008 claiming that the amount of the penalty charge was overrated and the third resolution of the Compensation Committee was made on 16 July 2008 to order the government agency to pay the compensation of Baht 0.8 million to the subsidiary whereas ordered the subsidiary to return the amount of Baht 6.8 million to the government agency, respectively.

After that, several amendments to the petition and pleadings of both parties were made.

On 20 April 2010, the litigant submitted its latest amended pleadings to the Central Administrative Court about the fee of the advance payment bank guarantee of Baht 0.1 million and the litigant asked the court for dismissal and order the subsidiary to return the litigant the advance amount of Baht 7.7 million in order to proceed as per the construction contract.

The subsidiary submitted its latest amended pleadings to the court on 24 January 2012 requesting the court to render judgement ordering the litigant to bring the compensation amount of Baht 19.4 million to be deducted by the amount of Baht 7.7 million advanced to the subsidiary to proceed as per the construction contract as well as paying the penalty charge of Baht 12.5 million to the subsidiary plus the interest rate of 7.5% per annum starting from the filing date until the completion of payment.

The litigant submitted its refusal pleadings and asked the court for dismissal and returning of the aforementioned advance payment amount as well.

On 31 July 2012, the court rendered judgement ordering the subsidiary to receive Baht 3.3 million and also return Baht 4.4 million to the litigant. The subsidiary then submitted its appeal for the judgement to the Supreme Administrative Court on 29 August 2012.

Since this case remains under the consideration, the subsidiary has not yet been recorded in financial statements.

- 36.4 On 24 April 2008, a private company and its partner (litigant) filed suit to the Administrative Court of First Instance against the Company and its partner on violation against the contract and sued for damages of Baht 6 million plus the interest rate of 7.5% per annum starting from the filing date until completion of payment.

On 29 May 2012, the court rendered judgement of dismissal but later on 20 June 2013, the litigant appealed to the Supreme Administrative Court and on 9 August 2013, the Company submitted an amendment of appeal requesting for the dismissal.

Since this case remains under the consideration of the Supreme Administrative Court and since the Company's management has confidence that the Company will not gain any significant loss (if any) from this litigation, any provision of liabilities then have not yet been recorded in financial statements.

- 36.5 On 14 September 2015, the plaintiff (the litigant) filed a lawsuit against a government agency and 8 co-defendants to the Administrative Court for compensation of damages from loss of income of Baht 87.5 million. The Company is sued as the fifth defendant

on 11 March 2016 and then on 28 October 2016, submitted an objection against the plaintiff's request to waive the court fee.

On 12 January 2017, the Company has just submitted the statement of defence to the court and the court ordered the Company to submit the additional statement within 30 days.

During 7 February 2017 to 31 March 2017 the Company had requested to extend the submission of the additional clarification to the Administration Court and later on 4 April 2017, the Administrative Court had ordered to the Company to submit the additional clarification within 12 May 2017. On 12 June 2017, the Company submitted the additional statement to the Administration Court.

On 9 January 2019, the Administrative Court ordered the date of 31 January 2019 is the last day of investigation.

Since this case has been remained under Consideration of the Administrative Court, the Company's management has confidence that the Company will not gain any significant loss (if any) from this litigation, any provision of liabilities then have not yet been recorded in the financial statements.

- 36.6 On 6 December 2017, the co-contractor of the Company's construction project had filed a lawsuit to the arbitrator requesting the Company to return the collateral held at the amount of SGD 1.6 million or equivalent to Baht 39.4 million with interest rate of 7.5% per annum starting from the filing date until completion of payment. On 21 June 2018, the arbitral Institution had announced the appointment of the chairman of arbitration. On 17 July 2018, the Company and the Party were present before the arbitrator for determination of the dispute and the date of taking evidence.

On 22 November 2018, the witness examination was completely made by the arbitration and both parties.

On 23 January 2019, both parties submitted their closing statements within the due date for final decision of the arbitration.

Since the mentioned case is not yet finalised. The Company believed that the Company's the fact and the matter of law can defend against the Party. Therefore, the Company has not yet recognised provision for contingent liabilities in the financial statements.

- 36.7 On 5 February 2018, the supplier for the Company's construction project had filed a lawsuit to the Commercial Court requesting for material payment of outstanding amount of Baht 23.5 million with interest rate of 7.5% per annum starting from filing date until completion of payment. On 16 May 2018, the Company submitted the

testimony to the Court and the mediation was conducted on 28 August 2018 but could not come to an agreement. On 1 October 2018, the Court ordered the Company and the Party to determine the dispute and scheduled the date of taking evidence from both parties in March 2019.

Since the case remains under the process of answering preparation with all related supporting documents to be submitted to the court for a dispute testimony and the captioned outstanding amount has been already recorded in the financial statements, the additional reserve for this liability was then not required to be provided.

36.8 On 16 October 2017, the Nakhon Ratchasima Administrative Court accepted a case between a litigant and the government agencies, requesting the Court to issue an order as relating to the following;

- 1) Requesting that the government agencies revoke the permission to use the water from a reservoir that had been granted to the associate
- 2) Requesting the revocation of the Environmental Impact Assessment Report for the associate's potash and rock salt mining, and
- 3) Requesting the revocation the report on changes in project details and the associate's environmental impact prevention and amelioration measures, the environmental impact prevention and amelioration measure, environmental impact inspection measure.

On 15 January 2018 the Nakhon Ratchasima Administrative Court issued a summons to the associate and the associate submitted a plea statement to the Court, and on 19 October 2018 the litigant filed an objection against the plea statement with the Nakhon Ratchasima Administrative Court. On 2 November 2018 the Nakhon Ratchasima Administrative Court ordered the associate to lodge an additional plea statement. On 28 November 2018, the associate had submitted additional plea statement to the Court request extension the term for additional plea statement by 30 days from the original due date.

On 27 December 2018, the associate had submitted the additional statement to the Nakhon Ratchasima Administrative Court. At present, the case is under consideration of the Court. If the Court considers the evidence documents are insufficient, the Court may order the plaintiff or the defendant to provide additional documents otherwise the court shall issue the appointment warrant to identify the disputes and determine the judgement date.

The management of the associate, by the internal legal counselor comment, realised that the associate has proceeded in full compliance with the principles, procedures and conditions stipulated by the law and therefore believes that the case will have any material impact to the business of the associate.

36.9 On 28 June 2018, the Nakhon Ratchasima Administrative Court had ordered to accept the complaint between a litigant and government agencies, requesting the Court to issue an orders to revoke the environmental impact assessment report for the Cogeneration Power Plant for the associate's Potash and rock salt project.

On 11 October 2018, the associate had submitted the claim to be the disputant in order to declare the fact to the Court regarding the litigation between the litigant and the government agencies. The Court had opined on 1 November 2018 that the associate claim is not complete then the Court had ordered the associate to rectify the claim. The associate had already been submitted the revised claim to the Court on 28 November 2018. At present, the case is under consideration of the Court.

The management of the associate, by the internal legal counselor comment, realised that the associate has proceeded in full compliance with the principles, procedures and conditions stipulated by the law and therefore believes that the case will have any material impact to the business of the associate.

37. Fair value hierarchy

As at 31 December 2018 and 2017, the Company and its subsidiaries had the assets and liabilities that were measured at fair value using different levels of inputs as follows:

(Unit: Million Baht)

	Consolidated Financial Statements							
	As at 31 December 2018				As at 31 December 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets measured at fair value								
Investment in mutual fund	-	-	-	-	-	135.9	-	135.9
Liabilities for which fair value are disclosed								
Debentures	-	180.3	-	180.3	-	299.7	-	299.7
Derivatives								
Foreign currency forward contracts	-	-	-	-	-	(0.7)	-	(0.7)

(Unit: Million Baht)

	Separate Financial Statements							
	As at 31 December 2018				As at 31 December 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities for which fair value are disclosed								
Debentures	-	180.3	-	180.3	-	299.7	-	299.7
Derivatives								
Foreign currency forward contracts	-	-	-	-	-	(0.7)	-	(0.7)

38. Financial instruments

38.1 Financial risk management

The Company's 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, accounts receivable/payable - retention, loans to/from, restricted deposits at banks, trade and other payables, liabilities under finance lease agreements, and debentures. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade and other receivables, and loans to. 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. The maximum exposure to credit risk is limited to the carrying amounts of trade accounts receivables, other receivable and loans to as stated in the statement of financial position.

Interest rate risk

The Company and its subsidiaries exposure to interest rate risk relates primarily to its deposits at banks, loans to/from, liabilities under finance lease agreements and debentures. 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.

As at 31 December 2018 and 2017, Significant financial assets and liabilities classified by type of interest rates 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- interest		Effective
	within		interest	bearing	Total	interest rate
	1 year	1 - 5 years	rate			(% per annum)
<u>Financial Assets</u>						
Cash and cash equivalents	-	-	80	2	82	0.10 - 1.30
Trade and other receivables	-	-	-	715	715	-
Accounts receivable - retention under construction contracts	-	-	-	103	103	-
Restricted deposits at banks	1	-	15	-	16	0.45 - 1.30
	1	-	95	820	916	
<u>Financial liabilities</u>						
Bank overdrafts and short-term loans from banks	582	-	-	-	582	3.00 - 6.87
Trade and other payables	-	-	-	744	744	-
Accounts payable – retention under construction contracts	-	-	-	45	45	-
Liabilities under finance lease agreements	4	2	-	-	6	5.02 - 5.03
Debentures	179	-	-	-	179	4.80
	765	2	-	789	1,556	

(Unit: Million Baht)

Consolidated financial statements						
As at 31 December 2017						
	Fixed interest rates		Floating	Non- interest		Effective
	within		interest	bearing	Total	interest rate
	1 year	1 - 5 years	rate			(% per annum)
<u>Financial Assets</u>						
Cash and cash equivalents	-	-	19	317	336	0.13 - 0.63
Trade and other receivables	-	-	-	826	826	-
Accounts receivable - retention under construction contracts	-	-	-	100	100	-
Restricted deposits at banks	1	-	15	-	16	0.40 - 1.30
	1	-	34	1,243	1,278	
<u>Financial liabilities</u>						
Bank overdrafts and short-term loans from banks	70	-	-	-	70	4.35
Trade and other payables	-	-	-	451	451	-
Accounts payable – retention under construction contracts	-	-	-	49	49	-
Short-term loans	30	-	-	-	30	3.85
Liabilities under finance lease agreements	11	6	-	-	17	4.50 - 5.03
Debentures	300	-	-	-	300	4.40 - 4.50
	411	6	-	500	917	

(Unit: Million Baht)

Separate financial statements						
As at 31 December 2018						
	Fixed interest rates		Floating	Non- interest	Total	Effective
	within	1 - 5 years	interest	bearing		interest rate
	1 year		rate			(% per annum)
<u>Financial Assets</u>						
Cash and cash equivalents	-	-	6	1	7	0.10 - 1.25
Trade and other receivables	-	-	-	484	484	-
Accounts receivable - retention under construction contracts	-	-	-	49	49	-
	-	-	6	534	540	
<u>Financial liabilities</u>						
Bank overdrafts and short-term loans from banks	480	-	-	-	480	3.00 - 4.60
Trade and other payables	-	-	-	497	497	-
Accounts payable - retention under construction contracts	-	-	-	10	10	-
Short-term loans from related parties	510	-	-	-	510	2.50 - 4.50
Debentures	179	-	-	-	179	4.80
	1,169	-	-	507	1,676	

(Unit: Million Baht)

Separate financial statements						
As at 31 December 2017						
	Fixed interest rates		Floating	Non- interest		Effective
	within		interest	bearing	Total	interest rate
	1 year	1 - 5 years	rate			(% per annum)
<u>Financial Assets</u>						
Cash and cash equivalents	-	-	10	1	11	0.25 - 0.63
Trade and other receivables	-	-	-	853	853	-
Accounts receivable - retention under construction contracts	-	-	-	53	53	-
Loans to related parties	3	1,306	-	-	1,309	3.50 - 7.00
	3	1,306	10	907	2,226	
<u>Financial liabilities</u>						
Bank overdrafts and short-term loans from banks	70	-	-	-	70	4.35
Trade and other payables	-	-	-	220	220	-
Accounts payable - retention under construction contracts	-	-	-	12	12	-
Short-term loans	30	-	-	-	30	3.85
Short-term loans from related parties	98	-	-	-	98	2.50
Liabilities under finance lease agreements	7	-	-	-	7	4.50 - 5.03
Debentures	300	-	-	-	300	4.40 - 4.50
	505	-	-	232	737	

Foreign currency risk

The Company and its subsidiary's exposure to foreign currency risk arises mainly from buying and services transactions and borrowings that are denominated in foreign currencies. In certain circumstances, the Company and its subsidiaries enter into forward exchange contracts when it considers appropriate.

As at 31 December 2018 and 2017, the material balances of financial assets and liabilities denominated in foreign currencies are summarised below.

Consolidated financial statements						
Foreign currency	Financial assets		Financial liabilities		Average exchange rate	
	as at 31 December		as at 31 December		as at 31 December	
	2018	2017	2018	2017	2018	2017
	(Thousand)	(Thousand)	(Thousand)	(Thousand)	(Baht per 1 foreign currency unit)	
US dollar	610	1,260	504	112	32.4498	32.6809
Euro	2	4,824	126	123	37.1252	39.0273

Separate financial statements						
Foreign currency	Financial assets		Financial liabilities		Average exchange rate	
	as at 31 December		as at 31 December		as at 31 December	
	2018	2017	2018	2017	2018	2017
	(Thousand)	(Thousand)	(Thousand)	(Thousand)	(Baht per 1 foreign currency unit)	
US dollar	638	1,277	504	112	32.4498	32.6809
Euro	1	2	90	90	37.1252	39.0273
Omani Rial	-	26	-	-	84.2852	84.8855

As at 31 December 2018 and 2017, foreign exchange contracts outstanding are summarised below.

Consolidated / separate financial statements						
Foreign currency	Bought amount		Contractual exchange rate		Contractual maturity date	
	as at 31 December		as at 31 December		as at 31 December	
	2018	2017	2018	2017	2018	2017
	(Million)	(Million)	(Baht per 1 foreign currency unit)			
Euro	-	3.5	-	38.63 - 39.43	-	January 2018 - June 2018

38.2 Fair values of financial instruments

The methods and assumptions used by the Company in estimating the fair value of financial instruments are as follows:

- a) For financial assets and liabilities which have short-term maturity, including cash and cash equivalents, trade and other receivables, accounts receivable/payable - retention, loans to/from, trade and other payables, liabilities under finance lease agreements, their carrying amounts in the statement of financial position approximate their fair value.
- b) For fixed rate debenture, their fair value is estimated by discounting expected future cash flow by the current market interest rate of the debenture with similar terms and conditions.
- c) For derivatives, their fair value has been determined by using a discounted future cash flow model and a valuation model technique. Most of the inputs used for the valuation are observable in the relevant market, such as spot rates of foreign currencies, yield curves of the respective currencies.

During the current year, there were no transfers within the fair value hierarchy.

The fair values of the Company and its subsidiaries' financial instruments are estimated to approximately the amounts presented in the statements of financial position, except for the following:

	(Unit: Million Baht)			
	As at 31 December 2018		As at 31 December 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Debentures	179.7	180.3	300.0	299.7

The estimated fair value of the derivatives is as follows:

(Unit: Million)

	Fair value as at 31 December			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
	Gain (loss)	Gain (loss)	Gain (loss)	Gain (loss)
Derivatives				
Foreign currency forward contracts	-	0.7	-	0.7

39. Capital management

The primary objective of the Company's capital management is to ensure that it has an appropriate capital structure to support its business and maximise shareholder value. As at 31 December 2018, the Group's debt-to-equity ratio was 3.35:1 (2017: 0.67:1) and the Company's was 3.88:1 (2017: 0.41:1).

40. Event after the reporting period

On 15 January 2019, the meeting No.1/2019 of the Company's Board of Directors passed its resolution to issue the corporate guarantee to the subsidiary for project finance loan facilities obtained from the bank at the amount of Baht 1,383 million.

41. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 25 February 2019.