

**Union Textile Industries Public Company Limited**  
**Notes to financial statements**  
**For the year ended 31 December 2018**

**1. General information**

Union Textile Industries Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its parent company is Saha-Union Public Company Limited, which was incorporated in Thailand. The Company is principally engaged in the manufacture and distribution of textiles. The Company’s registered addresses are as follows:

Head office: 1828 Sukhumvit Road, South Phraканong Sub District, Phraканong District, Bangkok

Branch: 205 Moo 4, Sukhumvit Road (Km. 39.5), Tambol Bangpoo Mai, Amphur Muang Samutprakarn, Samutprakarn

**2. Basis of preparation**

- 2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions 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 The separate financial statements present investments in associated companies under the cost method.

### **3. New financial reporting standards**

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

During the year, the Company has 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's 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 believes 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.

#### **IFRS 15 Revenue from Contracts with Customers**

IFRS 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 believes that this standard will not have any significant impact on the financial statements when it is initially applied.

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

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

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

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

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

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

## **4. Significant accounting policies**

### **4.1 Revenue recognition**

#### *Sales of goods*

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

#### *Dividends*

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

#### *Rental income*

Rental income is recognised on an accrual basis based on the contract period.

### **4.2 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.

### **4.3 Trade accounts receivable**

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

### **4.4 Inventories**

Finished goods and work in process are valued at the lower of cost (under the weighted average method) and net realisable value. The cost of inventories is measured using the standard cost method, which approximates actual cost and includes all production costs and attributable factory overheads.

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

#### **4.5 Investments**

- a) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in other comprehensive income, and will be recorded in profit or loss when the securities are sold.

The fair value of marketable securities is based on the latest bid price of the last working day of the year. The weighted average method is used for computation of the cost of investments.

- b) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for impairment loss (if any).
- c) Investments in associated companies are accounted for in the financial statements in which the equity method is applied using the equity method less allowance for loss on impairment (if any).
- d) Investments in associated companies are accounted for in the separate financial statements using the cost method less allowance for loss on impairment (if any).

#### **4.6 Investment properties**

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

Depreciation of investment properties which is a plant for use in investment is calculated by reference to their costs on the straight-line basis over estimated useful lives of 20 years. Depreciation of the investment properties is included in determining income.

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

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

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

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

Buildings and building improvement	20 years
Machinery and equipment	5, 10, 20 years
Furniture, fixtures and office equipment	3, 5, 10 years
Motor vehicles	5, 10 years

Depreciation is included in determining income.

No depreciation is provided on land, assets under installation and under construction.

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 from disposal of an asset is included in profit or loss when the asset is derecognised.

#### **4.8 Related party transactions**

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

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

#### **4.9 Long-term leases**

Leases of 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.

#### **4.10 Foreign currencies**

The financial statements, in which the equity method is applied, and the separate financial statement of the Company are presented in Baht, which is also the Company's functional currency.

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, with the exception of those covered by forward exchange contracts, which are translated at the contracted rates.

Gains and losses on exchange are included in determining income.

#### **4.11 Impairment of assets**

At the end of each reporting period, the Company performs 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. 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 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.

#### **4.12 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***

###### *Defined contribution plans*

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

###### *Defined benefit plans*

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law and resignation fund plans. The Company treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined based on actuarial techniques, using the projected unit credit method.

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

Defined benefits liability (asset) is the present value of the defined benefit obligation less the fair value of plan assets.

Plan assets are assets held by a long-term employee benefit fund. They are not available to the Company's creditors and cannot be returned to the Company. The Company measures the fair value of plan assets by using market price and; in case that plan assets are debt instruments in active market the Company measures them by using quoted price.

#### **4.13 Provisions**

Provisions are recognised when the Company has 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.

#### **4.14 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 recognises 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 reviews and reduces 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 records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

#### **4.15 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 applies a quoted market price in an active market to measure its 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 measures fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

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

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company determines 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:

##### **Allowance for doubtful accounts**

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

### **Allowance of diminution in value of inventories**

In determining an allowance of diminution in value of inventories, the management makes judgement and estimates net realisable value of inventories. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period. Also, the management makes judgement and estimates expected loss from stock obsolescence based upon aging profile of inventories and the prevailing economic condition.

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

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

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

### **Deferred tax assets**

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

### **Post-employment benefits under defined benefit plans**

The obligation under the defined benefit plans are 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 had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

	(Unit: Million Baht)		
	<u>2018</u>	<u>2017</u>	<u>Pricing policy</u>
<b><u>Transactions with parent company</u></b>			
Purchases of raw materials	371	391	Cost plus margin of parent company
<b><u>Transactions with related companies</u></b>			
Sales of goods	3	6	Cost plus margin
Purchases of goods and raw materials	2	1	Cost plus margin of related companies
Rental income	21	22	Contract price
Other income	1	2	Contract price

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

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
<b><u>Trade and other receivables - related parties (Note 8)</u></b>		
Related companies (Has common shareholders)	614	807
Related company (Held by the Company)	100	141
Others	7	11
Total trade and other receivables - related parties	<u>721</u>	<u>959</u>
<b><u>Trade and other payables - related parties (Note 15)</u></b>		
Parent company	53,339	20,587
Associated company	629	629
Related companies (Has common shareholders)	83	132
Others	-	6
Total trade and other payables - related parties	<u>54,051</u>	<u>21,354</u>

### Directors and management's benefits

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

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
Short-term employee benefits	11,786	10,573
Post-employment benefits	151	70
Total	<u>11,937</u>	<u>10,643</u>

### **7. Cash and cash equivalents**

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
Cash	34	29
Bank deposits	40,726	50,491
Short-term bonds	79,921	29,968
Total	<u>120,681</u>	<u>80,488</u>

As at 31 December 2018, bank deposits in saving accounts and short-term bonds carried interests between 0.38 to 1.40 percent per annum (2017: 0.38 to 1.04 percent per annum).

### **8. Trade and other receivables**

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
<u>Trade receivables - related parties</u>		
Age of receivables		
Not yet due	305	482
Total trade receivables - related parties	<u>305</u>	<u>482</u>
<u>Trade receivables - unrelated parties</u>		
Age of receivables		
Not yet due	165,605	166,219
Past due up to 3 months	11,552	2,080
Past due 3 - 6 months	200	-
Total trade receivables - unrelated parties	<u>177,357</u>	<u>168,299</u>
Total trade receivables - net	<u>177,662</u>	<u>168,781</u>
<u>Other receivables</u>		
Other receivables - related parties	416	477
Other receivables - unrelated parties	7,702	5,272
Total	<u>8,118</u>	<u>5,749</u>
Total trade and other receivables	<u>185,780</u>	<u>174,530</u>

## 9. Inventories

(Unit: Thousand Baht)

	Cost		Reduce cost to net realisable value		Inventories-net	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	Finished goods	31,536	34,923	(1,127)	(595)	30,409
Work in process	29,590	26,245	-	-	29,590	26,245
Raw materials and chemicals	117,209	105,384	-	-	117,209	105,384
Spare parts and factory supplies	373	948	(263)	(263)	110	685
<b>Total</b>	<u>178,708</u>	<u>167,500</u>	<u>(1,390)</u>	<u>(858)</u>	<u>177,318</u>	<u>166,642</u>

## 10. Investments in associated companies

### 10.1 Details of associated companies

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Shareholding		Financial statements in which the equity method is applied		Separate financial statements	
			<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
			%	%				
Unifibre Co., Ltd.	Investment, Agency and service business, Distribution of textile products and other materials	Thailand	20.83	20.83	253,482	232,434	25,000	25,000
Ten Cate-Union Protective Fabrics Asia Ltd. ("TCUA")	Production of work wear and safety wear fabric	Thailand	49.35	49.35	16,950	16,950	190,000	190,000
Total investments in associated companies					270,432	249,384	215,000	215,000
Less: Allowance for impairment loss on investment in TCUA					(16,950)	(16,950)	(190,000)	(190,000)
Total investments in associated companies - net					<u>253,482</u>	<u>232,434</u>	<u>25,000</u>	<u>25,000</u>

The joint venture agreement between the Company and Ten Cate Advanced Textiles BV, a company incorporated in the Netherlands, for the establishment of TCUA contains certain conditions and restrictions, including a restriction on the transfer of shares of TCUA unless prior consent has been obtained in writing from the other party.

The agreement also describes material events in case of which either shareholder may request TCUA's board of directors to call a shareholders' meeting to decide whether to dissolve and liquidate TCUA. Such material events are as follows:

- 1) The return on equity (ROE) of TCUA is less than 5 percent for any 3 consecutive years, commencing from 2009, or
- 2) TCUA has accumulated losses in excess of 50 percent of its registered capital.

As at 31 December 2012, the return on equity of TCUA had been less than 5 percent for 4 consecutive years, commencing from 1 January 2009, and TCUA has accumulated losses in excess of 50 percent of its registered capital. In view of above-mentioned contractual requirement, there is uncertainty as to whether TCUA will be able to continue as a going concern especially when it had lost one major customer in the fourth quarter of 2012. For prudent reasons, the Company has set aside full allowance for impairment of its investment in TCUA.

Subsequently on 11 March 2013, TCUA held an Extraordinary General Shareholders Meeting and this meeting resolved to dissolve TCUA's business operations. TCUA filed for deregistration with the Ministry of Commerce on 22 March 2013. At the present, TCUA is in the process of liquidation.

## 10.2 Share of comprehensive income and dividend received

During the years, the Company has recognised its share of comprehensive income from investments in associated companies in the financial statements in which the equity method is applied as follows:

Company's name	(Unit: Thousand Baht)			
	Financial statements in which the equity method is applied			
	Share of profit from investments in associated companies during the year		Share of other comprehensive income from investments in associated companies during the year	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Unifibre Co., Ltd.	84,228	10,549	(63,179)	10,940
Total	<u>84,228</u>	<u>10,549</u>	<u>(63,179)</u>	<u>10,940</u>

The Company ceased recognising its share of profit/loss from Ten Cate-Union Protective Fabrics Asia Ltd. ("TCUA") because the Company has set aside full allowance for impairment of its investment in TCUA, as discussed in Note 10.1 to financial statements.

The Company had no dividend received from associated companies in years 2018 and 2017.

### 10.3 Summarised financial information about material associate

#### Summarised information about financial position

(Unit: Million Baht)

Unifibre Co., Ltd.		
	<u>2018</u>	<u>2017</u>
Current assets	227	14
Non-current assets	1,148	1,180
Current liabilities	156	2
Non-current liabilities	3	76
Net assets	1,216	1,116
Shareholding percentage (%)	20.83	20.83
Share of net assets	<u>253</u>	<u>232</u>
Carrying amounts of associate based on equity method	<u>253</u>	<u>232</u>

#### Summarised information about comprehensive income

(Unit: Million Baht)

Unifibre Co., Ltd.		
For the year ended 31 December		
	<u>2018</u>	<u>2017</u>
Revenue	528	56
Profit	404	51
Total comprehensive income	101	103

### 11. Other long-term investments

	Shareholding percentage		Investment value	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	%	%	Thousand Baht	Thousand Baht
<b><u>Investment in available-for-sale securities</u></b>				
Saha-Union Plc.	0.33	0.33	16,191	16,191
Add: Unrealised gain from change in value of investment			<u>29,309</u>	<u>27,309</u>
Investment in available-for-sale securities, net			<u>45,500</u>	<u>43,500</u>
<b><u>Investment in other companies</u></b>				
Union Business Management Co., Ltd.	19.00	19.00	94,999	94,999
Union Micronclean Co., Ltd.	13.00	13.00	<u>650</u>	<u>650</u>
Total Investments in other companies			<u>95,649</u>	<u>95,649</u>
Total other long-term investments - net			<u>141,149</u>	<u>139,149</u>

During the current year, the Company received dividends Baht 1 million from Union Micronclean Co., Ltd and Baht 2 million from Saha-Union Plc. (2017: Baht 2 million from Saha-Union Plc.).

## 12. Investment properties

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

	(Unit: Thousand Baht)		
	Land awaiting sales / Leased land	Plants for use in investment	Total
31 December 2018			
Cost	46,852	179,430	226,282
<u>Less</u> Accumulated depreciation	-	(173,240)	(173,240)
Net book value	<u>46,852</u>	<u>6,190</u>	<u>53,042</u>
31 December 2017			
Cost	46,852	179,430	226,282
<u>Less</u> Accumulated depreciation	-	(170,962)	(170,962)
Net book value	<u>46,852</u>	<u>8,468</u>	<u>55,320</u>

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

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
Net book value at beginning of year	55,320	57,599
Depreciation charged	<u>(2,278)</u>	<u>(2,279)</u>
Net book value at end of year	<u>53,042</u>	<u>55,320</u>

As at 31 December 2018, the fair value of the above investment properties has been determined based on valuation performed by an accredited independent valuer. The fair value of the land has been determined based on market prices Baht 670 million, while that of the plant for rent has been determined using the income approach Baht 9 million. Key assumptions used in the valuation include yield rate, long-term vacancy rate and rental rates.

### 13. Property, plant and equipment

(Unit: Thousand Baht)

	Land	Buildings and building improvement	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction	Total
<b>Cost</b>							
As at 1 January 2017	29,873	195,101	1,519,919	21,581	15,648	321	1,782,443
Additions	-	-	1,907	347	-	1,339	3,593
Disposals / write-off	-	-	(38,153)	(2,120)	-	-	(40,273)
Transfer between classes of accounts	-	-	1,070	400	-	(1,470)	-
As at 31 December 2017	29,873	195,101	1,484,743	20,208	15,648	190	1,745,763
Additions	-	-	2,028	602	650	14,536	17,816
Disposals / write-off	-	-	(11,468)	(65)	(16)	-	(11,549)
Transfer between classes of accounts	-	2,760	11,966	-	-	(14,726)	-
As at 31 December 2018	29,873	197,861	1,487,269	20,745	16,282	-	1,752,030

### 13. Property, plant and equipment (continued)

(Unit: Thousand Baht)

	Land	Buildings and building improvement	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction	Total
<b>Accumulated depreciation</b>							
As at 1 January 2017	-	179,276	1,399,011	20,311	14,500	-	1,613,098
Depreciation for the year	-	5,170	25,341	672	269	-	31,452
Depreciation on disposals / write-off	-	-	(38,153)	(2,104)	-	-	(40,257)
As at 31 December 2017	-	184,446	1,386,199	18,879	14,769	-	1,604,293
Depreciation for the year	-	2,963	22,039	581	299	-	25,882
Depreciation on disposals / write-off	-	-	(11,468)	(65)	(16)	-	(11,549)
As at 31 December 2018	-	187,409	1,396,770	19,395	15,052	-	1,618,626
<b>Net book value</b>							
31 December 2017	29,873	10,655	98,544	1,329	879	190	141,470
31 December 2018	29,873	10,452	90,499	1,350	1,230	-	133,404
<b>Depreciation for the year</b>							
2017 (Baht 26 million included in manufacturing cost, and the balance in administrative expenses)							31,452
2018 (Baht 22 million included in manufacturing cost, and the balance in administrative expenses)							25,882

As at 31 December 2018, the Company has net book value of machinery and equipment for rental Baht 4 million (2017: 7 million).

As at 31 December 2018, certain plant and 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 1,401 million (2017: Baht 1,389 million).

#### 14. Other non-current assets

The balances of other non-current assets above include account receivables of Ten Cate-Union Protective Fabrics Asia Ltd. ("TCUA") amounting to Baht 39 million. There is uncertainty about the recoverable amount of this receivable because TCUA has filed for deregistration with the Ministry of Commerce and is in the process of liquidation. At the present, it still not finalised the net asset value. For prudent reasons, the Company has therefore set aside full allowance for doubtful debts for this receivable.

#### 15. Trade and other payables

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
Trade accounts payable - related parties	53,685	20,989
Trade accounts payable - unrelated parties	16,428	14,979
Other payable - related parties	366	365
Accrued expenses	<u>17,199</u>	<u>18,529</u>
Total trade and other payables	<u><u>87,678</u></u>	<u><u>54,862</u></u>

#### 16. Provision for long-term employee benefits

Provision for long-term employee benefits as at 31 December 2018 and 2017, which is compensations on employees' retirement, was as follows:

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
Present value of defined benefit obligation	65,615	71,524
Fair value of plan assets	<u>(29,200)</u>	<u>(30,001)</u>
Net defined benefit liability	<u><u>36,415</u></u>	<u><u>41,523</u></u>

Changes in present value of defined benefit obligation and fair value of plan assets are as follows:

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
<b>Defined benefit obligation at beginning of year</b>	71,524	73,873
Included in profit or loss:		
Current service cost	3,199	3,922
Interest cost	1,285	1,781
Included in other comprehensive income:		
Actuarial gain (loss) arising from		
Demographic assumptions changes	(182)	-
Financial assumptions changes	2,323	-
Experience adjustments	(6,217)	-
Benefits paid during the year	(6,317)	(8,052)
<b>Defined benefit obligation at end of year</b>	<u>65,615</u>	<u>71,524</u>
<b>Fair value of plan assets at beginning of year</b>	30,001	30,932
Included in profit or loss:		
Change in fair value	843	871
Contribution by the Company	2,230	2,392
Paid during the year	(3,874)	(4,194)
<b>Fair value of plan assets at end of year</b>	<u>29,200</u>	<u>30,001</u>

Plan assets comprise bank deposits, government bonds, and equity and debt instruments in active market.

Long-term employee benefit expenses included in the profit or loss was as follows:

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
Current service cost	3,199	3,922
Interest cost	1,285	1,781
Change in fair value of plan assets	(843)	(871)
<b>Total expense recognised in profit or loss</b>	<u>3,641</u>	<u>4,832</u>

The Company expects to pay Baht 7.0 million of long-term employee benefits during the next year (2017: Baht 8.8 million).

As at 31 December 2018, the weighted average duration of the liabilities for long-term employee benefit is 11 years (2017: 12 years).

Principal actuarial assumptions at the valuation date were as follows:

	<u>2018</u> (% per annum)	<u>2017</u> (% per annum)
Discount rate	2.6	2.8
Future salary increase rate (depending on age of employee)	3.5 - 5.5	3.5 - 6.5
Turnover rate	0.0 - 40.0	0.0 - 30.0

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: Thousand Baht)			
	<u>Increase 1%</u>		<u>Decrease 1%</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Discount rate	(3,503)	(3,214)	3,874	3,563
Future salary increase rate	3,782	4,790	(3,491)	(4,371)
Turnover rate	(759)	(1,540)	834	1,668

On 13 December 2018, The National Legislative Assembly passed a resolution approving the draft of a new Labour Protection Act, which is in the process being published in the Royal Gazette. The new Labour Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive compensation at a rate of not less than that of the last 400 days. This change is considered a post-employment benefits plan amendment and the Company has additional liabilities for long-term employee benefits of approximately Baht 12 million. The Company 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.

## 17. Preference shares

According to the Company's Articles of Association, the preference shareholders are entitled to receive a dividend equal to 14 percent of the paid up value of the shares each year, before the ordinary shareholders. In years in which the Company is unable to pay any dividend due, the unpaid dividend may be accumulated for up to 7 years. In addition, if ordinary shareholders receive a dividend in excess of 14 percent of the par value of the shares in any year, the preference shareholders are entitled to receive a dividend at the same rate. Upon dissolution of the Company, the preference shareholders are entitled to return of capital before the common shareholders. Other than the aforementioned rights, ordinary and preference shareholders have the same rights.

The cumulative unpaid dividend to the preference shares as of 31 December 2018 totalled Baht 147 million (2017: Baht 144 million).

## 18. Statutory reserve

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

However, the Company's regulations require the Company to set aside to a statutory reserve at least 10 percent of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 25 percent of the registered capital.

As at 31 December 2018, the statutory reserve was Baht 150 million (equivalent to 25 percent of its registered share capital) had reached the minimum amount as stipulated in the Company's regulations.

## 19. Expenses by nature

Significant expenses by nature are as follows:

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
Salary and wages and other employee benefits	139,461	142,750
Depreciation	28,160	33,731
Utilities expenses	119,946	115,659
Raw materials and consumables used	469,294	454,134
Changes in inventories of finished goods and work in process	574	(7,176)

## 20. Income tax

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

	(Unit: Thousand Baht)	
	For the years end 31 December	
	<u>2018</u>	<u>2017</u>
<b>Current income tax:</b>		
Current income tax charge	-	-
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	1,278	242
<b>Income tax expenses reported in the income statement</b>	<u>1,278</u>	<u>242</u>

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

	(Unit: Thousand Baht)	
	For the years end 31 December	
	<u>2018</u>	<u>2017</u>
Deferred tax on		
Gain on change in value of available-for-sale		
investments	400	950
Actuarial gain	815	-
	<u>1,215</u>	<u>950</u>

Reconciliation between accounting profit and income tax expense is shown below.

	(Unit: Thousand Baht)			
	Financial statements in		Separate	
	which the equity method		financial statement	
	is applied			
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Accounting profit before tax	104,925	43,151	20,698	32,601
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by				
applicable tax rate	20,985	8,630	4,140	6,520
Effects of:				
Non-deductible expenses	122	43	122	43
Tax-exempt dividend income	(634)	(400)	(634)	(400)
Share of profit from investment in associate				
company	(16,485)	(2,110)	-	-
Unrecognised deferred tax on deductible				
temporary differences and				
unused tax losses	(2,350)	(5,921)	(2,350)	(5,921)
Total	<u>(19,707)</u>	<u>(8,388)</u>	<u>(2,862)</u>	<u>(6,278)</u>
Income tax expenses reported in the income				
statements	<u>1,278</u>	<u>242</u>	<u>1,278</u>	<u>242</u>

The components of deferred tax assets are as follows:

(Unit: Thousand Baht)

	Statements of financial position	
	As at	As at
	<u>31 December 2018</u>	<u>31 December 2017</u>
<b>Deferred tax assets</b>		
Provision for long-term employee benefits	7,283	8,304
Unused tax losses	2,379	3,065
<b>Deferred tax liabilities</b>		
Unrealised gain from revaluation of investments	(5,862)	(5,462)
Others	(961)	(575)
<b>Total</b>	<u><u>2,839</u></u>	<u><u>5,332</u></u>

As at 31 December 2018, the Company has deductible temporary differences and unused tax losses totaling Baht 269 million (2017: Baht 442 million), on which deferred tax assets have not been recognised as the Company believes future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses.

The unused tax losses amounting to Baht 42 million will expire by 2019.

## 21. Basic earnings per share

Basic earnings share is calculated by dividing profit for the year (excluding other comprehensive income), after deducting the dividend payable to the preference shareholders, by the weighted average number of ordinary shares in issue during the year.

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

	Financial statements in which the equity method is applied					
	Profit		Weighted average number of ordinary shares		Basic earnings per share	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Profit	103,648	42,909				
Less: Dividend of preference shares	(21,000)	(21,000)				
<b>Profit attributable to ordinary shares</b>	<u><u>82,648</u></u>	<u><u>21,909</u></u>	45,000	45,000	<u><u>1.84</u></u>	<u><u>0.49</u></u>

	Separate financial statements					
	Profit		Weighted average number of ordinary shares		Basic earnings per share	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Profit	19,420	32,359				
Less: Dividend of preference shares	<u>(21,000)</u>	<u>(21,000)</u>				
<b>Profit (loss) attributable to ordinary shares</b>	<u>(1,580)</u>	<u>11,359</u>	45,000	45,000	<u>(0.04)</u>	<u>0.25</u>

## 22. 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.

The Company is principally engaged in the manufacture and distribution of textiles. Its operations are carried on only in Thailand. Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment and geographical area.

### Geographic information

Revenue from external customers is based on locations of the customers.

	(Unit: Million Baht)	
	<u>2018</u>	<u>2017</u>
Revenue from external customers		
United Kingdom	191	202
Italy	352	355
Others	218	199
Total	<u>761</u>	<u>756</u>

### Major customers

For the year 2018, the Company has revenue from two major customers in totaling amount of Bah 543 million (2017: Baht 557 million).

## **23. Provident fund**

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contribute to the fund monthly at the rate of 3 percent of basic salary. The fund, which is managed by BBL Asset Management Co., Ltd., will be paid to employees upon termination in accordance with the fund rules. The contributions for the year 2018 amounting to approximately Baht 2 million (2017: Baht 2 million) were recognised as expenses.

## **24. Commitment and contingent liabilities**

### **24.1 Capital commitment**

As at 31 December 2018, the Company had capital commitments of Baht 0.3 million, relating to purchase the electrical equipment.

As at 31 December 2017, the Company had capital commitments of Baht 0.2 million, in relation to monitoring system of ground level and ground water quality.

### **24.2 Operating lease commitment**

The Company has entered into a lease agreement in respect of the lease of car rental and other agreement. The terms of the agreement are generally within 1 year. The operating lease agreement is non-cancellable.

As at 31 December 2018, future minimum lease payments required under this non-cancellable operating lease contract were payable within 1 year amounting to Baht 1 million (2017: Baht 1 million).

### **24.3 Guarantees**

As at 31 December 2018, the Company pledge BOT bond of Baht 11 million with Metropolitan Electricity Authority to guarantee the usage of electricity (2017: 11 million).

As at 31 December 2018, the Company had bank guarantees issued by a bank on behalf of the Company as a security for the purchases and sales of natural gas of Baht 1.6 million (2017: Baht 1.6 million).

## 25. Fair value hierarchy

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

(Unit: Million Baht)

	As at 31 December 2018			
	Level 1	Level 2	Level 3	Total
<b>Asset measured at fair value</b>				
Available-for-sale securities	46	-	-	46
<b>Assets for which fair value are disclosed</b>				
Investment properties	-	670	9	679

(Unit: Million Baht)

	As at 31 December 2017			
	Level 1	Level 2	Level 3	Total
<b>Asset measured at fair value</b>				
Available-for-sale securities	44	-	-	44
<b>Assets for which fair value are disclosed</b>				
Investment properties	-	670	18	688

## 26. Financial instruments

### 26.1 Financial risk management

The Company's 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, investments, and trade and other payables. The financial risks associated with these financial instruments and how they are managed is described below.

#### ***Credit risk***

The Company is exposed to credit risk primarily with respect to trade accounts receivable and other receivables. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. The maximum exposure to credit risk is limited to the carrying amounts of trade accounts receivable and other receivables, as stated in the statement of financial position.

#### ***Interest rate risk***

The Company's exposure to interest rate risk relates primarily to its cash at banks and investment in BOT bonds. However, since most of the Company's financial assets bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk of the Company is expected to be minimal.

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 reprising date if this occurs before the maturity date.

(Unit: Million Baht)

Financial statements in which the equity method is applied  
as at 31 December 2018

	Fixed interest rate within 1 year	Floating interest rate	Non-interest bearing	Total	Effective interest rate (% p.a.)
<b>Financial assets</b>					
Cash and cash equivalents	80	41	-	121	0.38 - 1.40
Trade and other receivables	-	-	186	186	-
Restricted bond	11	-	-	11	1.58
Investments in associated companies	-	-	253	253	-
Other long-term investments	-	-	141	141	-
<b>Financial liabilities</b>					
Trade and other payables	-	-	88	88	-

(Unit: Million Baht)

Financial statements in which the equity method is applied  
as at 31 December 2017

	Fixed interest rate within 1 year	Floating interest rate	Non-interest bearing	Total	Effective interest rate (% p.a.)
<b>Financial assets</b>					
Cash and cash equivalents	30	51	-	81	0.38 - 1.04
Trade and other receivables	-	-	175	175	-
Restricted bond	11	-	-	11	1.58
Investments in associated companies	-	-	232	232	-
Other long-term investments	-	-	139	139	-
<b>Financial liabilities</b>					
Trade and other payables	-	-	55	55	-

(Unit: Million Baht)

Separate financial statements

as at 31 December 2018

	Fixed interest rate within 1 year	Floating interest rate	Non-interest bearing	Total	Effective interest rate (% p.a.)
<b>Financial assets</b>					
Cash and cash equivalents	80	41	-	121	0.38 – 1.40
Trade and other receivables	-	-	186	186	-
Restricted bond	11	-	-	11	1.58
Investments in associated companies	-	-	25	25	-
Other long-term investments	-	-	141	141	-
<b>Financial liabilities</b>					
Trade and other payables	-	-	88	88	-

(Unit: Million Baht)

Separate financial statements

as at 31 December 2017

	Fixed interest rate within 1 year	Floating interest rate	Non-interest bearing	Total	Effective interest rate (% p.a.)
<b>Financial assets</b>					
Cash and cash equivalents	30	51	-	81	0.38 - 1.04
Trade and other receivables	-	-	175	175	-
Restricted bond	11	-	-	11	1.58
Investments in associated companies	-	-	25	25	-
Other long-term investments	-	-	139	139	-
<b>Financial liabilities</b>					
Trade and other payables	-	-	55	55	-

### **Foreign currency risk**

The Company's exposure to foreign currency risk arises mainly from trading transactions that are denominated in foreign currencies. The Company seeks to reduce this risk by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.

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

Foreign currency	Financial assets		Average exchange rate	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	2.59	2.02	32.1924	32.4342
Euro	2.03	2.32	36.6577	38.5567

Foreign exchange contracts outstanding are summarised below.

#### As at 31 December 2018

Foreign currency	Sold amount	Weighted average	Contractual
		contractual exchange	
		rate to sell	
	(Million)	(Baht per 1 foreign	
		currency unit)	
US dollar	3.70	31.81 - 32.98	02/07/19 - 24/12/19
Euro	2.25	37.45 - 39.55	17/01/19 - 27/12/19

#### As at 31 December 2017

Foreign currency	Sold amount	Weighted average	Contractual
		contractual exchange	
		rate to sell	
	(Million)	(Baht per 1 foreign	
		currency unit)	
US dollar	2.30	32.27 - 34.17	05/03/18 - 25/12/18
Euro	2.50	38.80 - 39.95	16/02/18 - 28/12/18

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

Since the majority of the Company's financial instruments are short-term in nature or carrying interest at rates close to the market interest rates, their fair value is not expected to be materially different from the amounts presented in the statement of financial position.

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

## **27. Capital management**

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2018, debt to equity ratio in the financial statements, in which the equity method is applied, was 0.13:1 (2017: 0.11:1) and debt to equity ratio in the separate financial statements was 0.17:1 (2017: 0.14:1).

## **28. Approval of financial statements**

These financial statements were authorised for issue by the Company's board of directors on 19 February 2019.