

**Siam Pan Group Public Company Limited
and its Subsidiaries**

Financial statements for the year ended
31 December 2019
and
Independent Auditor's Report

Independent Auditor's Report

To the Shareholders of Siam Pan Group Public Company Limited

Opinion

I have audited the consolidated and separate financial statements of Siam Pan Group Public Company Limited and its subsidiaries (the "Group") and of Siam Pan Group Public Company Limited (the "Company"), respectively, which comprise the consolidated and separate statements of financial position as at 31 December 2019, the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group and the Company, respectively, as at 31 December 2019 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of my report. I am independent of the Group and the Company in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that is relevant to my audit of the consolidated and separate financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. ๙

Key Audit Matter

Key audit matter is that matter that, in my professional judgment, was of most significance in my audit of the consolidated and separate financial statements of the current period. This matter was addressed in the context of my audit of the consolidated and separate financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on this matter.

Valuation of inventories	
Refer to Note 9 to the consolidated and separate financial statements.	
The key audit matter	How the matter was addressed in the audit
There is a risk of valuation of the Group and the Company's inventories due to high competition for the selling prices of the lubricating oil and grease in the market. Accordingly, it is difficult to adjust the selling prices while the price of main raw materials of the Group and the Company are fluctuated as a result of market price and there was an impact from excise tax rate adjustment. As it involves management's judgment and assumptions about future sale in the ordinary course of business for valuation of inventories and inventories are significant. I considered this a Key Audit Matter.	<p>My audit procedures included:</p> <ul style="list-style-type: none">• Assessing the net realisable value of inventories by understanding processes and controls underlying of the Group and the Company's valuation of inventories, the pricing policy and selling price list preparation.• Performing test the design and implementation of the controls and sampling tests of net realisable value with selling price in subsequent after the reporting period, selling price list and external price including sampling test of estimated expenses necessary to make the sale.• Considering the disclosures in accordance with Thai Financial Reporting Standards.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and separate financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

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

In connection with my audit of the consolidated and separate financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the correction be made.

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Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated and separate 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 and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management'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 and the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate 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 and the Company to cease to continue as a going concern. ❧

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 consolidated and separate financial statements of the current period and are therefore the key audit matter. I describe this matter 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.

Thitima P.

(Thitima Pongchaiyong)
 Certified Public Accountant
 Registration No. 10728

KPMG Phoomchai Audit Ltd.
 Bangkok
 17 February 2020

Siam Pan Group Public Company Limited and its Subsidiaries

Statement of financial position

Assets	Note	Consolidated		Separate	
		financial statements		financial statements	
		31 December		31 December	
		2019	2018	2019	2018
<i>(in Baht)</i>					
Current assets					
Cash and cash equivalents	5	884,611,983	1,056,508,588	338,503,603	388,431,514
Current investments	6	1,822,920,027	1,160,245,481	750,725,095	624,255,836
Trade accounts and notes receivable	4, 7	51,306,735	98,397,303	11,744,635	13,893,020
Other receivables	4, 8	49,511,900	26,191,351	19,999,613	10,558,081
Inventories	9	996,996,146	1,358,933,458	81,548,362	130,119,062
Other current assets	10	15,175,962	15,741,833	1,620,559	1,518,679
Total current assets		3,820,522,753	3,716,018,014	1,204,141,867	1,168,776,192
Non-current assets					
Other long-term investments	6	10,484,701	-	410,183	-
Investments in subsidiaries	11	-	-	178,253,110	178,253,110
Investment property	12	3,311,418	3,311,418	3,311,418	3,311,418
Property, plant and equipment	13	1,636,565,248	1,703,830,217	1,330,908,027	1,355,582,370
Deferred tax assets	23	31,324,680	21,462,930	24,306,932	14,694,030
Other non-current assets		44,526	65,026	20,526	41,026
Total non-current assets		1,681,730,573	1,728,669,591	1,537,210,196	1,551,881,954
Total assets		5,502,253,326	5,444,687,605	2,741,352,063	2,720,658,146

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

Siam Pan Group Public Company Limited and its Subsidiaries

Statement of financial position

		Consolidated		Separate	
		financial statements		financial statements	
		31 December		31 December	
Liabilities and equity	Note	2019	2018	2019	2018
<i>(in Baht)</i>					
Current liabilities					
Trade accounts payable	4	111,112,091	162,293,769	108,291,105	126,814,445
Contract liabilities		49,457,604	11,347,011	37,078,801	4,478,398
Other payables	14	46,198,980	63,334,137	24,875,336	30,512,408
Current tax payable		42,879,746	45,332,287	27,314,594	20,291,334
Withholding tax payable		34,527,012	34,676,733	32,704,913	32,699,937
Total current liabilities		284,175,433	316,983,937	230,264,749	214,796,522
Non-current liabilities					
Deferred tax liabilities	23	2,337,795	4,347,888	-	-
Non-current provisions for employee benefits	15	90,546,092	65,333,448	65,907,649	48,524,312
Total non-current liabilities		92,883,887	69,681,336	65,907,649	48,524,312
Total liabilities		377,059,320	386,665,273	296,172,398	263,320,834

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

Siam Pan Group Public Company Limited and its Subsidiaries

Statement of financial position

Liabilities and equity	Note	Consolidated		Separate	
		financial statements		financial statements	
		31 December		31 December	
		2019	2018	2019	2018
(in Baht)					
Equity					
Share capital					
Authorised share capital					
(345,000,000 ordinary shares, par value at					
Baht 1 per share)					
		<u>345,000,000</u>	<u>345,000,000</u>	<u>345,000,000</u>	<u>345,000,000</u>
Issued and paid-up share capital					
(345,000,000 ordinary shares, par value at					
Baht 1 per share)					
		345,000,000	345,000,000	345,000,000	345,000,000
Share premium on ordinary shares	16	297,300,000	297,300,000	297,300,000	297,300,000
Retained earnings					
Appropriated					
Legal reserve					
	17	34,500,000	34,500,000	34,500,000	34,500,000
Unappropriated					
		<u>4,416,235,131</u>	<u>4,349,224,762</u>	<u>1,768,379,665</u>	<u>1,780,537,312</u>
Equity attributable to owners of the Company		5,093,035,131	5,026,024,762	2,445,179,665	2,457,337,312
Non-controlling interests		<u>32,158,875</u>	<u>31,997,570</u>	<u>-</u>	<u>-</u>
Total equity		<u>5,125,194,006</u>	<u>5,058,022,332</u>	<u>2,445,179,665</u>	<u>2,457,337,312</u>
Total liabilities and equity		<u>5,502,253,326</u>	<u>5,444,687,605</u>	<u>2,741,352,063</u>	<u>2,720,658,146</u>

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

Siam Pan Group Public Company Limited and its Subsidiaries

Statement of comprehensive income

		Consolidated		Separate	
		financial statements		financial statements	
		For the year ended		For the year ended	
		31 December		31 December	
	Note	2019	2018	2019	2018
		(in Baht)			
Revenue					
Revenue from sale	4, 18	2,977,460,839	3,248,715,171	1,724,275,117	1,873,271,772
Dividend income	4, 11	-	-	67,573,790	76,739,840
Investment income	19	33,216,171	21,837,124	13,613,467	9,733,141
Other income	4, 20	20,078,554	19,848,070	115,339,426	114,358,634
Total revenue		3,030,755,564	3,290,400,365	1,920,801,800	2,074,103,387
Expenses					
Cost of sales of goods	4, 22	2,150,913,022	2,346,385,353	1,271,281,424	1,376,925,313
Distribution costs	22	135,104,559	135,367,772	97,237,880	102,117,353
Administrative expenses	4, 22	359,266,742	334,571,128	282,538,799	271,614,481
Total expenses		2,645,284,323	2,816,324,253	1,651,058,103	1,750,657,147
Profit before income tax expense		385,471,241	474,076,112	269,743,697	323,446,240
Tax expense	23	(78,779,756)	(94,724,157)	(41,511,682)	(50,522,777)
Profit for the year		306,691,485	379,351,955	228,232,015	272,923,463
Other comprehensive income (loss)					
Items that will not be reclassified					
to profit or loss					
Gains (losses) on remeasurements of defined benefit plan	15	2,507,999	(4,968,978)	1,387,922	(3,158,930)
Tax (expense) income relating to items that will not be reclassified	23	(501,600)	993,796	(277,584)	631,786
Other comprehensive income (loss) for the year, net of tax		2,006,399	(3,975,182)	1,110,338	(2,527,144)
Total comprehensive income for the year		308,697,884	375,376,773	229,342,353	270,396,319

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

Siam Pan Group Public Company Limited and its Subsidiaries

Statement of comprehensive income

		Consolidated financial statements		Separate financial statements	
		For the year ended 31 December		For the year ended 31 December	
	Note	2019	2018	2019	2018
		(in Baht)			
Profit attributable to:					
Owners of the Company		306,518,834	379,131,467	228,232,015	272,923,463
Non-controlling interests		172,651	220,488	-	-
Profit for the year		306,691,485	379,351,955	228,232,015	272,923,463
Total comprehensive income attributable to:					
Owners of the Company		308,510,369	375,177,654	229,342,353	270,396,319
Non-controlling interests		187,515	199,119	-	-
Total comprehensive income for the year		308,697,884	375,376,773	229,342,353	270,396,319
Basic earnings per share	24	0.89	1.10	0.66	0.79

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

Siam Pan Group Public Company Limited and its Subsidiaries
Statement of changes in equity

Consolidated financial statements								
Note	Issued and paid-up share capital	Share premium on ordinary shares	Retained earnings		Equity attributable to owners of the Company		Non-controlling interests	Total equity
			Legal reserve	Unappropriated				
			(in Baht)					
Year ended 31 December 2018								
	345,000,000	297,300,000	34,500,000	4,129,199,566	4,805,999,566	32,556,153	4,838,555,719	
Balance at 1 January 2018								
Transactions with owners, recorded directly in equity								
Distributions to owners of the Company								
25	-	-	-	(155,250,000)	(155,250,000)	(260,160)	(155,510,160)	
	-	-	-	(155,250,000)	(155,250,000)	(260,160)	(155,510,160)	
Total distributions to owners of the Company								
Changes in ownership interests in subsidiaries								
Acquisition of non-controlling interests without a change in control								
11	-	-	-	97,542	97,542	(497,542)	(400,000)	
	-	-	-	97,542	97,542	(497,542)	(400,000)	
Total changes in ownership interests in subsidiaries								
Total transactions with owners, recorded directly in equity								
	-	-	-	(155,152,458)	(155,152,458)	(757,702)	(155,910,160)	
Comprehensive income (loss) for the year								
	-	-	-	379,131,467	379,131,467	220,488	379,351,955	
	-	-	-	(3,953,813)	(3,953,813)	(21,369)	(3,975,182)	
Total comprehensive income for the year								
	-	-	-	375,177,654	375,177,654	199,119	375,376,773	
Balance at 31 December 2018								
	345,000,000	297,300,000	34,500,000	4,349,224,762	5,026,024,762	31,997,570	5,058,022,332	

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

Siam Pan Group Public Company Limited and its Subsidiaries
Statement of changes in equity

	Consolidated financial statements					
	Note	Issued and paid-up share capital	Share premium on ordinary shares	Retained earnings		Total equity
				Legal reserve	Unappropriated (in Baht)	
Year ended 31 December 2019						
Balance at 1 January 2019		345,000,000	297,300,000	34,500,000	4,349,224,762	5,058,022,332
Transactions with owners, recorded directly in equity						
<i>Distributions to owners of the Company</i>						
Dividends to owners of the Company	25	-	-	-	(241,500,000)	(241,526,210)
Total distributions to owners of the Company		-	-	-	(241,500,000)	(241,526,210)
Comprehensive income for the year						
Profit		-	-	-	306,518,834	306,691,485
Other comprehensive income		-	-	-	1,991,535	2,006,399
Total comprehensive income for the year		-	-	-	308,510,369	308,697,884
Balance at 31 December 2019		345,000,000	297,300,000	34,500,000	4,416,235,131	5,125,194,006

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

Siam Pan Group Public Company Limited and its Subsidiaries
Statement of changes in equity

	Separate financial statements				
	Issued and paid-up share capital	Share premium on ordinary shares	Retained earnings		Total equity
			Legal reserve	Unappropriated	
			(in Baht)		
Year ended 31 December 2018					
Balance at 1 January 2018	345,000,000	297,300,000	34,500,000	1,665,390,993	2,342,190,993
Transactions with owners, recorded directly in equity					
<i>Distributions to owners of the Company</i>					
Dividends to owners of the Company	-	-	-	(155,250,000)	(155,250,000)
Total distributions to owners of the Company	-	-	-	(155,250,000)	(155,250,000)
25					
Comprehensive income (loss) for the year					
Profit	-	-	-	272,923,463	272,923,463
Other comprehensive income (loss)	-	-	-	(2,527,144)	(2,527,144)
Total comprehensive income for the year	-	-	-	270,396,319	270,396,319
Balance at 31 December 2018	345,000,000	297,300,000	34,500,000	1,780,537,312	2,457,337,312

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

Siam Pan Group Public Company Limited and its Subsidiaries
Statement of changes in equity

	Note	Separate financial statements				Total equity
		Issued and paid-up share capital	Share premium on ordinary shares	Retained earnings		
				Legal reserve	Unappropriated	
				(in Baht)		
Year ended 31 December 2019						
Balance at 1 January 2019		345,000,000	297,300,000	34,500,000	1,780,537,312	2,457,337,312
Transactions with owners, recorded directly in equity						
<i>Distributions to owners of the Company</i>						
Dividends to owners of the Company	25	-	-	-	(241,500,000)	(241,500,000)
Total distributions to owners of the Company		-	-	-	(241,500,000)	(241,500,000)
Comprehensive income for the year						
Profit		-	-	-	228,232,015	228,232,015
Other comprehensive income		-	-	-	1,110,338	1,110,338
Total comprehensive income for the year		-	-	-	229,342,353	229,342,353
Balance at 31 December 2019		345,000,000	297,300,000	34,500,000	1,768,379,665	2,445,179,665

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

Siam Pan Group Public Company Limited and its Subsidiaries

Statement of cash flows

		Consolidated		Separate	
		financial statements		financial statements	
		For the year ended		For the year ended	
		31 December		31 December	
	Note	2019	2018	2019	2018
		(in Baht)			
Cash flows from operating activities					
Profit for the year		306,691,485	379,351,955	228,232,015	272,923,463
Adjustments to reconcile profit to cash receipts (payments)					
Tax expense	23	78,779,756	94,724,157	41,511,682	50,522,777
Depreciation and lease land improvement amortisation	13	87,319,635	92,694,137	33,617,256	32,821,835
Impairment losses on assets		8,449,968	-	-	-
Provisions for employee benefits	15	27,720,643	11,152,880	18,771,259	5,726,362
Unrealised loss on exchange rate		1,904,205	1,216,961	-	-
Unrealised loss on forward exchange contracts		15,957	627,294	-	-
Loss on decline in value of inventories and other current assets (reversal)		2,341,535	810,777	130,941	(1,464)
Gain on disposal of equipment	20	(2,940,376)	(5,857,275)	(1,843,914)	(4,564,136)
Dividend income	11	-	-	(67,573,790)	(76,739,840)
Interest income	19	(23,844,592)	(13,331,520)	(11,239,445)	(5,951,974)
		486,438,216	561,389,366	241,606,004	274,737,023
Changes in operating assets and liabilities					
Trade accounts and notes receivable		46,912,081	2,961,207	2,148,385	1,479,288
Other receivables		(13,211,496)	13,032,185	(5,063,736)	5,263,261
Inventories		360,420,428	(45,586,089)	48,445,032	36,051,106
Other current assets		(258,780)	(938,624)	(107,153)	(29,528)
Other non-current assets		20,500	(31,026)	20,500	(31,026)
Trade accounts payable		(51,137,233)	23,111,033	(18,523,340)	371,342
Contract liabilities		38,110,593	(25,660,707)	32,600,403	(2,012,209)
Other payables		(16,969,943)	(1,747,283)	(5,637,072)	3,950,982
Withholding tax payable		(149,721)	1,172,648	4,976	1,040,349
Provisions for employee benefits paid	15	-	(1,926,069)	-	(368,700)
Net cash generated from operating		850,174,645	525,776,641	295,493,999	320,451,888
Taxes paid		(93,605,740)	(87,381,814)	(44,378,908)	(48,039,287)
Net cash from operating activities		756,568,905	438,394,827	251,115,091	272,412,601

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

Siam Pan Group Public Company Limited and its Subsidiaries

Statement of cash flows

	Note	Consolidated financial statements		Separate financial statements	
		For the year ended		For the year ended	
		31 December		31 December	
		2019	2018	2019	2018
<i>(in Baht)</i>					
<i>Cash flows from investing activities</i>					
Proceeds from sale of equipment		4,976,179	6,923,712	1,843,925	5,630,374
Acquisition of equipment		(30,717,546)	(30,679,357)	(8,942,924)	(16,995,804)
(Increase) decrease in current investments		(662,674,546)	589,709,513	(126,469,259)	104,013,277
Increase in other long-term investments		(10,484,701)	-	(410,183)	-
Dividend received	11	-	-	67,573,790	76,739,840
Interest received		13,735,539	11,867,682	6,861,649	5,413,698
Net cash (used in) from investing activities		(685,165,075)	577,821,550	(59,543,002)	174,801,385
<i>Cash flows from financing activities</i>					
Dividends paid to owners of the Company	25	(241,500,000)	(155,250,000)	(241,500,000)	(155,250,000)
Payment of change in ownership interest in subsidiaries without a change in control	11	-	(400,000)	-	(400,000)
Dividends paid to non-controlling interests		(26,210)	(260,160)	-	-
Net cash used in financing activities		(241,526,210)	(155,910,160)	(241,500,000)	(155,650,000)
Net (decrease) increase in cash and cash equivalents, before effect of exchange rate		(170,122,380)	860,306,217	(49,927,911)	291,563,986
Effect of exchange rate changes on cash and cash equivalents		(1,774,225)	(364,933)	-	-
Net (decrease) increase in cash and cash equivalents		(171,896,605)	859,941,284	(49,927,911)	291,563,986
Cash and cash equivalents at 1 January		1,056,508,588	196,567,304	388,431,514	96,867,528
Cash and cash equivalents at 31 December	5	884,611,983	1,056,508,588	338,503,603	388,431,514
<i>Non-cash transaction</i>					
Payables for acquisition of equipments		172,781	349,890	-	-

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

Siam Pan Group Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2019

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Siam Pan Group Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2019

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors on 17 February 2020.

1 General information

Siam Pan Group Public Company Limited, the “Company”, is incorporated in Thailand and was listed on the Stock Exchange of Thailand in March 1997. The Company’s registered office at 488 Nakhonsawan Road, Mahanak Junction, Dusit District, Bangkok. Its warehouses are located at 60 Moo 3 Soi Jai-Ua, Krungtep-Pathum Thani Road, Tambon Bangkayang, Amphoe Muang, Pathumthani and at 101 Moo 2 Samkhok-Sena Road, Tambon Klong Kwai, Amphoe Samkhok, Pathumthani.

The Company’s major shareholders during the financial year were Mr. Muk Rotrakarn (32.8% shareholding), who is a Thai national, the estate of Mr. Lerd Jittivanich (13.7% shareholding) and the estate of Mrs. Chalam Rotrakarn (12.5% shareholding).

The principal activities of the Company and its subsidiaries, the “Group”, are the manufacturing and distributing of lubricating oil, grease and batteries. Details of the Company’s subsidiaries as at 31 December 2019 and 2018 are given in note 11.

2 Basis of preparation of the financial statements

(a) Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standards (TFRS); guidelines promulgated by the Federation of Accounting Professions and applicable rules and regulations of the Thai Securities and Exchange Commission.

New and revised TFRS are effective for annual accounting periods beginning on or after 1 January 2019. The initial application of these new and revised TFRS has resulted in changes in certain of the Group’s accounting policies. There is no material impact on the Group’s financial statements. The Group has initial applied TFRS 15 *Revenue from Contracts with Customers* which replaces TAS 18 *Revenue* and related interpretations. The details of accounting policies are disclosed in note 3 (q).

In addition, the Group has not early adopted a number of new TFRS which are not yet effective for the current period in preparing these financial statements. The Group has assessed the potential initial impact on the financial statements of these new TFRS and expects that there will be no material impact on the financial statements in the period of initial application. Those new TFRS that are relevant to the Group’s operations are disclosed in note 29.

(b) Functional and presentation currency

The financial statements are prepared in Thai Baht, which is the Company’s functional currency.

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(c) Use of judgments and estimates

The preparation of financial statements in conformity with TFRS requires management to make judgments, estimates and assumptions that affect the application of the Group's accounting policies. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

(i) Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

3 (q) and 18 Revenue recognition:

- whether performance obligations in a bundled sale of products and services are capable of being distinct;
- whether revenue from sales of products is recognised over time or at a point in time;
- commission revenue: whether the Group acts as an agent in the transaction rather than as a principal;
- whether long-term advances received from customers have significant financing component

(ii) Assumptions and estimation uncertainties

Information about assumption and estimation uncertainties at 31 December 2019 that have a significant risk of resulting in a material adjustments to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

3 (m)	Revenue recognition: estimate of expected returns;
15	Measurement of defined benefit obligations: key actuarial assumptions

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Basis of consolidation

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the "Group").

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Non-controlling interests

At the acquisition date, the Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Siam Pan Group Public Company Limited and its Subsidiaries
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For the year ended 31 December 2019

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated.

(b) Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the functional currency at the exchange rates at the dates of the transactions.

Foreign currency differences are generally recognised in profit or loss.

(c) Derivatives

Derivatives are used to manage exposure to foreign exchange arising from operational activity. Derivatives are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, they are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

The fair value of forward exchange contracts is based on their listed market price at the reporting date.

(d) Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows comprise cash balances, call deposits and highly liquid short-term investments. Bank overdrafts that are repayable on demand are a component of financing activities for the purpose of the statement of cash flows.

(e) Trade and other accounts receivable

A receivable is recognised when the Group has an unconditional right to receive consideration. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

A receivable is stated at invoice value less allowance for doubtful accounts which is determined based on an analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

Siam Pan Group Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2019

(f) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost principle, and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost is calculated using standard cost adjusted to approximate average cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and to make the sale.

A right to recover returned products is recognised when the products are expected to be returned by customers and measured by reference to the former carrying amount of the sold inventories less any expected costs to recover those products

(g) Investments

Investments in subsidiaries

Investments in subsidiaries in the separate financial statements of the Company are accounted for using the cost method.

Investments in other debt and equity securities

Debt securities and marketable equity securities held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Debt securities that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are stated at amortised cost, less any impairment losses. The difference between the acquisition cost and redemption value of such debt securities is amortised using the effective interest rate method over the period to maturity.

Equity securities which are not marketable are stated at cost less any impairment losses.

The fair value of financial instruments classified as held-for-trading is determined as the quoted bid price at the reporting date.

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognised in profit or loss.

If the Group disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to carrying value of the total holding of the investment.

(h) Investment property

Investment property is property which is held to earn rental income, for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Siam Pan Group Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2019

Investment property is measured at cost less impairment losses (if any).

No depreciation is provided on freehold land or assets under construction.

(i) *Property, plant and equipment*

Recognition and measurement

Owned assets

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised in profit or loss.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. The estimated useful lives are as follows:

Lease land improvement	Lease term	
Buildings and other constructions	5 - 20	years
Machinery and equipment	5 - 20	years
Tools and equipment	5 - 10	years
Furniture, fixtures and office equipment	5 - 10	years
Vehicles	5	years

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

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Siam Pan Group Public Company Limited and its Subsidiaries
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(j) Impairment

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of a non-financial asset is the greater of the assets' value in use and fair value less costs to sell. In assessing 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. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversal of impairment

Impairment losses recognised in prior periods in respect of non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Interest-bearing liabilities

Interest-bearing liabilities are recognised initially at cost.

(l) Trade and other accounts payable

Trade and other accounts payable are stated at cost.

(m) Contract liabilities

A contract liability is the obligation to transfer goods or services to the customer. A contract liability is recognised when the Group receives or has an unconditional right to receive non-refundable consideration from the customer before the Group recognises the related revenue.

(n) Employee benefits

Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior years, discounting that amount.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Siam Pan Group Public Company Limited and its Subsidiaries
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Remeasurements of the net defined benefit liability, actuarial gain or loss are recognised immediately in OCI. The Group determines the interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the year as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Warranties

A provision for warranties is recognised when the underlying products are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(p) Measurement of fair values

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of TFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Group's Audit Committee.

Siam Pan Group Public Company Limited and its Subsidiaries
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For the year ended 31 December 2019

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are based on unobservable input.

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(q) Revenue

Accounting policies for revenue recognition in 2019

Revenue is recognised when a customer obtains control of the goods or services in an amount that reflects the consideration to which the Group expects to be entitled, excluding those amounts collected on behalf of third parties, value added tax or other sales taxes and is after deduction of any trade discounts and volume rebates.

Sale of goods

Revenue from sale of goods is recognised when a customer obtains control of the goods, generally on delivery of the goods to the customers. For contracts that permit the customers to return the goods, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for estimated returns, which are estimated based on the historical data.

Accounting policies for revenue recognition in 2018

Revenue excludes value added taxes and is arrived at after deduction of trade discounts and volume rebates.

Sale of goods

Revenue from sale of goods is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs or the probable return of goods.

(r) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income. Contingent rentals are recognised as income in the accounting period in which they are earned.

Siam Pan Group Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2019

(s) Investment income

Investment income comprises dividend and interest income from investments and bank deposits. Dividend income is recognised in profit or loss on the date the Group's right to receive payments is established. Interest income is recognised in profit or loss as it accrues.

(t) Finance costs

Interest expenses and similar costs are charged to profit or loss for the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial periods of time to be prepared for its intended use or sale.

(u) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

(v) Income tax

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted by the reporting date.

Siam Pan Group Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2019

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the year that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(w) *Earnings per share*

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding during the year.

(x) *Related parties*

A related party is a person or entity that has direct or indirect control or joint control, or has significant influence over the financial and managerial decision-making of the Group; a person or entity that are under common control or under the same significant influence as the Group; or the Group has direct or indirect control or joint control or has significant influence over the financial and managerial decision-making of a person or entity.

(y) *Segment reporting*

Segment results that are reported to the Group's Managing Director and Executive Director (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters) and tax assets and liabilities.

Siam Pan Group Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2019

4 Related parties

Relationships with subsidiaries are described in note 11. Other related parties that the Group had significant transactions with during the year were as follows:

Name of personnel/entity	Country of incorporation/ nationality	Nature of relationships
Mr. Muk Rotrakarn	Thailand	A major shareholder, 32.8% shareholding and the Chairman of the Company
Rojpaisan Ltd. Partnership	Thailand	Having some common directors

The pricing policies for transactions with related parties are explained further below:

Transactions	Pricing policies
Revenue from sale	Cost plus 5%
Purchase of goods	Cost plus 5%
Dividend income	Based on dividend declaration
Management service fee income	Contractual price
Marketing management service fee income	Contractual price
Land rental	Market price according to the location

Significant transactions for the years ended 31 December with related parties were as follows:

For the year ended 31 December	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
Subsidiaries				
Revenue from sale	-	-	3,549	4,900
Purchase of goods	-	-	1,215,026	1,332,978
Dividend income	-	-	67,574	76,740
Management service fee income	-	-	13,884	12,688
Marketing management service fee income	-	-	93,344	94,429
Other related parties				
Land rental - building and warehouse	2,832	2,832	-	-
Land rental - factory and warehouse	1,868	584	1,530	246
Key management personnel				
Key management personnel compensation				
Short-term employee benefit	162,616	162,327	149,882	150,146
Post-employment benefit	17,947	4,781	17,947	4,781
Total key management personnel compensation	<u>180,563</u>	<u>167,108</u>	<u>167,829</u>	<u>154,927</u>

Siam Pan Group Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2019

Balances as at 31 December with related parties were as follows:

Trade accounts receivable	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
Subsidiaries				
Premier Lubricant Co., Ltd.	-	-	713	694
Siam Lubricant Industry Co., Ltd.	-	-	972	680
Siam Battery Industry Co., Ltd.	-	-	188	275
Total	-	-	1,873	1,649
Other receivables	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
Subsidiary				
Premier Lubricant Co., Ltd.	-	-	10,858	6,013
Trade accounts payable	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
Subsidiaries				
Premier Lubricant Co., Ltd.	-	-	56,064	65,176
Siam Lubricant Industry Co., Ltd.	-	-	42,777	50,667
Siam Battery Industry Co., Ltd.	-	-	9,380	10,772
Total	-	-	108,221	126,615

Significant agreements with related parties

Lease agreement between the Company and major shareholder

On 1 December 2019, Siam Pan Group Public Company Limited. has entered into a land lease agreement with Mr. Muk Rotrakarn, the Company's chairman and major shareholder, for the use of the lessee with 1 year period, effective from 1 February 2020 to 31 January 2021. The Company is obligated to make monthly rental payment at Baht 236,000. When the lease term expires, lessor and lessee can extend this contract for another 1 year. Subsequently, Siam Pan Group Public Company Limited has entered into a sublease agreement with Siam Battery Industry Co., Ltd. under the same rental fee and conditions.

Siam Pan Group Public Company Limited and its Subsidiaries
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Lease agreement between the Company and subsidiaries with related party

The Company and subsidiaries have entered into a land lease agreement with Rojpaisan Ltd. Partnership, a related party, for the use of land as a location for the factory and warehouse, under the agreement dated 8 December 1997.

On 1 January 2018, the agreement was renewed to extend 1-year period to end on 31 December 2018. When the lease term expires, if there is no party terminate the contract both lessor and lessee agrees to renew this contract for another 1 year with the same condition of original contract in all respects. The rental fee rate and conditions as follows:

	Rental fee per year (in thousand Baht)
Siam Pan Group Public Company Limited	246
Siam Lubricant Industry Co., Ltd.	110
Premier Lubricant Co., Ltd.	228

Subsequently on 1 January 2019, the agreement was renewed to extend 1-year period to end on 31 December 2019 for Siam Lubricant Industry Co., Ltd. and Premier Lubricant Co., Ltd. and renewed to extend 2-years period to end on 31 December 2020 for Siam Pan Group Public Company Limited. When the lease term expires, if there is no party terminate the contract both lessor and lessee agrees to renew this contract for another 1 year with the same condition of original contract in all respects. The new rental fee rate and conditions as follows:

	Rental fee per year (in thousand Baht)
Siam Pan Group Public Company Limited	1,530
Siam Lubricant Industry Co., Ltd.	110
Premier Lubricant Co., Ltd.	228

Lease agreement between subsidiary and subsidiary

Premier Lubricant Co., Ltd. has entered into a land lease agreement with Siam Lubricant Industry Co., Ltd. for the use of land as a factory location under the agreement dated on 14 February 2017. The conditions are as follows:

- The lease agreement has a 3-years term starting from 1 March 2017 to 29 February 2020. The monthly rental fee is Baht 60,000, which may fluctuate according to market conditions;
- The lease term can be extended at the end of each 3-years term, with additional rental fee not exceeding 20% of the existing rental fee.

Service agreement between the Company and subsidiary

The Company has entered into a service agreement with Premier Lubricant Co., Ltd. for marketing management service under the agreement dated on 1 July 2016. The conditions are as follows:

- The service agreement has a 2-years term starting from 1 July 2016 to 30 June 2018. The monthly service fee calculated in accordance with the conditions stipulated in the agreement;
- The agreement term can be extended period of each 1-year term unless terminated by either party or change in conditions.

Siam Pan Group Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2019

Guarantee

Property and construction assets of the Group have been mortgaged as collateral for credit facilities from financial institutions and jointly guaranteed by subsidiaries.

5 Cash and cash equivalents

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
Cash on hand	331	273	171	199
Cash at banks - current accounts	11,091	34,931	11,465	31,812
Cash at banks - savings accounts	873,190	1,021,305	326,868	356,421
Total	884,612	1,056,509	338,504	388,432

6 Other investments

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
<i>Current investments</i>				
Short-term deposits at financial institutions	1,822,920	1,160,245	750,725	624,256
<i>Other long-term investments</i>				
Government bonds	10,485	-	410	-
Total	1,833,405	1,160,245	751,135	624,256

As at 31 December 2019, the Group and the Company invested in government bonds of Baht 10.5 million and Baht 0.4 million, respectively, bearing interest rates ranging from 1.85% to 4.75% per annum and maturing in 2020 to 2025.

Siam Pan Group Public Company Limited and its Subsidiaries
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For the year ended 31 December 2019

7 Trade accounts and notes receivable

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
Within credit terms	51,224	94,629	11,727	13,881
Overdue:				
Less than 3 months	65	3,756	-	-
3 - 6 months	11	12	11	12
6 - 12 months	7	-	7	-
Total	51,307	98,397	11,745	13,893

The normal credit term granted by the Group ranges from 30 days to 90 days.

8 Other receivables

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
Accrued marketing management service fee income	-	-	10,858	6,013
Accrued interest income	15,968	5,859	6,682	2,304
Prepaid expenses	13,228	12,188	1,868	1,670
Advance payment	11,790	2,115	-	-
Refundable value added tax	7,168	4,543	-	-
Others	1,358	1,486	592	571
Total	49,512	26,191	20,000	10,558

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9 Inventories

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
Finished goods	114,922	166,621	81,647	130,092
Work in progress	130,490	188,516	-	-
Raw materials	709,261	906,043	-	-
Packaging	19,792	23,833	27	27
Goods in transit	26,784	76,656	-	-
	<u>1,001,249</u>	<u>1,361,669</u>	<u>81,674</u>	<u>130,119</u>
Less allowance for decline in value of inventories	<u>(4,253)</u>	<u>(2,736)</u>	<u>(126)</u>	<u>-</u>
Net	<u>996,996</u>	<u>1,358,933</u>	<u>81,548</u>	<u>130,119</u>
Inventories recognised as an expense in 'cost of sales of goods'	<u>2,150,913</u>	<u>2,346,385</u>	<u>1,271,281</u>	<u>1,376,925</u>
Inventories recognised as an expense - Write-down to net realisable value (reversal)	<u>1,517</u>	<u>150</u>	<u>126</u>	<u>(1)</u>

10 Other current assets

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
Spare parts for maintenance and supplied used	20,521	20,262	1,866	1,759
Less allowance for decline in value of other current assets	<u>(5,345)</u>	<u>(4,520)</u>	<u>(245)</u>	<u>(240)</u>
Net	<u>15,176</u>	<u>15,742</u>	<u>1,621</u>	<u>1,519</u>

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11 Investments in subsidiaries

Separate financial statements									
Type of business	Ownership interest		Paid-up capital		Cost			Dividend income for the year	
	2019	2018	2019	2018	2019	2018	2019	2018	
	(in thousand Baht)								
Premier Lubricant Co., Ltd.	99.99	99.99	70,000	70,000	70,000	70,000	42,000	56,000	
Siam Lubricant Industry Co., Ltd.	99.99	99.99	50,000	50,000	50,000	50,000	25,000	15,000	
Siam Battery Industry Co., Ltd.	95.74	95.74	60,000	60,000	58,253	58,253	574	5,740	
Total					178,253	178,253	67,574	76,740	

All subsidiaries were incorporated and operate in Thailand.

In June 2018, the Group acquired an additional 0.06% interest in Siam Battery Industry Co., Ltd. for Baht 0.4 million in cash, increasing its ownership from 95.68% to 95.74%. The carrying amount of Siam Battery Industry Co., Ltd.'s net assets in the Group's financial statements on the date of the acquisition was Baht 743.5 million. The Group recognised a decrease in non-controlling interests of Baht 0.5 million, an increase in retained earnings of Baht 0.1 million of changes in the Group's ownership interest in Siam Battery Industry Co., Ltd.

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12 Investment property

The fair value of investment property as at 31 December 2019 of Baht 901.2 million (*2018: Baht 901.2 million*) was determined by an independent professional valuer, at open market values on an existing use basis. The fair value of investment property has been categorised as a Level 3 fair value.

Investment property is land not use in an operation.

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13 Property, plant and equipment

	Consolidated financial statements								
	Land	Lease land improvement	Buildings and other constructions	Machinery and equipment	Tools and equipment <i>(in thousand Baht)</i>	Furniture, fixtures and office equipment	Vehicles	Assets under construction and installation	Total
Cost									
At 1 January 2018	1,105,417	192	671,881	1,400,984	177,334	67,748	89,813	33,052	3,546,421
Additions	-	-	-	2,416	2,648	458	13,199	9,798	28,519
Transfers	-	-	-	3,784	922	130	-	(4,836)	-
Disposals	-	(192)	-	(28,389)	(391)	(13,067)	(19,604)	-	(61,643)
At 31 December 2018									
At 1 January 2019	1,105,417	-	671,881	1,378,795	180,513	55,269	83,408	38,014	3,513,297
Additions	-	-	-	3,043	6,945	1,005	6,006	13,542	30,541
Transfers	-	-	-	7,535	965	93	-	(8,593)	-
Disposals	-	-	-	(8,310)	(57)	(41)	(8,633)	(9,556)	(26,597)
At 31 December 2019	1,105,417	-	671,881	1,381,063	188,366	56,326	80,781	33,407	3,517,241
Accumulated depreciation and impairment losses									
At 1 January 2018	-	-	328,466	1,174,129	136,495	62,545	57,013	18,701	1,777,349
Depreciation charge for the year	-	192	27,300	39,886	11,093	2,115	12,109	-	92,695
Disposals	-	(192)	-	(28,389)	(391)	(13,067)	(18,538)	-	(60,577)
At 31 December 2018									
At 1 January 2019	-	-	355,766	1,185,626	147,197	51,593	50,584	18,701	1,809,467
Depreciation charge for the year	-	-	26,772	35,834	9,640	1,863	13,211	-	87,320
Impairment losses	-	-	-	-	-	-	-	8,450	8,450
Reversal of impairment losses	-	-	-	-	-	-	-	(9,556)	(9,556)
Disposals	-	-	-	(6,277)	(55)	(41)	(8,632)	-	(15,005)
At 31 December 2019	-	-	382,538	1,215,183	156,782	53,415	55,163	17,595	1,880,676
Net book value									
At 31 December 2018	1,105,417	-	316,115	193,169	33,316	3,676	32,824	19,313	1,703,830
At 31 December 2019	1,105,417	-	289,343	165,880	31,584	2,911	25,618	15,812	1,636,565

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	Separate financial statements					
	Land	Buildings and other constructions	Tools and equipment	Furniture, fixtures and office equipment (in thousand Baht)	Vehicles	Assets under construction and installation
Cost						Total
At 1 January 2018	1,103,692	360,164	54,685	52,674	83,795	1,656,423
Additions	-	-	-	318	13,199	14,485
Transfers	-	-	-	130	-	-
Disposals	-	-	(248)	(13,035)	(19,604)	(32,887)
At 31 December 2018 and 1 January 2019	1,103,692	360,164	54,437	40,087	77,390	1,638,021
Additions	-	-	300	711	4,478	8,943
Transfers	-	-	-	93	-	-
Disposals	-	-	-	-	(5,642)	(5,642)
At 31 December 2019	1,103,692	360,164	54,737	40,891	76,226	1,641,322
Accumulated depreciation						
At 1 January 2018	-	141,311	40,072	48,242	51,813	281,438
Depreciation charge for the year	-	16,467	2,931	1,710	11,713	32,821
Disposals	-	-	(248)	(13,035)	(18,537)	(31,820)
At 31 December 2018 and 1 January 2019	-	157,778	42,755	36,917	44,989	282,439
Depreciation charge for the year	-	16,419	2,982	1,644	12,572	33,617
Disposals	-	-	-	-	(5,642)	(5,642)
At 31 December 2019	-	174,197	45,737	38,561	51,919	310,414
Net book value						
At 31 December 2018	1,103,692	202,386	11,682	3,170	32,401	1,355,582
At 31 December 2019	1,103,692	185,967	9,000	2,330	24,307	1,330,908

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	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
Depreciation and lease land improvement amortisation	87,320	92,694	33,617	32,821
Gross amount of assets which are fully depreciated but still in use	1,535,599	1,465,409	117,963	122,321

Guarantee

As at 31 December 2019, the Group and the Company's property and constructions at cost of Baht 200.2 million and Baht 40.4 million (2018: Baht 200.2 million and 40.4 million), respectively, have been mortgaged as collateral for credit facilities from financial institutions and jointly guaranteed by subsidiaries.

Land

As at 31 December 2019, land of the Company at cost of Baht 1,098.7 million (2018: Baht 1,098.7 million) is in the progress of an utilisation plan. The Company has intention to construct a new factory and warehouse on this land.

Building and other constructions and lease land improvement

As at 31 December 2019, a part of building and construction of a subsidiary at cost of Baht 69.9 million (2018: Baht 69.9 million) is located on land leased of another subsidiary.

As at 31 December 2019, building and other construction, and assets under construction of the Company and subsidiaries at cost of Baht 405.2 million (2018: Baht 405.2 million) are located on land leased of a related party.

As at 31 December 2019, the Group recognised the allowance for impairment of subsidiaries' plant in the amount of Baht 17.6 million (2018: Baht 18.7 million) since the management assessed that there was no value in use of the construction in progress and the construction in progress stopped for a certain period.

Siam Pan Group Public Company Limited and its Subsidiaries
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14 Other payables

	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
Value added tax and excise tax payables	9,029	18,661	6,433	6,419
Accrued operating expenses	8,264	10,589	5,052	6,313
Accrued bonus	-	6,480	-	4,000
Others	28,906	27,604	13,390	13,780
Total	46,199	63,334	24,875	30,512

15 Non-current provisions for employee benefits

Defined benefit plan

The Group and the Company operate a defined benefit plan based on the requirement of Thai Labour Protection Act B.E. 2541 (1998) to provide retirement benefits to employees based on pensionable remuneration and length of service. The defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

Present value of the defined benefit obligations:

	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
At 1 January	65,333	51,138	48,524	40,008
Include in profit or loss:				
Current service cost	8,319	10,830	4,460	5,565
Past service cost	19,161	-	14,185	-
Interest on obligation	241	323	127	161
	27,721	11,153	18,772	5,726
Included in other comprehensive income:				
Actuarial (gain) loss				
- Demographic assumptions	17	(264)	(313)	(498)
- Financial assumptions	78	61	11	29
- Experience adjustment	(2,603)	5,171	(1,086)	3,628
	(2,508)	4,968	(1,388)	3,159
Benefit paid	-	(1,926)	-	(369)
	-	(1,926)	-	(369)
At 31 December	90,546	65,333	65,908	48,524

Siam Pan Group Public Company Limited and its Subsidiaries

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On 5 April 2019, the Labor Protection Act was amended to include a requirement that an employee, who is terminated after having been employed by the same employer for an uninterrupted period of twenty years or more, receives severance payment of 400 days of wages at the most recent rate. The Group has therefore amended its retirement plan in accordance with the changes in the Labor Protection Act in 2019. As a result of this change, the provision for retirement benefits as well as past service cost recognised increased.

Principal actuarial assumptions

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
				(%)
Discount rate	2.84 - 3.23	2.90 - 3.24	2.84	2.90
Future salary growth	3.89 - 5.84	3.30 - 4.30	4.28	4.17

Assumptions regarding future mortality have been based on published statistics and mortality tables.

At 31 December 2019, the weighted-average duration of the defined benefit obligation of the Group and the Company were 13 - 22 years and 13 years, respectively (2018: 12 - 23 years and 12 years, respectively).

Sensitivity analysis

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

	Consolidated financial statements			
<i>Effect to the defined benefit obligation</i>	1% increase in assumption		1% decrease in assumption	
<i>At 31 December</i>	2019	2018	2019	2018
				(in thousand Baht)
Discount rate	(731)	(566)	805	524
Future salary growth	1,665	1,216	(1,592)	(1,159)

	Separate financial statements			
<i>Effect to the defined benefit obligation</i>	1% increase in assumption		1% decrease in assumption	
<i>At 31 December</i>	2019	2018	2019	2018
				(in thousand Baht)
Discount rate	(183)	(184)	199	200
Future salary growth	830	637	(815)	(621)

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16 Share premium on ordinary shares

Section 51 of the Public Companies Act B.E. 2535 requires companies to set aside share subscription monies received in excess of the par value of the shares issued to a reserve account (“share premium”). Share premium is not available for dividend distribution.

17 Legal reserve

Section 116 of the Public Companies Act B.E. 2535 requires that a public company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward, to a reserve account (“legal reserve”), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

18 Segment information and disaggregation of revenue

Management determined that the Group has three reportable segments which are the Group’s strategic divisions for different products and services, and are managed separately because they require different technology and marketing strategies. The following summary describes the operations in each of the Group’s reportable segments.

- Segment 1 Lubricating oil
- Segment 2 Grease
- Segment 3 Batteries

Other segments include plastic beads and scrap. None of these segments meets the quantitative thresholds for determining reportable segments in 2019 or 2018.

Each segment’s performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group’s CODM. Segment profit before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm’s length basis.

Siam Pan Group Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2019

Consolidated financial statements												
For the year ended 31 December	Segment Lubricating oil		Segment Grease		Segment Batteries		Total reportable segments		Other segments		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
(in thousand Baht)												
Information about reportable segments												
Revenue from sale	1,479,847	1,569,988	952,282	1,025,460	514,943	611,064	2,947,072	3,206,512	30,389	42,203	2,977,461	3,248,715
Other income	20,076	26,336	14,228	13,240	18,991	2,109	53,295	41,685	-	-	53,295	41,685
Total revenue	1,499,923	1,596,324	966,510	1,038,700	533,934	613,173	3,000,367	3,248,197	30,389	42,203	3,030,756	3,290,400
Timing of revenue recognition												
At a point in time	1,499,923	1,596,324	966,510	1,038,700	533,934	613,173	3,000,367	3,248,197	30,389	42,203	3,030,756	3,290,400
Total revenue	1,499,923	1,596,324	966,510	1,038,700	533,934	613,173	3,000,367	3,248,197	30,389	42,203	3,030,756	3,290,400
Segment profit before income tax												
Segment profit before income tax	178,333	220,468	200,644	244,211	6,066	8,260	385,043	472,939	428	1,137	385,471	474,076
Interest income	11,834	7,131	7,375	2,638	4,636	3,563	23,845	13,332	-	-	23,845	13,332
Depreciation and lease land improvement												
Depreciation and lease land improvement	(46,196)	(54,137)	(24,945)	(21,736)	(16,179)	(16,821)	(87,320)	(92,694)	-	-	(87,320)	(92,694)
amortisation	(44,366)	(52,269)	(30,762)	(37,839)	(3,652)	(4,616)	(78,780)	(94,724)	-	-	(78,780)	(94,724)
Tax expense												

Total revenue of the Group was external revenue.

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Consolidated financial statements

	Segment Lubricating oil		Segment Grease		Segment Batteries		Total reportable segments		Other segments		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<i>(in thousand Baht)</i>												
Capital expenditure	3,791	7,314	16,091	4,386	1,716	2,334	21,598	14,034	-	-	21,598	14,034
Unallocated amounts											8,943	14,485
Total capital expenditure											30,541	28,519
Segment assets	1,577,912	1,485,577	638,391	751,991	813,241	798,448	3,029,544	3,036,016	-	-	3,029,544	3,036,016
Unallocated amounts											2,472,709	2,408,672
Total assets											5,502,253	5,444,688
Segment liabilities	70,634	86,047	56,801	112,273	61,673	51,641	189,108	249,961	-	-	189,108	249,961
Unallocated amounts											187,951	136,704
Total liabilities											377,059	386,665

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Geographical segments

The Group is managed, operates manufacturing facilities and sales offices only in Thailand. Portions of product are exported to external customers in foreign countries. There are no assets located in foreign countries.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

Geographical information

	Revenue	
	2019	2018
	<i>(in thousand Baht)</i>	
Thailand	1,596,392	1,771,253
Myanmar	861,259	843,813
Other countries	573,105	675,334
Total	3,030,756	3,290,400

Major customer

Revenue from one customer of the Group's segment 1 represents approximately Baht 771.3 million (2018: Baht 759.6 million) of the Group's total revenue.

19 Investment income

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
Interest income from financial institutions	23,845	13,332	11,239	5,952
Gain on sale and valuation adjustment of unit trust	9,371	8,505	2,374	3,781
Total	33,216	21,837	13,613	9,733

20 Other income

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
		<i>(in thousand Baht)</i>			
Marketing management service fee income from subsidiary	4	-	-	93,344	94,429
Management service fee income from subsidiaries	4	-	-	13,884	12,688
Freight charges		1,090	7,465	-	-
Gain on disposal of equipment		2,940	5,857	1,844	4,564
Net gain on exchange rate		9,349	2,716	-	-
Others		6,700	3,810	6,267	2,678
Total		20,079	19,848	115,339	114,359

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21 Employee benefit expenses

	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
Salaries and wages	385,824	399,107	211,918	217,526
Commission and sales compensation	14,540	15,159	14,540	15,159
Others	57,819	44,977	25,004	11,972
Total	458,183	459,243	251,462	244,657

22 Expenses by nature

	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
<i>Included in cost of sales of goods:</i>				
Changes in inventories of finished goods and work in progress	109,725	49,716	48,445	36,046
Purchase of goods available for sales	-	-	1,222,836	1,340,879
Raw materials and consumables used	1,730,070	1,967,046	-	-
Employee benefit expenses	145,528	154,307	-	-
Depreciation and lease land improvement amortisation	52,595	58,187	-	-
Others	112,995	117,129	-	-
Total	2,150,913	2,346,385	1,271,281	1,376,925
<i>Included in distribution costs:</i>				
Marketing expenses	85,705	84,651	60,358	64,709
Employee benefit expenses	28,969	29,079	28,969	29,079
Distribution expenses	16,719	17,515	4,199	4,206
Others	3,712	4,123	3,712	4,123
Total	135,105	135,368	97,238	102,117
<i>Included in administrative expenses:</i>				
Employee benefit expenses	283,686	275,857	222,493	215,578
Depreciation and lease land improvement amortisation	34,725	34,507	33,617	32,821
Transportation expenses	3,537	3,313	2,676	2,453
Net loss on forward exchange contracts	16	1,318	-	-
Others	37,303	19,576	23,753	20,762
Total	359,267	334,571	282,539	271,614

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23 Income tax

Income tax recognised in profit or loss

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
Current tax expense				
Current year	91,157	99,539	51,406	51,889
(Over) under provided in prior years	(3)	1	(3)	-
	<u>91,154</u>	<u>99,540</u>	<u>51,403</u>	<u>51,889</u>
Deferred tax expense				
Movements in temporary differences	(12,374)	(4,816)	(9,891)	(1,366)
	<u>(12,374)</u>	<u>(4,816)</u>	<u>(9,891)</u>	<u>(1,366)</u>
Total	<u>78,780</u>	<u>94,724</u>	<u>41,512</u>	<u>50,523</u>

Income tax recognised in other comprehensive income

	Consolidated financial statements					
	Before tax	2019 Tax expense	Net of tax	Before tax	2018 Tax benefit	Net of tax
	<i>(in thousand Baht)</i>					
Defined benefit plan actuarial gains (losses)	<u>2,508</u>	<u>(502)</u>	<u>2,006</u>	<u>(4,969)</u>	<u>994</u>	<u>(3,975)</u>

	Separate financial statements					
	Before tax	2019 Tax expense	Net of tax	Before tax	2018 Tax benefit	Net of tax
	<i>(in thousand Baht)</i>					
Defined benefit plan actuarial gains (losses)	<u>1,388</u>	<u>(278)</u>	<u>1,110</u>	<u>(3,159)</u>	<u>632</u>	<u>(2,527)</u>

Reconciliation of effective tax rate

	Consolidated financial statements			
	2019		2018	
	Rate (%)	<i>(in thousand Baht)</i>	Rate (%)	<i>(in thousand Baht)</i>
Profit before income tax expense		<u>385,471</u>		<u>474,076</u>
Income tax using the Thai corporation tax rate	20.0	77,094	20.0	94,815
Expenses not deductible for tax purposes		3,422		1,631
Additional deductible expenses		(1,733)		(1,723)
(Over) under provided in prior years		(3)		1
Total	<u>20.4</u>	<u>78,780</u>	<u>20.0</u>	<u>94,724</u>

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	Separate financial statements			
	2019	2018		
	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)
Profit before income tax expense		269,744		323,446
Income tax using the Thai corporation tax rate	20.0	53,949	20.0	64,689
Expenses not deductible for tax purposes		1,509		1,609
Dividend income not subject to tax		(13,515)		(15,348)
Additional deductible expenses		(428)		(427)
Over provided in prior years		(3)		-
Total	15.4	41,512	15.6	50,523

	Consolidated financial statements			
	Assets		Liabilities	
<i>Deferred tax</i> <i>At 31 December</i>	2019	2018	2019	2018
		(in thousand Baht)		
Total	36,565	26,769	(7,578)	(9,654)
Set off of tax	(5,240)	(5,306)	5,240	5,306
Net deferred tax assets (liabilities)	31,325	21,463	(2,338)	(4,348)

	Separate financial statements			
	Assets		Liabilities	
<i>Deferred tax</i> <i>At 31 December</i>	2019	2018	2019	2018
		(in thousand Baht)		
Total	24,368	14,817	(61)	(123)
Set off of tax	(61)	(123)	61	123
Net deferred tax assets	24,307	14,694	-	-

Movements in deferred tax were as follows:

	Consolidated financial statements			
	(Charged) / credited to:			
	At 1 January 2019	Profit or loss	Other comprehensive income	At 31 December 2019
		(in thousand Baht)		
Deferred tax assets				
Inventories and other current assets	4,748	(951)	-	3,797
Assets under construction and installation	3,740	(221)	-	3,519
Non-current provisions for employee benefits	13,067	5,544	(502)	18,109
Others	5,214	5,926	-	11,140
Total	26,769	10,298	(502)	36,565
Deferred tax liabilities				
Equipment	(9,629)	2,075	-	(7,554)
Other assets	(25)	1	-	(24)
Total	(9,654)	2,076	-	(7,578)
Net	17,115	12,374	(502)	28,987

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	At 1 January 2018	Consolidated financial statements (Charged) / credited to:		At 31 December 2018
		Profit or loss (in thousand Baht)	Other comprehensive income	
Deferred tax assets				
Inventories and other current assets	3,846	902	-	4,748
Assets under construction and installation	3,740	-	-	3,740
Non-current provisions for employee benefits	10,228	1,845	994	13,067
Others	5,092	122	-	5,214
Total	22,906	2,869	994	26,769
Deferred tax liabilities				
Current investments	(768)	768	-	-
Equipment	(10,678)	1,049	-	(9,629)
Other assets	(155)	130	-	(25)
Total	(11,601)	1,947	-	(9,654)
Net	11,305	4,816	994	17,115
Separate financial statements (Charged) / credited to:				
	At 1 January 2019			At 31 December 2019
		Profit or loss (in thousand Baht)	Other comprehensive income	
Deferred tax assets				
Inventories and other current assets	48	26	-	74
Non-current provisions for employee benefits	9,705	3,755	(278)	13,182
Others	5,064	6,048	-	11,112
Total	14,817	9,829	(278)	24,368
Deferred tax liabilities				
Equipment	(123)	62	-	(61)
Total	(123)	62	-	(61)
Net	14,694	9,891	(278)	24,307

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	At 1 January 2018	Separate financial statements (Charged) / credited to:		At 31 December 2018
		Profit or loss (in thousand Baht)	Other comprehensive income	
Deferred tax assets				
Inventories and other current assets	48	-	-	48
Non-current provisions for employee benefits	8,002	1,071	632	9,705
Others	5,092	(28)	-	5,064
Total	13,142	1,043	632	14,817
Deferred tax liabilities				
Current investments	(262)	262	-	-
Equipment	(184)	61	-	(123)
Total	(446)	323	-	(123)
Net	12,696	1,366	632	14,694

24 Basic earnings per share

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	(in thousand Baht / thousand shares)			
Profit attributable to ordinary shareholders of the Company (basic)	306,519	379,131	228,232	272,923
Number of ordinary shares outstanding	345,000	345,000	345,000	345,000
Basic earnings per share (in Baht)	0.89	1.10	0.66	0.79

25 Dividends

The shareholders of the Company have approved dividends as follows:

	Approval date	Payment schedule	Dividend rate per share (Baht)	Amount (in thousand Baht)
2019				
Annual dividend	22 April 2019	May 2019	0.70	241,500
2018				
Annual dividend	10 April 2018	May 2018	0.80	276,000
Interim dividend	7 August 2017	September 2017	(0.35)	(120,750)
Additional dividend			0.45	155,250

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26 Financial instruments

Financial risk management policies

The Group is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Group does not hold or issue derivatives for speculative or trading purposes.

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

Capital management

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity, excluding non-controlling interests and also monitors the level of dividends to ordinary shareholders.

Interest rate risk

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Group's operations and its cash flows. Most of the interest rates of financial assets and liabilities of the Group are floating rates, which are based on market rates such as the interest prime rate of commercial banks, saving interest rate or other benchmark floating rates.

Foreign currency risk

The Group is exposed to foreign currency risk relating to purchases and sales which are denominated in foreign currencies. The Group primarily utilises forward exchange contracts with maturities of less than one year to hedge such financial assets and liabilities denominated in foreign currencies. The forward exchange contracts entered into at the reporting date also relate to anticipated purchases and sales, denominated in foreign currencies, for the subsequent period.

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Assets and liabilities denominated in the foreign currencies as at 31 December were as follows:

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	(in thousand Baht)			
United States Dollars				
Cash and cash equivalents	51,276	26,973	-	-
Trade accounts and note receivable	34,551	74,228	-	-
Other receivables	-	2,043	-	-
Trade accounts payable	(25,170)	-	-	-
Other payables	(633)	(6,938)	-	-
Gross statement of financial position exposure	60,024	96,306	-	-
Purchase of forward exchange contracts	5,193	70,001	-	-
Sale of forward exchange contracts	(113,076)	(162,771)	-	-
Net exposure	(47,859)	3,536	-	-
Euro				
Cash and cash equivalents	14	16	-	-
Trade accounts payable	(1,084)	-	-	-
Net exposure	(1,070)	16	-	-
Pound				
Other receivables	-	73	-	-
Net exposure	-	73	-	-

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial assets in the statement of financial position. However, due to the large number of parties comprising the Group's customer base, management does not anticipate material losses from its debt collection.

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

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Carrying amount and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Consolidated financial statements		Separate financial statements	
	Carrying amount	Fair value Level 2	Carrying amount	Fair value Level 2
	<i>(in thousand Baht)</i>			
2019				
<i>Financial assets and financial liabilities measured at fair value</i>				
Forward exchange contracts assets	119	119	-	-
Forward exchange contracts liabilities	(135)	(135)	-	-
2018				
<i>Financial assets and financial liabilities measured at fair value</i>				
Forward exchange contracts assets	123	123	-	-
Forward exchange contracts liabilities	(750)	(750)	-	-

Financial instruments measured at fair value

Type	Valuation technique
Forward exchange contracts	The fair value is determined using quoted forward exchange rates of financial institutions at the reporting date

27 Commitments with non-related parties

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
<i>Capital commitments</i>				
Machinery and equipment	<u>2,225</u>	<u>2,148</u>	<u>-</u>	<u>-</u>
<i>Other commitments</i>				
Letter of credit for purchasing raw materials	42,901	57,466	-	-
Purchase orders for raw materials	5,173	4,209	-	-
Guarantee for the usage of electricity	10,200	10,246	400	446
Others	30	2,030	20	20
Total	<u>58,304</u>	<u>73,951</u>	<u>420</u>	<u>466</u>

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Donated land for public benefit

At the Board of Directors' Meeting of the Company held on 23 May 1997, the Board of Directors passed a resolution to donate certain plots of land, included in property, plant and equipment at book value of Baht 530,000 comprising two title deeds located at Suanluang Sub-district, Phra Kanong District, Bangkok, to the Bangkok Metropolitan Administration to be used for public benefit. The Company has not yet transferred the right of ownership of this land to the Bangkok Metropolitan Administration.

28 Event after the reporting period

At the Board of Directors' meeting of the Company held on 17 February 2020, the Board of Directors passed a resolution to approve a dividend payment for the year 2019 of Baht 0.7 per share amounting to Baht 241.5 million. The resolution will be proposed to the annual general meeting held on 22 April 2020.

29 Thai Financial Reporting Standards (TFRS) not yet adopted

New TFRS, which are relevant to the Group's operations, and will become effective for the financial statements in annual reporting periods beginning on or after 1 January 2020, are as follows:

TFRS	Topic
TFRS 7*	Financial Instruments: Disclosures
TFRS 9*	Financial Instruments
TFRS 16	Leases
TAS 32*	Financial Instruments: Presentation
TFRIC 16*	Hedges of a Net Investment in a Foreign Operation
TFRIC 19*	Extinguishing Financial Liabilities with Equity Instruments

* TFRS - Financial instruments standards

(a) TFRS - Financial instruments standards

These TFRS - Financial instruments standards establish requirements related to definition, recognition, measurement, impairment and derecognition of financial assets and financial liabilities, including accounting for derivatives and hedge accounting. When these TFRS are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

(b) TFRS 16 Leases

TFRS 16 introduces a single lessee accounting model for lessees. A lessee recognises a right-of-use asset and a lease liability. There are recognition exemptions for short-term leases and leases of low-value items. When this TFRS is effective, some accounting standards and interpretations which are currently effective will be cancelled.

Currently, the Group recognises payments made under operating leases in profit or loss on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised. Under TFRS 16, the Group will recognise right-of-use assets and lease liabilities for its operating leases. As a result, the nature of expenses related to those leases will be changed because the Group will recognise depreciation of right-of-use assets and interest expense on lease liabilities.

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30 Reclassification of accounts

Certain accounts in the 2018 financial statements have been reclassified to conform to the presentation in the 2019 financial statements. These reclassifications have principally been made following changes in accounting policies consequent to the adoption of new TFRS as follows:

	2018					
	Consolidated financial statements			Separate financial statements		
	Before reclass	Reclass	After reclass <i>(in thousand Baht)</i>	Before reclass	Reclass	After reclass
<i>Statement of financial position</i>						
Contract liabilities	-	11,347	11,347	-	4,478	4,478
Other payables	74,681	<u>(11,347)</u>	63,334	34,990	<u>(4,478)</u>	30,512
		<u>-</u>			<u>-</u>	