

CAZ (Thailand) Company Limited and its subsidiary  
Report and consolidated financial statements  
31 December 2016

## Independent Auditor's Report

To the Shareholders of CAZ (Thailand) Company Limited

### Opinion

I have audited the accompanying consolidated financial statements of CAZ (Thailand) Company Limited and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2016, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of CAZ (Thailand) Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CAZ (Thailand) Company Limited and its subsidiary and of CAZ (Thailand) Company Limited as at 31 December 2016, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

### Basis for Opinion

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

## **Responsibilities of Management for the Financial Statements**

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with the management 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.

The engagement partner on the audit resulting in this independent auditor's report is Miss Manee Rattanabunnakit.



Manee Rattanabunnakit

Certified Public Accountant (Thailand) No. 5313

EY Office Limited

Bangkok: 27 February 2017

CAZ (Thailand) Company Limited and its subsidiary

Statement of financial position

As at 31 December 2016

(Unit: Baht)

	Note	Consolidated	Separate financial statements	
		financial statements	2016	2015
		2016	2016	2015
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	7	7,476,453	6,883,466	4,267,243
Trade and other receivables	8	116,699,616	117,899,163	83,530,541
Unbilled receivables	9	51,647,043	46,054,848	84,706,527
Inventories		978,510	978,510	5,951,468
Short-term loans to related parties	6	-	5,000,000	-
Advance payment to subcontractors		3,546,583	4,232,847	2,205,793
Other current assets		8,216,167	7,581,689	2,337,244
<b>Total current assets</b>		<b>188,564,372</b>	<b>188,630,523</b>	<b>182,998,816</b>
<b>Non-current assets</b>				
Investment in subsidiary	10	-	2,100,000	-
Property, plant and equipment	11	316,721,241	315,947,370	25,695,801
Intangible asset		2,903,012	2,875,365	2,847,205
Retention receivables		17,854,932	17,702,693	42,416,239
Withholding tax deducted at source		36,664,800	35,526,197	19,542,488
Deposits		767,032	625,668	2,910,971
Deferred tax assets	18	204,591	204,591	627,508
<b>Total non-current assets</b>		<b>375,115,608</b>	<b>374,981,884</b>	<b>94,040,212</b>
<b>Total assets</b>		<b>563,679,980</b>	<b>563,612,407</b>	<b>277,039,028</b>

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

CAZ (Thailand) Company Limited and its subsidiary

Statement of financial position (continued)

As at 31 December 2016

(Unit: Baht)

	Note	Consolidated	Separate financial statements	
		financial statements	2016	2015
		2016	2016	2015
<b>Liabilities and shareholders' equity</b>				
<b>Current liabilities</b>				
Short-term loans from unrelated party		-	-	14,408,000
Trade and other payables	12	71,925,521	77,429,555	95,163,211
Current portion of long-term loans	13	38,640,000	38,640,000	-
Current portion of liabilities under				
finance lease agreements	14	916,582	916,582	1,018,847
Short-term loans from related parties	6	79,500,000	79,500,000	31,500,000
Service income received in advance	9	35,410,929	33,811,523	32,952,935
Other current liabilities	15	10,570,000	9,852,132	12,227,318
<b>Total current liabilities</b>		<b>236,963,032</b>	<b>240,149,792</b>	<b>187,270,311</b>
<b>Non-current liabilities</b>				
Liabilities under finance lease agreements,				
net of current portion	14	1,333,511	1,333,511	2,100,319
Long-term loans, net of current portion	13	220,980,000	220,980,000	-
Retention payables		5,904,129	7,723,099	7,459,936
Provision for long-term employee benefits		972,556	972,556	3,137,539
<b>Total non-current liabilities</b>		<b>229,190,196</b>	<b>231,009,166</b>	<b>12,697,794</b>
<b>Total liabilities</b>		<b>466,153,228</b>	<b>471,158,958</b>	<b>199,968,105</b>

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

CAZ (Thailand) Company Limited and its subsidiary

Statement of financial position (continued)

As at 31 December 2016

(Unit: Baht)

	Note	Consolidated	Separate financial statements	
		financial statements	2016	2015
		2016	2016	2015
<b>Shareholders' equity</b>				
Share capital	16			
Registered				
585,000 ordinary shares of Baht 100 each				
(2015: 545,000 ordinary shares				
of Baht 100 each)		58,500,000	58,500,000	54,500,000
Issued and fully paid-up				
585,000 ordinary shares of Baht 100 each				
(2015: 545,000 ordinary shares				
of Baht 100 each)		58,500,000	58,500,000	54,500,000
Retained earnings		35,255,095	33,953,449	22,570,923
Equity attributable to owners of the Company		93,755,095	92,453,449	77,070,923
Non-controlling interests of the subsidiary		3,771,657	-	-
<b>Total shareholders' equity</b>		<b>97,526,752</b>	<b>92,453,449</b>	<b>77,070,923</b>
<b>Total liabilities and shareholders' equity</b>		<b>563,679,980</b>	<b>563,612,407</b>	<b>277,039,028</b>

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

Directors

CAZ (Thailand) Company Limited and its subsidiary

Statement of comprehensive Income

For the year ended 31 December 2016

(Unit: Baht)

		Consolidated		
		financial statements	Separate financial statements	
	Note	2016	2016	2015
<b>Profit or loss:</b>				
<b>Revenues</b>				
Construction services income	9	657,228,223	633,977,951	742,541,048
Other income		4,245,509	5,705,862	472,993
<b>Total revenues</b>		661,473,732	639,683,813	743,014,041
<b>Expenses</b>				
Cost of construction services		582,517,260	566,477,060	667,498,616
Administrative expenses		50,417,484	48,735,805	53,420,240
<b>Total expenses</b>		632,934,744	615,212,865	720,918,856
<b>Profit before finance cost and income tax expenses</b>		28,538,988	24,470,948	22,095,185
Finance cost		(12,551,783)	(12,211,783)	(3,684,541)
<b>Profit before income tax expenses</b>		15,987,205	12,259,165	18,410,644
Income tax expenses	18	(3,735,103)	(2,912,936)	(3,739,049)
<b>Profit for the year</b>		12,252,102	9,346,229	14,671,595
<b>Other comprehensive income:</b>				
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>				
Actuarial gain, net of income tax		2,036,297	2,036,297	-
<b>Other comprehensive income for the year</b>		2,036,297	2,036,297	-
<b>Total comprehensive income for the year</b>		14,288,399	11,382,526	14,671,595

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



CAZ (Thailand) Company Limited and its subsidiary

Statement of comprehensive Income (continued)

For the year ended 31 December 2016

(Unit: Baht)

		<b>Consolidated</b>	<b>Separate financial statements</b>	
		<b>financial statements</b>		
	<u>Note</u>	<u>2016</u>	<u>2016</u>	<u>2015</u>
<b>Profit attributable to:</b>				
Equity holders of the Company		10,647,875	<u>9,346,229</u>	<u>14,671,595</u>
Non-controlling interests of the subsidiary		<u>1,604,227</u>		
		<u>12,252,102</u>		
<b>Total comprehensive Income attributable to:</b>				
Equity holders of the Company		12,684,172	<u>11,382,526</u>	<u>14,671,595</u>
Non-controlling interests of the subsidiary		<u>1,604,227</u>		
		<u>14,288,399</u>		
<b>Basic earning per share</b>	<b>19</b>			
Profit attributable to equity holders of the Company		<u>18.55</u>	<u>16.28</u>	<u>30.19</u>

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

**CAZ (Thailand) Company Limited and its subsidiary**

**Statement of changes in shareholders' equity**

**For the year ended 31 December 2016**

(Unit: Baht)

**Consolidated financial statements**

	Equity attributable to the owners of the Company				Equity attributable to non-controlling interests		Total shareholders' equity
	Issued and paid-up share capital	Retained earnings	Total equity attributable to owners of the Company		of subsidiary		
<b>Balance as at 1 January 2016</b>	54,500,000	22,570,923	77,070,923	-	-		77,070,923
Profit for the year	-	10,647,875	10,647,875		1,604,227		12,252,102
Other comprehensive income for the year	-	2,036,297	2,036,297		-		2,036,297
<b>Total comprehensive income for the year</b>	-	12,684,172	12,684,172		1,604,227		14,288,399
Increase in non-controlling interests of the subsidiary from the acquisition of a subsidiary (Note 10)	-	-	-		2,167,430		2,167,430
Increase share capital (Note 16)	4,000,000	-	4,000,000		-		4,000,000
<b>Balance as at 31 December 2016</b>	<b>58,500,000</b>	<b>35,255,095</b>	<b>93,755,095</b>		<b>3,771,657</b>		<b>97,526,752</b>

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

CAZ (Thailand) Company Limited and its subsidiary

Statement of changes in shareholders' equity (continued)

For the year ended 31 December 2016

(Unit: Baht)

	Separate financial statements		
	Issued and paid-up share capital	Retained earnings	Total shareholders' equity
<b>Balance as at 1 January 2015</b>	28,500,000	7,899,328	36,399,328
Total comprehensive income for the year	-	14,671,595	14,671,595
Increase share capital (Note 16)	26,000,000	-	26,000,000
<b>Balance as at 31 December 2015</b>	<u>54,500,000</u>	<u>22,570,923</u>	<u>77,070,923</u>
<b>Balance as at 1 January 2016</b>	54,500,000	22,570,923	77,070,923
Profit for the year	-	9,346,229	9,346,229
Other comprehensive income for the year	-	2,036,297	2,036,297
Total comprehensive income for the year	-	11,382,526	11,382,526
Increase share capital (Note 16)	4,000,000	-	4,000,000
<b>Balance as at 31 December 2016</b>	<u>58,500,000</u>	<u>33,953,449</u>	<u>92,453,449</u>

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

**CAZ (Thailand) Company Limited and its subsidiary**

**Cash flows statement**

**For the year ended 31 December 2016**

(Unit: Baht)

	<b>Consolidated</b>	<b>Separate financial statements</b>	
	<b>financial statements</b>		
	<b>2016</b>	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>			
Profit before tax	15,987,205	12,259,165	18,410,644
Adjustments to reconcile profit before tax to net cash provided by (used in) operating activities:			
Depreciation and amortisation	11,751,798	11,650,425	6,600,988
Allowance for doubtful accounts	50,397	50,397	-
Provision for long-term employee benefits	380,388	380,388	3,137,539
Gains on disposals of property, plant and equipment	(2,653,150)	(3,212,050)	-
Gains on the acquisition of a subsidiary	(175,801)	-	-
Interest income	(41,192)	(41,189)	(5,084)
Interest expenses	12,551,783	12,211,783	3,684,541
Profit from operating activities before changes in operating assets and liabilities	37,851,428	33,298,919	31,828,628
Operating assets (increase) decrease			
Trade and other receivables	(30,076,948)	(33,481,233)	(61,133,568)
Unbilled receivables	40,937,669	38,651,679	(20,397,154)
Inventories	4,972,958	4,972,958	(5,951,468)
Advance payment to subcontractors	(1,340,790)	(2,027,054)	2,285,810
Other current assets	(5,867,349)	(5,244,445)	(336,333)
Retention receivables	25,221,543	24,713,546	(32,088,305)
Deposits	2,183,175	2,285,303	17,273,647
Operating liabilities increase (decrease)			
Trade and other payables	(35,025,181)	(28,279,753)	25,352,215
Service income received in advance	(5,026,925)	858,588	21,305,270
Other current liabilities	(1,990,505)	(2,375,186)	8,035,577
Retention payables	(1,555,807)	263,163	6,613,010
<b>Cash flows from (used in) operating activities</b>	<b>30,283,268</b>	<b>33,636,485</b>	<b>(7,212,671)</b>
Cash paid for interest expenses	(8,277,900)	(7,937,900)	(2,985,911)
Cash paid for income tax	(20,513,507)	(18,982,802)	(20,309,818)
<b>Net cash flows from (used in) operating activities</b>	<b>1,491,861</b>	<b>6,715,783</b>	<b>(30,508,400)</b>

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

**CAZ (Thailand) Company Limited and its subsidiary**

**Cash flows statement (continued)**

**For the year ended 31 December 2016**

(Unit: Baht)

	<b>Consolidated</b>	<b>Separate financial statements</b>	
	<b>financial statements</b>		
	<b>2016</b>	<b>2016</b>	<b>2015</b>
<b>Cash flows from investing activities</b>			
Decrease (increase) in short-term loans to related parties	-	(5,000,000)	509,000
Acquisition of property, plant and equipment	(297,707,429)	(297,617,095)	(11,866,776)
Acquisition of intangible assets	(168,047)	(168,047)	(2,909,916)
Proceeds from disposals of property, plant and equipment	4,439,252	4,439,252	-
Net cash paid for the acquisition of a subsidiary	(792,760)	(2,100,000)	-
Interest income	3,406	3,403	5,084
<b>Net cash flows used in investing activities</b>	<b>(294,225,578)</b>	<b>(300,442,487)</b>	<b>(14,262,608)</b>
<b>Cash flows from financing activities</b>			
Decrease in short-term loans from unrelated party	(14,408,000)	(14,408,000)	(248,815)
Cash paid for liabilities under finance lease agreements	(869,073)	(869,073)	(4,253,627)
Increase in short-term loans from related parties	47,600,000	48,000,000	26,500,000
Cash receipt from long-term loans	270,000,000	270,000,000	-
Repayment of long-term loans	(10,380,000)	(10,380,000)	-
Cash receipt from increase in share capital	4,000,000	4,000,000	26,000,000
<b>Net cash flows from financing activities</b>	<b>295,942,927</b>	<b>296,342,927</b>	<b>47,997,558</b>
<b>Net increase in cash and cash equivalents</b>	<b>3,209,210</b>	<b>2,616,223</b>	<b>3,226,550</b>
Cash and cash equivalents at beginning of year	4,267,243	4,267,243	1,040,693
<b>Cash and cash equivalents at end of year</b>	<b>7,476,453</b>	<b>6,883,466</b>	<b>4,267,243</b>

**Supplemental cash flows information**

**Non-cash transactions**

Purchase of property, plant and equipment for which

no cash has been paid

6,105,861

6,105,861

-

Purchase of intangible assets for which no cash has been paid

166,353

166,353

-

Disposals of equipment for which no cash has been received

-

900,000

-

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

## **CAZ (Thailand) Company Limited and its subsidiary**

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

**For the year ended 31 December 2016**

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

CAZ (Thailand) Company Limited ("the Company") is a limited company incorporated on 6 February 2014 and domiciled in Thailand. Its parent company is Takuni (Thailand) Company Limited. The parent company of the Group is Takuni Group Public Company Limited. The Company is principally engaged in the services relating to engineering, procurement, construction management, commissioning of operation and maintenance. The registered office of the Company is at 239 Huai pong-Nong bon Road, Tambol Huai pong, Amphur Muang-rayong, Rayong.

#### **2. Basis for the preparation of financial statements**

- 2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

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

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

#### **2.2 Basis of consolidation**

- a) The consolidated financial statements include the financial statements of CAZ (Thailand) Company Limited ("the Company") and JKEC Company Limited ("the subsidiary"), which domiciled in Thailand and is principally engaged in the same business with the Company. The Company has control in this subsidiary since 1 June 2016 with 51.22 percentage of shareholding.
- b) The Company is deemed to have control over an investee or subsidiary if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- c) Subsidiary is fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.

- d) The financial statements of the subsidiary is prepared using the same significant accounting policies as the Company.
- e) Material balances and transactions between the Company and its subsidiary company have been eliminated from the consolidated financial statements.
- f) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiary that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

2.3 The separate financial statements present investments in subsidiary under the cost method.

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

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

During the year, the Company and its subsidiary have adopted the revised (revised 2015) and new financial reporting standards and accounting treatment guidance issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company's and its subsidiary's financial statements

#### **(b) Financial reporting standard that will become effective in the future**

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which is effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards.

The management of the Company and its subsidiary believe that the revised financial reporting standards and interpretations and new accounting treatment guidance will not have any significant impact on the financial statements when they are initially applied. However, one standard involves changes to key principles, which are summarised below.

## **TAS 27 (revised 2016) Separate Financial Statements**

This revised standard stipulates an additional option to account for investments in subsidiaries, joint ventures and associates in separate financial statements under the equity method, as described in TAS 28 (revised 2016) Investments in Associates and Joint Ventures. However, the entity is to apply the same accounting treatment for each category of investment. If an entity elects to account for such investments using the equity method in the separate financial statements, it has to adjust the transaction retrospectively.

At present, the management of the Company and its subsidiary is evaluating the impact of this standard to the financial statements in the year when it is adopted.

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

#### **4.1 Revenue recognition**

##### *Revenues from construction services*

The Company and its subsidiary recognised revenues from construction services on a percentage of completion basis. The percentage of completion is measured based on comparison of actual service costs incurred up to the end of the period and total anticipated service costs to be incurred to completion. Provision for the total anticipated loss on the project will be made in the accounts as soon as the possibility of loss is ascertained.

The recognised revenue which is not yet due per the contracts has been presented under the caption of "Unbilled receivables" under current assets in the statement of financial position. The excess of the amount billed to a customer over the value of the service contract in progress is presented as "Service income received in advance" under current liabilities in the statement of financial position.

##### *Rental income*

Rental income is recognised on an accrual basis over the period of contracts.

##### *Interest income*

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

#### **4.2 Costs of services**

Costs of services comprise the cost of materials and labour, subcontractor charges, other services and overheads which are directly related to construction contracts. The Company and its subsidiary recognise costs of services by the actual costs.



#### **4.3 Cash and cash equivalents**

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

#### **4.4 Trade accounts receivable**

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

#### **4.5 Inventories**

Inventories are valued at the lower of cost (under the weighted average method) and net realisable value and are charged to production costs whenever consumed.

#### **4.6 Investment**

Investment in subsidiary is accounted for in the separate financial statements using the cost method and allowance for impairment (if any).

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

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

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

Building and building improvements	-	20 years
Machinery, tool and equipment	-	5 years
Furniture and fixtures	-	5 years
Office equipment	-	3, 5 years
Motor vehicles	-	5 years

Depreciation is included in determining income.

No depreciation is provided on land.

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

#### **4.8 Intangible asset**

Intangible asset (computer software) is stated at cost less accumulated amortisation and allowance for diminution in value (if any). Intangible asset is amortised as expenses in profit or loss on a straight-line basis over the economic useful life of 10 years.

#### **4.9 Related party transactions**

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

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

#### **4.10 Long-term leases**

Leases of equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, which interest element is charged to the income statements over the lease period. The assets acquired under finance leases are depreciated over the useful life of the assets.

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

#### **4.11 Foreign currencies**

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

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

Gains and losses on exchange are included in determining income.

#### **4.12 Impairment of assets**

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

An impairment loss is recognised in profit or loss.

#### **4.13 Employee benefits**

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

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

##### ***Post-employment benefits***

###### ***Defined benefit plans***

The Company and its subsidiary have obligations in respect of the severance payments it must make to employees upon retirement under labour law. The Company and its subsidiary treat these severance payment obligations as a defined benefit plan.

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

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

#### **4.14 Provisions**

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

#### **4.15 Income tax**

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

##### **Current tax**

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

## **Deferred tax**

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

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

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

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

## **5. Significant accounting judgements and estimates**

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

### **Estimated construction project costs**

The Company and its subsidiary estimate costs of construction projects based on details of the construction work, taking into account the volume and value of construction materials to be used in the project, labour costs and other miscellaneous costs to be incurred to completion of service, taking into account the direction of the movement in these costs. Estimates are reviewed regularly or whenever actual costs differ significantly from the figures used in the original estimates.

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

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

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

## 6. Related party transactions

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

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements		Transfer Pricing Policy
	<u>2016</u>	<u>2016</u>	<u>2015</u>	
<u>Transactions with subsidiary company</u>				
(eliminated from the consolidated financial statements)				
Rental income	-	1,065	-	Contract price
Interest income	-	38	-	8.62% per annum
Service charge in construction agreement	-	34,962	-	Contract price
Disposal of equipment	-	900	-	Market price
<u>Transactions with related companies</u>				
Interest expenses	6,425	6,425	2,790	1.50% to 8.50% per annum

As at 31 December 2016 and 2015, the balances of the accounts between the Company, the subsidiary and those related parties are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements	
	<u>2016</u>	<u>2016</u>	<u>2015</u>
<u>Other receivables - related party (Note 8)</u>			
Subsidiary	-	1,310	-
Total other receivables - related party	-	1,310	-
<u>Trade and other payables - related parties</u>			
(Note 12)			
Subsidiary	-	7,588	-
Parent company	2,495	2,495	-
Parent company of the group	2,288	2,288	699
Total trade and other payables - related parties	4,783	12,371	699

### Short-term loan to related party

As at 31 December 2016 and 2015, the balances of short-term loan between the Company and the subsidiary and the movements are as follows:

(Unit: Thousand Baht)

Short-term loan	Related by	Separate financial statements		
		Balance as at 31 December 2015	Increase during the year	Balance as at 31 December 2016
JKEC Company Limited	Subsidiary	-	5,000	5,000
Total		-	5,000	5,000

### Short-term loans from related parties

As at 31 December 2016 and 2015, the balances of short-term loans between the Companies and those related parties and the movements are as follows:

(Unit: Thousand Baht)

Short-term loans	Related by	Consolidated financial statements				
		Balance as at 31 December 2015	Increase during the year	Increase from the acquisition of a subsidiary	Decrease during the year	Balance as at 31 December 2016
Takuni Group Public Company Limited	Parent company of the group	30,000	25,400	-	(25,400)	30,000
Takuni (Thailand) Company Limited	Parent company	-	124,500	-	(75,000)	49,500
Related person	Director of the Company	1,500	3,300	400	(5,200)	-
Total		31,500	153,200	400	(105,600)	79,500

(Unit: Thousand Baht)

Short-term loans	Related by	Separate financial statements			
		Balance as at 31 December 2015	Increase during the year	Decrease during the year	Balance as at 31 December 2016
Takuni Group Public Company Limited	Parent company of the group	30,000	25,400	(25,400)	30,000
Takuni (Thailand) Company Limited	Parent company	-	124,500	(75,000)	49,500
Related person	Director of the Company	1,500	3,300	(4,800)	-
Total		31,500	153,200	(105,200)	79,500

### Directors and management's benefits

During the year ended 31 December 2016 and 2015, the Company and its subsidiary had employee benefit expenses payable to their directors and management as below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements	
	<u>2016</u>	<u>2016</u>	<u>2015</u>
Short-term employee benefits	9,233	8,583	10,693
Post-employment benefits	100	100	-
Total	<u>9,333</u>	<u>8,683</u>	<u>10,693</u>

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

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements	
	<u>2016</u>	<u>2016</u>	<u>2015</u>
Cash	579	463	577
Bank deposits	6,897	6,420	3,690
Total	<u>7,476</u>	<u>6,883</u>	<u>4,267</u>

As at 31 December 2016, bank deposits in saving accounts and fixed deposits carried interests between 0.12% and 0.85% per annum (2015: 0.13% and 0.85% per annum).

## 8. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements	
	<u>2016</u>	<u>2016</u>	<u>2015</u>
<u>Trade receivables - unrelated parties</u>			
Aged on the basis of due dates			
Not yet due	116,290	116,290	-
Past due			
Up to 3 months	111	-	78,873
3 - 6 months	-	-	2,991
6 - 12 months	-	-	1,667
Over 12 months	201	201	-
Total	116,602	116,491	85,531
Less: Allowance for doubtful accounts	(50)	(50)	-
Total trade receivables - unrelated parties, net	116,552	116,441	85,531
Total trade receivables - net	116,552	116,441	85,531
<u>Other receivables</u>			
Other receivables - related party	-	1,310	-
Other receivables - unrelated parties	148	148	-
Total other receivables	148	1,458	-
Total trade and other receivables - net	116,700	117,899	83,531

As at 31 December 2015, the outstanding balance of trade and other receivables were included trade accounts receivable approximately Baht 7 million which had been sold at a discount to financial institutions, with recourse.



## 9. Unbilled receivables/ Service income received in advance

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements	
	<u>2016</u>	<u>2016</u>	<u>2015</u>
<b>Unbilled receivables</b>			
Project value as per contract	<u>1,469,515</u>	<u>1,403,944</u>	<u>811,235</u>
Accumulated amount recognised as revenue on percentage of completion basis	1,095,649	1,066,974	764,024
Less: Value of total billed	<u>(1,044,002)</u>	<u>(1,020,919)</u>	<u>(679,317)</u>
Unbilled receivables	<u>51,647</u>	<u>46,055</u>	<u>84,707</u>
 <b>Service income received in advance</b>			
Project value as per contract	<u>896,682</u>	<u>871,663</u>	<u>392,072</u>
Value of total billed	632,066	615,404	283,517
Less: Accumulated amount recognised as income on percentage of completion basis	<u>(596,655)</u>	<u>(581,592)</u>	<u>(250,564)</u>
Service income received in advance	<u>35,411</u>	<u>33,812</u>	<u>32,953</u>
 Accumulated amount recognised as income on percentage of completion basis of a subsidiary before the business acquisition	<u>20,488</u>	<u>-</u>	<u>-</u>

## 10. Investment in subsidiary

On 28 March 2016, the Extraordinary Meeting of the Company's shareholders approved the purchase of 21,000 ordinary shares of JKEC Company Limited, which operates construction-related businesses, representing 51.22% of all ordinary shares of that company with amounting to Baht 2.1 million. As a result, the Company is deemed to have controlled JKEC Company Limited since 1 June 2016.

JKEC Company Limited is a limited company incorporated on 29 January 2016. Therefore, there is no significant difference between the net assets of the acquired business and the cash paid for the business acquisition.

Fair values of assets acquired and liabilities assumed from JKEC Company Limited as at 1 June 2016 (acquisition date) were summarised below.

	(Unit: Thousand Baht)
Cash and cash equivalents	1,307
Trade and other receivables	3,105
Unbilled receivables	7,878
Other current assets	11
Equipment	442
Intangible asset	29
Other non-current assets	1,130
Trade and other payables	(1,241)
Short-term loans from related parties	(400)
Service income received in advance	(7,485)
Other current liabilities	(333)
Net assets of the subsidiary	4,443
Net assets in the portion held by the Company (51.22%)	2,276
Cash paid for business acquisition	(2,100)
Gains on the acquisition of a subsidiary	176
Cash paid for business acquisition	2,100
Less: Cash and cash equivalents of subsidiary	(1,307)
Net cash paid for business acquisition	793

10.1 Details of investment in a subsidiary as presented in separate financial statements are as follows:

	(Unit: Thousand Baht)		
Company	Paid-up capital	Shareholding percentage	Cost
	<u>2016</u>	<u>2016</u> (%)	<u>2016</u>
JKEC Company Limited	4,000	51.22	2,100
Total			2,100

During the current year, the Company does not have the dividend income from this subsidiary.

## 10.2 Details of investment in a subsidiary that has material non-controlling interests

(Unit: Thousand Baht)			
Company	Proportion of equity interest held by non-controlling interests	Accumulated balance of non-controlling interests	Profit/loss allocated to non-controlling interest during the year
	<u>2016</u>	<u>2016</u>	<u>2016</u>
	(%)		
JKEC Company Limited	48.78	3,772	1,604

## 10.3 Summarised financial information that based on amounts before inter-company elimination about a subsidiary that has material non-controlling

### Summarised information about financial position as at 31 December 2016

(Unit: Thousand Baht)	
<u>JKEC Company Limited</u>	
Current assets	14,519
Non-current assets	4,611
Current liabilities	11,398
Non-current liabilities	-

### Summarised information about comprehensive income for the year ended 31 December 2016

(Unit: Thousand Baht)	
<u>JKEC Company Limited</u>	
Revenue	58,237
Profit	3,289
Other comprehensive income	-
Total comprehensive income	3,289

### Summarised information about cash flow for the year ended 31 December 2016

(Unit: Thousand Baht)	
<u>JKEC Company Limited</u>	
Cash flow used in operating activities	(6,698)
Cash flow used in investing activities	(1,469)
Cash flow from financing activities	8,760
Net increase in cash and cash equivalents	<u>593</u>

## 11. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements						
	Land	Building and building improvements	Machinery, tool and equipment	Furniture and fixtures	Office equipment	Motor vehicles	Total
<b>Cost</b>							
1 January 2016	-	-	26,041	403	2,021	5,865	34,330
Increase from the acquisition of a subsidiary	-	-	145	-	304	-	449
Additions	183,800	73,616	42,565	543	1,091	2,198	303,813
Disposals	-	-	-	-	-	(1,819)	(1,819)
31 December 2016	183,800	73,616	68,751	946	3,416	6,244	336,773
<b>Accumulated depreciation</b>							
1 January 2016	-	-	6,006	101	550	1,977	8,634
Increase from the acquisition of a subsidiary	-	-	1	-	6	-	7
Depreciation for the year	-	1,192	8,179	115	724	1,234	11,444
Depreciation on disposals	-	-	-	-	-	(33)	(33)
31 December 2016	-	1,192	14,186	216	1,280	3,178	20,052
<b>Net book value</b>							
31 December 2016	183,800	72,424	54,565	730	2,136	3,066	316,721
<b>Depreciation for the year</b>							
2016 (Baht 6 million included in cost of construction services, and the balance in administrative expenses)							11,444

(Unit: Thousand Baht)

	↓ Separate financial statements						
	Land	Building and improvements	Machinery, tool and equipment	Furniture and fixtures	Office equipment	Motor vehicles	Total
<b>Cost</b>							
1 January 2015	-	-	15,606	283	719	5,865	22,473
Additions	-	-	10,435	120	1,312	-	11,867
Write-off	-	-	-	-	(10)	-	(10)
31 December 2015	-	-	26,041	403	2,021	5,865	34,330
Additions	183,800	73,616	42,508	543	1,058	2,198	303,723
Disposals	-	-	(365)	-	-	(1,819)	(2,184)
31 December 2016	183,800	73,616	68,184	946	3,079	6,244	335,869
<b>Accumulated depreciation</b>							
1 January 2015	-	-	1,257	23	120	804	2,204
Depreciation for the year	-	-	4,749	78	432	1,173	6,432
Depreciation on write-off	-	-	-	-	(2)	-	(2)
31 December 2015	-	-	6,006	101	550	1,977	8,634
Depreciation for the year	-	1,192	8,153	115	650	1,234	11,344
Depreciation on disposals	-	-	(23)	-	-	(33)	(56)
31 December 2016	-	1,192	14,136	216	1,200	3,178	19,922
<b>Net book value</b>							
31 December 2015	-	-	20,035	302	1,471	3,888	25,696
31 December 2016	183,800	72,424	54,048	730	1,879	3,066	315,947
<b>Depreciation for the year</b>							
2015 (Baht 5 million included in cost of construction services, and the balance in administrative expenses)							6,432
2016 (Baht 6 million included in cost of construction services, and the balance in administrative expenses)							11,344

On 27 April 2016, the Company's Board of Directors meeting approved the acquisition of property, plant and equipment amounting to Baht 285 million from an unrelated company in order to support the Company's operation in the future. The Company completed the right transferred registration of land and construction thereon in September 2016.

As at 31 December 2016, the Company had machines and vehicles under finance lease agreements with net book values amounting to Baht 6 million (2015: Baht 9 million).

The Company has mortgaged its land and construction thereon amounting to approximately Baht 256 million as collateral against credit facilities received from financial institutions.

## 12. Trade and other payables

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements	
	<u>2016</u>	<u>2016</u>	<u>2015</u>
Trade payable - related party	-	7,588	-
Trade payables - unrelated parties	51,980	51,304	77,491
Other payables	417	2	-
Account payables for purchase of machine and equipment	6,000	6,000	-
Accrued expenses	8,556	7,563	16,973
Accrued interest - related parties	4,783	4,783	699
Accrued interest - unrelated parties	190	190	-
Total trade and other payables	<u>71,926</u>	<u>77,430</u>	<u>95,163</u>

## 13. Long-term loans

(Unit: Thousand Baht)

Loan	Interest rate (%)	Repayment schedule	Consolidated financial statements	Separate financial statements	
			<u>2016</u>	<u>2016</u>	<u>2015</u>
1	4	Semi-annual installments as from July 2016	9,280	9,280	-
2	MLR	Monthly installments as from July 2016	9,280	9,280	-
3	Based on MLR	Monthly installments as from October 2016	241,060	241,060	-
Total			<u>259,620</u>	<u>259,620</u>	-
Less: Current portion			<u>(38,640)</u>	<u>(38,640)</u>	-
Long-term loans, net of current portion			<u>220,980</u>	<u>220,980</u>	-

The loans are secured by the mortgage of land and construction of the Company.

The loan agreements contain several covenants which, among other things, require the Company to maintain debt-to-equity ratio and debt service coverage ratio at the rate prescribed in the agreements.

#### 14. Liabilities under finance lease agreements

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements	
	2016	2016	2015
Liabilities under finance lease agreements	2,400	2,400	3,414
Less: Deferred interest expenses	(150)	(150)	(295)
Total	2,250	2,250	3,119
Less: Portion due within one year	(917)	(917)	(1,019)
Liabilities under finance lease agreements - net of current portion	1,333	1,333	2,100

The Company has entered into the finance lease agreements for rental of machines and motor vehicles for use in its operation, whereby it is committed to pay rental on a monthly basis. The terms of the agreements are generally at 5 years.

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

(Unit: Thousand Baht)

	Consolidated / Separate financial statements		
	As at 31 December 2016		
	Less than		
	1 year	1-5 years	Total
Future minimum lease payments	1,015	1,385	2,400
Deferred interest expenses	(98)	(52)	(150)
Present value of future minimum lease payments	917	1,333	2,250

(Unit: Thousand Baht)

	Separate financial statements		
	As at 31 December 2015		
	Less than		
	1 year	1-5 years	Total
Future minimum lease payments	1,164	2,250	3,414
Deferred interest expenses	(145)	(150)	(295)
Present value of future minimum lease payments	1,019	2,100	3,119

## 15. Other current liabilities

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements	
	<u>2016</u>	<u>2016</u>	<u>2015</u>
Withholding tax payables	1,177	1,102	1,765
VAT payable	1,185	985	5,044
Undue output VAT	8,208	7,765	5,418
Total other current liabilities	<u>10,570</u>	<u>9,852</u>	<u>12,227</u>

## 16. Share capital

On 20 March 2015, the Extraordinary Meeting of the Company's shareholders approved an increase in the Company's registered share capital from Baht 28.5 million (285,000 ordinary shares of Baht 100 each) to Baht 54.5 million (545,000 ordinary shares of Baht 100 each), through the issuance of 260,000 additional ordinary shares with a par value of Baht 100 each to the Company's shareholders at the price of Baht 100 each. The Company registered the increase in its share capital with the Ministry of Commerce on 26 March 2015.

On 28 March 2016, the Extraordinary Meeting of the Company's shareholders approved an increase in the Company's registered share capital from Baht 54.5 million (545,000 ordinary shares of Baht 100 each) to Baht 58.5 million (585,000 ordinary shares of Baht 100 each), through the issuance of 40,000 additional ordinary shares with a par value of Baht 100 each to the Company's shareholders at the price of Baht 100 each. The Company registered the increase in its share capital with the Ministry of Commerce on 7 April 2016.

## 17. Expenses by nature

Significant expenses classified by nature are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements	
	<u>2016</u>	<u>2016</u>	<u>2015</u>
Salaries, wages and other employee benefits	229,217	187,719	266,540
Raw materials and consumables used	156,987	146,421	196,839
Subcontractor costs	128,945	157,537	118,606
Rental expenses from operating lease agreements	57,597	48,048	67,365
Depreciation and amortisation	11,752	11,650	6,601
Changes in inventories	(4,973)	(4,973)	(5,951)



## 18. Income tax

Income tax expenses for the years ended 31 December 2016 and 2015 are made up as follows:

	(Unit: Thousand Baht)		
	Consolidated financial statements	Separate financial statements	
	<u>2016</u>	<u>2016</u>	<u>2015</u>
<b>Current income tax:</b>			
Current income tax charge	3,821	2,999	4,367
<b>Deferred tax:</b>			
Relating to origination and reversal of temporary differences	(86)	(86)	(628)
<b>Income tax expense reported in the statement of comprehensive income</b>	<u>3,735</u>	<u>2,913</u>	<u>3,739</u>

The reconciliation between accounting profit and income tax expense is shown below.

	(Unit: Thousand Baht)		
	Consolidated financial statements	Separate financial statements	
	<u>2016</u>	<u>2016</u>	<u>2015</u>
Accounting profit before tax	15,987	12,259	18,411
Applicable tax rate	20%	20%	20%
Accounting profit before tax multiplied by income tax rate	3,197	2,452	3,682
Effects of:			
Non-deductible expenses	468	468	57
Additional expense deductions allowed	(7)	(7)	-
Other	77	-	-
Total	538	461	57
<b>Income tax expense reported in the statement of comprehensive income</b>	<u>3,735</u>	<u>2,913</u>	<u>3,739</u>

The components of deferred tax assets are as follows:

	(Unit: Thousand Baht)		
	Consolidated financial statements	Separate financial statements	
	<u>2016</u>	<u>2016</u>	<u>2015</u>
Allowance for doubtful accounts	10	10	-
Provision for long-term employee benefits	195	195	628
<b>Total</b>	<u>205</u>	<u>205</u>	<u>628</u>

## 19. Basic earnings per share

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

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

	Consolidated financial statements	Separate financial statements	
	<u>2016</u>	<u>2016</u>	<u>2015</u>
Profit for the year (Thousand Baht)	10,648	9,346	14,672
Weighted average number of ordinary shares (Thousand shares)	574	574	486
Basic earnings per share (Baht/share)	18.55	16.28	30.19

## 20. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance. The chief operating decision maker has been identified as the Board of Directors of the Company and its subsidiary.

The Company and its subsidiary are principally engaged in the services relating to engineering, procurement, construction management, commissioning of operation and maintenance. Its operations are carried on only in Thailand. Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain exclusively to the aforementioned reportable operating segment and geographical area.

### Geographic information

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

### Major customers

For the year 2016, the Company and its subsidiary have revenue from 3 major customers in amount of Baht 202 million, Baht 118 million and Baht 91 million (2015: three major customer in amount of Baht 161 million, Baht 128 million and Baht 85 million).

## **21. Commitments and contingent liabilities**

### **21.1 Service commitments**

As at 31 December 2016, the Company and its subsidiary had service fee which payable within one year under the construction agreements amounting to Baht 27 million (Separate financial statements: Baht 39 million) (2015: Separate financial statements: Baht 51 million).

### **21.2 Operating lease commitments**

The Company and its subsidiary have entered into several lease agreements in respect of the lease of land, factory building, office building, machine and equipment and houses for its employee. The terms of the agreements are generally between 1 and 4 years.

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

	(Unit: Million Baht)		
	Consolidated financial statements	Separate financial statements	
	<u>2016</u>	<u>2016</u>	<u>2015</u>
Payable:			
in up to 1 year	1	1	6
in over 1 and up to 4 years	1	1	1

### **21.3 Commitments under construction materials purchase contract**

As at 31 December 2016, the Company has payment commitments of Baht 10 million under construction materials purchase contract, which will be delivered within January 2017.

### **21.4 Guarantees**

As at 31 December 2016, there were outstanding bank guarantees of approximately Baht 216 million (2015: Baht 138 million) issued by banks on behalf of the Company to guarantee contractual performance of the Company.

### **21.5 Litigation**

The Company was sued from claiming damages case by one company for breach of service contract in the amount of Baht 1.6 million. The Court of First Instance appoints the mediation and the taking of evidence on 6 March 2017.

The Company has not recorded provision for the contingent liabilities which may arise as a result of the legal proceeding since the management believes that the Company will not incur any significant loss from this litigation.

## **22. Financial instruments**

### **22.1 Financial risk management**

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

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

The Company and its subsidiary are exposed to credit risk primarily with respect to construction contract debtors. However, since the majority of construction services are made to good financial position customers and due to the large number of entities comprising the Company's and its subsidiary's customer base, the Company and its subsidiary do not anticipate material losses from its debt collection. The maximum exposure to credit risk is limited to the carrying amount of receivables, other receivables and loans to as stated in the statement of financial position.

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

The Company's and its subsidiary's exposure to interest rate risk relates primarily to their cash at banks, short-term loans to, short-term loans from and long-term loans. Most of the Company's and its subsidiary's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate.

As at 31 December 2016 and 2015, significant financial assets and liabilities classified by type of interest rate are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

## Consolidated financial statements

2016

	Fixed interest rates		Floating interest rate	Non-interest bearing	Total	Effective interest rate (% per annum)
	Within 1 year	1-5 years				
<b>Financial assets</b>						
Cash and cash equivalents	-	-	6	1	7	0.12 - 0.85
Trade and other receivables	-	-	-	117	117	-
	-	-	6	118	124	
<b>Financial liabilities</b>						
Trade and other payables	-	-	-	72	72	-
Short-term loans from related parties	80	-	-	-	80	1.50 - 8.50
Liabilities under finance lease agreements	1	1	-	-	2	5.28 - 5.43
Long-term loans	2	8	250	-	260	4.00 - 6.50
	83	9	250	72	414	

(Unit: Million Baht)

## Separate financial statements

2016

	Fixed interest rates		Floating interest rate	Non-interest bearing	Total	Effective interest rate (% per annum)
	Within 1 year	1-5 years				
<b>Financial assets</b>						
Cash and cash equivalents	-	-	6	1	7	0.12 - 0.85
Trade and other receivables	-	-	-	118	118	-
Short-term loan to related party	5	-	-	-	5	8.50
	5	-	6	119	130	
<b>Financial liabilities</b>						
Trade and other payables	-	-	-	77	77	-
Short-term loans from related parties	80	-	-	-	80	1.50 - 8.50
Liabilities under finance lease agreements	1	1	-	-	2	5.28 - 5.43
Long-term loans	2	8	250	-	260	4.00 - 6.50
	83	9	250	77	419	

(Unit: Million Baht)

Separate financial statements						
2015						
	Fixed interest rates					
	Within 1 year	1-5 years	Floating interest rate	Non-interest bearing	Total	Effective interest rate (% per annum)
<b>Financial assets</b>						
Cash and cash equivalents	-	-	3	1	4	0.13 - 0.85
Trade and other receivables	-	-	-	84	84	-
	-	-	3	85	88	
<b>Financial liabilities</b>						
Short-term loans from unrelated parties	-	-	14	-	14	14.50
Trade and other payables	-	-	-	95	95	-
Short-term loans from related parties	32	-	-	-	32	8.50
Liabilities under finance lease agreements	1	2	-	-	3	5.28 - 5.43
	33	2	14	95	144	

**Foreign currency risk**

The Company and its subsidiary do not consider themselves exposed to foreign currency risk because they have no significant foreign currency transactions.

**22.2 Fair values of financial instruments**

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

**23. Capital management**

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2016, the Group's debt-to-equity ratio was 4.78:1 and the Company's was 5.10:1 (2015: 2.59:1).

**24. Approval of financial statements**

These financial statements were authorised for issue by the Company's authorised directors on 27 February 2017.