

FIRETRADE ENGINEERING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

Firetrade Engineering Public Company Limited (“the Company”) was incorporated in Thailand under the Civil and Commercial Code on 2 November 1999 and became a public company limited on 8 August 2016. The Company’s principal activities are to sales of fire protection equipment and systems, design, installation, repair and maintenance the fire protection systems.

On 27 July 2017, the Company was listed on the Stock Exchange of Thailand.

The registered office of the Company is at 21/57-58 Soi Soonvijai, Rama 9 Road, Bangkapi Sub-district, Huaykwang District, Bangkok.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements are prepared in accordance with Thai Financial Reporting Standards (“TFRS”) including related interpretations and guidelines promulgated by the Federation of Accounting Professions (“TFAC”) in accordance with generally accepted accounting principles in Thailand.

The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 11 October 2016, issued under the Accounting Act B.E. 2543.

The accompanying financial statements have been prepared in the Thai language and expressed in Thai Baht. Such financial statements have been prepared for domestic reporting purposes. For the convenience of the readers not conversant with the Thai language, an English version of the financial statements has been provided by translating from the Thai version of the financial statements.

The preparation of the financial statements in accordance with Thai Financial Reporting Standards requires management to make judgments and estimates that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The judgements and estimates are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Subsequent actual results may differ from these estimates.

The judgements and estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, and in the period of the revision and future periods, if the revision affects both current and future periods.

BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements consisted of the financial statements of Firetrade Engineering Public Company Limited, and its subsidiary (together referred to as “the Group”) as follows:

| Subsidiary | Located in | Business type | Percentage of holding (%) | |
|--------------------------|------------|---|---------------------------|-------|
| | | | 2019 | 2018 |
| Fire Inspector Co., Ltd. | Thailand | Sales, installation and provide service of fire protection equipment and systems. | 99.99 | 99.99 |

All significant intercompany transactions and accounts are eliminated in preparing the consolidated financial statements.

The preparations of the consolidated financial statements have been based on the same accounting policies for the same or similar accounting transactions or accounting events.

Subsidiary is an entity controlled by the Company. 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 significantly affect the amount of its returns. The financial statements of subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Changes in application of new and revised TFRS

New and revised TFRS that became effective in the current year

During the year 2019, the Group has adopted revised TFRS (revised 2018) and new TFRS which are effective for the accounting period beginning on or after 1 January 2019. These TFRS were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. The adoption of these TFRS does not have any significant impact on the Group’s financial statements. However, the new standard involves changes to key principles, which is summarized below:

TFRS 15 Revenue from Contracts with Customers

TFRS 15 supersedes the following TAS together with related Thai Interpretations (TSIC) and Thai Financial Reporting Interpretations (TFRIC):

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

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

The Group adopted TFRS 15 using the modified retrospective method of adoption of which the cumulative effect is recognised as an adjustment to the retained earnings as at 1 January 2019, and the comparative information was not restated.

The cumulative effect of the change is described in Note 4.

New and revised TFRS not yet effective

The TFAC has issued Notification, mandating the use of revised TFRS and new TFRS which are effective for the financial statements for the period beginning on or after 1 January 2020. These TFRS were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. However, the new TFRS involve changes to key principles which are summarized belows:

TFRS related to financial instruments

The set of TFRS related to financial instruments consists of five TAS, TFRS and interpretations as follows:

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

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

TFRS 16 Leases

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

The management of the Group is assessing the impacts of these TFRS on the financial statements for the year in which they are initially applied.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The measurement bases used in preparing the financial statements

Other than those disclosed elsewhere in the summary of significant accounting policies and other notes to the financial statements, the financial statements are prepared on the historical cost basis.

Revenues

Revenue excluding value added tax and is arrived at after deduction of trade discounts.

Multiple element arrangements involving delivery or provision of multiple products or services are separated into distinct performance obligations. Total transaction price of the bundled contract is allocated to each performance obligation based on their relative standalone selling prices or estimated standalone selling prices. Each performance obligation is recognized as revenue on fulfillment of the obligation to the customer.

Revenue from sale of goods

Revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer. Sale is measured at the amount of the consideration received or receivable, of goods supplied after deducting returns and discounts, excluding value added tax.

Revenue from project works

Revenue from project works includes the initial amount agreed in the contract plus any variations in project works, claims and incentive payments if revenue is probable incurred and reliable measure. When project works are reliable estimated, revenue and cost of project works are recognized in profit or loss in proportion of the stage of completion of project works.

The stage of completion of project work is estimated by reference to the proportion of project work cost is incurred for work performed up to date and estimate of total project work cost.

If the estimate of project work is unreliable, revenue from project work will be recognized not excess the project work cost is incurred and probably recoverable.

When it is probable that total project work costs will be exceed total revenue from project work, the expected loss of project work will be recognized in profit or loss.

The part of completed project work, which has not yet been delivered for acceptance and billing, is recorded as unbilled receivables.

Revenues from service

Service incomes are recognized when services are rendered.

Rental income

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

Dividend income

Dividend income is recognized when the right to receive the dividend is established.

Interest income and other income

Interest income and other income are recognized on an accrual basis.

Expenses

Operating leases

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized in profit or loss as an integral part of the total lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Finance costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the costs of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Other expenses are recognized on an accrual basis.

Employee benefits

Short-term benefits

The Group recognizes salaries, wages, bonus and social security contribution as expenses when incurred.

Post-employment benefits – defined contribution plan

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

Post-employment benefits – defined benefit plan

The employee benefit liabilities in relation to the severance payment under the labor law are recognized as a charge to results of operations over the employee's service year. It is calculated by the estimation of the amount of future benefit to be earned by the employee in return for the service provided to the Group through the service year up to the

retirement age in the future years based on the actuarial technique. The reference discount rate is the yield rate of government bonds as at the reporting date. The calculation is based on the actuarial technique using the Projected Unit Credit Method.

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 recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

When the actuarial assumptions are changed, the Group recognizes actuarial gains (losses) immediately in other comprehensive income.

Employee Joint Investment Program (“EJIP”)

The Group establishes Employee Joint Investment Program for the Group’s employees to buy the Company’s shares through EJIP as a defined contribution plan. The assets for which are held in a separate assets and are managed by a licensed agent. Contributions are made by the Group and its employees. The Group’s contributions to the Program are charged to the profit or loss for the year to which they relate.

Income tax

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognized in profit or loss except to the extent that they relate to items recognized directly in shareholders’ 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 end of reporting period date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized 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 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 at the end of reporting period date.

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 judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, 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 recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the end of reporting period date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Fair value measurement

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

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

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash at banks, and highly liquid short-term investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade and other receivables are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

In determining an allowance for doubtful accounts, the management needs to make judgment for estimated losses for each outstanding debtor. The allowances for doubtful accounts are determined through a combination of analysis of debt aging, collection experience, and taking into account change in the current economic conditions. However, the use of different estimates and assumptions could affect the amounts of allowances for receivable losses and adjustments to the allowances may therefore be required in the future.

Inventories

Inventories are valued at the lower of weighted average cost method or net realizable value.

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

An allowance is made for obsolete and slow-moving inventories.

During the year, the Group changed its accounting policy for valuing its inventories from the first-in, first-out method to the weighted average cost method in order to consistent with the movement of inventories. The Group calculated the effect from the accounting change as though the inventories had originally been valued using the weighted average cost method. However, the Group did not restate the previous financial statements, presented for comparative purposes, as the effect from the accounting change against the beginning balance of retained earnings for the year 2019 and profit or loss for the year ended 31 December 2018 was not material.

Investments in subsidiary

Investments in subsidiary in the separate financial statements are accounted for using the cost method less allowance for impairment (if any).

Investment properties

Investment properties are land held for capital appreciation but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Land is stated at cost less allowance for impairment (if any).

Land and equipment

Land is stated at cost less allowance for impairment (if any).

Equipment are stated at cost less accumulated depreciation and allowance for impairment (if any).

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are included in the profit or loss.

Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of assets as follows:

| | Years |
|--------------------------------|----------|
| Furniture and office equipment | 5 and 10 |
| Fixtures | 5 |
| Tools | 5 |
| Vehicles | 5 and 7 |

No depreciation is provided on land or assets in progress.

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

Intangible assets

Intangible assets are software computer, which are amortized and computed by the straight-line method based on the estimated useful lives of the assets for 3 years, 5 years and 10 years.

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

Impairment of assets

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 asset's recoverable amount is estimated.

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

Calculation of recoverable amount

The recoverable amount is the greater of the assets' fair value less cost to sell or value in use. 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.

Reversals of impairment

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 amortization, if no impairment loss had been recognized.

Provisions

A provision is recognized in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, 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, where appropriate, the risks specific to the liability.

Estimate installation project costs

The Group estimates costs of each installation projects based on details of the installation design, and calculate quantity and costs of materials, labour and others which used to complete the projects and accompany with determine the trend of changes in those costs. Estimate costs are reviewed regularly and whenever actual costs are significant difference from the estimate costs.

Provision for loss on installation project

Management exercises judgment to estimate the probable loss of each installation project, based on estimates the probable costs by determine progress of installation, actual costs together with changes in costs of materials and labour and current situation.

Provision for penalty from delay delivery

The Group has provision incurred from delay delivery. The management applied judgement in estimating the penalty based on contract rate and the period of delay installation project. The Group has recorded provision for penalty from delay delivery in the financial statements. However, actual results could differ from the estimates.

Provision for warranty

A provision for warranty is recognized when the goods are sold or services are rendered to the customers. Provision is determined based on historical warranty payment experience couple with a review of the possibility factors on incurrence of such damage.

Foreign currency**Foreign currency transactions**

Transactions in foreign currencies are converted at the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are converted to Thai Baht at the foreign exchange rates ruling at that date. Forward exchange contracts at the transaction date are converted to Thai Baht by using the contract rates.

Outstanding forward exchange contracts are marked to market by comparing contract rates to forward rates established by the contracting bank with the same maturity. At the end of year, the unrealized gains or losses on outstanding forward exchange contracts, calculated as described above, are included within other receivables or other payables from forward exchange contracts in the statement of financial position.

Gain or loss on conversion is included in the statement of income.

Dividends

Dividends and interim dividend payments are recorded in the consolidated and separate financial statements in the period in which they are approved by the Shareholders' Meeting or the Board of Directors' Meeting.

Basic earnings per share

Basic earnings per share is calculated by dividing profit for the year by the weighted average number of ordinary shares outstanding during the year.

4. CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING POLICIES DUE TO THE ADOPTION OF NEW FINANCIAL REPORTING STANDARD

As described in Note 2, during the current year, the Group has adopted TFRS 15 using the modified retrospective method of adoption. The cumulative effect of initially applying TFRS 15 is recognized as an adjustment to retained earnings as at 1 January 2019. Therefore, the comparative information was not restated.

The effect of the changes in accounting policies due to the adoption of TFRS 15 on the beginning balance of retained earnings for 2019 comprises:

| | Baht | |
|--|----------------------|----------------------|
| | Consolidated | Separate |
| | financial statements | financial statements |
| Impact on retained earnings as at 1 January 2019 | | |
| Unearned service contract revenue | (19,439,554.49) | (16,109,568.63) |
| Related tax expense | 3,887,910.90 | 3,221,913.73 |
| Total | (15,551,643.59) | (12,887,654.90) |

The amounts of adjustments affecting the statements of financial position as at 31 December 2019 and the statements of comprehensive income for the year ended 31 December 2019 are summarized below.

| | Baht | | |
|--|-----------------------------------|---------------------|----------------|
| | Consolidated financial statements | | |
| | Previous accounting | | |
| | policy | Increase (decrease) | TFRS 15 |
| Statement of financial position | | | |
| Assets | | | |
| Trade and other receivables | 204,724,146.75 | (1,424,542.37) | 203,299,604.38 |
| Unbilled receivables | 125,966,991.58 | (12,969,544.39) | 112,997,447.19 |
| Deferred tax assets | 6,988,010.55 | 4,778,999.21 | 11,767,009.76 |
| Liabilities | | | |
| Trade and other payables | 156,838,765.33 | 9,500,909.27 | 166,339,674.60 |
| Shareholders' equity | | | |
| Retained earnings | 78,400,660.37 | (19,115,996.82) | 59,284,663.55 |

| | Baht | | |
|--|-------------------------------|---------------------|----------------|
| | Separate financial statements | | |
| | Previous accounting | | |
| | policy | Increase (decrease) | TFRS 15 |
| Statement of financial position | | | |
| Assets | | | |
| Trade and other receivables | 196,959,948.39 | (1,200,891.94) | 195,759,056.45 |
| Unbilled receivables | 113,948,302.90 | (12,731,061.73) | 101,217,241.33 |
| Deferred tax assets | 6,721,820.36 | 4,162,526.45 | 10,884,346.81 |
| Liabilities | | | |
| Trade and other payables | 152,737,448.48 | 6,880,678.72 | 159,618,127.20 |
| Shareholders' equity | | | |
| Retained earnings | 70,119,588.37 | (16,650,105.78) | 53,469,482.59 |

| | Baht | | |
|--|-----------------------------------|---------------------|------------------|
| | Consolidated financial statements | | |
| | Previous accounting | | |
| | policy | Increase (decrease) | TFRS 15 |
| Statement of comprehensive income | | | |
| Profit of loss: | | | |
| Revenues from sales and services | 1,030,312,675.46 | (4,455,441.54) | 1,025,857,233.92 |
| Tax expense | 28,581,873.84 | (891,088.31) | 27,690,785.53 |
| Earnings per share: | | | |
| Basic earnings per share | 0.20 | (0.01) | 0.19 |

| | Baht | | |
|--|-------------------------------|---------------------|----------------|
| | Separate financial statements | | |
| | Previous accounting | | |
| | policy | Increase (decrease) | TFRS 15 |
| Statement of comprehensive income | | | |
| Profit of loss: | | | |
| Revenues from sales and services | 971,451,216.74 | (4,703,063.60) | 966,748,153.14 |
| Tax expense | 23,616,942.22 | (940,612.72) | 22,676,329.50 |
| Earnings per share: | | | |
| Basic earnings per share | 0.19 | (0.01) | 0.18 |

The nature of these adjustments is described below:

Revenue from maintenance of fire protection system – The Group has determined that maintenance of fire protection system should be recognized as separate performance obligation from the revenue from project work, which should be recognized as revenue when services are rendered.

5. RELATED PARTY TRANSACTIONS

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

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

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

The significant transactions with related parties for the years ended 31 December 2019 and 2018 were as follows:

| | Baht | | | |
|------------------------|-----------------------------------|--------------|-------------------------------|---------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| Revenues from sales | | | | |
| Subsidiary | - | - | 17,468,735.68 | 35,054,070.49 |
| Related companies | 954,884.06 | 591,654.00 | 954,884.06 | 591,654.00 |
| Revenues from services | | | | |
| Subsidiary | - | - | 3,108,533.09 | 3,554,859.07 |
| Related companies | 103,028.83 | - | 103,028.83 | - |
| Dividend income | | | | |
| Subsidiary | - | - | 12,999,740.00 | 21,788,820.90 |
| Interest income | | | | |
| Subsidiary | - | - | 711,452.06 | 785,095.90 |
| Other income | | | | |
| Subsidiary | - | - | 372,894.00 | 444,916.29 |
| Related companies | 1,297,260.00 | 1,323,318.81 | 1,297,260.00 | 1,323,318.81 |
| Purchases of goods | | | | |
| Subsidiary | - | - | 5,651,730.42 | 6,609,410.63 |
| Related companies | 706,476.25 | 679,780.00 | 667,476.25 | 668,080.00 |
| Other services | | | | |
| Subsidiary | - | - | 90.00 | - |
| Related companies | 451,312.55 | 101,030.00 | 436,632.91 | 101,030.00 |
| Distribution costs | | | | |
| Related company | 400.00 | - | - | - |
| Sale of equipment | | | | |
| Subsidiary | - | - | 5,593.22 | - |
| Purchases of equipment | | | | |
| Related company | 7,964.00 | - | 7,964.00 | - |

Key management personnel compensation

Key management personnel compensation the years ended 31 December 2019 and 2018 consisted of:

| | Baht | | | |
|--------------------------|-----------------------------------|---------------|-------------------------------|---------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| Short-term benefits | 20,320,157.84 | 18,486,524.96 | 18,535,910.93 | 16,687,900.86 |
| Post-employment benefits | 2,974,518.40 | 1,404,331.00 | 2,661,101.40 | 1,268,148.00 |
| Total | 23,294,676.24 | 19,890,855.96 | 21,197,012.33 | 17,956,048.86 |

The balances with related parties as at 31 December 2019 and 2018 were as follows:

| | Baht | | | |
|---|-----------------------------------|------------|-------------------------------|---------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| Trade and other receivables | | | | |
| Fire Inspector Co., Ltd. | - | - | 5,158,733.94 | 15,406,272.18 |
| Safety Factory Co., Ltd. | 426,175.01 | 222,225.07 | 426,175.01 | 222,225.07 |
| S.I. Firetrade Co., Ltd. | 50,140.20 | 107,382.88 | 50,140.20 | 107,382.88 |
| Safety Online Co., Ltd. | 30,666.20 | - | 30,666.20 | - |
| Investments in subsidiary (see Note 9) | - | - | 12,848,835.17 | 4,848,835.17 |
| Trade and other payables | | | | |
| Fire Inspector Co., Ltd. | - | - | 68,768.53 | 46,969.98 |
| Safety Factory Co., Ltd. | - | 292,217.00 | - | 292,217.00 |
| Econlite Manufacturing (Thailand) Co., Ltd. | 57,971.79 | 12,840.00 | 48,118.99 | 12,840.00 |
| Safety Online Co., Ltd. | 193,296.84 | - | 193,296.84 | - |
| Other non-current liabilities | | | | |
| Fire Inspector Co., Ltd. | - | - | 22,000.00 | 22,000.00 |
| Safety Factory Co., Ltd. | 26,000.00 | 26,000.00 | 26,000.00 | 26,000.00 |
| S.I. Firetrade Co., Ltd. | 100,000.00 | 100,000.00 | 100,000.00 | 100,000.00 |

Short-term loans to related party

| | Baht | |
|--------------------------|-------------------------------|---------------|
| | Separate financial statements | |
| | 2019 | 2018 |
| Fire Inspector Co., Ltd. | 10,000,000.00 | 20,000,000.00 |

Movements of short-term loans to related party for the years ended 31 December 2019 and 2018 were as follows:

| | Baht | |
|-------------------|-------------------------------|----------------|
| | Separate financial statements | |
| | 2019 | 2018 |
| Beginning balance | 20,000,000.00 | 19,000,000.00 |
| Increase | - | 5,000,000.00 |
| Decrease | (10,000,000.00) | (4,000,000.00) |
| Ending balance | 10,000,000.00 | 20,000,000.00 |

The Company has short-term loans to related party by issuing promissory notes, due at call, with the interest rate of 4% per annum, without collateral.

Company relationship

| Company | Country | Type of relation |
|---|----------|-----------------------------------|
| Fire Inspector Co., Ltd. | Thailand | Subsidiary |
| Safety Factory Co., Ltd. | Thailand | Common shareholders and directors |
| S.I. Firetrade Co., Ltd. | Thailand | Common shareholders and directors |
| Econlite Manufacturing (Thailand) Co., Ltd. | Thailand | Common shareholders and directors |
| Safety Online Co.,Ltd. | Thailand | Common shareholders and directors |

Bases of measurement for intercompany revenues and expenses

| | Pricing policy |
|--|----------------------------------|
| Purchases and sales of goods and equipment | Cost plus mutually agreed margin |
| Revenues from services - other services | Cost plus mutually agreed margin |
| Dividend income | As declared |
| Interest income | Negotiated agreement |
| Other income | Negotiated agreement |
| Guarantees for the Company's credit facilities by directors and directors' assets | No guarantee charge |

6. CASH AND CASH EQUIVALENTS

| | Baht | | | |
|---------------|-----------------------------------|----------------|-------------------------------|----------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| Cash | 60,000.00 | 59,200.00 | 50,000.00 | 50,000.00 |
| Cash at banks | 116,429,803.27 | 272,692,033.76 | 110,599,208.32 | 271,988,389.84 |
| Total | 116,489,803.27 | 272,751,233.76 | 110,649,208.32 | 272,038,389.84 |

7. TRADE AND OTHER RECEIVABLES

| | Baht | | | |
|---|-----------------------------------|----------------|-------------------------------|----------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| Trade accounts receivable | 203,660,479.58 | 255,382,553.12 | 196,491,246.12 | 243,476,692.97 |
| Less Allowance for doubtful accounts | (9,456,168.69) | (8,752,445.31) | (9,420,399.47) | (8,712,445.31) |
| Trade accounts receivable - net | 194,204,310.89 | 246,630,107.81 | 187,070,846.65 | 234,764,247.66 |
| Other receivables | | | | |
| Prepaid expenses | 8,333,079.26 | 8,374,924.63 | 7,820,268.94 | 8,145,945.64 |
| Others | 762,214.23 | 660,894.36 | 867,940.86 | 798,094.67 |
| Total | 203,299,604.38 | 255,665,926.80 | 195,759,056.45 | 243,708,287.97 |
| For the years ended 31 December | | | | |
| Doubtful accounts | 703,723.38 | 4,635,139.54 | 707,954.16 | 4,655,139.54 |

As at 31 December 2019 and 2018, the Group had outstanding balances of trade accounts receivable aged by number of months as follows:

| | Baht | | | |
|----------------------------------|-----------------------------------|-----------------------|-------------------------------|-----------------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| Trade accounts receivable | | | | |
| Current | 115,143,945.44 | 163,601,772.22 | 116,630,317.75 | 142,068,495.49 |
| Overdue | | | | |
| Less than or equal to 3 months | 58,318,443.04 | 76,174,922.33 | 50,123,364.68 | 85,842,338.91 |
| Over 3 months up to 6 months | 8,619,837.50 | 4,236,329.57 | 8,301,942.64 | 4,236,329.57 |
| Over 6 months up to 12 months | 12,123,949.50 | 2,781,768.69 | 12,017,086.17 | 2,781,768.69 |
| Over 12 months | 9,454,304.10 | 8,587,760.31 | 9,418,534.88 | 8,547,760.31 |
| Total | <u>203,660,479.58</u> | <u>255,382,553.12</u> | <u>196,491,246.12</u> | <u>243,476,692.97</u> |

8. INVENTORIES

| | Baht | | | |
|--|-----------------------------------|-----------------------|-------------------------------|-----------------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| Finished goods | 300,406,262.16 | 236,321,291.45 | 291,650,467.06 | 223,194,230.24 |
| Goods in transit | 20,137,778.83 | 34,340,250.76 | 18,467,548.48 | 31,553,642.25 |
| Total | <u>320,544,040.99</u> | <u>270,661,542.21</u> | <u>310,118,015.54</u> | <u>254,747,872.49</u> |
| Less Allowance for obsolete and | | | | |
| slow - moving inventories | <u>(9,266,389.64)</u> | <u>(5,778,734.92)</u> | <u>(8,747,363.57)</u> | <u>(5,199,007.99)</u> |
| Inventories - net | <u>311,277,651.35</u> | <u>264,882,807.29</u> | <u>301,370,651.97</u> | <u>249,548,864.50</u> |

For the years ended 31 December

| | | | | |
|--|--------------|--------------|--------------|--------------|
| Loss on devaluation of obsolete | | | | |
| and slow - moving inventories (reversal) | 3,487,654.72 | (698,459.73) | 3,548,355.58 | (800,851.17) |

9. INVESTMENTS IN SUBSIDIARY

| | Baht | | Percentage of | | Baht | | Baht | |
|--------------------------|-----------------------|--------------|---------------|-------|---------------|--------------|-------------------|---------------|
| | Paid-up share capital | | holding (%) | | Cost | | Dividend income * | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Fire Inspector Co., Ltd. | 10,000,000.00 | 2,000,000.00 | 99.99 | 99.99 | 12,848,835.17 | 4,848,835.17 | 12,999,740.00 | 21,788,820.90 |

Fire Inspector Co., Ltd. has called for paid-up capital from the capital increase by its Extraordinary General Meeting of Shareholders held on 21 February 2019 at 80,000 shares, Baht 100 per share, totalling Baht 8 million, of which fully received.

* For the years ended 31 December 2019 and 2018

10. INVESTMENT PROPERTIES

| | Baht | |
|--------------------------------------|--|--------------|
| | Consolidated and Separate financial statements | |
| | 2019 | 2018 |
| Cost of land | 4,241,578.35 | 4,241,578.35 |
| Less Allowance for impairment | (334,546.00) | (334,546.00) |
| Investment properties - net | 3,907,032.35 | 3,907,032.35 |

The Company

The fair value of investment properties was determined by the independent appraiser, which has the appraisal value in the amount of Baht 9.98 million for the year 2019 (2018: Baht 16.22 million) (see Note 26), the method used to appraise the properties was Market Approach, according to the appraisal reports.

11. LAND AND EQUIPMENT

| Baht | | | | | | |
|-----------------------------------|----------------|-----------------------------------|------------|--------------|----------------|-----------------------|
| Consolidated financial statements | | | | | | |
| | Land | Furniture and office equipment | Fixtures | Tools | Vehicles | Assets in progress |
| | | | | | | Total |
| Cost | | | | | | |
| As at 1 January 2018 | - | 10,499,812.29 | 892,535.95 | 3,326,264.40 | 19,228,822.43 | - |
| Purchases/transfer in | - | 970,744.71 | - | 604,675.24 | 33,000.00 | - |
| Disposals/transfer out | - | (763,142.16) | - | (207,770.09) | (5,124,607.48) | - |
| As at 31 December 2018 | - | 10,707,414.84 | 892,535.95 | 3,723,169.55 | 14,137,214.95 | - |
| Purchases/transfer in | 122,703,780.00 | 863,153.56 | - | 419,483.76 | - | 7,006,146.58 |
| Disposals/transfer out | - | (296,569.14) | - | - | - | - |
| As at 31 December 2019 | 122,703,780.00 | 11,273,999.26 | 892,535.95 | 4,142,653.31 | 14,137,214.95 | 7,006,146.58 |
| Accumulated depreciation | | | | | | |
| As at 1 January 2018 | - | 7,270,306.30 | 524,445.06 | 2,353,136.60 | 12,381,382.44 | - |
| Depreciation | - | 1,111,730.07 | 178,395.80 | 388,344.36 | 1,037,251.83 | - |
| Disposals/transfer out | - | (731,899.21) | - | (201,094.21) | (4,000,000.00) | - |
| As at 31 December 2018 | - | 7,650,137.16 | 702,840.86 | 2,540,386.75 | 9,418,634.27 | - |
| Depreciation | - | 1,213,640.44 | 138,172.06 | 404,801.68 | 772,537.60 | - |
| Disposals/transfer out | - | (250,057.76) | - | - | - | - |
| As at 31 December 2019 | - | 8,613,719.84 | 841,012.92 | 2,945,188.43 | 10,191,171.87 | - |
| Book value | | | | | | |
| As at 31 December 2018 | - | 3,057,277.68 | 189,695.09 | 1,182,782.80 | 4,718,580.68 | - |
| As at 31 December 2019 | 122,703,780.00 | 2,660,279.42 | 51,523.03 | 1,197,464.88 | 3,946,043.08 | 7,006,146.58 |

| | Baht | | | | | | |
|---------------------------------|-------------------------------|-----------------------------------|------------|--------------|----------------|-----------------------|----------------|
| | Separate financial statements | | | | | | |
| | Land | Furniture and office equipment | Fixtures | Tools | Vehicles | Assets in progress | Total |
| Cost | | | | | | | |
| As at 1 January 2018 | - | 10,307,100.77 | 892,535.95 | 3,290,813.74 | 19,228,822.43 | - | 33,719,272.89 |
| Purchases/transfer in | - | 965,744.71 | - | 570,253.34 | 33,000.00 | - | 1,568,998.05 |
| Disposals/transfer out | - | (763,142.16) | - | (207,770.09) | (5,124,607.48) | - | (6,095,519.73) |
| As at 31 December 2018 | - | 10,509,703.32 | 892,535.95 | 3,653,296.99 | 14,137,214.95 | - | 29,192,751.21 |
| Purchases/transfer in | 122,703,780.00 | 863,153.56 | - | 385,744.08 | - | 7,006,146.58 | 130,958,824.22 |
| Disposals/transfer out | - | (302,162.36) | - | - | - | - | (302,162.36) |
| As at 31 December 2019 | 122,703,780.00 | 11,070,694.52 | 892,535.95 | 4,039,041.07 | 14,137,214.95 | 7,006,146.58 | 159,849,413.07 |
| Accumulated depreciation | | | | | | | |
| As at 1 January 2018 | - | 7,154,761.29 | 524,445.06 | 2,330,047.85 | 12,381,382.44 | - | 22,390,636.64 |
| Depreciation | - | 1,082,661.99 | 178,395.80 | 380,732.98 | 1,037,251.83 | - | 2,679,042.60 |
| Disposals/transfer out | - | (731,899.21) | - | (201,094.21) | (4,000,000.00) | - | (4,932,993.42) |
| As at 31 December 2018 | - | 7,505,524.07 | 702,840.86 | 2,509,686.62 | 9,418,634.27 | - | 20,136,685.82 |
| Depreciation | - | 1,185,548.53 | 138,172.06 | 391,937.08 | 772,537.60 | - | 2,488,195.27 |
| Disposals/transfer out | - | (250,057.76) | - | - | - | - | (250,057.76) |
| As at 31 December 2019 | - | 8,441,014.84 | 841,012.92 | 2,901,623.70 | 10,191,171.87 | - | 22,374,823.33 |
| Book value | | | | | | | |
| As at 31 December 2018 | - | 3,004,179.25 | 189,695.09 | 1,143,610.37 | 4,718,580.68 | - | 9,056,065.39 |
| As at 31 December 2019 | 122,703,780.00 | 2,629,679.68 | 51,523.03 | 1,137,417.37 | 3,946,043.08 | 7,006,146.58 | 137,474,589.74 |

| | Baht | | | |
|---|-----------------------------------|---------------|-------------------------------|---------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| Depreciation for the years ended 31 December | | | | |
| was included in administrative expenses | 2,529,151.78 | 2,715,722.06 | 2,488,195.27 | 2,679,042.60 |
| As at 31 December | | | | |
| the carrying amount before accumulated depreciation | | | | |
| which have been fully depreciated and still in use | 13,653,598.75 | 13,016,029.70 | 13,535,300.93 | 12,957,547.34 |

12. INTANGIBLE ASSETS

| | Baht | |
|---------------------------------|-----------------------------------|-------------------------------|
| | Computer Program | |
| | Consolidated financial statements | Separate financial statements |
| Cost | | |
| As at 1 January 2018 | 5,910,886.32 | 5,767,806.92 |
| Purchases | 235,284.53 | 235,284.53 |
| Disposals | (28,620.96) | (28,620.96) |
| As at 31 December 2018 | 6,117,549.89 | 5,974,470.49 |
| Purchases | 11,843,800.65 | 11,843,800.65 |
| Disposals | (302,121.79) | (302,121.79) |
| As at 31 December 2019 | 17,659,228.75 | 17,516,149.35 |
| Accumulated amortization | | |
| As at 1 January 2018 | 1,744,060.78 | 1,728,453.52 |
| Amortization | 657,160.31 | 642,861.31 |
| Disposals | (16,378.64) | (16,378.64) |
| As at 31 December 2018 | 2,384,842.45 | 2,354,936.19 |
| Amortization | 1,033,128.44 | 1,018,819.52 |
| Disposals | (179,345.29) | (179,345.29) |
| As at 31 December 2019 | 3,238,625.60 | 3,194,410.42 |
| Net book value | | |
| As at 31 December 2018 | 3,732,707.44 | 3,619,534.30 |
| As at 31 December 2019 | 14,420,603.15 | 14,321,738.93 |

13. DEFERRED TAX

| | Baht | | | |
|---------------------------|-----------------------------------|--------------|-------------------------------|--------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| Deferred tax assets | 12,003,687.30 | 5,047,946.04 | 11,121,024.35 | 4,828,629.44 |
| Deferred tax liabilities | (236,677.54) | (150,826.14) | (236,677.54) | (150,826.14) |
| Deferred tax assets - net | 11,767,009.76 | 4,897,119.90 | 10,884,346.81 | 4,677,803.30 |

Movements of deferred tax assets and liabilities during the years were as follows:

| | Baht | | | | | | |
|---------------------------------|-----------------------------------|---------------------|---------------------|--------------------------|---------------------|---------------------|----------------------|
| | Consolidated financial statements | | | | | | |
| | Adjustment | | | | | | |
| | on adoption of | | | | | | |
| | 1 January 2018 | Profit (loss) | 31 December 2018 | new TFRS (see Note 4) | 1 January 2019 | Profit (loss) | 31 December 2019 |
| Deferred tax assets | | | | | | | |
| Trade and other receivables | 823,461.14 | 927,027.91 | 1,750,489.05 | - | 1,750,489.05 | 140,744.67 | 1,891,233.72 |
| Unbilled receivables | 262,315.35 | (262,315.35) | - | - | - | - | - |
| Inventories | 1,295,438.94 | (139,691.95) | 1,155,746.99 | - | 1,155,746.99 | 697,530.89 | 1,853,277.88 |
| Investment properties | 66,909.20 | - | 66,909.20 | - | 66,909.20 | - | 66,909.20 |
| Intangible assets | - | - | - | - | - | 18,145.16 | 18,145.16 |
| Employee benefit - obligations | 1,584,930.80 | 489,870.00 | 2,074,800.80 | - | 2,074,800.80 | 1,310,597.00 | 3,385,397.80 |
| Contract liabilities | - | - | - | 3,887,910.90 | 3,887,910.90 | 890,325.08 | 4,778,235.98 |
| Others | 45,426.20 | (45,426.20) | - | - | - | 10,487.56 | 10,487.56 |
| Total | 4,078,481.63 | 969,464.41 | 5,047,946.04 | 3,887,910.90 | 8,935,856.94 | 3,067,830.36 | 12,003,687.30 |
| Deferred tax liabilities | | | | | | | |
| Equipment | - | (118,378.10) | (118,378.10) | - | (118,378.10) | (118,299.44) | (236,677.54) |
| Others | - | (32,448.04) | (32,448.04) | - | (32,448.04) | 32,448.04 | - |
| Total | - | (150,826.14) | (150,826.14) | - | (150,826.14) | (85,851.40) | (236,677.54) |

| Baht | | | | | | | |
|---------------------------------|---------------------|---------------------|---------------------|--------------------------|---------------------|---------------------|----------------------|
| Separate financial statements | | | | | | | |
| Adjustment on adoption of | | | | | | | |
| | 1 January 2018 | Profit (loss) | 31 December 2018 | new TFRS (see Note 4) | 1 January 2019 | Profit (loss) | 31 December 2019 |
| Deferred tax assets | | | | | | | |
| Trade and other receivables | 811,461.14 | 931,027.91 | 1,742,489.05 | - | 1,742,489.05 | 141,590.83 | 1,884,079.88 |
| Unbilled receivables | 262,315.35 | (262,315.35) | - | - | - | - | - |
| Inventories | 1,199,971.83 | (160,170.24) | 1,039,801.59 | - | 1,039,801.59 | 709,671.12 | 1,749,472.71 |
| Investment properties | 66,909.20 | - | 66,909.20 | - | 66,909.20 | - | 66,909.20 |
| Intangible assets | - | - | - | - | - | 18,145.16 | 18,145.16 |
| Employee benefit obligations | 1,514,150.20 | 465,279.40 | 1,979,429.60 | - | 1,979,429.60 | 1,249,973.80 | 3,229,403.40 |
| Contract liabilities | - | - | - | 3,221,913.73 | 3,221,913.73 | 940,612.71 | 4,162,526.44 |
| Others | 45,426.20 | (45,426.20) | - | - | - | 10,487.56 | 10,487.56 |
| Total | 3,900,233.92 | 928,395.52 | 4,828,629.44 | 3,221,913.73 | 8,050,543.17 | 3,070,481.18 | 11,121,024.35 |
| Deferred tax liabilities | | | | | | | |
| Equipment | - | (118,378.10) | (118,378.10) | - | (118,378.10) | (118,299.44) | (236,677.54) |
| Others | - | (32,448.04) | (32,448.04) | - | (32,448.04) | 32,448.04 | - |
| Total | - | (150,826.14) | (150,826.14) | - | (150,826.14) | (85,851.40) | (236,677.54) |

14. CREDIT FACILITIES WITH FINANCIAL INSTITUTIONS

The Group has credit facilities with financial institutions consisted of:

| Type | Facilities (Million Baht) | | Referred interest rate | |
|---|---------------------------|-------|------------------------|---------------|
| | | | (% Per annum) | |
| | 2019 | 2018 | 2019 | 2018 |
| Bank overdrafts | 1.00 | 1.00 | Fixed deposit | Fixed deposit |
| Letter of credit/trust receipt/promissory notes | 38.00 | 38.00 | MMR, MLR | MMR, MLR |
| Letter of guarantee | 73.00 | 53.00 | 1% - 1.75% | 1% - 1.75% |
| Forward exchange contracts | 14.39 | 14.39 | - | - |

Bank deposits of the Company and director were used as collateral for the credit facilities with financial institutions and personal guarantee by the directors in the full amount.

15. TRADE AND OTHER PAYABLES

| | Baht | | | |
|------------------------|-----------------------------------|----------------|-------------------------------|----------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| Trade accounts payable | 102,259,302.54 | 108,917,322.69 | 99,393,951.76 | 105,538,295.82 |
| Other payables | | | | |
| Accrued expenses | 21,134,065.86 | 12,547,295.58 | 20,375,133.34 | 11,440,207.09 |
| Deferred income | 38,217,319.39 | 13,755,276.25 | 35,123,175.29 | 12,676,558.25 |
| Others | 4,728,986.81 | 1,865,236.24 | 4,725,866.81 | 1,791,921.82 |
| Total | 166,339,674.60 | 137,085,130.76 | 159,618,127.20 | 131,446,982.98 |

16. EMPLOYEE BENEFIT OBLIGATIONS

Movement of the present value of employee benefit obligations for the years ended 31 December 2019 and 2018 was as follows:

| | Baht | | | |
|-------------------------------------|-----------------------------------|---------------|-------------------------------|--------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| Post-employment benefit plan | | | | |
| Beginning balance as at 1 January | 10,374,004.00 | 7,924,654.00 | 9,897,148.00 | 7,570,751.00 |
| Included in profit or loss : | | | | |
| Current service cost | 2,793,456.00 | 2,232,318.00 | 2,684,892.00 | 2,119,741.00 |
| Interest cost | 360,648.00 | 217,032.00 | 343,496.00 | 206,656.00 |
| Past service cost | 3,398,881.00 | - | 3,221,481.00 | - |
| Ending balance as at 31 December | 16,926,989.00 | 10,374,004.00 | 16,147,017.00 | 9,897,148.00 |

As at 31 December 2019 and 2018, the weighted average duration of the liabilities for post-employment benefits in the consolidated and separate financial statements is approximately 12.87 years and 16.29 years, respectively.

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligations as at 31 December 2019 and 2018 are summarized belows:

| | Baht | | | |
|---|-----------------------------------|----------------|-------------------------------|----------------|
| | 2019 | | | |
| | Consolidated financial statements | | Separate financial statements | |
| | Increase | Decrease | Increase | Decrease |
| Discount rate (1 percent movement) | (2,101,010.00) | 2,506,582.00 | (1,986,366.00) | 2,369,306.00 |
| Salary increase rate (1 percent movement) | 2,703,760.00 | (2,285,082.00) | 2,555,665.00 | (2,160,785.00) |
| Turnover rate (1 percent movement) | (2,292,950.00) | 1,196,805.00 | (2,166,937.00) | 1,126,440.00 |

| | Baht | | | |
|---|-----------------------------------|----------------|-------------------------------|----------------|
| | 2018 | | | |
| | Consolidated financial statements | | Separate financial statements | |
| | Increase | Decrease | Increase | Decrease |
| Discount rate (1 percent movement) | (1,311,793.00) | 1,567,623.00 | (1,240,057.00) | 1,481,396.00 |
| Salary increase rate (1 percent movement) | 1,575,460.00 | (1,339,392.00) | 1,487,970.00 | (1,265,585.00) |
| Turnover rate (1 percent movement) | (1,433,539.00) | 760,020.00 | (1,354,452.00) | 714,363.00 |

The principal assumptions used in determining provision for retirement benefit on an actuarial basis as at 31 December 2019 and 2018 (expressed as weighted averages) are shown belows:

| | Consolidated financial statements | Separate financial statements |
|----------------------|--------------------------------------|----------------------------------|
| Discount rate | 2.73%, 2.93% | 2.73% |
| Salary increase rate | 8% | 8% |
| Turnover rate | 0% - 33% | 0% - 33% |

The Group made define benefit plan in accordance with severance payment as the labor law which entitled retired employee within work service year in various rates, such as employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days of the last month salary. The Group amended the post-employment benefits as the Labor Protection Act (No. 7) B.E. 2562 which was effective from 5 May 2019. As a result of the amendment, the Group recognised the additional past-employment benefit liabilities in the statement of financial position and the past service cost from the plan amendment as expenses in the profit or loss in the amount of Baht 3.40 million in the consolidated financial statements and in the amount of Baht 3.22 million in the separate financial statements for the year ended 31 December 2019.

17. SHARE PREMIUM

Section 51 of the Public Limited Companies Act B.E. 2535 requires companies to set aside share subscriptions 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.

18. LEGAL RESERVE

According to the Public Limited Companies Act, the Company is required to set aside as a statutory reserve of at least 5% of its net profit for the year less the deficit brought forward (if any) until the reserve reaches 10% of the registered share capital.

19. DIVIDEND PAYMENT

The Company

The Ordinary General Meeting of Shareholders held on 28 March 2019, a resolution was passed authorizing the payment of dividend at the rate of Baht 0.11 per share, in the total amount of Baht 66 million.

The Board of Directors’ Meeting held on 8 August 2019, a resolution was passed authorizing the payment of interim dividend at the rate of Baht 0.07 per share, in the total amount of Baht 42 million.

The Ordinary General Meeting of Shareholders held on 4 April 2018, a resolution was passed authorizing the payment of dividend at the rate of Baht 0.126 per share, in the total amount of Baht 75.60 million.

The Board of Directors’ Meeting held on 10 August 2018, a resolution was passed authorizing the payment of interim dividend at the rate of Baht 0.09 per share, in the total amount of Baht 54 million.

The Subsidiary

The Board of Directors’ Meeting held on 27 May 2019, a resolution was passed authorizing the payment of interim dividend at the rate of Baht 50 per share, in the total amount of Baht 5 million.

The Board of Directors’ Meeting held on 21 November 2019, a resolution was passed authorizing the payment of interim dividend at the rate of Baht 80 per share, in the total amount of Baht 8 million.

The Ordinary General Meeting of Shareholders held on 18 April 2018, a resolution was passed authorizing the payment of dividend at the rate of Baht 245.45 per share, in the total amount of Baht 4.91 million.

The Board of Directors’ Meeting held on 5 June 2018, a resolution was passed authorizing the payment of interim dividend at the rate of Baht 144.10 per share, in the total amount of Baht 2.88 million.

The Board of Directors’ Meeting held on 30 November 2018, a resolution was passed authorizing the payment of interim dividend at the rate of Baht 700 per share, in the total amount of Baht 14 million.

20. PROVIDENT FUND

The Group and its employees jointly registered a provident fund scheme under the Provident Fund Act B.E. 2530. The fund is contributed to by both the employees and the Group. The Fund is managed by BBL Asset Management Co., Ltd. This Fund is registered under the conditions of Ministry of Finance and the fund is managed by the approved fund manager. In 2019, the Group paid contribution to the Fund in the amount of Baht 2.14 million (2018: Baht 1.98 million) in the consolidated financial statements and Baht 2.00 million (2018: Baht 1.86 million) in the separate financial statements.

21. EMPLOYEE JOINT INVESTMENT PROGRAM (EJIP)

On 13 September 2018, The Company received the approval of Employee Joint Investment Program (“EJIP”) from Securities and Exchange Commission. EJIP is an investment program for accumulative buying of the Company’s shares on a periodic basis by the employees of the Company and its subsidiary, established to serve as another mean of compensating the Company and subsidiary’s employees and effective for the period from October 2018 to September 2021. Total expense recognized for the program for the year ended 31 December 2019 amounted to Baht 1.56 million (2018: Baht 0.38 million) in the consolidated financial statements and amounted to Baht 1.46 million (2018: Baht 0.35 million) in the separate financial statements.

22. EXPENSES BY NATURE

Significant expenses by nature for the years ended 31 December 2019 and 2018 were as follows:

| | Baht | | | |
|--|-----------------------------------|-----------------|-------------------------------|-----------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| Purchases of merchandise | 666,564,995.59 | 607,099,709.12 | 650,393,204.24 | 584,615,515.72 |
| Changes in merchandise | (64,038,046.51) | (17,361,644.70) | (68,409,312.62) | (11,336,349.46) |
| Employee expenses | 132,880,473.22 | 116,534,339.12 | 127,716,427.05 | 111,375,656.35 |
| Contractor charges | 101,315,554.37 | 97,132,736.95 | 94,068,104.73 | 85,522,846.26 |
| Rental and office service charges | 7,561,670.81 | 7,249,636.67 | 7,534,370.85 | 7,220,354.79 |
| Transportation - out expenses | 7,270,186.09 | 7,505,109.42 | 6,906,762.67 | 7,112,009.42 |
| Depreciation and amortization expenses | 3,562,280.22 | 3,372,882.37 | 3,507,014.79 | 3,321,903.91 |

23. INCOME TAX

Tax expense recognized in profit or loss for the years ended 31 December 2019 and 2018 as follows:

| | Baht | | | |
|------------------------------------|-----------------------------------|----------------------|-------------------------------|----------------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| Current tax | | | | |
| Current year | 30,672,764.49 | 33,668,692.67 | 25,660,959.28 | 27,718,394.06 |
| Deferred tax | | | | |
| Movements in temporary differences | (2,981,978.96) | (818,638.27) | (2,984,629.78) | (777,569.38) |
| Tax expense | <u>27,690,785.53</u> | <u>32,850,054.40</u> | <u>22,676,329.50</u> | <u>26,940,824.68</u> |

Reconciliation of effective tax rate

| | Consolidated financial statements | | | |
|---|-----------------------------------|-----------------------|-----------------|-----------------------|
| | 2019 | | 2018 | |
| | Tax rate (%) | Baht | Tax rate (%) | Baht |
| Profit before income tax | | <u>142,293,353.31</u> | | <u>163,060,089.95</u> |
| Income tax using the corporate tax rate | 20 | 28,458,670.66 | 20 | 32,612,017.99 |
| Revenues treated as revenues for tax purposes | | 1,782,841.25 | | - |
| Expenses not deductible for tax purposes | | 2,321,597.65 | | 1,534,506.38 |
| Revenues granted income tax exemption | | (846,552.00) | | - |
| Addition expenses deductible for tax purposes | | (1,098,537.49) | | (524,903.41) |
| Effects of elimination entries on consolidation | | <u>54,744.42</u> | | <u>47,071.71</u> |
| Current tax | 22 | 30,672,764.49 | 21 | 33,668,692.67 |
| Movement in temporary differences | | <u>(2,981,978.96)</u> | | <u>(818,638.27)</u> |
| Tax expense | 19 | <u>27,690,785.53</u> | 20 | <u>32,850,054.40</u> |

| | Separate financial statements | | | |
|---|-------------------------------|----------------|----------|----------------|
| | 2019 | | 2018 | |
| | Tax rate | | Tax rate | |
| | (%) | Baht | (%) | Baht |
| Profit before income tax | | 130,525,751.31 | | 157,263,243.16 |
| Income tax using the corporate tax rate | 20 | 26,105,150.26 | 20 | 31,452,648.63 |
| Revenues treated as revenues for tax purposes | | 1,626,677.66 | | - |
| Expenses not deductible for tax purposes | | 2,268,110.85 | | 1,138,504.39 |
| Revenues granted income tax exemption | | (3,240,812.00) | | (4,357,764.18) |
| Addition expenses deductible for tax purposes | | (1,098,167.49) | | (514,994.78) |
| Current tax | 20 | 25,660,959.28 | 18 | 27,718,394.06 |
| Movement in temporary differences | | (2,984,629.78) | | (777,569.38) |
| Tax expense | 17 | 22,676,329.50 | 17 | 26,940,824.68 |

24. SEGMENT INFORMATION

Operating segment information is reported in a manner consistent manner 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 directors of the Company.

The Group operated in two main business segments, namely sales of fire protection equipment and systems and project works and services (design, installation, repair and maintenance of fire protection systems). Its operations are in a single geographic area primarily in Thailand which consider, basing on the types of activities, the operating income and expenses for the years ended 31 December 2019 and 2018 were as follows:

| | Baht | | | | | |
|--------------|------------------|------------------|---------------------------------|------------------|------------------|------------------|
| | From sales | | From project works and services | | Total | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Revenues | 689,156,611.19 | 653,885,262.32 | 336,700,622.73 | 364,470,037.39 | 1,025,857,233.92 | 1,018,355,299.71 |
| Cost | (489,492,150.26) | (456,910,306.49) | (263,696,311.54) | (277,738,889.60) | (753,188,461.80) | (734,649,196.09) |
| Gross profit | 199,664,460.93 | 196,974,955.83 | 73,004,311.19 | 86,731,147.79 | 272,668,772.12 | 283,706,103.62 |

25. FINANCIAL INSTRUMENTS

The Group has no policy to speculate or trade in any financial instrument derivatives.

Accounting policies

Details of significant accounting policies, methods adopted, including the bases on which income and expenses are recognized, in respect of each class of financial assets or financial liabilities are disclosed in Note 3.

Interest rate risk

Interest rate risk arises from the fluctuation of market interest rates in the future, which may have a negative effect to operations and cash flow of the Group. The Group's management believes that the interest risk is minimal.

Foreign currency risk

The Group has trade accounts payable denominated in foreign currencies, giving rise to the exposure on market risk from changes in exchange rates. The Group entered into certain forward exchange contracts to manage its foreign exchange risk. The Group, however, is exposing to currency risk for those without forward exchange contracts.

As at 31 December 2019 and 2018, the Group had liabilities in foreign currencies as follows:

| | Foreign currencies | | | |
|-------------------|-----------------------------------|--------------|-------------------------------|--------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| Hedging | | | | |
| US Dollars | 1,000,000.00 | 600,000.00 | 1,000,000.00 | 600,000.00 |
| Singapore Dollars | 42,875.20 | - | 42,875.20 | - |
| Non-Hedging | | | | |
| Euro | - | 55,797.00 | - | 55,797.00 |
| US Dollars | 707,894.15 | 1,231,925.97 | 653,507.15 | 1,146,485.97 |
| Singapore Dollars | - | 74,607.00 | - | 74,607.00 |
| Pound sterling | - | 475.20 | - | 475.20 |

The Company had forward exchange bought contracts for foreign trade payables. As at 31 December 2019, the Company had outstanding forward bought contracts in the amount of USD 1.00 million and amount of SGD 0.04 million which have maturity date in January and March 2020

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 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 requesting trade credit from the Group. The Group's management believes

that there were no significant credit risk and exposure to credit risk shall not exceed the amount of allowance for doubtful accounts (if any) recorded in the statement of financial position.

Liquidity risk

The Group manages its liquidity risk by maintaining the level of cash and cash equivalents deemed adequate to finance the Group's operations and investments and to mitigate the effects of fluctuations in cash flows with leaning to cash flows from operating activities and financing activities.

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, also monitors the level of dividends to ordinary shareholders.

Fair value

Most of the financial assets are cash and cash equivalents, trade and other receivables which are short-term credit. Most of the financial liabilities are trade and other payables. The carrying amount of the financial assets and financial liabilities are not significantly different from their fair value.

26. FAIR VALUE HIERARCHY

As at 31 December 2019 and 2018, the Company had the assets and liabilities that were measured or disclosed at fair value using different levels of inputs as follows:

| | Baht | | | |
|--|--|--------------|---------|--------------|
| | 2019 | | | |
| | Consolidated and Separate financial statements | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Liabilities measured at fair value | | | | |
| Foreign currency forward bought contracts | - | (52,437.82) | - | (52,437.82) |
| Assets for which fair value are disclosed | | | | |
| Investment properties | - | 9,979,000.00 | - | 9,979,000.00 |

| | Baht | | | |
|--|--|---------------|---------|---------------|
| | 2018 | | | |
| | Consolidated and Separate financial statements | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets measured at fair value | | | | |
| Foreign currency forward bought contracts | - | 162,240.19 | - | 162,240.19 |
| Assets for which fair value are disclosed | | | | |
| Investment properties | - | 16,217,000.00 | - | 16,217,000.00 |

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

27. COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2019 the Group had commitments as follows:

The Company

27.1 Letters of guarantee issued by banks for goods and installation of system service agreement in the amount of Baht 52.52 million.

27.2 Payment under office and warehouse rental agreements with other companies and related party as follows:

| Period | Rental and service (Thousand Baht) |
|-------------|------------------------------------|
| 1 year | 11,308 |
| 2 - 5 years | 19,337 |

27.3 Payment under service agreements in the amount of Baht 29.86 million.

The Subsidiary

27.4 Letters of guarantee issued by banks for goods and installation of system service agreement in the amount of Baht 1.72 million.

27.5 Payment under service agreements in the amount of Baht 0.59 million.

28. EVENT AFTER THE REPORTING PERIOD

The Company

The Board of Directors' Meeting held on 1 March 2020, passed resolution to propose for approval at the Ordinary General Meeting of Shareholders, to pay dividends at the rate of Baht 0.09 per share, in the total amount of Baht 54 million.

29. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved for issue by the Company's Board of Directors on 1 March 2020.