

## **AUDITOR'S REPORT**

To the Shareholders of Goodyear (Thailand) Public Company Limited

I have audited the accompanying financial statements of Goodyear (Thailand) Public Company Limited, which comprise the statement of financial position as at 31 December 2012, and the related statement of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other notes.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

### *Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Opinion*

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Goodyear (Thailand) Public Company Limited as at 31 December 2012, and its results of operations and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Chaisiri Ruangritchai  
Certified Public Accountant (Thailand) No. 4526  
PricewaterhouseCoopers ABAS Ltd.

Bangkok  
21 February 2013

**GOODYEAR (THAILAND) PUBLIC COMPANY LIMITED**

**STATUTORY FINANCIAL STATEMENTS**

**31 DECEMBER 2012**

**Goodyear (Thailand) Public Company Limited**  
**Statements of Financial Position**  
**As at 31 December 2012 and 2011 and 1 January 2011**

|   | <u>Notes</u> | <u>31 December<br/>2012<br/>Baht</u> | <u>31 December<br/>2011<br/>Baht</u> | <u>1 January<br/>2011<br/>Baht</u> |
|---|--------------|--------------------------------------|--------------------------------------|------------------------------------|
| <b>Assets</b>                                 |              |                                      |                                      |                                    |
| <b>Current assets</b>                         |              |                                      |                                      |                                    |
| Cash and cash equivalents                     | 5            | 675,347,226                          | 935,583,794                          | 758,718,282                        |
| Restricted short-term investment              | 21           | 65,000,000                           | 65,000,000                           | 65,000,000                         |
| Trade and other receivables                   | 6            | 1,064,477,207                        | 394,126,769                          | 844,022,162                        |
| Current portion of loan<br>to a related party | 22           | -                                    | 315,505,000                          | -                                  |
| Inventories, net                              | 7            | 627,488,350                          | 457,037,557                          | 547,316,676                        |
| Refundable value added tax                    |              | 29,845,331                           | 62,592,122                           | 48,585,302                         |
| Other current assets                          |              | 21,920,233                           | 19,468,576                           | 18,110,131                         |
| <b>Total current assets</b>                   |              | <u>2,484,078,347</u>                 | <u>2,249,313,818</u>                 | <u>2,281,752,553</u>               |
| <b>Non-current assets</b>                     |              |                                      |                                      |                                    |
| Loan to related party                         |              | -                                    | -                                    | 300,063,000                        |
| Property, plant and equipment, net            | 8            | 1,956,507,256                        | 1,893,210,696                        | 1,526,778,424                      |
| Computer software, net                        | 9            | 2,422,977                            | 2,154,092                            | 2,722,474                          |
| Other non-current assets                      |              | 2,961,246                            | 4,398,148                            | 4,009,515                          |
| <b>Total non-current assets</b>               |              | <u>1,961,891,479</u>                 | <u>1,899,762,936</u>                 | <u>1,833,573,413</u>               |
| <b>Total assets</b>                           |              | <u><u>4,445,969,826</u></u>          | <u><u>4,149,076,754</u></u>          | <u><u>4,115,325,966</u></u>        |

Director ..... Director .....

The accompanying notes on page 9 to 33 are an integral part of these financial statements.

**Goodyear (Thailand) Public Company Limited**  
**Statements of Financial Position**  
**As at 31 December 2012 and 2011 and 1 January 2011**

|  | <b>Notes</b> | <b>31 December<br/>2012<br/>Baht</b> | <b>31 December<br/>2011<br/>Baht</b> | <b>1 January<br/>2011<br/>Baht</b> |
|--|--------------|--------------------------------------|--------------------------------------|------------------------------------|
| <b>Liabilities and shareholders' equity</b>                  |              |                                      |                                      |                                    |
| <b>Current liabilities</b>                                   |              |                                      |                                      |                                    |
| Trade and other payables                                     | 10           | 704,491,773                          | 879,742,215                          | 913,869,105                        |
| Accrued withholding tax                                      |              | 46,480,255                           | 8,121,198                            | 14,460,124                         |
| Current income tax payable                                   |              | 153,386,220                          | -                                    | -                                  |
| Advances received from insurers                              | 24           | 23,964,706                           | 318,058,925                          | -                                  |
| Other current liabilities                                    |              | 9,001,386                            | 19,412,758                           | 3,497,005                          |
| <b>Total current liabilities</b>                             |              | <b>937,324,340</b>                   | <b>1,225,335,096</b>                 | <b>931,826,234</b>                 |
| <b>Non-current liabilities</b>                               |              |                                      |                                      |                                    |
| Reserves for saving fund<br>and employee retirement benefits | 11           | 96,905,246                           | 85,476,850                           | 77,422,489                         |
| <b>Total non-current liabilities</b>                         |              | <b>96,905,246</b>                    | <b>85,476,850</b>                    | <b>77,422,489</b>                  |
| <b>Total liabilities</b>                                     |              | <b>1,034,229,586</b>                 | <b>1,310,811,946</b>                 | <b>1,009,248,723</b>               |
| <b>Shareholders' equity</b>                                  |              |                                      |                                      |                                    |
| Share capital  |              |                                      |                                      |                                    |
| Authorised share capital                                     |              |                                      |                                      |                                    |
| 7,400,000 ordinary shares                                    |              |                                      |                                      |                                    |
| at par value of Baht 10 each                                 |              |                                      |                                      |                                    |
|  |              | <u>74,000,000</u>                    | <u>74,000,000</u>                    | <u>74,000,000</u>                  |
| Issued and paid-up share capital                             |              |                                      |                                      |                                    |
| 7,400,000 ordinary shares                                    |              |                                      |                                      |                                    |
| fully paid-up of Baht 10 each                                |              |                                      |                                      |                                    |
|  | 12           | 74,000,000                           | 74,000,000                           | 74,000,000                         |
| Premium on share capital                                     | 12           | 92,000,000                           | 92,000,000                           | 92,000,000                         |
| Retained earnings  |              |                                      |                                      |                                    |
| Appropriated - Legal reserve                                 |              |                                      |                                      |                                    |
|  | 13           | 7,400,000                            | 7,400,000                            | 7,400,000                          |
| Unappropriated   |              |                                      |                                      |                                    |
|  |              | <u>3,238,340,240</u>                 | <u>2,664,864,808</u>                 | <u>2,932,677,243</u>               |
| <b>Total shareholders' equity</b>                            |              | <b>3,411,740,240</b>                 | <b>2,838,264,808</b>                 | <b>3,106,077,243</b>               |
| <b>Total liabilities and shareholders' equity</b>            |              | <b>4,445,969,826</b>                 | <b>4,149,076,754</b>                 | <b>4,115,325,966</b>               |

The accompanying notes on page 9 to 33 are an integral part of these financial statements.

**Goodyear (Thailand) Public Company Limited**  
**Statements of Income**  
**For the years ended 31 December 2012 and 2011**

|  | <u>Notes</u> | <u>2012<br/>Baht</u>      | <u>2011<br/>Baht</u>        |
|--|--------------|---------------------------|-----------------------------|
| Sales  | 23           | 3,480,076,109             | 4,085,562,634               |
| Cost of sales                                  |              | <u>(2,978,790,088)</u>    | <u>(3,495,470,163)</u>      |
| <b>Gross profit</b>                            |              | 501,286,021               | 590,092,471                 |
| (Loss) gain on disposals of equipment          |              | (7,390,105)               | 1,681,973                   |
| Net (loss) gain on exchange rate               |              | (487,004)                 | 35,038,347                  |
| Other income                                   | 15           | 36,193,948                | 21,199,040                  |
| Income from insurance reimbursement            | 24           | 1,250,689,210             | -                           |
| Selling expenses                               |              | (274,862,648)             | (246,148,365)               |
| Administrative expenses                        |              | (102,735,153)             | (124,376,360)               |
| Directors' and key management's compensation   | 22           | (36,252,456)              | (24,204,396)                |
| Other operating expenses due to flood and fire | 24           | <u>(315,029,496)</u>      | <u>(340,149,837)</u>        |
| <b>Profit (loss) before income tax</b>         |              | 1,051,412,317             | (86,867,127)                |
| Income tax expense                             |              | <u>(159,736,885)</u>      | <u>(32,945,308)</u>         |
| <b>Net profit (loss) for the year</b>          |              | <u><u>891,675,432</u></u> | <u><u>(119,812,435)</u></u> |
| <b>Basic earnings (loss) per share (Baht)</b>  | 17           |                           |                             |
| Net profit (loss) for the year                 |              | <u><u>120.50</u></u>      | <u><u>(16.19)</u></u>       |

The accompanying notes on page 9 to 33 are an integral part of these financial statements.

**Goodyear (Thailand) Public Company Limited**  
**Statements of Comprehensive Income**  
**For the years ended 31 December 2012 and 2011**

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|  | <b>2012</b>                                   | <b>2011</b>                                   |
|--|---|---|
|  | <b>Baht</b>                                   | <b>Baht</b>                                   |
|  | <u>                    </u>                   | <u>                    </u>                   |
| <b>Net profit (loss) for the year</b>                            | 891,675,432                                   | (119,812,435)                                 |
| Other comprehensive income (expense)<br>for the year, net of tax | <u>                    -</u>                  | <u>                    -</u>                  |
| <b>Total comprehensive income (loss)<br/>for the year</b>        | <u><u>          891,675,432          </u></u> | <u><u>         (119,812,435)         </u></u> |

The accompanying notes on page 9 to 33 are an integral part of these financial statements.

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**Goodyear (Thailand) Public Company Limited**  
**Statements of Changes in Shareholders' Equity**  
**For the years ended 31 December 2012 and 2011**

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|  | Issued and<br>paid-up<br>share capital<br>Baht | Premium<br>on share<br>capital<br>Baht | Legal<br>reserve<br>Baht | Unappropriated<br>retained<br>earnings<br>Baht | Total<br>Baht        |
|--|--|--|--------------------------|--|----------------------|
| <b>Beginning balance</b>                   |  |  |                          |  |                      |
| <b>as at 1 January 2011</b>                | 74,000,000                                     | 92,000,000                             | 7,400,000                | 2,932,677,243                                  | 3,106,077,243        |
| Total comprehensive loss<br>for the year   | -  | -                                      | -                        | (119,812,435)                                  | (119,812,435)        |
| Dividends paid (Note 18)                   | -  | -                                      | -                        | (148,000,000)                                  | (148,000,000)        |
| <b>Ending balance</b>                      |  |  |                          |  |                      |
| <b>as at 31 December 2011</b>              | <u>74,000,000</u>                              | <u>92,000,000</u>                      | <u>7,400,000</u>         | <u>2,664,864,808</u>                           | <u>2,838,264,808</u> |
| <b>Beginning balance</b>                   |  |  |                          |  |                      |
| <b>as at 1 January 2012</b>                | 74,000,000                                     | 92,000,000                             | 7,400,000                | 2,664,864,808                                  | 2,838,264,808        |
| Total comprehensive income<br>for the year | -  | -                                      | -                        | 891,675,432                                    | 891,675,432          |
| Dividends paid (Note 18)                   | -  | -                                      | -                        | (318,200,000)                                  | (318,200,000)        |
| <b>Ending balance</b>                      |  |  |                          |  |                      |
| <b>as at 31 December 2012</b>              | <u>74,000,000</u>                              | <u>92,000,000</u>                      | <u>7,400,000</u>         | <u>3,238,340,240</u>                           | <u>3,411,740,240</u> |

The accompanying notes on page 9 to 33 are an integral part of these financial statements.

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**Goodyear (Thailand) Public Company Limited**  
**Statements of Cash Flows**  
**For the years ended 31 December 2012 and 2011**

|   | <u>Notes</u> | <u>2012<br/>Baht</u>      | <u>2011<br/>Baht</u>      |
|---|--------------|---------------------------|---------------------------|
| <b>Cash flows from operating activities</b>                 | 19           | <u>(20,572,617)</u>       | <u>804,897,454</u>        |
| <b>Cash flows from investing activities</b>                 |              |                           |                           |
| Purchases of plant and equipment                            |              | (326,049,143)             | (490,234,621)             |
| Purchase of software  | 9            | (923,094)                 | -                         |
| Proceeds from sales of equipment                            |              | <u>91,221,901</u>         | <u>6,311,180</u>          |
| Net cash used in investing activities                       |              | <u>(235,750,336)</u>      | <u>(483,923,441)</u>      |
| <b>Cash flows from financing activities</b>                 |              |                           |                           |
| Receipt for repayment of loan to a related company          | 22           | 315,505,000               | -                         |
| Dividends paid to shareholders                              | 18           | <u>(318,200,000)</u>      | <u>(148,000,000)</u>      |
| Net cash used in financing activities                       |              | <u>(2,695,000)</u>        | <u>(148,000,000)</u>      |
| <b>Net (decrease) increase in cash and cash equivalents</b> |              | (259,017,953)             | 172,974,013               |
| Cash and cash equivalents at the beginning of the year      |              | 935,583,794               | 758,718,282               |
| Exchange (losses) gains on cash and cash equivalents        |              | <u>(1,218,615)</u>        | <u>3,891,499</u>          |
| Cash and cash equivalents at the end of the year            | 5            | <u><u>675,347,226</u></u> | <u><u>935,583,794</u></u> |

**Non-cash transactions**

Significant non-cash transactions for the years ended 31 December 2012 and 2011 are as follows:

|   |            |            |
|---|------------|------------|
| Unpaid liabilities for purchases of plant and equipment | 39,629,747 | 78,262,183 |
|---|------------|------------|

The accompanying notes on page 9 to 33 are an integral part of these financial statements.

## **1 General information**

Goodyear (Thailand) Public Company Limited (“the Company”) is a public limited company incorporated and resident in Thailand. The address of the Company’s registered office is as follows:

50/9 Moo 3, Phaholyothin Road, K.M. 36, Klongnueng, Klongluang, Pathumthani 12120.

The Company is listed on the Stock Exchange of Thailand.

The Company is principally engaged in the manufacturing, distribution and sale of motor vehicle and aero tires for domestic and export markets.

These financial statements were authorised for issue by the Board of Directors on 21 February 2013.

## **2 Accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below:

### **2.1 Basis for preparation**

The financial statements have been prepared in accordance with Thai generally accepted accounting principles under the Accounting Act B.E. 2543, being those Thai Financial Reporting Standards issued under the Accounting Profession Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

**Goodyear (Thailand) Public Company Limited**  
**Notes to Financial Statements**  
**For the years ended 31 December 2012 and 2011**

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**2 Accounting policies (Cont'd)**

**2.1 Basis for preparation (Cont'd)**

Comparative figures have been reclassified to conform with the minimum requirements announced by the Department of Business Development Regulation dated on 7 November 2011 in relation to the format of Financial Statements B.E. 2554. The Company reclassified the items as at 1 January 2011 and 31 December 2011 as follows:

|  | <b>31 December<br/>2011<br/>Baht</b> | <b>1 January<br/>2011<br/>Baht</b> |
|--|--------------------------------------|------------------------------------|
| <b>Trade and other receivables</b>         |                                      |                                    |
| As previously reported:                    |                                      |                                    |
| Trade account receivable - related parties | 138,909,285                          | 555,535,279                        |
| Amount due from related parties            | 46,183,194                           | 51,182,111                         |
| Other current assets                       | 65,644,571                           | 38,278,220                         |
| Reclassified to:                           |                                      |                                    |
| Trade and other receivables                | 231,268,474                          | 626,885,479                        |
| Other current assets                       | 19,468,576                           | 18,110,131                         |
| <b>Trade and other payables</b>            |                                      |                                    |
| As previously reported:                    |                                      |                                    |
| Trade account payable - related parties    | 224,553,419                          | 49,881,453                         |
| Other payables                             | 23,761,134                           | 65,207,517                         |
| Amount due to related parties              | 161,003,800                          | 122,863,549                        |
| Accrued expenses                           | 204,931,607                          | 101,504,520                        |
| Other current liabilities                  | 22,508,183                           | 7,183,738                          |
| Reclassified to:                           |                                      |                                    |
| Trade and other payables                   | 617,345,385                          | 343,143,772                        |
| Other current liabilities                  | 19,412,758                           | 3,497,005                          |
| <b>Property, plant and equipment, net</b>  |                                      |                                    |
| As previously reported:                    | 1,895,364,788                        | 1,529,500,898                      |
| Reclassified to:                           |                                      |                                    |
| Property, plant and equipment, net         | 1,893,210,696                        | 1,526,778,424                      |
| Computer software, net                     | 2,154,092                            | 2,722,474                          |

The presentation of the statement of financial position as at 1 January 2011 has been presented in accordance with TAS 1, Presentation of Financial Statements, paragraph 39.

An English version of the financial statements has been prepared from the statutory financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

## **2 Accounting policies (Cont'd)**

### **2.2 New accounting standards, amendments to accounting standards and new interpretation**

New accounting standards, amendments to accounting standards and new interpretation are mandatory for the accounting periods beginning on or after 1 January 2013, The Company does not early adopt these accounting standards before effective date:

|                       |   |
|-----------------------|---|
| TAS 12                | Income taxes  |
| TAS 20 (Revised 2009) | Accounting for Government Grants and Disclosure of Government Assistance  |
| TAS 21 (Revised 2009) | The Effects of Changes in Foreign Exchange Rates                          |
| TFRS 8                | Operating Segments  |
| TSIC 10               | Government Assistance - No Specific Relation to Operating Activities      |
| TSIC 21               | Income Taxes - Recovery of Revalued Non-Depreciable Assets                |
| TSIC 25               | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders |

TAS 12 deals only with taxes on income, comprising current and deferred tax. Current tax expense for a period is based on the taxable and deductible amounts that will be shown on the tax return for the current year. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax accounting is based on the temporary differences between the tax base of an asset or liability and its carrying amount in the financial statements.

TAS 21 (revised 2009) requires an entity to determine its functional currency which is the currency of the primary economic environment in which the entity operates. Currency other than functional currency of an entity is foreign currency. Foreign currency transactions are required to be translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation at year-end exchange rate of monetary items denominated in foreign currency are recognised in profit or loss. The standard permits the presentation currency of a reporting entity to be any currencies. [The results and financial positions of the entity that have a functional currency different from the presentation currency are translated in the presentation currency as follows: (a) assets and liabilities are translated at the closing rate at the date of that statement of financial position; (b) income and expenses are translated at the exchange rate at the date of the transactions; and (c) all resulting exchange differences are recognised in the statement of comprehensive income.]

The Company is assessing the impact of these accounting standards.

**2 Accounting policies (Cont'd)**

**2.2 New accounting standards, amendments to accounting standards and new interpretation (Cont'd)**

TSIC 21 clarifies that deferred tax liability or asset that arises from the revaluation of a non-depreciable asset in accordance with TAS 16 shall be measured on the basis of the tax consequences that would follow from recovery of the carry amount of that asset through sale, regardless of the basis of measuring the carrying amount of that asset.

TSIC 25 clarifies that a change in the tax status of an entity or its shareholders does not give rise to increases or decreases in amounts recognised outside profit or loss. The current and deferred tax consequences of a change in tax status shall be included in profit or loss for the period., unless those consequences related to transactions and events that result, in the same or different period, in a direct credit or charge to the recognised amount of equity or in amounts recognised in other comprehensive income. Those tax consequences shall be charged directly to equity or other comprehensive income, respectively.

TAS 20 applies in accounting for, and in the disclosure of, government grants and in the disclosure of other forms of government assistance. Government grants are recognised when there is reasonable assurance that the entity will comply with conditions related to them and that the grants will be received. Grants related to income are recognised in profit or loss over periods necessary to match them with the related costs that they are intended to compensate. Grants related to assets are either offset against the carrying amount of the relevant asset or presented as deferred income in the statement of financial position.

TSIC 10 clarifies on TAS 20 that government assistance to entities meets the definition of government grants in TAS 20, even if there are no conditions specifically relating to the operating activities of the entity other than the requirement to operate in certain regions or industry sectors. Such grants shall therefore not be credited directly to shareholders' interests.

The management has determined the new accounting standard and interpretations as detailed in the above will not impact the financial statements being presented.

TFRS 8 requires a management approach under which segment information is presented on the same basis that used for internal reporting purpose as provided to the chief operating decision makers. The new standard may have an impact on disclosure.

## **2 Accounting policies (Cont'd)**

### **2.2 New accounting standards, amendments to accounting standards and new interpretation (Cont'd)**

Effective for the periods beginning on or after 1 January 2014

|          |   |
|----------|---|
| TFRIC 4  | Determining whether an Arrangement contains a Lease |
| TFRIC 12 | Service Concession Arrangements                     |
| TFRIC 13 | Customer Loyalty Programmes                         |
| TSIC 29  | Service Concession Arrangements: Disclosure         |

TFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. The management is currently assessing the impact of TRIC 4.

TFRIC 12 applies to public-to-private service concession arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. TFRIC12 is not relevant to the Company's operations.

TFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement, and the consideration received or receivable from the customer is allocated between the components of the arrangement using fair values. The management is currently assessing the impact of applying this interpretation.

TSIC 29 contains disclosure requirements in respect of public-to-private service arrangements.

### **2.3 Foreign currency translation**

Items included in the financial statements of the Company are measured using Thai Baht.

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currency are translated to Thai Baht at the exchange rate prevailing at the statement of financial position date. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of income.

## **2 Accounting policies (Cont'd)**

### **2.4 Financial instruments**

Financial assets carried on the statement of financial position include cash and cash equivalents, short-term investment, trade accounts receivable, other accounts receivable and other financial assets. Financial liabilities carried on the statement of financial position include trade accounts payable, other accounts payable and other financial liabilities. The methods adopted are disclosed in the individual policy statement associated with each item.

Disclosures related to financial instruments to which the Company is a party are provided in Note 20.

### **2.5 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with maturities of three months or less from the date of acquisition.

### **2.6 Trade accounts receivable**

Trade accounts receivable are recognised initially at the original invoice amount and subsequently measured at the remaining amount less allowance for doubtful receivables based on a review of all outstanding amounts at the year end. The amount of the allowance is the difference between the carrying amount of the receivable and the amount expected to be collectible. Bad debts are written off during the year in which they are identified and recognised in profit or loss within administration costs.

### **2.7 Inventories**

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the weighted average method. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts, allowances or rebates. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Allowance is made, where necessary, for obsolete, slow-moving and defective inventories.

## **2 Accounting policies (Cont'd)**

### **2.8 Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation except land is not depreciated as it is deemed to have an indefinite life. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

All other fixed assets are depreciated over their estimated useful lives. The straight-line method is used for depreciation of all types of fixed assets. The estimated useful life of each category of fixed assets is as follows:

|  |               |
|--|---------------|
| Land improvements                        | 10 - 44 years |
| Building                                 | 10 - 40 years |
| Machinery and equipment                  | 3 - 30 years  |
| Furniture, fixtures and office equipment | 3 - 20 years  |
| Motor vehicles                           | 4 years       |

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains - net' in profit or loss.

### **2.9 Computer software**

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed 5 years.



## **2 Accounting policies (Cont'd)**

### **2.10 Impairment of assets**

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### **2.11 Accounting for leases - where the Company is the lessee**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Leases of equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant or equipment acquired under finance leases is depreciated over the shorter period of the useful life of the asset and the lease term.

### **2.12 Income taxes**

The Company does not recognise income taxes payable or receivable in future periods in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

## **2 Accounting policies (Cont'd)**

### **2.13 Employee benefits**

The Company provides for a saving fund and retirement benefits, payable to employees under the Company's policy and Thai Labour Law, respectively. The present value of employee benefit liabilities recognised in the statement of financial position is determined on the Projected Unit Credit method. The assumptions used in determining the liabilities include discount rate, rates of salary inflation and employee turnover. The discount rate represents the current market yield of government bonds. The Company records the reserves for saving fund and retirement benefits as a non-current liability and charges expenditure to the statements of income in the year to which it relates.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are amortised on a straight-line basis over the period of average remaining service years of employee in excess of 10% of the larger of the projected benefit obligation.

Past-service costs are recognised immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

### **2.14 Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

### **2.15 Revenue recognition**

Revenue comprises the invoice value for the sale of goods net of output tax, rebates and discounts. Revenue from sales of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Company.

### **2.16 Dividends paid**

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the interim dividends are approved by the Board of Directors and the annual dividends are approved by the Company's shareholders.

### **3 Critical accounting estimates, assumptions and judgements**

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### **Carrying value of property, plant and equipment**

The estimated useful economic lives and residual values of property, plant and equipment are based upon management's judgement and experience. When management identifies that actual useful lives and residual values differ materially from the estimates used to calculate depreciation, that charge is adjusted prospectively. Due to the significance of investment in property, plant and equipment by the Company, variations between actual and estimated useful lives and residual values could impact operating results both positively or negatively.

#### **Income taxes**

Under the current Revenue Code, it has been not clear on the practical calculation of the income tax in relation to tax treatments on certain loss from floods and its related compensation. Management has adopted the advice from the local tax officer in calculation of the current year's income tax and determines that the advice from the local tax officer is appropriate practice under this circumstance.

### **4 Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

### **5 Cash and cash equivalents**

|                                  | <b>2012</b>        | <b>2011</b>        |
|----------------------------------|--------------------|--------------------|
|                                  | <b>Baht</b>        | <b>Baht</b>        |
| Cash on hand                     | 250,000            | 59,453             |
| Deposits held at call with banks | 675,097,226        | 935,524,341        |
|                                  | <u>675,347,226</u> | <u>935,583,794</u> |

As at 31 December 2012, the weighted average effective interest rate of deposits held at call with banks was 1.6% per annum (2011: 0.60% per annum).

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**6 Trade and other receivables**

|   | <b>2012</b>          | <b>2011</b>         |
|---|----------------------|---------------------|
|   | <b>Baht</b>          | <b>Baht</b>         |
| Trade accounts receivable - third parties                 | 177,558,125          | 180,248,368         |
| <u>Less</u> Allowance for doubtful accounts               | <u>(18,583,531)</u>  | <u>(17,390,073)</u> |
|   | 158,974,594          | 162,858,295         |
| Trade accounts receivable - related parties (Note 22)     | 422,348,980          | 138,909,285         |
| Amounts due from related parties (Note 22)                | 151,473,092          | 46,183,194          |
| Other accounts receivable - insurance companies (Note 24) | 307,153,243          | -                   |
| Prepayments   | 2,022,700            | 3,604,744           |
| Advances  | 2,938,980            | 26,107,814          |
| Other receivables   | 19,565,618           | 16,463,437          |
|   | <u>1,064,477,207</u> | <u>394,126,769</u>  |

Outstanding trade accounts receivable - third parties as at 31 December can be analysed as follows:

|   | <b>2012</b>         | <b>2011</b>         |
|---|---------------------|---------------------|
|   | <b>Baht</b>         | <b>Baht</b>         |
| Current                                     | 141,959,716         | 136,611,993         |
| Overdue:                                    |                     |                     |
| 1 - 3 months                                | 13,621,780          | 21,945,138          |
| 4 - 12 months                               | 7,280,433           | 6,995,041           |
| Over 12 months                              | 14,696,196          | 14,696,196          |
|   | <u>177,558,125</u>  | <u>180,248,368</u>  |
| <u>Less</u> Allowance for doubtful accounts | <u>(18,583,531)</u> | <u>(17,390,073)</u> |
|   | <u>158,974,594</u>  | <u>162,858,295</u>  |

**7 Inventories, net**

|  | <b>2012</b>        | <b>2011</b>        |
|--|--------------------|--------------------|
|  | <b>Baht</b>        | <b>Baht</b>        |
| Raw materials  | 170,904,300        | 235,074,323        |
| Spare parts  | 151,881,971        | 146,815,546        |
| Work in progress   | 48,415,721         | 72,624,985         |
| Finished goods   | 234,819,412        | 144,829,609        |
| Goods in transit   | 54,658,139         | 84,944,943         |
|  | <u>660,679,543</u> | <u>684,289,406</u> |
| <u>Less</u> Allowance for obsolete and defective inventories |                    |                    |
| - raw materials  | -                  | (128,942,490)      |
| - spare parts  | (23,192,200)       | (15,498,439)       |
| - work in progress   | -                  | (66,234,623)       |
| - finished goods   | (9,998,993)        | (16,576,297)       |
|  | <u>627,488,350</u> | <u>457,037,557</u> |

The cost of inventories recognised as expense and included in 'cost of sales' amounted to Baht 2,978,790,088 (2011: Baht 3,495,470,163).

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**8 Property, plant and equipment, net**

|  | <b>Land and<br/>building<br/>Baht</b> | <b>Machinery<br/>and equipment<br/>Baht</b> | <b>Furniture,<br/>fixtures and<br/>office equipment<br/>Baht</b> | <b>Motor<br/>vehicles<br/>Baht</b> | <b>Assets under<br/>installation<br/>Baht</b> | <b>Total<br/>Baht</b> |
|--|---------------------------------------|---|--|------------------------------------|---|-----------------------|
| <b>As at 1 January 2011</b>                |                                       |   |  |                                    |   |                       |
| Cost                                       | 796,568,578                           | 3,905,081,904                               | 81,920,287   | 14,393,325                         | 558,385,721                                   | 5,356,349,815         |
| <u>Less</u> Accumulated depreciation       | (379,870,361)                         | (3,364,355,670)                             | (77,583,153)   | (7,762,207)                        | -   | (3,829,571,391)       |
| Net book amount                            | <u>416,698,217</u>                    | <u>540,726,234</u>                          | <u>4,337,134</u>   | <u>6,631,118</u>                   | <u>558,385,721</u>                            | <u>1,526,778,424</u>  |
| <b>For the year ended 31 December 2011</b> |                                       |   |  |                                    |   |                       |
| Opening net book amount                    | 416,698,217                           | 540,726,234                                 | 4,337,134  | 6,631,118                          | 558,385,721                                   | 1,526,778,424         |
| Additions                                  | -                                     | -   | -  | -                                  | 503,289,287                                   | 503,289,287           |
| Transfers                                  | 73,515,856                            | 126,189,081                                 | 249,525  | -                                  | (199,954,462)                                 | -                     |
| Disposals, net                             | -                                     | (481,714)                                   | -  | -                                  | (4,147,492)                                   | (4,629,206)           |
| Depreciation charges (Note 14)             | (19,126,418)                          | (102,381,601)                               | (1,686,450)  | (520,445)                          | -   | (123,714,914)         |
| Impairment loss                            | (3,198,928)                           | (5,276,437)                                 | (37,530)   | -                                  | -   | (8,512,895)           |
| Closing net book amount                    | <u>467,888,727</u>                    | <u>558,775,563</u>                          | <u>2,862,679</u>   | <u>6,110,673</u>                   | <u>857,573,054</u>                            | <u>1,893,210,696</u>  |
| <b>As at 31 December 2011</b>              |                                       |   |  |                                    |   |                       |
| Cost                                       | 870,084,434                           | 4,021,002,479                               | 82,169,812   | 14,393,325                         | 857,573,054                                   | 5,845,223,104         |
| <u>Less</u> Accumulated depreciation       | (398,996,779)                         | (3,456,950,479)                             | (79,269,603)   | (8,282,652)                        | -   | (3,943,499,513)       |
| Allowance for impairment loss              | (3,198,928)                           | (5,276,437)                                 | (37,530)   | -                                  | -   | (8,512,895)           |
| Net book amount                            | <u>467,888,727</u>                    | <u>558,775,563</u>                          | <u>2,862,679</u>   | <u>6,110,673</u>                   | <u>857,573,054</u>                            | <u>1,893,210,696</u>  |

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**8 Property, plant and equipment, net (Cont'd)**

|  | <b>Land and<br/>building<br/>Baht</b> | <b>Machinery<br/>and equipment<br/>Baht</b> | <b>Furniture,<br/>fixtures and<br/>office equipment<br/>Baht</b> | <b>Motor<br/>vehicles<br/>Baht</b> | <b>Assets under<br/>installation<br/>Baht</b> | <b>Total<br/>Baht</b> |
|--|---------------------------------------|---|--|------------------------------------|---|-----------------------|
| <b>For the year ended 31 December 2012</b> |                                       |   |  |                                    |   |                       |
| Opening net book amount                    | 467,888,727                           | 558,775,563                                 | 2,862,679  | 6,110,673                          | 857,573,054                                   | 1,893,210,696         |
| Additions                                  | -                                     | -   | -  | -                                  | 365,678,890                                   | 365,678,890           |
| Transfers                                  | 69,196,337                            | 606,140,527                                 | 26,097,063   | 1,280,361                          | (702,714,288)                                 | -                     |
| Disposals, net                             | -                                     | (7)   | -  | (467,445)                          | (98,144,555)                                  | (98,612,007)          |
| Write off                                  | (572,973)                             | (1,644,925)                                 | (237,902)  | -                                  | (4,140,601)                                   | (6,596,401)           |
| Depreciation charges (Note 14)             | (20,562,825)                          | (127,481,882)                               | (3,957,788)  | (537,036)                          | -   | (152,539,531)         |
| Impairment loss                            | -                                     | (44,608,347)                                | (26,044)   | -                                  | -   | (44,634,391)          |
| Closing net book amount                    | <u>515,949,266</u>                    | <u>991,180,929</u>                          | <u>24,738,008</u>  | <u>6,386,553</u>                   | <u>418,252,500</u>                            | <u>1,956,507,256</u>  |
| <b>As at 31 December 2012</b>              |                                       |   |  |                                    |   |                       |
| Cost                                       | 930,738,249                           | 4,613,872,503                               | 107,173,961  | 13,042,213                         | 418,252,500                                   | 6,083,079,426         |
| <u>Less</u> Accumulated depreciation       | (411,590,055)                         | (3,572,806,790)                             | (82,372,379)   | (6,655,660)                        | -   | (4,073,424,884)       |
| Allowance for impairment loss              | (3,198,928)                           | (49,884,784)                                | (63,574)   | -                                  | -   | (53,147,286)          |
| Net book amount                            | <u>515,949,266</u>                    | <u>991,180,929</u>                          | <u>24,738,008</u>  | <u>6,386,553</u>                   | <u>418,252,500</u>                            | <u>1,956,507,256</u>  |

Depreciation expense of Baht 152,539,531 (2011: Baht 123,714,914) has been charged Baht 150,084,508 (2011: Baht 122,496,904) in 'cost of goods sold' and Baht 2,455,023 (2011: Baht 1,218,010) in 'selling and administrative expense'.

The impairment charge of Baht 44,634,391 was made during the period as a result of management's determination that certain machines and equipment were no longer usable. The impairment charge is management's estimate of recoverable value which was determined at each of their components. The recoverable value represents the net selling price of their residuals.

**Goodyear (Thailand) Public Company Limited**  
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**9 Computer software, net**

|  | <b>Baht</b>          |
|--|----------------------|
| <b>As at 1 January 2011</b>                |                      |
| Cost                                       | 192,998,750          |
| <u>Less</u> Accumulated amortisation       | <u>(190,276,276)</u> |
| Net book value                             | <u>2,722,474</u>     |
| <b>For the year ended 31 December 2011</b> |                      |
| Opening net book amount                    | 2,722,474            |
| Amortisation charges                       | <u>(568,382)</u>     |
| Closing net book amount                    | <u>2,154,092</u>     |
| <b>As at 31 December 2011</b>              |                      |
| Cost                                       | 192,998,750          |
| <u>Less</u> Accumulated amortisation       | <u>(190,844,658)</u> |
| Net book value                             | <u>2,154,092</u>     |
| <b>For the year ended 31 December 2012</b> |                      |
| Opening net book amount                    | 2,154,092            |
| Addition                                   | 923,094              |
| Amortisation charges                       | <u>(654,209)</u>     |
| Closing net book amount                    | <u>2,422,977</u>     |
| <b>As at 31 December 2012</b>              |                      |
| Cost                                       | 192,998,750          |
| Addition                                   | 923,094              |
| <u>Less</u> Accumulated amortisation       | <u>(191,498,867)</u> |
| Net book value                             | <u>2,422,977</u>     |

**10 Trade and other payables**

|  | <b>2012<br/>Baht</b> | <b>2011<br/>Baht</b> |
|--|----------------------|----------------------|
| Trade accounts payable - third parties             | 391,503,233          | 262,396,830          |
| Trade accounts payable - related parties (Note 22) | 84,218,825           | 224,553,419          |
| Other payables                                     | 36,756,252           | 23,761,134           |
| Amounts due to related parties (Note 22)           | 50,349,769           | 161,003,800          |
| Accrued expenses                                   | 140,180,499          | 206,558,910          |
| Others   | <u>1,483,195</u>     | <u>1,468,122</u>     |
| Total trade and other receivables                  | <u>704,491,773</u>   | <u>879,742,215</u>   |

**Goodyear (Thailand) Public Company Limited**  
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**11 Reserves for saving fund and retirement benefits**

|                                  | <b>2012</b>       | <b>2011</b>       |
|----------------------------------|-------------------|-------------------|
|                                  | <b>Baht</b>       | <b>Baht</b>       |
| Statements of financial position |                   |                   |
| Reserve for saving fund          | 39,457,653        | 36,562,226        |
| Reserve for retirement benefits  | 57,447,593        | 48,914,624        |
|                                  | <u>96,905,246</u> | <u>85,476,850</u> |
| Statements of income             |                   |                   |
| Saving fund                      | 9,592,808         | 7,774,159         |
| Retirement benefits              | 10,250,027        | 8,740,243         |
|                                  | <u>19,842,835</u> | <u>16,514,402</u> |

The movement in the defined benefit obligations over the year is as follows:

|                      | <b>2012</b>       | <b>2011</b>       |
|----------------------|-------------------|-------------------|
|                      | <b>Baht</b>       | <b>Baht</b>       |
| At 1 January         | 85,476,850        | 77,422,489        |
| Current service cost | 14,653,461        | 11,558,293        |
| Interest cost        | 4,140,431         | 3,890,543         |
| Past service cost    | 936,797           | 936,797           |
| Actuarial gains      | 112,146           | 128,769           |
| Benefits paid        | (8,414,439)       | (8,460,041)       |
| At 31 December       | <u>96,905,246</u> | <u>85,476,850</u> |

Of the total charge, Baht 8,704,562 and Baht 11,138,273 (2011: Baht 9,062,270 and Baht 7,452,132) were included in 'cost of goods sold' and 'selling and administrative expenses', respectively.

The principal actuarial assumptions used were as follows:

|                             | <b>2012</b>     | <b>2011</b>     |
|-----------------------------|-----------------|-----------------|
| Discount rate               | 4.25%           | 4.50%           |
| Future salary increase rate | 5.75%           | 5.75%           |
| Retirement ages             | 55 and 60 years | 55 and 60 years |



**Goodyear (Thailand) Public Company Limited**  
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**12 Share capital and premium on share capital**

|                     | <b>Number of<br/>ordinary<br/>shares</b> | <b>Share<br/>capital<br/>Baht</b> | <b>Premium<br/>on share<br/>capital<br/>Baht</b> |
|---------------------|--|-----------------------------------|--|
| At 1 January 2011   | 7,400,000                                | 74,000,000                        | 92,000,000                                       |
| Issue of shares     | -  | -                                 | -  |
| At 31 December 2011 | 7,400,000                                | 74,000,000                        | 92,000,000                                       |
| Issue of shares     | -  | -                                 | -  |
| At 31 December 2012 | <u>7,400,000</u>                         | <u>74,000,000</u>                 | <u>92,000,000</u>                                |

Share capital represents authorised ordinary shares with a par value of Baht 10 per share (2011: Baht 10 per share). All issued shares are fully paid.

**13 Legal reserve**

Under the Public Companies Act, B.E. 2535, the Company is required to set aside as a legal reserve at least 5% of profit arisen from the business of the Company after accumulated deficit brought forward (if any) at each dividend declaration until the reserve is not less than 10% of the registered share capital. This reserve is non-distributable.

**14 Expense by nature**

The following expenditure items, classified by nature, have been charged in arriving at the operating profit (loss):

|   | <b>2012<br/>Baht</b> | <b>2011<br/>Baht</b> |
|---|----------------------|----------------------|
| Raw materials and supplies used                               | 1,645,890,162        | 2,035,833,344        |
| Changes in inventories of finished goods and work in progress | 108,305,662          | (33,925,866)         |
| Staff costs   | 439,468,425          | 422,117,158          |
| Depreciation (Note 8)   | 152,539,531          | 123,714,914          |
| Impairment loss (Note 8)                                      | 44,634,391           | 8,512,895            |
| Amortisation (Note 9)   | 654,209              | 568,382              |
| Royalty fee (Note 22)   | 145,422,401          | 159,329,227          |
| Management fee (Note 22)                                      | 139,288,702          | 128,855,896          |
| Advertising and promotion expenses                            | 69,182,356           | 63,745,347           |

**Goodyear (Thailand) Public Company Limited**  
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**15 Other income**

|                 | <b>2012</b>       | <b>2011</b>       |
|-----------------|-------------------|-------------------|
|                 | <b>Baht</b>       | <b>Baht</b>       |
| Interest income | 17,714,711        | 11,792,758        |
| Others          | 18,479,237        | 9,406,282         |
|                 | <u>36,193,948</u> | <u>21,199,040</u> |

**16 Promotional privileges**

The Company has received promotion privileges from the Board of Investment under a promotion certificate issued on 23 January 2008 for manufacturing of rubber compound. The main privileges include exemption of import duty on approved machinery, exemption from certain taxes and duties, including exemption from corporate income tax for a period of 8 years from the date of commencement of the Company's promoted business. As a promoted business, the Company is required to comply with the terms and conditions as specified in the promotion certificate.

For the year ended 31 December 2012 and 2011, there was no revenue derived from BOI-promoted activities.

**17 Basic earnings (loss) per share**

Basic earnings (loss) per share are calculated by dividing the net profit (loss) attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

|   | <b>2012</b> | <b>2011</b>   |
|---|-------------|---------------|
| Net profit (loss) attributable to shareholders (Baht)               | 891,675,432 | (119,812,435) |
| Weighted average of issued ordinary shares during the year (Shares) | 7,400,000   | 7,400,000     |
| Basic earnings (loss) per share (Baht)                              | 120.50      | (16.19)       |

There are no dilutive potential ordinary shares in issue during the years presented.

**Goodyear (Thailand) Public Company Limited**  
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**18 Dividends paid**

At the Board of Directors' Meeting held on 12 November 2012, the Board approved to pay the interim dividends for all common shares, totally 7.4 million shares of Baht 43 per share amounting to Baht 318.2 million. The interim dividends were paid on 7 December 2012.

At the Annual General Meeting of the Shareholders held on 28 April 2011, dividends in respect of the operating results and retained earnings of 2010 of Baht 25 per share amounting to Baht 185 million were declared and ratified. The dividend was paid at Baht 5 per share amounting to Baht 37 million as interim dividend on 3 December 2010. The remaining dividends of Baht 20 per share amounting to Baht 148 million were paid on 27 May 2011.

**19 Cash flows from operating activities**

Reconciliation of net profit (loss) before income tax to cash flows from operating activities:

|  | <b>Notes</b> | <b>2012<br/>Baht</b> | <b>2011<br/>Baht</b> |
|--|--------------|----------------------|----------------------|
| Net profit (loss) before income tax              |              | 1,051,412,317        | (86,867,127)         |
| Adjustments for:                                 |              |                      |                      |
| Depreciation                                     | 8, 14        | 152,539,531          | 123,714,914          |
| Amortisation                                     | 9, 14        | 654,209              | 568,382              |
| Impairment loss of assets                        | 8, 14        | 44,634,391           | 8,512,895            |
| Allowance for doubtful accounts (reversal)       |              | 1,193,458            | (3,970,170)          |
| Provision for obsolescence                       |              | 1,006,703            | 223,167,680          |
| Loss (gain) on disposals of equipment            |              | 7,390,105            | (1,681,974)          |
| Reserves for saving fund and retirement benefits | 11           | 19,842,835           | 16,514,402           |
| Write off equipment                              | 8            | 6,596,401            | -                    |
| Write off withholding tax                        |              | -                    | 3,085,206            |
| Interest income                                  | 15           | (17,714,411)         | (11,792,758)         |
| Unrealised losses (gains) on exchange rate       |              | 3,490,680            | (23,061,226)         |
| Changes in operating assets and liabilities:     |              |                      |                      |
| - trade and other receivables                    |              | (674,237,861)        | 479,937,371          |
| - inventories                                    |              | (171,457,496)        | (132,888,561)        |
| - refundable value added tax                     |              | 32,746,791           | (14,006,820)         |
| - other current assets                           |              | (7,700,955)          | (24,143,524)         |
| - other non-current assets                       |              | 1,436,902            | (388,633)            |
| - trade and other payables                       |              | (214,675,549)        | (42,926,423)         |
| - Withholding tax payable                        |              | 38,359,057           | (6,338,926)          |
| - advance received from insurers                 |              | (294,094,219)        | 318,058,925          |
| - other current liabilities                      |              | (10,411,372)         | 15,324,445           |
| Cash (used in) generated from operations         |              | (28,988,483)         | 840,818,078          |
| Interest received                                |              | 17,931,671           | 11,691,251           |
| Saving fund and retirement benefits paid         | 11           | (8,414,439)          | (8,460,041)          |
| Income taxes paid                                |              | (1,101,366)          | (39,151,834)         |
| Cash flows from operating activities             |              | <u>(20,572,617)</u>  | <u>804,897,454</u>   |

## **20 Financial instruments**

The principal financial risks faced by the Company are exchange rate risk, interest rate risk and credit risk. Exchange rate risk results from the Company's export sales and import purchases and long-term loan to a related party. Interest rate risk relates to the deposits of cash and cash equivalents in financial institutions and other investments. Credit risk arises when sales are made on deferred credit terms and in respect of deposits with financial institutions.

### **i) Exchange rate risk**

The Company has no policy to use financial derivatives to locally manage the risks arising from fluctuations in currency exchange rates. However, management may consider the use of foreign currency forward contract, to hedge on a case by case basis, the risks arising from fluctuations in currency exchange rates.

The Company has no open forward exchange contracts at 31 December 2012.

### **ii) Interest rate risk**

The Company earns interest on cash and cash equivalents, short-term investment and loan to a related party. The Company manages its interest rate risks by placing cash, cash equivalents and investments on various maturities and interest rates.

### **iii) Credit risk**

Concentrations of credit risk with respect to trade accounts receivable are limited since the Company has large number of customers, covering manufacturing, distribution and end customers. Management believes that no additional credit risk apart from the amounts provided for collection losses is in the Company's trade accounts receivable.

The Company does not expose to certain concentration of credit risk relating to its cash and cash equivalents. The Company places its cash with several high quality institutions. The Company's policy is not to invest with any one institution but invest with various institutions. The Company places its excess cash in low risk accounts, high credit quality accounts that matured 90 days. The Company has not experienced any losses on such accounts.

### **iv) Fair values**

The carrying amounts of the following financial assets and financial liabilities approximate to their fair values: cash and cash equivalents, trade accounts receivable and payable, amounts due from and to related parties, other receivables and payable which are current assets and current liabilities.

## **21 Commitments**

### **Bank guarantees**

As at 31 December 2012, the Company had commitments in respect of bank guarantees amounting to Baht 10.3 million (2011: Baht 10.3 million).

### **Restricted short-term investment**

As at 31 December 2012, the Company pledged its short-term investment to a bank in the form of saving deposits amounting to Baht 65.0 million (2011: Baht 65.0 million), in respect of banking facilities granted to third parties.

### **Capital commitments**

As at 31 December 2012, the Company has outstanding capital commitments in respect of the investment of machinery and equipment totalling Baht 8.6 million (2011: Baht 88.8 million).

### **Operating lease commitments - where the Company is the lessee**

The future minimum lease payments under non-cancellable operating leases in respect of motor vehicles and office equipment are as follows:

|  | <b>2012</b>       | <b>2011</b>      |
|--|-------------------|------------------|
|  | <b>Baht</b>       | <b>Baht</b>      |
| Not later than 1 year                        | 5,135,877         | 1,276,800        |
| Later than 1 year and not later than 5 years | 7,331,553         | 1,556,500        |
|  | <u>12,467,430</u> | <u>2,833,300</u> |

## **22 Related party transactions**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The Company is controlled by The Goodyear Tire & Rubber Company (registered and located in the USA), which owns 66.79% of the Company's issued shares. The remaining 33.21% of the shares are widely held.

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**22 Related party transactions (Cont'd)**

The following material transactions were carried out with related parties:

**i) Sales of goods**

|                                       | <b>2012</b>   | <b>2011</b>   |
|---------------------------------------|---------------|---------------|
|                                       | <b>Baht</b>   | <b>Baht</b>   |
|                                       | <hr/>         | <hr/>         |
| Sales of finished goods:              |               |               |
| Parent company                        | 344,233,715   | 333,738,937   |
| Related parties - same common control | 1,384,085,691 | 2,000,023,530 |
|                                       | <hr/>         | <hr/>         |
|                                       | 1,728,319,406 | 2,333,762,467 |
|                                       | <hr/>         | <hr/>         |

**ii) Purchases of goods and services**

|  | <b>2012</b> | <b>2011</b> |
|--|-------------|-------------|
|  | <b>Baht</b> | <b>Baht</b> |
|  | <hr/>       | <hr/>       |
| Purchases of raw materials and finished goods: |             |             |
| Parent company                                 | 114,422,267 | 90,545,822  |
| Related parties - same common control          | 383,712,025 | 492,164,140 |
|  | <hr/>       | <hr/>       |
|  | 498,134,292 | 582,709,962 |
|  | <hr/>       | <hr/>       |
| Purchases of machinery and spare parts:        |             |             |
| Parent company                                 | 118,847,224 | 147,471,662 |
| Related parties - same common control          | 51,260,418  | 181,617,511 |
|  | <hr/>       | <hr/>       |
|  | 170,107,642 | 329,089,173 |
|  | <hr/>       | <hr/>       |
| Royalty fee:                                   |             |             |
| Parent company                                 | 145,422,401 | 159,329,227 |
|  | <hr/>       | <hr/>       |
| Production service fee:                        |             |             |
| Parent company                                 | 20,133,743  | 2,389,381   |
|  | <hr/>       | <hr/>       |
| Management fee:                                |             |             |
| Related parties - same common control          | 139,288,702 | 128,855,896 |
|  | <hr/>       | <hr/>       |

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**22 Related party transactions (Cont'd)**

The following material transactions were carried out with related parties: (Cont'd)

**iii) Outstanding balances arising from sales/purchases of goods/services**

|   | <b>2012</b>                 | <b>2011</b>                 |
|---|-----------------------------|-----------------------------|
|   | <b>Baht</b>                 | <b>Baht</b>                 |
|   | <u>                    </u> | <u>                    </u> |
| Trade accounts receivables - related parties: |                             |                             |
| Parent company                                | 90,420,306                  | 5,506,605                   |
| Related parties - same common control         | 331,928,674                 | 133,402,680                 |
|   | <u>422,348,980</u>          | <u>138,909,285</u>          |
| Amounts due from related parties:             |                             |                             |
| Parent company                                | 351,883                     | 1,370,466                   |
| Related parties - same common control         | 151,121,209                 | 44,812,728                  |
|   | <u>151,473,092</u>          | <u>46,183,194</u>           |
| Trade accounts payables - related parties:    |                             |                             |
| Parent company                                | 21,948,522                  | 17,955,923                  |
| Related parties - same common control         | 62,270,303                  | 206,597,496                 |
|   | <u>84,218,825</u>           | <u>224,553,419</u>          |
| Amounts due to related parties:               |                             |                             |
| Parent company                                | 37,195,095                  | 108,252,141                 |
| Related parties - same common control         | 13,154,674                  | 52,751,659                  |
|   | <u>50,349,769</u>           | <u>161,003,800</u>          |

**iv) Directors' and key management's compensation**

|   | <b>2012</b>                 | <b>2011</b>                 |
|---|-----------------------------|-----------------------------|
|   | <b>Baht</b>                 | <b>Baht</b>                 |
|   | <u>                    </u> | <u>                    </u> |
| Salaries and other short-term employee benefits | 31,685,753                  | 22,319,024                  |
| Retirement benefits                             | 2,276,335                   | 1,345,344                   |
| Other long-term benefits                        | 2,290,368                   | 540,028                     |
|   | <u>36,252,456</u>           | <u>24,204,396</u>           |

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**22 Related party transactions (Cont'd)**

The following material transactions were carried out with related parties: (Cont'd)

**v) Loan to a related party**

|   | <b>2012</b> | <b>2011</b>        |
|---|-------------|--------------------|
|   | <b>Baht</b> | <b>Baht</b>        |
| Loan to a related party - same common control | <u>-</u>    | <u>315,505,000</u> |

During the year, loan to a related party amounting to US Dollar 10 million was fully settled and the related foreign currency forward contract that hedged this loan had been exercised and recognised accordingly during the period.

As of 31 December 2012, there was no open foreign currency forward contract.

**23 Segment information**

The Company operates in the business segments, which are ground tires and aero tires. Aero tires are principally export based products and domestic sales are not significant. Management believes that no material difference exists in making an assessment of the Company's past performance and in making informed judgments about the Company as a whole if either the business segments or the geographical segments is presented. Therefore, the Company is reporting geographical segments information based on location of its market, as a single reporting format.

| <b>Year ended 31 December 2012</b>                          | <b>Domestic</b>      | <b>Export</b>        | <b>Total</b>         |
|---|----------------------|----------------------|----------------------|
|   | <b>sales</b>         | <b>sales</b>         | <b>Baht</b>          |
|   | <b>Baht</b>          | <b>Baht</b>          | <b>Baht</b>          |
| Sales   | <u>1,727,563,824</u> | <u>1,752,512,285</u> | <u>3,480,076,109</u> |
| Segment gross profit  | <u>327,801,048</u>   | <u>173,484,973</u>   | 501,286,021          |
| Income from insurance reimbursement<br>(Note 24)            |                      |                      | 1,250,689,210        |
| Other operating expenses due to<br>flood and fire (Note 24) |                      |                      | (315,029,496)        |
| Unallocated costs/other income, net                         |                      |                      | <u>(385,533,418)</u> |
| Profit before income tax expense                            |                      |                      | <u>1,051,412,317</u> |



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**23 Segment information (Cont'd)**

| <b>Year ended 31 December 2011</b>                 | <b>Domestic<br/>sales<br/>Baht</b> | <b>Export<br/>sales<br/>Baht</b> | <b>Total<br/>Baht</b> |
|--|------------------------------------|----------------------------------|-----------------------|
| Sales  | <u>1,735,016,976</u>               | <u>2,350,545,658</u>             | <u>4,085,562,634</u>  |
| Segment gross profit                               | <u>465,893,186</u>                 | <u>124,199,285</u>               | 590,092,471           |
| Other operating expenses due to<br>flood (Note 24) |                                    |                                  | (340,149,837)         |
| Unallocated costs/other income, net                |                                    |                                  | <u>(336,809,761)</u>  |
| Loss before income tax expense                     |                                    |                                  | <u>(86,867,127)</u>   |

The Company does not allocate assets and liabilities which relate jointly to both segments as there is no reasonable allocation basis that can be adopted.

**24 Insurance claim**

During the severe flooding in Thailand in 2011, the Company's facility in Pathumthani was flooded which caused the Company to close the ground tires and aero tires manufacturing facility on 20 October 2011. In addition, while the flooded machines being repaired during the shutdown period, these machines were fired. The cause of fire was the preparing process. As a result, the damage from fire is part of the damage from floods.

The Company recognised damages due to this matter as expenses in the financial statements. It can be detailed as follows:

|  | <b>2012<br/>Baht</b> | <b>2011<br/>Baht</b> |
|--|----------------------|----------------------|
| Allowance for impairment loss defective inventories  | 11,784,837           | 193,459,266          |
| Allowance for impairment loss plant<br>and equipment | 2,650,538            | 3,492,569            |
| Other operating expenses due to flood and fire       | <u>300,594,121</u>   | <u>143,198,002</u>   |
|  | <u>315,029,496</u>   | <u>340,149,837</u>   |

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**24 Insurance claim (Cont'd)**

The Company received letters from insurers confirming the amount of compensation for the majority parts of the claim, amounting to Baht 1,250,689,210. This has been recognised as income for the year ended 31 December 2012. The details of the claims are as follows:

|   | <b>2012</b>          | <b>2011</b>          |
|---|----------------------|----------------------|
|   | <b>Baht</b>          | <b>Baht</b>          |
| Total advances received from insurers   | 965,049,782          | 318,058,925          |
| <u>Less</u> Advances receipts relating to<br>compensation is virtually certain  | <u>(941,085,076)</u> | <u>-</u>             |
| Advance received from insurers  | <u>23,964,706</u>    | <u>318,058,925</u>   |
|   |                      | <b>2012</b>          |
|   |                      | <b>Baht</b>          |
| Finalised compensation amount   |                      | 1,250,689,210        |
| <u>Less</u> Advances receipted relating to<br>compensation is virtually certain |                      | <u>(941,085,076)</u> |
| Effect from exchange rate   |                      | <u>(2,450,891)</u>   |
| Accounts receivable - insurance company (Note 6)                                |                      | <u>307,153,243</u>   |

The remaining advance receipts from insurers of Baht 23,964,706 represents the advances receipts for the claims of professional fees that have not been finalised. The Company presented it as a liability in the statement of financial position as of 31 December 2012. Once the Company and insurers are able to finalise the remaining compensation amounts for these claims, advances from insurers will be offset with the compensation amount, and differences, if any, will be additionally received or paid by the Company. Insurance compensation will be recognised in the financial statements when the amount is known and is virtually certain.

**25 Event after reporting date**

On 12 February 2013 The Company's management has made decision to sell certain equipment under installation to a related company. The selling price has been agreed by the Company and its related company at the equipment's net book value approximately Baht 35.1 million. It is expected that the sale will be completed within 31 March 2013.