

Samart Telcoms Public Company Limited and  
its subsidiaries  
Report and consolidated financial statements  
31 December 2023

## Independent Auditor's Report

To the Shareholders of Samart Telcoms Public Company Limited

### Opinion

I have audited the accompanying consolidated financial statements of Samart Telcoms Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Samart Telcoms Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Samart Telcoms Public Company Limited and its subsidiaries and of Samart Telcoms Public Company Limited as at 31 December 2023, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

### Basis for Opinion

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

## **Emphasis of matter**

I draw attention to Note 8 C) and Note 38.4 to the consolidated financial statements, the Company and two private limited companies together, as STSL Consortium (“the Consortium”), entered into an agreement with a state enterprise for the procurement and installation of an information system and the development of the Core Business Process System (CBPS). Subsequently, the Consortium faced disputes regarding the inability to deliver work under the agreement as per the agreed terms. Consequently, their agreement was terminated, leading to the seizure of the collateral. In response, the Consortium filed a lawsuit against the state enterprise in December 2021, seeking payment for all work completed, damages, and the return of the seized collateral totaling Baht 855.8 million, inclusive of interest (totaling Baht 874.8 million). During the current year, the state enterprise counter-sued in the Civil Court, claiming compensation amounting to Baht 700.4 million due to the disputes concerning the inability to deliver the work as per the contract terms, including interest at a rate of 5% per annum from the date of the counterclaim until the full is settled. The Company recorded the seized collateral as damages of Baht 20 million in its accounts. The Company believes that this amount is sufficient to address the current situation. According to the Company’s management and legal advisor still believes that the Consortium will not incur significant impact as a result of the dispute. Therefore, as of 31 December 2023, the Company has not made any further provisions for additional contingent liabilities related to this case. Nevertheless, the lawsuit is currently in the process of the taking of evidence by the Civil Court, and the final outcome depends on the legal proceedings.

At this time, my opinion is not modified in respect of the matter mentioned above.

## **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond for each matter are described below.

### **Revenue recognition and estimation of provisions for the delay penalties and possible losses from long-term contracts**

The Group has disclosed its policies on revenue recognition for services provided under long-term contracts, cost estimates for projects under long-term contracts, provisions for delay penalties and possible loss on projects under long-term contracts in Note 4.1, 5.1 and 27 to the consolidated financial statements. I identified revenue recognition and estimation of provisions for delay penalties and possible losses on projects from long-term contracts to be areas of significant risk in the audit. This is because the amount of revenue recognises from such long-term contracts in each period forms a significant portion, representing 47 percent of the Group's total revenue. In addition, the process of measurement, the determination of appropriate timing of recognition and the estimation of provisions for delay penalties and possible losses are areas requiring management to exercise significant judgement to assess the percentage of completion, the probability of loss, and the measurement of possible loss. The Group might also enter into side agreements that may affect the terms of the main contracts. There are risks with respect to amount and timing of the recognition of revenue, provisions for delay penalties, and possible losses on projects from long-term contracts, therefore I focused on the revenue recognition and estimation of provisions for delay penalties and possible losses from long-term contracts.

I assessed and tested the internal controls put in place by the Group over the process of entering into contracts, estimates of project costs and revisions thereto, recognition of revenue and estimation of percentage of completion and possible losses under long-term contracts by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls.

In addition, I also selected long-term contracts made with major customers and randomly selected to read the contracts to consider the conditions relating to revenue recognition and made enquiries as to whether any side contracts were made directly with customers. I inquired with the management about the terms of and risks associated with these contracts relevant to revenue recognition and estimates of delay penalties and possible losses. I made enquiries of responsible executives, gained an understanding of the Group's process to assess the percentage of completion and cost estimates for projects, compared estimates of project costs to the project budgets approved by authorised person. On a sampling basis, I examined relevant documents, considered the rationale for budget revisions, compared past estimates with actual project costs to assess the project management's competency in estimating project costs, and compared actual costs with supporting documents including testing the calculation of the percentage of completion based on actual costs incurred. I evaluated the possible losses on projects assessed by the management through an analysis of the ratio of actual cost incurred against cost estimates for projects for each significant cost component. I compared the percentage of completion or actual project progress with the timeframe specified in contracts. I enquired with the management and legal counsels of the subsidiaries relating to dispute of the projects delay as described in Note 27.6 to the consolidated financial statements, reviewed the subsidiaries' legal opinions and the related supporting documents of work delivery and acceptance and the request for deadline extension that were used to support the estimation of the provisions for assessing the judgement exercised by the management in evaluating the probability of projects delay or estimate possible losses. I also examined the accounting transactions related to revenue recognition that were recorded through journal vouchers, in order to detect any irregularities. Moreover, I reviewed the disclosures made in the notes to the financial statements with respect to the basis of revenue recognition and the estimation of delay penalties and possible losses.

### **Other Information**

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

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

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

When I read the annual report of the Group, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

I am responsible for the audit resulting in this independent auditor's report.



Siriwan Suratepin  
Certified Public Accountant (Thailand) No. 4604

EY Office Limited  
Bangkok: 22 February 2024



Smart Telcoms Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2023

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2023	2022	2023	2022
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	951,170,972	490,832,826	395,103,584	191,309,909
Trade and other receivables	8	2,136,014,045	1,587,797,573	344,912,741	372,421,123
Accrued income		2,066,373,888	2,461,061,850	960,347,639	939,441,181
Current portion of finance lease receivables	9	-	37,998,614	-	-
Short-term loans to related parties	6	-	-	2,017,000,000	2,287,000,000
Inventories	10	118,084,590	26,898,696	33,191,176	15,655,673
Withholding tax deducted at source	11	185,231,841	244,297,788	27,683,995	28,004,238
Other current financial assets	12	4,282,919	18,925,598	4,282,919	18,925,598
Other current assets	13	303,355,565	377,916,429	247,434,282	324,907,362
<b>Total current assets</b>		<b>5,764,513,820</b>	<b>5,245,729,374</b>	<b>4,029,956,336</b>	<b>4,177,665,084</b>
<b>Non-current assets</b>					
Other non-current financial assets	12	18,680,148	80,668,830	3,960,224	4,129,741
Investments in subsidiaries	14	-	-	1,780,511,068	1,780,511,068
Finance lease receivable - net of current portion	9	-	42,194,646	-	-
Property, plant and equipment	15	1,177,092,094	1,299,567,717	682,148,228	689,176,562
Right-of-use assets	20.1	153,671,861	213,985,183	93,443,567	126,536,269
Intangible assets	16	65,675,064	36,811,609	1,269,999	1,199,289
Goodwill	17	108,095,942	108,095,942	-	-
Deferred tax assets	32	295,599,028	310,986,334	45,252,917	39,198,649
Other non-current assets		73,671,255	132,870,170	31,841,201	86,649,157
<b>Total non-current assets</b>		<b>1,892,485,392</b>	<b>2,225,180,431</b>	<b>2,638,427,204</b>	<b>2,727,400,735</b>
<b>Total assets</b>		<b>7,656,999,212</b>	<b>7,470,909,805</b>	<b>6,668,383,540</b>	<b>6,905,065,819</b>

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

Smart Telcoms Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2023

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2023	2022	2023	2022
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Short-term loans from banks	18	1,475,024,113	1,351,850,865	928,662,036	565,450,865
Trade and other payables	19	638,730,470	727,225,080	322,667,629	423,020,845
Current portion of liabilities under lease agreements	20.1	52,465,387	50,749,751	31,104,656	29,968,901
Short-term loans from related parties	6	-	-	2,602,500,000	2,921,500,000
Unearned revenue	27.2	27,720,489	15,667,619	605,703	-
Income tax payable		59,300	54,196	-	-
Accrued project cost		1,402,277,175	1,226,256,060	298,139,056	368,705,084
Short-term provision	21	43,267,348	52,346,373	12,583,189	13,888,397
Other current finance liabilities		4,052,789	3,392,828	1,757,831	2,176,217
Other current liabilities	22	144,578,057	90,700,300	33,639,556	24,238,762
<b>Total current liabilities</b>		<b>3,788,175,128</b>	<b>3,518,243,072</b>	<b>4,231,659,656</b>	<b>4,348,949,071</b>
<b>Non-current liabilities</b>					
Liabilities under lease agreements - net of					
current portion	20	118,304,402	176,390,305	70,382,869	102,733,865
Long-term provision	21	18,450,371	35,600,658	6,051,010	6,033,987
Provision for long-term employee benefits	23	181,752,912	175,317,777	41,908,171	43,334,002
Other non-current liabilities		2,559,403	2,681,403	-	-
<b>Total non-current liabilities</b>		<b>321,067,088</b>	<b>389,990,143</b>	<b>118,342,050</b>	<b>152,101,854</b>
<b>Total liabilities</b>		<b>4,109,242,216</b>	<b>3,908,233,215</b>	<b>4,350,001,706</b>	<b>4,501,050,925</b>

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



Smart Telcoms Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2023

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2023	2022	2023	2022
<b>Liabilities and shareholders' equity (continued)</b>					
<b>Shareholders' equity</b>					
Share capital					
Registered					
721,000,000 ordinary shares of Baht 1 each		<u>721,000,000</u>	<u>721,000,000</u>	<u>721,000,000</u>	<u>721,000,000</u>
Issued and fully paid up					
618,000,000 ordinary shares of Baht 1 each		618,000,000	618,000,000	618,000,000	618,000,000
Share premium		1,238,860,501	1,238,860,501	1,238,860,501	1,238,860,501
Deficit on changes in percentage of					
shareholding in subsidiary		(737,340,401)	(737,577,642)	-	-
Retained earnings					
Appropriated - statutory reserve	26	73,800,000	73,800,000	73,800,000	73,800,000
Unappropriated		2,311,921,718	2,357,655,260	348,890,150	434,523,210
Other components of shareholders' equity	24	<u>41,792,383</u>	<u>41,792,383</u>	<u>38,831,183</u>	<u>38,831,183</u>
Equity attributable to owners of the Company		3,547,034,201	3,592,530,502	2,318,381,834	2,404,014,894
Non-controlling interests of the subsidiaries		<u>722,795</u>	<u>(29,853,912)</u>	-	-
<b>Total shareholders' equity</b>		<u>3,547,756,996</u>	<u>3,562,676,590</u>	<u>2,318,381,834</u>	<u>2,404,014,894</u>
<b>Total liabilities and shareholders' equity</b>		<u>7,656,999,212</u>	<u>7,470,909,805</u>	<u>6,668,383,540</u>	<u>6,905,065,819</u>

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



Directors