

Pacific Pipe Public Company Limited and its subsidiaries  
Report and consolidated interim financial statements  
31 December 2016

## **Independent Auditor's Report**

To the Shareholders of Pacific Pipe Public Company Limited

### **Opinion**

I have audited the accompanying consolidated financial statements of Pacific Pipe Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Pacific Pipe 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 Pacific Pipe Public Company Limited and its subsidiaries and of Pacific Pipe Public Company Limited as at 31 December 2016, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

### **Basis for Opinion**

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

### **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.

*a) Revenue recognition from sales of goods*

Revenue from sales is considered to be a significant account of the Group because the amount of revenue recorded directly impact the Group's annual profit and loss. In addition, the Group has numerous customers in various businesses and categories which have different commercial terms and conditions. Moreover, global prices of steel, the Group's major raw material, have been fluctuating in accordance with economic conditions and directly affect the value of the Group's sales. I have therefore focused on the recognition of revenue from sales of the Group.

I have examined the revenue recognition of the Group by assessing and testing the Group's internal controls with respect to the revenue cycle by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls. On a sampling basis, I also examined supporting documents for sales transactions occurring during the year and near the end of the accounting period to assess whether revenue recognition was consistent with the conditions of commercial terms, and whether it was in compliance with the Group's policy. I reviewed credit notes that the Group issued after the period-end. I also performed analytical procedures on disaggregated data to detect possible irregularities in sales transactions throughout the period, particularly for accounting entries made through journal vouchers.

*b) Inventory*

Estimating the net realisable value of inventory, as disclosed Note 9 to the financial statements, is an area of significant management judgment, particularly with regard to the estimation of provision for diminution in the value of inventory with a net realisable value that is lower than cost. Fluctuations in raw material prices in global markets, the competitive environment, economic circumstances and the situation within the industry are factors that affect costs of production and selling prices. There are therefore risks with respect to provision for diminution in the value of inventory.

I assessed and tested the internal controls of the Group relevant to the determination of provision for diminution in the value of inventory 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 assessed the method and the assumptions applied by management in determining such provision. The procedures that I gain an understanding of the basis applied in determining the provision for diminution in value of inventory and reviewing the consistency of the application of that basis, and the rationale for the recording of provisions. I compare the inventory holding periods and inventory movements to identify product lines with indicators of lower than normal inventory turnover and compare net proceeds from sales transactions occurring after the date of the financial statements with the cost of inventory.

**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.

The engagement partner on the audit resulting in this independent auditor's report is Mrs. Chonlaros Suntiasvaraporn.

Chonlaros Suntiasvaraporn  
Certified Public Accountant (Thailand) No. 4523

EY Office Limited  
Bangkok: 22 February 2017

Pacific Pipe Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	445,931,683	440,929,460	294,716,470	264,893,175
Trade and other receivables	8	605,936,650	556,109,485	520,612,968	502,082,505
Inventories	9	1,149,040,673	847,111,124	1,120,294,926	836,443,405
Advance for raw material		92,742,860	52,846	92,742,860	52,846
Other current assets		10,476,265	18,368,673	8,723,477	16,847,287
<b>Total current assets</b>		<u>2,304,128,131</u>	<u>1,862,571,588</u>	<u>2,037,090,701</u>	<u>1,620,319,218</u>
<b>Non-current assets</b>					
Investments in subsidiaries	10	-	-	11,996,100	11,996,100
Property, plant and equipment	11	1,375,447,231	1,423,115,034	1,312,669,756	1,380,871,146
Intangible assets	12	25,268,672	27,471,839	25,238,250	27,429,995
Deferred tax assets	19	2,521,543	4,544,365	-	-
Other non-current assets		499,700	125,127	373,773	-
<b>Total non-current assets</b>		<u>1,403,737,146</u>	<u>1,455,256,365</u>	<u>1,350,277,879</u>	<u>1,420,297,241</u>
<b>Total assets</b>		<u><u>3,707,865,277</u></u>	<u><u>3,317,827,953</u></u>	<u><u>3,387,368,580</u></u>	<u><u>3,040,616,459</u></u>

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

Pacific Pipe Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Short-term loans from financial institutions	13	866,474,127	580,265,478	866,474,127	580,265,478
Trade and other payables	14	179,594,885	151,038,906	172,987,498	153,705,559
Current portion of long-term loan	15	-	67,833,333	-	67,833,333
Income tax payable		31,446,127	6,039,729	24,995,076	-
Other current liabilities		<u>22,372,372</u>	<u>23,994,573</u>	<u>19,596,193</u>	<u>20,656,059</u>
<b>Total current liabilities</b>		<u>1,099,887,511</u>	<u>829,172,019</u>	<u>1,084,052,894</u>	<u>822,460,429</u>
<b>Non-current liabilities</b>					
Long-term loan from related party	6	-	100,000,000	-	100,000,000
Long-term loan from financial institution, net of current portion	15	-	339,166,667	-	339,166,667
Deferred tax liabilities	19	21,008,569	9,199,179	21,008,569	9,199,179
Provision for long-term employee benefits	16	<u>29,986,699</u>	<u>29,685,694</u>	<u>23,478,530</u>	<u>23,742,536</u>
<b>Total non-current liabilities</b>		<u>50,995,268</u>	<u>478,051,540</u>	<u>44,487,099</u>	<u>472,108,382</u>
<b>Total liabilities</b>		<u>1,150,882,779</u>	<u>1,307,223,559</u>	<u>1,128,539,993</u>	<u>1,294,568,811</u>

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

Pacific Pipe Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2016

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>		
	<u>Note</u>	<u>31 December 2016</u>	<u>31 December 2015</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
<b>Shareholders' equity</b>					
Share capital					
Registered					
660,000,000 ordinary shares of Baht 1 each		<u>660,000,000</u>	<u>660,000,000</u>	<u>660,000,000</u>	<u>660,000,000</u>
Issued and fully paid up					
660,000,000 ordinary shares of Baht 1 each		660,000,000	660,000,000	660,000,000	660,000,000
Share premium					
Share premium on ordinary shares		514,845,000	514,845,000	514,845,000	514,845,000
Surplus on treasury shares		1,010,911	1,010,911	1,010,911	1,010,911
Retained earnings					
Appropriated - statutory reserve	17	67,000,000	67,000,000	67,000,000	67,000,000
Unappropriated		<u>1,314,126,587</u>	<u>767,748,483</u>	<u>1,015,972,676</u>	<u>503,191,737</u>
<b>Total shareholders' equity</b>		<u>2,556,982,498</u>	<u>2,010,604,394</u>	<u>2,258,828,587</u>	<u>1,746,047,648</u>
<b>Total liabilities and shareholders' equity</b>		<u>3,707,865,277</u>	<u>3,317,827,953</u>	<u>3,387,368,580</u>	<u>3,040,616,459</u>
		-	-	-	-

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

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 Directors  
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Pacific Pipe Public Company Limited and its subsidiaries

Statement of comprehensive income

For the year ended 31 December 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
<b>Profit or loss:</b>					
<b>Revenues</b>					
Sales and service income	6	6,993,961,064	6,474,997,759	6,933,157,564	6,403,770,694
Exchange gains		-	6,533,324	-	6,385,982
Dividend income	10	-	-	34,084,370	30,264,316
Other income		156,408,670	134,057,752	154,592,905	132,193,635
<b>Total revenues</b>		<b>7,150,369,734</b>	<b>6,615,588,835</b>	<b>7,121,834,839</b>	<b>6,572,614,627</b>
<b>Expenses</b>					
Cost of sales and services		6,021,304,759	6,202,993,222	6,030,392,852	6,185,403,041
Selling expenses		147,176,891	135,775,872	189,300,944	181,537,300
Administrative expenses		296,530,429	239,392,324	269,470,351	218,520,585
Exchange losses		2,283,221	-	2,272,559	-
<b>Total expenses</b>		<b>6,467,295,300</b>	<b>6,578,161,418</b>	<b>6,491,436,706</b>	<b>6,585,460,926</b>
<b>Profit (loss) before finance cost and income tax expenses</b>		<b>683,074,434</b>	<b>37,427,417</b>	<b>630,398,133</b>	<b>(12,846,299)</b>
Finance cost		(33,388,519)	(50,527,092)	(32,685,586)	(49,889,440)
<b>Profit (loss) before income tax expenses</b>		<b>649,685,915</b>	<b>(13,099,675)</b>	<b>597,712,547</b>	<b>(62,735,739)</b>
Income tax expenses	19	(103,307,811)	(29,889,750)	(84,931,608)	(13,749,123)
<b>Profit (loss) for the year</b>		<b>546,378,104</b>	<b>(42,989,425)</b>	<b>512,780,939</b>	<b>(76,484,862)</b>
<b>Other comprehensive income:</b>					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Actuarial loss	16	-	(4,065,453)	-	(3,400,505)
Less: Income tax effect	19	-	813,091	-	680,101
<b>Other comprehensive income for the year</b>		<b>-</b>	<b>(3,252,362)</b>	<b>-</b>	<b>(2,720,404)</b>
<b>Total comprehensive income for the year</b>		<b>546,378,104</b>	<b>(46,241,787)</b>	<b>512,780,939</b>	<b>(79,205,266)</b>
<b>Basic earnings per share</b>					
Profit (loss) for the year	20	0.83	(0.07)	0.78	(0.12)

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

**Pacific Pipe Public Company Limited and its subsidiaries**

**Statement of changes in shareholders' equity**

**For the year ended 31 December 2016**

(Unit: Baht)

	<b>Consolidated financial statements</b>					Total shareholders' equity
	Issued and fully paid-up share capital	Share premium	Surplus on treasury shares	Retained earnings		
				Appropriated	Unappropriated	
<b>Balance as at 1 January 2015</b>	660,000,000	514,845,000	1,010,911	67,000,000	919,605,890	2,162,461,801
Loss for the year	-	-	-	-	(42,989,425)	(42,989,425)
Other comprehensive income for the year	-	-	-	-	(3,252,362)	(3,252,362)
Total comprehensive income for the year	-	-	-	-	(46,241,787)	(46,241,787)
Dividend paid (Note 23)	-	-	-	-	(105,615,620)	(105,615,620)
<b>Balance as at 31 December 2015</b>	<u>660,000,000</u>	<u>514,845,000</u>	<u>1,010,911</u>	<u>67,000,000</u>	<u>767,748,483</u>	<u>2,010,604,394</u>
						-
<b>Balance as at 1 January 2016</b>	660,000,000	514,845,000	1,010,911	67,000,000	767,748,483	2,010,604,394
Profit for the year	-	-	-	-	546,378,104	546,378,104
<b>Balance as at 31 December 2016</b>	<u>660,000,000</u>	<u>514,845,000</u>	<u>1,010,911</u>	<u>67,000,000</u>	<u>1,314,126,587</u>	<u>2,556,982,498</u>

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

**Pacific Pipe Public Company Limited and its subsidiaries**

**Statement of changes in shareholders' equity (continued)**

**For the year ended 31 December 2016**

(Unit: Baht)

	<b>Separate financial statements</b>					Total shareholders' equity
	Issued and fully paid-up share capital	Share premium	Surplus on treasury shares	Retained earnings		
				Appropriated	Unappropriated	
<b>Balance as at 1 January 2015</b>	660,000,000	514,845,000	1,010,911	67,000,000	687,996,939	1,930,852,850
Loss for the year	-	-	-	-	(76,484,862)	(76,484,862)
Other comprehensive income for the year	-	-	-	-	(2,720,404)	(2,720,404)
Total comprehensive income for the year	-	-	-	-	(79,205,266)	(79,205,266)
Dividend paid (Note 23)	-	-	-	-	(105,599,936)	(105,599,936)
<b>Balance as at 31 December 2015</b>	<u>660,000,000</u>	<u>514,845,000</u>	<u>1,010,911</u>	<u>67,000,000</u>	<u>503,191,737</u>	<u>1,746,047,648</u>
						-
<b>Balance as at 1 January 2016</b>	660,000,000	514,845,000	1,010,911	67,000,000	503,191,737	1,746,047,648
Profit for the year	-	-	-	-	512,780,939	512,780,939
<b>Balance as at 31 December 2016</b>	<u>660,000,000</u>	<u>514,845,000</u>	<u>1,010,911</u>	<u>67,000,000</u>	<u>1,015,972,676</u>	<u>2,258,828,587</u>
						-

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

**Pacific Pipe Public Company Limited and its subsidiaries**

**Cash flow statement**

**For the year ended 31 December 2016**

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities</b>				
Profit (loss) before tax	649,685,915	(13,099,675)	597,712,547	(62,735,739)
Adjustments to reconcile profit (loss) before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	128,092,369	118,864,967	118,872,785	110,519,700
Bad debts	12,973,531	-	1,563,937	-
Allowance for doubtful accounts (reversal)	(10,908,466)	2,781,901	(229,352)	2,264,649
Reversal of inventory to net realisable value	(21,535,226)	(42,578,209)	(21,535,226)	(42,578,209)
Reversal of allowance for impairment of advance of raw material	(9,086,109)	-	(9,086,109)	-
Loss (gain) on write-off/disposals of equipment	20,578,298	(108,491)	20,595,276	(108,501)
Loss on write-off of intangible asset	546,000	-	546,000	-
Provision for long-term employee benefits	2,956,620	3,017,556	2,391,609	2,475,248
Unrealised loss on exchange	1,875,548	18,617	1,875,548	37,950
Dividend income	-	-	(34,084,370)	(30,264,316)
Interest income	(1,898,329)	(1,517,868)	(1,352,070)	(1,034,542)
Interest expenses	30,693,659	48,270,676	30,693,659	48,247,842
Profit from operating activities before changes in operating assets and liabilities	803,973,810	115,649,474	707,964,234	26,824,082
Operating assets (increase) decrease				
Trade and other receivables	(51,847,592)	20,028,835	(19,820,410)	37,712,970
Inventories	(280,394,323)	770,096,034	(262,316,295)	764,686,603
Advance for raw material	(83,603,905)	3,171,431	(83,603,905)	3,171,431
Other current assets	7,517,835	4,185,751	7,750,037	4,720,042
Operating liabilities increase (decrease)				
Trade and other payables	28,628,316	50,507,995	19,354,275	41,451,954
Other current liabilities	(1,622,202)	7,551,508	(1,059,866)	6,473,482
Other non-current liabilities	(2,655,615)	(800,000)	(2,655,615)	(800,000)
Cash flows from operating activities	419,996,324	970,391,028	365,612,455	884,240,564
Cash paid for interest expenses	(30,765,995)	(48,500,443)	(30,765,995)	(48,477,609)
Cash paid for corporate income tax	(64,069,201)	(19,773,492)	(48,127,142)	(2,630,792)
<b>Net cash flows from operating activities</b>	<b>325,161,128</b>	<b>902,117,093</b>	<b>286,719,318</b>	<b>833,132,163</b>

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

**Pacific Pipe Public Company Limited and its subsidiaries**

**Cash flow statement (continued)**

**For the year ended 31 December 2016**

(Unit: Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Cash flows from investing activities</b>				
Acquisition of plant and equipment	(99,345,711)	(84,287,616)	(69,603,941)	(73,897,219)
Acquisition of intangible assets	(95,000)	(175,000)	(95,000)	(175,000)
Dividend income	-	-	34,084,370	30,264,316
Interest income	1,898,329	1,517,868	1,352,071	1,034,542
Capitalised interest as cost of assets	-	(1,716,825)	-	(1,716,825)
Proceeds from sales of equipment	95,014	1,222,936	78,014	1,222,936
<b>Net cash flows used in investing activities</b>	<u>(97,447,368)</u>	<u>(83,438,637)</u>	<u>(34,184,486)</u>	<u>(43,267,250)</u>
<b>Cash flows from financing activities</b>				
Increase (decrease) in short-term loans				
from financial institutions	284,288,463	(809,812,760)	284,288,463	(809,812,760)
Repayment of long-term loan from related party	(100,000,000)	-	(100,000,000)	-
Cash receipt from long-term loans from financial institution	-	206,000,000	-	206,000,000
Repayment of long-term loan from financial institution	(407,000,000)	-	(407,000,000)	-
Dividend paid	-	(105,615,620)	-	(105,599,936)
<b>Net cash flows used in financing activities</b>	<u>(222,711,537)</u>	<u>(709,428,380)</u>	<u>(222,711,537)</u>	<u>(709,412,696)</u>
<b>Net increase in cash and cash equivalents</b>	5,002,223	109,250,076	29,823,295	80,452,217
Cash and cash equivalents at beginning of year	440,929,460	331,679,384	264,893,175	184,440,958
<b>Cash and cash equivalents at end of year</b>	<u>445,931,683</u>	<u>440,929,460</u>	<u>294,716,470</u>	<u>264,893,175</u>
	-	-	-	-

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

## Pacific Pipe Public Company Limited and its subsidiaries

### Notes to consolidated financial statements

For the year ended 31 December 2016

#### 1. General information

Pacific Pipe Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its major shareholder is Tang Mong Seng Holding Company Limited, which was incorporated in Thailand. The Company is principally engaged in manufacturing and distribution of steel pipes for construction work. The registered office of the Company is at 298, 298/2, Soi Klabcharoen, Suksawat Road, Tambon Pakklongbangplakod, Amphur Phrasamutjedi, Samutprakarn.

#### 2 Basis of preparation

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

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

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

#### 2.2 Basis of consolidation

a) The consolidated financial statements include the financial statements of Pacific Pipe Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”):

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2016 Percent	2015 Percent
Tamose Trading Company Limited	Distribution of steel pipes for construction	Thailand	99.94	99.94
Meesup Transport Company Limited	Transportation	Thailand	99.97	99.97

- b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- c) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- e) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

#### **4.1 Revenue recognition**

##### *Sales of goods*

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

##### *Rendering of services*

Service revenue is recognised when services have been rendered taking into account the stage of completion.

##### *Interest income*

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

##### *Dividends*

Dividends are recognised when the right to receive the dividends is established.

#### **4.2 Cash and cash equivalents**

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

### **4.3 Trade accounts receivable**

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

### **4.4 Inventories**

The Company and its subsidiary presented value of finished goods at the lower of cost (under the weighted average method) and net realisable value. Cost includes all production costs, wages and attributable factory overheads.

Raw materials and factory supplies are valued at the lower of weighted average cost and net realisable value and are charged to production costs whenever consumed.

### **4.5 Investments**

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

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

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

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

Land improvement	10 - 20 years
Buildings and building improvement	20 - 30 years
Machinery and factory equipment	10 - 32 years
Office equipment	3 - 5 years
Motor vehicles	5 - 10 years

Depreciation is included in determining income

No depreciation is provided on land and assets under construction.

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

#### **4.7 Borrowing costs**

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

#### **4.8 Intangible assets**

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

A summary of the intangible assets with finite useful lives is as follows:

	<u>Useful lives</u>
Computer software	10 years

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

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

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

#### **4.10 Foreign currencies**

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

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

Gains and losses on exchange are included in determining income.

#### **4.11 Impairment of assets**

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

An impairment loss is recognised in profit or loss.

#### **4.12 Employee benefits**

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

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

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

###### *Defined contribution plans*

The Company and its subsidiaries and their employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company and its subsidiaries. The fund's assets are held in a separate trust fund and the Company and its subsidiaries' contributions are recognised as expenses when incurred.

###### *Defined benefit plan*

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

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

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

#### **4.13 Provisions**

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

#### **4.14 Income tax**

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

##### **Current tax**

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

##### **Deferred tax**

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

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

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

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

#### **4.15 Fair value measurement**

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

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

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

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

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

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

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

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

### **Reduction of inventory cost to net realisable value**

In determining a reduction of inventory cost to net realisable value, the management makes judgement and estimates the net realisable value of inventory based on the amount of the inventories are expected to realise. These estimates take into consideration fluctuations of selling price or cost directly relating to events occurring after the end of the reporting period. Also, the management makes judgment and estimates the expected loss from stock obsolescence based upon aging profile of inventories and the prevailing economic condition.

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

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

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

## Post-employment benefits under defined benefit plans

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

### 6. Related party transactions

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

(Unit: Million Baht)

	For the years ended 31 December				Transfer Pricing Policy
	Consolidated		Separate		
	financial statements	financial statements	financial statements	financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	
<u>Transactions with subsidiary companies</u>					
(eliminated from the consolidated financial statements)					
Sales of goods	-	-	3,285	2,977	Reference to market price
Purchases of goods	-	-	-	13.7	Reference to market price
Purchases of fixed assets	-	-	-	0.7	Reference to market price
Rental income	-	-	0.7	0.7	Contract price
Service income	-	-	0.8	0.8	Contract price
Commission paid	-	-	68	66	Contract price
Transportation expenses	-	-	98	91	Reference to market price
<u>Transactions with related parties</u>					
Interest expenses	4.3	5.1	4.3	5.1	MLR - 2.4 percent per annum
Office rental and service expenses	3.6	3.2	-	-	Contract price
Land rental	4.8	4.7	4.8	4.7	Contract price

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
<b><u>Trade receivable - related party (Note 8)</u></b>				
Tamose Trading Company Limited	-	-	172,474	165,285
<b>Total trade receivable - related party</b>	<b>-</b>	<b>-</b>	<b>172,474</b>	<b>165,285</b>
<b><u>Other receivables - related parties (Note8)</u></b>				
Tamose Trading Company Limited	-	-	2,079	-
Meesup Transport Company Limited	-	-	32	-
Total other receivables - related parties	-	-	2,111	-
<b><u>Other payables - related parties (Note 14)</u></b>				
Tamose Trading Company Limited	-	-	7,694	11,874
Meesup Transport Company Limited	-	-	3,982	3,269
<b>Total other payables - related parties</b>	<b>-</b>	<b>-</b>	<b>11,676</b>	<b>15,143</b>

#### Loans from related party

As at 31 December 2016 and 2015, the balance of long-term loan from related company and the movement is as follow:

		(Unit: Thousand Baht)			
		Consolidated financial statements / Separate financial statements			
Long-term loan	Related by	Balance as at	Movement during the year		Balance as at
		31 December 2015	Increase	Decrease	31 December 2016
Tang Mong Seng Holding Company Limited	Major shareholder	100,000	-	(100,000)	-

Long-term loan represented loan that the Company borrowed from Tang Mong Seng Holding Company Limited, carrying interest at a rate of MLR - 2.4 percent per annum (MLR of a commercial bank). This loan is unsecured and due for repayment in July 2018. The Company made full repayment this loan in the current year, prior to maturity.

### Directors and management's benefits

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

	(Unit: Thousand Baht)	
	Consolidated / Separate	
	financial statements	
	31 December	31 December
	2016	2015
Short-term employee benefits	63,523	31,307
Post-employment benefits	987	1,066
Total	64,510	32,373

### Guarantee obligations with related party

The Company has outstanding guarantee obligations with its related party, as described in Note 24.4 to the financial statements.

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Cash	268	260	165	169
Bank deposits	445,664	440,669	294,551	264,724
Total	445,932	440,929	294,716	264,893

As at 31 December 2016, bank deposits in saving accounts carried interests at the rate of 0.5 percent per annum (2015: 0.375 percent per annum).

## 8. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2016	2015	2016	2015
<u>Trade receivable - related party</u>				
Aged on the basis of due dates				
Not yet due	-	-	172,474	156,255
Past due				
Up to 3 months	-	-	-	9,030
Total trade receivable - related party (Note 6)	-	-	172,474	165,285
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	469,580	423,096	265,377	241,578
Past due				
Up to 3 months	127,603	103,281	76,691	68,224
3 - 6 months	7,557	7,841	3,174	7,313
6 - 12 months	1,130	21,389	119	19,146
Over 12 months	16,404	27,748	10,905	11,004
Total	622,274	583,355	356,266	347,265
Less: Allowance for doubtful debts	(16,337)	(27,246)	(10,238)	(10,467)
Total trade receivables - unrelated parties, net	605,937	556,109	346,028	336,798
Total trade receivables - net	605,937	556,109	518,502	502,083
<u>Other receivables</u>				
Other receivables - related parties (Note 6)	-	-	2,111	-
Total other receivables	-	-	2,111	-
Total trade and other receivables-net	605,937	556,109	520,613	502,083

## 9. Inventories

(Unit: Thousand Baht)

Consolidated financial statements						
	Cost		Reduce cost to net realisable value		Inventories-net	
	2016	2015	2016	2015	2016	2015
Finished goods	692,531	541,750	(4,521)	(18,152)	688,010	523,598
Raw materials	437,989	306,330	(308)	(8,213)	437,681	298,117
Factory supplies and others	23,350	22,733	-	-	23,350	22,733
Goods in transit	-	2,663	-	-	-	2,663
<b>Total</b>	<b>1,153,870</b>	<b>873,476</b>	<b>(4,829)</b>	<b>(26,365)</b>	<b>1,149,041</b>	<b>847,111</b>

(Unit: Thousand Baht)

Separate financial statements						
	Cost		Reduce cost to net realisable value		Inventories-net	
	2016	2015	2016	2015	2016	2015
Finished goods	663,785	533,745	(4,521)	(18,152)	659,264	515,593
Raw materials	437,989	306,330	(308)	(8,213)	437,681	298,117
Factory supplies and others	23,350	22,733	-	-	23,350	22,733
<b>Total</b>	<b>1,125,124</b>	<b>862,808</b>	<b>(4,829)</b>	<b>(26,365)</b>	<b>1,120,295</b>	<b>836,443</b>

During the current year, the Company reversed the write-down of cost of inventories by Baht 21.5 million and reduced the amount of inventories recognised as expenses during the year. (2015: Baht 42.6 million).

## 10. Investments in subsidiaries

Details of investments in subsidiaries as presented in separate financial statements are as follows:

Company's name	Paid-up capital		Shareholding percentage		Cost		Dividend received during the year	
	2016	2015	2016	2015	2016	2015	2016	2015
			(%)	(%)				
Tamose Trading Company Limited	1,000	1,000	99.94	99.94	999	999	17,989	21,987
Meesup Transport Company Limited	9,200	9,200	99.97	99.97	10,997	10,997	16,095	8,277
<b>Total</b>					<b>11,996</b>	<b>11,996</b>	<b>34,084</b>	<b>30,264</b>

## 11. Property, plant and equipment

(Unit: Thousand Baht)

Consolidated financial statements								
	Land	Land improvement	Buildings and building improvement	Machinery and factory equipment	Office equipment	Motor vehicles	Assets under construction	Total
<b>Cost:</b>								
1 January 2015	236,124	11,790	565,255	1,209,919	72,404	131,153	332,340	2,558,985
Additions	-	-	-	9,983	2,648	13,638	58,018	84,287
Transfers in (out)	16,136	-	201,345	120,242	3,495	840	(342,058)	-
Transfers to intangible assets	-	-	-	-	-	-	(360)	(360)
Capitalised interest	-	-	1,717	-	-	-	-	1,717
Disposals/write-off	-	-	-	(1,226)	(554)	(26)	-	(1,806)
31 December 2015	252,260	11,790	768,317	1,338,918	77,993	145,605	47,940	2,642,823
Additions	-	-	-	4,553	3,030	30,259	61,504	99,346
Transfers in (out)	-	-	4,106	31,438	4,350	589	(40,483)	-
Transfers to intangible assets	-	-	-	-	-	-	(3,121)	(3,121)
Disposals/write-off	-	-	-	(261)	(533)	-	(20,635)	(21,429)
31 December 2016	252,260	11,790	772,423	1,374,648	84,840	176,453	45,205	2,717,619
<b>Accumulated depreciation:</b>								
1 January 2015	-	2,039	279,627	696,048	58,531	70,203	-	1,106,448
Depreciation for the year	-	694	32,575	62,454	7,860	10,369	-	113,952
Depreciation on disposals/ write-off	-	-	-	(122)	(544)	(26)	-	(692)
31 December 2015	-	2,733	312,202	758,380	65,847	80,546	-	1,219,708
Depreciation for the year	-	694	36,990	66,283	7,807	11,445	-	123,219
Depreciation on disposals/ write-off	-	-	-	(239)	(516)	-	-	(755)
31 December 2016	-	3,427	349,192	824,424	73,138	91,991	-	1,342,172
<b>Net book value:</b>								
31 December 2015	252,260	9,057	456,115	580,538	12,146	65,059	47,940	1,423,115
31 December 2016	252,260	8,363	423,231	550,224	11,702	84,462	45,205	1,375,447
<b>Depreciation for the year</b>								
2015 (Baht 85.13 million included in manufacturing cost, and the balance in selling and administrative expenses)								113,952
2016 (Baht 93.27 million included in manufacturing cost, and the balance in selling and administrative expenses)								123,219

## 11. Property, plant and equipment (continued)

(Unit: Thousand Baht)

	Separate financial statements							Total
	Land		Buildings	Machinery	Office	Motor	Assets	
	Land	improvement	and building	and factory	equipment	vehicles	under	
		improvement	equipment	equipment		construction		
<b>Cost:</b>								
1 January 2015	236,124	11,790	563,054	1,209,919	61,250	40,371	332,341	2,454,849
Additions	-	-	-	9,983	2,533	3,363	58,018	73,897
Transfers in (out)	16,136	-	201,345	120,242	3,495	840	(342,418)	-
Transfers to intangible assets	-	-	-	-	-	-	(360)	(360)
Capitalised interest	-	-	1,717	-	-	-	-	1,717
Disposals/write-off	-	-	-	(1,226)	(429)	-	-	(1,655)
31 December 2015	252,260	11,790	766,116	1,338,918	66,849	44,574	47,941	2,528,448
Additions	-	-	-	4,553	2,916	631	61,504	69,604
Transfers in (out)	-	-	4,106	31,438	4,350	589	(40,483)	-
Transfers to intangible assets	-	-	-	-	-	-	(3,121)	(3,121)
Disposals/write-off	-	-	-	(261)	(386)	-	(20,635)	(21,282)
31 December 2016	252,260	11,790	770,222	1,374,648	73,729	45,794	45,206	2,573,649
<b>Accumulated depreciation:</b>								
1 January 2015	-	2,039	279,400	696,048	48,754	16,254	-	1,042,495
Depreciation for the year	-	694	32,465	62,454	7,440	2,570	-	105,623
Depreciation on disposals/ write-off	-	-	-	(122)	(419)	-	-	(541)
31 December 2015	-	2,733	311,865	758,380	55,775	18,824	-	1,147,577
Depreciation for the year	-	694	36,880	66,283	7,435	2,719	-	114,011
Depreciation on disposals/ write-off	-	-	-	(239)	(370)	-	-	(609)
31 December 2016	-	3,427	348,745	824,424	62,840	21,543	-	1,260,979
<b>Net book value:</b>								
31 December 2015	252,260	9,057	454,251	580,538	11,074	25,750	47,941	1,380,871
31 December 2016	252,260	8,363	421,477	550,224	10,889	24,251	45,206	1,312,670
<b>Depreciation for the year</b>								
2015 (Baht 85.13 million included in manufacturing cost, and the balance in selling and administrative expenses)								105,623
2016 (Baht 93.27 million included in manufacturing cost, and the balance in selling and administrative expenses)								114,011

As at 31 December 2016, certain items of equipment were fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 464 million (2015: Baht 386 million) (the Company only; 2016: Baht 424 million, 2015: Baht 354 million).

## 12. Intangible assets

The net book value of intangible assets as at 31 December 2016 and 2015 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements			Separate financial statements		
	System		Total	System		Total
	Computer software	development under process		Computer software	development under process	
As at 31 December 2016						
Cost	55,632	-	55,632	55,225	-	55,225
<u>Less</u> Accumulated amortisation	(30,363)	-	(30,363)	(29,987)	-	(29,987)
Net book value	<u>25,269</u>	<u>-</u>	<u>25,269</u>	<u>25,238</u>	<u>-</u>	<u>25,238</u>
As at 31 December 2015						
Cost	52,416	546	52,962	52,009	546	52,555
<u>Less</u> Accumulated amortisation	(25,490)	-	(25,490)	(25,125)	-	(25,125)
Net book value	<u>26,926</u>	<u>546</u>	<u>27,472</u>	<u>26,884</u>	<u>546</u>	<u>27,430</u>

A reconciliation of the net book value of intangible assets for the years 2016 and 2015 is presented below.

(Unit: Thousand Baht)

	Consolidate		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Net book value at beginning of year	27,472	31,850	27,430	31,792
Acquisition of computer software	95	175	95	175
Transfer from property, plant and equipment	3,121	360	3,121	360
Write - off	(546)	-	(546)	-
Amortisation	(4,873)	(4,913)	(4,862)	(4,897)
Net book value at end of year	<u>25,269</u>	<u>27,472</u>	<u>25,238</u>	<u>27,430</u>

### 13. Short-term loans from financial institutions

(Unit: Thousand Baht)

	Interest rate (Percent per annum)	Consolidated / Separate financial statements	
		31 December 2016	31 December 2015
Short-term loans from financial institutions	2.40 - 2.53	777,162	575,262
Trust receipt	2.07 - 2.25	89,312	5,003
		<u>866,474</u>	<u>580,265</u>

The credit facilities agreements of the Company contain covenants that, among other things, required the Company to be restricted on the disposal of its assets or the creation of lien thereon without prior consent from banks, the maintenance of certain debt to equity and debt service coverage ratios according to the agreements.

As at 31 December 2016, the credit facilities of the Company and its subsidiaries which have not yet been drawn down amounted to Baht 4,262 million (2015: Baht 5,300 million).

### 14. Trade and other payables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Trade payables - unrelated parties	54,683	94,244	51,726	89,926
Other payables - related parties (Note 6)	-	-	11,676	15,143
Other payables - unrelated parties	43,357	34,316	41,786	32,662
Accrued expenses	81,555	22,479	67,799	15,975
Total trade and other payables	<u>179,595</u>	<u>151,039</u>	<u>172,987</u>	<u>153,706</u>

## 15. Long-term loans from financial institution

(Unit: Thousand Baht)

Loan	Interest rate (%)	Repayment schedule	Consolidated financial statements/ Separate financial statements	
			2016	2015
1	MLR - 2.4	Monthly installment as from January 2016	-	407,000
Less: Portion due within one year			-	(67,833)
Long-term loans - net of current portion			-	339,167

During the year, the Company made full repayment this loan prior to maturity date totaling of Baht 407 million without any charges.

## 16. Provision for long-term employee benefits

Provision for long-term employee benefits, which represents compensation payable to employee after they retire from the Company and its subsidiaries, was as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
<b>Provision for long-term employee benefits at beginning of year</b>	29,686	23,403	23,743	18,667
Included in profit or loss:				
Current service cost	2,117	2,032	1,736	1,693
Interest cost	840	986	656	782
Included in other comprehensive income:				
Actuarial loss arising from				
Demographic assumptions changes	-	213	-	128
Financial assumptions changes	-	2,751	-	2,111
Experience adjustments	-	1,101	-	1,162
Benefits paid during the year	(2,656)	(800)	(2,656)	(800)
<b>Provision for long-term employee benefits at end of year</b>	<b>29,987</b>	<b>29,686</b>	<b>23,479</b>	<b>23,743</b>

Long-term employee benefit expenses included in the profit or loss consist of the following:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
Cost of sales	549	558	549	558
Selling and administrative expenses	2,408	2,460	1,843	1,917
Total expenses recognised in profit or loss	2,957	3,018	2,392	2,475

The Company and its subsidiaries expect to make no payment of long-term employee benefits during the next year (2015: Baht 2.7 million, separate financial statements: Baht 2.7 million).

As at 31 December 2016, the weighted average duration of the liabilities for long-term employee benefit is 16 years (Separate financial statements: 16 years) (31 December 2015: 16 years, separate financial statements: 16 years).

Significant actuarial assumptions are summarised below:

	Consolidated financial statements/ Separate financial statements	
	2016	2015
	(% per annum)	(% per annum)
Discount rate	3.1	3.1
Future salary increase rate	3 - 9	3 - 9
Staff turnover rate (depending on age)	0 - 40	0 - 40

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2016 and 2015 are summarised below:

(Unit: million Baht)

	As at 31 December 2016			
	Consolidated financial statements		Separate financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(2.4)	2.8	(1.8)	2.1
Salary increase rate	3.1	(2.7)	2.4	(2.1)

(Unit: million Baht)

	Consolidated financial statements		Separate financial statements	
	Increase 20%	Decrease 20%	Increase 20%	Decrease 20%
	Staff turnover rate	(1.8)	2.2	(1.4)

(Unit: million Baht)

As at 31 December 2015

	Consolidated financial statements		Separate financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(2.3)	2.7	(1.8)	2.1
Salary increase rate	2.7	(2.3)	2.1	(1.8)

(Unit: million Baht)

	Consolidated financial statements		Separate financial statements	
	Increase 20%	Decrease 20%	Increase 20%	Decrease 20%
Staff turnover rate	(1.5)	1.9	(1.2)	1.5

## 17. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution. At present, the statutory reserve has fully been set aside.

## 18. Expenses by nature

Significant expenses classified by nature are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Salaries and wages and other employee benefits	373,524	285,280	295,732	234,325
Depreciation and amortisation expenses	128,092	118,865	118,873	110,520
Transportation expenses	33,497	33,223	113,309	107,971
Commission expenses	3,300	3,857	68,915	67,489
Raw materials and consumables used	5,857,444	5,637,321	5,857,444	5,637,321
Changes in inventories of finished goods	(150,604)	281,557	(130,080)	274,561

## 19. Income tax

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Current income tax:</b>				
Current income tax charge	89,476	16,353	73,123	-
Adjustment in respect of income tax of previous year	-	5	-	5
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	<u>13,832</u>	<u>13,532</u>	<u>11,809</u>	<u>13,744</u>
<b>Income tax expenses reported in the statement of comprehensive income</b>	<u><u>103,308</u></u>	<u><u>29,890</u></u>	<u><u>84,932</u></u>	<u><u>13,749</u></u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2016 and 2015 are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Deferred tax relating to actuarial losses	<u>-</u>	<u>813</u>	<u>-</u>	<u>680</u>

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Accounting profit (loss) before tax	<u>649,686</u>	<u>(13,100)</u>	<u>597,713</u>	<u>(62,736)</u>
Applicable tax rate	20%	20%	20%	20%
Accounting profit (loss) before tax multiplied by income tax rate	129,937	(2,620)	119,543	(12,547)
Utilisation of previous unrecognised tax losses as deferred tax assets	(32,166)	-	(32,166)	-
Tax loss for the year which unrecognised to deferred tax asset	-	32,166	-	32,166
Effects of:				
Non-deductible expenses	7,053	283	4,663	191
Additional expense deductions allowed	(1,230)	(13)	(39)	(13)
Dividend income from subsidiaries	-	-	(6,817)	(6,053)
Others	(286)	74	(252)	5
Total	<u>5,537</u>	<u>344</u>	<u>(2,445)</u>	<u>(5,870)</u>
Income tax expenses reported in the statement of comprehensive income	<u>103,308</u>	<u>29,890</u>	<u>84,932</u>	<u>13,749</u>

The components of deferred tax assets and deferred tax liabilities are as follows:

(Unit: Thousand Baht)

	Statements of financial position			
	Consolidated financial statements		Separate financial statements	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2016	2015	2016	2015
<b>Deferred tax assets</b>				
Allowance for doubtful accounts	3,267	5,449	2,048	2,093
Allowance for diminution in value of inventories	966	5,273	966	5,273
Allowance for advance for raw material	1,782	3,600	1,782	3,600
Provision for long-term employee benefits	5,998	5,937	4,695	4,749
Total	12,013	20,259	9,491	15,715
<b>Deferred tax liabilities</b>				
Difference depreciation between tax and accounting base	30,500	24,914	30,500	24,914
Total	30,500	24,914	30,500	24,914
<b>Presentation in the statements of financial position</b>				
Deferred tax assets	2,522	4,544	-	-
Deferred tax liabilities	(21,009)	(9,199)	(21,009)	(9,199)
Total	(18,487)	(4,655)	(21,009)	(9,199)

## 20. Earnings per share

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

## 21. Segment information

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

The one main reportable operating segment of the Company and its subsidiaries is the manufacture and distribution of steel pipes for construction work for both domestic and export markets and the single geographical area of their operations is Thailand. Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment and geographical area.

For the year ended 31 December 2016, export sales of the Company and its subsidiaries represented approximately 1.3 percent (31 December 2015: 1.6 percent) of total sales. The export sales of the Company only for year then ended represented approximately 0.7 percent (31 December 2015: 1.4 percent) of the Company's sales.

For the year 2016 and 2015, the Company and its subsidiaries have no major customer with revenue of 10 percent or more of an entity's revenues.

## 22. Provident fund

The Company, its subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Employees, the Company and its subsidiaries contribute to the fund monthly at the rate of 5 percent of basic salary. The fund will be paid to employees upon termination in accordance with the fund rules. The contribution for the year 2016 amounting to approximately Baht 4.2 million (2015: Baht 3.8 million) were recognised as expense.

## 23. Dividends

Dividends	Approved by	Total dividends (Million Baht)	Dividend per share (Baht/share)
Final dividends for 2014	Annual General Meeting of the shareholders on 23 April 2015	105.6	0.16
Total for 2015		105.6	0.16

## 24. Commitments and contingent liabilities

### 24.1 Capital commitments

As at 31 December 2016, the Company had capital commitments of approximately Baht 71.5 million (2015: Baht 1.8 million) relating to acquisition of machine and computer system development.

### 24.2 Letters of credit

The Company and its subsidiaries had commitments under letters of credit with overseas suppliers amounting to approximately USD 0.9 million (2015: USD 0.08 million and Euro 0.05 million).

### 24.3 Operating lease commitments

The Company and its subsidiaries had entered into several lease agreements in respect of the lease of land and motor vehicles with related parties and other companies. The terms of the agreements were generally between 3 and 13 years.

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

(Unit: Million Baht)

	Consolidated financial statements			
	Related parties		Unrelated parties	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Payable:				
In up to 1 year	9.2	6.6	1.5	1.5
In over 1 and up to 5 years	28.1	20.5	0.7	2.2
In over 5 year	32.0	37.6	-	-

(Unit: Million Baht)

	Separated financial statements			
	Related parties		Unrelated parties	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Payable:				
In up to 1 year	4.8	4.8	1.5	1.5
In over 1 and up to 5 years	21.3	20.5	0.7	2.2
In over 5 year	32.0	37.6	-	-

## 24.4 Guarantees

- (1) As at 31 December 2016, there were outstanding bank guarantees of approximately Baht 108 million (31 December 2015: Baht 83 million) issued by banks on behalf of the Company in respect of certain performance bonds as required in the normal course of its business. These included letters of guarantee to guarantee as follows:

	(Unit: Million Baht)	
	31 December 2016	31 December 2015
Guarantee payments due to Customs Department	92	66
Guarantee electricity use	15	15
Guarantee as a Gold Card importer and exporter to the Customs Department	-	1
Guarantee as an AEO authorised importer and/or exporter to the Customs Department	1	1

- (2) The Company guarantees credit card facility of its subsidiary company amounting to Baht 1 million (31 December 2015: Baht 1 million).
- (3) The Company guarantees bank credit facility of its subsidiary company amounting to Baht 6 million (31 December 2015: Nil)

## 25. Financial instruments

### 25.1 Financial risk management

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade and other receivables, investments, accounts payable and short-term and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

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

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade and other receivables. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Company and its subsidiaries do not have high concentrations of credit risk since they have a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of trade and other receivables as stated in the statement of financial position.

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

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

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

(Million Baht)

As at 31 December 2016					
Consolidated financial statements	Fixed	Floating	Non- interest	Total	Effective
	interest rates	interest rate	bearing		interest rate
	within 1 year				(% per annum)
<u>Financial Assets</u>					
Cash and cash equivalent	-	446	-	446	0.5
Trade and other receivables	-	-	606	606	-
	-	446	606	1,052	
<u>Financial liabilities</u>					
Short-term loans from financial institutions	866	-	-	866	2.07 - 2.53
Trade and other payables	-	-	180	180	-
	866	-	180	1,046	

(Million Baht)

As at 31 December 2015					
Consolidated financial statements	Fixed	Floating	Non- interest	Total	Effective
	interest rates	interest rate	bearing		interest rate
	within 1 year				(% per annum)
<u>Financial Assets</u>					
Cash and cash equivalent	-	441	-	441	0.375
Trade and other receivables	-	-	556	556	-
	-	441	556	997	
<u>Financial liabilities</u>					
Short-term loans from financial institutions	580	-	-	580	2.01 - 2.59
Trade and other payables	-	-	151	151	-
Long-term loan from related party	-	100	-	100	MLR - 1.5
Long-term loans from financial institution	-	407	-	407	MLR - 2.4
	580	507	151	1,238	

(Million Baht)

As at 31 December 2016					
Separate financial statements	Fixed	Floating	Non- interest	Total	Effective
	interest rates				
	within 1 year				(% per annum)
<u>Financial Assets</u>					
Cash and cash equivalent	-	295	-	295	0.5
Trade and other receivables	-	-	521	521	-
	-	295	521	816	
<u>Financial liabilities</u>					
Short-term loans from financial					
institutions	866	-	-	866	2.07 - 2.53
Trade and other payables	-	-	173	173	
	866	-	173	1,039	

(Million Baht)

As at 31 December 2015					
Separate financial statements	Fixed	Floating	Non- interest	Total	Effective
	interest rates				
	within 1 year				(% per annum)
<u>Financial Assets</u>					
Cash and cash equivalent	-	265	-	265	0.375
Trade and other receivables	-	-	502	502	-
	-	265	502	767	
<u>Financial liabilities</u>					
Short-term loans from financial					
institutions	580	-	-	580	2.01 - 2.59
Trade and other payables	-	-	154	154	-
Long-term loan from related party	-	100	-	100	MLR - 1.5
Long-term loans from financial					
institution	-	407	-	407	MLR - 2.4
	580	507	154	1,241	

### Foreign currency risk

The Company and its subsidiary's exposure to foreign currency risk arise mainly from trading transactions and borrowings that are denominated in foreign currencies.

The Company and its subsidiary have financial assets and financial liabilities denominated in foreign currencies which mature within one year as follows:

Foreign currency	Financial assets		Financial liabilities		Average exchange rate	
	as at 31 December		as at 31 December		as at 31 December	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	0.30	0.03	2.50	0.20	35.7424	36.0022

Foreign exchange contracts outstanding as at 31 December 2016 were summarised below.

(Unit: Million Baht)

As at 31 December 2016			
Foreign currency	Bought amount	Contractual exchange	
		rate bought	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
US dollar	2.00	34.77 and 35.60	6 March 2017 and 22 May 2017

## 25.2 Fair values of financial instruments

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

## 26. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2016, the Group's debt-to-equity ratio was 0.45:1 (2015: 0.65:1) and the Company's was 0.50:1 (2015: 0.74:1).

## 27. Events after the reporting period

On 22 February 2017, the Company's Board of Directors meeting approved for payment of a dividend to the shareholders of Baht 0.99 per share, or a total of approximately Baht 653.4 million.

However, this resolution will be further proposed for the shareholders' approval in the Annual General Meeting of the shareholders for the fiscal year 2017.

## 28. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 22 February 2017.