

Pacific Pipe Public Company Limited and its subsidiaries  
Report and consolidated financial statements  
31 December 2018

## **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 2018, 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 2018, 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 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.

### *Revenue recognition from sales transactions*

Revenue from sales transactions is one of the significant account of the Group since sales directly affect to the profit and loss for the year. In addition, the Group has numerous customers in various businesses and categories. I have therefore focused on auditing the revenue from sales recognition and in particular on the timing of revenue recognition.

I assessed and tested the internal controls of the Group 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 key controls. On a sampling basis, I examined supporting documents for sales transactions occurring during the year and sales transactions occurred near to the end of the accounting period. I also reviewed credit notes that the Group issued after period end and performed analytical procedures on sales account.

### *Provision for diminution in value of inventory*

Estimating the net realisable value of inventory, as disclosed in Note 9 to the financial statements, is an area requiring management judgement. In addition, major products of the Group are hot-rolled coil and steel pipes which cost of raw material are fluctuated depends on market prices. There is therefore a risk with respect to the amount of provision set aside for diminution in the value of inventory.

I assessed the method and gained an understanding of the basis applied in determining the provision for diminution in value of inventory, reviewing the consistency of the application of that basis, performing a comparison of gross profit rate and comparing proceeds from sales transactions occurring after the period end and trends in steel prices 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.

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

Wattoo Kayankannavee

Certified Public Accountant (Thailand) No. 5423

EY Office Limited

Bangkok: 22 February 2019

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

**Statement of financial position**

**As at 31 December 2018**

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		31 December 2018	31 December 2017	31 December 2018	31 December 2017
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	379,003,686	475,114,537	255,593,868	277,418,728
Trade and other receivables	8	1,025,854,950	918,555,805	674,221,484	752,134,603
Inventories	9	1,501,568,491	1,456,413,550	1,434,772,591	1,404,169,864
Advance for raw material		100,601,642	13,331,544	94,202,619	620,744
Other current financial assets		17,401,607	9,694,077	893,406	9,616,973
Other current assets		5,906,734	18,381,679	5,220,880	17,148,859
<b>Total current assets</b>		<b>3,030,337,110</b>	<b>2,891,491,192</b>	<b>2,464,904,848</b>	<b>2,461,109,771</b>
<b>Non-current assets</b>					
Investments in subsidiaries	10	-	-	110,996,100	110,996,100
Property, plant and equipment	11	1,852,585,920	1,925,620,282	1,805,243,707	1,870,378,697
Intangible assets	12	28,112,596	24,679,323	28,099,737	24,658,448
Deferred tax assets	18	3,076,810	1,905,525	-	-
Other non-current assets		645,384	848,650	63,550	370,573
<b>Total non-current assets</b>		<b>1,884,420,710</b>	<b>1,953,053,780</b>	<b>1,944,403,094</b>	<b>2,006,403,818</b>
<b>Total assets</b>		<b>4,914,757,820</b>	<b>4,844,544,972</b>	<b>4,409,307,942</b>	<b>4,467,513,589</b>

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 2018

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		31 December 2018	31 December 2017	31 December 2018	31 December 2017
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Short-term loans from financial institutions	13	2,192,583,545	1,896,390,304	2,029,177,542	1,841,259,449
Trade and other payables	14	115,458,789	145,836,591	80,003,527	114,370,898
Income tax payable		5,055,501	46,667,310	-	37,041,072
Other current liabilities		32,945,399	19,634,952	16,214,569	10,766,288
<b>Total current liabilities</b>		<b>2,346,043,234</b>	<b>2,108,529,157</b>	<b>2,125,395,638</b>	<b>2,003,437,707</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities	18	114,657,560	119,554,872	114,657,560	119,554,872
Provision for long-term employee benefits	15	31,050,269	33,168,569	28,494,376	26,052,905
Deferred rental		2,530,992	2,075,550	2,530,992	2,075,550
<b>Total non-current liabilities</b>		<b>148,238,821</b>	<b>154,798,991</b>	<b>145,682,928</b>	<b>147,683,327</b>
<b>Total liabilities</b>		<b>2,494,282,055</b>	<b>2,263,328,148</b>	<b>2,271,078,566</b>	<b>2,151,121,034</b>
<b>Shareholders' equity</b>					
Share capital					
Registered					
660,000,000 ordinary shares of Baht 1 each		660,000,000	660,000,000	660,000,000	660,000,000
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
Premium on ordinary shares		514,845,000	514,845,000	514,845,000	514,845,000
Premium on treasury shares		1,010,911	1,010,911	1,010,911	1,010,911
Retained earnings					
Appropriated - statutory reserve	16	67,000,000	67,000,000	67,000,000	67,000,000
Unappropriated		792,337,965	953,079,024	510,091,576	688,254,755
Other components of shareholders' equity		385,281,889	385,281,889	385,281,889	385,281,889
<b>Total shareholders' equity</b>		<b>2,420,475,765</b>	<b>2,581,216,824</b>	<b>2,138,229,376</b>	<b>2,316,392,555</b>
<b>Total liabilities and shareholders' equity</b>		<b>4,914,757,820</b>	<b>4,844,544,972</b>	<b>4,409,307,942</b>	<b>4,467,513,589</b>

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

Directors

Pacific Pipe Public Company Limited and its subsidiaries

Statement of comprehensive income

For the year ended 31 December 2018

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
<b>Profit or loss:</b>					
<b>Revenues</b>					
Sales and service income	6	9,694,615,605	8,034,296,934	8,904,280,896	7,695,491,668
Exchange gains		7,465,488	7,720,415	7,470,445	7,708,772
Dividend income	10	-	-	37,014,774	116,415,356
Other income		240,608,176	173,698,061	230,938,461	167,640,409
<b>Total revenues</b>		<b>9,942,689,269</b>	<b>8,215,715,410</b>	<b>9,179,704,576</b>	<b>7,987,256,205</b>
<b>Expenses</b>					
Cost of sales and services		9,279,390,706	7,365,094,654	8,576,224,805	7,108,384,881
Selling and distribution expenses		180,621,123	157,045,682	188,287,875	202,987,435
Administrative expenses		309,081,443	289,074,254	269,773,061	259,510,233
<b>Total expenses</b>		<b>9,769,093,272</b>	<b>7,811,214,590</b>	<b>9,034,285,741</b>	<b>7,570,882,549</b>
<b>Profit before finance cost</b>					
<b>and income tax expenses</b>		173,595,997	404,500,820	145,418,835	416,373,656
Finance cost		(55,047,872)	(40,936,159)	(51,398,586)	(39,675,763)
<b>Profit before income tax expenses</b>		118,548,125	363,564,661	94,020,249	376,697,893
Income tax expenses	18	(24,552,837)	(71,147,580)	(13,404,622)	(51,015,814)
<b>Profit for the year</b>		<b>93,995,288</b>	<b>292,417,081</b>	<b>80,615,627</b>	<b>325,682,079</b>
<b>Other comprehensive income:</b>					
Other comprehensive income not to be reclassified					
to profit or loss in subsequent periods					
Surplus on revaluation of assets	19	-	481,602,361	-	481,602,361
Actuarial gains (losses)	15	3,327,812	-	(1,731,795)	-
Less: Income tax effect	18	(665,563)	(96,320,472)	346,359	(96,320,472)
<b>Other comprehensive income for the year</b>		<b>2,662,249</b>	<b>385,281,889</b>	<b>(1,385,436)</b>	<b>385,281,889</b>
<b>Total comprehensive income for the year</b>		<b>96,657,537</b>	<b>677,698,970</b>	<b>79,230,191</b>	<b>710,963,968</b>
<b>Basic earnings per share</b>					
Profit for the year	20	0.14	0.44	0.12	0.49

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 2018**

(Unit: Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>				
Profit before tax	118,548,125	363,564,661	94,020,249	376,697,893
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	131,423,984	122,919,303	121,827,806	113,003,656
Bad debts	495,445	8,433,793	455,387	4,811,110
Allowance for doubtful accounts (reversal)	14,904,468	(8,138,568)	5,128,964	(4,450,982)
Reduction of inventory cost to net realisable value	18,083,214	4,353,649	17,442,522	4,353,649
Reversal of allowance for impairment of advance for raw material	-	(7,133,220)	-	(7,133,220)
Loss on write-off/disposals of plant and equipment	272,968	179,469	296,253	179,461
Provision for long-term employee benefits	3,413,812	3,181,870	2,770,676	2,574,375
Deferred rental	455,443	2,075,550	455,443	2,075,550
Unrealised gain on exchange	(16,142)	(1,793,559)	(16,142)	(1,789,505)
Dividend income	-	-	(37,014,774)	(116,415,356)
Interest income	(1,478,513)	(1,847,010)	(1,067,038)	(1,326,160)
Interest expenses	53,015,961	38,119,587	49,649,632	37,597,591
Profit from operating activities before changes in operating assets and liabilities	339,118,765	523,915,525	253,948,978	410,178,062
Operating assets (increase) decrease				
Trade and other receivables	(122,699,058)	(312,984,889)	72,328,768	(231,956,327)
Inventories	(63,238,155)	(311,726,526)	(48,045,249)	(288,228,587)
Advance for raw material	(87,270,098)	86,544,536	(93,581,875)	99,255,336
Other current assets	5,903,485	(17,947,184)	21,891,372	(18,037,898)
Operating liabilities increase (decrease)				
Trade and other payables	(35,549,586)	(50,542,045)	(39,309,616)	(75,273,141)
Other current liabilities	13,310,447	(2,737,420)	5,448,281	(8,829,906)
Provision for long-term employee benefits	(2,204,300)	-	(2,061,000)	-
Cash flows from (used in) operating activities	47,371,500	(85,478,003)	170,619,659	(112,892,461)
Cash paid for interest expenses	(53,221,815)	(36,096,152)	(50,076,525)	(35,574,156)
Cash paid for income tax	(73,829,135)	(53,084,549)	(55,926,976)	(36,743,987)
<b>Net cash flows from (used in) operating activities</b>	<b>(79,679,450)</b>	<b>(174,658,704)</b>	<b>64,616,158</b>	<b>(185,210,604)</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 2018**

(Unit: Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment	(54,689,826)	(171,776,824)	(53,009,458)	(169,533,815)
Acquisition of intangible assets	(2,076,956)	(4,569,073)	(2,076,955)	(4,569,073)
Increase in investment in a subsidiary	-	-	-	(99,000,000)
Dividend income	-	-	37,014,774	116,415,356
Interest income	1,476,038	1,845,753	1,064,564	1,324,903
Proceeds from sales of equipment	48,556	-	25,192	-
<b>Net cash flows used in investing activities</b>	<u>(55,242,188)</u>	<u>(174,500,144)</u>	<u>(16,981,883)</u>	<u>(155,362,629)</u>
<b>Cash flows from financing activities</b>				
Increase in short-term loans from financial institutions	296,209,383	1,031,806,346	187,934,235	976,675,491
Dividend paid	(257,398,596)	(653,464,644)	(257,393,370)	(653,400,000)
<b>Net cash flows from (used in) financing activities</b>	<u>38,810,787</u>	<u>378,341,702</u>	<u>(69,459,135)</u>	<u>323,275,491</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(96,110,851)	29,182,854	(21,824,860)	(17,297,742)
Cash and cash equivalents at beginning of year	475,114,537	445,931,683	277,418,728	294,716,470
<b>Cash and cash equivalents at end of year</b>	<u>379,003,686</u>	<u>475,114,537</u>	<u>255,593,868</u>	<u>277,418,728</u>
	-	-	-	-
<b>Supplemental cash flows information:</b>				
Non-cash transaction				
Acquisition of building and equipment for				
which no cash has been paid	5,377,638	14,734,217	5,369,138	14,607,007

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 2018

	<b>Consolidated financial statements</b>					<u>Other components of equity</u>
	Issued and fully paid-up share capital	Premium on ordinary shares	Premium on treasury shares	<u>Retained earnings</u>		<u>Other</u>
				Appropriated -		<u>comprehensive income</u>
				<u>statutory reserve</u>	<u>Unappropriated</u>	<u>Surplus on revaluation of assets</u>
<b>Balance as at 1 January 2017</b>	660,000,000	514,845,000	1,010,911	67,000,000	1,314,126,587	-
Profit for the year	-	-	-	-	292,417,081	-
Other comprehensive income for the year	-	-	-	-	-	385,281,889
<b>Total comprehensive income for the year</b>	-	-	-	-	292,417,081	385,281,889
Dividend paid (Note 23)	-	-	-	-	(653,464,644)	-
<b>Balance as at 31 December 2017</b>	<u>660,000,000</u>	<u>514,845,000</u>	<u>1,010,911</u>	<u>67,000,000</u>	<u>953,079,024</u>	<u>385,281,889</u>
<b>Balance as at 1 January 2018</b>	660,000,000	514,845,000	1,010,911	67,000,000	953,079,024	385,281,889
Profit for the year	-	-	-	-	93,995,288	-
Other comprehensive income for the year	-	-	-	-	2,662,249	-
<b>Total comprehensive income for the year</b>	-	-	-	-	96,657,537	-
Dividend paid (Note 23)	-	-	-	-	(257,398,596)	-
<b>Balance as at 31 December 2018</b>	<u>660,000,000</u>	<u>514,845,000</u>	<u>1,010,911</u>	<u>67,000,000</u>	<u>792,337,965</u>	<u>385,281,889</u>

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

(Unit: Baht)

---

Total

shareholders' equity

2,556,982,498

292,417,081

385,281,889

677,698,970

(653,464,644)

2,581,216,824

-

2,581,216,824

93,995,288

2,662,249

96,657,537

(257,398,596)

2,420,475,765

-

Pacific Pipe Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity (continued)

For the year ended 31 December 2018

	<b>Separate financial statements</b>					<u>Other components of equity</u>
	Issued and fully paid-up share capital	Premium on ordinary shares	Premium on treasury shares	<u>Retained earnings</u>		Other comprehensive income
				Appropriated -		Surplus on
				<u>statutory reserve</u>	<u>Unappropriated</u>	<u>revaluation of assets</u>
<b>Balance as at 1 January 2017</b>	660,000,000	514,845,000	1,010,911	67,000,000	1,015,972,676	-
Profit for the year	-	-	-	-	325,682,079	-
Other comprehensive income for the year	-	-	-	-	-	385,281,889
<b>Total comprehensive income for the year</b>	-	-	-	-	325,682,079	385,281,889
Dividend paid (Note 23)	-	-	-	-	(653,400,000)	-
<b>Balance as at 31 December 2017</b>	<u>660,000,000</u>	<u>514,845,000</u>	<u>1,010,911</u>	<u>67,000,000</u>	<u>688,254,755</u>	<u>385,281,889</u>
<b>Balance as at 1 January 2018</b>	660,000,000	514,845,000	1,010,911	67,000,000	688,254,755	385,281,889
Profit for the year	-	-	-	-	80,615,627	-
Other comprehensive income for the year	-	-	-	-	(1,385,436)	-
<b>Total comprehensive income for the year</b>	-	-	-	-	79,230,191	-
Dividend paid (Note 23)	-	-	-	-	(257,393,370)	-
<b>Balance as at 31 December 2018</b>	<u>660,000,000</u>	<u>514,845,000</u>	<u>1,010,911</u>	<u>67,000,000</u>	<u>510,091,576</u>	<u>385,281,889</u>

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

(Unit: Baht)

---

Total

shareholders' equity

2,258,828,587

325,682,079

385,281,889

710,963,968

(653,400,000)

2,316,392,555

-

2,316,392,555

80,615,627

(1,385,436)

79,230,191

(257,393,370)

2,138,229,376

-

## Pacific Pipe Public Company Limited and its subsidiaries

### Notes to consolidated financial statements

For the year ended 31 December 2018

#### 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 11 October 2016, 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	
			<u>2018</u>	<u>2017</u>
			Percent	Percent
Tamose Trading Company Limited	Distribution of steel products	Thailand	99.99	99.99
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 its subsidiaries have adopted the revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosure in the notes to financial statements. The adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiaries' financial statements.

#### **(b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2019**

The Federation of Accounting Professions issued a number of revised and new financial reporting standards and interpretations (revised 2018), which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

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

## **TFRS 15 Revenue from Contracts with Customers**

TFRS 15 supersedes the following accounting standards together with related Interpretations.

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

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

The management of the Company and its subsidiaries is currently evaluating the impact of this standard to the financial statements in the year when it is adopted.

### **(c) Financial reporting standards related to financial instruments that will become effective for fiscal years beginning on or after 1 January 2020**

During the current year, the Federation of Accounting Professions issued a set of TFRSs related to financial instruments, which consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
--------	-------------------------------------

Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

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

The management of the Company and its subsidiaries is currently evaluating the impact of these standards to the financial statements in the year when they are 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

Finished goods and conversion raw materials are valued at lower of cost (under the weighted average method) and net realisable value. The cost of inventories is measured using the standard cost method, which approximates actual cost and includes all production costs 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 revalued amount. Buildings and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Land are initially recorded at cost on the acquisition date, and subsequently revalued by an independent professional appraiser to their fair values. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the end of reporting period.

Differences arising from the revaluation are dealt with in the financial statements as follows:

- When an asset's carrying amount is increased as a result of the revaluation, the increase is credited directly to other comprehensive income and the cumulative increase is recognised in equity under the heading of "Surplus on revaluation of assets". However, the revaluation increase is recognised as income to the extent that it reverses the revaluation decrease in respect of the same asset previously recognised as an expense.
- When an asset's carrying amount is decreased as a result of the revaluation, the decrease is recognised in profit or loss. However, the revaluation decrease is charged to other comprehensive income to the extent that it does not exceed the amount already held in "Surplus on revaluation of assets" in respect of the same asset.

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	5 - 20 years
Buildings and building improvement	3 - 20 years
Machinery and factory equipment	2 - 31 years
Office equipment	3 - 10 years
Motor vehicles	3 - 25 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 are carried at cost less accumulated amortisation and any accumulated impairment losses (if any).

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	3 - 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 or enterprises 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 Long-term leases**

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

#### **4.11 Foreign currencies**

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

#### **4.12 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.

#### **4.13 Employee benefits**

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

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

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

###### *Defined contribution plans*

The Company, 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 defined benefit plans are recognised immediately in other comprehensive income.

#### **4.14 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.

#### **4.15 Income tax**

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

##### **Current tax**

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

##### **Deferred tax**

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

The Company and its 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.

#### **4.16 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 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:

### **Allowance for doubtful accounts**

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history and aging profile of outstanding debts.

### **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.

### **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.

The Company measures land at revalued amounts. Such amounts are determined by the independent valuer using the market approach. The valuation involves certain assumptions and estimates as described in Note 11 to the financial statements.

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 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		
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	
<u>Transactions with subsidiary companies</u>					
(eliminated from the consolidated financial statements)					
Sales of goods	-	-	1,729	3,622	Reference to market price
Purchase of goods	-	-	64	-	Reference to market price
Rental income	-	-	1	1	Contract price
Service income	-	-	1	1	Contract price
Commission paid	-	-	17	69	Contract price
Transportation expenses	-	-	135	112	Reference to market price
Dividend income	-	-	37	116	As declared
<u>Transactions with related parties</u>					
Office rental and service expenses	4	4	2	-	Contract price
Land rental	5	5	5	5	Contract price

The balances of the accounts as at 31 December 2018 and 2017 between the Company and those related parties are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b><u>Trade receivables - related party (Note 8)</u></b>				
Tamose Trading Company Limited	-	-	185,345	289,335
<b>Total trade receivables - related party</b>	<b>-</b>	<b>-</b>	<b>185,345</b>	<b>289,335</b>
<b><u>Other receivables - related party (Note 8)</u></b>				
Tamose Trading Company Limited	-	-	1,430	4,506
<b>Total other receivables - related party</b>	<b>-</b>	<b>-</b>	<b>1,430</b>	<b>4,506</b>
<b><u>Trade payables - related party (Note 14)</u></b>				
Tamose Trading Company Limited	-	-	2,248	-
<b>Total trade payables - related party</b>	<b>-</b>	<b>-</b>	<b>2,248</b>	<b>-</b>
<b><u>Other payables - related parties (Note 14)</u></b>				
Tamose Trading Company Limited	-	-	2,609	9,317
Meesup Transport Company Limited	-	-	3,688	3,595
<b>Total other payables - related parties</b>	<b>-</b>	<b>-</b>	<b>6,297</b>	<b>12,912</b>

#### Directors and management's benefits

During the years ended 31 December 2018 and 2017, the Company had employee benefit expenses payable to its directors and management as below.

	(Unit: Thousand Baht)	
	Consolidated / Separate	
	financial statements	
	<u>2018</u>	<u>2017</u>
Short-term employee benefits	33,841	42,866
Post-employment benefits	1,090	1,037
<b>Total</b>	<b>34,931</b>	<b>43,903</b>

#### Guarantee obligations with related party

The Company has outstanding guarantee obligations with its related party, as described in Note 24.3 to the financial statements.

## 7. Cash and cash equivalents

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Cash	293	337	165	165
Bank deposits	378,711	474,778	255,429	277,254
<b>Total</b>	<b>379,004</b>	<b>475,115</b>	<b>255,594</b>	<b>277,419</b>

As at 31 December 2018, bank deposits in saving accounts carried interests at the rate of 0.38 - 1.30 percent per annum (2017: 0.38 percent per annum).

## 8. Trade and other receivables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<u>Trade receivables - related party</u>				
Aged on the basis of due dates				
Not yet due	-	-	155,706	212,039
Past due				
Up to 3 months	-	-	29,472	77,296
3 - 6 months	-	-	155	-
6 - 12 months	-	-	12	-
<b>Total trade receivables - related party (Note 6)</b>	<b>-</b>	<b>-</b>	<b>185,345</b>	<b>289,335</b>
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	723,986	682,145	362,917	333,596
Past due				
Up to 3 months	263,226	225,399	113,437	117,952
3 - 6 months	20,783	9,368	1,780	5,038
6 - 12 months	29,231	2,040	13,785	1,939
Over 12 months	11,732	7,803	6,443	5,556
<b>Total</b>	<b>1,048,958</b>	<b>926,755</b>	<b>498,362</b>	<b>464,081</b>
Less: Allowance for doubtful debts	(23,103)	(8,199)	(10,916)	(5,787)
<b>Total trade receivables - unrelated parties, net</b>	<b>1,025,855</b>	<b>918,556</b>	<b>487,446</b>	<b>458,294</b>
<b>Total trade receivables - net</b>	<b>1,025,855</b>	<b>918,556</b>	<b>672,791</b>	<b>747,629</b>
<u>Other receivables</u>				
Other receivables - related party (Note 6)	-	-	1,430	4,506
<b>Total other receivables</b>	<b>-</b>	<b>-</b>	<b>1,430</b>	<b>4,506</b>
<b>Total trade and other receivables - net</b>	<b>1,025,855</b>	<b>918,556</b>	<b>674,221</b>	<b>752,135</b>

## 9. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Finished goods	922,726	821,507	(25,422)	(6,730)	897,304	814,777
Conversion raw materials	157,443	114,415	-	-	157,443	114,415
Raw materials	419,698	505,054	(1,844)	(2,453)	417,854	502,601
Factory supplies and others	28,967	24,621	-	-	28,967	24,621
<b>Total</b>	<b>1,528,834</b>	<b>1,465,597</b>	<b>(27,266)</b>	<b>(9,183)</b>	<b>1,501,568</b>	<b>1,456,414</b>

(Unit: Thousand Baht)

	Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Finished goods	858,938	769,263	(24,887)	(6,730)	834,051	762,533
Conversion raw materials	157,443	114,415	-	-	157,443	114,415
Raw materials	416,050	505,054	(1,738)	(2,453)	414,312	502,601
Factory supplies and others	28,967	24,621	-	-	28,967	24,621
<b>Total</b>	<b>1,461,398</b>	<b>1,413,353</b>	<b>(26,625)</b>	<b>(9,183)</b>	<b>1,434,773</b>	<b>1,404,170</b>

During the current year, the Company and its subsidiary reduced cost of inventories by Baht 18.1 million (2017: Baht 4.4 million) (The Company only; 2018: Baht 17.4 million, 2017: Baht 4.4 million), to reflect the net realisable value. This was include in cost of sales.

## 10. Investments in subsidiaries

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

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost		Dividend received during the year	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Tamose Trading Company Limited	100,000	100,000	99.99 (%)	99.99 (%)	99,999	99,999	20,000	98,940
Meesup Transport Company Limited	9,200	9,200	99.97	99.97	10,997	10,997	17,015	17,475
<b>Total</b>					<b>110,996</b>	<b>110,996</b>	<b>37,015</b>	<b>116,415</b>

## 11. Property, plant and equipment

(Unit: Thousand Baht)

Consolidated financial statements								
	Revaluation basis		Cost basis				Assets under construction	Total
	Land	Land improvement	Buildings and building improvement	Machinery and factory equipment	Office equipment	Motor vehicles		
<b>Cost / Revalued amount:</b>								
1 January 2017	252,260	11,790	772,423	1,374,648	84,840	176,453	45,205	2,717,619
Additions	7,600	-	-	5,369	4,660	555	168,327	186,511
Revaluation	481,602	-	-	-	-	-	-	481,602
Transfers in (out)	-	2,892	2,589	117,350	1,400	2,552	(126,783)	-
Disposals/Write-off	-	-	-	(648)	(457)	(28)	-	(1,133)
31 December 2017	741,462	14,682	775,012	1,496,719	90,443	179,532	86,749	3,384,599
Additions	-	-	-	3,772	3,214	42	53,039	60,067
Transfers in (out)	-	-	8,797	90,933	123	-	(99,853)	-
Transfers to intangible assets	-	-	-	-	-	-	(7,527)	(7,527)
Disposals/Write-off	-	-	(312)	(856)	(1,975)	-	-	(3,143)
31 December 2018	741,462	14,682	783,497	1,590,568	91,805	179,574	32,408	3,433,996
<b>Accumulated depreciation:</b>								
1 January 2017	-	3,427	349,192	824,424	73,138	91,991	-	1,342,172
Depreciation for the year	-	781	37,114	62,041	6,631	11,194	-	117,761
Depreciation on disposals/ write-off	-	-	-	(503)	(447)	(4)	-	(954)
31 December 2017	-	4,208	386,306	885,962	79,322	103,181	-	1,458,979
Depreciation for the year	-	956	37,572	70,051	5,954	10,719	-	125,252
Depreciation on disposals/ write-off	-	-	(46)	(801)	(1,974)	-	-	(2,821)
31 December 2018	-	5,164	423,832	955,212	83,302	113,900	-	1,581,410
<b>Net book value:</b>								
31 December 2017	741,462	10,474	388,706	610,757	11,121	76,351	86,749	1,925,620
31 December 2018	741,462	9,518	359,665	635,356	8,503	65,674	32,408	1,852,586
<b>Depreciation for the year</b>								
2017 (Baht 89.33 million included in manufacturing cost, and the balance in selling and distribution and administrative expenses)								117,761
2018 (Baht 97.69 million included in manufacturing cost, and the balance in selling and distribution and administrative expenses)								125,253

(Unit: Thousand Baht)

## Separate financial statements

	Revaluation							Total	
	basis	Cost basis							
		Land	Land improvement	Buildings and building improvement	Machinery and factory equipment	Office equipment	Motor vehicles		Assets under construction
<b>Cost / Revalued amount:</b>									
1 January 2017	252,260	11,790	770,222	1,374,648	73,729	45,794	45,206	2,573,649	
Additions	7,600	-	-	5,369	3,746	21	167,404	184,140	
Revaluation	481,602	-	-	-	-	-	-	481,602	
Transfers in (out)	-	2,892	2,589	117,350	478	2,552	(125,861)	-	
Disposals/Write-off	-	-	-	(648)	(382)	(28)	-	(1,058)	
31 December 2017	741,462	14,682	772,811	1,496,719	77,571	48,339	86,749	3,238,333	
Additions	-	-	-	3,772	2,600	42	51,964	58,378	
Transfers in (out)	-	-	7,722	90,933	123	-	(98,778)	-	
Transfers to intangible assets	-	-	-	-	-	-	(7,527)	(7,527)	
Disposals/Write-off	-	-	(312)	(856)	(1,358)	-	-	(2,526)	
31 December 2018	741,462	14,682	780,221	1,590,568	78,936	48,381	32,408	3,286,658	
<b>Accumulated depreciation:</b>									
1 January 2017	-	3,427	348,745	824,424	62,840	21,543	-	1,260,979	
Depreciation for the year	-	781	37,004	62,041	6,132	1,896	-	107,854	
Depreciation on disposals/ write-off	-	-	-	(503)	(372)	(4)	-	(879)	
31 December 2017	-	4,208	385,749	885,962	68,600	23,435	-	1,367,954	
Depreciation for the year	-	956	37,438	70,051	5,196	2,024	-	115,665	
Depreciation on disposals/ write-off	-	-	(46)	(801)	(1,358)	-	-	(2,205)	
31 December 2018	-	5,164	423,141	955,212	72,438	25,459	-	1,481,414	
<b>Net book value:</b>									
31 December 2017	741,462	10,474	387,062	610,757	8,971	24,904	86,749	1,870,379	
31 December 2018	741,462	9,518	357,080	635,356	6,498	22,922	32,408	1,805,244	
<b>Depreciation for the year</b>									
2017 (Baht 89.33 million included in manufacturing cost, and the balance in selling and distribution and administrative expenses)								107,854	
2018 (Baht 97.69 million included in manufacturing cost, and the balance in selling and distribution and administrative expenses)								115,665	

As at 31 December 2018, 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 895 million (2017: Baht 500 million) (The Company only; 2018: Baht 845 million, 2017: Baht 460 million).

The Company arranged for an independent professional appraiser to appraise the value of land in 2017, using the market comparison approach. Land were measured at fair value using level 3 input.

Key assumptions used in the valuation are summarised below:

	Consolidated / Separate financial statements	Result to fair value where as an increase in assumption value
Price per square wah (Thousand Baht)	7 - 35	Increase in fair value

Details of land carried at its revalued amount is as follows:

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
Original cost	259,860	259,860
Surplus from revaluation	<u>481,602</u>	<u>481,602</u>
Revalued amount	<u>741,462</u>	<u>741,462</u>

## 12. Intangible assets

The net book value of intangible assets as at 31 December 2018 and 2017 is presented below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Computer software - at cost	69,805	60,201	69,398	59,794
Less: Accumulated amortisation	<u>(41,692)</u>	<u>(35,522)</u>	<u>(41,298)</u>	<u>(35,136)</u>
Net book value	<u>28,113</u>	<u>24,679</u>	<u>28,100</u>	<u>24,658</u>

A reconciliation of the net book value of intangible assets for the years 2018 and 2017 is presented below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net book value at beginning of year	24,679	25,269	24,658	25,238
Acquisition of computer software	2,077	4,569	2,077	4,569
Transfer from property, plant and equipment	7,527	-	7,527	-
Amortisation	(6,170)	(5,159)	(6,162)	(5,149)
Net book value at end of year	<u>28,113</u>	<u>24,679</u>	<u>28,100</u>	<u>24,658</u>

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

	(Unit: Thousand Baht)					
	Interest rate		Consolidated		Separate	
	(Percent per annum)		financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Short-term loans from						
financial institutions	2.24 - 2.49	2.17 - 2.50	2,188,644	1,722,504	2,025,238	1,667,373
Trust receipt	3.47 - 3.95	2.65 - 3.10	3,940	173,886	3,940	173,886
			<u>2,192,584</u>	<u>1,896,390</u>	<u>2,029,178</u>	<u>1,841,259</u>

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

As at 31 December 2018, the credit facilities of the Company and its subsidiaries which have not yet been drawn down amounted to Baht 3,982 million (2017: Baht 4,277 million).

#### 14. Trade and other payables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Trade payables - unrelated parties	41,687	38,066	6,393	11,034
Trade payables - related party (Note 6)	-	-	2,248	-
Other payables - related parties (Note 6)	-	-	6,297	12,912
Other payables - unrelated parties	41,971	49,138	40,059	45,830
Accrued expenses	31,801	58,633	25,007	44,595
<b>Total trade and other payables</b>	<b>115,459</b>	<b>145,837</b>	<b>80,004</b>	<b>114,371</b>

#### 15. 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	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Provision for long-term employee benefits at beginning of year</b>	33,169	29,987	26,053	23,479
Included in profit or loss:				
Current service cost	2,397	2,252	1,972	1,846
Interest cost	1,015	930	799	728
Included in other comprehensive income:				
Actuarial (gains) losses arising from				
Demographic assumptions changes	(4,727)	-	(4,406)	-
Financial assumption changes	2,611	-	2,558	-
Experience adjustments	(1,211)	-	3,579	-
Benefits paid during the year	(2,204)	-	(2,061)	-
<b>Provision for long-term employee benefits at end of year</b>	<b>31,050</b>	<b>33,169</b>	<b>28,494</b>	<b>26,053</b>

The Company and its subsidiaries expect to pay Baht 8.5 million of long-term employee benefits during the next year (The Company only: Baht 8.5 million) (2017: Baht 2.6 million, The Company only: Baht 2.6 million).

As at 31 December 2018, the weighted average duration of the liabilities for long-term employee benefit is 12 - 17 years (The Company only: 12 years) (2017: 16 years, The Company only: 16 years).

Significant actuarial assumptions are summarised below:

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	2.80 - 3.17	3.1	2.8	3.1
Future salary increase rate	4 - 5	3 - 9	5	3 - 9
Staff turnover rate (depending on age)	2.84 - 45.84	0 - 40	3.82 - 45.84	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 2018 and 2017 are summarised below:

(Unit: Million Baht)

	As at 31 December 2018			
	Consolidated financial statements		Separate financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(2.3)	2.7	(2.0)	2.3
Salary increase rate	2.5	(2.1)	2.2	(1.9)
	Increase 20%	Decrease 20%	Increase 20%	Decrease 20%
Staff turnover rate	(2.7)	3.4	(2.4)	3.0

(Unit: Million Baht)

	As at 31 December 2017			
	Consolidated financial statements		Separate financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(2.4)	2.8	(1.9)	2.2
Salary increase rate	3.5	(3.0)	2.7	(2.3)
	Increase 20%	Decrease 20%	Increase 20%	Decrease 20%
Staff turnover rate	(2.1)	2.6	(1.6)	2.1

On 13 December 2018, The National Legislative Assembly passed a resolution approving the draft of a new Labour Protection Act, which is in the process being published in the Royal Gazette. The new Labour Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive compensation at a rate of not less than that of the last 400 days. This change is considered a post-employment benefits plan amendment and the Company and its subsidiaries have additional liabilities for long-term employee benefits of Baht 9.2 million (The Company only: Baht 8.6 million). The Company and its subsidiaries will reflect the effect of the change by recognising past services costs as expenses in profit and loss of the period in which the law is effective.

#### 16. 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.

#### 17. 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Salaries and wages and other employee benefits	387,964	378,286	308,799	296,360
Depreciation and amortisation expenses	131,424	122,919	121,828	113,004
Transportation expenses	49,982	37,310	139,006	127,464
Commission expenses	3,396	2,224	19,799	68,920
Raw materials and consumables used	8,357,885	6,880,581	8,276,478	6,880,581
Changes in inventories of finished goods	(101,219)	(128,976)	(89,675)	(105,478)

## 18. Income tax

Income tax expenses for the years ended 31 December 2018 and 2017 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Current income tax:</b>				
Current income tax charge	28,650	69,330	15,363	49,793
Adjustment in respect of income tax of previous year	2,637	(1,024)	2,593	(1,003)
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(6,734)	2,842	(4,551)	2,226
<b>Income tax expenses reported in the statement of comprehensive income</b>	<u>24,553</u>	<u>71,148</u>	<u>13,405</u>	<u>51,016</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2018 and 2017 are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Deferred tax on gain from revaluation of land	-	(96,320)	-	(96,320)
Deferred tax on actuarial (gains) losses	(666)	-	346	-
	<u>(666)</u>	<u>(96,320)</u>	<u>346</u>	<u>(96,320)</u>

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Accounting profit before tax	118,548	363,565	94,020	376,698
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by income tax rate	23,710	72,713	18,804	75,340
Adjustment in respect of income tax of previous year	2,637	(1,024)	2,593	(1,003)
Effects of:				
Non-deductible expenses	579	3,969	534	3,150
Additional expense deductions allowed	(2,314)	(4,487)	(1,123)	(3,188)
Dividend income from subsidiaries	-	-	(7,403)	(23,283)
Others	(59)	(23)	-	-
Total	(1,794)	(541)	(7,992)	(23,321)
Income tax expenses reported in the statement of comprehensive income	24,553	71,148	13,405	51,016

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
	2018	2017	2018	2017
<b>Deferred tax assets</b>				
Land rental	507	415	507	415
Allowance for doubtful accounts	4,621	1,640	2,183	1,157
Allowance for diminution in value of inventories	5,453	1,837	5,325	1,837
Allowance for impairment of advance for raw material	355	355	355	355
Provision for long-term employee benefits	6,210	6,634	5,699	5,211
Total	17,146	10,881	14,069	8,975

(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
	2018	2017	2018	2017
<b>Deferred tax liabilities</b>				
Difference depreciation between tax and accounting base	32,407	32,210	32,407	32,210
Gain on revaluation of land	96,320	96,320	96,320	96,320
Total	128,727	128,530	128,727	128,530
<b>Presentation in the statements of financial position</b>				
Deferred tax assets	3,077	1,906	-	-
Deferred tax liabilities	(114,658)	(119,555)	(114,658)	(119,555)
Total	(111,581)	(117,649)	(114,658)	(119,555)

## 19. Surplus on revaluation of assets

This represent surplus arising from revaluation of land. The revaluation surplus can neither be offset against deficit nor used for dividend payment.

## 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 and the main 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 years 2018 and 2017, 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 2018 amounting to approximately Baht 5.4 million were recognised as expense (2017: Baht 5.6 million).

## 23. Dividends

Dividends	Approved by	Total dividends (Million Baht)	Dividend per share (Baht/share)
Final dividends for 2016	Annual General Meeting of the shareholders on 21 April 2017	653.4	0.99
Total for 2017		653.4	0.99
Final dividends for 2017	Annual General Meeting of the shareholders on 27 April 2018	257.4	0.39
Total for 2018		257.4	0.39

## 24. Commitments and contingent liabilities

### 24.1 Letters of credit

As at 31 December 2018, the Company had commitments under letters of credit with overseas suppliers amounting to approximately USD 0.7 million (2017: USD 0.1 million).

### 24.2 Operating lease commitments

The Company and its subsidiaries had entered into several lease agreements in respect of the lease of land, office 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Payable:				
In up to 1 year	9.5	9.4	1.7	3.4
In over 1 and up to 5 years	22.5	24.4	1.4	1.7
In over 5 year	20.4	26.2	-	-

(Unit: Million Baht)

	Separate financial statements			
	Related parties		Unrelated parties	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Payable:				
In up to 1 year	9.4	5.1	-	2.3
In over 1 and up to 5 years	22.5	21.9	-	-
In over 5 year	20.4	26.0	-	-

### 24.3 Guarantees

- (1) As at 31 December 2018, there were outstanding bank guarantees of approximately Baht 16 million (2017: Baht 16 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)

	<u>2018</u>	<u>2017</u>
Guarantee electricity use	15	15
Guarantee as an AEO authorised importer and/or exporter to the Customs Department	1	1

- (2) As at 31 December 2018, the Company guarantees credit card facility of its subsidiary company amounting to Baht 1 million (2017: Baht 1 million).
- (3) As at 31 December 2018, the Company guarantees bank credit facility of its subsidiary company amounting to Baht 6 million (2017: Baht 6 million).

## **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, trade and other payable and short-term loans from financial institutions. 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 and short-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.

(Unit: Million Baht)

As at 31 December 2018

Consolidated financial statements	Fixed	Floating	Non- interest	Total	Effective
	interest rates				
	within 1 year	interest rate	bearing	Total	interest rate
					(% per annum)
<u>Financial assets</u>					
Cash and cash equivalent	-	379	-	379	0.38 - 1.30
Trade and other receivables	-	-	1,026	1,026	-
Other current financial assets	-	-	17	17	-
	-	379	1,043	1,422	
<u>Financial liabilities</u>					
Short-term loans from financial					
institutions	2,193	-	-	2,193	2.24 - 3.95
Trade and other payables	-	-	115	115	-
	2,193	-	115	2,308	

(Unit: Million Baht)

As at 31 December 2017

Consolidated financial statements	Fixed	Floating	Non- interest	Total	Effective
	interest rates				
	within 1 year	interest rate	bearing	Total	interest rate
					(% per annum)
<u>Financial assets</u>					
Cash and cash equivalent	-	475	-	475	0.38
Trade and other receivables	-	-	919	919	-
Other current financial assets	-	-	10	10	-
	-	475	929	1,404	
<u>Financial liabilities</u>					
Short-term loans from financial					
institutions	1,896	-	-	1,896	2.17 - 3.10
Trade and other payables	-	-	146	146	-
	1,896	-	146	2,042	

(Unit: Million Baht)

As at 31 December 2018

Separate financial statements	Fixed			Total	Effective interest rate (% per annum)
	interest rates within 1 year	Floating interest rate	Non- interest bearing		
<u>Financial assets</u>					
Cash and cash equivalent	-	256	-	256	0.38 - 1.30
Trade and other receivables	-	-	674	674	-
Other current financial assets	-	-	1	1	-
	-	256	675	931	
<u>Financial liabilities</u>					
Short-term loans from financial institutions					
	2,029	-	-	2,029	2.24 - 3.95
Trade and other payables	-	-	80	80	-
	2,029	-	80	2,109	

(Unit: Million Baht)

As at 31 December 2017

Separate financial statements	Fixed			Total	Effective interest rate (% per annum)
	interest rates within 1 year	Floating interest rate	Non- interest bearing		
<u>Financial assets</u>					
Cash and cash equivalent	-	277	-	277	0.38
Trade and other receivables	-	-	752	752	-
Other current financial assets	-	-	10	10	-
	-	277	762	1,039	
<u>Financial liabilities</u>					
Short-term loans from financial institutions					
	1,841	-	-	1,841	2.17 - 3.10
Trade and other payables	-	-	114	114	-
	1,841	-	114	1,955	

## Foreign currency risk

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

The Company and its subsidiaries have financial assets and financial liabilities denominated in foreign currencies which mature within one year and are unhedged for the foreign currency risk as follows:

Foreign currency	Financial assets as at 31 December		Financial liabilities as at 31 December		Average exchange rate as at 31 December	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	-	0.26	0.12	3.69	32.3640	32.5987
Euro	-	-	-	1.38	36.9694	38.8704

## 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 2018, the Group's debt-to-equity ratio was 1.03:1 (2017: 0.88:1) and the Company's was 1.06:1 (2017: 0.93:1).

## 27. Events after the reporting period

On 22 February 2019, the Company's Board of Directors meeting approved for payment of a dividend to the shareholders of Baht 0.05 per share, or a total of Baht 33 million.

However, this resolution will be further proposed for the shareholders' approval in the Annual General Meeting of the shareholders for the fiscal year 2019.

## 28. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 22 February 2019.