

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 2019, 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 2019, 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.

Emphasis of Matter

I draw attention to Note 10 to the financial statements, on 1 December 2019, the Company acquired the entire business transfer of two subsidiaries at the book values of their assets and liabilities. My opinion is not qualified in respect of this matter.

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, reviewed the consistency of the application of that basis, performed a comparison of gross profit rate and compared 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.

Wtoo K.

Wattoo Kayankannavee

Certified Public Accountant (Thailand) No. 5423

EY Office Limited

Bangkok: 19 February 2020

Pacific Pipe Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2019

(Unit: Baht)

	<u>Note</u>	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Assets					
Current assets					
Cash and cash equivalents	7	282,048,479	379,003,686	263,870,669	255,593,868
Trade and other receivables	8	915,826,458	1,043,256,557	919,614,281	675,114,890
Unbilled receivables		9,332,831	-	9,332,831	-
Inventories	9	1,312,632,846	1,501,568,491	1,312,632,846	1,434,772,591
Advance payment for raw material		17,789,629	100,601,642	17,789,629	94,202,619
Other current assets		17,565,439	5,906,734	17,565,439	5,220,880
Total current assets		<u>2,555,195,682</u>	<u>3,030,337,110</u>	<u>2,540,805,695</u>	<u>2,464,904,848</u>
Non-current assets					
Investments in subsidiaries	10	-	-	1,799,460	110,996,100
Property, plant and equipment	11	1,808,842,209	1,852,585,920	1,808,842,209	1,805,243,707
Intangible assets	12	25,634,513	28,112,596	25,634,513	28,099,737
Deferred tax assets	18	-	3,076,810	-	-
Other non-current assets		693,910	645,384	693,910	63,550
Total non-current assets		<u>1,835,170,632</u>	<u>1,884,420,710</u>	<u>1,836,970,092</u>	<u>1,944,403,094</u>
Total assets		<u>4,390,366,314</u>	<u>4,914,757,820</u>	<u>4,377,775,787</u>	<u>4,409,307,942</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 2019

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
Liabilities and shareholders' equity					
Current liabilities					
Short-term loans from financial institutions	13	1,614,522,350	2,192,583,545	1,614,522,350	2,029,177,542
Trade and other payables	14	146,789,672	115,458,789	146,789,472	80,003,527
Income tax payable		2,774,783	5,055,501	2,723,658	-
Other current liabilities		25,322,332	32,945,399	25,321,159	16,214,569
Total current liabilities		1,789,409,137	2,346,043,234	1,789,356,639	2,125,395,638
Non-current liabilities					
Deferred tax liabilities	18	106,340,353	114,657,560	103,887,280	114,657,560
Provision for long-term employee benefits	15	32,813,478	31,050,269	32,813,478	28,494,376
Deferred rental expenses		2,858,935	2,530,992	2,858,935	2,530,992
Total non-current liabilities		142,012,766	148,238,821	139,559,693	145,682,928
Total liabilities		1,931,421,903	2,494,282,055	1,928,916,332	2,271,078,566
Shareholders' equity					
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
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	16	67,000,000	67,000,000	67,000,000	67,000,000
Unappropriated		830,806,611	792,337,965	820,721,655	510,091,576
Other components of shareholders' equity		385,281,889	385,281,889	385,281,889	385,281,889
Total shareholders' equity		2,458,944,411	2,420,475,765	2,448,859,455	2,138,229,376
Total liabilities and shareholders' equity		4,390,366,314	4,914,757,820	4,377,775,787	4,409,307,942

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 2019

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
Profit or loss:					
Revenues					
Sales and service income	6	9,148,416,783	9,694,615,605	8,918,685,937	8,904,280,896
Exchange gains		2,200,742	7,465,488	2,200,742	7,470,445
Dividend income	10	-	-	290,681,587	37,014,774
Other income		186,327,269	240,608,176	182,906,188	230,938,461
Total revenues		<u>9,336,944,794</u>	<u>9,942,689,269</u>	<u>9,394,474,454</u>	<u>9,179,704,576</u>
Expenses					
Cost of sales and services		8,724,260,125	9,279,390,706	8,525,408,359	8,576,224,805
Selling and distribution expenses		178,841,956	180,621,123	191,785,223	188,287,875
Administrative expenses		286,556,496	309,081,443	264,498,487	269,773,061
Total expenses		<u>9,189,658,577</u>	<u>9,769,093,272</u>	<u>8,981,692,069</u>	<u>9,034,285,741</u>
Profit before finance cost					
and income tax expenses		147,286,217	173,595,997	412,782,385	145,418,835
Finance cost		(56,037,348)	(55,047,872)	(54,650,097)	(51,398,586)
Profit before income tax expenses		91,248,869	118,548,125	358,132,288	94,020,249
Income tax expenses	18	(19,732,019)	(24,552,837)	(13,454,296)	(13,404,622)
Profit for the year		<u>71,516,850</u>	<u>93,995,288</u>	<u>344,677,992</u>	<u>80,615,627</u>
Other comprehensive income:					
Other comprehensive income not to be reclassified					
to profit or loss in subsequent periods					
Actuarial gains (losses)	15	-	3,327,812	(1,309,892)	(1,731,795)
Less: Income tax effect	18	-	(665,563)	261,979	346,359
Other comprehensive income for the year		<u>-</u>	<u>2,662,249</u>	<u>(1,047,913)</u>	<u>(1,385,436)</u>
Total comprehensive income for the year		<u>71,516,850</u>	<u>96,657,537</u>	<u>343,630,079</u>	<u>79,230,191</u>
Earnings per share					
Basic earnings per share					
Profit for the year	19	<u>0.11</u>	<u>0.14</u>	<u>0.52</u>	<u>0.12</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

For the year ended 31 December 2019

(Unit: Baht)

	Consolidated financial statements						
	Issued and fully paid-up share capital	Premium on ordinary shares	Surplus on treasury shares	Retained earnings		Other components of equity	
				Appropriated - statutory reserve	Unappropriated	Other	
						comprehensive income	
					Surplus on revaluation of assets		
Balance as at 1 January 2018	660,000,000	514,845,000	1,010,911	67,000,000	953,079,024	385,281,889	2,581,216,824
Profit for the year	-	-	-	-	93,995,288	-	93,995,288
Other comprehensive income for the year	-	-	-	-	2,662,249	-	2,662,249
Total comprehensive income for the year	-	-	-	-	96,657,537	-	96,657,537
Dividend paid (Note 22)	-	-	-	-	(257,398,596)	-	(257,398,596)
Balance as at 31 December 2018	<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>	<u>2,420,475,765</u>
							-
Balance as at 1 January 2019	660,000,000	514,845,000	1,010,911	67,000,000	792,337,965	385,281,889	2,420,475,765
Profit for the year	-	-	-	-	71,516,850	-	71,516,850
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	71,516,850	-	71,516,850
Dividend paid (Note 22)	-	-	-	-	(33,048,204)	-	(33,048,204)
Balance as at 31 December 2019	<u>660,000,000</u>	<u>514,845,000</u>	<u>1,010,911</u>	<u>67,000,000</u>	<u>830,806,611</u>	<u>385,281,889</u>	<u>2,458,944,411</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 2019

(Unit: Baht)

Separate financial statements

	Other components of equity						Total shareholders' equity
	Issued and fully paid-up share capital	Premium on ordinary shares	Surplus on treasury shares	Retained earnings		Other	
				Appropriated - statutory reserve	Unappropriated	Surplus on revaluation of assets	
Balance as at 1 January 2018	660,000,000	514,845,000	1,010,911	67,000,000	688,254,755	385,281,889	2,316,392,555
Profit for the year	-	-	-	-	80,615,627	-	80,615,627
Other comprehensive income for the year	-	-	-	-	(1,385,436)	-	(1,385,436)
Total comprehensive income for the year	-	-	-	-	79,230,191	-	79,230,191
Dividend paid (Note 22)	-	-	-	-	(257,393,370)	-	(257,393,370)
Balance as at 31 December 2018	<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>	<u>2,138,229,376</u>
							-
Balance as at 1 January 2019	660,000,000	514,845,000	1,010,911	67,000,000	510,091,576	385,281,889	2,138,229,376
Profit for the year	-	-	-	-	344,677,992	-	344,677,992
Other comprehensive income for the year	-	-	-	-	(1,047,913)	-	(1,047,913)
Total comprehensive income for the year	-	-	-	-	343,630,079	-	343,630,079
Dividend paid (Note 22)	-	-	-	-	(33,000,000)	-	(33,000,000)
Balance as at 31 December 2019	<u>660,000,000</u>	<u>514,845,000</u>	<u>1,010,911</u>	<u>67,000,000</u>	<u>820,721,655</u>	<u>385,281,889</u>	<u>2,448,859,455</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 2019

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Cash flows from operating activities				
Profit before tax	91,248,869	118,548,125	358,132,288	94,020,249
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	134,261,873	131,423,984	125,813,622	121,827,806
Bad debts	913,461	495,445	394,761	455,387
Allowance for doubtful accounts	15,870,875	14,904,468	3,516,240	5,128,964
Reduction of inventory cost to net realisable value	5,178,884	18,083,214	5,819,576	17,442,522
Reversal of allowance for impairment of advance payment for raw material	(1,780,671)	-	(1,780,671)	-
Loss on write-off/disposals of plant and equipment	662,332	272,968	170,128	296,253
Provision for long-term employee benefits	12,994,533	3,413,812	12,004,088	2,770,676
Deferred rental expenses	327,943	455,443	327,943	455,443
Unrealised loss (gain) on exchange	276,864	(16,142)	276,864	(16,142)
Dividend income	-	-	(290,681,587)	(37,014,774)
Interest income	(1,843,431)	(1,478,513)	(828,074)	(1,067,038)
Interest expenses	54,119,091	53,015,961	52,828,365	49,649,632
Profit from operating activities before changes in operating assets and liabilities	312,230,623	339,118,765	265,993,543	253,948,978
Operating assets (increase) decrease				
Trade and other receivables	110,645,763	(122,699,058)	(202,172,936)	72,328,768
Unbilled receivables	(9,332,831)	-	(9,332,831)	-
Inventories	183,756,761	(63,238,155)	116,320,169	(48,045,249)
Advance payment for raw material	84,592,684	(87,270,098)	78,193,661	(93,581,875)
Other current assets	(11,201,983)	5,903,485	(10,947,333)	21,891,372
Operating liabilities increase (decrease)				
Trade and other payables	22,803,873	(35,549,586)	31,063,024	(39,309,616)
Other current liabilities	(7,623,066)	13,310,447	1,572,763	5,448,281
Provision for long-term employee benefits	(11,231,324)	(2,204,300)	(11,231,324)	(2,061,000)
Cash flows from operating activities	674,640,500	47,371,500	259,458,736	170,619,659
Cash paid for interest expenses	(54,739,131)	(53,221,815)	(53,227,366)	(50,076,525)
Cash paid for corporate income tax	(27,754,477)	(73,829,135)	(18,989,996)	(55,926,976)
Net cash flows from (used in) operating activities	592,146,892	(79,679,450)	187,241,374	64,616,158

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 2019

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Cash flows from investing activities				
Acquisition of plant and equipment	(79,550,412)	(54,689,826)	(78,713,923)	(53,009,458)
Acquisition of intangible assets	(4,949)	(2,076,956)	(4,949)	(2,076,955)
Cash paid for the entire business transfer of subsidiaries	-	-	(134,391,978)	-
Capital return from subsidiaries	-	-	109,196,640	-
Dividend income	-	-	290,681,587	37,014,774
Interest income	1,839,525	1,476,038	824,168	1,064,564
Proceeds from sales of equipment	-	48,556	-	25,192
Net cash flows from (used in) investing activities	<u>(77,715,836)</u>	<u>(55,242,188)</u>	<u>187,591,545</u>	<u>(16,981,883)</u>
Cash flows from financing activities				
Cash received from short-term loans from financial institutions	8,263,309,753	9,445,123,330	8,149,149,087	8,908,358,983
Cash paid for short-term loans from financial institutions	(8,841,647,812)	(9,148,913,947)	(8,564,081,144)	(8,720,424,748)
Dividend paid	(33,048,204)	(257,398,596)	(33,000,000)	(257,393,370)
Net cash flows from (used in) financing activities	<u>(611,386,263)</u>	<u>38,810,787</u>	<u>(447,932,057)</u>	<u>(69,459,135)</u>
Net decrease in cash and cash equivalents	(96,955,207)	(96,110,851)	(73,099,138)	(21,824,860)
Cash and cash equivalents at beginning of year	379,003,686	475,114,537	255,593,868	277,418,728
Cash and cash equivalents of subsidiaries at the date of entire business transfer	-	-	81,375,939	-
Cash and cash equivalents at end of year	<u>282,048,479</u>	<u>379,003,686</u>	<u>263,870,669</u>	<u>255,593,868</u>
	-	-	-	-
Supplemental cash flows information:				
Non-cash transaction				
Acquisition of plant and equipment for which no cash has been paid	9,147,050	5,377,638	9,147,050	5,369,138

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 2019

1. General information

1.1 Corporate 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>2019</u>	<u>2018</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

On 1 December 2019, the Company acquired the entire business transfer from Tamose Trading Company Limited and Meesup Transport Company Limited at the net book value of their assets and liabilities as described in Note 10 to the financial statements.

- 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 Group has 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 Group has adopted the revised (revised 2018) and new financial reporting standards and interpretations 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 adoption of these financial reporting standards does not have any significant impact on the Group's financial statements. However, the new standard involves changes to key principles, which are 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 recognised 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.

This standard does not have any significant impact on the Group's financial statements.

(b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2020

The Federation of Accounting Professions issued a number of new and revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2020. 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 except the following new standards which involve changes to key principles, which are summarised below.

Financial reporting standards related to financial instruments

A set of TFRSs related to financial instruments 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
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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 Group expects the adoption of these accounting standards to result in the following adjustments.

- Recognition of credit losses - The Group is to recognise an allowance for expected credit losses on its financial assets, and it is no longer necessary for a credit-impaired event to have occurred. The Group applies the simplified approach to consider impairment of trade receivables.

The management of the Group is currently evaluating the impact of these standards on the financial statements in the year when they are adopted.

TFRS 16 Leases

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

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

The Group plans to adopt TFRS 16 using the modified retrospective method of adoption of which the cumulative effect is recognised as an adjustment to the retained earnings as at 1 January 2020, and the comparative information was not restated.

The management of the Group is currently evaluating the impact of this standard on the financial statements in the year when it is adopted.

4. Significant accounting policies

4.1 Revenue recognition

Sales of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally upon delivery of the goods. Revenue is measured at the amount of the consideration received or receivable, excluding value added tax, of goods supplied after deducting returns, discounts, allowances and price promotions to customers.

Revenue from contract of productions is recognised over time where the stage of completion is measured using the comparison of actual costs incurred up to the end of the period and total anticipated costs at completion.

The recognised revenue which is not yet due per the contracts has been presented under the caption of “Unbilled receivables” in the statement of financial position. The amounts recognised as contract assets are reclassified to trade receivables when the Group’s right to consideration is unconditional such as upon completion of services and acceptance by the customer.

The obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer is presented under the caption of “Deferred revenue” in the statement of financial position. Contract liabilities are recognised as revenue when the Group performs under the contract.

Rendering of service

Service revenue is recognised at a point in time upon completion of the service.

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 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

4.8 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.

4.9 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.

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

Defined benefit plan

The Group has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Group treats 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.

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Group recognises restructuring-related costs.

4.13 Provisions

Provisions are recognised when the Group has 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 Group recognises 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 Group reviews 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 Group records 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 Group applies a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Group measures 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 Group determines 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	financial statements	financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	
<u>Transactions with subsidiaries</u>					
(eliminated from the consolidated financial statements)					
Sales of goods	-	-	479	1,729	Reference to market price
Rental income	-	-	1	1	Contract price
Service income	-	-	1	1	Contract price
Dividend income	-	-	291	37	As declared
Purchase of goods	-	-	37	64	Reference to market price
Commission paid	-	-	-	17	Contract price
Transportation expenses	-	-	132	135	Reference to market price
Acquisition of entire business transfer	-	-	134	-	Contract price
Return of capital	-	-	109	-	As declared
<u>Transactions with related parties</u>					
Office rental and service expenses	4	4	4	2	Contract price
Land rental	5	5	5	5	Contract price

The balances of the accounts as at 31 December 2019 and 2018 between the Company and those related parties are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<u>Trade receivables - related party (Note 8)</u>				
Tamose Trading Company Limited	-	-	-	185,345
Total trade receivables - related party	-	-	-	185,345
<u>Other receivables - related parties (Note 8)</u>				
Tamose Trading Company Limited	-	-	3,772	1,430
Meesup Transport Company Limited	-	-	16	-
Total other receivables - related parties	-	-	3,788	1,430
<u>Trade payables - related party (Note 14)</u>				
Tamose Trading Company Limited	-	-	-	2,248
Total trade payables - related party	-	-	-	2,248
<u>Other payables - related parties (Note 14)</u>				
Tamose Trading Company Limited	-	-	-	2,609
Meesup Transport Company Limited	-	-	-	3,688
Total other payables - related parties	-	-	-	6,297

Directors and management's benefits

During the years ended 31 December 2019 and 2018, the Company had employee benefit expenses payable to its directors and management as below.

	(Unit: Thousand Baht)	
	Consolidated / Separate	
	financial statements	
	<u>2019</u>	<u>2018</u>
Short-term employee benefits	22,706	33,841
Post-employment benefits	5,584	1,090
Total	28,290	34,931

7. Cash and cash equivalents

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Cash	295	293	295	165
Bank deposits	281,753	378,711	263,576	255,429
Total	282,048	379,004	263,871	255,594

As at 31 December 2019, bank deposits in saving accounts carried interests at the rates of 0.25 - 0.375 percent per annum (2018: 0.38 - 1.30 percent per annum).

8. Trade and other receivables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<u>Trade receivables - related party</u>				
Aged on the basis of due dates				
Not yet due	-	-	-	155,706
Past due				
Up to 3 months	-	-	-	29,472
3 - 6 months	-	-	-	155
6 - 12 months	-	-	-	12
Total trade receivables - related party (Note 6)	-	-	-	185,345
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	630,201	723,986	630,201	362,917
Past due				
Up to 3 months	233,353	263,226	233,353	113,437
3 - 6 months	11,736	20,783	11,736	1,780
6 - 12 months	13,497	29,231	13,497	13,785
Over 12 months	50,034	11,732	50,034	6,443
Total	938,821	1,048,958	938,821	498,362
Less: Allowance for doubtful debts	(38,974)	(23,103)	(38,974)	(10,916)
Total trade receivables - unrelated parties, net	899,847	1,025,855	899,847	487,446
Total trade receivables - net	899,847	1,025,855	899,847	672,791
<u>Other receivables</u>				
Other receivables - related parties (Note 6)	-	-	3,788	1,430
Other receivables - unrelated parties	15,979	17,402	15,979	894
Total other receivables	15,979	17,402	19,767	2,324
Total trade and other receivables - net	915,826	1,043,257	919,614	675,115

9. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Finished goods	859,723	922,726	(29,534)	(25,422)	830,189	897,304
Conversion raw materials	102,140	157,443	-	-	102,140	157,443
Raw materials	360,632	419,698	(2,911)	(1,844)	357,721	417,854
Factory supplies and others	22,583	28,967	-	-	22,583	28,967
Total	1,345,078	1,528,834	(32,445)	(27,266)	1,312,633	1,501,568

(Unit: Thousand Baht)

	Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Finished goods	859,723	858,938	(29,534)	(24,887)	830,189	834,051
Conversion raw materials	102,140	157,443	-	-	102,140	157,443
Raw materials	360,632	416,050	(2,911)	(1,738)	357,721	414,312
Factory supplies and others	22,583	28,967	-	-	22,583	28,967
Total	1,345,078	1,461,398	(32,445)	(26,625)	1,312,633	1,434,773

During the current year, the Group reduced cost of inventories by Baht 5.2 million (2018: Baht 18.1 million) (the Company only: Baht 5.8 million, 2018: Baht 17.4 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Tamose Trading Company Limited	-	100,000	99.99 (%)	99.99 (%)	-	99,999	167,999	20,000
Meesup Transport Company Limited	-	9,200	99.97	99.97	1,799	10,997	122,683	17,015
Total					1,799	110,996	290,682	37,015

On 16 September 2019, the Extraordinary General Shareholders' meeting of the Company passed a resolution approving the entire business transfer of two subsidiaries; namely, Tamose Trading Company Limited and Meesup Transport Company Limited, in which the Company has shareholdings of 99.99 percent and 99.97 percent, respectively.

On 1 December 2019, the Company acquired the entire business transfer of Tamose Trading Company Limited and Meesup Transport Company Limited at the net book value of their assets and liabilities as follows.

(Unit: Thousand Baht)

	Tamose Trading Company Limited	Meesup Transport Company Limited	Total
Assets			
Cash and cash equivalents	75,986	5,390	81,376
Trade and other receivables	44,795	1,444	46,239
Other current assets	554	445	999
Motor vehicles and equipment	3,263	35,978	39,241
Intangible assets	-	9	9
Deferred tax assets	5,035	438	5,473
Other non-current assets	524	-	524
Total assets	130,157	43,704	173,861
Liabilities			
Trade and other payables	1,719	25,256	26,975
Income tax payable	1,204	1,520	2,724
Other current liabilities	7,454	80	7,534
Provision for long-term employee benefits	1	2,235	2,236
Total liabilities	10,378	29,091	39,469
Net assets	119,779	14,613	134,392

On 4 December 2019, the the Extraordinary General Shareholders' meeting of Tamose Trading Company Limited and Meesup Transport Company Limited approved the dissolution. The companies registered their dissolution with the Ministry of Commerce on 4 December 2019 and are currently in the process of liquidation.

On 24 December 2019, the Company received the capital return from Tamose Trading Company Limited amounting to Baht 100 million and Meesap Transport Company Limited amounting to Baht 9 million.

As at 31 December 2019, 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 654 million (2018: Baht 491 million) (the Company only: Baht 654 million, 2018: Baht 443 million).

The Company arranged for an independent professional valuer 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>2019</u>	<u>2018</u>
Original cost	259,860	259,860
Surplus on revaluation	<u>481,602</u>	<u>481,602</u>
Revalued amount	<u><u>741,462</u></u>	<u><u>741,462</u></u>

Surplus on revaluation of assets can neither be offset against deficit nor used for dividend payment.

12. Intangible assets

The net book value of intangible assets as at 31 December 2019 and 2018 is presented below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Computer software - at cost	73,325	69,805	73,325	69,398
Less: Accumulated amortisation	<u>(47,690)</u>	<u>(41,692)</u>	<u>(47,690)</u>	<u>(41,298)</u>
Net book value	<u><u>25,635</u></u>	<u><u>28,113</u></u>	<u><u>25,635</u></u>	<u><u>28,100</u></u>

A reconciliation of the net book value of intangible assets for the years 2019 and 2018 is presented below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net book value at beginning of year	28,113	24,679	28,100	24,658
Acquisition of computer software	24	2,077	24	2,077
Transfer from property, plant and equipment	3,712	7,527	3,712	7,527
Increase from the entire business transfer of subsidiaries	-	-	9	-
Amortisation	<u>(6,214)</u>	<u>(6,170)</u>	<u>(6,210)</u>	<u>(6,162)</u>
Net book value at end of year	<u>25,635</u>	<u>28,113</u>	<u>25,635</u>	<u>28,100</u>

13. Short-term loans from financial institutions

	(Unit: Thousand Baht)					
	Interest rate		Consolidated		Separate	
	(Percent per annum)		financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Short-term loans from financial institutions	2.02 - 2.51	2.24 - 2.49	1,532,299	2,188,644	1,532,299	2,025,238
Trust receipt	3.10	3.47 - 3.95	82,223	3,940	82,223	3,940
			<u>1,614,522</u>	<u>2,192,584</u>	<u>1,614,522</u>	<u>2,029,178</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 2019, the credit facilities of the Company which have not yet been drawn down amounting to Baht 3,810 million (2018: Baht 3,982 million).

14. Trade and other payables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Trade payables - related party (Note 6)	-	-	-	2,248
Trade payables - unrelated parties	70,404	41,687	70,404	6,393
Other payables - related parties (Note 6)	-	-	-	6,297
Other payables - unrelated parties	43,783	41,971	43,783	40,059
Accrued expenses	32,603	31,801	32,602	25,007
Total trade and other payables	146,790	115,459	146,789	80,004

15. Provision for long-term employee benefits

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Provision for long-term employee benefits				
at beginning of year	31,050	33,169	28,494	26,053
Included in profit or loss:				
Current service cost	2,681	2,397	2,414	1,972
Interest cost	1,065	1,015	991	799
Past service cost	9,248	-	8,599	-
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
Transferred from the subsidiary during the year	-	-	1,310	-
Benefits paid during the year	(11,231)	(2,204)	(11,231)	(2,061)
Increase from the entire business transfer of subsidiaries	-	-	2,236	-
Provision for long-term employee benefits				
at end of year	32,813	31,050	32,813	28,494

On 5 April 2019, The Labor Protection Act (No. 7) B.E. 2562 was announced in the Royal Gazette. This stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The law was effective from 5 May 2019. This change is considered a post-employment benefits plan amendment and the Group has additional long-term employee benefit liabilities of Baht 9.2 million (the Company only: Baht 8.6 million) as a result. The Group reflects the effect of the change by recognising past service costs as expenses in the income statement of the current year. The Company expects to pay Baht 1.0 million of long-term employee benefits during the next year (2018: Baht 8.5 million).

As at 31 December 2019, the weighted average duration of the liabilities for long-term employee benefit is 12-17 years (the Company only: 12 years) (2018: 12 - 17 years, the Company only: 12 years).

Significant actuarial assumptions are summarised below:

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	2.80 - 3.17	2.80 - 3.17	2.80 - 3.17	2.8
Future salary increase rate	4 - 5	4 - 5	4 - 5	5
Staff turnover rate (depending on age)	2.87 - 45.84	2.87 - 45.84	2.87 - 45.84	3.82 - 45.84

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

(Unit: Million Baht)

	As at 31 December 2019			
	Consolidated financial statements		Separate financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(3.1)	3.6	(3.1)	3.1
Salary increase rate	3.3	(2.9)	3.3	(2.5)
	Increase 20%	Decrease 20%	Increase 20%	Decrease 20%
Staff turnover rate	(3.5)	4.5	(3.5)	4.0

(Unit: Million Baht)

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

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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Salaries and wages and other employee benefits	353,944	387,964	302,988	308,799
Depreciation and amortisation expenses	134,262	131,424	125,814	121,828
Transportation expenses	58,528	49,982	139,235	139,006
Commission expenses	2,903	3,396	2,903	19,799
Raw materials and consumables used	7,313,891	8,357,885	7,308,984	8,276,478
Changes in inventories of finished goods	59,667	(101,219)	(4,103)	(89,675)

18. Income tax

Income tax expenses for the years ended 31 December 2019 and 2018 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current income tax:				
Current income tax charge	24,968	28,650	18,477	15,363
Adjustment in respect of income tax of previous year	5	2,637	11	2,593
Deferred tax:				
Relating to origination and reversal of temporary differences	(5,241)	(6,734)	(5,034)	(4,551)
Income tax expenses reported in profit or loss	<u>19,732</u>	<u>24,553</u>	<u>13,454</u>	<u>13,405</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2019 and 2018 are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Deferred tax on actuarial (gains) losses	-	(666)	262	346
	-	(666)	262	346

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

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Accounting profit before tax	<u>91,249</u>	<u>118,548</u>	<u>358,132</u>	<u>94,020</u>
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by income tax rate	18,250	23,710	71,626	18,804
Adjustment in respect of income tax of previous year	5	2,637	11	2,593
Effects of:				
Non-deductible expenses	757	579	499	534
Additional expense deductions allowed	(1,996)	(2,314)	(905)	(1,123)
Dividend income from subsidiaries	-	-	(58,136)	(7,403)
Others	2,716	(59)	359	-
Total	<u>1,477</u>	<u>(1,794)</u>	<u>(58,183)</u>	<u>(7,992)</u>
Income tax expenses reported in profit or loss	<u>19,732</u>	<u>24,553</u>	<u>13,454</u>	<u>13,405</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	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Deferred tax assets				
Land rental	572	507	572	507
Allowance for doubtful accounts	7,921	4,621	7,921	2,183
Allowance for diminution in value of inventories	6,489	5,453	6,489	5,325
Allowance for impairment of advance for raw material	-	355	-	355
Provision for long-term employee benefits	6,554	6,210	6,554	5,699
Gain on capital investment in subsidiaries	-	-	2,453	-
Total	<u>21,536</u>	<u>17,146</u>	<u>23,989</u>	<u>14,069</u>
Deferred tax liabilities				
Difference depreciation between tax and accounting base	31,556	32,407	31,556	32,407
Surplus on revaluation of land	96,320	96,320	96,320	96,320
Total	<u>127,876</u>	<u>128,727</u>	<u>127,876</u>	<u>128,727</u>

(Unit: Thousand Baht)

	Statements of financial position			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Presentation in the statements of financial position				
Deferred tax assets	-	3,077	-	-
Deferred tax liabilities	(106,340)	(114,658)	(103,887)	(114,658)
Total	(106,340)	(111,581)	(103,887)	(114,658)

19. 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.

20. 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 Group is the manufacture and distribution of steel pipes, structural steels and contract of steel productions 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 2019 and 2018, the Group has no major customer with revenue of 10 percent or more of an entity's revenues.

21. 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 and the Group contributes 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 2019 amounting to approximately Baht 2.8 million were recognised as expense (2018: Baht 5.4 million).

22. Dividends

Dividends	Approved by	Total dividends (Million Baht)	Dividend per share (Baht/share)
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
Final dividends for 2018	Annual General Meeting of the shareholders on 25 April 2019	33.0	0.05
Total for 2019		33.0	0.05

23. Commitments and contingent liabilities

23.1 Capital commitments

As at 31 December 2019, the Company had capital commitments of approximately Baht 1.8 million, relating computer system development.

23.2 Letters of credit

As at 31 December 2019, the Company had commitments under letters of credit with overseas suppliers amounting to approximately USD 8.6 million (2018: USD 0.7 million).

23.3 Operating lease commitments

The Group 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	
	2019	2018	2019	2018
Payable:				
In up to 1 year	9.5	9.5	2.7	1.7
In over 1 and up to 5 years	40.5	22.5	0.7	1.4
In over 5 year	16.7	20.4	-	-

(Unit: Million Baht)

	Separate financial statements			
	Related parties		Unrelated parties	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Payable:				
In up to 1 year	9.5	9.4	2.7	-
In over 1 and up to 5 years	40.5	22.5	0.7	-
In over 5 year	16.7	20.4	-	-

23.4 Guarantees

As at 31 December 2019, there were outstanding bank guarantees of approximately Baht 16 million (2018: 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>2019</u>	<u>2018</u>
Guarantee electricity use	15	15
Guarantee as an AEO authorised importer and/or exporter to the Customs Department	1	1

24. Financial instruments

24.1 Financial risk management

The Group's 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 Group is exposed to credit risk primarily with respect to trade and other receivables. The Group manages the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Group does 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 Group's exposure to interest rate risk relates primarily to its cash at banks and short-term borrowings. Most of the Group's 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 2019					
Consolidated financial statements	Fixed interest rates within 1 year	Floating interest rate	Non- interest bearing	Total	Effective interest rate (% per annum)
Financial assets					
Cash and cash equivalents	-	282	-	282	0.25 - 0.375
Trade and other receivables	-	-	916	916	-
	-	282	916	1,198	
Financial liabilities					
Short-term loans from financial institutions	1,615	-	-	1,615	2.02 - 3.10
Trade and other payables	-	-	147	147	-
	1,615	-	147	1,762	

(Unit: Million Baht)

As at 31 December 2018					
Consolidated financial statements	Fixed interest rates within 1 year	Floating interest rate	Non- interest bearing	Total	Effective interest rate (% per annum)
Financial assets					
Cash and cash equivalents	-	379	-	379	0.38 - 1.30
Trade and other receivables	-	-	1,043	1,043	-
	-	379	1,043	1,422	
Financial liabilities					
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 2019					
Separate 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 equivalents	-	264	-	264	0.25 - 0.375
Trade and other receivables	-	-	920	920	-
	-	264	920	1,184	
<u>Financial liabilities</u>					
Short-term loans from financial institutions	1,615	-	-	1,615	2.02 - 3.10
Trade and other payables	-	-	147	147	-
	1,615	-	147	1,762	

(Unit: Million Baht)

As at 31 December 2018					
Separate 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 equivalents	-	256	-	256	0.38 - 1.30
Trade and other receivables	-	-	675	675	-
	-	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	

Foreign currency risk

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

The Group has 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		Financial liabilities		Average exchange rate	
	as at 31 December		as at 31 December		as at 31 December	
	2019	2018	2019	2018	2019	2018
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	-	-	2.71	0.12	30.0645	32.3640

24.2 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.

25. 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 2019, the Group's debt-to-equity ratio was 0.79:1 (2018: 1.03:1) and the Company's was 0.79:1 (2018: 1.06:1).

26. Events after the reporting period

On 19 February 2020, the Company's Board of Directors meeting approved for payment of a dividend to the shareholders of Baht 0.27 per share, or a total of Baht 178.2 million.

However, this resolution will be further proposed for the shareholders' approval in the Annual General Meeting of the shareholders for the fiscal year 2020.

27. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 19 February 2020.