**Sahaviriya Steel Industries Public Company Limited and subsidiaries**

**Notes to the financial statements**

**For the year ended 31 December 2017**

| **Notes** |  | **Contents** |
| --- | --- | --- |
|  |  |  |
| 1 |  | General information |
| 2 |  | Basis of preparation of the financial statements |
| 3 |  | Significant accounting policies |
| 4 |  | Related parties |
| 5 |  | Cash and cash equivalents |
| 6 |  | Trade accounts receivable |
| 7 |  | Inventories |
| 8 |  | Restricted deposit at financial institution |
| 9 |  | Investments in subsidiaries |
| 10 |  | Non-controlling interests |
| 11 |  | Investments in joint venture |
| 12 |  | Other long-term investment |
| 13 |  | Property, plant and equipment |
| 14 |  | Deferred tax |
| 15 |  | Short-term borrowing from financial institution |
| 16 |  | Trade accounts payable |
| 17 |  | Other current liabilities |
| 18 |  | Liabilities under Rehabilitation Plan |
| 19 |  | Non-current provission for employee benefit |
| 20 |  | Rehabilitation plan |
| 21 |  | Share capital |
| 22 |  | Segment information |
| 23 |  | Expenses by nature |
| 24 |  | Effects from flooding |
| 25 |  | Income tax |
| 26 |  | Earnings (loss) per share |
| 27 |  | Promotional privileges |
|  |  |  |
|  |  |  |
|  |  |  |
| **Notes** |  | **Contents** |
|  |  |  |
| 28 |  | Financial instruments |
| 29 |  | Commitments and Contingent liabilities |
| 30 |  | Reclassification of accounts |
| 31 |  | Financial statement approval |
|  |  |  |

**Sahaviriya Steel Industries Public Company Limited and Subsidiaries**

**Notes to the financial statements**

**For the year ended 31 December 2017**

**1 General information**

Sahaviriya Steel Industries Public Company Limited (“the Company”), is incorporated in Thailand and has its registered office at 28/1 Prapawit Building, 2nd-3rd Floor, Surasak Road, Kwang Silom, Khet Bangrak, Bangkok, Thailand and its plant located at 9, Moo 7, Tambon Mae Rumphueng, Amphur Bang Saphan, Prachuabkirikhan, Thailand. The Company, it subsidiaries and its joint venture are hereinafter collectively referred to as “the Group”.

The Company was listed on the Stock Exchange of Thailand in September 1994.

During the year the Company’s major shareholders during the financial year were Sahaviriya Group Corporation Limited (13.18% shareholding, incorporated in Thailand), Vanomet Holding AG (16.56% shareholding, incorporated in Switzerland) and Sahaviriya Inter Steel Holdings Co., Ltd. (4.86% shareholding, incorporated in Thailand).)

The principal businesses of the Company are manufacturing and distributing of hot rolled coils. Details of the Company’s subsidiaries and joint venture are given in Notes 9 and 11.

**2 Basis of preparation of the financial statements**

***(a) Statement of compliance***

The financial statements have been prepared in accordance with Thai Financial Reporting Standards (TFRS); guidelines promulgated by the Federation of Accounting Professional (“FAP”), and the Regulation of The Stock Exchange of Thailand (SET) on January 22, 2001, regarding the preparation and submission of financial statements and reports for the financial position and financial performance of the listed companies B.E. 2544. The format of presentation of the financial statements is not significantly different from the Notification of the Department of Business Development regarding “The Brief Particulars in the Financial Statements (No. 2) B.E. 2559” on October 11, 2016.

***(b) Basic of measurement***

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

***(c) Presentation currency***

The financial statements are prepared and presented in Thai Baht which is the Company’s functional currency. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest thousand unless otherwise stated.

***(d) Use of estimates and judgments***

The preparation of financial statements in conformity with TFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

*Assumptions and estimation uncertainties*

Information about assumption and estimation uncertainties that have a significant risk of resulting in a material adjustments to the amounts recognized in the financial statements is included in the following notes:

Note 2*(e)*  Going concerns;

Notes 9, 11, and 13 Impairment test: key assumptions underlying recoverable amounts;

Note 14 Recognition of deferred tax assets; availability of future taxable profit against which tax losses carried forward can be used;

Note 19 Measurement of defined benefit obligations: key actuarial assumptions; and

Note 29 Recognition and measurement of provisions and contingencies; key assumptions about the likelihood and magnitude cash flow of resources.

*Measurement of fair values*

A number of the Company/ the Group’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company/ the Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of TFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

* Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
* Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
* Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirely in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company/ the Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

* Note 28 – financial instruments

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***(e) Going concern***

For the year ended 31.December 2017, the Group incurred a net profit amount of Baht 4,556.9 million *(2016: net loss amount of Baht 2,834.5 million)* and as at the same date, the Group had cumulative deficit of amount of Baht 40,667.2 million *(31 December 2016: amount of Baht 71,473.8 million)*

For the year ended 31.December 2017, the Company incurred a net profit amount of Baht 4,475.7 million *(2016: net loss amount of Baht 3,028.8 million)* and as at the same date, the Company had cumulative deficit amount of Baht 40,683.2 million *(31, December 2016: amount of Baht 71,430.5 million)*

Since in 2015, Sahaviriya Steel Industry UK Limited. had stopped its steel slab manufacturing and the liquidator was appointed and becomes control as well as was called for the loans repayment. The Company also was required the responsibility in being a guarantor. Besides, the creditor of the Company called for total loans repayment of the Company immediately. These factors may cause the Board of directors allowed the Company to file the petition for rehabilitation its business to the Central Bankruptcy Court on 1 October 2015. The Central Bankruptcy Court ordered to approve with the rehabilitation plan on 15 December 2016. The Plan is determined the Company to be a planner, the details of rehabilitation plan disclosed in the Note 20 to financial statements.

The consolidated and separate financial statements have been prepared by management on the going concern basis on the assumption that the business rehabilitation will be achieved and such further capital and credit facilities will be secured to the extent that the Group’s and the Company’s operations require. The validity of this assumption is dependent on the success of the business rehabilitation plan as well as the measures taken to improve profitability and cash flows, the success of capital restructuring, the ability to repay debts on schedule over the periods and the availability of financing from other sources to meet funding requirements.

The consolidated and separate financial statements a do not include any adjustments to the reclassification or carrying value of assets and liabilities that necessary should if the Group and the Company be unable to continue their operations as going concerns. If the Group and the Company were unable to continue as going concerns, the realizable value of assets may be significantly less than their current carrying value and additional liabilities may be incurred.

***(f) Liquidation and Deconsolidation of SSI UK and Financial statements of SSI UK***

Sahaviriya Steel Industries UK Limited (“SSI UK”) is an integrated iron and steel slab producer*., from the* results of operating loss and continuously reducing of the world steel price, as a result, SSI UK has stopped its steel slab manufacturing and the liquidator was appointed and become control. The Company has no a power to control the business or operation of SSI UK Limited anymore Nevertheless, assets and liabilities of SSI UK were eliminated from the consolidated financial statements and instead of the recognition of investment in SSI UK which were amortized in full by net realizable value during the 2015.

Net interests and carrying value of investments in SSI UK has been transferred to assets held for disposal in the separate financial statements as at 31 December 2017 and 2016. Details are as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  | Unit : Thousand Baht | |
|  | Ownership interest | Cost method | Impairment | | At cost - net |
|  | *(%)* |  | | | |
| Investments in Sahaviriya Steel Industries UK Limited | 100 | 27,481,792 | 27,481,792 | | - |

***(g)* *New Financial Reporting Standards***

*Financial reporting standards that became effective in the current year*

During the year, the Company have adopted the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which are effective for fiscal years beginning on or after January 1, 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards.

The adoption of these financial reporting standards does not have any significant impact on the Company financial statements.

*Financial reporting standards that will become effective in the future*

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after January 1, 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 disclosures in the notes to financial statements.

The management of the Company believe that the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied.

**3. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

***(a)* *Basis of consolidation***

The consolidated financial statements relate to the Company, its subsidiaries and joint venture (together referred to as the “Group”) and the Group’s interests in joint venture.

*Business combinations*

The Group applies the acquisition method for all business combinations when control is transferred to the Group other than those with entities under common control.

The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The acquisition date is the date on which control is transferred to the acquirer. Judgment is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Goodwill is measured as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination. If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognized in other expenses.

When share-based payment awards exchanged (replacement awards) for awards held by the acquiree’s employees (acquiree’s awards) relate to past services, then a part of the market-based measure of the awards replaced is included in the consideration transferred. If they require future services, then the difference between the amount included in consideration transferred and the market-based measure of the replacement awards is treated as post-combination compensation cost.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

The Group measures any non-controlling interest (NCI) at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs that the Group incurs in connection with a business combination, such as legal fees, and other professional and consulting fees are expensed as incurred.

*Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

*Non-controlling interests*

At the acquisition date, the Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

*Loss of control*

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

*Interests in equity–accounted investees*

The Group’s interests in equity-accounted investees comprise interests in a joint venture.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in joint ventures are accounted for using the equity method. They are recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income of equity–accounted investees, until the date on which significant influence or joint control ceases.

*Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealized income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with joint venture are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

***(b)* *Foreign currencies***

*Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates of the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the functional currency at foreign exchange rates ruling at the dates of the transactions.

***(c) Derivative financial instruments***

Derivative financial instruments are used to manage exposure to foreign exchange, interest rate and commodity price risks arising from operational, financing and investment activities. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

***(d) Hedging***

*Hedge of future foreign currency transactions*

Gains and losses from forward exchange contracts and currency swaps used to hedge anticipated future currency transactions are deferred until the forecasted transaction occurs. Where the hedged item is a recognized asset or liability, it is translated at the contracted forward rates.

Foreign currency assets and liabilities hedged by forward exchange contracts are translated to Thai Baht at the contracted forward exchange rates.

*Hedge of interest rates*

Interest differentials under swap arrangements are accrued and recorded as adjustments to the interest expense relating to the hedged loans. For interest rate forward contracts, the amounts received or paid on cash settlements, representing the gain or loss, are deferred and recognized over the life of the underlying monetary asset or liability as an adjustment to interest income or expense. For purchased interest rate options, the premiums paid are included in the statement of financial position under other assets or other liabilities. The premiums are amortized to interest income or expense over the life of the agreements.

***(e) Cash and cash equivalents***

Cash and cash equivalents comprise cash at bank and highly liquid short-term investments with restriction.

***(f) Trade and other accounts receivable***

Trade and other accounts receivable are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

***(g) Inventories***

Inventories are measured at the lower of cost and net realizable value.

Cost of slab raw materials are calculated using the weighted average cost principle. Cost of ore materials are calculated using the first-in, first-out principles. Finished goods and rolls that are part of consumable goods are calculated using the specific method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and to make the sale.

***(h) Non-current assets held for sale***

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. The assets (or disposal group) are measured at the lower of their carrying value and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories and financial assets. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

***(i)* *Investments***

*Investments in subsidiaries and joint venture*

Investments in subsidiaries and joint venture in the separate financial statements of the Company are accounted for using the cost method. Investments in joint venture in the consolidated financial statements are accounted for using the equity method.

*Disposal of investments*

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognized in profit or loss.

If the Group disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

***(j)* *Finance lease***

The Group entered into sale and lease back agreements for certain machinery and equipment, resulting in a finance lease. Excess of sales proceeds over the carrying amount is not immediately recognized as income. Instead it is deferred and amortized over the lease term.

The Group recognized finance leases as assets and liabilities in the statement of financial position at amounts equal at the inception of the lease to the fair value of the leased property. Lease payments are apportioned between the finance charge and the reduction of the outstanding liabilities. The finance charged is allocated to the periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

***(k)* *Property, plant and equipment***

*Recognition and measurement*

*Owned assets*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains or losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

*Leased assets*

Leases in terms of which the Group substantially assumes all the risk and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance leases is capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit or loss.

*Subsequent costs*

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

*Depreciation*

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charge to profit or loss and is based on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment or the unit of production.   
The estimated useful lives are as follows:

|  |  |  |
| --- | --- | --- |
| Land improvements | 5 | years |
| Leasehold and leasehold improvements | 5 and 10 | years |
| Buildings and building improvements | 20 | years |
| Machinery, tools and equipment |  |  |
| - in production line | The unit of production | |
| - in steel making line | 20 | years |
| - in service line | 5 – 10 | years |
| - other tools and equipment | 3 – 10 | years |
| Furniture, fixtures and office equipment | 5 – 10 | years |
| Vehicles | 5 | years |
| Roads | 5, 20 and 27 | years |
| Berth and berth facilities | 5 and 30 | years |
| Tug boats | 5 – 17 | years |
| Customs cargo warehouse | 5 | years |

No depreciation is provided on freehold land or assets under construction and installation.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

***(l)* *Intangible assets***

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

*Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

*Amortisation*

Amortisation is based on the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

|  |  |  |
| --- | --- | --- |
| Software licenses | 3 - 10 | years |

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

***(m)* *Impairment***

The carrying amounts of the Group’s assets or its cash-generating unit are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets’ recoverable amounts are estimated. For goodwill and intangible assets that have indefinite useful lives or are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. The impairment loss is recognized in profit or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognized directly in equity is recognized in profit or loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

*Calculation of recoverable amount*

The recoverable amount of held-to-maturity securities carried at amortized cost is calculated as the present value of the estimated future cash flows discounted at the original effective interest rate.

The recoverable amount of available-for-sale financial assets is calculated by reference to the fair value.

The recoverable amount of a non-financial asset is the greater of the asset’s value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

*Reversals of impairment*

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized in profit or loss. For financial assets carried at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized in other comprehensive income.

Impairment losses recognized in prior periods in respect of other non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

***(n)* *Interest-bearing liabilities***

Interest-bearing liabilities are recognized initially at fair value less attributable transaction charges. Subsequent to initial recognition, interest-bearing liabilities are stated at amortized cost with any difference between cost and redemption value being recognized in profit or loss over the period of the borrowings on an effective interest basis.

***(o)* *Trade and other accounts payable***

Trade and other accounts payable are stated at cost.

***(p)* *Employee benefits***

*Defined contribution plans*

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

*Defined benefit plans*

The Group’s net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any application minimum funding requirements.

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognized immediately in OCI. The Group determines the interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

*Other long-term employee benefits*

The Group’s net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

*Termination benefits*

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

*Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

***(q) Provisions***

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

*Onerous contracts*

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting the Group’s obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

***(r)* *Revenue***

Revenue excludes value added taxes and is arrived at after deduction of trade discounts.

*Sale of goods and services rendered*

Revenue is recognized in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.  No revenue is recognized if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs or the probable return of goods. Service income is recognized as services are provided.

*Dividend income*

Dividend income is recognized in profit or loss on the date the Group’s right to receive payments is established.

*Interest and other income*

Interest and other income is recognized in profit or loss as it accrues.

*Commissions*

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission earned by the Group.

***(s) Finance costs***

Finance costs are recognized to profit or loss using the effective interest method and comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, losses on disposal of available-for-sale financial assets, fair value losses on financial assets at fair value through profit or loss, impairment losses recognized on financial assets (other than trade receivables), and losses on hedging instruments that are recognized in profit or loss.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

***(t) Lease payments***

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized in profit or loss as an integral part of the total lease expense, over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

*Determining whether an arrangement contains a lease*

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the Group’s incremental borrowing rate.

***(u) Income tax***

Income tax expense for the year comprises current tax and deferred tax. Current and deferred tax are recognized in profit or loss export to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries and joint venture to the extent that it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

***(v) Discontinued operations***

A discontinued operation is a component of the Group’s business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

***(w) Earnings per share***

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

***(x) Segment reporting***

Segment results that are reported to the Group’s CEO (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

**4 Related parties**

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

| **Name of entities** | **Country of incorporation/ nationality** | **Nature of relationships** |
| --- | --- | --- |
| Prachuap Port Co., Ltd. | Thailand | Subsidiary, shareholding in the proportion of 51.00%  Common director |
| West Coast Engineering Co., Ltd. | Thailand | Subsidiary, shareholding in the proportion of 99.99%  Common director |
| Thai Cold Rolled Steel Sheet  Public Company Limited | Thailand | joint venture,shareholding in the proportion of 35.19%  Common director |
| Sahaviriya Group Corporation Limited | Thailand | Major shareholder, 13.18% shareholding and direct and indirect shareholding by the Company’s director(s) |
| Vanomet Holding AG | Switzerland | Major shareholder, 16.56% shareholding and common director with a subsidiary |
|  |  |  |
| Sahaviriya Inter Steel Holdings Co., Ltd. | Thailand | Major shareholder, 4.86% Shareholding and common directors and direct and indirect shareholding by the Company’s director(s) |
| Thai Coated Steel Sheet Co., Ltd. | Thailand | Shareholding by the Company and common directors |
| Bangsaphan Barmill Public Company Limited | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
| B.S. Metal Co., Ltd. | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
| Sahaviriya Plate Mill Public Company Limited | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
| Prapawit Building Property  Co., Ltd. | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
| Western Housing Co., Ltd. | Thailand | Common directors and direct shareholding by the Company’s director(s) |
| Sahaviriya Management Co.,Ltd. | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
| C.A.R. Services Co., Ltd. | Thailand | The direct and indirect shareholding by the Company’s director(s) |
| Sahaviriya Panich Corporation Co., Ltd. | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
| Line Transport Co., Ltd. | Thailand | Common directors with the subsidiary and direct and indirect shareholding by the Company’s director(s) |
| Saha Special Steel Co., Ltd. | Thailand | Direct and indirect shareholding by the Company director(s) |
| Bangpakong Lighter Co., Ltd. | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
| Bangpakong Port Co., Ltd. | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
| ABC Trading Co., Ltd. | Thailand | Indirect shareholding by the Company director(s) |
| Sahaviriya Steel Corporation Co.,Ltd. (formerly Sahaviriya Iron and Steel Co., Ltd.) | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
|  |  |  |
|  |  |  |
|  |  |  |
| Thai Steel Sales Co., Ltd. | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
| Prachuap Pattana Development Co.,Ltd | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
| SVL Corporation Co., Ltd  (formerly Sahaviriya Logistics Co., Ltd.) | Thailand | Common shareholder and directors and direct and indirect shareholding by the Company’s director(s) |
| Sahaviriya Shipping Limited | Hong Kong | Common shareholder and directors and direct and indirect shareholding by the Company’s director(s) |
| Vanomet AG | Switzerland | Common shareholder and common director with a subsidiary |
| Vanomet Finance AG | Switzerland | Common shareholder and common director with a subsidiary |
| Vanomet International AG | Switzerland | Common shareholder and common director with a subsidiary |
| Atlantic Steel AG | Switzerland | Common shareholder and common director with a subsidiary |
| Bangpakong Shape Steel Co., Ltd. | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
| Steel Process Holdings Co., Ltd. | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
| Sahaviriya Capital Holdings Co., Ltd. | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
| Bangna 26 Property Co., Ltd. | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
| Praram 3 Thasai Co., Ltd. | Thailand | Common directors and direct shareholding by the Company’s director(s) |
| KP Capital Co., Ltd. | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
| Pichai Agriculture & Land Co., Ltd. | Thailand | Common directors and direct shareholding by the Company’s director(s) |
|  |  |  |
|  |  |  |
| Long Steel Holding Co., Ltd. | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
| Sahaviriya Credit Foncier Co., Ltd. | Thailand | Common directors and direct shareholding by the Company’s director(s) |
| Sahaviriya Orchid Co., Ltd. | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
| Surasak Muang-Chol Property Co., Ltd. | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
| Bangsaphan Steel Trading Co., Ltd. | Thailand | Common directors and direct shareholding by the Company’s director(s) |
| C B S Consultant Co., Ltd. | Thailand | Common directors and direct shareholding by the Company’s director(s) |
| Bangpakong Steel Holdings Co., Ltd. | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
| Tong Real Estate Co., Ltd. | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
| Krisna Residence Co., Ltd. | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
| Growth Water Woods Co., Ltd. | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
| Chonglom Property Co., Ltd. | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
| Chumphontanee Property Co., Ltd. | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
| Soi Hiland Property Co., Ltd. | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
| Larn Pharam 3 Property Co., Ltd. | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
| Prachuap Steel Co., Ltd. | Thailand | Common directors and indirect shareholding by the Company’s director(s) |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
| Pomprachul Steel Co., Ltd. | Thailand | Common directors and indirect shareholding by the Company’s director(s) |
| Bangplakod Steel Co., Ltd. | Thailand | Common directors and indirect shareholding by the Company’s director(s) |
| Panich holdings Co., Ltd. | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
| SSP Asset Co., Ltd. | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
| SV Nittan Co., Ltd. | Thailand | Common directors and indirect shareholding by the Company’s director(s) |
| Phrapradaeng Shape Steel Co., Ltd. | Thailand | Common directors and indirect shareholding by the Company’s director(s) |
| Amarin Steel Co, Ltd. | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
| Kim Heng Seng Steel Co., Ltd. | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
| Saha Land Property Holding Co., Ltd. | Thailand | Common directors and indirect shareholding by the Company’s director(s) |
| SCJ & Associates Co., Ltd. | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
| T C H Asset Co., Ltd. | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
| Thanarom Property Sale Co., Ltd. | Thailand | Common directors and direct and indirect shareholding by the Company’s director(s) |
| Thipayasombat Co., Ltd. | Thailand | Common directors and indirect shareholding by the Company’s director(s) |
| Key management personnel | Thailand | Persons having authority and responsibility for planning directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Group. |

The pricing policies for particular types of transactions are explained further below:

| **Transactions** | **Pricing policies with subsidiary companies and joint venture** | **Pricing policies** **with related companies** |
| --- | --- | --- |
|  |  |  |
| Sale of goods | Third party pricing used, dependent on volume and relevant market considerations. | The pricing policies for particular types of transactions are explained further below: |
| Rendering of port services | Port services rendered are charged based on Ministry of Transportation-determined rates, dependent on service volume and relevant market considerations. | Port services rendered are charged based on Ministry of Transportation-determined rates, dependent on service volume and relevant market considerations. |
| Rendering of other services | Charges for rendering of services and maintenance-related services are based on agreements and common credit term. | Charges for rendering of services and maintenance-related services are based on agreements and common credit term. |
| Dividend income | Right to receive dividends | Right to receive dividends. |
| Other income | Sales of scrap material are priced based on scrap weight and the prices set by the Company.  Revenue from providing management staff to subsidiaries and joint venture are based on agreements. | Sales of scrap material are priced based on scrap weight and the prices set by the Company.  Revenue from providing management staff to related parties are based on agreements. |
| Purchase of goods | Purchases of goods for production are based on third party prices under terms and conditions normally applicable to similar transactions.  Certain purchases of steel slab between the company and subsidiaries are based on the agreed price formula.  Purchases of rolls are changed on agreed prices. | Purchases of raw material for production are based on market price. |
| Receiving of other services | Maintenance-related services are charged based on long-term maintenance service agreements. The term of the agreement can be modified according to business circumstances. | Transportation charges are based on agreements, dependent on cargo weight and distance.  Warehouse rental is charged based on rental agreements.  Cut sheet services are charged based on agreements.  Rental charges for staff accommodation are fixed on an annual basis and agreed with the lessor. |
| Receiving of port services | Port services rendered are charged based on Ministry of Transportation-determined rates, dependent on service volume and relevant market considerations. |  |
| Selling and administrative expense | Port services rendered are charged based on Ministry of Transportation-determined rates, dependent on service volume and relevant market considerations. | Domestic transportation services are charged based on agreements, dependent on cargo weight and distance.  Office rental is charged based on rental agreements.  Commission expense is charged based on agreements. |
| Interest and financial charges |  | Interest and financial charges are based on agreed rate, which approximates a market rate. |

Significant transactions for year ended 31 December 2017 and 2016 with related parties are summarized as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  | Unit : Thousand Baht | |
|  | **Consolidated**  **financial statements** | | **Separate**  **financial statements** | | |
|  | 2017 | 2016 | 2017 | | 2016 |
| **Subsidiaries** |  |  |  | |  |
| Purchases of goods and receiving of services | - | - | 430,694 | | 257,576 |
| Dividend income | - | - | 56,100 | | 15,300 |
| Other income | - | - | 18,901 | | 14,129 |
| Finance costs | - | - | - | | 587 |
|  |  |  |  | |  |
| **Joint venture** |  |  |  | |  |
| Sales of goods | 2,251,010 | 722,573 | 2,251,010 | | 722,573 |
| Rendering of services | 96,962 | 103,408 | - | | 34,005 |
| Purchases of goods and receiving of services | 3,062 | - | 3,062 | | - |
| Other income | 17,306 | 10,030 | 17,306 | | 10,030 |
| Selling and administrative expenses | 462 | 1,799 | 455 | | 1,798 |
|  |  |  |  | |  |
| **Other related parties** |  |  |  | |  |
| Sales of goods | 3,572,147 | 4,611,667 | 3,572,147 | | 4,611,284 |
| Rendering of services | 11,493 | 342,257 | - | | 319,682 |
| Purchases of goods and receiving of services  (including other related expenses) | 128,165 | 1,079,787 | 127,412 | | 1,079,405 |
| Other income | 7,299 | 15,626 | 4,998 | | 14,045 |
| Selling and administrative expenses | 393,949 | 369,192 | 386,576 | | 362,467 |
| Finance costs | - | 61 | - | | 61 |
|  |  |  |  | |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  | Unit : Thousand Baht | |
|  | **Consolidated**  **financial statements** | | **Separate**  **financial statements** | | |
|  | 2017 | 2016 | 2017 | | 2016 |
| **Key management personnel remuneration** |  |  |  | |  |
| Short-term benefits | 85,066 | 72,351 | 71,547 | | 59,139 |
| Statutory severance pay | 2,430 | 1,914 | 2,430 | | 1,914 |
| Other long-term benefits | 16 | 14 | 16 | | 14 |
| **Total key management personnel remuneration** | **87,512** | **74,279** | **73,993** | | **61,067** |

Balances as at 31 December 2017 and 2016 with related parties were as follows:

|  |  |  |  | Unit : Thousand Baht | |
| --- | --- | --- | --- | --- | --- |
|  | **Consolidated**  **financial statements** | | **Separate**  **financial statements** | | |
|  | 2017 | 2016 | 2017 | | 2016 |
| ***Trade accounts receivable from* *related parties*** |  |  |  | |  |
| **Joint venture** |  |  |  | |  |
| Thai Cold Rolled Steel Sheet  Public Company Limited | 41,954 | 18,710 | 22,266 | | 10,895 |
|  |  |  |  | |  |
| **Other related parties** |  |  |  | |  |
| B.S. Metal Co., Ltd. | 1,838,312 | 2,236,547 | 1,838,312 | | 2,236,476 |
| Sahaviriya Panich Corporation Co., Ltd. | 1,837,557 | 1,960,782 | 1,837,558 | | 1,960,782 |
| Others | 1,425 | 2,077 | - | | - |
| **Total** | 3,719,248 | 4,218,116 | 3,698,136 | | 4,208,153 |
| *Less* Allowance for doubtful accounts | (2,736,667) | (2,736,667) | (2,736,667) | | (2,736,667) |
| **Net** | **982,581** | **1,481,449** | **961,469** | | **1,471,486** |
|  |  |  |  | |  |

|  |  |  |  | Unit : Thousand Baht | |
| --- | --- | --- | --- | --- | --- |
|  | **Consolidated**  **financial statements** | | **Separate**  **financial statements** | | |
|  | 2017 | 2016 | 2017 | | 2016 |
| ***Other receivables from related parties*** |  |  |  | |  |
| **Subsidiaries** |  |  |  | |  |
| West Coast Engineering Co., Ltd. | - | - | 36,904 | | 13,541 |
|  |  |  |  | |  |
| **Joint venture** |  |  |  | |  |
| Thai Cold Rolled Steel Sheet  Public Company Limited | 1,731 | 42 | 23 | | 42 |
|  |  |  |  | |  |
| **Other related parties** |  |  |  | |  |
| Vanomet AG (an advance payment for purchase of goods) | 267,190 | 267,190 | 267,190 | | 267,190 |
| Sahaviriya Plate Mill Public Company Limited (net of allowance for doubtful accounts amount of Baht 48 million) | - | - | - | | - |
| Line Transport Co., Ltd. | - | - | - | | - |
| B.S. Metal Co., Ltd (net of allowance for doubtful accounts amount of Baht 13 million) | - | - | - | | - |
| Others | 1,388 | 475 | 952 | | 475 |
| **Total** | **270,309** | **267,707** | **305,069** | | **281,248** |

|  |  |  |  | Unit : Thousand Baht | |
| --- | --- | --- | --- | --- | --- |
|  | **Consolidated**  **financial statements** | | **Separate**  **financial statements** | | |
|  | 2017 | 2016 | 2017 | | 2016 |
| ***Accrued income*** |  |  |  | |  |
| **Subsidiary** |  |  |  | |  |
| West Coast Engineering Co., Ltd. | - | - | 459 | | 382 |
|  |  |  |  | |  |
| **Joint venture** |  |  |  | |  |
| Thai Cold Rolled Steel Sheet  Public Company Limited | 290 | 1,395 | 290 | | 556 |
|  |  |  |  | |  |
| **Other related parties** |  |  |  | |  |
| Thai Coated Steel Sheet Co., Ltd. | 4,625 | 3,824 | 4,625 | | 3,824 |
| Bangsaphan Barmill Public Company Limited | 5,036 | 5,658 | 5,036 | | 5,658 |
| B.S. Metal Co., Ltd. | 136 | 219 | 136 | | 219 |
| Others | - | 949 | - | | - |
| **Total** | **10,087** | **12,045** | **10,546** | | **10,639** |

|  |  |  |  | Unit : Thousand Baht | |
| --- | --- | --- | --- | --- | --- |
|  | **Consolidated**  **financial statements** | | **Separate**  **financial statements** | | |
|  | 2017 | 2016 | 2017 | | 2016 |
| ***Trade accounts payable to related parties*** |  |  |  | |  |
| **Subsidiaries** |  |  |  | |  |
| West Coast Engineering Co., Ltd. | - | - | 9,210 | | 3,400 |
| Prachuap Port Co., Ltd. | - | - | 11,849 | | 7,588 |
|  |  |  |  | |  |
| **Other related parties** |  |  |  | |  |
| B.S. Metal Co., Ltd. | 37 | 1,145 | 37 | | 1,145 |
| Western Security Guard Co., Ltd. | 217 | 208 | - | | - |
| SVL Corporation Co., Ltd. | 43,410 | 34,828 | 43,392 | | 34,810 |
| Others | 73 | 40 | 40 | | 40 |
| **Total** | **43,737** | **36,221** | **64,528** | | **46,983** |

|  |  |  |  | Unit : Thousand Baht | |
| --- | --- | --- | --- | --- | --- |
|  | **Consolidated**  **financial statements** | | **Separate**  **financial statements** | | |
|  | 2017 | 2016 | 2017 | | 2016 |
| ***Other payables to related parties*** |  |  |  | |  |
| **Subsidiaries** |  |  |  | |  |
| Prachuap Port Co., Ltd. | - | - | 2,209 | | 7,451 |
| West Coast Engineering Co., Ltd. | - | - | 1,601 | | 2,206 |
|  |  |  |  | |  |
| **Joint venture** |  |  |  | |  |
| Thai Cold Rolled Steel Sheet  Public Company Limited | - | 303 | - | | 8 |
|  |  |  |  | |  |
| **Other related parties** |  |  |  | |  |
| Prapawit Building Property Co., Ltd. | 335 | 310 | 335 | | 270 |
| Thai Steel Sales Co., Ltd. | - | 11,319 | - | | 11,319 |
| SVL Corporation Co., Ltd. | 35,289 | 18,877 | 35,281 | | 18,885 |
| Sahaviriya Plate Mill Public Company Limited | 4,300 | 4,724 | 4,300 | | 4,300 |
| Others | 1,798 | 636 | 1,093 | | 628 |
| **Total** | **41,722** | **36,169** | **44,819** | | **45,067** |

|  |  | |  |  | Unit : Thousand Baht | |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Consolidated**  **financial statements** | | | **Separate**  **financial statements** | | |
|  | 2017 | | 2016 | 2017 | | 2016 |
| ***Short-term loans from related parties*** | |  |  |  | |  |
| **Subsidiaries** |  | |  |  | |  |
| Prachuap Port Co., Ltd. | - | | - | 7,991 | | 7,991 |
|  |  | |  |  | |  |
| **Other related parties** |  | |  |  | |  |
| The Company’s director | - | | 223,274 | - | | 223,274 |
| **Total** | **-** | | **223,274** | **7,991** | | **231,265** |

Movements during the year on short-term loans from related parties were as follows:

|  |  |  |  | Unit : Thousand Baht | |
| --- | --- | --- | --- | --- | --- |
|  | **Consolidated**  **financial statements** | | **Separate**  **financial statements** | | |
|  | 2017 | 2016 | 2017 | | 2016 |
| **Subsidiaries** |  |  |  | |  |
| At 1 January | - | - | 7,991 | | 8,000 |
| Decrease | - | - | - | | (9) |
| **At 31 December** | **-** | **-** | **7,991** | | **7,991** |
|  |  |  |  | |  |
| **Other related parties** |  |  |  | |  |
| At 1 January | 223,274 | 637,000 | 223,274 | | 637,000 |
| Increase | - | **-** | - | | **-** |
| Decrease | (223,274) | (413,726) | (223,274) | | (413,726) |
| **At 31 December** | **-** | **223,274** | **-** | | **223,274** |

On 1 February 2016, the Company’s director, lender under loan agreement amount of Baht 637 million, a loan creditor entered into sell and buy agreement and transferred the right on claiming to Sahaviriya Plate Mill Public Company Limited in the amount of Baht 413.7 million and B.S. Metal Co., Ltd. in the amount of Baht 223.3 million. In 2015 ,Sahaviriya Plate Mill Public Company Limited taken the debt amounts from transfer the right on claiming to offset with trade and other receivables with the Company and resulting to the Company has to record payables with the amount to be repaid to Sahaviriya Plate Mill Public Company Limited amount of Baht 4.3 million and in 2017, B.S. Metal Co., Ltd. taken the debt amount from transfer the right on claiming to offset with trade accounts receivable with the Company in the amount of Baht 223.3 million.

***Significant agreements with related parties***

*Consortium agreement*

On 20 January 2015 a subsidiary has entered into a consortium agreement with a local company in order to jointly-operate for projects from the State Railway of Thailand. As at 31 December 2017 the consortium has not operated the commercial operations.

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

|  |  |  |  | Unit : Thousand Baht | |
| --- | --- | --- | --- | --- | --- |
|  | **Consolidated**  **financial statements** | | **Separate**  **financial statements** | | |
|  | 2017 | 2016 | 2017 | | 2016 |
|  |  |  |  | |  |
| Cash on hand | 702 | 686 | 600 | | 600 |
| Cash at banks | 1,558,068 | 424,369 | 1,472,242 | | 355,936 |
| **Total** | **1,558,770** | **425,055** | **1,472,842** | | **356,536** |

**6 Trade accounts receivable**

|  |  |  |  | Unit : Thousand Baht | |
| --- | --- | --- | --- | --- | --- |
|  | **Consolidated**  **financial statements** | | **Separate**  **financial statements** | | |
|  | 2017 | 2016 | 2017 | | 2016 |
|  |  |  |  | |  |
| Related parties | 3,719,248 | 4,218,116 | 3,698,136 | | 4,208,153 |
| Other parties | 507,323 | 307,809 | 492,309 | | 287,879 |
| **Total** | 4,226,571 | 4,525,925 | 4,190,445 | | 4,496,032 |
| *Less* Allowance for doubtful accounts | (3,021,545) | (3,021,526) | (3,020,476) | | (3,020,476) |
| **Net** | **1,205,026** | **1,504,399** | **1,169,969** | | **1,475,556** |

Aging analyses for trade accounts receivable were as follows:

|  |  |  |  | Unit : Thousand Baht | |
| --- | --- | --- | --- | --- | --- |
|  | **Consolidated**  **financial statements** | | **Separate**  **financial statements** | | |
|  | 2017 | 2016 | 2017 | | 2016 |
| **Related parties** |  |  |  | |  |
| Within credit terms | 234,491 | 1,476,186 | 216,546 | | 1,471,486 |
| Overdue: |  |  |  | |  |
| Less than 3 months | 519,390 | 941,810 | 516,233 | | 936,667 |
| 3-6 months | 1,433,105 | 966,847 | 1,433,095 | | 966,793 |
| 6-12 months | 1,532,262 | 833,273 | 1,532,262 | | 833,207 |
| Over 12 months | - | - | - | | - |
|  | 3,719,248 | 4,218,116 | 3,698,136 | | 4,208,153 |
| *Less* Allowance for doubtful accounts | (2,736,667) | (2,736,667) | (2,736,667) | | (2,736,667) |
|  | **982,581** | **1,481,449** | **961,469** | | **1,471,486** |

|  |  |  |  | Unit : Thousand Baht | |
| --- | --- | --- | --- | --- | --- |
|  | **Consolidated**  **financial statements** | | **Separate**  **financial statements** | | |
|  | 2017 | 2016 | 2017 | | 2016 |
| **Other parties** |  |  |  | |  |
| Within credit terms | 185,166 | 19,823 | 176,263 | | 4,070 |
| Overdue: |  |  |  | |  |
| Less than 3 months | 2,157 | 2,860 | - | | - |
| 3-6 months | 32,237 | - | 32,237 | | - |
| 6-12 months | 2,617 | - | - | | - |
| Over 12 months | 285,146 | 285,126 | 283,809 | | 283,809 |
|  | 507,323 | 307,809 | 492,309 | | 287,879 |
| *Less* Allowance for doubtful accounts | (284,878) | (284,859) | (283,809) | | (283,809) |
|  | 222,445 | 22,950 | 208,500 | | 4,070 |
| **Net** | **1,205,026** | **1,504,399** | **1,169,969** | | **1,475,556** |

The normal credit terms granted by the Group ranges from 5 to 90 days.

**7 Inventories**

|  |  |  |  | Unit : Thousand Baht | |
| --- | --- | --- | --- | --- | --- |
|  | **Consolidated**  **financial statements** | | **Separate**  **financial statements** | | |
|  | 2017 | 2016 | 2017 | | 2016 |
|  |  |  |  | |  |
| Finished goods | 2,189,583 | 1,654,806 | 2,189,583 | | 1,666,492 |
| Work in progress | 6,876 | 26,192 | - | | - |
| Raw materials | 2,541,168 | 2,515,451 | 2,537,102 | | 2,522,113 |
| Spare parts and factory supplies | 752,806 | 778,511 | 752,806 | | 772,777 |
| Inventories under collateral  management agreement *(Note 16)* | 982,316 | 29,175 | 982,316 | | 29,175 |
| Goods in transit | 1,309,923 | 1,994,128 | 1,309,924 | | 1,994,128 |
|  | 7,782,672 | 6,998,263 | 7,771,731 | | 6,984,685 |
| *Less* Allowance for decline in value | (414,353) | (488,517) | (414,353) | | (488,420) |
| **Net** | **7,368,319** | **6,509,746** | **7,357,378** | | **6,496,265** |
|  |  |  |  | |  |
| Carrying value of inventories subject to |  |  |  | |  |
| retention of title clauses or otherwise |  |  |  | |  |
| pledged to secure liabilities | **-** | **3,902,128** | **-** | | **3,894,381** |
|  |  |  |  | |  |

**8 Deposits with financial institution with restriction**

The Company used deposits with financial institution as guarantee against forward contract. Under the condition of such contract, the Company could not take such deposits for using based on the determined rate of the contract period.

A subsidiary used fixed deposits to guarantee against credit lines obtained from financial institution and letter of guarantee issued by banks.

**9 Investments in subsidiaries**

Investments in subsidiaries as at 31 December 2017 and 2016 were as follows:

|  |  | **Unit** : T**housand Baht** | | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Separate financial statements** | | | | | | | | | | | | |
| **Name of entity** | **Type of business** | **Ownership interest** | | **Paid-up capital** | | **Cost method** | | | **Impairment** | | **At cost - net** | | **Dividend income for year periods ended** | |
|  |  | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | | 2016 | 2017 | 2016 | 2017 | 2016 |
|  |  | *(%)* | *(%)* |  |  |  |  |  | |  |  |  |  |  |
| Prachuap Port Co., Ltd. | Deep-sea port and |  |  |  |  |  |  |  | |  |  |  |  |  |
|  | marine shipping |  |  |  |  |  |  |  | |  |  |  |  |  |
|  | services | 51.00 | 51.00 | 400,000 | 400,000 | 204,000 | 204,000 | - | | - | 204,000 | 204,000 | 56,100 | 15,300 |
| West Coast Engineering  Co., Ltd. | Maintenance services | 99.99 | 99.99 | 75,000 | 75,000 | 75,000 | 75,000 | - | | - | 75,000 | 75,000 | - | - |
| **Total** |  |  |  |  |  | **279,000** | **279,000** | **-** | | **-** | **279,000** | **279,000** | **56,100** | **15,300** |

The management performed an impairment test on investments in subsidiaries by considering a recoverable amount using value-in-use approach determined by discounting expected future cash flows from the continuing operations of subsidiaries. As at 31 December 2017, the recoverable amount exceeds the carrying value of investments.

The key assumptions used to estimate the value-in-use were as follows:

|  |  |  |
| --- | --- | --- |
|  | 2017 | 2016 |
|  |  |  |
| Discount Rate | 9.35% | 9.86% |
| Budgeted EBITDA growth rate (average four years) | 16.25% | 17.00% |

**10. Non-controlling interests**

The following table summarises the information relating to each of the Group’s subsidiaries that has a material non-controlling interest, before any intra-group eliminations:

|  |  |  |  | Unit : Thousand Baht | |
| --- | --- | --- | --- | --- | --- |
|  | **31 December 2017** | | | | |
|  | Prachuap Port  Co., Ltd. | Other individually  immaterial subsidiaries | Intra-group eliminations | | Total |
|  |  |  |  | |  |
| Non-controlling interest percentage | 49 |  |  | |  |
| Current assets | 102,376 |  |  | |  |
| Non-current assets | 1,290,265 |  |  | |  |
| Current liabilities | (17,025) |  |  | |  |
| Non-current liabilities | (42,296) |  |  | |  |
| **Net assets** | **1,333,320** |  |  | |  |
| Carrying amount of non-controlling interest | **653,327** | 9 | (35,252) | | 618,084 |
|  |  |  |  | |  |
| Revenue | 238,387 |  |  | |  |
| Profit | 52,122 |  |  | |  |
| Other comprehensive income | - |  |  | |  |
| **Total comprehensive income** | **52,122** |  |  | |  |
| Profit allocated to non-controlling interest | 25,540 | 8 | (3,297) | | 22,251 |
|  |  |  |  | |  |
| Cash flows from operating activities | 144,200 |  |  | |  |
| Cash flows used in investing activities | (8,839) |  |  | |  |
| Cash flows used in financing activities (dividends to non-controlling interest: 53.9 million) | (129,005) |  |  | |  |
| **Net decrease in cash and cash equivalents** | **6,355** |  |  | |  |

|  |  |  | |  | **Unit** : T**housand Baht** | |
| --- | --- | --- | --- | --- | --- | --- |
|  | **31 December 2016** | | | | | |
|  | Prachuap Port  Co., Ltd. | Other individually  immaterial subsidiaries | Intra-group eliminations | | | Total |
|  |  |  |  | | |  |
| Non-controlling interest percentage | 49 |  |  | | |  |
| Current assets | 96,939 |  |  | | |  |
| Non-current assets | 1,366,584 |  |  | | |  |
| Current liabilities | (33,946) |  |  | | |  |
| Non-current liabilities | (38,379) |  |  | | |  |
| **Net assets** | **1,391,198** |  |  | | |  |
| Carrying amount of non-controlling interest | **681,687** | 8,887 | (40,842) | | | 649,732 |
|  |  |  |  | | |  |
| Revenue | 282,386 |  |  | | |  |
| Profit | 78,337 |  |  | | |  |
| Other comprehensive income | (710) |  |  | | |  |
| **Total comprehensive income** | **77,627** |  |  | | |  |
| Profit allocated to non-controlling interest | 38,385 | (96) | (3,663) | | | 34,626 |
|  | (348) | 143 | (143) | | | (348) |
| Cash flows from operating activities | 224,118 |  |  | | |  |
| Cash flows used in investing activities | (13,224) |  |  | | |  |
| Cash flows used in financing activities (dividends to non-controlling interest: 14.7 million) | (239,028) |  |  | | |  |
| **Net decrease in cash and cash equivalents** | **(28,134)** |  |  | | |  |
|  |  |  |  | | |  |

**11. Investments in joint venture**

Investments in joint venture as 31 December 2017 and 2016 were as follows:

|  |  |  | | | Unit : Thousand Baht | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Consolidated financial statements | | | | | | | | | | | | | | |
| Name of entity | Type of business | Ownership interest | | Paid-up capital | | | Cost method | | Equity method | | Impairment | | At equity - net | | Dividend income for year periods ended | |
|  |  | 2017 | 2016 | 2017 | | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
|  |  | % | % |  | |  |  |  |  |  |  |  |  |  |  |  |
| Thai Cold Rolled Steel Sheet Public Company Limited | Production and distribution of cold rolled coils | 35.19 | 35.19 | 4,816,350 | | 4,816,350 | 3,817,962 | 3,817,962 | 2,709,650 | 2,706,332 | - | - | 2,709,650 | 2,706,332 | - | - |
| **Total** |  |  |  |  | |  | **3,817,962** | **3,817,962** | **2,709,650** | **2,706,332** | **-** | **-** | **2,709,650** | **2,706,332** | **-** | **-** |

Thai Cold Rolled Steel Sheet Public Company Limited has operated its business.

The Group/ the Company has pledged 150,176,007 common shares in a joint-venture, Thai Cold Rolled Steel Sheet Public Company Limited to Marubeni-Itochu Steel Inc. for a trading facility for the latter extended to Sahaviriya Steel Industries UK Limited. And the Company set-up a provision for loss on common shares in a joint-venture, Thai Cold Rolled Steel Sheet Public Company Limited pledged as collateral to Marubeni-Itochu Steel Inc. in the amount of Baht 513 million

|  |  |  | | | Unit : Thousand Baht | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Separate financial statements** | | | | | | | | | | | | | |
| Name of entity | Type of business | Ownership interest | | Paid-up capital | | | Cost method | | Impairment | | At cost - net | | Dividend income for year periods ended | |
|  |  | 2017 | 2016 | 2017 | | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
|  |  | *(%)* | *(%)* |  | |  |  |  |  |  |  |  |  |  |
| Thai Cold Rolled Steel Sheet Public Company Limited | Production and distribution of cold rolled coils | 35.19 | 35.19 | 4,816,350 | | 4,816,350 | 3,817,962 | 3,817,962 | 658,294 | 658,294 | 3,159,668 | 3,159,668 | - | - |
| **Total** |  |  |  |  | |  | **3,817,962** | **3,817,962** | **658,294** | **658,294** | **3,159,668** | **3,159,668** | **-** | **-** |

*Joint venture*

The following table summarises the financial information of the joint venture as included in their own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group’s interest in these companies.

|  | Unit : Thousand Baht | |
| --- | --- | --- |
|  | 2017 | 2016 |
|  |  |  |
| Revenue | 12,773,280 | 10,095,781 |
| Profit from continuing operations | 40,401 | 475,062 |
| Other comprehensive income | 939 | 26,823 |
| **Total comprehensive income** | **41,340** | **501,885** |
| Attributable to NCI | 26,792 | 325,272 |
| Attributable to investee’s shareholders | 14,548 | 176,613 |
|  |  |  |
| Current assets | 3,857,403 | 2,942,233 |
| Non-current assets | 3,702,885 | 3,809,570 |
| Current liabilities | (2,218,314) | (1,446,965) |
| Non-current liabilities | (53,151) | (57,354) |
| **Net assets** | **5,288,823** | **5,247,484** |
| Attributable to NCI | 3,427,686 | 3,400,894 |
| Attributable to investee’s shareholders | 1,861,137 | 1,846,590 |
|  |  |  |
| Group’s interest in net assets of investee at 1 January | 2,706,332 | 2,529,084 |
| Total comprehensive income attributable to the Group | 3,318 | 177,248 |
| **Carrying amount of interest in investee at 31 December** | **2,709,650** | **2,706,332** |

**Contingent liabilities and commitments relating to the joint venture:**

|  | **2017** | **2016** |
| --- | --- | --- |
| *Contingent liabilities directly incurred by the Group* |  |  |
| Group’s share of the joint venture’s contingent liabilities | Baht 9 million | Baht 20 million |
| *Capital commitments in relation to interest in*  *joint venture*  Group’s share of the joint venture according to |  |  |
| - from capital expenditure | Baht 87 million,  USD 0.18 million,  JPY 0.25 million,  GBP 0.11 million  and Euro 0.11 million | Baht 65 million,  USD 0.21 million,  JPY 43 million,  GBP 0.11 million  and Euro 0.07 million |
| - from non-cancellable operating lease commitments | Baht 7 million | Baht 1 million |
| - from raw materials and chemical purchases | Baht 103 million,  and USD 13.51 million | Baht 228 million,  and USD 8.55 million |
| - from other contracts | Baht 11 million  and JPY 11 million | Baht 1 million  and JPY 11 million |

Management performed an impairment test on the investments in joint venture by considering a recoverable amount using value-in-use approach determined by discounting expected future cash flows from the continuing operations of a joint venture. As at 31 December 2017 the recoverable amount exceeds the carrying value of investments.

The key assumptions used to estimate the value-in-use were as follow:

|  |  |  |
| --- | --- | --- |
|  | 2017 | 2016 |
|  | % | % |
| Discount rate | 7.02 | 10.23% |
| Budgeted EBITDA growth rate (average 5 years – forward) | 4.90 | 11.00% |

**12. Other long-term investment**

Other long-term investment as at 31 December 2017 and 2016 were as follows:

|  |  |  | | | Unit : Thousand Baht | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Consolidated and Separate financial statements** | | | | | | | | | | | | | |
| Name of entity | Type of business | Ownership interest | | Paid-up capital | | | Cost method | | Impairment | | At cost - net | | Dividend income for year ended | |
|  |  | 2017 | 2016 | 2017 | | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
|  |  | *(%)* | *(%)* |  | |  |  |  |  |  |  |  |  |  |
| Thai Coated Steel Sheet Co., Ltd. | Manufacturing and distribution of Electro Galvanized Steel Sheet | 3.70 | 3.70 | 2,206,990 | | 2,206,990 | 294,000 | 294,000 | 294,000 | 294,000 | - | - | - | - |
| **Total** |  |  |  |  | |  | **294,000** | **294,000** | **294,000** | **294,000** | **-** | **-** | **-** | **-** |

**13.** **Property, plant and equipment**

|  |  |  |  |  |  | Unit : Thousand Baht | |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Consolidated financial statements** | | | | | | |
|  | Land and land improvement | Factory and office buildings | Machinery, tool and factory equipment | Office furniture, fixtures and equipment | Vehicles | Assets under construction and installation | Total |
| ***Cost*** |  |  |  |  |  |  |  |
| **At 1 January 2016** | **1,627,704** | **2,051,890** | **18,839,042** | **200,930** | **104,646** | **637,620** | **23,461,832** |
| Additions | - | 187 | 8,403 | 5,366 | 100 | 146,073 | 160,129 |
| Transfers | - | 6,400 | 86,094 | 3,049 | - | (95,543) | - |
| Transfers to cost of inventory | - | - | - | - | - | (187,349) | (187,349) |
| Disposals | - | - | (2,648) | (6,191) | (5,585) | - | (14,424) |
| **At 31 December 2016** | **1,627,704** | **2,058,477** | **18,930,891** | **203,154** | **99,161** | **500,801** | **23,420,188** |
| Additions | 615 | 334 | 76,873 | 28,194 | 52 | 274,535 | 380,603 |
| Transfers | - | 745 | 105,705 | 1,143 | - | (107,593) | - |
| Transfers to cost of inventory | - | - | - | - | - | (186,709) | (186,709) |
| Disposals | - | - | (94,417) | (22,325) | (514) | - | (117,256) |
| **At 31 December 2017** | **1,628,319** | **2,059,556** | **19,019,052** | **210,166** | **98,699** | **481,034** | **23,496,826** |

|  |  |  |  |  |  | Unit : Thousand Baht | |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Consolidated financial statements** | | | | | | |
|  | Land and land improvement | Factory and office buildings | Machinery, tool and factory equipment | Office furniture, fixtures and equipment | Vehicles | Assets under construction and installation | Total |
| ***Depreciation and impairment losses*** |  |  |  |  |  |  |  |
| **At 1 January 2016** | **655,125** | **1,627,245** | **8,754,733** | **175,436** | **85,512** | **-** | **11,298,051** |
| Depreciation charge for the year | 512 | 49,586 | 413,375 | 11,785 | 8,163 | - | 483,421 |
| Disposals | - | - | (2,633) | (6,153) | (5,585) | - | (14,371) |
| Impairment losses | - | - | - | - | - | 19,000 | 19,000 |
| **At 31 December 2016** | **655,637** | **1,676,831** | **9,165,475** | **181,068** | **88,090** | **19,000** | **11,786,101** |
| Depreciation charge for the year | 363 | 42,783 | 418,692 | 12,646 | 6,152 | - | 480,636 |
| Disposals | - | - | (49,722) | (21,728) | (503) | - | (71,953) |
| **At 31 December 2017** | **656,000** | **1,719,614** | **9,534,445** | **171,986** | **93,739** | **19,000** | **12,194,784** |
|  |  |  |  |  |  |  |  |
| ***Net book value*** |  |  |  |  |  |  |  |
| **At 31 December 2016** |  |  |  |  |  |  |  |
| Owned assets | 972,067 | 381,646 | 9,519,386 | 22,086 | 8,017 | 481,801 | 11,385,003 |
| Assets under finance leases |  |  |  |  |  |  |  |
| and hire-purchases | - | - | 246,030 | - | 3,054 | - | 249,084 |
| **Total** | **972,067** | **381,646** | **9,765,416** | **22,086** | **11,071** | **481,801** | **11,634,087** |
| **At 31 December 2017** |  |  |  |  |  |  |  |
| Owned assets | 972,319 | 339,942 | 9,475,224 | 38,180 | 4,960 | 462,034 | 11,292,659 |
| Assets under finance leases |  |  |  |  |  |  |  |
| and hire-purchases | - | - | 9,383 | - | - | - | 9,383 |
| **Total** | **972,319** | **339,942** | **9,484,607** | **38,180** | **4,960** | **462,034** | **11,302,042** |

|  |  |  |  |  |  | Unit : Thousand Baht | |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Separate financial statements** | | | | | | |
|  | Land and land improvement | Factory and office buildings | Machinery, tool and factory equipment | Office furniture, fixtures and equipment | Vehicles | Assets under construction and installation | Total |
| ***Cost*** |  |  |  |  |  |  |  |
| **At 1 January 2016** | **1,004,896** | **1,890,585** | **16,404,731** | **160,420** | **74,185** | **623,046** | **20,157,863** |
| Additions | - | 187 | 3,527 | 4,932 | 14 | 110,638 | 119,298 |
| Transfer | - | 6,400 | 56,300 | 3,050 | - | (65,750) | - |
| Transfers to cost of inventory | - | - | - | - | - | (187,349) | (187,349) |
| Disposals | - | - | (1,982) | (5,226) | (4,209) | - | (11,417) |
| **At 31 December 2016** | **1,004,896** | **1,897,172** | **16,462,576** | **163,176** | **69,990** | **480,585** | **20,078,395** |
| Additions | - | 264 | 34,876 | 22,178 | 52 | 274,253 | 331,623 |
| Transfer | - | 745 | 96,571 | 1,143 | - | (98,459) | - |
| Transfer to cost of inventory | - | - | - | - | - | (186,709) | (186,709) |
| Disposals | - | - | (28,438) | (16,160) | (514) | - | (45,112) |
| **At 31 December 2017** | **1,004,896** | **1,898,181** | **16,565,585** | **170,337** | **69,528** | **469,670** | **20,178,197** |
|  |  |  |  |  |  |  |  |

|  |  |  |  |  |  | Unit : Thousand Baht | |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Separate financial statements** | | | | | | |
|  | Land and land improvement | Factory and office buildings | Machinery, tool and factory equipment | Office furniture, fixtures and equipment | Vehicles | Assets under construction and installation | Total |
| ***Depreciation and impairment losses*** |  |  |  |  |  |  |  |
| **At 1 January 2016** | **339,925** | **1,536,627** | **7,477,860** | **141,967** | **62,433** | **-** | **9,558,812** |
| Depreciation charge for the year | 372 | 43,590 | 318,541 | 9,135 | 5,367 | - | 377,005 |
| Disposals | - | - | (1,968) | (5,196) | (4,209) | - | (11,373) |
| **At 31 December 2016** | **340,297** | **1,580,217** | **7,794,433** | **145,906** | **63,591** | **-** | **9,924,444** |
| Depreciation charge for the year | 98 | 39,295 | 327,341 | 9,582 | 3,425 | - | 379,741 |
| Disposals | - | - | (12,288) | (15,960) | (503) | - | (28,751) |
| **At 31 December 2017** | **340,395** | **1,619,512** | **8,109,486** | **139,528** | **66,513** | **-** | **10,275,434** |
|  |  |  |  |  |  |  |  |
| ***Net book value*** |  |  |  |  |  |  |  |
| **At 31 December 2016** |  |  |  |  |  |  |  |
| Owned assets | 664,599 | 316,955 | 8,668,143 | 17,270 | 3,345 | 480,585 | 10,150,897 |
| Assets under finance leases |  |  |  |  |  |  |  |
| and hire-purchases | - | - | - | - | 3,054 | - | 3,054 |
| **Total** | **664,599** | **316,955** | **8,668,143** | **17,270** | **6,399** | **480,585** | **10,153,951** |
| ***Net book value*** |  |  |  |  |  |  |  |
| **At 31 December 2017** |  |  |  |  |  |  |  |
| Owned assets | 664,501 | 278,669 | 8,456,099 | 30,809 | 3,015 | 469,670 | 9,902,763 |
| Assets under finance leases |  |  |  |  |  |  |  |
| and hire-purchases | - | - | - | - | - | - | - |
|  | **664,501** | **278,669** | **8,456,099** | **30,809** | **3,015** | **469,670** | **9,902,763** |

Assets value of the Group before accumulated depreciation of building and equipment which were fully depreciated but are still in use up to December 31, 2017 amounted to Baht 2,597.4 million ( 2016: Baht 2,514.1 million).

Assets value of the Company before accumulated depreciation of building and equipment which were fully depreciated but are still in use up to December 31, 2017 amounted to Baht 2,068 million *(2016: Baht 1,972 million)*.

As at 31 December 2016, the Group recorded an impairment loss on asset of Baht 19 million.

As at 31 December 2017, the Group/ the Company has mortgaged/ pledged assets amounting to approximately Baht 9,428 million and Baht 9,113 million respectively (*2016: Baht 9,733 million and Baht 9,418 million)*, respectively,as collateral against bank overdrafts, short-term borrowings and long-term borrowings from financial institutions, and letter of guarantee for electricity, port and goods warehouse, as described in Note 15, 18 and 29 to financial statements.

**14. Deferred tax**

Deferred tax assets and liabilities as at 31 December 2017 and 2016 were as follows:

|  |  |  | Unit : Thousand Baht | |
| --- | --- | --- | --- | --- |
|  | **Consolidated financial statements** | | | |
|  | **Assets** | | **Liabilities** | |
|  | 2017 | 2016 | 2017 | 2016 |
|  |  |  |  |  |
| Total | 29,405 | 37,868 | (72,955) | (102,631) |
| Tax offsetting | (11,552) | (12,201) | 11,551 | 12,201 |
| **Net deferred tax assets (liabilities)** | **17,853** | **25,667** | **(61,404)** | **(90,430)** |

|  |  |  | Unit : Thousand Baht | |
| --- | --- | --- | --- | --- |
|  | **Separate financial statements** | | | |
|  | **Assets** | | **Liabilities** | |
|  | 2017 | 2016 | 2017 | 2016 |
|  |  |  |  |  |
| **Deferred tax liabilities** | **-** | **-** | **(31,280)** | **(63,139)** |

Movements of deferred tax assets and liabilities during the period were as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | Unit : Thousand Baht | |
|  | Consolidated financial statements | | | |
|  |  | (Charged) / Credited to: | |  |
|  | At 1 January  2017 | Profit or loss | Other comprehensive income | At 31 December 2017 |
| ***Deferred tax assets*** |  |  |  |  |
| Trade accounts receivable | 210 | 4 | - | 214 |
| Inventories | 19 | (19) | - | - |
| Other current assets | 22 | (22) | - | - |
| Property, plant and equipment | 13,600 | (3,436) | - | 10,164 |
| Employee benefit obligations | 9,789 | (3,194) | - | 6,595 |
| Taxable loss carry forward | 14,228 | (1,796) | - | 12,432 |
| **Total** | **37,868** | **(8,463)** | **-** | **29,405** |
|  |  |  |  |  |
| ***Deferred tax liabilities*** |  |  |  |  |
| Other current assets | (312) | 55 | - | (257) |
| Property, plant and equipment | (93,360) | 28,723 | - | (64,637) |
| Employee benefit obligations | (6,342) | 3,598 | - | (2,744) |
| Finance lease liabilities | (2,617) | (2,700) | - | (5,317) |
| **Total** | **(102,631)** | **29,676** | **-** | **(72,955)** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | Unit : Thousand Baht | |
|  | **Separate financial statements** | | | |
|  |  | (Charged) / Credited to: | |  |
|  | At 1 January 2017 | Profit or loss | Other comprehensive income | At 31December 2017 |
| ***Deferred tax liabilities*** |  |  |  |  |
| Property, plant and equipment | (60,395) | 31,859 | - | (28,536) |
| Employee benefit obligations | (2,744) | - | - | (2,744) |
| **Total** | **(63,139)** | **31,859** | **-** | **(31,280)** |

Deffered tax assets resulted from temporary diferences which had not been recognized in the financial statements as at 31 December 2017 and 2016 are detailed below :

|  |  |  | Unit : Thousand Baht | |
| --- | --- | --- | --- | --- |
|  | **Consolidated financial statements** | | **Separate financial statements** | |
|  | 2017 | 2016 | 2017 | 2016 |
| ***Deferred tax assets*** |  |  |  |  |
| - Deductible temporary differences | 7,673,301 | 7,779,268 | 7,673,301 | 7,725,190 |
| - Tax losses | 561,592 | 1,692,146 | 561,592 | 1,692,146 |
| **Net** | **8,234,893** | **9,471,414** | **8,234,893** | **9,417,316** |
|  |  |  |  |  |

Tax losses of the companies in Thailand will expire in 2018 - 2023. Temporary differences do not expire under current tax legislation. The Group and the Company has not recognized deferred tax assets in respect of these items because it is not probable that future taxable profit will be available against which the Group and the Company can utilise the benefits therefrom or temporary differences will be reversed in the future.

**15. Short term borrowings from financial institution**

As at 31 December 2017, the Group had unutilized credit facilities total amount of Baht 102.9 million and the Company had no credit facilities (2016: Baht 57 million for the Group only and no credit facilities for the Company).

Short-term borrowings from PPC, a subsidiary are guaranteed by mortgaging land with its construction structured thereon and / in the future of the subsidiary. Bank overdrafts and short-term borrowings of WCE, a subsidiary are guaranteed by mortgaging land with its construction and transferring the privileges derived from assets insurance of such subsidiary, fixed deposit of subsidiary as stated in notes 8 and 13 to financial statements.

**16. Trade Accounts Payable**

|  |  |  | Unit: Thousand Baht | |
| --- | --- | --- | --- | --- |
|  | **Consolidated**  **financial statements** | | **Separate**  **financial statements** | |
|  | 2017 | 2016 | 2017 | 2016 |
|  |  |  |  |  |
| Related parties | 43,737 | 36,221 | 64,528 | 46,983 |
| Other parties | 2,989,319 | 2,208,083 | 2,937,680 | 2,157,993 |
| **Total** | **3,033,056** | **2,244,304** | **3,002,208** | **2,204,976** |

***Inventory under collateral management agreement***

The Company entered into the collateral management agreements with two companies which are incorporated in Singapore and Japan. Under the terms of the agreements, the Company has to pay a partial deposit and the remainder when withdrawing inventory from the representative company. The Company retains all or a significant portion of the risks and rewards relating to the collateralised inventory. Inventory is stored in the warehouse facilities for which that counter party appoints a representative to act as the collateral manager. These transactions are treated as inventory under collateral management agreements and trade payable under collateral management agreements within the statement of financial position.

**17 Other Current Liabilities**

|  |  |  | Unit : Thousand Baht | |
| --- | --- | --- | --- | --- |
|  | **Consolidated**  **financial statements** | | **Separate**  **financial statements** | |
|  | 2017 | 2016 | 2017 | 2016 |
| Accrued expense | 118,470 | 170,620 | 110,809 | 156,598 |
| Other payables | 50,541 | 30,865 | 34,855 | 24,681 |
| Amounts received in advance from sales of goods | 291,195 | 271,370 | 283,929 | 262,696 |
| Others | 52,843 | 33,946 | 33,616 | 22,236 |
| **Total** | **513,049** | **506,801** | **463,209** | **466,211** |

**18 Liabilities under Rehabilitation Plan**

|  |  |  | Unit : Thousand Baht | |
| --- | --- | --- | --- | --- |
|  | **Consolidated**  **financial statements** | | **Separate**  **financial statements** | |
|  | 2017 | 2016 | 2017 | 2016 |
| ***Current protion*** |  |  |  |  |
| Other payables | 60,632 | 73,450 | 60,632 | 73,450 |
| Long-term borrowings from financial institution | 1,038,619 | 1,013,619 | 1,038,619 | 1,013,619 |
| Provisions under guarantee contract | 498,485 | 455,667 | 498,485 | 455,667 |
|  | **1,597,736** | **1,542,736** | **1,597,736** | **1,542,736** |
| ***Non-current portion*** |  |  |  |  |
| Other payables | 1,853,026 | 1,910,854 | 1,853,026 | 1,910,854 |
| Long-term borrowings from financial institution | 23,319,835 | 24,599,427 | 23,319,835 | 24,599,427 |
| Provisions under guarantee contract | 25,476,910 | 28,489,629 | 25,476,910 | 28,489,629 |
|  | **50,649,771** | **54,999,910** | **50,649,771** | **54,999,910** |
|  | **52,247,507** | **56,542,646** | **52,247,507** | **56,542,646** |
| Accrued interest expenses | 8,277,827 | 7,617,098 | 8,277,827 | 7,617,098 |
| **Total liabilities under business rehabilitation plan** | **60,525,334** | **64,159,744** | **60,525,334** | **64,159,744** |

Movement of liabilities under business rehabilitation plan for the year ended December 31, 2017 are as follows:

|  | Unit : Thousand Baht |
| --- | --- |
|  | **Consolidated and Separate**  **financial statement** |
| At 1 January 2017 | 56,542,646 |
| Gain on exchange rate | (2,477,199) |
| Repayments | (1,817,940) |
| **At 1 December 2017** | **52,247,507** |

Liabilities under business rehabilitation of secured portion, detailed of security, land building and equipment as stated in notes 13 to financial statements.

In 2015, the major lender called for repayments immediately for the remained borrowings amount of USD 788 million and GBP 1 million respectively (equal to Baht 28,384 million and Baht 46 million respectively) and in Thai Baht 1.6 million with Sahaviriya steel Industry UK and subsequently, the major lender requested for the responsibility of the Company in being a guarantor for the debt amount.

As a result, the Company could not maintained the financial ratio and did not made repayment of the matured principal and interest to the bank. The major lender called for repayment of total amounts immediately, caused to the Board of directors of the Company approved the Company to file the rehabilitation to the Central Bankruptcy Court on 1 October 2015 which resulted from the rehabilitation plan was approved by the Central Bankruptcy Court on 15 December 2016, long-term borrowings form financial institutions, provisions from being guarantor and other payables under rehabilitation plan with obligated interest are part of rehabilitation plan (see note 20). The reclassified of such borrowings, provisions, and other payables under rehabilitation plan with obligated interest as at 31 December 2017 are conformed to the debts settlement as stipulated in the Plan.

Liabilities under rehabilitation plan as at 31 December 2017 and 2016 classified by currency as follows:

|  |  |  | Unit : Thousand Baht | |
| --- | --- | --- | --- | --- |
|  | **Consolidated**  **financial statements** | | **Separate**  **financial statements** | |
|  | 2017 | 2016 | 2017 | 2016 |
| Baht | 26,731,983 | 25,070,775 | 26,731,983 | 25,070,775 |
| USD | 25,515,524 | 31,425,634 | 25,515,524 | 31,425,634 |
| GBP | - | 46,237 | - | 46,237 |
| **Total** | **52,247,507** | **56,542,646** | **52,247,507** | **56,542,646** |

**19. Non-current Provisions for employee benefit**

|  |  |  | Unit : Thousand Baht | |
| --- | --- | --- | --- | --- |
|  | **Consolidated**  **financial statements** | | **Separate**  **financial statements** | |
|  | 2017 | 2016 | 2017 | 2016 |
| ***Statements of financial position as at 31 December*** |  |  |  |  |
| **Obligations in statements of financial position for:** |  |  |  |  |
| Statutory severance pay | 179,590 | 169,738 | 150,452 | 138,405 |
| Other long-term employee benefits | 12,429 | 8,834 | 8,595 | 9,060 |
| **Total** | **192,019** | **178,572** | **159,047** | **147,465** |
|  |  |  |  |  |
| ***Year ended 31 December*** |  |  |  |  |
| **Statement of comprehensive income Recognized in profit or loss:** |  |  |  |  |
| Statutory severance pay | 15,371 | 21,699 | 11,969 | 17,972 |
| Other long-term employee benefits | 5,174 | 2,376 | 4,729 | 1,717 |
| **Total** | **20,545** | **24,075** | **16,698** | **19,689** |
|  |  |  |  |  |
| **Recognized in other comprehensive income:** |  |  |  |  |
| Actuarial gains recognized in the year | **-** | **(46,787)** | **-** | **(29,680)** |

**Statutory Severance Pay**

The Group and the Company operate defined benefit plans based on the requirement of Thai Labour Protection Act B.E. 2541 (1998) to provide retirement benefits to employees based on pensionable remuneration and length of service.

The movement in the present value of the defined benefit obligations for the year ended 31 December 2017 and 2016 were shown in the table below:

|  |  |  | Unit : Thousand Baht | |
| --- | --- | --- | --- | --- |
|  | **Consolidated**  **financial statements** | | **Separate**  **financial statements** | |
|  | 2017 | 2016 | 2017 | 2016 |
| Defined benefit obligations at 1 January | 178,572 | 211,276 | 147,465 | 160,395 |
| ***Recognized in profit or loss:*** |  |  |  |  |
| Current service costs and interest | 20,545 | 24,075 | 16,698 | 19,689 |
| ***Recognized in other comprehensive income:*** |  |  |  |  |
| Actuarial gains recognized in the year | - | (46,787) | - | (29,680) |
| ***Others*** |  |  |  |  |
| Benefits paid by the plan | (7,098) | (9,992) | (5,116) | (2,939) |
| **Defined benefit obligations at 31 December** | **192,019** | **178,572** | **159,047** | **147,465** |
|  |  |  |  |  |

Actuarial gains and losses recognized in other comprehensive income arising from:

|  |  |  | Unit : Thousand Baht | |
| --- | --- | --- | --- | --- |
|  | **Consolidated**  **financial statements** | | **Separate**  **financial statements** | |
|  | 2017 | 2016 | 2017 | 2016 |
| Demographic assumptions | - | (52,553) | - | (50,958) |
| Financial assumptions | - | 21,298 | - | 21,368 |
| Experience adjustment | - | (15,532) | - | (90) |
| **Total** | - | **(46,787)** | - | **(29,680)** |

***Actuarial assumptions***

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | Unit : Thousand Baht | |
|  | **Consolidated**  **financial statements** | | **Separate**  **financial statements** | |
|  | 2017 | 2016 | 2017 | 2016 |
| Discount rate | 3.03 - 3.20 | 3.03 - 3.20 | 3.03 | 3.03 |
| Future salary growth | 5.59 - 6.64 | 5.59 - 6.64 | 6.59 | 6.59 |

Assumptions regarding future mortality have been based on published statistics and mortality tables

***Sensitivity analysis***

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown below:

|  |  |  | Unit : Thousand Baht | |
| --- | --- | --- | --- | --- |
|  | **Consolidated**  **financial statements** | | **Separate**  **financial statements** | |
|  | Increase | Decrease | Increase | Decrease |
| **Defined benefit obligation**  **31 December 2017** |  |  |  |  |
| Discount rate (0.5% movement) | (6,305) | 6,696 | (5,304) | 5,629 |
| Future salary growth (0.5% movement) | 6,356 | (6,000) | 5,306 | (5,041) |
| Employee turnover rate (1% movement) | (14,670) | 16,556 | (12,239) | 13,794 |

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

**20 Business rehabilitation plan**

On 1 October 2015, the Board of the Company approved the Company to file the petition for business rehabilitation to the Central Bankruptcy Court. Subsequent on 10 March 2016, the Central Bankruptcy Court has ordered the Company to rehabilitate the business and appointed the Company to be a planner (“ the Planner”) which announced in the Royal Gazette on 26 April 2016.

As at 15 September 2016, the Official Receiver arranged the creditors meeting for considering the plan and the creditors’ meeting passed the special resolution to accept the rehabilitation plan (the Plan) and appointed tree creditors to be the Board of creditors, consist of Siam Commercial Bank Public Company Limited, Krung Thai Bank Public Company Limited and Tisco Bank Public Company Limited.

As at 15 December 2016, the Central Bankruptcy Court has ordered to approve with the Plan which determined the Company to be a planner.

On 14 February 2017, a creditor filed to appeal the order to approve with the plan to the central Bankruptcy Court . The appeal was served to the Appeal and specialized Court for trying the appeal. As at 28 February 2018, the ultimate outcome of appeal have not been known.

The significant of rehabilitation plan which was ordered for approval by the Central Bankruptcy Court is as follows:

**1. Classification of the creditor**

The Business Rehabilitation Plan (the “Plan”) has classified the creditors who filed applications for repayment of debts into 13 classes. The total debt claim in Baht denominator is Baht 33,849.9 million and in other currencies which include USD denominator of USD 990.9 million, GBP denominator of GBP 4.6 million and EUR denominator of EUR 0.1 million (computed in Baht denominator with the exchange rate as at 10 March 2016, the date that the Court issued Rehabilitation Order in which the exchange rate for USD 1 = Baht 35.4546, GBP 1 = Baht 50.5173 and EUR 1 = Baht 39.0923. Thus, the total debt claim is in Thai Baht equivalent of Baht 69,220.2 million). Detail is as follows:

| **Class No.** | **Creditor** | **Total indebtedness amount equivalent to Thai Baht (in thousand Baht)** | | |
| --- | --- | --- | --- | --- |
| **Principal** | **Interest** | **Total** |
| 1 | Secured creditors | 9,780,633 | 8,764 | 9,789,397 |
| 2 | Financial institution creditors for the portions of debt claims that exceed the appraised value of the collateral | 12,468,299 | 2,271,120 | 14,739,419 |
| 3 | Financial institution creditors who are the joint creditors under the Debt Restructuring Agreement | 3,968,607 | 526,228 | 4,494,835 |
| 4 | Creditor of guarantee obligations for loan repayment | 28,006,355 | 1,865,495 | 29,871,850 |
| 5 | Suppliers of key raw materials | 1,592,058 | 172,264 | 1,764,322 |
| 6 | Government agencies and authorities | 177,397 | 204,022 | 381,419 |
| 7 | Related party creditors | 872,574 | 587 | 873,161 |
| 8 | Trade accounts payable | 15,110 | 387 | 15,497 |
| 9 | Creditor under the guarantee agreement | 3,545,460 | 224,786 | 3,770,246 |
| 10 | Creditor of contingent liabilities relating to guarantees | 1,185,026 | - | 1,185,026 |
| 11 | Creditor of fines and/or damages incurred in relation to defaults of contract | 279,391 | - | 279,391 |
| 12 | Creditor of professional fees under consultant agreements | 1,927,893 | 21,251 | 1,949,144 |
| 13 | Issuers of bank guarantees | 105,562 | 925 | 106,487 |
|  | **Total** | **63,924,365** | **5,295,829** | **69,220,194** |

Remark: All creditors who filed applications for repayment of debts to the Official Receiver will receive payment under the terms and conditions set forth in the Plan when the Official Receiver, the Bankruptcy Court, or the Supreme Court (as applicable) issues a final order to validate the debt.

**2. Capital Restructuring**

On the date that the Court issued Rehabilitation Order, the Company had registered capital amount of Baht 50,263.7 million with the registered number of ordinary shares equivalent to 50,263.7 million shares at the par value of Baht 1 per share. The issued and paid up share capital was Baht 32,166.3 million and unissued share capital was Baht 18,097.4 million. The Plan Administrator will restructure the capital as follows:

*2.1 Decrease the unissued ordinary shares*

Within 90 days after the date the Court issues an order approving the Plan (“Court’s Plan Approval Date”), the Company has to decrease the registered but unissued ordinary shares of 18,097.4 million shares. Such decrease will bring down the total value of the registered shares to be equivalent to the total value of issued and paid up shares at Baht 32,166.3 million comprising of 32,166.3 million ordinary shares at the par value of Baht 1 per share.

*2.2 Decrease the issued and paid up share capital by reducing the number of issued and paid up shares*

Within 90 days after the date the Court’s Plan Approval Date, the Company has to decrease the registered share capital from Baht 32,166.3 million to approximately Baht 1,109 million by reducing the number of ordinary shares by applying the ratio of existing shares 29 shares to 1 share. After such reduction, the Company will have the total value of its registered and paid up shares equivalent to approximately Baht 1,109 million comprising of 1,109 million ordinary shares at the par value of Baht 1 per share.

*2.3 Increase the share capital by the 1st Debt to Equity Conversion*

Within 90 days after the date the Court’s Plan Approval Date, the Company has to increase the total value registered and paid up shares by Baht 10,000 million by issuing ordinary shares at the amount of 10,000 million shares to be the reserve shares for debt to equity conversion for the creditor in class 2 and/or 3 and/or 4 in conformity with the conditions as stipulated in the Plan. The conversion will be Baht 0.05 per 1 share. After such execution, the Company will have the registered and paid up share capital of approximately Baht 11,109 million comprising of 11,109 issued and paid up ordinary shares at the par value of Baht 1 per share. Nonetheless, the timeframe for the decrease of unissued ordinary shares, the decrease of the issued and paid up share capital and the increase of the share capital by the 1st Debt to Equity Conversion may be extended for not more than 90 days.

*2.4 Increase of registered share capital for the 2nd Debt to Equity Conversion*

After the completion of the 1st Debt to Equity Conversion, in case where the creditor may proceed the 2nd Debt to Equity Conversion, their debt will be repaid by the Company’s ordinary shares to be newly issued in conformity with the conditions as stipulated in the Plan. The Plan Administrator will have to increase the registered share capital and increase the issued and paid up share capital by issuing adequate number of ordinary shares at the par value of Baht 1 per share to be the reserve shares for the 2nd Debt to Equity Conversion of each and every creditor whose debt will be repaid by the 2nd Debt to Equity Conversion in conformity with the conditions as stipulated in the Plan. The conversion price per 1 share will be the market price per share (the market as of the date the creditor indicate their intention for the 2nd Debt to Equity Conversion; if there is not a market price, the conversion price will be Baht 0.05 per share). In the allocation of the increased ordinary shares for debt repayment to the creditor as per the aforementioned, the Company can consider to register the issued and paid up shares one or more times.

*2.5 Increase the share capital for debt to equity conversion for the creditor class 7, 9 and 12*

Under the principles of the debt repayment of this Plan, the Plan Administrator will have to increase the registered share capital and increase the issued and paid up share capital by issuing adequate number of ordinary shares at the par value of Baht 1 per share to be the reserve shares for the debt to equity conversion of the creditor class 7, 9 and 12 of the Plan. The conversion price will be Baht 0.05 per 1 share as stipulated in the Plan. In the allocation of the increased ordinary shares for debt repayment to the creditor as per the aforementioned, the Company can consider to register the issued and paid up shares one or more times.

**3. Debt repayment of each creditor class**

*3.1 Creditor Class 1 (Secured creditor)*

3.1.1 The outstanding principal of Baht 9,780.6 million will be repaid from cash flow for debt repayment and/or excess cash. The creditor will be paid for 144 monthly instalment payments (the 1st month commencing from the month after the month that the Court approves the Plan).

3.1.2 (a) From the date after the Court ordered the business rehabilitation to the Court’s Plan approval date, the Creditor Class 1 will be entitled to receive interim interest on the outstanding principal at the rate of 7.5% per annum. Such interim interest will be accrued and paid in the 144th month.

(b) From the date after the Court’s Plan Approval Date until the date the total debt is paid in full, the Creditor Class 1 will be entitled to receive New Interest on the principal at the rate of MLR% per annum; nonetheless, the actual interest payment will be at the rate of 0.5%. The difference between the new interest and the actual interest (“deferred new interest Portion”) will be accrued and paid in the 144th month.

3.1.3 In case the Company executes the 2nd Debt to Equity Conversion, the Creditor Class 1 will receive interest payment at the rate of MLR% per annum from the date after the 2nd Debt to Equity Conversion date.

3.1.4 After the Creditor Class 1 receives the repayment of debt in full as stipulated in the Plan which includes the prepayment of debt in full, or the Company has completed the 2nd Debt to Equity Conversion to the creditor who may convert their debt into shares in the 2nd Debt to Equity Conversion, the Creditor Class 1 agrees to waive the interim interest and the deferred new interest portion by 50% of such interim interest and the deferred new Interest Portion

3.1.5 With regards to the outstanding interest of Baht 8.8 million, the remaining interim interest and the remaining deferred new Interest Portion from clause 3.1.4, the Creditor Class 1 will be repaid in the 144th month. However, if the Company repays the principals of the Creditor Class 2, 3, 4 and 5 in full in any year, the Company will pay the outstanding interest, the remaining interim interest and the remaining Deferred New Interest Portion to the Creditor Class 1 in the same year.

3.1.6 Moreover, during the plan administration period, the Creditor Class 1 who has collaterals which are the shares owned by the Company, can opt to receive the repayment of its outstanding principle and interest in full by transferring the share collaterals to offset such amount. In this event, such Creditor agrees to immediately waive the interim interest and the deferred new interest portion in full on the closing date of the transfer of shares.

*3.2 Creditors, Class 2, 3, 4 and 5*

3.2.1 Creditor Class 2 (Financial institution creditors for the portions of debt claims that exceed the appraised value of the collateral). The outstanding principal of Baht 2,319.2 million will be repaid from cash flow for debt repayment and/or excess cash. The creditor will be paid for 144 monthly instalment payments (the 1st month commencing from the month after the month that the Court approves the Plan). The remaining principal of Baht 10,149.1 million will be repaid in the 144th month from the new funding and/or refinancing and/or excess cash.

3.2.2 Creditor Class 3 (Financial institution creditors who are the joint creditors under the Loan Rescheduling Agreement). The outstanding principal of Baht 722.6 million will be repaid from cash flow for debt repayment and/or excess cash. The creditor will be paid for 144 monthly instalment payments (the 1st month commencing from the month after the month that the Court approves the Plan). The remaining principal of Baht 3,246.0 million will be repaid in the 144th month from the new funding and/or refinancing and/or excess cash.

3.2.3 Creditor Class 4 (Creditor of guarantee obligations for loan repayment). The outstanding principal of Baht 5,209.4 million will be repaid from cash flow for debt repayment and/or excess cash. The creditor will be paid for 144 monthly instalment payments (the 1st month commencing from the month after the month that the Court approves the Plan). The remaining principal of Baht 22,796.9 million will be repaid in the 144th month from the new funding and/or refinancing and/or excess cash.

3.2.4 Creditor Class 5 (Suppliers of key raw materials). The outstanding principal of Baht 291.7 million will be repaid from cash flow for debt repayment and/or excess cash. The creditor will be paid for 144 monthly installment payments (the 1st month commencing from the month after the month that the Court approves the Plan). The remaining principal of Baht 1,300.3 million will be repaid in the 144th month from the new funding and/or refinancing and/or excess cash. However, if the creditor in Class 5 have debt payable to the Company, the Plan Administrator must set off the repayment against such debt payable before repaying the installment payment.

3.2.5 From the date after the Court ordered the business rehabilitation to the Court’s Plan Approval Date, the Creditor Classes 2, 3, 4 and 5 will be entitled to receive interim interest on the outstanding principal. Such interim interest will be accrued and paid in the 144th month. In addition, from the date after the Court’s Plan Approval Date until the date the total debt is paid in full, the Creditor Classes 2, 3, 4 and 5 will be entitled to receive New Interest at the rate on the principals as follow:

1st Month – 60th Month 1.00% per annum

61th Month – 84th Month 1.75% per annum

85th Month – 96th Month 2.00% per annum

97th Month – 108th Month 2.25% per annum

109th Month – 120th Month 2.50% per annum

121th Month – 144th Month 2.75% per annum

In this regards, the creditor will receive actual interest payment at the rate of 0.1% per annum. The deferred new interest portion, which is the difference between the new interest and the actual interest, will be accrued and paid in the 144th month.

3.2.6 The Creditor Classes 2 and 4 will receive partial principal repayment by the Company’s ordinary shares. The Creditor Class 3 has the right to receive partial principal repayment by the Company’s ordinary shares under the 1st Debt to Equity Conversion as stipulated in the Plan.

3.2.7 The Creditor Classes 2, 3, 4 and 5 have the right to notify the Company of their intention to receive principal repayments by Company’s ordinary shares under the 2nd Debt to Equity Conversion as stipulated in the Plan.

3.2.8 In case the Company executes the 2nd Debt to Equity Conversion, if there are remaining outstanding principals, the interest computed and actually paid from the date after the 2nd Debt to Equity Conversion date until the date the creditor’ principals are fully paid will be MLR% per annum for Creditor Classes 2, 3 and 5, and LIBOR+4.5% per annum for Creditor Class 4.

3.2.9 The creditor Classes 2, 3, 4 and 5 agree to waive the entire amount of outstanding interests of Baht 2,271.1 million, Baht 526.2 million, Baht 1,865.5 million and 172.3 million accordingly, as well as the entire interim interests and the deferred new interest portions after their principals have been paid in full as stipulated in the Plan which include the prepayment of debt in full, or have been converted to equity in the 2nd Debt to Equity Conversion as stipulated in the Plan.

3.2.10 The debt of the Creditor Class 4 is the right to claim on the Compa1ny in the capacity of the guarantors of Sahaviriya Steel Industries UK Limited (“SSI UK”). Therefore, in case the creditor in Class 4 receive debt repayment from the liquidation process of SSI UK at whichever amount, their right to receive repayment from the Company as stipulated in the Plan will be decreased at same amount by reducing the installment repayment of the principals of the Creditor Class 4 in inverse order.

*3.3 Creditor Class 6 (Government agencies and authorities)*

3.3.1 The outstanding principal of Baht 177.4 million will be repaid from cash flow for debt repayment. The creditor will be paid for 60 monthly installment payments (the 1st month commencing from the month after the month that the Court approves the Plan).

3.3.2 Any other debt owed to the Creditor Class 6 including the penalty and surcharge of Baht 204.0 million, outstanding interest, defaulted interest, fines, statutory costs, expenses and others incurred from contracts and/or law whose repayments have not been stipulated in this Plan will be immediately waived for the entire amount after the completion of the debt repayment to such Creditor under the Plan.

*3.4 Creditor Class 7 (Related party creditors)*

3.4.1 The outstanding principal of Baht 872.6 million will be repaid by the increase in the Company’s ordinary shares with the conversion price at Baht 0.05 per share within the last working day of the 84th month (the 1st month commencing from the month after the month that the Court approves the Plan). If, however, within such period of time, any Creditor in Class 7 has yet received the final judgment of its debt claim, the Plan Administrator must increase the Company’s registered ordinary shares in advance to be the reserve shares for the debt to equity conversion of the Creditor Class 7 and increase the number of issued and paid up shares after the final judgment of the debt claim is issued.

3.4.2 Any other debt owed to the Creditor Class 7 including the outstanding interest of Baht 0.6 million defaulted interest, fines, penalty, surcharge, statutory costs, expenses and others incurred from contracts and/or law whose repayments have not been stipulated in this Plan will be immediately waived for the entire amount after the completion of the debt repayment to such creditor under the Plan.

*3.5 Creditor Class 8 (Trade creditor)*

The debt of the Creditor Class 8 comprises of the outstanding principal of Baht 15.1 million. Each Creditor will be repaid from cash flow for debt repayment under the normal business terms and conditions.

*3.6 Creditor Class 9 (Creditor under the guarantee agreement)*

3.6.1 The debt of the Creditor Class 9 comprises of the outstanding principal of Baht 3,545.5 million and the outstanding interest of Baht 224.8 million. Such debt will be repaid as stipulated in the Plan when the Creditor in Class 9 in the capacity of the joint guarantor pays the principal debt on behalf of SSI UK and the principal debt of such principal creditors as per the Senior Facilities Agreement dated 16 March 2011 (and the subsequent amendments) must be already repaid in full.

3.6.2 The right to claim of the Creditor Class 9 will be equal to half of the amount that the Creditor Class 9 in the capacity of the joint guarantor pays to the principal creditors.

3.6.3 In case the Creditor Class 9 and the Company in the capacity of the joint guarantors have individually paid the principal debt to the principal creditors in accordance with such joint guarantee agreement, the Plan Administrator must set off the amount before proceeding to the debt to equity conversion for the Creditor Class 9.

3.6.4 The remaining outstanding principal after the set-off will be repaid by the Company’s ordinary shares to be newly issued with the conversion price at Baht 0.05 per share within 180 days after the date the Creditor in Class 9 submits evidences of the debt repayment to the Plan Administrator.

3.6.5 The Plan Administrator will negotiate with the Creditor Class 9 to make an agreement between the Company and the Creditor to reduce the debt and to waive the right of recourse with one another in order to decrease the debt burden or to waive the debt payment to each other.

3.6.6 Any other debt owed to the Creditor Class 9 including the outstanding interest, defaulted interest, fines, penalty, surcharge, statutory costs, expenses and others incurred from contracts and/or law whose repayments have not been stipulated in this Plan will be immediately waived for the entire amount after the completion of the debt repayment to such creditor under the Plan.

*3.7 Creditor Class 10 (Creditor of contingent liabilities relating to guarantees)*

3.7.1 The debt of the Creditor Class 10 comprises of the outstanding principal of Baht 1,185.0 million which is contingent liability and has not been crystalized under the guarantee by the Company for SSI UK for the damages that the Creditor Class 10 may obtain or be claimed by the third party for environmental damages in relation to the Sale and Purchase Agreement and the delivery of goods per related contracts. Therefore, the Creditor Class 10 will be repaid as stipulated in the Plan only after the final judgment of their debt claims are issued and the third party, such as a governmental agency in England or a person entitled to claim, has demanded the Creditor Class 10 to pay for the damages. After the Creditor in Class 10 has already paid for such damages and submitted trustworthy evidences together with other true concerning documents to prove to the Plan Administrator that it verily pays the damages will the Creditor be paid as stipulated in the Plan.

3.7.2 The outstanding principal of Baht 220.4 million will be repaid from cash flow for debt repayment and/or excess cash. The creditor will be paid for 144 monthly installment payments (the 1st month commencing from the month after the month that the Court approves the Plan). The remaining principal of Baht 964.6 million will be repaid in the 144th month from the new funding and/or refinancing and/or excess cash.

3.7.3 From the date after the final judgment of the debt claim is issued and the Creditor Class 10 has already paid for such damages and submitted trustworthy evidences together with other true concerning documents to prove to the Plan Administrator that it verily pays the damages until the date the total debt is paid in full, the Creditor Class 10 will be entitled to receive new interest at the rate on the principal as specified in point 3.2.5. In this regards, the creditor will receive actual interest payment at the rate of 0.1% per annum. The deferred new interest portion which is the difference between the new interest and the actual interest, will be accrued and paid in the 144th month.

3.7.4 The Creditor Class 10 has the right to notify the Company of its intention to receive principal repayment by Company’s ordinary shares under the 2nd Debt to Equity Conversion as stipulated in the Plan. However, if the Company has proceeded the 2nd Debt to Equity Conversion to other creditor before the Creditor Class 10 receives the final judgment and pays for any damages in accordance with the Sale and Purchase Agreement and concerning contracts to such third party, the Plan Administrator has the authority to increase the Company’s registered ordinary shares in advance to be the reserve shares for the debt to equity conversion of the Creditor Class 10 and will increase the number of issued and paid up shares after the final judgment of the debt claim is issued and the Creditor has submitted trustworthy evidences together with other true concerning documents to prove to the Plan Administrator that the creditor had verily paid such damages.

3.7.5 In case the Creditor Class 10 receives the Company’s ordinary shares from the 2nd Debt to Equity Conversion, if there are remaining outstanding principals, the interest computed and actually paid from such date until the date the creditor’ principals are fully paid will be LIBOR+4.5% per annum.

3.7.6 The Creditor Class 10 agrees to waive the entire amount of outstanding interest after their principals have been paid in full as stipulated in the Plan which includes the prepayment of debt in full, or have been converted to equity in the 2nd Debt to Equity Conversion as stipulated in the Plan.

*3.8 Creditor Class 11 (Creditor of fines and/or damages incurred in relation to defaults of contract)*

3.8.1 The outstanding principal of Baht 52.0 million will be repaid from cash flow for debt repayment and/or excess cash. The creditor will be paid for 144 monthly instalment payments (the 1st month commencing from the month after the month that the Court approves the Plan). The remaining principal of Baht 227.4 million will be repaid in the 144th month from the new funding and/or refinancing and/or excess cash.

3.8.2 From the date after the final judgment of the debt claim is issued until the date the total debt is paid in full, the Creditor Class 11 will be entitled to receive new interest at the rate on the principal as specified in clause 3.2.5. In this regards, the creditor will receive actual interest payment at the rate of 0.1% per annum. The deferred new interest portion which is the difference between the new interest and the Actual Interest, will be accrued and paid in the 144th month.

3.8.3 The Creditor Class 11 has the right to notify the Company of its intention to receive principal repayment by Company’s ordinary shares under the 2nd Debt to Equity Conversion as stipulated in the Plan. However, if the Company has proceeded the 2nd Debt to Equity Conversion to other creditor before the Creditor Class 11 receives the final judgment of its claim, the Plan Administrator has the authority to increase the Company’s registered ordinary shares in advance to be the reserve shares for the debt to equity conversion of the Creditor Class 11 and will increase the number of issued and paid up shares after the final judgment of the debt claim.

3.8.4 In case the Creditor Class 11 receives the Company’s ordinary shares from the 2nd Debt to Equity Conversion, if there are remaining outstanding principals, the interest computed and actually paid from such date until the date the creditor’ principals are fully paid will be MLR% per annum.

3.8.5 The Creditor Class 11 agrees to waive the entire amount of outstanding interest after their principals have been paid in full as stipulated in the Plan which includes the prepayment of debt in full, or have been converted to equity in the 2nd Debt to Equity Conversion as stipulated in the Plan.

*3.9 Creditor Class 12 (creditor of professional fees under consultant agreements)*

3.9.1 The outstanding principal of Baht 188.0 million will be repaid from cash flow for debt repayment and/or excess cash. The creditor will be paid for 144 monthly installment payments (the 1st month commencing from the month after the month that the Court approves the Plan). However, the Company will repay the debt to any Creditor in Class 12 only after the Creditor has already obtained the final judgment of its debt claim.

3.9.2 The outstanding principal of Baht 776.0 million will be repaid by the increase in the Company’s ordinary shares with the conversion price at Baht 0.05 per share within the last working day of the 84th month (the 1st month commencing from the month after the month that the Court approves the Plan). If, however, within such period of time, any Creditor in Class 12 has yet received the final judgment of its debt claim, the Plan Administrator must increase the Company’s registered ordinary shares in advance to be the reserve shares for the debt to equity conversion of the Creditor Class 12 and increase the number of issued and paid up shares after the final judgment of the debt claim is issued.

3.9.3 The remaining outstanding principal of Baht 963.9 million including the outstanding interest of Baht 21.3 million, defaulted interest, fines, penalty, surcharge, statutory costs, expenses and others incurred from contracts and/or law whose repayments have not been stipulated in this Plan will be immediately waived for the entire amount after the completion of the debt repayment to such creditor under the Plan.

*3.10 Creditor Class 13 (Issuers of bank guarantees)*

The Creditor in this Class is the Creditor who issued letter of guarantees to the Company to guarantee for the Company’s debt. This Creditor will not be affected by the debt restructuring under this Plan because the obligation as per the letter of guarantees has yet been due. Nonetheless, the Creditor will receive the payments for fees and other expenses in relation to the original contracts and agreements

**4. Collection from related companies receivable**

B.S. Metal Co., Ltd. and Sahaviriya Panich Corporation Co., Ltd. have the outstanding debt with the Company and the collection from both receivables is the part of cash flows to be taken to settle to creditors under rehabilitation plan. Therefore, During the performance in accordance with the rehabilitation plan, the Company dealt with B.S Metal Co., Ltd., Sahaviriya Panich Corporation Co., Ltd. and related companies on the basis and methodology as follow:

* 1. If both receivables still deal with the Company that the Company will gradually reduce the outstanding current trade accounts to both receivable. In the goods purchasing order from the Company that new goods will be delivered not exceed 95per cent of the amount payment in that period and the Company has to take total receipt of the goods payment to settle the existing debt.
  2. As per No.4.1, both receivable have to settle the existing debts or goods ordered in each time by cash payment before the date of goods delivery.
  3. The Company has to follow up the debt settlement from both receivables by computing the amounts between new goods valuation and goods price to be settled for the existing debt or the amounts which the receivable gradually settled debt ( if there is no trading).
  4. Amounts of debt settlement which both receivable computed as per No.4.3 not less than the amount of Baht 300 million per annum and both receivables have to make total outstanding debt settlement (the existing and new debt) to the Company within 7 years from 2017 onwards. In 2019, all outstanding debt is not exceeding than Baht 2,640.0 million and at the end of 2021 the outstanding debt balance (the existing and new debt) will not exceed than Baht 1,760.0 million.
  5. If the receivables do not make payment as time determined in No.4.2, the goods delivery to received is suspended.
  6. If the Company is unable to collect the outstanding debt from B.S. Metal Co., Ltd. and Sahaviriya Panich Corporation Co., Ltd. as determined in No. 4.4 above and the Board of creditor informed the Company by notice for such defaulting and caused to be the default as determined in the rehabilitation plan.

**5. The success of the Plan**

When the events as stipulated in paragraph 5.1 and 5.2 or the events as stipulated in paragraph 5.1 and 5.3 have occurred, and the consent from the Committee of the creditor has been sought, it is deemed that the business rehabilitation is successful

5.1 The Company has repaid the outstanding principal to every Creditor as stipulated in the Plan in the amount not less than 25% of the outstanding principal that the Company has to pay under the Plan; and

5.2 The Company has secured new funding from an investor(s) to repay debt such that the shareholders’ equity of the Company becomes positive; or

5.3 Debt to equity conversion as stipulated in the Plan has been executed such that the shareholders’ equity of the Company becomes positive.

***Progress of implementation of the Plan***

***Capital restructuring***

On 23 December 2016, the Company filed a petition for an amendment of the Memorandum of Association to decrease the unissued ordinary shares. The Court granted permission, on 22 February 2017, to amend the Memorandum of Association to cancel the unissued 18,097,401,000 ordinary shares at par value of Baht 1 each. The decrease of share registered capital resulted to the decreasing from Baht 50,263.7 million to Baht 32,166.3 million. The Company has registered the decrease share capital with the Ministry of Commerce on 1 March 2017.

On 19 April 2017, the Company filed the petition to the Central Bankruptcy Court for amendment the Memorandum of Association of the Company for decreasing share capital and on 26 April 2017, the Court ordered the Company to amend the Memorandum of Association to be 31,053,243,844 common shares by decreasing share capital from Baht 32,166.3 to Baht 1,113.0 million. The Company has registered the decrease share capital with the Ministry of Commerce on 13 July 2017.

On 24 July 2017, the Company filed the petition to the Central Bankruptcy Court for amendment the Memorandum of Association of the Company for increasing share capital for conversion debt to equity No. 1.On 21 September 2017, the Court has ordered to approve the amendment of memorandum of association for increasing share capital 10,000,000,000 shares at par value of Baht 1 each. As a result, the Company has the increase share capital from 1,113.0 million to Baht 11,113.0 million. The Company has registered the decrease share capital with the Ministry of Commerce on 19 October 2017.

On 28 February 2018, the creditors received the appropriate of increase share capital for conversion debt to equity which is still pending the legal action , the process is not finalized.

***Application of debt repayment of creditors***

As at 28 February 2018, there are pending applications for repayment of debts, filed by another 2 creditors, to be verified by the Official Receiver. The total claim of Baht 3,113.8 million In particular, the Company has not recorded liabilities for the debt claims from these 2 creditors (Creditor Class 10 and 12).

Details of the receipt progressing for debt repayment of the creditors have not been ordered for ultimately outcome as at the date of this report as follows:

A creditor in class 7 has filed to appeal the dismiss of the Central Bankruptcy Court to the Specialized Court in which a lender (the Company’s director) amount of Baht 641.3 million entered into sell and buy agreement and transfer the right on claiming such debts to 2 creditor one creditor amount of Baht 413.7 million and this creditor requested to offset the Company’s receivables. After offsetting, the Company has to record amounts to be paid to this creditor amount of Baht 4.3 million.

At the date of this report, there is a pending application for debt repayment of one creditor in Creditor Class 10 to be examined by the Official Receiver. The outstanding principal and interest of the debt claim in Thai Baht equivalent are Baht 1,185.1 million. The Company has not recorded this liability because management considers that the obligation will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events and it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

At the date of this report, there is a pending application for repayment of debt of Creditor Class 12. The outstanding principal and interest are Baht 1,907.7 million and Baht 21 million respectively. The Company has not recorded these liabilities because management considers that the obligation will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events and it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

The Company has made debt settlement to the creditors under rehabilitation plan for the year 2017 for total principal under rehabilitation plan amount of Baht 1,538.4 million and from excess cash amount of Baht 279.50 million total principal under rehabilitation plan amount of Baht 1,817.9 million and total interest amount of Baht 94.3 million, totally Baht 1,912.2 million.

**21 Share capital**

Movement of share capital for the year ended 31 December 2017 and 2016 as follows:

|  | Par value  per share | 2017 | | 2016 | |
| --- | --- | --- | --- | --- | --- |
|  | Number | Baht | Number | Baht |
|  | *(in Baht)* | *Thousand shares* | *Thousand*  *Baht* | *Thousand shares* | *Thousand Baht* |
| ***Authorized*** |  |  |  |  |  |
| **ordinary shares** |  |  |  |  |  |
| As at 1 January | 1 | 50,263,663 | 50,263,663 | 50,263,663 | 50,263,663 |
| * Share decrease No.1 | 1 | (18,097,401) | (18,097,401) |  |  |
| * Share decrease No.2 | 1 | (31,053,243) | (31,053,243) | - | - |
| * Share increase | 1 | 10,000,000) | 10,000,000) |  |  |
| As at 31 December | **1** | **11,113,019** | **11,113,019** | **50,263,663** | **50,263,663** |
|  |  |  |  |  |  |
| ***Issued and paid-up*** |  |  |  |  |  |
| **ordinary shares** |  |  |  |  |  |
| As at 1 January |  | 32,166,262 | 32,166,262 | 32,166,262 | 32,166,262 |
| * Share decrease No.2 | 1 | (31,053,243) | (31,053,243) | - | - |
| As at 31 December | **1** | **1,113,019** | **1,113,019** | **32,166,262** | **32,166,262** |

*Decrease the unissued ordinary shares*

On 23 December 2016, the Company filed a petition for an amendment of the Memorandum of Association to decrease the unissued ordinary shares. The Court granted permission, on 22 February 2017, to amend the Memorandum of Association to decrease the unissued 18,097,401,000 ordinary shares at par value of Baht 1 each. The decrease of share registered capital resulted to the decreasing from Baht 50,263.7 million to Baht 32,166.3 million. The Company has registered the decrease share capital with the Ministry of Commerce on 1 March 2017.

*Decrease in ordinary shares*

On 19 April 2017, the Company filed a petition for an amendment of the Memorandum of Association to decrease share capital by reducing the number of shares. The Court granted permission, on 26 April 2017 to amend the Memorandum of Association to decrease 31,053,243,844 ordinary shares at par value of Baht 1 each. The decrease of registered share capital resulted to the decreasing from Baht 32,166.3 million to Baht 1,113.0 million. The Company has registered the decrease share capital with the Ministry of Commerce on 13 July 2017.

*Increase in ordinary shares*

On 24 July 2017, the Company filed a petition for an amendment of the Memorandum of Association to increase share capital by converting debts to equity No. 1. The Court granted permission, on 21 September 2017 to amend the Memorandum of Association to increase 10,000,000,000 ordinary shares at par value of Baht 1 each. The increase of registered share capital resulted to the increasing from Baht 1,113.0 million to Baht 11,113.0 million. The Company has registered the decrease share capital with the Ministry of Commerce on 19 October 2017.

Thus the abovementioned decrease and increase share capital must be complied with the stipulation in the Plan.

**Transactions effected from decrease share capital**

Moments of capital and reserves are presented in statements of changes in shareholders’ equity.

**22 Segment reporting**

The Group has three reportable segments, as described below, which are the Group’s strategic divisions. The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the chief operating decision maker (CODM) reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group’s reportable segments.

|  |  |
| --- | --- |
| Segment |  |
| Segment 1 | Manufacture of hot rolled coils |
| Segment 2 | Maintenance services |
| Segment 3 | Deep-sea port services |

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group’s CODM. Segment profit before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

***Information about reportable segments***

Information about segment income and profit for the year ended 31 December 2017 and 2016 are as follows:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | |  | |  | |  |  | Unit: Million Baht | |
|  | **Manufacture**  **of hot rolled coils** | | **Maintenance services** | | **Deep-sea port services** | | **Elimination** | | **Total segment** | |
|  | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
|  |  |  |  |  |  |  |  |  |  |  |
| External revenue | 24,975,852 | 19,454,447 | 177,338 | 153,974 | 178,383 | 215,738 | - | - | 25,331,573 | 19,824,159 |
| Inter-segment revenue | - | - | 370,679 | 191,687 | 60,003 | 66,648 | (430,682) | (258,335) | - | - |
| Segment profit (loss) before |  |  |  |  |  |  |  |  |  |  |
| income tax | 4,443,865 | (2,888,857) | 87,044 | 6,808 | 54,955 | 88,441 | (50,160) | (39,806) | 4,535,704 | (2,833,414) |
| Reportable segment assets  as at 31 December | 24,665,215 | 22,843,838 | 335,255 | 307,478 | 1,392,641 | 1,463,523 | (855,357) | (386,964) | 25,537,754 | 24,227,875 |
| Reportable segment liabilities  as at 31 December | 64,235,405 | 67,343,088 | 247,047 | 295,320 | 59,321 | 72,325 | (67,886) | (43,398) | 64,473,887 | 67,667,335 |

***Geographical segments***

|  |  |
| --- | --- |
| Segment 1 | - is managed and operates manufacturing facilities and sales offices in Thailand |
| Segment 2 and 3 | - operate principally in Thailand. There are no material revenues derived from, or assets located in, foreign countries. |

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

***Geographical information***

|  |  |  |
| --- | --- | --- |
|  | Unit : Thousand Baht | |
|  | 2017 | 2016 |
| **Income** |  |  |
| Domestic | 25,286,629 | 19,786,704 |
| Overseas | 44,945 | 37,455 |
| **Total** | **25,331,574** | **19,824,159** |

***Major customer***

Revenues from 3 customers of the Group’s segment 1 represent approximately Baht 10,319 million (2016:

2 customers Baht 6,368 million).

**23 Expenses by nature**

|  |  |  |  | Unit : Thousand Baht | |
| --- | --- | --- | --- | --- | --- |
|  | **Consolidated**  **financial statements** | | **Separate**  **financial statements** | | |
|  | 2017 | 2016 | 2017 | | 2016 |
| Changes in inventories of finishedgoods and work in progress | (515,461) | (259,240) | (523,091) | | (237,544) |
| Raw materials and consumables used | 20,421,843 | 13,933,384 | 20,645,898 | | 14,083,206 |
| Employee benefit expenses | 835,814 | 722,914 | 625,754 | | 613,226 |
| Fuel oil and electrical expenses | 597,271 | 591,598 | 592,614 | | 585,168 |
| Depreciation and Amortization expenses | 502,705 | 490,260 | 401,219 | | 394,502 |
| Maintenance expenses | 240,036 | 188,245 | 240,506 | | 184,869 |
| Transportation expenses | 380,449 | 335,829 | 380,449 | | 335,829 |
| Reversal of loss on decline in value of inventories | (74,163) | (336,749) | (74,067) | | (336,749) |
| Professional fee | 150,787 | 160,473 | 127,671 | | 151,435 |
| Minimum lease payments recognized as an operating lease expenses | 28,034 | 23,794 | 25,486 | | 23,794 |
| Bad debt and doubtful expenses | 8,032 | 2,677,309 | 8,032 | | 2,677,309 |
| Advertising and public relation expenses | 6,400 | 4,329 | 6,400 | | 3,933 |
| Penalties | 12,414 | 16,297 | 12,414 | | 16,297 |

**24 Effects from flood**

The Group and the Company’s operations at Amphur Bangsapan, Prachuapkhiirikhan Province encountered the effects of severe flooding in the Southern of Thailand. The water flooded into the plants during 9-13 January 2017, as a result, the manufacturing of such plant has to temporarily stop. The Company restarted the normal manufacturing on 23 January 2017. The Company and the Company recognized expenses and indemnity from insurance in respect of the damages from flooding for the year ended 31 December 2017 as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  | Unit : Thousand Baht | |
|  | **Consolidated**  **financial statements** | | **Separate**  **financial statements** | | |
|  | 2017 | 2016 | 2017 | | 2016 |
|  |  |  |  | |  |
| Indemnity from insurance company | 364,888 | - | 246,362 | | - |
| Sales of scrap income | 102 | - | - | | - |
| **Realized revenues** | 364,990 | - | 246,362 | | - |
|  |  |  |  | |  |
| Impairment loss of inventories | 25,914 | - | 20,902 | | - |
| Impairment loss of machinery and equipment | 67,089 | - | 38,150 | | - |
| Other expenses resulted from flooding | 129,435 | - | 99,216 | | - |
| **Total expenses related flooding** | 222,438 | - | 158,268 | | - |
|  |  |  |  | |  |
| **Realized net profit from flooding** | 142,551 | - | 88,094 | | - |
|  |  |  |  | |  |
| Indemnity from insurance company | 364,888 | - | 246,362 | | - |
| Claims received during the period | 364,888 | - | 246,362 | | - |
| **Accrued indemnity** | - | - | - | | - |

**25 Income tax expenses**

***Income tax recognized in profit or loss***

|  |  |  |  | Unit : Thousand Baht | |
| --- | --- | --- | --- | --- | --- |
|  | **Consolidated**  **financial statements** | | **Separate**  **financial statements** | | |
|  | 2017 | 2016 | 2017 | | 2016 |
| **Current tax expense** |  |  |  | |  |
| Current year | - | 13,924 | - | | - |
| **Deferred tax expense** |  |  |  | |  |
| Movements in temporary differences | 21,212 | (12,856) | 31,859 | | (27,840) |
| **Total** | **21,212** | **1,068** | **31,859** | | **(27,840)** |

***Income tax recognized in other comprehensive income***

|  |  |  |  | Unit : Thousand Baht | |
| --- | --- | --- | --- | --- | --- |
|  | **Consolidated**  **financial statements** | | **Separate**  **financial statements** | | |
|  | 2017 | 2016 | 2017 | | 2016 |
| ***Actuarial loss on defined employee benefit plan*** |  |  |  | |  |
| Before income tax expense | 331 | 56,226 | - | | 29,680 |
| Tax income (expense) | - | (6,165) | - | | (2,744) |
| **Net of tax** | **331** | **50,061** | **-** | | **26,936** |

***Reconciliation of effective tax rate***

|  |  |  | Unit : Thousand Baht | |
| --- | --- | --- | --- | --- |
|  | **Consolidated financial statements** | | | |
|  | 2017 | | 2016 | |
|  | Tax Rate | Amount | Tax Rate | Amount |
|  | *(%)* |  | *(%)* |  |
| Loss before income tax expense |  | **4,538,886** |  | **(2,833,413)** |
| Income tax using the Thai corporation tax rate | 20 | 907,777 | 20 | (566,683) |
| Income not subject to tax |  | (74,268) |  | (45,171) |
| Expenses not deductible for tax purposes |  | 8,082 |  | 14,096 |
| Current year losses for which no deferred tax liabilities during the year |  | - |  | 106,057 |
| Unrecognise deferred tax assets and deferred tax liabilities during the year |  | 27,851 |  | 480,665 |
| Under tax provided in prior year |  | - |  | 12,104 |
| Tax loss |  | (848,230) |  | - |
| **Total** | **-** | **21,212** | **-** | **1,068** |

|  |  |  | Unit : Thousand Baht | |
| --- | --- | --- | --- | --- |
|  | **Separate financial statements** | | | |
|  | 2017 | | 2016 | |
|  | Tax Rate | Amount | Tax Rate | Amount |
|  | *(%)* |  | *(%)* |  |
| Loss before income tax expense |  | **4,443,865** |  | **(3,056,665)** |
| Income tax using the Thai corporation tax rate | 20 | 888,773 | 20 | (611,333) |
| Income not subject to tax |  | (61,813) |  | (3,060) |
| Expenses not deductible for tax purposes |  | 3,403 |  | 4,616 |
| Recognition of previously unrecognized tax losses |  | - |  | 106,057 |
| Unrecognized deferred tax assets and deferred tax  liabilities during the year |  | 31,859 |  | 475,880 |
| Under tax provided in prior year |  | - |  | (27,840) |
| Tax loss |  | (830,363) |  | - |
| **Total** | **-** | **31,859** | **-** | **(3,056,665)** |

Income tax recognition depends on the best estimates of the management in respect of the weighted average of tax rate for the year which expected for the period, using revenues before interim income tax, effective rate of the Group. The Company has the effects from these factors as following:

* Taxable losses and temporary different incurred during the period which deferred tax assets were not recorded since the management deems that there is no direction to utilize the future taxable profit.
* Certain net profit of the Group incurred from the promoted business activities that net profit of such activities were exempted from income tax.
* Losses of some subsidiaries of the Group cannot be netted with profit of other subsidiaries in income tax calculation.

**26 Earnings per share**

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

The calculations of basic earnings per share for the period were based on the profit for the period attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding during the period

For the year 2016, basic earnings (loss) per share are recalculated by the weighted average number of the decreasing ordinary shares which the potential that the decrease of ordinary shares incurred since the beginning date of the first period of reports.

For the year ended 31 December 2017 and 2016 as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Consolidated**  **financial statements** | | **Separate**  **financial statements** | |
|  | 2017 | 2016 | 2017 | 2016 |
| Profit (Loss) for the period attributable to ordinary shareholders of the Company (Thousand Baht) | 4,534,665 | (2,869,108) | 4,475,724 | (3,028,826) |
| Weighted average number of ordinary shares outstanding (basic)  (Thousand shares) | 1,113,018 | 1,113,018 | 1,113,018 | 1,113,018 |
| **Basic earnings (loss) per share(Baht)** | **4.07** | **(2.58)** | **4.02** | **(2.72)** |

**27 Promotional privileges**

By virtue of the provisions of the Industrial Investment Promotion Act of B.E. 2520, the Group has been granted privileges by the Board of Investment relating to (1) the manufacture of hot rolled coils and hot rolled pickled and oiled coils (2) the provision of marine shipping services (3) the provision of high-powered tug boat services (4) the manufacture of industrial machinery and equipment, mechanical parts, and the repair and improvement of industrial machinery and equipment and steel structures for industrial use.

The privileges granted include:

1. exemption from payment of import duty on machinery approved by the Board;
2. exemption from payment of import duty on essential raw materials and supplies imported;
3. exemption from payment of income tax for sales of hot rolled coils and hot rolled pickled and oiled coils, to the extent that the amount sold does not exceed 1.6 million tons a year, for a period of 8 years from the date on which the income is first derived from such operations (13 May 2004);
4. exemption from payment of income tax on net income from the provision of marine shipping services, for a period of 8 years from the date on which the income is first derived from such operations (14 November 2006) to the extent that the amount of tax exempted does not exceed 100 percent of the total investment made, excluding the price of land and working capital. The amount of income tax exempted thus must not exceed Bath 1,146 million, and such cap is to be adjusted according to the actual capital investment (excluding land cost and working capital) as of the started date operation of the project commences. In addition, the privilege also includes an exemption from payment of import duty on machinery approved by the Board;
5. exemption from payment of income tax on net income from the provision of high-powered tug boat services, for a period of 8 years from the date on which the income is first derived from such operations (4 July 2012) to the extent that the amount of tax exempted does not exceed 100 percent of the total investment made, excluding the price of land and working capital. The amount of income tax exempted thus must not exceed Bath 300 million, and such cap is to be adjusted according to the actual capital investment (excluding land cost and working capital) as of the started date operation of the project commences; and
6. exemption from payment of income tax on net income from manufacture of industrial machinery and equipment, mechanical parts, and the repair and improvement of industrial machinery and equipment and steel structures for industrial use, for a period of 8 years from the date on which the income is first derived from such operations, to the extent that the amount of tax exempted does not exceed 100 percent of the total investment made, excluding the price of land and working capital. The total amount of income tax exempted thus must not exceed Baht 167 million, and such cap is to be adjusted according to the actual capital investment (excluding land cost and working capital) as of the started date operation of the project commences.

As promoted companies, the Group must comply with certain terms and conditions prescribed in the promotional certificates.

Summary of revenue from promoted and non-promoted businesses for the year ended 31 December 2017 and 2016:

|  |  |  |  |  |  | | Unit : Thousand Baht | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Consolidated financial statements** | | | | | | | |
|  | 2017 | | | 2016 | | | | |
|  | Promoted **Businesses** | Businesses | Total | Promoted Businesses | Non-promoted Businesses | | | Total |
|  |  |  |  |  |  | | |  |
| Export sales and services | - | 44,945 | 44,945 | - | 37,455 | | | 37,455 |
| Local sales and services | 2,084 | 25,715,239 | 25,717,323 | 1,227 | 20,043,812 | | | 20,045,039 |
| Eliminations | - | (430,694) | (430,694) | - | (258,335) | | | (258,335) |
| **Total Revenue** | **2,084** | **25,329,490** | **25,331,574** | **1,227** | **19,822,932** | | | **19,824,159** |
|  |  |  |  |  |  | | |  |
|  |  |  |  |  |  | Unit : Thousand Baht | | |
|  | **Separatefinancial statements** | | | | | | | |
|  | 2017 | | | 2016 | | | | |
|  | Promoted Businesses | Businesses | Total | Promoted Businesses | Non-promoted Businesses | | | Total |
|  |  |  |  |  |  | | |  |
| Export sales | - | 30,837 | 30,837 | - | 30,587 | | | 30,587 |
| Local sales and services | - | 24,945,015 | 24,945,015 | - | 19,423,860 | | | 19,423,860 |
| **Total Revenue** | **-** | **24,975,852** | **24,975,852** | **-** | **19,454,447** | | | **19,454,447** |
|  |  |  |  |  |  | | |  |

**28 Financial instrument**

***Financial risk management policies***

The Group is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Group does not hold or issue derivative financial instruments for speculative or trading purposes.

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group’s risk management process to ensure that an appropriate balance between risk and control is achieved.

***Capital management***

The Board of Directors’ policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Group defines as result for operating activities divided by total shareholders’ equity, excluding non-controlling interests and also monitors the level of dividends to ordinary shareholders.

***Interest rate risk***

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Group’s operations and its cash flows because loan interest rates are mainly fixed. The Group is primarily exposed to interest rate risk from its borrowings (Note 15 and 18). The Group mitigates this risk by ensuring that the majority of its borrowings are at fixed interest rates and uses derivative financial instruments, principally interest rate swaps, to manage exposure to fluctuations in interest rates on borrowings.

The effective interest rates of interest-bearing financial liabilities as at 31 December and the periods in which those liabilities mature or re-price were as follows:

|  |  | Unit : Thousand Baht | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Consolidated financial statements** | | | | | | |
|  | Effective interest  rate | Within 1 year |  | Over 1 year  to 5 years |  | Over 5 years |  | Total |
| ***2017*** | *(% per annum)* |  | | | | | | |
| **Current** |  |  |  |  |  |  |  |  |
| Other payables under the Plan –  Unsecured | 1.00 | 25,807 |  | - |  | - |  | 25,807 |
| Short-term borrowings from financial institution |  |  |  |  |  |  |  |  |
| - Secured | MOR, MLR | 72,000 |  | - |  | - |  | 72,000 |
| Long-term borrowings from financial institution |  |  |  |  |  |  |  |  |
| -Secured | MLR | 771,677 |  | - |  | - |  | 771,677 |
| -Unsecured | 1.00 | 266,942 |  | - |  | - |  | 266,942 |
| Finance lease liabilities | 6.50-7.56 | 15,936 |  | - |  | - |  | 15,936 |
| liabilities under hire purchase agreements | 0.39-6.69 | - |  | - |  | - |  | - |
| Provision made for loss on guarantee | 1.00 | 498,485 |  | - |  | - |  | 498,485 |
| **Non-current** |  |  |  |  |  |  |  |  |
| Other payables under the Plan –  Unsecured | 1.00 | - |  | 118,635 |  | 1,411,610 |  | 1,530,245 |
| Long-term borrowings from financial institution |  |  |  |  |  |  |  |  |
| - Secured | MLR | - |  | 3,086,709 |  | 4,404,557 |  | 7,491,266 |
| -Unsecured | 1.00 | - |  | 1,227,135 |  | 14,601,434 |  | 15,828,569 |
| Finance lease liabilities | 6.50-7.56 | - |  | 17,740 |  | - |  | 17,740 |
| Provision made for loss on guarantee | MLR | - |  | 2,266,871 |  | 23,210,039 |  | 25,476,910 |
| **Total** |  | **1,650,847** |  | **6,717,090** |  | **43,627,640** |  | **51,995,577** |

|  |  | Unit : Thousand Baht | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Consolidated financial statements** | | | | | | |
|  | Effective interest  rate | Within 1 year |  | Over 1 year  to 5 years |  | Over 5 years |  | Total |
| ***2016*** | *(% per annum)* |  | | | | | | |
| **Current** |  |  |  |  |  |  |  |  |
| Other payables under the Plan– Unsecured | 1.00-7.50 | 23,470 |  | - |  | - |  | 23,470 |
| Short-term borrowings from financial institution |  |  |  |  |  |  |  |  |
| - Secured | MOR | 112,362 |  | - |  | - |  | 112,362 |
| Long-term borrowings from financial institution |  |  |  |  |  |  |  |  |
| -Secured | MLR | 771,677 |  | - |  | - |  | 771,677 |
| -Unsecured | 1.00-28.00 | 241,942 |  | - |  | - |  | 241,942 |
| Finance lease liabilities | 6.50-7.56 | 48,705 |  | - |  | - |  | 48,705 |
| liabilities under hire purchase agreements | 0.39-6.69 | 1,000 |  | - |  | - |  | 1,000 |
| Provision made for loss on guarantee | LIBOR+4.50 | 455,667 |  | - |  | - |  | 455,667 |
| **Non-current** |  |  |  |  |  |  |  |  |
| Other payables under the Plan – Unsecured | 1.00-7.50 | - |  | 114,722 |  | 1,453,382 |  | 1,568,104 |
| Long-term borrowings from financial institution |  |  |  |  |  |  |  |  |
| -Secured | MLR | - |  | 3,086,709 |  | 5,401,740 |  | 8,488,449 |
| -Unsecured | 1.00-28.00 | - |  | 1,183,358 |  | 14,927,620 |  | 16,110,978 |
| Finance lease liabilities | 6.50-7.56 | - |  | 37,111 |  | - |  | 37,111 |
| Provision made for loss on guarantee | LIBOR+4.50 | - |  | 2,191,899 |  | 26,297,730 |  | 28,489,629 |
| **Total** |  | **1,654,823** |  | **6,613,799** |  | **48,080,472** |  | **56,349,094** |

|  |  | Unit : Thousand Baht | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Separate financial statements** | | | | | | |
|  | Effective interest  rate | Within 1 year |  | Over 1 year  to 5 years |  | Over 5 years |  | Total |
| ***2017*** | *(% per annum)* |  | | | | | | |
| **Current** |  |  |  |  |  |  |  |  |
| Other payables under the Plan – Unsecured | 1.00 | 25,807 |  | - |  | - |  | 25,807 |
| Long-term borrowings from financial institution |  |  |  |  |  |  |  |  |
| -Secured | MLR | 771,677 |  | - |  | - |  | 771,677 |
| -Unsecured | 1.00 | 266,942 |  | - |  | - |  | 266,942 |
| Provision made for loss on guarantee | MLR | 498,485 |  | - |  | - |  | 498,485 |
| **Non-current** |  |  |  |  |  |  |  |  |
| Other payables under the Plan – Unsecured | 1.00 | - |  | 118,635 |  | 1,411,610 |  | 1,530,245 |
| Long-term borrowings from financial institution |  |  |  |  |  |  |  |  |
| -Secured | MLR | - |  | 3,086,709 |  | 4,404,557 |  | 7,491,266 |
| -Unsecured | 1.00 | - |  | 1,227,135 |  | 14,601,434 |  | 15,828,569 |
| Provision made for loss on guarantee | MLR | - |  | 2,266,871 |  | 23,210,039 |  | 25,476,910 |
| **Total** |  | **1,562,911** |  | **6,699,350** |  | **43,627,640** |  | **51,889,901** |

|  |  | Unit : Thousand Baht | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Separate financial statements** | | | | | | |
|  | Effective interest  rate | Within 1 year |  | Over 1 year  to 5 years |  | Over 5 years |  | Total |
| ***2016*** | *(% per annum)* |  | | | | | | |
| **Current** |  |  |  |  |  |  |  |  |
| Other payables under the Plan – Unsecured | 1.00-7.50 | 23,470 |  | - |  | - |  | 23,470 |
| Long-term borrowings from financial institution |  |  |  |  |  |  |  |  |
| -Secured | MLR | 771,677 |  | - |  | - |  | 771,677 |
| -Unsecured | 1.00-28.00 | 241,942 |  | - |  | - |  | 241,942 |
| liabilities under hire purchase agreements | 4.76-6.69 | 840 |  | - |  | - |  | 840 |
| Provision made for loss on guarantee | LIBOR+4.50 | 455,667 |  | - |  | - |  | 455,667 |
| **Non-current** |  |  |  |  |  |  |  |  |
| Other payables under the Plan – Unsecured | 1.00-7.50 | - |  | 114,722 |  | 1,453,382 |  | 1,568,104 |
| Long-term borrowings from financial institution |  |  |  |  |  |  |  |  |
| -Secured | MLR | - |  | 3,086,709 |  | 5,401,740 |  | 8,488,449 |
| -Unsecured | 1.00-2.80 | - |  | 1,183,358 |  | 14,927,620 |  | 16,110,978 |
| Provision made for loss on guarantee | LIBOR+4.50 | - |  | 2,191,899 |  | 26,297,730 |  | 28,489,629 |
| **Total** |  | **1,493,596** |  | **6,576,688** |  | **48,080,472** |  | **56,150,756** |

***Foreign currency risk***

The Group is exposed to foreign currency risk relating to purchases which are denominated in foreign currencies. The Group primarily utilised forward exchange contracts with maturities of less than one year to hedge such financial liabilities denominated in foreign currencies. The forward exchange contracts entered into at the reporting date also relate to anticipated purchases, denominated in foreign currencies, for the subsequent period.

At 31 December, the Group and Company were exposed to foreign currency risk in respect of financial assets and liabilities denominated in the following currencies:

|  |  | | | | | |  | | Unit : Thousand Baht | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Consolidated**  **financial statements** | | | | | |  | | **Separate**  **financial statements** | | | | | |
|  | 2017 | |  | | 2016 | |  | | 2017 | |  | | 2016 | |
| ***United States Dollars*** |  | | | | | | | | | | | | | |
| Cash and cash equivalents | 120,446 | |  | | 23 | |  | | 120,446 | |  | | 23 | |
| Trade accounts receivable | 186 | |  | | - | |  | | - | |  | | - | |
| Trade accounts payable | (2,928,296) | |  | | (1,905,141) | |  | | (2,918,545) | |  | | (1,895,211) | |
| Provisions under guarantee agreement and others | (25,515,525) | |  | | (28,384,212) | |  | | (25,515,525) | |  | | (28,384,212) | |
| Other payables | (1,386) | |  | | - | |  | | (1,386) | |  | | - | |
| **Gross balance sheet exposure** | **(28,324,575)** | |  | | **(30,289,330)** | |  | | **(28,315,010)** | |  | | **(30,279,400)** | |
| Forward contracts | (503,966) | |  | | (5,632) | |  | | (503,966) | |  | | - | |
| **Net exposure** | **(28,828,541)** | |  | | **(30,283,698)** | |  | | **(28,818,976)** | |  | | **(30,279,400)** | |
|  |  | |  | |  | |  | |  | |  | |  | |
| ***(GBP) Great Britain Pound Sterling*** |  | |  | |  | |  | |  | |  | |  | |
| Trade accounts receivable | 449 | |  | | - | |  | | 449 | |  | | - | |
| Interest-bearing liabilities | - | |  | | (46,237) | |  | | - | |  | | (46,237) | |
| Other payables | (7,312) | |  | | (3,121) | |  | | (7,312) | |  | | (3,121) | |
| **Gross balance sheet exposure** | **(6,863)** | |  | | **(49,358)** | |  | | **(6,863)** | |  | | **(49,358)** | |
| Forward contracts | - | |  | | - | |  | | - | |  | | - | |
| **Net exposure** | **(6,863)** | |  | | **(49,358)** | |  | | **(6,863)** | |  | | **(49,358)** | |
|  |  | |  | |  | |  | |  | |  | |  | |
| ***Euro*** |  | |  | |  | |  | |  | |  | |  | |
| Cash and cash equivalents | | 280,949 | |  | | - | |  | | 280,949 | |  | | - | |
| Trade accounts receivable | | 1,433 | |  | | 449 | |  | | - | |  | | - | |
| Trade accounts payable | | (7,081) | |  | | (113,001) | |  | | (7,081) | |  | | (113,001) | |
| Other payables | | (4,727) | |  | | (5,721) | |  | | (4,727) | |  | | (5,721) | |
| **Gross balance sheet exposure** | | **(270,574)** | |  | | **(118,273)** | |  | | **(269,141)** | |  | | **(118,722)** | |
| Forward contracts | | - | |  | | - | |  | | - | |  | | - | |
| **Net exposure** | | **(270,574)** | |  | | **(118,273)** | |  | | **(269,141)** | |  | | **(118,722)** | |
| ***Japanese YEN*** | |  | |  | |  | |  | |  | |  | |  | |
| Trade accounts payable | | (310) | |  | | (328) | |  | | (282) | |  | | (299) | |
| **Gross balance sheet exposure** | | **(310)** | |  | | **(328)** | |  | | **(282)** | |  | | **(299)** | |
| Forward contracts | | - | |  | | - | |  | | - | |  | | - | |
| **Net exposure** | | **(310)** | |  | | **(328)** | |  | | **(282)** | |  | | **(299)** | |
|  | |  | |  | |  | |  | |  | |  | |  | |
| ***Australian Dollars*** | |  | |  | |  | |  | |  | |  | |  | |
| Trade accounts receivable | | - | |  | | 600 | |  | | - | |  | | - | |
| **Gross balance sheet exposure** | | - | |  | | **600** | |  | | - | |  | | - | |
| Forward contracts | | - | |  | | - | |  | | - | |  | | - | |
| **Net exposure** | | **-** | |  | | **600** | |  | | - | |  | | - | |

***Credit risk***

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. However, due to the large number of parties comprising the Group’s customer base, Management does not anticipate material losses from its debt collection.

***Liquidity risk***

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group’s operations and to mitigate the effects of fluctuations in cash flows.

***Determination of fair values***

A number of the Group’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The fair value of trade and other short-term receivables is taken to approximate the carrying value.

The fair value of investments in equity and debt securities, which are held for trading, held to maturity and available for sales, is determined by reference to their quoted bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price at the reporting date for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of non-derivative financial liabilities, which is determined for disclosure purposes,   
is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

The fair value of financial assets and liabilities, together with the carrying values shown in the statement of financial position at 31 December were as follows:

|  |  | | |  | Unit : Thousand Baht | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Consolidated**  **financial statements** | | |  | **Separate**  **financial statements** | | |
|  | Fair  value |  | Carrying  value |  | Fair  value |  | Carrying  value |
|  |  | | | | | | |
| ***2017*** |  |  |  |  |  |  |  |
| **Current** |  |  |  |  |  |  |  |
| Forward exchange contracts - liabilities | 503,966 |  | 508,108 |  | 503,966 |  | 508,108 |
| **Total** | **503,966** |  | **508,108** |  | **503,966** |  | **508,108** |
|  |  |  |  |  |  |  |  |
| ***2016*** |  |  |  |  |  |  |  |
| **Current** |  |  |  |  |  |  |  |
| Forward exchange contracts - liabilities | 5,551 |  | 5,632 |  | - |  | - |
| **Total** | **5,551** |  | **5,632** |  | - |  | - |

**29 Commitments and contingent liabilities**

|  |  |  |  | Unit: Million Baht | |
| --- | --- | --- | --- | --- | --- |
|  | **Consolidated**  **financial statements** | | **Separate**  **financial statements** | | |
|  | 2017 | 2016 | 2017 | | 2016 |
|  |  |  |  | |  |
| ***Capital commitments*** |  |  |  | |  |
| *Contracted but not provided for* |  |  |  | |  |
| Machinery and equipment | 76 | 7 | 75 | | 7 |
| **Total** | **76** | **7** | **75** | | **7** |

As at 31 December 2017, the Group had capital expenditures amount of Baht 28.8 million, USD 0.1 million and EUR 1.1 million *(2016: Baht 4.5 million, EUR 0.06 million)* in relation to the acquisition and installation of machinery and equipment.

As at 31 December 2017, the Company had capital expenditures amount of Baht 27.6 million, USD 0.1 million and EUR 1.1 million *(2016: Baht 4.5 million, EUR 0.06 million)* in relation to the acquisition and installation of machinery and equipment.

|  |  |  |  | Unit: Million Baht | |
| --- | --- | --- | --- | --- | --- |
|  | **Consolidated**  **financial statements** | | **Separate**  **financial statements** | | |
|  | 2017 | 2016 | 2017 | | 2016 |
| ***Non-cancellable operating lease*** |  |  |  | |  |
| ***commitments*** |  |  |  | |  |
| Within one year | 9 | 8 | 8 | | 5 |
| After one year but within five years | 9 | 1 | 8 | | 1 |
| **Total** | **18** | **9** | **16** | | **6** |
|  |  |  |  | |  |
| ***Other commitments*** |  |  |  | |  |
| Raw materials purchases | 3,247 | 1,493 | 3,247 | | 1,493 |
| letter of credit | 10 | - | - | | - |
| Other agreements | 481 | 97 | 453 | | 90 |
| **Total** | **3,738** | **1,590** | **3,700** | | **1,583** |

As at 31 December 2017, the Group had other commitments in relation to purchase spare parts and equipment supplies, and to obtain maintenance services amounting to Baht 170 million, USD 4.8 million, EUR 3.7 million and JPY 11.3 million *(2016: Baht 84 million, USD 0.3 million, EUR 0.1 million and JPY 0.1 million).*

As at 31 December 2017, the Company had other commitments in relation to purchase spare parts and equipment supplies, and to obtain maintenance services amounting to Baht 142million, USD 4.8million, EUR 3.7million and JPY 11.3 million *(2016: Baht 77 million, USD 0.3million, GBP 6.5 million and EUR 0.1 million).*

***Contingent liabilities***

As at 31 December 2017 and 2016, the Group was liable to banks in respect to the following guarantees:

|  |  |  |  | Unit: Million Baht | |
| --- | --- | --- | --- | --- | --- |
|  | **Consolidated**  **financial statements** | | **Separate**  **financial statements** | | |
|  | 2017 | 2016 | 2017 | | 2016 |
|  |  |  |  | |  |
| Electricity supply | 107 | 107 | 104 | | 104 |
| Performance guarantees | 42 | 31 | - | | - |
| Others | 16 | 12 | 5 | | 1 |
| **Total** | **165** | **150** | **109** | | **105** |

As at 31 December 2017, the Group had outstanding bank guarantees issued by banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the normal course of the business. These included letters of guarantee for:

* To the Customs Department in respect of the establishment of a wharf and go-downs amounting to Baht 11 million *(2016: amount of Baht 11 million)*;
* The contractual performance amounting to Baht 42 million *(2016: amount Baht 298 million, GBP 0.02 million)*
* Electricity usage amount of Baht 107 million *(2016: amount of Baht 107 million).*

***Dispute***

1. **Land in Prachuapkhirikhan**

On 9 July 2010, the Prachuabkirikhan Provincial Land Office, Bangsaphan Branch (“the Land Office”) ordered the Company and a subsidiary to submit the Certificates of Utilisation (Nor. Sor. 3 Kor) (“the Certificates”) for various plots of land ,with an aggregate value of Baht 123.1 million for the Company and Baht 187.6 million for the subsidiary, for cancellation. Later, the Land Office announced that it was issuing replacement certificates for the Certificates. The Company and the subsidiary filed a lawsuit against the officers of the Land Office with the Central Administrative Court “CAC”, petitioning the CAC to order the cancellation of the announcement of the Company and the subsidiary. The Company and the subsidiary also petitioned the CAC to identify measures to provide them with temporary relief. The Court accepted the lawsuit for consideration, and is currently deliberating. However, in preparing the financial statements, the Company and the subsidiary recorded full allowance since 2007 and 2008, respectively

On 1 September 2010, the Company and the subsidiary filed a lawsuit against the Director-General of the Department of Lands and the Deputy Permanent Secretary of the Ministry of Interior with the CAC, petitioning the court to order the revocation of the order of the Director-General of the Department of Lands issued on 5 January 2010, which ordered the revocation and recharting of the area under the Certificates, and the withdrawal of the appeal decision of the Deputy Permanent Secretary of the Ministry of Interior. Also, the Company and the subsidiary requested the court to suspend the execution of a sentence of the CAC. Presently, the court is in a process of submitting the deposition of the defendant to the Company and the subsidiary. In addition, the court ordered to combine this case with the case that the Company and the subsidiary filed a lawsuit against the Prachuabkirikhan Provincial Land Office, Bangsaphan Branch, discussed above

On 20 December 2010, the Bangsaphan Sheriff, as the official responsible for the oversight and care of the National Forest, Klong Mae-Rumphueng forest, Prachuabkirikhan province (“the Forest”), issued a written order for the Company and the subsidiary to vacate the land for which the Director-General of the Department of Lands ordered revocation of the Certificates and for which the Land Office issued replacement certificates for the Certificates within 30 January 2011.

On 30 March 2011, the Company and the subsidiary filed a lawsuit petitioning the CAC to order the cancellation of written order of the Bangsaphan Sheriff on 20 December 2010, for the Company and the subsidiary to vacate from the Forest and to undertake no activities on that land. These are currently being considered by the CAC.

On 6 August 2013, the Central Administrative Court ordered to stay the execution ordering the Company and its subsidiary to vacate from the National Forest and to undertake no activities on that land.

Subsequent on 23 December 2014, the CAC reversed the ordering to relieve the execution which ordered the Company and its subsidiary to vacate from the National Forest. However, the Company and subsidiary deems that the ultimate outcome will not be effected to the future operation of the Company and subsidiary.

On 29 August 2017, the Central Administrative Court has dismissed the case, subsequent on 27 September 2017, the Company and subsidiary filed the appeal to protest the judgment to the Administrative Supreme Court.

1. **Goods in-transit**

On 15 August 2016 the Company has filed a petition requesting the Central Intellectual Property and International Trade Court to issue a warrant of arrest against a vessel called M.V. PANORMITIS. AV. on the grounds that the Company is entitled to file a claim following a failure to perform an obligation to deliver 38,016.95 metric tons steel slabs breach of an agreement on carriage of goods by sea regardless the facts that the petitioner is a consignee and a holder of bills of lading covering the afore-mentioned slabs which were carried by M.V. PANORMITIS. AV. The Company expected M.V. PANORMITIS. AV. to deliver the goods to Prachuap Port, Bangsaphan, Thailand, which is the port of destination.

On 15 August 2016 the Court has issued the warrant against M.V. PANORMITIS. AV., upon the condition that the Company shall deposit with the Court Baht 10 million as guarantee for loss or damage which may arise from issuing such order. The Court may release the vessel should any interested party deposit with the Court Baht 20 million as guarantee for repaying the debt to the Company. On 19 August 2016, an executing officer together with representatives of the Company has served the warrant to the master of the vessel. The vessel has been arrested and anchored in the area behind Sri Chang Island, Amphoe Sri Chang, Chonburi Province.

On 19 September 2016 the Company has filed a lawsuit against South Cape Navigation S.A. and Unibulk Shipping Enterprises S.A., which are the owner and manager of M.V. PANORMITIS. AV, and on 13 October 2016 the Company has filed a lawsuit against Mr. Sorin Iosif Oproiu, the master officers, and the crews, for their failure to deliver the steel slabs to the Company as obliged by the bills of lading and breach of the carriage of goods by sea agreement.

On 5 October 2016 the Company submitted a petition requesting the Court to issue a temporary injunction order before judgment in the charge of the Company sued the ship owner and manager and the Court arranged for investigating on 11 April 2017.

Subsequent on 7 July 2017, the Company and all accuse could negotiate to terminate inter-disputes by entering into the compromise agreement in presence of the Court, the accuse agreed to delivered the disputed steel to the Company immediately.On 13 July 2017, the Company has completely carriaged of steel goods from the vessel M.V. PANORMITIS. AV. At present, all goods still pending at the bonded warehose, Prachuap Port, Bangsaphan, Prachuapkirikhan Province.

**30 Reclassification of accounts**

Certain accounts in *31 December* 2016financial statement have been reclassified to conform to the presentation in the 2017 financial statements as follow:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | Unit: Thousand Baht | |
|  | **Consolidated**  **financial statements** | | |
|  | Before  Reclassified | Reclassified | After  Reclassified |
| ***Statement of financial position*** |  |  |  |
| ***as at 31 December 2016*** |  |  |  |
| Bank overdrafts, short-term borrowings from financial institutions and related parties | 335,635,980 | (335,635,980) | - |
| Short-term borrowings from financial institutions | - | 112,361,675 | 112,361,675 |
| Short-term borrowings from related parties | - | 223,274,305 | 223,274,305 |
|  |  | **-** |  |

|  |  | Unit: Thousand Baht | |
| --- | --- | --- | --- |
|  | **Separate financial statements** | | |
|  | Before  Reclassified | Reclassified | After  Reclassified |
| ***Statement of financial position*** |  |  |  |
| ***as at 31 December 2016*** |  |  |  |
| Bank overdrafts, short-term borrowings from financial institutions and related parties | 231,265,164 | (231,265,164) | - |
| Short-term borrowings from related parties | - | 231,265,164 | 231,265,164 |
|  |  | **-** |  |

**31 APPROVAL OF INTERIM FINANCIAL STATEMENTS**

These financial statements were approved and authorized for issue by the Company’s Board of directors on 28 February 2018.