

REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**TO THE SHAREHOLDERS AND BOARD OF DIRECTORS
SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED**

We have audited the consolidated balance sheets of Sahaviriya Steel Industries Public Company Limited and its subsidiaries and the balance sheets of Sahaviriya Steel Industries Public Company Limited as at December 31, 2006 and 2005, and the related consolidated and Company's statements of income, changes in shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned consolidated and Company's financial statements present fairly, in all material respects, the financial position of Sahaviriya Steel Industries Public Company Limited and its subsidiaries and of Sahaviriya Steel Industries Public Company Limited as at December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.

BANGKOK
February 2, 2007

Thanawan Anuratbodee
Certified Public Accountant (Thailand)
Registration No. 3440
DELOITTE TOUCHE TOHMATSU JAIYOS AUDIT CO., LTD.

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

BALANCE SHEETS

AS AT DECEMBER 31, 2006 AND 2005

BAHT : '000

| | CONSOLIDATED | | THE COMPANY ONLY | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | 2006 | 2005 | 2006 | 2005 |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | 121,596 | 221,527 | 85,037 | 115,055 |
| Current investments (Note 6) | 1,000 | 1,000 | - | - |
| Trade accounts and notes receivable | | | | |
| Related parties (Note 22.3) | 3,623,224 | 2,289,557 | 3,612,737 | 2,283,715 |
| Others | 638,502 | 1,239,629 | 606,646 | 1,237,080 |
| | <u>4,261,726</u> | <u>3,529,186</u> | <u>4,219,383</u> | <u>3,520,795</u> |
| <u>Less</u> Allowance for doubtful accounts (Note 23) | <u>(283,809)</u> | <u>(283,809)</u> | <u>(283,809)</u> | <u>(283,809)</u> |
| Trade accounts and notes receivable - net | <u>3,977,917</u> | <u>3,245,377</u> | <u>3,935,574</u> | <u>3,236,986</u> |
| Short-term loans and advances to related parties (Note 22.2) | 4,050 | 3,971 | 4,090 | 3,975 |
| Inventories (Note 7) | 17,732,471 | 24,610,013 | 17,789,792 | 24,707,437 |
| Other current assets | | | | |
| Advance payments | 45,420 | 96,212 | 44,763 | 93,968 |
| Refundable value-added-tax | 1,318,961 | 1,453,505 | 1,317,740 | 1,451,967 |
| Other receivables | 2,361 | 2,004 | 1,577 | 1,764 |
| Prepaid expenses | 83,573 | 15,990 | 82,571 | 13,856 |
| Accrued dividend receivable | - | - | 154,500 | - |
| Others | 112,550 | 140,213 | 109,896 | 137,387 |
| Total Current Assets | <u>23,399,899</u> | <u>29,789,812</u> | <u>23,525,540</u> | <u>29,762,395</u> |
| NON-CURRENT ASSETS | | | | |
| Investments using the equity method (Note 22.1) | - | - | 873,005 | 911,327 |
| Other long-term investments (Note 22.1) | 561,621 | 561,621 | 561,621 | 561,621 |
| Deposit at bank used as collateral | 11,200 | 11,200 | - | - |
| Property, plant and equipment - net (Note 8) | 20,535,843 | 20,827,985 | 17,896,582 | 18,338,724 |
| Intangible assets (Note 9) | 66,414 | 71,871 | 65,759 | 71,132 |
| Other non-current assets (Note 10) | 47,121 | 53,199 | 44,518 | 42,609 |
| Total Non-Current Assets | <u>21,222,199</u> | <u>21,525,876</u> | <u>19,441,485</u> | <u>19,925,413</u> |
| TOTAL ASSETS | <u><u>44,622,098</u></u> | <u><u>51,315,688</u></u> | <u><u>42,967,025</u></u> | <u><u>49,687,808</u></u> |

Notes to the financial statements form an integral part of these statements

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

BALANCE SHEETS (CONTINUED)

AS AT DECEMBER 31, 2006 AND 2005

BAHT : '000

| | CONSOLIDATED | | THE COMPANY ONLY | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | 2006 | 2005 | 2006 | 2005 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Bank overdrafts and short-term loans from financial institutions | | | | |
| Short-term loans (Note 11.1) | 920,000 | 5,317,941 | 920,000 | 5,317,941 |
| Trade finance loans (Note 11.1) | 9,636,451 | 13,895,292 | 9,636,451 | 13,895,292 |
| Bills of exchange (Note 11.2) | 2,010,000 | 526,000 | 2,010,000 | 526,000 |
| Trade accounts and notes payable | 2,197,807 | 2,502,681 | 2,191,577 | 2,591,207 |
| Current portion of long-term loans (Note 12) | 761,089 | 812,000 | 596,000 | 608,000 |
| Current portion of debentures (Note 13) | 1,085,000 | 720,000 | 1,085,000 | 720,000 |
| Current portion of liabilities under finance leases (Note 14) | 95,239 | 84,095 | 95,239 | 84,095 |
| Current portion of liabilities under hire-purchase agreements | 4,997 | 980 | 2,909 | 44 |
| Other current liabilities | | | | |
| Dividend payable | 98,000 | - | - | - |
| Accrued expenses | 188,633 | 302,140 | 168,997 | 289,399 |
| Others | 151,030 | 230,390 | 62,930 | 119,104 |
| Total Current Liabilities | <u>17,148,246</u> | <u>24,391,519</u> | <u>16,769,103</u> | <u>24,151,082</u> |
| NON-CURRENT LIABILITIES | | | | |
| Long-term loans (Note 12) | 6,316,270 | 7,009,365 | 5,808,000 | 6,404,000 |
| Debentures (Note 13) | 725,000 | 1,810,000 | 725,000 | 1,810,000 |
| Other non-current liabilities | | | | |
| Liabilities under finance leases (Note 14) | 399,019 | 494,258 | 399,019 | 494,258 |
| Liabilities under hire-purchase agreements | 6,725 | 712 | 4,522 | - |
| Total Non-Current Liabilities | <u>7,447,014</u> | <u>9,314,335</u> | <u>6,936,541</u> | <u>8,708,258</u> |
| TOTAL LIABILITIES | <u>24,595,260</u> | <u>33,705,854</u> | <u>23,705,644</u> | <u>32,859,340</u> |

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

BALANCE SHEETS (CONTINUED)

AS AT DECEMBER 31, 2006 AND 2005

BAHT : '000

| | CONSOLIDATED | | THE COMPANY ONLY | |
|---|---------------------|-------------------|-------------------------|-------------------|
| | 2006 | 2005 | 2006 | 2005 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| (CONTINUED) | | | | |
| SHAREHOLDERS' EQUITY | | | | |
| SHARE CAPITAL | | | | |
| Authorized share capital | | | | |
| 13,101,500,000 ordinary shares of | | | | |
| Baht 1.00 each | <u>13,101,500</u> | <u>13,101,500</u> | <u>13,101,500</u> | <u>13,101,500</u> |
| Issued and paid-up share capital | | | | |
| 13,101,280,000 ordinary shares of | | | | |
| Baht 1.00 each, fully paid | 13,101,280 | 13,101,280 | 13,101,280 | 13,101,280 |
| ADDITIONAL (DISCOUNT) ON CAPITAL | | | | |
| Discount on ordinary share capital | (2,171,280) | (2,171,280) | (2,171,280) | (2,171,280) |
| Unrealized increment per assets appraisal | | | | |
| (Note 8.2) | 4,954,892 | 5,212,119 | 4,954,892 | 5,212,119 |
| RETAINED EARNINGS | | | | |
| Appropriated | | | | |
| Legal reserve (Note 15) | 391,473 | 256,966 | 391,473 | 256,966 |
| Unappropriated | <u>2,985,016</u> | <u>429,383</u> | <u>2,985,016</u> | <u>429,383</u> |
| Total Company Shareholders' Equity | 19,261,381 | 16,828,468 | 19,261,381 | 16,828,468 |
| MINORITY INTEREST | <u>765,457</u> | <u>781,366</u> | - | - |
| Total Shareholders' Equity | <u>20,026,838</u> | <u>17,609,834</u> | <u>19,261,381</u> | <u>16,828,468</u> |
| TOTAL LIABILITIES AND | | | | |
| SHAREHOLDERS' EQUITY | | | | |
| | <u>44,622,098</u> | <u>51,315,688</u> | <u>42,967,025</u> | <u>49,687,808</u> |

Notes to the financial statements form an integral part of these statements

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

BAHT : '000

| | CONSOLIDATED | | THE COMPANY ONLY | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2006 | 2005 | 2006 | 2005 |
| REVENUES | | | | |
| Revenues from the sales of goods | 35,207,378 | 36,012,225 | 35,205,063 | 36,011,483 |
| Revenues from the rendering of services | 214,078 | 275,955 | - | - |
| Other income | | | | |
| Gain on exchange | 360,661 | 52,155 | 360,708 | 52,155 |
| Others | 127,233 | 87,162 | 113,405 | 88,596 |
| Share of profit from investment using the equity method | - | - | 124,536 | 94,695 |
| Total Revenues | 35,909,350 | 36,427,497 | 35,803,712 | 36,246,929 |
| EXPENSES | | | | |
| Cost of the sales of goods (Note 17) | 32,350,604 | 32,927,853 | 32,781,330 | 33,278,037 |
| Cost of the rendering of services | 323,327 | 275,386 | - | - |
| Selling and administrative expenses | 985,165 | 922,374 | 900,057 | 807,792 |
| Doubtful accounts (recovered/reversal) (Note 10) | -27,779 | -30,881 | - | - |
| Loss on diminution in value of inventories | -2,244,565 | 2,662,665 | -2,244,565 | 2,662,665 |
| Loss on disposal and obsolescence of spare parts and consumable goods | 91 | 13,819 | 91 | 13,819 |
| Other expenses | | | | |
| Loss on disposal of machine and equipment | 17,331 | 30,329 | 16,254 | 26,695 |
| Others | 7,150 | 571 | 455 | 567 |
| Directors' remuneration | 18,638 | 21,430 | 14,006 | 18,556 |
| Total Expenses | 31,429,962 | 36,823,546 | 31,467,628 | 36,808,131 |

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF INCOME (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

BAHT : '000

| | CONSOLIDATED | | THE COMPANY ONLY | | |
|--|---------------------|-------------------|-------------------------|-------------------|------------|
| | 2006 | 2005 | 2006 | 2005 | |
| INCOME (LOSS) BEFORE INTEREST | | | | | |
| AND INCOME TAX EXPENSES | 4,479,388 | -396,049 | 4,336,084 | -561,202 | |
| INTEREST EXPENSE | 1,662,502 | 984,914 | 1,645,944 | 975,101 | |
| INCOME TAX EXPENSE | 36,625 | 59,703 | - | - | |
| INCOME (LOSS) AFTER TAX | 2,780,261 | -1,440,666 | 2,690,140 | -1,536,303 | |
| NET INCOME OF MINORITY INTEREST | -90,121 | -95,637 | - | - | |
| NET INCOME (LOSS) | <u>2,690,140</u> | <u>-1,536,303</u> | <u>2,690,140</u> | <u>-1,536,303</u> | |
| BASIC EARNINGS (LOSS) PER SHARE | BAHT | 0.21 | -0.12 | 0.21 | -0.12 |
| WEIGHTED AVERAGE NUMBER | | | | | |
| OF ORDINARY SHARES | '000 SHARES | 13,101,280 | 13,101,280 | 13,101,280 | 13,101,280 |

Notes to the financial statements form an integral part of these statements

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

BAHT : '000

| | CONSOLIDATED | | THE COMPANY ONLY | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2006 | 2005 | 2006 | 2005 |
| REVENUES | | | | |
| Revenues from the sales of goods | 35,207,378 | 36,012,225 | 35,205,063 | 36,011,483 |
| Revenues from the rendering of services | 214,078 | 275,955 | - | - |
| Other income | | | | |
| Gain on exchange | 360,661 | 52,155 | 360,708 | 52,155 |
| Others | 127,233 | 87,162 | 113,405 | 88,596 |
| Share of profit from investment using the equity method | - | - | 124,536 | 94,695 |
| Total Revenues | 35,909,350 | 36,427,497 | 35,803,712 | 36,246,929 |
| EXPENSES | | | | |
| Cost of the sales of goods (Note 17) | 32,350,604 | 32,927,853 | 32,781,330 | 33,278,037 |
| Cost of the rendering of services | 323,327 | 275,386 | - | - |
| Selling and administrative expenses | 985,165 | 922,374 | 900,057 | 807,792 |
| Doubtful accounts (recovered/reversal) (Note 10) | -27,779 | -30,881 | - | - |
| Loss on diminution in value of inventories | -2,244,565 | 2,662,665 | -2,244,565 | 2,662,665 |
| Loss on disposal and obsolescence of spare parts and consumable goods | 91 | 13,819 | 91 | 13,819 |
| Other expenses | | | | |
| Loss on disposal of machine and equipment | 17,331 | 30,329 | 16,254 | 26,695 |
| Others | 7,150 | 571 | 455 | 567 |
| Directors' remuneration | 18,638 | 21,430 | 14,006 | 18,556 |
| Total Expenses | 31,429,962 | 36,823,546 | 31,467,628 | 36,808,131 |

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF INCOME (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

BAHT : '000

| | CONSOLIDATED | | THE COMPANY ONLY | | |
|--|-------------------------|--------------------------|-------------------------|--------------------------|------------|
| | 2006 | 2005 | 2006 | 2005 | |
| INCOME (LOSS) BEFORE INTEREST | | | | | |
| AND INCOME TAX EXPENSES | 4,479,388 | -396,049 | 4,336,084 | -561,202 | |
| INTEREST EXPENSE | 1,662,502 | 984,914 | 1,645,944 | 975,101 | |
| INCOME TAX EXPENSE | 36,625 | 59,703 | - | - | |
| INCOME (LOSS) AFTER TAX | <u>2,780,261</u> | <u>-1,440,666</u> | <u>2,690,140</u> | <u>-1,536,303</u> | |
| NET INCOME OF MINORITY INTEREST | -90,121 | -95,637 | - | - | |
| NET INCOME (LOSS) | <u>2,690,140</u> | <u>-1,536,303</u> | <u>2,690,140</u> | <u>-1,536,303</u> | |
| BASIC EARNINGS (LOSS) PER SHARE | BAHT | 0.21 | -0.12 | 0.21 | -0.12 |
| WEIGHTED AVERAGE NUMBER | | | | | |
| OF ORDINARY SHARES | '000 SHARES | 13,101,280 | 13,101,280 | 13,101,280 | 13,101,280 |

Notes to the financial statements form an integral part of these statements

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
CONSOLIDATED
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

BAHT : '000

| | Issued and Paid-up Ordinary Share Capital | Discount on Ordinary Share Capital | Unrealized Increment per Assets Appraisal | "Restated" | | Minority Interest | Total |
|--|--|---|--|---------------------------------------|-----------------------|------------------------------|-------------------|
| | | | | Retained Earnings (Deficit) | | | |
| | | | | Appropriated Legal Reserve | Unappropriated | | |
| Beginning balance, January 1, 2005 | 13,101,280 | -2,171,280 | 5,536,601 | 209,380 | 2,668,096 | 742,903 | 20,086,980 |
| Amortization | - | - | -324,482 | - | - | -8,174 | -332,656 |
| Legal reserve (Note 15) | - | - | - | 54,508 | -54,508 | - | - |
| Adjustment of legal reserve (Note 27) | - | - | - | -6,922 | 6,922 | - | - |
| Dividend paid (Note 16) | - | - | - | - | -654,824 | -49,000 | -703,824 |
| Net income (loss) | - | - | - | - | -1,536,303 | 95,637 | -1,440,666 |
| Ending balance, December 31, 2005 | <u>13,101,280</u> | <u>-2,171,280</u> | <u>5,212,119</u> | <u>256,966</u> | <u>429,383</u> | <u>781,366</u> | <u>17,609,834</u> |
| Beginning balance, January 1, 2006 | 13,101,280 | -2,171,280 | 5,212,119 | 256,966 | 429,383 | 781,366 | 17,609,834 |
| Amortization | - | - | -257,227 | - | - | -8,030 | -265,257 |
| Legal reserve (Note 15) | - | - | - | 134,507 | -134,507 | - | - |
| Dividend paid (Note 16) | - | - | - | - | - | -98,000 | -98,000 |
| Net income | - | - | - | - | 2,690,140 | 90,121 | 2,780,261 |
| Ending balance, December 31, 2006 | <u>13,101,280</u> | <u>-2,171,280</u> | <u>4,954,892</u> | <u>391,473</u> | <u>2,985,016</u> | <u>765,457</u> | <u>20,026,838</u> |

Notes to the financial statements form an integral part of these statements

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES
 STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
 THE COMPANY ONLY
 FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

BAHT : '000

| | Issued and Paid-up Ordinary Share Capital | Discount on Ordinary Share Capital | Unrealized Increment per Assets Appraisal | Retained Earnings (Deficit) Appropriated Legal Reserve | Unappropriated | Total |
|--|--|---|--|---|-------------------------|--------------------------|
| Beginning balance, January 1, 2005 | 13,101,280 | -2,171,280 | 5,536,601 | 209,380 | 2,668,096 | 19,344,077 |
| Amortization | - | - | -324,482 | - | - | -324,482 |
| Legal reserve (Note 15) | - | - | - | 47,586 | (47,586) | - |
| Dividend paid (Note 16) | - | - | - | - | (654,824) | -654,824 |
| Net loss | - | - | - | - | (1,536,303) | -1,536,303 |
| Ending balance, December 31, 2005 | <u>13,101,280</u> | <u>-2,171,280</u> | <u>5,212,119</u> | <u>256,966</u> | <u>429,383</u> | <u>16,828,468</u> |
| Beginning balance, January 1, 2006 | 13,101,280 | -2,171,280 | 5,212,119 | 256,966 | 429,383 | 16,828,468 |
| Amortization | - | - | -257,227 | - | - | -257,227 |
| Legal reserve (Note 15) | - | - | - | 134,507 | -134,507 | - |
| Net Income | - | - | - | - | 2,690,140 | 2,690,140 |
| Ending balance, December 31, 2006 | <u>13,101,280</u> | <u>-2,171,280</u> | <u>4,954,892</u> | <u>391,473</u> | <u>2,985,016</u> | <u>19,261,381</u> |

Notes to the financial statements form an integral part of these statements

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

BAHT : '000

| | CONSOLIDATED | | THE COMPANY ONLY | |
|---|---------------------|-------------|-------------------------|-------------|
| | 2006 | 2005 | 2006 | 2005 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net income (loss) | 2,690,140 | -1,536,303 | 2,690,140 | -1,536,303 |
| Items to reconcile net income (loss) to net cash flows from operations : | | | | |
| Doubtful accounts (Reversal) | -33,062 | -33,062 | - | - |
| Depreciation | 565,301 | 621,602 | 481,123 | 545,653 |
| Amortization | 7,531 | 2,147 | 7,447 | 2,062 |
| Withholding income tax written off | 7,151 | 567 | 455 | 567 |
| Non-refundable input value-added-tax | - | 25,606 | - | - |
| Loss on obsolete raw materials | 38,209 | 6,065 | 38,209 | 6,065 |
| Loss on diminution in value of raw materials (Reversal) | -885,802 | 998,423 | -885,802 | 998,423 |
| Loss on diminution in value of finished goods (Reversal) | -1,358,763 | 1,664,242 | -1,358,763 | 1,664,242 |
| Loss on diminution in value of spare parts and consumable goods (Reversal) | -16,684 | -10,697 | -16,684 | -10,697 |
| Difference of interest per effective interest rate and interest rate per debt restructuring agreement (deduction) | -2,197 | -1,316 | - | - |
| Realized gain on exchange | - | -132 | - | -132 |
| Unrealized (gain) loss on exchange | -42,302 | 8,130 | -42,302 | 8,130 |
| Gain on sales of property, plant and equipment | -4,661 | -2,552 | -138 | -3,349 |
| Loss on disposal of equipment | 17,331 | 30,329 | 16,254 | 26,695 |
| Loss on disposal of construction in progress | - | 924 | - | 924 |
| Loss on disposal of spare parts and consumable goods | 91 | 13,819 | 91 | 13,819 |
| Share of profit from investment using the equity method | - | - | -124,536 | -94,695 |
| Minority interest | 90,121 | 95,637 | - | - |
| Net income from operations before changes in operating assets and liabilities | 1,072,404 | 1,883,429 | 805,494 | 1,621,404 |

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

BAHT : '000

| | CONSOLIDATED | | THE COMPANY ONLY | |
|--|---------------------|--------------------|-------------------------|--------------------|
| | 2006 | 2005 | 2006 | 2005 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| (CONTINUED) | | | | |
| Operating assets (increase) decrease | | | | |
| Trade accounts and notes receivable | | | | |
| - related parties | -1,333,667 | -844,089 | -1,329,022 | -873,459 |
| Trade accounts and notes receivable - others | 599,707 | 275,030 | 629,014 | 268,726 |
| Inventories | 9,100,491 | -15,455,119 | 9,140,594 | -15,533,226 |
| Short-term loans and advances to related parties | -79 | -3,865 | -115 | -3,837 |
| Advance payments | 50,792 | 323,905 | 49,205 | 327,337 |
| Refundable value-added-tax | 134,544 | -1,228,605 | 134,227 | -1,228,174 |
| Other receivables | 32,705 | 32,277 | 187 | -402 |
| Prepaid expenses | -67,583 | -2,663 | -68,715 | -1,678 |
| Other current assets - others | 79,142 | -32,190 | 85,666 | -33,899 |
| Other non-current assets | 6,078 | -10,102 | -1,909 | -36,667 |
| Operating liabilities increase (decrease) | | | | |
| Trade accounts and notes payable | -319,070 | -351,527 | -413,826 | -268,405 |
| Accrued expenses | -113,507 | 105,436 | -120,402 | 52,115 |
| Other current liabilities - others | -78,612 | -876,705 | -56,886 | -842,253 |
| Net cash provided by (used in) operating activities | <u>9,163,345</u> | <u>-16,184,788</u> | <u>8,853,512</u> | <u>-16,552,418</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Deposit at bank used as collateral decrease | - | 5,000 | - | - |
| Cash paid for purchases of current investments | - | -1,000 | - | - |
| Cash paid for purchases of property, | | | | |
| plant and equipment | -544,463 | -1,868,102 | -296,152 | -1,443,423 |
| Cash paid for intangible assets | -2,074 | -1,670 | -2,074 | -1,669 |
| Proceeds from sales of property, plant and equipment | 5,693 | 2,784 | 569 | 3,675 |
| Proceeds from short-term loans to related parties | - | 7,000 | - | 7,000 |
| Short-term loans to related parties | - | -2,000 | - | -2,000 |
| Proceeds from dividend | - | - | - | 51,000 |
| Net cash used in investing activities | <u>-540,844</u> | <u>-1,857,988</u> | <u>-297,657</u> | <u>-1,385,417</u> |

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

BAHT : '000

| | CONSOLIDATED | | THE COMPANY ONLY | |
|---|-----------------------|-----------------------|-------------------------|-----------------------|
| | 2006 | 2005 | 2006 | 2005 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Short-term loans increase (decrease) | -4,397,941 | 5,317,941 | -4,397,941 | 5,317,941 |
| Trade finance loans increase (decrease) | -4,258,841 | 13,128,666 | -4,258,841 | 13,128,666 |
| Bills of exchange increase | 1,484,000 | 526,000 | 1,484,000 | 526,000 |
| Cash repayment of long-term loans | -772,309 | -746,402 | -608,000 | -588,000 |
| Proceeds from long-term loans | 30,500 | 310,000 | - | - |
| Cash paid for redemption of debentures | -720,000 | -720,000 | -720,000 | -720,000 |
| Liabilities under finance leases increase (decrease) | -84,095 | 578,353 | -84,095 | 578,353 |
| Liabilities under hire-purchase agreements (decrease) | -2,286 | -1,879 | -996 | -263 |
| Cash repayment of liabilities for purchase of land | -1,460 | -26,650 | - | - |
| Cash paid for dividend | - | -703,824 | - | -654,824 |
| Net cash provided by (used in) financing activities | <u>-8,722,432</u> | <u>17,662,205</u> | <u>-8,585,873</u> | <u>17,587,873</u> |
| Net decrease in cash and cash equivalents | -99,931 | -380,571 | -30,018 | -349,962 |
| Cash and cash equivalents as at January 1 | <u>221,527</u> | <u>602,098</u> | <u>115,055</u> | <u>465,017</u> |
| Cash and cash equivalents as at December 31 | <u><u>121,596</u></u> | <u><u>221,527</u></u> | <u><u>85,037</u></u> | <u><u>115,055</u></u> |
| Supplemental cash flow information: | | | | |
| Cash paid for interest | 1,770,483 | 1,007,187 | 1,719,115 | 976,668 |
| Cash paid for corporate income tax | 49,575 | 37,557 | 429 | 455 |

Notes to the financial statements form an integral part of these statements

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

1. BUSINESS OPERATIONS OF THE COMPANY AND SUBSIDIARIES

Sahaviriya Steel Industries Public Company Limited is a listed company in The Stock Exchange of Thailand with its head office located at 28/1 Prapawit Building, 2nd-3rd Floor, Surasak Road, Silom, Bangrak, Bangkok and its plant located at 9 Moo 7, Ban Klang Na-Yai Ploy Road, Mae Rumphueng, Bang Saphan, Prachuap Khirikhan. The Company is the manufacturer of hot rolled coils. As at December 31, 2006 and 2005, the Company has 977 and 944 employees, respectively. The staff costs for 2006 and 2005 are Baht 422 million and Baht 350 million, respectively.

Prachuap Port Company Limited, a subsidiary, is a registered company in Thailand with its head office located at 28/1 Prapawit Building, 6th Floor, Surasak Road, Silom, Bangrak, Bangkok and its plant located at 62 Moo 3, Ban Klang Na-Yai Ploy Road, Mae Rumphueng, Bang Saphan, Prachuap Khirikhan. The subsidiary provides deep-sea port services. As at December 31, 2006 and 2005, the subsidiary has 96 and 91 employees, respectively. The staff costs for 2006 and 2005 are Baht 32 million and Baht 34 million, respectively.

West Coast Engineering Company Limited, a subsidiary, is a registered company in Thailand with its head office located at 28/1 Prapawit Building, 3rd Floor, Surasak Road, Silom, Bangrak, Bangkok and its plant located at 9 Moo 7, Ban Klang Na-Yai Ploy Road, Mae Rumphueng, Bang Saphan, Prachuap Khirikhan. The subsidiary provides repair and maintenance services including engineering design and supervision services. As at December 31, 2006 and 2005, the subsidiary has 370 and 334 employees, respectively. The staff costs for 2006 and 2005 are Baht 125 million and Baht 103 million, respectively.

Since 2002, the Government continuously issued various measures regarding the antidumping and countervailing of imported goods with the measures which are still in effect as follows:

1. On May 22, 2003, the Committee on Dumping and Subsidies, Department of Foreign Trade, Ministry of Commerce, by Sections 7, 49, 51, 53, 57 and 73 (1) of the Antidumping and Countervailing Act B.E. 2542, issued the announcement that the Committee had an ultimate judgement on May 16, 2003 that there were a dumping and a damage from the dumping of coil and non-coil hot rolled steel originated from 14 countries according to Section 19 (1) of the Antidumping and Countervailing Act B.E. 2542, thus the antidumping duties are imposed which minimum and maximum rates are in the range between 3.45% to 128.11% of CIF value for the period of 5 years from May 22, 2003, except the imported hot rolled steel for re-export.
2. On July 11, 2003, the Committee on Dumping and Subsidies, Department of Foreign Trade, Ministry of Commerce issued the announcement approving the exemption of antidumping duties for coil and non-coil hot rolled steel imported for cold-rolling and further processing for downstream users and assigned the Department of Foreign Trade to monitor the import under the pre-determined volume for the period of 5 years from July 21, 2003 to May 26, 2008.

2. BASIS FOR PREPARATION OF THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS

- 2.1 The consolidated and Company's financial statements have been prepared in accordance with the regulations of The Stock Exchange of Thailand dated January 22, 2001, regarding the basis, conditions and procedures for the preparation of financial statements and reports for financial position and results of operations of listed companies B.E.2544, and in accordance with accounting standards which is related to the financial statements and practices generally accepted in Thailand.

The brief particulars in the financial statements are shown in accordance with the Notification of the Department of Commercial Registration (presently the Department of Business Development) dated September 14, 2001 regarding "The Brief Particulars in the Financial Statements B.E.2544".

- 2.2 The consolidated financial statements include the accounts of the Company, Prachuap Port Company Limited and West Coast Engineering Company Limited of which the Company has a holding of 51% and 99.99%, respectively, after eliminating inter-company transactions and balances.
- 2.3 The consolidated and Company's financial statements are presented in accordance with the Explanation of Department of Business Development dated November 5, 2003 regarding "The Brief Particulars in the Financial Statements (No.2) B.E.2546" by presenting the premium on ordinary shares in the net amount after offsetting with the discount on ordinary shares.

3. RECLASSIFICATIONS

The financial statements for the year ended December 31, 2005 have been reclassified for certain transactions to conform to the classifications used in the financial statements for the year ended December 31, 2006. Such reclassifications are as follows:

- Directors' remuneration of Baht 7.97 million which was previously included in selling and administrative expenses in the financial statements for 2005, is separately presented.
- Bills of exchange of Baht 526 million which was previously included in short-term loans in the financial statements for 2005, is separately presented.

4. SIGNIFICANT ACCOUNTING POLICIES

- 4.1 Revenues from sales are recognized when title of goods is passed to the buyer in accordance with delivery term in the sale contracts.

The subsidiaries recognize income from services using the percentage of completion method.

- 4.2 Cash and cash equivalent include cash in hand and all types of deposits at banks and at financial institutions with original maturities of 3 months or less, excluding cash at banks used as collateral.
- 4.3 Current investments include time deposits at banks and financial institutions.
- 4.4 Allowance for doubtful accounts is based on management's evaluation of accounts receivables which are considered uncollectible. Allowance for doubtful accounts is provided at 100% for overdue balances exceeding 6 months.

- 4.5 Inventories are stated at cost or net realizable value whichever is the lower. Raw materials, rolls which are part of consumable goods and finished goods are stated at cost by the specific identification method. Other types of inventories are stated at cost by the weighted average method.
- 4.6 Property is stated at revalued amount. Plant and equipment are stated at revalued amount less accumulated depreciation.

The Company and Prachuap Port Company Limited engaged an independent professional appraiser to appraise certain land, buildings, machinery, berth and berth facilities. The increment resulting from the appraisal was recorded in the account as unrealized increment per assets appraisal and is presented as a component of shareholders' equity.

Depreciation is calculated by the straight-line method, based on the estimated useful lives of the assets, except for machinery and equipment in production line of the Company, which is calculated by production based method, and machinery and computer equipment of West Coast Engineering Company Limited, which is calculated by the double declining method, as follows:

| | | |
|--|---------------------------------|-------|
| Land improvement | 5 | Years |
| Leasehold right for land | 10 | Years |
| Leasehold improvement | 5 | Years |
| Buildings | 20 | Years |
| Machinery and equipment in production line | Production units | |
| Hot Rolled Coil Strip Mill | Estimated at a total of 55.8 MT | |
| Hot Finishing Line Mill | Estimated at a total of 14 MT | |
| The Second Skin Pass Mill | Estimated at a total of 14 MT | |
| The Third Skin Pass Mill | Estimated at a total of 14.6 MT | |
| Pickling and Oiling Line | Estimated at a total of 13 MT | |
| Other machinery and equipment | 5 - 10 | Years |
| Office furniture and fixtures | 5 | Years |
| Vehicles | 5 | Years |
| Roads | 5 | Years |
| Berth and berth facilities | 5 - 30 | Years |
| Tug boats | 12 | Years |
| Customs cargo warehouse | 5 | Years |

Depreciation for buildings, machinery and berth and berth facilities under appraisals is based on the estimated remaining useful lives and presented as a deduction from the unrealized increment per assets appraisal.

Interest on loan directly attributable to the construction of the project is capitalized as part of cost of the project until the construction is completed for use as intended.

- 4.7 Intangible assets are amortized by the straight-line method over 10 years.
- 4.8 Lease in which substantially all the risks and rewards of ownership other than legal title are transferred to the Company is accounted for as finance lease. At inception, the fair value of the leased assets is recorded together with the obligation. The leased assets are depreciated using the production based method. Interest or financial charge and depreciation are recognized as expenses in the statement of income.

- 4.9 Assets and liabilities denominated in foreign currencies are translated into Baht at rates of exchange prevailing at the transaction dates. All balances of assets, liabilities in foreign currencies and forward exchange contracts at the end of the year are converted into Baht at the reference exchange rates established by the Bank of Thailand at that date. All foreign exchange gains or losses are recognized in the statement of income.

The Company has adopted a policy to cover foreign currency exposure for certain assets and liabilities by entering into forward exchange contracts with banks. Exchange differences between forward exchange contract rates and spot rates are deferred and amortized over the period of contracts, and included in the measurements of the purchases or sales.

- 4.10 Income tax expense is based on tax paid and accrued for the year.
- 4.11 Basic earnings (loss) per share are calculated by dividing net income (loss) for the year by the weighted average number of ordinary shares outstanding during the year. In the case of a capital increase, the number of ordinary shares is weighted according to time of subscription received for the increase in issued and paid-up capital.
- 4.12 Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent assets and liabilities. The actual results may differ from those estimates.

5. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

For the years ended December 31, non-cash transactions for investing activities and financing activities which are not shown in the statements of cash flows are as follows:

| | CONSOLIDATED | | THE COMPANY ONLY | |
|-------------------------------------|--------------|----------|------------------|----------|
| | 2006 | 2005 | 2006 | 2005 |
| | Baht'000 | Baht'000 | Baht'000 | Baht'000 |
| - Operating activities | | | | |
| Bad debt written off | - | 110,079 | - | 110,079 |
| - Investing activities | | | | |
| Vehicles purchased under | | | | |
| hire-purchase agreements | 12,547 | - | 8,383 | - |
| Amortization of unrealized | | | | |
| increment per asset appraisal - net | 257,227 | 332,656 | 248,869 | 315,975 |
| Transfer of computer system under | | | | |
| installation to intangible assets | - | 68,428 | - | 68,428 |

6. CURRENT INVESTMENTS

Current investments as at December 31, consist of the following:

| | CONSOLIDATED | | THE COMPANY ONLY | |
|--------------------------|--------------|--------------|------------------|----------|
| | 2006 | 2005 | 2006 | 2005 |
| | Baht'000 | Baht'000 | Baht'000 | Baht'000 |
| Fixed deposit for 1 year | 1,000 | 1,000 | - | - |
| | <u>1,000</u> | <u>1,000</u> | <u>-</u> | <u>-</u> |

7. INVENTORIES

Inventories as at December 31, consist of the following:

| | CONSOLIDATED | | THE COMPANY ONLY | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2006 | 2005 | 2006 | 2005 |
| | Baht'000 | Baht'000 | Baht'000 | Baht'000 |
| Finished goods | 7,685,537 | 12,344,446 | 7,724,926 | 12,406,904 |
| Raw materials | 7,867,892 | 12,424,132 | 7,895,640 | 12,471,633 |
| Spare parts and consumable goods | 1,430,099 | 1,209,060 | 1,420,283 | 1,196,525 |
| Goods in transit | 1,399,181 | 1,543,862 | 1,399,181 | 1,543,862 |
| | <u>18,382,709</u> | <u>27,521,500</u> | <u>18,440,030</u> | <u>27,618,924</u> |
| <u>Less</u> Provision for diminution in value of finished goods | (305,479) | (1,664,242) | (305,479) | (1,664,242) |
| Provision for diminution in value of raw materials | (112,621) | (998,423) | (112,621) | (998,423) |
| Provision for diminution in value of spare parts and consumable goods | (232,138) | (248,822) | (232,138) | (248,822) |
| | <u>17,732,471</u> | <u>24,610,013</u> | <u>17,789,792</u> | <u>24,707,437</u> |

As at December 31, 2006 and 2005, all finished goods and raw materials are pledged as collateral for short-term and long-term loans from financial institutions (see Notes 11 and 12).

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of following:

| | CONSOLIDATED | | | | |
|--------------------------------------|-------------------------------|------------|--------------|----------------------------|---------------------------------|
| | Balance as at January 1, 2006 | Additions | Deductions | Transfers between accounts | Balance as at December 31, 2006 |
| | Baht'000 | Baht'000 | Baht'000 | Baht'000 | Baht'000 |
| Property, plant and equipment | | | | | |
| Land and land improvement | 1,411,255 | - | (274) | 97,616 | 1,508,597 |
| Land - appraisal increase | 8,267 | - | - | - | 8,267 |
| Total | <u>1,419,522</u> | <u>-</u> | <u>(274)</u> | <u>97,616</u> | <u>1,516,864</u> |
| Leasehold right for land | 12,325 | - | - | - | 12,325 |
| Leasehold improvement | 3,086 | 102 | - | - | 3,188 |
| Buildings | 1,645,466 | 173 | (559) | 99,059 | 1,744,139 |
| Buildings - appraisal increase | 415,452 | - | - | - | 415,452 |
| Total | <u>2,060,918</u> | <u>173</u> | <u>(559)</u> | <u>99,059</u> | <u>2,159,591</u> |

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| | CONSOLIDATED (CONTINUED) | | | | Balance as at December 31, 2006 Baht'000 |
|---|---|-----------------------|------------------------|--|---|
| | Balance as at January 1, 2006 Baht'000 | Additions Baht'000 | Deductions Baht'000 | Transfers Between Accounts Baht'000 | |
| Machinery and equipment | 15,034,082 | 11,893 | (24,516) | 216,605 | 15,238,064 |
| Machinery and equipment - appraisal increase | 6,489,552 | - | (15,076) | - | 6,474,476 |
| Total | <u>21,523,634</u> | <u>11,893</u> | <u>(39,592)</u> | <u>216,605</u> | <u>21,712,540</u> |
| Machinery and equipment - others | 282,017 | 16,024 | (40,827) | 3,869 | 261,083 |
| Machinery and equipment – others appraisal increase | 37,511 | - | (2,865) | - | 34,646 |
| Total | <u>319,528</u> | <u>16,024</u> | <u>(43,692)</u> | <u>3,869</u> | <u>295,729</u> |
| Office furniture and fixtures | 183,102 | 17,423 | (20,392) | 2,285 | 182,418 |
| Vehicles | 67,995 | 16,028 | (6,005) | - | 78,018 |
| Roads | 52,837 | - | - | 5,256 | 58,093 |
| Roads - appraisal increase | 10,731 | - | - | - | 10,731 |
| Total | <u>63,568</u> | <u>-</u> | <u>-</u> | <u>5,256</u> | <u>68,824</u> |
| Berth and berth facilities | 979,902 | - | - | 914,711 | 1,894,613 |
| Berth and berth facilities - appraisal increase | 437,054 | - | - | - | 437,054 |
| Total | <u>1,416,956</u> | <u>-</u> | <u>-</u> | <u>914,711</u> | <u>2,331,667</u> |
| Tug boats | <u>260,801</u> | <u>-</u> | <u>(39,871)</u> | <u>-</u> | <u>220,930</u> |
| Total property, plant and equipment - at revalued amount | <u>27,331,435</u> | <u>61,643</u> | <u>(150,385)</u> | <u>1,339,401</u> | <u>28,582,094</u> |
| Accumulated depreciation | | | | | |
| Land improvement | 71,910 | 18,188 | (274) | - | 89,824 |
| Land improvement - appraisal increase | 1,020 | - | - | - | 1,020 |
| Total | <u>72,930</u> | <u>18,188</u> | <u>(274)</u> | <u>-</u> | <u>90,844</u> |
| Leasehold right for land | 12,325 | - | - | - | 12,325 |
| Leasehold improvement | 2,991 | 34 | - | - | 3,025 |
| Buildings | 681,932 | 90,220 | (185) | - | 771,967 |
| Buildings - appraisal increase | 235,823 | 21,231 | - | - | 257,054 |
| Total | <u>917,755</u> | <u>111,451</u> | <u>(185)</u> | <u>-</u> | <u>1,029,021</u> |
| Machinery and equipment | 3,485,350 | 340,889 | (8,696) | (54) | 3,817,489 |
| Machinery and equipment - appraisal increase | 2,168,370 | 213,444 | (5,232) | - | 2,376,582 |
| Total | <u>5,653,720</u> | <u>554,333</u> | <u>(13,928)</u> | <u>(54)</u> | <u>6,194,071</u> |
| Machinery and equipment - others | 190,695 | 24,469 | (40,648) | 22 | 174,538 |
| Machinery and equipment - others appraisal increase | 30,710 | 2,881 | (2,853) | - | 30,738 |
| Total | <u>221,405</u> | <u>27,350</u> | <u>(43,501)</u> | <u>22</u> | <u>205,276</u> |

| CONSOLIDATED (CONTINUED) | | | | | |
|--|---|-------------------------------|--------------------------------|--|---|
| | Balance as at January 1, 2006 Baht'000 | Additions Baht'000 | Deductions Baht'000 | Transfers Between Accounts Baht'000 | Balance as at December 31, 2006 Baht'000 |
| Office furniture and fixtures | 120,126 | 21,316 | (19,284) | 32 | 122,190 |
| Vehicles | 42,898 | 9,466 | (5,123) | - | 47,241 |
| Roads | 32,788 | 6,876 | - | - | 39,664 |
| Roads - appraisal increase | 4,021 | 2,146 | - | - | 6,167 |
| Total | <u>36,809</u> | <u>9,022</u> | <u>-</u> | <u>-</u> | <u>45,831</u> |
| Berth and berth facilities | 412,344 | 38,578 | - | - | 450,922 |
| Berth and berth facilities - appraisal increase | 180,373 | 15,698 | - | - | 196,071 |
| Total | <u>592,717</u> | <u>54,276</u> | <u>-</u> | <u>-</u> | <u>646,993</u> |
| Tug boats | <u>76,759</u> | <u>15,265</u> | <u>(39,871)</u> | <u>-</u> | <u>52,153</u> |
| Total accumulated depreciation | <u>7,750,435</u> | <u>820,701</u> | <u>(122,166)</u> | <u>-</u> | <u>8,448,970</u> |
| Property, plant and equipment - net | 19,581,000 | | | | 20,133,124 |
| Construction in progress | 1,188,745 | 553,375 | - | 1,339,401 | 402,719 |
| Fixed assets in transit | 58,240 | (58,240) | - | - | - |
| Total property, plant and equipment - net | <u>20,827,985</u> | | | | <u>20,535,843</u> |
| Depreciation for the year excluded depreciation from unrealized increment per assets appraisal | | | | | |
| 2006 | | | | | <u>565,301</u> |
| 2005 | | | | | <u>621,602</u> |

| THE COMPANY ONLY | | | | | |
|--|---|-------------------------------|--------------------------------|--|---|
| | Balance as at January 1, 2006 Baht'000 | Additions Baht'000 | Deductions Baht'000 | Transfers between accounts Baht'000 | Balance as at December 31, 2006 Baht'000 |
| Property, plant and equipment | | | | | |
| Land and land improvement | 863,110 | - | - | 97,616 | 960,726 |
| Land - appraisal increase | 3,902 | - | - | - | 3,902 |
| Total | <u>867,012</u> | <u>-</u> | <u>-</u> | <u>97,616</u> | <u>964,628</u> |
| Leasehold right for land | 12,325 | - | - | - | 12,325 |
| Leasehold improvement | 3,086 | 102 | - | - | 3,188 |
| Buildings | 1,581,851 | - | - | 60,338 | 1,642,189 |
| Buildings - appraisal increase | 410,954 | - | - | - | 410,954 |
| Total | <u>1,992,805</u> | <u>-</u> | <u>-</u> | <u>60,338</u> | <u>2,053,143</u> |
| Machinery and equipment | 14,967,570 | 6,966 | (23,177) | 193,126 | 15,144,485 |
| Machinery and equipment - appraisal increase | 6,489,552 | - | (15,076) | - | 6,474,476 |
| Total | <u>21,457,122</u> | <u>6,966</u> | <u>(38,253)</u> | <u>193,126</u> | <u>21,618,961</u> |

| | THE COMPANY ONLY (CONTINUED) | | | | |
|--|--|------------------|-------------------|---|--|
| | Balance as at January 1, 2006 | Additions | Deductions | Transfers between accounts | Balance as at December 31, 2006 |
| | Baht'000 | Baht'000 | Baht'000 | Baht'000 | Baht'000 |
| Machinery and equipment - others | 250,861 | 3,386 | (39,796) | 4,154 | 218,605 |
| Machinery and equipment – others appraisal increase | <u>37,511</u> | <u>-</u> | <u>(2,865)</u> | <u>-</u> | <u>34,646</u> |
| Total | <u>288,372</u> | <u>3,386</u> | <u>(42,661)</u> | <u>4,154</u> | <u>253,251</u> |
| Office furniture and fixtures | 158,855 | 13,890 | (18,643) | 1,568 | 155,670 |
| Vehicles | 42,533 | 10,707 | (1,854) | - | 51,386 |
| Roads | 32,557 | - | - | 5,518 | 38,075 |
| Roads - appraisal increase | <u>10,700</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>10,700</u> |
| Total | <u>43,257</u> | <u>-</u> | <u>-</u> | <u>5,518</u> | <u>48,775</u> |
| Total property, plant and equipment - at revalued amount | <u>24,865,367</u> | <u>35,051</u> | <u>(101,411)</u> | <u>362,320</u> | <u>25,161,327</u> |
| Accumulated depreciation | | | | | |
| Land improvement | 63,992 | 17,594 | - | - | 81,586 |
| Leasehold right for land | 12,325 | - | - | - | 12,325 |
| Leasehold improvement | 2,991 | 34 | - | - | 3,025 |
| Buildings | 658,651 | 85,222 | - | - | 743,873 |
| Buildings - appraisal increase | <u>232,008</u> | <u>20,547</u> | <u>-</u> | <u>-</u> | <u>252,555</u> |
| Total | <u>890,659</u> | <u>105,769</u> | <u>-</u> | <u>-</u> | <u>996,428</u> |
| Machinery and equipment | 3,410,805 | 331,335 | (7,422) | - | 3,734,718 |
| Machinery and equipment - appraisal increase | <u>2,168,370</u> | <u>213,445</u> | <u>(5,232)</u> | <u>-</u> | <u>2,376,583</u> |
| Total | <u>5,579,175</u> | <u>544,780</u> | <u>(12,654)</u> | <u>-</u> | <u>6,111,301</u> |
| Machinery and equipment - others | 173,257 | 18,469 | (39,687) | - | 152,039 |
| Machinery and equipment – others appraisal increase | <u>30,710</u> | <u>2,881</u> | <u>(2,853)</u> | <u>-</u> | <u>30,738</u> |
| Total | <u>203,967</u> | <u>21,350</u> | <u>(42,540)</u> | <u>-</u> | <u>182,777</u> |
| Office furniture and fixtures | 102,457 | 18,075 | (18,108) | - | 102,424 |
| Vehicles | 23,121 | 6,731 | (1,568) | - | 28,284 |
| Roads | 20,707 | 3,663 | - | - | 24,370 |
| Roads - appraisal increase | <u>4,001</u> | <u>2,140</u> | <u>-</u> | <u>-</u> | <u>6,141</u> |
| Total | <u>24,708</u> | <u>5,803</u> | <u>-</u> | <u>-</u> | <u>30,511</u> |
| Total accumulated depreciation | <u>6,903,395</u> | <u>720,136</u> | <u>(74,870)</u> | <u>-</u> | <u>7,548,661</u> |
| Property, plant and equipment - net | 17,961,972 | | | | 17,612,666 |
| Construction in progress | 318,512 | 327,724 | - | (362,320) | 283,916 |
| Fixed assets in transit | <u>58,240</u> | <u>(58,240)</u> | <u>-</u> | | <u>-</u> |
| Total property, plant and equipment - net | <u>18,338,724</u> | | | | <u>17,896,582</u> |
| Depreciation for the year excluded depreciation from unrealized increment per assets appraisal | | | | | |
| 2006 | | | | | <u>481,123</u> |
| 2005 | | | | | <u>545,653</u> |

- 8.1 As at December 31, 2006 and 2005, certain land, buildings and machinery of the Company representing approximately 94.4% and 94.9%, respectively of the total net book value of such assets are mortgaged as collateral for bank overdrafts, short-term loans from financial institutions, long-term loans and debentures (see Notes 11, 12 and 13).

As at December 31, 2006 and 2005, certain land and expanding berth construction of Prachuap Port Company Limited, the subsidiary, with value representing approximately 90%, of the total net book value of such assets of each year are mortgaged as collateral for long-term loans. Subsequently, on January 18, 2007, the Company had also mortgaged such assets as collateral for letter of guarantee (see Notes 12 and 25.2).

As at December 31, 2006 and 2005, land and structure of West Coast Engineering Company Limited, the subsidiary, are mortgaged with two banks to secure as collateral for bank overdrafts and short-term loans, long-term loan and other credit facilities (see Notes 11 and 12).

- 8.2 In 2002, the Company engaged an independent professional appraiser, American Appraisal (Thailand) Limited, to reappraise the plant facilities for the second time after the first appraisal in 1997. In 2003, Prachuap Port Company Limited engaged such company to reappraise its land, building, customs cargo warehouse, berth and berth facilities for the second time after the first appraisal in 1998. The appraisal reports submitted by the appraiser were as of December 11, 2002 and August 28, 2003, respectively.

The results of the second appraisals of the Company and subsidiary were as follows:

| | The Company only | Baht : '000 Subsidiary |
|---------------------------------------|-------------------------|-----------------------------------|
| Appraisal increment (decrement) - net | | |
| Land | 3,902 | 3,689 |
| Buildings | 241,085 | 1,919 |
| Machinery | 5,365,065 | - |
| Facilities | 10,700 | 126,348 |

The increment from the appraisal was recorded in the account as unrealized increment per assets appraisal and was included as part of shareholders' equity. The decrease was recorded in the statement of income for the year the revaluation was performed.

The method of appraisal for the value of buildings, machinery, berth and facilities was the depreciated replacement cost to reflect the unexpired service potential of the assets with regard to age and condition.

In addition, the Company and such subsidiary have evaluated the recoverable amounts by using the discounted cash flow method, and have determined that the recoverable amounts to be higher than the appraisal values from such depreciated replacement cost basis.

The Company and such subsidiary have a policy to review and adjust the depreciated appraisal value of assets on a periodic basis.

As at December 31, 2006 and 2005, the Company, a subsidiary and a related company have recorded unrealized appraisal increment for assets and recognized unrealized increment per assets appraisal in shareholders' equity as follows:

| CONSOLIDATED AND THE COMPANY ONLY | | | | | |
|--|-----------------|-----------------|------------------|-----------------------------------|------------------|
| 2006 | | | | | |
| | Land | Building | Machinery | Berth and Berth Facilities | Total |
| | Baht'000 | Baht'000 | Baht'000 | Baht'000 | Baht'000 |
| Unrealized increment per assets appraisal of : | | | | | |
| The Company | 3,902 | 158,398 | 4,101,802 | 4,559 | 4,268,661 |
| The subsidiary | 1,706 | - | - | 122,904 | 124,610 |
| The related company | - | - | 561,621 | - | 561,621 |
| | <u>5,608</u> | <u>158,398</u> | <u>4,663,423</u> | <u>127,463</u> | <u>4,954,892</u> |

| CONSOLIDATED AND THE COMPANY ONLY | | | | | |
|--|-----------------|-----------------|------------------|-----------------------------------|------------------|
| 2005 | | | | | |
| | Land | Building | Machinery | Berth and Berth Facilities | Total |
| | Baht'000 | Baht'000 | Baht'000 | Baht'000 | Baht'000 |
| Unrealized increment per assets appraisal of : | | | | | |
| The Company | 3,902 | 178,946 | 4,327,983 | 6,699 | 4,517,530 |
| The subsidiary | 1,706 | 348 | - | 130,914 | 132,968 |
| The related company | - | - | 561,621 | - | 561,621 |
| | <u>5,608</u> | <u>179,294</u> | <u>4,889,604</u> | <u>137,613</u> | <u>5,212,119</u> |

- 8.3 The Company and the subsidiaries have the assets which are fully depreciated but are still in use as follows:

| | CONSOLIDATED | | THE COMPANY ONLY | |
|---|---------------------|-----------------|-------------------------|-----------------|
| | 2006 | 2005 | 2006 | 2005 |
| | Baht'000 | Baht'000 | Baht'000 | Baht'000 |
| Cost of assets (excluded appraisal increase) before fully depreciated | 385,933 | 407,964 | 259,647 | 286,781 |

- 8.4 As at December 31, 2006 and 2005, the Company and subsidiary capitalized interest expenses incurred from loans for the construction projects as part of cost of assets in the total amount of Baht 147.54 million and Baht 98.03 million, respectively.

- 8.5 Fixed assets under finance lease and hire-purchase agreements

As at December 31, 2006 and 2005, property, plant and equipment included machinery and equipment in production line under finance leases with the cost value of Baht 559.82 million

As at December 31, 2006 and 2005, vehicles of a subsidiary include cars acquired from hire-purchases which are still under installment in the amount of Baht 12.5 million and Baht 1.8 million, respectively.

9. INTANGIBLE ASSETS - NET

Intangible assets - net as at December 31, consist of the following:

| | CONSOLIDATED | | THE COMPANY ONLY | |
|--------------------------------------|---------------|---------------|------------------|---------------|
| | 2006 | 2005 | 2006 | 2005 |
| | Baht'000 | Baht'000 | Baht'000 | Baht'000 |
| Computer software | 74,097 | 3,999 | 73,240 | 3,142 |
| <u>Add</u> Additions during the year | 2,074 | 70,098 | 2,074 | 70,098 |
| <u>Less</u> Accumulated amortization | (9,757) | (2,226) | (9,555) | (2,108) |
| | <u>66,414</u> | <u>71,871</u> | <u>65,759</u> | <u>71,132</u> |
| Amortization for the year | <u>7,531</u> | <u>2,147</u> | <u>7,447</u> | <u>2,062</u> |

10. OTHER NON-CURRENT ASSETS

Other non-current assets as at December 31, consist of the following:

| | CONSOLIDATED | | THE COMPANY ONLY | |
|--|-----------------|-----------------|------------------|---------------|
| | 2006 | 2005 | 2006 | 2005 |
| | Baht'000 | Baht'000 | Baht'000 | Baht'000 |
| Deposits | 45,392 | 44,775 | 44,518 | 42,609 |
| Receivable from cancellation of shipbuilding contract | 11,462 | 44,524 | - | - |
| Other | <u>1,729</u> | <u>8,424</u> | <u>-</u> | <u>-</u> |
| | 58,583 | 97,723 | 44,518 | 42,609 |
| <u>Less</u> Allowance for doubtful account - Receivable from cancellation of shipbuilding contract | <u>(11,462)</u> | <u>(44,524)</u> | <u>-</u> | <u>-</u> |
| | <u>47,121</u> | <u>53,199</u> | <u>44,518</u> | <u>42,609</u> |

Receivable from cancellation of shipbuilding contract represented the transaction of Prachuap Port Company Limited which cancelled the shipbuilding contract relating to the tugboats. The supplier agreed to return all the money paid of USD 3.81 million or Baht 167.96 million within fifteen installments from July 8, 2002 to March 8, 2007. From 2002 to December 31, 2006, the subsidiary received total repayment of USD 3.55 million or Baht 157.17 million. However, the subsidiary has provided for the allowance for doubtful debt in full for the remaining amount as at December 31, 2006 and 2005, due to the uncertainty of the recoverability.

11. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

11.1 Short-term loans and trade finance loans

The Company had short-term trade financing facilities from financial institutions according to the loan agreement dated September 15, 2003 with a total maximum credit limit of Baht 17,000 million. The trade financing facilities included bank overdraft, letters of credit, trust receipts, promissory notes, bills discounted, packing credits and banks' letters of guarantee.

Subsequently, on August 31, 2005, such loan agreement had been revised of credit limit from maximum credit facilities of Baht 17,000 million to unlimited credit facilities and on October 5, 2005, the existing lenders and the new lenders had increased short-term trade financing facilities from Baht 17,000 million to Baht 25,750 million and USD 45 million. As at December 31, 2006 and 2005, the Company has unused short-term credit facilities after converting into Thai Baht of Baht 14,618 million and Baht 5,926 million, respectively.

Such short-term loans are secured by the pledge of raw materials and finished products owned by the Company and the short-term and long-term lending financial institutions are secured for additional by the second mortgage of land, buildings and machinery and the assignment of insurance proceeds to the lenders. (see Notes 7 and 8.1)

West Coast Engineering Co., Ltd., a subsidiary has credit lines for overdrafts and other credit facilities from commercial banks as follows:

1. As at December 31, 2006 and 2005, the subsidiary, has credit lines from a commercial bank totaling Baht 5 million which are secured by the mortgage of land of the subsidiary and guaranteed by the Company. The subsidiary has no overdraft and short-term loan balances as of the balance sheet date. (see Notes 8.1 and 25.5)
2. As at December 31, 2006, the subsidiary, has credit lines from another commercial bank totaling Baht 15 million which are secured by the mortgage of land of the subsidiary. The subsidiary has no overdraft and short-term loan balances as of the balance sheet date. (see Note 8.1)

11.2 Bills of exchange

As at December 31, 2006, the Company has short-term loans from bank amounting to Baht 2,010 million which are unsecured bills of exchange with interest rates at 6.15% - 6.20% per annum to be due in 2007.

At December 31, 2005, the Company had short-term loans from bank amounting to Baht 526 million which are unsecured promissory notes with interest rates at 3.40% - 3.80% per annum to be due in 2006.

12. LONG-TERM LOANS

Long-term loans as at December 31, consist of the following:

| | CONSOLIDATED | | THE COMPANY ONLY | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2006 Baht'000 | 2005 Baht'000 | 2006 Baht'000 | 2005 Baht'000 |
| Loan repayable semi-annually from March 2005 onwards | 5,264,000 | 5,432,000 | 5,264,000 | 5,432,000 |
| Loan repayable semi-annually from June 2005 onwards | 200,000 | 600,000 | 200,000 | 600,000 |
| Loan repayable semi-annually from September 2005 onwards | 940,000 | 980,000 | 940,000 | 980,000 |
| Loan repayable monthly from April 2002 - May 2003 and semi- annually from June 2003 onwards | 35,716 | 149,716 | - | - |
| Loan repayable monthly from January 2006 onwards | 561,691 | 612,000 | - | - |
| Loan repayable yearly from December 2007 onwards | 45,000 | 45,000 | - | - |
| Loan repayable quarterly from June 2007 onwards | 30,500 | - | - | - |
| | <u>7,076,907</u> | <u>7,818,716</u> | <u>6,404,000</u> | <u>7,012,000</u> |
| <u>Less</u> Current portion | <u>(761,089)</u> | <u>(812,000)</u> | <u>(596,000)</u> | <u>(608,000)</u> |
| | <u>6,315,818</u> | <u>7,006,716</u> | <u>5,808,000</u> | <u>6,404,000</u> |
| <u>Add</u> Difference of interest per effective interest rate and interest rate per debt restructuring agreement | <u>452</u> | <u>2,649</u> | <u>-</u> | <u>-</u> |
| | <u><u>6,316,270</u></u> | <u><u>7,009,365</u></u> | <u><u>5,808,000</u></u> | <u><u>6,404,000</u></u> |

The Company and subsidiaries have long-term loan agreements as follows:

1. On September 15, 2003, the Company and the lending banks entered into the credit facilities agreement for long-term loans amounting to Baht 8,000 million which consisted of convertible debentures of Baht 2,400 million, that were all converted into ordinary shares in December 2003, and long-term loan of Baht 5,600 million with 10 year maturity, interest rates at an average MLR less 1.5% per annum from the agreement date to the third year, at an average MLR less 1% per annum from the third year to the fifth year and at an average MLR less 0.5% per annum from the fifth year onwards being that such interest rates must not be less than interest rate of secured debentures (see Note 13) plus 0.75% per annum. The interest is payable quarterly and principal repayment will be increased proportionately and payable semi-annually starting from March 31, 2005. As at December 31, 2006 and 2005, the Company has outstanding balances of such long-term loan of Baht 5,264 million and 5,432 million, respectively.

During the quarter ended September 30, 2004, the lending banks reduced interest rates of long-term loans amounting to Baht 5,600 million from average MLR less 1.5% per annum to fixed rate at 3.5% per annum for the period of 6 months from August 1, 2004 to January 31, 2005. Subsequently, such lending banks extended reduction period of interest rates of long-term loans to fixed rate at 4.31% per annum for the period of 55 days from February 1, 2005 to March 31, 2005.

2. On December 29, 2003, the Company and the existing lenders entered into the credit facility agreement for additional long-term loans with credit limit of Baht 2,000 million with 3.5-year maturity and fixed interest rate at 3.75% per annum. The interest is payable semi-annually and principal repayment is payable in an equal amount semi-annually starting from June 2005. The Company shall withdraw such loans within June 30, 2004. Subsequently, on January 9, 2004, the Company has been withdrawn the loans of Baht 1,000 million. As at December 31, 2006 and 2005, the Company has outstanding balance of such long-term loan of Baht 200 million and Baht 600 million, respectively.
3. On September 11, 2003, the Company entered into a long-term loan agreement with a financial institution amounting to Baht 1,000 million with 10-year maturity, fixed interest rate at 4% per annum from the agreement date to September 30, 2008 and at an average MLR less 0.5% per annum from October 1, 2008 onwards. The interest is payable quarterly and principal repayment will be increased proportionately and payable semi-annually starting from September 30, 2005. As at December 31, 2006 and 2005, the Company has outstanding balance of such long-term loan of Baht 940 million and Baht 980 million, respectively.

All three loan agreements above are secured by the mortgage of land, buildings, machinery and the assignment of insurance proceeds to the lenders and the short-term and long-term lending financial institutions are secured for additional by the second pledge of raw materials and finished products owned by the Company (see Notes 7 and 8.1).

In addition, all three loan agreements contain certain covenants regarding the operations, financial ratios and financial position, maintenance of shareholders' equity in Prachuap Port Company Limited at not less than 51% of issued and paid up share capital of such subsidiary and prohibition of dividend payments higher than 60% of net income in each fiscal year and including the covenant on forbidding the Company to pledge its investment in share or create any obligation thereon. The Company thus has to comply with certain conditions contained in such loan agreements.

4. Prachuap Port Company Limited, a subsidiary, entered into the debt restructuring agreement with its lending bank on March 30, 1999 and an amendment agreement on June 30, 1999. Modification of the terms of debt included the extension of all long-term and short-term and reduction of interest of principal amounts thereof to a long-term loan in the amount of Baht 832.5 million with 9-year maturity, 3-year grace period of principal repayment with principal repayment monthly in the fourth year from April 2002 and principal repayment every 6 months starting from the fifth year on June 30, 2003 with interest payable monthly at interest rate below MLR of such bank during the first 7 years and thereafter at MLR of such bank. As at December 31, 2006 and 2005, the subsidiary has outstanding balance of such long-term loan of Baht 35.7 million and 149.7 million, respectively.

Such loan is guaranteed by certain directors and the mortgage of land as collateral (see Note 8.1).

5. On September 5, 2003, such subsidiary entered into another long-term loan agreement with a commercial bank totaling Baht 650 million with 6 year maturity, and bearing interest rate at 3 month fixed deposit rate of the bank plus 3%, 3.5%, 4% per annum for the first two years, the third year, and the fourth year onward, respectively. Interest is payable monthly and the grace period for principal is one and a half years, which was ended in February 2005. The first installment payment was due on the last working day of March 2005 and the following installment payment is payable at the end of each month. Such long-term loan is secured by the mortgage as collateral of land and building and expanding berth construction (see Note 8.1).

On June 7, 2005, such subsidiary entered into an amendment of the above long-term loan agreement to change the grace period for the principal from one and a half years and the first installment payment which would be made on the last working day of March 2005 to be one year and ten months and the first installment was on the last working day of July 2005.

Subsequently, on August 26, 2005, such subsidiary entered into another amendment of the above long-term loan agreement to change the grace period for principal from one year and six months and the first installment payment which would be made on the last working day of March 2005 to be two years and four months and the first installment will be made on the last working day of January 2006.

As at December 31, 2006 and 2005, such subsidiary has outstanding balance of such long-term loan of Baht 561.69 million and Baht 612 million, respectively.

The loan agreement dated September 5, 2003 contains certain covenants regarding the operations, financial ratios and financial position. The subsidiary thus has to comply with certain conditions contained in above loan agreement.

6. On March 21, 2005, West Coast Engineering Co., Ltd., a subsidiary, entered into the long-term loan agreement with a commercial bank totaling Baht 45 million with 3-year maturity, and bearing interest rates at an MLR average less 1% per annum for the first year, and at an MLR average less 0.5% per annum for the second year onward. The principal repayment will be made in two installments annually with the first installment of Baht 20 million and the second installment of Baht 25 million. The first installment will be due on the last working day of the second year after the date the first drawdown is made which is on December 30, 2007. The interest is payable monthly. Such long-term loan is secured by the mortgage of certain land and structure of the subsidiary and is guaranteed by the Company. (see Notes 8.1 and 25.5)
7. On October 2, 2006, such subsidiary entered into another loan facility agreement of Baht 75 million for investing in an expansion of a workshop and for its working capital and of US\$ 1 million for forward contract with a commercial bank. Such subsidiary can withdraw the loan when it complies with all conditions stated in the agreement. The loan is repayable within 5 years after the agreement date. The installment is due every 3 months from June 30, 2007 onwards. The 1st to the 8th installments are not less than Baht 2.5 million each. The 9th to the 15th installments are not less than Baht 5 million each and the 16th installment is paid for the remaining loan balance. The loan bears interest rate at MLR less 0.5% per annum. As at December 31, 2006, such subsidiary has already made a withdrawal of Baht 30.5 million.

Such loan is secured by the mortgage of a plot of land and structure of the subsidiary and the transfer of insurance beneficiary of the collateral to the lender. In addition, there are certain conditions regarding operations, financial ratios which such subsidiary has to comply with as stated in the agreement and the Company has to maintain its holding in such subsidiary of not less than 75% of total shares during the agreement period.

13. DEBENTURES

Debentures as at December 31, consist of the following:

| | CONSOLIDATED | | THE COMPANY ONLY | |
|-----------------------------|--------------------|------------------|--------------------|------------------|
| | 2006 | 2005 | 2006 | 2005 |
| | Baht'000 | Baht'000 | Baht'000 | Baht'000 |
| Debentures | 1,810,000 | 2,530,000 | 1,810,000 | 2,530,000 |
| <u>Less</u> Current portion | <u>(1,085,000)</u> | <u>(720,000)</u> | <u>(1,085,000)</u> | <u>(720,000)</u> |
| | <u>725,000</u> | <u>1,810,000</u> | <u>725,000</u> | <u>1,810,000</u> |

On September 17, 2003, the Company had proceeds from sales of debentures to institutional investors totaling Baht 4,000 million with detail as follows:

1. Secured amortizing debentures No. 1 series 1 of 1,800,000 units with total value of Baht 1,800 million with 3.5 years maturity, which principal was to be equally redeemed semi-annually starting from March 17, 2005 and will be due in 2007. The interest rate is fixed at 3.5% per annum and payable semi-annually. As at December 31, 2006 and 2005, the Company has outstanding debentures of Baht 360 million and Baht 1,080 million, respectively.

Secured amortizing debentures No. 1 series 2 of 1,450,000 units with total value of Baht 1,450 million with 4.5 years maturity, which principal will be equally redeemed semi-annually starting from September 17, 2007 and will be due in 2008. The interest rate is floated at the average of 6-month fixed deposit rates of 4 commercial banks plus 2.75% per annum and payable semi-annually. As at December 31, 2006 and 2005, the Company has outstanding debentures of Baht 1,450 million.

2. Secured debentures No. 2 of 750,000 units with total value of Baht 750 million which were redeemed in 2004.

The debentures are secured by the mortgage of land, buildings, and machinery (see Note 8.1). The proceeds from these debentures were used to repay a portion of long-term loans under restructuring debts agreement and/or invested in expansion project.

14. LIABILITIES UNDER FINANCE LEASE AGREEMENTS

Total minimum lease payments and their present value of liabilities under finance lease agreements as at December 31, consist of the following:

| | CONSOLIDATED | | THE COMPANY ONLY | |
|--|-----------------|-----------------|------------------|-----------------|
| | 2006 | 2005 | 2006 | 2005 |
| | Baht'000 | Baht'000 | Baht'000 | Baht'000 |
| Not later than one year; | 124,224 | 118,813 | 124,224 | 118,813 |
| One to four years | 424,255 | 548,480 | 424,255 | 548,480 |
| Total minimum lease payments | 548,479 | 667,293 | 548,479 | 667,293 |
| Interest expense | <u>(54,221)</u> | <u>(88,940)</u> | <u>(54,221)</u> | <u>(88,940)</u> |
| Present value of minimum lease payments | 494,258 | 578,353 | 494,258 | 578,353 |
| <u>Less</u> Current portion | <u>(95,239)</u> | <u>(84,095)</u> | <u>(95,239)</u> | <u>(84,095)</u> |
| Liabilities under finance lease agreements | <u>399,019</u> | <u>494,258</u> | <u>399,019</u> | <u>494,258</u> |

15. LEGAL RESERVE

Under the Public Companies Act B.E. 2535, the Company is required to set aside as a legal reserve at least 5 percent of its net income after accumulated deficit brought forward (if any) until the reserve is not less than 10 percent of the authorized capital. This reserve is not available for dividend distribution.

16. DIVIDEND PAYMENT

On April 5, 2005, the Ordinary Shareholders' Meeting No.16 approved dividend payment for the period from July to December 2004, to be paid to the shareholders at Baht 0.05 per share. The Company paid such dividend on May 4, 2005.

On November 18, 2005, the Board of Directors' Meeting No. 10/2548 of Prachuap Port Co., Ltd., a subsidiary, approved an interim dividend payment for the first half of 2005 at Baht 2.50 per share. The subsidiary paid such dividend on December 6, 2005.

On December 28, 2006, the Board of Directors' Meeting No. 13/2549 of Prachuap Port Co., Ltd., a subsidiary, approved an interim dividend payment to the shareholders at Baht 5.00 per share. The subsidiary paid such dividend on January 19, 2007.

On December 28, 2006, the Board of Directors' Meeting No. 5/2549 of West Coast Engineering Co., Ltd, a subsidiary, approved an interim dividend payment to the shareholders at Baht 7.00 per share. The subsidiary paid such dividend on January 19, 2007.

17. COST OF THE SALES OF GOODS

For the year ended December 31, 2005, cost of the sales of goods included expenses of Baht 92.69 million, which incurred during plant shutdown for expansion of production capacity.

18. PROVIDENT FUND

The Company established a contributory Provident Fund and registered according to the Provident Fund Act, B.E. 2530 (1987) and Provident Fund Act (No.2), B.E. 2542 (1999).

For the years ended December 31, 2006 and 2005, the Company and subsidiarys' contributions included in cost of the sales of goods and selling and administration expenses are Baht 26.3 million and Baht 16.3 million, respectively.

19. FOREIGN EXCHANGE RISK MANAGEMENT

As at December 31, 2006 and 2005, assets and liabilities in foreign currencies consist of the following:

| | | CONSOLIDATED AND THE COMPANY ONLY | |
|-------------|--------------------|-----------------------------------|------------|
| | | 2006 | 2005 |
| Assets | - US Dollar | 1,369,438 | 13,168,486 |
| | - Euro | 77 | - |
| Liabilities | - US Dollar | 53,937,795 | 50,418,952 |
| | - Italian Lira | 1,770,995 | 51,770,995 |
| | - Yen | 2,380,400 | 8,035,600 |
| | - Euro | 634,370 | 1,850,321 |
| | - Singapore Dollar | 4,250 | 200,944 |

As at December 31, 2006, the Company entered into hedging contracts to cover existing and committed assets of USD 96.1 million which are due for receipt in 2007 but did not enter into hedging contracts for existing and committed liabilities which are due in 2007.

As at December 31, 2005, the Company entered into hedging contracts to cover existing and committed assets of USD 34.6 million which are due for receipt in 2006 and entered into hedging contracts for existing and committed liabilities of EUR 0.3 million which are due in 2006.

20. THE INVESTMENT PROMOTION RIGHTS AND PRIVILEGES

The Company was incorporated on March 13, 1990, and commenced its operations on April 23, 1994.

The Company was granted certain rights and privileges as a promoted industry under the Investment Promotion Act B.E. 2520 (1977) according to the promotional certificate No. 1140/2533 dated August 8, 1990 and its amendments, including exemption from customs duties for machinery, reduction in customs duties on raw materials, and exemption from company income tax for a period of 8 years from the date the Company receiving the revenues from the promoted business. Such corporate income tax exemption privileges expired on April 22, 2002, but the Company still has a corporate tax exemption for profit derived from the promoted business at the rate of 50% of normal rate for 5 years after April 22, 2002. In addition, the Company has a right to carry forward net annual loss incurred during the period that the Company received company income tax exemption to be utilized against net profit incurred after April 22, 2002 for 5 years.

On October 15, 2002, the Company was granted certain additional rights and privileges according to the promotional certificate No.6507/2545 (14-1140/2533) including exemption from customs duties for raw materials and consumable parts for production for export at the period as defined in the promotional certificate. Such rights and privileges expired on November 22, 2004.

Subsequently, on June 8, 2004, the Company was granted certain rights and privileges according to the promotional certificate No. 1438(2)/2547, including exemption from company income tax for sales of hot rolled steel and oiling hot rolled steel totally not exceeding 1.6 million ton per year for a period of 8 years from the date the Company receiving the revenues from the promoted business. Such rights and privileges will expire on May 12, 2012. In addition, the Company has a right to carry forward net annual loss incurred during the period that the Company received company income tax exemption to be utilized against net profit incurred after May 12, 2012 for 5 years.

Prachuap Port Company Limited, a subsidiary, was incorporated on October 4, 1990, and commenced its operations on February 18, 1994. The subsidiary was granted certain rights and privileges as a promoted industry under the Investment Promotion Act B.E. 2020 (1977) as follows:

- Investment promotion certificate No. 8002/2537 dated January 17, 1994 which the Board of Investment approved the promotion for the port service business. Significant rights and privileges received included the exemption from customs duties for machinery, as stated in the promotional certificate, as approved by the Board of Investment and the exemption from company income tax for the period of 8 years from the date the subsidiary receiving the revenues from the promoted business. Such rights and privileges expired on February 21, 2002, but the subsidiary still has a corporate tax exemption for profit derived from the promoted business at the rate of 50% of normal rate for 5 years after February 21, 2002.

- Investment promotion certificate No. 1484(2)/2545 dated July 31, 2002, which the Board of Investment approved the promotion for the high-powered tug boat service for public transportations and large products. Significant rights and privileges included a reduction in customs duties for machinery as stated in the promotional certificate and the exemption from company income tax on profit derived from the promoted business which is not exceeding 100% of its investment for the period of 5 years from the date of the subsidiary receiving revenues from the promoted business. Such rights and privileges will expire on September 30, 2007.
- Investment promotion certificate No. 1464(2)/2547 dated June 10, 2004 which the Board of Investment approved the promotion for the port service business. Significant rights and privileges received include the exemption from customs duties for machinery as stated in the promotional certificate and the exemption from company income tax derived from the promoted business which is not exceeding 100% of its investment for the period of 8 years from the date of the subsidiary receiving the revenues from the promoted business and not exceeding Baht 1,146,312,000 which may be adjusted according to the capital excluded land and actual working capital on the commencement date of the promoted project. The Company first received revenues from the promoted business on November 14, 2006.
- Investment promotion certificate No. 1901(2)/2547 dated October 29, 2004 which the Board of Investment approved the promotion for the high-powered tug boat service. Significant rights and privileges received include a reduction in customs duties for machinery as stated in the promotional certificate and exemption from company income tax on profit derived from the promoted business, not exceeding 100% of its investment for the period of 5 years from the date the subsidiary receiving revenues from the promoted business. Such rights and privileges will expire on August 8, 2010.

Shareholders of the Company and the subsidiary will receive exemption from income tax on dividends received during the period in which the Company and the subsidiary are granted exemption from company income tax.

The Company and the subsidiary thus have to comply with certain conditions contained in the promotion all certificates.

21. REVENUES OF A PROMOTED INDUSTRY

Based on the Announcement of the Board of Investment No. Por 14/2541 dated December 30, 1998 regarding reporting on revenues of a promoted industry, the Company is required to report separately revenues from domestic sales and export sales and promoted and non-promoted businesses.

For the year ended December 31, 2006, the required information is as follows:

| | CONSOLIDATED | | | Total Baht'000 |
|----------------------|---|---|---|---------------------------|
| | Promoted Business Baht'000 | Non-promoted Business Baht'000 | Inter-company transaction Baht'000 | |
| Revenues | | | | |
| Export sales | 7,312,966 | 811,968 | - | 8,124,934 |
| Domestic sales | 23,398,476 | 3,764,665 | (80,697) | 27,082,444 |
| Income from services | 291,200 | 341,133 | (418,255) | 214,078 |
| | <u>31,002,642</u> | <u>4,917,766</u> | <u>(498,952)</u> | <u>35,421,456</u> |

| | THE COMPANY ONLY | | |
|----------------|---|---|---------------------------|
| | Promoted Business Baht'000 | Non-promoted Business Baht'000 | Total Baht'000 |
| Revenues | | | |
| Export sales | 7,312,966 | 811,968 | 8,124,934 |
| Domestic sales | <u>23,398,476</u> | <u>3,681,653</u> | <u>27,080,129</u> |
| | <u>30,711,442</u> | <u>4,493,621</u> | <u>35,205,063</u> |

For the year ended December 31, 2005, the required information is as follows:

| | CONSOLIDATED | | | |
|----------------------|---|---|---|---------------------------|
| | Promoted Business Baht'000 | Non-promoted Business Baht'000 | Inter-company transaction Baht'000 | Total Baht'000 |
| Revenues | | | | |
| Export sales | 5,826,012 | - | - | 5,826,012 |
| Domestic sales | 30,184,938 | 42,647 | (41,372) | 30,186,213 |
| Income from services | <u>449,062</u> | <u>324,516</u> | <u>(497,623)</u> | <u>275,955</u> |
| | <u>36,460,012</u> | <u>367,163</u> | <u>(538,995)</u> | <u>36,288,180</u> |

| | THE COMPANY ONLY | | |
|----------------|---|---|---------------------------|
| | Promoted Business Baht'000 | Non-promoted Business Baht'000 | Total Baht'000 |
| Revenues | | | |
| Export sales | 5,826,012 | - | 5,826,012 |
| Domestic sales | <u>30,184,938</u> | <u>533</u> | <u>30,185,471</u> |
| | <u>36,010,950</u> | <u>533</u> | <u>36,011,483</u> |

22. TRANSACTIONS WITH RELATED PARTIES

The Company and subsidiaries have transactions with related parties. These parties are investee companies having mutual directors or companies which directors are major shareholders and/or have common directors. The financial statements reflect the effects of these transactions which are in the ordinary course of business with detail as follows:

| | Types of business | Relationship December 31, 2006 | Relationship December 31, 2005 |
|--|--|---|---|
| Subsidiary companies | | | |
| West Coast Engineering Co., Ltd. | Maintenance service | Subsidiary company | Subsidiary company |
| Prachuap Port Co., Ltd. | Deep-sea port service | Subsidiary company | Subsidiary company |
| Related parties | | | |
| Thai Coated Steel Sheet Co., Ltd. | Producer of electro-galvanized coils | Shareholder and the common directorship is shared by SSI's director (s) | Shareholder and the common directorship is shared by SSI's director (s) |
| Thai Cold Rolled Steel Sheet Pcl. | Producer of cold rolled coils | Shareholder and the common directorship is shared by director (s) of SSI's subsidiary | Shareholder and the common directorship is shared by director (s) of SSI's subsidiary |
| Bangsaphan Transport Co., Ltd. | Transport services | - | The common directorship is shared by SSI's director (s) and the direct and indirect aggregated shareholding by SSI's director (s) |
| Bangsaphan Barmill Pcl. | Producer of round steel bars and deformed steel bars | The common directorship is shared by SSI's director (s) and the direct and indirect aggregated shareholding by SSI's director (s) | The common directorship is shared by SSI's director (s) and the direct and indirect aggregated shareholding by SSI's director (s) |
| B.S. Metal Co., Ltd. | Trader of metal products | The common directorship is shared by SSI's director (s) and the direct and indirect aggregated shareholding by SSI's director (s) | The common directorship is shared by SSI's director (s) and the direct and indirect aggregated shareholding by SSI's director (s) |
| Sahaviriya Plate Mill Co., Ltd. | Producer of hot rolled coil plate | The common directorship is shared by SSI's director (s) and the direct and indirect aggregated shareholding by SSI's director (s) | The common directorship is shared by SSI's director (s) and the direct and indirect aggregated shareholding by SSI's director (s) |
| Prapawit Building Property Co., Ltd. (formerly Prapawit Co., Ltd.) | Lessor of office building space | The common directorship is shared by SSI's director (s) and the aggregated shareholding by SSI's director (s) | The common directorship is shared by SSI's director (s) and the aggregated shareholding by SSI's director (s) |

| | Types of business | Relationship December 31, 2006 | Relationship December 31, 2005 |
|---|-------------------------------|--|--|
| Western Housing Co., Ltd. | Room rental services | The common directorship is shared by SSI's director (s) and the aggregated shareholding by SSI's director (s) | The common directorship is shared by SSI's director (s) and the aggregated shareholding by SSI's director (s) |
| Four Star Marine Co., Ltd. | Marine transport services | - | The common directorship is shared by director (s) of SSI's subsidiary and the aggregated shareholding by close relatives of director (s) of SSI's subsidiary |
| Sahaviriya Steel Group Co., Ltd. | Internet and hotline services | The common directorship is shared by SSI's director (s) and the direct and indirect aggregated shareholding by SSI's director (s) | The common directorship is shared by SSI's director (s) and the direct and indirect aggregated shareholding by SSI's director (s) |
| Central Maritime Co., Ltd. | Marine transport services | - | The common directorship is shared by director (s) of SSI's subsidiary and the aggregated shareholding by director (s) of SSI's subsidiary |
| C.A.R. Services Co., Ltd. | Transport services | The direct and indirect aggregated shareholding by SSI's director (s) | The direct and indirect aggregated shareholding by SSI's director (s) |
| Sahaviriya Panich International Co., Ltd. | Trader of metal products | The common directorship is shared by SSI's director (s) and the indirect aggregated shareholding by SSI's director (s) | The common directorship is shared by SSI's director (s) and the direct and indirect aggregated shareholding by SSI's director (s) |
| Bangpakong Metal Co., Ltd. | Trader of metal products | - | The indirect aggregated shareholding by SSI's director (s) |
| Line Transport Co., Ltd. | Transport services | The common directorship is shared by director(s) of SSI's subsidiary and the direct and indirect aggregated shareholding by SSI's director (s) | The direct and indirect aggregated shareholding by SSI's director (s) |
| B.P. Wire Rod Co., Ltd. | Producer of wire rod | The direct and indirect aggregated shareholding by SSI's director (s) | The direct and indirect aggregated shareholding by SSI's director (s) |
| Bangpakong Lighter Co., Ltd. | Marine transport services | The common directorship is shared by SSI's director (s) and the direct and indirect aggregated shareholding by SSI's director (s) | The common directorship is shared by SSI's director (s) and the direct and indirect aggregated shareholding by SSI's director (s) |
| Sahaviriya Transport Holding Co., Ltd. | Holding company | The common directorship is shared by SSI's director (s) and the aggregated shareholder by SSI's director (s) | The common directorship is shared by SSI's director (S) and the aggregated shareholder by SSI's director (S) |

22.1 Investments in subsidiary, associated and related parties as at December 31,

| 2006 | | | | | | | | |
|---|--|--------------|--|-------------------|------------------|--------------------|--------------------------|-----------------------------|
| | Types of business | Relationship | Issued and paid up capital Baht'000 | % of Shareholding | Cost Baht'000 | Equity Baht'000 | Consolidated Baht'000 | Dividend Amount Baht'000 |
| Subsidiary companies | | | | | | | | |
| West Coast Engineering Company Limited | Maintenance services | Shareholder | 75,000 | 99.99 | 75,000 | 76,305 | - | 52,500 |
| Prachuap Port Company Limited | Deep - sea port services | Shareholder | 400,000 | 51.00 | 204,000 | 796,700 | - | 102,000 |
| | | | | | <u>279,000</u> | <u>873,005</u> | <u>-</u> | <u>154,500</u> |
| Related companies | | | | | | | | |
| Thai Coated Steel Sheet Company Limited | Producer of electro - galvanized coils | Shareholder | 2,206,900 | 3.70 | 293,999 | - | 293,999 | - |
| Thai Cold Rolled Steel Sheet Public Company Limited | Producer of cold rolled coils | Shareholder | 10,703,000 | 8.77 | 938,125 | - | 938,125 | - |
| | | | | | <u>1,232,124</u> | <u>-</u> | <u>1,232,124</u> | <u>-</u> |
| <u>Less</u> Allowance for impairment | | | | | <u>(670,503)</u> | <u>-</u> | <u>(670,503)</u> | <u>-</u> |
| | | | | | <u>561,621</u> | <u>-</u> | <u>561,621</u> | <u>-</u> |
| | | | | | | | | |
| 2005 | | | | | | | | |
| | Types of business | Relationship | Issued and paid up capital Baht'000 | % of Shareholding | Cost Baht'000 | Equity Baht'000 | Consolidated Baht'000 | Dividend Amount Baht'000 |
| Subsidiary companies | | | | | | | | |
| West Coast Engineering Company Limited | Maintenance services | Shareholder | 75,000 | 99.99 | 75,000 | 98,069 | - | - |
| Prachuap Port Company Limited | Deep - sea port services | Shareholder | 400,000 | 51.00 | 204,000 | 813,258 | - | 51,000 |
| | | | | | <u>279,000</u> | <u>911,327</u> | <u>-</u> | <u>51,000</u> |
| Related companies | | | | | | | | |
| Thai Coated Steel Sheet Company Limited | Producer of electro - galvanized coils | Shareholder | 2,206,900 | 3.70 | 293,999 | - | 293,999 | - |
| Thai Cold Rolled Steel Sheet Public Company Limited | Producer of cold rolled coils | Shareholder | 10,703,000 | 8.77 | 938,125 | - | 938,125 | - |
| | | | | | <u>1,232,124</u> | <u>-</u> | <u>1,232,124</u> | <u>-</u> |
| <u>Less</u> Allowance for impairment | | | | | <u>(670,503)</u> | <u>-</u> | <u>(670,503)</u> | <u>-</u> |
| | | | | | <u>561,621</u> | <u>-</u> | <u>561,621</u> | <u>-</u> |

22.2 Loans and advances between the Company and subsidiary, associated and related parties

| | Balance as at December 31, 2005 Baht'000 | Additions Baht'000 | Repayments/ Settlements Baht'000 | Balance as at December 31, 2006 Baht'000 |
|-------------------------|---|-------------------------------|---|---|
| CONSOLIDATED | | | | |
| Advances | | | | |
| Related parties | 3,971 | 909 | 830 | 4,050 |
| Total | <u>3,971</u> | <u>909</u> | <u>830</u> | <u>4,050</u> |
| THE COMPANY ONLY | | | | |
| Advances | | | | |
| Subsidiary company | 4 | 239 | 203 | 40 |
| Related parties | 3,971 | 909 | 830 | 4,050 |
| Total | <u>3,975</u> | <u>1,148</u> | <u>1,033</u> | <u>4,090</u> |

22.3 Other transactions

Balances with related parties in the balance sheets as at December 31, are mainly as follows:

| | CONSOLIDATED | | THE COMPANY ONLY | |
|---|---------------------|------------------|-------------------------|------------------|
| | 2006 | 2005 | 2006 | 2005 |
| | Baht'000 | Baht'000 | Baht'000 | Baht'000 |
| Accounts and notes receivable – net | | | | |
| Related parties | | | | |
| Thai Cold Rolled Steel Sheet Pcl. | 8,486 | 5,001 | 373 | - |
| B.S. Metal Co., Ltd. | 3,597,665 | 2,128,478 | 3,597,475 | 2,128,478 |
| Sahaviriya Panich International Co., Ltd. | 14,889 | 155,237 | 14,889 | 155,237 |
| Other related parties* | 2,184 | 841 | - | - |
| | <u>3,623,224</u> | <u>2,289,557</u> | <u>3,612,737</u> | <u>2,283,715</u> |
| Other receivables | | | | |
| Subsidiary company | | | | |
| West Coast Engineering Co., Ltd. | - | - | 567 | 388 |
| Related parties | | | | |
| Other related parties* | 465 | 478 | - | - |
| | <u>465</u> | <u>478</u> | <u>567</u> | <u>388</u> |
| Accrued dividend receivables | | | | |
| Subsidiary company | | | | |
| West Coast Engineering Co., Ltd. | - | - | 52,500 | - |
| Prachuap Port Co., Ltd. | - | - | 102,000 | - |
| | <u>-</u> | <u>-</u> | <u>154,500</u> | <u>-</u> |
| Other current assets - others | | | | |
| Subsidiary company | | | | |
| West Coast Engineering Co., Ltd. | - | - | 461 | 341 |
| Related parties | | | | |
| Thai Coated Steel Sheet Co., Ltd. | 6,196 | 5,151 | 6,196 | 5,151 |
| Bangsaphan Barmill Pcl. | 6,282 | 3,616 | 6,282 | 3,616 |
| Other related parties | 1,497 | 1,252 | 1,020 | 726 |
| | <u>13,975</u> | <u>10,019</u> | <u>13,498</u> | <u>9,493</u> |
| | <u>13,975</u> | <u>10,019</u> | <u>13,959</u> | <u>9,834</u> |

| | CONSOLIDATED | | THE COMPANY ONLY | |
|---|------------------|------------------|------------------|------------------|
| | 2006 Baht'000 | 2005 Baht'000 | 2006 Baht'000 | 2005 Baht'000 |
| Other assets | | | | |
| Related parties | | | | |
| Prapawit Building Property Co., Ltd. (formerly Prapawit Co., Ltd.) | 6,948 | 4,408 | 6,130 | 3,591 |
| Trade accounts payable | | | | |
| Subsidiary companies | | | | |
| West Coast Engineering Co., Ltd. | - | - | 19,661 | 38,602 |
| Prachuap Port Co., Ltd. | - | - | 4,267 | 70,988 |
| | - | - | 23,928 | 109,590 |
| Related parties | | | | |
| Line Transport Co., Ltd. | 5,221 | 26,256 | 5,221 | 26,256 |
| Bangsaphan Transport Co., Ltd.* | 40 | 4,334 | 40 | 4,179 |
| Four Star Marine Co., Ltd.* | - | 3,604 | - | 3,604 |
| Sahaviriya Panich International Co., Ltd. | - | 5,612 | - | 5,612 |
| B.S. Metal Co., Ltd. | 831 | 761 | 831 | 761 |
| C.A.R. Services Co., Ltd. | 1,923 | - | 1,923 | - |
| Other related parties | 75 | 255 | 73 | 226 |
| | 8,090 | 40,822 | 8,088 | 40,638 |
| | 8,090 | 40,822 | 32,016 | 150,228 |
| Other accounts payable | | | | |
| Subsidiary companies | | | | |
| West Coast Engineering Co., Ltd. | - | - | 4,184 | 4,551 |
| Related parties | | | | |
| Other related parties | 91 | 86 | - | - |
| | 91 | 86 | 4,184 | 4,551 |
| Dividend Payable | | | | |
| Related parties | | | | |
| Sahaviriya Transport Holding Co., Ltd. | 87,500 | - | - | - |
| | 87,500 | - | - | - |
| Accrued expenses | | | | |
| Subsidiary companies | | | | |
| West Coast Engineering Co., Ltd. | - | - | 8,332 | 10,844 |
| Prachuap Port Co., Ltd. | - | - | 4,981 | 6,801 |
| | - | - | 13,313 | 17,645 |
| Related parties | | | | |
| Bangsaphan Transport Co., Ltd.* | 759 | 12,648 | 759 | 12,648 |
| Line Transport Co., Ltd. | 6,275 | 3,970 | 6,275 | 3,970 |
| Bangpakong Lighter Co., Ltd. | 4,608 | 39,996 | 4,608 | 39,996 |
| C.A.R. Services Co., Ltd. | 6,191 | - | 6,191 | - |
| Sahaviriya Panich International Co., Ltd. | 3,698 | 943 | 3,698 | 943 |
| Other related parties* | 227 | 1,163 | 227 | 1,163 |
| | 21,758 | 58,720 | 21,758 | 58,720 |
| | 21,758 | 58,720 | 35,071 | 76,365 |

Transactions with related parties in the statements of income for the years ended December 31, are mainly as follows:

| | CONSOLIDATED | | THE COMPANY ONLY | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2006 | 2005 | 2006 | 2005 |
| | Baht'000 | Baht'000 | Baht'000 | Baht'000 |
| Sales | | | | |
| Related parties | | | | |
| Thai Cold Rolled Steel Sheet Pcl. | 2,729,557 | 3,543,801 | 2,729,492 | 3,543,794 |
| B.S. Metal Co., Ltd. | 5,998,480 | 4,610,131 | 5,998,460 | 4,609,890 |
| Sahaviriya Panich International Co., Ltd. | 5,322,344 | 3,722,873 | 5,322,344 | 3,722,873 |
| Bangpakong Metal Co., Ltd.* | - | 545,921 | - | 545,921 |
| Other related parties | 4 | 49 | - | - |
| | <u>14,050,385</u> | <u>12,422,775</u> | <u>14,050,296</u> | <u>12,422,478</u> |
| Sales (raw material) | | | | |
| Related parties | | | | |
| Sahaviriya Plate Mill Co., Ltd. | 83,576 | - | 83,576 | - |
| | <u>83,576</u> | <u>-</u> | <u>83,576</u> | <u>-</u> |
| Service income | | | | |
| Related parties | | | | |
| Thai Cold Rolled Steel Sheet Pcl. | 51,379 | 68,777 | - | - |
| Bangsaphan Barmill Pcl | 13,803 | 26,467 | - | - |
| Bangsaphan Transport Co., Ltd.* | - | 2,550 | - | - |
| Thai Coated Steel Sheet Co., Ltd. | 4,043 | 2,510 | - | - |
| Line Transport Co., Ltd. | 4,541 | 33 | - | - |
| Other related parties* | 2,864 | 621 | - | - |
| | <u>76,630</u> | <u>100,958</u> | <u>-</u> | <u>-</u> |
| Other income | | | | |
| Subsidiary companies | | | | |
| West Coast Engineering Co., Ltd. | - | - | 13,089 | - |
| Prachuap Port Co., Ltd. | - | - | 21 | 104 |
| | <u>-</u> | <u>-</u> | <u>13,110</u> | <u>104</u> |
| Related parties | | | | |
| Other related parties* | 1,185 | 2,399 | 450 | 2,067 |
| | <u>1,185</u> | <u>2,399</u> | <u>13,560</u> | <u>2,171</u> |
| Purchases of goods and services | | | | |
| Subsidiary companies | | | | |
| West Coast Engineering Co., Ltd. | - | - | 326,383 | 243,244 |
| Prachuap Port Co., Ltd. | - | - | 112,464 | 211,607 |
| | <u>-</u> | <u>-</u> | <u>438,847</u> | <u>454,851</u> |
| Related parties | | | | |
| Line Transport Co., Ltd. | 194,586 | 49,152 | 194,586 | 49,147 |
| Bangsaphan Transport Co., Ltd.* | 469 | 134,295 | 422 | 134,158 |
| B.S. Metal Co., Ltd. | 20,616 | 6,598 | 20,616 | 6,598 |
| Four Star Marine Co., Ltd.* | - | 81,461 | - | 81,461 |
| Other related parties | 2,899 | 2,131 | 2,899 | 2,131 |
| | <u>218,570</u> | <u>273,637</u> | <u>218,523</u> | <u>273,495</u> |
| | <u>218,570</u> | <u>273,637</u> | <u>657,370</u> | <u>728,346</u> |
| Selling and administrative expenses | | | | |
| Subsidiary company | | | | |
| Prachuap Port Co., Ltd. | - | - | 11,984 | 15,913 |
| Related parties | | | | |
| Bangsaphan Transport Co., Ltd.* | 419 | 174,229 | 290 | 172,736 |
| Prapawit Building Property Co., Ltd. (formerly Prapawit Co., Ltd.) | 13,674 | 13,948 | 11,749 | 10,942 |
| Four Star Marine Co., Ltd.* | - | 12,590 | - | 12,590 |
| Sahaviriya Panich International Co., Ltd. | 29,811 | 30,960 | 29,811 | 30,960 |
| Line Transport Co., Ltd. | 62,561 | 4,355 | 62,555 | 4,355 |
| Bangpakong Lighter Co., Ltd. | 185,576 | 39,996 | 185,576 | 39,996 |
| C.A.R. Services Co., Ltd. | 62,865 | - | 62,865 | - |
| Other related parties* | 2,041 | 2,820 | 1,551 | 2,634 |
| | <u>356,947</u> | <u>278,898</u> | <u>354,397</u> | <u>274,213</u> |
| | <u>356,947</u> | <u>278,898</u> | <u>366,381</u> | <u>290,126</u> |

* Four Star Marine Co., Ltd., Central Maritime Co., Ltd., Bangpakong Metal Co., Ltd. have not been related parties since the first quarter of the year 2006 and Bangsaphan Transport Co., Ltd. has not been related party since the third quarter of the year 2006.

The Company has policies to sell the products to shareholders' group and related parties at the same price sold to the third party subject to purchased volumes and related marketing factors.

Other income, which is fine charged for delayed payments, is fixed by the management at the funding cost. Other income from sale of scrap material is realized based on scrap weight and at the price determined by the Company.

Transportation expenses which are recorded as production cost are payable at the rates agreed in the transportation agreement based on cargo weight and distance.

Selling and administrative expenses which are domestic freights are charged at the rates as agreed in the transportation agreement based on cargo weight and distance. Rent of the office and warehouse are as agreed under the lease agreement. Service charge for employees' accommodation is fixed on a year by year basis as agreed with the owner.

Prachuap Port Company Limited charges for port services rendered to the Company, related parties and third parties at the rates as determined by the Ministry of Transportation and subject to service volumes and related marketing factors.

West Coast Engineering Company Limited charges the fees for maintenance related services rendered to the Company at the rates as agreed in the long-term maintenance service agreement of which the terms can be modified according to business circumstances and to related parties and third parties at terms and conditions normally applicable to transactions of the same nature.

23. ADDITIONAL DISCLOSURE FOR QUALITY OF ASSETS

As at December 31, 2006, the Company and a subsidiary have customers who defaulted on payments. The following summarizes such accounts receivable aging:

| | CONSOLIDATED | | THE COMPANY ONLY | |
|--|---------------------|------------------|-------------------------|------------------|
| | Number of | Amount | Number of | Amount |
| | Accounts | Baht'000 | accounts | Baht'000 |
| Less than 3 months | 28 | 1,647,569 | 16 | 1,637,291 |
| Over 12 months | 4 | 283,809 | 4 | 283,809 |
| Total | | <u>1,931,378</u> | | <u>1,921,100</u> |
| Allowance for doubtful accounts recorded | | <u>283,809</u> | | <u>283,809</u> |

As at December 31, 2005, the Company and a subsidiary had customers who defaulted on payments. The following summarizes such accounts receivable aging:

| | CONSOLIDATED | | THE COMPANY ONLY | |
|--|--------------------|------------------|--------------------|------------------|
| | Number of Accounts | Amount Baht'000 | Number of accounts | Amount Baht'000 |
| Less than 3 months | 11 | 1,657,435 | 10 | 1,657,424 |
| 3-6 months | 4 | 2,544 | - | - |
| 6-12 months | 23 | 37,465 | - | - |
| Over 12 months | 4 | 283,809 | 4 | 283,809 |
| Total | | <u>1,981,253</u> | | <u>1,941,233</u> |
| Allowance for doubtful accounts recorded | | <u>283,809</u> | | <u>283,809</u> |

24. BUSINESS SEGMENT INFORMATION

Business segment information for the Company and subsidiaries for the years ended December 31, is as follows:

| | Types of business | Revenues and other income | | Net income | | Assets employed | |
|--|----------------------------------|---------------------------|-------------------|------------------|--------------------|--------------------|--------------------|
| | | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| | | Baht'000 | Baht'000 | Baht'000 | Baht'000 | Baht'000 | Baht'000 |
| Sahaviriya Steel Industries Public Company Limited | Manufacturer of hot rolled coils | 35,803,712 | 36,246,929 | 2,690,140 | (1,536,303) | 42,967,025 | 49,687,808 |
| West Coast Engineering Company Limited | Maintenance Services | 447,019 | 364,411 | 33,171 | 30,052 | 346,823 | 254,314 |
| Prachuap Port Company Limited | Deep-sea port services | 300,889 | 456,339 | 145,151 | 257,205 | 2,489,809 | 2,559,948 |
| | | <u>36,551,620</u> | <u>37,067,679</u> | <u>2,868,462</u> | <u>(1,249,046)</u> | <u>45,803,657</u> | <u>52,502,070</u> |
| <u>Less</u> Inter-company transactions | | <u>(642,270)</u> | <u>(640,182)</u> | <u>(88,201)</u> | <u>(191,620)</u> | <u>(1,181,559)</u> | <u>(1,186,382)</u> |
| | | <u>35,909,350</u> | <u>36,427,497</u> | <u>2,780,261</u> | <u>(1,440,666)</u> | | |
| <u>Less</u> Minority interest in net income | | | | <u>(90,121)</u> | <u>(95,637)</u> | | |
| Net income | | | | <u>2,690,140</u> | <u>(1,536,303)</u> | | |
| Total assets | | | | | | <u>44,622,098</u> | <u>51,315,688</u> |

25. COMMITMENTS, LETTERS OF GUARANTEE AND CONTINGENCIES

25.1 The Company has capital commitments regarding the agreements for construction of plant, purchases of machinery and equipment including Pickling and Oiling Plant Project, Capacity Expansion Project and other commitments amounting to approximately Baht 144.70 million, USD 9.96 million and EUR 1.78 million as at December 31, 2006 and Baht 231.05 million, USD 7.03 million and EUR 3.21 million as at December 31, 2005.

The Company has commitments to banks regarding the outstanding letters of credit amounting to approximately USD 1.50 million and EUR 0.35 million as at December 31, 2006 and USD 1.05 million and EUR 0.33 million as at December 31, 2005.

The two subsidiaries have capital commitments regarding capital expenditure, construction contracts and other commitments totaling approximately Baht 26.72 million and Baht 35.85 million as at December 31, 2006 and 2005, respectively.

- 25.2 The Company and subsidiaries have letters of guarantee issued by banks on their behalf amounting to approximately Baht 271.63 million and Baht 903.18 million as at December 31, 2006 and 2005, respectively which are in the normal course of business. Subsequently, on January 18, 2007, a subsidiary had changed a collateral for bank guarantee from fixed deposits to the same collateral of loan agreement of Baht 650 million. (see Note 8.1)
- 25.3 Previously, the Company was sued by the Forestry Department in a civil case regarding the project of constructing road to the berth in the amount of approximately Baht 4.9 million. Subsequently, on September 1, 2005, the Prachuapkirikan Provincial Court gave a decision for the Company to pay claims of Baht 2 million plus 7.5% interest since the sued date by the Forestry Department. The case is currently pending in the Appeal Court. On July 14, 2006, the Company has pledged a bank guarantee amounting to Baht 3.9 million with the Appeal Court to suspend the execution of a judgement during the appeal.
- 25.4 Previously in March 2004, the Company was the co-defendant at the Bangkok South Civil Court in two civil cases involving the total claims of Baht 126 million as a result of incorrect issuing of bills of lading by forwarding agents. Subsequently in July 2005, two plaintiffs from such cases had sued the Company to the Central Intellectual property and International Trade Court which has jurisdiction to the cases. The total claim is approximately Baht 80 million. In December 2005, the Central Intellectual Property and International Trade Court combined the two cases due to having the same dispute. The cases are currently pending in the Central Intellectual Property and International Trade Court.
- 25.5 As at December 31, 2006 and 2005, a subsidiary has bank overdrafts and other credit facilities totaling Baht 5 million and has long-term loan of Baht 45 million which are guaranteed by the Company. (see Notes 11 and 12)

26. DISCLOSURE OF FINANCIAL INSTRUMENTS

26.1 Accounting policies

Accounting policies have been disclosed in Note 4.

26.2 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss for the Company and its subsidiary. The Company believes that it has no credit risk with respect to concentrations as the company has many customers who sell different types of products.

In the case of recognized financial assets in the balance sheet, the carrying amount of the assets recorded in the balance sheet, net of a portion of allowance for doubtful debts and short-term receivables, represents the Company and its subsidiary maximum exposure to credit risk.

26.3 Foreign exchange risk

Foreign exchange risk arises from the change in foreign currency exchange rates to have an adverse effect on the Company in the current reporting period and in future years. The Company expects that there may be an effect from changes in exchange rates resulted from a portion of assets and liabilities in foreign currencies which has not been hedged.

Information related to forward contracts is disclosed in Note 19.

26.4 Interest rate risk

Interest rate risk arises from the potential change in interest rates having an adverse effect on interest expense of the Company and its subsidiaries in the current reporting period and in future years. The Company expects that there may be a significant effect from changes in interest rates to the Company's operations.

Information regarding interest rates and term of payments of long-term loans is disclosed in Notes 12 and 13.

26.5 Fair value of financial instruments

The following methods and assumptions are used by the Company and subsidiaries in estimating fair value of financial instruments.

Cash in hand and at banks, current investments, accounts and notes receivable and short-term loans and advances to related parties: For those with maturities not exceeding 90 days from December 31, 2006 and 2005, the carrying amounts approximate their fair values; for those with maturities exceeding 90 days, including deposit at bank used as collateral, the fair values are estimated using the discounted cash flows analysis based on the current savings deposit rate.

Bank overdrafts and loans from financial institutions: The carrying amount of these financial liabilities which bear floating rates of interest approximates their fair values.

Accounts and notes payable: For those with maturities not exceeding 90 days from December 31, 2006 and 2005, the carrying amounts approximate their fair values. For those with maturities exceeding 90 days including long-term loans and convertible debentures, the fair values are estimated using the discounted cash flows analysis based on the current interest rates for similar types of borrowing arrangements.

As at December 31, 2006, the carrying values of financial assets and liabilities which are different from the fair values are as follows:

| | CONSOLIDATED | | THE COMPANY ONLY | |
|----------------------------------|-----------------------|-------------------|-------------------------|-------------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| | Baht'000 | Baht'000 | Baht'000 | Baht'000 |
| Financial liabilities: | | | | |
| Long-term loans | 7,077,359 | 7,080,508 | 6,404,000 | 6,408,026 |
| Debentures | 1,810,000 | 1,826,637 | 1,810,000 | 1,826,637 |
| Liabilities under finance leases | 494,258 | 446,383 | 494,258 | 446,383 |

As at December 31, 2005, the carrying values of financial assets and liabilities which were different from the fair values were as follows:

| | CONSOLIDATED | | THE COMPANY ONLY | |
|------------------------------------|-----------------------|-------------------|-------------------------|-------------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| | Baht'000 | Baht'000 | Baht'000 | Baht'000 |
| Financial assets: | | | | |
| Deposit at bank used as collateral | 11,200 | 11,396 | - | - |
| Current investment | 1,000 | 1,012 | - | - |
| Financial liabilities: | | | | |
| Long-term loans | 7,866,365 | 7,543,508 | 7,012,000 | 6,734,489 |
| Debentures | 2,530,000 | 2,475,752 | 2,530,000 | 2,475,752 |
| Liabilities under finance leases | 578,353 | 500,516 | 578,353 | 500,516 |

27. ADJUSTMENT IN PRIOR YEAR'S CONSOLIDATED FINANCIAL STATEMENTS

The Company adjusted the legal reserve of a subsidiary company in the consolidated financial statements for the year ended December 31, 2005 which resulted in the decrease in legal reserve as at December 31, 2005 of Baht 6.9 million and the retained earnings as at December 31, 2005 increased by the same amount.

28. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been authorized for issue by an authorized director of the Company on February 2, 2007.