

**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
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
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)	(283,809)	(283,809)	(283,809)	(283,809)
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>
<b>NON-CURRENT ASSETS</b>				
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>
<b>TOTAL ASSETS</b>	<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**

	<b>CONSOLIDATED</b>		<b>THE COMPANY ONLY</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
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>
<b>NON-CURRENT LIABILITIES</b>				
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>
<b>TOTAL LIABILITIES</b>	<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**

	<b>CONSOLIDATED</b>		<b>THE COMPANY ONLY</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
(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>	<u>-</u>	<u>-</u>
Total Shareholders' Equity	<u>20,026,838</u>	<u>17,609,834</u>	<u>19,261,381</u>	<u>16,828,468</u>
<b>TOTAL LIABILITIES AND</b>				
<b>SHAREHOLDERS' EQUITY</b>	<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**

	<b>CONSOLIDATED</b>		<b>THE COMPANY ONLY</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>REVENUES</b>				
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
<b>Total Revenues</b>	<b>35,909,350</b>	<b>36,427,497</b>	<b>35,803,712</b>	<b>36,246,929</b>
<b>EXPENSES</b>				
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
<b>Total Expenses</b>	<b>31,429,962</b>	<b>36,823,546</b>	<b>31,467,628</b>	<b>36,808,131</b>

**SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**STATEMENTS OF INCOME (CONTINUED)**

**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**BAHT : '000**

		<b>CONSOLIDATED</b>		<b>THE COMPANY ONLY</b>	
		<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
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	-	-
<b>NET INCOME (LOSS)</b>		<u>2,690,140</u>	<u>-1,536,303</u>	<u>2,690,140</u>	<u>-1,536,303</u>
<b>BASIC EARNINGS (LOSS) PER SHARE</b>	<b>BAHT</b>	0.21	-0.12	0.21	-0.12
<b>WEIGHTED AVERAGE NUMBER</b>					
<b>    OF ORDINARY SHARES</b>	<b>'000 SHARES</b>	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**

	<b>CONSOLIDATED</b>		<b>THE COMPANY ONLY</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>REVENUES</b>				
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	<u>35,909,350</u>	<u>36,427,497</u>	<u>35,803,712</u>	<u>36,246,929</u>
<b>EXPENSES</b>				
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	<u>31,429,962</u>	<u>36,823,546</u>	<u>31,467,628</u>	<u>36,808,131</u>

**SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**STATEMENTS OF INCOME (CONTINUED)**

**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**BAHT : '000**

		<b>CONSOLIDATED</b>		<b>THE COMPANY ONLY</b>	
		<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
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	-	-
<b>NET INCOME (LOSS)</b>		<u>2,690,140</u>	<u>-1,536,303</u>	<u>2,690,140</u>	<u>-1,536,303</u>
<b>BASIC EARNINGS (LOSS) PER SHARE</b>	<b>BAHT</b>	0.21	-0.12	0.21	-0.12
<b>WEIGHTED AVERAGE NUMBER</b>					
<b>    OF ORDINARY SHARES</b>	<b>'000 SHARES</b>	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**

	<b>"Restated"</b>						
	<b>Issued and Paid-up Ordinary Share Capital</b>	<b>Discount on Ordinary Share Capital</b>	<b>Unrealized Increment per Assets Appraisal</b>	<b>Retained Earnings (Deficit) Appropriated Legal Reserve</b>	<b>Unappropriated</b>	<b>Minority Interest</b>	<b>Total</b>
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
<b>Ending balance, December 31, 2005</b>	<u><u>13,101,280</u></u>	<u><u>-2,171,280</u></u>	<u><u>5,212,119</u></u>	<u><u>256,966</u></u>	<u><u>429,383</u></u>	<u><u>781,366</u></u>	<u><u>17,609,834</u></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
<b>Ending balance, December 31, 2006</b>	<u><u>13,101,280</u></u>	<u><u>-2,171,280</u></u>	<u><u>4,954,892</u></u>	<u><u>391,473</u></u>	<u><u>2,985,016</u></u>	<u><u>765,457</u></u>	<u><u>20,026,838</u></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**

	<b>Issued and Paid-up Ordinary Share Capital</b>	<b>Discount on Ordinary Share Capital</b>	<b>Unrealized Increment per Assets Appraisal</b>	<b>Retained Earnings (Deficit) Appropriated Legal Reserve</b>	<b>Unappropriated</b>	<b>Total</b>
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
<b>Ending balance, December 31, 2005</b>	<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
<b>Ending balance, December 31, 2006</b>	<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**

	<b>CONSOLIDATED</b>		<b>THE COMPANY ONLY</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
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**

	<b>CONSOLIDATED</b>		<b>THE COMPANY ONLY</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
(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>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
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**

	<b>CONSOLIDATED</b>		<b>THE COMPANY ONLY</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
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>
<b>Cash and cash equivalents as at December 31</b>	<u><u>121,596</u></u>	<u><u>221,527</u></u>	<u><u>85,037</u></u>	<u><u>115,055</u></u>
<b>Supplemental cash flow information:</b>				
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, 2<sup>nd</sup>-3<sup>rd</sup> 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 Baht'000	2005 Baht'000	2006 Baht'000	2005 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 Baht'000	2005 Baht'000	2006 Baht'000	2005 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 Baht'000	Additions Baht'000	Deductions Baht'000	Transfers between accounts Baht'000
<b>Property, plant and equipment</b>				
Land and land improvement	1,411,255	-	(274)	97,616
Land - appraisal increase	8,267	-	-	-
Total	<u>1,419,522</u>	<u>-</u>	<u>(274)</u>	<u>97,616</u>
Leasehold right for land	12,325	-	-	-
Leasehold improvement	3,086	102	-	-
Buildings	1,645,466	173	(559)	99,059
Buildings - appraisal increase	415,452	-	-	-
Total	<u>2,060,918</u>	<u>173</u>	<u>(559)</u>	<u>99,059</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	21,523,634	11,893	(39,592)	216,605	21,712,540
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	319,528	16,024	(43,692)	3,869	295,729
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	63,568	-	-	5,256	68,824
Berth and berth facilities	979,902	-	-	914,711	1,894,613
Berth and berth facilities - appraisal increase	437,054	-	-	-	437,054
Total	1,416,956	-	-	914,711	2,331,667
Tug boats	260,801	-	(39,871)	-	220,930
Total property, plant and equipment - at revalued amount	27,331,435	61,643	(150,385)	1,339,401	28,582,094
<b>Accumulated depreciation</b>					
Land improvement	71,910	18,188	(274)	-	89,824
Land improvement - appraisal increase	1,020	-	-	-	1,020
Total	72,930	18,188	(274)	-	90,844
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	917,755	111,451	(185)	-	1,029,021
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	5,653,720	554,333	(13,928)	(54)	6,194,071
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	221,405	27,350	(43,501)	22	205,276

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	36,809	9,022	-	-	45,831
Berth and berth facilities	412,344	38,578	-	-	450,922
Berth and berth facilities - appraisal increase	180,373	15,698	-	-	196,071
Total	592,717	54,276	-	-	646,993
Tug boats	76,759	15,265	(39,871)	-	52,153
Total accumulated depreciation	7,750,435	820,701	(122,166)	-	8,448,970
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	20,827,985				20,535,843
Depreciation for the year excluded depreciation from unrealized increment per assets appraisal					
2006					565,301
2005					621,602

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
<b>Property, plant and equipment</b>					
Land and land improvement	863,110	-	-	97,616	960,726
Land - appraisal increase	3,902	-	-	-	3,902
Total	867,012	-	-	97,616	964,628
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	1,992,805	-	-	60,338	2,053,143
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	21,457,122	6,966	(38,253)	193,126	21,618,961

	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	37,511	-	(2,865)	-	34,646
Total	288,372	3,386	(42,661)	4,154	253,251
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	10,700	-	-	-	10,700
Total	43,257	-	-	5,518	48,775
Total property, plant and equipment - at revalued amount	24,865,367	35,051	(101,411)	362,320	25,161,327
<b>Accumulated depreciation</b>					
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	232,008	20,547	-	-	252,555
Total	890,659	105,769	-	-	996,428
Machinery and equipment	3,410,805	331,335	(7,422)	-	3,734,718
Machinery and equipment - appraisal increase	2,168,370	213,445	(5,232)	-	2,376,583
Total	5,579,175	544,780	(12,654)	-	6,111,301
Machinery and equipment - others	173,257	18,469	(39,687)	-	152,039
Machinery and equipment – others appraisal increase	30,710	2,881	(2,853)	-	30,738
Total	203,967	21,350	(42,540)	-	182,777
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	4,001	2,140	-	-	6,141
Total	24,708	5,803	-	-	30,511
Total accumulated depreciation	6,903,395	720,136	(74,870)	-	7,548,661
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	58,240	(58,240)	-		-
Total property, plant and equipment - net	18,338,724				17,896,582
Depreciation for the year excluded depreciation from unrealized increment per assets appraisal					
2006					481,123
2005					545,653

- 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:

	<b>The Company only</b>	<b>Baht : '000 Subsidiary</b>
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:

<b>CONSOLIDATED AND THE COMPANY ONLY</b>					
<b>2006</b>					
	<b>Land</b>	<b>Building</b>	<b>Machinery</b>	<b>Berth and Berth Facilities</b>	<b>Total</b>
	<b>Baht'000</b>	<b>Baht'000</b>	<b>Baht'000</b>	<b>Baht'000</b>	<b>Baht'000</b>
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>

<b>CONSOLIDATED AND THE COMPANY ONLY</b>					
<b>2005</b>					
	<b>Land</b>	<b>Building</b>	<b>Machinery</b>	<b>Berth and Berth Facilities</b>	<b>Total</b>
	<b>Baht'000</b>	<b>Baht'000</b>	<b>Baht'000</b>	<b>Baht'000</b>	<b>Baht'000</b>
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:

	<b>CONSOLIDATED</b>		<b>THE COMPANY ONLY</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>Baht'000</b>	<b>Baht'000</b>	<b>Baht'000</b>	<b>Baht'000</b>
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:

	<b>CONSOLIDATED</b>		<b>THE COMPANY ONLY</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>Baht'000</b>	<b>Baht'000</b>	<b>Baht'000</b>	<b>Baht'000</b>
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:

	<b>CONSOLIDATED</b>		<b>THE COMPANY ONLY</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>Baht'000</b>	<b>Baht'000</b>	<b>Baht'000</b>	<b>Baht'000</b>
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	(11,462)	(44,524)	-	-
	<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:

	<b>CONSOLIDATED</b>		<b>THE COMPANY ONLY</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>Baht'000</b>	<b>Baht'000</b>	<b>Baht'000</b>	<b>Baht'000</b>
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>6,316,270</u>	<u>7,009,365</u>	<u>5,808,000</u>	<u>6,404,000</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 1<sup>st</sup> to the 8<sup>th</sup> installments are not less than Baht 2.5 million each. The 9<sup>th</sup> to the 15<sup>th</sup> installments are not less than Baht 5 million each and the 16<sup>th</sup> 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

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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			
	Promoted Business Baht'000	Non-promoted Business Baht'000	Inter-company transaction Baht'000	Total 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	449,062	324,516	(497,623)	275,955
	<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
<b>Subsidiary companies</b>			
West Coast Engineering Co., Ltd.	Maintenance service	Subsidiary company	Subsidiary company
Prachuap Port Co., Ltd.	Deep-sea port service	Subsidiary company	Subsidiary company
<b>Related parties</b>			
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)

	<b>Types of business</b>	<b>Relationship December 31, 2006</b>	<b>Relationship December 31, 2005</b>
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	% of Shareholding	Cost	Equity	Consolidated	Dividend Amount
			Baht'000		Baht'000	Baht'000	Baht'000	Baht'000
<b>Subsidiary companies</b>								
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
					279,000	873,005	-	154,500
<b>Related companies</b>								
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	-
					1,232,124	-	1,232,124	-
<u>Less</u> Allowance for impairment					(670,503)	-	(670,503)	-
					561,621	-	561,621	-
2005								
	Types of business	Relationship	Issued and paid up capital	% of Shareholding	Cost	Equity	Consolidated	Dividend Amount
			Baht'000		Baht'000	Baht'000	Baht'000	Baht'000
<b>Subsidiary companies</b>								
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
					279,000	911,327	-	51,000
<b>Related companies</b>								
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	-
					1,232,124	-	1,232,124	-
<u>Less</u> Allowance for impairment					(670,503)	-	(670,503)	-
					561,621	-	561,621	-

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

	<b>Balance as at December 31, 2005 Baht'000</b>	<b>Additions Baht'000</b>	<b>Repayments/ Settlements Baht'000</b>	<b>Balance as at December 31, 2006 Baht'000</b>
<b>CONSOLIDATED</b>				
Advances				
Related parties	3,971	909	830	4,050
Total	<u>3,971</u>	<u>909</u>	<u>830</u>	<u>4,050</u>
<b>THE COMPANY ONLY</b>				
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:

	<b>CONSOLIDATED</b>		<b>THE COMPANY ONLY</b>	
	<b>2006 Baht'000</b>	<b>2005 Baht'000</b>	<b>2006 Baht'000</b>	<b>2005 Baht'000</b>
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>

	<b>CONSOLIDATED</b>		<b>THE COMPANY ONLY</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>Baht'000</b>	<b>Baht'000</b>	<b>Baht'000</b>	<b>Baht'000</b>
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:

	<b>CONSOLIDATED</b>		<b>THE COMPANY ONLY</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>Baht'000</b>	<b>Baht'000</b>	<b>Baht'000</b>	<b>Baht'000</b>
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>

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\* 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 Accounts	Amount Baht'000	Number of accounts	Amount 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:

	<b>CONSOLIDATED</b>		<b>THE COMPANY ONLY</b>	
	<b>Number of Accounts</b>	<b>Amount Baht'000</b>	<b>Number of accounts</b>	<b>Amount Baht'000</b>
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:

	<b>Types of business</b>	<b>Revenues and other income</b>		<b>Net income</b>		<b>Assets employed</b>	
		<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
		<b>Baht'000</b>	<b>Baht'000</b>	<b>Baht'000</b>	<b>Baht'000</b>	<b>Baht'000</b>	<b>Baht'000</b>
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	<u>300,889</u>	<u>456,339</u>	<u>145,151</u>	<u>257,205</u>	<u>2,489,809</u>	<u>2,559,948</u>
		36,551,620	37,067,679	2,868,462	(1,249,046)	45,803,657	52,502,070
<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>	2,780,261	(1,440,666)		
<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:

	<b>CONSOLIDATED</b>		<b>THE COMPANY ONLY</b>	
	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
	<b>Baht'000</b>	<b>Baht'000</b>	<b>Baht'000</b>	<b>Baht'000</b>
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:

	<b>CONSOLIDATED</b>		<b>THE COMPANY ONLY</b>	
	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
	<b>Baht'000</b>	<b>Baht'000</b>	<b>Baht'000</b>	<b>Baht'000</b>
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.