

**Sahaviriya Steel Industries Public Company Limited, its subsidiaries  
and its jointly controlled entity**

**Notes to interim financial statements**

**For the three-month and nine-month periods ended 30 September 2010**

**1. General information**

**1.1 Corporate information**

Sahaviriya Steel Industries Public Company Limited ("the Company") is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the manufacture and distributor of hot rolled coils and its registered addresses consisted of its head office located at 28/1 Prapawit Building, 2nd - 3rd Floor, Surasak Road, Kwang Silom, Khet Bangrak, Bangkok and its plant located at 9 Moo 7, Ban Klang Na Yai Ploy Road, Tambon Mae Rumphueng, Amphur Bang Saphan, Prachuap Khiri Khan.

**Antidumping measures of Thailand**

Since 2002, the government has introduced various measures to counteract dumping and subsidising of imported goods. These measures include the following:

- a) On 22 May 2003, the Committee on Dumping and Subsidies, Department of Foreign Trade, Ministry of Commerce, under Sections 7, 49, 51, 53, 57 and 73(1) of the Antidumping and Countervailing Act B.E. 2542, announced the Committee's final judgment, dated 16 May 2003, that there had been dumping and damages as a result of dumping of coil and non-coil hot rolled steel originating from 14 countries, in accordance with Section 19(1) of the Antidumping and Countervailing Act B.E. 2542, and that thus antidumping duties were to be imposed with minimum and maximum rates of between 3.45 and 128.11 percent of CIF value, for a period of 5 years from 27 May 2003, except for hot rolled steel imported for re-export.
- b) On 11 July 2003, the Committee on Dumping and Subsidies, Department of Foreign Trade, Ministry of Commerce issued an announcement approving the exemption of coil and non-coil hot rolled steel imported for cold-rolling and further processing for downstream users from antidumping duties, and assigned the Department of Foreign Trade to monitor imports in accordance with pre-determined volumes for a period of 5 years from 21 July 2003 to 26 May 2008.

On 23 May 2008, the Committee on Dumping and Subsidies, Department of Foreign Trade, Ministry of Commerce issued an announcement of a review of the need for the continued imposition of the duty as summarised in (a) and (b) above. The results of the review are summarised below.

- 1) On 21 May 2009, the Committee on Dumping and Subsidies, Department of Foreign Trade, Ministry of Commerce announced the Committee's judgment that antidumping duties on imported coil and non-coil hot rolled steel originating from 14 countries (see (a)) would continue to be imposed at the same rate, for a period of 5 years. In addition, the Committee approved the exemption of some coil and non-coil hot rolled steel imported for cold-rolling and further processing for some downstream users from antidumping duties for a period of 5 years. Consequently, on 21 June 2010, the Committee on Dumping and Subsidies, Department of Foreign Trade, Ministry of Commerce announced the Committee's final judgment to change the antidumping duties to be imposed from the previous rates to rates of between 0 percent and 128.11 percent.
- 2) On 21 December 2009, the Committee on Dumping and Subsidies, Department of Foreign Trade, Ministry of Commerce approved the exemption of some coil and non-coil hot rolled steel imported for re-export originating from the 14 countries from antidumping duties.

## **1.2 Basis for the preparation of interim financial statements**

These interim financial statements are prepared in accordance with Accounting Standards Pronouncement No. 34 (revised 2007) "Interim Financial Reporting", with the Company choosing to present condensed interim financial statements. However, the Company has presented the balance sheets, and the statements of income, changes in shareholders' equity, and cash flows in the same format as that used for the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events, and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

The interim financial statements in Thai language are the official statutory financial statements of the Company. The interim financial statements in English language have been translated from the Thai language interim financial statements.

### 1.3 Basis of consolidation

These consolidated interim financial statements are prepared by applying the same basis as that applied for the preparation of the consolidated financial statements for the year ended 31 December 2009, with there being no changes in the structure of shareholding in subsidiaries and jointly controlled entity during the current period.

The separate financial statements, which present investments in subsidiaries and joint venture under the cost method, have been prepared solely for the benefit of the public.

### 1.4 Adoption of new accounting standards

During the current period, the Federation of Accounting Professions issued a number of revised and new accounting standards as listed below.

- a) Accounting standards that will become effective in fiscal years beginning on or after 1 January 2011 (except Framework for the Preparation and Presentation of Financial Statements, which is immediately effective):

Framework for the Preparation and Presentation of Financial Statements  
(revised 2009)

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 17 (revised 2009)	Leases
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property
TFRS 3 (revised 2009)	Business Combinations

TFRS 5 (revised 2009) Non-current Assets Held for Sale and Discontinued Operations

TFRS 6 Exploration for and Evaluation of Mineral Resources

- b) Accounting standards that will become effective in fiscal years beginning on or after 1 January 2013:

TAS 12 Income Taxes

TAS 20 (revised 2009) Accounting for Government Grants and Disclosure of Government Assistance

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except TAS 12 and TFRS 3 (revised 2009). Management has yet to complete its evaluation of the impact of such accounting standards in the year when they are adopted.

## 1.5 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2009.

## 2. Business transactions with related parties

During the periods, the Company and its subsidiaries had significant business transactions with related parties, which have been concluded on commercial terms and bases agreed upon in the ordinary course of businesses between the Company and those companies. Below is a summary of those transactions.

	Type of business	Relationship 30 September 2010	Relationship 31 December 2009
<b>Subsidiary companies</b>			
Prachuap Port Company Limited	Deep-sea port services and marine shipping services	Subsidiary company	Subsidiary company
West Coast Engineering Company Limited	Maintenance service	Subsidiary company	Subsidiary company
<b>Jointly controlled entity</b>			
Thai Cold Rolled Steel Sheet Public Company Limited	Producer of cold rolled coils	Jointly controlled entity	Jointly controlled entity
<b>Related companies</b>			
Thai Coated Steel Sheet Company Limited	Producer of electro-galvanized coils	Shareholding by the Company and common directors	Shareholding by the Company and common directors
Bangsaphan Barnill Public Company Limited	Producer of round steel bars and deformed steel bars	Common directors and aggregate direct and indirect shareholding by the Company's director(s)	Common directors and aggregate direct and indirect shareholding by the Company's director(s)

	Type of business	Relationship 30 September 2010	Relationship 31 December 2009
<b>Related companies (continues)</b>			
B.S. Metal Company Limited	Conversion and distribution of light grade steel, and distribution of semi-finished steel	Common directors and aggregate direct and indirect shareholding by the Company's director(s)	Common directors and aggregate direct and indirect shareholding by the Company's director(s)
Sahaviriya Plate Mill Public Company Limited	Producer of hot rolled coil plates	Common directors and aggregate direct and indirect shareholding by the Company's director(s)	Common directors and aggregate direct and indirect shareholding by the Company's director(s)
Prapawit Building Property Company Limited	Lessor of office building space	Common directors and aggregate direct and indirect shareholding by the Company's directors(s)	Common directors and aggregate direct and indirect shareholding by the Company's directors(s)
Western Housing Company Limited	Room rental services	Common directors and aggregate direct shareholding by the Company's directors(s)	Common directors and aggregate direct shareholding by the Company's directors(s)
Sahaviriya Steel Group Company Limited	Internet, hotline and other services	Common directors and aggregate direct and indirect shareholding by the Company's director(s)	Common directors and aggregate direct and indirect shareholding by the Company's director(s)
C.A.R. Services Company Limited	Transport services	The aggregate direct and indirect shareholding by the Company's director(s)	The aggregate direct and indirect shareholding by the Company's director(s)
Sahaviriya Panich International Company Limited	Trader of metal products	Common directors and aggregate direct and indirect shareholding by the Company's directors(s)	Common directors and aggregate direct and indirect shareholding by the Company's directors(s)
Line Transport Company Limited	Transport services - short distance	Common directors with the subsidiary and aggregate direct and indirect shareholding by the Company's director(s)	Common directors with the subsidiary and aggregate direct and indirect shareholding by the Company's director(s)
B.P. Wire Rod Company Limited	Producer of wire rod	The aggregate direct and indirect shareholding by the Company director(s)	The aggregate direct and indirect shareholding by the Company director(s)
Bangpakong Lighter Company Limited	Marine transport services	Common directors and aggregate direct and indirect shareholding by the Company's director(s)	Common directors and aggregate direct and indirect shareholding by the Company's director(s)
Bangpakong Port Company Limited	Transport services-short distance	Common directors and aggregate direct and indirect shareholding by the Company's director(s)	Common directors and aggregate direct and indirect shareholding by the Company's director(s)
Bangsaphan Transport Company Limited	Transport services	The aggregate direct and indirect shareholding by the Company's director(s)	The aggregate direct and indirect shareholding by the Company's director(s)
Prachuap S.M.O. Company Limited	Producer of C-Channel	The aggregate indirect shareholding by the Company director(s)	The aggregate indirect shareholding by the Company director(s)
Sahaviriya Iron and Steel Company Limited	Producer of slab	Common directors and aggregate direct and indirect shareholding by the Company's director(s)	Common directors and aggregate direct and indirect shareholding by the Company's director(s)
Thai Steel Sales Company Limited	Trader of metal products	Common directors and aggregate direct and indirect shareholding by the Company's director(s)	Common directors and aggregate direct and indirect shareholding by the Company's director(s)
Prachuap Pattana Development Company Limited	Holding Company	Common directors and aggregate direct shareholding by the Company's directors(s)	Common directors and aggregate direct shareholding by the Company's directors(s)

(Unaudited but reviewed)

(Unit: Thousand Baht)

	For the three-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Transactions with related parties</b>				
<u>Revenue from sales</u>				
<i>Jointly controlled entity</i>				
Thai Cold Rolled Steel Sheet Public Company Limited	852,132	1,423,784	852,110	1,423,784
<i>Related Companies</i>				
B.S. Metal Company Limited	2,943,574	2,465,116	2,943,574	2,465,116
Sahaviriya Panich International Company Limited	5,806,210	2,541,312	5,806,210	2,541,312
Other related companies	477	-	-	-
	<u>9,602,393</u>	<u>6,430,212</u>	<u>9,601,894</u>	<u>6,430,212</u>
<u>Revenue from rendering of services</u>				
<i>Jointly controlled entity</i>				
Thai Cold Rolled Steel Sheet Public Company Limited	15,294	13,429	-	-
<i>Related companies</i>				
Sahaviriya Plate Mill Public Company Limited	2,134	-	-	-
Bangsaphan Barmill Public Company Limited	1,688	1,776	-	-
Line Transport Company Limited	4,166	2,259	-	-
C.A.R. Services Company Limited	585	600	-	-
Other related companies	723	1,111	-	-
	<u>24,590</u>	<u>19,175</u>	<u>-</u>	<u>-</u>
<u>Other income</u>				
<i>Subsidiary companies (eliminated from the consolidated financial statements)</i>				
West Coast Engineering Company Limited	-	-	510	611
Prachuap Port Company Limited	-	-	930	930
<i>Jointly controlled entity</i>				
Thai Cold Rolled Steel Sheet Public Company Limited	2,562	2,562	2,562	2,562
<i>Related companies</i>				
Thai Coated Steel Sheet Company Limited	525	350	525	350
Other related companies	166	146	-	-
	<u>3,253</u>	<u>3,058</u>	<u>4,527</u>	<u>4,453</u>

## (Unaudited but reviewed)

(Unit: Thousand Baht)

	For the three-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<u>Purchases of goods and services</u>				
<i>Subsidiary companies (eliminated from the consolidated financial statements)</i>				
West Coast Engineering Company Limited	-	-	110,157	99,928
Prachuap Port Company Limited	-	-	39,700	30,204
<i>Jointly controlled entity</i>				
Thai Cold Rolled Steel Sheet Public Company Limited	3,726	-	-	-
<i>Related companies</i>				
Line Transport Company Limited	34,356	21,696	34,356	21,696
B.S. Metal Company Limited	779	1,227	779	1,227
Other related companies	196	1,045	191	1,045
	<u>39,057</u>	<u>23,968</u>	<u>185,183</u>	<u>154,100</u>
<u>Selling and administrative expenses</u>				
<i>Subsidiary company (eliminated from the consolidated financial statements)</i>				
Prachuap Port Company Limited	-	-	1,258	776
<i>Jointly controlled entity</i>				
Thai Cold Rolled Steel Sheet Public Company Limited	105	-	108	-
<i>Related companies</i>				
Prapawit Building Property Company Limited	3,434	1,160	2,904	717
Sahaviriya Panich International Company Limited	1,243	7,090	1,243	7,090
Line Transport Company Limited	50,661	16,684	50,525	16,542
Bangpakong Lighter Company Limited	61,520	30,503	61,520	30,503
C.A.R. Services Company Limited	422	6,342	422	6,342
Other related companies	663	300	534	266
	<u>118,048</u>	<u>62,079</u>	<u>118,514</u>	<u>62,236</u>

## (Unaudited but reviewed)

(Unit: Thousand Baht)

	For nine-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Transactions with related parties</b>				
<u>Revenue from sales</u>				
<i>Jointly controlled entity</i>				
Thai Cold Rolled Steel Sheet Public Company Limited	5,104,656	2,666,969	5,103,503	2,666,969
<i>Related Companies</i>				
B.S. Metal Company Limited	10,546,308	5,315,936	10,546,308	5,315,936
Sahaviriya Panich International Company Limited	13,312,029	7,595,165	13,312,029	7,595,165
Other related companies	482	-	-	-
	<u>28,963,475</u>	<u>15,578,070</u>	<u>28,961,840</u>	<u>15,578,070</u>
<u>Revenue from rendering of services</u>				
<i>Jointly controlled entity</i>				
Thai Cold Rolled Steel Sheet Public Company Limited	57,742	44,470	-	-
<i>Related companies</i>				
Sahaviriya Plate Mill Public Company Limited	5,945	679	-	-
Bangsaphan Barmill Public Company Limited	4,975	1,788	-	-
Line Transport Company Limited	12,274	4,996	-	-
C.A.R. Services Company Limited	1,170	4,237	-	-
Other related companies	2,855	1,740	-	-
	<u>84,961</u>	<u>57,910</u>	<u>-</u>	<u>-</u>
<u>Other income</u>				
<i>Subsidiary companies (eliminated from the consolidated financial statements)</i>				
West Coast Engineering Company Limited	-	-	1,568	1,746
Prachuap Port Company Limited	-	-	2,467	2,790
<i>Jointly controlled entity</i>				
Thai Cold Rolled Steel Sheet Public Company Limited	9,336	9,338	9,336	9,338
<i>Related companies</i>				
Thai Coated Steel Sheet Company Limited	5,064	3,839	5,064	3,839
Other related companies	878	557	331	104
	<u>15,278</u>	<u>13,734</u>	<u>18,766</u>	<u>17,817</u>



## (Unaudited but reviewed)

(Unit: Thousand Baht)

	For nine-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<u>Purchases of goods and services</u>				
<i>Subsidiary companies (eliminated from the consolidated financial statements)</i>				
West Coast Engineering Company Limited	-	-	305,453	220,346
Prachuap Port Company Limited	-	-	136,426	80,561
<i>Jointly controlled entity</i>				
Thai Cold Rolled Steel Sheet Public Company Limited	9,072	-	-	-
<i>Related companies</i>				
Line Transport Company Limited	115,778	70,174	115,778	70,174
B.S. Metal Company Limited	3,212	3,404	3,212	3,404
Other related companies	725	3,465	715	1,455
	<u>128,787</u>	<u>77,043</u>	<u>561,584</u>	<u>375,940</u>
<u>Selling and administrative expenses</u>				
<i>Subsidiary company (eliminated from the consolidated financial statements)</i>				
Prachuap Port Company Limited	-	-	2,989	2,480
<i>Jointly controlled entity</i>				
Thai Cold Rolled Steel Sheet Public Company limited	141	55	141	55
<i>Related companies</i>				
Prapawit Building Property Company Limited	10,142	5,597	8,672	4,278
Sahaviriya Panich International Company Limited	9,073	15,591	9,073	15,591
Line Transport Company Limited	122,604	35,578	122,185	35,150
Bangpakong Lighter Company Limited	186,791	67,443	186,791	67,443
C.A.R. Services Company Limited	558	15,542	558	15,542
Other related companies	1,741	847	1,569	736
	<u>331,050</u>	<u>140,653</u>	<u>331,978</u>	<u>141,275</u>

Business transactions and pricing policies are summarised as follows.

Transactions with the Company, subsidiary companies and jointly controlled entity	Pricing policy
Revenue from sales	- Same prices as those charged to third parties, dependent on purchasing volume and relevant marketing considerations.
Revenue from rendering of services	- Port services rendered are charged based on the rate determined by the Ministry of Transportation, dependent on service volume and relevant marketing considerations. - Charges for rendering of services and maintenance-related services are based on the agreement.
Other income	- Sales of scrap material are priced based on scrap weight and the prices set by the Company. - Revenue from providing management staffs to subsidiary companies and jointly controlled entity were charges based on agreements.
Purchases of goods and services	- The fees charged by the subsidiary for the production of parts and spare parts are based on prices, as charged to normal customers under terms and conditions normally applicable to transaction of similar nature. - Maintenance-related services are charged based on the long-term maintenance service agreements. The term of the agreement can be modified according to business circumstances. - Port services rendered are charged based on the rate determined by the Ministry of Transportation, dependent on service volume and relevant marketing considerations. - Purchase of rolls are charged at on agreed prices.
Selling and administrative expenses	- Port services rendered are charged based on the rate determined by the Ministry of Transportation, dependent on service volume and relevant marketing considerations.
Transactions with related companies	Pricing policy
Revenue from sales	- Same prices as those charged to third parties, dependent on purchasing volume and relevant marketing considerations.
Revenue from rendering of services	- Port services rendered are charged based on the rate determined by the Ministry of Transportation, dependent on service volume and relevant marketing considerations. - Charges for rendering of services and maintenance-related services are based on the agreement.
Other income	- Sales of scrap material are priced based on scrap weight and the prices set by the Company. - Revenue from providing management staff to related companies was charged at mutually agreed prices.

Transactions with related companies	Pricing policy
Purchase of goods and services	<ul style="list-style-type: none"> <li>- Transportation charges are based on the transportation agreement and cargo weight and distance.</li> <li>- Rental of warehouse is charged based on the rental agreement.</li> <li>- Cut sheet services are charged based on agreement.</li> <li>- Rental charges for staff accommodation are fixed on an annual basis and agreed with the lessor.</li> </ul>
Selling and administrative expenses	<ul style="list-style-type: none"> <li>- Domestic transportation services are charged based on the transportation agreement and cargo weight and distance.</li> <li>- Office rental is charged based on the rental agreement.</li> <li>- Rental charges for staff accommodation are fixed on an annual basis and agreed with the lessor.</li> <li>- Commission expense is charged based on agreement.</li> </ul>

The balances of the accounts as at 30 September 2010 and 31 December 2009 between the Company and those related parties are as follows:

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate financial statements	
	30 September	31 December	30 September	31 December
	2010	2009	2010	2009
		(Audited)		(Audited)
<b>Trade accounts receivable</b>				
<i>Jointly controlled entity</i>				
Thai Cold Rolled Steel Sheet Plc.	277,000	226,166	267,699	214,247
Total trade accounts receivable - jointly controlled entity	277,000	226,166	267,699	214,247
<i>Related companies</i>				
B.S. Metal Co., Ltd.	1,529,291	1,688,001	1,529,249	1,688,001
Sahaviriya Panich International Co., Ltd.	813,392	884,468	813,392	884,468
Other related companies	4,949	2,302	-	-
Total trade accounts receivable - related companies	2,347,632	2,574,771	2,342,641	2,572,469
Trade accounts receivable - related parties	2,624,632	2,800,937	2,610,340	2,786,716

The uncertainty of the current economic situation could adversely affect the debtor's ability to make payment in the future.

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 September 2010	31 December 2009 (Audited)	30 September 2010	31 December 2009 (Audited)
<b>Amounts due from and advances paid to related parties</b>				
<i>Subsidiaries</i>				
Prachuap Port Co., Ltd.	-	-	15	14
West Coast Engineering Co., Ltd.	-	-	696	1,053
Total amounts due from and advances paid to subsidiaries	-	-	711	1,067
<i>Jointly controlled entity</i>				
Thai Cold Rolled Steel Sheet Plc.	40	599	40	85
Total amounts due from and advances paid to jointly controlled entity	40	599	40	85
<i>Related companies</i>				
Sahaviriya Iron and Steel Co., Ltd.	-	2,187	-	2,187
Other related companies	251	554	67	386
Total amounts due from and advances paid to related companies	251	2,741	67	2,573
Amounts due from and advances paid to related parties	291	3,340	818	3,725
<b>Accrued income from related parties</b>				
<i>Subsidiaries</i>				
West Coast Engineering Co., Ltd.	-	-	583	464
Total accrued income from subsidiaries	-	-	583	464
<i>Jointly controlled entity</i>				
Thai Cold Rolled Steel Sheet Plc.	1,848	1,707	434	298
Total accrued income from jointly controlled entity	1,848	1,707	434	298
<i>Related companies</i>				
Thai Coated Steel Sheet Co., Ltd.	6,046	5,782	6,046	5,782
Other related companies	460	471	460	471
Total accrued income from related companies	6,506	6,253	6,506	6,253
Accrued income from related parties	8,354	7,960	7,523	7,015

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 September 2010	31 December 2009 (Audited)	30 September 2010	31 December 2009 (Audited)
<b>Trade accounts payable</b>				
<i>Subsidiaries</i>				
Prachuap Port Co., Ltd.	-	-	8,932	13,608
West Coast Engineering Co., Ltd.	-	-	24,839	18,240
Total trade accounts payable - subsidiaries	-	-	33,771	31,848
<i>Related companies</i>				
Line Transport Co., Ltd.	13,704	3,500	13,704	3,500
Bangpakong Lighter Co., Ltd.	6,725	-	6,725	-
C.A.R. Services Co., Ltd.	24	1,427	24	1,427
B.S. Metal Co., Ltd.	131	62	131	62
Total trade accounts payable - related companies	20,584	4,989	20,584	4,989
Trade accounts payable - related parties	20,584	4,989	54,355	36,837
<b>Amounts due to and advances received from related parties</b>				
<i>Subsidiaries</i>				
Prachuap Port Co., Ltd.	-	-	9,261	25,041
West Coast Engineering Co., Ltd.	-	-	17,360	14,176
Total amounts due to and advances received from subsidiaries	-	-	26,621	39,217
<i>Jointly controlled entity</i>				
Thai Cold Rolled Steel Sheet Plc.	29	-	29	-
Total amounts due to and advances received from jointly controlled entity	29	-	29	-
<i>Related companies</i>				
Line Transport Co., Ltd.	28,976	31,603	28,924	31,555
Bangpakong Lighter Co., Ltd.	14,512	11,094	14,512	11,094
Sahaviriya Panich International Co., Ltd.	16,055	1,669	16,055	1,669
C.A.R. Services Co., Ltd.	-	1,099	-	1,099
Prapawit Building Property Co., Ltd.	1,056	1,025	1,014	998
Other related companies	950	267	921	256
Total amounts due to and advances received from related companies	61,549	46,757	61,426	46,671
Amounts due to and advances received from related parties	61,578	46,757	88,076	85,888

### 3. Trade accounts receivable

The balances of trade accounts receivable as at 30 September 2010 and 31 December 2009, aged on the basis of due dates, are summarised below.

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	30 September	31 December	30 September	31 December
	2010	2009	2010	2009
		(Audited)		(Audited)
<b>Related parties</b>				
<u>Age of receivable</u>				
Not yet due	2,624,548	2,797,724	2,610,340	2,786,716
Past due				
Up to 3 months	84	3,213	-	-
Total	2,624,632	2,800,937	2,610,340	2,786,716
<b>Unrelated parties</b>				
<u>Age of receivable</u>				
Not yet due	431,429	69,724	410,618	55,407
Past due				
Up to 3 months	8,377	541	-	-
Over 12 months	283,809	283,809	283,809	283,809
Total	723,615	354,074	694,427	339,216
Less: Allowance for doubtful accounts	(283,809)	(283,809)	(283,809)	(283,809)
Total	439,806	70,265	410,618	55,407
Trade accounts receivable - net	3,064,438	2,871,202	3,020,958	2,842,123

#### 4. Inventories and allowance for diminution in value of inventories

The Company has pledged all finished goods and raw materials to secure short-term and long-term loans from financial institutions as described in Note 11 and 12 to the interim financial statements.

Movements in the allowance for diminution in value of inventories account during the nine-month period ended 30 September 2010 are summarised below.

	(Unit: Thousand Baht)				
	Consolidated/ Separate financial statements				
	Spare parts and consumable goods				Total
	Finished goods	Raw material	Goods in transit		
Balance as at 1 January 2010	49,316	18,824	4	153,990	222,134
Add: Record of allowance for diminution in value of inventories during the period	225,622	178,568	175,544	-	579,734
Less: Reversal of allowance for diminution in value of inventories during the period	(155,310)	(146,177)	(175,548)	-	(477,035)
Balance as at 30 September 2010	119,628	51,215	-	153,990	324,833

#### 5. Investments in subsidiaries

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

Companies	Paid-up capital		Shareholding percentage		Cost		Dividend received during the period	
	30 September	31 December	30 September	31 December	30 September	31 December	30 September	30 September
	2010	2009	2010	2009	2010	2009	2010	2009
	Million Baht	Million Baht	Percent	Percent	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
	(Audited)			(Audited)		(Audited)		
Prachuap Port Company Limited	400.0	400.0	51.00	51.00	204,000	204,000	25,500	-
West Coast Engineering Company Limited	75.0	75.0	99.99	99.99	75,000	75,000	-	-
<b>Total investments in subsidiary companies</b>					<u>279,000</u>	<u>279,000</u>	<u>25,500</u>	<u>-</u>

## 6. Investment in joint venture

Investment in joint venture represent investment in entity which is jointly controlled by the Company and other companies and as at 30 September 2010 and 31 December 2009 details are as follows:

		Consolidated financial statements					
Jointly controlled entity	Nature of business	Shareholding		Cost		Carrying amounts based	
		percentage				on equity method - net	
		30 September	31 December	30 September	31 December	30 September	31 December
		2010	2009	2010	2009	2010	2009
		Percent	Percent	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
		(Audited)		(Audited)		(Audited)	
Thai Cold Rolled Steel Sheet Public Company Limited	Producer and distributor of cold rolled coils	50.15	50.15	5,440,922	5,440,922	4,056,515	3,838,852
Total				5,440,922	5,440,922	4,056,515	3,838,852

		Separate financial statements							
Jointly controlled entity	Nature of business	Shareholding percentage		Cost		Allowance for impairment of investment		Carrying amounts based on cost method - net	
		30 September 2010	31 December 2009	30 September 2010	31 December 2009	30 September 2010	31 December 2009	30 September 2010	31 December 2009
		percent	percent	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
			(Audited)		(Audited)		(Audited)		(Audited)
Thai Cold Rolled Steel Sheet Public Company Limited	Producer and distributor of cold rolled coils	50.15	50.15	5,440,922	5,440,922	(938,125)	(938,125)	4,502,797	4,502,797
Total				5,440,922	5,440,922	(938,125)	(938,125)	4,502,797	4,502,797



## 7. Other long-term investments

Company	Nature of business	Consolidated/Separate financial statements							
		Shareholding		Cost		Allowance for impairment of investments		Carrying amount based on cost method - net	
		30 September 2010	31 December 2009	30 September 2010	31 December 2009	30 September 2010	31 December 2009	30 September 2010	31 December 2009
		Percentage	Percentage	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
			(Audited)		(Audited)		(Audited)		(Audited)
Thai Coated Steel Sheet Company Limited	Producer and distributor of electro-galvanized coils	3.70	3.70	293,999	293,999	(293,999)	(293,999)	-	-
Total				293,999	293,999	(293,999)	(293,999)	-	-

## 8. Current status of assets acquisition

In August 2010, the Company entered into a Memorandum of Understanding (MOU) with a company in the United Kingdom in order to express its intention to acquire the assets and business of an integrated iron and steel making plant for slab production owned by that company. The assets to be acquired include land, plant buildings, port, utilities and inventories for a total project cost of approximately USD 500 million. The MOU specifies certain conditions and agreements with which the Company and that company have to comply.

The Company is currently undertaking various tasks, such as examining assets, drafting a sale and purchase agreement and other related agreements, and negotiating with or applying to financial institutions to obtain credit facilities to fund the acquisition of the assets.

The assets acquisition transactions will be performed through newly registered subsidiaries of the Company in the United Kingdom.

### Newly registered companies in the United Kingdom

On 17 September 2010, the Board of Directors Meeting of the Company No. 5/2553 passed a resolution to approve the Company's establishment of a new subsidiary company in the United Kingdom, namely Sahaviriya Steel Industries UK Limited, to support the Company's investment in the United Kingdom. The newly registered company has a registered share capital of GBP 130 million, which consists of 130,000 registered ordinary shares with a par value of GBP 1,000 each, and a paid-up share capital of GBP 1 million. The Company has a 100 percent equity interest in the newly registered company.

The Company registered and incorporated Sahaviriya Steel Industries UK Limited on 20 September 2010. As of the balance sheet date, the Company has not yet paid up the share capital of Sahaviriya Steel Industries UK Limited, and so does not include Sahaviriya Steel Industries UK Limited in the consolidated financial statements at 30 September 2010.

Subsequently, on 11 October 2010, the Board of Directors Meeting of the Company No. 6/2553 passed a resolution ratifying the establishment of Redcar Bulk Terminal Limited ("Redcar"), which was incorporated on 8 October 2010 in the United Kingdom. Redcar has a registered share capital of GBP 2 which consists of 2 ordinary shares with a par value of GBP 1 each, and paid-up share capital of GBP 2. Redcar is held by Sahaviriya Steel Industries UK Limited.

## 9. Property, plant and equipment

Movements of the property, plant and equipment account during the nine-month period ended 30 September 2010 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
<b>Net book value as at 1 January 2010</b>	21,252,007	18,941,579
Acquisitions during the period - at cost	142,982	125,358
Disposal/written-off during the period - net book value		
at disposal/written-off date	(3,955)	(3,904)
Depreciation for the period	(598,213)	(507,166)
Amortisation of revaluation surplus	(299,566)	(274,866)
<b>Net book value as at 30 September 2010</b>	<b>20,493,255</b>	<b>18,281,001</b>

The Company and its subsidiaries arranged for an independent professional valuer to reappraise the value of certain assets in December 2007 on an asset-by-asset basis and recorded the assets at the new revaluation amounts. The basis of the revaluations was as follows:

- Land was revalued using the market approach.
- Buildings and building improvement, machinery and equipment in production/service line, roads, berth and berth facilities, and tug boats were revalued using the depreciated replacement cost approach.

Had the assets been carried in the financial statements based on the historical cost, their net book value as at 30 September 2010 and 31 December 2009 would have been as follows:

(Unit: Thousand Baht)

	Net book value (in the case that presented at historical cost)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 September	31 December	30 September	31 December
	2010	2009	2010	2009
		(Audited)		(Audited)
Land	1,040,196	1,040,196	664,503	664,503
Buildings and building improvement	834,642	907,566	719,649	789,541
Machinery and equipment in production/service line	10,566,125	10,863,856	10,554,964	10,841,860
Roads	19,363	24,612	6,805	9,313
Berth and berth facilities, and tug boats	1,305,045	1,361,974	-	-
Total	13,765,371	14,198,204	11,945,921	12,305,217

In October 2006, the Federation of Accounting Professions issued Notification No. 25/2549 allowing entities which carry their assets at revalued amounts to calculate depreciation to be charged to the income statements based on the historical costs of the assets instead of on the revalued amounts. The Company and its subsidiaries have decided to follow the notification. However, had the depreciation charge been calculated based on the revalued amounts, net income (loss) and earnings (loss) per share attributable to equity holders of the parent would have been changed to the following:

	For the three-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	2010	2009	2010	2009
Net income (loss) (Thousand Baht)	(70,299)	1,238,628	(182,426)	1,152,508
Earnings (loss) per share (Baht)	(0.01)	0.09	(0.01)	0.09

  

	For the nine-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	2010	2009	2010	2009
Net income (loss) (Thousand Baht)	2,102,483	(101,946)	1,822,098	211,040
Earnings (loss) per share (Baht)	0.16	(0.01)	0.14	0.02

As at 30 September 2010, the Company and its subsidiaries have machinery, equipment and vehicles acquired under hire purchase and finance lease agreements, with net book values (at historical cost) amounting to Baht 23.0 million (the Company only: Baht 6.4 million) (31 December 2009: Baht 45.8 million (the Company only: Baht 2.4 million)).

The Company and its subsidiaries have mortgaged/pledged assets amounting to approximately Baht 19,617.0 million (the Company only: Baht 17,789.9 million) (31 December 2009: Baht 20,327.0 million (the Company only: Baht 18,420.9 million)) as collateral against bank overdrafts, short-term loans from financial institutions and long-term loans from financial institutions, as described in Note 11 and Note 12 to the interim financial statements.

As described in Note 20.1 (f), during 2007 and 2008, the Company and a subsidiary, Prachuap Port Company Limited, received letters from Prachuabkirikhan Provincial Land Office, Bangsaphan Branch, ordering the Company to submit the Certificates of Utilisation (Nor. Sor. 3 Kor) for 24 plots of land with a combined book value of Baht 123.1 million and the subsidiary to submit the Certificates of Utilisation (Nor. Sor. 3 Kor) for 18 plots of land with a combined book value of Baht 187.6 million in order to corroborate a decision on whether to revoke or amend the issued certificates. There are roads to the port and warehouse of the subsidiary, which have a net book value of Baht 37.7 million, located on these plots of land that were being investigated. Subsequently, on 16 November 2007 and 25 August 2008, the Company and the subsidiary submitted letters to oppose any revocation or amendment of such certificate. However, for conservative purposes, in preparing the financial statements the Company and the subsidiary recorded full allowance for impairment of the land and assets located on that land in 2007 and 2008.

**10. Intangible assets**

Movements of the intangible assets account during the nine-month period ended 30 September 2010 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Net book value as at 1 January 2010	47,935	47,422
Acquisitions during the period	302	302
Amortisation for the period	(6,117)	(6,046)
Net book value as at 30 September 2010	42,120	41,678

**11. Bank overdrafts and short-term loans from financial institutions**

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 September	31 December	30 September	31 December
	2010	2009	2010	2009
	(Audited)		(Audited)	
Bank overdrafts	2,242	932	-	-
Short-term loans from financial institutions				
Promissory note	1,780,000	2,377,000	1,750,000	2,350,000
Trust receipts	9,843,620	10,555,530	9,843,620	10,555,530
Total	11,625,862	12,933,462	11,593,620	12,905,530

Bank overdrafts and short-term loans of the Company are secured by the pledge of raw materials and finished goods owned by the Company, and for those banks providing both short-term and long-term loans the Company has additionally made a second mortgage of land and construction thereon and machinery of the Company and assigned beneficiary rights under insurance policies to the lenders. These short-term loan agreements contain certain covenants as stipulated in the agreement that, among other things, required the Company to maintain according to the agreement such as maintenance of financial ratios, the minimum maintenance of the Company's shareholding in Prachuap Port Company Limited and Thai Cold Rolled Steel Sheet Public Company Limited.

The bank overdraft and short-term loans of West Coast Engineering Company Limited, the subsidiary, are secured by mortgage of its land and construction thereon and the assignment of beneficiary rights under insurance policies to the lender.

**12. Long-term loans from financial institutions**

		(Unit: Thousand Baht)			
Loan	Repayment schedule	Consolidated financial statements		Separate financial statements	
		30 September 2010	31 December 2009 (Audited)	30 September 2010	31 December 2009 (Audited)
12.1	Semi-annual installment commencing from March 2005 to September 2013	2,755,200	3,673,600	2,755,200	3,673,600
12.2	Semi-annual installment commencing from September 2005 to September 2013	560,000	720,000	560,000	720,000
12.3	Semi-annual installment commencing from September 2009 to September 2015	2,370,000	2,990,000	2,370,000	2,990,000
12.4	Quarterly installments commencing from October 2010 to July 2013	340,000	-	340,000	-
12.5	Monthly installment commencing from January 2006 to September 2014	338,560	444,481	-	-
12.6	Monthly installment commencing from June 2007 to May 2011	10,850	37,850	-	-
12.7	Quarterly installments commencing from June 2007 to March 2011	4,545	11,363	-	-
12.8	Quarterly installments commencing from September 2008 to June 2011	7,000	13,000	-	-
Total		6,386,155	7,890,294	6,025,200	7,383,600
Less: Current portion due within one year		(1,924,035)	(1,799,259)	(1,811,800)	(1,698,400)
Long-term loans - net		4,462,120	6,091,035	4,213,400	5,685,200

12.1 This loan is secured by the mortgage/pledge of land with construction thereon, machinery and the assignment of beneficiary rights under insurance policies to the lenders. For those banks providing both short-term and long-term loan facilities the Company has additionally made a second pledge of raw materials and finished goods of the Company. The loan agreement contain covenants as stipulated in the agreement that, among other things, require the Company to maintain according to the agreement such as maintenance of financial ratios, the maintenance of the Company's shareholding in Prachuap Port Company Limited, restrictions on dividend payment in each fiscal year, and a prohibition on the Company pledging its investments in shares or creating any obligation thereon.

12.2 This loan is secured by the mortgage/pledge of assets and there are certain covenants, identical to those of the same as loan in Note 12.1 to the interim financial statements, with which the Company must comply.

- 12.3 This loan is secured by the mortgage/pledge of land with construction thereon, machinery and the assignment of beneficiary rights under insurance policies to the lenders. The loan agreement contains covenants as stipulated in the agreement that, among other things, require the Company to maintain according to the agreement such as maintenance of financial ratios, the maintenance of the Company's shareholding in Thai Cold Rolled Steel Sheet Public Company Limited and Prachuap Port Company Limited at the rate stipulated in the agreement and restrictions on dividend payment in each fiscal year.
- 12.4 On 16 July 2010, the Company entered into a Baht 340 million loan agreement with a commercial bank. The loan has a term of three years and is repayable in quarterly installments, counting from the first draw down date. The loan carries interest at a rate of MLR less 1 percent per annum. This loan is secured by the mortgage of machinery and the assignment of beneficiary rights under insurance policies to the lenders. The loan agreement contain certain covenants as stipulated in the agreement that, among other things, require the Company to maintain according to the agreement such as restriction on incurring indebtedness and creating or permitting the subsistence of security interest on assets.
- 12.5 This loan is secured by the mortgage of land and related construction thereon and the expansion of berth, and the assignment of beneficiary rights under insurance policies to the lender. This loan agreement contain covenants stipulated in the agreement that include among other things, requirements that if the subsidiary actual operating results every six months are better than the projections that the subsidiary provided to the lender, the subsidiary is to make additional loan repayment to the lender, the maintenance of certain financial ratios, restrictions on incurring indebtedness and creating or permitting the subsistence of security interest on assets, and the maintenance of the present shareholding structure.
- During the nine-month period ended 30 September 2010, the subsidiary made additional loan payments amounting to Baht 73.7 million in installment in accordance with the loan agreement.
- 12.6 This loan is secured by the mortgage of certain land and construction thereon and/or future construction thereon of the subsidiary and the assignment of beneficiary rights under insurance policies to lender. The loan agreement contains covenants as stipulated in the agreement that, among other things, require the subsidiary to maintain according to the agreement such as the maintenance of financial ratios, restrictions on incurring indebtedness and creating or permitting the subsistence of security interest on assets and the maintenance of present shareholders.

- 12.7 This loan is secured by the mortgage of a plot of land of the subsidiary and construction thereon of the subsidiary and the assignment of beneficiary rights under insurance policies to the lender. The loan agreement contains covenants as stipulated in the agreement that, among other things, require the subsidiary to maintain according to the agreement such as the maintenance of financial ratios, restrictions on incurring indebtedness and creating or permitting the subsistence of security interest on assets and the Company's maintenance of a shareholding of not less than 75 percent in the subsidiary.
- 12.8 This loan is secured by the mortgage of a plot of land of the subsidiary and construction thereon and the assignment of beneficiary rights under the insurance policies to the lender. The loan agreement contains covenants as stipulated in the agreement that, among other things, require the subsidiary to maintain according to the agreement such as the maintenance of financial ratios, the request for consent from the lender before dividend payment and the Company's maintenance of a shareholding of not less than 75 percent in the subsidiary.

Movements in the long-term loans account during the nine-month periods ended 30 September 2010 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2010	7,890,294	7,383,600
Add: Additional loans	340,000	340,000
Less: Repayment of loans	(1,844,139)	(1,698,400)
Balance as at 30 September 2010	6,386,155	6,025,200

### 13. Liabilities under finance lease agreements

Details of liabilities under finance lease agreements as at 30 September 2010 and 31 December 2009 are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	30 September 2010	31 December 2009	30 September 2010	31 December 2009
		(Audited)		(Audited)
Liabilities under finance lease agreements	11,587	31,659	-	-
Less: Deferred interest expenses	(399)	(1,484)	-	-
Total	11,188	30,175	-	-
Less: Current portion due within one year	(11,042)	(22,720)	-	-
Liabilities under finance lease agreements - net	146	7,455	-	-



(Unaudited but reviewed)

The subsidiary companies have entered into the finance lease agreements with leasing companies for lease of machinery, equipment and vehicle for operation and committed to pay rental fees on a monthly basis. The terms of the agreements are generally between 3 and 4 years.

As at 30 September 2010, future minimum lease payments required under the finance lease agreements were as follows:

(Unit: Thousand Baht)			
Consolidated financial statements			
	Less than		
	1 year	1-4 years	Total
Future minimum lease payments	11,432	155	11,587
Deferred interest expenses	(390)	(9)	(399)
Present value of future minimum lease payments	11,042	146	11,188

#### 14. Short-term provision

The details of outstanding balance of short-term provision are as follow:

(Unit: Thousand Baht)			
Consolidated/ Separate financial statements			
	Provision from		
	Provision from litigation claim	hornerous contracts	Total
Balance as at 1 January 2010	11,835	-	11,835
Add: Recognised during the period	-	67,949	67,949
Less: Reversal during the period	-	(67,949)	(67,949)
Balance as at 30 September 2010	11,835	-	11,835

**15. Revaluation surplus on assets**

This represents surplus arising from revaluation of property, plant and equipment.

The movements in the revaluation surplus on assets account for the nine-month period ended 30 September 2010 are as the follows:

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Balance as at 1 January 2010	6,646,798	6,407,640
Less: Amortisation	(288,566)	(274,866)
Balance as at 30 September 2010	6,358,232	6,132,774

The revaluation surplus on assets can neither be offset against deficit nor used for dividend payment.

**16. Statutory reserve**

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

**17. Corporate income tax**

Interim corporate income tax was calculated on net income before corporate income tax for the periods which have not received privileges from the Board of Investment exempting them from corporate income tax, after adding back certain expenses and deducting certain income which are disallowed for tax computation purposes.

The Company has no interim corporate income tax was payable for the three-month and nine-month periods ended 30 September 2010, since the Company has tax loss brought forward from previous year.

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

Basic earnings (loss) per share is calculated by dividing net income (loss) attributable to equity holders of the parent for the period by the weighted average number of ordinary shares in issue during the period.

## 19. Segment information

The Company and its subsidiaries' business operations involve three principal segments: (1) manufacture of hot rolled coils (2) maintenance services and (3) deep-sea port services. These operations are carried on in Thailand. Below is the consolidated financial information of the Company and its subsidiaries for the three-month and nine-month periods ended 30 September 2010 and 2009 by segment.

(Unit: Thousand Baht)

	Consolidated financial statements for the three-month periods ended 30 September									
	Manufacture of		Maintenance		Deep-sea		Elimination of		Consolidated	
	hot rolled coils segment		services segment		port services segment		inter-segment revenues		financial statements	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Revenue from external customers	11,522,429	9,246,352	33,998	17,989	41,313	29,595	-	-	11,597,740	9,293,936
Intersegment revenues	-	-	114,118	101,923	41,633	29,345	(155,751)	(131,268)	-	-
Total revenues	11,522,429	9,246,352	148,116	119,912	82,946	58,940	(155,751)	(131,268)	11,597,740	9,293,936
Income from business operation										
segment	158,082	1,414,268	16,788	18,368	37,136	21,013			216,437	1,464,424
Unallocated income and expenses:										
Administrative expenses									(46,959)	-
Finance cost									(216,135)	(201,250)
Share of profit from investment in joint venture									84,165	62,911
Corporate income tax									(983)	(2,792)
Minority interest									(18,811)	(10,576)
Net income									17,714	1,312,717

(Unit: Thousand Baht)

	Consolidated financial statements for the nine-month periods ended 30 September									
	Manufacture of		Maintenance		Deep-sea		Elimination of		Consolidated	
	hot rolled coils segment		services segment		port services segment		inter-segment revenues		financial statements	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Revenue from external customers	37,122,151	23,746,368	87,159	86,325	140,210	70,333	-	-	37,349,520	23,903,026
Intersegment revenues	-	-	315,359	222,597	143,358	81,404	(458,717)	(304,001)	-	-
Total revenues	37,122,151	23,746,368	402,518	308,922	283,568	151,737	(458,717)	(304,001)	37,349,520	23,903,026
Income from business operation										
segment	2,776,466	1,200,784	49,610	20,325	158,804	40,588			2,957,153	1,286,076
Unallocated income and expenses:										
Administrative expenses									(59,498)	-
Finance cost									(639,885)	(810,917)
Share of profit (loss) from investment in joint venture									217,663	(333,585)
Corporate income tax									(18,920)	(2,792)
Minority interest									(65,464)	(17,294)
Net income									2,391,049	121,488

Transfer prices between business segments are as set out in Note 2 to the interim financial statements.

## 20. Commitments and contingent liabilities

### 20.1 Commitments and contingent liabilities of the Company and its subsidiaries

#### a) Capital commitments

As at 30 September 2010, the Company had capital commitments of Baht 70.2 million, USD 0.5 million and EUR 0.5 million relating to the acquisition and installation of machinery and equipment.

As at 30 September 2010, West Coast Engineering Company Limited, the subsidiary, had capital commitments of Baht 1.0 million in relation to the acquisition of machinery and equipment.

#### b) Raw material purchase commitments

As at 30 September 2010, the Company had raw material purchase commitments amounting to USD 193.0 million.

#### c) Operating lease commitments

The Company and its subsidiaries have entered into lease agreements in respect of the lease of land, office building space, vehicles and equipments. The terms of the agreements are generally between 1 and 5 years.

As at 30 September 2010, future minimum lease payments required under these operating leases agreements were as follow.

	(Unit: Million Baht)	
	Consolidated financial statements	Separate financial statements
Payable within:		
Less than 1 year	8.3	7.3
1 - 5 years	3.4	1.8
Total	11.7	9.1

#### d) Other commitments

- As at 30 September 2010, the Company had commitments amounting to Baht 436.1 million, USD 4.9 million, EUR 3.2 million, JPY 1.1 million and GBP 0.2 million in relation to the agreements to purchase spare parts and equipment supplies, and to obtain maintenance services.

As at 30 September 2010, the Company had commitments amounting to GBP 1.0 million, USD 0.4 million and Baht 3.0 million in respect of consulting agreements related to the acquisition of the assets described in Note 8 to the interim financial statements. In addition, the Company had commitments in respect of the success fee payable at the amount specified in financial consulting agreements, whereby the Company is to make payment on the condition that the financial advisors are able to provide financing for the purchase of the acquired assets and that such acquisition is successful.

As at 30 September 2010, the Company had commitments to banks under outstanding letters of credit amounting to USD 38.4 million.

- 2) As at 30 September 2010, West Coast Engineering Company Limited, the subsidiary, had commitments amounting to Baht 4.5 million in relation to contracting agreements and service agreements.
- 3) As at 30 September 2010, Prachuap Port Company Limited, the subsidiary, had commitments amounting to Baht 4.0 million in relating to the agreement to construct and repair bridge to port and amounting to Baht 0.3 million in relating to other services agreements.

**e) Bank guarantees**

As at 30 September 2010, there were outstanding bank guarantees of Baht 1,584.8 million (The Company only: Baht 1,568.1 million) issued by banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the normal course of business as follow:-

- 1) Bank guarantees of the Company of Baht 1,568.1 million mainly comprised a bank guarantee of Baht 1,458.2 million to guarantee payment to the Revenue Department, to secure a value added tax refund before the examination process is complete. In the second quarter of 2007 the Revenue Department refunded Baht 1,458.2 million to the Company and is in the process of conducting an examination of such tax. The amount also included bank guarantees of Baht 104.5 million to guarantee electricity use, Baht 3.9 million as a guarantee for loss as a result of the legal action being taken by the Royal Forest Department regarding the encroachment on a national forest reserve, and other guarantee amounting to Baht 1.5 million.

- 2) The bank guarantees of the subsidiaries amounting to Baht 16.7 million comprised a guarantee of Baht 11.0 million provided to the Customs Department in respect of the establishment of a wharf and godowns, Baht 4.5 million to guarantee contractual performance and Baht 1.2 million to guarantee electricity use.

**f) Dispute and litigation**

Dispute

- 1) During 2007 and 2008, the Company and a subsidiary, Prachuap Port Company Limited, received letters from Prachuabkirikhan Provincial Land Office, Bangsaphan Branch, ordering the Company to submit the Certificates of Utilisation (Nor. Sor. 3 Kor) for 24 plots of land with a combined book value of Baht 123.1 million and the subsidiary to submit the Certificates of Utilisation (Nor. Sor. 3 Kor) for 18 plots of land with a combined book value of Baht 187.6 million, in order to corroborate a decision on whether to revoke or amend the issued certificates. There are roads to the port and warehouse of the subsidiary, which have a net book value of Baht 37.7 million, located on these plots of land that were being investigated. Subsequently, on 16 November 2007 and 25 August 2008, the Company and the subsidiary submitted letters to the Prachuabkirikhan Provincial Land Office, to oppose any revocation or amendment of such certificates since the land had legal documentation issued by government officials. However, for conservative purposes, in preparing the financial statements the Company and the subsidiary recorded full allowance for impairment of the land and assets located on that land in 2007 and 2008.

On 5 January 2010, the Director-General of the Department of Lands issued an order revoking almost all of the certificates of utilisation (Nor. Sor. 3 Kor) issued for plots of land for which the Company and the subsidiary had previously submitted letters opposing revocation to the Prachuabkirikhan Provincial Land Office. On 28 January 2010, the Company and the subsidiary submitted letters to the Director-General of the Department of Lands to appeal the order. Consequently, on 25 May 2010, the Company and the subsidiary received written notification of the result of the consideration of the appeals lodged by the Company and the subsidiary, stating that the order of the Director-General of the Department of Lands to revoke the certificates of utilisation issued for plots of land was correct. Consequently on 9 July 2010, the Prachuabkirikhan Provincial Land Office, Bangsaphan Branch ordered the Company and the subsidiary to submit the Certificates of Utilisation (Nor.

Sor. 3 Kor) for cancellation, and notifying the Company and the subsidiary that if they did not submit such Certificates of Utilisation, the Land office would issue replacement Certificates of Utilisation. On 14 July 2010, the Prachuabkirikhan Provincial Land Office, Bangsaphan Branch announced that it was issuing replacement certificates for the Certificates of Utilisation of the Company and the subsidiary.

On 20 August 2010, the Company and the subsidiary filed a lawsuit against the officers of Prachuabkirikhan Provincial Land Office, Bangsaphan Branch with the Central Administrative Court, petitioning the Central Administrative Court to order the cancellation of the announcement of replacements for the Certificates of Utilisation (Nor. Sor.3 Kor.) of the Company and the subsidiary. The Company and the subsidiary also petitioned the Central Administrative Court to identify measures to provide temporary relief to the plaintiffs. The Court accepted the lawsuit for consideration on 21 September 2010, and is currently deliberating.

On 1 September 2010, the Company and the subsidiary filed a lawsuit against the Director-General of the Department of Lands and the Deputy Permanent Secretary of the Ministry of Interior with the Central Administrative Court, petitioning the court to order the revocation of the order of the Director-General of the Department of Lands issued on 5 January 2010, which ordered the revocation and recharting of the area under the Certificates of Utilisation (Nor. Sor.3 Kor) of the Company and the subsidiary, and the withdrawal of the appeal decision of the Deputy Permanent Secretary of the Ministry of Interior. Statements are currently being presented to the Central Administrative Court.

The management of the Company and the subsidiary believe that, regardless of the result of the dispute, it will not affect the business operations of the Company and its subsidiary.

#### Litigation

- 1) The Company has been sued by the Royal Forest Department in a civil case regarding the encroachment on a national forest serve, with a total of Baht 4.9 million claimed. Subsequently, on 1 September 2005, the Prachuapkhirikhan Provincial Court ordered the Company to pay compensation of Baht 2 million plus interest at a rate of 7.5 percent per annum as from the date the lawsuit was lodged by the Forestry Department. On 14 July 2006, the Company placed a bank guarantee of

Baht 3.9 million with the Appeal Court to suspend the execution of the judgment for the term of the appeal, and lodged an appeal of the judgement with the Prachuapkhirikhan Porvincial Court. On 19 February 2009, the Appeal Court confirmed the order of the Prachuapkhirikhan Provincial Court and ordered the Company to pay compensation to the Royal Forest Department amounting to Baht 4.0 million. In March 2009, the Company submitted an appeal of the Appeals Court's judgement to the Supreme Court and the case is currently being considered by the Supreme Court.

However, for conservative purposes, in preparing the financial statements, the Company recorded allowance for loss from litigation claim amounting to Baht 4.0 million in 2009.

- 2) In March 2004, the Company was named co-defendant in two civil cases before the Bangkok South Civil Court, involving total claims of Baht 126 million resulting from the incorrect issue of bills of lading by forwarding agents. Subsequently, in July 2005, two of the plaintiffs in these cases sued the Company in the Central Intellectual Property and International Trade Court, which has jurisdiction in the cases. Claims made totaled approximately Baht 80 million. In December 2005, the Central Intellectual Property and International Trade Court combined the two cases because they pertain to the same dispute. On 20 May 2009, the Central Intellectual Property and International Trade Court ordered the Company to pay compensation amounting to USD 200,000, together with interest as from the date of the lawsuit until the Company makes payment of the claims and legal fees. In August 2009, the Company submitted an appeal of the Court's judgements to the Supreme Court and case is currently being considered by the Supreme Court. Subsequently, on 23 December 2009, one of the plaintiffs withdrew its lawsuit and did not intend to enforce settlement in accordance with the judgement handed down by the Central Intellectual Property and International Trade Court. The Company withdrew its appeal in relation to the plaintiff.

However, for conservative purposes, in preparing the financial statements, the Company recorded allowance for loss from litigation claims amounting to Baht 7.8 million in 2009.



**20.2 Commitments and contingent liabilities of the jointly controlled entity (Thai Cold Rolled Steel Sheet Public Company Limited) which the Company has 50.15 percent equity interest.**

**a) Capital commitments**

As at 30 September 2010, the jointly controlled entity had capital commitments of USD 0.8 million, JPY 405.5 million and Baht 69.4 million relating to the procurement agreements for parts of production machinery in which the delivery is scheduled during October 2010 until May 2012.

**b) Raw material and chemical purchase commitments**

As at 30 September 2010, the jointly controlled entity had raw material purchase commitments amounting to USD 10.3 million, and Baht 283.1 million and had commitment in relation to the chemical purchase agreements for production as follows.

- 1) Commitments under chemical purchase agreement amounting to Baht 9.8 million, such agreement will be ending on 30 April 2011.
- 2) Commitments under long-term agreement for a period of 15 years ending 24 February 2012. The jointly controlled entity is committed to purchase chemical at a minimum of Baht 0.4 million per month.

**c) Operating lease commitments**

The jointly controlled entity has entered into lease agreements in respect of the lease of office building space, vehicles and equipments. The terms of the agreements are generally between 1 and 5 years.

As at 30 September 2010, future minimum lease payments required under these operating leases agreements were as follows:

	<u>Million Baht</u>
Payable within:	
Less than 1 year	10.5
1 to 5 years	7.2

**d) Other service commitments**

As at 30 September 2010, the jointly controlled entity had commitments under other service agreements amounting to JPY 7.5 million and Baht 29.6 million.

**e) Long-term service commitments**

The jointly controlled entity had commitments under service agreement for repair and maintenance of utility system for a period of 14 years ending 31 December 2013.

As at 30 September 2010, the service fee payable in the future under the agreement was Baht 12.4 million.

**f) Bank guarantees**

As at 30 September 2010, there were outstanding bank guarantees of USD 35.2 million and Baht 144.6 million issued by banks on behalf of the jointly controlled entity in respect of the jointly controlled entity's borrowings and certain performance bonds as required in the normal course of business of the jointly controlled entity. These included letters of guarantee amounting to USD 35.2 million to guarantee payments of long-term loans, Baht 101.8 million to guarantee import duty on import of raw material, and Baht 42.8 million to guarantee electricity use and others.

**21. Financial instruments****21.1 Derivative instruments****a) Derivative instruments of the Company**

As at 30 September 2010, the Company has outstanding obligations to buy a total of EUR 0.5 million under forward exchange contracts of which their maturity date are less than one year.

**b) Derivative instruments of the jointly controlled entity (Thai Cold Rolled Steel Sheet Public Company Limited) which the Company has 50.15 percent equity interest**

As at 30 September 2010, the jointly controlled entity had the outstanding forward exchange contracts to buy US dollars as follows.

Notional amount	Maturity date	Fixed exchange rate in forward exchange contracts
(Million USD)		(Baht per USD)
7.5	December 2010	33.125
7.5	June 2011	32.500

As at 30 September 2010, the jointly controlled entity had outstanding currency swap agreements for repayment of principal of long-term loans as follows:

Notional amount	Maturity date	Fixed exchange rate in currency swap agreements
(Million USD)		(Baht per USD 1)
9	December 2010 - June 2011	35.735
9	December 2010 - June 2011	35.745
18	December 2011 - June 2013	35.720
18	December 2011 - June 2013	35.740

## 21.2 Foreign currency assets and liabilities

### a) Foreign currency assets and liabilities of the Company

Significant foreign currency assets and liabilities of the Company as at 30 September 2010 are summarised below.

	Amount	
<b>Asset</b>		
Asset denominated in US Dollar	USD	12.1 million
<b>Liabilities</b>		
Liabilities denominated in US Dollar	USD	63.3 million
Liabilities denominated in Italian Lira	ITL	1.8 million
Liabilities denominated in Euro	EUR	0.6 million
Liabilities denominated in Japanese Yen	JPY	96.0 million
Liabilities denominated in Pound Sterling	GBP	0.2 million

### b) Foreign currency liabilities of the jointly controlled entity (Thai Cold Rolled Steel Sheet Public Company Limited) which the Company has 50.15 percent equity interest

Significant foreign currency liabilities of the jointly controlled entity as at 30 September 2010 are summarised below.

	Amount	
Liabilities denominated in Japanese Yen	JPY	5.7 million
Liabilities denominated in US Dollar	USD	81.9 million

## 22. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's authorised directors on 4 November 2010.