

**THE SIAM CONSTRUCTION STEEL COMPANY LIMITED**

**FINANCIAL STATEMENTS**

**31 MARCH 2020**



## **Independent Auditor's Report**

To the Shareholders of The Siam Construction Steel Company Limited

### **My opinion**

In my opinion, the financial statements of The Siam Construction Steel Company Limited (the Company) present fairly, in all material respects, the financial position of the Company as at 31 March 2020, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

### **What I have audited**

The Company's financial statements comprise:

- the statement of financial position as at 31 March 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### **Basis for opinion**

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Company in accordance with the Federation of Accounting Professions under the Royal Patronage of His Majesty the King's Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Responsibilities of the management for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRSs, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



### **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

PricewaterhouseCoopers ABAS Ltd.

A handwritten signature in blue ink, appearing to read 'Varaporn Vorathitikul', with a long, sweeping flourish extending to the right.

**Varaporn Vorathitikul**  
Certified Public Accountant (Thailand) No. 4474  
Bangkok  
22 April 2020

**The Siam Construction Steel Company Limited**  
**Statement of Financial Position**  
**As at 31 March 2020**

	<u>Notes</u>	<u>2020</u> <u>Baht</u>	<u>2019</u> <u>Baht</u>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7 a)	6,540,603	42,556,836
Trade and other receivables	8	697,570,030	545,039,461
Short-term loans to a parent company	26 c)	1,878,764,880	1,642,797,515
Inventories	9	680,714,771	770,760,455
Other current assets		<u>85,752,791</u>	<u>89,772,768</u>
<b>Total current assets</b>		<u>3,349,343,075</u>	<u>3,090,927,035</u>
<b>Non-current assets</b>			
Other long-term investments	10	1,241	1,241
Plant and equipment, net	11	364,899,258	344,805,649
Intangible assets, net	12	9,507,938	10,724,562
Deferred tax assets, net	13	17,625,531	11,402,224
Other non-current assets	14	<u>8,338,241</u>	<u>8,841,878</u>
<b>Total non-current assets</b>		<u>400,372,209</u>	<u>375,775,554</u>
<b>Total assets</b>		<u><u>3,749,715,284</u></u>	<u><u>3,466,702,589</u></u>

The accompanying notes on page 9 to 39 are an integral part of the financial statements.

**The Siam Construction Steel Company Limited**  
**Statement of Financial Position**  
**As at 31 March 2020**

	<u>Notes</u>	<u>2020</u> <u>Baht</u>	<u>2019</u> <u>Baht</u>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Short-term borrowings from financial institutions	15	141,177,016	435,030,496
Trade and other payables	16	624,297,916	383,829,177
Current portion of finance lease liabilities, net	17	1,129,126	1,087,118
Current income tax payable		55,390,508	1,438,474
Other current liabilities	18	4,593,727	11,790,735
<b>Total current liabilities</b>		<u>826,588,293</u>	<u>833,176,000</u>
<b>Non-current liabilities</b>			
Finance lease liabilities, net	17	39,652,735	40,781,860
Employee benefit obligations	19	86,115,931	53,841,851
<b>Total non-current liabilities</b>		<u>125,768,666</u>	<u>94,623,711</u>
<b>Total liabilities</b>		<u>952,356,959</u>	<u>927,799,711</u>
<b>Equity</b>			
Share capital			
Authorised share capital			
Ordinary shares, 17,500,000 shares at par value of Baht 100 each		<u>1,750,000,000</u>	<u>1,750,000,000</u>
Issued and paid-up share capital			
Ordinary shares, 17,500,000 shares paid-up of Baht 100 each		1,750,000,000	1,750,000,000
Retained earnings			
Appropriated - legal reserve	20	175,000,000	175,000,000
Unappropriated		872,358,325	613,902,878
<b>Total equity</b>		<u>2,797,358,325</u>	<u>2,538,902,878</u>
<b>Total liabilities and equity</b>		<u>3,749,715,284</u>	<u>3,466,702,589</u>

The accompanying notes on page 9 to 39 are an integral part of the financial statements.

**The Siam Construction Steel Company Limited**  
**Statement of Comprehensive Income**  
**For the year ended 31 March 2020**

	<b>Notes</b>	<b>2020 Baht</b>	<b>2019 Baht</b>
Revenue from sales and related services		8,036,349,208	9,373,088,206
Cost of sales and related services		<u>(7,623,972,640)</u>	<u>(9,066,944,899)</u>
<b>Gross profit</b>		412,376,568	306,143,307
Other income	21	113,693,164	53,747,886
Selling expenses		(1,231,996)	-
Administrative expenses		(183,025,753)	(205,931,490)
Finance costs		<u>(13,791,713)</u>	<u>(26,338,368)</u>
<b>Profit before income tax expense</b>		328,020,270	127,621,335
Income tax expense	23	<u>(64,972,300)</u>	<u>(23,902,893)</u>
<b>Profit for the year</b>		<u>263,047,970</u>	<u>103,718,442</u>
<b>Other comprehensive expense</b>			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations		(5,740,653)	(3,655,954)
Income tax on items that will not be reclassified		<u>1,148,130</u>	<u>731,191</u>
Total items that will not be reclassified to profit or loss		<u>(4,592,523)</u>	<u>(2,924,763)</u>
<b>Other comprehensive expense for the year, net of tax</b>		<u>(4,592,523)</u>	<u>(2,924,763)</u>
<b>Total comprehensive income for the year</b>		<u>258,455,447</u>	<u>100,793,679</u>
<b>Earnings per share</b>			
Basic earnings per share (Baht)	24	15.03	5.93

The accompanying notes on page 9 to 39 are an integral part of the financial statements.

**The Siam Construction Steel Company Limited**  
**Statement of Changes in Equity**  
**For the year ended 31 March 2020**

	Issued and paid-up share capital Baht	Retained earnings		Total equity Baht
		Appropriated - legal reserve Baht	Unappropriated Baht	
<b>Opening balance as at 1 April 2018</b>	1,750,000,000	175,000,000	513,109,199	2,438,109,199
<b>Changes in equity for the year</b>				
Total comprehensive income for the year	-	-	100,793,679	100,793,679
<b>Closing balance as at 31 March 2019</b>	<u>1,750,000,000</u>	<u>175,000,000</u>	<u>613,902,878</u>	<u>2,538,902,878</u>
<b>Opening balance as at 1 April 2019</b>	1,750,000,000	175,000,000	613,902,878	2,538,902,878
<b>Changes in equity for the year</b>				
Total comprehensive income for the year	-	-	258,455,447	258,455,447
<b>Closing balance as at 31 March 2020</b>	<u>1,750,000,000</u>	<u>175,000,000</u>	<u>872,358,325</u>	<u>2,797,358,325</u>

The accompanying notes on page 9 to 39 are an integral part of the financial statements.



**The Siam Construction Steel Company Limited**  
**Statement of Cash Flows**  
**For the year ended 31 March 2020**

	Notes	2020 Baht	2019 Baht
<b>Cash flows from operating activities</b>			
Profit before income tax expense		328,020,270	127,621,335
Adjustments :			
Dividend income	21	(14,400,000)	-
Depreciation and amortisation charge		59,798,701	71,621,193
Employee benefit obligations		27,121,628	6,023,187
Loss (Gain) on foreign exchange rate		(2,299,037)	483,424
Other adjustments from non-cash items	7 b)	(31,986)	(45,578)
Interest income	21	(26,663,855)	(26,279,298)
Interest expense		13,791,713	26,338,368
		<u>385,337,434</u>	<u>205,762,631</u>
<b>Changes in working capital</b>			
Trade and other receivables		(149,018,943)	470,437,722
Inventories		81,475,381	18,128,873
Trade and other payables		276,344,948	(96,369,404)
Other cash paid from operating activities	7 c)	(4,569,499)	(53,523,030)
		<u>589,569,321</u>	<u>544,436,792</u>
<b>Cash flows from operating activities</b>			
Cash generated from operations		589,569,321	544,436,792
Adjustment of cash occurred from borrowings	7 d)	(12,418,359)	(23,930,743)
Income tax paid		(14,656,967)	(75,703,989)
		<u>562,493,995</u>	<u>444,802,060</u>
<b>Net cash generated from operating activities</b>			
<b>Cash flows from investing activities</b>			
Purchases of plant and equipment	7 e)	(104,331,742)	(24,719,004)
Purchases of intangible assets	7 e)	(1,305,279)	(9,473,908)
Proceeds from disposals of plant and equipment		32,013	45,590
Net increase (decrease) short-term borrowings to a parent company	26 c)	(235,967,366)	113,980,838
Dividend income	21	14,400,000	-
Interest income		26,228,855	26,573,163
		<u>(300,943,519)</u>	<u>106,406,679</u>
<b>Net cash generated from (used in) investing activities</b>			

The accompanying notes on page 9 to 39 are an integral part of the financial statements.



**The Siam Construction Steel Company Limited**  
**Statement of Cash Flows**  
**For the year ended 31 March 2020**

---

	<b>Notes</b>	<b>2020 Baht</b>	<b>2019 Baht</b>
<b>Cash flow from financing activities</b>			
Net repayments on short-term borrowings			
from financial institutions	15	(293,853,480)	(508,187,015)
Repayments on financial lease liabilities		<u>(3,713,229)</u>	<u>(3,741,396)</u>
<b>Net cash used in financing activities</b>		<u>(297,566,709)</u>	<u>(511,928,411)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		(36,016,233)	39,280,328
Cash and cash equivalents at the beginning of the year		<u>42,556,836</u>	<u>3,276,508</u>
<b>Cash and cash equivalents at the end of the year</b>	7 a)	<u><u>6,540,603</u></u>	<u><u>42,556,836</u></u>

The accompanying notes on page 9 to 39 are an integral part of the financial statements.

---

## **1 General information**

The Siam Construction Steel Company Limited ("the Company") is incorporated and domiciled in Thailand. The address of the Company's registered office is as follows:

Head Office: Rasa Tower 2, 20<sup>th</sup> Floor, 555 Phaholyothin Road, Chatuchak Sub-district, Chatuchak District, Bangkok 10900.

Factory: Plot 1 Map TA Phut Industrial Estate. Mueang Rayong District, Rayong 21150.

The major shareholder and the parent company is Tata Steel (Thailand) Public Company Limited which is a public company incorporated in Thailand and listed on the Stock Exchange of Thailand and holds 99.99% of the Company's shares. The ultimate parent company of the Company is under Tata Steel Limited group, which is company incorporated under the law of India.

The Company engages in manufacturing and distribution of construction steel.

The financial statements were authorised for issue by the Board of Directors on 22 April 2020.

## **2 Accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below:

### **2.1 Basis of preparation**

The financial statements have been prepared in accordance with Thai Financial Reporting Standards ("TFRS").

The financial statements have been prepared under the historical cost convention

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

An English version of the financial statements have been prepared from the statutory financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

**2.2 New and amended financial reporting standards that are relevant and have significant impacts to the Company**

**2.2.1 The Company has applied the following standard and amendments for the first time for their annual reporting commencing 1 January 2019**

**a) Thai Financial Reporting Standard no.15 (TFRS 15), Revenue from contracts with customers**

The standard provides principle and approach of revenue recognition under five-step process. The underlying principle is that the Company will recognise revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. It replaces the principles of transferring the significant risks and rewards of ownership of the goods or services to the buyer in accordance with TAS 11, Construction contracts, TAS 18, Revenue and related interpretations.

The Company has adopted the new TFRS 15, Revenue from contracts with customers from 1 April 2019 by applying the modified retrospective approach and the comparative figures have not been restated. The Company applies practical expedient relates to completed contracts and contract modifications as allowed by TFRS 15.

The adoption of TFRS 15 mainly affects the Company's accounting treatment on revenue recognition from sales and services:

- revenue from sales is recognised at point in time, when control of the goods transfers to the customer, and
- revenue from services is recognised over time, in a manner that best reflects the Company's performance obligation after control of goods transfers to the customer which are insurance and freight.

The transaction price will need to be allocated to the distinct performance obligations based on the relative standalone selling price of sales and services.

However, the effects of the Company's accounting treatment from adoption of TFRS 15 are immaterial to retained earnings as at 1 April 2019 in the financial statements.

The following tables show the amounts by each financial statements line item in the current year from the adoption of the new revenue standard compared to the previous revenue standards.

	Balance as reported Thousand Baht	Impacts from TFRS 15 Thousand Baht	Balance under the previous revenue standards Thousand Baht
<b>Statement of comprehensive income</b>			
<b>For the year ended 31 March 2020</b>			
Revenue from sales and related services	8,036,349	(48,873)	7,987,476
Cost of sales and related services	(7,623,973)	46,551	(7,577,422)
Selling expenses	(1,232)	1,232	-
Other income	113,693	1,090	114,783

## 2.2.2 New and amended financial reporting standards that are effective for accounting period beginning or after 1 January 2020

Certain new and amended financial reporting standards have been issued that are not mandatory for current period end 31 March 2020 reporting period and have not been early adopted by the Company.

### a) Financial instruments

The new financial standards relate to financial instruments are:

TAS 32	Financial instruments: Presentation
TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments
TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These new standards address the classification, measurement, derecognition of financial assets and financial liabilities, impairment of financial assets, hedge accounting, and presentation and disclosure of financial instruments.

### b) TFRS 16, Leases

Where the Company is a lessee, TFRS 16, Leases will result in almost all leases being recognised on the balance sheet as the distinction between operating and finance leases is removed. A right-of-use asset and a lease liability will be recognised, with exception on short-term and low-value leases.

### c) Other new/amended standards

The new and amended financial reporting standards that are relevant to the Company are:

TAS 12	Income tax
TAS 19	Employee benefits
TAS 23	Borrowing cost
TFRIC 23	Uncertainty over income tax treatments

**Amendment to TAS 12, Income tax** - clarified that the income tax consequences of dividends of financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.

**Amendment to TAS 19, Employee benefits (plan amendment, curtailment or settlement)** - clarified accounting for defined benefit plan amendments, curtailments and settlements that the updated assumptions on the date of change are applied to determine current service cost and net interest for the remainder of the reporting period after the plan amendment, curtailment or settlement.

**Amendment to TAS 23, Borrowing costs** - clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

**TFRIC 23, Uncertainty over income tax treatments** - explained how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- that the Company should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, ie that detection risk should be ignored.
- that the Company should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment.
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

### **2.3 Foreign currency translation**

a) Functional and presentation currency

The financial statements are presented in Thai Baht, which is the Company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or the date of revaluation where items are re-measured.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Any exchange component of gains and losses on a non-monetary item that recognised in profit or loss, or other comprehensive income is recognised following the recognition of a gain or loss on the non-monetary item.

### **2.4 Cash and cash equivalents**

In the statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call, short-term highly liquid investments with maturities of three months or less from acquisition date and bank overdrafts.

In the statements of financial position, bank overdrafts are shown in current liabilities.

### **2.5 Trade accounts receivable**

Trade receivables are amounts due from customers for goods sold or service performed in the ordinary course of business.

Trade receivables are recognised initially at the amount of consideration that is unconditionally unless they contain significant financing components, when they are recognised at its present value. The Company presented trade receivables at cost less allowance for doubtful accounts.

### **2.6 Inventories**

Inventories are stated at the lower of cost and net realisable value .

Cost is determined by the weighted average method for finished goods and work in process and by the moving average method for merchandise, raw materials, spare parts, supplies and others. Cost of raw materials comprise all purchase cost and costs directly attributable to the acquisition of the inventory less all attributable discounts. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and directly attributable costs in bringing the inventories to their present location and condition.

## **2.7 Investments**

Investments other than investments in subsidiaries, associates and joint ventures are initially recognised at fair value of consideration paid plus direct transaction cost.

### Trading and available-for-sale investments

Trading investments and available-for-sale investments are subsequently measured at fair value. The unrealised gains and losses of trading investments are recognised in profit or loss. The unrealised gains and losses of available for sale investments are recognised in other comprehensive income and are subsequently reclassified to profit or loss when the investment is disposed.

### Held-to-maturity investments

Held-to-maturity investments are carried at amortised cost using the effective interest method less impairment.

### General investments

General investments are carried at cost less impairment.

### Disposal of investments

On a disposal of an investment, the difference between the net disposal proceeds and the carrying amount (including cumulative changes in fair value recognised in equity) is recognised to the profit or loss. When the Company disposes an investment partially, the carrying amount of the disposed part is determined by the weighted average method.

## **2.8 Plant and equipment**

All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Company. Capitalised where there is future economic benefits. The carrying amount of the replaced part is derecognised.

All other repairs and maintenance are charged to profit or loss when incurred.

Depreciation on other assets is calculated using the straight-line method to allocate their cost and the revalued amount to their residual values over their estimated useful lives, as follows:

Land improvement	10 years
Buildings and structures	10, 20 years
Machinery and equipment	5, 10 years
Furniture, fixtures and office equipment	5, 10 years
Vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in other gain or loss - net.

## 2.9 Intangible assets

### Acquired computer software

Acquired computer software is measured at cost. These costs are amortised over their estimated useful lives 3 years to 10 years.

Cost associated with maintaining computer software are recognised as an expense as incurred.

## 2.10 Impairment of assets

Assets that have an indefinite useful life are tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Assets that are subject to amortisation are reviewed for impairment whenever there is an indication of impairment. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Where the reasons for previously recognised impairments no longer exist, the impairment losses on the assets concerned other than goodwill is reversed.

## 2.11 Leases

### **Leases - where the Company is the lessee**

Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

At the inception of finance lease, the lower of the fair value of the leased property and the present value of the minimum lease payments is capitalised. Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the liabilities balance outstanding. The corresponding rental obligations is presented net of finance charges. Finance cost is charged to profit or loss over the lease period.

## 2.12 Borrowings

Borrowings are recognised initially at the fair value, net of directly attributable transaction costs incurred. Borrowings are subsequently stated at amortised cost.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it will be drawn down. The fee is deferred until the drawn down occurs and included in effective interest calculation. However, if it is probable that facility will not be drawn down, that portion of the fee paid is recognised as a prepayment and amortised over the period of related facility.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled, or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.



### 2.13 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (assets that take a substantial period to get ready for its intended use or sale) are added to the cost of those assets less investment income earned from those specific borrowings. The capitalisation of borrowing costs is ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Other borrowing costs are expensed in the period in which they are incurred.

### 2.14 Current and deferred income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

#### Current tax

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### Deferred income tax

Deferred income tax is recognised on temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not recognised for temporary differences arise from:

- initial recognition of an asset or liability in a transaction other than a business combination that affects neither accounting nor taxable profit or loss is not recognised
- investments in subsidiaries, associates and joint arrangements where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is measured using tax rates of the period in which temporary difference is expected to be reversed, based on tax rates and laws that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## **2.15 Employee benefits**

a) Short-term employee benefits

Liabilities for short-term employee benefits such as salaries, wages, bonuses, contributions to the social security fund and others, that are expected to be settled wholly within 12 months after the end of the period are recognised in respect of employees' service up to the end of the reporting period. They are measured at the amount expected to be paid.

b) Defined contribution plan

The Company pays contributions to a separate fund (under the Provident Fund Act B.E. 2530). The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

c) Defined benefit plans

Amount of retirement benefits is defined by the agreed benefits the employees will receive after the completion of employment. It usually depends on factors such as age, years of service and an employee's latest compensation at retirement.

The defined benefit obligation is calculated by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yield of government bonds that matches the terms and currency of the expected cash outflows.

Remeasurement gains and losses are recognised directly to other comprehensive income in the period in which they arise. They are presented as a separate item in statements of changes in equity.

Past-service costs are recognised immediately in profit or loss.

d) Other long-term benefits

The Company gives gold rewards to employees when they have worked for the Company at every 5 years anniversary, for a maximum of 7 times.

These obligations are measured similar to defined benefit plans except remeasurement gains and losses that are charged to profit or loss.

e) Termination benefits

The Company recognises termination benefits at the earlier of (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the Company recognises costs for the related restructuring. Benefits due more than 12 months are discounted to their present value.

## **2.16 Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in the provision due to passage of time is recognised as interest expense.

## **2.17 Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options (net of tax) are shown as a deduction in equity.

## **2.18 Revenue recognition**

Revenue include all revenues from ordinary business activities. All ancillary income in connection with the delivery of goods and rendering of services in the course of the Company's ordinary activities is also presented as revenue.

Revenue are recorded net of value added tax. They are recognised in accordance with the provision of goods or services, provided that collectibility of the consideration is probable.

Multiple element arrangements involving delivery or provision of multiple products or services are separated into distinct performance obligations. Total transaction price of the bundled contract is allocated to each performance obligation based on their relative standalone selling prices or estimated standalone selling prices. Each performance obligation is recognised as revenue on fulfillment of the obligation to the customer.

### Sale of goods

The Company manufactures and sells products. Sales are recognised when control of the products has transferred, being when the products are delivered, and there is no unfulfilled obligation that could affect the buyer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the buyer, and either the buyer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The product is often sold with retrospective volume discounts based on aggregate sales over a 12 month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No significant element of financing is deemed present as the sales are made with a credit term of 15 days to 60 days, which is consistent with market practice.

The Company's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision and cost of sales.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

### Services

The Company recognised service contracts with a continuous service provision as revenue on a straight-line basis over the contract term, regardless of the payment pattern.

### Payments to customers

Payments to customers or on behalf of customers to other parties, including credited or subsequent discounts, are recognised as a reduction in revenue unless the payment constitutes consideration of a distinct goods or service from the customer.

#### Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

#### Other income

Other revenue are recognised on the following bases:

- dividend income is recognised when the right to received payment is established.
- interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Company.
- scrap income is recognised when the scrap is actually sold.

### **2.19 Dividend distribution**

Dividend distributed to the Company's shareholders is recognised as a liability when interim dividends are approved by the Board of Directors, and when the annual dividends are approved by the shareholders.

## **3 Financial risk management**

### **3.1 Financial risk factors**

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain exposures.

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. The treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units.

- **Interest rate risk**

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company has no significant interest-bearing assets.

The Company borrows money for business operation at floating rates. However, the Company implemented risk counter-measures for managing interest rate risk by setting operation plans in advance so that the Company could have sufficient time to seek proper sources of credit lines with reasonable interest rates.

- **Credit risk**

The Company has no significant concentrations of credit risk. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

- Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions. Due to the dynamic nature of the underlying business, the Company treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

- Foreign exchange risk

The Company has exposure to foreign currency exchange fluctuations on purchasing of goods and services in the ordinary course of business. Entities in the Company use forward contracts to hedge their exposure to foreign correct risk in connection with measurement currency.

### **3.2 Accounting for derivative financial instruments and hedging activities**

The Company is party to derivative financial instruments, foreign currency forward contracts. Such instruments are recognised in the financial statements on inception.

Foreign currency forward contracts protect the Company from movements in exchange rates by establishing the rate at which a foreign currency asset will be realised or a foreign currency liability settled. Subsequently the Company measures each derivative financial instrument at its fair value. The gains and losses on the derivative instruments and the underlying financial asset or liability are therefore offset for financial reporting purposes, and will be included in other income/expense in statement of comprehensive income.

Disclosures about derivative financial instruments to which the Company is a party are provided in Note 25.

### **3.3 Fair value estimation**

The different levels of financial instruments carried at fair value, by valuation method have been defined as follows:

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

There was no transfer between level 1 and 2 during the year.

There were no change in valuation techniques during the year.

#### **4 Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### 1) Buildings and equipment and intangible assets

The management is the one who estimates useful life for buildings and equipment and intangible assets of the Company. The management revises depreciation expense whenever the useful life is different from the estimation in the prior period or there is a disposal or retirement.

##### 2) Current and deferred income taxes

A deferred tax asset is recognised to the extent that it is probable that it will be utilised in the future. Such an assessment is based upon the probability that the Company will generate future taxable income sufficient to fully utilize the deferred tax assets. The Company's management use judgments based upon the likely timing and level of estimate future taxable income to determine the amount of deferred tax assets that can be recognised at the end of each reporting period.

#### **5 Capital management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

#### **6 Segment information**

Operating segment information is reported in a manner consistent with the Company's internal reports that are regularly obtained and reviewed by the chief operating decision maker (Board of Directors) for the purpose of the allocation of resources to the segment and assess its performance.

The Company's operations involve the single business segment of the manufacture and distribution of long steel products, which is located in Thailand. Sales of the subsidiaries are mainly local sales whereas an export sales is not significant. As a result, all the revenues from sales of goods, cost of sales, gross margin, profit for the year and assets of segment are in accordance with the presentation of these financial statements.

For the year ended 31 March 2020, revenue from sales and related services has timing of revenue recognition as a point in time amounting to Baht 7,987 million (2019 : Baht 9,373 million) and over time amounting to Baht 49 million (2019 : Baht 100 million).

During the year ended 31 March 2020, the Company has revenue from 1 customer which contributed equal or over 10% of the Company's total revenue (2019 : 2 customers). The revenue from sales to this customer is Baht 7,152 million (2019 : customer 1 is Baht 7,880 million and customer 2 is Baht 1,270 million).

The Siam Construction Steel Company Limited  
Notes to the Financial Statements  
For the year ended 31 March 2020

For the year ended 31 March

	2020 Thousand Baht	2019 Thousand Baht
Segment revenue		
Local	7,282,409	8,099,799
Export	753,940	1,273,289
	8,036,349	9,373,088

**7 Cash and cash equivalents**

a) Cash and cash equivalents consist of:

	2020 Thousand Baht	2019 Thousand Baht
Deposits at banks - current accounts	5,797	5,319
- savings accounts	744	37,238
	6,541	42,557

	2020 %	2019 %
<u>Interest rate</u>		
Deposits at banks - savings accounts	0.05 - 0.08	0.05 - 0.38

b) Other non-cash adjustment items for the years ended 31 March, consist of:

	2020 Thousand Baht	2019 Thousand Baht
Gain on disposal of plant and equipment	(32)	(45)
	(32)	(45)

c) Other cash (received) paid from operating activities for the years ended 31 March, consists of:

	2020 Thousand Baht	2019 Thousand Baht
(Increase) decrease in other current assets and other non-current assets	3,085	(57,891)
Increase (decrease) in other current liabilities and other non-current liabilities	(7,197)	6,081
Employee benefit obligations paid	(458)	(1,713)
	(4,570)	(53,523)



**The Siam Construction Steel Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2020**

d) Adjustment of cash occurred from borrowings for the years ended 31 March, consists of:

	2020 Thousand Baht	2019 Thousand Baht
Interest paid	(12,418)	(23,930)

e) Non-cash items from purchase and increase of plant and equipment and intangible assets for the year ended 31 March, are as follows:

	2020 Thousand Baht	2019 Thousand Baht
Payables for plant and equipment and intangible assets brought forward	38,303	5,578
<u>Add</u> Purchases during the year	70,105	66,918
<u>Less</u> Payments during the year	(105,637)	(34,193)
Payables for plant and equipment and intangible assets carried forward	2,771	38,303
Purchase of plant and equipment under finance lease liabilities	-	42,975

**8 Trade and other receivables**

	2020 Thousand Baht	2019 Thousand Baht
Trade receivables - related parties (Note 26 b))	693,115	539,794
Other receivables - other parties	673	660
- related parties (Note 26 b))	2,483	3,102
Prepayments	1,299	1,483
	697,570	545,039

The credit term for trade receivable normally requires 15 days to 60 days (2019 : 15 days to 30 days).

As at 31 March, the outstanding trade receivables can be analysed as follows:

	2020 Thousand Baht	2019 Thousand Baht
Not yet due	570,704	422,865
Overdue:		
Under 3 months	122,411	116,929
	693,115	539,794

**The Siam Construction Steel Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2020**

**9 Inventories**

	2020 Thousand Baht	2019 Thousand Baht
Raw materials	261,756	390,931
Work in progress	51,735	26,424
Finished goods	201,560	147,541
Spare parts	52,589	57,611
Supplies and others	88,162	131,572
	<u>655,802</u>	<u>754,079</u>
<u>Add</u> Goods in transit	24,913	16,681
	<u>680,715</u>	<u>770,760</u>

During the years ended 31 March 2020 and 2019, amounts recognised as cost of sales in profit or loss are as follows:

	2020 Thousand Baht	2019 Thousand Baht
Cost of sales and cost of services	7,623,973	9,066,945
Amortisation of rolling mill	8,570	9,382

**10 Other long-term Investments**

As at 31 March 2020 and 2019, the Company did not include investment in Siam Steel Mill Services Company Limited which held by the Company at 24% of share capital on an equity method. The Company has no significant influence to determine the financial and operating policies of and does not have any authorised director to sign on behalf of Siam Steel Mill Service Company Limited. The Company, therefore, recorded such investment as other long-term investment at cost of Baht 1,241 in the statement of financial position.

During the year ended 31 March 2020, the Company received dividend income of Baht 14.40 million from Siam Steel Mill Services Company Limited (2019 : Nil) (Note 21).

As at 31 March 2020, fair value of other long-term investment amounting to Baht 146.16 million (2019 : Baht 176.40 million). The fair value of other long-term investment is determined using valuation techniques, discounted cash flow which assessed by independent valuer and are within level 3 of the fair value hierarchy.

The Siam Construction Steel Company Limited  
Notes to the Financial Statements  
For the year ended 31 March 2020

11 Plant and equipment, net

	Land improvement Thousand Baht	Buildings and structures Thousand Baht	Machinery and equipment Thousand Baht	Furniture, fixtures and office equipment Thousand Baht	Vehicles Thousand Baht	Construction in progress Thousand Baht	Total Thousand Baht
<b>As at 1 April 2018</b>							
Cost	157,186	1,432,940	2,825,096	39,034	31	1,409	4,455,696
Less Accumulated depreciation	(157,186)	(1,349,596)	(2,607,851)	(33,239)	(31)	-	(4,147,903)
Net book amount	-	83,344	217,245	5,795	-	1,409	307,793
<b>For the year ended 31 March 2019</b>							
Opening net book amount	-	83,344	217,245	5,795	-	1,409	307,793
Additions	-	42,975	936	773	-	54,446	99,130
Transfers	-	-	29,065	2,569	-	(31,634)	-
Disposals - cost	-	-	(10,013)	(154)	-	-	(10,167)
- accumulated depreciation	-	-	10,013	154	-	-	10,167
Write-off - cost	-	(8,363)	-	-	-	-	(8,363)
- accumulated depreciation	-	8,363	-	-	-	-	8,363
Depreciation charge	-	(8,394)	(51,338)	(2,385)	-	-	(62,117)
Closing net book amount	-	117,925	195,908	6,752	-	24,221	344,806
<b>As at 31 March 2019</b>							
Cost	157,186	1,467,552	2,845,084	42,222	31	24,221	4,536,296
Less Accumulated depreciation	(157,186)	(1,349,627)	(2,649,176)	(35,470)	(31)	-	(4,191,490)
Net book amount	-	117,925	195,908	6,752	-	24,221	344,806

**The Siam Construction Steel Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2020**

	Land improvement Thousand Baht	Buildings and structures Thousand Baht	Machinery and equipment Thousand Baht	Furniture, fixtures and office equipment Thousand Baht	Vehicles Thousand Baht	Construction in progress Thousand Baht	Total Thousand Baht
<b>As at 1 April 2019</b>							
Cost	157,186	1,467,552	2,845,084	42,222	31	24,221	4,536,296
Less Accumulated depreciation	(157,186)	(1,349,627)	(2,649,176)	(35,470)	(31)	-	(4,191,490)
Net book amount	-	117,925	195,908	6,752	-	24,221	344,806
<b>For the year ended 31 March 2020</b>							
Opening net book amount	-	117,925	195,908	6,752	-	24,221	344,806
Additions	-	-	677	705	-	68,723	70,105
Transfers	-	191	85,373	1,215	-	(86,779)	-
Disposals - cost	-	-	(19,959)	(608)	-	-	(20,567)
- accumulated depreciation	-	-	19,959	608	-	-	20,567
Write-off - cost	-	-	(14,735)	-	-	-	(14,735)
- accumulated depreciation	-	-	14,735	-	-	-	14,735
Depreciation charge	-	(8,447)	(38,819)	(2,746)	-	-	(50,012)
Closing net book amount	-	109,669	243,139	5,926	-	6,165	364,899
<b>As at 31 March 2020</b>							
Cost	157,186	1,467,743	2,896,440	43,534	31	6,165	4,571,099
Less Accumulated depreciation	(157,186)	(1,358,074)	(2,653,301)	(37,608)	(31)	-	(4,206,200)
Net book amount	-	109,669	243,139	5,926	-	6,165	364,899

**The Siam Construction Steel Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2020**

Additions during the year 2019, included assets leased under finance leases of Baht 43 million (where the Company is the lessee).

On 6 October 2018, there was an explosion of electric arc furnace at the Company. The incident partially damaged buildings, machinery and equipment that were mainly fully depreciated. For the years ended 31 March 2020 and 2019, the Company received full amount of final damaged claim payment from insurance companies amounting to Baht 68 million and Baht 17 million, respectively which were recorded as other income in statement of comprehensive income (Note 21).

Leased assets included above as at 31 March, where the Company is a lessee under finance lease agreement, comprise factory equipment.

	2020 Thousand Baht	2019 Thousand Baht
Cost of assets under finance lease	42,975	42,975
<u>Less</u> Accumulated depreciation	(4,250)	(2,102)
Net book amount	38,725	40,873

**12 Intangible assets, net**

	Computer software Thousand Baht	Software under installation Thousand Baht	Total Thousand Baht
<b>As at 1 April 2018</b>			
Cost	1,175	-	1,175
<u>Less</u> Accumulated amortisation	(1,091)	-	(1,091)
Net book amount	84	-	84
<b>For the year ended 31 March 2019</b>			
Opening net book amount	84	-	84
Additions	-	10,763	10,763
Transfers	10,202	(10,202)	-
Amortisation charge	(122)	-	(122)
Closing net book amount	10,164	561	10,725
<b>As at 31 March 2019</b>			
Cost	11,377	561	11,938
<u>Less</u> Accumulated amortisation	(1,213)	-	(1,213)
Net book amount	10,164	561	10,725
<b>For the year ended 31 March 2020</b>			
Opening net book amount	10,164	561	10,725
Transfers	561	(561)	-
Amortisation charge	(1,217)	-	(1,217)
Closing net book amount	9,508	-	9,508
<b>As at 31 March 2020</b>			
Cost	11,938	-	11,938
<u>Less</u> Accumulated amortisation	(2,430)	-	(2,430)
Net book amount	9,508	-	9,508

The Siam Construction Steel Company Limited  
Notes to the Financial Statements  
For the year ended 31 March 2020

13 Deferred tax assets, net

Deferred tax assets, net as at 31 March 2020 and 2019 comprise the following:

	2020 Thousand Baht	2019 Thousand Baht
<b>Deferred tax assets</b>		
- To be recovered within 12 months	518	709
- To be recovered more than 12 months	17,223	18,925
	<u>17,741</u>	<u>19,634</u>
<b>Deferred tax liabilities</b>		
- To be recovered within 12 months	(115)	(487)
- To be recovered more than 12 months	-	(7,745)
	<u>(115)</u>	<u>(8,232)</u>
Deferred tax assets, net	<u>17,626</u>	<u>11,402</u>

The movements of deferred tax assets, net as at 31 March 2020 and 2019 comprise the following:

	2020 Thousand Baht	2019 Thousand Baht
Opening balance for the year	11,402	9,292
Increase to profit or loss	5,076	1,379
Increase to other comprehensive income	1,148	731
	<u>17,626</u>	<u>11,402</u>

	1 April 2019 Thousand Baht	Credited (charged) to profit or loss Thousand Baht	Credited (charged) to other comprehensive income Thousand Baht	31 March 2020 Thousand Baht
<b>Deferred tax assets</b>				
Finance lease liabilities	8,374	(8,374)	-	-
Employee benefit obligations	11,260	5,333	1,148	17,741
	<u>19,634</u>	<u>(3,041)</u>	<u>1,148</u>	<u>17,741</u>
<b>Deferred tax liabilities</b>				
Derivative assets	(57)	(58)	-	(115)
Asset under finance lease liabilities	(8,175)	8,175	-	-
	<u>(8,232)</u>	<u>8,117</u>	<u>-</u>	<u>(115)</u>
Deferred tax assets, net	<u>11,402</u>	<u>5,076</u>	<u>1,148</u>	<u>17,626</u>

**The Siam Construction Steel Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2020**

	1 April 2018 Thousand Baht	Credited (charged) to profit or loss Thousand Baht	Credited (charged) to other comprehensive income Thousand Baht	31 March 2019 Thousand Baht
<b>Deferred tax assets</b>				
Finance lease liabilities	-	8,374	-	8,374
Employee benefit obligations	9,686	843	731	11,260
	9,686	9,217	731	19,634
<b>Deferred tax liabilities</b>				
Derivative assets	(394)	337	-	(57)
Asset under finance lease liabilities	-	(8,175)	-	(8,175)
	(394)	(7,838)	-	(8,232)
<b>Deferred tax assets, net</b>	9,292	1,379	731	11,402

**14 Other non-current assets**

	2020 Thousand Baht	2019 Thousand Baht
Corporate income tax refundable	6,172	6,097
Others	2,166	2,745
	8,338	8,842

**15 Short-term borrowings from financial institutions**

The movements of short-term borrowings from financial institutions for the years ended 31 March 2020 and 2019 comprise the following:

	2020 Thousand Baht	2019 Thousand Baht
Opening balance for the year	435,031	943,218
Additions during the year	1,432,142	2,994,759
Repayments during the year	(1,725,996)	(3,502,946)
Closing balance for the year	141,177	435,031

As at 31 March 2020, short-term borrowings from financial institutions in the amount of Baht 141 million (2019 : Baht 435 million) bear interest rate at BIBOR+2.1% per annum (2019 : at BIBOR+2% - BIBOR+2.1% per annum) and due from 10 April 2020 to 29 May 2020. (2019 : from 1 April 2020 to 18 June 2020).



**The Siam Construction Steel Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2020**

**16 Trade and other payables**

	2020 Thousand Baht	2019 Thousand Baht
Trade payables - other parties	188,909	187,408
- related parties (Note 26 b))	259,735	35,022
Other payables - other parties	2,771	38,303
- related parties (Note 26 b))	13,389	1,847
Advance received from customers	413	1,847
Accrued expenses	159,081	119,402
	<u>624,298</u>	<u>383,829</u>

**17 Finance lease liabilities, net**

Liabilities under finance lease agreements - minimum lease payments:

	2020 Thousand Baht	2019 Thousand Baht
Not later than 1 year	3,685	3,713
Later than 1 year but not later than 5 years	14,484	14,586
Later than 5 years	51,382	54,965
<u>Less</u> Future finance charges on finance leases	<u>(28,769)</u>	<u>(31,395)</u>
Present value of finance lease liabilities	<u>40,782</u>	<u>41,869</u>
Representing lease liabilities:		
- Current	1,129	1,087
- Non-current	39,653	40,782
Present value of finance lease liabilities	<u>40,782</u>	<u>41,869</u>

The present value of finance lease liabilities is as follows:

	2020 Thousand Baht	2019 Thousand Baht
Not later than 1 year	1,129	1,087
Later than 1 year but not later than 5 years	5,024	4,814
Later than 5 years	34,629	35,968
	<u>40,782</u>	<u>41,869</u>

The Siam Construction Steel Company Limited  
Notes to the Financial Statements  
For the year ended 31 March 2020

<b>18 Other current liabilities</b>		
	<b>2020</b>	<b>2019</b>
	<b>Thousand Baht</b>	<b>Thousand Baht</b>
Value added tax payable	-	9,462
Withholding tax payable	1,835	910
Other	2,759	1,419
	<b>4,594</b>	<b>11,791</b>

<b>19 Employee benefit obligations</b>		
	<b>2020</b>	<b>2019</b>
	<b>Thousand Baht</b>	<b>Thousand Baht</b>
Statement of financial position:		
Retirement benefits	79,122	48,679
Other long-term benefits	6,994	5,163
Liability in the statement of financial position	<b>86,116</b>	<b>53,842</b>
Loss charge included in operating profit for:		
Retirement benefits	24,702	5,138
Other long-term benefits	2,289	885
	<b>26,991</b>	<b>6,023</b>
Remeasurement in other comprehensive expense	<b>5,741</b>	<b>3,656</b>

Employee benefit obligations are final salary retirement plans, which provide benefits to employees in the form of a guaranteed level of pension payable. The level of benefits provided depends on employees' length of service and their salary in the final years leading up to retirement.

The movements of employee benefit obligations for the years ended 31 March 2020 and 2019 comprise the following:

	<b>Retirement benefits</b>		<b>Long service awards</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>Thousand Baht</b>	<b>Thousand Baht</b>	<b>Thousand Baht</b>	<b>Thousand Baht</b>
Opening balance for the year	48,679	41,177	5,163	4,699
Current service cost	6,077	3,793	1,049	729
Past service cost from amendment bill to the Labour Protection Law	17,716	-	-	-
Interest cost	909	1,345	79	139
Remeasurements:				
Loss from change in demographic assumptions	98	4,447	78	259
(Gain) loss from change in financial assumptions	12,756	(18)	1,656	(153)
Experience gain	(7,113)	(773)	(573)	(89)
Employee benefit paid	-	(1,292)	(458)	(421)
Closing balance for the year	<b>79,122</b>	<b>48,679</b>	<b>6,994</b>	<b>5,163</b>

**The Siam Construction Steel Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2020**

On 5 April 2019, an amendment bill to the Labour Protection Law was published in the Government Gazette. The amended law will become effective 30 days after its publication. The main amendment is that the compensation for employees who have retired and have more than or equal to 20 years of service has changed from 300 day's pay to 400 day's pay. The effects of the amendment resulted to increase in the employee benefit obligations of Baht 18 million.

The principal actuarial assumptions used were as follows:

	2020 %	2019 %
Discount rates	1.26	3.02
Salary growth rate	4.90	5.03
Staff turnover rate	0.00 - 10.00	0.00 - 13.00

Sensitivity analysis for each significant assumption as at 31 March 2020 and 2019 are as follows:

	Change in assumption		Increase (decrease) to employee benefit obligations			
			Increase in assumption		Decrease in assumption	
	2020 %	2019 %	2020 Thousand Baht	2019 Thousand Baht	2020 Thousand Baht	2019 Thousand Baht
Discount rate	1.00	1.00	(8,838)	(5,510)	10,260	6,363
Salary growth rate	1.00	1.00	9,365	5,836	(8,233)	(5,144)
Staff turnover rate	1.00	1.00	(9,169)	(5,823)	4,583	2,864

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the retirement benefits recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The weighted average duration of the defined benefit obligation is 12.30 years (2019 : 12.25 years).

Expected maturity analysis of undiscounted retirement benefits and long service awards are as follows:

	Less than 1 year Baht	Between 1-2 years Baht	Between 2-5 years Baht	Over 5 years Baht	Total Baht
<b>As at 31 March 2020</b>					
Retirement benefits	414	1,092	6,713	262,540	270,759
Post-employment medical benefits	727	734	2,734	18,854	23,049
<b>Total</b>	<b>1,141</b>	<b>1,826</b>	<b>9,447</b>	<b>281,394</b>	<b>293,808</b>
<b>As at 31 March 2019</b>					
Retirement benefits	-	317	4,415	220,029	224,761
Post-employment medical benefits	526	658	2,071	17,769	21,024
<b>Total</b>	<b>526</b>	<b>975</b>	<b>6,486</b>	<b>237,798</b>	<b>245,785</b>

**20 Legal reserve**

Under the Civil and Commerce Code, the Company is required to set aside as a legal reserve at least 5% of profit arising from the business of the Company at each dividend distribution until the reserve reaches 10% of the authorised capital. The legal reserve is non-distributable.

**21 Other income**

	<b>2020</b>	<b>2019</b>
	<b>Thousand</b>	<b>Thousand</b>
	<b>Baht</b>	<b>Baht</b>
Gain on exchange rate, net	1,744	5,566
Dividend received from other long-term investment (Note 10)	14,400	-
Interest income	26,664	26,279
Compensation from insurance company	68,410	16,845
Others	2,475	5,058
	<b>113,693</b>	<b>53,748</b>

**22 Expense by nature**

	<b>2020</b>	<b>2019</b>
	<b>Thousand</b>	<b>Thousand</b>
	<b>Baht</b>	<b>Baht</b>
Changes in finished goods and work in process	(79,330)	171,065
Raw material and consumables used	5,314,693	6,693,843
Store and supplies used	315,716	468,532
Fuel	199,698	229,144
Depreciation and amortisation and amortisation of rolling mill expense	59,799	71,621
Employee benefit expenses	229,566	206,097
Utilities expense	749,462	895,113
Repair and maintenance expenses	185,731	204,899
Management fees	160,256	158,265
Contractor fees	64,996	67,626

The Siam Construction Steel Company Limited  
Notes to the Financial Statements  
For the year ended 31 March 2020

**23 Income tax expense**

	2020 Thousand Baht	2019 Thousand Baht
Current tax:		
Current tax on profits for the year	70,048	25,282
<b>Total current tax</b>	<b>70,048</b>	<b>25,282</b>
(Increase) decrease in deferred tax assets (Note 13)	3,041	(9,217)
Increase (decrease) in deferred tax liabilities (Note 13)	(8,117)	7,838
<b>Total deferred tax</b>	<b>(5,076)</b>	<b>(1,379)</b>
<b>Total income tax expense</b>	<b>64,972</b>	<b>23,903</b>

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic weighted average tax rate applicable to profit of the home country of the Company as follow:

	2020 Thousand Baht	2019 Thousand Baht
Profit before income tax	328,020	127,621
Tax calculated at a tax rate of 20% (2019 : 20%)	65,604	25,524
Tax effect of:		
- Expenses not deductible for tax purpose	809	153
- Double tax expense deductible	(1,441)	(1,774)
	64,972	23,903
	<b>2020</b>	<b>2019</b>
	<b>Tax rate</b>	<b>Tax rate</b>
	<b>%</b>	<b>%</b>
Effective tax rate	19.81	18.73

The tax credit/(charge) relating to component of other comprehensive income is as follows:

	2020			2019		
	Before tax Thousand Baht	Tax credit/ (charge) Thousand Baht	After tax Thousand Baht	Before tax Thousand Baht	Tax credit/ (charge) Thousand Baht	After tax Thousand Baht
Remeasurement on retirement benefit obligations	(5,741)	1,148	(4,593)	(3,656)	731	(2,925)
<b>Other comprehensive income</b>	<b>(5,741)</b>	<b>1,148</b>	<b>(4,593)</b>	<b>(3,656)</b>	<b>731</b>	<b>(2,925)</b>
Current tax		-			-	
Deferred tax (Note 13)		1,148			731	
		1,148			731	

**The Siam Construction Steel Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2020**

**24 Earnings per share**

The basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares in issue during the year.

	2020	2019
<b>For the year ended 31 March</b>		
Net profit attributable to ordinary shareholders of the Company (Thousand Baht)	263,048	103,718
Weighted average number of ordinary shares outstanding (Share)	17,500,000	17,500,000
Basic earnings per share (Baht per share)	15.03	5.93

**25 Financial instruments**

**25.1 Financial assets and liabilities in foreign currency**

As at 31 March, the Company has outstanding balances of financial assets and liabilities in foreign currency as follows:

Currency	2020			2019		
	Amount		Average exchange rate as at 31 March	Amount		Average exchange rate as at 31 March
	Financial assets Thousand Baht	Financial liabilities Thousand Baht		Financial assets Thousand Baht	Financial liabilities Thousand Baht	
US Dollars	172,704	17,487	32.67	37,209	26,739	31.81
Euro	-	2,868	35.96	-	5,600	35.71
Pound Dterling	-	-	40.28	-	124	41.61
Indian Rupee	-	-	0.43	-	41	0.46
Swedish Krona	-	57	3.25	-	59	3.42

**25.2 Foreign exchange forward contracts**

As at 31 March 2020, the Company has foreign exchange forward contracts due to purchase of goods with maturity contracts 3 months (2019 : 8 months) as follows:

	2020		2019	
	Foreign currency Amounts	Positive (negative) fair value Thousand Baht	Foreign currency amounts	Positive (negative) fair value Thousand Baht
Foreign exchange forward contracts				
US Dollars	79,000	85	290,000	106
Euro	-	-	300,000	32

**The Siam Construction Steel Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2020**

As at 31 March 2020, the Company has foreign exchange forward contracts due to sell of goods with maturity contracts not over 2 months (2019 : Nil) as follows:

	2020		2019	
	Foreign currency Amounts	Positive (negative) fair value Thousand Baht	Foreign currency amounts	Positive (negative) fair value Thousand Baht
Foreign exchange forward contracts				
US Dollars	3,500,000	(2,163)	-	-

The fair value of foreign exchange forward contracts is determined by using rates quoted by the Company's counter parties to terminate the contracts at the date of statement of financial position and are within level 2 of the fair value hierarchy.

**26 Related party transactions**

Enterprises and individuals that directly or indirectly control or are controlled by or are under common control with the Company, including investment entities, associates, joint venture and individuals or entities having significant influence over the Company, key management personnel, including directors and officers of the Company and close members of the family of these individuals and entities associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Relationship between company and related parties:

Name	Type of Business	Relationship
Tata Steel Limited	Manufacture steel	Ultimate parent company
Tata Steel (Thailand) Public Company Limited	Investing	Major shareholder
The Siam Iron and Steel (2001) Co., Ltd.	Manufacture wire rods and small section products	Common shareholders and management
N.T.S. Steel Group Public Company Limited	Manufacture, render a manufacturing service, distributions and trading of steel bars, wire rods and small section products	Common shareholder and management
The Siam Industrial Wire Co., Ltd.	Manufacture steel wire	Same group of shareholders
NatSteel Trade International Pte. Ltd.	Trading	Same group of shareholders
NatSteel Recycling Pte. Ltd.	Trading	Same group of shareholders
Tata International Metals Asia Ltd.	Trading	Same group of shareholders
T S Asia (Hong Kong) Ltd.	Trading	Same group of shareholders
Tata Refractories Ltd.	Manufacture refractory	Same group of shareholders
NatSteel Holdings Pte. Ltd.	Manufacture steel	Same group of shareholders
Tata Steel UK Ltd.	Manufacture steel	Same group of shareholders
Tata International Singapore Pte. Ltd.	Trading	Same group of shareholders
Tata Steel IJmuiden BV	Manufacture steel	Same group of shareholders
Tata Consultancy Services (Thailand) Ltd.	Software services	Same group of shareholders
Tata Consultancy Services Ltd.	Software services	Same group of shareholders
Tata Services Limited	Training services	Same group of shareholders
Tata Sons Limited	Investment holdings and consultancy services	Same group of shareholders
Tata Steel Resources Australia Pte. Ltd.	Procurement	Same group of shareholders
Tata NYK Shipping Pte. Ltd.	Shipping	Same group of shareholders
Mjunction Services Limited	Trading and procurement	Same group of shareholders
T S Global Procurement Co. Pte. Ltd.	Trading	Same group of shareholders
Tata Steel International (UK) Ltd.	Shipping	Same group of shareholders



**The Siam Construction Steel Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2020**

Name	Type of Business	Relationship
Tata Steel Nederland Services B.V.	Manufacture steel	Same group of shareholders
Tata South East Asia Limited	Manufacture steel	Same group of shareholders
TSN Wires Co., Ltd.	Manufacture galvanized steel wire	Same group of shareholders
Tata International Limited	Trading	Same group of shareholders
Tata Steel Processing and Distribution Limited	Processing and distribution steel	Same group of shareholders
Tata Projects Limited	Infrastructure projects	Same group of shareholders
Tata South East Asia (Cambodia) Ltd.	Trading	Same group of shareholders
Natsteel (Xiamen) Ltd.	Manufacture steel	Same group of shareholders
Tata Technologies (Thailand) Co., Ltd.	IT Services	Same group of shareholders
Tata Technologies Pte. Ltd.	IT Services	Same group of shareholders
Tata Communications (Thailand) Co., Ltd.	IT and Telecommunication Service	Same group of shareholders
Tata International West Asia DMCC	Trading	Same group of shareholders
Tata AIG General Insurance Co., Ltd	Insurance	Same group of shareholders
Tata Power Co., Ltd.	Generate, transmit and distribute electricity	Same group of shareholders
Tata Motors (Thailand) Co., Ltd.	Manufacture automobile	Same group of shareholders

The following transactions were carried out with related parties:

- a) Related party transactions for the year ended 31 March 2020 and 2019

**For the years ended 31 March**

	<b>2020</b>	<b>2019</b>
	<b>Thousand</b>	<b>Thousand</b>
	<b>Baht</b>	<b>Baht</b>
<b>Revenues</b>		
Sales		
N.T.S. Steel Group Public Company Limited	7,152,472	7,879,897
The Siam Iron and Steel (2001) Co., Ltd.	117,995	207,659
Tata Steel Limited	752,303	1,270,363
	<hr/>	<hr/>
Total	8,022,770	9,357,919
	<hr/>	<hr/>
Interest income		
Tata Steel (Thailand) Public Company Limited	26,577	26,254
	<hr/>	<hr/>
<b>Expenses</b>		
Purchases		
The Siam Iron and Steel (2001) Co., Ltd.	15,144	11,278
N.T.S. Steel Group Public Company Limited	622,591	120,923
NatSteel Recycling Pte. Ltd.	-	62,409
Tata International Metals Asia Ltd.	483,443	151,036
Tata International West Asia DMCC	-	4,970
	<hr/>	<hr/>
Total	1,121,178	350,616
	<hr/>	<hr/>
Management fee expenses		
Tata Steel (Thailand) Public Company Limited	160,256	158,265
	<hr/>	<hr/>

The Company has made the service agreement with parent company which charges at cost plus method.

**The Siam Construction Steel Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2020**

- b) Outstanding balance arising from sale/purchases of goods, services and others as at 31 March 2020 and 2019 are as follows:

	2020 Thousand Baht	2019 Thousand Baht
<b>Trade receivable - related parties</b>		
The Siam Iron and Steel (2001) Co., Ltd.	-	16,931
N.T.S. Steel Group Public Company Limited	521,126	522,863
Tata Steel Limited	171,989	-
<b>Total</b>	<b>693,115</b>	<b>539,794</b>
<b>Other receivables - related parties</b>		
Tata Steel (Thailand) Public Company Limited	2,470	2,034
The Siam Iron and Steel (2001) Co., Ltd.	-	16
N.T.S. Steel Group Public Company Limited	13	1,052
<b>Total</b>	<b>2,483</b>	<b>3,102</b>
<b>Trade payable - related parties</b>		
Tata Steel (Thailand) Public Company Limited	4,187	3,485
The Siam Iron and Steel (2001) Co., Ltd.	1,343	1,281
N.T.S. Steel Group Public Company Limited	254,205	30,256
<b>Total</b>	<b>259,735</b>	<b>35,022</b>
<b>Other payables - related parties</b>		
Tata Steel (Thailand) Public Company Limited	2,136	44
The Siam Iron and Steel (2001) Co., Ltd.	-	11
N.T.S. Steel Group Public Company Limited	11,253	1,792
<b>Total</b>	<b>13,389</b>	<b>1,847</b>

- c) Short-term loans to the parent company

The movements of short-term loans to the parent company for the year ended 31 March 2020 and 2019 comprise the following:

	2020 Thousand Baht	2019 Thousand Baht
Opening balance for the year	1,642,797	1,756,778
Net additions (repayments) of loans during the year	235,968	(113,981)
<b>Closing balance for the year</b>	<b>1,878,765</b>	<b>1,642,797</b>

As at 31 March 2020, short-term loans to the parent company in amount of Baht 1,879 million (2019 : Baht 1,643 million) bear interest rate at 1.50% per annum (2019 : at 1.50% per annum), short-term loans to the parent company are non-collateralised loans and not specified maturity date.

## 27 Commitments

### 27.1 Letter of guarantee

Letters of guarantee issued by the financial institutions to the Revenue Department, Provincial Electricity Authority Industrial, Estate Authority of Thailand and Bureau of Indian Standards as at 31 March 2020 and 2019 amounting to Baht 95 million and Baht 125 million, respectively, in the normal courses of business.

### 27.2 Capital commitments

Capital expenditure contracted for at the statement of financial position date but not recognised in the financial information is as follows:

	2020 Thousand Baht	2019 Thousand Baht
Computer software	-	397

### 27.3 Operating lease commitments - where the Group is the lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

The Company leases various land, office building, vehicles and office equipment. The minimum lease payments under these non-cancellable operating lease agreements are as follows:

	2020 Thousand Baht	2019 Thousand Baht
Not later than 1 year	37,125	6,462
Later than 1 year but not later than 5 years	137,877	3,860
later than 5 years	500,085	-
	675,087	10,322

### 27.4 Commitments from letter of credit

Letters of credit opened but are not qualified as liabilities as at 31 March 2020 and 2019 are as follows:

	2020 Thousand	2019 Thousand
<b>Currency</b>		
US Dollars	139	473
Euro	-	355

**28 Contingent liabilities**

For fiscal year ended 31 March 2014, The Siam Construction Steel Company Limited, a subsidiary, received the notifications from the Revenue Department informing the assessments of additional surcharge of Baht 16 million in respect of the half-year corporate income tax filing for the year ended 31 March 2008 which the subsidiary under-estimated the net profit for that year by an amount exceeding 25 percent of the actual net profit. The subsidiary has made the appeal to the Revenue Department. On 15 August 2018, Board of appeal denied the subsidiary's appeal. However, the subsidiary has made the appeal to the Central tax court.

On 5 August 2019, the Central tax court had judged in favour of the subsidiary. On 11 November 2019, the Revenue Department, therefore, has appealed to the Court of Appeal for Specialized Cases. The subsidiary has already responded to the appeal on 10 January 2020.

As at 31 March 2020, the result of this assessment has not been finalised. The subsidiary does not expect that there would be any additional surcharge to be paid and has not recorded the provisions in the financial statements.

**29 Fair value measurement**

Certain financial assets and financial liabilities of the Company are measured at fair value at the end of reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

Financial assets and financial liabilities	Positive (negative) fair value as at		Fair value hierarchy	Valuation techniques and key inputs for fair value measurement
	31 March 2020 Thousand Baht	31 March 2019 Thousand Baht		
<u>Financial assets</u>				
Foreign currency forward contracts (including in other current assets)	85	138	Level 2	Discounted cash flows The estimated future cash flows is from foreign currency exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
<u>Financial liabilities</u>				
Foreign currency forward contracts (including in other current liabilities)	2,163	-	Level 2	Discounted cash flows The estimated future cash flows is from foreign currency exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.