

TMT STEEL PUBLIC COMPANY LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2020

Independent Auditor's Report

To the shareholders and the Board of Directors of TMT Steel Public Company Limited

My opinion

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

What I have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 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 significant accounting policies and other explanatory information.

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 Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions 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.

Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. I determine one key audit matter: Valuation of inventories. The matter was addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on the matter.

Key audit matter	How my audit addressed the key audit matter
<p>Valuation of inventories</p> <p>Refer to Note 9 ‘Critical accounting estimates and judgment’ and Note 14 ‘Inventories’ in the financial statements:</p> <p>As at 31 December 2020, the Company had raw materials totalling Baht 835 million and finished goods totalling Baht 1,098 million before deducting the allowance for net realisable value, which represents 22 percent of the total assets.</p> <p>The Company measured the inventory value at the lower of cost or net realisable value. The management estimated the net realisable value from an estimate of selling prices in the ordinary course of business, deducted by the expenses necessary to make the products ready for sale. This included selling expenses such as marketing and transportation expenses.</p> <p>Management prepared a net realisable value calculation report and evaluated the adequacy of the allowance for net realisable value at year end and period end.</p> <p>I focused on this area because the valuation of the inventory is significant for the financial statements and the estimation of the allowance for net realisable value is based on domestic market prices. This might be affected by the fluctuation of raw material prices in global markets, competitive marketing and the situation in the industry.</p>	<p>My audit procedures included the following:</p> <ul style="list-style-type: none"> • Understood the Company’s policy for net realisable value calculation, the procedure of data collection and accuracy review, and the consistency in the implementation of the Company’s accounting policies. • Tested internal controls over the procurement cycle from the purchase requisition, purchase order, goods received, and payment until recording to reflect the accuracy of inventory costs. • Inquired the management and assessed the appropriateness of the selling prices per unit used to estimate the allowance for net realisable value, by comparing quotations and selling price lists with year-end market prices. • Tested the calculation of net realisable value at year end for both raw materials and finished goods, including any reconciliations. There was no significant difference noted. <p>From performing the above procedures, I viewed that the selling prices used in estimation of the allowance for net realisable value was reasonable and consistent with the available evidence.</p>

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and my auditor’s report thereon. The annual report is expected to be made available to me after the date of this auditor’s report.

My opinion on the financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to the audit committee.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with TFRS, and for such internal control as the directors determine 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, the directors are 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 the directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee assists the directors in discharging their responsibilities for overseeing the Company's financial reporting process.

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 directors.
- Conclude on the appropriateness of the directors' 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 audit committee 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.

I also provide the audit committee with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers ABAS Ltd.

Paiboon Tunkoon

Certified Public Accountant (Thailand) No. 4298

Bangkok

19 February 2021

TMT Steel Public Company Limited
Statement of Financial Position
As at 31 December 2020

	Notes	2020 Baht	2019 Baht
Assets			
Current assets			
Cash and cash equivalents	11, 13	1,130,671,824	256,617,103
Trade accounts receivable and other receivables	12	2,337,438,836	2,448,856,378
Inventories, net	14	1,931,629,210	1,395,372,107
Advance payments for purchases of inventories		353,288,637	6,933,425
Other current assets		35,874,081	1,376,503
Total current assets		5,788,902,588	4,109,155,516
Non-current assets			
Investment properties	15	55,729,000	55,729,000
Property, plant and equipment, net	16	2,905,411,569	2,938,265,464
Right-of-use assets, net	17	36,390,164	-
Intangible assets, net	18	23,969,501	27,709,337
Deferred income tax assets, net	19	25,183,926	12,639,047
Other non-current assets	13	5,095,389	5,225,056
Total non-current assets		3,051,779,549	3,039,567,904
Total assets		8,840,682,137	7,148,723,420

Director _____

Director _____

The accompanying notes are an integral part of these financial statements.

TMT Steel Public Company Limited
Statement of Financial Position
As at 31 December 2020

	Notes	2020 Baht	2019 Baht
Liabilities and equity			
Current liabilities			
Short-term borrowings from financial institutions	13, 20	3,136,554,572	2,953,864,780
Trade accounts payable and other payables	21	296,447,996	198,871,657
Derivative liabilities	13	626,299	-
Income tax payable		80,671,982	12,473,793
Advance received from customers for goods	13	37,548,628	18,584,592
Current portion of long-term borrowing from a financial institution	13, 20	199,657,974	-
Current portion of lease liabilities	13, 20	23,385,966	-
Current portion of debentures	13, 20	999,590,001	1,542,283
Total current liabilities		4,774,483,418	3,185,337,105
Non-current liabilities			
Long-term borrowing from a financial institution	13, 20	799,332,998	-
Lease liabilities	13, 20	13,532,793	-
Debentures	13, 20	-	996,505,435
Employee benefit obligations	22	71,630,354	61,829,112
Total non-current liabilities		884,496,145	1,058,334,547
Total liabilities		5,658,979,563	4,243,671,652
Equity			
Share capital	23		
Authorised share capital			
870,758,034 ordinary shares of par Baht 1 each		<u>870,758,034</u>	<u>870,758,034</u>
Issued and paid-up share capital			
870,758,034 ordinary shares of paid-up Baht 1 each		870,758,034	870,758,034
Premium on share capital	23	427,323,198	427,323,198
Retained earnings			
Appropriated - Legal reserve	25	75,391,488	63,894,173
Unappropriated		<u>1,808,229,854</u>	<u>1,543,076,363</u>
Total equity		3,181,702,574	2,905,051,768
Total liabilities and equity		8,840,682,137	7,148,723,420

The accompanying notes are an integral part of these financial statements.

TMT Steel Public Company Limited
Statement of Comprehensive Income
For the year ended 31 December 2020

	Notes	2020 Baht	2019 Baht
Sales		14,575,724,811	16,483,406,677
Costs of sales		<u>(13,309,865,354)</u>	<u>(15,585,837,482)</u>
Gross profit		1,265,859,457	897,569,195
Other income	27	52,770,765	46,448,194
Selling expenses		(174,716,134)	(200,175,303)
Administrative expenses		(408,736,084)	(354,980,685)
Finance costs - interest expenses		<u>(82,064,850)</u>	<u>(115,653,622)</u>
Profit before income tax		653,113,154	273,207,779
Income tax	29	<u>(115,234,998)</u>	<u>(43,261,493)</u>
Profit for the year		537,878,156	229,946,286
Other comprehensive income:			
Item that will not be reclassified to profit or loss			
Remeasurements of post-employee benefit obligations	22	-	1,520,013
Income tax on items that will not be reclassified	19	-	<u>(304,003)</u>
Other comprehensive income for the year, net of tax		-	<u>1,216,010</u>
Total comprehensive income for the year		<u><u>537,878,156</u></u>	<u><u>231,162,296</u></u>
Earnings per share			
Basic earnings per share	30	<u><u>0.62</u></u>	<u><u>0.26</u></u>

The accompanying notes are an integral part of these financial statements.

TMT Steel Public Company Limited
Statement of Changes in Equity
For the year ended 31 December 2020

	Notes	Issued and paid-up share capital Baht	Premium on share capital Baht	Retained earnings		Total Baht
				Appropriated - Legal reserve Baht	Unappropriated Baht	
Opening balances as at 1 January 2019		435,379,017	427,323,198	43,600,000	1,798,063,788	2,704,366,003
Share dividend	23, 24	435,379,017	-	-	(435,379,017)	-
Dividends paid	24	-	-	-	(30,476,531)	(30,476,531)
Legal reserve	25	-	-	20,294,173	(20,294,173)	-
Total comprehensive income for the year		-	-	-	231,162,296	231,162,296
Closing balances as at 31 December 2019		<u>870,758,034</u>	<u>427,323,198</u>	<u>63,894,173</u>	<u>1,543,076,363</u>	<u>2,905,051,768</u>
Opening balances as at 1 January 2020		870,758,034	427,323,198	63,894,173	1,543,076,363	2,905,051,768
Dividends paid	24	-	-	-	(261,227,350)	(261,227,350)
Legal reserve	25	-	-	11,497,315	(11,497,315)	-
Total comprehensive income for the year		-	-	-	537,878,156	537,878,156
Closing balances as at 31 December 2020		<u>870,758,034</u>	<u>427,323,198</u>	<u>75,391,488</u>	<u>1,808,229,854</u>	<u>3,181,702,574</u>

The accompanying notes are an integral part of these financial statements.

TMT Steel Public Company Limited
Statement of Cash Flows
For the year ended 31 December 2020

	Notes	2020 Baht	2019 Baht
Cash flows from operating activities			
Profit before income tax		653,113,154	273,207,779
Adjustments for :			
Loss allowance	12	26,144,955	1,213,897
Gain on declining in value of inventories	14	(3,364,605)	(4,306,971)
Depreciation and amortisation	16, 17, 18	257,226,815	204,834,724
(Gain) Loss on disposals of equipment		(349,042)	316,480
Loss on derivatives		626,299	-
Employee benefit expenses	22	9,801,242	20,627,516
Interest expenses		82,064,850	115,653,622
Cash flows before changes in operating assets and liabilities		1,025,263,668	611,547,047
Changes in operating assets and liabilities:			
Trade accounts receivable and other receivables		85,272,587	257,455,196
Inventories		(532,892,498)	373,554,083
Advance payments for purchases of inventories		(346,355,212)	65,636,158
Other current assets		(34,497,578)	695,284
Other non-current assets		129,667	(1,381,500)
Trade accounts payable and other payables		90,364,368	(118,347,251)
Advance receipts from customers for goods		18,964,036	4,188,918
Employee benefit obligations paid	22	-	(1,089,332)
Cash generated from operating activities before interest and income tax paid		306,249,038	1,192,258,603
Interest paid		(82,053,780)	(113,973,926)
Income tax paid		(59,581,688)	(61,069,615)
Net cash generated from operating activities		164,613,570	1,017,215,062
Cash flows from investing activities			
Purchases of property, plant and equipment		(189,027,448)	(337,934,032)
Purchases of intangible assets		(4,344,132)	(11,755,687)
Proceeds from disposals of equipment		4,700,529	1,029,907
Net cash used in investing activities		(188,671,051)	(348,659,812)

The accompanying notes are an integral part of these financial statements.

TMT Steel Public Company Limited
Statement of Cash Flows
For the year ended 31 December 2020

	Notes	2020 Baht	2019 Baht
Cash flows from financing activities			
Proceeds from short-term borrowings			
from financial institutions	20	17,905,608,321	32,278,947,166
Repayments to short-term borrowings			
from financial institutions	20	(17,722,918,529)	(32,892,809,751)
Proceeds from long-term borrowing			
from financial institutions	20	1,000,000,000	-
Payments for front-end fees of loan agreement	20	(1,010,005)	-
Payments for interest on finance lease liabilities		-	(13,819)
Payments for finance lease liabilities		-	(408,181)
Payments for lease liabilities	17	(22,340,235)	-
Dividends paid	24	(261,227,350)	(30,476,531)
Net cash generated from (used in) financing activities		898,112,202	(644,761,116)
Net increase in cash and cash equivalents		874,054,721	23,794,134
Opening balance		256,617,103	232,822,969
Closing balance		<u>1,130,671,824</u>	<u>256,617,103</u>
Cash and cash equivalents are made up as follows:			
- Cash on hand	11	429,886	400,154
- Deposits at financial institutions	11	1,130,241,938	256,216,949
		<u>1,130,671,824</u>	<u>256,617,103</u>

Non-cash transactions

Significant non-cash transactions for the years ended 31 December 2020 and 2019 are as follows:

Other payables from purchases of property, plant and equipment		16,858,786	8,327,124
Other payables from purchases of intangible assets		212,500	-
Issuance of share dividends (Note 23, 24)		-	435,379,017

The accompanying notes are an integral part of these financial statements.

1 General information

TMT Steel Public Company Limited is a public limited company which is listed on the Stock Exchange of Thailand. The Company is incorporated and domiciled in Thailand. The address of the Company's registered office is 179 Bangkok City Tower, 22nd floor, South Sathorn Road, Thung Maha Mek, Sathorn, Bangkok 10120.

In addition, the Company has two plants at the following locations:

- 131 Rama 3 Road, Bang Kho Laem, Bangkok 10120; and
- 332-333 Moo 5, Phaholyothin Road, Lamsai, Wangnoi, Ayutthaya 13170.

The principal business operations of the Company are fabricating and selling structural steel plates and sheets. The Company mostly purchases products from local suppliers but some products are imported. The Company sells most of its products in the domestic market.

These financial statements were authorised for issue by the Board of Directors on 19 February 2021.

2 Significant events during the current year

Coronavirus disease 2019 outbreak

In the year 2020, COVID-19 has continued to spread and its impact was felt by various industrial businesses around the world, including Thailand.

As a result, the Company's sales volume and sales for the year ended 31 December 2020 slightly decreased by 2.77% and 11.57%, respectively. There was less domestic demand due to the anxiety. However, the management considers that the causes of this slowdown will only remain for a certain period of time and will not have any significant impact on the Company. The Company operates as usual with the appropriate measures to tackle the COVID-19.

In addition, the Company is managing the risks of selling products to all customers as usual. However, the Company has increased its customer selection requirements, focusing on customers that are highly competitive, have sufficient liquidity and have lower business risk including request for advance for goods received from some customers.

3 Basis of preparation

The financial statements have been prepared in accordance with Thai Financial Reporting Standards ("TFRS") and the financial reporting requirements issued under the Securities and Exchange Act.

The financial statements have been prepared under the historical cost convention except certain financial assets and liabilities (including derivative instruments).

The preparation of financial statements in conformity with TFRS requires management to use certain critical accounting estimates and to exercise its judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas that are more likely to be materially adjusted due to changes in estimates and assumptions are disclosed in Note 9.

An English version of the financial statements has 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.

4 New and amended financial reporting standards

4.1 New and amended financial reporting standards that are effective for accounting period beginning on or after 1 January 2020 and have significant impacts to the Company

a) Financial instruments

The new financial standards related to financial instruments are as follows:

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

The new financial reporting standards related to financial instruments introduce new classification and measurement requirements for financial instruments as well as provide derecognition guidance on financial assets and financial liabilities. The new guidance also provides an option for the Company to apply hedge accounting to reduce accounting mismatch between hedged item and hedging instrument. In addition, the new rule provides detailed guidance on financial instruments issued by the Company whether it is a liability or an equity. Among other things, they require extensive disclosure on financial instruments and related risks.

The new classification requirements of financial assets require the Company to assess both i) business model for holding the financial assets; and ii) cash flow characteristics of the asset whether the contractual cash flows represent solely payments of principal and interest (SPPI). The classification affects the financial assets' measurement. The new guidance requires assessment of impairment of financial assets as well as contract assets and recognition of expected credit loss from initial recognition.

On 1 January 2020, the Company has adopted the financial reporting standards related to financial instruments in its financial statements. The impact from the first-time adoption has been disclosed in Note 5.

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.

On 1 January 2020, the Company has adopted the new lease standard in its financial statements. The impact from the first-time adoption has been disclosed in Note 5.

c) **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.

d) **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.

e) **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.

4.2 New and amended financial reporting standards that are effective for accounting period beginning on or after 1 January 2021

The Company is currently reviewing the impacts of certain amended financial reporting standards that have been issued that are not mandatory for current reporting period and have not been early adopted by the Company.

a) **Revised Conceptual Framework for Financial Reporting** added the following key principals and guidance:

- Measurement basis, including factors in considering difference measurement basis
- Presentation and disclosure, including classification of income and expenses in other comprehensive income
- Definition of a reporting entity, which maybe a legal entity, or a portion of an entity
- Derecognition of assets and liabilities

The amendment also includes the revision to the definition of an asset and liability in the financial statements, and clarification to the prominence of stewardship in the objective of financial reporting.

b) **Amendment to TFRS 9, Financial instruments and TFRS 7, Financial instruments: disclosures** amended to provide relief from applying specific hedge accounting requirements to the uncertainty arising from interest rate benchmark reform such as Interbank offer rates (IBORs). The amendment also requires disclosure of hedging relationships directly affected by the uncertainty.

c) **Amendment to TAS 1, Presentation of financial statements and TAS 8, Accounting policies, changes in accounting estimates and errors** amended to definition of materiality. The amendment allows for a consistent definition of materiality throughout the Thai Financial Reporting Standards and the Conceptual Framework for Financial Reporting. It also clarified when information is material and incorporates some of the guidance in TAS 1 about immaterial information.

4.3 Amended financial reporting standards that are effective for accounting period beginning or after 1 January 2022

a) **Amendment to TFRS 16, Leases** amended to include a practical expedient for leases that are modified as a direct consequence of IBOR reform (e.g. replacement of THBFIX as a benchmark interest rate due to the cancellation of LIBOR) for lessee to remeasure the lease liability by discounting the revised lease payments using a discount rate that reflects the change in the interest rate. An early application of the amendment is permitted. The Company has chosen not to early apply the exemption for the current reporting period.

5 Impacts from initial application of the new and revised financial reporting standards

This note explains the impact of the adoption of TAS 32 Financial Instruments: Presentation, TFRS 7 Financial Instruments: Disclosure, TFRS 9 Financial Instruments and TFRS 16 Leases on the Company's financial statements. The new accounting policies applied from 1 January 2020 were disclosed in Note 6.

The Company have adopted those accounting policies from 1 January 2020 by applying the modified retrospective approach. The comparative figures have not been restated. The reclassifications and the adjustments arising from the changes in accounting policies were therefore recognised in the statement of financial position as of 1 January 2020.

The impact of first-time adoption of new financial reporting standards on the statements of financial position are as follows:

	31 December 2019 Baht	TFRS 16 Baht	1 January 2020 Baht
Non-current assets			
Right-of-use assets, net	-	48,743,375	48,743,375
Total assets affected	-	48,743,375	48,743,375
Current liabilities			
Current portion of lease liabilities	-	21,738,933	21,738,933
Non-current liabilities			
Lease liabilities	-	27,004,442	27,004,442
Total liabilities affected	-	48,743,375	48,743,375

5.1 Leases

On adoption of TFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of TAS 17 Leases for leases of land, buildings, equipment and vehicle with lease terms more than 12 months. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2020. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2020 was 3.75%.

The right-of use assets were measured at the amount equal to the lease liability in which the incremental borrowing rate for the remaining lease terms from the initial application date is applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

	Baht
Operating lease commitments disclosed as at 31 December 2019	51,345,900
(Less): Discounted using the lessee's incremental borrowing rate of at the date of initial application	(2,180,325)
(Less): Short-term leases recognised on a straight-line basis as expense	(9,200)
(Less): Low-value leases recognised on a straight-line basis as expense	(413,000)
Lease liability recognised as at 1 January 2020	48,743,375
Current lease liabilities	21,738,933
Non-current lease liabilities	27,004,442

Practical expedients applied

In applying TFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2020 as short-term leases
- elect not to reassess whether a contract is, or contains a lease as defined under TFRS 16 at the date of initial application but relied on its assessment made applying TAS 17 and TFRIC 4 Determining whether an arrangement contains a Lease.

5.2 Financial instruments

On 1 January 2020 (the date of initial application), the management has assessed which business models apply to the financial assets and financial liabilities, and has classified its financial instruments into the appropriate TFRS 9 categories below.

	FVPL Thousand Baht	FVOCI Thousand Baht	Amortised cost Thousand Baht	Total Thousand Baht
Financial assets				
Cash and cash equivalents	-	-	256,617	256,617
Trade and other receivables, net	-	-	2,438,879	2,438,879
Other non-current assets	-	-	5,225	5,225
	-	-	2,700,721	2,700,721

	FVPL Thousand Baht	Amortised cost Thousand Baht	Total Thousand Baht
Financial liabilities			
Short-term loans from financial institutions	-	2,953,865	2,953,865
Trade accounts payable and other payables	-	136,597	136,597
Advance received from customers for goods	-	18,585	18,585
Lease liabilities	-	48,743	48,743
Debentures	-	998,048	998,048
	-	4,155,838	4,155,838

Impairment of financial assets

The Company has following financial assets that are subject to the expected credit loss model:

- cash and cash equivalents
- trade and other receivables

The Company was required to revise its impairment methodology under TFRS 9. The impact of the change in impairment methodology is insignificant. Therefore, there is no adjustment on the Company's retained earnings at 1 January 2020.

While cash and cash equivalents is subject to the new impairment requirement, the identified impact was immaterial.

TMT Steel Public Company Limited
Notes to the Financial Statements
For the year ended 31 December 2020

Trade and other receivables

The Company applies the simplified approach in measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the historical payment profiles of sales, the corresponding historical credit losses experienced as well as forward-looking information that may affect the ability of the customers to settle the receivables.

As of 1 January 2020, the Company does not have significant impact from the applied approach. During the year, the Company recorded loss allowance as described policy, including specific consideration for the liquidity of some customers according to conservatism concept of Baht 26.14 million for trade receivables.

The loss allowance for trade receivables was determined as follows:

As of 1 January 2020	Not yet due Thousand Baht	Up to 1 months Thousand Baht	1 - 3 months Thousand Baht	3 - 6 months Thousand Baht	6 - 12 months Thousand Baht	More than 12 months Thousand Baht	Total Thousand Baht
Gross carrying amount - trade receivables	1,658,779	406,715	173,964	153,860	43,179	23,766	2,460,263
Loss allowance	(6,409)	(1,665)	(2,176)	(2,222)	(291)	(16,611)	(29,374)
Total	1,652,370	405,050	171,788	151,638	42,888	7,155	2,430,889

Derivatives and hedging activities

Before 1 January 2020 the Company did not recognise derivatives as assets or liabilities in the financial statements. The derivative contracts and related fair values were disclosed in the note.

On 1 January 2020, the Company did not recognise derivative assets and liabilities with the corresponding adjustment to the retained earnings in the financial statements as the impact is immaterial.

6 Accounting policies

6.1 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.

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.

6.2 Cash and cash equivalents

In the statements of cash flows, cash and cash equivalents includes cash on hand and deposits held at call.

6.3 Trade accounts receivable

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement between 30 to 60 days and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost.

The impairment of trade receivables are disclosed in Note 6.5(e).

6.4 Inventories

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

Cost of inventories is determined by the moving average method. Cost of raw materials comprise all purchase cost and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts, allowances or rebates. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads, the latter being allocated based on normal operating capacity. It excludes borrowing costs. Net realisable value is the estimate of the selling price in the ordinary course of business, less applicable variable selling expenses. Allowance is made, where necessary, for obsolete, slow-moving and defective inventories.

6.5 Financial asset

a) Classification

From 1 January 2020, the Company classifies its debt instrument financial assets in the following measurement categories depending on i) business model for managing the asset and ii) the cash flow characteristics of the asset whether they represent solely payments of principal and interest (SPPI).

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- those to be measured at amortised cost.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

For investments in equity instruments, the Company has an irrevocable election at the time of initial recognition to account for the equity investment at fair value through profit or loss (FVPL) or at fair value through other comprehensive income (FVOCI) except those that are held for trading, they are measured at FVPL.

b) Recognition and derecognition

Regular way of purchases, acquisitions and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

c) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether the cash flows are solely payment of principal and interest.

d) Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the financial assets. There are three measurement categories into which the Company classifies its debt instruments:

- **Amortised cost:** Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of comprehensive income.

- FVOCI: Financial assets that are held for i) collection of contractual cash flows; and ii) for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment gains or losses, interest income using the effective interest method, and foreign exchange gains and losses which are recognised in profit or loss. When the financial assets is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income is included in other income. Impairment expenses are presented separately in the statement of comprehensive income.
- FVPL: Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

e) Impairment

From 1 January 2020, the Company assesses on a forward looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 5.2 for details

Impairment (and reversal of impairment) losses are recognised in profit or loss and included in administrative expenses.

6.6 Investment property

Land that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property.

Investment property is measured initially at cost, including directly attributable costs and borrowing costs.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

6.7 Property, plant and equipment

All property, plant and equipment are initially recorded at cost. Plant and equipment are stated at historical cost less accumulated depreciation. 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. The carrying amount of the replaced part is derecognised.

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

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Land improvements	20 years
Buildings and building improvements	3, 20, 25 years
Machinery and equipment	5, 10, 20 years
Furniture and fixtures	3, 5 years
Trucks and motor vehicles	5, 10 years

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

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised other gains or losses, net.

6.8 Intangible asset - Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their estimated useful lives in five years.

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

6.9 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.

6.10 Leases

For the year ended 31 December 2020

Leases - where the Company is the lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

For the year ended 31 December 2019

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.

6.11 Financial liabilities

For the year ended 31 December 2020

a) Classification

Financial instruments issued by the Company are classified as either financial liabilities or equity securities by considering contractual obligations.

- Where the Company has an unconditional contractual obligation to deliver cash or another financial asset to another entity, it is considered a financial liability unless there is a predetermined or possible settlement for a fixed amount of cash in exchange of a fixed number of the Company's own equity instruments.
- Where the Company has no contractual obligation or has an unconditional right to avoid delivering cash or another financial asset in settlement of the obligation, it is considered an equity instrument.

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.

b) Measurement

Financial liabilities are initially recognised at fair value and are subsequently measured at amortised cost.

c) Derecognition and modification

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled, or expired.

Where the terms of a financial liability are renegotiated/modified, the Company assesses whether the renegotiation / modification results in the derecognition of that financial liability. Where the modification results in an extinguishment, the new financial liability is recognised based on fair value of its obligation. The remaining carrying amount of financial liability is derecognised. The difference as well as proceed paid is recognised as other gains/(losses) in profit or loss.

Where the modification does not result in the derecognition of the financial liability, the carrying amount of the financial liability is recalculated as the present value of the renegotiated / modified contractual cash flows discounted at its original effective interest rate. The difference is recognised in other gains/(losses) in profit or loss.

6.12 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.

6.13 Employee benefits

Short-term employee benefits

Liabilities for short-term employee benefits such as wages, salaries, and bonuses 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.

Defined benefit plans - retirement benefit

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 annually 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 included in retained earnings in the statements of changes in equity.

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

Defined contribution plans - provident fund

The Company operates a provident fund, being a defined contribution plan. The assets are held in a separate fund which is managed by the external fund manager. The provident fund is funded by payments from employees and by the Company. The Company's contributions to the provident fund are charged to the profit or loss in the years to which they relate.

6.14 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.

6.15 Share capital

Ordinary shares are classified as equity.

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

6.16 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.

6.17 Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The Company recognised the change in fair value of derivatives in administrative expenses or other income.

Fair value of derivatives is classified as a current or non-current following its remaining maturity.

6.18 Revenue recognition

Revenue includes 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 are also presented as revenue.

Revenue are recognised in accordance with the provision of goods or services, provided that collectability of the consideration is probable.

Multiple element arrangements involving delivery or provision of multiple products or services are separated into individual 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 fulfilment of the obligation to the customer.

Sale of goods

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and service in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts. Sales are recognised when control of the products has transferred, being when the products are delivered.

The goods are 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 between 30 days to 60 days, which is consistent with market practice.

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

Revenue from rendering services is based on the stage of completion.

Interest income and other income

Interest income is recognised on an accrual basis, using the effective interest method.

Other income is recognised on an accrual basis.

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.

7 Financial risk management

7.1 Financial risk

The Company exposes to a variety of financial risk: market risk (including foreign exchange risk and interest rate 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.

Financial risk management is carried out by the Company's management. The Company's policy includes areas such as foreign exchange risk, interest rate risk, credit risk and liquidity risk. The framework parameters are approved by the Board of Directors and uses as the key communication and control tools for financial risks.

7.1.1 Market risk

a) Foreign exchange risk

The Company purchases part of goods and machineries from overseas and is exposed to foreign exchange risk arising primarily from US Dollar. The Company uses forward contracts to hedge their exposure to protect foreign currency risk. However, the proportion of purchases in foreign currencies were not material compared to total purchase balance.

b) Cash flow and fair value interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company is exposed to interest rate risk relates primarily to its deposits at financial institutions, short-term borrowings, long-term borrowings and debentures. Most of the Company's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities. Usually, the loan tenors was longer than aging of the Company's accounts receivables.

The Company does not apply hedge accounting.

7.1.2 Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL), derivative financial instruments as well as credit exposures to customers, including outstanding receivables.

a) Risk management

Credit risk is managed on a group basis. For banks and financial institutions, only independently rated parties are accepted.

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on tips assessments in accordance with limits set by the board. The compliance with credit limits by customers is regularly monitored by line management.

There are no significant concentrations of credit risk, whether through exposure to individual customers or specific industry sectors.

For some trade receivables, the Company may obtain credit insurance, advance received from customers, security in the form of guarantees or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

b) Impairment of financial assets

The Company has trade and other receivables as financial assets that are subject to the expected credit loss model:

While cash and cash equivalents are also subject to the impairment requirements of TFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Company applies the TFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Including the consideration of liquidity for certain customers specifically according to the conservatism.

The Company write-off trade receivables when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments even if the Company already contacted.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item

Previous accounting policy for impairment of trade receivables for comparative period

In the year 2019, the Company recognised impairment of trade receivables based on the incurred loss model such as uncollectible or past due for a period more than 180 days, which was not taken into account future losses. Therefore, loss allowance and allowance for doubtful accounts are not comparable.

7.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the Company held deposits at call of Baht 1,130.24 million (2019: Baht 256.22 million) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, the Company Treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors i) rolling forecasts of the Company's liquidity reserve (comprising the undrawn borrowing facilities below); and ii) cash and cash equivalents on the basis of expected cash flows. In addition, the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary, monitoring balance sheet liquidity ratios and maintaining financing plans.

a) Financing arrangements

The Company has access to the following undrawn credit facilities as at 31 December as follows:

	2020	2019
	Thousand	Thousand
	Baht	Baht
Floating rate		
Expiring beyond one year		
- Bank overdraft	65,000	65,000
- Short-term borrowings from financial institutions	6,303,445	6,486,135
	6,368,445	6,551,135

b) Maturity of financial liabilities

The tables below analyse the maturity of financial liabilities grouping based on their contractual maturities. The amounts disclosed are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	On demand Thousand Baht	Within 1 year Thousand Baht	1 - 5 years Thousand Baht	Total Thousand Baht
As at 31 December 2020				
Short-term loans from financial institutions	-	3,136,555	-	3,136,555
Trade accounts payable and other payables	-	296,448	-	296,448
Advance received from customers for goods	37,549	-	-	37,549
Long-term loans from a financial institution	-	199,658	799,333	998,991
Lease liabilities	-	23,386	13,533	36,919
Debentures	-	999,590	-	999,590
Total financial liabilities that is not derivatives	37,549	4,655,637	812,866	5,506,052
Derivative financial instruments				
Foreign currency forwards	-	626	-	626
Total derivatives	-	626	-	626
Total	37,549	4,656,263	812,866	5,506,678

7.2 Capital management

7.2.1 Risk management

The objectives when managing capital are to:

- safeguard their ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders, and
- 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.

Consistent with others in the industry, the Company monitors capital based on gearing ratio which is determined by dividing net debt with equity.

Loan covenants

Under the terms of the major borrowing facilities, the Company is required to comply with the following financial covenants:

- the interest bearing debt to equity ratio must not more than 2 times, and

The Company has performed a covenant compliance review on a quarterly basis and has complied with these covenants throughout the reporting period.

8 Fair value

The Company has financial liabilities that are measured at fair value which are Foreign currency forwards. Financial derivatives are measured at fair value through profit or loss based on fair value level 2.

The Company presents non-financial assets that are measured at fair value which are Investment property. The assets were used fair value level 3 in disclosure.

Fair values are categorised into hierarchy based on inputs used as follows:

Level 1: The fair value of financial instruments is based on the quoted price (unadjusted) in active markets for identical assets or liabilities.

Level 2: The fair value of financial instruments is determined using significant observable inputs and, as little as possible, entity-specific estimates.

Level 3: The fair value of financial instruments is not based on observable market data.

The fair values of financial assets and liabilities is in accordance with accounting policies disclosed in Note 6.5 and 6.11.

9 Critical accounting estimates and judgement

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

a) Fair value of certain financial assets and derivatives

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Details of key assumptions used are included in note 8.

b) Defined retirement benefit obligations

The present value of the retirement benefit obligations depends on a number of assumptions. Key assumptions used and impacts from possible changes in key assumptions are disclosed in note 22.

c) Determination of lease terms

Critical judgement in determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of properties, the most relevant factors are historical lease durations, the costs and conditions of leased assets.

Most extension options on offices and vehicles leases have not been included in the lease liability, because the Company considers i) the underlying asset condition and/or ii) insignificant cost to replace the leased assets.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstance affecting this assessment occur, and that it is within the control of the Company.

d) Determination of discount rate applied to leases

The Company determines the incremental borrowing rate as follows:

- Where possible, use recent third-party financing received by the individual lessee as a starting point, adjusting to reflect changes in its financing conditions.
- Make adjustments specific to the lease, e.g. term, country, currency and security.

e) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about default risk and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs used in the impairment calculation, based on the Company's past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period.

f) Reduction of inventory cost to net realisable value

In determining a reduction of inventory cost to net realisable value, the management makes judgement and estimates the net realisable value of inventory based on the amount of the inventories are expected to realise. These estimates take into consideration fluctuations of selling price or cost directly relating to events occurring at the year ended.

g) Property, plant and equipment

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the plant and equipment and to review estimated useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

10 Segment information

The Company does not present segment information. The Company's business operations are trading and transforming the structural steel, plates and sheets which are fallen within the same product group and its products are mainly sold in domestic market.

11 Cash and cash equivalents

	2020	2019
	Baht	Baht
Cash on hand	429,886	400,154
Current accounts	29,421,871	63,502,356
Saving accounts	1,100,820,067	192,714,593
Total	1,130,671,824	256,617,103

As at 31 December 2020, the interest rates of saving accounts were 0.05% to 0.30% per annum (2019: 0.20% to 0.38% per annum).

12 Trade accounts receivable and other receivables

	2020 Baht	2019 Baht
Trade accounts receivable	2,378,406,624	2,460,263,162
<u>Less</u> Loss allowance (2019: Allowance for doubtful accounts under TAS 101)	(55,519,596)	(29,374,641)
Trade accounts receivable - net	2,322,887,028	2,430,888,521
Other receivables - third party	438,909	3,618,209
Deposits	893,768	1,229,381
Prepayments	7,237,574	5,129,506
Rebate	5,981,557	7,990,761
Total	2,337,438,836	2,448,856,378

Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Impairments of trade receivables

The loss allowance for trade receivables was determined as follows:

As of 31 December 2020	Not yet due Thousand Baht	Up to 1 months Thousand Baht	1 - 3 months Thousand Baht	3 - 6 months Thousand Baht	6 - 12 months Thousand Baht	More than 12 months Thousand Baht	Total Thousand Baht
Gross carrying amount - trade receivables	1,684,842	508,475	144,605	1,781	8,262	30,442	2,378,407
Loss allowance	(6,178)	(2,144)	(6,713)	(1,781)	(8,262)	(30,442)	(55,520)
Total	1,678,664	506,331	137,892	-	-	-	2,322,887

The reconciliations of loss allowance for trade receivables for the year ended 31 December 2020 are as follow:

	Trade receivables	
	2020 Baht	2019 Baht
As at 1 January - calculated under TAS 101	(29,374,641)	(28,160,744)
Amounts restated through opening retained earnings	-	-
Opening loss allowance as at 1 January 2020 calculated under TFRS 9 (2019: TAS 101)	(29,374,641)	(28,160,744)
Increase in loss allowance recognised in profit or loss during the year	(26,330,751)	(1,216,037)
Receivable written off during the year as uncollectible	185,796	2,140
As of 31 December - calculated under TFRS 9 (2019: TAS 101)	(55,519,596)	(29,374,641)

13 Financial assets and financial liabilities

As at 31 December 2020, classification of the Company's financial assets and financial liabilities in accordance with accounting policies disclosed in Note 6.5 and 6.11 are as follows:

	FVPL	FVOCI	Amortised	Total
	Thousand	Thousand	cost	Thousand
	Baht	Baht	Thousand	Thousand
	Baht	Baht	Baht	Baht
Financial assets				
Cash and cash equivalents	-	-	1,130,672	1,130,672
Trade and other receivables	-	-	2,328,869	2,328,869
Other current assets	-	-	28,569	28,569
Other non-current assets	-	-	5,095	5,095

	FVPL	Amortised	Total
	Thousand	cost	Thousand
	Baht	Thousand	Thousand
	Baht	Baht	Baht
Financial liabilities			
Short-term borrowings from financial institutions	-	3,136,555	3,136,555
Trade accounts payable and other payables	-	205,748	205,748
Derivative liabilities	626	-	626
Advance received from customers for goods	-	37,549	37,549
Long-term borrowings from a financial institution	-	998,991	998,991
Lease liabilities	-	36,919	36,919
Debentures	-	999,590	999,590

14 Inventories, net

	2020	2019
	Baht	Baht
Raw materials	835,494,241	585,050,467
Finished goods	1,098,441,941	815,993,217
Total inventories	1,933,936,182	1,401,043,684
Less Allowance for net realisable value		
- for raw materials	(871,033)	(1,473,654)
- for finished goods	(1,435,939)	(4,197,923)
Total	1,931,629,210	1,395,372,107

The Company reversed allowance for net realisable value amounting to Baht 3.36 million as expected selling price rose up from the prior year. The amount reversed has been included in cost of sales in the statement of comprehensive income.

As at 31 December 2020, certain inventories of Baht 808.05 million have been used as collateral for trust receipts (2019: Baht 183.36 million) (Note 20).

15 Investment properties

At 31 December	Land	
	2020 Baht	2019 Baht
<u>Cost</u>		
Opening net book value	55,729,000	55,729,000
Closing net book value	55,729,000	55,729,000
Fair value	162,158,000	139,675,000

The Company's investment properties are three vacant plots of land located in Bangkok, Chachoengsao and Chanthaburi provinces.

The Company engaged an independent appraiser to assess the fair value of the land in September 2019 and August 2020. The valuation used the market approach which is based on the sales price of comparable nearby land, with adjustments for differences in key attributes such as size and shape, location and condition of the land. Such information is used to determine the fair value of the properties. As the valuation technique used significant unobservable inputs, the Company classified the fair value measurement in level 3 of the fair value hierarchy (Note 8).

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16 Property, plant and equipment, net

	Land Baht	Land improvements Baht	Buildings and building improvements Baht	Machinery and equipment Baht	Furniture and fixtures Baht	Trucks and motor vehicles Baht	Construction in progress Baht	Machinery under installation Baht	Total Baht
At 1 January 2019									
Cost	644,942,000	91,643,543	1,312,535,269	1,452,558,713	114,111,114	149,420,999	349,732,128	226,524,168	4,341,467,934
Less Accumulated depreciation	-	(52,171,233)	(507,976,818)	(795,483,417)	(100,434,312)	(52,366,468)	-	-	(1,508,432,248)
Net book amount	644,942,000	39,472,310	804,558,451	657,075,296	13,676,802	97,054,531	349,732,128	226,524,168	2,833,035,686
For the year ended 31 December 2019									
Opening net book amount	644,942,000	39,472,310	804,558,451	657,075,296	13,676,802	97,054,531	349,732,128	226,524,168	2,833,035,686
Additions	-	1,517,432	4,193,828	25,959,955	11,752,627	8,128,000	75,313,873	176,938,230	303,803,945
Transfers in (out)	-	133,780,167	277,638,793	292,120,223	-	-	(409,515,960)	(294,023,223)	-
Disposals, net	-	-	-	(183,012)	(1,300)	(1,512,075)	-	-	(1,696,387)
Depreciation charge (Note 28)	-	(8,273,973)	(70,012,776)	(100,032,776)	(7,628,042)	(10,930,213)	-	-	(196,877,780)
Closing net book amount	644,942,000	166,495,936	1,016,378,296	874,939,686	17,800,087	92,740,243	15,530,041	109,439,175	2,938,265,464
At 31 December 2019									
Cost	644,942,000	226,941,142	1,594,367,890	1,769,474,621	123,387,632	153,767,811	15,530,041	109,439,175	4,637,850,312
Less Accumulated depreciation	-	(60,445,206)	(577,989,594)	(894,534,935)	(105,587,545)	(61,027,568)	-	-	(1,699,584,848)
Net book amount	644,942,000	166,495,936	1,016,378,296	874,939,686	17,800,087	92,740,243	15,530,041	109,439,175	2,938,265,464

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	Land Baht	Land improvements Baht	Buildings and building improvements Baht	Machinery and equipment Baht	Furniture and fixtures Baht	Trucks and motor vehicles Baht	Construction in progress Baht	Machineries under installation Baht	Total Baht
For the year ended 31 December 2020									
Opening net book amount	644,942,000	166,495,936	1,016,378,296	874,939,686	17,800,087	92,740,243	15,530,041	109,439,175	2,938,265,464
Additions	-	1,089,002	52,790	9,029,005	5,193,152	4,019,000	23,262,076	155,481,085	198,126,110
Transfers in (out)	-	2,441,339	32,047,345	130,745,772	1,184,732	-	(28,577,979)	(137,841,209)	-
Disposals, net	-	-	-	(3,458,632)	(1,079)	(891,777)	-	(567,000)	(4,918,488)
Depreciation charge (Note 28)	-	(10,614,954)	(81,445,991)	(117,194,307)	(6,727,360)	(10,078,905)	-	-	(226,061,517)
Closing net book amount	644,942,000	159,411,323	967,032,440	894,061,524	17,449,532	85,788,561	10,214,138	126,512,051	2,905,411,569
At 31 December 2020									
Cost	644,942,000	230,471,483	1,626,468,025	1,903,478,006	128,646,184	156,373,812	10,214,138	126,512,051	4,827,105,699
Less Accumulated depreciation	-	(71,060,160)	(659,435,585)	(1,009,416,482)	(111,196,652)	(70,585,251)	-	-	(1,921,694,130)
Net book amount	644,942,000	159,411,323	967,032,440	894,061,524	17,449,532	85,788,561	10,214,138	126,512,051	2,905,411,569

Depreciation expenses of Baht 193,941,086 (2019: Baht 166,601,273) and Baht 32,120,431 (2019: Baht 30,276,507) were charged in costs of sales and administrative expenses, respectively.

From 2020, the Company presented right-of-use assets as a separate line item in the financial position as a results of changes in accounting policy in note 17.

As at 31 December 2019, the Company did not have assets under finance lease included in property, plants and equipment which the Company is a lessee.

17 Right-of-use assets, net

As at 31 December, right-of-use asset balance are as follows:

	2020	2019
	Baht	Baht
Land and office buildings	35,192,740	-
Furniture and fixtures - office equipment	1,104,706	-
Trucks and motor vehicles	92,718	-
Total	36,390,164	-

For the year ended 31 December, amounts charged to profit or loss and cash flows relating to leases are as follows:

	2020	2019
	Baht	Baht
Depreciation charge of right-of-use assets:		
Land and office buildings	22,095,353	-
Furniture and fixtures - office equipment	495,323	-
Trucks and motor vehicles	278,154	-
Total (Note 28)	22,868,830	-
Addition to the right-of-use assets during the year	10,515,619	-
Total cash outflow for leases	22,340,235	-
Expense relating to short-term leases	9,200	-
Expense relating to leases of low-value assets	158,000	-

18 Intangible assets, net

	Computer software Baht	Computer software during installation Baht	Total Baht
At 1 January 2019			
Cost	70,021,765	2,335,500	72,357,265
<u>Less</u> Accumulated amortisation	(48,446,671)	-	(48,446,671)
Net book amount	21,575,094	2,335,500	23,910,594
For the year ended 31 December 2019			
Opening net book amount	21,575,094	2,335,500	23,910,594
Additions	6,254,687	5,501,000	11,755,687
Transfers in (out)	1,310,500	(1,310,500)	-
Amortisation charge (Note 28)	(7,956,944)	-	(7,956,944)
Closing net book amount	21,183,337	6,526,000	27,709,337
At 31 December 2019			
Cost	77,586,952	6,526,000	84,112,952
<u>Less</u> Accumulated amortisation	(56,403,615)	-	(56,403,615)
Net book amount	21,183,337	6,526,000	27,709,337
For the year ended 31 December 2020			
Opening net book amount	21,183,337	6,526,000	27,709,337
Additions	210,632	4,346,000	4,556,632
Transfers in (out)	6,372,000	(6,372,000)	-
Amortisation charge (Note 28)	(8,296,468)	-	(8,296,468)
Closing net book amount	19,469,501	4,500,000	23,969,501
At 31 December 2020			
Cost	84,169,584	4,500,000	88,669,584
<u>Less</u> Accumulated amortisation	(64,700,083)	-	(64,700,083)
Net book amount	19,469,501	4,500,000	23,969,501

19 Deferred income taxes, net

The analysis of deferred income tax assets and deferred tax liabilities is as follows:

	2020	2019
	Baht	Baht
Deferred tax assets:		
Deferred tax assets to be recovered within 12 months	11,591,822	1,134,316
Deferred tax assets to be recovered more than 12 months	14,405,282	12,365,822
	25,997,104	13,500,138
Deferred tax liabilities:		
Deferred tax liabilities to be recovered within 12 months	(130,054)	(231,902)
Deferred tax liabilities to be settled more than 12 months	(683,124)	(629,189)
	(813,178)	(861,091)
Deferred income taxes, net	25,183,926	12,639,047

The movement in deferred tax assets and liabilities during the year is as follows:

	Net impairment losses	Allowance for net realisable value	Lease liabilities	Employee benefits obligations	Total
	Baht	Baht	Baht	Baht	Baht
Deferred tax assets:					
At 1 January 2019	-	1,995,710	-	8,762,188	10,757,898
Charged/(credited) to profit and loss	-	(861,394)	-	3,907,637	3,046,243
Charged/(credited) to other comprehensive income	-	-	-	(304,003)	(304,003)
At 31 December 2019	-	1,134,316	-	12,365,822	13,500,138
Charged/(credited) to profit and loss	11,103,919	(672,921)	105,719	1,960,249	12,496,966
At 31 December 2020	11,103,919	461,395	105,719	14,326,071	25,997,104

	Temporary difference for depreciation	Temporary difference for front-end fees	Total
	Baht	Baht	Baht
Deferred tax liabilities:			
At 1 January 2019	(663,260)	(516,062)	(1,179,322)
Charged to profit and loss	95,720	222,511	318,231
At 31 December 2019	(567,540)	(293,551)	(861,091)
Charged to profit and loss	17,817	30,096	47,913
At 31 December 2020	(549,723)	(263,455)	(813,178)

20 Borrowings

	2020	2019
	Baht	Baht
Current		
Short-term borrowings from financial institutions	3,136,554,572	2,953,864,780
Current portion of long-term borrowings		
Long-term borrowing from a financial institution	199,657,974	-
Lease liabilities	23,385,966	-
Debentures	999,590,001	1,542,283
Total current borrowings	4,359,188,513	2,955,407,063
Non-current		
Long-term borrowing from a financial institution	799,332,998	-
Lease liabilities	13,532,793	-
Debentures	-	996,505,435
Total non-current borrowings	812,865,791	996,505,435
Total borrowings	5,172,054,304	3,951,912,498

20.1 Short-term borrowings

The movement in short-term borrowings from financial institutions during the year is as follows:

	2020	2019
	Baht	Baht
At 1 January	2,953,864,780	3,567,727,365
Additions	17,905,608,321	32,278,947,166
Repayments	(17,722,918,529)	(32,892,809,751)
At 31 December	3,136,554,572	2,953,864,780

The short-term borrowings from financial institutions denominated in Thai Baht bear interest rates during the year as follows:

	2020	2019
Promissory notes	1.00% - 1.75%	1.55% - 2.10%
Trust receipts	1.10% - 1.74%	1.49% - 2.11%

As at 31 December 2020, the short-term borrowings from financial institutions, promissory notes, were unsecured and due within January to March 2021 (2019: January to March 2020) which normally, can be renewed. The Company has provided the Negative Pledge to the financial institutions. In addition, short-term borrowings included trust receipts which were secured by part of the Company's inventories (Note 14).

20.2 Long-term borrowing from a financial institution

The movement in long-term borrowing from a financial institution during the year is as follows:

	2020 Baht	2019 Baht
At 1 January	-	-
Addition	1,000,000,000	-
Deferred front-end fees	(1,010,005)	-
Amortisation of deferred front-end fees	977	-
At 31 December	998,990,972	-

Long-term borrowing from a financial institution is in Thai Baht with the fixed interest of 3.00% per annum. The borrowing was unsecured and will be due within 5 years.

The fair value of current borrowings equal their carrying amount, as the impact of discounting is not significant. The fair values are based on discounted cash flows using a discount rate based upon the borrowing rate of 3.04% and are within level 2 of the fair value hierarchy.

20.3 Debentures

The movement in debentures during the year is as follows:

	2020 Baht	2019 Baht
At 1 January	998,047,718	996,567,890
Amortisation of issuance costs	1,542,283	1,479,828
At 31 December	999,590,001	998,047,718

On 5 April 2018, the Company issued name-registered, unsubordinated and unsecured debentures totalling 1,000,000 units with the fixed interest of 3.75% per annum payable every 6 months. The issued debentures have the face value of Baht 1,000. The debentures will be redeemed within 3 years after the issuance date for the amount Baht 1,000 million.

The carrying amounts and fair values of certain debentures are as follows:

	Carrying amounts		Fair values	
	2020 Baht	2019 Baht	2020 Baht	2019 Baht
Debentures	999,590,001	998,047,718	1,001,694,330	1,006,448,900

The fair value of current borrowings equal their carrying amount, as the impact of discounting is not significant. The fair values are based on discounted cash flows using a discount rate based upon the borrowing rate of 3.91% and are within level 2 of the fair value hierarchy.

21 Trade accounts payable and other payables

	2020	2019
	Baht	Baht
Trade accounts payable	132,849,269	48,396,410
Accrued expenses and other payables	134,438,609	127,157,498
Payable from construction in progress	17,071,286	8,327,124
Retention from construction	-	1,519,839
Withholding tax payable	1,636,782	1,830,668
Accrued interest expenses	10,452,050	11,640,118
Total	296,447,996	198,871,657

22 Employee benefit obligations

	2020	2019
	Baht	Baht
Statement of financial position:		
- Retirement benefits	71,630,354	61,829,112
Profit or loss charge included in operating profit for:		
- Retirement benefits	9,801,242	20,627,516
Remeasurement for:		
- Retirement benefits	-	(1,520,013)

The movement in the obligations for retirement benefit are as follows:

	2020	2019
	Baht	Baht
At 1 January	61,829,112	43,810,941
Current service cost	8,520,374	7,795,427
Past service cost	-	11,619,236
Interest cost	1,280,868	1,212,853
Remeasurement	-	(1,520,013)
Benefit payment	-	(1,089,332)
At 31 December	71,630,354	61,829,112

The significant actuarial assumptions used were as follows:

	2020	2019
Discount rate	2.25% per annum	2.25% per annum
Future salary increase rate	5% per annum	5% per annum
Employee turnover rate	0% - 39% per annum	0% - 39% per annum

Sensitivity analysis for each significant assumption used is as follows:

	Impact on defined benefit obligations as at 31 December 2020		
	Change in assumption %	Increase in obligations Baht	Decrease in obligations Baht
Discount rate	+1%	-	(3,550,665)
	-1%	4,009,418	-
Future salary increase rate	+1%	4,323,058	-
	-1%	-	(3,898,298)
Employee turnover rate	+1%	-	(3,901,805)
	-1%	2,366,149	-

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 (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability recognised in 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 22.15 years (2019: 23.15 years).

Expected maturity analysis of undiscounted retirement benefits is as follows:

	Less than a year Baht	Between 1-2 years Baht	Between 2-5 years Baht	Over 5 years Baht	Total Baht
At 31 December 2020					
Retirement benefits	1,856,443	22,299,253	18,564,906	37,408,880	80,129,482

23 Share capital and premium on share capital

	Number of authorised shares Shares	Issued and paid-up ordinary shares Baht	Premium on share capital Baht	Total Baht
At 1 January 2019	436,000,000	435,379,017	427,323,198	862,702,215
Conversion (620,983)	(620,983)	-	-	-
Issue of ordinary shares	435,379,017	435,379,017	-	435,379,017
At 31 December 2019	870,758,034	870,758,034	427,323,198	1,298,081,232
At 31 December 2020	870,758,034	870,758,034	427,323,198	1,298,081,232

At the Annual General Shareholders' Meeting on 4 April 2019, it passed the resolutions as follows;

1. Approval of a reduction of the registered capital of the Company, from Baht 436,000,000 to Baht 435,379,017, by cutting out the 620,983 ordinary shares that remained from exercising the conversion right of ESOP warrants (ESOP-W) issued in 2008 with a par value of Baht 1.00 each. The Company registered such change in its share reduction with Department of Business Development on 9 April 2019.
2. Approval of an increase in the registered capital of the Company, from Baht 435,379,017 to Baht 870,758,034, by issuing 435,379,017 new ordinary shares with par value of Baht 1.00 each, totaling Baht 435,379,017 and that was then allocated as stock dividends to the existing Company shareholders. The Company registered such change in its share increase with Department of Business Development on 10 April 2019.

24 Dividends

At the Board of Director's Meeting on 24 March 2020, the Board of Directors approved the interim dividend payment of Baht 0.30 per share for 870,758,034 shares, in respect of the 2019 operating results and retained earnings, totaling Baht 261.23 million. The interim dividends had been paid to the shareholders on 22 April 2020. When the Company paid interim dividends, the Company also appropriate its retained earnings to legal reserve amount of Baht 11.50 million. Further, at Annual General Shareholders' Meeting on 23 July 2020, the shareholders acknowledged such interim dividend payment.

At the Annual General Shareholders' Meeting on 4 April 2019, shareholders approved the dividend payment of Baht 1.07 per share for 435,379,017 shares, in respect of the 2018 operating results and retained earnings, totaling Baht 465.86 million. The dividend payment was made in ordinary shares for 435,379,017 shares with par value of Baht 1.00 each at the ratio of one existing share for one dividend stock for the total value of Baht 435.38 million. The dividend payout ratio is Baht 1.00 per share, and cash dividends at the rate of Baht 0.07 per share for a total of Baht 30.48 million. The dividends had been paid to the shareholders on 18 April 2019. The Company appropriate its retained earnings to legal reserve amounting to Baht 20.29 million.

25 Legal reserve

	2020 Baht	2019 Baht
At 1 January	63,894,173	43,600,000
Appropriation during the year	11,497,315	20,294,173
At 31 December	75,391,488	63,894,173

Under the Public Company Act, B.E. 2535, the Company is required to set aside as a legal reserve at least 5% of its net profit after accumulated deficit brought forward (if any) until the reserve is not less than 10% of the authorised share capital. The legal reserve is non distributable.

26 Promotional privileges

The Company received promotional privileges from the Board of Investment 60-1479-1-04-1-0 dated 28 December 2017 in respect of investment in manufacturing of steels, metal tubes, and metal cutting for an improvement of the production efficiency for alternative energy utilisation. Under these privileges, the Company is exempted from various taxes and duties including exemption from import duties on imported machine and exemption from corporate income tax for the promoted activities in an amount not over than 50% of the investment for an improvement of the production efficiency which excludes investment on land and current assets for a period of three years from the date the promoted operation commenced generating revenue.

The Company had already used all of the promotional privileges for the exemption from corporate income tax for the promoted activities in 2019.

Sales classified by BOI promoted activities and non-BOI promoted activities for the year ended 31 December 2020 and 2019 are as follows;

	2020		
	BOI promoted activities Baht	Non-BOI promoted activities Baht	Total Baht
Sales	-	14,575,724,811	14,575,724,811
	2019		
	BOI promoted activities Baht	Non-BOI promoted activities Baht	Total Baht
Sales	9,294,308,511	7,189,098,166	16,483,406,677

27 Other income

	2020 Baht	2019 Baht
Steel cutting service income	30,343,609	32,501,146
Transportation service income	18,125,823	10,370,202
Interest income	2,154,998	3,055,631
Others	2,146,335	521,215
Total	52,770,765	46,448,194

28 Expenses by nature

The following expenditures, classified by nature, have been charged in arriving at profit before finance costs and income tax:

	2020	2019
	Baht	Baht
Staff costs	476,412,355	444,709,651
Depreciation on property, plant and equipment (Note 16)	226,061,517	196,877,780
Depreciation on right-of-use assets (Note 17)	22,868,830	-
Amortisation of intangible assets (Note 18)	8,296,468	7,956,944
Selling and marketing expenses	174,716,134	200,175,303
Professional and consultant fees	11,206,459	10,956,035
Rental expenses	285,500	20,440,800

29 Income tax expense

	2020	2019
	Baht	Baht
Current tax	127,779,877	46,625,967
Deferred tax	(12,544,879)	(3,364,474)
Total income tax expense	115,234,998	43,261,493

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

	2020	2019
	Baht	Baht
Profit before income tax	653,113,154	273,207,779
Tax calculated at a tax rate of 20% (2019: 20%)	130,622,631	54,641,556
Tax effect of:		
Income not subject to tax	-	(1,369,532)
Expenses not deductible for tax purpose	762,310	910,453
Expenses deductible at a greater amount	(16,149,943)	(10,920,984)
Tax charge	115,234,998	43,261,493

The weighted average applicable tax rate was 18% (2019: 16%). According to Royal Decrees No. 690, the Company is exempted from corporate income tax for an investment in machinery. Meanwhile, in 2019, according to Announcement of the Board of Investment no. 1/2557 regarding Measure to Promote Improvement of Production Efficiency which described in Note 26. The Company has used all the promotional privileges in 2019.

30 Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2020	2019
Profit attributable to shareholders (Baht)	537,878,156	229,946,286
Weighted average number of ordinary shares in issue during the year (Shares)	870,758,034	870,758,034
Basic earnings per share (Baht)	0.62	0.26

There are no potential dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

31 Contingent liabilities

Letters of guarantee

As at 31 December 2020, the Company had outstanding letters of guarantee amounting to Baht 29.84 million (2019: Baht 74.84 million) issued by a bank for electricity usage and purchases of goods. No liabilities are anticipated to be arisen.

Letters of credits

As at 31 December 2020, the Company had outstanding letters of credits amounting to US Dollar 8.15 million in relation to purchases of goods (2019: US Dollar 11.51 million in relation to purchases of goods).

Significant litigation

In November 2019, the Company was litigated by a supplier relating to the breach of sales and purchase contract which caused them a custom tax exposure from related imported steels. They claimed for compensation in the total of Baht 173.59 million. Further on 29 July 2020, the plaintiff filled a motion for withdrawal from the Civil court. The court granted approval for case withdrawal and ordered a deletion of this case from the court judicial archive on the same date. Such litigation was then terminated and the Company therefore does not have any losses resulting from such litigation.

32 Commitments

Operating leases - Lessee

As at 31 December 2019, the Company leases land, office buildings, office equipment and vehicles under non-cancellable operating lease agreement expiring with 1 to 5 years.

As at 31 December 2020, the future minimum lease payments under operating leases arising from the office equipment which were not recognised in the financial information according to recognition exemptions for short-term leases and leases of low-value assets in accordance with the first adoption of TFRS16 in the year 2020.

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The details of leases as at 31 December are as follow

	2020	2019
	Baht	Baht
Due within 1 year	163,800	23,346,800
Due over 1 year but less than 5 years	158,400	27,999,100
Total	322,200	51,345,900

Purchase commitments

As at 31 December 2020, the Company had outstanding commitments relating to the purchases of goods with fixed buying prices of US Dollar 7.41 million (2019: US Dollar 10.46 million).

Capital commitments

As at 31 December 2020, the Company had capital expenditure contracted from the purchase of machineries and the construction of the factory building but not yet recognised in this financial statements of Baht 56.42 million and US Dollar 10.37 million (2019: Baht 16.23 million and US Dollar 0.35 million).

33 Related party transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies 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.

Major shareholders of the Company are members of Tarasarnsombat family.

The transactions with a related company, Connex Business Online Co., Ltd., arose from purchasing of software programme and using computer system service. Certain shareholders of the Company have significant holding in the shares of Connex Business Online Co., Ltd.

The Company has entered into operating lease agreements of a land and building on Rama III road with Combine Asset Co., Ltd. Certain shareholders of the Company have significant holding in the shares of Combine Asset Co., Ltd. The lease agreements are for a period of 3 years. The first agreement is from April 2019 until March 2022, at an agreed price of Baht 2.40 million per year. The second agreement is from October 2020 until October 2023, at an agreed price of Baht 3.6 million per year (Agreement from October 2017 until October 2020, at an agreed price of Baht 3 million per year).

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A summary of significant transactions with related parties are as follows:

(a) **Purchases and operating expenses**

	2020	2019
	Baht	Baht
Purchases of software programme	2,086,000	-
Computer system service expenses	581,644	157,500
Land and building rental expenses	-	5,400,000
Payment on lease liabilities	4,996,746	-
Interest expense from leases liabilities	253,254	-

(b) **Outstanding balances arising from purchase and operating expenses**

The outstanding balances at the end of the reporting period in relation to transactions with related parties are as follows:

	2020	2019
	Baht	Baht
Trade accounts payable and other payables	227,375	-
Lease liabilities	12,588,825	-

(c) **Directors and managements' remuneration**

Directors and managements' remuneration comprises salaries, other benefits, other remuneration and meeting fees.

For the years ended 31 December	2020	2019
	Baht	Baht
Short-term benefits	42,892,740	45,080,750
Post-employee benefits	1,844,762	2,045,046
	44,737,502	47,125,796

34 Event after the financial statement date

At the Board of Directors' Meeting on 19 February 2021, it passed a resolution to propose the dividends payment in respect of results of operations for the year 2020 of Baht 0.50 per share for 870,758,034 shares, totalling Baht 435.38 million. However, it will be further proposed for the shareholders' approval in the Annual General Meeting of the Shareholders for fiscal year 2021 in April 2021.