

**TMT STEEL PUBLIC COMPANY LIMITED
(FORMERLY THAI METAL TRADE PUBLIC
COMPANY LIMITED)**

FINANCIAL STATEMENTS

31 DECEMBER 2019

Independent Auditor's Report

To the shareholders and the Board of Directors of TMT Steel Public Company Limited
(Formerly Thai Metal Trade Public Company Limited)

My opinion

In my opinion, the financial statements of TMT Steel Public Company Limited (the Company) present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

What I have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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 4 ‘Critical accounting estimates and judgment’ and Note 8 ‘Inventories’ in the financial statements:</p> <p>As at 31 December 2019, the Company had raw materials totalling Baht 585,050,467 and finished goods totalling Baht 815,993,217 before deducting the allowance for net realisable value, which represents 19.60 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, based on the available evidences.</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 TFRSs, 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
24 February 2020

TMT Steel Public Company Limited (Formerly Thai Metal Trade Public Company Limited)
Statement of Financial Position
As at 31 December 2019

	Notes	2019 Baht	2018 Baht
Assets			
Current assets			
Cash and cash equivalents	6	256,617,103	232,822,969
Trade accounts receivable and other receivables	7	2,448,856,378	2,707,525,471
Inventories	8	1,395,372,107	1,764,619,219
Advance payments for purchases of inventories		6,933,425	72,569,583
Other current assets		1,376,503	2,071,787
Total current assets		4,109,155,516	4,779,609,029
Non-current assets			
Investment properties	9	55,729,000	55,729,000
Property, plant and equipment	10	2,938,265,464	2,833,035,686
Intangible assets	11	27,709,337	23,910,594
Deferred income tax assets	12	12,639,047	9,578,576
Other non-current assets		5,225,056	3,843,556
Total non-current assets		3,039,567,904	2,926,097,412
Total assets		7,148,723,420	7,705,706,441

Director _____

Director _____

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

TMT Steel Public Company Limited (Formerly Thai Metal Trade Public Company Limited)

Statement of Financial Position

As at 31 December 2019

	Notes	2019 Baht	2018 Baht
Liabilities and equity			
Current liabilities			
Short-term borrowings from financial institutions	13	2,953,864,780	3,567,727,365
Trade accounts payable and other payables	14	198,871,657	351,162,946
Income tax payable		12,473,793	26,917,441
Advance received from customers for goods		18,584,592	14,395,674
Current portion of finance lease liabilities		-	758,181
Current portion of debentures	15	1,542,283	1,479,828
Total current liabilities		3,185,337,105	3,962,441,435
Non-current liabilities			
Debentures	15	996,505,435	995,088,062
Employee benefit obligations	16	61,829,112	43,810,941
Total non-current liabilities		1,058,334,547	1,038,899,003
Total liabilities		4,243,671,652	5,001,340,438
Equity			
Share capital	17		
Authorised share capital			
870,758,034 ordinary shares of par Baht 1 each			
(2018: 436,000,000 ordinary shares			
of par Baht 1 each)		870,758,034	436,000,000
Issued and paid-up share capital			
870,758,034 ordinary shares of paid-up Baht 1 each			
(2018: 435,379,017 ordinary shares			
of paid-up Baht 1 each)		870,758,034	435,379,017
Premium on share capital	17	427,323,198	427,323,198
Retained earnings			
Appropriated - Legal reserve	19	63,894,173	43,600,000
Unappropriated		1,543,076,363	1,798,063,788
Total equity		2,905,051,768	2,704,366,003
Total liabilities and equity		7,148,723,420	7,705,706,441

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

TMT Steel Public Company Limited (Formerly Thai Metal Trade Public Company Limited)
Statement of Comprehensive Income
For the year ended 31 December 2019

	Notes	2019 Baht	2018 Baht
Sales		16,483,406,677	17,369,987,824
Costs of sales		<u>(15,585,837,482)</u>	<u>(16,326,337,661)</u>
Gross profit		897,569,195	1,043,650,163
Other income	21	46,448,194	49,914,767
Selling expenses		(200,175,303)	(193,980,921)
Administrative expenses		(354,980,685)	(339,533,971)
Finance costs - interest expenses		<u>(115,653,622)</u>	<u>(102,647,699)</u>
Profit before income tax		273,207,779	457,402,339
Income tax	23	<u>(43,261,493)</u>	<u>(51,518,873)</u>
Profit for the year		229,946,286	405,883,466
Other comprehensive income:			
Item that will not be reclassified to profit or loss			
Remeasurements of post-employee benefit obligations	16	1,520,013	-
Income tax on items that will not be reclassified	12	<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>231,162,296</u></u>	<u><u>405,883,466</u></u>
Earnings per share			
Basic earnings per share	24	<u><u>0.26</u></u>	<u><u>0.47</u></u>

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

TMT Steel Public Company Limited (Formerly Thai Metal Trade Public Company Limited)
Statement of Changes in Equity
For the year ended 31 December 2019

	Note	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 2018		435,379,017	427,323,198	43,600,000	1,914,635,142	2,820,937,357
Dividends paid	18	-	-	-	(522,454,820)	(522,454,820)
Total comprehensive income for the year		-	-	-	405,883,466	405,883,466
Closing balances as at 31 December 2018		<u>435,379,017</u>	<u>427,323,198</u>	<u>43,600,000</u>	<u>1,798,063,788</u>	<u>2,704,366,003</u>
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	17, 18	435,379,017	-	-	(435,379,017)	-
Dividends paid	18	-	-	-	(30,476,531)	(30,476,531)
Legal reserve	19	-	-	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>

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

TMT Steel Public Company Limited (Formerly Thai Metal Trade Public Company Limited)**Statement of Cash Flows****For the year ended 31 December 2019**

	Notes	2019 Baht	2018 Baht
Cash flows from operating activities			
Profit before income tax		273,207,779	457,402,339
Adjustments for :			
Doubtful accounts	7	1,213,897	19,568,093
(Gain) Loss on declining in value of inventories	8	(4,306,971)	9,978,548
Depreciation and amortisation	10, 11	204,834,724	178,194,046
Loss on disposals of equipment		316,480	961,930
Employee benefit expenses	16	20,627,516	6,835,206
Interest expenses		115,653,622	102,647,699
Cash flows before changes in operating assets and liabilities		611,547,047	775,587,861
Changes in operating assets and liabilities:			
Trade accounts receivable and other receivables		257,455,196	(242,162,613)
Inventories		373,554,083	(110,237,787)
Advance payments for purchases of inventories		65,636,158	272,515,928
Other current assets		695,284	14,115,864
Other non-current assets		(1,381,500)	189,124
Trade accounts payable and other payables		(118,347,251)	(34,891,655)
Advance receipts from customers for goods		4,188,918	(44,273,087)
Employee benefit obligations paid	16	(1,089,332)	-
Cash generated from operating activities before interest and income tax paid		1,192,258,603	630,843,635
Interest paid		(113,973,926)	(92,205,434)
Income tax paid		(61,069,615)	(106,056,084)
Net cash generated from operating activities		1,017,215,062	432,582,117
Cash flows from investing activities			
Purchases of property, plant and equipment		(337,934,032)	(689,098,565)
Purchases of intangible assets		(11,755,687)	(11,958,438)
Proceeds from disposals of equipment		1,029,907	4,401,860
Net cash used in investing activities		(348,659,812)	(696,655,143)

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

TMT Steel Public Company Limited (Formerly Thai Metal Trade Public Company Limited)**Statement of Cash Flows****For the year ended 31 December 2019**

	Notes	2019 Baht	2018 Baht
Cash flows from financing activities			
Proceeds from short-term borrowings from financial institutions	13	32,278,947,166	24,303,913,746
Repayments to short-term borrowings from financial institutions	13	(32,892,809,751)	(24,451,206,456)
Payments for interest on finance lease liabilities		(13,819)	(85,723)
Payments for finance lease liabilities		(408,181)	(356,357)
Proceeds from issuance of debentures	15	-	1,000,000,000
Payments for debenture issuance costs		-	(3,377,596)
Dividends paid	18	(30,476,531)	(522,454,820)
Net cash (used in) from financing activities		<u>(644,761,116)</u>	<u>326,432,794</u>
Net increase in cash and cash equivalents		23,794,134	62,359,768
Opening balance		<u>232,822,969</u>	<u>170,463,201</u>
Closing balance		<u><u>256,617,103</u></u>	<u><u>232,822,969</u></u>
Cash and cash equivalents are made up as follows:			
- Cash on hand	6	400,154	154,078
- Deposits at financial institutions	6	<u>256,216,949</u>	<u>232,668,891</u>
		<u><u>256,617,103</u></u>	<u><u>232,822,969</u></u>

Non-cash transactions

Significant non-cash transactions for the years ended 31 December 2019 and 2018 are as follows:

Other payables from purchases of property, plant and equipment	8,327,124	42,457,211
Other payables from purchases of intangible assets	-	-
Other payables from issuance of debentures	-	1,115,000
Issuance of share dividends (Note 17, 18)	435,379,017	-

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

1 General information

Thai Metal Trade Public Company Limited registered its new name as TMT Steel Public Company Limited (the “Company”) with the Ministry of Commerce on 9 April 2019. The Company 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 24 February 2020.

2 Accounting policies

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

2.1 Basis of preparation

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

The financial statements have been prepared under the historical cost convention.

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 4.

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.

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

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

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

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

The Company has adopted the new Thai Financial Reporting Standards (TFRS) no. 15, Revenue from contracts with customers from 1 January 2019 under the modified retrospective approach and the comparative figures have not been restated. The Company did apply practical expedient relates to completed contracts allowed by TFRS 15.

TMT Steel Public Company Limited (Formerly Thai Metal Trade Public Company Limited)
Notes to the Financial Statements
For the year ended 31 December 2019

According to TFRS 15, the management considered that it had no material impacts to beginning retained earnings. Transactions affect in current period are other service income and rebate to customers.

Under TFRS 15, other service income is recognised when services are rendered and rebate to customers is recognised as a deduction to revenue.

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

Statement of financial position	As at 31 December 2019		
	Balance as reported Baht	Impacts from TFRS 15 Baht	Balance under the previous revenue standards Baht
Inventories	1,395,372,107	(19,821)	1,395,352,286

Statement of comprehensive income	For the year ended 31 December 2019		
	Balance as reported Baht	Impacts from TFRS 15 Baht	Balance under the previous revenue standards Baht
Sales	16,483,406,677	1,699,102	16,485,105,779
Other income	46,448,194	(19,821)	46,428,373
Selling expenses	200,175,303	1,699,102	201,874,405

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

Certain new and amended financial reporting standards have been issued that are not mandatory for current period end 31 December 2019 reporting period and have not been early adopted by the Company.

a) Financial instruments

The new financial standards relate to financial instruments are:

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

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

b) TFRS 16, Leases

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

The Company has not yet early adopted the new and revised financial reporting standards which are effective on 1 January 2020. The Company's management is currently reviewing the impacts of adoption of these standards.

2.3 Foreign currency translation

a) Functional and presentation currency

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

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

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

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

2.4 Cash and cash equivalents

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

2.5 Trade accounts receivable

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

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

2.6 Inventories

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

Cost 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.

2.7 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.

Investment property also includes property that is being constructed or developed for future use as investment property.

2.8 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 or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are 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, 10, 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.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

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

2.9 Intangible asset - Computer software

Acquired computer software licences 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.

2.10 Impairment of assets

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

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

2.11 Leases - where the Company is the lessee

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

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

2.12 Borrowings

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

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

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

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

2.13 Current and deferred income taxes

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

Current tax

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

Deferred income tax

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

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

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

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

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

2.14 Employee benefits

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.

2.15 Provisions

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

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

2.16 Revenue recognition

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.

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

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

2.17 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.

2.18 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Board of Directors that makes strategic decisions.

3 Financial risk management

3.1 Financial risk factors

The principal financial risks faced by the Company are market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The risk management policies of these particular risks are as follows:

3.1.1 Foreign exchange risk

The Company purchases goods 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.

3.1.2 Interest rate risk

The Company has short-term borrowings from financial institutions and debentures which are mostly used for working capital. The Company has an interest rate risk arising from loans and debentures at fixed interest rates. The Company has no significant interest-bearing assets. The Company manages its interest rate risk by following Thailand interest rate trends to be in line with its business operations.

3.1.3 Credit risk

The Company has policies in place to ensure that goods are sold to customers with an appropriate credit history and as a policy, certain major credit sales should be supported by bank guarantees as collateral. In addition, as at 31 December 2019 and 2018, the Company had no significant concentrations of credit risk on any industries. In addition, the Company has no significant risk with financial institutions since cash is placed with reputable financial institutions.

3.1.4 Liquidity risk

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

3.2 Accounting for financial instruments

The Company is party to derivative financial instruments, which mainly comprise foreign currency forward contracts. Such instruments are not recognised in the financial statements on inception.

Foreign currency forward contracts protect the Company from movements in exchange rates by establishing the rate at which a foreign currency asset will be realised or a foreign currency liability settled. Any increase or decrease in the amount required to realise the asset or settle the liability is offset by a corresponding movement in the value of the forward exchange contract. The realised gains and losses on the derivative instruments and the underlying financial asset or liability are therefore offset for financial reporting purposes and are recognised in the financial statements.

Disclosures about derivative financial instruments to which the Company is a party are provided in Note 29.

3.3 Fair value estimation

As at 31 December 2019, the Company had no assets or liabilities measured at fair value. Disclosures of fair value measurements by level are as below:

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

The fair values of financial assets and liabilities approximate their carrying amounts.

4 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.

4.1 Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition. The management will fully set up allowance for outstanding amounts overdue more than 6 months and without any collateral.

4.2 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.

4.3 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.

4.4 Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

4.5 Retirement employee benefits

The present value of the retirement benefits obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Including the discount rate. Any changes in these assumptions will have an impact on the carrying amount of retirement benefits obligation.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefits obligations. In determining the appropriate discount rate, the Company considers the market yield of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement benefits liability.

Additional information of other key assumptions for retirement benefits obligations other is disclosed in Note 16.

5 Capital management

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

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

6 Cash and cash equivalents

	2019 Baht	2018 Baht
Cash on hand	400,154	154,078
Current accounts	63,502,356	40,504,037
Saving accounts	192,714,593	192,164,854
Total	256,617,103	232,822,969

As at 31 December 2019, the interest rates of saving accounts were 0.20% to 0.38% per annum (2018: 0.20% to 0.38% per annum).

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7 Trade accounts receivable and other receivables

	2019	2018
	Baht	Baht
Trade accounts receivable	2,460,263,162	2,712,436,573
<u>Less</u> Allowance for doubtful accounts	(29,374,641)	(28,160,744)
Trade accounts receivable - net	2,430,888,521	2,684,275,829
Other receivables - third party	3,618,209	1,728,748
Deposits	1,229,381	5,347,286
Prepayments	5,129,506	4,298,446
Accrued income	7,990,761	11,875,162
Total	2,448,856,378	2,707,525,471

Outstanding trade accounts receivable as at 31 December can be analysed as follows:

	2019	2018
	Baht	Baht
Current balance	1,658,778,898	1,904,176,464
Overdue: less than 1 month	406,714,636	613,762,440
Over 1 month to 3 months	173,964,218	152,997,803
Over 3 months to 6 months	153,859,978	11,099,636
Over 6 months to 12 months	43,179,229	21,559,245
Over 12 months	23,766,203	8,840,985
	2,460,263,162	2,712,436,573
<u>Less</u> Allowance for doubtful accounts	(29,374,641)	(28,160,744)
Total	2,430,888,521	2,684,275,829

The Company has not provided allowance for doubtful accounts to certain accounts receivable which are overdue more than 6 months because these customers have provided bank guarantees to the Company.

8 Inventories

	2019	2018
	Baht	Baht
Raw materials	585,050,467	702,982,996
Finished goods	815,993,217	1,071,614,771
Total inventories	1,401,043,684	1,774,597,767
<u>Less</u> Allowance for net realisable value		
- for raw materials	(1,473,654)	(643,589)
- for finished goods	(4,197,923)	(9,334,959)
Total	1,395,372,107	1,764,619,219

The Company reversed allowance for net realisable value amounting to Baht 4.31 million. The amount reversed has been included in cost of sales in the statement of comprehensive income.

9 Investment properties

At 31 December	Land	
	2019 Baht	2018 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	139,675,000	123,395,000

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

The Company engaged an independent appraiser to assess the fair value of the land during January 2017 to September 2019. The valuation used the comparison 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 3.3).

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10 Property, plant and equipment

	Land Baht	Land improvements Baht	Buildings and building improvements Baht	Machineries and equipment Baht	Furniture and fixtures Baht	Trucks and motor vehicles Baht	Construction in progress Baht	Machineries under installation Baht	Total Baht
At 1 January 2018									
Cost	644,942,000	91,643,543	1,213,495,118	1,184,000,256	108,643,746	138,612,127	124,106,403	141,627,777	3,647,070,970
<u>Less</u> Accumulated depreciation	-	(48,416,855)	(447,498,032)	(705,654,102)	(94,378,768)	(53,792,134)	-	-	(1,349,739,891)
Net book amount	644,942,000	43,226,688	765,997,086	478,346,154	14,264,978	84,819,993	124,106,403	141,627,777	2,297,331,079
For the year ended 31 December 2018									
Opening net book amount	644,942,000	43,226,688	765,997,086	478,346,154	14,264,978	84,819,993	124,106,403	141,627,777	2,297,331,079
Additions	-	-	237,599	13,555,799	6,452,141	29,134,598	314,097,233	350,958,799	714,436,169
Transfers in (out)	-	-	98,802,552	255,681,133	50,231	-	(88,471,508)	(266,062,408)	-
Disposals, net	-	-	-	(20)	(670)	(6,540,100)	-	-	(6,540,790)
Depreciation charge (Note 22)	-	(3,754,378)	(60,478,786)	(90,507,770)	(7,089,878)	(10,359,960)	-	-	(172,190,772)
Closing 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
At 31 December 2018									
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
<u>Less</u> 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

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	Land Baht	Land improvements Baht	Buildings and building improvements Baht	Machineries 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 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 22)	-	(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
<u>Less</u> 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

Depreciation expenses of Baht 166,601,273 (2018: Baht 143,160,863) and Baht 30,276,507 (2018: Baht 29,029,909) were charged in costs of sales and administrative expenses, respectively.

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Vehicles included the following amounts which the Company is a lessee under the finance lease:

	2019	2018
	Baht	Baht
Cost - capitalised finance lease	-	1,680,374
<u>Less</u> Accumulated depreciation	-	(970,658)
Net book amount	-	709,716

11 Intangible assets

	Computer software Baht	Computer software during installation Baht	Total Baht
At 1 January 2018			
Cost	55,635,327	4,763,500	60,398,827
<u>Less</u> Accumulated amortisation	(42,443,397)	-	(42,443,397)
Net book amount	13,191,930	4,763,500	17,955,430
For the year ended 31 December 2018			
Opening net book amount	13,191,930	4,763,500	17,955,430
Additions	220,000	11,738,438	11,958,438
Transfers in (out)	14,166,438	(14,166,438)	-
Amortisation charge (Note 22)	(6,003,274)	-	(6,003,274)
Closing net book amount	21,575,094	2,335,500	23,910,594
At 31 December 2018			
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 22)	(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

12 Deferred income taxes

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

	2019	2018
	Baht	Baht
Deferred tax assets:		
Deferred tax assets to be recovered within 12 months	1,134,316	1,995,710
Deferred tax assets to be recovered more than 12 months	12,365,822	8,762,188
	13,500,138	10,757,898
Deferred tax liabilities:		
Deferred tax liabilities to be recovered within 12 months	(231,902)	(222,511)
Deferred tax liabilities to be settled more than 12 months	(629,189)	(956,811)
	(861,091)	(1,179,322)
Deferred income taxes (net)	12,639,047	9,578,576

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

	Allowance for net realisable value Baht	Employee benefits obligations Baht	Total Baht
Deferred tax assets:			
At 1 January 2018	2,184,602	7,395,147	9,579,749
(Charged)/credited to profit and loss	(188,892)	1,367,041	1,178,149
At 31 December 2018	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
	Temporary difference for depreciation Baht	Temporary difference for debenture issuance costs Baht	Total Baht
Deferred tax liabilities:			
At 1 January 2018	(988,575)	-	(988,575)
(Charged)/credited to profit and loss	325,315	(516,062)	(190,747)
At 31 December 2018	(663,260)	(516,062)	(1,179,322)
(Charged)/credited to profit and loss	95,720	222,511	318,231
At 31 December 2019	(567,540)	(293,551)	(861,091)

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13 Short-term borrowings from financial institutions

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

	2019	2018
	Baht	Baht
At 1 January	3,567,727,365	3,715,020,075
Additions	32,278,947,166	24,303,913,746
Repayments	(32,892,809,751)	(24,451,206,456)
At 31 December	2,953,864,780	3,567,727,365

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

	2019	2018
Short-term borrowings from financial institutions	1.55% - 2.10%	1.75% - 2.03%
Trust receipts	1.49% - 2.11%	1.75% - 1.85%

As at 31 December 2019, the short-term borrowings from financial institutions were unsecured and due within January to September 2020 (2018: January to March 2019) which normally, can be renewed. The Company has provided the Negative Pledge to the financial institutions.

14 Trade accounts payable and other payables

	2019	2018
	Baht	Baht
Trade accounts payable	48,396,410	160,394,047
Accrued expenses and other payables	127,157,498	129,673,211
Payable from construction in progress	8,327,124	42,457,211
Retention from construction	1,519,839	4,735,541
Withholding tax payable	1,830,668	2,204,615
Accrued interest expenses	11,640,118	11,698,321
Total	198,871,657	351,162,946

15 Debentures

	2019	2018
	Baht	Baht
Unsecured bond no. 1/2018	998,047,718	996,567,890
<u>Less</u> Current portion of debentures	(1,542,283)	(1,479,828)
Debenture payable over 1 year	996,505,435	995,088,062

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The movement in debentures during the year is as follows:

	2019 Baht	2018 Baht
At 1 January	996,567,890	-
Issuance of debentures	-	1,000,000,000
Amortisation of issuance costs	1,479,828	1,060,486
Deferred issuance costs	-	(4,492,596)
At 31 December	998,047,718	996,567,890

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	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Debentures	998,047,718	996,567,890	1,006,448,900	997,459,960

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.

16 Employee benefit obligations

	2019 Baht	2018 Baht
Statement of financial position:		
- Retirement benefits	61,829,112	43,810,941
Profit or loss charge included in operating profit for:		
- Retirement benefits	20,627,516	6,835,206
Remeasurement for:		
- Retirement benefits	(1,520,013)	-

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

	2019 Baht	2018 Baht
At 1 January	43,810,941	36,975,735
Current service cost	7,795,427	6,110,598
Past service cost	11,619,236	-
Interest cost	1,212,853	724,608
Remeasurement	(1,520,013)	-
Benefit payment	(1,089,332)	-
At 31 December	61,829,112	43,810,941

On 5 April 2019, an amendment bill to the Labour Protection Law was published in the Government Gazette. The main amendment was that the compensation for employees who have retired and have more than or equal to 20 years of service has changed from 300 day's pay to 400 day's pay. The Company recognised past service cost from the changes amounting to Baht 11.62 million as an expense in the statement of comprehensive income during the year.

In 2019, the Company engaged independent actuary to calculate its defined benefit obligation. The significant actuarial assumptions used were as follows:

	2019	2018
Discount rate	2.25% per annum	1.96% per annum
Future salary increase rate	5% per annum	5% per annum
Employee turnover rate	0% - 39% per annum	0% - 41% per annum

Sensitivity analysis for each significant assumption used is as follows:

Impact on defined benefit obligations as at 31 December 2019		
	Change in assumption %	Increase in obligations Baht
Discount rate	+1%	
	-1%	(3,191,522)
Future salary increase rate	+1%	3,592,403
	-1%	3,385,938
Employee turnover rate	+1%	(3,076,261)
	-1%	(3,500,635)
	-1%	2,038,297

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.

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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 2019 Retirement benefits	11,959,233	17,802,380	15,499,872	39,590,187	84,851,672

The weighted average duration of the defined benefit obligation is 23.15 years (2018: 21.95 years).

17 Share capital and premium on share capital

	Number of authorised shares	Issued and paid-up ordinary shares Baht	Premium on share capital Baht	Total Baht
At 1 January 2018	436,000,000	435,379,017	427,323,198	862,702,215
Issue of ordinary shares	-	-	-	-
At 31 December 2018	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 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.

18 Dividends

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.

At the Annual General Shareholders' Meeting held on 5 April 2018, the shareholders approved for the payment of dividends in respect of results of operations for the year 2017 of Baht 1.20 per share for 435,379,017 shares, totalling Baht 522.45 million. The dividends had been paid to the shareholders on 19 April 2018.

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19 Legal reserve

	2019 Baht	2018 Baht
At 1 January	43,600,000	43,600,000
Appropriation during the year	20,294,173	-
At 31 December	63,894,173	43,600,000

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.

20 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.

Sales classified by BOI promoted activities and non-BOI promoted activities for the year ended 31 December 2019 and 2018 are as follows;

	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
	2018		
	BOI promoted activities Baht	Non-BOI promoted activities Baht	Total Baht
Sales	9,268,367,391	8,101,620,433	17,369,987,824

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21 Other income

	2019 Baht	2018 Baht
Steel cutting service income	32,501,146	40,470,374
Transportation service income	10,370,202	6,657,903
Interest income	3,055,631	1,955,895
Others	521,215	830,595
Total	46,448,194	49,914,767

22 Expenses by nature

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

	2019 Baht	2018 Baht
Staff costs	444,709,651	394,616,785
Depreciation on property, plant and equipment (Note 10)	196,877,780	172,190,772
Amortisation of intangible assets (Note 11)	7,956,944	6,003,274
Selling and marketing expenses	200,175,303	193,980,921
Professional and consultant fees	10,956,035	3,921,239
Rental expenses	20,440,800	17,260,800

23 Income tax expense

	2019 Baht	2018 Baht
Current tax	46,625,967	52,506,275
Deferred tax (Note 12)	(3,364,474)	(987,402)
Total income tax expense	43,261,493	51,518,873

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:

	2019 Baht	2018 Baht
Profit before income tax	273,207,779	457,402,339
Tax calculated at a tax rate of 20% (2018: 20%)	54,641,556	91,480,468
Tax effect of:		
Income not subject to tax	(1,369,532)	(36,367,869)
Expenses not deductible for tax purpose	910,453	2,443,639
Expenses deductible at a greater amount	(10,920,984)	(6,037,365)
Tax charge	43,261,493	51,518,873

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The weighted average applicable tax rate was 16% (2018: 11%). According to Announcement of the Board of Investment no. 1/2557 regarding Measure to Promote Improvement of Production Efficiency, the Company is exempted 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 commencing from 2018 to 2020.

24 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.

	2019	2018
Profit attributable to shareholders (Baht)	229,946,286	405,883,466
Weighted average number of ordinary shares in issue during the year (Shares)	870,758,034	870,758,034
Basic earnings per share (Baht)	0.26	0.47

There are no potential dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

25 Contingent liabilities

Letters of guarantee

As at 31 December 2019, the Company had outstanding letters of guarantee amounting to Baht 74.84 million (2018: Baht 64.84 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 2019, the Company had outstanding letters of credits amounting to US Dollar 11.51 million in relation to purchases of goods (2018: 3.07 million, US Dollar 0.92 million and Yen 31.85 million in relation to purchases of goods and capitals).

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. Currently, the case is being considered by the Civil Court. The Civil Court schedule to investigating in July 2020. The Company's management and lawyer are viewing that the Company didn't breach the contract as alleged in the lawsuit. Also, the transaction made between the Company and the supplier was a general transaction. So, the Company didn't set aside a provision for losses resulting from the litigation.

26 Commitments

Operating leases

The future minimum lease payments under operating leases arising from the office equipment and vehicles as at 31 December were as follows:

	2019	2018
	Baht	Baht
Due within 1 year	23,346,800	8,260,500
Due over 1 year but less than 5 years	27,999,100	3,197,300
Total	51,345,900	11,457,800

Sales commitments

As at 31 December 2019, the Company had no outstanding commitments relating to the sales of goods (2018: Baht 2.50 million).

Purchase commitments

As at 31 December 2019, the Company had outstanding commitments relating to the purchases of goods with fixed buying prices of US Dollar 10.46 million (2018: Nil).

Capital commitments

As at 31 December 2019, 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 16.23 million and US Dollar 0.35 million (2018: Baht 51.01 million, US Dollar 2.40 million and Yen 31.85 million).

27 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 at Rama III road with 2 directors. The lease agreements are for a period of 3 years from 2016 until 2019, at an agreed price of Baht 2.40 million per year and from 2017 until 2020, at an agreed total 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

	2019 Baht	2018 Baht
Purchases of software programme	-	2,885,625
Computer system service expenses	157,500	22,500
Land and building rental expenses	5,400,000	5,400,000

As at 31 December 2019, the Company had no outstanding account payables to related parties (31 December 2018: Nil).

(b) Directors and managements' remuneration

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

For the years ended 31 December	2019 Baht	2018 Baht
Short-term benefits	45,080,750	52,751,500
Post-employee benefits	2,045,046	1,719,551
	47,125,796	54,471,051

28 Segment information

The Company does not present segment information. The Company's business operations are trading and including transform the structural steel, plates and sheets which are in the same product groups and its products are mainly sold in domestic market in Thailand.

29 Forward foreign exchange contracts

Forward foreign exchange contracts are entered into to manage exposure to fluctuations in foreign currency exchange rates on the purchase payments.

As at 31 December 2019, the Company had open forward foreign exchange contracts which have settlement dates in April 2020 (2018: in March to June 2019). The amounts to be received and contractual exchange rates of the outstanding contracts are:

	2019 Baht	2018 Baht
The amounts to be received		
USD 0.10 million (Baht 30.14 per Dollar)	3,014,000	-
USD 0.80 million (Baht 32.09 - 32.91 per Dollar)	-	26,079,200

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Net fair values of financial instruments as at the statements of financial position date are as follows:

	2019	2018
	Baht	Baht
Unfavourable forward foreign exchange contracts	(5,002)	(206,336)

The fair values of forward foreign exchange contracts have been calculated based on rates quoted by the Company's bankers to terminate the contracts as at 31 December. This is within level 2 of fair value hierarchy (Note 3.3).

30 Event after the financial statement date

At the Board of Directors' Meeting on 24 February 2020, it passed a resolution to propose the dividends payment in respect of results of operations for the year 2019 and retained earnings of Baht 0.30 per share for 870,758,034 shares, totalling Baht 261.23 million. However, it will be further proposed for the shareholders' approval in the Annual General Meeting of the Shareholders for fiscal year 2020.