

Varopakorn Public Company Limited
Report and financial statements
31 December 2020

Independent Auditor's Report

To the Shareholders of Varopakorn Public Company Limited

Opinion

I have audited the accompanying financial statements of Varopakorn Public Company Limited (the Company), which comprise the statement of financial position as at 31 December 2020, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. 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 as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

I draw attention to note 1.2 to the financial statements, the Coronavirus disease 2019 pandemic results in an economic slowdown and is adversely impacting most businesses and industries.

This situation significantly affects the Company's business activities in terms of manufacture and distribution of goods, and this is significantly impacting the Company's financial position, operating results, and cash flows at present, and is expected to do so in the future.

The Company's management has continuously monitored ongoing developments and assessed the financial impact in respect of the valuation of assets, provisions and contingent liabilities, and has used estimates and judgement in respect of various issues as the situation has evolved.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were 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 these matters.

I have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond for each matter are described below.

Sales

Revenue from sales is considered to be a significant account to the Company's financial statements because the amount recorded directly impact the Company's annual profit and loss.

In addition, volatility in the prices of the main raw materials for production and the competition in the rolled and sheet aluminium production industry, and this has directly affected the sales of the Company. I therefore focused on the recognition of sales income, especially timing of revenue recognition.

I have examined the revenue recognition of the Company by assessing and testing the Company's internal controls with respect to the revenue cycle by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls. On a sampling basis, I also examined supporting documents for sales transactions occurring during the year and expanded the scope of the testing for the sales transactions occurring near the end of the accounting period. In addition, I reviewed credit notes that the Company issued after the period-end and performed analytical review procedures on sales accounts.

Provision for diminution in value of inventory

Estimating the net realisable value of inventory, as disclosed in Note 10 to the financial statements, is an area requiring management judgment. In addition, the Company's inventories mainly consist of semi-finished aluminium products, and the key raw materials for these product is aluminium ingot, of which the price depends on global market prices. There is thus a risk with respect to the amount of the provision set aside for diminution in the value of inventory.

I assessed the method and the assumptions applied by management in determining such provision by gaining an understanding of the basis applied in determining the provision for diminution in value of inventory and reviewing the consistency of the application of that basis, comparing the inventory holding periods and inventory movements to identify product lines with indicators of lower than normal inventory turnover, and comparing net realisable values from sales transactions occurring after the date of the financial statements with the cost of inventory for each product line.

Other Information

Management is responsible for the other information. The other information comprise the information included in annual report of the Company, but does not include the financial statements and my auditor's report thereon. The annual report of the Company 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 do 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 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 of the Company, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible 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 Thai Standards on Auditing 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 Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism 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 management.
- Conclude on the appropriateness of management's 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 those charged with governance 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 those charged with governance 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 those charged with governance, 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.

I am responsible for the audit resulting in this independent auditor's report.

Sirirat Sricharoensup

Certified Public Accountant (Thailand) No. 5419

EY Office Limited

Bangkok: 25 February 2021

Varopakorn Public Company Limited**Statement of financial position****As at 31 December 2021**

		(Unit: Baht)	
	<u>Note</u>	<u>2021</u>	<u>2020</u>
Assets			
Current assets			
Cash and cash equivalents	7	10,129,688	6,335,930
Trade and other receivables	6, 8	513,938,446	286,929,726
Inventories	9	1,393,729,307	499,914,938
Derivatives assets	26.1	3,773,106	-
Other current assets	10	<u>167,292,642</u>	<u>48,206,547</u>
Total current assets		<u>2,088,863,189</u>	<u>841,387,141</u>
Non-current assets			
Property, plant and equipment	11	746,159,241	804,216,893
Intangible assets	12	1,632,713	2,585,263
Deferred tax assets	20	1,636,633	608,011
Other non-current assets		<u>849,500</u>	<u>909,500</u>
Total non-current assets		<u>750,278,087</u>	<u>808,319,667</u>
Total assets		<u><u>2,839,141,276</u></u>	<u><u>1,649,706,808</u></u>

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

Varopakorn Public Company Limited**Statement of financial position (continued)****As at 31 December 2021**

		(Unit: Baht)	
	<u>Note</u>	<u>2021</u>	<u>2020</u>
Liabilities and shareholders' equity			
Current liabilities			
Bank overdrafts and short-term loans from financial institutions	13	90,725,310	91,432,933
Accounts payable - trust receipts	13	1,171,364,648	434,846,506
Trade and other payables	6, 14	482,600,543	110,812,564
Current portion of long-term loans	15	33,540,000	33,540,000
Derivatives liabilities	26.1	-	6,090,676
Other current liabilities	16	<u>127,162,150</u>	<u>11,302,342</u>
Total current liabilities		<u>1,905,392,651</u>	<u>688,025,021</u>
Non-current liabilities			
Long-term loans, net of current portion	15	120,928,000	154,468,000
Provision for long-term employee benefits	17	30,077,952	28,321,563
Other non-current liabilities		<u>2,281,343</u>	<u>2,304,415</u>
Total non-current liabilities		<u>153,287,295</u>	<u>185,093,978</u>
Total liabilities		<u>2,058,679,946</u>	<u>873,118,999</u>

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

Varopakorn Public Company Limited
Statement of financial position (continued)
As at 31 December 2021

		(Unit: Baht)	
	<u>Note</u>	<u>2021</u>	<u>2020</u>
Shareholders' equity			
Share capital			
Registered			
100,000,000 ordinary shares of Baht 5 each		<u>500,000,000</u>	<u>500,000,000</u>
Issued and fully paid			
99,902,123 ordinary shares of Baht 5 each		499,510,615	499,510,615
Share premium		374,400,000	374,400,000
Retained earnings			
Appropriated - statutory reserve	18	50,000,000	50,000,000
Unappropriated (deficits)		<u>(143,449,285)</u>	<u>(147,322,806)</u>
Total shareholders' equity		<u>780,461,330</u>	<u>776,587,809</u>
Total liabilities and shareholders' equity		<u>2,839,141,276</u>	<u>1,649,706,808</u>
		-	-

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

Directors

Varopakorn Public Company Limited
Statement of comprehensive income
For the year ended 31 December 2021

		(Unit: Baht)	
	<u>Note</u>	<u>2021</u>	<u>2020</u>
Revenues			
Sales		2,575,822,823	1,020,356,936
Other income			
Gain on exchange		-	18,916,582
Gain on derivatives revaluation		3,773,106	-
Others		<u>7,953,336</u>	<u>6,942,874</u>
Total revenues		<u>2,587,549,265</u>	<u>1,046,216,392</u>
Expenses			
Cost of sales		2,458,696,412	1,095,847,180
Selling and distribution expenses		33,899,622	18,509,738
Administrative expenses		51,856,639	49,304,117
Loss on exchange		23,763,301	-
Loss on derivatives revaluation		<u>-</u>	<u>6,090,676</u>
Total expenses		<u>2,568,215,974</u>	<u>1,169,751,711</u>
Operating profit (loss)		19,333,291	(123,535,319)
Finance cost		<u>(16,488,392)</u>	<u>(13,995,797)</u>
Profit (loss) before income tax		2,844,899	(137,531,116)
Income tax (expense) benefit	20	<u>1,028,622</u>	<u>(674,514)</u>
Profit (loss) for the year		<u>3,873,521</u>	<u>(138,205,630)</u>
Other comprehensive income:			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Actuarial gain - net of income tax		<u>-</u>	<u>1,415,665</u>
Other comprehensive income for the year		<u>-</u>	<u>1,415,665</u>
Total comprehensive income for the year		<u><u>3,873,521</u></u>	<u><u>(136,789,965)</u></u>
Basic earnings per share			
Profit (loss) for the year	22	<u><u>0.04</u></u>	<u><u>(1.38)</u></u>

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

Varopakorn Public Company Limited

Statement of changes in shareholders' equity

For the year ended 31 December 2021

(Unit: Baht)

	Issued and paid-up		Retained earnings		Total
	share capital	Share premium	Appropriated - statutory reserve	Unappropriated (deficits)	
Balance as at 1 January 2020	499,510,615	374,400,000	50,000,000	(10,532,841)	913,377,774
Loss for the year	-	-	-	(138,205,630)	(138,205,630)
Other comprehensive income for the year	-	-	-	1,415,665	1,415,665
Total comprehensive income for the year	-	-	-	(136,789,965)	(136,789,965)
Balance as at 31 December 2020	<u>499,510,615</u>	<u>374,400,000</u>	<u>50,000,000</u>	<u>(147,322,806)</u>	<u>776,587,809</u>
					-
Balance as at 1 January 2021	499,510,615	374,400,000	50,000,000	(147,322,806)	776,587,809
Profit for the year	-	-	-	3,873,521	3,873,521
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	3,873,521	3,873,521
Balance as at 31 December 2021	<u>499,510,615</u>	<u>374,400,000</u>	<u>50,000,000</u>	<u>(143,449,285)</u>	<u>780,461,330</u>
					-

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

Varopakorn Public Company Limited**Cash flow statements****For the year ended 31 December 2021**

	(Unit: Baht)	
	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Profit (loss) before tax	2,844,899	(137,531,116)
Adjustments to reconcile profit (loss) before tax to net cash provided by (paid from) operating activities		
Depreciation and amortisation	99,576,375	99,526,986
Reduction of inventory cost to net realisable value	426,038	2,264,932
Loss (gain) on disposal/write-off of machinery and equipment	(183,545)	588,693
Unrealised exchange (gain) loss	7,766,264	(8,178,071)
Loss (gain) on derivatives revaluation	(3,773,106)	6,090,676
Income from government grant	(453,071)	(412,944)
Finance cost	16,488,392	13,995,797
Provision for long-term employee benefits	<u>2,582,156</u>	<u>4,253,549</u>
Profit (loss) from operating activities before changes in operating assets and liabilities	125,274,402	(19,401,498)
Operating assets (increase) decrease		
Trade and other receivables	(226,710,445)	22,868,603
Inventories	(899,706,228)	(38,089,701)
Other current assets	(119,086,095)	(2,695,881)
Other non-current assets	60,000	250,000
Operating liabilities increase (decrease)		
Trade and other payables	371,228,951	57,746,195
Other current liabilities	109,769,132	6,455,488
Other non-current liabilities	<u>(395,768)</u>	<u>(8,333,121)</u>
Cash flows from (used in) operating activities	(639,566,051)	18,800,085
Cash paid for interest expenses	<u>(16,508,430)</u>	<u>(14,244,245)</u>
Net cash flows from (used in) operating activities	<u>(656,074,481)</u>	<u>4,555,840</u>

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

Varopakorn Public Company Limited**Cash flow statements (continued)****For the year ended 31 December 2021**

	(Unit: Baht)	
	<u>2021</u>	<u>2020</u>
Cash flows from investing activities		
Acquisition of machinery and equipment	(35,276,437)	(12,909,255)
Acquisition of intangible assets	(150,000)	(353,875)
Proceeds from sales of machinery and equipment	<u>509,631</u>	<u>958,878</u>
Net cash flows used in investing activities	<u>(34,916,806)</u>	<u>(12,304,252)</u>
Cash flows from financing activities		
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	(707,623)	58,189,119
Increase (decrease) in accounts payable - trust receipts	729,032,668	(23,383,710)
Repayment of long-term loans	<u>(33,540,000)</u>	<u>(25,880,000)</u>
Net cash flows from financing activities	<u>694,785,045</u>	<u>8,925,409</u>
Net increase in cash and cash equivalents	3,793,758	1,176,997
Cash and cash equivalents at beginning of year	<u>6,335,930</u>	<u>5,158,933</u>
Cash and cash equivalents at end of year	<u><u>10,129,688</u></u>	<u><u>6,335,930</u></u>
	-	-
Supplemental cash flows information		
Non-cash items		
Increase in account payable from purchases of machinery and equipment	-	1,706,422

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

Varopakorn Public Company Limited
Notes to financial statements
For the year ended 31 December 2020

1. General information

1.1 General information of the Company

Varopakorn Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the manufacture and distribution of semi-finished aluminium products and its registered address is 181 Soi Amorn, Nanglinchee Road, Yannawa, Bangkok. Its factory is located at 280 Moo 4, Sukhumvit Road Km.41.5, Tumbol Bangpoo-Mai, Amphur Muang, Samuthprakarn.

1.2 Coronavirus disease 2019 Pandemic

The Coronavirus disease 2019 pandemic results in an economic slowdown and is adversely impacting most businesses and industries. This situation significantly affects the Company’s business activities in terms of manufacture and distribution of goods, and this is significantly impacting the Company’s financial position, operating results, and cash flows at present, and is expected to do so in the future. The Company’s management has continuously monitored ongoing developments and assessed the financial impact in respect of the valuation of assets, provisions and contingent liabilities, and has used estimates and judgement in respect of various issues as the situation has evolved.

2. Basis of preparation

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development, issued under the Accounting Act B.E. 2543.

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

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

3. New financial reporting standards

a) Financial reporting standards that became effective in the current period

During the year, the Company has adopted the revised (revised 2019) and new financial reporting standards and interpretations which are effective for fiscal years beginning on or after 1 January 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. The adoption of these financial reporting standards does not have any significant impact on the Company's financial statements. However, the new standard involves changes to key principles, which are summarised below:

Financial reporting standards related to financial instruments

A set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. They also include stipulations regarding the presentation and disclosure of financial instruments.

These standards do not have any significant impact on the Company's financial statements. The classification and measurement of financial instruments in the statement of financial position as at 1 January 2020 in accordance with these TFRSs are described in Note 4.

TFRS 16 Leases

TFRS 16 supersedes TAS 17, Leases, together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases.

This standard does not have any significant impact on the Company's financial statements.

Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the COVID-19 Pandemic

The Federation of Accounting Professions announced Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the COVID-19 Pandemic. Its objectives are to alleviate some of the impacts of applying certain financial reporting standards, and to provide clarification about accounting treatments during the period of uncertainty relating to this situation.

On 22 April 2020, the Accounting Treatment Guidance was announced in the Royal Gazette and it is effective for the financial statements prepared for reporting periods ending between 1 January 2020 and 31 December 2020.

During the period from the first quarter to the third quarter of 2020, the Company elected to apply the temporary relief measures on accounting alternatives relating to measurement of expected credit losses using a simplified approach, impairment of assets, and reversal of deferred tax assets.

In the fourth quarter of 2020, the Company has assessed the financial impacts of the uncertainties of the COVID-19 Pandemic on the valuation of assets, provisions and contingent liabilities. As a result, in preparing the financial statements for the year ended 31 December 2020, the Company has decided to discontinue application of all temporary relief measures on accounting alternatives with no significant impact on the Company's financial statements.

b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2021

The Federation of Accounting Professions issued a number of revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2021. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The management of the Company is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

4. Changes in accounting policies due to the adoption of new financial reporting standards

As described in Note 3 to the financial statements, during the current year, the Company has adopted the set of financial reporting standards related to financial instruments. The adoptions of these standards do not have any impact on the retained earnings as at 1 January 2020.

As at 1 January 2020, classification and measurement of financial assets and liabilities required by TFRS 9, in comparison with classification and the former carrying amounts, are as follows:

(Unit: Thousand Baht)

	The former carrying amounts	Classification and measurement in accordance with TFRS 9		
		Fair value through		
		profit or loss	Amortised cost	Total
Financial assets as at				
1 January 2020				
Cash and cash equivalents	5,159	-	5,159	5,159
Trade and other receivables	310,113	-	310,113	310,113
Total financial assets	315,272	-	315,272	315,272
Financial liabilities as at				
1 January 2020				
Bank overdrafts and short-term loans from financial institutions	33,244	-	33,244	33,244
Accounts payable - trust receipts	462,984	-	462,984	462,984
Trade and other payables	51,627	-	51,627	51,627
Long-term loans	213,888	-	213,888	213,888
Derivatives liabilities	3,721	3,721	-	3,721
Total financial liabilities	765,464	3,721	761,743	765,464

5. Significant accounting policies

5.1 Revenue and expense recognition

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Revenue is measured at the amount of the consideration received or receivable, excluding value added tax, of goods supplied after deducting returns, discounts, allowances and price promotions to customers.

Finance cost

Interest expense from financial liabilities at amortised cost is calculated using the effective interest method and recognised on an accrual basis.

5.2 Government grants

Government grants is recognised where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants relating to specific expenses is deferred and recognised in profit or loss on a systematic basis over the periods in which the Company recognise as expenses the related costs for which the grants are intended to compensate. Government grants related to assets is recognised as deferred income and then recognised in profit or loss over the useful life of the asset.

5.3 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

5.4 Inventories

Finished goods and work in process are valued at the lower of cost (first-in, first-out basis and average cost basis) and net realisable value. Such cost includes all production costs and attributable factory overheads.

Raw materials, factory supplies and spare parts are valued at the lower of cost (first-in, first-out basis) and net realisable value and are charged to production costs whenever consumed.

5.5 Property, plant and equipment / Depreciation

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation of buildings and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives.

Factory buildings	-	20	years
Machinery and factory equipment	-	10 - 20	years
Furniture and office equipment	-	3 - 5	years
Motor vehicles	-	10	years

Depreciation is included in determining income.

No depreciation is provided on land and construction in progress and machinery under installation.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

5.6 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

5.7 Intangible assets

Intangible assets are recognised at cost. Following the initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

The intangible assets with finite useful lives are listed below.

	<u>Estimated useful lives</u>	
Royalty fee	10	years
Computer software	10	years

5.8 Related party transactions

Related parties comprise individuals or enterprises that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies, and individuals or enterprises which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

5.9 Leases

At inception of contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

5.9.1 The Company as a lessee

Accounting policies adopted since 1 January 2020

The Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. At the commencement date of the lease (i.e. the date the underlying asset is available for use), the Company recognises right-of-use assets representing the right to use underlying assets and lease liabilities based on lease payments.

Short-term leases and leases of low-value assets

A lease that has a lease term less than or equal to 12 months from commencement date or a lease of low-value assets is recognised as expenses on a straight-line basis over the lease term.

Accounting policies adopted before 1 January 2020

Leases of machinery and motor vehicles which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, while the interest element is charged to profit or loss over the lease period. The asset acquired under finance leases is depreciated over the useful life of the asset.

Leases of property, plant or equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

5.10 Foreign currencies

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

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

5.11 Impairment of non-financial assets

At the end of each reporting period, the Company performs impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in profit or loss.

5.12 Employee benefits

Short-term employee benefits

Salaries, wages, bonuses, contributions to the social security fund and other benefits are recognised as expenses when incurred.

Post-employment benefits (Defined benefit plans)

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law and other employee benefit plan. The Company treats these severance payment obligations as a defined benefit plan. In addition, the Company provides other long-term employee benefit plan, namely long service awards.

The obligation under the defined benefit plan and other long-term employee benefit plans is determined by a professionally qualified independent actuary, using the projected unit credit method.

Actuarial gains and losses arising from defined benefit plans are recognised immediately in other comprehensive income.

Actuarial gains and losses arising from other long-term benefits are recognised immediately in profit and loss.

5.13 Income tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

Current tax

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

Deferred tax

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company recognises deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

5.14 Financial instruments

Accounting policies adopted since 1 January 2020

The Company initially measures financial assets at its fair value plus, in the case of financial assets that are not measured at fair value through profit or loss, transaction costs. However, trade receivables, that do not contain a significant financing component are measured at the transaction price as disclosed in the accounting policy relating to revenue recognition

Classification and measurement of financial assets

Except for derivative assets, financial assets are classified, at initial recognition, as to be subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit or loss ("FVTPL"). The classification of financial assets at initial recognition is driven by the Company's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

Financial assets at amortised cost

The Company measures financial assets at amortised cost if the financial asset is held in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (“EIR”) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Classification and measurement of financial liabilities

Except for derivative liabilities, at initial recognition the Company’s financial liabilities are recognised at fair value net of transaction costs and classified as liabilities to be subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. In determining amortised cost, the Company takes into account any fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in profit or loss.

Derecognition of financial instruments

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired or have been transferred and either the Company has transferred substantially all the risks and rewards of the asset, or the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Impairment of financial assets

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. It is based on its historical credit loss experience and adjusted for forward-looking factors specific to the debtors and the economic environment.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Accounting policies adopted before 1 January 2020

Trade accounts receivable

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debt aging.

5.15 Derivatives

The Company uses derivatives, forward currency contracts, to hedge its foreign currency risks.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The subsequent changes are recognised in profit or loss. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Derivatives are presented as non-current assets or non-current liabilities if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

5.16 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company applies a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company measures fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company determines whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

5.17 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

6. Significant accounting judgements and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures and actual results could differ from these estimates. Significant judgements and estimates are as follows:

Net realisable value of inventories

The management uses judgement to estimate the net realisable value of inventories taking into consideration the fluctuation of price or cost directly relating to events occurring after the reporting date.

Property, plant and equipment/Depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the Company's plant and equipment and to review estimate 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 in the period 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.

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.

Post-employment benefits under defined benefit plans

The obligation under the defined benefit plan and other long-term employee benefit plans is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

Fair value of financial instruments

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercise judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk, liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value recognised in the statement of financial position and disclosures of fair value hierarchy.

7. Related party transactions

During the years, the Company had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

			(Unit: Million Baht)
<u>Transactions with related companies</u>	<u>2020</u>	<u>2019</u>	<u>Pricing policy</u>
Sales of goods	498	704	Cost plus margin
Purchases of raw material	9	11	At an agreed price
Technical assistance fee	3	7	As per agreement
Office rental	-	1	At an agreed price

On 27 December 2006, the Company entered into a 10-year distribution agreement with related companies for the distribution of products to Japanese customers. Commercial terms are as stipulated in the agreement. In addition, the Company entered into a technical assistance agreement with Mitsubishi Aluminum Company Limited (a shareholder of the Company), as discussed in Note 24.2 to the financial statements. Subsequently, on 27 January 2017, the Company entered into a new distribution agreement and a new technical assistance agreement with such counterparties for a period of 5 years. The commercial terms are as stipulated in those agreements.

The balances of the accounts as at 31 December 2020 and 2019 between the Company and those related parties are as follows:

	(Unit: Thousand Baht)	
	<u>2020</u>	<u>2019</u>
Trade and other receivables - related parties (Note 9)		
Related companies (related by shareholders)	162,803	160,308
Related companies (related by directors)	-	2,619
Total trade and other receivables - related parties	<u>162,803</u>	<u>162,927</u>
Trade and other payables - related parties (Note 15)		
Related companies (related by shareholders)	245	722
Related companies (related by directors)	339	130
Total trade and other payables - related parties	<u>584</u>	<u>852</u>

Directors and management's benefits

During the years ended 31 December 2020 and 2019, the Company had employee benefit expenses of their directors and management as below.

	(Unit: Million Baht)	
	<u>2020</u>	<u>2019</u>
Short-term employee benefits	9	15
Post-employment benefits	5	4
Total	<u>14</u>	<u>19</u>

8. Cash and cash equivalents

	(Unit: Thousand Baht)	
	<u>2020</u>	<u>2019</u>
Cash	191	177
Bank deposits	6,145	4,982
Total	<u>6,336</u>	<u>5,159</u>

As at 31 December 2020, bank deposits in saving accounts carried interests between 0.125 and 0.250 percent per annum (2019: between 0.125 and 0.625 percent per annum).

9. Trade and other receivables

The balances of trade accounts receivable as at 31 December 2020 and 2019, aged on the basis of due dates, are summarised below.

	(Unit: Thousand Baht)	
	<u>2020</u>	<u>2019</u>
<u>Trade receivables - related parties</u>		
Aged on the basis of due dates		
Not yet due	100,171	104,956
Past due		
Up to 3 months	62,632	57,971
Total trade receivables - related parties, net	<u>162,803</u>	<u>162,927</u>
<u>Trade receivables - unrelated parties</u>		
Aged on the basis of due dates		
Not yet due	106,786	91,293
Past due		
Up to 3 months	17,328	55,880
Over 12 months	1,437	1,437
Total	<u>125,551</u>	<u>148,610</u>
Less: Allowance for expected credit losses		
(2019: Allowance for doubtful accounts)	<u>(1,437)</u>	<u>(1,437)</u>
Total trade receivables - unrelated parties, net	<u>124,114</u>	<u>147,173</u>
Total trade receivables - net	<u>286,917</u>	<u>310,100</u>
<u>Other receivables</u>		
Other receivables - unrelated party	<u>13</u>	<u>13</u>
Total other receivables	<u>13</u>	<u>13</u>
Total trade and other receivables - net	<u>286,930</u>	<u>310,113</u>

10. Inventories

(Unit: Thousand Baht)

	Cost		Reduce cost to net realisable value		Inventories - net	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Finished goods	76,815	76,321	(2,503)	(2,618)	74,312	73,703
Work in process	184,697	197,342	-	-	184,697	197,342
Raw materials	92,189	99,104	(1,408)	-	90,781	99,104
Spare parts and factory supplies	95,142	92,154	(14,893)	(14,893)	80,249	77,261
Goods in transit	<u>70,929</u>	<u>20,416</u>	<u>(1,053)</u>	<u>(81)</u>	<u>69,876</u>	<u>20,335</u>
Total	<u>519,772</u>	<u>485,337</u>	<u>(19,857)</u>	<u>(17,592)</u>	<u>499,915</u>	<u>467,745</u>

During the current year, the Company reduced cost of inventories by Baht 2 million (2019: none), to reflect the net realisable value. This was included in cost of sales. In addition, in 2019 the Company reversed the write-down of cost of inventories by Baht 14 million and reduced the amount of inventories recognised as expenses during the year 2019.

11. Other current assets

(Unit: Thousand Baht)

	<u>2020</u>	<u>2019</u>
Input tax refundable	37,293	35,569
Deposit payment for goods	1,153	1,377
Others	<u>9,761</u>	<u>8,565</u>
Total other current assets	<u>48,207</u>	<u>45,511</u>

12. Property, plant and equipment

(Unit: Thousand Baht)

	Land	Factory buildings	Machinery and factory equipment	Furniture and office equipment	Motor vehicles	Construction in progress and machinery under installation	Total
Cost:							
1 January 2019	40,312	159,731	2,597,931	22,571	26,179	50,999	2,897,723
Additions	-	-	4,093	2,112	-	151,575	157,780
Transfers	-	1,525	41,452	823	-	(43,800)	-
Disposal / Write off	-	-	(3,981)	-	-	(1,698)	(5,679)
31 December 2019	40,312	161,256	2,639,495	25,506	26,179	157,076	3,049,824
Additions	-	-	1,872	694	-	12,100	14,666
Transfers	-	605	-	-	-	(605)	-
Disposal / Write off	-	-	(123,173)	-	(7,461)	-	(130,634)
31 December 2020	40,312	161,861	2,518,194	26,200	18,718	168,571	2,933,856
Accumulated depreciation:							
1 January 2019	-	121,901	1,905,745	18,722	23,494	-	2,069,862
Depreciation for the year	-	3,834	90,870	1,853	1,469	-	98,026
Depreciation for disposal / write off	-	-	(3,906)	-	-	-	(3,906)
31 December 2019	-	125,735	1,992,709	20,575	24,963	-	2,163,982
Depreciation for the year	-	3,889	88,374	1,980	500	-	94,743
Depreciation for disposal / write off	-	-	(121,625)	-	(7,461)	-	(129,086)
31 December 2020	-	129,624	1,959,458	22,555	18,002	-	2,129,639
Net book value:							
As at 31 December 2019	40,312	35,521	646,786	4,931	1,216	157,076	885,842
As at 31 December 2020	40,312	32,237	558,736	3,645	716	168,571	804,217
Depreciation for the year							
2019 (Baht 95 million included in manufacturing cost, and the balance in selling and administrative expenses)							98,026
2020 (Baht 92 million included in manufacturing cost, and the balance in selling and administrative expenses)							94,743

As at 31 December 2020, certain items of building, machinery and equipment items have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 1,071 million (2019: Baht 1,125 million).

The Company has mortgaged land with structures thereon and part of its machinery, with a total net book value as at 31 December 2020 amounting to approximately Baht 364 million (2019: Baht 389 million) to secure short-term loans, long-term loans and credit facilities from financial institutions.

13. Intangible assets

The net book value of intangible assets as at 31 December 2020 and 2019 is presented below.

(Unit: Thousand Baht)

	Royalty fee	Computer software	Total
As at 31 December 2020			
Cost	7,735	5,467	13,202
Less: Accumulated amortisation	(6,277)	(4,340)	(10,617)
Net book value	<u>1,458</u>	<u>1,127</u>	<u>2,585</u>
As at 31 December 2019			
Cost	7,735	5,114	12,849
Less: Accumulated amortisation	(5,504)	(3,984)	(9,488)
Net book value	<u>2,231</u>	<u>1,130</u>	<u>3,361</u>

A reconciliation of the net book value of intangible assets for the years 2020 and 2019 is presented below.

(Unit: Thousand Baht)

	<u>2020</u>	<u>2019</u>
Net book value at beginning of year	3,361	4,091
Acquisition of computer software	354	555
Amortisation	(1,130)	(1,285)
Net book value at end of year	<u>2,585</u>	<u>3,361</u>

14. Bank overdrafts and short-term loans from financial institutions / accounts payable - trust receipts

(Unit: Thousand Baht)

	<u>2020</u>	<u>2019</u>
Bank overdrafts	1,433	3,244
Short-term loans from financial institutions	90,000	30,000
Total	<u>91,433</u>	<u>33,244</u>

Bank overdrafts carry interest at the rate of MOR or market rates per annum. Short-term loans from financial institutions carry interest at 2.1 and 3.1 percent per annum. Accounts payable - trust receipts carry interest at the rate of LIBOR / SIBOR plus a fixed rate or market rates per annum.

Credit facilities obtained from financial institutions are secured by the mortgage of the Company's land with structures thereon and part of its machinery, as discussed in Note 12 to the financial statements.

15. Trade and other payables

(Unit: Thousand Baht)

	<u>2020</u>	<u>2019</u>
Trade payables - related parties	339	130
Trade payables - unrelated parties	72,724	17,264
Other payables - related parties	245	722
Other payables - unrelated parties	9,566	8,008
Other payables for purchase of machineries	10,792	14,117
Accrued expenses	17,147	11,386
Total trade and other payables	<u>110,813</u>	<u>51,627</u>

16. Long-term loans

(Unit: Thousand Baht)

Loan	Interest rate (%)	Repayment schedule	2020	2019
1	3M THBFIX +1.75%	Monthly installments of Baht 0.6 million commencing from September 2014 within 72 months	-	2,950
2	3M THBFIX +1.75%	Monthly installments of Baht 0.3 million commencing from October 2014 within 72 months	-	1,990
3	MLR - 2.25%	Monthly installments of Baht 0.7 million commencing from February 2019 within 72 months	25,608	33,948
4	3M THBFIX +1.85%	Monthly installments of Baht 2.1 million commencing from July 2020 within 84 months	162,400	175,000
Total			188,008	213,888
Less: Current portion			(33,540)	(25,880)
Long-term loans, net of current portion			154,468	188,008

Long-term loans are secured by the mortgage of the Company's land and part of its machinery as discussed in Note 12 to the financial statements.

The loan agreements mentioned above contain certain covenants as specified in the agreements that, among other things, require the Company to maintain debt to equity, debt service coverage ratio, and interest coverage ratio according to the specified ratio prescribed in the agreements.

As at 31 December 2020 and 2019, the Company could not maintain debt service coverage ratio and interest coverage ratio as required in such loan agreements. However, the Company has already received the waive letter for the covenants from the Bank, hence; there is no reclassification of the outstanding balance of such long-term loans as at 31 December 2020 and 2019.

17. Provision for long-term employee benefits

Provision for long-term employee benefits, which represents compensation payable to employee after they retire from the Company and other employee benefit plan, was as follows:

	(Unit: Thousand Baht)	
	<u>2020</u>	<u>2019</u>
Provision for long-term employee benefits at beginning of year	34,171	29,249
Included in profit or loss:		
Current service cost	2,316	2,377
Interest cost	145	695
Past service costs and losses on settlement	1,793	7,280
Included in other comprehensive income:		
Actuarial (gain) loss arising from		
Demographic assumptions changes	(387)	(2,259)
Financial assumptions changes	1,047	781
Experience adjustments	(2,430)	(1,073)
Benefits paid during the year	<u>(8,333)</u>	<u>(2,879)</u>
Provision for long-term employee benefits at end of year	<u><u>28,322</u></u>	<u><u>34,171</u></u>

The Company expects to pay Baht 1 million of long-term employee benefits during the next year (2019: Baht 3 million).

As at 31 December 2020, the weighted average duration of the liabilities for long-term employee benefit is 4 years (2019: 4 years).

Significant actuarial assumptions are summarised below:

	<u>2020</u>	<u>2019</u>
	(% per annum)	(% per annum)
Discount rate	0.56	1.25
Salary increase rate	3.00	3.00
Turnover rate	0.00 - 50.00	0.00 - 58.00

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2020 and 2019 are summarised below:

	(Unit: Million Baht)			
	2020		2019	
	<u>Increase 1%</u>	<u>Decrease 1%</u>	<u>Increase 1%</u>	<u>Decrease 1%</u>
Discount rate	(1)	1	(1)	1
Salary increase rate	1	(1)	1	(1)
Turnover rate	(1)	1	(1)	1

18. Statutory reserve

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

19. Expenses by nature

Significant expenses classified by nature are as follows:

	(Unit: Thousand Baht)	
	<u>2020</u>	<u>2019</u>
Salary and wages and other employee benefits	108,045	143,595
Depreciation	94,743	98,026
Amortisation expenses	4,784	6,074
Repairs and maintenance expenses	31,502	49,509
Electricity and fuel	117,295	132,319
Raw materials and consumables used	793,444	1,118,872
Changes in inventories of finished goods and work in process	12,151	142,022

20. Income tax

Income tax expenses for the years ended 31 December 2020 and 2019 are made up as follows:

	(Unit: Thousand Baht)	
	<u>2020</u>	<u>2019</u>
Current income tax:		
Current income tax charge	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	674	(1,015)
Income tax expense (benefit) reported in the statements of comprehensive income	<u>674</u>	<u>(1,015)</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2020 and 2019 are as follows:

	(Unit: Thousand Baht)	
	<u>2020</u>	<u>2019</u>
Deferred tax on actuarial gains and losses	354	510

The reconciliation between accounting loss and income tax expenses (benefit) is shown below.

	(Unit: Thousand Baht)	
	<u>2020</u>	<u>2019</u>
Accounting loss before tax	(137,531)	(149,883)
Applicable tax rate	20%	20%
Accounting loss before tax multiplied by income tax rate	(27,506)	(29,977)
Previously recognised deferred tax assets which were unusable during the year	1,284	-
Effects of:		
Non-deductible expenses	925	366
Additional expense deductions allowed	(48)	(128)
Tax losses unrecognised as deferred tax	26,019	28,945
Others	-	(221)
Total	26,896	28,962
Income tax expense (benefit) reported in the statements of comprehensive income	674	(1,015)

The components of deferred tax assets and deferred tax liabilities are as follows:

	(Unit: Thousand Baht)	
	<u>2020</u>	<u>2019</u>
Deferred tax assets		
Allowance for expected credit losses (2019: Allowance for doubtful accounts)	287	287
Allowance for diminution in value of inventories	2,978	3,519
Deferred Income from government	461	543
Provision for long-term employee benefits	5,665	6,834
Derivative liabilities	-	744
Total	9,391	11,927
Deferred tax liabilities		
Financial leases	8,783	10,291
Total	8,783	10,291
Deferred tax assets - net	608	1,636

As at 31 December 2020 the Company has unused tax losses totaling Baht 274 million (2019: Baht 164 million), on which deferred tax assets have not been recognised as the Company believes that future taxable profits may not be sufficient to allow utilisation of unused tax losses. The unused tax losses will expire by 2024 and 2025.

21. Promotional privileges

The Company has received promotional privileges from the Board of Investment for the manufacture of aluminium sheet product and aluminium rolled product, pursuant to the investment promotion certificate No. 61-0139-1-00-1-0 issued on 3 January 2018. Subject to certain imposed conditions, the privileges include an exemption of import duty on imported machinery and raw materials and an exemption of corporate income tax from such promoted operations, totaling not over 100 percent of the investment amount, excluding the cost of land and working capital, for a period of 3 years from the date the promoted operations commenced generating revenues (not yet commenced operation).

22. Basic earnings per share

Basic earnings per share is calculated by dividing the profit (loss) for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.

The following table sets forth the computation of basic earnings per share:

	<u>2020</u>	<u>2019</u>
Loss for the year (Thousand Baht)	(138,206)	(148,868)
Weighted average number of ordinary shares (shares)	99,902,123	99,902,123
Loss per share (Baht per share)	(1.38)	(1.49)

23. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance. The chief operating decision maker has been identified as Chairman of the Board.

The Company is principally engaged in the manufacture and distribution of semi-finished aluminium products. Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss and total assets in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment.

Geographic information

Revenue from external customers is based on locations of the customers.

	(Unit: Million Baht)	
	<u>2020</u>	<u>2019</u>
Revenue from external customers		
Thailand	696	1,008
Asia	290	494
Oceania	34	67
Total	<u>1,020</u>	<u>1,569</u>

Major customers

For the year 2020, the Company has revenue derived from 1 major customer in amount of Baht 498 million (2019: revenue derived from 1 major customers in amount of Baht 691 million).

24. Commitments and contingent liabilities

24.1 Capital and purchase of raw material commitments

As at 31 December 2020, the Company had capital and purchase of raw material commitments of approximately USD 8.8 million and Baht 0.5 million, relating to the purchases of machinery, equipment and raw material (2019: USD 4.7 million, Baht 1.9 million and JPY 1.2 million).

24.2 Technical assistance commitments

On 27 December 2006, the Company entered into a 10-year technical assistance agreement with Mitsubishi Aluminum Company Limited (a shareholder of the Company), whereby it is to receive knowledge transfer in respect of production techniques for improvement of the efficiency and quality of production, including the manufacture of new products. Subsequently, on 27 January 2017, the Company entered into a new technical assistance agreement for a period of 5 years.

Under the agreement dated 27 January 2017, the Company is to pay remuneration as follows:

- a. A fixed monthly royalty of Baht 0.5 million for the provision of two engineers, excluding their salaries and other benefits.
- b. A running royalty of 1.0% - 6.0% of net sales of new fin stock for heat exchangers products less costs of aluminum ingot and related procurement costs. This running royalty fee is paid semiannually.

24.3 Guarantees

As at 31 December 2020, there were outstanding bank guarantees of approximately Baht 9.8 million issued by the banks on behalf of the Company to guarantee electricity use (2019: Baht 9.8 million) and outstanding bank guarantee of approximately Baht 18.4 million issued by the bank on behalf of tax refund that received before the completion of tax examination (2019: Baht 19.4 million).

25. Dividend paid

Dividends	Approved by	Total dividends (Thousand Baht)	Dividend per share (Baht)
Final dividends for 2018	Annual General Meeting of the shareholders on 26 April 2019	16,983	0.17

26. Fair value hierarchy

As at 31 December 2020 and 2019, the Company had the liabilities that were measured at fair value using different levels of inputs as follows:

(Unit: Million Baht)

	2020			
	Level 1	Level 2	Level 3	Total
Liabilities measured at fair value				
Derivatives				
Foreign currency forward contracts	-	6.1	-	6.1
	2019			
	Level 1	Level 2	Level 3	Total
Liabilities measured at fair value				
Derivatives				
Foreign currency forward contracts	-	3.7	-	3.7

27. Financial instruments

27.1 Derivatives

	(Unit: Thousand Baht)	
	<u>2020</u>	<u>2019</u>
Derivative liabilities		
Derivatives liabilities not designated as hedging instruments		
Foreign exchange forward contracts	<u>6.1</u>	<u>3.7</u>
Total derivative liabilities	<u><u>6.1</u></u>	<u><u>3.7</u></u>

Derivatives not designated as hedging instruments

The Company uses foreign exchange forward contracts to manage some of its transaction exposures. The contracts are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from 1 to 12 months.

27.2 Financial risk management objectives and policies

The Company's financial instruments principally comprise cash and cash equivalents, trade and other receivables, bank overdrafts and short-term loans from financial institutions, accounts payable - trust receipts, trade and other payables, derivatives liabilities and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company is exposed to credit risk primarily with respect to trade accounts receivable and deposits with banks and financial institutions. the maximum exposure to credit risk is limited to the carrying amounts as stated in the statement of financial position.

Trade and other receivables

The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. Outstanding trade receivables are regularly monitored and sales to some oversea customers are required to pay a partial advance payment.

An impairment analysis is performed at each reporting date to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar credit risks. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial instruments and cash deposits

The Company manages the credit risk from balances with banks and financial institutions by making investments only with approved major counterparties to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The credit risk on derivatives is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Market risk

There are two types of market risk comprising currency risk and interest rate risk. The Company's risk management policy is disclosed in the foreign currency risk and interest rate risk topic, respectively.

Foreign currency risk

The Company's exposure to the foreign currency risk relates primarily to its trading transactions that are denominated in foreign currencies. The Company seeks to reduce this risk by entering into foreign exchange forward contracts when it considers appropriate. Generally, the forward contracts mature within one year.

As at 31 December 2020 and 2019, The balances of financial assets and liabilities denominated in foreign currencies are summarised below.

Foreign currency	Financial assets		Financial liabilities		Average exchange rate	
	2020	2019	2020	2019	2020	2019
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	2	5	13	16	30.0371	30.1540

To manage the foreign currency risk exposure arising on the import of goods, the Company entered into foreign exchange forward contracts as summarised below.

As at 31 December	Foreign currency	Bought amount	Contractual exchange rate	Contractual maturity date
		(Million)	(Baht per 1 foreign currency unit)	
2020	US dollar	6	30.0400 - 31.4375	February 2021 - July 2021
2019	US dollar	15	30.1700 - 30.6950	February 2020 - June 2020

Foreign currency sensitivity

The following tables demonstrate the sensitivity of the Company's loss before tax to a reasonably possible change in US dollar exchange rate, with all other variables held constant. The impact on the Company's loss before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives as at 31 December 2020. The Company's exposure to foreign currency changes for all other currencies is not material.

Currency	Change in FX rate	Loss before tax increase (decrease)
	(%)	(Thousand Baht)
US dollar	+1	1,491
	- 1	(1,491)

Interest rate risk

The Company's exposure to interest rate risk relates primarily to its cash at banks, bank short-term loans from financial institutions, accounts payable - trust receipts, and long-term loans. Most of the Company's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate.

The details of bank overdrafts and short-term loans from financial institutions / accounts payable - trust receipts and long-term loans as at 31 December 2020 and 2019 are set out in Notes to the financial statements No.14 and 16, respectively.

Interest rate sensitivity

The following table demonstrates the sensitivity of the Company's loss before tax to a reasonably possible change in interest rates on that portion of floating rate loans from affected as at 31 December 2020.

Currency	Increase/decrease	Loss before tax increase (decrease)
	(%)	(Thousand Baht)
Baht	+1	1,880
	-1	(1,880)

The above analysis has been prepared assuming that the amounts of long-term loans including all other variables remain constant over one year. Moreover, the floating legs of long-term loans are assumed to not yet have set interest rates. As a result, a change in interest rates affects interest payable for the full 12-month period of the sensitivity calculation.

Liquidity risk

The Company has monitored liquidity risk through the use of bank overdrafts, loans from financial institutions and accounts payable - trust receipts. The Company has policy to use bank overdrafts and short-term loans from financial institutions to maintain the Company's working capital within the facilities approved by the financial institutions and reviewed by the Company's management. For accounts payable - trust receipts, the period of maturity is consistent with the period of receiving payments from trade receivables. The Company has assessed the concentration of risk with respect to refinancing its debt and determined it to be low. The Company has access to a sufficient variety of sources of funding and the management believes that if necessary, an existing lender will agree that debts maturing within 12 months can be rolled over.

The table below summarises the maturity profile of the Company's non-derivative financial liabilities and derivative financial instruments as at 31 December 2020 based on contractual undiscounted cash flows:

(Unit: Thousand Baht)

	On demand	Less than 1 year	1 to 5 years	> 5 years	Total
Non-derivatives					
Bank overdraft	1,433	-	-	-	1,433
Short-term loans from financial institutions	-	90,359	-	-	90,359
Account payable - trust receipts	-	436,813	-	-	436,813
Trade and other payables	-	110,813	-	-	110,813
Long-term loans	-	37,467	126,184	36,993	200,644
Total non-derivatives	1,433	675,452	126,184	36,993	840,062
Derivatives					
Derivative liabilities: net settled					
Cash outflows	-	6,091	-	-	6,091
Total	-	6,091	-	-	6,091

27.3 Fair values of financial instruments

Since the majority of the Company's financial instruments are short-term in nature or bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in the statements of financial position.

The fair value of derivatives has been determined by using a discounted future cash flow model and a valuation model technique. Most of the inputs used for the valuation are observable in the relevant market, such as spot rates of foreign currencies, yield curves of the respective currencies and interest rate yield curves. The Company had considered to counterparty credit risk when determining the fair value of derivatives.

During the current year, there were no transfers within the fair value hierarchy.

28. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2020, the Company's debt-to-equity ratio was 1.12:1 (2019: 0.88:1).

29. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 25 February 2021.