

SRF Industries (Thailand) Limited

Financial statements for the year ended
31 March 2020
and
Independent Auditor's Report



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Independent Auditor's Report

To the Shareholders of SRF Industries (Thailand) Limited

Opinion


I have audited the financial statements of SRF Industries (Thailand) Limited (the "Company"), which comprise the statement of financial position as at 31 March 2020, the statements of income and changes in equity for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2020 and its financial performance for the year then ended in accordance with the Thai Financial Reporting Standard for Non-Publicly Accountable Entities ("TFRS for NPAEs").

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing ("TSAs"). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Company in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that is 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.

Emphasis of Matter

I draw attention to notes 1 and 7 to the financial statements, at the Board of Directors meeting of the Company held on 18 September 2019, the Board of Directors approved the closure of the technical textiles business and dispose the assets of the business. The plant and equipment of the technical textiles business are presented as a disposal group held for sale following the commitment of the Company's management to sell this disposal group. My opinion is not modified in respect of this matter. 



Responsibilities of Management for the Financial Statements


Management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRS for NPAEs, 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.

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

A handwritten signature in blue ink, appearing to read 'Patamavan Vadhanakul'.

(Patamavan, Vadhanakul)
Certified Public Accountant
Registration No. 9832

KPMG Phoomchai Audit Ltd.
Bangkok
3 June 2020

SRF Industries (Thailand) Limited

Statement of financial position

Assets	Note	31 March	
		2020	2019
		<i>(in Baht)</i>	
<i>Current assets</i>			
Cash and cash equivalents		32,545,991	103,966,837
Trade accounts receivable	4	188,917,083	513,579,144
other receivables	5	81,010,062	81,809,621
Inventories	6	176,379,265	341,807,320
Refundable value added tax		26,123,768	67,108,595
Other current assets		-	96,085
Non-current assets held for sale	7	51,478,387	-
Total current assets		556,454,556	1,108,367,602
<i>Non-current assets</i>			
Property, plant and equipment	8	3,402,603,639	2,039,025,215
Deferred tax assets	12	100,174,561	15,802,905
Advance payment for purchase of property, plant and equipment		262,739,003	326,355,985
Other non-current assets		622,000	3,906,687
Total non-current assets		3,766,139,203	2,385,090,792
Total assets		4,322,593,759	3,493,458,394

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

SRF Industries (Thailand) Limited

Statement of financial position

Liabilities and equity	Note	31 March	
		2020	2019
		<i>(in Baht)</i>	
Current liabilities			
Trade accounts payable		387,611,935	1,058,588,014
Other payables	9	889,314,016	171,056,375
Short-term loans from financial institutions	10	280,000,000	-
Current portion of long-term loans from financial institutions	10	-	191,285,684
Other current liabilities		10,957,074	19,540,217
Total current liabilities		1,567,883,025	1,440,470,290
Non-current liabilities			
Long-term loans from financial institutions	10	698,635,220	-
Long-term loans	10	708,419,822	689,545,600
Provision for retirement benefits	11	22,405,081	51,434,564
Total non-current liabilities		1,429,460,123	740,980,164
Total liabilities		2,997,343,148	2,181,450,454
Equity			
Share capital			
Authorised share capital			
<i>(1,000,003 ordinary shares, par value at Baht 100 per share)</i>		100,000,300	100,000,300
Issued and paid-up share capital			
<i>(1,000,003 ordinary shares, par value at Baht 100 per share)</i>		100,000,300	100,000,300
Retained earnings		1,225,250,311	1,227,639,814
Other component of equity		-	(15,632,174)
Total equity		1,325,250,611	1,312,007,940
Total liabilities and equity		4,322,593,759	3,493,458,394

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

SRF Industries (Thailand) Limited

Statement of income

		Year ended 31 March	
	<i>Note</i>	2020	2019
		<i>(in Baht)</i>	
Revenue			
Revenue from sale of goods		2,583,123,295	3,845,771,209
Other income		27,349,244	38,670,616
Total revenue		2,610,472,539	3,884,441,825
Expenses			
Cost of sale of goods		1,992,525,695	3,136,359,777
Selling expenses		95,409,054	98,436,985
Administrative expenses	7	231,297,397	113,687,436
Loss on written off of assets from discontinued operation	7, 6, 8	356,262,822	-
Net foreign exchange loss		15,235,838	18,833,086
Total expenses		2,690,730,806	3,367,317,284
Profit (loss) before finance costs and income tax expense			
tax expense		(80,258,267)	517,124,541
Finance costs		10,410,935	47,482,794
Profit (loss) before income tax expense		(90,669,202)	469,641,747
Income tax expense (income)	12	(88,279,699)	3,229,218
Profit (loss) for the year		(2,389,503)	466,412,529

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

SRF Industries (Thailand) Limited
Statement of changes in equity

	<i>Note</i>	Issued and paid-up share capital	Retained earnings <i>(in Baht)</i>	Other component of equity	Total equity
Year ended 31 March 2019					
Balance at 1 April 2018		100,000,300	761,227,285	-	861,227,585
Profit for the year		-	466,412,529	-	466,412,529
Other component of equity					
Unrealised losses on cash flow hedges	12	-	-	(15,632,174)	(15,632,174)
Balance at 31 March 2019		100,000,300	1,227,639,814	(15,632,174)	1,312,007,940
Year ended 31 March 2020					
Balance at 1 April 2019		100,000,300	1,227,639,814	(15,632,174)	1,312,007,940
Loss for the year		-	(2,389,503)	-	(2,389,503)
Other component of equity					
Realised losses on cash flow hedges	12	-	-	15,632,174	15,632,174
Balance at 31 March 2020		100,000,300	1,225,250,311	-	1,325,250,611

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

SRF Industries (Thailand) Limited
Notes to the financial statements
For the year ended 31 March 2020

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SRF Industries (Thailand) Limited
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These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements and were approved and authorised for issue by the Directors on 3 June 2020.

1 General information

SRF Industries (Thailand) Limited, the “Company”, is incorporated in Thailand and has registered office at 3 Map Ta Phut Industrial Estate, I-1 Road, Tambol Map Ta Phut, Amphur Muang, Rayong. The principal activities of the Company are manufacture and distribution of Tyre Cord and Packaging Films and distribution of Refrigerant chemical.

At the Board of director’s meeting of the Company held on 18 September 2019, the Board of Directors approved to close the operation of its technical textiles business and dispose the assets of the business since it was becoming economically unviable to continue running the plant. The management then committed to a plan to sell its manufacturing facility of the technical textiles business segment in 2020. The settlement of severance terms with labour and surrender/transfer of factory land lease of the technical textiles business segment was also approved to be completed.

2 Basis of preparation of the financial statements

The financial statements are prepared in accordance with Thai Financial Reporting Standard for Non-Publicly Accountable Entities (TFRS for NPAEs) and guidelines promulgated by the Federation of Accounting Professions.

In addition, the Company has applied the following Thai Financial Reporting Standards for Publicly Accountable Entities (TFRS for PAEs).

TFRS	Topic
TAS 12	Income Taxes

The financial statements are prepared and presented in Thai Baht, rounded in the notes to the financial statements to the nearest thousand, unless otherwise stated. They are prepared on the historical cost basis except as stated in the accounting policies.

The preparation of financial statements in conformity with TFRS for NPAEs requires management to make judgements, estimates and assumptions that affect the application of the Company’s accounting policies. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

SRF Industries (Thailand) Limited
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3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to Thai Baht at the foreign exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Thai Baht at the exchange rates ruling at that date. Gains or losses arising on translation are recognised in the statement of income.

Non-monetary assets and liabilities arising from foreign currency transactions that are measured at cost are translated to Thai Baht at the exchange rates at the dates of the transactions.

(b) Derivatives

Derivatives are used to manage exposure to foreign exchange, interest rate arising from operational, financing and investment activities. Derivatives are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the statement of income when incurred. Subsequent to initial recognition, they are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the statement of income. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy 3(c)).

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price at the reporting date for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

(c) Hedging

Fair value hedges

Where a derivative hedges the changes in fair value of a recognised asset, liability or unrecognised firm commitment (or an identified portion of such asset, liability or firm commitment), any gain or loss on remeasuring the fair value or foreign currency component of the hedging instrument is recognised in the statement of income. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the statement of income.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other component of equity in statement of change in equity. Any ineffective portion is recognised immediately in the statement of income.

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When a hedged forecast transaction occurs and results in the recognition of a financial asset or financial liability, the gain or loss recognised in other component of equity in statement of change in equity does not adjust the initial carrying amount of the asset or liability but remains in equity and is reclassified from equity to the statement of income consistently with the recognition of gains and losses on the asset or liability as a reclassification adjustment.

For hedges of forecast transactions that result in the recognition of a non-financial asset or non-financial liability, the gain or loss recognised in other component of equity in statement of change in equity is reclassified from equity to the statement of income consistently with the recognition of gains and losses on the asset or liability as a reclassification adjustment.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

(e) Trade and other receivables

Trade and other receivables are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories. Bad debts are written off when incurred. Bad debts recovered are recognised in other income in the statement of income.

(f) Inventories

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

Cost is calculated using the weighted average cost principle and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and to make the sale.

An allowance is made for all deteriorated, damaged, obsolete and slow-moving inventories.

(g) Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale and are measured at the lower of their carrying value and fair value less cost to sell. Losses on initial decline in value and subsequent gains and losses on remeasurement are recognised in the statement of income. Gains are not recognised in excess of any cumulative losses on decline in value. Gain (loss) on disposal of the assets are recognised in the statement of income when the asset is disposed of.

(h) Property, plant and equipment

Owned assets

Property, plant and equipment are measured at cost less accumulated depreciation and losses on decline in value.

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Cost includes expenditure that is directly attributable to the acquisition of the asset, any other costs directly attributable to bringing the assets to a working condition for their intended use and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net in the statement of income.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of income as incurred.

Depreciation

Depreciation is calculated based on the depreciable amount which excludes freehold land and assets under construction and installation, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is charged to the statement of income on a units of production basis or on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. The estimated useful lives are as follows:

Leasehold improvement	30	years	
Buildings and building improvement	30 - 40	years	
Machinery and equipment	3 - 30	years	or based on the machine hour method
Furniture, fixtures and office equipment	3 - 15	years	
Vehicles	5	years	

(i) Losses on decline in value

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of a permanent decline in value. If any such indication exists, the assets' recoverable amounts are estimated. A loss on decline in value is recognised if the carrying amount of an asset exceeds its recoverable amount. A loss on decline in value is recognised in the statement of income.

(j) Trade and other accounts payables and loans

Trade and other payables and loans are stated at cost.

(k) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by the best estimate method.

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Provision for retirement benefits

Provision for retired benefits and other long-term employee benefits are recognised using the best estimate method at the reporting date. The Company derecognises the provision when actual payment is made.

(l) Revenue

Revenue excludes value added taxes and is arrived at after deduction of trade discounts.

Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs or the probable return of goods.

Interest and other income

Interest and other income is recognised as it accrues.

(m) Operating leases

Payments made under operating leases are recognised on a straight-line basis over the term of the lease. Contingent rentals are recognised as expense in the accounting period in which they are incurred.

(n) Finance costs

Interest expenses and similar costs are recognised on accrual basis, and will be capitalised as being directly attributable to the acquisition or construction of an asset which necessarily takes a substantial year of time to be prepared for its intended use.

(o) Income tax

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognised in the statement of income except to the extent items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary difference: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities

SRF Industries (Thailand) Limited
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Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Company. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4 Trade accounts receivable

	2020	2019
	<i>(in thousand Baht)</i>	
Trade accounts receivable	193,190	516,941
Less allowance for doubtful accounts	<u>(4,273)</u>	<u>(3,362)</u>
Net	<u>188,917</u>	<u>513,579</u>
Bad debts	<u>1,011</u>	<u>-</u>
Bad debts recovered	<u>100</u>	<u>28,390</u>

5 Other receivables

		2020	2019
	<i>Note</i>	<i>(in thousand Baht)</i>	
Advance payment to supplier		48,824	72,284
Other receivable - related party	7	25,240	-
Others		<u>6,946</u>	<u>9,526</u>
Total		<u>81,010</u>	<u>81,810</u>

SRF Industries (Thailand) Limited
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6 Inventories

	2020	2019
	<i>(in thousand Baht)</i>	
Finished goods	71,434	106,272
Work in progress	4,505	49,479
Raw materials	83,832	100,332
Supplies	-	44,871
Goods in transit	16,608	45,627
	<u>176,379</u>	<u>346,581</u>
<i>Less allowance for decline in value</i>	<i>-</i>	<i>(4,774)</i>
Net	<u>176,379</u>	<u>341,807</u>
Inventories recognised in ‘cost of sales of goods’		
- Cost	<u>1,992,526</u>	<u>3,136,360</u>
Inventories recognised in ‘loss on written off of assets from discontinued operation’	<u>52,614</u>	<u>-</u>

7 Non-current assets held for sale

On 18 September 2019, the Company discontinued the operation of its technical textiles business. Accordingly, the building, building improvement, machinery and equipment of the technical textiles business are presented as a disposal group held for sale following the commitment of the Company’s management on 18 September 2019 to sell the disposal group due to their operational reasons. Efforts to sell the disposal group have commenced, and a sale is expected to be completed in 2020. As at 31 March 2020, the disposal group comprised assets of Baht 51.48 million.

A loss on decline in value of Baht 303.65 million on the remeasurement of the disposal group to the lower of its carrying amount and its fair value less cost to sell has been recognised in expenses in the statement of income.

Details of the disposal group classified as held for sale as at 31 March 2020 were as follows:

	<i>Note</i>	2020
		<i>(in thousand Baht)</i>
Plant and equipment	8	82,142
<i>Less receivable from sale of assets - related party</i>	5	(25,240)
<i>Less assets sold to third party</i>		(5,424)
Total		<u>51,478</u>

The Company recognised the following expenses resulting from the closure of its technical textile business.

	<i>Note</i>	2020
		<i>(in thousand Baht)</i>
Loss on written off of inventories	6	52,614
Loss on written off of fixed assets	8	303,649
Severance pay	11	95,163
Total expenses from discontinued operation		<u>451,426</u>

The severance pay from discontinued operation is presented under administrative expenses.

SRF Industries (Thailand) Limited
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Operating results of discontinued operation separated from continuing operation for the year ended 31 March 2020 were as follows:

Results of continuing operations

	2020 <i>(in thousand Baht)</i>
Revenue	
Revenue from sale of goods	2,001,374
Other income	16,616
Total revenue	<u><u>2,017,990</u></u>
Expenses	
Cost of sale of goods	1,441,849
Selling expenses	87,048
Administrative expenses	86,252
Net foreign exchange loss	20,884
Total expenses	<u><u>1,636,033</u></u>
Profit before finance costs and income tax expense	381,957
Finance costs	8,672
Profit before income tax expense from continuing operations	<u><u>373,285</u></u>
Income tax expense (income)	(50,929)
Profit for the year from continuing operations	<u><u>424,214</u></u>

Results of discontinued operation

Revenue	592,483
Expenses	605,011
Results from operating activities	<u><u>(12,528)</u></u>
Income tax expense (income)	(37,351)
Results from operating activities, net of tax	<u><u>24,823</u></u>
Expenditures resulting from discontinued operation	451,426
Loss for the year	<u><u>(426,603)</u></u>

SRF Industries (Thailand) Limited
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8 Property, plant and equipment

	Land	Leasehold improvement (in thousand Baht)	Buildings and building improvement	Machinery and equipment	Furniture, fixtures and office equipment	Vehicles	Assets under construction and installation	Total
Cost								
At 1 April 2018	124,000	33,986	776,730	4,368,405	67,793	3,715	2,962	5,377,591
Additions	-	-	-	569	438	-	73,809	74,816
Transfers	-	-	258	8,566	528	-	(9,352)	-
Disposals	-	-	-	(666)	(10,923)	-	-	(11,589)
At 31 March 2019 and 1 April 2019	124,000	33,986	776,988	4,376,874	57,836	3,715	67,419	5,440,818
Additions	-	6,898	-	1,124	255	-	1,841,774	1,850,051
Transfers	-	-	-	10,271	90	1,345	(11,706)	-
Transfer to assets held for sale	-	(21,048)	(506,963)	(2,675,351)	(24,793)	(2,578)	-	(3,230,733)
Disposals	-	-	-	(38,260)	(14,637)	-	-	(52,897)
At 31 March 2020	124,000	19,836	270,025	1,674,658	18,751	2,482	1,897,487	4,007,239
Depreciation and losses on decline in value								
At 1 April 2018	-	14,507	453,214	2,716,623	60,044	2,457	-	3,246,845
Depreciation charged for the year	-	977	18,817	143,266	3,053	423	-	166,536
Disposals	-	-	-	(665)	(10,923)	-	-	(11,588)
At 31 March 2019 and 1 April 2019	-	15,484	472,031	2,859,224	52,174	2,880	-	3,401,793
Depreciation charged for the year	-	2,888	12,820	82,236	1,992	567	-	100,503
Losses on decline in value	-	7,125	52,217	230,049	1,803	136	12,319	303,649
Transfer to assets held for sale	-	(21,048)	(491,864)	(2,608,830)	(24,272)	(2,577)	-	(3,148,591)
Disposals	-	-	-	(38,102)	(14,617)	-	-	(52,719)
At 31 March 2020	-	4,449	45,204	524,577	17,080	1,006	12,319	604,635
Net book value								
At 31 March 2019	124,000	18,502	304,957	1,517,650	5,662	835	67,419	2,039,025
At 31 March 2020	124,000	15,387	224,821	1,150,081	1,671	1,476	1,885,168	3,402,604

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Capitalised borrowing costs relating to the acquisition of the construction and machinery of the new factory amounted to Baht 28.94 million (2019: Baht 6.82 million), with a capitalisation rate of 2.34% (2019: 4.36%).

Security

At 31 March 2020, the Company's land, building and majority of machineries with a net book value of Baht 3,385 million (2019: Baht 1,820 million) were mortgaged and pledged as collateral to secure the credit facilities from financial institutions (see note 10).

Transfer to assets held for sale

In September 2019, the Company closed its operation of technical textiles business and disposed manufacturing facilities of the technical textiles business. Therefore, the assets under the technical textiles business with a net book value of Baht 51.48 million were presented as a disposal group held for sale as at 31 March 2020 (see note 7).

9 Other payables

	2020	2019
	<i>(in thousand Baht)</i>	
Capital expenditure payables	694,598	2,671
Accrued interest expense - related parties	154,428	108,039
Accrued expenses	20,430	32,045
Advance from customer	8,712	2,260
Accrued interest expense - financial institutions	3,239	17,841
Other	7,907	8,200
Total	<u>889,314</u>	<u>171,056</u>

10 Loans

The Company entered into unsecured promissory notes with financial institutions. The loans bear interest rate at 2.00% to 2.78% per annum and will be repayable within April 2020. As at 31 March 2020, the outstanding of the loan was Baht 280 million.

The Company entered into a loan agreement with an oversea financial institution with the total credit facilities amounting to USD 45 million. The loan bears interest rate at LIBOR plus margin per annum and is repayable in 15 equal semi-annually installments of USD 3 million, from December 2014 to December 2021. The loan is secured by the mortgage of the Company's land, and buildings and the pledge of machineries. The loan was fully repaid in December 2019.

The Company entered into a loan agreement with a financial institution amounting to Baht 700 million. The loan bears interest rate at MLR minus margin of 3.775 percent per annum and is payable on a semi-annual basis installment of Baht 87.5 million, starting from September 2021 to March 2025. The loan is secured by the mortgage of the Company's land, building, Plastic Film Factory and/or any construction in the future. In addition, the collaterals of the loan include the Company's all existing and new machines and equipment located at Plastic Film Factory. As at 31 March 2020, the outstanding of the loan was Baht 698.64 million.

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The Company entered into unsecured long-term loans agreements with a parent company with the credit facilities totalling USD 27.7 million. The loans bear interest rate at LIBOR plus margin per annum. The loans are repayable whenever the Company fulfils the conditions stipulated in the long-term loan agreements made with other financial institution. As at 31 March 2020, the outstanding of the loan was USD 21.58 million (equivalent to Baht 708.42 million) (2019: USD 21.58 million, equivalent to Baht 689.55 million).

11 Provision for retirement benefits

	<i>Note</i>	<i>Retirement benefits (in thousand Baht)</i>
At 1 April 2018		40,939
Additions		15,010
Paid		<u>(4,514)</u>
At 31 March 2019 and 1 April 2019		51,435
Additions		72,904
Severance pay	7	(95,163)
Paid		<u>(6,771)</u>
At 31 March 2020		<u>22,405</u>

The addition of provision for retirement benefits in 2019 was primarily due to the impact from the amended Labor Protection Act (on 5 April 2019) which requires an employer to provide an additional severance payment to a terminated employee. The employee who is terminated after having been employed by the same employer for an uninterrupted period of twenty years or more, shall receive severance payment of 400 days of wages at the most recent rate.

In September 2019, the Company announced the terminate program for staff due to the closed of its technical textiles business. The Company has expenditures related to the plan amounting to Baht 95.16 million (see note 7).

12 Income tax expense

Income tax recognise in the statement of income

	2020	2019
	<i>(in thousand Baht)</i>	
Current tax expense		
Current year	-	-
Deferred tax expense		
Movements in temporary differences	<u>(88,280)</u>	<u>3,229</u>
	<u>(88,280)</u>	<u>3,229</u>

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Income tax recognised in other component of equity

	Before tax	2020 Tax (expense) benefit	Net of tax (in million Baht)	Before tax	2019 Tax (expense) benefit	Net of tax
Cash flow hedges	-	-	-	19,540	(3,908)	15,632
Total	-	-	-	19,540	(3,908)	15,632

Reconciliation of effective tax rate

	2020 Rate (%)	(in thousand Baht)	2019 Rate (%)	(in thousand Baht)
Profit (loss) before income tax expense		(90,669)		469,642
Income tax using the Thai corporation tax rate	20.00	(18,134)	20.00	93,928
Income tax reduction - tax privileges		(22,146)		(75,795)
Expenses not deductible for tax purposes		242		-
Utilisation of previously unrecognised tax losses		-		(14,904)
Recognition of previously unrecognised tax losses		(48,242)		-
Total	97.37	(88,280)	0.69	3,229

Deferred tax assets as at 31 March

	2020 (in thousand Baht)	2019 (in thousand Baht)
Deferred tax assets	100,175	15,803

	At 1 April 2019	Charged/(credited) to;		At 31 March 2020
		statement of income (note 16)	Other Components of equity	
		(in thousand Baht)		
<i>Deferred tax assets</i>				
Accounts receivable (<i>doubtful accounts</i>)	672	183	-	855
Inventories (<i>allowance for decline in value</i>)	955	(955)	-	-
Provision for employee benefits	10,287	(7,258)	-	3,029
Cash flow hedge reserve	3,889	19	(3,908)	-
Loss carried forward	-	96,291	-	96,291
Total	15,803	88,280	(3,908)	100,175

	At 1 April 2018	Charged/(credited) to;		At 31 March 2019
		statement of income	Other Components of equity	
		(in thousand Baht)		
<i>Deferred tax assets</i>				
Accounts receivable (<i>doubtful accounts</i>)	6,012	(5,340)	-	672
Inventories (<i>allowance for decline in value</i>)	955	-	-	955
Provision for employee benefits	8,157	2,130	-	10,287
Cash flow hedge reserve	-	(19)	3,908	3,889
Total	15,124	(3,229)	3,908	15,803

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Unrecognised deferred tax assets

	2020	2019
	<i>(in thousand Baht)</i>	
Tax losses	<u>-</u>	<u>482,418</u>

The tax losses expire in 2026. The deductible temporary differences do not expire under current tax legislation. The Company has not recognised these items as deferred tax assets for the year 2019 because it is not probable that the Company will have sufficient future taxable profit to utilise the benefits therefrom.

In 2019, the management of the Company revised its estimates of future taxable profits and the Company recognised the tax effect of Baht 482.42 million of previously unrecognised tax losses (tax impact: Baht 48.24 million) because management considered it probable that future taxable profits would be available against which such losses can be used.

13 Promotional privileges

The Company has been granted promotional certificates by the office of the Board of Investment for manufacture of plastic product or plastic coat. The Company has been granted several privileges including:

- (a) exemption from payment of income tax for certain operations for a period of eight years from the date on which the income is first derived from such operations (8 July 2013);
- (b) a 50% reduction in the normal income tax rate on the net profit derived from certain operations for a period of five years, commencing from the expiry date in (a) above; and
- (c) an exemption from payment of import duty on machinery as approved by the Board of Investment.

As a promoted company, the Company must comply with certain terms and conditions prescribed in the promotional certificates.

Summary of revenue from promoted and non-promoted businesses:

	<u>2020</u>			<u>2019</u>		
	Promoted businesses	Non- promoted businesses	Total	Promoted businesses	Non- promoted businesses	Total
<i>Year ended</i>						
<i>31 March</i>			<i>(in thousand Baht)</i>			
Export sales	1,366,677	469,823	1,836,500	1,465,763	1,353,937	2,819,700
Local sales	<u>509,426</u>	<u>237,197</u>	<u>746,623</u>	<u>718,791</u>	<u>307,280</u>	<u>1,026,071</u>
Total	<u>1,876,103</u>	<u>707,020</u>	<u>2,583,123</u>	<u>2,184,554</u>	<u>1,661,217</u>	<u>3,845,771</u>

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14 Commitments

	2020	2019
	<i>(in thousand Baht)</i>	
<i>Capital commitments</i>		
Buildings and other constructions	97,514	13,098
Machinery and equipment	697,967	778,977
Total	795,481	792,075
<i>Non-cancellable operating lease commitments</i>		
Within 1 year	3,145	14,744
1 - 5 years	203	4,700
Total	3,348	19,444
<i>Other commitment</i>		
Bank guarantees	28,228	30,418

In 1990, the Company entered into an operating lease agreement for land at Map Ta Phut Industrial estate with Industrial Estate Authority of Thailand for a period of thirty years. The agreement is renewable for a period of twenty years. Under the terms of the agreement, the Company is committed to make an annual rental payment of approximately Baht 4 million. The rental is subject to escalation adjustment every ten years. This agreement was terminated when the Company decided to close the operation of its technical textiles business in September 2019.

The Company has entered into several lease agreements in respect of the lease of land, office building space, motor vehicles and equipment. The terms of the Company's lease agreements are generally between 1 and 4 years.

As at 31 March 2020, the Company had letters of guarantee issued by a financial institution for electricity use, land lease and natural gas purchases amounting to Baht 28.23 million (2019: Baht 30.42 million).

Financial derivatives

Foreign exchange contract outstanding is summarised as below.

As at 31 March 2020			
<u>Purchase</u>	<u>Sell</u>	<u>Contractual exchange rate</u>	<u>Contractual maturity date</u>
USD 15.1 million	EUR 13.4 million	0.89	August - November 2020
As at 31 March 2019			
<u>Purchase</u>	<u>Sell</u>	<u>Contractual exchange rate</u>	<u>Contractual maturity date</u>
USD 0.5 million	THB15.8 million	31.75	June 2019
EUR 17.5 million	USD 20.6 million	1.14	August - November 2019