

## **REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

**TO THE SHAREHOLDERS AND BOARD OF DIRECTORS  
TATA STEEL (THAILAND) PUBLIC COMPANY LIMITED**

### **Opinion**

We have audited the consolidated financial statements of Tata Steel (Thailand) Public Company Limited and its subsidiaries (“the Group”) and the separate financial statements of Tata Steel (Thailand) Public Company Limited (“the Company”), which comprise the consolidated and separate statements of financial position as at March 31, 2017, and the related consolidated and separate statements of profit or loss and other 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 our opinion, the aforementioned consolidated and separate financial statements present fairly, in all material respects, the financial position of Tata Steel (Thailand) Public Company Limited and its subsidiaries and of Tata Steel (Thailand) Public Company Limited as at March 31, 2017 and financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

### **Basis for Opinion**

We conducted our audit in accordance with Thai Standards on Auditing. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the audit of the consolidated and separate financial statements section of our report. We are independent of the Group in accordance with the Federation of Accounting Professions under the Royal Patronage of His Majesty the King’s Code of Ethics for Professional Accountants that are relevant to the audit of the consolidated and separate financial statements, and we have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	Key Audit Responses
<b>Valuation of goodwill</b>	
<p>As described in Note 15 to the consolidated financial statements, the Group has goodwill in the consolidated financial statements as at March 31, 2017 of Baht 3,456.01 million or 26.71% of the total consolidated assets of the Group. Goodwill has been recognised in the consolidated financial statements as a consequence of the acquisition of the three subsidiaries in the past whilst such goodwill is net of impairment loss of Baht 660.32 million which was recognised in the prior years.</p> <p>As required by the applicable accounting standards, management performs impairment assessment of the goodwill on an annual basis and whenever an indication of impairment exists to assess the recoverability of the carrying value of goodwill based on the expected future cash flow which there is a risk that the recoverable amount of goodwill will be lower than the carrying value and there are a number of key sensitive judgements made by the management of the Group in determining the estimates as disclosed in Notes 3.8 and 3.19(2) to the consolidated financial statements.</p>	<p>We obtained an understanding of, evaluated the design and implementation of key controls and tested the operating effectiveness of key controls over the impairment assessment process and focused on detailed analysis and challenged the assumptions used by management in conducting the impairment assessment.</p> <p>These included:</p> <ul style="list-style-type: none"> <li>• challenging the reasonableness of the assumptions used in the expected future cash flows with reference to the budgets and 5-year business plan approved by the executive committee and with particular attention paid to the domestic steel business where we have evaluated recent performance, carried out trend analysis and compared to market expectations;</li> <li>• assessing the reliability of management’s forecast through a review of actual performance and previous forecasts;</li> <li>• comparing forecasted sales volume, selling prices and growth rates against those achieved historically and external market data where available; and</li> <li>• using our valuation specialists to independently develop expectations, run sensitivity analysis for the key assumptions driving the analysis, in particular, forecasted sales volume, selling prices, perpetual growth rates and discount rates, and comparing the independent expectations to those used by management.</li> </ul>

Key Audit Matters (Continued)	Key Audit Responses (Continued)
<b>Valuation of Mini Blast Furnace (“MBF”)</b>	
<p>As described in Note 11 to the consolidated financial statements, the Group’s management plans to dispose the machinery of the Mini Blast Furnace (“MBF”) of a subsidiary which had temporary ceased its production. The recoverable amount of MBF machinery was Baht 521 million as at March 31, 2017 in the consolidated financial statements or 4.03% of the total consolidated assets of the Group.</p> <p>As disclosed in Notes 3.9, 3.18, 3.19, 13 and 34 to the consolidated financial statements, in light of the raw material prices used by the MBF are relatively higher than scrap prices with high volatility, thereby adversely impacting the viability of costs of steel produced through the MBF route, together with the requirement by the applicable accounting standards, there is a risk that the carrying value of MBF machinery may be higher than the recoverable amount whilst the impairment loss of Baht 871 million was recognised in prior years. When an impairment assessment is conducted, the recoverable amount is determined based on the fair value less costs to sell.</p> <p>Fair value reflecting the price of the MBF machinery proposed by a potential buyer less costs to sell which would be incurred on disposal.</p>	<p>We obtained an understanding of, evaluated the design and implementation of key controls and tested the operating effectiveness of key controls over the impairment assessment process and assessing the appropriateness of the methodology applied by the Group’s management. We have assessed the completeness of the Group’s impairment assessment process.</p> <p>These included:</p> <ul style="list-style-type: none"> <li>• Challenging the assumptions used by the Group in determining the fair value of the assets which was calculated by the external independent appraiser and assessing whether appropriate valuation methodologies have been applied; and</li> <li>• Examining the price of the assets which was proposed by a potential buyer and comparing with the fair value which was calculated by an external independent appraiser and determining whether the recoverable amount is reasonable.</li> </ul> <p>We have also audited the appropriateness of classification and the related disclosures of MBF machinery in the consolidated financial statements.</p>

**Other information**

Management is responsible for the other information. The other information comprises information in the annual report, but does not include the consolidated and separate financial statements and our auditor’s report thereon. The annual report is expected to be made available to us after the date of this auditor’s report

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. When we read the annual report, if we conclude that there is a material

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misstatement therein, we are required to communicate the matter to those charged with governance in order to correct the information that is contrary to the fact.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements**

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibility for the Audit of the Consolidated and Separate Financial Statements**

The objectives of our audit are to obtain reasonable assurance about whether the consolidated and separate 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 our 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 consolidated and separate financial statements.

As part of an audit in accordance with Thai Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate 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 our 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 Group'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 the 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and the separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the consolidated and separate financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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 we identify during our audit.

We also provide those charged with governance with a statement that we 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 our independence, and where applicable, related safeguards.

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

**BANGKOK**  
May 9, 2017

Thanawan Anuratbodee  
Certified Public Accountant (Thailand)  
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**DELOITTE TOUCHE TOHMATSU JAIYOS AUDIT CO., LTD.**