

Kulthorn Kirby Public Company Limited and
its subsidiaries
Report and consolidated financial statements
31 December 2015

Independent Auditor's Report

To the Shareholders of Kulthorn Kirby Public Company Limited

I have audited the accompanying consolidated financial statements of Kulthorn Kirby Public Company Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2015, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of Kulthorn Kirby Public Company Limited for the same period.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kulthorn Kirby Public Company Limited and its subsidiaries and of Kulthorn Kirby Public Company Limited as at 31 December 2015, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

Other matter

The consolidated financial statements of Kulthorn Kirby Public Company Limited and its subsidiaries and the separate financial statements of Kulthorn Kirby Public Company Limited for the year ended 31 December 2014 were audited by another auditor of our office who, under her report dated 27 February 2015, expressed an unqualified opinion on those financial statements, but drew attention on the reclassification of long-term loan to be included in the current portion of long-term loans because as at 31 December 2014, the Company and its subsidiaries could not maintain certain financial ratio in accordance with the loan covenants.

Siriwan Suratepin

Certified Public Accountant (Thailand) No. 4604

EY Office Limited

Bangkok: 24 February 2016

Kulthorn Kirby Public Company Limited and its subsidiaries

Statements of financial position

As at 31 December 2015

(Unit: Baht)

	<u>Note</u>	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Assets					
Current assets					
Cash and cash equivalents	7	173,031,297	249,262,452	112,585,141	182,545,963
Trade and other receivables	8	2,083,897,699	2,179,458,741	1,269,126,096	1,032,373,984
Short-term loans to related parties	6	-	-	213,575,749	237,057,566
Inventories	9	2,437,768,790	2,660,305,035	1,438,905,008	1,246,248,091
VAT receivable		80,147,540	124,200,865	55,937,964	86,535,594
Other current assets		84,198,796	74,256,464	16,047,728	13,950,752
Total current assets		4,859,044,122	5,287,483,557	3,106,177,686	2,798,711,950
Non-current assets					
Investments in subsidiaries	10	-	-	2,634,372,497	2,434,372,497
Property, plant and equipment	11	3,192,293,839	3,517,005,640	1,394,532,835	1,544,947,516
Goodwill on business combination	12	-	-	-	-
Other intangible assets	13	82,186,964	82,174,001	28,652,975	25,684,683
Deferred tax assets	23	79,929,341	59,615,903	30,235,434	13,519,909
Other non-current assets		3,342,683	3,115,432	1,548,149	1,468,149
Total non-current assets		3,357,752,827	3,661,910,976	4,089,341,890	4,019,992,754
Total assets		8,216,796,949	8,949,394,533	7,195,519,576	6,818,704,704

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

Kulthorn Kirby Public Company Limited and its subsidiaries

Statements of financial position (continued)

As at 31 December 2015

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2015	2014	2015	2014
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans from					
financial institutions	14	3,660,060,111	3,785,874,457	2,170,431,046	1,907,748,048
Trade and other payables	15	1,138,199,528	1,484,076,620	1,158,737,129	1,230,216,246
Short-term loans from related parties	6	-	-	619,287,755	503,610,895
Current portion of long-term loans	16	263,200,000	634,700,000	263,200,000	634,700,000
Current portion of liabilities under					
financial lease agreements	17	67,996,136	61,113,662	15,405,992	15,746,168
Dividend payable		805,588	500,674,751	801,547	500,673,274
Income tax payable		26,395,962	8,073,326	23,350,029	-
Other current liabilities	18	61,665,268	59,738,356	41,106,088	12,984,700
Total current liabilities		5,218,322,593	6,534,251,172	4,292,319,586	4,805,679,331
Non-current liabilities					
Liabilities under financial lease agreements - net					
of current portion	17	186,930,692	224,938,339	18,890,240	34,296,232
Provision for long-term employee benefits	19	162,017,694	130,723,571	77,914,836	63,017,930
Total non-current liabilities		348,948,386	355,661,910	96,805,076	97,314,162
Total liabilities		5,567,270,979	6,889,913,082	4,389,124,662	4,902,993,493

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

Kulthorn Kirby Public Company Limited and its subsidiaries

Statements of financial position (continued)

As at 31 December 2015

(Unit: Baht)

	Note	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Shareholders' equity					
Share capital	20				
Registered					
1,200,000,000 ordinary shares of Baht 1 each (2014: 1,000,000,000 ordinary shares of Baht 1 each)		<u>1,200,000,000</u>	<u>1,000,000,000</u>	<u>1,200,000,000</u>	<u>1,000,000,000</u>
Issued and fully paid up					
1,200,000,000 ordinary shares of Baht 1 each (2014: 1,000,000,000 ordinary shares of Baht 1 each)		1,200,000,000	1,000,000,000	1,200,000,000	1,000,000,000
Share premium		700,000,000	500,000,000	700,000,000	500,000,000
Retained earnings					
Appropriated - statutory reserve	21	120,000,000	100,000,000	120,000,000	100,000,000
Unappropriated		437,835,087	271,386,195	786,394,914	315,711,211
Other components of shareholders' equity		<u>191,690,883</u>	<u>188,095,256</u>	-	-
Total shareholders' equity		<u>2,649,525,970</u>	<u>2,059,481,451</u>	<u>2,806,394,914</u>	<u>1,915,711,211</u>
Total liabilities and shareholders' equity		<u>8,216,796,949</u>	<u>8,949,394,533</u>	<u>7,195,519,576</u>	<u>6,818,704,704</u>
		-	-	-	-

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

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Directors

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Kulthorn Kirby Public Company Limited and its subsidiaries

Statements of comprehensive income

For the year ended 31 December 2015

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2015	2014	2015	2014
Profit or loss:					
Revenues					
Sales and service income	6, 24	10,544,381,527	11,330,117,773	6,406,994,627	6,193,749,220
Other income					
Income from scrap sales	6	219,144,543	392,524,876	158,069,583	246,194,292
Gain on exchange		-	13,448,397	-	6,950,526
Interest income	6	868,433	1,114,401	15,388,710	1,002,477
Dividend income	6, 10	6,293	7,300	135,056,281	75,602,029
Others		6,516,818	10,231,488	17,909,967	14,255,671
Total revenues		10,770,917,614	11,747,444,235	6,733,419,168	6,537,754,215
Expenses					
Cost of sales and services	6	9,747,455,660	10,945,013,424	5,757,058,836	5,922,765,846
Selling expenses		162,835,271	126,067,548	102,335,259	64,122,209
Administrative expenses		391,993,086	411,317,062	191,803,297	177,484,968
Loss on exchange		18,194,757	-	14,841,899	-
Total expenses		10,320,478,774	11,482,398,034	6,066,039,291	6,164,373,023
Profit before finance cost and income tax		450,438,840	265,046,201	667,379,877	373,381,192
Finance cost		(210,801,814)	(208,973,166)	(145,587,972)	(113,585,853)
Profit before income tax		239,637,026	56,073,035	521,791,905	259,795,339
Income tax	23	(27,257,833)	1,347,078	(19,051,103)	(2,863,610)
Profit for the year		212,379,193	57,420,113	502,740,802	256,931,729
Other comprehensive income:					
<i>Other comprehensive income to be reclassified</i>					
<i>to profit or loss in subsequent periods:</i>					
Exchange differences on translation of					
financial statements in foreign currency		3,595,627	(8,686,571)	-	-
Other comprehensive income to be reclassified					
to profit or loss in subsequent periods - net of income tax		3,595,627	(8,686,571)	-	-
<i>Other comprehensive income not to be reclassified</i>					
<i>to profit or loss in subsequent periods:</i>					
Actuarial loss	19	(30,662,151)	-	(14,661,811)	-
Less: Income tax effect		4,731,850	-	2,604,712	-
Other comprehensive income not to be reclassified					
to profit or loss in subsequent periods - net of income tax		(25,930,301)	-	(12,057,099)	-
Other comprehensive income for the year		(22,334,674)	(8,686,571)	(12,057,099)	-
Total comprehensive income for the year		190,044,519	48,733,542	490,683,703	256,931,729
Basic earnings per share					
Profit attributable to equity holders of the Company	25	0.191	0.057	0.452	0.257

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

Kulthorn Kirby Public Company Limited and its subsidiaries

Cash flow statements

For the year ended 31 December 2015

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Cash flows from operating activities				
Profit before tax	239,637,026	56,073,035	521,791,905	259,795,339
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	567,050,179	621,451,754	277,021,852	277,413,926
Allowance for impairment loss on property, plant and equipment	973,535	516,963	-	-
Allowance for doubtful accounts and other provision	277,163	8,735,741	-	-
Reduction of inventory value to net realisable value (reversal)	41,735,069	31,998,408	24,757,495	(358,418)
Gain on sales of property, plant and equipment	(763,887)	(1,206,828)	(819,616)	(1,262,139)
Write-off withholding tax	1,455,209	-	-	-
Dividend income	(6,293)	(7,300)	(135,056,281)	(75,602,029)
Deferred interest	15,590,420	4,994,173	3,012,839	4,069,532
Provision for long-term employee benefits	9,843,144	14,389,289	2,884,185	7,036,778
Unrealised (gain) loss on exchange	(39,448,504)	27,305,030	(12,242,677)	9,546,463
Interest expenses	180,599,729	192,306,602	134,538,181	106,666,816
Profit from operating activities before changes in operating assets and liabilities	1,016,942,790	956,556,867	815,887,883	587,306,268
Operating assets (increase) decrease				
Trade and other receivables	105,898,154	15,610,525	(234,134,264)	(95,641,101)
Inventories	180,801,176	(388,622,048)	(217,414,412)	(230,943,124)
Other current assets	33,366,733	(39,503,164)	28,050,332	(61,013,352)
Other non-current assets	(227,251)	(1,684,159)	(80,000)	(219,119)
Operating liabilities increase (decrease)				
Trade and other payables	(347,253,919)	352,836,349	(76,080,442)	300,601,858
Other current liabilities	1,929,476	(62,376,843)	28,121,388	(53,188,030)
Cash flows from operating activities	991,457,159	832,817,527	344,350,485	446,903,400
Cash paid for long-term employee benefits	(9,211,172)	(6,044,799)	(2,649,090)	(1,692,000)
Cash paid for interest expenses	(181,190,411)	(192,356,271)	(131,438,316)	(105,999,836)
Cash paid for income tax	(26,507,777)	(11,950,792)	(10,307,806)	(764,784)
Net cash flows from operating activities	774,547,799	622,465,665	199,955,273	338,446,780

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

Kulthorn Kirby Public Company Limited and its subsidiaries

Cash flow statements (continued)

For the year ended 31 December 2015

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Cash flows from investing activities				
Decrease in restricted bank deposits	-	409,750	-	-
Acquisition of property, plant and equipment and intangible assets	(228,695,148)	(276,168,304)	(131,589,523)	(98,903,710)
Proceeds from sales of property, plant and equipment	1,127,123	5,134,421	998,962	1,960,144
Dividend income	6,293	7,300	135,056,281	75,602,029
Decrease (increase) in short-term loans to related parties	-	-	23,481,817	(230,628,683)
Cash paid for additional investment in subsidiaries	-	-	(200,000,000)	-
Net cash flows used in investing activities	(227,561,732)	(270,616,833)	(172,052,463)	(251,970,220)
Cash flows from financing activities				
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	(94,631,952)	49,464,603	276,590,243	169,074,286
Increase in short-term loans from related parties	-	-	115,676,860	347,845,743
Repayment of long-term loans	(371,500,000)	(465,300,000)	(371,500,000)	(465,300,000)
Proceeds from sales and lease back of machineries	35,650,000	228,192,000	-	-
Cash paid for liabilities under financial lease agreements	(85,198,346)	(31,069,990)	(18,759,008)	(19,686,367)
Cash received from increase share capital	400,000,000	-	400,000,000	-
Dividend paid	(499,871,727)	-	(499,871,727)	-
Net cash flows from (used in) financing activities	(615,552,025)	(218,713,387)	(97,863,632)	31,933,662
Decrease in translation adjustments	(7,665,197)	(3,783,211)	-	-
Net increase (decrease) in cash and cash equivalents	(76,231,155)	129,352,234	(69,960,822)	118,410,222
Cash and cash equivalents at beginning of year	249,262,452	119,910,218	182,545,963	64,135,741
Cash and cash equivalents at end of year	173,031,297	249,262,452	112,585,141	182,545,963
Supplement cash flows information				
1) Non-cash related transaction for investing activities				
Net increase (decrease) in trust receipts and other accounts payable for purchases of fixed assets	1,490,407	(10,007,340)	(1,834,715)	(10,511,219)
2) Non-cash related transaction for financing activities				
Dividend payable	805,588	500,674,751	801,547	500,673,274
Assets acquired under financial lease agreements	2,832,753	9,060,000	-	5,230,000

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

Kulthorn Kirby Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the year ended 31 December 2015

(Unit: Baht)

Consolidated financial statements													
		<u>Other components of shareholders' equity</u>											
		<u>Retained earnings</u>				<u>Other comprehensive income</u>							
		<u>Issued and fully paid-up share capital</u>		<u>Share premium</u>		<u>Exchange differences on translation of financial statements in foreign currency</u>		<u>Surplus from business combination under common control</u>		<u>Total other components of shareholders' equity</u>		<u>Total shareholders' equity</u>	
Balance as at 1 January 2014	1,000,000,000	500,000,000	100,000,000	713,966,082	(11,116,122)	207,897,949	196,781,827	2,510,747,909					
Profit for the year	-	-	-	57,420,113	-	-	-	57,420,113					
Other comprehensive income for the year	-	-	-	-	(8,686,571)	-	(8,686,571)	(8,686,571)					
Total comprehensive income for the year	-	-	-	57,420,113	(8,686,571)	-	(8,686,571)	48,733,542					
Dividend paid (Note 28)	-	-	-	(500,000,000)	-	-	-	(500,000,000)					
Balance as at 31 December 2014	<u>1,000,000,000</u>	<u>500,000,000</u>	<u>100,000,000</u>	<u>271,386,195</u>	<u>(19,802,693)</u>	<u>207,897,949</u>	<u>188,095,256</u>	<u>2,059,481,451</u>					
Balance as at 1 January 2015	1,000,000,000	500,000,000	100,000,000	271,386,195	(19,802,693)	207,897,949	188,095,256	2,059,481,451					
Profit for the year	-	-	-	212,379,193	-	-	-	212,379,193					
Other comprehensive income for the year	-	-	-	(25,930,301)	3,595,627	-	3,595,627	(22,334,674)					
Total comprehensive income for the year	-	-	-	186,448,892	3,595,627	-	3,595,627	190,044,519					
Increase in share capital (Note 20)	200,000,000	200,000,000	-	-	-	-	-	400,000,000					
Retained earnings transferred to statutory reserve (Note 21)	-	-	20,000,000	(20,000,000)	-	-	-	-					
Balance as at 31 December 2015	<u>1,200,000,000</u>	<u>700,000,000</u>	<u>120,000,000</u>	<u>437,835,087</u>	<u>(16,207,066)</u>	<u>207,897,949</u>	<u>191,690,883</u>	<u>2,649,525,970</u>					

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

Kulthorn Kirby Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the year ended 31 December 2015

(Unit: Baht)

	Separate financial statements				Total shareholders' equity
	Issued and fully paid-up share capital	Share premium	Retained earnings		
			Appropriated	Unappropriated	
Balance as at 1 January 2014	1,000,000,000	500,000,000	100,000,000	558,779,482	2,158,779,482
Profit for the year	-	-	-	256,931,729	256,931,729
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	256,931,729	256,931,729
Dividend paid (Note 28)	-	-	-	(500,000,000)	(500,000,000)
Balance as at 31 December 2014	<u>1,000,000,000</u>	<u>500,000,000</u>	<u>100,000,000</u>	<u>315,711,211</u>	<u>1,915,711,211</u>
Balance as at 1 January 2015	1,000,000,000	500,000,000	100,000,000	315,711,211	1,915,711,211
Profit for the year	-	-	-	502,740,802	502,740,802
Other comprehensive income for the year	-	-	-	(12,057,099)	(12,057,099)
Total comprehensive income for the year	-	-	-	490,683,703	490,683,703
Increase in share capital (Note 20)	200,000,000	200,000,000	-	-	400,000,000
Retained earnings transferred to statutory reserve (Note 21)	-	-	20,000,000	(20,000,000)	-
Balance as at 31 December 2015	<u>1,200,000,000</u>	<u>700,000,000</u>	<u>120,000,000</u>	<u>786,394,914</u>	<u>2,806,394,914</u>

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

Kulthorn Kirby Public Company Limited and its subsidiaries

Notes to consolidated financial statements

For the year ended 31 December 2015

1. General information

Kulthorn Kirby 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 hermetic compressors. The registered address of the Company is 126 Soi Chalongkrung 31, Chalongkrung Road, Khwaeng Lamplatew, Khet Latkrabang, Bangkok.

2. Basis of preparation

2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, 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.

2.2 Basis of consolidation

a) The consolidated financial statements include the financial statements of Kulthorn Kirby Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”):

Subsidiary companies	Nature of business	Country of incorporation	Percentage of shareholding	
			2015 Percent	2014 Percent
<u>Subsidiaries held by the Company</u>				
Kulthorn Kirby Foundry Company Limited	Manufacturing and sales of iron castings for compressor parts and automotives parts	Thailand	100	100
Kulthorn Premier Company Limited	Manufacturing and sales of hermetic compressors and iron castings for compressor parts and automotives parts	Thailand	100	100
Kulthorn Steel Company Limited	Slitting of electrical steel for compressor	Thailand	100	100
Kulthorn Materials and Controls Company Limited	Manufacturing and sales of enameled copper wires and thermostat used in air conditioners and refrigerators	Thailand	100	100

Subsidiary companies	Nature of business	Country of incorporation	Percentage of shareholding	
			2015 Percent	2014 Percent
<u>Subsidiaries held directly and indirectly by Kulthorn Materials and Controls Company Limited</u>				
Kulthorn Metal Products Company Limited	Manufacture and sell forging, machining and heat treatment metal parts	Thailand	100	100
Suzhou Kulthorn Magnet Wire Company Limited (held by Phelps Dodge Suzhou Holdings, Inc.)	Manufacture and sell enameled copper wire	China	100	100

- b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- c) Subsidiaries are fully consolidated, from the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- e) The assets and liabilities in the financial statements of overseas subsidiary companies are translated into Baht using the exchange rate prevailing at the end of reporting period, and revenues and expenses are translated using monthly average exchange rates. The resulting differences are shown under the caption of “Exchange differences on translation of financial statements in foreign currency” in the statements of changes in shareholders’ equity.
- f) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.

2.3 The separate financial statements present investments in subsidiaries under the cost method.

3. New financial reporting standards

Below is a summary of financial reporting standards that became effective in the current accounting year and those that will become effective in the future.

(a) Financial reporting standards that became effective in the current year

The Company has adopted the revised (revised 2014) and new financial reporting standards issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2015. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company's financial statements. However, some of these standards involve changes to key principles, which are summarised below:

TAS 19 (revised 2014) Employee Benefits

This revised standard requires that the entity recognise actuarial gains and losses immediately in other comprehensive income while the former standard allowed the entity to recognise such gains and losses immediately in either profit or loss or other comprehensive income, or to recognise them gradually in profit or loss.

This revised standard does not have any impact on the financial statements as the Company and its subsidiaries already recognise actuarial gains and losses immediately in other comprehensive income.

TFRS 10 Consolidated Financial Statements

TFRS 10 prescribes requirements for the preparation of consolidated financial statements and replaces the content of TAS 27 Consolidated and Separate Financial Statements dealing with consolidated financial statements. This standard changes the principles used in considering whether control exists. Under this standard, an investor is deemed to have control over an investee if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns, even if it holds less than half of the shares or voting rights. This important change requires the management to exercise a lot of judgement when reviewing whether the Company and its subsidiaries have control over investees and determining which entities have to be included in preparation of the consolidated financial statements.

This standard does not have any impact on the Company's and its subsidiaries' financial statements.

TFRS 12 Disclosure of Interests in Other Entities

This standard stipulates disclosures relating to an entity's interests in subsidiaries, joint arrangements and associates, including structured entities. This standard therefore has no financial impact on the financial statements of the Company and its subsidiaries.

TFRS 13 Fair Value Measurement

This standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurement. Entities are to apply the guidance under this standard if they are required by other financial reporting standards to measure their assets or liabilities at fair value. The effects of the adoption of this standard are to be recognised prospectively.

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

(b) Financial reporting standard that will become effective in the future

During the current year, the Federation of Accounting Professions issued a number of the revised (revised 2015) and new financial reporting standards and accounting treatment guidance which is effective for fiscal years beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards. The Company's management believes that the revised and new financial reporting standards and accounting treatment guidance will not have any significant impact on the financial statements when it is initially applied.

4. Significant accounting policies

4.1 Revenue recognition

Sales of goods

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

Rendering of services

Service revenue is recognised when services have been rendered taking into account the stage of completion.

Interest income

Interest income is recognised on an accrual basis based on the effective interest rate.

Dividends

Dividends are recognised when the right to receive the dividends is established.

4.2 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.

4.3 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 experiences and analysis of debtor aging.

4.4 Inventories

Finished goods, work in process and raw materials are valued at the lower of cost (under the first-in, first-out method) and net realisable value. Cost of finished goods and work in process includes cost of materials, labour and overheads.

4.5 Investments

- a) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in other comprehensive income, and will be recorded in profit or loss when the securities are sold.
- b) Investments in the subsidiaries are accounted for in the separate financial statements using the cost method.

The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand.

The weighted average method is used for computation of the cost of investments.

In the event the Company reclassifies investments from one type to another, such investments will be readjusted to their fair value as at the reclassification date. The difference between the carrying amount of the investments and the fair value on the date of reclassification are recorded in profit or loss or recorded as other components in shareholders' equity, depending on the type of investment that is reclassified.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

4.6 Property, plant and equipment and depreciation

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

Depreciation of plant and equipment is calculated by reference to their costs on the straight-line basis over the estimated useful lives as follows:

Land improvement and plant	-	20	years
Machineries	-	5, 8, 10, 15	years
Plant equipment	-	5	years
Furniture, fixtures and office equipment	-	3, 5, 10	years
Motor vehicles	-	5	years

Depreciation attributed to the original cost portion included in determining income.

No depreciation is provided for land and construction in progress.

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.

4.7 Intangible assets

Intangible assets acquired through business combination are initially recognised at their fair value on the date of business acquisition while intangible assets acquired in other cases are recognised at cost. Following the initial recognition, the intangible assets are carried at cost less accumulated amortisation and 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.

A summary of the intangible assets with finite useful lives is as follows:

	<u>Useful lives</u>
Computer software	3 - 10 years

4.8 Goodwill

Goodwill is initially recorded at cost, which equals to the excess of cost of business combination over the fair value of the net assets acquired. If the fair value of the net assets acquired exceeds the cost of business combination, the excess is immediately recognised as gain in profit or loss.

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Company's cash generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combination. The Company estimates the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

4.9 Warranty reserve

Warranty reserve is estimated by reference to actual warranty expenses incurred and calculated at a percentage of cost of sales and quantities of products under warranty.

4.10 Related party transactions

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

They also include companies and individuals 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.

4.11 Long-term leases

Leases of machinery and equipment 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 machinery and equipment acquired under finance leases is depreciated over the useful life of the assets and registration of ownership is transferred upon completion of payment.

Leases of assets 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.

4.12 Foreign currencies

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency. Items of each entity included in the consolidated financial statements are measured using the functional currency of that entity.

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.

4.13 Impairment of assets

At the end of each reporting period, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. The Company and its subsidiaries also carry out annual impairment reviews in respect of goodwill. 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 and its subsidiaries 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.

In the assessment of asset impairment, if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company and its subsidiaries estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal, which exceeds the carrying amount that would have been determined, is treated as a revaluation increase.

4.14 Employee benefits

Short-term employee benefits

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

Post-employment benefits and other long-term employee benefits

Defined contribution plans

The Company and its employees, and subsidiaries and their employees, have jointly established a provident fund. The fund is monthly contributed by employees and by the Company and the subsidiaries. The fund's assets are held in a separate trust fund and the Company and the subsidiaries' contributions are recognised as expenses when incurred.

Defined benefit plans and other long-term employee benefits

The Company and its subsidiaries have obligations in respect of the severance payments they must make to employees upon retirement under labor law and other employee benefit plan. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan. In addition, the Company and its subsidiaries provide 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 based on actuarial techniques, using the Projected Unit Credit Method.

Actuarial gain and loss arising from post-employment benefits are recognised immediately in other comprehensive income.

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

4.15 Provisions

Provisions are recognised when the Company and its subsidiaries have 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.

4.16 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 and its subsidiaries recognise 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 and its subsidiaries review and reduce 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 and its subsidiaries record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

4.17 Derivatives

Forward exchange contracts

At each reporting date, the Company and its subsidiaries recognise the changes in fair value of forward exchange rate for the undue foreign exchange forward contracts as revenue or expense in the profit or loss.

Interest rate swap contracts

The net amount of interest to be received from or paid to the counterparty under an interest rate swap contract is recognised as income or expenses on an accrual basis.

Cross currency swap agreement

Payables and receivables arising from cross currency swap agreements are translated into Baht at the rates of exchange ruling at the end of reporting period. Unrecognised gains and losses from the translation are recognised in profit or loss.

The notional amounts of currency option agreements utilised by the Company and its subsidiary companies to manage foreign exchange risk are not recognised as assets or liabilities upon inception of the agreement, but fees paid or received by the Company or its subsidiary companies in respect of such agreements (if any) are amortised on a straight line basis over the term of the agreement.

4.18 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 and its subsidiaries apply 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 and its subsidiaries measure fair value using valuation technique that are appropriate in the circumstances and maximise 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 categories of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an observable 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 and its subsidiaries determine 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. 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:

Recognition and derecognition of assets and liabilities

In considering whether to recognise or to derecognise assets or liabilities, the management is required to make judgement or whether significant risk and rewards of those assets or liabilities have been transferred, based on their best knowledge of the current events and arrangements.

Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

Allowance for diminution in inventory value

In determining allowance for diminution in inventory value, the management needs to exercise judgement and make estimates based upon, among other things, market conditions and the condition of the inventory.

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 (bank and counterparty, both) 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.

Impairment of equity investments

The Company considers available-for-sale investments and other investments as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgement of the management.

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 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 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.

Goodwill and intangible assets

The initial recognition and measurement of goodwill and intangible assets, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

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.

Warranty reserve

In determining warranty reserve, the management needs to exercise judgement to make estimate, based upon historical warranty expense data and the quantities of products under warranty.

Post-employment benefits under defined benefit plans and other long-term employee benefits

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.

6. Related party transactions

During the years, the Company and its subsidiaries had significant business transactions with related parties mainly in respect of purchases and sales of goods. Such transactions, which have been concluded on commercial terms and bases agreed upon in the ordinary course of business between the Company and those related parties, are summarised below.

(Unit: Million Baht)

	For the years ended 31 December				Pricing policy
	Consolidated financial statements		Separate financial statements		
	2015	2014	2015	2014	
<i>Transactions with subsidiary companies (eliminated from the consolidated financial statements)</i>					
Purchases of goods	-	-	1,718	1,901	Market price
Sales and service income and scraps sales	-	-	359	496	Approximate market price
Dividend income	-	-	135	76	At the declared rate
Interest expenses	-	-	25	2	Interest rate at 0.25 - 5.8 percent per annum
Interest income	-	-	15	-	Interest rate at 3.25 - 5.8 percent per annum
Other income	-	-	11	11	Mutually agreed price as stipulated in the contract
Rental income	-	-	3	3	Mutually agreed price as stipulated in the contract
Sales of fixed assets	-	-	1	1	Mutually agreed price
Other expenses	-	-	1	-	Mutually agreed price as stipulated in the contract
<i>Transactions with related companies</i>					
Sales and service income and scraps sales	598	568	358	344	Approximate market price
Purchases of goods	84	110	77	79	Market price
Rental expense	15	13	2	-	Mutually agreed price as stipulated in the contract
Other expenses	11	4	6	-	Mutually agreed price as stipulated in the contract
Other income	1	-	1	-	Mutually agreed price as stipulated in the contract

The balances of the accounts as at 31 December 2015 and 2014 between the Company and those related parties are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
Trade and other receivables - related parties (Note 8)				
Subsidiary companies	-	-	104,894	29,238
Related companies (related by common director/shareholder)	111,327	107,449	64,860	58,176
Trade and other receivables - related parties	111,327	107,449	169,754	87,414
Trade and other payables - related parties (Note 15)				
Subsidiary companies	-	-	535,401	611,673
Related companies (related by common director/ shareholder)	30,143	47,607	18,524	19,967
Total trade and other payables - related parties	30,143	47,607	553,925	631,640

Short-term loans to and short-term loans from related parties

As at 31 December 2015 and 2014, the balance of short-term loans between the Company and its subsidiaries, and the movement are as follows:

(Unit: Thousand Baht)

	Separate financial statements			
	Balance as at 31 December 2014	Increase during the year	Decrease during the year	Balance as at 31 December 2015
<u>Short-term loans to subsidiary</u>				
Kulthorn Materials and Controls Co., Ltd.	208,000	100,000	(100,000)	208,000
Total	208,000	100,000	(100,000)	208,000

(Unit: Thousand Baht)

	Separate financial statements			
	Balance as at 31 December 2014	Increase during the year	Decrease during the year	Balance as at 31 December 2015
<u>Short-term loans from subsidiaries</u>				
Kulthorn Metal Product Co., Ltd.	-	30,000	-	30,000
Kulthorn Premier Co., Ltd.	380,000	371,000	(276,000)	475,000
Total	380,000	401,000	(276,000)	505,000

On 1 August 2013, the Company entered into Liquidity Management Agreement (Cash Sweep) with its subsidiaries' to balance out cash shortfalls and surpluses of each company. The Company assigns a commercial bank to transfer the balance of the Company and its subsidiaries to the specified accounts in accordance with the terms and condition set forth in the agreement, for liquidity management purposes under terms and conditions of the Agreement.

Each transfer of balances from one account to another account will be treated as lending between the Company and its subsidiaries and interest will be calculated at agreed rate as stipulated in the Agreement.

As at 31 December 2015 and 2014, the Company and its subsidiaries had outstanding short-term loans from the above agreement as follows:

	(Unit: Thousand Baht)	
	<u>2015</u>	<u>2014</u>
<u>Short-term loans to related parties</u>		
Kulthorn Metal Product Co., Ltd.	5,576	7,457
Kulthorn Materials and Controls Co., Ltd.	-	11,601
Kulthorn Kirby Foundry Co., Ltd.	-	10,000
Total short-term loans to related parties	<u>5,576</u>	<u>29,058</u>
<u>Short-term loans from related parties</u>		
Kulthorn Premier Co., Ltd.	66,796	90,922
Kulthorn Kirby Foundry Co., Ltd.	37,463	-
Kulthorn Steel Co., Ltd.	5,045	32,689
Kulthorn Materials and Controls Co., Ltd.	4,984	-
Total short-term loans from related parties	<u>114,288</u>	<u>123,611</u>

Directors and management's remuneration

During the years ended 31 December 2015 and 2014, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below:

	(Unit: Million Baht)			
	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Short-term employee benefits	54	48	22	19
Post-employment benefits	1	1	1	1
Total	<u>55</u>	<u>49</u>	<u>23</u>	<u>20</u>

Guarantee obligations with related parties

The Company and its subsidiaries have outstanding guarantee obligations with its related parties, as described in Note 29.4 to the financial statements.

7. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
Cash	719	5,252	169	306
Bank deposits	172,312	244,010	112,416	182,240
Total	173,031	249,262	112,585	182,546

As at 31 December 2015, bank deposits in savings accounts carried interests at the rate between 0.35 and 0.75 percent per annum (2014: between 0.30 and 0.63 percent per annum).

8. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
<u>Trade receivables - related parties</u>				
Not yet due	74,481	79,459	100,864	53,627
Overdue				
Less than 3 months	25,818	15,199	17,948	6,511
3 - 6 months	6,336	1,297	4,565	1,000
6 - 12 months	-	453	-	-
Over 12 months	3,539	8,460	-	5,682
Total trade receivables - related parties	110,174	104,868	123,377	66,820
<u>Trade receivables - unrelated parties</u>				
Not yet due	1,451,682	1,473,616	899,786	630,404
Overdue				
Less than 3 months	480,641	572,271	189,148	308,311
3 - 6 months	21,828	14,316	3,887	4,104
6 - 12 months	9,191	1,876	4,901	-
Over 12 months	16,301	21,830	245	298
Total	1,979,643	2,083,909	1,097,967	943,117
Less: Allowance for doubtful debts	(9,412)	(15,224)	(418)	(418)
Total trade receivables - unrelated parties	1,970,231	2,068,685	1,097,549	942,699
Total trade receivables - net	2,080,405	2,173,553	1,220,926	1,009,519
<u>Other receivables</u>				
Advances - related parties	1,153	2,581	46,377	20,594
Others	2,340	3,325	1,823	2,261
Total other receivables	3,493	5,906	48,200	22,855
Total trade and other receivables - net	2,083,898	2,179,459	1,269,126	1,032,374

The outstanding balance of the Company's trade accounts receivable as at 31 December 2014 included approximately Baht 85.2 million of trade accounts receivable that have been sold at a discount to a local commercial bank. The Company still has obligations under the guarantee it provided in respect of the sale.

9. Inventories

(Unit: Thousand Baht)

Consolidated financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	2015	2014	2015	2014	2015	2014
	Finished goods	1,063,052	1,007,195	(102,806)	(70,610)	960,246
Work in process	460,517	454,579	(8,142)	(6,499)	452,375	448,080
Raw materials	1,016,435	1,235,156	(23,486)	(15,590)	992,949	1,219,566
Goods in transit	32,199	56,074	-	-	32,199	56,074
Total	2,572,203	2,753,004	(134,434)	(92,699)	2,437,769	2,660,305

(Unit: Thousand Baht)

Separate financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	2015	2014	2015	2014	2015	2014
	Finished goods	568,935	457,584	(25,221)	(8,403)	543,714
Work in process	303,349	257,256	(5,465)	(4,725)	297,884	252,531
Raw materials	614,638	554,353	(17,385)	(10,186)	597,253	544,167
Goods in transit	54	369	-	-	54	369
Total	1,486,976	1,269,562	(48,071)	(23,314)	1,438,905	1,246,248

During the current year, the Company and its subsidiaries reduced cost of inventories by Baht 41.7 million (The Company only: Baht 24.8 million) (2014: reduced cost of inventories by Baht 32.0 million in the consolidated financial statements and reversed the write-down of cost of inventories by Baht 0.4 million in the separate financial statements) to reflect the net realisable value. This was included in cost of sales.

10. Investments in subsidiaries

Details of investments in subsidiaries as presented in separate financial statements are as follows:

Company's name	Paid-up capital		Shareholding percentage		Cost		(Unit: Thousand Baht) Dividend received during	
	2015	2014	2015	2014	2015	2014	the year	
			(%)	(%)			2015	2014
Kulthorn Kirby Foundry Company Limited	575,000	475,000	100	100	739,999	639,999	119,050	-
Kulthorn Premier Company Limited	1,260,000	1,260,000	100	100	1,936,751	1,936,751	-	75,595
Kulthorn Steel Company Limited	400,000	400,000	100	100	399,999	399,999	16,000	-
kulthorn Materials and Controls Company Limited	450,000	350,000	100	100	340,630	240,630	-	-
Total					3,417,379	3,217,379	135,050	75,595
Less: Allowance for impairment loss on investments in subsidiaries					(783,007)	(783,007)	-	-
Total investments in subsidiaries - net					2,634,372	2,434,372	135,050	75,595

On 6 May 2015, the Board of Directors' Meeting of the Company No. 4/2558 passed a resolution to increase in the share capital of Kulthorn Materials and Controls Company Limited by Baht 100 million (1 million ordinary shares of Baht 100 each) from Baht 350 million (3.5 million ordinary shares of Baht 100 each) to Baht 450 million (4.5 million ordinary shares of Baht 100 each). The subsidiary registered the increase in its registered and paid-up share capital with the Ministry of Commerce on 22 July 2015. The Company maintains its shareholding at 100 percent.

In addition, during the current year, Kulthorn Kirby Foundry Company Limited called up the uncalled portion of the additional registered capital amounting to Baht 200 million (2 million ordinary shares of Baht 100 each), 50 percent of which was called up initially in 2013. The subsidiary called up the remaining 50 percent payment for the shares, amounting to Baht 100 million and the Company made full payment for the shares on 9 July 2015. As result, this subsidiary has increased from Baht 475 million to Baht 575 million of its paid-up capital. The subsidiary registered the increase in its registered and paid-up share capital with the Ministry of Commerce on 24 July 2015. The Company maintains its shareholding at 100 percent.

11. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements							Total	
	Land improvement		Machineries	Plant equipment	Furniture, fixtures and office equipment		Motor vehicles		Construction in progress
	Land	and plant							
Cost									
As at 1 January 2014	350,570	1,811,234	7,452,201	1,113,611	161,584	130,288	212,171	11,231,659	
Additions	-	2,889	37,679	16,270	14,028	8,529	163,412	242,807	
Transfer in (out)	-	22,487	113,707	40,414	3,418	3,219	(183,245)	-	
Disposals/write-off	-	-	(5,080)	(1,976)	(615)	(3,265)	(2,627)	(13,563)	
Adjustment of prior year	(842)	-	-	-	-	-	-	(842)	
Translation adjustments	-	(4,745)	(7,860)	-	(210)	(154)	-	(12,969)	
As at 31 December 2014	349,728	1,831,865	7,590,647	1,168,319	178,205	138,617	189,711	11,447,092	
Additions	-	425	13,176	7,050	6,027	4,536	192,761	223,975	
Transfer in (out)	-	13,356	75,062	37,777	5,575	3,559	(136,610)	(1,281)	
Disposals/write-off	-	-	(31)	(694)	(3,899)	(7,243)	-	(11,867)	
Translation adjustment	-	10,885	18,525	-	490	357	-	30,257	
As at 31 December 2015	349,728	1,856,531	7,697,379	1,212,452	186,398	139,826	245,862	11,688,176	
Accumulated depreciation									
As at 1 January 2014	-	952,918	5,182,016	972,356	126,250	98,639	-	7,332,179	
Disposals/ write-off	-	-	(4,867)	(1,976)	(578)	(2,232)	-	(9,653)	
Depreciation for the year	-	82,269	451,839	53,476	16,056	11,136	-	614,776	
Translation adjustment	-	(1,807)	(5,626)	-	(184)	(116)	-	(7,733)	
As at 31 December 2014	-	1,033,380	5,623,362	1,023,856	141,544	107,427	-	7,929,569	
Disposals/ write-off	-	-	(31)	(495)	(3,734)	(7,243)	-	(11,503)	
Depreciation for the year	-	82,688	390,261	55,474	16,548	11,462	-	556,433	
Translation adjustment	-	4,867	14,341	-	400	285	-	19,893	
As at 31 December 2015	-	1,120,935	6,027,933	1,078,835	154,758	111,931	-	8,494,392	
Allowance for impairment loss:									
As at 1 January 2014	-	-	-	-	-	-	-	-	
Increase during the year	-	-	-	-	-	-	(517)	(517)	
As at 31 December 2014	-	-	-	-	-	-	(517)	(517)	
Increase during the year	-	-	(973)	-	-	-	-	(973)	
As at 31 December 2015	-	-	(973)	-	-	-	(517)	(1,490)	
Net book value									
As at 31 December 2014	349,728	798,485	1,967,285	144,463	36,661	31,190	189,194	3,517,006	
As at 31 December 2015	349,728	735,596	1,668,473	133,617	31,640	27,895	245,345	3,192,294	
Depreciation for the year									
2014 (Baht 571 million included in manufacturing cost, and the balance in administrative expenses)								614,776	
2015 (Baht 531 million included in manufacturing cost, and the balance in administrative expenses)								556,433	

(Unit: Thousand Baht)

	Separate financial statements							Total	
	Land improvement		Machineries	Plant equipment	Furniture, fixtures and office equipment		Motor vehicles		Construction in progress
	Land	and plant							
Cost									
As at 1 January 2014	221,024	619,764	3,480,085	770,594	80,031	59,598	84,335	5,315,431	
Additions	-	403	902	6,075	4,070	7,466	59,584	78,500	
Transfer in (out)	-	4,523	78,074	8,903	698	-	(92,198)	-	
Disposals/write-off	-	-	(4,118)	-	-	(2,853)	-	(6,971)	
As at 31 December 2014	221,024	624,690	3,554,943	785,572	84,799	64,211	51,721	5,386,960	
Additions	-	-	130	1,863	2,921	628	117,923	123,465	
Transfer in (out)	-	730	26,356	21,913	2,263	1,822	(53,084)	-	
Disposals/write-off	-	-	-	(184)	(2,381)	(2,365)	-	(4,930)	
As at 31 December 2015	221,024	625,420	3,581,429	809,164	87,602	64,296	116,560	5,505,495	
Accumulated depreciation									
As at 1 January 2014	-	315,119	2,455,134	694,571	61,296	45,897	-	3,572,017	
Depreciation for the year	-	26,545	207,304	28,887	8,364	5,168	-	276,268	
Disposals/write-off	-	-	(4,118)	-	-	(2,155)	-	(6,273)	
As at 31 December 2014	-	341,664	2,658,320	723,458	69,660	48,910	-	3,842,012	
Depreciation for the year	-	25,456	207,254	26,850	8,489	5,651	-	273,700	
Disposals/write-off	-	-	-	(4)	(2,381)	(2,365)	-	(4,750)	
As at 31 December 2015	-	367,120	2,865,574	750,304	75,768	52,196	-	4,110,962	
Net book value									
As at 31 December 2014	221,024	283,026	896,623	62,114	15,139	15,301	51,721	1,544,948	
As at 31 December 2015	221,024	258,300	715,855	58,860	11,834	12,100	116,560	1,394,533	
Depreciation for the year									
2014 (Baht 268 million included in manufacturing cost, and the balance in administrative expenses)								276,268	
2015 (Baht 265 million included in manufacturing cost, and the balance in administrative expenses)								273,700	

The Company and its subsidiaries have mortgaged and negative pledged their land and building thereon and machineries, with net book value amounting to approximately Baht 1,001.9 million (The Company only: Baht 304.4 million) (2014: Baht 1,233.0 million in consolidated financial statements and Baht 332.3 million in separate financial statements) with financial institutions to secure against credit facility and loans obtained from those financial institutions as discussed in Note 14 and 16.

As at 31 December 2015, certain items of building improvement and equipment of the Company and its subsidiaries were fully depreciated but are still in use. The gross carrying amount, before deducting accumulated depreciation, of those assets amounted to Baht 4,511.0 million (The Company only: Baht 2,755.2 million) (2014: Baht 3,995.2 million in the consolidated financial statements and Baht 2,360.6 million in the separate financial statements).

As at 31 December 2015, the Company and its subsidiaries had machineries, vehicles and equipment with net book values of Baht 174.5 million (The Company only: Baht 104.2 million) (2014: Baht 210.3 million in the consolidated financial statements and Baht 133.4 million in the separate financial statements) which were acquired under financial lease agreements.

12. Goodwill on business combination

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	2015	2014
Goodwill on business combination	37,620	37,620
Less: Accumulated impairment loss	(37,620)	(37,620)
Net book value	-	-

13. Intangible assets

The net book value of intangible assets, computer software, as at 31 December 2015 and 2014 is presented below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
As at 31 December 2015		
Cost	140,993	64,172
<u>Less:</u> Accumulated amortisation	(58,806)	(35,519)
Net book value	82,187	28,653
As at 31 December 2014		
Cost	130,246	57,883
<u>Less:</u> Accumulated amortisation	(48,072)	(32,198)
Net book value	82,174	25,685

A reconciliation of the net book value of intangible assets for the years 2015 and 2014 is presented below.

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate Financial statements	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Net book value at beginning of year	82,174	55,746	25,685	11,707
Acquisition during the year	10,324	33,239	6,289	15,123
Amortisation	(10,617)	(6,676)	(3,321)	(1,145)
Translation adjustment	306	(135)	-	-
Net book value at end of year	82,187	82,174	28,653	25,685

14. Bank overdrafts and short-term loans from financial institutions

(Unit: Thousand Baht)

	Interest rate (percent per annum)	Consolidated		Separate	
		financial statements		financial statements	
		2015	2014	2015	2014
Bank overdrafts	MOR	24,452	26,719	-	170
Short-term loans	4.10 - 5.00	767,849	790,466	576,849	548,466
Trust receipts	2.00 - 5.50	1,786,424	1,843,134	922,031	650,835
Packing credit	4.09 - 5.66	1,081,335	1,040,371	671,551	623,093
Loans from discounting of accounts receivable	-	-	85,184	-	85,184
Total		3,660,060	3,785,874	2,170,431	1,907,748

Bank overdrafts and short-term loans from financial institutions of the Company and its subsidiaries are secured by a mortgage and negative pledge of their land, building and machineries of the Company and its subsidiaries.

15. Trade and other payables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2015	2014	2015	2014
Trade payables - related parties	18,487	24,322	496,881	542,390
Trade payables - unrelated parties	823,633	1,166,088	466,572	483,595
Other payables - related parties	11,656	23,285	52,921	89,109
Other payables - unrelated parties	173,195	146,779	96,530	66,031
Accrued interest expenses to related parties	-	-	4,123	141
Accrued interest expenses to unrelated parties	2,737	3,630	1,244	2,126
Accrued expenses	108,491	119,973	40,466	46,824
Total trade and other payables	1,138,199	1,484,077	1,158,737	1,230,216

16. Current portion of long-term loans

During 2010, the Company and its subsidiaries entered into a new Credit Facility Agreement with two commercial banks to obtain loan facilities including long-term loan facility, working capital facility, contingent facility and hedging facility.

In November 2010, the Company drawdown Baht 2,400 million loan from the banks, the loan shall be repaid within the year 2015. The repayment of the principal is to be made in 21 quarterly installments, of Baht 100 million each for the 1st quarter, the 3rd quarter, and the 4th quarter of each year and Baht 200 million for the 2nd quarter of each year, with the first installment to be paid in December 2010.

In April 2011, the Company and its subsidiaries entered into the First Amendment to Credit Facilities Agreement to obtain additional credit facilities. The Company drawdown additional Baht 200 million loan from the banks.

In December 2011, the Company and its subsidiaries entered into the Second Amendment and Novation Agreement to Credit Facility Agreement, in order to make a new commercial bank be the Acceding Lender for the existing Credit Facility Agreement and the Company and its subsidiaries obtained additional credit facilities including long-term loan of Baht 200 million. The additional long-term loan amount was drawdown in year 2012, and to be repaid within year 2015 by 16 quarterly installments, of Baht 12.5 million each. The first installment is to be paid in March 2012.

In September 2014, the Company and its subsidiaries entered into the Third Amendment to Credit Facilities Agreement in order to extend the repayment period. The loan shall be repaid within the year 2016. The repayment of the principal is to be made in 9 quarterly installments, of Baht 74.3 million each for the 1st quarter, the 3rd quarter, and the 4th quarter of each year, Baht 140.3 million for the 2nd quarter of each year and Baht 48.6 million for the 3rd quarter of 2016, with the first installment to be paid in September 2014.

In April 2015, the Company and its subsidiaries entered into the Fourth Amendment to Credit Facilities Agreement in order to decrease the amount of existing credit facility.

The loan is subject to interest at the rate with reference to THBFIX+3%, and interest is to be paid on a monthly basis.

Under the loan agreement, the Company and its subsidiaries have to comply with certain conditions including maintaining interest bearing debt to EBITDA ratio not exceeding 5:1 for the consolidated financial statements, debt to equity ratio for the consolidated financial statements not exceeding 5:1 in Financial Year 2010; 4:1 in Financial Year 2011; 3.5:1 in Financial Year 2012; and 2.75:1 from 1 January 2013 onwards, current ratio for consolidated financial statements not less than 1:1, and debt service coverage ratio for the consolidated financial statements not less than 1.2:1.

As at 23 December 2014, the Company and its subsidiaries received the waiver letter for certain covenant ratio from all lenders for the year ended 31 December 2014. The Company and its subsidiaries have to comply with certain conditions including maintaining interest bearing debt to EBITDA ratio not exceeding 5.5:1, current ratio for consolidated financial statements not less than 0.9:1 and debt service coverage ratio for the consolidated financial statements not less than 1:1. However, as at 31 December 2014, the Company and its subsidiaries could not maintain debt to equity ratio as specified in the Credit Facility Agreement, which resulted in the loan becoming payable on demand. The Company and its subsidiaries have reclassified of long-term loan to be included in the current portion of long-term loans. In February 2015, the Company and its subsidiaries have requested the waiver for such non-compliance and have got an approval in April 2015. The classification of such liabilities as at 31 December 2014 to be current is in accordance with financial reporting standards.

As at 17 December 2015, the Company and its subsidiaries received the waiver letter for maintain covenant ratio from all lenders for the year ended 31 December 2015. The Company and its subsidiaries have to comply with certain conditions including maintaining current ratio for consolidated financial statements not less than 0.95:1. As at 31 December 2015, the Company and its subsidiaries could maintain all conditions in the waiver letter and the loan agreement.

Long-term loans from bank are guaranteed by the mortgage and pledge of the Company's and subsidiaries' property, plant and machineries.

During the year 2014 and 2015, the Company has entered into a cross currency interest rate swap contract for a portion of the above loan as discussed in Note 31.

17. Liabilities under financial lease agreements

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2015	2014	2015	2014
Liabilities under financial lease agreements	287,710	326,813	37,237	55,996
Less: Deferred interest expenses	(32,783)	(40,761)	(2,941)	(5,954)
Total	254,927	286,052	34,296	50,042
Less: Portion due within one year	(67,996)	(61,114)	(15,406)	(15,746)
Liabilities under financial lease agreements, net of current portion	186,931	224,938	18,890	34,296

The Company and its subsidiaries have entered into the finance lease agreements for rental of machineries and motor vehicles for use in their operation, whereby they are committed to pay rental on a monthly basis. The terms of the agreements are generally between 3 and 5 years.

Future minimum lease payments required under the finance lease agreements were as follows:

(Unit: Million Baht)

As at 31 December 2015

	Consolidated financial statements			Separate financial statements		
	Less than 1			Less than 1		
	year	1-5 years	Total	year	1-5 years	Total
Future minimum lease payments	82	206	288	17	20	37
Deferred interest expenses	(14)	(19)	(33)	(2)	(1)	(3)
Present value of future minimum lease payments	68	187	255	15	19	34

(Unit: Million Baht)

As at 31 December 2014

	Consolidated financial statements			Separate financial statements		
	Less than 1			Less than 1		
	year	1-5 years	Total	year	1-5 years	Total
Future minimum lease payments	76	251	327	19	37	56
Deferred interest expenses	(15)	(26)	(41)	(3)	(3)	(6)
Present value of future minimum lease payments	61	225	286	16	34	50

18. Other current liabilities

The outstanding balances of warranty reserve as at 31 December 2015 and 2014 which are included in other current liabilities in the statement of financial position are as follow:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2015	2014	2015	2014
Warranty reserve	38,920	10,755	37,691	9,569

19. Provision for long-term employee benefits

Provision for long-term employee benefits, which represents compensations payable to employees' retirement and long service awards, was as follows:

(Unit: Thousand Baht)

	Consolidated financial statements					
	Retirement benefits		Long service awards		Total	
	plan		plan			
	2015	2014	2015	2014	2015	2014
Provision for long-term employee benefits at beginning of year	123,357	116,368	7,366	6,011	130,723	122,379
Included in profit or loss:						
Current service cost	9,021	8,943	1,265	1,164	10,286	10,107
Interest cost	3,848	4,091	212	191	4,060	4,282
Actuarial gain arising from						
Financial assumptions changes	-	-	(1,507)	-	(1,507)	-
Experience adjustments	-	-	(2,995)	-	(2,995)	-
Included in other comprehensive income:						
Actuarial loss arising from						
Financial assumptions changes	8,698	-	-	-	8,698	-
Experience adjustments	21,964	-	-	-	21,964	-
Benefits paid during the year	(9,211)	(6,045)	-	-	(9,211)	(6,045)
Provision for long-term employee benefits at end of year	157,677	123,357	4,341	7,366	162,018	130,723

(Unit: Thousand Baht)

	Separate financial statements					
	Retirement benefits		Long service awards		Total	
	plan		plan			
	2015	2014	2015	2014	2015	2014
Provision for long-term employee benefits at beginning of year	55,652	51,662	7,366	6,011	63,018	57,673
Included in profit or loss:						
Current service cost	3,871	3,796	1,265	1,164	5,136	4,960
Interest cost	2,038	1,886	212	191	2,250	2,077
Actuarial gain arising from						
Financial assumptions changes	-	-	(1,507)	-	(1,507)	-
Experience adjustments	-	-	(2,995)	-	(2,995)	-
Included in other comprehensive income:						
Actuarial loss arising from						
Financial assumptions changes	4,109	-	-	-	4,109	-
Experience adjustments	10,553	-	-	-	10,553	-
Benefits paid during the year	(2,649)	(1,692)	-	-	(2,649)	(1,692)
Provision for long-term employee benefits at end of year	73,574	55,652	4,341	7,366	77,915	63,018

Line items in profit or loss under which long-term employee benefit expenses are recognised are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2015	2014	2015	2014
Cost of sales	6,599	10,525	2,367	4,600
Selling and administrative expenses	3,245	3,864	517	2,437
Total expense recognised in profit or loss	9,844	14,389	2,884	7,037

The Company and its subsidiaries expect to pay Baht 15.1 million of long-term employee benefits during the next year (Separate financial statements: Baht 6.9 million) (2014: Baht 9.2 million, separate financial statements: Baht 2.6 million).

As at 31 December 2015, the weighted average duration of the liabilities for long-term employee benefit is 13 years (Separate financial statements: 13 years) (2014: 13 years, separate financial statements: 13 years).

Significant actuarial assumptions used for the valuation are as follows:

(Unit: percent per annum)

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
Discount rate	2.9	3.7	2.9	3.7
Future salary increase rate (depending on age)	5.0 - 8.0	5.0 - 9.0	5.0 - 8.0	5.0 - 9.0

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2015 are summarised below:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(11.8)	13.5	(5.6)	6.4
Future salary increase rate	12.8	(11.5)	6.0	(5.4)

20. Share capital

On 23 April 2015, the Annual General Meeting of the Company's shareholders No. 36/2558 passed resolutions approval of an increase in the Company's share capital from Baht 1,000 million (1,000 million ordinary shares of Baht 1 each) to Baht 1,200 million (1,200 million ordinary shares of Baht 1 each) through the issuance of 200 million ordinary shares with a par value of Baht 1 each to the existing shareholders pursuant to their shareholdings in the Company at the proportion of 5 existing shares to 1 new share at the subscription price of Baht 2 per share. The Company had registered the increase in its registered and paid-up share capital with the Ministry of Commerce on 10 June 2015.

21. Statutory reserve

Pursuant to the 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 capital. The statutory reserve is not available for dividend distribution. During the current year, the Company set aside an additional statutory reserve of its net profit of Baht 20 million.

22. Expenses by nature

Significant expenses classified by nature are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Raw materials and consumables used	8,974,747	11,542,066	4,643,582	4,982,532
Changes in inventories of finished goods and work in progress	(61,795)	(322,794)	(157,444)	(296,542)
Salaries, wages and other employee benefits	1,048,260	1,079,163	556,429	535,681
Depreciation and amortisation expenses	567,050	621,452	277,022	277,414
Net loss (gain) on exchange	18,195	(13,448)	14,842	(6,951)
Rental expenses	34,682	32,101	7,754	2,753

23. Income tax

Income tax expenses (revenues) for the years ended 31 December 2015 and 2014 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current income tax:				
Current income tax charge	42,551	8,667	33,162	-
Adjustment in respect of income tax of previous year	-	88	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences	(15,293)	(10,102)	(14,111)	2,863
Income tax expenses (revenues) reported in the statement of comprehensive income	27,258	(1,347)	19,051	2,863

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2015 and 2014 are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Deferred tax relating to actuarial loss	(4,732)	-	(2,605)	-

The reconciliation between accounting profit and income tax expenses (revenues) is shown below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Accounting profit before tax	239,637	56,073	521,792	259,795
Applicable tax rate	20, 25%	20, 25%	20%	20%
Accounting profit before tax multiplied by income tax rate	47,927	11,215	104,358	51,959
Adjustment in respect of income tax of previous year	-	(88)	-	-
Effects of:				
Promotional privileges (Note 24)	(19,668)	(25,460)	(12,322)	(12,843)
Dividend income not subject to tax	-	-	(27,011)	(15,119)
Non-deductible expenses	10,847	58,120	3,345	4,106
Additional expense deductions allowed	(16,365)	(5,223)	(4,522)	(6,887)
Loss carry forward	(46,730)	(63,648)	(40,720)	(20,728)
Others	(2,984)	(408)	(4,077)	2,375
Total	(74,900)	(36,619)	(85,307)	(49,096)
Unrecognised tax loss	54,231	24,145	-	-
Income tax expenses (revenues) reported in the statement of comprehensive income	<u>27,258</u>	<u>(1,347)</u>	<u>19,051</u>	<u>2,863</u>

The components of deferred tax assets are as follows:

	(Unit: Thousand Baht)			
	Statements of financial position			
	Consolidated financial statements		Separate financial statements	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Deferred tax assets				
Allowance for doubtful accounts	3,100	3,548	84	84
Allowance for diminution in value of inventories	26,887	18,880	9,614	4,663
Warranty reserve	6,866	1,201	6,696	1,048
Provision for long-term employee benefits	25,048	17,565	13,841	7,725
Others	18,028	18,422	-	-
Total	<u>79,929</u>	<u>59,616</u>	<u>30,235</u>	<u>13,520</u>

As at 31 December 2015, the Company and its subsidiaries have unused tax losses totaling Baht 534.8 million (2014: Baht 561.3 million). No deferred tax assets have been recognised on these amounts as the Company and its subsidiaries believe future taxable profits may not be sufficient to allow utilisation of the unused tax losses.

The unused tax losses amounting to Baht 534.8 million will expire by the year 2020.

24. Promotional privileges

24.1 The Company has been granted certain promotional privileges according to the Investment Promotion Act B.E. 2520 as approved by the Board of Investment with significant privileges as follows:

	Certificate No. 1421(2)/2552	Certificate No. 1987(2)/2554
1. Promotional privileges for	Manufacturing of compressors for air condition and refrigerator	Manufacturing of compressors for air condition and refrigerator
2. The significant privileges are		
2.1 Exemption of corporate income tax on net profit from promotional operation which does not exceed 100 percent of investment, excluding land and working capital for a period of 5 years. In case that the Company has loss during the exemption of corporate income tax on net income, it can carry forward loss from operations to offset against income after exemption period, for a period of 5 years commencing as from the expiration of exemption period.	From 2 February 2010 until 1 February 2015	From 1 July 2013 until 1 July 2018
2.2 Exemption from import duty on raw materials and essential materials imported for use specifically in producing for export for a period of 1 year as from the date of first import.	Granted	Granted
2.3 Exemption from import duty on imported machinery as approved by the Board.	Granted	Granted
2.4 Dividend paid from those investment promoted operations which are exempted from corporate income tax are in turn exempted from inclusion in the determination of income tax.	Granted	Granted
3. Date of first earning operating income.	2 February 2010	1 July 2013

The Company has to comply with certain conditions and restrictions specified under the promotion certificates.

Sales of the Company amounting to approximately Baht 6,407 million (2014: Baht 6,194 million) for the year ended 31 December 2015 included revenue from manufacturing and sales derived from promoted operations of approximately Baht 716 million (2014: Baht 2,801 million).

24.2 Kulthorn Kirby Foundry Co., Ltd., a subsidiary company, has been granted the privileges for certain specified category of products under the Investments Promotion Act B.E. 2520 as approved by the Board of Investment with significant privileges as follows:

	Certificate No. 2127(2)/2548
1. Promotional privileges for	Manufacturing of casting iron parts
2. The significant privileges are	
2.1 Exemption of corporate income tax on net earnings for the period of 8 years commencing as from the date of earning operating income. In case that the Company has loss during the exemption of corporate income tax on net income, it can carry forward loss from operations to offset against income after exemption period, for a period of 5 years commencing as from the expiration of exemption period.	From 8 July 2012 until 7 July 2020
2.2 Dividend paid from those investment promoted operations which are exempted from corporate income tax are in turn exempted from inclusion in the determination of income tax.	Granted
2.3 Exemption from import duty on imported machinery as approved by the Board.	Granted
3. Date of first earning operating income	8 July 2012

The subsidiary company has to comply with certain conditions and restrictions specified under the promotion certificates.

24.3 Kulthorn Premier Co., Ltd., a subsidiary company, has been granted promotional privileges under the Investment Promotion Act B.E. 2520, as approved by the Board of Investment for certificate with outstanding significant privileges as follow:

	Certificate No.
	2167(2)/2550
1. Promotional privileges for	Manufacturing of compressors for refrigerator
2. The significant privileges are	
2.1 Exemption of corporate income tax on net income from the promoted operation which does not exceed 100 percent of investment, excluding land and working capital for a period of 8 years commencing as from the date of earning first operating income. In case that the Company has loss during the exemption of corporate income tax on net income, it can carry forward loss from operations to offset against income after exemption period, for a period of 5 years commencing as from the expiration of exemption period.	From 14 January 2008 until 13 January 2016
2.2 Dividend paid from those investment promoted operations which are exempted from corporate income tax are in turn exempted from inclusion in the determination of income tax.	Granted
2.3 A fifty percent reduction of corporate income tax on its net income.	for a period of 5 years after the corporate income tax exemption expired as discussed in 2.1
2.4 Permission to double deduct the costs of transportation, electricity and water supply for corporate income tax purpose commencing as from the date of first earning operating income.	For a period of 10 years commencing as from the date of first earning operating income.
2.5 Permission to deduct 25 percent of the cost of installation and construction of facilities, in addition to normal depreciation charges.	Granted
2.6 Exemption from import duty on raw materials and essential materials imported for use specifically in producing for export.	For a period of 5 years commencing as from the date of first import.
2.7 Seventy-five percent reduction of import duty on raw materials and essential materials imported for use specifically in production for domestic sales, for a period of 1 year commencing from the date of first importation.	Granted
2.8 Exemption from import duty on items imported for re-export, for a period of 5 years commencing from the date of first importation.	Granted
3. Date of first earning operating income	14 January 2008

The subsidiary company has to comply with certain conditions and restrictions specified under the promotion certificates.

24.4 Kulthorn Material and Controls Co., Ltd., a subsidiary company, has been granted the following tax privileges for certain specified category of products under the Investments Promotion Act B.E. 2520 as approved by the Board of Investment for certificate with outstanding significant privileges as follows:

	Certificate No.
	1204(2)/2551
1. Promotional privileges for	Manufacturing of enameled metal wire product Type 5.3
2. The significant privileges are	
2.1 Exemption of corporate income tax on net profit from promotional operation which does not exceed 100 percent of investment, excluding land and working capital for a period of 6 years commencing as from the date of earning first operating income.	From 10 January 2012 until 9 January 2018
2.2 Exemption from import duty on raw materials and essential materials imported for use specifically in producing for export for a period of 1 year as from the date of first import.	Granted
2.3 Exemption from import duty on imported machinery as approved by the Board.	Granted
2.4 Dividend paid from those investment promoted operations which are exempted from corporate income tax are in turn exempted from inclusion in the determination of income tax.	Granted
3. Date of first earning operating income.	10 January 2012

The subsidiary company has to comply with certain conditions and restrictions specified under the promotion certificates.

24.5 Kulthorn Metal Products Co., Ltd., a subsidiary company, has been granted the following tax privileges for certain specified category of products under the Investment Promotion Act B.E. 2520 as approved by the Board of Investment with significant privileges as follows:

	Certificate No.	
	1797(2)/2549	1968(2)/2550
1. Promotional privileges for	Steels forging and sintered product	Heat treatment product
2. The significant privileges are		
2.1 Exemption of corporate income tax on net profit from promotional operation which does not exceed 100 percent of investment, excluding land and working capital for a period of 8 years. In case that the Company has loss during the exemption of corporate income tax on net income, it can carry forward loss from operations to offset against income after exemption period, for a period of 5 years commencing as from the expiration of exemption period.	From 4 May 2006 until 3 May 2014	From 25 June 2007 until 24 June 2015
2.2 Exemption from import duty on raw materials and essential materials imported for use specifically in producing for export for a period of 1 year as from the date of first import.	Granted	Granted
2.3 Exemption from import duty on imported machinery as approved by the Board for the machinery produced from	1995	1996
2.4 Dividend paid from those investment promoted operations which are exempted from corporate income tax are in turn exempted from inclusion in the determination of income tax.	Granted	Granted
3. Date of first earning operating income	4 May 2006	25 June 2007

The subsidiary company has to comply with certain conditions and restrictions specified under the promotion certificates.

25. Earnings per share

Basic earnings per share is calculated by dividing profit 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:

	Profit for the year		Weighted average number of ordinary shares		Earnings per share	
	<u>2015</u> (Thousand Baht)	<u>2014</u> (Thousand Baht)	<u>2015</u> (Thousand shares)	<u>2014</u> (Thousand shares)	<u>2015</u> (Baht)	<u>2014</u> (Baht)
<u>Consolidated financial statements</u>						
Basic earnings per share						
Profit attributable to equity holders of the Company	212,379	57,420	1,112,329	1,000,000	0.191	0.057
<u>Separate financial statements</u>						
Basic earnings per share						
Profit attributable to equity holders of the Company	502,741	256,932	1,112,329	1,000,000	0.452	0.257

26. 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.

For management purposes, the Company and its subsidiaries are organised into business units based on their products and services and have four reportable segments as follows:

1. Compressors and parts
2. Enameled wire
3. Steel sheet
4. Steel coil center

No operating segments have been aggregated to form the above reportable operating segments.

The chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss and total assets on a basis consistent with that used to measure operating profit or loss and total assets in the financial statements.

The basis of accounting for any transactions between reportable segments is consistent with that for third party transactions.

The following tables present revenue, profit (loss) and total assets information regarding the Company and its subsidiaries' operating segments for the years ended 31 December 2015 and 2014:

	(Unit: Thousand Baht)							
	Compressors and parts	Enameled wire	Steel sheet	Steel coil center	Others	Total reportable segments	Adjustments and eliminations	Consolidated
Year ended 31 December 2015								
Revenue from external customers	7,229,973	1,333,942	997,773	897,072	85,622	10,544,382	-	10,544,382
Inter-segment revenue	316,532	792,405	590,764	510,136	145,006	2,354,843	(2,354,843)	-
Interest income	40,838	323	10	20	55	41,246	(40,378)	868
Interest expense	(149,364)	(71,080)	(11,077)	(3,592)	(1,455)	(236,568)	40,378	(196,190)
Depreciation and amortisation	(349,685)	(76,483)	(34,017)	(85,578)	(29,533)	(575,296)	8,246	(567,050)
Income tax revenue (expenses)	(18,066)	2,563	51	(10,346)	266	(25,532)	(1,726)	(27,258)
Unrealised gain (loss) on exchange	7,838	2,959	3,300	(7)	174	14,264	-	14,264
Segment profit (loss)	496,618	(264,054)	3,889	68,083	2,405	306,941	(94,562)	212,379
Segment total assets	8,935,038	1,916,721	873,622	1,025,185	229,333	12,979,899	(4,763,102)	8,216,797
Additions (decrease) to non-current assets other than financial instruments and deferred tax assets	(1,090)	59,720	887	(78,296)	(23,970)	(42,749)	(281,722)	(324,471)

(Unit: Thousand Baht)

	Compressors and parts	Enameled wire	Steel sheet	Steel coil center	Others	Total reportable segments	Adjustments and eliminations	Consolidated
Year ended 31 December 2014								
Revenue from external customers	7,440,582	1,763,711	1,056,795	966,633	102,397	11,330,118	-	11,330,118
Inter-segment revenue	432,696	801,705	831,657	628,118	141,730	2,835,906	(2,835,906)	-
Interest income	2,892	1,069	7	36	18	4,022	(2,908)	1,114
Interest expense	(110,736)	(70,891)	(13,111)	(3,502)	(1,969)	(200,209)	2,908	(197,301)
Depreciation and amortisation	(386,364)	(91,195)	(45,014)	(79,212)	(27,883)	(629,668)	8,216	(621,452)
Income tax revenues (expenses)	(1,803)	9,452	(5,057)	(1,646)	420	1,366	(19)	1,347
Unrealised loss on exchange	(7,539)	(13,949)	(5,495)	(134)	(188)	(27,305)	-	(27,305)
Segment profit (loss)	215,821	(175,955)	8,185	32,905	6,063	87,019	(29,599)	57,420
Segment total assets	8,618,170	2,180,943	1,299,843	1,062,462	226,521	13,387,939	(4,438,545)	8,949,394
Additions (decrease) to non-current assets other than financial instruments and deferred tax assets	(262,199)	76,521	(32,926)	(6,647)	(13,345)	(238,596)	(116,176)	(354,772)

Geographic information

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

	(Unit: Thousand Baht)	
	<u>2015</u>	<u>2014</u>
Revenue from external customers		
Thailand	6,208,513	5,860,821
Hong Kong	2,168,593	1,817,332
China	240,843	602,884
Indonesia	281,334	465,084
Saudi Arabia	78,614	234,323
Others	1,566,485	2,349,674
Total	<u>10,544,382</u>	<u>11,330,118</u>
Non-current assets (other than financial instruments and deferred tax assets)		
Thailand	3,050,197	3,363,236
China	<u>227,627</u>	<u>239,059</u>
Total	<u>3,277,824</u>	<u>3,602,295</u>

Major customers

For the year 2015, the Company and its subsidiaries have revenue from one major customer in amount of Baht 2,168.6 million, arising from sales by the compressors and parts segment (2014: Baht 1,822.9 million derived from one major customer, arising from sales by the compressors and parts segment).

27. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contribute to the fund monthly at the rate of 3 - 7 percent of basic salary. The fund, which is managed by Local Asset Management Company, will be paid to employees upon termination in accordance with the fund rules. The contributions for the year 2015 of the Company and its subsidiaries amounting to approximately Baht 19.4 million (2014: Baht 18.3 million) the Company only: Baht 7.9 million (2014: Baht 6.9 million) were recognised as expenses.

28. Dividends

		(Unit: Million Baht)	
Dividends	Approved by	Total dividends	Dividend per share (Baht)
Interim dividends for 2014	Board of Directors' Meeting on 17 December 2014	500	0.5
Total dividend for 2014		500	0.5

29. Commitment and contingent liabilities

29.1 Capital commitments

As at 31 December 2015, the Company and its subsidiaries have capital commitments of approximately Baht 89.5 million (2014: Baht 6.6 million) the Company only: Baht 81.1 million (2014: Baht 2.8 million), relating to acquisition of mold, machinery and computer software.

29.2 Operating lease commitments

The Company and its subsidiaries have entered into several lease agreements in respect of the lease of land, motor vehicles, and office equipment. The terms of the agreements are generally between 1 and 3 years.

As at 31 December 2015 and 2014, future minimum lease payments required under these operating leases contracts were as follows:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<u>Payable:</u>				
In up to 1 year	29.0	27.5	5.4	0.4
In over 1 and up to 3 years	51.8	16.0	8.5	0.2

29.3 Long-term service commitments

- a) As at 31 December 2015 and 2014, the Company and its subsidiaries have commitments relating to service agreements payable in the future as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<u>Payable:</u>				
In up to 1 year	14.4	11.0	4.7	2.3
In over 1 year	4.4	0.6	2.7	-

- b) A subsidiary entered into technical support license and royalty agreement with an overseas company. Under the agreement, the subsidiary is obliged to pay license and royalty fee to that company at the rate stipulated in the agreement. The agreement has been in effect since 15 July 2004 and shall continue unless cancelled by either party.

As at 31 December 2015, the subsidiary has outstanding royalty fees amounting to approximately Baht 17.6 million (2014: Baht 17.6 million) which was included in other current liabilities.

- c) The Company and its subsidiary have commitments related to sales commissions payable to sale agents at the rate stipulated in the agreements or rate agreed between parties.

29.4 Guarantees

- a) As at 31 December 2015, the Company and Kulthorn Materials and Controls Company Limited have contingent liability relating to the guarantee of credit facility of Suzhou Kulthorn Megnet Wire Co., Ltd. to an oversea branch of a commercial bank amounting to RMB 67 million or equivalent to Baht 376.8 million (2014: RMB 100 million or equivalent to Baht 535.2 million).
- b) As at 31 December 2015, there were outstanding bank guarantees of approximately Baht 79.9 million (2014: Baht 78.8 million) (the Company only: Baht 21.7 million (2014: Baht 22.6 million)) issued by the banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the normal course of business of the Company and its subsidiaries. These included letter of guarantee to guarantee electricity use amounting to Baht 77.3 million (2014: Baht 75.0 million) (the Company only: Baht 19.6 million (2014: Baht 19.2 million)), and to guarantee import duty and others amounting to Baht 2.6 million (2014: Baht 3.8 million) (the Company only: Baht 2.1 million (2014: Baht 3.4 million)).

30. Fair values of financial instruments

As of 31 December 2015, the Company and its subsidiaries had the following assets and liabilities that were measured or disclosed at fair value using different level of input as follow.

(Unit: Million Baht)

	Consolidated		Separated	
	financial Statements		financial Statements	
	Level 1	Level 2	Level 1	Level 2
Financial assets measured at fair value				
Derivatives				
Foreign currency forward contracts	-	6.2	-	0.2
Liabilities for which fair value are disclosed				
Copper swap contract	0.7	-	-	-

31. Financial instruments

31.1 Financial risk management

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instrument: Disclosure Presentations", principally comprise cash and cash equivalents, trade and other receivables, trade and other payables, and short-term and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade and other receivables. The management of the Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Company and its subsidiaries do not have high concentration of credit risk since they have a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables and other receivables as stated in the statement of financial position.

Interest rate risk

The Company and its subsidiaries' exposure to interest rate risk relates primarily to their cash at banks, bank overdrafts, short-term and long-term borrowings. However, since most of the Company and its subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 31 December 2015 and 2014 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2015						
Fixed interest rates		Floating	Non-		Effective	
Within		Interest	interest		interest	
1 year	1-5 years	rate	bearing	Total	rate	
						(% per annum)
Financial assets						
Cash and cash equivalents	18	-	136	19	173	0.35 - 0.75
Trade and other receivables	-	-	-	2,084	2,084	-
	18	-	136	2,103	2,257	
Financial liabilities						
Bank overdrafts and short-term loans from financial institutions	3,636	-	24	-	3,660	2.00 - 7.38
Trade and other payables	-	-	-	1,138	1,138	-
Liabilities under financial lease agreements	68	187	-	-	255	2.55 - 13.38
Current portion of long-term loans	-	-	263	-	263	THBFIX+3%
	3,704	187	287	1,138	5,316	

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2014

	Fixed interest rates		Floating Interest rate	Non- interest bearing	Total	Effective interest rate
	Within					
	1 year	1-5 years				(% per annum)
Financial assets						
Cash and cash equivalents	-	-	186	63	249	0.30 - 0.63
Trade and other receivables	-	-	-	2,179	2,179	-
	-	-	186	2,242	2,428	
Financial liabilities						
Bank overdrafts and short-term loans from financial institutions						
	3,759	-	27	-	3,786	1.66 - 7.75
Trade and other payables	-	-	-	1,484	1,484	-
Liabilities under financial lease agreements	61	225	-	-	286	3.70 - 7.70
Long-term loans	-	-	635	-	635	THBFX+3%
	3,820	225	662	1,484	6,191	

(Unit: Million Baht)

Separate financial statements as at 31 December 2015

	Fixed interest rates		Floating Interest rate	Non- interest bearing	Total	Effective interest rate
	Within					
	1 year	1-5 years				(% per annum)
Financial assets						
Cash and cash equivalents	-	-	112	1	113	0.37 - 0.63
Trade and other receivables	-	-	-	1,269	1,269	-
Short-term loans to related parties	214	-	-	-	214	3.25 - 5.80
	214	-	112	1,270	1,596	
Financial liabilities						
Bank overdrafts and short-term loans from financial institutions						
	2,170	-	-	-	2,170	2.00 - 5.10
Trade and other payables	-	-	-	1,159	1,159	-
Short-term loans from related parties	619	-	-	-	619	0.25 - 5.80
Liabilities under financial lease agreements	15	19	-	-	34	5.02 - 7.70
Current portion of long-term loans	-	-	263	-	263	THBFX+3%
	2,804	19	263	1,159	4,245	

(Unit: Million Baht)

Separate financial statements as at 31 December 2014

	Fixed interest rates		Floating Interest rate	Non- interest bearing	Total	Effective interest rate (% per annum)
	Within 1 year	1-5 years				
Financial assets						
Cash and cash equivalents	-	-	162	21	183	0.37 - 0.63
Trade and other receivables	-	-	-	1,032	1,032	-
Short-term loans to related parties	237	-	-	-	237	3.25 - 3.95
	<u>237</u>	<u>-</u>	<u>162</u>	<u>1,053</u>	<u>1,452</u>	
Financial liabilities						
Bank overdrafts and short-term loans from financial institutions						
	1,908	-	-	-	1,908	1.66 - 7.38
Trade and other payables	-	-	-	1,230	1,230	-
Short-term loans from related parties	504	-	-	-	504	0.25 - 3.95
Liabilities under financial lease agreements	16	34	-	-	50	5.02 - 7.70
Long-term loans	-	-	635	-	635	THBFIX+3%
	<u>2,428</u>	<u>34</u>	<u>635</u>	<u>1,230</u>	<u>4,327</u>	

Foreign currency risk

The Company and its subsidiaries' exposure to foreign currency risk arises mainly from trading transactions, including using short-term credit facilities, that are denominated in foreign currencies.

The balances of financial assets and liabilities denominated in foreign currency of the Company and its subsidiaries are summarised below.

As at 31 December 2015

Foreign currency	Consolidated financial statements		Separate financial statements		Average exchange rate	
	Financial assets (Million)	Financial liabilities (Million)	Financial assets (Million)	Financial liabilities (Million)	Buying	Selling
					(Baht per one foreign currency unit)	
US dollar	28	19	18	5	35.9233	36.2538
Japanese yen	1	84	-	81	0.2965	0.3028

As at 31 December 2014

Foreign currency	Consolidated financial statements		Separate financial statements		Average exchange rate	
	Financial assets (Million)	Financial liabilities (Million)	Financial assets (Million)	Financial liabilities (Million)	Buying	Selling
					(Baht per one foreign currency unit)	
US dollar	24	67	16	25	32.8128	33.1132
Euro	2	-	2	-	39.7507	40.3552

As at 31 December 2015 and 2014, the Company and its subsidiaries had outstanding forward exchange contracts with maturities less than one year and cross currency interest rate swap contract as follows:

Forward exchange contracts

The Company and its subsidiaries had outstanding forward exchange contract as follows:

As at 31 December 2015					
Consolidated financial statements					
Foreign currency	Bought	Sold	Contractual maturity date	Contractual exchange rate	
	amount	amount		Bought amount	Sold amount
	(Million)	(Million)		(Baht per one foreign currency unit)	
US Dollar	13.4	-	3 February - 20 June 2016	35.04 - 36.33	-

As at 31 December 2014					
Consolidated financial statements					
Foreign currency	Bought	Sold	Contractual maturity date	Contractual exchange rate	
	amount	amount		Bought amount	Sold amount
	(Million)	(Million)		(Baht per one foreign currency unit)	
US Dollar	7.9	3.1	11 February - 19 June 2015	32.12 - 33.07	32.90 - 33.20

As at 31 December 2015					
Separate financial statements					
Foreign currency	Bought	Sold	Contractual maturity date	Contractual exchange rate	
	amount	amount		Bought amount	Sold amount
	(Million)	(Million)		(Baht per one foreign currency unit)	
US Dollar	0.7	-	3 February - 20 June 2016	35.04 - 36.04	-

As at 31 December 2014					
Separate financial statements					
Foreign currency	Bought	Sold	Contractual maturity date	Contractual exchange rate	
	amount	amount		Bought amount	Sold amount
	(Million)	(Million)		(Baht per one foreign currency unit)	
US Dollar	1.6	1.9	11 February - 19 June 2015	32.12 - 32.60	33.02 - 33.20

Cross currency interest rate swap contract

On 4 March 2011, the Company entered into a cross currency interest rate swap contract with a bank for a principal of Baht 1,500 million, with effective date on 31 March 2011, and has entered into an amendment on 21 November 2012 to transmit some terms and conditions for outstanding principal of Baht 1,162.5 million. Termination date of the contract is 31 December 2015. The objectives of the contract after amendment are

1. to convert loan in Thai Baht of 1,037.5 million to USD 33.8 million
2. to calculate the interest for the loan of Baht 1,162.5 million whereby loan principal of Baht 1,162.5 million be converted to USD 37.9 million and interest calculation be changed from floating interest rate of THB-THBFIX-Reuters plus 3% per annum calculated on the balance of THB notional amount to floating interest rate of USD-LIBOR-BBA plus 4.22% per annum calculated on the balance of USD notional amount.

The Company has no outstanding balances of cross currency interest rate swap contract as at 31 December 2015.

Commodity hedge agreements

Subsidiary companies had outstanding copper swap/future of which details are presented below.

As at 31 December 2015				
Type of goods	Quantity	Maturity date	Contract price	Market price
	(Ton)		(per ton)	(per ton)
Copper	50	January 2016	RMB 39,100	RMB 36,740

As at 31 December 2014				
Type of goods	Quantity	Maturity date	Contract price	Market price
	(Ton)		(per ton)	(per ton)
Copper	100	February - May 2015	RMB 44,840 - 48,243	RMB 45,080 - 46,090

As at 31 December 2015, fair value of copper hedging contracts with financial institution is lower than trade date of Baht 0.7 million (2014: Baht 0.8 million).

31.2 Fair values of financial instruments

Since the majority of the Company and its subsidiaries' financial assets and financial liabilities bear floating interest rates or fixed interest rates, which are close to market rate, their fair value is not expected to be materially different from the amounts presented in the statement of financial position.

The estimate fair value of derivatives is as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
	Fair value	Fair value	Fair value	Fair value
	Gain	Gain	Gain	Gain
Derivatives				
Forward exchange contracts	6.2	1.5	0.2	1.1

The methods and assumptions used by the Company and its subsidiaries in estimating the fair value of financial instruments are as follows:

- a) For financial assets and liabilities which have short-term maturity, including cash and cash equivalents, accounts receivable and short-term loans to related parties, accounts payable and short-term loans from financial institutions and related parties, their carrying amounts in the statement of financial position approximate their fair value.
- b) For long-term loans carrying interest approximate to the market rate, their carrying amounts in the statement of financial position approximates their fair value.
- c) For derivatives, their fair value 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 and its subsidiaries had considered the counterparty credit risk when determining the fair value of derivatives.

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

32. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate financial structure and preserves the ability to continue its business as a going concern.

The Company manages its capital position with reference to its debt-to-equity ratio in order to comply with a condition in a long-term loan agreement with a financial institution, which requires the Company to maintain a debt-to-equity ratio of consolidated financial statements not more than 3.5:1 in financial year 2012 and 2.75:1 from 1 January 2013 until the maturity date of long term loan.

The Company's capital used to calculate above financial ratio includes shareholders' equity plus unrealised loss in inventory, exchange rate and derivative instruments in the consolidated financial statements.

No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 2014.

33. Events after the reporting period

On 24 February 2016, the Board of Directors' Meeting of the Company No. 1/2016 passed the following significant resolutions:

- 1) Approval of the dividend payment for the operating results of the year 2015 at the rate of Baht 0.15 per share for 1,200 million ordinary shares, totaling Baht 180 million. The schedule of the dividend payment is on 18 May 2016. However, such dividend payment is subject to the approval of the Annual General Meeting of the shareholders, which is to be held on 23 April 2016.
- 2) Approval of an increase of the registered capital in Kulthorn Material & Controls Co., Ltd., a subsidiary company in which the Company has 100 percent shareholding, of Baht 200 million (2 million ordinary shares of Baht 100 each) from Baht 450 million (4.5 million ordinary shares of Baht 100 each) to Baht 650 million (6.5 million ordinary shares of Baht 100 each). The Company will hold all newly issued shares of Baht 200 million.

34. Approval of financial statements

These financial statements were authorised for issue by the Company's authorised Directors on 24 February 2016.