

Kulthorn Kirby Public Company Limited  
and its subsidiaries  
Report and consolidated interim financial statements  
For the three-month period ended 31 March 2014

## **Independent Auditor's Report on Review of Interim Financial Information**

To the Shareholders of Kulthorn Kirby Public Company Limited

I have reviewed the accompanying consolidated statement of financial position of Kulthorn Kirby Public Company Limited and its subsidiaries as at 31 March 2014, the related consolidated statements of comprehensive income, the consolidated statements of changes in shareholders' equity and cash flows for the three-month period then ended, as well as the condensed notes to the consolidated financial statements. I have also reviewed the separate financial information of Kulthorn Kirby Public Company Limited for the same period. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34 *Interim Financial Reporting*. My responsibility is to express a conclusion on this interim financial information based on my review.

### **Scope of review**

I conducted my review in accordance with Thai Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

### **Conclusion**

Based on my review, nothing has come to my attention that causes me to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard 34 *Interim Financial Reporting*.

Saifon Inkaew

Certified Public Accountant (Thailand) No. 4434

EY Office Limited

(Formerly known as Ernst & Young Office Limited)

Bangkok: 7 May 2014

**Kulthorn Kirby Public Company Limited and its subsidiaries**

**Statement of financial position**

**As at 31 March 2014**

(Unit: Thousand Baht)

	<u>Note</u>	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		As at	As at	As at	As at
		<u>31 March 2014</u>	<u>31 December 2013</u>	<u>31 March 2014</u>	<u>31 December 2013</u>
		(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents		262,584	119,910	111,414	64,136
Trade and other receivables	2, 3	2,221,894	2,200,783	1,039,131	935,582
Short-term loans to related parties	3	-	-	3,312	6,429
Inventories	4	2,648,758	2,303,681	1,188,085	1,014,947
VAT receivable		117,962	67,314	72,881	30,812
Other current assets		89,645	84,718	10,439	7,896
<b>Total current assets</b>		<b>5,340,843</b>	<b>4,776,406</b>	<b>2,425,262</b>	<b>2,059,802</b>
<b>Non-current assets</b>					
Restricted bank deposit		-	410	-	-
Investments in subsidiaries	5	-	-	2,434,372	2,434,372
Property, plant and equipment	6	3,784,644	3,899,480	1,688,557	1,743,414
Goodwill on business combination	7	-	-	-	-
Intangible assets	8	61,074	55,746	11,705	11,707
Deffered tax assets		47,227	49,541	9,469	16,384
Other non-current assets		2,572	1,431	1,323	1,249
<b>Total non-current assets</b>		<b>3,895,517</b>	<b>4,006,608</b>	<b>4,145,426</b>	<b>4,207,126</b>
<b>Total assets</b>		<b>9,236,360</b>	<b>8,783,014</b>	<b>6,570,688</b>	<b>6,266,928</b>

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

**Kulthorn Kirby Public Company Limited and its subsidiaries**

**Statement of financial position (continued)**

**As at 31 March 2014**

(Unit: Thousand Baht)

	<u>Note</u>	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		As at	As at	As at	As at
		<u>31 March 2014</u>	<u>31 December 2013</u>	<u>31 March 2014</u>	<u>31 December 2013</u>
		(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Bank overdrafts and short-term loans from					
financial institutions	9	4,099,002	3,703,463	1,901,404	1,723,294
Trade and other payables	3, 10	1,351,836	1,128,308	1,248,730	942,281
Short-term loan from related party	3	-	-	153,680	155,765
Current portion of long-term loans	11	550,000	550,000	550,000	550,000
Current portion of liabilities under					
finance lease agreements	12	19,479	18,788	14,847	13,982
Dividend payable		675	675	675	675
Income tax payable		10,639	4,347	-	-
Other current liabilities		99,930	138,219	46,909	68,032
<b>Total current liabilities</b>		<b>6,131,561</b>	<b>5,543,800</b>	<b>3,916,245</b>	<b>3,454,029</b>
<b>Non-current liabilities</b>					
Long-term loans - net of current portion	11	437,500	550,000	437,500	550,000
Liabilities under finance lease agreements - net					
of current portion	12	53,024	56,087	44,439	46,447
Provision for long-term employee benefits		125,976	122,379	59,432	57,673
<b>Total non-current liabilities</b>		<b>616,500</b>	<b>728,466</b>	<b>541,371</b>	<b>654,120</b>
<b>Total liabilities</b>		<b>6,748,061</b>	<b>6,272,266</b>	<b>4,457,616</b>	<b>4,108,149</b>

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

**Kulthorn Kirby Public Company Limited and its subsidiaries**

**Statement of financial position (continued)**

**As at 31 March 2014**

(Unit: Thousand Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	As at 31 March 2014 (Unaudited but reviewed)	As at 31 December 2013 (Audited)	As at 31 March 2014 (Unaudited but reviewed)	As at 31 December 2013 (Audited)
<b>Shareholders' equity</b>				
Share capital				
Registered				
1,000,000,000 ordinary shares of Baht 1 each	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid up				
1,000,000,000 ordinary shares of Baht 1 each	1,000,000	1,000,000	1,000,000	1,000,000
Share premium	500,000	500,000	500,000	500,000
Retained earnings				
Appropriated - statutory reserve	100,000	100,000	100,000	100,000
Unappropriated	698,798	713,966	513,072	558,779
Other components of shareholders' equity	189,501	196,782	-	-
<b>Total shareholders' equity</b>	<b>2,488,299</b>	<b>2,510,748</b>	<b>2,113,072</b>	<b>2,158,779</b>
<b>Total liabilities and shareholders' equity</b>	<b>9,236,360</b>	<b>8,783,014</b>	<b>6,570,688</b>	<b>6,266,928</b>
	-	-	-	-

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

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Directors  
.....

(Unaudited but reviewed)

**Kulthorn Kirby Public Company Limited and its subsidiaries****Statement of comprehensive income****For the three-month period ended 31 March 2014**

(Unit: Thousand Baht except earnings per share expressed in Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
<b>Profit or loss:</b>					
<b>Revenues</b>					
Sales and services income	3, 14	2,861,829	2,745,284	1,489,039	1,259,770
Other income					
Income from scrap sales	3	85,129	100,351	66,310	65,763
Interest income	3	28	19	66	-
Gain on exchange		16,899	91,254	7,514	39,118
Others		1,301	2,021	3,964	1,521
<b>Total revenues</b>		<b>2,965,186</b>	<b>2,938,929</b>	<b>1,566,893</b>	<b>1,366,172</b>
<b>Expenses</b>					
Cost of sales and services	3	2,791,441	2,591,472	1,524,208	1,258,857
Selling expenses		24,175	25,125	8,358	14,203
Administrative expenses		102,032	96,506	43,072	39,052
<b>Total expenses</b>		<b>2,917,648</b>	<b>2,713,103</b>	<b>1,575,638</b>	<b>1,312,112</b>
<b>Profit (loss) before finance cost and income tax expenses</b>		<b>47,538</b>	<b>225,826</b>	<b>(8,745)</b>	<b>54,060</b>
Finance cost		(53,028)	(57,720)	(30,048)	(36,588)
<b>Profit (loss) before income tax expenses</b>		<b>(5,490)</b>	<b>168,106</b>	<b>(38,793)</b>	<b>17,472</b>
Income tax expenses	13	(9,678)	(11,277)	(6,914)	(613)
<b>Profit (loss) for the period</b>		<b>(15,168)</b>	<b>156,829</b>	<b>(45,707)</b>	<b>16,859</b>
<b>Other comprehensive income:</b>					
Exchange differences on translation of financial statements in foreign currency		(7,281)	(1,066)	-	-
<b>Other comprehensive income for the period</b>		<b>(7,281)</b>	<b>(1,066)</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>(22,449)</b>	<b>155,763</b>	<b>(45,707)</b>	<b>16,859</b>
<b>Basic earnings per share (Baht)</b>					
Profit (loss) attributable to equity holders of the Company		-0.02	0.18	-0.05	0.02
Weighted average number of ordinary shares (shares)		1,000 million	850 million	1,000 million	850 million

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

(Unaudited but reviewed)

**Kulthorn Kirby Public Company Limited and its subsidiaries**

**Statement of cash flows**

**For the three-month period ended 31 March 2014**

(Unit: Thousand Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2014	2013	2014	2013
<b>Cash flows from operating activities</b>				
Profit (loss) before tax	(5,490)	168,106	(38,793)	17,472
Adjustments to reconcile profit (loss) before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	165,290	150,539	69,815	58,157
Reversal of allowance for doubtful debts	(224)	(984)	-	(12)
Reduction of inventory to net realisable value (reversal)	21,127	(4,373)	914	3,239
Loss (gain) on sales of property, plant and equipment	(113)	(236)	-	22
Deferred interest	1,330	1,129	1,096	621
Provision for long-term employee benefits	3,597	3,512	1,759	1,681
Unrealised (gain) loss on exchange	23,619	(65,056)	15,482	(36,812)
Interest expenses	42,908	56,171	28,556	35,065
Profit from operating activities before changes in operating assets and liabilities	252,044	308,808	78,829	79,433
Operating assets increase				
Trade and other receivables	(22,200)	(90,667)	(104,847)	(101,003)
Inventories	(366,204)	(215,093)	(174,052)	(133,739)
Other current assets	(55,416)	(24,416)	(44,386)	(14,667)
Other non-current assets	(1,141)	(54)	(74)	(16)
Operating liabilities increase (decrease)				
Trade and other payables	225,184	218,017	318,721	304,747
Other current liabilities	(33,880)	(15,051)	(26,356)	(11,190)
Cash flows from operating activities	(1,613)	181,544	47,835	123,565
Cash paid for interest expenses	(43,924)	(56,869)	(29,049)	(35,365)
Cash paid for corporate income tax	(1,231)	(1,102)	(225)	(46)
<b>Net cash flows from (used in) operating activities</b>	<b>(46,768)</b>	<b>123,573</b>	<b>18,561</b>	<b>88,154</b>

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

(Unaudited but reviewed)

**Kulthorn Kirby Public Company Limited and its subsidiaries**

**Statement of cash flows (continued)**

**For the three-month period ended 31 March 2014**

(Unit: Thousand Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2014	2013	2014	2013
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment and intangible assets	(79,567)	(89,260)	(24,429)	(36,088)
Proceeds from sales of property, plant and equipment	3,402	989	721	285
Increase in short-term loans to a related party	410	-	3,117	-
<b>Net cash flows used in investing activities</b>	<b>(75,755)</b>	<b>(88,271)</b>	<b>(20,591)</b>	<b>(35,803)</b>
<b>Cash flows from financing activities</b>				
Increase in bank overdrafts and short-term loans from financial institutions	383,213	160,222	168,832	54,227
Repayment of long-term loans	(112,500)	(112,500)	(112,500)	(112,500)
Increase in short-term loans from a related party	-	-	40,915	-
Repayment of short-term loans	-	-	(43,000)	-
Cash paid for liabilities under finance lease agreements	(6,402)	(6,364)	(4,939)	(4,269)
<b>Net cash flows from (used in) financing activities</b>	<b>264,311</b>	<b>41,358</b>	<b>49,308</b>	<b>(62,542)</b>
<b>Increase in translation adjustments</b>	<b>886</b>	<b>7,949</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>142,674</b>	<b>84,609</b>	<b>47,278</b>	<b>(10,191)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>119,910</b>	<b>97,236</b>	<b>64,136</b>	<b>14,721</b>
<b>Cash and cash equivalents at end of period</b>	<b>262,584</b>	<b>181,845</b>	<b>111,414</b>	<b>4,530</b>

**Supplement cash flows information**

1) Non-cash related transaction for investing activities

Net increase (decrease) in trust receipt and other accounts payable

for purchases of fixed assets

14,468 (4,088) 11,452 983

2) Non-cash related transaction for financing activities

Accrued dividend

675 581 675 581

Assets acquired under finance lease agreements

2,700 3,070 2,700 -

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



(Unaudited but reviewed)

**Kulthorn Kirby Public Company Limited and its subsidiaries**

**Statement of changes in shareholders' equity**

**For the three-month period ended 31 March 2014**

(Unit: Thousand Baht)

<b>Consolidated financial statements</b>								
				<u>Other components of shareholders' equity</u>				
				<u>Other comprehensive</u>				
				<u>income</u>	<u>Surplus from</u>			
				<u>Exchange difference</u>	<u>business</u>	<u>Total other</u>		
<u>Issued and</u>		<u>Retained earnings</u>		<u>on translation of</u>	<u>combination</u>	<u>components of</u>		<u>Total</u>
<u>fully paid-up</u>		<u>Share</u>	<u>Appropriated -</u>	<u>financial statements</u>	<u>under</u>	<u>shareholders'</u>	<u>shareholders'</u>	
<u>share capital</u>		<u>premium</u>	<u>statutory reserve</u>	<u>Unappropriated</u>	<u>in foreign currency</u>	<u>common control</u>	<u>equity</u>	<u>equity</u>
<b>Balance as at 31 December 2012</b>	850,000	350,000	90,601	892,482	(12,083)	207,898	195,815	2,378,898
Profit for the period	-	-	-	156,829	-	-	-	156,829
Other comprehensive income for the period	-	-	-	-	(1,066)	-	(1,066)	(1,066)
<b>Balance as at 31 March 2013</b>	<u>850,000</u>	<u>350,000</u>	<u>90,601</u>	<u>1,049,311</u>	<u>(13,149)</u>	<u>207,898</u>	<u>194,749</u>	<u>2,534,661</u>
<b>Balance as at 31 December 2013</b>	1,000,000	500,000	100,000	713,966	(11,116)	207,898	196,782	2,510,748
Loss for the period	-	-	-	(15,168)	-	-	-	(15,168)
Other comprehensive income for the period	-	-	-	-	(7,281)	-	(7,281)	(7,281)
<b>Balance as at 31 March 2014</b>	<u>1,000,000</u>	<u>500,000</u>	<u>100,000</u>	<u>698,798</u>	<u>(18,397)</u>	<u>207,898</u>	<u>189,501</u>	<u>2,488,299</u>

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

(Unaudited but reviewed)

**Kulthorn Kirby Public Company Limited and its subsidiaries**

**Statement of changes in shareholders' equity (continued)**

**For the three-month period ended 31 March 2014**

(Unit: Thousand Baht)

	<b>Separate financial statements</b>				
	Issued and		Retained earnings		Total
	fully paid-up		Appropriated -		shareholders'
	share capital	Share premium	statutory reserve	Unappropriated	equity
<b>Balance as at 31 December 2012</b>	850,000	350,000	90,601	469,611	1,760,212
Total comprehensive income for the period	-	-	-	16,859	16,859
<b>Balance as at 31 March 2013</b>	<u>850,000</u>	<u>350,000</u>	<u>90,601</u>	<u>486,470</u>	<u>1,777,071</u>
<b>Balance as at 31 December 2013</b>	1,000,000	500,000	100,000	558,779	2,158,779
Total comprehensive income for the period	-	-	-	(45,707)	(45,707)
<b>Balance as at 31 March 2014</b>	<u>1,000,000</u>	<u>500,000</u>	<u>100,000</u>	<u>513,072</u>	<u>2,113,072</u>

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

**Kulthorn Kirby Public Company Limited and its subsidiaries**

**Notes to interim financial statements**

**For the three-month period ended 31 March 2014**

**1. General information**

**1.1 Corporate information**

Kulthorn Kirby Public Company Limited (“the Company”) was incorporated as a limited company under Thai law and transformed to be a public company on 13 September 1994. The Company is domiciled in Thailand and principally engaged in the manufacturing and distribution of hermetic compressors, with its registered address at 126 Soi Chalongkrung 31, Chalongkrung Road, Khwaeng Lamplatew, Khet Latkrabang, Bangkok.

**1.2 Basis for the preparation of interim financial statements**

These interim financial statements are prepared in accordance with Thai Accounting Standard No. 34 (revised 2012) “Interim Financial Reporting”, with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, comprehensive income, changes in shareholders’ equity, and cash flows in the same format as that used for the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events, and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

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

**1.3 Basis of consolidation**

The interim consolidated financial statements included the financials statements of Kulthorn Kirby Public Company Limited and its subsidiaries (“the Group”) and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2013. There have been no changes in the composition of its subsidiaries during the period.

**1.4 New accounting standards****(a) Accounting standards that became effective in the current accounting year**

The Company disclosed the accounting standards, financial reporting standard, accounting standard interpretations and financial reporting standard interpretations that are effective for fiscal years beginning on or after 1 January 2014, in the notes to financial statements for the year ended 31 December 2013.

The Company's management has assessed the effects of the above accounting standards, financial reporting standard, accounting standard interpretations and financial reporting standard interpretations, and believes that they are not relevant to the business of the Company or do not have a significant impact.

**(b) Accounting standards that will become effective in the future**

The Company has disclosed the financial reporting standard that will be effective in the future in the notes to financial statements for the year ended 31 December 2013.

The Company's management has assessed the effect of this financial reporting standard and believes that it is not relevant to the business of the Company.

**1.5 Significant accounting policies**

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2013.

**2. Trade and other receivables**

The outstanding balance of trade accounts receivable as at 31 March 2014 and 31 December 2013 categorised by their aging from due dates is as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
<u>Trade receivables - related parties</u>				
Not yet due	112,375	71,562	116,532	73,489
Overdue				
Less than 3 months	20,284	24,365	30,103	25,461
3 - 6 months	2,161	12,755	1,881	7,293
6 - 12 months	2,001	446	1,594	-
Over 12 months	12,534	13,839	10,443	11,981
Total trade receivables - related parties	149,355	122,967	160,553	118,224

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
<u>Trade receivables - unrelated parties</u>				
Not yet due	1,293,514	1,567,768	403,201	715,270
Overdue				
Less than 3 months	749,658	478,541	465,921	91,210
3 - 6 months	10,587	10,269	2,013	4,495
6 - 12 months	96	1,092	-	-
Over 12 months	17,892	21,349	311	418
Total	2,071,747	2,079,019	871,446	811,393
Less: Allowance for doubtful debts	(6,264)	(6,488)	(418)	(418)
Total trade receivables - unrelated parties, net	2,065,483	2,072,531	871,028	810,975
Total trade receivables - net	2,214,838	2,195,498	1,031,581	929,199
<u>Other receivables</u>				
Advances - related party	2,422	2,422	3,739	3,842
Other	4,634	2,863	3,811	2,541
Total other receivables	7,056	5,285	7,550	6,383
Total trade and other receivables - net	2,221,894	2,200,783	1,039,131	935,582

The outstanding balances of trade receivables as at 31 March 2014 included Baht 98.4 million of the trade receivables, which were sold to the banks at a discount. The Company still has obligations under the full recourse guarantee provided in respect of the sale.

### 3. Related party transactions

During the periods, the Company and its subsidiaries had significant business transactions with related parties mainly in respect of sales and purchases of goods. Such transactions have been concluded on commercial terms and bases agreed upon in the ordinary course of businesses between the Company, the subsidiaries and those parties. Below is a summary of those transactions.

(Unaudited but reviewed)

(Unit: Thousand Baht)

	For the three-month periods ended 31 March				Pricing policy
	Consolidated		Separate		
	financial statements	financial statements	financial statements	financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	
<i><u>Transactions with subsidiaries</u></i>					
<i>(eliminated from the consolidated financial statements)</i>					
Purchases of goods	-	-	523,113	493,245	Market price
Sales and service income and scrap sales	-	-	114,565	120,279	Approximate market price
Other expenses	-	-	-	1,788	Mutually agreed price as stipulated in the contract
Sales vehicle	-	-	652	-	Mutually agreed price
Other income	-	-	3,999	795	Mutually agreed price as stipulated in the contract
Rental income	-	-	633	552	Mutually agreed price as stipulated in the contract
Purchases of assets	-	-	200	-	Mutually agreed price
Interest expenses	-	-	786	355	Interest rate at 3.0 - 3.9 percent per annum (2013: 4.4 - 4.5 percent per annum)
Interest income	-	-	66	-	Interest rate at 3.25 percent per annum
<i><u>Transactions with related parties</u></i>					
Sales and service income	161,090	154,860	96,975	95,407	Approximate market price
Purchases of goods	24,220	20,162	16,895	14,268	Market price
Rental expense	3,337	2,807	-	-	Mutually agreed price as stipulated in the contract
Interest expenses	-	316	-	-	Interest rate at 3.5 percent per annum
Other income	90	206	87	27	Mutually agreed price as stipulated in the contract
Other expenses	1,063	454	-	-	Mutually agreed price as stipulated in the contract

(Unaudited but reviewed)

The outstanding balances of the accounts as at 31 March 2014 and 31 December 2013 between the Company and those related parties are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
<b><u>Trade and other receivables - related parties</u></b>				
<b>(Note 2)</b>				
Subsidiary companies	-	-	73,315	41,132
Related companies (related by common director/shareholder)	151,777	125,389	90,977	80,934
<b>Trade and other receivables - related parties</b>	<b>151,777</b>	<b>125,389</b>	<b>164,292</b>	<b>122,066</b>
<b><u>Trade and other payables - related parties</u></b>				
<b>(Note 10)</b>				
Subsidiary companies	-	-	674,687	512,438
Related companies (related by common director/shareholder)	28,160	26,572	19,130	19,714
<b>Total trade and other payables - related parties</b>	<b>28,160</b>	<b>26,572</b>	<b>693,817</b>	<b>532,152</b>

During the three-month period ended 31 March 2014, short-term loan of the Company from related party had the following movements:

(Unit: Thousand Baht)

	Separate financial statements		
	Balance as at 1 January 2014	Decrease during the period	Balance as at 31 March 2014
<b><u>Short-term loan from related party</u></b>			
Kulthorn Premier Co., Ltd.	104,000	(43,000)	61,000
<b>Total</b>	<b>104,000</b>	<b>(43,000)</b>	<b>61,000</b>

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.

(Unaudited but reviewed)

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 March 2014 and 31 December 2013, the Company and its subsidiaries had outstanding short-term loans from the above agreement as follows:

	(Unit: Thousand Baht)	
	31 March 2014	31 December 2013
<b><u>Short-term loans to subsidiaries</u></b>		
Kulthorn Materials and Controls Co., Ltd.	-	3,359
Kulthorn Metal Product Co., Ltd.	371	918
Kulthorn Steel Co., Ltd.	2,941	2,152
<b>Total short-term loans to subsidiaries</b>	<b>3,312</b>	<b>6,429</b>
<b><u>Short-term loans from subsidiaries</u></b>		
Kulthorn Kirby Foundry Co., Ltd.	21,056	28,162
Kulthorn Premier Co., Ltd.	63,740	23,603
Kulthorn Materials and Controls Co., Ltd.	7,884	-
<b>Total short-term loans from subsidiaries</b>	<b>92,680</b>	<b>51,765</b>

#### **Directors and management's remuneration**

During the periods ended 31 March 2014 and 2013, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

	(Unit: Thousand Baht)			
	For the three-month periods ended 31 March			
	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Short-term employee benefits	8,662	7,952	4,394	4,139
Post-employment benefits	200	307	78	74
Total	8,862	8,259	4,472	4,213

#### **Guarantee obligations with related parties**

The Company and its subsidiaries have outstanding guarantee obligations with its related parties, as described in Note 15.4 to the financial statements.



(Unaudited but reviewed)

#### 4. Reduction of inventory to net realisable value

Movements in the reduction of inventory to net realisable value account during the three-month period ended 31 March 2014 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2014	60,701	23,672
Reduction of inventory to net realisable value	21,127	914
Balance as at 31 March 2014	81,828	24,586

#### 5. Investments in subsidiaries

As at 31 March 2014 and 31 December 2013, the Company has long-term investments in ordinary share of the following companies:

Company's name	Paid-up capital		Shareholding percentage		Cost		(Unit: Thousand Baht) Dividend received during the year	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013	31 March 2014	31 December 2013	31 March 2014	31 December 2013
			(%)	(%)				
Kulthorn Kirby Foundry Company Limited	475,000	475,000	100	100	639,999	639,999	-	-
Kulthorn Premier Company Limited	1,260,000	1,260,000	100	100	1,936,751	1,936,751	-	242,528
Kulthorn Steel Company Limited	400,000	400,000	100	100	399,999	399,999	-	40,000
kulthorn Materials and Controls Company Limited	350,000	350,000	100	100	240,630	240,630	-	-
Total					3,217,379	3,217,379	-	282,528
Less: Allowance for impairment loss on investments in subsidiaries					(783,007)	(783,007)	-	-
Investments in subsidiaries - net					2,434,372	2,434,372	-	282,528

(Unaudited but reviewed)

## 6. Property, plant and equipment

Movements of the property, plant and equipment account during the three-month period ended 31 March 2014 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
<b>Net book value as at 1 January 2014</b>	3,899,480	1,743,414
Acquisitions during the period - at cost	60,966	15,465
Disposals during the period - net book value at disposal date	(3,266)	(698)
Depreciation for the period	(164,053)	(69,624)
Translation adjustment	(8,483)	-
<b>Net book value as at 31 March 2014</b>	<u>3,784,644</u>	<u>1,688,557</u>

The Company and its subsidiaries have mortgaged and negative pledged their land and building thereon and machinery with financial institutions to secure against credit facilities and loans obtained from those financial institutions as discussed in Note 9 and 11.

## 7. Goodwill on business combination

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
Goodwill on business combination	37,620	37,620	-	-
Less: Accumulated impairment loss	(37,620)	(37,620)	-	-
Net book value	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Unaudited but reviewed)

## 8. Intangible assets

Movements of the intangible assets account during the three-month period ended 31 March 2014 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
<b>Net book value as at 1 January 2014</b>	55,746	11,707
Acquisitions during the period - at cost	6,833	212
Disposals during the period - net book value at disposal date	(23)	(23)
Amortisation for the period	(1,237)	(191)
Translation adjustment	(245)	-
<b>Net book value as at 31 March 2014</b>	<u>61,074</u>	<u>11,705</u>

## 9. Bank overdrafts and short-term loans from financial institutions

(Unit: Thousand Baht)

	Interest rate (percent per annum)	Consolidated financial statements		Separate financial statements	
		31 March 2014	31 December 2013	31 March 2014	31 December 2013
Bank overdrafts	7.25 - 7.88	17,095	19,198	3,515	580
Short-term loans	3.85 - 4.15	1,051,000	1,585,678	556,000	569,100
Trust receipts	1.65 - 4.35	1,872,893	1,527,699	638,428	582,726
Loans (factoring)	1.50 - 1.68	98,416	-	98,416	-
Packing credit	2.15 - 7.28	1,059,598	570,888	605,045	570,888
Total		<u>4,099,002</u>	<u>3,703,463</u>	<u>1,901,404</u>	<u>1,723,294</u>

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 machinery.

(Unaudited but reviewed)

## 10. Trade and other payables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
Trade payables - related parties	20,573	20,474	640,386	494,851
Trade payables - unrelated parties	1,066,555	864,599	461,601	317,220
Other payables - related parties	7,587	6,098	53,267	37,268
Other payables - unrelated parties	93,361	120,457	34,016	49,982
Accrued interest expenses - related parties	-	-	164	33
Accrued interest expenses - unrelated parties	2,599	4,176	944	1,567
Accrued expenses	161,161	112,504	58,352	41,360
Total trade and other payables	<u>1,351,836</u>	<u>1,128,308</u>	<u>1,248,730</u>	<u>942,281</u>

## 11. Long-term loans

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
Long-term loans	987,500	1,100,000	987,500	1,100,000
Less: Current portion of long-term loans	(550,000)	(550,000)	(550,000)	(550,000)
Long-term loans, net of current portion	<u>437,500</u>	<u>550,000</u>	<u>437,500</u>	<u>550,000</u>

Movements of the long-term loans account during the three-month period ended 31 March 2014 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2014	1,100,000	1,100,000
Less: Repayment during the period	<u>(112,500)</u>	<u>(112,500)</u>
Balance as at 31 March 2014	<u>987,500</u>	<u>987,500</u>

(Unaudited but reviewed)

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. Furthermore, the Company and its subsidiaries entered in to the Second Amendment and Novation Agreement to Credit Facility Agreement in December 2011, 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.

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

Under the loan agreement, the Company has 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 27 December 2013, the Company and its subsidiaries received the waiver letter for maintain covenant ratio from all lenders for the year ended 31 December 2013. 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 0.95:1 and debt service coverage ratio for the consolidated financial statements not less than 1.10:1. As at 31 December 2013, the Company and its subsidiaries could maintain all conditions in the waiver letter and the loan agreement.

During the three-month period ended 31 March 2014, the Company and its subsidiaries have not entered into any new loan agreement with financial institution.

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

The Company has entered into a cross currency interest rate swap contract for a portion of the above loan as discussed in Note 16 to the financial statements.

(Unaudited but reviewed)

## 12. Liabilities under financial lease agreements

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
Liabilities under financial lease agreements	83,400	86,911	68,213	70,206
Less: Deferred interest	(10,897)	(12,036)	(8,927)	(9,777)
Total	72,503	74,875	59,286	60,429
Less: Current portion due within one year	(19,479)	(18,788)	(14,847)	(13,982)
Liabilities under financial lease agreements, net of current portion	53,024	56,087	44,439	46,447

The Company and its subsidiaries have entered into the finance lease agreements for rental of machinery 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.

## 13. Income tax

Interim corporate income tax was calculated on profit before income tax for the period, using the estimated effective tax rate for the year.

Income tax expenses for the three-month periods ended 31 March 2014 and 2013 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Current income tax:</b>				
Interim corporate income tax charge	-	10,704	-	-
<b>Deferred tax:</b>				
Relating to origination of temporary differences	9,678	573	6,914	613
<b>Income tax expense reported in the statements of comprehensive income</b>	<u>9,678</u>	<u>11,277</u>	<u>6,914</u>	<u>613</u>

## 14. Segment information

The Company and its subsidiaries are organised into business units based on its products and services. During the current period, the Company and its subsidiaries have not changed the organisation of their reportable segments.

The following tables present revenue and profit information regarding the Company and its subsidiaries' operating segments for the three-months periods ended 31 March 2014 and 2013, respectively.

(Unaudited but reviewed)

(Unit: Million Baht)

For the three-month periods ended 31 March

	Compressors										Adjustments and		Consolidated			
	and parts		Enameled wire		Steel sheet		Steel coil center		Others		Total Segments		eliminations			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Revenue</b>																
External customers	1,846	1,634	514	554	172	280	303	265	27	12	2,862	2,745	-	-	2,862	2,745
Inter-segment	138	95	220	284	232	160	143	136	41	35	774	710	(774)	(710)	-	-
<b>Total revenue</b>	<u>1,984</u>	<u>1,729</u>	<u>734</u>	<u>838</u>	<u>404</u>	<u>440</u>	<u>446</u>	<u>401</u>	<u>68</u>	<u>47</u>	<u>3,636</u>	<u>3,455</u>	<u>(774)</u>	<u>(710)</u>	<u>2,862</u>	<u>2,745</u>
<b>Results</b>																
<b>Segment gross profit</b>	(24)	23	(38)	12	18	3	79	74	11	5	46	117	25	37	71	154
Other income															85	102
Gain on exchange															17	91
Selling and distribution expenses															(24)	(25)
Administrative expenses															(102)	(96)
Finance cost															(53)	(58)
<b>Profit (loss) before income tax</b>																
<b>expenses</b>															(6)	168
Income tax expenses															(9)	(11)
<b>Profit (loss) for the period</b>															<u>(15)</u>	<u>157</u>

(Unaudited but reviewed)

## 15. Commitment and contingent liabilities

### 15.1 Capital commitments

As at 31 March 2014, the Company and its subsidiaries have capital commitments of approximately Baht 22.7 million (31 December 2013: Baht 25.2 million) and the Company only: Baht 10.9 million (31 December 2013: Baht 10.9 million), relating to the construction, acquisition of machinery and computer software.

### 15.2 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. Future minimum lease payments required under these operating leases agreements were as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
Payable within:				
In up to 1 year	21.3	23.9	0.4	0.4
In over 1 year and up to 3 years	23.2	33.0	0.5	0.5

### 15.3 Long-term service commitments

- a) 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	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
Payable within:				
In up to 1 year	11.2	12.8	1.1	2.3
In over 1 year	1.5	1.8	0.2	0.3

- b) A subsidiary company entered into technical license and royalty agreement with an oversea company. Under the agreement the subsidiary company has 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.



(Unaudited but reviewed)

As at 31 March 2014, the subsidiary has outstanding royalty fees amounting to approximately Baht 17.6 million (31 December 2013: Baht 17.6 million) which was included in other current liabilities.

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

#### **15.4 Guarantees**

- a) As at 31 March 2014, 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 100 million or equivalent to Baht 522.5 million (31 December 2013: RMB 100 million or equivalent to a total of Baht 540.9 million).
- b) As at 31 March 2014, there were outstanding bank guarantees of approximately Baht 78.7 million (31 December 2013: Baht 78.3 million), the Company only: Baht 22.6 million (31 December 2013: Baht 22.3 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 include letter of guarantee to guarantee electricity usage amounting to Baht 74.1 million (31 December 2013: Baht 73.9 million), the Company only: Baht 18.3 million (31 December 2013: Baht 18.3 million) and to guarantee import duty and others amounting to Baht 4.6 million (31 December 2013: Baht 4.4 million), the Company only: Baht 4.3 million (31 December 2013: Baht 4.0 million).

#### **16. Foreign currency risk and interest rate risk**

The Company and its subsidiaries' exposure to foreign currency risk arises mainly from purchases and sales of goods in foreign currencies, and to interest rate risk from fluctuation in interest rate. The Company and its subsidiaries seek to reduce this risk by entering into forward exchange contracts which generally mature within one year, and cross currency interest rate swap contract when they consider appropriate.

(Unaudited but reviewed)

Below is the summary of the Company and its subsidiaries' foreign currencies-denominated financial assets/liabilities.

As at 31 March 2014

Foreign currency	Consolidated		Separate		Exchange rate	
	financial statements		financial statements		Buying	Selling
	Financial assets	Financial liabilities	Financial assets	Financial liabilities		
(Million)	(Million)	(Million)	(Million)	(Baht per one foreign currency unit)		
US dollar	26	60	15	33	32.3050	32.5814
Japanese yen	-	12	-	4	0.3126	0.3184

As at 31 December 2013

Foreign currency	Consolidated		Separate		Exchange rate	
	financial statements		financial statements		Buying	Selling
	Financial assets	Financial liabilities	Financial assets	Financial liabilities		
(Million)	(Million)	(Million)	(Million)	(Baht per one foreign currency unit)		
US dollar	21	68	16	33	32.6778	32.9494
Japanese yen	-	13	-	1	0.3102	0.3159
Switzerland franc	3	5	-	-	36.4022	36.9930
Euro	1	-	1	-	44.7210	45.3223

As at 31 March 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 March 2014

Foreign currency	Consolidated financial statements			Contractual exchange rate	
	Bought amount	Sold amount	Contractual maturity date	Bought amount	Sold amount
	(Million)	(Million)		(Baht per one foreign currency unit)	
US Dollar	9.2	4.4	9 April - 19 September 2014	32.25 - 33.39	29.10 - 32.45

(Unaudited but reviewed)

As at 31 December 2013

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	6.1	17.7	2 January - 20 June 2014	32.49 - 32.80	29.10 - 32.50

As at 31 March 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	5.5	1.8	11 April - 19 September 2014	32.98 - 33.39	29.10 - 32.45

As at 31 December 2013

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	6.1	11.5	23 January - 20 June 2014	32.49 - 32.80	29.10 - 32.45

### **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 30 September 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.

(Unaudited but reviewed)

- 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.

As at 31 March 2014, fair value of cross currency interest rate swap contract is lower than trade date of Baht 37.8 million (31 December 2013: Baht 51.6 million).

Fair value of cross currency interest rate swap contract has been calculated using rate quoted by the Company's banker as if the contract was terminated at the end of reporting period.

### Commodity hedge agreements

A subsidiary had outstanding copper swap agreements, of which details are presented below.

As at 31 March 2014

Type of goods	Quantity	Maturity date	Contract price	Market price
	(Ton)		(per unit)	(per unit)
Copper	50	July 2014	USD 6,890	USD 6,668
Copper	240	January - December 2015	RMB 47,979 – 50,858	RMB 45,950 - 46,170

As at 31 December 2013

Type of goods	Quantity	Maturity date	Contract price	Market price
	(Ton)		(per unit)	(per unit)
Copper	90	January - July 2014	USD 6,890 - 6,925	USD 7,395
Copper	170	March - September 2014	RMB 49,070 - 50,690	RMB 52,310 - 52,460

### 17. Event after the reporting period

On 24 April 2014, the Annual General Meeting of the Company's shareholders No. 35/2557 approved to omit annual dividend payment for operation results of 2013.

### 18. Approval of interim financial statements

These interim financial statements have been authorised for issue by the Company's authorised directors on 7 May 2014.