

Kulthorn Kirby Public Company Limited
and its subsidiaries
Report and consolidated interim financial statements
For the three-month period ended 31 March 2016

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 2016, the related consolidated statements of comprehensive income, 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*.

Satida Ratananurak

Certified Public Accountant (Thailand) No. 4753

EY Office Limited

Bangkok: 13 May 2016

Kulthorn Kirby Public Company Limited and its subsidiaries

Statements of financial position

As at 31 March 2016

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	As at	As at	As at	As at
	<u>Note</u> 31 March 2016 (Unaudited but reviewed)	31 December 2015 (Audited)	31 March 2016 (Unaudited but reviewed)	31 December 2015 (Audited)
Assets				
Current assets				
Cash and cash equivalents	209,854	173,031	141,356	112,585
Trade and other receivables	2, 3 1,890,366	2,083,898	1,002,552	1,269,126
Short-term loans to related parties	2 -	-	213,425	213,576
Inventories	4 2,371,909	2,437,769	1,469,479	1,438,905
VAT receivable	51,649	80,147	34,388	55,938
Other current assets	64,330	84,199	13,128	16,048
Total current assets	4,588,108	4,859,044	2,874,328	3,106,178
Non-current assets				
Investments in subsidiaries	5 -	-	2,634,372	2,634,372
Property, plant and equipment	6 3,175,830	3,192,294	1,400,043	1,394,533
Goodwill on business combination	7 -	-	-	-
Other intangible assets	8 81,261	82,187	29,372	28,653
Deferred tax assets	80,825	79,929	29,665	30,235
Other non-current assets	2,543	3,343	1,425	1,548
Total non-current assets	3,340,459	3,357,753	4,094,877	4,089,341
Total assets	7,928,567	8,216,797	6,969,205	7,195,519

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 March 2016

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		As at	As at	As at	As at
		31 March 2016	31 December 2015	31 March 2016	31 December 2015
		(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans from					
financial institutions	9	3,291,744	3,660,060	1,768,102	2,170,431
Trade and other payables	2, 10	1,180,690	1,138,199	1,209,739	1,158,737
Short-term loans from related parties	2	-	-	685,830	619,288
Current portion of long-term loans	11	188,900	263,200	188,900	263,200
Current portion of liabilities under					
financial lease agreements	12	68,026	67,996	14,737	15,406
Dividend payable		806	806	802	802
Income tax payable		63,122	26,396	48,570	23,350
Other current liabilities		62,567	61,665	41,105	41,105
Total current liabilities		4,855,855	5,218,322	3,957,785	4,292,319
Non-current liabilities					
Liabilities under financial lease agreements - net					
of current portion	12	170,927	186,931	15,446	18,890
Provision for long-term employee benefits		165,902	162,018	79,427	77,915
Total non-current liabilities		336,829	348,949	94,873	96,805
Total liabilities		5,192,684	5,567,271	4,052,658	4,389,124

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 March 2016

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	As at 31 March 2016 (Unaudited but reviewed)	As at 31 December 2015 (Audited)	As at 31 March 2016 (Unaudited but reviewed)	As at 31 December 2015 (Audited)
Shareholders' equity				
Share capital				
Registered				
1,200,000,000 ordinary shares of Baht 1 each	1,200,000	1,200,000	1,200,000	1,200,000
Issued and fully paid up				
1,200,000,000 ordinary shares of Baht 1 each	1,200,000	1,200,000	1,200,000	1,200,000
Share premium	700,000	700,000	700,000	700,000
Retained earnings				
Appropriated - statutory reserve	120,000	120,000	120,000	120,000
Unappropriated	518,508	437,835	896,547	786,395
Other components of shareholders' equity	197,375	191,691	-	-
Total shareholders' equity	2,735,883	2,649,526	2,916,547	2,806,395
Total liabilities and shareholders' equity	7,928,567	8,216,797	6,969,205	7,195,519
	-	-	-	-

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

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Directors

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(Unaudited but reviewed)

Kulthorn Kirby Public Company Limited and its subsidiaries**Statements of comprehensive income****For the three-month period ended 31 March 2016**

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

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
Profit or loss:					
Revenues					
Sales and service income	2, 15	2,575,479	2,816,924	1,554,641	1,686,654
Other income					
Income from scrap sales	2	29,057	42,724	32,218	45,855
Gain on exchange		-	22,276	-	3,938
Interest income	2	13	15	3,066	2,696
Others		5,125	4,016	9,264	4,898
Total revenues		2,609,674	2,885,955	1,599,189	1,744,041
Expenses					
Cost of sales and services	2	2,282,278	2,626,154	1,349,070	1,494,121
Selling expenses		31,007	34,437	18,276	19,947
Administrative expenses		115,266	105,231	56,491	48,330
Loss on exchange		12,221	-	5,882	-
Total expenses		2,440,772	2,765,822	1,429,719	1,562,398
Profit before finance cost and income tax		168,902	120,133	169,470	181,643
Finance cost		(51,442)	(51,184)	(33,528)	(33,440)
Profit before income tax		117,460	68,949	135,942	148,203
Income tax	13	(36,787)	3,994	(25,790)	6,727
Profit for the period		80,673	72,943	110,152	154,930
Other comprehensive income:					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>					
Exchange differences on translation of financial statements in foreign currency		5,684	6,942	-	-
Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax		5,684	6,942	-	-
Other comprehensive income for the period		5,684	6,942	-	-
Total comprehensive income for the period		86,357	79,885	110,152	154,930
Basic earnings per share (Baht)					
Profit attributable to equity holders of the Company	14	0.07	0.07	0.09	0.15

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

(Unaudited but reviewed)

Kulthorn Kirby Public Company Limited and its subsidiaries

Cash flow statements

For the three-month period ended 31 March 2016

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Cash flows from operating activities				
Profit before tax	117,460	68,949	135,942	148,203
Adjustments to reconcile profit (loss) before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	127,589	143,652	57,286	68,404
Allowance for doubtful accounts and other provision	5,303	3,370	-	-
Reduction of inventory value to net realisable value (reversal)	(8,325)	9,855	-	3,194
Gain (loss) on sales of property, plant and equipment	648	(254)	(652)	(93)
Deferred interest	3,975	1,058	576	857
Provision for long-term employee benefits	4,447	3,643	2,075	1,759
Unrealised (gain) loss on exchange	13,872	(6,173)	5,020	(1,658)
Interest expenses	41,759	43,396	30,939	30,804
Profit from operating activities before changes in operating assets and liabilities	306,728	267,496	231,186	251,470
Operating assets (increase) decrease				
Trade and other receivables	185,965	(97,315)	260,270	(143,705)
Inventories	74,185	(69,252)	(30,574)	(107,615)
Other current assets	44,344	(3,212)	24,517	(9,326)
Other non-current assets	800	(864)	123	(80)
Operating liabilities increase (decrease)				
Trade and other payables	28,910	(122,975)	46,004	88,118
Other current liabilities	(8,744)	(7,019)	-	3,954
Cash flows from (used in) operating activities	632,188	(33,141)	531,526	82,816
Cash paid for long-term employee benefits	(563)	-	(563)	-
Cash paid for interest expenses	(41,902)	(44,744)	(33,105)	(31,990)
Cash paid for income tax	(3,098)	(1,440)	(247)	(105)
Net cash flows from (used in) operating activities	586,625	(79,325)	497,611	50,721

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

(Unaudited but reviewed)

Kulthorn Kirby Public Company Limited and its subsidiaries

Cash flow statements (continued)

For the three-month period ended 31 March 2016

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Cash flows from investing activities				
Acquisition of property, plant and equipment and intangible assets	(69,884)	(60,367)	(28,343)	(30,202)
Proceeds from sales of property, plant and equipment	557	370	936	93
Decrease (increase) in short-term loans to related parties	-	-	151	(80,825)
Net cash flows used in investing activities	(69,327)	(59,997)	(27,256)	(110,934)
Cash flows from financing activities				
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	(394,565)	238,434	(429,136)	152,680
Increase in short-term loans from related parties	-	-	66,542	26,576
Repayment of long-term loans	(74,300)	(92,518)	(74,300)	(82,600)
Cash paid for liabilities under financial lease agreements	(21,380)	(6,136)	(4,690)	(4,689)
Dividend paid	-	(155,819)	-	(155,819)
Net cash flows used in financing activities	(490,245)	(16,039)	(441,584)	(63,852)
Increase in translation adjustments	9,770	9,075	-	-
Net increase (decrease) in cash and cash equivalents	36,823	(146,286)	28,771	(124,065)
Cash and cash equivalents at beginning of period	173,031	249,262	112,585	182,546
Cash and cash equivalents at end of period	209,854	102,976	141,356	58,481

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

	44,250	(9,031)	35,456	(1,266)
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2) Non-cash related transaction for financing activities

Dividend payable

Assets acquired under financial lease agreements

	806	344,858	802	344,854
	1,432	714	-	-

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

(Unaudited but reviewed)

Kulthorn Kirby Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the three-month period ended 31 March 2016

(Unit: Thousand Baht)

Consolidated financial statements

	Issued and fully paid-up share capital	Share premium	Retained earnings		Other components of shareholders' equity			Total shareholders' equity
			Appropriated	Unappropriated	Other comprehensive income	Exchange differences on translation of financial statements in foreign currency	Surplus from business combination under common control	
Balance as at 1 January 2015	1,000,000	500,000	100,000	271,386	(19,803)	207,898	188,095	2,059,481
Profit for the period	-	-	-	72,943	-	-	-	72,943
Other comprehensive income for the period	-	-	-	-	6,942	-	6,942	6,942
Total comprehensive income for the period	-	-	-	72,943	6,942	-	6,942	79,885
Balance as at 31 March 2015	<u>1,000,000</u>	<u>500,000</u>	<u>100,000</u>	<u>344,329</u>	<u>(12,861)</u>	<u>207,898</u>	<u>195,037</u>	<u>2,139,366</u>
Balance as at 1 January 2016	1,200,000	700,000	120,000	437,835	(16,207)	207,898	191,691	2,649,526
Profit for the period	-	-	-	80,673	-	-	-	80,673
Other comprehensive income for the period	-	-	-	-	5,684	-	5,684	5,684
Total comprehensive income for the period	-	-	-	80,673	5,684	-	5,684	86,357
Balance as at 31 March 2016	<u>1,200,000</u>	<u>700,000</u>	<u>120,000</u>	<u>518,508</u>	<u>(10,523)</u>	<u>207,898</u>	<u>197,375</u>	<u>2,735,883</u>

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

(Unaudited but reviewed)

Kulthorn Kirby Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the three-month period ended 31 March 2016

(Unit: Thousand 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 2015	1,000,000	500,000	100,000	315,711	1,915,711
Profit for the period	-	-	-	154,930	154,930
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	154,930	154,930
Balance as at 31 March 2015	<u>1,000,000</u>	<u>500,000</u>	<u>100,000</u>	<u>470,641</u>	<u>2,070,641</u>
Balance as at 1 January 2016	1,200,000	700,000	120,000	786,395	2,806,395
Profit for the period	-	-	-	110,152	110,152
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	110,152	110,152
Balance as at 31 March 2016	<u>1,200,000</u>	<u>700,000</u>	<u>120,000</u>	<u>896,547</u>	<u>2,916,547</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 2016

1. General information

1.1 Corporate 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.

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 2015) "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 2015. There have been no changes in the composition of its subsidiaries during the period.

(Unaudited but reviewed)

1.4 New financial reporting standards

During the period, the Company has adopted the revised and new financial reporting standards and accounting treatment guidance issued by the Federation of Accounting Professions which become 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, 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.

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 2015.

2. 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, which have been concluded on commercial terms and bases agreed upon in the ordinary course of businesses between the Company and those related parties, are summarised below.

(Unit: Thousand Baht)

	For the three-month periods ended 31 March				Pricing policy
	Consolidated financial statements		Separate financial statements		
	2016	2015	2016	2015	
<i>Transactions with subsidiaries (eliminated from the consolidated financial statements)</i>					
Purchases of goods	-	-	374,738	474,046	Market price
Sales and service income and scrap sales	-	-	57,895	77,770	Approximate market price
Sales vehicle	-	-	450	-	Mutually agreed price
Other income	-	-	5,804	2,644	Mutually agreed price as stipulated in the contract
Rental income	-	-	633	633	Mutually agreed price as stipulated in the contract
Interest expenses	-	-	6,380	4,664	Interest rate at 0.25 - 5.80 percent per annum (2015: 0.25 - 6.65 percent per annum)
Interest income	-	-	3,066	2,692	Interest rate at 3.25 - 5.80 percent per annum (2015: 3.25 - 6.65 percent per annum)
Other expenses	-	-	480	-	Mutually agreed price as stipulated in the contract

(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	
	2016	2015	2016	2015	
<i>Transactions with related parties</i>					
Sales and service income and scrap sales	168,265	158,094	95,278	89,780	Approximate market price
Purchases of goods	19,976	22,047	19,832	21,208	Market price
Rental expense	5,098	3,709	1,685	-	Mutually agreed price as stipulated in the contract
Other income	176	59	90	59	Mutually agreed price as stipulated in the contract
Other expenses	3,022	4,011	1,885	3,344	Mutually agreed price as stipulated in the contract

The outstanding balances of the accounts as at 31 March 2016 and 31 December 2015 between the Company and those related parties are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial		Separate financial	
	statements	statements	statements	statements
	31 March	31 December	31 March	31 December
	2016	2015	2016	2015
<u>Trade and other receivables - related parties</u>				
(Note 3)				
Subsidiary companies	-	-	73,125	104,894
Related companies (related by common director/shareholder)	151,545	111,327	84,463	64,860
Total trade and other receivables - related parties	151,545	111,327	157,588	169,754
<u>Trade and other payables - related parties</u>				
(Note 10)				
Subsidiary companies	-	-	523,803	535,401
Related companies (related by common director/shareholder)	25,443	30,143	16,841	18,524
Total trade and other payables - related parties	25,443	30,143	540,644	553,925

(Unaudited but reviewed)

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

During the three-month period ended 31 March 2016, short-term loans between the Company and its subsidiaries had the following movements:

(Unit: Thousand Baht)

	Separate financial statements			
	Balance as at	Increase	Decrease	Balance as at
	1 January 2016	during the period	during the period	31 March 2016
<u>Short-term loan to subsidiary</u>				
Kulthorn Materials and Controls				
Co., Ltd.	208,000	-	-	208,000
Total	208,000	-	-	208,000

(Unit: Thousand Baht)

	Separate financial statements			
	Balance as at	Increase	Decrease	Balance as at
	1 January 2016	during the period	during the period	31 March 2016
<u>Short-term loan from subsidiary</u>				
Kulthorn Metal Products Co., Ltd.	30,000	-	(2,000)	28,000
Kulthorn Premier Co., Ltd.	475,000	40,000	-	515,000
Total	505,000	40,000	(2,000)	543,000

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.

(Unaudited but reviewed)

As at 31 March 2016 and 31 December 2015, the Company and its subsidiaries had outstanding short-term loans from the above agreement as follows:

(Unit: Thousand Baht)

	31 March 2016	31 December 2015
<u>Short-term loans to related parties</u>		
Kulthorn Materials and Controls Co., Ltd.	5,425	-
Kulthorn Metal Products Co., Ltd.	-	5,576
Total short-term loans to related parties	<u>5,425</u>	<u>5,576</u>

Short-term loans from related parties

Kulthorn Premier Co., Ltd.	82,839	66,796
Kulthorn Kirby Foundry Co., Ltd.	38,934	37,463
Kulthorn Metal Products Co., Ltd.	13,565	-
Kulthorn Steel Co., Ltd.	7,492	5,045
Kulthorn Materials and Controls Co., Ltd.	-	4,984
Total short-term loans from related parties	<u>142,830</u>	<u>114,288</u>

Directors and management's remuneration

During the three-month periods ended 31 March 2016 and 2015, 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		Separate	
	financial statements	financial statements	financial statements	financial statements
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Short-term employee benefits	9,514	11,683	5,100	4,550
Post-employment benefits	1,063	323	924	172
Total	<u>10,577</u>	<u>12,006</u>	<u>6,024</u>	<u>4,722</u>

Guarantee obligations with related parties

The Company and its subsidiaries have outstanding guarantee obligations with its related parties, as described in Note 16.4 to the financial statements.

(Unaudited but reviewed)

3. Trade and other receivables

The outstanding balance of trade accounts receivable as at 31 March 2016 and 31 December 2015 categorised by their aging from due dates are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015
<u>Trade receivables - related parties</u>				
Not yet due	111,456	74,481	97,145	100,864
Overdue				
Less than 3 months	30,235	25,818	17,341	17,948
3 - 6 months	4,177	6,336	3,918	4,565
6 - 12 months	536	-	-	-
Over 12 months	3,890	3,539	-	-
Total trade receivables - related parties	150,294	110,174	118,404	123,377
<u>Trade receivables - unrelated parties</u>				
Not yet due	1,323,718	1,451,682	702,404	899,786
Overdue				
Less than 3 months	320,496	480,641	126,383	189,148
3 - 6 months	61,636	21,828	5,396	3,887
6 - 12 months	24,090	9,191	9,084	4,901
Over 12 months	14,690	16,301	-	245
Total	1,744,630	1,979,643	843,267	1,097,967
Less: Allowance for doubtful debts	(8,625)	(9,412)	(418)	(418)
Total trade receivables - unrelated parties	1,736,005	1,970,231	842,849	1,097,549
Total trade receivables - net	1,886,299	2,080,405	961,253	1,220,926
<u>Other receivables</u>				
Advances - related parties	1,251	1,153	39,184	46,377
Others	2,816	2,340	2,115	1,823
Total other receivables	4,067	3,493	41,299	48,200
Total trade and other receivables - net	1,890,366	2,083,898	1,002,552	1,269,126

(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 2016 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Balance as at 1 January 2016	134,434	48,071
Reduction of inventory to net realisable value	(8,325)	-
Balance as at 31 March 2016	126,109	48,071

5. Investments in subsidiaries

As at 31 March 2016 and 31 December 2015, the Company has long-term investments in ordinary share of the following companies:

Company's name	Paid-up capital		Shareholding percentage		Cost		Dividend received during the three-month periods ended	
	31 March	31 December	31 March	31 December	31 March	31 December	31 March	31 March
	2016	2015	2016	2015	2016	2015	2016	2015
			(%)	(%)				
Kulthorn Kirby Foundry Company Limited	575,000	575,000	100	100	739,999	739,999	-	-
Kulthorn Premier Company Limited	1,260,000	1,260,000	100	100	1,936,751	1,936,751	-	-
Kulthorn Steel Company Limited	400,000	400,000	100	100	399,999	399,999	-	-
Kulthorn Materials and Controls Company Limited	450,000	450,000	100	100	340,630	340,630	-	-
Total					3,417,379	3,417,379	-	-
Less: Allowance for impairment loss on investments in subsidiaries					(783,007)	(783,007)	-	-
Investments in subsidiaries - net					2,634,372	2,634,372	-	-

On 24 February 2016, the Board of Directors' Meeting of the Company No. 1/2016 passed a resolution to increase of the registered capital in Kulthorn Materials and 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. Presently, the subsidiary is in process of proceeding this transaction.

(Unaudited but reviewed)

6. Property, plant and equipment

Movements of the property, plant and equipment account during the three-month period ended 31 March 2016 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Net book value as at 1 January 2016	3,192,294	1,394,533
Acquisitions during the period - at cost	113,740	62,181
Transfer to intangible assets (Note 8)	(101)	-
Disposals during the period - net book value at disposal date	(354)	(284)
Write-off during the period - net book value at write-off date	(851)	-
Depreciation for the period	(124,854)	(56,387)
Translation adjustment	(4,044)	-
Net book value as at 31 March 2016	<u>3,175,830</u>	<u>1,400,043</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 to the financial statements.

7. Goodwill on business combination

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	31 March 2016	31 December 2015
Goodwill on business combination	37,620	37,620
Less: Accumulated impairment loss	(37,620)	(37,620)
Net book value	<u>-</u>	<u>-</u>

(Unaudited but reviewed)

8. Intangible assets

Movements of the intangible assets account during the three-month period ended 31 March 2016 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Net book value as at 1 January 2016	82,187	28,653
Acquisitions during the period - at cost	1,826	1,618
Transfer from property, plant and equipment (Note 6)	101	-
Amortisation for the period	(2,735)	(899)
Translation adjustment	(118)	-
Net book value as at 31 March 2016	81,261	29,372

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 2016	31 December 2015	31 March 2016	31 December 2015
Bank overdrafts	7.375	16,306	24,452	3,497	-
Short-term loans	4.15 - 5.00	694,126	767,849	503,126	576,849
Trust receipts	2.00 - 4.70	1,535,496	1,786,424	677,848	922,031
Packing credit	4.09 - 5.66	1,045,816	1,081,335	583,631	671,551
Total		<u>3,291,744</u>	<u>3,660,060</u>	<u>1,768,102</u>	<u>2,170,431</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.

10. Trade and other payables

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015
Trade payables - related parties	20,309	18,487	495,830	496,881
Trade payables - unrelated parties	790,404	823,633	479,182	466,572
Other payables - related parties	5,134	11,656	42,612	52,921
Other payables - unrelated parties	211,925	173,195	130,538	96,530
Accrued interest expenses - related parties	-	-	2,202	4,123
Accrued interest expenses - unrelated parties	2,444	2,737	998	1,244
Accrued expenses	150,474	108,491	58,377	40,466
Total trade and other payables	<u>1,180,690</u>	<u>1,138,199</u>	<u>1,209,739</u>	<u>1,158,737</u>

(Unaudited but reviewed)

11. Current portion of long-term loans

Movement of current portion of long-term loans during the three-month period ended 31 March 2016 are summarised below.

	(Unit: Thousand Baht)
	Consolidated and Separate financial statements
Balance as at 1 January 2016	263,200
Less: Repayment during the period	<u>(74,300)</u>
Balance as at 31 March 2016	<u>188,900</u>

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, and 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.

(Unaudited but reviewed)

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 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.

During the three-month period ended 31 March 2016, the Company and its subsidiaries have not entered into 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 machineries.

12. Liabilities under financial lease agreements

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015
Liabilities under financial lease agreements	267,924	287,710	32,547	37,237
Less: Deferred interest	(28,971)	(32,783)	(2,364)	(2,941)
Total	238,953	254,927	30,183	34,296
Less: Portion due within one year	(68,026)	(67,996)	(14,737)	(15,406)
Liabilities under financial lease agreements, net of current portion	170,927	186,931	15,446	18,890

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.

(Unaudited but reviewed)

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 2016 and 2015 are made up as follows:

	Consolidated		(Unit: Thousand Baht) Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current income tax:				
Interim corporate income tax charge	37,756	3,717	25,219	-
Deferred tax:				
Relating to origination and reversal of temporary differences	<u>(969)</u>	<u>(7,711)</u>	<u>571</u>	<u>(6,727)</u>
Income tax expense (revenue) reported in the statements of comprehensive income	<u>36,787</u>	<u>(3,994)</u>	<u>25,790</u>	<u>(6,727)</u>

14. Earnings per share

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

(Unaudited but reviewed)

15. 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 table presents revenue and profit information regarding the Company and its subsidiaries' operating segments for the three-month periods ended 31 March 2016 and 2015, respectively.

(Unit: Million Baht)

	For the three-month periods ended 31 March												Adjustments and eliminations		Consolidated	
	Compressors and parts		Enameled wire		Steel sheet		Steel coil center		Others		Total Segments					
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenue																
External customers	1,738	1,869	318	385	244	301	255	236	20	26	2,575	2,817	-	-	2,575	2,817
Inter-segment	51	63	174	196	91	182	123	145	32	38	471	624	(471)	(624)	-	-
Total revenue	1,789	1,932	492	581	335	483	378	381	52	64	3,046	3,441	(471)	(624)	2,575	2,817
Results																
Segment gross profit	217	198	(33)	(73)	23	15	75	24	4	6	286	170	7	20	293	190
Other income															34	47
Gain (loss) on exchange															(12)	22
Selling and distribution expenses															(31)	(34)
Administrative expenses															(115)	(105)
Finance cost															(51)	(51)
Profit before income tax															118	69
Income tax revenue (expenses)															(37)	4
Profit for the period															81	73

(Unaudited but reviewed)

16. Commitment and contingent liabilities

16.1 Capital commitments

As at 31 March 2016, the Company and its subsidiaries have capital commitments of approximately Baht 59.8 million (31 December 2015: Baht 89.5 million) (the Company only: Baht 57.2 million (31 December 2015: Baht 81.1 million)), relating to the construction of warehouse building and acquisition of machinery.

16.2 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	31 December	31 March	31 December
	2016	2015	2016	2015
Payable within:				
In up to 1 year	30.4	29.0	5.2	5.4
In over 1 year and up to 3 years	43.1	51.8	7.2	8.5

16.3 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	31 December	31 March	31 December
	2016	2015	2016	2015
Payable within:				
In up to 1 year	14.9	14.4	4.7	4.7
In over 1 year and up to 3 years	2.2	4.4	1.5	2.7

(Unaudited but reviewed)

- 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.

As at 31 March 2016, the subsidiary has outstanding royalty fees amounting to Baht 17.6 million (31 December 2015: 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.

16.4 Guarantees

- a) As at 31 March 2016, the Company and Kulthorn Materials and Controls Company Limited have contingent liability relating to the guarantee of credit facility of Suzhou Kulthorn Magnet Wire Co., Ltd. to an oversea branch of a commercial bank amounting to RMB 67 million or equivalent to Baht 369.5 million (31 December 2015: RMB 67 million or equivalent to Baht 376.8 million).
- b) As at 31 March 2016, there were outstanding bank guarantees of approximately Baht 78.7 million (31 December 2015: Baht 79.9 million), the Company only: Baht 19.8 million (31 December 2015: Baht 21.7 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 77.3 million (31 December 2015: Baht 77.3 million), the Company only: Baht 19.6 million (31 December 2015: Baht 19.6 million) and to guarantee import duty and others amounting to Baht 1.4 million (31 December 2015: Baht 2.6 million), the Company only: Baht 0.2 million (31 December 2015: Baht 2.1 million).

17. Foreign currency risk

The Company and its subsidiaries' exposure to foreign currency risk arises mainly from purchases and sales of goods in foreign currencies. The Company and its subsidiaries seek to reduce this risk by entering into forward exchange contracts which generally mature within one year, 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 2016						
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	14	14	10	6	35.0709	35.4074
Japanese yen	-	80	-	79	0.3101	0.3167

As at 31 December 2015						
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	28	19	18	5	35.9233	36.2538
Japanese yen	1	84	-	81	0.2965	0.3028

Forward exchange contracts

The Company and its subsidiaries had outstanding forward exchange contract with maturities less than one year as follows:

As at 31 March 2016					
Consolidated financial statements					
Foreign currency	Bought	Sold	Contractual maturity date	Contractual exchange rate	
	amount	amount		Bought amount	Sold amount
(Million)	(Million)	(Million)	(Baht per one foreign currency unit)		
US Dollar	7.0	-	8 April - 11 August 2016	35.55 - 36.09	-

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)	(Million)	(Baht per one foreign currency unit)		
US Dollar	13.4	-	3 February - 20 June 2016	35.04 - 36.33	-

(Unaudited but reviewed)

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	-

Commodity hedge agreements

As at 31 March 2016				
Type of goods	Quantity	Maturity date	Contract price	Market price
	(Ton)		(per ton)	(per ton)
Copper	50	August 2016	RMB 34,550	RMB 36,820

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

18. Fair value of financial instruments

The Company and its subsidiaries use the market approach to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards, except that the cost approach or income approach is used when there is no active market or when a quoted market price is not available.

Fair value hierarchy

In applying the above-mentioned valuation techniques, the Company and its subsidiaries endeavor to use relevant observable inputs as much as possible. IFRS 13 *Fair Value Measurement* establishes a fair value hierarchy categorising such inputs into three levels 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

(Unaudited but reviewed)

As at 31 March 2016, the subsidiaries had the following liabilities that were measured at fair value using different level of input as follow:

	(Unit: Million Baht)
	Consolidated
	<u>financial Statements</u>
	<u>Level 2</u>
Financial liabilities measured at fair value	
Derivatives	
Foreign currency forward contracts	3.5

Valuation techniques and inputs to Level 2 valuation

Fair value of foreign currency forward contracts has been calculated at the rate set by the financial institutions as if the contract was terminated on the reporting date.

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

19. Event after the reporting period

On 23 April 2016, the Annual General Meeting of the Company's shareholders passed a resolution to approve a dividend payment for the year 2015 from retained earnings of the Company which paid corporate income tax of 25 percent at a rate of Baht 0.15 per share for 1,200 million ordinary shares, or a total of Baht 180 million. The schedule of the dividend payment is on 18 May 2016. Such dividend will be recorded in the second quarter of 2016.

20. Approval of interim financial statements

These interim financial statements have been authorised for issue by the Company's authorised directors on 13 May 2016.