

Kulthorn Kirby Public Company Limited and
its subsidiaries
Report and consolidated financial statements
31 December 2018

Independent Auditor's Report

To the Shareholders of Kulthorn Kirby Public Company Limited

Opinion

I have audited the accompanying consolidated financial statements of Kulthorn Kirby Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Kulthorn Kirby Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kulthorn Kirby Public Company Limited and its subsidiaries and of Kulthorn Kirby Public Company Limited as at 31 December 2018, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Group in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

I have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond for each matter are described below.

Revenue recognition

The revenue amount is material and has a significant impact on the financial statements as the Group has a large number of both local and export sales transactions. In addition, there have been more intense competition in the manufacture and distribution of compressor industry as well as current environmental awareness. Therefore, I draw a special attention to the revenue recognition of the Group.

I examined the revenue recognition of the Group by assessing and testing the Company's internal controls with respect to the revenue cycle by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls. I applied a sampling method to select sales to assess whether revenue recognition was consistent with the conditions of sales and in compliance with the Company's policy. On a sampling basis, I examined supporting documents for actual sales transactions occurring during the year and near the end of the accounting period. I reviewed credit notes that the Company had issued after the period end as well as performed analytical procedures to detect possible irregularities in sales transactions throughout the period.

Allowance for diminution in value of inventory

Estimating the net realisable value of inventory, as disclosed in the Note 5 and Note 9 to the financial statements, is an area of significant management judgment, particularly with regard to the estimation of provision for the lower of cost and net realisable value, slow-moving and obsolete inventory. This requires detailed analysis of the product life cycle, the fluctuation of material's price, the competitive environment, economic circumstances and the situation within the industry. There is a risk with respect to the amount of provision set aside for diminution in the value of inventory.

I assessed and tested the internal controls of the Company relevant to the determination of provision for diminution in the value of inventory by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls. In addition, I assessed the method and the assumptions applied by management in determining such provision. The procedures that I performed included:

- Gaining an understanding of the basis applied in determining the provision for diminution in value of inventory and reviewing the consistency of the application of that basis, and the rationale for the recording of specific provisions.
- Comparing the inventory holding periods and inventory movements to identify product lines with indicators of lower than normal inventory turnover.
- Comparing proceeds from sales transactions occurring after the date of the financial statements with the cost of inventory for each product.
- Comparing historical data of actual losses on sales and write-offs of inventory with the provision for diminution in value of inventory recorded at the preceding year-end.

Investments in subsidiaries

The Company recorded allowance for impairment loss on investments in subsidiaries amounting to Baht 1,043 million in the separate financial statements as disclosed in Note 10 to the financial statements. The consideration of value of investments, especially for impairment assessment, is a significant accounting estimate requiring the management to exercise a high degree of judgement in forecasting of business and operation results, and setting an appropriate discount rate as well as other significant assumptions. There are thus risks with respect to the value of investment in subsidiaries.

I assessed the management's consideration regarding the impairment on investment in subsidiaries by gaining an understanding of management's decision-making process of the selected financial models and testing the significant assumptions applied by management in preparing estimates of the cash flows expected to be realised from such investments, by comparing those assumptions with information from both internal and external sources and comparing past cash flow projections to actual operating results in order to evaluate the exercise of management judgement in estimating the cash flow projections. I also evaluated the discount rate applied by management through analysis of the average cost of capital and other information of the Company and of the industry, tested the calculation of the realisable value from those investments using the selected financial model. I also considered the impact of changes in key assumptions on those realisable values of cash flow projection.

Other Information

Management is responsible for the other information. The other information comprise the information included in annual report of the Group, but does not include the financial statements and my auditor's report thereon. The annual report of the Group is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the annual report of the Group, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

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

I am responsible for the audit resulting in this independent auditor's report.

Satida Ratananurak
Certified Public Accountant (Thailand) No. 4753

EY Office Limited
Bangkok: 28 February 2019

Kulthorn Kirby Public Company Limited and its subsidiaries

Statements of financial position

As at 31 December 2018

(Unit: Baht)

	<u>Note</u>	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Assets					
Current assets					
Cash and cash equivalents	7	96,962,936	225,680,509	68,759,262	149,225,357
Trade and other receivables	8	1,231,190,984	1,776,836,809	695,726,953	1,032,477,488
Short-term loans to related parties	6	-	-	70,000,000	113,000,000
Inventories	9	2,343,848,986	2,122,406,144	1,434,236,706	1,184,681,542
Current tax assets		16,078,227	25,536,722	1,030,454	16,088,185
VAT receivable		61,020,028	48,143,025	30,160,765	37,067,852
Other current assets		38,249,965	28,400,410	9,458,353	7,920,607
Total current assets		3,787,351,126	4,227,003,619	2,309,372,493	2,540,461,031
Non-current assets					
Investments in subsidiaries	10	-	-	2,586,872,497	2,846,872,497
Property, plant and equipment	11	2,784,555,695	2,794,237,664	1,307,578,673	1,265,389,656
Goodwill on business combination	12	-	-	-	-
Other intangible assets	13	86,988,048	71,080,189	45,203,549	27,855,299
Advance payment for purchase of fixed assets		232,123,332	75,284,680	187,223,338	-
Deferred tax assets	22	249,733,806	127,457,129	151,591,094	62,129,682
Other non-current assets		1,358,696	2,271,814	1,141,638	1,225,628
Total non-current assets		3,354,759,577	3,070,331,476	4,279,610,789	4,203,472,762
Total assets		7,142,110,703	7,297,335,095	6,588,983,282	6,743,933,793

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

Kulthorn Kirby Public Company Limited and its subsidiaries

Statements of financial position (continued)

As at 31 December 2018

(Unit: Baht)

	<u>Note</u>	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans from					
financial institutions	14	3,046,122,514	3,029,785,282	1,629,452,680	1,509,334,100
Trade and other payables	15	752,299,052	879,098,264	671,788,490	754,951,333
Short-term loans from related parties	6	-	-	614,493,365	765,206,054
Current portion of long-term loans	16	400,000,000	200,000,000	400,000,000	200,000,000
Current portion of liabilities under					
financial lease agreements	17	56,027,937	61,815,273	900,571	6,437,770
Dividend payable		891,162	882,112	887,121	878,070
Income tax payable		217,709	1,120,428	-	-
Other current liabilities	18	<u>32,629,478</u>	<u>38,458,151</u>	<u>25,433,171</u>	<u>35,095,549</u>
Total current liabilities		<u>4,288,187,852</u>	<u>4,211,159,510</u>	<u>3,342,955,398</u>	<u>3,271,902,876</u>
Non-current liabilities					
Long-term loans, net of current portion	16	1,075,300,000	600,000,000	1,075,300,000	600,000,000
Liabilities under financial lease agreements,					
net of current portion	17	11,166,643	63,830,759	1,550,794	2,495,287
Provision for long-term employee benefits	19	<u>199,160,275</u>	<u>196,851,990</u>	<u>90,734,517</u>	<u>94,773,359</u>
Total non-current liabilities		<u>1,285,626,918</u>	<u>860,682,749</u>	<u>1,167,585,311</u>	<u>697,268,646</u>
Total liabilities		<u>5,573,814,770</u>	<u>5,071,842,259</u>	<u>4,510,540,709</u>	<u>3,969,171,522</u>

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

Kulthorn Kirby Public Company Limited and its subsidiaries

Statements of financial position (continued)

As at 31 December 2018

(Unit: Baht)

	<u>Note</u>	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Shareholders' equity					
Share capital					
Registered					
1,200,000,000 ordinary shares of Baht 1 each		<u>1,200,000,000</u>	<u>1,200,000,000</u>	<u>1,200,000,000</u>	<u>1,200,000,000</u>
Issued and fully paid up					
1,200,000,000 ordinary shares of Baht 1 each		1,200,000,000	1,200,000,000	1,200,000,000	1,200,000,000
Share premium		700,000,000	700,000,000	700,000,000	700,000,000
Surplus from business combination under common control		207,897,949	207,897,949	-	-
Retained earnings (deficits)					
Appropriated - statutory reserve	20	120,000,000	120,000,000	120,000,000	120,000,000
Unappropriated		(657,449,686)	8,345,246	58,442,573	754,762,271
Other components of shareholders' equity		<u>(2,152,330)</u>	<u>(10,750,359)</u>	<u>-</u>	<u>-</u>
Total shareholders' equity		<u>1,568,295,933</u>	<u>2,225,492,836</u>	<u>2,078,442,573</u>	<u>2,774,762,271</u>
Total liabilities and shareholders' equity		<u>7,142,110,703</u>	<u>7,297,335,095</u>	<u>6,588,983,282</u>	<u>6,743,933,793</u>
		-	-	-	-

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

 Directors

Kulthorn Kirby Public Company Limited and its subsidiaries
Statements of comprehensive income
For the year ended 31 December 2018

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
Profit or loss:					
Revenues					
Sales and service income	6, 23, 25	7,428,495,457	9,476,914,619	3,861,403,661	5,426,421,817
Other income					
Income from scrap sales	6	27,356,566	32,000,279	19,854,375	40,439,078
Interest income	6	2,617,535	1,066,996	4,878,001	8,004,166
Dividend income	6, 10	4,572	6,018	4,572	150,055,946
Gain on exchange		6,541,358	17,932,338	2,965,362	2,015,655
Others		17,700,011	31,594,849	30,961,213	23,046,154
Total revenues		7,482,715,499	9,559,515,099	3,920,067,184	5,649,982,816
Expenses					
Cost of sales and services	6	7,389,991,234	8,917,404,408	3,863,485,781	5,140,238,933
Selling and distribution expenses		86,986,429	136,222,138	36,584,084	83,797,639
Administrative expenses		545,860,715	522,148,364	346,398,156	288,311,187
Impairment loss on investment in subsidiary	10	-	-	260,000,000	-
Total expenses		8,022,838,378	9,575,774,910	4,506,468,021	5,512,347,759
Profit (loss) before finance cost and income tax					
		(540,122,879)	(16,259,811)	(586,400,837)	137,635,057
Finance cost		(187,133,027)	(183,168,544)	(139,380,273)	(127,766,953)
Profit (loss) before income tax		(727,255,906)	(199,428,355)	(725,781,110)	9,868,104
Income tax	22	121,460,974	26,675,354	89,461,412	26,173,046
Profit (loss) for the year		(605,794,932)	(172,753,001)	(636,319,698)	36,041,150
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		8,598,029	319,986	-	-
Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax		8,598,029	319,986	-	-
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>					
Actuarial loss	19	-	(23,500,125)	-	(15,233,141)
Less: Income tax effect	22	-	3,460,330	-	2,580,900
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		-	(20,039,795)	-	(12,652,241)
Other comprehensive income for the year		8,598,029	(19,719,809)	-	(12,652,241)
Total comprehensive income for the year		(597,196,903)	(192,472,810)	(636,319,698)	23,388,909
Basic earnings per share					
Profit (loss) attributable to equity holders of the Company	24	(0.505)	(0.144)	(0.530)	0.030

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

Kulthorn Kirby Public Company Limited and its subsidiaries

Cash flow statements

For the year ended 31 December 2018

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Cash flows from operating activities				
Profit (loss) before tax	(727,255,906)	(199,428,355)	(725,781,110)	9,868,104
Adjustments to reconcile profit (loss) before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	408,038,399	473,054,831	177,937,669	209,526,239
Allowance for impairment loss on property, plant and equipment (reversal)	(2,560,350)	4,646,262	-	-
Allowance for impairment loss on investment in subsidiary	-	-	260,000,000	-
Allowance for doubtful accounts (reversal)	(41,859,802)	14,810,362	(418,103)	2,619,771
Bad debt	40,941,474	-	-	-
Reduction of inventory to net realisable value (reversal)	55,436,173	30,203,130	41,920,308	(8,177,552)
Gain on sales of property, plant and equipment	(433,054)	(246,023)	(172,283)	(73,613)
Loss on write-off property, plant and equipment and intangible assets	10,429,626	555	1,305	-
Write-off withholding tax	385,035	2,008,820	-	-
Dividend income	(4,572)	(6,018)	(4,572)	(150,055,946)
Deferred interest	5,943,091	10,214,628	289,729	966,368
Provision for long-term employee benefits	19,159,740	14,066,845	9,308,870	4,375,332
Subsidies income from Government grants	(3,654,958)	(953,370)	(3,654,958)	(953,370)
Interest income	(2,617,535)	(1,066,996)	(4,878,001)	(8,004,166)
Unrealised (gain) loss on exchange	(2,987,261)	832,368	(3,303,200)	(111,818)
Interest expenses	170,565,678	162,981,868	134,392,255	122,947,540
Profit (loss) from operating activities before changes in operating assets and liabilities	(70,474,222)	511,118,907	(114,362,091)	182,926,889
Operating assets (increase) decrease				
Trade and other receivables	571,456,185	(57,115,828)	417,733,091	16,468,722
Inventories	(276,879,015)	174,503,696	(291,475,472)	225,987,229
Other current assets	(20,916,800)	16,766,334	7,199,888	(5,073,978)
Other non-current assets	913,118	(159,436)	83,990	(233,979)
Operating liabilities increase (decrease)				
Trade and other payables	(137,261,485)	(114,267,363)	(88,441,057)	(228,111,332)
Other current liabilities	(13,824,864)	(5,746,452)	(17,658,570)	8,101,496
Cash flows from (used in) operating activities	53,012,917	525,099,858	(86,920,221)	200,065,047
Cash paid for long-term employee benefits	(16,851,454)	(10,992,876)	(9,916,410)	(6,636,240)
Cash received from interest income	2,617,535	1,066,996	4,772,826	8,063,483
Cash paid for interest expenses	(170,910,353)	(162,131,324)	(134,743,892)	(122,331,209)
Cash paid for income tax	(17,808,885)	(45,352,153)	(1,030,454)	(16,088,186)
Net cash flows from (used in) operating activities	<u>(149,940,240)</u>	<u>307,690,501</u>	<u>(227,838,151)</u>	<u>63,072,895</u>

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

Kulthorn Kirby Public Company Limited and its subsidiaries

Cash flow statements (continued)

For the year ended 31 December 2018

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Cash flows from investing activities				
Acquisition of property, plant and equipment and intangible assets	(345,398,905)	(267,227,564)	(251,485,285)	(160,374,853)
Proceeds from sales of property, plant and equipment and intangible assets	3,185,261	1,293,214	19,000	82,128
Cash receipt from Government grants	11,651,149	11,568,990	11,651,149	11,568,990
Dividend income	4,572	6,018	4,572	150,055,946
Decrease in short-term loans to related parties	-	-	43,000,000	43,137,389
Cash paid for additional investment in subsidiaries	-	-	-	(12,500,000)
Net cash flows from (used in) investing activities	(330,557,923)	(254,359,342)	(196,810,564)	31,969,600
Cash flows from financing activities				
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	(217,420,471)	246,739,501	(113,642,320)	258,200,867
Decrease in short-term loans from related parties	-	-	(150,712,689)	(121,819,563)
Repayment of long-term loans	(250,000,000)	(200,000,000)	(250,000,000)	(200,000,000)
Cash paid for liabilities under financial lease agreements	(64,394,543)	(77,964,041)	(6,771,421)	(14,175,166)
Proceed from long-term loan from financial institutions	925,300,000	-	925,300,000	-
Dividend paid	(59,990,950)	(119,966,189)	(59,990,950)	(119,966,189)
Net cash flows from (used in) financing activities	333,494,036	(151,190,729)	344,182,620	(197,760,051)
Increase in translation adjustments	18,286,554	6,649,332	-	-
Net decrease in cash and cash equivalents	(128,717,573)	(91,210,238)	(80,466,095)	(102,717,556)
Cash and cash equivalents at beginning of year	225,680,509	316,890,747	149,225,357	251,942,913
Cash and cash equivalents at end of year	96,962,936	225,680,509	68,759,262	149,225,357

Supplement cash flows information

1) Non-cash related transaction for investing activities

Payable from acquisitions of fixed assets	251,020,874	5,004,812	240,085,972	2,606,313
Receivable from sales of fixed assets	170,978	-	64,418,649	-

2) Non-cash related transaction for financing activities

Dividend payable	891,162	882,112	887,121	878,070
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The accompanying notes are an integral part of the financial statements.

Kulthorn Kirby Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the year ended 31 December 2018

(Unit: Baht)

Consolidated financial statements							
	Issued and fully paid-up share capital	Share premium	Surplus from business combination under common control	Retained earnings		Other components of shareholders' equity Other comprehensive income Exchange differences on translation of financial statements in foreign currency	Total shareholders' equity
				Appropriated	Unappropriated		
Balance as at 1 January 2017	1,200,000,000	700,000,000	207,897,949	120,000,000	321,138,042	(11,070,345)	2,537,965,646
Loss for the year	-	-	-	-	(172,753,001)	-	(172,753,001)
Other comprehensive income for the year	-	-	-	-	(20,039,795)	319,986	(19,719,809)
Total comprehensive income for the year	-	-	-	-	(192,792,796)	319,986	(192,472,810)
Dividend paid (Note 27)	-	-	-	-	(120,000,000)	-	(120,000,000)
Balance as at 31 December 2017	<u>1,200,000,000</u>	<u>700,000,000</u>	<u>207,897,949</u>	<u>120,000,000</u>	<u>8,345,246</u>	<u>(10,750,359)</u>	<u>2,225,492,836</u>
Balance as at 1 January 2018	1,200,000,000	700,000,000	207,897,949	120,000,000	8,345,246	(10,750,359)	2,225,492,836
Loss for the year	-	-	-	-	(605,794,932)	-	(605,794,932)
Other comprehensive income for the year	-	-	-	-	-	8,598,029	8,598,029
Total comprehensive income for the year	-	-	-	-	(605,794,932)	8,598,029	(597,196,903)
Dividend paid (Note 27)	-	-	-	-	(60,000,000)	-	(60,000,000)
Balance as at 31 December 2018	<u>1,200,000,000</u>	<u>700,000,000</u>	<u>207,897,949</u>	<u>120,000,000</u>	<u>(657,449,686)</u>	<u>(2,152,330)</u>	<u>1,568,295,933</u>

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

Kulthorn Kirby Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the year ended 31 December 2018

(Unit: Baht)

	Separate financial statements				Total shareholders' equity
	Issued and fully paid-up share capital	Share premium	Retained earnings		
			Appropriated	Unappropriated	
Balance as at 1 January 2017	1,200,000,000	700,000,000	120,000,000	851,373,362	2,871,373,362
Profit for the year	-	-	-	36,041,150	36,041,150
Other comprehensive income for the year	-	-	-	(12,652,241)	(12,652,241)
Total comprehensive income for the year	-	-	-	23,388,909	23,388,909
Dividend paid (Note 27)	-	-	-	(120,000,000)	(120,000,000)
Balance as at 31 December 2017	<u>1,200,000,000</u>	<u>700,000,000</u>	<u>120,000,000</u>	<u>754,762,271</u>	<u>2,774,762,271</u>
Balance as at 1 January 2018	1,200,000,000	700,000,000	120,000,000	754,762,271	2,774,762,271
Loss for the year	-	-	-	(636,319,698)	(636,319,698)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(636,319,698)	(636,319,698)
Dividend paid (Note 27)	-	-	-	(60,000,000)	(60,000,000)
Balance as at 31 December 2018	<u>1,200,000,000</u>	<u>700,000,000</u>	<u>120,000,000</u>	<u>58,442,573</u>	<u>2,078,442,573</u>

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

Kulthorn Kirby Public Company Limited and its subsidiaries

Notes to consolidated financial statements

For the year ended 31 December 2018

1. General information

Kulthorn Kirby Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the manufacture and distribution of hermetic compressors. The registered address of the Company is 126 Soi Chalongsong 31, Chalongsong Road, Khwaeng Lamplatew, Khet Latkrabang, Bangkok.

2. Basis of preparation

- 2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 11 October 2016, issued under the Accounting Act B.E. 2543.

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

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

2.2 Basis of consolidation

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

Subsidiary companies	Nature of business	Country of incorporation	Percentage of shareholding	
			2018 Percent	2017 Percent
<u>Subsidiaries held by the Company</u>				
Kulthorn Kirby Foundry Company Limited	Manufacturing and sales of iron castings for compressor parts and automotives parts	Thailand	100	100
Kulthorn Premier Company Limited	Manufacturing and sales of hermetic compressors for compressor parts	Thailand	100	100
Kulthorn Steel Company Limited	Slitting of electrical steel for compressor	Thailand	100	100
Kulthorn Materials and Controls Company Limited	Manufacturing and sales of enameled copper wires and thermostat used in air conditioners and refrigerators	Thailand	100	100
Kulthorn Research and Development Company Limited	Provision of services with respect to technology research and development for products and manufacturing	Thailand	100	100

Subsidiary companies	Nature of business	Country of incorporation	Percentage of shareholding	
			2018	2017
			Percent	Percent
<u>Subsidiaries held directly and indirectly by Kulthorn Materials and Controls Company Limited</u>				
Kulthorn Metal Products Company Limited	Manufacture and sell forging, machining and heat treatment metal parts	Thailand	100	100
Suzhou Kulthorn Magnet Wire Company Limited (held by Phelps Dodge Suzhou Holdings, Inc.)	Manufacture and sell enameled copper wire	China	100	100

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

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

3. New financial reporting standards

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

During the year, the Company and its subsidiaries have adopted the revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements. The adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiaries’ financial statements.

(b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2019

The Federation of Accounting Professions issued a number of revised and new financial reporting standards and interpretations (revised 2018) which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The management of the Company and its subsidiaries believe that most of the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied. However, the new standard involves changes to key principles, as summarised below.

TFRS 15 Revenue from Contracts with Customers

TFRS 15 supersedes the following accounting standards together with related Interpretations.

TAS 11 (revised 2017)	Construction contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

The management of the Company and its subsidiaries is currently evaluating the impact of this standard to the financial statements in the year when it is adopted.

(c) Financial reporting standards related to financial instruments that will become effective for fiscal years beginning on or after 1 January 2020

During the current year, the Federation of Accounting Professions issued a set of TFRSs related to financial instruments, which consists of five accounting standards and interpretations, as follows:

Financial Reporting Standards:

TFRS 7 Financial Instruments: Disclosures

TFRS 9 Financial Instruments

Accounting Standard:

TAS 32 Financial Instruments: Presentation

Financial Reporting Standard Interpretations:

TFRIC 16 Hedges of a Net Investment in a Foreign Operation

TFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Company and its subsidiaries is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

4. Significant accounting policies

4.1 Revenue recognition

Sales of goods

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

Rendering of services

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

Interest income

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

Dividends

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

4.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

4.3 Trade accounts receivable

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debtor aging.

4.4 Inventories

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

4.5 Investments

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

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

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

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

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

4.6 Property, plant and equipment and depreciation

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

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

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

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

No depreciation is provided for land and construction in progress.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

4.7 Intangible assets

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

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

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

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

4.8 Goodwill

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

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

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

4.9 Warranty reserve

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

4.10 Related party transactions

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

They also include associated companies, and individuals or enterprises which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors, and officers with authority in the planning and direction of the Company's operations.

4.11 Long-term leases

Leases of machinery and equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, while the interest element is charged to profit or loss over the lease period. The machinery and equipment acquired under finance leases is depreciated over the useful life of the assets and registration of ownership is transferred upon completion of payment.

Leases of assets which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

4.12 Foreign currencies

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

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

4.13 Impairment of assets

At the end of each reporting period, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment, intangible assets and other assets whenever events or changes in circumstances indicate that an asset may be impaired. The Company and its subsidiaries also carry out annual impairment reviews in respect of goodwill. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company and its subsidiaries could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in profit or loss.

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

4.14 Employee benefits

Short-term employee benefits

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

Post-employment benefits and other long-term employee benefits

Defined contribution plans

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

Defined benefit plans and other long-term employee benefits

The Company and its subsidiaries have obligations in respect of the severance payments they must make to employees upon retirement under labor law and other employee benefit plan. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan. In addition, the Company and its subsidiaries provide other long-term employee benefit plan, namely long service awards.

The obligation under the defined benefit plan and other long-term employee benefit plans is determined by a professionally qualified independent actuary based on actuarial techniques, using the Projected Unit Credit Method.

Actuarial gain and loss arising from defined benefit plans are recognised immediately in other comprehensive income.

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

4.15 Government grants related to assets

Government grants are recognised when there is reasonable assurance that the grants will be received and all attached conditions will be complied with. Government grants related to assets are presented as deferred income and are recognised in profit or loss on a systematic basis over the useful life of the assets.

4.16 Provisions

Provisions are recognised when the Company and its subsidiaries have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

4.17 Income tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

Current tax

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

Deferred tax

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company and its subsidiaries record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

4.18 Derivatives

Forward exchange contracts

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

Interest rate swap contract

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

4.19 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company and its subsidiaries apply a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company and its subsidiaries measure fair value using valuation technique that are appropriate in the circumstances and maximise the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categories of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company and its subsidiaries determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

5. Significant accounting judgements and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follows:

Leases

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

Allowance for doubtful accounts

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

Allowance for diminution in inventory value

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

Impairment of investments

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

Property, plant and equipment/Depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the plant and equipment and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

Warranty reserve

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

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

The obligation under the defined benefit plan and other long-term employee benefit plans is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

6. Related party transactions

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

(Unit: Million Baht)

	For the years ended 31 December				Pricing policy
	Consolidated financial statements		Separate financial statements		
	2018	2017	2018	2017	
<i>Transactions with subsidiary companies (eliminated from the consolidated financial statements)</i>					
Purchases of goods	-	-	1,040	1,334	Market price
Sales and service income and scraps sales	-	-	140	147	Approximate market price
Dividend income	-	-	-	151	At the declared rate
Interest expenses	-	-	29	31	Interest rate at 0.25 - 5.80 percent per annum
Interest income	-	-	4	7	Interest rate at 3.25 - 5.80 percent per annum
Other income	-	-	11	14	Mutually agreed price as stipulated in the contract
Rental income	-	-	8	3	Mutually agreed price as stipulated in the contract
Sales of fixed assets	-	-	64	-	Mutually agreed price
Other expenses	-	-	7	2	Mutually agreed price as stipulated in the contract
<i>Transactions with related companies</i>					
Sales and service income and scraps sales	582	576	292	290	Approximate market price
Purchases of goods	64	68	64	68	Market price
Rental expenses	14	14	-	-	Mutually agreed price as stipulated in the contract
Other expenses	10	10	6	8	Mutually agreed price as stipulated in the contract
Other income	1	1	-	1	Mutually agreed price as stipulated in the contract

The balances of the accounts as at 31 December 2018 and 2017 between the Company and those related parties are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<u>Trade and other receivables - related parties (Note 8)</u>				
Subsidiary companies	-	-	112,574	54,799
Related companies (related by common director/shareholder)	122,079	113,337	50,858	49,332
Total trade and other receivables - related parties	122,079	113,337	163,432	104,131
<u>Trade and other payables - related parties (Note 15)</u>				
Subsidiary companies	-	-	266,891	254,112
Related companies (related by common director/shareholder)	10,148	16,920	6,250	12,199
Total trade and other payables - related parties	10,148	16,920	273,141	266,311

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

As at 31 December 2018 and 2017, the balance of short-term loans between the Company and its subsidiaries, and the movement are as follows:

(Unit: Thousand Baht)

	Separate financial statements			
	Balance as at 31 December 2017	Increase during the year	Decrease during the year	Balance as at 31 December 2018
<u>Short-term loans to subsidiary</u>				
Kulthorn Materials and Controls Co., Ltd.	113,000	-	(43,000)	70,000
Total	<u>113,000</u>	<u>-</u>	<u>(43,000)</u>	<u>70,000</u>

(Unit: Thousand Baht)

	Separate financial statements			
	Balance as at 31 December 2017	Increase during the year	Decrease during the year	Balance as at 31 December 2018
<u>Short-term loans from subsidiaries</u>				
Kulthorn Premier Co., Ltd.	615,000	-	(52,000)	563,000
Total	<u>615,000</u>	<u>-</u>	<u>(52,000)</u>	<u>563,000</u>

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

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

As at 31 December 2018 and 2017, the Company and its subsidiaries had outstanding short-term loans from the above agreement as follows:

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
<u>Short-term loans from related parties</u>		
Kulthorn Premier Co., Ltd.	4,676	55,414
Kulthorn Kirby Foundry Co., Ltd.	14,704	61,519
Kulthorn Steel Co., Ltd.	14,149	4,221
Kulthorn Materials and Controls Co., Ltd.	15,219	3,953
Kulthorn Metal Product Co., Ltd.	1,214	12,870
Kulthorn Research and Development Co., Ltd.	1,531	12,229
Total short-term loans from related parties	<u><u>51,493</u></u>	<u><u>150,206</u></u>

Directors and management's remuneration

During the years ended 31 December 2018 and 2017, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below:

	(Unit: Million Baht)			
	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Short-term employee benefits	46	45	24	21
Post-employment benefits	2	1	1	1
Total	<u><u>48</u></u>	<u><u>46</u></u>	<u><u>25</u></u>	<u><u>22</u></u>

Guarantee obligations with related parties

The Company and its subsidiaries have outstanding guarantee obligations with its related parties, as described in Note 28.4 to the financial statements.

7. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Cash	6,361	2,832	5,276	2,368
Bank deposits	90,602	222,849	63,483	146,857
Total	96,963	225,681	68,759	149,225

As at 31 December 2018, bank deposits in savings accounts carried interests at the rate between 0.04 and 0.63 percent per annum (2017: between 0.10 and 0.63 percent per annum).

8. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<u>Trade receivables - related parties</u>				
Not yet due	90,842	84,980	49,683	53,258
Overdue				
Less than 3 months	22,829	21,629	23,064	22,193
3 - 6 months	-	94	2,297	-
6 - 12 months	-	242	-	-
Over 12 months	4,797	5,224	-	-
Total trade receivables - related parties	118,468	112,169	75,044	75,451
<u>Trade receivables - unrelated parties</u>				
Not yet due	713,029	1,336,041	302,455	789,056
Overdue				
Less than 3 months	290,361	279,145	159,817	123,802
3 - 6 months	8,972	8,723	-	3,433
6 - 12 months	3,448	1,376	-	-
Over 12 months	19,419	65,602	10,548	7,888
Total	1,035,229	1,690,887	472,820	924,179
Less: Allowance for doubtful debts	(12,775)	(54,635)	(10,441)	(10,859)
Total trade receivables - unrelated parties	1,022,454	1,636,252	462,379	913,320
Total trade receivables - net	1,140,922	1,748,421	537,423	988,771
<u>Other receivables</u>				
Other receivables - related parties	3,611	1,168	88,388	28,680
Other receivables - unrelated parties	30,805	10,757	24,244	7,477
Advance payment	55,853	16,491	45,672	7,549
Total other receivables	90,269	28,416	158,304	43,706
Total trade and other receivables - net	1,231,191	1,776,837	695,727	1,032,477

9. Inventories

(Unit: Thousand Baht)

Consolidated financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	2018	2017	2018	2017	2018	2017
Finished goods	956,839	696,350	(139,934)	(113,431)	816,905	582,919
Work in process	434,690	457,312	(37,812)	(21,958)	396,878	435,354
Raw materials	1,153,952	1,150,035	(59,559)	(46,480)	1,094,393	1,103,555
Goods in transit	35,673	578	-	-	35,673	578
Total	2,581,154	2,304,275	(237,305)	(181,869)	2,343,849	2,122,406

(Unit: Thousand Baht)

Separate financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	2018	2017	2018	2017	2018	2017
Finished goods	548,260	331,347	(57,296)	(38,588)	490,964	292,759
Work in process	279,878	305,999	(11,974)	(4,279)	267,904	301,720
Raw materials	700,631	618,762	(44,076)	(28,559)	656,555	590,203
Goods in transit	18,814	-	-	-	18,814	-
Total	1,547,583	1,256,108	(113,346)	(71,426)	1,434,237	1,184,682

During the current year, the Company and its subsidiaries reduced cost of inventories by Baht 55.4 million (The Company only: Baht 41.9 million), to reflect the net realisable value. This was included in cost of sales. (2017: reduced cost of inventories by Baht 30.2 million in the consolidated financial statements and reversed the write-down of cost of inventories by Baht 8.2 million in the separate financial statements).

10. Investments in subsidiaries

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

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost		Dividend received during the year	
	2018	2017	2018	2017	2018	2017	2018	2017
			(%)	(%)				
Kulthorn Kirby Foundry Company Limited	575,000	575,000	100	100	739,999	739,999	-	100,050
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	-	50,000
kulthorn Materials and Controls Company Limited	650,000	650,000	100	100	540,630	540,630	-	-
Kulthorn Research and Development Company Limited	12,500	12,500	100	100	12,500	12,500	-	-
Total					3,629,879	3,629,879	-	150,050
Less: Allowance for impairment loss on investments in subsidiaries					(1,043,007)	(783,007)	-	-
Total investments in subsidiaries - net					<u>2,586,872</u>	<u>2,846,872</u>	<u>-</u>	<u>150,050</u>

On 28 September 2018, the Board of Directors' Meeting of the Company passed a resolution approving the sale of assets and the transfer of employees of Kulthorn Metal Products Company Limited (a subsidiary company) to Kulthorn Steel Company Limited (another subsidiary) for the purpose of reducing operating expenses and enhancing the efficiency and competitiveness of the Group. The two subsidiaries have already completed asset acquisition and the transfer of employees in October 2018. Kulthorn Metal Products Company Limited plans to liquidate the business and register the dissolution within 3 years.

During the current year, the Company recorded additional allowance for impairment loss on investment in Kulthorn Premier Company Limited amounting to Baht 260 million.

11. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements							Total	
	Land improvement		Machineries	Plant equipment	Furniture, fixtures and office equipment		Motor vehicles		Construction in progress
	Land	and plant							
Cost									
As at 1 January 2017	349,728	1,920,960	7,747,831	1,251,679	194,447	144,427	347,928	11,957,000	
Additions	-	636	2,518	8,548	6,288	15	230,186	248,191	
Transfer in (out)	-	167,483	46,384	23,922	2,372	3,904	(244,065)	-	
Disposals/write-off	-	-	(29,154)	(393)	(3,590)	-	(8)	(33,145)	
Translation adjustments	-	(5,987)	(10,271)	-	(258)	(183)	(507)	(17,206)	
As at 31 December 2017	349,728	2,083,092	7,757,308	1,283,756	199,259	148,163	333,534	12,154,840	
Additions	-	-	2,977	7,947	2,831	155	390,910	404,820	
Transfer in (out)	-	8,706	147,787	12,955	9,870	1,770	(181,088)	-	
Disposals/write-off	-	(42,966)	-	(1,122)	(7,560)	(1,738)	(4,716)	(58,102)	
Translation adjustment	-	(12,867)	(20,476)	-	(556)	(396)	(405)	(34,700)	
As at 31 December 2018	349,728	2,035,965	7,887,596	1,303,536	203,844	147,954	538,235	12,466,858	
Accumulated depreciation									
As at 1 January 2017	-	1,194,778	6,326,390	1,129,060	168,365	117,510	-	8,936,103	
Depreciation for the year	-	89,817	301,357	49,347	11,094	10,508	-	462,123	
Disposals/ write-off	-	-	(28,144)	(364)	(3,589)	-	-	(32,097)	
Translation adjustment	-	(3,152)	(8,126)	-	(226)	(159)	-	(11,663)	
As at 31 December 2017	-	1,281,443	6,591,477	1,178,043	175,644	127,859	-	9,354,466	
Depreciation for the year	-	83,569	255,121	41,402	10,107	7,667	-	397,866	
Disposals/ write-off	-	(37,895)	-	(1,122)	(7,490)	(1,666)	-	(48,173)	
Translation adjustment	-	(7,654)	(16,672)	-	(482)	(355)	-	(25,163)	
As at 31 December 2018	-	1,319,463	6,829,926	1,218,323	177,779	133,505	-	9,678,996	
Allowance for impairment loss:									
As at 1 January 2017	-	-	(973)	-	-	-	(517)	(1,490)	
Increase during the year	-	-	(4,646)	-	-	-	-	(4,646)	
As at 31 December 2017	-	-	(5,619)	-	-	-	(517)	(6,136)	
Increase during the year	-	-	-	-	(707)	(625)	-	(1,332)	
Decrease during the year	-	-	3,376	-	-	-	517	3,893	
Translation adjustment	-	-	269	-	-	-	-	269	
As at 31 December 2018	-	-	(1,974)	-	(707)	(625)	-	(3,306)	
Net book value									
As at 31 December 2017	349,728	801,649	1,160,212	105,713	23,615	20,304	333,017	2,794,238	
As at 31 December 2018	349,728	716,502	1,055,696	85,213	25,358	13,824	538,235	2,784,556	
Depreciation for the year									
2017 (Baht 432 million included in manufacturing cost, and the balance in administrative expenses)								462,123	
2018 (Baht 361 million included in manufacturing cost, and the balance in administrative expenses)								397,866	

Separate financial statements								
	Land		Machineries	Plant equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	Land	improvement and plant						
Cost								
As at 1 January 2017	221,024	563,774	3,609,643	827,947	92,435	67,497	249,281	5,631,601
Additions	-	-	-	2,271	3,496	-	143,045	148,812
Transfer in (out)	-	165,337	15,405	20,787	1,781	-	(203,310)	-
Disposals/write-off	-	-	(1,124)	-	(2,273)	-	(8)	(3,405)
As at 31 December 2017	221,024	729,111	3,623,924	851,005	95,439	67,497	189,008	5,777,008
Additions	-	57,733	-	147	670	-	220,986	279,536
Transfer in (out)	-	6,746	14,449	5,175	8,993	224	(35,587)	-
Disposals/write-off	-	-	(121,476)	(43,811)	(7,385)	(1,028)	(16,485)	(190,185)
As at 31 December 2018	221,024	793,590	3,516,897	812,516	97,717	66,693	357,922	5,866,359
Accumulated depreciation								
As at 1 January 2017	-	379,804	3,019,744	774,249	82,434	53,149	-	4,309,380
Depreciation for the year	-	29,667	141,847	24,437	4,333	5,350	-	205,634
Disposals/write-off	-	-	(1,124)	-	(2,272)	-	-	(3,396)
As at 31 December 2017	-	409,471	3,160,467	798,686	84,495	58,499	-	4,511,618
Depreciation for the year	-	32,545	116,031	17,568	4,359	3,770	-	174,273
Disposals/write-off	-	-	(86,245)	(32,890)	(6,948)	(1,028)	-	(127,111)
As at 31 December 2018	-	442,016	3,190,253	783,364	81,906	61,241	-	4,558,780
Net book value								
As at 31 December 2017	221,024	319,640	463,457	52,319	10,944	8,998	189,008	1,265,390
As at 31 December 2018	221,024	351,574	326,644	29,152	15,811	5,452	357,922	1,307,579
Depreciation for the year								
2017 (Baht 199 million included in manufacturing cost, and the balance in administrative expenses)								205,634
2018 (Baht 151 million included in manufacturing cost, and the balance in administrative expenses)								174,273

The Company and its subsidiaries pledged their land and buildings thereon, of which net book value amounted to approximately Baht 423 million (2017: Baht 627 million) (The Company's: Baht 223 million 2017: Baht 306 million), with financial institutions as collateral to secure loans as discussed in Note 16.

In addition, the Company and its subsidiaries have entered into negative pledge memorandums, which are part of the short-term credit facility agreements with 3 financial institutions. Under these memorandums, the Company and its subsidiaries are not allowed to dispose, transfer, mortgage or provide any lien on their land and buildings thereon and machinery, except to use as collateral for the syndicated loans to pay off the debts to those financial institutions as discussed in Note 14.

As at 31 December 2018, certain items of plant and equipment of the Company and its subsidiaries were fully depreciated but are still in use. The gross carrying amount, before deducting accumulated depreciation, of those assets amounted to Baht 5,893.0 million (The Company only: Baht 3,561.6 million) (2017: Baht 5,839.4 million in the consolidated financial statements and Baht 3,498.2 million in the separate financial statements).

As at 31 December 2018, the Company and its subsidiaries had machineries, vehicles and equipment with net book values of Baht 86.4 million (The Company only: Baht 36.2 million) (2017: Baht 116.5 million in the consolidated financial statements and Baht 53.1 million in the separate financial statements) which were acquired under financial lease agreements.

12. Goodwill on business combination

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	2018	2017
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>

13. Intangible assets

The net book value of intangible assets, computer software, as at 31 December 2018 and 2017 is presented below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	<u>financial statements</u>	<u>financial statements</u>
As at 31 December 2018		
Cost	168,368	91,693
Less: Accumulated amortisation	(81,380)	(46,490)
Net book value	<u><u>86,988</u></u>	<u><u>45,203</u></u>
As at 31 December 2017		
Cost	151,444	71,029
Less: Accumulated amortisation	(80,364)	(43,174)
Net book value	<u><u>71,080</u></u>	<u><u>27,855</u></u>

A reconciliation of the net book value of intangible assets for the years 2018 and 2017 is presented below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		Financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net book value at beginning of year	71,080	75,271	27,855	27,368
Acquisition during the year	29,757	6,880	22,204	4,379
Disposals/write-off during the year	(3,424)	-	(1,192)	-
Amortisation	(10,172)	(10,932)	(3,664)	(3,892)
Translation adjustment	(253)	(139)	-	-
Net book value at end of year	<u>86,988</u>	<u>71,080</u>	<u>45,203</u>	<u>27,855</u>

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

	Interest rate (percent per annum)	(Unit: Thousand Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Bank overdrafts	7.12	131	5,627	-	-
Short-term loans	4.17 - 4.96	874,600	974,500	624,600	714,500
Trust receipts	2.85 - 5.41	1,531,518	1,674,341	687,053	686,134
Packing credit	3.18 - 5.66	639,874	375,317	317,800	108,700
Total		<u>3,046,123</u>	<u>3,029,785</u>	<u>1,629,453</u>	<u>1,509,334</u>

The Company and its subsidiaries have entered into negative pledge memorandums, which are part of the short-term credit facility agreements with 3 financial institutions. Under the agreements, the Company and its subsidiaries are required to comply with certain conditions including maintaining interest bearing debt to EBITDA plus extraordinary item and non-cash items ratio not exceeding 5:1 for the consolidated financial statements and debt to equity ratio for the consolidated financial statements not exceeding 2.75:1. The Company and its subsidiaries are not allowed to dispose, transfer, mortgage or provide any lien on their assets, both existing and to be acquired in the future, except to use as collateral for the syndicated loan to pay off the debt to those financial institutions.

15. Trade and other payables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Trade payables - related parties	6,264	10,790	255,009	261,219
Trade payables - unrelated parties	513,384	638,096	290,011	361,663
Other payables - related parties	3,884	6,130	15,881	2,569
Other payables - unrelated parties	158,039	138,716	78,597	81,096
Accrued interest expenses to related parties	-	-	2,251	2,523
Accrued interest expenses to unrelated parties	2,766	2,954	1,669	1,749
Accrued expenses - unrelated parties	67,962	82,412	28,370	44,132
Total trade and other payables	752,299	879,098	671,788	754,951

16. Long-term loans

(Unit: Thousand Baht)

	Consolidated and Separate	
	financial statements	
	2018	2017
Long-term loans	1,475,300	800,000
Less: current portion	(400,000)	(200,000)
Long-term loans, net of current portion	1,075,300	600,000

In December 2016, the Company and its subsidiaries entered into a Credit Facility Agreement with three financial institutions to obtain long-term syndicated loans facility amounting to Baht 2,000 million.

In December 2016, the Company drew down a Baht 1,000 million loans from financial institutions, and the loan shall be repaid within the year 2021. The repayment of the principal is to be made in 20 quarterly installments, of Baht 50 million each, with the first installment to be paid in March 2017.

Under the loan agreement, the Company and its subsidiaries have to comply with certain conditions including maintaining interest bearing debt to EBITDA plus extraordinary item and non-cash items ratio for the consolidated financial statements not exceeding 5:1 and debt to equity ratio for the consolidated financial statements not exceeding 2.75:1.

In December 2017, the Company and its subsidiaries received a waiver letter from three financial institutions, approving a waiver for certain financial conditions including a waiver maintenance of the interest bearing debt to EBITDA plus extraordinary items and non-cash items ratio for the year ended 31 December 2017.

As at 31 December 2017, the Company and its subsidiaries were able to comply with all conditions as specified in the waiver letter and the loan agreement.

During the year 2018, the Company drew down additional totaling Baht 925.3 million loans from financial institutions, and the loan shall be repaid within the year 2023. The repayment of the principal is to be made in 19 quarterly installments, of Baht 50 million for the first 18 installments and Baht 25.3 million for the last installment, with the first installment to be paid in December 2018.

In December 2018, the Company and its subsidiaries received a waiver letter from three financial institutions, approving a waiver for certain financial conditions including a waiver maintenance of the interest bearing debt to EBITDA plus extraordinary items and non-cash items ratio and debt to equity ratio for the year ended 31 December 2018.

As at 31 December 2018, the Company and its subsidiaries were able to comply with all conditions as specified in the waiver letter and the loan agreement.

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

The above long-term loans from financial institutions are secured by mortgage of the Company's and its subsidiaries' properties and plant thereon.

The Company has entered into an interest rate swap contract for a portion of the above loans as discussed in Note 30.

17. Liabilities under financial lease agreements

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Liabilities under financial lease agreements	69,569	134,800	2,642	9,413
Less: Deferred interest expenses	(2,374)	(9,154)	(190)	(480)
Total	67,195	125,646	2,452	8,933
Less: Portion due within one year	(56,028)	(61,815)	(901)	(6,438)
Liabilities under financial lease agreements, net of current portion	11,167	63,831	1,551	2,495

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

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

(Unit: Million Baht)

As at 31 December 2018

	Consolidated financial statements			Separate financial statements		
	Less than			Less than		
	1 year	1 - 5 years	Total	1 year	1 - 5 years	Total
Future minimum lease payments	58	11	69	1	2	3
Deferred interest expenses	(2)	-	(2)	-	-	-
Present value of future minimum lease payments	56	11	67	1	2	3

(Unit: Million Baht)

As at 31 December 2017

	Consolidated financial statements			Separate financial statements		
	Less than			Less than		
	1 year	1 - 5 years	Total	1 year	1 - 5 years	Total
Future minimum lease payments	68	67	135	7	3	10
Deferred interest expenses	(6)	(3)	(9)	(1)	-	(1)
Present value of future minimum lease payments	62	64	126	6	3	9

18. Other current liabilities

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Warranty reserve	7,047	21,219	6,821	20,932
Deferred income	18,612	10,616	18,612	10,616
Others	6,970	6,623	-	3,548
Total	32,629	38,458	25,433	35,096

19. Provision for long-term employee benefits

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

(Unit: Thousand Baht)

	Consolidated financial statements					
	Retirement benefits		Long service		Total	
	plan		awards plan			
	2018	2017	2018	2017	2018	2017
Provision for long-term employee benefits						
at beginning of year	195,627	165,737	1,225	4,541	196,852	170,278
Included in profit or loss:						
Current service cost	14,575	12,536	221	879	14,796	13,415
Interest cost	4,800	4,463	31	113	4,831	4,576
Actuarial loss (gain) arising from						
Demographic assumptions changes	-	-	-	77	-	77
Financial assumptions changes	-	-	-	14	-	14
Experience adjustments	-	-	-	(4,015)	-	(4,015)
Included in other comprehensive income:						
Actuarial loss (gain) arising from						
Demographic assumptions changes	-	19,480	-	-	-	19,480
Financial assumptions changes	-	(3,716)	-	-	-	(3,716)
Experience adjustments	-	7,736	-	-	-	7,736
Benefits paid during the year	(16,480)	(10,609)	(372)	(384)	(16,852)	(10,993)
Reversal	(467)	-	-	-	(467)	-
Provision for long-term employee benefits						
at end of year	198,055	195,627	1,105	1,225	199,160	196,852

(Unit: Thousand Baht)

	Separate financial statements					
	Retirement benefits		Long service awards		Total	
	plan		plan			
	2018	2017	2018	2017	2018	2017
Provision for long-term employee benefits						
at beginning of year	93,548	77,260	1,225	4,541	94,773	81,801
Included in profit or loss:						
Current service cost	6,758	5,259	221	879	6,979	6,138
Interest cost	2,299	2,048	31	113	2,330	2,161
Actuarial loss (gain) arising from						
Demographic assumptions changes	-	-	-	77	-	77
Financial assumptions changes	-	-	-	14	-	14
Experience adjustments	-	-	-	(4,015)	-	(4,015)
Included in other comprehensive income:						
Actuarial loss (gain) arising from						
Demographic assumptions changes	-	9,740	-	-	-	9,740
Financial assumptions changes	-	(1,913)	-	-	-	(1,913)
Experience adjustments	-	7,406	-	-	-	7,406
Benefits paid during the year	(9,544)	(6,252)	(372)	(384)	(9,916)	(6,636)
Transferred employee to a subsidiary	(3,431)	-	-	-	(3,431)	-
Provision for long-term employee benefits						
at end of year	<u>89,630</u>	<u>93,548</u>	<u>1,105</u>	<u>1,225</u>	<u>90,735</u>	<u>94,773</u>

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Cost of sales	14,764	10,268	6,385	2,991
Selling and administrative expenses	4,863	3,799	2,924	1,384
Total expense recognised in profit or loss	<u>19,627</u>	<u>14,067</u>	<u>9,309</u>	<u>4,375</u>

The Company and its subsidiaries expect to pay Baht 16.8 million of long-term employee benefits during the next year (Separate financial statements: Baht 8.3 million) (2017: Baht 15.3 million, separate financial statements: Baht 8.6 million).

As at 31 December 2018, the weighted average duration of the liabilities for long-term employee benefit is 13 years (Separate financial statements: 13 years) (2017: 13 years, separate financial statements: 13 years).

Significant actuarial assumptions used for the valuation are as follows:

	(Unit: percent per annum)			
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Discount rate	2.7	2.7	2.7	2.7
Future salary increase rate (depending on age)	5.0 - 7.0	5.0 - 7.0	5.0 - 7.0	5.0 - 7.0

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2018 and 2017 are summarised below:

	(Unit: Million Baht)			
	As at 31 December 2018			
	Consolidated financial statements		Separate financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(14.4)	16.5	(6.9)	7.8
Future salary increase rate	15.7	(14.1)	7.5	(6.7)

	(Unit: Million Baht)			
	As at 31 December 2017			
	Consolidated financial statements		Separate financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(14.0)	16.0	(6.7)	7.7
Future salary increase rate	15.3	(13.7)	7.4	(6.6)

On 13 December 2018, The National Legislative Assembly passed a resolution approving the draft of a new Labour Protection Act, which is in the process being published in the Royal Gazette. The new Labour Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive not less than 400 days' compensation at the latest wage rate. This change is considered a post-employment benefits plan amendment and the Company and its subsidiaries have additional liabilities for long-term employee benefits of Baht 56.1 million (The Company only: Baht 27.8 million). The Company and its subsidiaries will reflect the effect of the change by recognising past services costs as expenses in the income statement of the period in which the law is effective.

20. Statutory reserve

Pursuant to the section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution. At present, the statutory reserve has fully been set aside.

21. Expenses by nature

Significant expenses classified by nature are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Raw materials and consumables used	9,015,995	9,894,669	4,214,310	5,159,159
Decrease in inventories of finished goods and work in progress	-	110,445	-	151,002
Salaries, wages and other employee benefits	1,061,898	1,058,793	483,601	519,684
Depreciation and amortisation expenses	408,038	473,055	177,938	209,526
Rental expenses	33,634	33,564	6,578	5,888

22. Income tax

Income tax expenses (revenue) for the years ended 31 December 2018 and 2017 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current income tax:				
Current income tax charge	828	14,091	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences	(122,289)	(40,766)	(89,461)	(26,173)
Income tax expenses (revenue) reported in the statement of comprehensive income	(121,461)	(26,675)	(89,461)	(26,173)

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2018 and 2017 are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Deferred tax relating to actuarial loss	-	(3,460)	-	(2,581)

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Accounting profit (loss) before tax	<u>(727,256)</u>	<u>(199,428)</u>	<u>(725,781)</u>	<u>9,868</u>
Applicable tax rate	20, 25%	20, 25%	20%	20%
Accounting profit (loss) before tax multiplied by income tax rate	(146,913)	(41,367)	(145,156)	1,974
Effects of:				
Promotional privileges (Note 23)	(6,308)	(16,630)	-	-
Dividend income not subject to tax	-	-	-	(30,011)
Non-deductible expenses	8,016	8,105	56,836	4,864
Additional expense deductions allowed	(14,935)	(15,700)	(797)	(756)
Loss carry forward	-	(848)	-	-
Others	2,579	(4,757)	(344)	(2,244)
Total	(10,648)	(29,830)	55,695	(28,147)
Unrecognised tax loss	27,912	44,522	-	-
Reversal of deferred tax assets	8,188	-	-	-
Income tax revenue reported in the statement of comprehensive income	<u>(121,461)</u>	<u>(26,675)</u>	<u>(89,461)</u>	<u>(26,173)</u>

The components of deferred tax assets are as follows:

(Unit: Thousand Baht)

	Statements of financial position			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Deferred tax assets				
Allowance for doubtful accounts	3,644	11,953	2,088	2,172
Allowance for diminution in value of inventories	46,069	35,831	22,669	14,285
Warranty reserve	1,293	3,604	1,248	3,547
Provision for long-term employee benefits	40,681	39,937	19,814	19,483
Deferred income	3,722	2,123	3,722	2,123
Unused tax losses	134,450	20,520	102,050	20,520
Others	19,875	13,489	-	-
Total	249,734	127,457	151,591	62,130

As at 31 December 2018, the Company and its subsidiaries have unused tax losses totaling Baht 1,032.1 million (2017: Baht 1,074.6 million), on which deferred tax assets have not been recognised on these amounts as the Company and its subsidiaries believe future taxable profits may not be sufficient to allow utilisation of the unused tax losses.

The unused tax losses amounting to Baht 1,701.3 million will expire by the year 2023.

23. Promotional privileges

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

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

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

Sales of the Company amounting to approximately Baht 3,861 million (2017: Baht 5,426 million) for the year ended 31 December 2018 included revenue from manufacturing and sales derived from promoted operations of approximately Baht 331 million (2017: Baht 809 million).

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

	Certificate No. 2127(2)/2548	Certificate No. 60-0092-1-00-1-0
1. Promotional privileges for	Manufacturing of casting iron parts	Manufacturing of casting iron parts
2. The significant privileges are		
2.1 Exemption of corporate income tax on net earnings for the period of 8 years commencing as from the date of earning operating income. In case that the Company has loss during the exemption of corporate income tax on net income, it can carry forward loss from operations to offset against income after exemption period, for a period of 5 years commencing as from the expiration of exemption period.	From 8 July 2012 until 7 July 2020	-
2.2 Exemption of corporate income tax on net profit from promotional operation which does not exceed 100 percent of investment, excluding land and working capital for a period of 5 years. In case that the Company has loss during the exemption of corporate income tax on net income, it can carry forward loss from operations to offset against income after exemption period, for a period of 5 years commencing as from the expiration of exemption period.	-	Not yet commenced
2.3 Dividend paid from those investment promoted operations which are exempted from corporate income tax are in turn exempted from inclusion in the determination of income tax.	Granted	Granted
2.4 Exemption from import duty on imported machinery as approved by the Board.	Granted	Granted
3. Date of first earning operating income	8 July 2012	Not yet commenced

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

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

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

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

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

	Certificate No.
	1204(2)/2551
1. Promotional privileges for	Manufacturing of enameled metal wire product Type 5.3
2. The significant privileges are	
2.1 Exemption of corporate income tax on net profit from promotional operation which does not exceed 100 percent of investment, excluding land and working capital for a period of 6 years commencing as from the date of earning first operating income. In case that the Company has loss during the exemption of corporate income tax on net income, it can carry forward loss from operations to offset against income after exemption period, for a period of 5 years commencing as from the expiration of exemption period.	From 10 January 2012 until 9 January 2018
2.2 Exemption from import duty on raw materials and essential materials imported for use specifically in producing for export for a period of 1 year as from the date of first import.	Granted
2.3 Exemption from import duty on imported machinery as approved by the Board.	Granted
2.4 Dividend paid from those investment promoted operations which are exempted from corporate income tax are in turn exempted from inclusion in the determination of income tax.	Granted
3. Date of first earning operating income.	10 January 2012

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

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

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

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

24. Earnings per share

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

The following table sets forth the computation of basic earnings per share:

	Profit (loss) for the year		Weighted average number of ordinary shares		Earnings per share	
	<u>2018</u> (Thousand Baht)	<u>2017</u> (Thousand Baht)	<u>2018</u> (Thousand shares)	<u>2017</u> (Thousand shares)	<u>2018</u> (Baht)	<u>2017</u> (Baht)
<u>Consolidated financial statements</u>						
Basic earnings per share						
Profit (loss) attributable to equity holders of the Company	(605,795)	(172,753)	1,200,000	1,200,000	(0.505)	(0.144)
<u>Separate financial statements</u>						
Basic earnings per share						
Profit (loss) attributable to equity holders of the Company	(636,320)	36,041	1,200,000	1,200,000	(0.530)	0.030

25. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

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

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

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

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

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

The following tables present revenue, profit (loss) and total assets information regarding the Company and its subsidiaries' operating segments for the years ended 31 December 2018 and 2017:

(Unit: Thousand Baht)

	Compressors and parts	Enameled wire	Steel sheet	Steel coil center	Others	Total reportable segments	Adjustments and eliminations	Consolidated
For the year ended 31 December 2018								
Revenue from external customers	4,157,673	1,401,792	946,492	864,505	58,033	7,428,495	-	7,428,495
Inter-segment revenue	167,731	373,117	414,929	298,574	87,696	1,342,047	(1,342,047)	-
Interest income	33,382	122	1,563	300	246	35,613	(32,995)	2,618
Interest expense	(138,970)	(59,661)	(17,876)	(375)	(1,622)	(209,504)	32,995	(176,509)
Depreciation and amortisation	(227,565)	(63,626)	(45,695)	(72,626)	(16,996)	(426,508)	18,470	(408,038)
Income tax revenue (expenses)	89,277	3,313	6,922	(204)	(2,536)	96,772	6,689	103,461
Unrealised gain (loss) on exchange	(2,177)	250	72	224	306	(1,325)	-	(1,325)
Impairment loss	-	1,070	-	-	1,490	2,560	-	2,560
Segment profit (loss)	(899,251)	(129,748)	(21,115)	27,299	(14,705)	(1,037,520)	431,725	(605,795)
Segment total assets	7,769,521	1,551,193	1,087,257	910,633	94,165	11,412,769	(4,270,658)	7,142,111
Additions (decrease) to non-current assets other than financial instruments and deferred tax assets	(100,383)	(59,615)	16,680	7,764	(66,586)	(202,140)	364,292	162,152
Segment total liabilities	4,693,894	1,153,169	671,500	154,064	20,380	6,693,007	(1,119,192)	5,573,815

(Unit: Thousand Baht)

	Compressors and parts	Enameled wire	Steel sheet	Steel coil center	Others	Total reportable segments	Adjustments and eliminations	Consolidated
For the year ended 31 December 2017								
Revenue from external customers	5,848,097	1,600,863	1,098,404	849,359	80,192	9,476,915	-	9,476,915
Inter-segment revenue	127,050	453,097	532,721	368,958	117,247	1,599,073	(1,599,073)	-
Interest income	37,575	547	11	281	1,230	39,644	(38,577)	1,067
Interest expense	(130,799)	(56,221)	(21,449)	(603)	(2,655)	(211,727)	38,531	(173,196)
Depreciation and amortisation	(272,822)	(65,637)	(43,868)	(76,072)	(23,228)	(481,627)	8,572	(473,055)
Income tax revenue (expenses)	40,498	(2,174)	(4,655)	(7,129)	1,387	27,927	(1,252)	26,675
Unrealised gain (loss) on exchange	(5,339)	739	77	(6)	(102)	(4,631)	-	(4,631)
Impairment loss	-	(4,646)	-	-	-	(4,646)	-	(4,646)
Segment profit (loss)	(269,423)	(17,952)	23,788	111,162	(33,583)	(186,008)	13,255	(172,753)
Segment total assets	8,078,531	1,869,466	1,002,311	906,212	154,824	12,011,344	(4,714,009)	7,297,335
Additions (decrease) to non-current assets other than financial instruments and deferred tax assets	(104,002)	(27,115)	(16,385)	(37,205)	(13,003)	(197,710)	(31,491)	(229,201)
Segment total liabilities	4,161,668	1,343,033	565,440	176,942	66,335	6,313,418	(1,241,576)	5,071,842

Geographic information

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

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
Revenue from external customers		
Thailand	5,018,523	5,806,946
Hong Kong	1,351,670	2,381,771
China	276,811	294,375
Indonesia	36,226	46,112
Saudi Arabia	40,211	50,142
Others	705,054	897,569
Total	<u>7,428,495</u>	<u>9,476,915</u>
Non-current assets (other than financial instruments and deferred tax assets)		
Thailand	2,964,611	2,768,234
China	140,415	174,640
Total	<u>3,105,026</u>	<u>2,942,874</u>

Major customers

For the year 2018, the Company and its subsidiaries have revenue from two major customers in amount of Baht 1,244.6 million and Baht 687.5 million, arising from sales by the compressors and parts segment, enameled wire segment and steel coil center segment (2017: Baht 2,383.2 million and Baht 1,416.0 million derived from two major customers, arising from sales by the compressors and parts segment, enameled wire segment and steel coil center segment).

26. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contribute to the fund monthly at the rate of 3 - 7 percent of basic salary. The fund, which is managed by Local Asset Management Company, will be paid to employees upon termination in accordance with the fund rules. The contributions for the year 2018 of the Company and its subsidiaries amounting to approximately Baht 18.2 million (2017: Baht 20.6 million) the Company only: Baht 8.5 million (2017: Baht 8.7 million) were recognised as expenses.

27. Dividends

Dividends	Approved by	Total dividends (Million Baht)	Dividend per share (Baht)
Final dividends for 2016	Annual General Meeting of the shareholders on 20 April 2017	120	0.10
Total for 2017		120	0.10
Final dividends for 2017	Annual General Meeting of the shareholders on 25 April 2018	60	0.05
Total for 2018		60	0.05

28. Commitment and contingent liabilities

28.1 Capital commitments

As at 31 December 2018, the Company and its subsidiaries have capital commitments of approximately Baht 101.2 million (2017: Baht 102.2 million) (the Company only: Baht 69.2 million, 2017: nil), relating to acquisition of machinery and equipment.

28.2 Operating lease commitments

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

As at 31 December 2018 and 2017, future minimum lease payments required under these operating leases contracts were as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<u>Payable:</u>				
In up to 1 year	19.4	23.3	-	-
In over 1 and up to 3 years	26.5	9.1	-	-

28.3 Long-term service commitments

- a) As at 31 December 2018 and 2017, the Company and its subsidiaries have commitments relating to service agreements payable in the future as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<u>Payable:</u>				
In up to 1 year	10.8	15.6	3.0	5.1
In over 1 year	-	5.9	-	3.0

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

28.4 Guarantees

- a) As at 31 December 2018, 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 60 million or equivalent to Baht 287 million (2017: RMB 60 million or equivalent to Baht 305 million).
- b) As at 31 December 2018, there were outstanding bank guarantees of approximately Baht 68.6 million (2017: Baht 67.3 million) (the Company only: Baht 8.3 million (2017: Baht 8.3 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 included letter of guarantee to guarantee electricity usage amounting to Baht 68.3 million (2017: Baht 65.9 million) (the Company only: Baht 8.2 million (2017: Baht 8.2 million)), and to guarantee import duty and others amounting to Baht 0.3 million (2017: Baht 1.4 million) (the Company only: Baht 0.1 million (2017: Baht 0.1 million)).

29. Fair values hierarchy

As at 31 December 2018 and 2017, the Company and its subsidiaries had the following assets and liabilities that were measured or disclosed at fair value using different levels of inputs as follows:

(Unit: Million Baht)

	As at 31 December 2018	
	Consolidated financial statements	Separated financial statements
	Level 2	Level 2
Financial assets measured at fair value		
Derivatives		
Foreign currency forward contracts	0.2	0.2
Assets for which fair value are disclosed		
Interest rate swap contract	1.4	1.4

(Unit: Million Baht)

	As at 31 December 2017	
	Consolidated financial statements	Separated financial statements
	Level 2	Level 2
Financial liabilities measured at fair value		
Derivatives		
Foreign currency forward contracts	(1.6)	(1.6)
Liabilities for which fair value are disclosed		
Interest rate swap contract	(3.4)	(3.4)

30. Financial instruments

30.1 Financial risk management

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

Credit risk

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

Interest rate risk

The Company and its subsidiaries' exposure to interest rate risk relates primarily to their cash at banks, bank overdrafts, short-term and long-term borrowings. However, since most of the Company and its subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate. In addition, the Company has entered into the interest rate swap agreement to hedge interest rate risk.

Significant financial assets and liabilities as at 31 December 2018 and 2017 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2018

	Fixed interest rates		Floating Interest rate	Non- interest bearing	Total	Effective interest rate
	Within					
	1 year	1 - 5 years				
<u>Financial assets</u>						(% per annum)
Cash and cash equivalents	-	-	82	15	97	0.04 - 0.63
Trade and other receivables	-	-	-	1,231	1,231	-
	-	-	82	1,246	1,328	
<u>Financial liabilities</u>						
Bank overdrafts and short-term loans from financial institutions						
	3,046	-	-	-	3,046	2.85 - 7.12
Trade and other payables						
	-	-	-	752	752	-
Liabilities under financial lease agreements						
	56	11	-	-	67	2.55 - 13.38
Long-term loans						
	-	-	1,475	-	1,475	THBFIX+3%
	3,102	11	1,475	752	5,340	

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2017

	Fixed interest rates		Floating Interest rate	Non- interest bearing	Total	Effective interest rate
	Within					
	1 year	1 - 5 years				
<u>Financial assets</u>						(% per annum)
Cash and cash equivalents	-	-	207	19	226	0.10 - 0.63
Trade and other receivables	-	-	-	1,852	1,852	-
	-	-	207	1,871	2,078	
<u>Financial liabilities</u>						
Bank overdrafts and short-term loans from financial institutions						
	3,024	-	6	-	3,030	3.25 - 7.13
Trade and other payables						
	-	-	-	879	879	-
Liabilities under financial lease agreements						
	62	64	-	-	126	2.55 - 13.38
Long-term loans						
	-	-	800	-	800	THBFIX+3%
	3,086	64	806	879	4,835	

(Unit: Million Baht)

Separate financial statements as at 31 December 2018

	Fixed interest rates		Floating Interest rate	Non- interest bearing	Total	Effective interest rate (% per annum)
	Within					
	1 year	1 - 5 years				
<u>Financial assets</u>						
Cash and cash equivalents	-	-	62	7	69	0.04 - 0.63
Trade and other receivables	-	-	-	696	696	-
Short-term loans to related parties	70	-	-	-	70	3.25 - 5.80
	70	-	62	703	835	
<u>Financial liabilities</u>						
Bank overdrafts and short-term loans from financial institutions	1,629	-	-	-	1,629	3.18 - 4.96
Trade and other payables	-	-	-	672	672	-
Short-term loans from related parties	614	-	-	-	614	0.25 - 5.80
Liabilities under financial lease agreements	1	2	-	-	3	2.65 - 7.70
Long-term loans	-	-	1,475	-	1,475	THBFIX+3%
	2,244	2	1,475	672	4,393	

Unit: Million Baht)

Separate financial statements as at 31 December 2017

	Fixed interest rates		Floating Interest rate	Non- interest bearing	Total	Effective interest rate (% per annum)
	Within					
	1 year	1 - 5 years				
<u>Financial assets</u>						
Cash and cash equivalents	-	-	147	2	149	0.37 - 0.63
Trade and other receivables	-	-	-	1,032	1,032	-
Short-term loans to related parties	113	-	-	-	113	4.25 - 5.80
	113	-	147	1,034	1,294	
<u>Financial liabilities</u>						
Bank overdrafts and short-term loans from financial institutions	1,509	-	-	-	1,509	3.25 - 4.78
Trade and other payables	-	-	-	755	755	-
Short-term loans from related parties	765	-	-	-	765	0.25 - 5.80
Liabilities under financial lease agreements	6	3	-	-	9	2.65 - 7.70
Long-term loans	-	-	800	-	800	THBFIX+3%
	2,280	3	800	755	3,838	

Foreign currency risk

The Company and its subsidiaries' exposure to foreign currency risk arises mainly from trading transactions that are denominated in foreign currencies.

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

As at 31 December 2018						
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	8	3	7	3	32.2848	32.6148
Japanese yen	-	2	-	2	0.2892	0.2970
Euro	-	0.2	-	-	36.7620	37.4884
RMB	-	-	-	0.3	4.6636	4.7838

As at 31 December 2017						
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	17	10	15	2	32.5146	32.8472
Japanese yen	-	3	-	1	0.2860	0.2936
Euro	-	0.1	-	0.1	38.6607	39.3938
RMB	-	-	-	8	4.9518	5.0771

Forward exchange contracts

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

As at 31 December 2018					
Consolidated and 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	0.2	2.2	26 March - 26 June 2019	32.49	32.18 - 32.75

As at 31 December 2017

Consolidated and 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	2.4	7.6	3 January - 29 June 2018	32.98 - 33.27	32.32 - 33.17

Interest rate swap contracts

In November 2017, the Company entered into an interest rate swap contract with a commercial bank for a long-term loan of Baht 850 million in order to change interest calculation from floating interest rate of THB-THBFIX-Reuters plus 3 percent per annum to fixed interest rate at 4.65 percent per annum, calculated based on the loan principal balance as the agreed schedule.

As at 31 December 2018, fair value of interest rate swap contract has increased from the contract than trade date by Baht 1.4 million.

Fair value of interest rate swap contract has been calculated using rate quoted by the Company's banker as if the contract was terminated at the date of statement of financial position.

30.2 Fair values of financial instruments

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

The estimate fair value of derivatives is as follows:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	Fair value	Fair value	Fair value	Fair value
	Profit	Loss	Profit	Loss
Derivatives				
Forward exchange contracts	0.2	(1.6)	0.2	(1.6)

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

- a) For financial assets and liabilities which have short-term maturity, including cash and cash equivalents, accounts receivable and short-term loans to related parties, accounts payable and short-term loans from financial institutions and related parties, their carrying amounts in the statement of financial position approximate their fair value.
- b) For long-term loans carrying interest approximate to the market rate, their carrying amounts in the statement of financial position approximates their fair value.
- c) For derivatives, their fair value has been determined by using a discounted future cash flow model and a valuation model technique. Most of the inputs used for the valuation are observable in the relevant market, such as spot rates of foreign currencies, yield curves of the respective currencies and interest rate yield curves. The Company and its subsidiaries had considered the counterparty credit risk when determining the fair value of derivatives.

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

31. Capital management

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

No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 2017.

32. Reclassification

Certain amounts in the statement of comprehensive income of the Company and its subsidiaries for the year ended 31 December 2017 have been reclassified to conform to the current year's classification but with no effect to previously reported profit (loss). The reclassification are as follows:

(Unit: Thousand Baht)

	For the year ended 31 December 2017			
	As reclassified		As previously reported	
	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements
Sales and service income	9,476,915	5,426,422	9,263,907	5,290,665
Income from scrap sales	32,000	40,439	245,008	176,196
Cost of sales and services	8,917,405	5,140,239	9,013,231	5,236,065
Selling expenses	136,222	83,798	126,060	73,636
Administrative expenses	522,148	288,311	436,484	202,647

33. Approval of financial statements

These financial statements were authorised for issue by the Company's authorised Directors on 28 February 2019.