

Kulthorn Kirby Public Company Limited
and its subsidiaries
Report and consolidated interim financial statements
For the three-month period ended 31 March 2019

Independent Auditor's Report on Review of Interim Financial Information

To the Shareholders of Kulthorn Kirby Public Company Limited

I have reviewed the accompanying consolidated statement of financial position of Kulthorn Kirby Public Company Limited and its subsidiaries as at 31 March 2019, the related consolidated statements of comprehensive income, the consolidated statements of changes in shareholders' equity and cash flows for the three-month period then ended, as well as the condensed notes to the consolidated financial statements. I have also reviewed the separate financial information of Kulthorn Kirby Public Company Limited for the same period. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard No. 34 *Interim Financial Reporting*. My responsibility is to express a conclusion on this interim financial information based on my review.

Scope of review

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

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard No. 34 *Interim Financial Reporting*.

Satida Ratananurak

Certified Public Accountant (Thailand) No. 4753

EY Office Limited

Bangkok: 8 May 2019

Kulthorn Kirby Public Company Limited and its subsidiaries

Statements of financial position

As at 31 March 2019

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements		
	As at	As at	As at	As at	
	<u>Note</u>	<u>31 March 2019</u>	<u>31 December 2018</u>	<u>31 March 2019</u>	<u>31 December 2018</u>
		(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
Assets					
Current assets					
Cash and cash equivalents		74,545	96,963	17,524	68,759
Trade and other receivables	2, 3	1,396,885	1,231,191	754,850	695,727
Short-term loans to related parties	2	-	-	72,039	70,000
Inventories	4	2,281,685	2,343,849	1,460,592	1,434,237
Current tax assets		7,335	16,078	117	1,030
VAT receivable		30,858	61,020	15,513	30,161
Other current assets		68,713	38,250	30,183	9,458
Total current assets		3,860,021	3,787,351	2,350,818	2,309,372
Non-current assets					
Investments in subsidiaries	5	-	-	2,586,872	2,586,872
Property, plant and equipment	6	2,960,176	2,784,556	1,498,792	1,307,579
Goodwill on business combination	7	-	-	-	-
Other intangible assets	8	89,499	86,988	46,382	45,204
Advance payment for purchase of fixed assets		211,181	232,123	166,281	187,223
Deferred tax assets		237,741	249,734	146,711	151,591
Other non-current assets		1,354	1,359	1,176	1,142
Total non-current assets		3,499,951	3,354,760	4,446,214	4,279,611
Total assets		7,359,972	7,142,111	6,797,032	6,588,983

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

Kulthorn Kirby Public Company Limited and its subsidiaries

Statements of financial position (continued)

As at 31 March 2019

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements		
	As at	As at	As at	As at	
	<u>Note</u>	<u>31 March 2019</u>	<u>31 December 2018</u>	<u>31 March 2019</u>	<u>31 December 2018</u>
		(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans from financial institutions	9	3,507,918	3,046,123	2,066,684	1,629,453
Trade and other payables	2, 10	842,792	752,299	722,221	671,788
Short-term loans from related parties	2	-	-	583,207	614,493
Current portion of long-term loans	11	400,000	400,000	400,000	400,000
Current portion of liabilities under financial lease agreements	12	44,015	56,028	853	901
Dividend payable		891	891	887	887
Income tax payable		353	218	-	-
Other current liabilities		39,375	32,629	29,898	25,433
Total current liabilities		4,835,344	4,288,188	3,803,750	3,342,955
Non-current liabilities					
Long-term loans, net of current portion	11	975,300	1,075,300	975,300	1,075,300
Liabilities under financial lease agreements, net of current portion	12	10,573	11,167	1,355	1,551
Provision for long-term employee benefits		204,129	199,160	92,963	90,734
Total non-current liabilities		1,190,002	1,285,627	1,069,618	1,167,585
Total liabilities		6,025,346	5,573,815	4,873,368	4,510,540

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

Kulthorn Kirby Public Company Limited and its subsidiaries

Statements of financial position (continued)

As at 31 March 2019

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	As at <u>31 March 2019</u> (Unaudited but reviewed)	As at <u>31 December 2018</u> (Audited)	As at <u>31 March 2019</u> (Unaudited but reviewed)	As at <u>31 December 2018</u> (Audited)
Shareholders' equity				
Share capital				
Registered				
1,200,000,000 ordinary shares of Baht 1 each	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>
Issued and fully paid up				
1,200,000,000 ordinary shares of Baht 1 each	1,200,000	1,200,000	1,200,000	1,200,000
Share premium	700,000	700,000	700,000	700,000
Surplus from business combination under common control	207,898	207,898	-	-
Retained earnings (deficits)				
Appropriated - statutory reserve	120,000	120,000	120,000	120,000
Unappropriated	(900,633)	(657,450)	(96,336)	58,443
Other components of shareholders' equity	<u>7,361</u>	<u>(2,152)</u>	<u>-</u>	<u>-</u>
Total shareholders' equity	<u>1,334,626</u>	<u>1,568,296</u>	<u>1,923,664</u>	<u>2,078,443</u>
Total liabilities and shareholders' equity	<u>7,359,972</u>	<u>7,142,111</u>	<u>6,797,032</u>	<u>6,588,983</u>
	-	-	-	-

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

.....

Directors

.....

(Unaudited but reviewed)

Kulthorn Kirby Public Company Limited and its subsidiaries**Statements of comprehensive income**

For the three-month period ended 31 March 2019

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

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
Profit or loss:					
Revenues					
Sales and service income	2	1,734,292	2,386,509	885,307	1,357,552
Other income					
Income from scrap sales	2	13,686	10,942	530	11,652
Interest income	2	12	14	950	1,287
Others		3,254	5,475	7,417	4,385
Total revenues		1,751,244	2,402,940	894,204	1,374,876
Expenses					
Cost of sales and services	2	1,753,214	2,316,794	891,129	1,349,249
Selling and distribution expenses		23,244	29,100	11,750	15,558
Administrative expenses		153,206	115,646	98,437	66,358
Loss on exchange		7	556	1,253	5,805
Total expenses		1,929,671	2,462,096	1,002,569	1,436,970
Loss before finance cost and income tax		(178,427)	(59,156)	(108,365)	(62,094)
Finance cost		(52,629)	(44,058)	(41,534)	(31,786)
Loss before income tax		(231,056)	(103,214)	(149,899)	(93,880)
Income tax	13	(12,127)	7,784	(4,880)	18,202
Loss for the period		(243,183)	(95,430)	(154,779)	(75,678)
Other comprehensive income:					
<i>Other comprehensive income to be reclassified</i>					
<i>to profit or loss in subsequent periods:</i>					
Exchange differences on translation of					
financial statements in foreign currency		9,513	7,580	-	-
Other comprehensive income to be reclassified					
to profit or loss in subsequent periods - net of income tax		9,513	7,580	-	-
Other comprehensive income for the period		9,513	7,580	-	-
Total comprehensive income for the period		(233,670)	(87,850)	(154,779)	(75,678)
Basic loss per share (Baht)					
Loss attributable to equity holders of the Company	14	(0.20)	(0.08)	(0.13)	(0.06)

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

(Unaudited but reviewed)

Kulthorn Kirby Public Company Limited and its subsidiaries

Cash flow statements

For the three-month period ended 31 March 2019

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Cash flows from operating activities				
Loss before tax	(231,056)	(103,214)	(149,899)	(93,880)
Adjustments to reconcile loss before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	92,591	105,441	40,479	45,179
Reversal of allowance for doubtful accounts	(9)	(41,116)	-	-
Bad debt	-	40,941	-	-
Reduction of inventory value to net realisable value (reversal)	(23,873)	25,218	(12,353)	15,256
Loss (gain) on sales of property, plant and equipment	(6)	38	-	-
Deferred interest	823	1,906	20	116
Provision for long-term employee benefits	4,969	5,098	2,229	2,366
Unrealised (gain) loss on exchange	1,571	(5,286)	1,187	(5,006)
Subsidies income from Government grants	(916)	(522)	(916)	(522)
Interest income	(12)	(14)	(950)	(1,287)
Interest expenses	50,516	40,529	40,635	30,764
Profit (loss) from operating activities before changes in operating assets and liabilities	(105,402)	69,019	(79,568)	(7,014)
Operating assets (increase) decrease				
Trade and other receivables	(151,402)	(5,609)	(54,268)	(4,475)
Inventories	86,037	44,205	(14,002)	(59,603)
Other current assets	(301)	492	(6,077)	9,602
Other non-current assets	5	162	(34)	114
Operating liabilities increase (decrease)				
Trade and other payables	64,578	141,497	30,183	151,763
Other current liabilities	4,196	16,921	1,894	222
Cash flows from (used in) operating activities	(102,289)	266,687	(121,872)	90,609
Interest income	12	14	813	1,325
Cash paid for interest expenses	(52,884)	(41,504)	(43,090)	(31,580)
Cash paid for income tax	(2,335)	(2,438)	(117)	(83)
Net cash flows from (used in) operating activities	(157,496)	222,759	(164,266)	60,271

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

(Unaudited but reviewed)

Kulthorn Kirby Public Company Limited and its subsidiaries

Cash flow statements (continued)

For the three-month period ended 31 March 2019

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Cash flows from investing activities				
Acquisition of property, plant and equipment and intangible assets	(88,851)	(86,775)	(58,941)	(15,238)
Proceeds from sales of property, plant and equipment	7	38	-	-
Decrease (increase) in short-term loans to related parties	-	-	(2,039)	18,000
Net cash flows from (used in) investing activities	(88,844)	(86,737)	(60,980)	2,762
Cash flows from financing activities				
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	330,117	(38,818)	305,561	19,506
Decrease in short-term loans from related parties	-	-	(31,286)	(2,977)
Repayment of long-term loans	(100,000)	(50,000)	(100,000)	(50,000)
Cash paid for liabilities under financial lease agreements	(15,749)	(17,427)	(264)	(1,918)
Net cash flows from (used in) financing activities	214,368	(106,245)	174,011	(35,389)
Increase in translation adjustments	9,554	8,801	-	-
Net increase (decrease) in cash and cash equivalents	(22,418)	38,578	(51,235)	27,644
Cash and cash equivalents at beginning of period	96,963	225,681	68,759	149,225
Cash and cash equivalents at end of period	74,545	264,259	17,524	176,869

Supplement cash flows information

1) Non-cash related transaction for investing activities

Payable from acquisitions of fixed assets	407,244	5,247	390,598	1,677
Receivable from sales of fixed assets	171	-	64,419	-

2) Non-cash related transaction for financing activities

Dividend payable	891	882	887	878
Assets acquired under financial lease agreements	2,319	-	-	-

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

(Unaudited but reviewed)

Kulthorn Kirby Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the three-month period ended 31 March 2019

(Unit: Thousand Baht)

Consolidated financial statements

	Issued and fully paid-up share capital	Share premium	Surplus from business combination under common control	Retained earnings (deficits)		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 2018	1,200,000	700,000	207,898	120,000	8,345	(10,750)	2,225,493
Loss for the period	-	-	-	-	(95,430)	-	(95,430)
Other comprehensive income for the period	-	-	-	-	-	7,580	7,580
Total comprehensive income for the period	-	-	-	-	(95,430)	7,580	(87,850)
Balance as at 31 March 2018	<u>1,200,000</u>	<u>700,000</u>	<u>207,898</u>	<u>120,000</u>	<u>(87,085)</u>	<u>(3,170)</u>	<u>2,137,643</u>
Balance as at 1 January 2019	1,200,000	700,000	207,898	120,000	(657,450)	(2,152)	1,568,296
Loss for the period	-	-	-	-	(243,183)	-	(243,183)
Other comprehensive income for the period	-	-	-	-	-	9,513	9,513
Total comprehensive income for the period	-	-	-	-	(243,183)	9,513	(233,670)
Balance as at 31 March 2019	<u>1,200,000</u>	<u>700,000</u>	<u>207,898</u>	<u>120,000</u>	<u>(900,633)</u>	<u>7,361</u>	<u>1,334,626</u>

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

(Unaudited but reviewed)

Kulthorn Kirby Public Company Limited and its subsidiaries
Statements of changes in shareholders' equity (continued)
For the three-month period ended 31 March 2019

(Unit: Thousand Baht)

	Separate financial statements				Total shareholders' equity
	Issued and fully paid-up share capital	Share premium	Retained earnings		
			Appropriated	Unappropriated	
Balance as at 1 January 2018	1,200,000	700,000	120,000	754,762	2,774,762
Loss for the period	-	-	-	(75,678)	(75,678)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(75,678)	(75,678)
Balance as at 31 March 2018	<u>1,200,000</u>	<u>700,000</u>	<u>120,000</u>	<u>679,084</u>	<u>2,699,084</u>
Balance as at 1 January 2019	1,200,000	700,000	120,000	58,443	2,078,443
Loss for the period	-	-	-	(154,779)	(154,779)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(154,779)	(154,779)
Balance as at 31 March 2019	<u>1,200,000</u>	<u>700,000</u>	<u>120,000</u>	<u>(96,336)</u>	<u>1,923,664</u>

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

Kulthorn Kirby Public Company Limited and its subsidiaries

Notes to interim financial statements

For the three-month period ended 31 March 2019

1. General information

1.1 Corporate information

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

1.2 Basis for the preparation of interim financial statements

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

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

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

1.3 Basis of consolidation

The interim consolidated financial statements included the financials statements of Kulthorn Kirby Public Company Limited and its subsidiaries (“the Group”) and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2018. There have been no change in the composition of its subsidiaries during the period.

1.4 New financial reporting standards

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

During the period, the Company and its subsidiaries have adopted the revised (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal periods 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 adoption of these financial reporting standards does not have any significant impact on the Company's and its subsidiaries' financial statements. However, the new standard involves changes to key principles, which are 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.

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

(b) Financial reporting standards that became effective for fiscal years beginning on or after 1 January 2020

The Federation of Accounting Professions issued a number of new financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2020. These new standards involve changes to key principles, which are summarised below.

Financial reporting standards related to financial instruments

A set of TFRSs related to financial instruments 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.

TFRS 16 Leases

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

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

1.5 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2018, except for the change in the accounting policies due to the adoption of TFRS 15, Revenue from Contracts with Customers.

Revenue recognition

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Revenue is measured at the amount of the consideration received or receivable, excluding value added tax, of goods supplied after deducting returns, discounts, allowances and price promotions to customers.

Rendering of services

Service revenue is recognised at a point in time upon completion of the service.

2. Related party transactions

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

(Unit: Thousand Baht)

	For the three-month periods ended 31 March				Pricing policy
	Consolidated		Separate		
	financial statements	financial statements	financial statements	financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	
<u>Transactions with subsidiaries</u>					
<i>(eliminated from the consolidated financial statements)</i>					
Purchases of goods	-	-	207,497	394,736	Market price
Sales and service income and scrap sales	-	-	21,732	53,229	Approximate market price
Interest expenses	-	-	6,423	7,289	Interest rate at 0.25 - 5.80 percent per annum (2018: 0.25 - 5.80 percent per annum)
Other income	-	-	6,197	2,969	Mutually agreed price as stipulated in the contract
Interest income	-	-	950	1,287	Interest rate at 3.25 - 4.75 percent per annum (2018: 3.25 - 5.80 percent per annum)
Other expenses	-	-	372	939	Mutually agreed price as stipulated in the contract
<u>Transactions with related parties</u>					
Sales and service income and scrap sales	157,211	161,023	79,761	75,360	Approximate market price
Purchases of goods	9,728	15,613	9,237	15,583	Market price
Rental expense	3,482	3,413	-	-	Mutually agreed price as stipulated in the contract
Other income	302	63	30	30	Mutually agreed price as stipulated in the contract
Other expenses	2,211	3,428	826	2,939	Mutually agreed price as stipulated in the contract

(Unaudited but reviewed)

The outstanding balances of the accounts as at 31 March 2019 and 31 December 2018 between the Company and those related parties are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
<u>Trade and other receivables - related parties</u>				
(Note 3)				
Subsidiary companies	-	-	129,243	112,574
Related companies (related by common director/shareholder)	145,009	122,079	54,171	50,858
Total trade and other receivables - related parties	145,009	122,079	183,414	163,432
<u>Trade and other payables - related parties</u>				
(Note 10)				
Subsidiary companies	-	-	280,851	266,891
Related companies (related by common director/shareholder)	9,860	10,148	5,898	6,250
Total trade and other payables - related parties	9,860	10,148	286,749	273,141

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

During the three-month period ended 31 March 2019, short-term loans between the Company and its subsidiaries had the following movements:

(Unit: Thousand Baht)

	Separate financial statements			
	Balance as at 1 January 2019	Increase during the period	Decrease during the period	Balance as at 31 March 2019
<u>Short-term loans to subsidiaries</u>				
Kulthorn Materials and Controls Co., Ltd.	70,000	-	(5,000)	65,000
Kulthorn Steel Co., Ltd.	-	16,000	(16,000)	-
Total	70,000	16,000	(21,000)	65,000

(Unit: Thousand Baht)

	Separate financial statements			
	Balance as at 1 January 2019	Increase during the period	Decrease during the period	Balance as at 31 March 2019
<u>Short-term loans from subsidiary</u>				
Kulthorn Premier Co., Ltd.	563,000	-	(15,000)	548,000
Total	563,000	-	(15,000)	548,000

(Unaudited but reviewed)

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 March 2019 and 31 December 2018, the Company and its subsidiaries had outstanding short-term loans from the above agreement as follows:

	(Unit: Thousand Baht)	
	31 March 2019	31 December 2018
<u>Short-term loans to related party</u>		
Kulthorn Steel Co., Ltd.	7,039	-
Total short-term loans to related party	<u>7,039</u>	<u>-</u>
<u>Short-term loans from related parties</u>		
Kulthorn Premier Co., Ltd.	9,185	4,676
Kulthorn Kirby Foundry Co., Ltd.	21,663	14,704
Kulthorn Steel Co., Ltd.	-	14,149
Kulthorn Materials and Controls Co., Ltd.	1,765	15,219
Kulthorn Metal Products Co., Ltd.	975	1,214
Kulthorn Research and Development Co., Ltd.	1,619	1,531
Total short-term loans from related parties	<u>35,207</u>	<u>51,493</u>

Directors and management's remuneration

During the three-month periods ended 31 March 2019 and 2018, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

	(Unit: Thousand Baht)			
	For the three-month periods ended 31 March			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Short-term employee benefits	10,294	10,533	4,903	5,472
Post-employment benefits	492	490	315	316
Total	<u>10,786</u>	<u>11,023</u>	<u>5,218</u>	<u>5,788</u>

Guarantee obligations with related parties

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

3. Trade and other receivables

The outstanding balance of trade accounts receivable as at 31 March 2019 and 31 December 2018 categorised by their aging from due dates are as follows:

	(Unit: Thousand Baht)			
	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
<u>Trade receivables - related parties</u>				
Not yet due	117,500	90,842	63,271	49,683
Overdue				
Less than 3 months	18,748	22,829	14,861	23,064
3 - 6 months	-	-	8,248	2,297
6 - 12 months	-	-	2,297	-
Over 12 months	4,677	4,797	-	-
Total trade receivables - related parties	140,925	118,468	88,677	75,044
<u>Trade receivables - unrelated parties</u>				
Not yet due	1,000,879	713,029	463,876	302,455
Overdue				
Less than 3 months	180,848	290,361	68,005	159,817
3 - 6 months	2,766	8,972	-	-
6 - 12 months	8,293	3,448	-	-
Over 12 months	19,213	19,419	10,339	10,548
Total	1,211,999	1,035,229	542,220	472,820
Less: Allowance for doubtful debts	(12,766)	(12,775)	(10,441)	(10,441)
Total trade receivables - unrelated parties	1,199,233	1,022,454	531,779	462,379
Total trade receivables - net	1,340,158	1,140,922	620,456	537,423
<u>Other receivables</u>				
Other receivables - related parties	4,084	3,611	94,737	88,388
Other receivables - unrelated parties	33,616	30,805	26,961	24,244
Advance payment	19,027	55,853	12,696	45,672
Total other receivables	56,727	90,269	134,394	158,304
Total trade and other receivables - net	1,396,885	1,231,191	754,850	695,727

(Unaudited but reviewed)

4. Reduction of inventory to net realisable value

Movements in the reduction of inventory to net realisable value account during the three-month period ended 31 March 2019 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2019	237,305	113,346
Reversal reduction of inventory to net realisable value during the period	(23,873)	(12,353)
Balance as at 31 March 2019	213,432	100,993

5. Investments in subsidiaries

As at 31 March 2019 and 31 December 2018, the Company has long-term investments in ordinary share of the following companies:

Company's name	Paid-up capital		Shareholding percentage		Cost		(Unit: Thousand Baht) Dividend received during the three-month periods ended	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018	31 March 2019	31 December 2018	31 March 2019	31 March 2018
			(%)	(%)				
Kulthorn Kirby Foundry Company Limited	575,000	575,000	100	100	739,999	739,999	-	-
Kulthorn Premier Company Limited	1,260,000	1,260,000	100	100	1,936,751	1,936,751	-	-
Kulthorn Steel Company Limited	400,000	400,000	100	100	399,999	399,999	-	-
kulthorn Materials and Controls Company Limited	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	-	-
Less: Allowance for impairment loss on investments in subsidiaries					(1,043,007)	(1,043,007)	-	-
Total investments in subsidiaries - net					2,586,872	2,586,872	-	-

(Unaudited but reviewed)

6. Property, plant and equipment

Movements of the property, plant and equipment account during the three-month period ended 31 March 2019 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Net book value as at 1 January 2019	2,784,556	1,307,579
Acquisitions during the period - at cost	262,870	227,900
Capitalised interest	2,474	2,474
Disposals during the period - net book value at disposal date	(1)	-
Depreciation for the period	(89,638)	(39,161)
Translation adjustment	(85)	-
Net book value as at 31 March 2019	2,960,176	1,498,792

The Company and its subsidiaries pledged their land and buildings thereon with financial institutions as collateral to secure loans as discussed in Note 11.

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 described in Note 9.

7. Goodwill on business combination

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	31 March 2019	31 December 2018
Goodwill on business combination	37,620	37,620
Less: Accumulated impairment loss	(37,620)	(37,620)
Net book value	-	-

8. Other intangible assets

Movements of the other intangible assets account during the three-month period ended 31 March 2019 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Net book value as at 1 January 2019	86,988	45,204
Acquisitions during the period - at cost	5,466	2,496
Amortisation for the period	(2,953)	(1,318)
Translation adjustment	(2)	-
Net book value as at 31 March 2019	<u>89,499</u>	<u>46,382</u>

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

		(Unit: Thousand Baht)			
	Interest rate	Consolidated		Separate	
	(percent per annum)	financial statements		financial statements	
		31 March	31 December	31 March	31 December
		2019	2018	2019	2018
Bank overdrafts	7.12	131	131	-	-
Short-term loans	4.20 - 4.96	870,099	874,600	609,500	624,600
Trust receipts	4.00 - 9.60	1,729,754	1,531,518	984,744	687,053
Packing credit	4.25 - 5.66	907,934	639,874	472,440	317,800
Total		<u>3,507,918</u>	<u>3,046,123</u>	<u>2,066,684</u>	<u>1,629,453</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.

(Unaudited but reviewed)

10. Trade and other payables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
Trade payables - related parties	6,315	6,264	271,264	255,009
Trade payables - unrelated parties	538,819	513,384	264,150	290,011
Other payables - related parties	3,545	3,884	13,304	15,881
Other payables - unrelated parties	193,736	158,039	131,228	78,597
Accrued interest expenses to related parties	-	-	2,181	2,251
Accrued interest expenses to unrelated parties	2,826	2,766	1,758	1,669
Accrued expenses - unrelated parties	97,551	67,962	38,336	28,370
Total trade and other payables	842,792	752,299	722,221	671,788

11. Long-term loans

(Unit: Thousand Baht)

	Consolidated and Separate	
	financial statements	
	31 March 2019	31 December 2018
Long-term loans	1,375,300	1,475,300
Less: current portion	(400,000)	(400,000)
Long-term loans, net of current portion	975,300	1,075,300

Movement of long-term loans during the three-month period ended 31 March 2019 are summarised below.

(Unit: Thousand Baht)

	Consolidated and Separate financial statements
Balance as at 1 January 2019	1,475,300
Less: Repayment during the period	(100,000)
Balance as at 31 March 2019	1,375,300

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.

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 17.

(Unaudited but reviewed)

12. Liabilities under financial lease agreements

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
31 March	31 December	31 March	31 December	
2019	2018	2019	2018	
Liabilities under financial lease agreements	56,416	69,569	2,379	2,642
Less: Deferred interest expenses	(1,828)	(2,374)	(171)	(190)
Total	54,588	67,195	2,208	2,452
Less: Portion due within one year	(44,015)	(56,028)	(853)	(901)
Liabilities under financial lease agreements, net of current portion	10,573	11,167	1,355	1,551

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

13. Income tax

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

Income tax expenses (revenues) for the three-month periods ended 31 March 2019 and 2018 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
2019	2018	2019	2018	
Current income tax:				
Interim corporate income tax charge	135	4,699	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences	11,992	(12,483)	4,880	(18,202)
Income tax expense (revenue) reported in the statements of comprehensive income	12,127	(7,784)	4,880	(18,202)

14. Loss per share

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

15. Segment information

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

The following tables present revenue and profit information regarding the Company and its subsidiaries' operating segments for the three-month periods ended 31 March 2019 and 2018, respectively.

(Unit: Million Baht)

	For the three-month periods ended 31 March															
	Compressors and parts		Enameled wire		Steel sheet		Steel coil center		Others		Total Segments		Adjustments and eliminations		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue																
External customers	945	1,411	321	439	259	301	209	218	-	17	1,734	2,386	-	-	1,734	2,386
Inter-segment	40	50	75	155	92	139	48	110	-	30	255	484	(255)	(484)	-	-
Total revenue	985	1,461	396	594	351	440	257	328	-	47	1,989	2,870	(255)	(484)	1,734	2,386
Results																
Segment gross profit (loss)	(34)	(35)	(2)	40	(1)	28	18	40	-	1	(19)	74	-	(4)	(19)	70
Other income															17	16
Selling and distribution expenses															(23)	(29)
Administrative expenses															(153)	(116)
Finance cost															(53)	(44)
Loss before income tax															(231)	(103)
Income tax															(12)	8
Loss for the period															(243)	(95)

16. Commitment and contingent liabilities

16.1 Capital commitments

As at 31 March 2019, the Company and its subsidiaries have capital commitments of approximately Baht 57.7 million (31 December 2018: Baht 101.2 million) (the Company only: Baht 33.5 million, 31 December 2018: Baht 69.2 million), relating to acquisition of machinery and equipment.

16.2 Operating lease commitments

The Company and its subsidiaries have entered into several lease agreements in respect of the lease of land, motor vehicles, and office equipment. The terms of the agreements are generally between 1 and 3 years. Future minimum lease payments required under these operating leases agreements were as follows:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
<u>Payable:</u>				
In up to 1 year	20.7	19.4	-	-
In over 1 year and up to 3 years	27.7	26.5	-	-

16.3 Long-term service commitments

- a) The Company and its subsidiaries have commitments relating to service agreements payable in the future as follows:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
<u>Payable:</u>				
In up to 1 year	9.0	10.8	1.7	3.0

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

16.4 Guarantees

- a) As at 31 March 2019, the Company and Kulthorn Materials and Controls Company Limited have contingent liability relating to the guarantee of credit facility of Suzhou Kulthorn Magnet Wire Co., Ltd. to an oversea branch of a commercial bank amounting to RMB 60 million or equivalent to Baht 287 million (31 December 2018: RMB 60 million or equivalent to Baht 287 million).
- b) As at 31 March 2019, there were outstanding bank guarantees of approximately Baht 62.8 million (31 December 2018: Baht 68.6 million), the Company only: Baht 5.3 million (31 December 2018: 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 include letter of guarantee to guarantee electricity usage amounting to Baht 62.5 million (31 December 2018: Baht 68.3 million), the Company only: Baht 5.2 million (31 December 2018: Baht 8.2 million) and to guarantee import duty and others amounting to Baht 0.3 million (31 December 2018: Baht 0.3 million), the Company only: Baht 0.1 million (31 December 2018: Baht 0.1 million).

17. Foreign currency risk

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

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

As at 31 March 2019						
Foreign currency	Consolidated financial statements		Separate financial statements		Exchange rate	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Buying	Selling
	(Million)	(Million)	(Million)	(Million)	(Baht per one foreign currency unit)	
US dollar	7	5	6	3	31.6449	31.9785
Japanese yen	1	22	-	22	0.2837	0.2907

As at 31 December 2018						
Foreign currency	Consolidated financial statements		Separate financial statements		Exchange rate	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Buying	Selling
	(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

Forward exchange contracts

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

As at 31 March 2019					
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	0.01	8.5	1 April - 1 October 2019	31.94	30.92 - 31.63

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

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 March 2019, fair value of interest rate swap contract has increased from the contract than trade date by Baht 0.6 million (31 December 2018: Baht 1.4 million).

18. Fair value hierarchy

As at 31 March 2019, the Company and its subsidiaries had the following financial liabilities that were measured at fair value using different level of input as follow:

	(Unit: Million Baht)
	Consolidated and separate financial statements
	<u>Level 2</u>

Financial liabilities measured at fair value

Derivatives

Foreign currency forward contracts	3.2
------------------------------------	-----

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

19. Event after the reporting period

Amendments to the law relating to the legal severance pay rates

On 5 April 2019, The Labor Protection Act (No. 7) B.E. 2562 was announced in the Royal Gazette. This stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The law is effective from 5 May 2019. This change is considered a post-employment benefits plan amendment and the Company and its subsidiaries have additional long-term employee benefit liabilities of Baht 55.7 million (The Company only: Baht 26.8 million) as a result. The Company and its subsidiaries will reflect the effect of the change by recognising past service costs as expenses in the profit or loss of the period in which the law is effective, which is the second quarter of 2019.

20. Approval of interim financial statements

These interim financial statements have been authorised for issue by the Company's authorised directors on 8 May 2019.