

รายงานประจำปี 2554
Annual Report 2011



Leading Manufacturer
in reciprocating compressor
for refrigeration
and air conditioning products

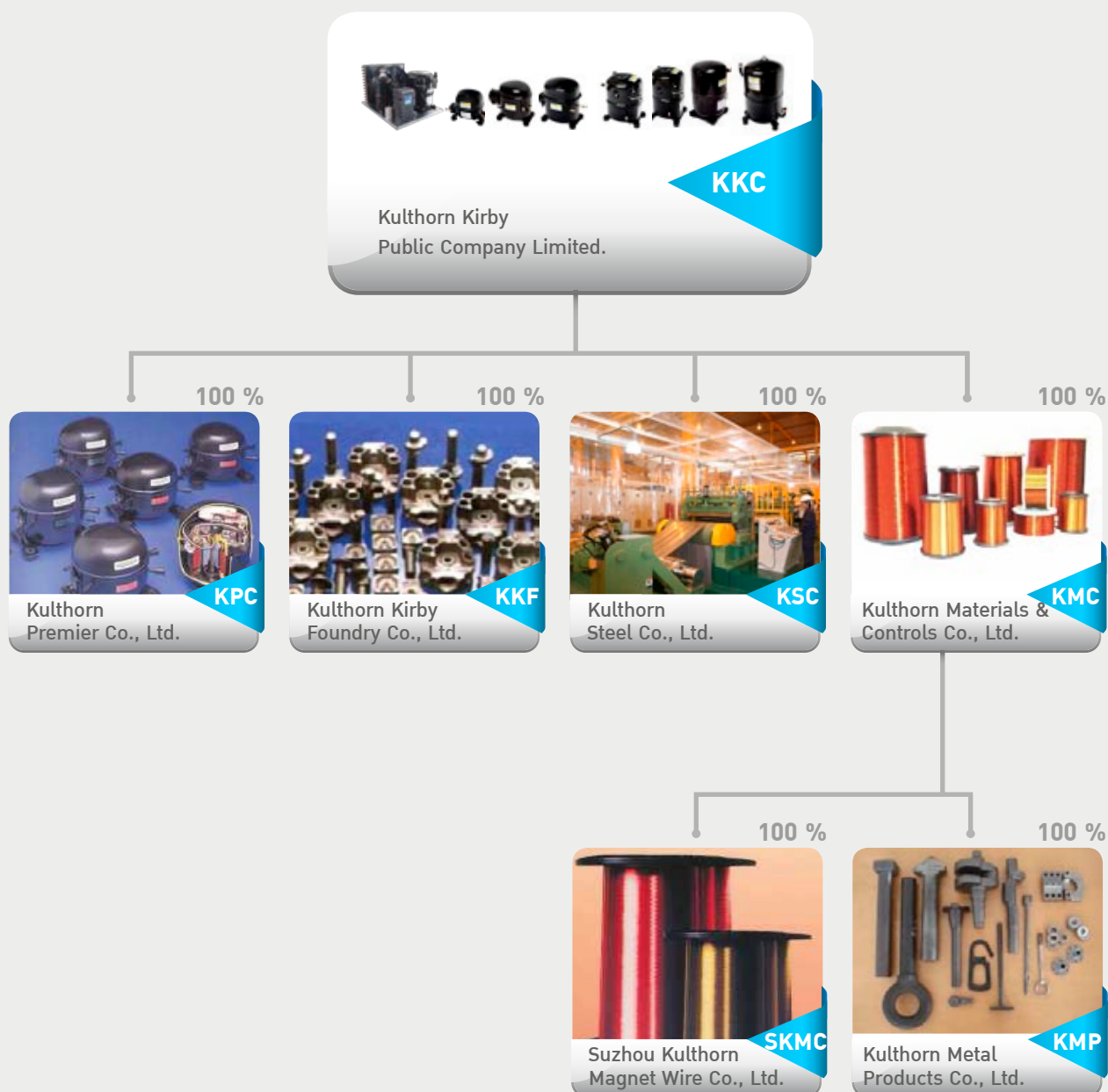


บริษัท กุลธรรเคอร์บี้ จำกัด (มหาชน)
Kulthorn Kirby Public Company Limited



บริษัท กุลธรรเคอร์บี้ จำกัด (มหาชน)
Kulthorn Kirby Public Company Limited.

โครงสร้างบริษัท
Company Group Structure



Sustainable Growth



- 1980 : Kulthorn Kirby Co., Ltd. (KKC) was established March 24.
- 1981 : Production of AE compressors commenced August 8.
- 1982 : Grand opening on January 13 and starting the production.
- 1989 : Starting the production of AZ small refrigerator compressors.
: Kulthorn Kirby Foundry Co., Ltd. (KKF) was established November 24.
- 1990 : Kulthorn Controls Co., Ltd. was established August 31.
- 1991 : Listed on the Stock Exchange of Thailand February 22.
- 1993 : Starting the production of non-CFC and AW (12.5 HP) compressors.
- 1998 : CE mark, CB and ISO 9002 : 1994 certified.
- 2000 : ISO 14001 : 1996 certified.
- 2001 : Starting the production of WJ compressor.
: ISO 9001 : 2000 certified and UL approved, ref. SA 12028.
- 2002 : OHSAS 18001 : 1999 certified.
- 2004 : Kulthorn Premier Co., Ltd. (KPC) established by acquiring 80% of small hermetic compressors from Sanyo Universal Electric Co., Ltd. plant under license of Sanyo Electric Co., Japan.
- 2005 : ISO 17025 : 1999 and ISO 14001 : 2004 certified.
- 2006 : 20 millionth compressor produced.
- 2007 : KA (3-6 HP) and LA (7-12 HP) compressors added to KKC range.
- 2008 : Kulthorn Steels Co., Ltd. was established for steels coil slitting .
: Starting the production of KA and LA compressors.
- 2009 : Starting the production of CA compressor.
- 2010 : 30 millionth compressor and 5 millionth AW compressor produced.
: Thailand 5S Golden Award from the Technology Promotion Association (TPA)- Thai Japan.
- 2011 : Acquired Kulthorn Materials and Controls Co., Ltd, and its subsidiaries (Kulthorn Metal Products Co., Ltd. and Suzhou Kulthorn Magnet Wire Co., Ltd.) July 2.
- 2012 : KKC celebrates its 30th anniversary January 13.

Vision

To be the leader in the reciprocating motor compressor business in ASEAN

Mission

1. To manufacture quality motor compressors with on time delivery and at a competitive price
2. To strengthen and improve partners relationship and satisfaction
3. To increase product development capability to serve and fulfill customers needs
4. To enhance the knowledge and improve the quality of life of the company' staff at all levels
5. To conduct its business in line with the social responsibility principles and environment regulations

Core Values “ - BEST “

1. Doing it right the first time
2. Learning and self development
3. Team working





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Message from the Chairman

Over all economics situation in the year 2011, the large economics countries of the world such as the United State of America and the Euro zone countries have not economically recovered, this impact along with the depreciated value of US\$ and the increasing raw materials prices of copper and steels were effected to the continued dropping power demand of customers and the operating results of the company to be lower than the target. Despite higher sales in the first 2 quarters of 2011 including an increase of 13% when compare to the same period of last year, but in the 3rd quarter and 4th quarter, demand of the domestic customers dropped due to the crisis of nation wide flooding in Thailand and they made more concentration on flood protection during this time.

Generally, the motor compressors of the company are essential in helping to promote health, comfort and convenience for standard of living and caused for having more demand in every year, especially from the emerging countries such as China, India, Russia and Brazil and the ASEAN countries. So, the company aims to develop the motor compressors in accordance with that demand of customers and to compete in the domestic and export markets.

Finally, I would like to thank the Board of Directors of company, the trustfulness and ongoing supports from shareholders, business alliances, customers, government agents and financial institutions and the best efforts from the Management team and all employees and we are determined to commit to operate the business of the company in the ways of making the best benefit as the company goals and policy.



A handwritten signature in black ink, appearing to read 'Sumeth Simakulthorn'.

(Mr.Sumeth Simakulthorn)
Chairman of the Board of Directors

Summary of the company's financial information

	2011	2010*	2009*	2008	2007
Consolidated Financial Statements (Thousand Baht)					
Total assets	9,501,928	9,309,518	8,586,247	6,241,513	5,760,557
Total liabilities	7,355,249	7,015,506	7,226,021	5,242,602	4,642,694
Shareholder's equity	2,146,679	2,294,012	1,360,226	998,911	1,117,863
Sales and services income	11,842,282	11,860,611	8,482,042	6,915,797	6,081,278
Total revenues	12,277,159	12,537,329	8,748,554	7,080,727	6,307,546
Gross income (loss)	480,033	905,045	606,425	433,583	314,424
Net income (loss)	83,969	819,696	15,512	(68,952)	(104,920)
Financial Ratio (%)					
Net profit margin	0.68	6.91	0.18	(0.97)	(1.66)
Return on equity	3.78	35.73	1.14	(6.90)	(9.38)
Return on total assets	0.89	8.80	0.18	(1.10)	(1.82)
Per share data (Baht)					
Net income (loss)	0.10	1.05	0.02	(0.14)	(0.25)
Dividend**	-	0.40	-	0.50	-
Book value	2.53	2.93	1.95	2.00	2.67

* The Company restated the consolidated financial statements for the year. Therefore, it included the operating results of Kulthorn Materials and Controls Company Limited and its subsidiaries from 1 January 2010 to 31 December 2010 and from 1 January 2009 to 31 December 2009. Then the 2009 financial information as stated herein had presented in the difference amount the prior year report.

** The company had made the interim dividend payment at the rate of Baht 0.20 per share on 8 September 2010 for the first half of 2010 and at the rate of Baht 0.20 per share on 19 May 2011 in total rate of Baht 0.40 per share for the operational results of the year 2010.



The Company's information



History

Kulthorn Kirby Company Limited ("the Company") was established on 24 March 1980 by the cooperation between Simakulthorn Group, Kirby Group Australia, refrigerator producers in Thailand, and the Industrial Finance Corporation of Thailand to operate as a manufacturer and seller of motor compressor, reciprocating type for refrigeration products i.e., refrigerators, freezers, water coolers, and commercial refrigerators. The Company is the first motor compressor manufacturer in Thailand.

The Company was listed in the Stock Exchange of Thailand on 22 February 1991, and later expanded its production to the motor compressor for the air conditioning products. Furthermore, the Company and other investors invested and established new companies to produce major parts of compressor to replace imported parts in order to reduce the production costs and to improve product quality.

Kulthorn Kirby Public Company Limited

Head Office / Factory	:	126 Soi Chalong Krung 31, Chalong Krung Road, Khwaeng Lam Pla Thio, Khet Lat Krabang, Bangkok 10520 Tel : +66 (0)2326 0831, +66 (0)2739 4893 Fax : +66 (0)2326 0837, +66 (0)2739 4892 E-mail: kkc@kulthorn.com http : //www.Kulthorn.com
Nature of Business	:	Manufacturer of Reciprocating Compressors for Refrigeration and Air conditioning Products
Registered No.	:	0107537002150
Registered Capit	:	Baht 1,000 Million
Paid up Capital	:	Baht 850 Million
Issued Shares	:	Ordinary 850,000,000 Shares, Par Value at Baht 1/share

Subsidiary Companies

1. Kulthron Premier Company Limited

Head Office/Factory	:	446/3 Moo 9, Nong Kee, Kabin Buri, Prachin Buri 25110 Tel : +66(0)3720 4835-41 Fax : +66(0)3720 4844
Branch	:	(1) 42/2 Moo 1, Suwintawong Road, Klong Udom Cholaajorn, Amphur Muang, Chachoengsao 24000 Tel : + 66(0)3884 6072-4 Fax : +66(0)3884 5677 (2) 129 Soi Chalong Krung 31, Chalong Krung Road, Khwaeng Lam Pla Thio, Khet Lat Krabang, Bangkok 10520 Tel : +66(0)2326 0612 Fax : +66(0)2326 0802
Nature of Business	:	Manufacturer of - Reciprocating Compressor - Quality Iron Casting
Issued Shares	:	Ordinary 12,600,000 shares, Par Value at Baht 100/share
Shareholding by KKC	:	99.99%

2. Kulthron Kirby Foundry Company Limited

Head Office/Factory	:	1 Moo 22 Suwintawong Road, Saladaeng, Bang Nam Priao, Chachoengsao 24000 Tel : +66(0)3859 3016-9 Fax : +66(0)3859 3015
Nature of Business	:	Manufacturer of Quality Iron Casting
Issued Shares	:	Ordinary 3,750,000 shares, Par Value at Baht 100/share
Shareholding by KKC	:	100%



3. Kulthorn Steel Company Limited

Head Office/Factory	:	124 Soi Chalong Krung 31, Chalong Krung Road, Khwaeng Lam Pla Thio, Khet Lat Krabang, Bangkok 10520, Tel : +66(0)2326 0851 Fax : +66(0)2326 0766
Nature of Business	:	Steel Coil Center
Issued Shares	:	Ordinary 4,000,000 shares, Par Value at Bath 100/share
Shareholding by KKC	:	100%

4. Kulthorn Materials and Controls Company Limited

Head Office/Factory	:	1/2 Moo 22 Suwintawong Road. Saladang, Bangnumpreaw, Chachoengsao 24000 Tel : +66(0)3859 3030-3 Fax : +66(0)3859 3028
Nature of Business	:	Manufacturer of Enameled Copper Wire and Thermostat used in refrigerators
Issued Shares	:	Ordinary 3,500,000 shares, Par Value at Bath 100/share
Shareholding by KKC	:	100%

5. Kulthorn Metal Products Company Limited

Head Office/Factory	:	123 Soi Chalong Krung 31, Chalong Krung Road, Lam Pla Thio, Khet Lat Krabang, Bangkok 10520 Tel : +66(0)2739 6638-9, +66(0)2326 0314-7 Fax : +66(0)2739 6643, +66(0)2326 0318
Nature of Business	:	Manufacturer of Forging, Heat Treatment metal parts
Issued Shares	:	Ordinary 2,500,000 shares, Par Value at Bath 100/share
Shareholding	:	100% by Kulthorn Materials and Controls Co., Ltd.

6. Suzhou Kulthorn Magnet Wire Company Limited

Head Office/Factory	:	18 Long Pu Road, SIP, Jiangsu Province, 215126 China Tel : 86 (512) 6283 3750 / 86 (512) 6265 0058 Fax : 86 (512) 6283 3763a
Nature of Business	:	Manufacturer of Enameled Copper Wire
Issued Shares	:	Ordinary 347 shares, Total Capital USD 15,835,000
Shareholding	:	100% indirectly held by Kulthorn Materials & Controls Co., Ltd.

Other References

Registrar :

Thailand Securities Depository Co., Ltd.
62 The Stock Exchange of Thailand Building,
Ratchadaphisek Road, Klongtoey, Bangkok 10110
Tel. +66 (0)2229 2800 Fax. +66 (0)2359 1259

Auditor :

Ms Saifon Inkaew ,	Certified Public Accountant no. 4434 and/or
Mr Wichart Lokatekrawee,	Certified Public Accountant no. 4451 and/or
Ms Siriwan Suratepin	Certified Public Accountant no. 4604

Ernst & Young Office Limited.
33rd Floor, Lake Rajada Office Complex
193/136-137 Rajadapisek Road, Klongtoey, Bangkok 10110
Tel. +66 (0)2264 0777 Fax. +66 (0)2264 0789-90

Law Consultant :

Chor. Chanasongkram Advocates & Solicitors
52/3 Phrasumene Road, Khwaeng Chana Songkram,
Khet Phra Nakhon, Bangkok 10200
Tel. +66 (0)2282 2955-6 Fax. +66 (0)2281 3008



Business Overview of the Company and its Subsidiaries

The Company is the manufacturer and seller of compressors for refrigeration and air conditioning products, details are as follows:

- **Kulthorn Kirby Public Company Limited** is the manufacturer and seller of motor compressor, reciprocating type for refrigeration products i.e. refrigerators, freezers, water coolers, commercial refrigerators, and air conditioners. The reciprocating compressor can be used with many types of refrigerant including Ozone Friendly Substance such as R134a, R404A, R407C R600a and R290 with the sizes from 1/20 horsepower to 10 horsepower. The Company also produces Condensing Unit which is the component of refrigeration products, electrical motor parts, and other motor compressor parts.
- **Kulthorn Premier Company Limited** is the manufacturer of the motor compressor and quality iron casting for motor compressor and automotive parts.
- **Kulthorn Kirby Foundry Company Limited** is the manufacturer of the quality iron casting for motor compressor and automotive parts.
- **Kulthorn Steel Company Limited** is the Steel Coil Center for the manufacturer of motor compressor, electrical motor, and other parts.
- **Kulthorn Materials and Controls Company Limited** is the manufacturer of the enameled copper wire and thermostat used in refrigerators.
- **Kulthorn Metal Products Company Limited** is the manufacturer of the forging, Heat Treatment metal parts
- **Suzhou Kulthorn Magnet Wire Company Limited** is the manufacturer of the enameled copper wire.

The Company and all subsidiary companies are in sole business activity is to manufacture and then sell the component and parts for refrigeration and air conditioning products.

Characteristics of Business

Motor compressors available around the world are many types but it's recommended the 3 types of widely use for the household market by cooling capability (horse power), characteristics of products, and product applications as follows:

Type	Reciprocating (RE)	Rotary (RO)	Scroll (SL)
Size	1/20 HP to 25 HP	1 HP to 7 HP	1.5 HP to 30 HP
Application	Household refrigerator, freezer, commercial refrigerator, ice machine, water cooler, air condition and heat pumps	Small tonnage air conditioner, room air conditioner, package air conditioner and heat pumps	Air conditioner and heat pumps
Strength	Machine efficiency, reliability, and durability in high-ambient temperatures. Wide range of HP to be chosen from to suit with various applications	Energy saving and low cost, Twin Rotary types (Similar to Scroll)	Energy saving and high efficiency
Weakness	Noisy and more expensive than rotary type	Moderate cooling efficiency, and unreliable.	Costly and a few manufacturers
Production in 2011	106 mm units for household Refrigerators and Refrigerations	120 mm units	14 mm units

Reciprocating and rotary compressors are widely used in household refrigerators, freezer, commercial refrigerator, ice machine, water cooler, and air conditioner.

- Industrial Overview of Reciprocating Compressors

Reciprocating compressor is the firstly initiated type of compressors that have been continuously used for a longer period of time than other types of compressors. Reciprocating compressors offer a wide range of horse power, enabling users to select compressors with appropriate horse power that is suitable with various applications of refrigerators and air-conditioners and also has been developed to be more energy-saving and environmentally-conscious Products.

Although the reciprocating compressors compete with rotary and scroll compressors in the small capacity segment and screw compressors in the large capacity segment, sales of reciprocating compressors for refrigeration application continue to demonstrate steady growth. Recently, sales of reciprocating compressors for refrigeration application have risen appreciably in emerging countries including China as well as the ASEAN countries and also the demand of heat pump applications for Japan and Europe are creating new demand for reciprocating compressors too. In contrast, sales for air conditioning applications have declined as sales of rotary, scroll, and screw products have risen.

Reciprocating compressors can be divided into hermetic, semi-hermetic, and open types. Hermetic types are mainly used in residential refrigerators and freezers, while semi-hermetic, and open types are mainly used in commercial refrigeration and air conditioning applications.

Hermetic types dominate the entire reciprocating compressor market. Most hermetic reciprocating compressors are less than 0.5 kW and are used in household refrigerators, freezers, and light commercial refrigeration systems. All major producers now have product portfolios compatible with various refrigerants such as R134a, R404A, R407C, R507 R22, R600a, and R290.

However, competition among manufacturers is intense, and M&A has been a constant feature of the past several years.

- Market Overview of Reciprocating Compressors

Use of reciprocating compressors has been gradually decreasing in the air conditioning industry in parallel with the increased use of scroll, screw, and even rotary compressors. Reciprocating compressors have a large number of parts, which increases their initial cost as well as maintenance expenses. This is another factor behind the declining numbers of reciprocating compressors used in air conditioning equipment. As a result, few hermetic-type reciprocating compressors are used in the global air conditioner market today. And most of these units are produced in the United States by major manufacturers such as Tecumseh, Copeland (Emerson), Bristol, and by Thailand manufacturer is Kulthorn Kirby.

Reciprocating compressors are still the standard in the refrigeration sector due to their high reliability and performance under harsh working conditions. Reciprocating compressors also dominate the household refrigerator market. As income levels rise in emerging countries such as China, India, and Brazil, more people are buying household refrigerators, which is driving up demand for reciprocating compressors. In the commercial and industrial sectors, the main applications are refrigeration for food and perishables, cold storage chains, and process cooling.

Embraco is the world leader in household refrigerator compressors, followed by Panasonic, Secop (former Danfoss), and LG, in the commercial and industrial sectors, Tecumseh, Secop and Vilter (Emerson) lead the market.

- Major Hermetic Compressor Factories

Embraco	Brazil, China, Italy, Slovakia
Panasonic	Singapore, Malaysia, China
Secop (Danfoss)	Slovakia, Slovenia, China
Tecumseh	The United States, Brazil, France, India
LG	Korea, China
Samsung	Korea, China
Kulthorn Kirby	Thailand

Compressor business currently encounters fierce competition both locally and internationally, together with an increase of production costs in the past several years due to the rising raw material prices. Under such circumstance, the Company has employed many strategies in order to respond to customers' needs in terms of prices, develop strong relationship with its customers, improve production productivity, as well as reduce product costs by using alternative raw materials. The pricing of the Company is determined by relevant factors such as changing production costs from rising costs of steel and copper, competitive landscape, and customer order quantity. Therefore, the Company's selling prices for domestic and international markets in the past is certainly competitive, compared with those of its competitors.

The Company's key marketing strategy is clearly differentiated, as the Company, being a midstream player, produces motor compressors but not manufacture end products such as refrigerator, water cooler, commercial refrigerator, and air-conditioner to compete with customers. The Company also highly concentrates on responding to customers' needs, allowing the Company to sell products to a wide range of customers.

Marketing and Competitions

Customers of the Company are divided into 2 types, as follows:

(1) Large industrial Original Equipment Manufacturers (OEM) for refrigerators, commercial refrigerators, and air conditioners. The Company supplies products directly to both local and international markets excluding markets in Australia and New Zealand, in which the Company sells indirectly through Heatcraft Australia Pty. Ltd.

(2) Small manufacturers of air conditioners and refrigerators. The Company appoints local distributors to supply its products to local manufacturers but exports directly to international manufactures.

The Company and subsidiary have supplied products to both local and international markets by the sales ratio of 25 : 75, in a total quantity of 5.26 mm units in 2011.

Compressor manufacturing industry has a relatively high competition in both domestic and international market. Moreover, during the past year, the production cost increases significantly due mainly to a rise in raw material cost, this lead to a price competition. As a result,

most of manufacturers including the Company have strategies to reduce cost and to create a competitive advantage such as customer relationship, and improve production productivity.

The Company has a marketing strength among other manufacturers since the Company does not manufacture finished products, such as refrigerators, water coolers, freezers or air-conditioners to compete with its customers. Also, the Company emphasizes on satisfying customer needs, therefore, the Company is able to sell its products to all customers.

The Company sells its products domestically and internationally, while the domestic sale and international sale is approximately 35% and 65% of total revenues from sales respectively. The Company determines its products prices by considering various factors, such as competition and customer demand. In the past, the Company could compete with the competitors both for domestic and export products.

Business risks

- Risks associated with costs of raw materials for production

The Company engages in the manufacture of motor compressor business, of which major raw materials for production are copper and steel. Since the beginning of 2009, the prices of major raw materials of the Company and its subsidiaries, namely copper, steel and oil, have proven highly volatile. The prices of copper have continuously increased and the prices of steel have moved along the same line as the fluctuations of the global economic situation. The volatility of the raw materials thus impacts the costs management and gross profit margins of the Company to a certain extent. To prevent the Company from material sourcing problems, the Company has been sourcing materials from various suppliers, who are able to supply substitute products with comparable quality and also applies the Copper Swap agreement. Sourcing from a choice of suppliers provide the Company with several positives, including maintaining its competitiveness, enhancing the success of its business operation, reducing a chance of a supply shortage of raw materials, alleviating -impacts from the fluctuation of raw material prices by Commodity Hedge Agreements or Copper Swap Agreements, as well as fulfilling the needs of customers of the Company. Furthermore, the Company employs efficient inventory control and monitors closely impacts from the changing market prices. In addition, to reduce its product costs, aluminum has been partly used in some products, as an alternative raw material for copper.

- Risk associated with technology

Motor compressors available around the world are many types but it's recommended the 3 types namely reciprocating, rotary, scroll. Reciprocating and rotary compressors are widely used in household refrigerators, freezer, water cooler, commercial refrigerator and room air conditioners.

Reciprocating compressor is the firstly initiated type of compressors that have been continuously used for a long period of time. The reciprocating technology also has been developed to be able to run with environmentally-friendly refrigerants. Although the reciprocating type has less energy saving capability, as well as higher product and maintenance costs compared with rotary and scroll types, this reciprocating type of compressor is superior to rotary and scroll types in terms of cooling efficiency and durability especially in high ambient temperatures. Given the positives, the reciprocating compressors are well-accepted in a niche market, and countries with fast-growing economy such as India and China.

The Company aims to make the product technology and production of motor compressor congruent with market needs and comply with the rules and regulation of refrigerants in relation to environmental issues. Despite its in-house R&D efforts, R&D capability of the Company is still relatively limited compared with other world's leading compressor manufactures due to Thailand's limited technology and industry supports and workforce readiness. Given this limitation, the Company's reciprocating compressor would be considered less superior to rotary and scroll types in terms of energy savings and product technology. However, reciprocating type is still widely used in a general group of customers and has increasing demand from customers in China, India, Brazil, Russia and the ASEAN countries.

- Risks associated with trade credits

The management team of the Company and its subsidiaries has prudent approaches to restricted policies and procedures in managing risks from trade credits in relation to account receivables and other receivables. Besides, the Company offers trade credits only to customers with creditworthiness and enters into the insurance policy for the uncollection of export customers; the Company thus does not expect to encounter significant impacts from trade credits. In addition, thanks to a wide customer base, the Company is able to diversify the risks from trade credits, not concentrate on the particular group of customers.

Financial risks

- Risk associated with currency exchange volatility

Given its international market expansion and its sales mainly in USD, the Company's revenue and performance are affected by the fluctuation of Baht exchange rate. However, the Company reduces exchange rate risk or possible exposure on the foreign currency by entering to some extent Forward Exchange Contracts, Currency Option Contracts and Cross Currency Interest Rate Swap Contract, which mitigate exchange rate risks.

- Risk associated with interest rate risk

The Company and its subsidiaries have a majority of financial assets and financial liabilities linked to floating interest rates or fixed interest rates that are close to current market rate and enter into the Cross Currency Interest Rate Swap Contract, causing the Company and its subsidiaries to have low exposure to interest rate risks.

In order to enhance its capability in financial management and reduce financial burdens, on October 28, 2010 the Company and its subsidiaries have entered into and signed credit facilities agreement with Kasikornbank Public Company Limited and Bangkok Bank Public Company Limited and entered into the Second Amendment and Novation Agreement to Credit Facilities Agreement in December 2011 for the purpose of Industrial and Commercial Bank of China (Thai) Public Company Limited to become the Acceding Lender under the Credit Facilities Agreement in relation to the syndicated loan of Baht 8,800 million.

Shareholders and Management Structure

MAJOR SHAREHOLDERS

List of major shareholders (shareholding in excess of 0.50%)

As of the shareholder register closing date 11 March 2011

	No. of Shareholdings	%
1. Simakulthorn Group	426,446,347	50.170
2. Heatcraft Australia Pty. Ltd.	65,255,000	7.677
3. 1st Lt Supakorn Chantasasawat	42,363,377	4.984
4. Ms. Sasi Ingkanant	39,374,081	4.632
5. Ms. Saisamorn Suriyathap	38,113,442	4.484
6. Ms. U-rai Khemumnaj	35,849,299	4.217
7. Ms. Pojanee Khemumnaj	35,584,231	4.186
8. Ms. Nutsueng Ratanapaisorn	32,950,555	3.877
9. Mrs. Supatra Kumtien	14,474,723	1.703
10. Mrs. Benjamas Poohaipol	9,533,369	1.122

Shareholding by Original Equipment Manufacturers

1. Kang Yong Electric Public Company Limited	3,862,054	0.454
2. Thai Toshiba Electric Industries Co., Ltd.	3,612,644	0.425

THE BOARD OF DIRECTORS

As at 31 December 2011

		SHAREHOLDING (%)
1.	Mr. Sumeth Simakulthorn *	Chairman 2.525
2.	Mr. Suraporn Simakulthorn *	Managing Director 2.525
3.	To be 2nd Lt Samart Mekavanichkul	Independent Director 0.0092 ⁽¹⁾
4.	Mr. Tawatchai Jaranakarun	Independent Director 0.0001 ⁽¹⁾
5.	Mr. Padoong Techasarintr	Independent Director -
6.	Mr. Praphot Aphiphunya	Independent Director 0.0824
7.	Mr. Somlak Jiamtiranat	Independent Director -
8.	Mr. Praphad Phodhivorakhun *	Director -
9.	Mr. Arnon Simakulthorn *	Director 2.525
10.	Mr. Prasan Tanprasert *	Director -
11.	Mr. Sutee Simakulthorn *	Director 0.7187
12.	Mrs. Kanit Muangkrachang *	Director -
13.	Mr. Paiboom Boonpermvitaya *	Director 0.4345
14.	Mrs. Kanit Muangkrachang *	Director -
15.	Mr. Titisak Simakulthorn *	Director 0.4834

* Authorized Director

(1) shareholding by the spouse

THE AUDIT COMMITTEE

As at 31 December 2011

1.	To be 2nd Lt Samart Mekavanichkul **	Chairman of the Adudit Committee
2.	Mr Tawatchai Jaranakarun	Member of the Adudit Committee
3.	Mr padoong techasarintr ***	Member of the Adudit Committee

** The director who have adequate expertise and experience to review creditability of the financial reports.

THE MANAGEMENT

As at 31 December 2011

			SHAREHOLDING (%)
1.	Mr. Suraporn Simakulthorn	Managing Director/President	2.525
2.	Mr. Sutee Simakulthorn	Executive Vice President (Administration)	0.7187
3.	Mr. Paiboon Boonpermvitaya	Senior Vice President (Manufacturing)	0.4345
4.	Mr. Titisak Simakulthorn	Senior Vice President (Marketing and Logistics)	0.4834
5.	Mr. Chanachai Kulnoppaleark	Vice President (Office of The President)	-
6.	Mr. Kumjorn Khunvapanichkul	Vice President (Marketing)	-
7.	Mr. Pramoth Sriwongsanguan	Vice President (Special Project)	-
8.	Ms. Sopida Doungtratmaneechot	Manager, Finance Department	-
9.	Mrs. Chanpen Phadungsilp	Manager, Accounting & Costing Department	-

COMPANY SECRETARY : Mr Chanachai Kulnoppaleark**Investor Relations**

The Company realizes that its information, both financial and non-financial, affect the decision-making process for investors and stakeholders. Therefore the management values accurate and full disclosure in a regular and timely manner, in accordance with SEC and SET regulations.

The Investor Relations department is not yet set up due to a few concerned activities then the Company assigned Mr. Chanachai Kulnoppaleark, Vice President to communicate with investors, shareholders and stakeholders, and all investors can contact to the company by Website www.kulthorn.com Tel. +66(0)2326-0831, +66(0)2739-4893 Fax +66(0)2326-0837, +66(0)2739-4892 E-mail : chanachai@kulthorn.com

Remuneration to the Company's Executives in year 2011

To Directors

Remuneration to company's directors of 15 persons as monthly director fee and the meeting allowance was Baht 2,329,000 and the monthly fee to the members of the audit committee of 3 persons was Baht 336,000.

To Management

Remuneration to the Management, excluding the Finance Department Manager and the Accounting & Costing Department Manager in terms of salary and bonus was Baht 15,457,159.

DIRECTORS IN SUBSIDIARY COMPANIES

As at 31 December 2011

Kulthorn Premier Company Limited

Chairman and Managing Director	:	Mr. Suraporn Simakulthorn
Directors	:	Mr. Sumeth Simakulthorn
		Mr. Suradej Boonyawatana
		Mr. Arnon Simakulthorn
		Mr. Sutee Simakulthorn
		Mr. Paiboon Boonpermvitaya
		Mr. Prasan Tanprasert
		Mr. Titisak Simakulthorn

Kulthorn Kirby Foundry Company Limited

Chairman and Managing Director	:	Mr. Suraporn Simakulthorn
Director	:	Mr. Sumeth Simakulthorn
		Mr. Arnon Simakulthorn
		Mr. Paiboon Boonpermvitaya
		Mr. Sutee Simakulthorn
		Mr. Abhijit Simakulthorn

Kulthorn Steel Company Limited

Chairman and Managing Director	:	Mr. Suraporn Simakulthorn
Directors	:	Mr. Arnon Simakulthorn
		Mr. Sutee Simakulthorn
		Mr. Paiboon Boonpermvitaya
		Mr. Titisak Simakulthorn
		Mr. Sutas Simakulthorn
		Ms. Sornsanan Simakulthorn

Kulthorn Materials and Control Company Limited

Chairman	:	Mr. Sumeth Simakulthorn
Managing Director	:	Mr. Suraporn Simakulthorn
Directors	:	Mr. Arnon Simakulthorn
		Mr. Sutee Simakulthorn
		Mr. Prasan Tanprasert
		Mr. Prommarat Simakulthorn
		Ms. Jintana Sirisuntana
		Mr. Abhijit Simakulthorn

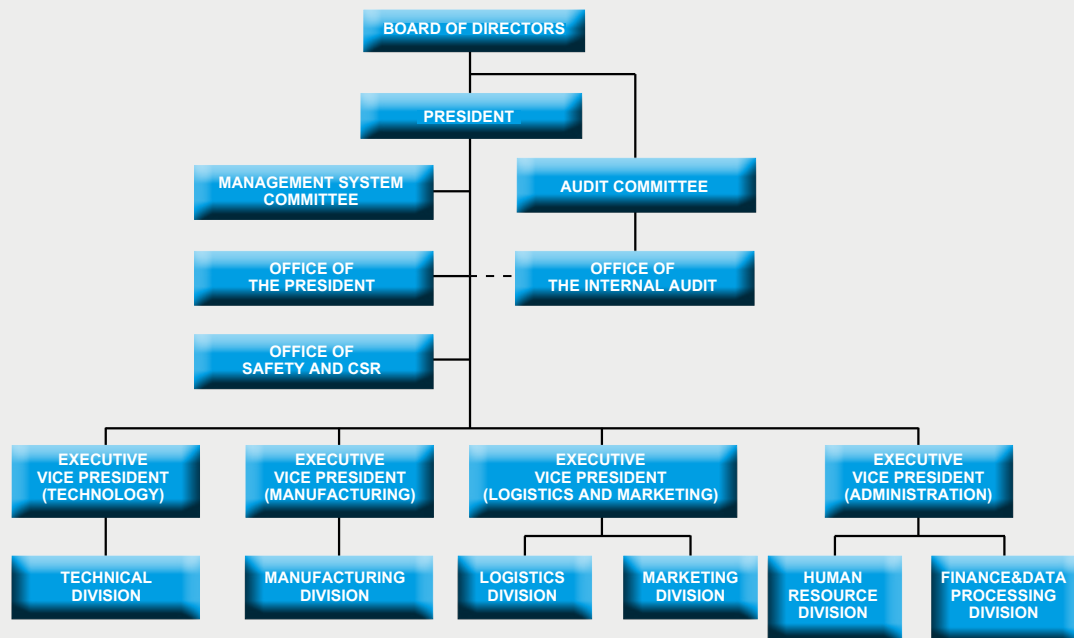
Kulthorn Metal Products Company Limited

Chairman	:	Mr. Suraporn Simakulthorn
Managing Director	:	Mr. Paiboon Boonpermvitaya
Directors	:	Mr. Arnon Simakulthorn
		Mr. Sutee Simakulthorn
		Mr. Titisak Simakulthorn
		Mr. Sutas Simakulthorn
		Ms. Sornsanan Simakulthorn
		Mr. Abhijit Simakulthorn

Suzhou Kulthorn Magnet Wire Company Limited

Chairman and Managing Director	:	Mr. Suraporn Simakulthorn
Directors	:	Mr. Arnon Simakulthorn
		Mr. Sutee Simakulthorn
		Mr. Titisak Simakulthorn
		Ms. Sunisa Simakulthorn

Company Organization Chart



Corporate Governance Policy

Kulthorn Kirby Public Company Limited (“KKC” or “the Company”) is aware of the importance of Good Corporate Governance, which leads to a transparent management system that is able to be audited in order to maintain the confidence of shareholders, investors, stakeholders and related persons.

The Board of Directors (BOD) of the Company has prepared the Corporate Governance Policy and Business Ethics as guidance for the operation of the business and to provide guidelines for management and employees, as follows :

1. Ensure that lines of authority and responsibility have been assigned for the management structure of the Company.
2. Ensure that financial reports reflect actual performance. Also, ensure that risk management and preventive measurement are assigned and accessed at the appropriate level.

3. Ensure that any process of the Company is effectively and productively conducted under the internal control system using the appropriate check-and-balance process, which is transparent and is able to be audited.
4. Carefully and reasonably manage any conflicts of interest for the benefit of the Company by setting a transparent operating system and disclosing any information that will not disadvantage the Company or shareholders.
5. Develop an ethical culture that requires management and employees to behave responsibly towards the Company and society.
6. Pursue excellence in operating the business through a commitment to providing customer satisfaction, and being open to suggestions and changes that will result in the best solutions.
7. Be aware of and respect shareholders' rights and the rights of related parties with equal consideration.
8. Be guided by our responsibility to shareholders, related parties and society as a whole.
9. Act in an environmentally responsible way.

PERFORMANCE AND FINANCIAL POSITION

Kulthorn Kirby Public Company Limited is a manufacturer of reciprocating compressor for refrigeration and air conditioning products in Thailand, started its operations in the beginning of 1982. The Company's products are sold to the domestic manufacturers of refrigerator, freezer, water cooler, commercial refrigeration product and air conditioner as well as export.

Operations

The revenues from sales and services income of the Company and its subsidiary for 2011 was Baht 11,842.28 million, a decrease from 2010 of Baht 18.33 million or 0.16 %. Total revenues amounted to Baht 12,277.16 million, a decrease from 2010 of Baht 260.17 million or 2.08 %

The cost of sales and services of the Company and its subsidiaries for 2011 was 95.95 % of the revenues from sales and services income, while it was 92.37 % in 2010. Selling and administrative expenses in 2011 amounted to Baht 510.21 million while such expenses in 2010, was Baht 483.87 million. The net interest paid in 2011, increased from 2010 by Baht 38.02 million.

The net Profit of the Company and its subsidiaries in 2011 amounted to Baht 83.97 million while in 2010, it was Baht 819.70 million.

Financial Position

The consolidated total assets in 2011 was Baht 9,501.93 million, an increase of Baht 192.41 million from Baht 9,309.52 million in 2010. There were an increase of the total current assets for Baht 281.38 million and a decrease of the other assets for Baht 88.97 million.

The consolidated total liabilities in 2011, was Baht 7,355.25 million, an increase of Baht 339.74 million from Baht 7,015.51 million in 2010.

The consolidated total shareholders' equity in 2011 was Baht 2,146.68 million, a decrease from 2010 by Baht 147.33 million.

Audit Committee's Report

The Audit Committee of the Kulthorn Kirby Public Co.,Ltd. which consisted of the three independent directors who were fully qualified in accordance with the Audit Committee's Charter; Acting Sub. Lieut. Samart Mekavanitchakul, as the Chairman of the Audit Committee, Mr. Thavatchai Jaranakarun and Mr. Padoong Techasarintr, as members of the committee. The Internal Audit Office Manager was assigned as the secretary.

The Audit Committee carried out their duties and had responsibilities as assigned by the Company's Board of Directors and in accordance with the regulations and the guidelines stipulated by the Stock Exchange of Thailand.

During the year 2011, the Audit Committee had 12 meetings with presence of all the three committee members throughout the period. The summary of the audit works were reported to the company Board of Directors every quarter which included the key points as follows :

Financial Statements: The Audit committee reviewed the key data of the quarterly and annually financial statements for the year 2011 of the company and its subsidiaries in order to ensure that the mentioned statements were prepared in conformity with the generally accepted accounting standards with complete and sufficient disclosure of information, reliable and timely submission.

Internal Control System: The Audit committee reviewed and assessed the sufficiency of the internal control system which covered all the factors according to the good internal control system guidelines including taking into account and endorsing the annual auditing plan of the Internal Audit Office, reviewing the internal auditing reports as well as continuously following up on the process of the suggested improvements. This was extended to cover the departments of the company's subsidiaries. The Audit Committee found that the company and its subsidiaries had sufficient and appropriate internal control systems. There was no significant weakness.

Risk Management: According to the review it was found that the company had an appropriate risk management system which was suitable to the business conditions. There were assessments of the control and the preventive measures pertaining to business, operation, finance and all the environmental factors that were uncontrollable. Due to the flood at the end of year 2011 the company monitored the problems and prepared all the necessary preventive measures in advance. As a result the company's business could continue and was hardly affected. This indicated an ability in assessing and managing risks in order to reduce or to mitigate them at the acceptable level.

Related transactions or transactions which might cause conflict of interests: The Audit committee reviewed the related transactions and the business transactions of the company and its subsidiaries including the transactions which might cause conflict of interests. This was to ensure that the mentioned transactions were carried out according to the normal business conditions and to the optimum benefit of the company. No benefits were siphoned off. The information was

sufficiently and completely disclosed in accordance with the regulations stipulated by the Stock Exchange of Thailand.

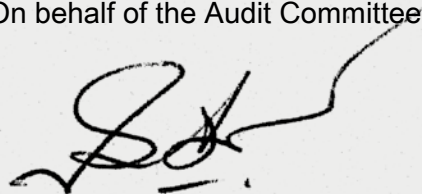
Work according to the laws relating to the business: The Audit committee reviewed the company's operation in order to ensure the adherence of the Securities Exchange Act, all the relevant laws as well as to observe the operations to be carried out in accordance with the good corporate governance principles for transparency and reliability.

Appointment of Auditors: The Audit Committee reviewed and proposed to the company's Board of Directors to be further approved at the General Meeting of the shareholders, appointment of Ms. Saifon Inkaew or Mr. Wichart Lokatekrawee or Ms. Siriwan Suratepin of Ernst & Young Co.,Ltd. as the company's auditors for the year 2012 at the auditing and reviewing fees of 990,000 baht which was the same as last year and considered appropriate and reasonable.

The Audit Committee had freedom in carrying out their assigned duties and received good cooperation from the Management. The auditors were invited for discussions, comments and/or observations pertaining to the internal control system of accounting and finance. There were no irregularities and significant errors found.

March 12, 2012

On behalf of the Audit Committee



Acting Sub. Lieut. Samart Mekavanitchakul
Chairman of the Audit Committee

Declaration of the Directors' Responsibility for the Financial Statements

The Board of Directors of the Kulthorn Kirby Public Company Limited (KKC) has prepared the Company's financial statements to show its financial status and performance for 2011 under the Public Company Limited Act of 1992, the Accounting Act of 2000, the Securities and Exchange Act of 1992 and the announcement of the Capital Market Supervisory Board concerning the criteria, conditions and reporting method for the disclosure of information on financial status and performance of companies that issue securities.

The Board recognizes its duties and responsibility for directing a listed company, particularly the responsibility for financial statements of the Company and its subsidiaries including financial information that appears in the annual report of 2011. Such statements have been prepared under generally accepted accounting principles, with a suitable accounting policy chosen and due discretion exercised for sensible estimation. Adequate significant information has been disclosed in the notes to these financial statements for transparent use by shareholders and investors at large.

The Board has instituted and maintained effective practices for the risk of company business and internal control systems to become reasonably confident of accurate, complete and adequate accounting information to retain Company assets and prevent frauds or significant anomalies in operation.

The audit Committee, acting on behalf of the Board, has been assigned responsibility for the quality of financial reports and internal control system and its opinions duly appear in its own report found in this publication.

It is our view that KKC's internal control system is, on the whole, satisfactory and can reasonably assure us that the financial statements of KKC and its subsidiaries ended December 31, 2011 are reliable under generally accepted accounting principles, legally sound and acceptable to relevant regulations.



Mr. Sumeth Simakulthorn
Chairman



Mr. Suraporn Simakulthorn
Managing Director

Report of Independent Auditor

To the Shareholders of Kulthorn Kirby Public Company Limited

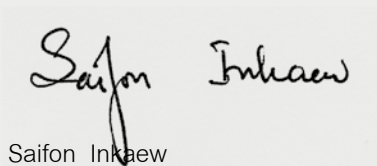
I have audited the accompanying consolidated statements of financial position of Kulthorn Kirby Public Company Limited and its subsidiaries as at 31 December 2011 and 2010, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and the separate financial statements of Kulthorn Kirby Public Company Limited for the same periods. These financial statements are the responsibility of the management of the Company as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits. I did not audit the financial statements of Suzhou Kulthorn Megnet Wire Company Limited, an overseas subsidiary of Kulthorn Materials and Controls Company Limited which is a subsidiary of the Company. The financial statements of Suzhou Kulthorn Megnet Wire Company Limited were included in the consolidated financial statements. The consolidated statement of financial position as at 31 December 2011 included the financial statements of that company which presented total assets of Baht 796 million, or equivalent to 8.4 percent of total consolidated assets (2010: Baht 592 million, or equivalent to 6.4 percent of total consolidated assets). The consolidated statements of comprehensive income for the year ended 31 December 2011 included total revenue of that company of Baht 1,285 million, or equivalent to 10.5 percent of total consolidated revenue (2010: Baht 900 million, or equivalent to 7.2 percent of consolidated revenue) and net operating loss of that company of Baht 76 million (2010: Baht 31 million). The financial statements of that company were audited by other auditor, whose reports have been furnished to me, and my report, insofar as it relates to the amounts included for that company in the consolidated financial statements, is based solely on the report of that auditor.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, based on my audits and the reports of other auditor, 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 2011 and 2010, and the results of their operations, and cash flows for the years then ended in accordance with generally accepted accounting principles.

Without qualifying my opinion on the aforementioned financial statements, I draw attention to the following matters:

- 1) As stated in Note 3 to the financial statements, during the current year, the Company adopted the revised and new accounting standards as issued by the Federation of Accounting Professions, and applied them in the preparation and presentation of the financial statements.
- 2) As stated in Note 18 to the financial statements, as at 31 December 2011, the Company and its subsidiaries had total current liabilities in excess of total current assets of Baht 2,230 million (the Company only: Baht 2,657 million), Baht 1,500 million of which is caused by the classification of all long-term loan to be included in the current portion of long-term loans because as at 31 December 2011, the Company and its subsidiaries could not maintain certain financial ratio in accordance with the loan covenants, which resulted in the loans becoming payable on demand. However, in February 2012, the Company and its subsidiaries have already received the waiver for such non-compliance from all lenders. The classification of such liabilities to be current is in accordance with generally accepted accounting principles.



Saifon Inkaew

Certified Public Accountant (Thailand) No. 4434

Ernst & Young Office Limited

Bangkok: 24 February 2012

Statements of financial position

Kulthorn Kirby Public Company Limited and its subsidiaries
As at 31 December 2011 and 2010

(Unit: Baht)

	<u>Note</u>	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Assets					
Current assets					
Cash and cash equivalents	7	245,612,253	145,672,232	23,931,502	1,023,461
Trade and other receivables	8, 9	2,299,506,212	2,238,160,289	980,133,744	962,991,701
Inventories	10	2,356,165,924	2,229,002,496	873,653,128	937,923,382
VAT receivable		48,082,644	67,914,825	16,392,732	46,207,029
Other current assets		79,692,939	66,930,972	5,913,931	4,195,250
Total current assets		<u>5,029,059,972</u>	<u>4,747,680,814</u>	<u>1,900,025,037</u>	<u>1,952,340,823</u>
Non-current assets					
Restricted bank deposits	11	910,000	910,000	-	-
Investments in subsidiaries	12	-	-	2,334,372,497	2,334,372,497
Property, plant and equipment	13	4,457,609,587	4,547,883,749	1,925,981,942	1,798,735,989
Goodwill on business combination	14	-	-	-	-
Other intangible assets	15	11,952,645	11,094,072	3,765,031	4,050,529
Other non-current assets		2,395,297	1,950,186	930,052	862,292
Total non-current assets		<u>4,472,867,529</u>	<u>4,561,838,007</u>	<u>4,265,049,522</u>	<u>4,138,021,307</u>
Total assets		<u><u>9,501,927,501</u></u>	<u><u>9,309,518,821</u></u>	<u><u>6,165,074,559</u></u>	<u><u>6,090,362,130</u></u>

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

Statements of financial position (continued)

Kulthorn Kirby Public Company Limited and its subsidiaries
As at 31 December 2011 and 2010

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2011	2010	2011	2010
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans from					
financial institutions	16	4,090,566,493	3,290,072,233	1,778,197,987	969,115,771
Trade and other payables	9, 17	932,551,049	1,207,061,441	645,107,777	990,575,044
Short-term loan from related party	9	38,053,403	-	-	-
Current portion of long-term loans	18	2,000,000,000	500,000,000	2,000,000,000	500,000,000
Current portion of liabilities under hire-purchase					
and financial lease agreements	19	34,717,065	75,953,017	20,071,832	34,841,430
Dividend payable		71,711,680	463,710	71,711,680	463,710
Income tax payable		10,252,952	33,155,435	-	15,308,526
Other current liabilities		81,202,399	66,942,625	42,346,719	50,270,908
Total current liabilities		7,259,055,041	5,173,648,461	4,557,435,995	2,560,575,389
Non-current liabilities					
Long-term loans - net of current portion	18	-	1,800,000,000	-	1,800,000,000
Liabilities under hire-purchase and financial lease					
agreements - net of current portion	19	7,037,948	41,858,700	4,139,830	24,246,888
Provision for long-term employee benefits	21	89,155,687	-	46,355,302	-
Total non-current liabilities		96,193,635	1,841,858,700	50,495,132	1,824,246,888
Total liabilities		7,355,248,676	7,015,507,161	4,607,931,127	4,384,822,277

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


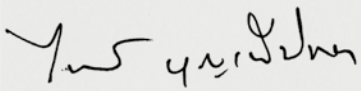
Statements of financial position (continued)

Kulthorn Kirby Public Company Limited and its subsidiaries
As at 31 December 2011 and 2010

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
Shareholders' equity					
Share capital	22				
Registered					
1,000,000,000 ordinary shares of Baht 1 each					
(31 December 2010: 850,000,000 ordinary shares of Baht 1 each)		1,000,000,000	850,000,000	1,000,000,000	850,000,000
Issued and fully paid up					
850,000,000 ordinary shares of Baht 1 each		850,000,000	850,000,000	850,000,000	850,000,000
Share premium		350,000,000	350,000,000	350,000,000	350,000,000
Retained earnings					
Appropriated - statutory reserve	23	81,035,666	77,793,632	81,035,666	77,793,632
Unappropriated		666,972,377	835,364,244	276,107,766	427,746,221
Other components of shareholders' equity		198,670,782	180,853,784	-	-
Total shareholders' equity		2,146,678,825	2,294,011,660	1,557,143,432	1,705,539,853
Total liabilities and shareholders' equity		9,501,927,501	9,309,518,821	6,165,074,559	6,090,362,130

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



 Directors



Statements of comprehensive income

Kulthorn Kirby Public Company Limited and its subsidiaries
For the years ended 31 December 2011 and 2010

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2011	2010	2011	2010
Profit or loss:					
Revenues					
Sales and service income	9, 30	11,842,281,705	11,860,611,187	5,209,686,920	5,934,931,501
Other income					
Income from scrap sales	9	429,155,570	432,698,552	291,165,511	282,304,868
Interest income	9	1,968,843	6,688,738	477,831	6,646,923
Gain on exchange rate		-	217,676,891	8,161,686	67,052,246
Others		3,752,900	19,653,630	8,563,335	11,003,583
Total revenues		12,277,159,018	12,537,328,998	5,518,055,283	6,301,939,121
Expenses					
Cost of sales and services	9	11,362,249,012	10,955,566,243	5,029,283,069	5,558,032,726
Selling expenses		151,364,488	163,815,319	79,852,796	95,937,511
Administrative expenses		358,841,099	320,054,188	174,568,655	137,084,175
Loss on exchange rate		40,725,517	-	-	-
Total expenses		11,913,180,116	11,439,435,750	5,283,704,520	5,791,054,412
Profit before finance cost and corporate income tax		363,978,902	1,097,893,248	234,350,763	510,884,709
Finance cost		(257,312,971)	(219,288,911)	(169,581,462)	(124,551,985)
Profit before corporate income tax		106,665,931	878,604,337	64,769,301	386,332,724
Corporate income tax		(22,697,322)	(58,908,250)	(1,187,643)	(23,480,720)
Profit for the year		83,968,609	819,696,087	63,581,658	362,852,004
Other comprehensive income:					
Exchange differences on translation of financial statements in foreign currency		17,816,998	(15,910,149)	-	-
Other comprehensive income for the year		17,816,998	(15,910,149)	-	-
Total comprehensive income for the year		101,785,607	803,785,938	63,581,658	362,852,004
Basic earnings per share	27				
Profit attributable to equity holders of the Company		0.10	1.05	0.07	0.46
Weighted average number of ordinary shares (shares)		850,000,000	781,780,821	850,000,000	781,780,821

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

Statements of changes in shareholders' equity

Kulthorn Kirby Public Company Limited and its subsidiaries

For the years ended 31 December 2011 and 2010

(Unit: Baht)

	Consolidated financial statements									
	Other components of shareholders' equity									
	Other comprehensive income									
	Exchange differences on translation of financial statements in foreign currency									
	Issued and fully paid-up share capital	Share premium	Retained earnings	Unappropriated	Appropriated	Unappropriated	Surplus from business combination under common control	Total other components of shareholders' equity	Total shareholders' equity	
Balance as at 31 December 2009 - as previously reported	700,000,000	200,000,000	59,655,363	271,258,161	-	-	-	-	-	1,230,913,524
Adjustment from business combination under common control (Note 12)	-	-	-	(67,451,735)	-	(11,134,016)	207,897,949	196,763,933	129,312,198	
Balance as at 31 December 2009 - as restated	700,000,000	200,000,000	59,655,363	203,806,426	-	(11,134,016)	207,897,949	196,763,933	1,360,225,722	
Increase share capital (Note 22)	150,000,000	150,000,000	-	-	-	-	-	-	300,000,000	
Dividend paid (Note 24)	-	-	-	(170,000,000)	-	-	-	-	(170,000,000)	
Total comprehensive income for the year	-	-	-	819,696,087	-	(15,910,149)	-	(15,910,149)	803,785,938	
Unappropriated retained earnings transferred to statutory reserve	-	-	18,138,269	(18,138,269)	-	-	-	-	-	
Balance as at 31 December 2010	850,000,000	350,000,000	77,793,632	835,364,244	-	(27,044,165)	207,897,949	180,853,784	2,294,011,660	
Balance as at 31 December 2010	850,000,000	350,000,000	77,793,632	835,364,244	-	(27,044,165)	207,897,949	180,853,784	2,294,011,660	
Cumulative effect of change in accounting policy for employee benefits (Note 21)	-	-	-	(79,118,442)	-	-	-	-	(79,118,442)	
Dividend paid (Note 24)	-	-	-	(170,000,000)	-	-	-	-	(170,000,000)	
Total comprehensive income for the year	-	-	-	83,968,609	-	17,816,998	-	17,816,998	101,785,607	
Unappropriated retained earnings transferred to statutory reserve	-	-	3,242,034	(3,242,034)	-	-	-	-	-	
Balance as at 31 December 2011	850,000,000	350,000,000	81,035,666	666,972,377	-	(9,227,167)	207,897,949	198,670,782	2,146,678,825	

The accompanying notes are an integral part of the financial statements

Statements of changes in shareholders' equity (Continued)

Kulthorn Kirby Public Company Limited and its subsidiaries
For the years ended 31 December 2011 and 2010

	Separate financial statements				(Unit: Baht)
	Issued and fully paid-up share capital	Share premium	Retained earnings		Total shareholders' equity
			Appropriated	Unappropriated	
Balance as at 31 December 2009	700,000,000	200,000,000	59,655,363	253,032,486	1,212,687,849
Increase share capital (Note 22)	150,000,000	150,000,000	-	-	300,000,000
Dividend paid (Note 24)	-	-	-	(170,000,000)	(170,000,000)
Total comprehensive income for the year	-	-	-	362,852,004	362,852,004
Unappropriated retained earnings transferred to statutory reserve	-	-	18,138,269	(18,138,269)	-
Balance as at 31 December 2010	850,000,000	350,000,000	77,793,632	427,746,221	1,705,539,853
Balance as at 31 December 2010	850,000,000	350,000,000	77,793,632	427,746,221	1,705,539,853
Cumulative effect of change in accounting policy for employee benefits (Note 21)	-	-	-	(41,978,079)	(41,978,079)
Dividend paid (Note 24)	-	-	-	(170,000,000)	(170,000,000)
Total comprehensive income for the year	-	-	-	63,581,658	63,581,658
Unappropriated retained earnings transferred to statutory reserve	-	-	3,242,034	(3,242,034)	-
Balance as at 31 December 2011	850,000,000	350,000,000	81,035,666	276,107,766	1,557,143,432

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

Cash flow statements

Kulthorn Kirby Public Company Limited and its subsidiaries
For the years ended 31 December 2011 and 2010

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Cash flows from operating activities				
Profit before tax	106,665,931	878,604,337	64,769,301	386,332,724
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	604,008,991	592,918,229	234,456,206	231,994,203
Allowance for doubtful accounts	(4,381,476)	(4,886,046)	(4,295,443)	(6,264,228)
Decrease of inventory value to net realisable value	381,985	(5,183,705)	(4,284,587)	(6,987,209)
Gain on sales of property, plant and equipment	(1,855,826)	(2,127,325)	(3,384,069)	(743,794)
Reversal of allowance for impairment loss on assests	(3,741,179)	-	-	-
Deferred interest	5,472,924	10,329,892	2,808,513	5,211,011
Provision for long-term employee benefits	10,037,245	-	4,377,223	-
Unrealised (gain) loss on exchange	47,538,691	(42,092,852)	717,067	778,561
Interest expenses	247,234,770	214,139,506	163,329,739	116,131,890
Profit from operating activities before changes in operating assets and liabilities	1,011,362,056	1,641,702,036	458,493,950	726,453,158
Operating assets (increase) decrease				
Trade and other receivables	(34,089,754)	(410,883,019)	(314,323)	(141,769,148)
Short-term loans to related party	-	12,000,000	-	258,000,000
Inventories	(127,545,413)	(474,825,481)	68,554,842	(245,928,531)
Other current assets	17,199,059	2,884,375	28,264,632	888,130
Other non-current assets	(445,156)	2,232,494	(67,760)	(183,756)
Operating liabilities increase (decrease)				
Trade and other payables	(278,835,748)	283,898,738	(353,633,803)	281,131,947
Other current liabilities	184,104,864	(222,190,032)	160,087,451	(149,092,309)
Cash flows from operating activities	771,749,908	834,819,111	361,384,989	729,499,491
Cash paid for interest expenses	(247,188,054)	(216,344,529)	(163,034,655)	(117,577,701)
Cash paid for corporate income tax	(55,700,327)	(75,928,896)	(16,665,185)	(56,562,610)
Net cash flows from operating activities	468,861,527	542,545,686	181,685,149	555,359,180

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

Cash flow statements (continued)

Kulthorn Kirby Public Company Limited and its subsidiaries
For the years ended 31 December 2011 and 2010

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Cash flows from investing activities				
Increase in restricted bank deposits	-	(280,000)	-	-
Acquisition of property, plant and equipment	(654,864,312)	(600,838,027)	(508,397,284)	(383,070,094)
Net cash paid for new investment in subsidiary	-	(240,630,038)	-	(240,630,038)
Cash paid for additional investment in subsidiary	-	-	-	(200,000,000)
Proceeds from sales of property, plant and equipment	2,673,519	7,629,306	3,862,781	760,693
Net cash flows used in investing activities	(652,190,793)	(834,118,759)	(504,534,503)	(822,939,439)
Cash flows from financing activities				
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	735,652,615	404,478,764	782,194,594	218,514,631
Short-term loan from related party	38,053,403	(70,200,000)	-	-
Factoring payable	-	(135,712,487)	-	(93,392,330)
Cash receipt from long-term loans	200,000,000	2,400,000,000	200,000,000	2,400,000,000
Repayment of long-term loans	(500,000,000)	(2,459,867,278)	(500,000,000)	(2,394,810,342)
Proceeds from increase in share capital	-	300,000,000	-	300,000,000
Cash paid for liabilities under hire-purchases and financial lease agreements	(81,529,628)	(86,977,058)	(37,685,169)	(40,479,751)
Dividend paid	(98,752,030)	(170,000,000)	(98,752,030)	(170,000,000)
Net cash flows from financing activities	293,424,360	181,721,941	345,757,395	219,832,208
Increase (decrease) in translation adjustments	(10,155,073)	5,423,172	-	-
Net increase (decrease) in cash and cash equivalents	99,940,021	(104,427,960)	22,908,041	(47,748,051)
Cash and cash equivalents at beginning of year	145,672,232	250,100,192	1,023,461	48,771,512
Cash and cash equivalents at end of year	245,612,253	145,672,232	23,931,502	1,023,461

Supplement cash flows information

1) Non-cash related transaction for investing activities

Net decrease in trust receipt and other accounts payable

for purchases of fixed assets	(171,166,468)	(43,006,570)	(146,501,912)	(12,240,712)
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2) Non-cash related transaction for financing activities

Assets acquired under hire-purchase

and financial lease agreements	-	7,531,530	-	-
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The accompanying notes are an integral part of the financial statements.

Notes to consolidated financial statements

Kulthorn Kirby Public Company Limited and its subsidiaries
For the years ended 31 December 2011 and 2010

1. General information

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

2. Basis of preparation

- 2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

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

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

2.2 Basis of consolidation

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

Subsidiary companies	Nature of business	Country of incorporation	Percentage of shareholding	
			2011	2010
Subsidiaries held by the Company				
Kulthorn Kirby Foundry Company Limited	Manufacturing and sales of iron castings for compressor parts and automotives parts	Thailand	100	100
Kulthorn Premier Company Limited	Manufacturing and sales of hermetic compressors and iron castings for compressor parts and automotives parts	Thailand	100	100
Kulthorn Steel Company Limited	Slitting of electrical steel for compressor	Thailand	100	100
Kulthorn Materials and Controls Company Limited	Manufacturing and sales of enameled copper wires and thermostat used in air conditioners and refrigerators	Thailand	100	100
Subsidiaries held directly and indirectly by Kulthorn Materials and Controls Company Limited				
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

As described in Note 12 to the financial statements, Kulthorn Materials and Controls Company Limited has indirect investment in an oversea subsidiary, Suzhou Kulthorn Magnet Wire Company Limited, which was incorporated in People's Republic of China. The consolidated statement of financial position as at 31 December 2011 included the financial statements of that company which presented total assets of Baht 796 million, or equivalent to 8.4 percent of total consolidated assets (2010: Baht 592 million, or equivalent to 6.4 percent of total consolidated assets), and the consolidated statement of comprehensive income for the year ended 31 December 2011 included total revenue of that company of Baht 1,285 million, or equivalent to 10.5 percent of total consolidated revenue (2010: Baht 900 million, or equivalent to 7.2 percent of total consolidated revenue), and net operating loss of that company of Baht 76 million (2010: Baht 31 million).

- b) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- c) The financial statements of the subsidiaries are prepared using the same accounting period and significant accounting policies as the Company.
- d) The assets and liabilities in the financial statements of overseas subsidiary companies are translated to Baht using the exchange rate prevailing on the end of reporting period, and revenues and expenses 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.
- e) 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, which present investments in subsidiaries under the cost method, have been prepared solely for the benefit of the public.

3. Adoption of new accounting standards during the year

During the current year, the Company adopted a number of revised and new accounting standards, issued by the Federation of Accounting Professions, as listed below.

Accounting standards:

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates

TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property

Financial reporting standards:

TFRS 2	Share-Based Payment
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources

Financial Reporting Standard Interpretations:

TFRIC 15	Agreements for the Construction of Real Estate
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Accounting Standard Interpretations:

SIC 31	Revenue-Barter Transactions Involving Advertising Services
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These accounting standards do not have any significant impact on the financial statements, except for the following accounting standards.

TAS 19 Employee Benefits

This accounting standard requires employee benefits to be recognised as expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment benefits and other long-term employee benefits using actuarial techniques. The Company and its subsidiaries previously accounted for such employee benefits when they were incurred.

The Company and its subsidiaries have changed this accounting policy in the current year and recognise the liability in the transition period through an adjustment to the beginning balance of retained earnings in the current year. The change has the effect of decreasing the profit of the Company and its subsidiaries for the year 2011 by Baht 10.0 million, (0.01 Baht per share) (The Company only: decreasing profit by Baht 4.4 million, or 0.01 Baht per share). The cumulative effect of the changes in the accounting policy of approximately Baht 79.1 million in the consolidated financial statements and Baht 42.0 million in the separate financial statements have been presented in the statements of changes in shareholders' equity.

4. New accounting standards issued during the years not yet effective

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting standards:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

Accounting Standard Interpretations:

SIC 10	Government Assistance - No Specific Relation to Operating Activities
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standards.

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognize deferred tax assets and liabilities under the stipulated guidelines.

At present, the management is evaluating the impact on the financial statements in the year when this standard is adopted.

5. Significant accounting policies

5.1 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.

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 rate.

Dividends

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

5.2 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.

5.3 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.

5.4 Inventories

Inventories are valued at the lower of cost (first-in, first-out basis) and net realisable value. Cost of work in process and finished goods includes raw materials, direct labour and production overhead. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Allowance for diminution in inventory value will be set up for old, obsolete or deteriorated inventories.

5.5 Investments

Investments in the subsidiaries are accounted for in the separate financial statements using the cost method less accumulated allowance for impairment loss (if any).

Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded as a separate item in shareholders' equity, and will be recorded in profit or loss when the securities are sold.

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 surplus (deficit) from changes in the value of investments 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.

5.6 Property, plant and equipment and depreciation

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

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

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

Depreciation is 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.

5.7 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

5.8 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.

5.9 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.

5.10 Related party transactions

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

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

5.11 Foreign currencies

Transactions in foreign currencies are translated into Baht at the exchange rate ruling on 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.

5.12 Impairment of assets

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

5.13 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.

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

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

Defined benefit plans and other long-term employee benefits

The Company and its subsidiary companies 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 subsidiary companies treat these severance payment obligations as a defined benefit plan. In addition, the Company and its subsidiary companies 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 gains and losses arising from post-employment benefits are recognised immediately in profit or loss.

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

For the first-time adoption of TAS 19 Employee Benefits, the Company elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in the current year.

5.15 Provisions

Provisions are recognised when the Company and its subsidiary companies 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.

5.16 Income tax

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.

5.17 Derivatives

Forward exchange contracts

At the end of reporting period, unrecognised gains and losses from the translation are included in determining income.

Interest rate swap contracts

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

Cross currency swap agreement

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

Currency option contract

Currency option agreements are contracts between two parties whereby the seller grants the buyer a future option to buy (call option) or to sell (put option) foreign currency at an exchange rate stipulated in the agreement. The Company enters into such agreements in order to manage foreign exchange risk.

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

6. Significant accounting judgments and estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 judgment and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

Allowance for diminution in inventory value

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

Fair value of financial instruments

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercise judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

Impairment of equity investments

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

Property, plant and equipment/Depreciation

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

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

Goodwill and intangible assets

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

Warranty reserve

In determining warranty reserve, the management needs to exercise judgement, 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.

Recognition and derecognition of assets and liabilities

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

7. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Cash	142,469	628	297	327
Bank deposits	103,143	145,044	23,635	696
Total	<u>245,612</u>	<u>145,672</u>	<u>23,932</u>	<u>1,023</u>

As at 31 December 2011, bank deposits in savings and fixed accounts carried interests at the rate between 0.5 and 0.75 percent per annum (2010: between 0.25 and 0.65 percent per annum).

8. Trade and other receivables

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
<u>Trade receivable - related parties</u>				
Not yet due	92,317	115,254	109,106	148,143
Overdue				
Less than 3 months	26,565	46,647	17,824	67,183
3 - 6 months	2,205	1,334	2,076	1,334
6 - 12 months	12,182	4,952	11,609	4,952
Over 12 months	7,496	6,005	7,418	6,005
Total	140,765	174,192	148,033	227,617
Less: Allowance for doubtful debts	-	-	-	-
Total trade receivables - related parties, net	140,765	174,192	148,033	227,617
<u>Trade receivable - unrelated parties</u>				
Not yet due	1,445,289	1,462,437	487,562	525,263
Overdue				
Less than 3 months	682,474	568,858	337,007	174,254
3 - 6 months	22,889	9,607	1	6,248
6 - 12 months	500	1,601	-	929
Over 12 months	5,341	6,160	483	6,155
Total	2,156,493	2,048,663	825,053	712,849
Less: Allowance for doubtful debts	(6,078)	(10,460)	(470)	(4,766)
Total trade receivables - unrelated parties, net	2,150,415	2,038,203	824,583	708,083
Total trade receivable - net	2,291,180	2,212,395	972,616	935,700
<u>Other receivables</u>				
Advances - related party	4,468	18,515	4,123	20,490
Other	3,858	7,250	3,395	6,802
Total other receivables	8,326	25,765	7,518	27,292
Total trade and other receivables - net	2,299,506	2,238,160	980,134	962,992

The outstanding balances of the Company and a subsidiary's trade accounts receivable as at 31 December 2011 included Baht 76 million (The Company only: Baht 41.7 million) of the trade accounts receivable that were sold to a local commercial bank at a discount. The Company and a subsidiary still have obligations under the guarantee they provided in respect of the sale.

9. 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)					
	Consolidated financial statements		Separate financial statements		
	For the year ended 31 December		For the year ended 31 December		Pricing policy
	2011	2010	2011	2010	
<u>Transactions with subsidiary companies</u>					
Sales of goods and scraps	-	-	481	408	Approximate market price
Interest income	-	-	-	5	Interest rate at 5.5 percent per annum
Income from guarantee fee	-	-	-	1	Guarantee fee rate at 1 percent per annum of guarantee value
Rental income	-	-	2	2	Mutually agreed price as stipulated in the contract
Purchases of goods	-	-	1,451	2,342	Market price
Sales of fixed assets	-	-	1	-	Mutually agreed price
<u>Transactions with related companies</u>					
Sales of goods and scraps	666	818	360	409	Approximate market price
Purchases of goods	81	199	78	183	Market price
Commission expenses	10	19	10	19	Commission rate at 1 percent of sales after deducting expenses

The balances of the accounts as at 31 December 2011 and 2010 between the Company and those related parties are as follows:

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
<u>Trade and other receivables - related parties</u>				
(Note 8)				
Subsidiary companies	-	-	59,270	135,423
Related companies (related by common director/shareholder)	145,233	192,707	92,886	112,684
Trade and other receivables - related parties	145,233	192,707	152,156	248,107
<u>Trade and other payable - related parties (Note 17)</u>				
Subsidiary companies	-	-	361,998	373,374
Related companies (related by common director/shareholder)	23,264	11,925	21,318	9,740
Total trade and other payable - related parties	23,264	11,925	383,316	383,114
<u>Short-term loan from related party</u>				
Director	38,053	-	-	-
Total short-term loan from related party	38,053	-	-	-

During the year ended 31 December 2011, short-term loan of subsidiary from related party had the following movements:

	Balance as at		Balance as at	
	1 January 2011	During the year	31 December 2011	
		Increase	Decrease	
<u>Short-term loan of subsidiary from related party</u>				
Director	-	38,053	-	38,053
Total short-term loan of subsidiary from related party	-	38,053	-	38,053

Directors and management's benefits

During the year ended 31 December 2011 and 2010, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below:

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Short-term employee benefits	30	23	15	15
Post-employment benefits	2	-	1	-
Other long-term benefits	-	-	-	-
Total	32	23	16	15

Guarantee obligations with related parties

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

10. Inventories

(Unit: Thousand Baht)

Consolidated financial statements						
	Cost		Allowance for diminution in value of inventories		Inventories - net	
	2011	2010	2011	2010	2011	2010
Finished goods	693,723	798,372	(65,022)	(58,576)	628,701	739,796
Work in process	360,167	284,455	(4,618)	(7,356)	355,549	277,099
Raw materials	1,089,589	922,043	(26,823)	(30,150)	1,062,766	891,893
Goods in transit	309,150	320,214	-	-	309,150	320,214
Total	2,452,629	2,325,084	(96,463)	(96,082)	2,356,166	2,229,002

(Unit: Thousand Baht)

Separate financial statements						
	Cost		Allowance for diminution in value of inventories		Inventories - net	
	2011	2010	2011	2010	2011	2010
Finished goods	255,028	281,512	(16,285)	(18,283)	238,743	263,229
Work in process	118,073	98,499	(1,005)	-	117,068	98,499
Raw materials	490,712	515,201	(17,209)	(20,500)	473,503	494,701
Goods in transit	44,339	81,494	-	-	44,339	81,494
Total	908,152	976,706	(34,499)	(38,783)	873,653	937,923

11. Restricted bank deposit

This represents a deposit of subsidiary companies which has been pledged to secure against bank guarantee granted by a local commercial bank.

12. Investments in subsidiaries

As at 31 December 2011 and 2010 the Company has long-term investments in ordinary shares of the following companies:

(Unit: Thousand Baht)

Company's name	Separate financial statements					
	Share capital		Shareholding		Investment (At cost)	
			Percentage			
	2011	2010	2011	2010	2011	2010
			(%)	(%)		
Kulthorn Kirby Foundry Company Limited	375,000	375,000	100	100	539,999	539,999
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	350,000	350,000	100	100	240,630	240,630
Total					3,117,379	3,117,379
Less: Allowance for impairment loss on investments in subsidiaries					(783,007)	(783,007)
Total investments in subsidiary companies - net					2,334,372	2,334,372

During the current year, there was no dividend payment from all subsidiary companies.

Kulthorn Steel Company Limited

On 7 June 2010, the Extraordinary General Meeting of the shareholders of Kulthorn Steel Co., Ltd. No. 1/2553 passed a resolution to approve Kulthorn Steel Co., Ltd. (a subsidiary) to increase its registered share capital from Baht 200 million (2,000,000 ordinary shares of Baht 100 each) to Baht 400 million (4,000,000 ordinary shares of Baht 100 each) through the issuance of 2,000,000 ordinary shares with a par value of Baht 100 each. The Company acquired all newly issued ordinary shares amounting to Baht 200 million.

Kulthorn Materials and Controls Company Limited

On 28 April 2010, the Annual General Meeting of the Company's shareholders No. 31/2553 passed the resolution to approve the purchase of 100% of the ordinary shares in Kulthorn Materials and Controls Company Limited including any transactions related to the said transaction. On 2 July 2010, the Company purchased the 3,500,000 ordinary shares from the existing shareholders of Kulthorn Materials and Controls Company Limited. at the total value of Baht 240.6 million. Kulthorn Materials and Controls Company Limited has 100% equity investments in 2 subsidiaries, namely Kulthorn Metal Products Company Limited, a limited company under Thai law, and Phelps Dodge Suzhou Holdings, Inc., a company registered overseas, which has 100% equity investment in Suzhou Kulthorn Magnet Wire Company Limited, a company registered and located in China. Total values of assets and liabilities of Kulthorn Materials and Controls Company Limited and its subsidiaries at the date of investment by the Company in Kulthorn Materials and Controls Company Limited are as follows:

	(Unit: Thousand Baht)
	<u>Consolidated</u>
Cash and cash equivalents	88,675
Property, plants and equipment - net	1,087,513
Other assets	1,646,621
Total assets	<u>2,822,809</u>
 Total liabilities	 <u>2,374,281</u>
Net acquired assets	448,528
Percentage of shareholding	100
Net assets from acquisition of new subsidiary companies	448,528
Add: Excess of net assets over consideration (surplus from business combination under common control)	<u>(207,898)</u>
Cash paid for in acquisition of the new subsidiary companies	<u>240,630</u>

The Company and Kulthorn Materials and Controls Company Limited share the same shareholders and management team as before, and the acquisition was made in order to restructure shareholdings within the group of companies. The Company therefore recorded the excess of the fair value of the assets acquired over the cost of acquisition approximately Baht 207.9 million under the caption "Surplus from business combination under common control" in other components of shareholders' equity in the consolidated statements of changes in shareholders' equity.

(Unit: Thousand Baht)

	Separate financial statements							
	Land improvement			Furniture, fixtures and office equipment		Motor vehicles	Construction in progress	Total
	Land	and plant	Machinery	equipment	equipment	vehicles	in progress	
Cost								
As at 1 January 2010	125,007	509,834	2,688,936	677,242	60,962	39,996	248,137	4,350,114
Additions	-	60	10,495	11,547	5,948	2,817	338,762	369,629
Transfer in (out)	-	5,453	332,794	21,467	1,134	6,514	(367,362)	-
Disposals/write-off	-	-	(635)	-	(6,529)	(610)	-	(7,774)
As at 31 December 2010	125,007	515,347	3,031,590	710,256	61,515	48,717	219,537	4,711,969
Additions	-	770	11,665	12,145	4,025	516	332,398	361,519
Transfer in (out)	70,000	9,634	52,899	18,898	580	-	(152,011)	-
Disposals/write-off	-	-	(8,122)	(28,980)	(2,063)	-	-	(39,165)
As at 31 December 2011	195,007	525,751	3,088,032	712,319	64,057	49,233	399,924	5,034,323
Accumulated depreciation								
As at 1 January 2010	-	221,431	1,790,791	595,634	53,104	28,577	-	2,689,537
Depreciation for the year	-	22,454	159,679	40,729	4,559	4,032	-	231,453
Disposals/write-off	-	-	(635)	-	(6,512)	(610)	-	(7,757)
As at 31 December 2010	-	243,885	1,949,835	636,363	51,151	31,999	-	2,913,233
Depreciation for the year	-	22,560	168,135	33,153	5,016	4,930	-	233,794
Disposals/write-off	-	-	(7,670)	(28,979)	(2,037)	-	-	(38,686)
As at 31 December 2011	-	266,445	2,110,300	640,537	54,130	36,929	-	3,108,341
Net book value								
As at 31 December 2010	125,007	271,462	1,081,755	73,893	10,364	16,717	219,537	1,798,736
As at 31 December 2011	195,007	259,306	977,732	71,782	9,927	12,304	399,924	1,925,982
Depreciation for the year								
2010 (Baht 227 million included in manufacturing cost, and the balance in administrative expenses)								231,453
2011 (Baht 228 million included in manufacturing cost, and the balance in administrative expenses)								233,794

The Company and a subsidiary have mortgaged and negative pledged their land and building thereon and machinery, with net book value amounting to approximately Baht 1,456.9 million (The Company only: Baht 425.2 million) (2010: Baht 1,525.1 million in consolidated financial statements and Baht 315.8 million in separate financial statements) with financial institutions to secure against credit facility and loans obtained from those financial institutions as discussed in Note 16 and 18 to the financial statements.

As at 31 December 2011, certain equipment items of the Company and its subsidiaries have been fully depreciated but are still in use. The gross carrying amount, before deducting accumulated depreciation and allowance for impairment loss, of those assets amounted to Baht 2,454.0 million (The Company only: Baht 2,084.2 million) (2010: Baht 3,033.6 million in the consolidated financial statements and Baht 2,012.6 million in the separate financial statements).

As at 31 December 2011, the Company and a subsidiary had machinery, vehicles and equipment under finance lease agreements with net book values amounting to Baht 238.1 million (The Company only: Baht 119.3 million) (2010: Baht 269.22 million in the consolidated financial statements and Baht 140.4 million in the separate financial statements).

14. Goodwill on business combination

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Goodwill on business combination	37,620	37,620	-	-
Less: Accumulated impairment loss	(37,620)	(37,620)	-	-
Net book value	-	-	-	-

15. Intangible assets

Intangible assets is computer software which is detailed as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Cost		
As at 31 December 2010	48,821	33,081
Addition	1,423	347
As at 31 December 2011	50,244	33,428
Amortisation and impairment		
As at 31 December 2010	37,227	29,030
Amortisation for the year	1,216	633
As at 31 December 2011	38,443	29,663
Translation adjustment		
As at 31 December 2010	(500)	-
As at 31 December 2011	152	-
Net book value		
As at 31 December 2010	11,094	4,051
As at 31 December 2011	11,953	3,765
Amortisation for the year		
2010	1,046	541
2011	1,216	633

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

(Unit: Thousand Baht)					
	Interest rate (percent per annum)	Consolidated financial		Separate financial	
		statements		statements	
		2011	2010	2011	2010
Bank overdrafts	7.25%	30,519	80,279	22	29,283
Short-term loans	4.40% - 5.00%	1,580,014	997,975	627,500	499,950
Trust receipts	2.02% - 3.74%	1,758,681	2,190,018	493,521	439,883
Packing credit	2.60% - 4.85%	644,699	21,800	615,119	-
Loans from discounting					
of account receivable	2.85%	76,653	-	42,036	-
Total		4,090,566	3,290,072	1,778,198	969,116

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

17. Trade and other payables

(Unit: Thousand Baht)				
	Consolidated financial		Separate financial	
	statements		statements	
	2011	2010	2011	2010
Trade payables - related parties	8,851	6,569	369,655	377,367
Trade payables - unrelated parties	770,133	847,205	181,248	347,600
Other payable - related parties	13,192	5,356	13,661	5,747
Other payable - unrelated parties	38,776	246,463	30,875	208,884
Accrued interest expenses to related parties	1,221	-	-	-
Accrued expenses	100,378	101,468	49,669	50,977
Total trade and other payables	932,551	1,207,061	645,108	990,575

18. Long-term loans

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Long-term loans	2,000,000	2,300,000	2,000,000	2,300,000
Less: Current portion of long-term loans	(2,000,000)	(500,000)	(2,000,000)	(500,000)
Long-term loans, net of current portion	-	1,800,000	-	1,800,000

As at 31 December 2011 and 2010, long-term loans in the consolidated financial statements and the separate financial statements consisted of:

The Company

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

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

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

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

Under the Credit Facility Agreement, the Company and its subsidiaries has to comply with certain conditions including maintaining interest bearing debt to EBITDA ratio not exceeding 5:1 for the consolidated financial statement, debt to equity ratio for the consolidated financial statements not exceeding 5:1 in Financial Year 2010; 4:1 in Financial Year 2011; 3.5:1 in Financial Year 2012; and 2.75:1 from 1 January 2013 onwards, current ratio for consolidated financial statements not less than 1:1, and debt service coverage ratio for the consolidated financial statement not less than 1.2:1. As at 31 December 2011, the Company and its subsidiaries could not maintain interest bearing debt to EBITDA ratio and current ratio as specified in the Credit Facility Agreement, which resulted in the loan becoming payable on demand. However, in February 2012, the Company and its subsidiaries have already received the waiver for such non-compliance from all lenders. The classification of such liabilities to be current is in accordance with generally accepted accounting principles.

As of the 31 December 2011, the outstanding balance on this long-term loan is Baht 2,000 million.

Long-term loans from financial institutions are guaranteed by the mortgage and pledge of the Company's and subsidiary's property, plant and machinery. As at the 31 December 2011, the Company was in the process to mortgage the assets according to the Second Amendment and Novation Agreement to Credit Facility Agreement.

19. Liabilities under hire-purchase and financial lease agreements

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Liabilities under hire-purchase and financial lease agreements	43,537	125,067	25,220	62,905
Less: Deferred interest	(1,782)	(7,255)	(1,008)	(3,817)
Total	41,755	117,812	24,212	59,088
Less: Current portion due within one year	(34,717)	(75,953)	(20,072)	(34,841)
Liabilities under hire-purchase and financial lease agreements, net of current portion	7,038	41,859	4,140	24,247

The Company and its subsidiaries have entered into the finance lease agreements for rental of machinery and motor vehicles for use in its operation, whereby they are committed to pay rental on a monthly basis. The terms of the agreements are generally between 3 and 4 years.

As at 31 December 2011, future minimum lease payments required under the finance lease agreements were as follows:

(Unit: Million Baht)

	Consolidated financial statements			Separate financial statements		
	Less than 1			Less than 1		
	year	1-5 years	Total	year	1-5 years	Total
Future minimum lease payments	36	7	43	21	4	25
Deferred interest expenses	(1)	-	(1)	(1)	-	(1)
Present value of future minimum lease payments	35	7	42	20	4	24

20. Other current liabilities

The outstanding balances of warranty reserve which are included in other current liabilities are as follow:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Warranty reserve	2,636	2,996	2,286	2,827

21. Provision for long-term employee benefits

Provision for long-term employee benefits as at 31 December 2011, which is compensations on employees' retirement, was as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Cumulative effect of change in accounting policy for employee benefits adjusted against beginning balance of retained earnings (Note 3)	79,118	41,978
Current service cost	11,416	5,829
Interest cost	3,679	1,969
Benefits paid during the year	(5,075)	(3,421)
Balance at end of year	(89,156)	46,355

Long-term employee benefit expenses included in the profit or loss for the year ended 31 December 2011 amounted to Baht 15.1 million (the Company only: Baht 7.8 million).

Principal actuarial assumptions at the valuation date were as follows:

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	4.02 - 4.17	4.02 - 4.17	4.06	4.06
Future salary increase rate	5	5	5	5
Staff turnover rate	3 - 30	3 - 30	3 - 20	3 - 20

22. Share capital

On 28 April 2010, the Annual General Meeting of the Company's shareholders No. 31/2553 approved an increase in the Company's issued and paid up share capital from Baht 700 million (700,000,000 ordinary shares of Baht 1 each) to Baht 850 million (850,000,000 ordinary shares of Baht 1 each) through the issuance of 150,000,000 ordinary shares with a par value of Baht 1 each to the existing shareholders, at a price of Baht 2 each, or for a total of Baht 300 million. The Company registered the increase in its issued and paid up share capital with the Ministry of Commerce on 16 June 2010. On 21 June 2010, the Stock Exchange of Thailand approved the listing of the additional shares as listed securities, to be traded on the securities market commencing on that date.

On 20 April 2011, the Annual General Meeting of the Company's shareholders No. 32/2554 passed a resolution to approve an increase in the Company's share capital from Baht 850 million (850,000,000 ordinary shares of Baht 1 each) to Baht 1,000 million (1,000,000,000 ordinary shares of Baht 1 each) through the issuance of 150,000,000 ordinary shares with a par value of Baht 1 each to investor(s) on a Private Placement basis. The Company registered to increase its share capital with the Ministry of Commerce on 3 May 2011, and is now in the process of such share issuance.

23. Statutory reserve

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

24. Dividends

		(Unit: Million Baht)	
Dividends	Approved by	Total dividends	Dividend per share (Baht)
Interim dividends for 2010	Board of Directors' meeting on 10 August 2010	170	0.2
Total dividend declared in 2010		170	0.2
Final dividends for 2010	Annual General Meeting of the shareholders on 20 April 2011	170	0.2
Total dividend declared in 2011		170	0.2

25. Expenses by nature

Significant expenses by nature are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Raw materials and consumables used	11,939,981	8,670,062	4,379,336	4,617,354
Changes in inventories of finished goods and work in progress	28,937	153,549	6,910	138
Salary, wages and other employee benefits	893,835	819,069	385,590	414,195
Depreciation and amortisation expenses	604,008	592,918	234,456	231,994
Net loss (gain) on exchange	40,726	(217,677)	(8,162)	(67,052)
Rental expenses from operating lease agreement	20,840	22,923	342	1,980
Rental expenses	8,868	-	1,703	-

26. Corporate income tax

Income tax is provided for in the accounts based on the taxable profits of non-promoted operation at the rate of 30 percent determined in accordance with tax legislation (The Company has been granted tax benefits, which authorizes the reduction of the corporate income tax rate from regular rate of 30 percent to 25 percent for the first Baht 300 million of net profit under Administrative Decree No. 475 B.E.2551, for a period of 3 consecutive accounting years, starting from 2008 to 2010.), after adding back disallowable expenses and provisions and deducting the portion of dividend income which is exempted from income tax.

The taxable income from non-promoted operation of the subsidiaries in Thailand are subject to corporate income tax at the rate of 30 percent of net profit after adjusting certain expenses which are disallowed for tax computation purposes.

Overseas subsidiary company calculates corporate income tax in accordance with tax rate regulated in tax law of that country.

27. Earnings per share

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

28. Commitment and contingent liabilities

28.1 Capital commitments

As at 31 December 2011, the Company and a subsidiary have capital commitments of approximately Baht 34.8 million, relating to acquisition of land and machinery.

28.2 Operating lease commitments

As at 31 December 2011, 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 2011, future minimum lease payments required under these operating leases contracts were as follows:

	(Unit: Million Baht)	
	Consolidated financial statements	Separate financial statements
<u>Payable within</u>		
Less than 1 year	25.09	0.19
1 to 3 years	15.62	-

28.3 Long-term service commitments

- a) As at 31 December 2011, 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
<u>Payable within</u>		
Less than 1 year	6.38	2.99
Over than 1 year	-	-

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

As at 31 December 2011, the subsidiary has outstanding royalty fees amounting to approximately Baht 11.3 million (2010: Baht 9.6 million).

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

28.4 Guarantees

- a) As at 31 December 2011, the Company has contingent liabilities relating to the guarantees of leasing agreements given to a subsidiary as follows:

Subsidiaries	Unit	Guaranteed facility	Facility used
Kulthorn Steel Company Limited	Million Baht	11.49	11.49

- b) As at 31 December 2011, Kulthorn Materials and Controls Company Limited has 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 40 million and USD 6 million or equivalent to Baht 395.5 million.
- c) As at 31 December 2011, there were outstanding bank guarantees of approximately Baht 87.8 million (The Company only: Baht 29.3 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 use amounting to Baht 69.9 million (The Company only: Baht 14.3 million), and to guarantee import duty and others amounting to Baht 17.9 million (The Company only: Baht 15.0 million).

29. Promotional privileges

29.1 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.	Certificate No.
	1364(2)/2546	1421(2)/2552
1. Promotional privileges for	Manufacturing of compressors for air condition and refrigerator	Manufacturing of compressors for air condition and refrigerator
2. The significant privileges are		
2.1 Exemption of corporate income tax on net profit from promotional operation for 3 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 January 2006 until 3 January 2009	-
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.	-	From 2 February 2010 until 1 February 2015
2.3 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
2.4 A fifty percent reduction of import duty on imported machinery as approved by the Board.	Already expired on 25 January 2006	-
2.5 Exemption from import duty on imported machinery as approved by the Board.	-	Granted
2.6 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 January 2006	2 February 2010

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

Sales of the Company amounting to approximately Baht 5,210 million (2010: Baht 5,935 million) for the year ended 31 December 2010 included revenue from manufacturing and sales derived from promoted operations of approximately Baht 1,886 million (2010: Baht 1,771 million).

29.2 Kulthorn Kirby Foundry 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 with significant privileges as follows:

	Certificate No.	
	1048/2541	2127(2)/2548
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 4 January 2002 until 3 January 2010	The subsidiary has not yet commenced its promoted operation
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	Granted
2.3 A fifty percent reduction of the import duty on imported machinery except for machinery which is subject to import duty less than ten percent.	Granted	-
2.4 Exemption from import duty on imported machinery as approved by the Board.	-	Granted
3. Date of first earning operating income	4 January 2002	The subsidiary company has not yet commenced its promoted operation.

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

28.3 Kulthorn Premier Co., Ltd., a subsidiary company, has been granted the following remaining tax privileges under the BOI certificate No. 1552/2539 dated 13 August 1996 for certain specified category of products under the Investments Promotion Act B.E. 2520 as approved by the Board of Investment under the transfer of business from Sanyo Universal Electric Plc. In addition, during the year 2007, the subsidiary has been granted promotional privileges under The Investment Promotion Act B.E. 2520, as approved by the Board of Investment on 26 September 2007 for the manufacture of compressors for refrigerator. Subject to certain imposed conditions, the privileges include the following:

	Certificate No.	
	1552/2539	2167(2)/2550
1. Promotional privileges for	Manufacturing of compressors for refrigerator	Manufacturing of compressors for refrigerator
2. The significant privileges are		
2.1 Exemption of corporate income tax on net earnings for a 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 6 May 1998 until 5 May 2006	-
2.2 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
2.3 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 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, 2.2	From 6 May 2006 until 5 May 2011	From 14 January 2016 until 13 January 2021

	Certificate No.	
	1552/2539	2167(2)/2550
2.5 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.	This privilege expired in May 2008	For a period of 10 years commencing as from the date of first earning operating income.
2.6 Permission to deduct 25 percent of the cost of installation and construction of facilities, in addition to normal depreciation charges.	This privilege expired in May 2008	Granted
2.7 Exemption from import duty on raw materials and essential materials imported for use specifically in producing for export.	This privilege expired in August 2006	For a period of 5 years commencing as from the date of first import.
2.8 Five percent of any increment in export income over that of the preceding year is deductible from taxable income commencing as from the date of first earning operating income, provided that the export sales of that year are not lower than the average export sales of the past three years, except for the first two years.	This privilege expired in May 2008	-
2.9 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
2.10 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	6 May 1998	14 January 2008

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

29.4 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 with significant privileges as follows:

	Certificate No.		
	1925(2)/2547	1677(2)/2549	1204(2)/2551
1. Promotional privileges for	Manufacturing of enameled copper wire product Type 5.3	Manufacturing of enameled copper wire product Type 5.3	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 3 years commencing as from the date of earning first operating income.	From 5 January 2006 until 4 January 2009	-	-
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 6 years commencing as from the date of earning first operating income.	-	From 6 March 2007 until 5 March 2013	Granted
2.3 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	Granted
2.4 A fifty percent reduction of import duty on imported machinery as approved by the Board.	Granted	-	Granted
2.5 Exemption from import duty on imported machinery as approved by the Board.	-	Granted	-

	Certificate No.		
	1925(2)/2547	1677(2)/2549	1204(2)/2551
2.6 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	Granted
3. Date of first earning operating income.	5 January 2006	6 March 2007	The subsidiary has not yet commenced its promoted operation.

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

29.5 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

	Certificate No.	
	1797(2)/2549	1968(2)/2550
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.

30. Financial information by segment

The operations of the Company and its subsidiary companies involve a single industry segment in manufacturing and sales of compressor parts, and the current major operations are carried on mainly in Thailand. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain mainly to the aforementioned industry segment and geographic area. However, the Company and its subsidiaries operate in both local and overseas markets and financial information by market for year ended 31 December 2011 and 2010, is as follow:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2011	2010	2011	2010
Income from direct and indirect export				
and overseas sales	5,629	6,424	3,436	4,295
Income from local sales	6,213	5,436	1,774	1,640
	<u>11,842</u>	<u>11,860</u>	<u>5,210</u>	<u>5,935</u>

31. Financial instruments

31.1 Financial risk management

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instrument: Disclosure Presentations", principally comprise cash and cash equivalents, trade accounts receivable, short-term loan, investments, trade accounts payable, 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 subsidiary companies are exposed to credit risk primarily with respect to trade accounts receivable and other receivable. The management of the Company and its subsidiary companies 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 subsidiary companies do not have high concentration of credit risk since they have a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables and other receivables as stated in the statement of financial position.

Interest rate risk

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

Significant financial assets and liabilities as at 31 December 2011 and 2010 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 2011

	Fixed interest rates			Floating Interest rate	Non- interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1-5 years	Over 5 years				
Financial assets							
Cash and cash equivalents	-	-	-	82	163	245	0.25-0.75
Trade and other receivable	-	-	-	-	2,300	2,300	-
Restricted bank deposit	-	-	-	1	-	1	0.50
	-	-	-	83	2,463	2,546	
Financial liabilities							
Bank overdrafts and short-term loans							
from financial institutions	2,302	-	-	1,789	-	4,091	2.02-7.25
Trade and other payables	-	-	-	-	933	933	-
Liabilities under hire-purchase and financial lease agreements	35	7	-	-	-	42	5.60 - 9.21
Long-term loans	-	-	-	2,000	-	2,000	THBFIX+3%
	2,337	7	-	3,789	933	7,066	

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2010

	Fixed interest rates			Floating Interest rate	Non- interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1-5 years	Over 5 years				
Financial assets							
Cash and cash equivalents	-	-	-	145	1	146	0.25% - 0.65%
Trade accounts receivable - net	-	-	-	-	2,238	2,238	-
Restricted bank deposit	-	-	-	1	-	1	0.50%
	-	-	-	146	2,239	2,385	
Financial liabilities							
Bank overdrafts and short-term loans							
from financial institutions	1,020	-	-	2,270	-	3,290	1.4% - 6.4%
Trade and other payables	-	-	-	-	1,207	1,207	-
Liabilities under hire-purchase and financial lease agreements	76	42	-	-	-	118	5.60% - 9.21%
Long-term loans	-	-	-	2,300	-	2,300	THBFIX+3%
	1,096	42	-	4,570	1,207	6,915	

(Unit: Million Baht)

Separate financial statements as at 31 December 2011

	Fixed interest rates			Floating Interest rate	Non- interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1-5 years	Over 5 years				
Financial assets							
Cash and cash equivalents	-	-	-	4	20	24	5.0% - 0.75%
Trade and other receivable	-	-	-	-	980	980	-
Investments in subsidiaries- net	-	-	-	-	2,334	2,334	-
	-	-	-	4	3,334	3,338	
Financial liabilities							
Bank overdrafts and short-term loans							
from financial institutions	1,285	-	-	493	-	1,778	2.02% - 7.25%
Trade and other payables	-	-	-	-	645	645	-
Liabilities under hire-purchase and financial lease agreements	20	4	-	-	-	24	5.9% - 8.27%
Long-term loans	-	-	-	2,000	-	2,000	THBFIX+3%
	1,305	4	-	2,493	645	4,447	

(Unit: Million Baht)

Separate financial statements as at 31 December 2010

	Fixed interest rates			Floating Interest rate	Non- interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1-5 years	Over 5 years				
Financial assets							
Cash and cash equivalents	-	-	-	-	1	1	0.25%
Trade and other receivable	-	-	-	-	963	963	-
Investments in subsidiaries- net	-	-	-	-	2,334	2,334	-
	-	-	-	-	3,298	3,298	
Financial liabilities							
Bank overdrafts and short-term loans							
from financial institutions	500	-	-	469	-	969	1.96% - 6.4%
Trade and other payables	-	-	-	-	991	991	-
Liabilities under hire-purchase and financial lease agreements	35	24	-	-	-	59	5.90% - 8.27%
Long-term loans	-	-	-	2,300	-	2,300	THBFIX+3%
	535	24	-	2,769	991	4,319	

Foreign currency risk

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

Below is the summary of the Company and its subsidiaries' foreign currency-denominated financial assets/liabilities as at 31 December 2011.

Foreign currency	31 December 2011					
	Consolidated financial statements		Separate financial statements		Exchange rate	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Buying	Selling
	(Thousand)	(Thousand)	(Thousand)	(Thousand)	(Baht per one foreign currency unit)	
US dollar	28,268	58,215	15,453	17,111	31.5505	31.8319
Euro	228	285	-	198	40.7150	41.3397
Japanese yen	-	60,612	-	14,661	0.4044	0.4124
Taiwan dollar	-	77	-	77	1.0425	1.0518
Australian dollar	-	11	-	11	31.9010	32.4931

As at 31 December 2011, the Company and a subsidiary had outstanding forward exchange contracts and currency option contracts with maturities less than one year and cross currency interest rate swap contract as follows:

Forward exchange contracts

Consolidated financial statements			
Foreign currency	Sold amount	Maturity date	Contractual exchange rate
			Sold amount
	(Million)		(Baht per one foreign currency unit)
US Dollar	1.16	9 January 2012	30.01

Separate financial statements			
Foreign currency	Sold amount	Maturity date	Contractual exchange rate
			Sold amount
	(Million)		(Baht per one foreign currency unit)
US Dollar	1.16	9 January 2012	30.01

Currency option contracts

As at 31 December 2011, the Company and a subsidiary had outstanding currency option contracts as follows:

Consolidated financial statements				
	Currency	Sold amount (Million)	Strike rate (Baht per unit of foreign currency)	Maturity date
Sell call option	USD	18.8	30.12 - 30.55	10 February - 7 June 2012
Separate financial statements				
	Currency	Sold amount (Million)	Strike rate (Baht per unit of foreign currency)	Maturity date
Sell call option	USD	12.5	30.12 - 30.55	10 February - 7 June 2012

If, on the maturity date, the reference exchange rate is higher than strike rate, the Company and the subsidiary are obligated to sell US dollars at strike rate.

As at 31 December 2011, fair value of sell call option contract is lower than trade date of Baht 18.4 million (Company only: Baht 12.0 million).

Cross currency interest rate swap contract

On 4 March 2011, the Company entered into a cross currency interest rate swap contract with a bank for a principal of Baht 1,500 million, with effective date on 31 March 2011. Termination date of the contract is 31 March 2014. The objectives of the contract are

1. to convert loan in Thai Baht of 937.5 million to USD 30.8 million
2. to calculate the interest for the loan of Baht 1,500 million whereby loan principal of Baht 1,500 million be converted to USD 49.2 million and interest calculation be changed from floating interest rate of THB-THBFIX-Reuters plus 3% per annum calculated on the balance of THB notional amount to floating interest rate of USD-LIBOR-BBA plus 4.22% per annum calculated on the balance of USD notional amount.

As at 31 December 2011, fair value of cross currency interest rate swap contract is lower than trade date of Baht 30.9 million.

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

Commodity hedge agreements

As at 31 December 2011, subsidiary companies had outstanding copper swap agreements, of which details are presented below.

Type of goods	Quantity	Maturity date	Contract price	Market price as at 31 December 2011
	(Ton)		(US dollar per unit)	(US dollar per unit)
Copper	75	31 January 2012	7,100 - 9,062	7,568

31.2 Fair values of financial instruments

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

A fair value is the amount for which an asset can be exchanged or liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

32. Capital management

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

The Company manages its capital position with reference to its debt-to-equity ratio in order to comply with a condition in a long-term loan agreement with a financial institution, which requires the Company to maintain a debt-to-equity ratio of consolidated financial statements not more than 5:1 in financial year 2010, 4:1 in financial year 2011, 3.5:1 in financial year 2012 and 2.75:1 from January 2013 until the maturity date of long term loan.

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

No changes were made in the objectives, policies or processes during the years ended 31 December 2011 and 2010.

33. Reclassification

To comply with the Notification of the Department of Business Development relating to the financial statement presentation as described in Note 2 and as the result of the adoption of revised and new accounting standards as described in Note 3, certain amounts in the financial statements for the year ended 31 December 2010 have been reclassified to conform to the current year's classification, without any effect to the previously reported profit or shareholders' equity.

34. Approval of financial statements

These financial statements were authorised for issue by the Company's authorised Directors on 24 February 2012.



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