

2013

Annual Report

รายงานประจำปี 2556



LEADING MANUFACTURER
IN RECIPROCATING COMPRESSOR
FOR REFRIGERATION AND
AIR CONDITIONING
PRODUCTS



บริษัท กุลธรรเคอร์บี จำกัด (มหาชน)
Kulthorn Kirby Public Company Limited

COMPANY

GROUP STRUCTURE

KULTHORN KIRBY PUBLIC COMPANY LIMITED

KKC



100%

KULTHORN
PREMIER CO., LTD.

KPC



100%

KULTHORN KIRBY
FOUNDRY CO., LTD.

KKF



100%

KULTHORN
STEEL CO., LTD.

KSC



100%

KULTHORN MATERIALS
& CONTROLS CO., LTD.

KMC



SUZHOU KULTHORN
MAGNET WIRE CO., LTD.

SKMC



KULTHORN METAL
PRODUCTS CO., LTD.

KMP



บริษัท กุลธอร์คี่ จำกัด (มหาชน)
KULTHORN KIRBY PUBLIC COMPANY LIMITED



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 : Registered on the Stock Exchange of Thailand's list on 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, the company's proud invention
 - : ISO 9001 : 2000 certified and UL approved
- 2002 : OHSAS 18001 : 1999 certified
- 2004 : Hold the share 80% of Kulthorn Premier Co., Ltd. (KPC). Producing and selling small hermetic compressors under the license of Sanyo Universal Electric Co., Ltd. Japan
- 2005 : ISO 17025 :1999 and ISO 14001 : 2004 certified
- 2006 : 20 millionth compressor was produced
- 2007 : Kulthorn Steels Co., Ltd. was established for steels coil center
- 2008 : Starting the production of KA and LA compressors
- 2009 : Starting the production of CA compressors
- 2010 : 30 millionth compressor and 5 millionth AW compressor were produced.
 - : Golden Award (Thailand 5S Award) from the Technology Promotion Association (TPA) – Thai Japan
 - : Hold the share 100% of Kulthorn Materials and Controls Co., Ltd. and its subsidiaries (Kulthorn Metal Products Co., Ltd. and Suzhou Kulthorn Magnet Wire Co., Ltd.)
- 2011 : ISO/IEC 26000 Certificate
- 2012 : KKC celebrated its 30th anniversary January 13
- 2013 : Non CFC awards of Thailand from Government Department of Industrial works
 - : Thailand Kaizen awards (Golden awards) from Technology Promotion Association (TPA) – Thai Japan
 - : ISO/IEC 17025:2005 Certificate from Thai Industrial standard institute ministry of industry
 - : Our Skills Our Future awards of Thailand from Department of Skill Development
 - : Hearing Conservation in the Establishment awards (Level 2) from Ministry of public health

VISION

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

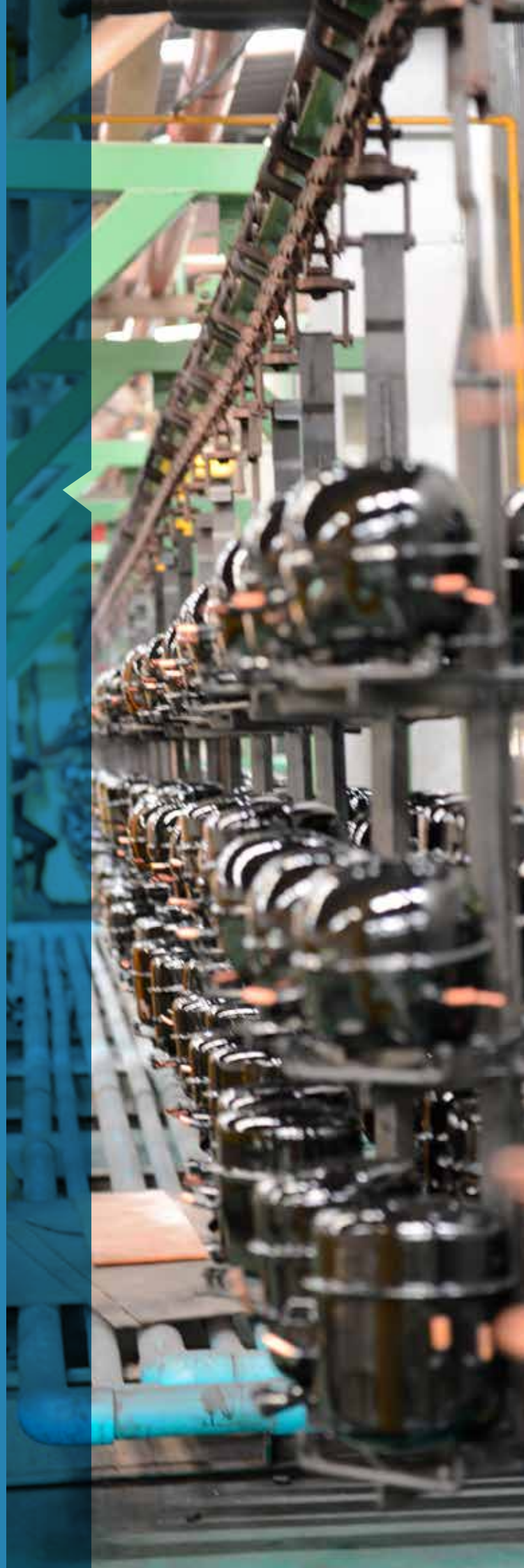
MISSION

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

VALUES

“  - BEST “

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





KULTHORN KIRBY PUBLIC COMPANY LIMITED



Contents

04 Message from the Chairman	05 Summary of the company's financial information	06 Business Overview and Policy
10 Characteristics of Business	15 Business risks	17 The Company's information
20 Shareholders	20 Dividend Payment Policy	21 Management Structure
25 Corporate Governance	29 Related party transactions	30 Management Discussion and analysis
46 Audit Committee's Report	48 Declaration of the Directors' Responsibility for the Financial Statements	50 Independent Auditor's Report
52 Financial Statements		

Message from the Chairman



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

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

The overall operation of 31th anniversary of Kulthorn Kirby Public Company Limited in 2013, the company and its subsidiaries gained total revenues altogether for Baht 11,173,551,204 which decreased from 2012 for Baht 847,598,006 or a decrease of 7.05 %. The gross profit was Baht 435,202,246 and a net profit of Baht 881,880. It was generally known that the exchange rate between Thai baht and US dollar fluctuated greatly in 2013. Even though the company managed and looked after the exchange rate, there is an impact as a loss on exchange rate for Baht 142,392,856. The domestic economy was decelerated owing to decline of agricultural product incomes, such as rice and para rubber etc. and by the continuous effect from the first-time car buyer scheme which limited household revenues were spent over the normal on their cars. This caused the purchasing power on the others decrease and directly affected the consumer consumption on domestic electric appliances, such as air conditioners, refrigerators and refrigeration products. Due to these facts, the sales volume of the company and its subsidiaries fell. Meanwhile, cost of production, especially labor increased, causing the company a lower net profit. However, the company already raised the sales price after the cost price by changing the price according with competitive condition in the market.

The company still maintains its business strategy, to be the leader in producing motor compressor by research and development in order to produce products which are best quality and efficiency, good to environment, saving energy, meeting the international standards, competitive pricing, and responding to all customer demand. The company products are essential to daily life such as a cooler for health, better working efficiency, and food retention, which will continue to grow in accordance with Global Warming circumstances and the growth of domestic and foreign economic conditions.

Finally, the company feels gratitude for the Board of Directors, the shareholders, business alliances, grateful customers, government agents, and financial institutions for all their trustfulness and ongoing supports. The company would like to give appreciation to the executives and employees for devotion hardworking. Please be confident that the company will manage to achieve the goal for the highest benefit according to the company's policy.

Summary of the company's financial information



	2013	2012	2011	2010	2009
Consolidated Financial Statements (Thousand Baht)					
Total assets	8,783,015	8,917,530	9,501,928	9,309,518	8,586,247
Total liabilities	6,272,267	6,538,631	7,355,249	7,015,506	7,226,021
Shareholder's equity	2,510,748	2,378,899	2,146,679	2,294,012	1,360,226
Sales and services income	10,753,923	11,539,419	11,842,282	11,860,611	8,482,042
Total revenues	11,173,551	12,021,149	12,277,159	12,537,329	8,748,554
Gross income (loss)	435,202	521,853	480,033	905,045	606,425
Net income (loss)	881	215,822	83,969	819,696	15,512

Financial Ratio (%)					
Net profit margin	0.01	1.80	0.68	6.54	0.18
Return on equity	0.04	9.48	3.75	44.86	2.28
Return on total assets	0.01	2.34	0.89	9.16	0.18

Per share data (Baht)					
Net income (loss)	0.0009	0.25	0.10	1.05	0.02
Dividend	-	0.20	-	0.40	-
Book value	2.71	2.80	2.53	2.93	1.95

Business Overview and Policy



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. The company has continuously grown its business, and reached 31st anniversary in 13 January, 2013.

With the goal to become the leader of motor compressor manufacturing, the company aims to operate business as follows.

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

Values “ KK - BEST ”

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





Business Strategies :

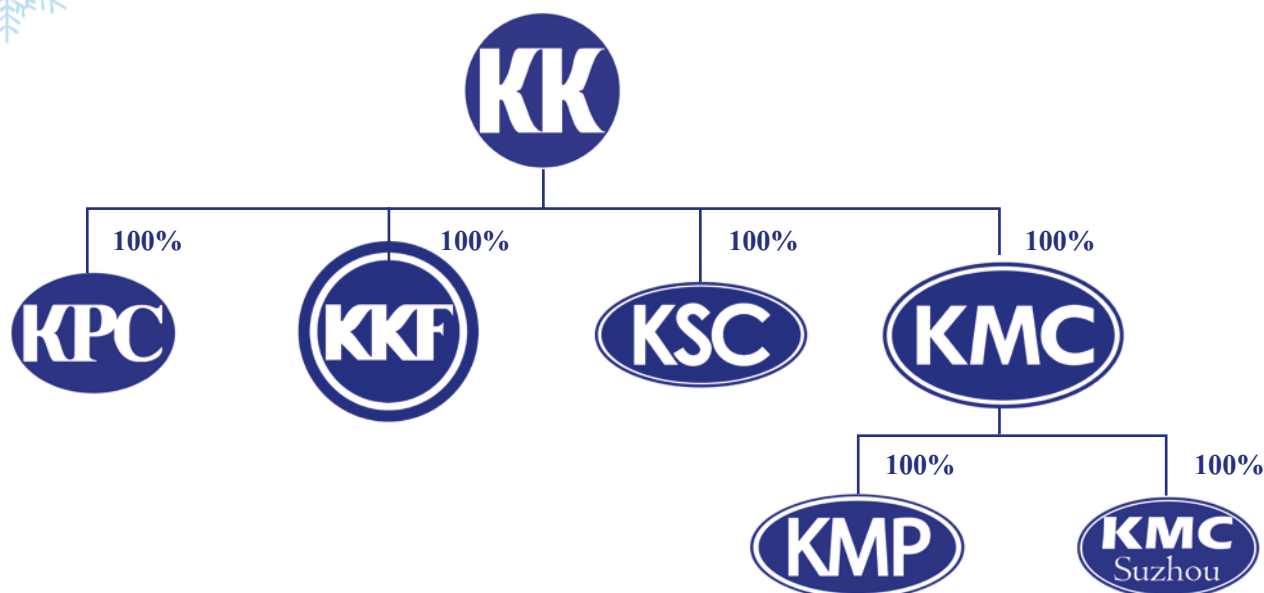
1. Reduce cost to strengthen competitive ability
2. Develop products conforming to market demand
3. Reinforce knowledge and ability of the staffs
4. Expand existing market and penetrate into new market
5. Invest or acquire the business (M&A)
6. Increase the advantage network of Backward Vertical Integration
7. Support activities which fortify responsibility in society and environment

Company's Shareholding Structure

At present, the company has 6 subsidiary companies : Kulthorn Premier Company Limited (KPC), Kulthorn Kirby Foundry Company Limited (KKF), Kulthorn Steel Company Limited (KSC), Kulthorn Materials and Controls Company Limited (KMC), Kulthorn Metal Products Company Limited (KMP), Suzhou Kulthorn Magnet Wire Company Limited (SKMC)

The structure of the company and its subsidiary is as follow.

Kulthorn Kirby Public Company Limited



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, R22, R404A, R407C, R507, R410A R290 and R600a 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.

Major income from sales of motor compressors by company and subsidiary

1 Sales of motor compressors by Kulthron Kirby Public Company Limited

- Sales quantity (sets)

Motor Compressors for	Cooling Capacity (B.T.U. / Hrs)	Sales quantity (sets)					
		2013		2012		2011	
Refrigerator, Freezer, Water Cooler	160 - 900	1,033,078	44.76%	1,014,306	44.79%	1,074,753	43.63%
Refrigerator, Commercial Refrigerator	900 - 5,000	550,540	23.85%	660,760	29.18%	569,398	23.11%
Commercial Refrigerator, Air Conditioners	5,000 - 35,000	722,038	31.28%	587,656	25.95%	817,456	33.18%
Large Size Air Conditioner	37,000 - 120,000	2,331	0.10%	1,715	0.08%	1,956	0.08%
Total		2,307,987	100%	2,264,477	100%	2,463,563	100%

- Sales amount (Thousand Baht)

Motor Compressors for	Cooling Capacity (B.T.U. / Hrs)	Sales quantity (sets)					
		2013		2012		2011	
Refrigerator, Freezer, Water Cooler	160 - 900	1,278,749	27.96%	1,002,989	22.87%	1,121,598	23.22%
Refrigerator, Commercial Refrigerator	900 - 5,000	957,575	20.74%	1,377,724	31.42%	983,529	20.36%
Commercial Refrigerator, Air Conditioner	5,000 - 35,000	2,357,737	51.06%	1,984,890	45.26%	2,704,593	55.98%
Large Size Air Conditioner	37,000 - 120,000	23,277	0.51%	19,674	0.45%	21,495	0.44%
Total		4,617,338	100%	4,385,277	100%	4,831,215	100%

2 Sales of motor compressors by Kulthron Premier Company Limited (Subsidiary)

Motor Compressors for Refrigerator, Freezer , Water Coolers (Sizes 106-1775 B.T.U./Hrs)	2013	2012	2011
Sales quantity (sets)	2,116,703	2,749,791	2,792,880
Sales amount (Thousand Baht)	2,007,514	2,643,216	2,522,226

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
Market Demand in 2013	170 mm units for household Refrigerators and Refrigeration	130 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 first type of compressors that have been used for a longer period of time when compared to 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 household refrigerators commercial 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, R22, R404A, R407C, R507, R410A, R290 and R600a

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 production 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 of America by major manufacturers such as Tecumseh, Copeland (Emerson), Bristol, and by Kulthorn Kirby as Thailand manufacturer.

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, Brazil and ASEAN countries, 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.

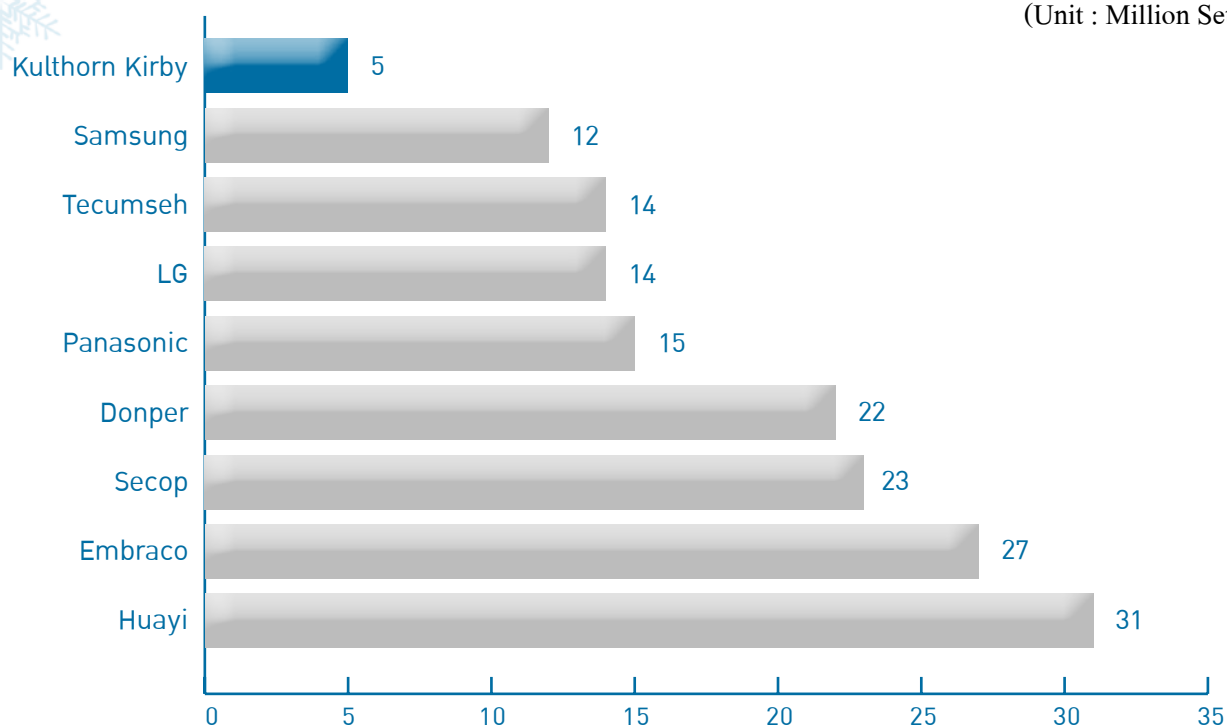
Embraco is the world leader in household refrigerator compressors, followed by Panasonic, Secop (former Danfoss), and LG, in the commercial and industrial sectors, Tecumseh, Secop and Vilter (Emerson) lead the market.

World's Major Hermetic Compressor Manufacturers

Embraco	Brazil, China, Italy, Slovakia
Donper	China
Panasonic	Singapore, China
LG	Korea, China
Tecumseh	Brazil, France, India
Huayi	China, Spain
Samsung	Korea, China
Secop (Danfoss)	Slovenia, China, Germany, Austria
Kulthorn Kirby	Thailand

2013 Production volume of World's Major Hermetic Compressor Manufacturers

(Unit : Million Sets)



Compressor manufacturing industry has a relatively high competition in both domestic and international market. Moreover, during the past year, the production cost increased and fluctuated significantly due mainly to a rise in raw material cost and the excess production capacity in the world, these 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.

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 the international manufactures.

The Company's key marketing strategy is clearly differentiated 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. The Company sells its products domestically and internationally, while the domestic sales and international sales is approximately 44% and 56 % of total revenues from sales respectively. The Company determines its products prices by considering various factors, such as competition and customer demand.

Motor compressor of Kulthorn Kirby in the market

Products of Kulthorn Kirby are Hermetic Reciprocation Compressor with have widely displacement to cover all requirement of the market as follows.

Company	Model	Displacement	Application	Refrigerant
Kulthron	C-S	1.79 cc - 3.92 cc	Refrigeration & Freezer	R134a
Premier	C-Q	1.79 cc - 3.92 cc	Refrigeration & Freezer	R134a, R600a
Company Limited	C-B	2.55 cc - 9.82 cc	Refrigeration & Freezer	R134a, R600a, R404a, R290
	AZ	2.23 cc - 5.60 cc	Refrigeration & Freezer	R134a
	AZA	2.73 cc - 6.00 cc	Refrigeration & Freezer	R134a, R600a, R404a, R290, R507
	AE	3.10 cc - 10.9 cc	Refrigeration & Freezer	R134a, R600a, R404a, R290, R507, R22
	AEL	12.05 cc - 18.0 cc	Commercial Refrigeration	R134a, R600a, R404a, R290, R507, R22
Kulthorn Kirby Public Company Limited	BA	8.85 cc - 18.0 cc	Commercial Refrigeration	R134a, R600a, R404a, R290, R507
	CA	18.0 cc - 22.3 cc	Commercial Refrigeration	R134a, R404a, R290, R507
	WJ	19.8 cc - 34.5 cc	Commercial Refrigeration Residential & Commercial AC	R134a, R404a, R290, R407c, R22
	AW	27.8 cc - 71.0 cc	Residential & Commercial AC	R134a, R404a, R410a, R407c, R22
	KA	65.0 cc - 115.0 cc	Residential & Commercial AC	R22, R404a
	LA	174.0 cc - 211.0 cc	Residential & Commercial AC	R22

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 reducing the product costs by using alternative raw materials. 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 is certainly competitive, compared with those of its competitors.

Promotional privileges

The Company has been granted certain promotional privileges according to the Investment Promotion Act B.E. 2020 as approved by the Board of Investment with significant privileges as follows:

	Certificate No. 1421(2)/2552	Certificate No. 1987(2)/2554
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		
Exemption of corporate income tax on next profit from promotional operation which does not exceed 100 percent of investment, excluding land and working capital for a period of 5 years.	From 2 February 2010 until 1 February 2015	From 1 July 2013 until 1 July 2018
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.		
Exemption from import duty of 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
Exemption from import duty on imported machinery as approved by the Board.	Granted	Granted
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	2 February 2010	1 July 2013

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

Business risks

Risks associated with costs of raw materials by fluctuation of World selling prices

The Company engages in the manufacture of motor compressor business, of which major raw materials for production are copper and steels. The prices of major raw materials of the Company and its subsidiaries, namely copper, steels and oil, have proven highly volatile. The prices of copper have continuously increased and fluctuated and the prices of steels have moved along the same line as the changing of the global economic situation and oil price. Prices of the raw materials thus impacts the costs of product approximated 48 % of total production cost of 2013. To prevent the Company from materials sourcing problems, the Company has been sourcing materials from various suppliers, who are able to supply substitute products with comparable quality. 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 materials price 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 materials for copper and its response as an increasing of demand.

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 first type of compressors that have been 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 manufacturing 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, Middle East 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. The company has an in-house R&D working team and by their efforts and capability many output of the developed products can be served to customers' demand relatively compared with other world's leading compressor manufactures.

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 US\$, 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. And at 31 December 2013 the total outstanding loan was remained Baht 4,803 million.

The Company's information

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 Capital	: Baht 1,000 Million
Paid up Capital	: Baht 1,000 Million
Issued Shares	: Ordinary 1,000,000,000 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	: 129 Soi Chalong Krung 31, Chalong Krung Road, Bangkok 10520 Tel : +66(0)2326 0612 Fax : +66(0)2326 0802
Nature of Business	: Manufacturer of - Reciprocating Compressor
Issued Shares	: Ordinary 12,600,000 shares, Par Value at Baht 100/share
Shareholding by KKC	: 100%

2. Kulthron Kirby Foundry Company Limited

Head Office/Factory	: 1 Moo 22 Suwintawong Road, Saladaeng, Bang Nam Prio, Chachoengsao 24000 Tel : +66(0)3859 3016-9 Fax : +66(0)3859 3015
Branch	: 42/2 Moo 1, Suwintawong Road, Klong Udom Cholaorn, Amphur Muang, Chachoengsao 24000 Tel : + 66(0)3884 6072-4 Fax : +66(0)3884 5677
Nature of Business	: Manufacturer of Quality Iron Casting
Paid up Capital	: Baht 475,000,000 Million
Issued Shares	: Ordinary 5,750,000 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
Ms Satida Ratananurak, (Auditor of the subsidiary companies)
Certified Public Accountant no. 4753

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

Shareholders

Major Shareholders

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

As of the registered increasing shares date 21 June 2013

	No. of Shareholdings	%
1. Simakulthorn Group	501,754,901	50.175
2. Heatcraft Australia Pty. Ltd.	76,770,588	7.677
3. 1 st Lt Supakorn Chantasasawat	50,180,036	5.018
4. Ms Sasi Ingkanant	46,322,448	4.632
5. Ms Saisamorn Suriyathap	45,467,912	4.547
6. Ms Pojane Khemumnaj	42,212,064	4.221
7. Ms U-rai Khemumnaj	41,746,233	4.175
8. Ms Kalpapas Phanpitchatawee	38,765,358	3.877
9. Mrs Supatra Kuntien	16,629,085	1.663
10. Mrs Benjamas Poohaipol	11,215,728	1.122
11. Others	128,935,647	12.894
Total	1,000,000,000	100.000

Dividend Payment Policy

By the dividend policy of the company, in the normal case, the Board of Directors may propose the shareholder meeting to consider the dividend payment of the year at the rate approximately 60 % of the net profits after tax of the company statements.

For subsidiary companies, Board of Directors of each company may propose the shareholder meeting to consider the dividend payment of the year of the net profits after tax of the company statements.

Company paid the dividend in the current 5 years

	2013	2012	2011	2010	2009
Net profit pre share	0.0009	0.25	0.10	1.05	0.02
Dividend per share	–	0.20	–	0.40	–
Dividend payment/net profit (%)	–	80	–	38	–

Management Structure

The Board of Directors

As at 31 December 2013

* Authorized Director

			SHAREHOLDING (%)
1.	Mr. Sumeth Simakulthorn *	Chairman	2.525
2.	Mr. Sutee Simakulthorn *	President	0.7187
3.	To be 2 nd 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. Suraporn Simakulthorn *	Director	2.525
10.	Mr. Prasan Tanprasert *	Director	-
11.	Mr. Arnon Simakulthorn *	Director	2.525
12.	Mrs. Kanit Muangkrachang *	Director	-
13.	Mr. Paiboom Boonpermvitaya *	Director	0.4406
14.	Mr. William John Moltner *	Director	-
15.	Mr. Titisak Simakulthorn *	Director	0.4834

(1)shareholding by the spouse

The Audit Committee

As at 31 December 2013

1.	To be 2 nd Lt Samart Mekavanichkul **	Chairman of the Audit Committee
2.	Mr. Tawatchai Jaranakarun	Member of the Audit Committee
3.	Mr. Padoong Techasarintr **	Member of the Audit Committee

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

The Management**As at 31 December 2013**

			SHAREHOLDING (%)
1	Mr. Sutee Simakulthorn	Managing Director/President	0.7187
2	Mr. Paiboon Boonpermvitaya	Executive Vice President (Manufacturing)	0.4406
3	Mr. Titisak Simakulthorn	Executive Vice President (Technology & Marketing)	0.4834
4	Mr. Chanachai Kulnoppaleark	Vice President (Office of the Company Secretary)	-
5	Mr. Kumjorn Khunvapanichkul	Vice President (Marketing)	-
6	Ms. Sopida Doungtratmaneechot	Manager, Finance Department	-
7	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 2013To Directors

Remuneration to company's directors of 15 persons as monthly director fee and the meeting allowance was Baht 2,088,000 and the monthly fee to the members of the audit committee of 3 persons was Baht 360,000.

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 10,571,336.

DIRECTORS IN SUBSIDIARY COMPANIES**As at 31 December 2013****Kulthorn Premier Company Limited**

Chairman and Managing Director : Mr. Suraporn Simakulthorn
Directors : Mr. Sutee Simakulthorn
Mr. Suradej Boonyawata
Mr. Paiboon Boonpermvitaya
Mr. Prasan Tanprasert
Mr. Titisak Simakulthorn
Pol.Gen. Pratheep Tanprasert

Kulthorn Kirby Foundry Company Limited

Chairman : Mr. Suraporn Simakulthorn
Managing Director : Mr. Pramoth Wongsrisagnuan
Director : Mr. Sutee Simakulthorn
Mr. Paiboon Boonpermvitaya
Mr. Abhijit Simakulthorn
Mr. Titisak Simakulthorn
Pol.Gen. Pratheep Tanprasert

Kulthorn Steel Company Limited

Chairman and Managing Director : Mr. Suraporn Simakulthorn
Directors : Mr. Sutee Simakulthorn
Mr. Paiboon Boonpermvitaya
Mr. Titisak Simakulthorn
Ms Sornsanan Simakulthorn
Pol.Gen. Pratheep Tanprasert

Kulthorn Materials and Control Company Limited

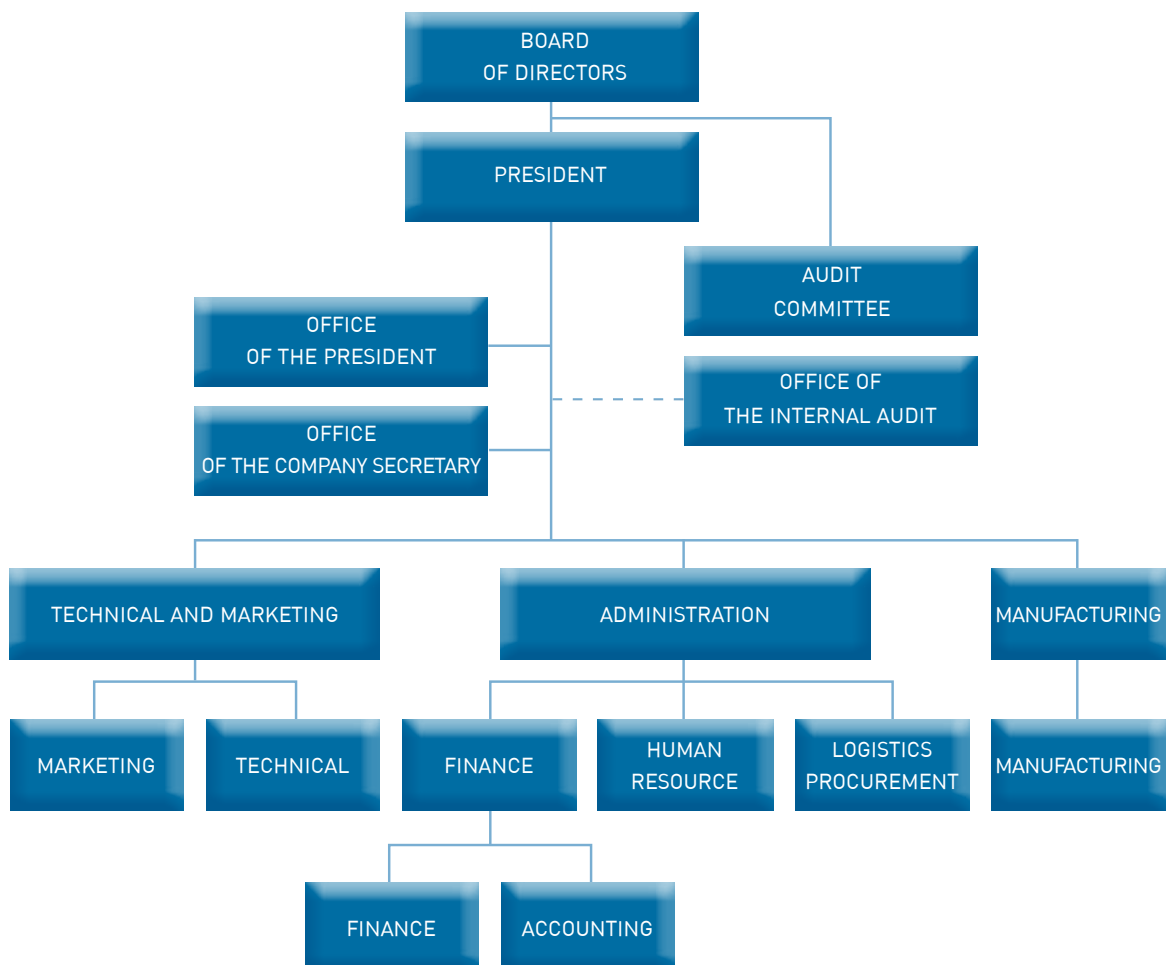
Chairman & Managing Director : Mr. Suraporn Simakulthorn
Directors : Mr. Sutee Simakulthorn
Mr. Prommarat Simakulthorn
Ms. Jintana Sirisuntana
Pol.Gen. Pratheep Tanprasert
Mr. Chanachai Kulnoppaleark

Kulthorn Metal Products Company Limited

Chairman : Mr. Suraporn Simakulthorn
 Managing Director : Mr. Paiboon Boonpermvitaya
 Directors : Mr. Sutee Simakulthorn
 Mr. Titisak Simakulthorn
 Mr. Abhijit Simakulthorn
 Pol.Gen. Pratheep Tanprasert

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

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.

The Board of Directors of the Company realized on the importance of the operations and the ways of practices which complied with Good Corporate Governance and had the efficiency management system, transparency and be investigating to strengthen the confidence of all shareholders, investors and other stakeholders for the company operations. Thus written Corporate Governance Policy and Business Ethics, which complied with the 2006 and 2012 Corporate Governance Principles of the Stock Exchange of Thailand, have been provide for practices of directors, management and employees of the Company to materialize Company’s goals in achieving accountability and transparency in all operations, are presented in 5 categories as follows.

1. Right of Shareholders

The Board of Directors of the company encourage shareholders to exercise their rights to 1) buy, sell, or transfer shares 2) share in the profit of the company 3) obtain relevant and adequate information on the company in a timely manner and on a regular basis 4) participate and vote in shareholder meetings to elect or remove members of the board, appoint the external auditor.

Shareholders should be fully informed of the criteria and procedures governing shareholder meetings. Sufficient information regarding the issues to be decided in each agenda item should be provided in advance of the meeting. Shareholders should be able to query directors both in the meeting and by sending their questions in advance. They should also be allowed to propose agenda items and vote by proxy.

2. Equitable treatment of shareholders

The board of directors ensured that all processes and procedures for shareholders meetings allow equitable treatment of all shareholders. The board of directors have a policy to allow minority shareholders to nominate candidates for directorships. Shareholders who cannot vote in person should be allowed to vote by proxy. Shareholders should be allowed to propose to add any advance agenda item prior to the shareholders meeting date.

The board of directors set procedures to prevent the use of inside information for abusive self-dealing, such as insider trading or related party transactions. All directors and executives were requested to disclose to the board of directors whether they and their related parties have an interest in any transaction or matter directly affecting the company. Directors and executives who have such interests should not participate in the decision-making process on such issues.

3. Role of stakeholders

The board of directors set clear policies on fair treatment for each and every stakeholder. The rights of stakeholders that are established by law or through mutual agreements are to be respected. Any actions that can be considered in violation of stakeholders' legal rights should be prohibited. Any violation should be effectively redressed.

4. Disclosure and transparency

The board of directors ensured that all important information relevant to the company, both financial and non-financial in the regulations of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET) as well as any other relevant information, is disclosed correctly, accurately, on a timely basis and transparently through easy-to-access channels that are fair and trustworthy.

5. Responsibilities of the Board

The board of directors plays an important role in corporate governance for the best interests of the company. And the structure of the board consists of directors with various qualifications, which are skills, experience, and expertise that are useful to the company. Directors have committed to their responsibilities and put all their efforts to creating a strong board. The Board of directors is clearly separated from its roles and responsibilities from those of management and monitors the company's operations to ensure all activities are conducted in accordance with the law and ethical standards.

Business Ethics

Code of conduct for Management and Directors :

1. To the Company and Shareholder

- 1.1. Act with honesty, including making any decision with good faith and fairness to major and minority shareholders for the best benefits of the Company and the shareholders
- 1.2. Manage with the best skills and knowledge
- 1.3. Protect any assets of the Company from illegitimate loss and damage.
- 1.4. Accurately and Completely Report the actual status and operating performance of the Company, consistently.
- 1.5. Not disclose the confidentiality of the Company and not exploit the information and/or the confidentiality of the Company by misconduct.
- 1.6. Eliminate the conflict of interests with caution and rationale, including disclosing the sufficient information.

2. To Employee

- 2.1. Equally treat the employees with good manner and respect to a human dignity and basic human rights.
- 2.2. Award fair and appropriate benefits, based on the responsibility, skill & knowledge and performance of each employee.
- 2.3. Appoint and transfer, including reward and punish the employees with good faith, based on skill & knowledge and suitability of each employee.
- 2.4. Care for the working environment to be safe for life and health of employees.
- 2.5. Thoroughly and consistently encourage, support, train and develop knowledge and skill of employee.
- 2.6. Listen to opinion and suggestion, based on the professional knowledge of employees
- 2.7. Strictly follow any rules, regulations and codes related to employees.
- 2.8. Avoid any unfair action to employees and open for complaint regarding any troubles or unfairness in order to come up with the right solutions.

3. To Customer

- 3.1. Treat the customer with honest and fair, including disclose and provide accurate and sufficient information regarding goods and services to the customer without distortion.
- 3.2. Strictly Follow the conditions and liabilities to the customer, including treating and providing the service to customer with hospitality.
- 3.3. Instantly consider and fairly process the complaint of the customers for their satisfaction.
- 3.4. Keep the trade confidentiality of the customers from using for their own and/or related persons' benefits or misconduct.
- 3.5. Produce good quality of goods and services with consistently standard.
- 3.6. Not overcharge the price, compared with the quality of goods and services and avoid an unfair trade conditions to the customers.

4. To Business Partner and/or Creditor

- 4.1. Not request or accept or pay any non-good faith benefit to a business partner and/or a creditor.
- 4.2. In case of evidence of request or accept or pay any non-good faith benefit, the detail of information will be immediately revealed to a business partner and/or a creditor to mutually consider for the fair and prompt solution.
- 4.3. Strictly follow any agreement and condition to a business partner and/or a creditor. In case of any breach, the information will be immediately revealed to a business partner and/or a creditor to mutually consider for the solution.
- 4.4. Consistently and accurately report the financial data to the creditors on time.

5. To Trade Competitor

- 5.1. Play by the rules.
- 5.2. Not seek for the confidentiality information of the trade competitor by misconduct or inappropriateness.
- 5.3. Not undermine the reputation of the trade competitor by accusing without any evidence support.

6. To Society

- 6.1. Do no harm to the country, national resource, environment or society as a whole.
- 6.2. Frequently Support an activity that benefits a community and society as a whole or a creative activity to society.
- 6.3. Seriously build conscious and social responsibility among employees in any level, continuously.
- 6.4. Strictly act or supervise to act by the rules, regulation and codes, accordingly.

Code of conduct for Employee :

1. Work with honest, diligence, endeavor, discipline and responsibility for delegated duty.
2. Strictly and regularly act by the rules, regulations, the Company's code of conduct and related laws, including behaving as a good citizen under laws and orders of society for both in and out of the company.
3. Strictly keep the confidentiality of the Company, customers and business partners and do not disclose and confidentiality related to the Company or exploit the internal information of the company for their own and/or others' benefits.
4. Do not run or be partner or involve in any business or take any position in the business with the same business or competitive business or conflict of interests with the Company without the permission of the Company.
5. Utilize assets of the Company for the most effectiveness with care and maintain at the ready-to-use condition at all time, including not cause any damage or loss or use for their own and/or others' benefits.
6. Cooperate and assist in overall work, including any activity with the co-worker, respectfully.
7. Care for and act to maintain the working environment to be safe, clean and beautiful.
8. Keep and create the unity among group and co-worker.
9. Not accuse the Company, management and/or co-worker.
10. Inform a supervisor or related agency in case of any misconduct in the company or illegal action or any action may cause the damage to the work, asset or reputation of the Company and/or co-worker.

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 summarized below. All related details were disclosed in note to financial statement no. 7

Management Discussion and analysis

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. 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 and the exceeding production capacity in the whole industry. Under such circumstances, 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 reducing the product costs by using alternative raw materials, and 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. The company has an in-house R&D working team and by their efforts and capability many output of the developed products can be served to customers' demand relatively compared with other world's leading compressor manufactures.

The Company's key marketing strategy is clearly differentiated 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. The Company sells its products domestically and internationally, while the domestic sales and international sales is approximately 40 % and 60 % of total revenues from sales respectively.

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.

Performance

(1) Revenues from sales and services income

The revenues from sales and services income of the Company and its subsidiary for 2013 was Baht 10,753.92 million, compared to the approximated Baht 11,539.42 million of sales and services income of the previous year, a decrease of Baht 785.50 million or 6.81%, caused from the decreasing of domestic households purchasing power which were greatly effected from the fluctuated economics in the country.

(2) Gross profit margin

The gross profit margin of 2013 and 2012 of the company were 4.05% and 4.52%, This was effected by the sales price competition which had been determined by various factors and customer demand.

(3) Operation Expenses

- Selling Expenses of the Company and its subsidiary for 2013 approximated Baht 114.12 million, compared to the approximated Baht 136.57 million of the previous year, a decreasing of Baht 22.44 million caused from the decreased commission expenses and royalty fee resulted from sales decreased in 2013.
- Administrative Expenses of the Company and its subsidiary for 2013 approximated Baht 376.91 million, compared to the approximated Baht 365.36 million of 2012 and the approximated Baht 358.84 million of 2011 effected by the increasing of minimum wages regulated by the government policy since 1 April 2012, and some more advisor fee for efficiency improvement activities.
- Loss on foreign exchange rate of the company and its subsidiaries for 2013 approximated Baht 142.39 million due to the 2013 exchange rate between Thai Baht and US\$ was depreciated from 30.20 Baht per 1 US\$ at the beginuing year to be 32.48 Baht per 1 US\$ at the end of year which resulted from import transactions of copper and steels materials. While the 2012 exchange rate transactions was profit in the amount of Baht 97.78 million by appreciated value of Thai Baht.

(4) Others Income

- Income from scrap sales of the Company and its subsidiary for 2013 approximated Baht 407.04 million, compared to the approximated Baht 375.95 million of the previous year, an increasing of Baht 31.09 million or 8.27 % caused from the sold out scrap of 2012 remained stock.

Financial Position

The consolidated total assets in 2013 was Baht 8,783.02 million, a decrease of Baht 134.51 million from Baht 8,917.53 million in 2012, resulted by the decreasing of net book value of fixed assets from yearly depreciation.

The consolidated total liabilities in 2013, was Baht 6,272.27 million, a decrease of of Baht 266.36 million from Baht 6,538.63 million in 2012, resulted by the decreasing of long term loan.

The consolidated total shareholders' equity in 2013 was Baht 2,510.75 million, an increase from 2012 by Baht 131.85 million.

Financial Information**Financial Statements**

Statement of comprehensive income for the year ended 31 December 2013, 2012 and 2011

Unit : Baht

	2013	2012	2011
		(Restated)	
Revenues			
Sales and service income	10,753,923,084	11,539,418,747	11,842,281,705
Other income			
Income from scrap sales	407,039,819	375,950,548	429,155,570
Gain on exchange rate	-	97,783,975	-
Interest income	1,336,249	1,114,441	1,968,843
Others	11,252,052	6,881,499	3,752,900
Total revenues	11,173,551,204	12,021,149,210	12,277,159,018
Cost of sales and services	10,318,720,838	11,017,565,483	11,362,249,012
Gross profit	435,202,246	521,853,264	480,032,693
Gross profit %	4.05%	4.52%	4.05%
Operating expenses			
Selling expenses	114,124,088	136,567,060	151,364,488
Administrative expenses	376,913,288	365,358,614	358,841,099
Loss on exchange rate	142,392,856	-	40,725,517
Total expenses	633,430,232	501,925,674	550,931,104
Profit before finance cost and corporate income tax	221,400,134	501,658,053	363,978,902
Finance cost	(225,356,088)	(268,216,551)	(257,312,971)
Profit before corporate income tax	(3,955,954)	233,441,502	106,665,931
Income tax expenses	4,837,834	(17,446,083)	(22,697,322)
Profit for the year	881,880	215,995,419	83,968,609
Other comprehensive income:			
Exchange differences on translation			
of financial statements in foreign currency	967,006	(2,855,961)	17,816,998
Actuarial losses	-	(16,862,231)	-
Income tax effect	-	2,445,377	-
Other comprehensive income for the year	967,006	(17,272,815)	17,816,998
Total comprehensive income for the year	1,848,886	198,722,604	101,785,607
Basic earnings per share	0.0009	0.25	0.10
Weighted average number of ordinary shares (shares)	926,726,000	850,000,000	850,000,000

Statement of financial position as at 31 December 2013, 2012 and 2011

Unit : Baht

	2013	2012 (Restated)	2011
Assets			
Current assets			
Cash and cash equivalents	119,910,218	97,235,677	245,612,253
Trade and other receivables	2,200,783,025	2,195,605,479	2,299,506,212
Inventories	2,303,681,395	2,265,377,553	2,356,165,924
Other current assets	152,032,323	123,840,473	127,775,583
Total current assets	4,776,406,961	4,682,059,182	5,029,059,972
Non-current assets			
Property, plant and equipment	3,899,479,714	4,186,187,772	4,457,609,587
Deferred tax assets	49,541,044	36,116,756	-
Other non-current assets	57,587,411	13,165,817	15,257,942
Total non-current assets	4,006,608,169	4,235,470,345	4,472,867,529
Total assets	8,783,015,130	8,917,529,527	9,501,927,501
Liabilities and shareholders' equity			
Current liabilities			
Bank overdrafts and short-term loans from financial institutions	3,703,462,829	3,587,226,491	4,090,566,493
Trade and other payables	1,128,308,515	997,947,040	932,551,049
Current portion of long-term loans	550,000,000	550,000,000	2,000,000,000
Other current liabilities	162,029,441	159,018,509	235,937,499
Total current liabilities	5,543,800,785	5,294,192,040	7,259,055,041
Non-current liabilities			
Long-term loans – net of current portion	550,000,000	1,100,000,000	-
Provision for long-term employee benefits and others	178,466,436	144,438,464	96,193,635
Total non-current liabilities	728,466,436	1,244,438,464	96,193,635
Total liabilities	6,272,267,221	6,538,630,504	7,355,248,676

Statement of financial position (Continued) as at 31 December 2013, 2012 and 2011

Unit : Baht

	2013	2012 (Restated)	2011
Shareholders' equity			
Share capital registered 1,000,000,000 ordinary shares of Baht 1 each (31 December 2012: 850,000,000 ordinary shares of Baht 1 each)			
Issued and fully paid up 1,050,000,000 ordinary shares of Baht 1 each	1,000,000,000	850,000,000	850,000,000
Share premium	500,000,000	350,000,000	350,000,000
Retained earnings Appropriated – statutory reserve	100,000,000	90,601,450	81,035,666
Unappropriated	713,966,082	892,482,752	666,972,377
Other components of shareholders' equity	196,781,827	195,814,821	198,670,782
Total shareholders' equity	2,510,747,909	2,378,899,023	2,146,678,825
Total liabilities and shareholders' equity	8,783,015,130	8,917,529,527	9,501,927,501

Cash flow statement for the year ended 31 December 2013, 2012 and 2011

Unit : Baht

	2013	2012	2011
Cash flows from operating activities			
Profit before tax	(3,955,954)	233,441,502	106,665,931
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities			
Depreciation and amortisation	637,241,607	601,297,490	604,008,991
Allowance for doubtful accounts (reversal)	(246,574)	657,070	(4,381,476)
Reduction of inventory value to net realizable value (reversal)	(20,398,266)	(15,364,413)	381,985
Gain on sales of property, plant and equipment	(481,454)	(635,936)	(1,855,826)
Reversal of allowance for impairment loss on assests	-	-	(3,741,179)
Deferred interest	3,239,470	1,731,146	5,472,924
Provision for long-term employee benefits	14,024,020	15,684,819	15,112,524
Unrealised (gain) loss on exchange	94,674,221	(20,286,173)	47,538,691
Interest expenses	209,783,826	264,088,152	247,234,770

Cash flow statement (Continued) for the year ended 31 December 2013, 2012 and 2011

Unit : Baht

	2013	2012	2011
Profit form operating activities before changes in			
operating assets and liabilities	933,880,896	1,080,613,657	1,016,437,335
Operating assets (increase) decrease			
Trade and other receivables	24,915,228	100,037,866	(34,089,754)
Inventories	(17,905,576)	106,152,784	(127,545,413)
Other current assets	(23,393,190)	8,053,707	17,199,059
Other non-current assets	(538,910)	1,502,933	(445,156)
Operating liabilities increase (decrease)			
Trade and other payables	122,688,394	64,643,611	(278,835,748)
Other current liabilities	(4,466,892)	17,345,072	184,104,864
Cash flows from operating activities	1,035,179,950	1,378,349,630	776,825,187
Cash paid for interest expenses	(215,210,398)	(262,714,193)	(247,188,054)
Cash paid for corporate income tax	(20,356,687)	(20,672,862)	(55,700,327)
Net cash flows from operating activities	799,612,865	1,094,962,575	473,936,806
Cash flows from investing activities			
Increase in restricted bank deposits		500,250	-
Acquisition of property, plant and equipment	(347,219,480)	(333,274,675)	(654,864,312)
Proceeds from sales of property, plant and equipment	28,280,732	25,115,553	2,673,519
Net cash flows from (used in) investing activities	(318,938,748)	(307,658,872)	(652,190,793)

Cash flow statement (Continued) for the year ended 31 December 2013, 2012 and 2011

Unit : Baht

	2013	2012	2011
<u>Cash flows from financing activities</u>			
Increase (decrease) in bank overdrafts and			
short-term loans from financial institutions	56,721,467	(464,961,590)	735,652,615
Repayment of short-term loan from related party	(37,082,439)	-	-
Short-term loan from related party	-	-	38,053,403
Cash receipt from long-term loans	-	187,500,000	200,000,000
Repayment of long-term loans	(550,000,000)	(537,500,000)	(500,000,000)
Cash received from increase share capital	300,000,000	-	-
Cash paid for liabilities under hire-purchases			
and financial lease agreement	(25,936,496)	(45,418,433)	(81,529,628)
Cash paid for long term employee benefit	(5,695,486)	(7,652,190)	(5,075,279)
Dividend paid	(170,000,000)	(71,130,483)	(98,752,030)
Net cash flows from (used in) financing activities	(437,992,954)	(939,162,696)	288,349,081
Increase (decrease) in translation adjustments	(20,006,622)	3,482,417	(10,155,073)
Net increase (decrease) in cash and equivalents	22,674,541	(148,376,576)	99,940,021
Cash and cash equivalents at beginning of year	97,235,677	245,612,253	145,672,232
Cash and cash equivalents at end of year	119,910,218	97,235,677	245,612,253

Financial Ratio

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>Liquidity Ratio</u>			
Current Ratio	0.86 Times	0.88 Times	0.69 Times
Quick Ratio	0.42 Times	0.43 Times	0.35 Times
Cash Ratio	0.14 Times	0.21 Times	0.07 Times
Account Receivable Turnover	4.89 Times	5.13 Times	5.22 Times
Average Collection Period	73.59 Days	70.12 Days	68.97 Days
Inventory Turnover	11.84 Times	13.88 Times	14.31 Times
Inventory Cycle	30.41 Days	25.94 Days	25.16 Days
Payable Turnover	9.71 Times	11.41 Times	10.62 Times
Payable Cycle	37.09 Days	31.54 Days	33.90 Days
Cash Cycle	66.91 Days	64.52 Days	60.23 Days

Profitability Ratio

Gross Profit	4.05 %	4.52 %	4.05 %
Net Profit	0.01 %	1.80 %	0.68 %
Return on Equity	0.04 %	9.48 %	3.75 %

Efficiency Ratio

Return on Assets	0.01 %	2.34 %	0.89 %
Return on Fixed Assets	15.78 %	18.91 %	15.28 %
Assets Turnover	1.26 Times	1.25 Times	1.26 Times

Financial Policy Ratio

Debt to Equity Ratio	2.50 Times	2.75 Times	3.37 Times
Interest Coverage Ratio	4.81 Times	5.25 Times	3.14 Times
Debt Service Coverage Ratio	0.73 Times	1.14 Times	0.37 Times
Dividend Payout	- %	80.00 %	- %

Assets and liabilities management**1 Trade and other receivables**

(Unit : Thousand Baht)

	2013		2012		2011	
<u>Trade receivable – related parties</u>						
Not yet due	71,562	3.25 %	103,187	4.07 %	92,317	4.00 %
Over due						
Less than 3 months	24,365	1.11 %	31,711	1.44 %	26,565	1.16 %
3 - 6 months	12,755	0.58 %	631	0.03 %	2,205	0.10 %
Over 6 months*	14,285	0.65 %	20,021	0.91 %	19,678	0.86 %
Total	122,967	5.59 %	155,550	7.08 %	140,765	6.12 %
Less: Allowance for doubtful debts*	-	-	-	-	-	-
Total trade receivables -related parties, net	122,967	5.59 %	155,550	7.08 %	140,765	6.12 %
<u>Trade receivable – unrelated parties</u>						
Not yet due	1,567,768	71.24 %	1,403,908	63.94 %	1,445,289	62.85 %
Overdue						
Less than 3 months	478,541	21.74 %	604,203	27.52 %	682,474	29.68 %
3 - 6 months	10,269	0.47 %	19,879	0.90 %	22,889	1.00 %
Over 6 months	22,441	1.02 %	12,807	0.58 %	5,841	0.25 %
Total	2,079,019	94.47 %	2,040,797	92.94 %	2,156,493	93.78 %
Less: Allowance for doubtful debts	(6,488)	(0.29 %)	(6,735)	(0.31 %)	(6,078)	(0.26 %)
Total trade receivables						
- unrelated parties, net	2,072,531	94.17 %	2,034,062	92.63 %	2,150,415	93.52 %
Total trade receivable - net	2,195,498	99.76 %	2,189,612	99.73 %	2,291,180	99.64 %
<u>Other receivables</u>						
Advances - related party	2,422	0.11 %	4,528	0.20 %	4,468	0.19 %
Other	2,863	0.13 %	1,465	0.07 %	3,858	0.17 %
Total other receivables	5,285	0.24 %	5,993	0.27 %	8,326	0.36 %
Total trade and other receivables- net	2,200,783	100 %	2,195,605	100 %	2,299,506	100 %

Details of the company's trade and other receivable were summarized as the above aging table.

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.

The outstanding balances of the Company's trade and others accounts receivable at the end of each year were reflected by the volume of sales and the 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.

During the years, the Company and its subsidiaries had significant business transactions with related parties mainly in respect of purchases and sales of goods for motor compressor products. Such transactions, which have been concluded on commercial terms, at fair price and bases agreed upon in the ordinary course of business between the Company and those related parties and have been reviewed by the Audit Committee.

Remark : The Management confide on regulated conditions of "Written Acknowledgement of the obligation Agreement" and the repayment was strating since beginning of 2014. Then there is no allowance for doubtful debts of the over 6 months amount.

2 Inventories

(Unit : Thousand Baht)

	2013		2012		2011	
Cost						
Finished goods	849,127	36 %	894,172	38 %	693,723	28 %
Work in process	289,853	13 %	296,172	13 %	360,167	15 %
Raw materials	1,085,569	46 %	885,509	38 %	1,089,589	44 %
Goods in transit	139,833	5 %	270,623	11 %	309,150	13 %
Total	2,364,382	100 %	2,346,476	100 %	2,452,629	100 %
Allowance for diminution						
in value of inventories	(60,701)	2.57 %	(81,099)	3.46 %	(96,463)	3.93 %
Net amount	2,303,681	-	2,265,377	-	2,356,166	-

The Company has been sourcing materials from various suppliers, who are able to supply substitute products with comparable quality and provide the Company with several positives. Furthermore, the Company employs efficient inventory control and monitors closely impacts from the changing market prices.

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

The 2012 outstanding balances of the Company's finished goods was Baht 894.17 million or about 38% of total inventory which increased from 2011 outstanding balance it's caused from the additional produced stock during the end of year for delivery in the beginning of 2013 by customers' order. And the outstanding balance of 2013 raw materials approximated of Baht 1,085.57 million or about 46% of total inventory which was higher than the outstanding balance of 2012 due to the sales of company could not be reached the target which were greatly effected from the fluctuated economics in the country resulted by lower purchasing power of domestic households.

3 Property, plant and equipment

(Unit : Thousand Baht)

	Land	Land improvement and plant	Machinery	Plant equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
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Cost:

As at 1 January 2011	224,679	1,623,257	6,682,451	982,615	129,695	102,605	370,078	10,115,380
Additions	70,000	13,530	119,516	(5,025)	(2,184)	(2)	(238,825)	(42,990)
Transfer and Disposals	-	5,711	10,268	-	296	169	730	17,174
As at 31 December 2011	294,679	1,650,109	6,850,915	1,009,909	136,742	103,288	526,234	10,571,876
Additions	26,016	5,747	59,820	26,260	8,485	14,434	218,929	359,691
Transfer and Disposals	-	29,960	67,306	15,189	(3,779)	1,646	(143,095)	(32,773)
Translation adjustments	-	(4,804)	(7,768)	-	(242)	(140)	(263)	(13,217)
As at 31 December 2012	320,695	1,681,012	6,970,273	1,051,358	141,206	119,228	601,805	10,885,577
Additions	29,875	6,928	53,982	31,351	13,878	10,219	204,807	351,040
Transfer and Disposals	-	101,788	392,528	30,902	5,524	162	(594,779)	(63,875)
Translation adjustments	-	21,506	35,418	-	976	679	338	58,917
As at 31 December 2013	350,570	1,811,234	7,452,201	1,113,611	161,584	130,288	212,171	11,231,659

Accumulated

depreciation:

As at 1 January 2011	-	695,567	3,830,939	844,318	102,981	69,117	-	5,542,922
Transfer and Disposals	-	-	(9,517)	(29,945)	(2,671)	(3)	-	(42,136)
Translation adjustments	-	2,540	7,698	-	272	178	-	10,688

(Unit : Thousand Baht)

	Land	Land improvement and plant	Machinery	Plant equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
Depreciation for the year	-	83,782	438,289	58,908	11,507	10,306	-	602,792
As at 31 December 2011	-	781,889	4,267,409	873,281	112,089	79,598	-	6,114,266
Transfer and Disposals	-	(18)	(397)	(1,980)	(4,135)	(1,182)	-	(7,712)
Depreciation for the year	-	82,169	443,795	52,519	10,943	10,051	-	599,477
Translation adjustments	-	(1,568)	(4,742)	-	(208)	(124)	-	(6,642)
As at 31 December 2012	-	862,472	4,706,065	923,820	118,689	88,343	-	6,699,389
Transfer and Disposals	-	(210)	(16,471)	(5,043)	(5,314)	(1,526)	-	(28,564)
Depreciation for the year	-	82,471	467,196	53,579	12,049	11,287	-	626,582
Translation adjustments	-	8,185	25,226	-	826	535	-	34,772
As at 31 December 2013	-	952,918	5,182,016	972,356	126,250	98,639	-	7,332,179
Net book value:								
As at 31 December 2011	294,679	868,220	2,583,506	136,628	24,653	23,690	526,234	4,457,610
As at 31 December 2012	320,695	818,540	2,264,208	127,538	22,517	30,885	601,805	4,186,188
As at 31 December 2013	350,570	858,316	2,270,185	141,255	35,334	31,649	212,171	3,899,480

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.

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 1,280.80 million.

As at 31 December 2013, certain equipment items of the Company and its subsidiaries have been fully depreciated but are still in use amounted to Baht 3,125.60 million.

4 Bank overdrafts and short-term loans from financial institutions

(Unit : Thousand Baht)

	Interest rate (percent per annum)	2013	2012	2011
Bank overdrafts	7.38 - 7.50	19,198	17,014	30,519
Short-term loans	3.90 - 7.80	1,585,678	1,541,355	1,580,014
Trust receipts	1.67 - 4.35	1,527,699	1,459,190	1,758,681
Packing credit	2.15 - 3.83	570,888	569,667	644,699
Loans from discounting of account receivable	2.85	-	-	76,653
Total		3,703,463	3,587,226	4,090,566

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.

5 Trade and other payables

(Unit : Thousand Baht)

	2013	2012	2011
Trade payables - related parties	20,474	21,677	8,851
Trade payables - unrelated parties	864,599	825,464	770,133
Other payable - related parties	6,098	3,705	13,192
Other payable - unrelated parties	120,457	54,531	38,776
Accrued interest expenses to related parties	-	2,527	1,221
Accrued interest expenses to unrelated parties	4,176	3,275	979
Accrued expenses	112,504	86,768	99,399
Total trade and other payables	1,128,308	997,947	932,551

The 2013 outstanding balances of the Company's trade and other payables was higher than the 2012 outstanding balances amounting to Baht 130.36 million caused from the payment transactions of trade payable-unrelated parties, other payable-unrelated parties and accrued expenses were paid at the year ended date and awaiting for settlement from banks.

During the years, the Company and its subsidiaries had significant business transactions with related parties mainly in respect of purchases and sales of goods for motor compressor products. 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 and have been reviewed by the Audit Committee.

6 Long-term loans

(Unit : Thousand Baht)

	2013	2012	2011
Long-term loans	1,100,000	1,650,000	2,000,000
Less: Current portion of long-term loans	(550,000)	(550,000)	(2,000,000)
Long-term loans, net of current portion	550,000	1,100,000	-

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 and 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 Accessing Lender for the existing Credit Facility Agreement and the Company and its subsidiaries obtained additional credit facilities including long-term loan of Baht 200 million. The additional long-term loan amount was drawdown in year 2012, and to be repaid within year 2015 by 16 quarterly installments, of Baht 12.5 million each. The first installment is to be paid in March 2012. .

Under the Credit Facility Agreement, the Company and its subsidiaries have to comply with certain conditions including maintaining interest bearing debt to EBITDA ratio not exceeding 5:1 for the consolidated financial 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 2013 the Company and its subsidiaries could comply with certain conditions including maintaining interest bearing debt to EBITDA ratio not exceeding 5.5:1 current ratio for consolidated financial statements not less than 0.95:1 and debt service coverage ratio for the consolidated financial statements not less than 1.10:1

During the year ended 31 December 2013, the company and its subsidiaries have not entered into any new loan agreement with financial institution

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

7 Other current liabilities

The 2011 outstanding balances of the Company's other current liabilities approximated of Baht 235.94 million was higher than the outstanding balance of 2012 and 2010 it's related to the accrued dividend amounting to Baht 71.71 million of the 2010 operation results and the additional warranty reserve for the returned products

8 Provision for long-term employee benefits and others.

The outstanding balance of provision for long-term employee benefit and others for 2012 was approximated to Baht 114.05 million was higher than the 2011 outstanding balance amounting to Baht 48.25 million it's related to the 2012 accrued expenses of provision for long-term employee amounting to Baht 24.90 million and the remained amount was some added hire-purchase assets.

The outstanding balance of provision for long-term employee benefit and others for 2013 was approximated to Baht 178.47 million was higher than the 2012 outstanding balance amounting to Baht 30.03 million it's related to the 2013 accrued expenses of provision for long-term employee amounting to Baht 8.30 million and the remained amount were advance receipt from customers and others.

Management View

Manufacturers in reciprocating motor compressor business are constantly in competitive trend in both domestic and world market. This directs the manufacturers to aim at improving performance efficiency, decreasing cost, and developing products to satisfy customers demand in both price and quality. This also include price discount due to the market competitive condition, while facing rising cost of production due to the material price such as copper and steels, and other disadvantage elements which effected to the company such as economics situation and fluctuation of foreign exchange rate. Therefore, the company has to continuously manage in the ways which reinforce good competitive advantage and cover business risks. For instance,

1. Focus on developing new products to compete with world major manufacturers and satisfy the market demand in both quality and lower cost. The company aim to respond to the changing regulation and environmental concerns relating to refrigerants for refrigeration product and air conditioner, and increase efficiency by reducing energy consumption.

2. Emphasize the company and subsidiary companies' managing to be efficient by having a competitive advantage from the in line business operations of the group of company. In order to achieve this, the company produces and sells key parts for refrigeration product and air conditioner which uses materials such as steels sheet and enamel copper wire to make parts and housing, of motor compressor and related parts such as forged metal parts, casting parts which are entire compressor's components of the whole process or backward vertical integration in order to make business competitive advantages in materials cost and motor compressor parts for the company and its entire business.
3. Present aluminium as an alternative material choice for customers instead of copper, which received a good response from customers with continuing growth in consumption.
4. Strengthen the business financial stability, and reduce loan interest and financial expense. The company and subsidiaries have entered into and signed in the credit facilities agreement with Kasikorn Bank Public Company Limited, Bangkok Bank Public Company Limited, and ICBC (Thai) Bank Public Company Limited in relation to syndicated loan of Baht 8,800 million.
5. Reduce 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.
6. Manage risks from trade credits in relation to account receivables and other receivables. The company offers trade credit only to customers with credit to protect export receivables worthiness and enters into an insurance policy.
7. Manage risks from fluctuated price of copper materials by entering Copper Swap/Future with the Financial Institution.
8. Expand the current market and penetrate into new market by offering the full line products of the company in response to the demand of customers.
9. Keep and create good relationships with all alliances and customers.
10. Improve productivity of all production process.

Management confides and believes that the business competitive advantages of company will be secure and the operations will be sustainable growth by all above counter measures.

Audit Committee's Report

The Audit Committee of the Kulthorn Kirby Public Co.,Ltd. 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 2013, the Audit Committee had 12 meetings with presence of all the three committee members throughout the period. During the year there were also meetings with the external auditors to discuss and exchange ideas pertaining to accounting and financial systems in order to improve the operations for more efficiency and effectiveness. Moreover the summary of their works were reported to the company Board of Directors every quarter which included the key points as follows:

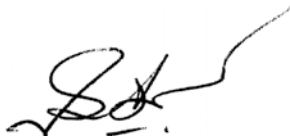
- 1 Financial Statements:** the key data of the quarterly and annually financial statements for the year 2013 of the company and its subsidiaries were reviewed in order to ensure mentioned statements were prepared in conformity with the accounting standards with complete and sufficient disclosure of information, reliable and timely submission.
- 2 Internal Control System:** the sufficiency of the internal control and internal auditing systems were reviewed and assessed to ensure appropriateness and effectiveness. This also covered the subsidiary companies. The Audit Committee had an opinion that the company and its subsidiaries had sufficient and proper internal control system. The annual auditing plan was also considered and endorsed. The internal audit reports were reviewed and the process of suggested improvements was continuously followed up. There was no significant error.
- 3 Risk Management:** According to the review; the company had an appropriate risk management system which was suitable to the business conditions. There were meetings to establish the working procedures in order to prevent problems or reduce the impacts which might affect the company's businesses and keep them at acceptable level.
- 4 Related transactions or transactions which might cause conflict of interests:** the related transactions and the business transactions of the company and its subsidiaries including the transactions which might cause conflict of interests were reviewed. It was found that mentioned transactions were carried out according to the business conditions and to the utmost benefit of the company. No benefits were siphoned off. The information was completely and sufficiently disclosed in accordance with the regulations stipulated by the Stock Exchange of Thailand.

- 5 Work according to the laws relating to the business:** the company's operations were reviewed. It was found out they were in compliance with the Securities Exchange Act and all the relevant laws. Moreover the works were also monitored to ensure adherence of the good corporate governance principles for transparency and reliability.
- 6 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 certified public accountant with License no.4434, or Mr. Wichart Lokatekrawee, certified public accountant with License no.4451, or Ms. Siriwan Suratepin, certified public accountant with License no.4604, of Ernst & Young Co., Ltd. as the company's auditors for another year in 2014 at the auditing and reviewing fees of 1,090,000 baht, which was 40,000 baht more than last year. This was considered appropriate and reasonable.

The Audit Committees 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 or significant errors found.

March 4, 2014

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 2013 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 2013. 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, 2013 are reliable under generally accepted accounting principles, legally sound and acceptable to relevant regulations.



Mr. Sumeth Simakulthorn
Chairman



Mr. Sutee Simakulthorn
President



Kulthorn Kirby Public Company Limited
and its subsidiaries

Independent Auditor's Report and Financial Statements

31 December 2013

Independent Auditor's Report

To the Shareholders of Kulthorn Kirby Public Company Limited

I have audited the accompanying consolidated financial statements of Kulthorn Kirby Public Company Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2013, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of Kulthorn Kirby Public Company Limited for the same period.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

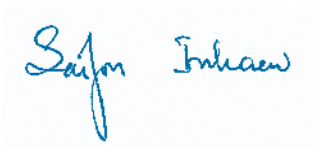
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kulthorn Kirby Public Company Limited and its subsidiaries and of Kulthorn Kirby Public Company Limited as at 31 December 2013, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

Emphasis of matter

I draw attention to Note 4 to the financial statements regarding the change in accounting policy due to the adoption of Thai Accounting Standard 12 Income Taxes. The Company has restated the consolidated and separate financial statements for the year ended 31 December 2012, presented herein as comparative information, to reflect the adjustment resulting from such change. The Company has also presented the consolidated and separate statements of financial position as at 1 January 2012 as comparative information, using the newly adopted accounting policy for income taxes. My opinion is not qualified in respect of this matter.



Saifon Inkaew

Certified Public Accountant (Thailand) No. 4434

Ernst & Young Office Limited
Bangkok: 28 February 2014

Statement of financial position

Kulthorn Kirby Public Company Limited and its subsidiaries
As at 31 December 2013

(Unit: Baht)

	Note	Consolidated financial statements			Separate financial statements		
		As at	As at	As at	As at	As at	As at
		31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
			(restated)		(restated)		
Assets							
Current assets							
Cash and cash equivalents	8	119,910,218	97,235,677	245,612,253	64,135,741	14,720,685	23,931,502
Trade and other receivables	9	2,200,783,025	2,195,605,479	2,299,506,212	935,582,494	904,708,897	980,133,744
Short-term loans to related parties	7	-	-	-	6,428,883	-	-
Inventories	10	2,303,681,395	2,265,377,553	2,356,165,924	1,014,946,549	909,498,025	873,653,128
VAT receivable		67,314,238	57,260,041	48,082,644	30,812,478	23,569,498	16,392,732
Other current assets		84,718,085	66,580,432	79,692,939	7,895,730	9,992,010	5,913,931
Total current assets		4,776,406,961	4,682,059,182	5,029,059,972	2,059,801,875	1,862,489,115	1,900,025,037
Non-current assets							
Restricted bank deposit	11	409,750	409,750	910,000	-	-	-
Investments in subsidiaries	12	-	-	-	2,434,372,497	2,334,372,497	2,334,372,497
Property, plant and equipment	13	3,899,479,714	4,186,187,772	4,457,609,587	1,743,414,288	1,892,962,993	1,925,981,942
Goodwill on business combination	14	-	-	-	-	-	-
Other intangible assets	15	55,746,680	11,864,002	11,952,645	11,707,353	3,209,619	3,765,031
Deferred tax assets	4, 25	49,541,044	36,116,756	33,497,594	16,383,518	19,246,577	14,104,970
Other non-current assets		1,430,981	892,065	2,395,297	1,249,031	786,715	930,052
Total non-current assets		4,006,608,169	4,235,470,345	4,506,365,123	4,207,126,687	4,250,578,401	4,279,154,492
Total assets		8,783,015,130	8,917,529,527	9,535,425,095	6,266,928,562	6,113,067,516	6,179,179,529

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

Statement of financial position (continued)

Kulthorn Kirby Public Company Limited and its subsidiaries
As at 31 December 2013

(Unit: Baht)

	Note	Consolidated financial statements			Separate financial statements		
		As at	As at	As at	As at	As at	As at
		31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
			(restated)		(restated)		
Liabilities and shareholders' equity							
Current liabilities							
Bank overdrafts and short-term loans from							
financial institutions	16	3,703,462,829	3,587,226,491	4,090,566,493	1,723,294,080	1,555,321,928	1,778,197,987
Trade and other payables	17	1,128,308,515	997,947,040	932,551,049	942,280,955	964,165,851	645,107,777
Short-term loan from related party	7	-	37,082,439	38,053,403	155,765,152	30,500,000	-
Current portion of long-term loans	18	550,000,000	550,000,000	2,000,000,000	550,000,000	550,000,000	2,000,000,000
Current portion of liabilities under hire-purchase							
and financial lease agreements	19	18,788,463	12,667,319	34,717,065	13,981,793	9,440,209	20,071,832
Dividend payable		674,534	581,197	71,711,680	674,534	581,197	71,711,680
Income tax payable		4,346,690	11,318,255	10,252,952	-	-	-
Other current liabilities	20	138,219,754	97,369,299	81,202,399	68,031,972	61,888,882	42,346,719
Total current liabilities		5,543,800,785	5,294,192,040	7,259,055,041	3,454,028,486	3,171,898,067	4,557,435,995
Non-current liabilities							
Long-term loans - net of current portion	18	550,000,000	1,100,000,000	-	550,000,000	1,100,000,000	-
Liabilities under hire-purchase and financial lease							
agreements - net of current portion	19	56,087,355	30,387,917	7,037,948	46,447,442	26,427,069	4,139,830
Provision for long-term employee benefits	21	122,379,081	114,050,547	89,155,687	57,673,152	54,530,797	46,355,302
Total non-current liabilities		728,466,436	1,244,438,464	96,193,635	654,120,594	1,180,957,866	50,495,132
Total liabilities		6,272,267,221	6,538,630,504	7,355,248,676	4,108,149,080	4,352,855,933	4,607,931,127

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


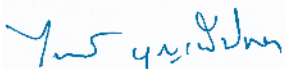
Statement of financial position (continued)

Kulthorn Kirby Public Company Limited and its subsidiaries
As at 31 December 2013

(Unit: Baht)

	Note	Consolidated financial statements			Separate financial statements		
		As at	As at	As at	As at	As at	As at
		31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
			(restated)			(restated)	
Shareholders' equity							
Share capital	22						
Registered							
1,000,000,000 ordinary shares of Baht 1 each		1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Issued and fully paid up							
1,000,000,000 ordinary shares of Baht 1 each							
(2012: 850,000,000 ordinary shares of Baht 1 each)		1,000,000,000	850,000,000	850,000,000	1,000,000,000	850,000,000	850,000,000
Share premium		500,000,000	350,000,000	350,000,000	500,000,000	350,000,000	350,000,000
Retained earnings							
Appropriated - statutory reserve	23	100,000,000	90,601,450	81,035,666	100,000,000	90,601,450	81,035,666
Unappropriated		713,966,082	892,482,752	700,469,971	558,779,482	469,610,133	290,212,736
Other components of shareholders' equity		196,781,827	195,814,821	198,670,782	-	-	-
Total shareholders' equity		2,510,747,909	2,378,899,023	2,180,176,419	2,158,779,482	1,760,211,583	1,571,248,402
Total liabilities and shareholders' equity		8,783,015,130	8,917,529,527	9,535,425,095	6,266,928,562	6,113,067,516	6,179,179,529

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



 Directors



Statement of comprehensive income

Kulthorn Kirby Public Company Limited and its subsidiaries
For the year ended 31 December 2013

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	<u>Note</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
			(restated)		(restated)
Profit or loss:					
Revenues					
Sales and service income	7, 26	10,753,923,084	11,539,418,747	4,942,463,814	4,871,589,688
Other income					
Income from scrap sales	7	407,039,819	375,950,548	228,413,831	280,842,017
Gain on exchange		-	97,783,975	-	42,582,527
Interest income	7	1,336,249	1,114,441	737,072	204,310
Dividend income	12	-	-	282,527,818	220,592,852
Others		11,252,052	6,881,499	9,801,938	4,198,058
Total revenues		11,173,551,204	12,021,149,210	5,463,944,473	5,420,009,452
Expenses					
Cost of sales and services	7	10,318,720,838	11,017,565,483	4,754,055,879	4,841,617,037
Selling expenses		114,124,088	136,567,060	63,250,510	58,451,243
Administrative expenses		376,913,288	365,358,614	163,172,863	157,925,929
Loss on exchange		142,392,856	-	75,569,671	-
Total expenses		10,952,151,070	11,519,491,157	5,056,048,923	5,057,994,209
Profit before finance costand income tax		221,400,134	501,658,053	407,895,550	362,015,243
Finance cost		(225,356,088)	(268,216,551)	(136,464,593)	(169,606,515)
Profit (loss) before income tax		(3,955,954)	233,441,502	271,430,957	192,408,728
Income tax	25	4,837,834	(17,446,083)	(2,863,058)	3,088,621
Profit for the year		881,880	215,995,419	268,567,899	195,497,349
Other comprehensive income:					
Exchange differences on translation of					
financial statements in foreign currency		967,006	(2,855,961)	-	-
Actuarial loss		-	(16,862,231)	-	(7,494,100)
Income tax effect		-	2,445,377	-	959,932
Other comprehensive income for the year		967,006	(17,272,815)	-	(6,534,168)
Total comprehensive income for the year		1,848,886	198,722,604	268,567,899	188,963,181
Basic earnings per share					
Profit attributable to equity holders of the Company	27	0.0009	0.2541	0.2889	0.2300

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

Statement of changes in shareholders' equity

Kulthorn Kirby Public Company Limited and its subsidiaries

For the year ended 31 December 2013

/56

KULTHORN KIRBY PUBLIC COMPANY LIMITED
ANNUAL REPORT 2013

	Consolidated financial statements							
	Other components of shareholders' equity							
	Other comprehensive income							
	Issued and fully paid-up share capital	Share premium	Retained earnings		Unappropriated foreign currency	Surplus from business combination under common control	Total other components of shareholders' equity	Total shareholders' equity
Appropriated			Unappropriated					
Balance as at 31 December 2011 - as previously reported	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
Cumulative effect of change in accounting policy for deferred tax (Note 4)	-	-	-	33,497,594	-	-	-	33,497,594
Balance as at 31 December 2011 - as restated	850,000,000	350,000,000	81,035,666	700,469,971	(9,227,167)	207,897,949	198,670,782	2,180,176,419
Total comprehensive income for the year (restated)	-	-	-	201,578,565	(2,855,961)	-	(2,855,961)	198,722,604
Transfer unappropriated retained earnings to statutory reserve	-	-	9,565,784	(9,565,784)	-	-	-	-
Balance as at 31 December 2012 - as restated	850,000,000	350,000,000	90,601,450	892,482,752	(12,083,128)	207,897,949	195,814,821	2,378,899,023
Balance as at 31 December 2012 - as previously reported	850,000,000	350,000,000	90,601,450	856,365,996	(12,083,128)	207,897,949	195,814,821	2,342,782,267
Cumulative effect of change in accounting policy for deferred tax (Note 4)	-	-	-	36,116,756	-	-	-	36,116,756
Balance as at 31 December 2012 - as restated	850,000,000	350,000,000	90,601,450	892,482,752	(12,083,128)	207,897,949	195,814,821	2,378,899,023
Ordinary share capital increased during the year	150,000,000	150,000,000	-	-	-	-	-	300,000,000
Dividend paid (Note 30)	-	-	-	(170,000,000)	-	-	-	(170,000,000)
Total comprehensive income for the year	-	-	-	881,880	967,006	-	967,006	1,848,886
Transfer unappropriated retained earnings to statutory reserve	-	-	9,398,550	(9,398,550)	-	-	-	-
Balance as at 31 December 2013	1,000,000,000	500,000,000	100,000,000	713,966,082	(11,116,122)	207,897,949	196,781,827	2,510,747,909

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

Statement of changes in shareholders' equity (Continued)

Kulthorn Kirby Public Company Limited and its subsidiaries

For the year ended 31 December 2013

	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 2011 - as previously reported	850,000,000	350,000,000	81,035,666	276,107,766	1,557,143,432
Cumulative effect of change in accounting policy for deferred tax (Note 4)	-	-	-	14,104,970	14,104,970
Balance as at 31 December 2011 - as restated	850,000,000	350,000,000	81,035,666	290,212,736	1,571,248,402
Total comprehensive income for the year (restated)	-	-	-	188,963,181	188,963,181
Transfer unappropriated retained earnings to statutory reserve	-	-	9,565,784	(9,565,784)	-
Balance as at 31 December 2012 - as restated	850,000,000	350,000,000	90,601,450	469,610,133	1,760,211,583
Balance as at 31 December 2012 - as previously reported	850,000,000	350,000,000	90,601,450	450,363,556	1,740,965,006
Cumulative effect of change in accounting policy for deferred tax (Note 4)	-	-	-	19,246,577	19,246,577
Balance as at 31 December 2012 - as restated	850,000,000	350,000,000	90,601,450	469,610,133	1,760,211,583
Ordinary share capital increased during the year (Note 22)	150,000,000	150,000,000	-	-	300,000,000
Dividend paid (Note 30)	-	-	-	(170,000,000)	(170,000,000)
Total comprehensive income for the year	-	-	-	268,567,899	268,567,899
Transfer unappropriated retained earnings to statutory reserve	-	-	9,398,550	(9,398,550)	-
Balance as at 31 December 2013	1,000,000,000	500,000,000	100,000,000	558,779,482	2,158,779,482

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

Cash flow statement

Kulthorn Kirby Public Company Limited and its subsidiaries
For the year ended 31 December 2013

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Cash flows from operating activities				
Profit (loss) before tax	(3,955,954)	233,441,502	271,430,957	192,408,728
Adjustments to reconcile profit (loss) before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	637,241,607	601,297,490	267,284,213	231,309,186
Allowance for doubtful accounts (reversal)	(246,574)	657,070	(11,980)	(40,000)
Reduction of inventory value to net realisable value (reversal)	(20,398,266)	(15,364,413)	(19,234,589)	8,407,299
Gain on sales of property, plant and equipment	(481,454)	(635,936)	(702,717)	(529,432)
Dividend income	-	-	(282,527,818)	(220,592,852)
Deferred interest	3,239,470	1,731,146	2,636,734	1,103,667
Provision for long-term employee benefits	14,024,020	15,684,819	6,725,235	7,643,886
Unrealised (gain) loss on exchange	94,674,221	(20,286,173)	59,957,498	(10,042,212)
Interest expenses	209,783,826	264,088,152	131,462,768	166,363,845
Profit from operating activities before changes in operating assets and liabilities	933,880,896	1,080,613,657	437,020,301	376,032,115
Operating assets (increase) decrease				
Trade and other receivables	24,915,228	100,037,866	(15,038,149)	76,366,537
Inventories	(17,905,576)	106,152,784	(86,213,935)	(44,252,197)
Other current assets	(23,393,190)	8,053,707	(11,046,745)	(11,030,003)
Other non-current assets	(538,910)	1,502,933	(462,316)	143,336
Operating liabilities increase (decrease)				
Trade and other payables	122,688,394	64,643,611	(34,619,615)	328,670,983
Other current liabilities	(4,466,892)	17,345,072	(24,381,700)	18,899,297
Cash flows from operating activities	1,035,179,950	1,378,349,630	265,257,841	744,830,068
Cash paid for interest expenses	(215,210,398)	(262,714,193)	(131,692,932)	(165,512,717)
Cash paid for corporate income tax	(20,356,687)	(20,672,862)	(528,838)	(1,317,895)
Net cash flows from operating activities	799,612,865	1,094,962,575	133,036,071	577,999,456

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

Cash flow statement (continued)

Kulthorn Kirby Public Company Limited and its subsidiaries
For the year ended 31 December 2013

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Cash flows from investing activities				
Decrease in restricted bank deposits	-	500,250	-	-
Acquisition of property, plant and equipment	(347,219,480)	(333,274,675)	(84,532,858)	(186,205,033)
Proceeds from sales of property, plant and equipment	28,280,732	25,115,553	1,610,838	535,435
Dividend income	-	-	282,527,818	220,592,852
Net cash flows from (used in) investing activities	(318,938,748)	(307,658,872)	199,605,798	34,923,254
Cash flows from financing activities				
Increase (decrease) in bank overdrafts and				
short-term loans from financial institutions	50,721,467	(464,961,590)	133,825,785	(195,710,513)
Repayment of short-term loan from related party	(37,082,439)	-	(30,500,000)	-
Increase in short-term loan from related party	-	-	155,765,152	30,500,000
Cash receipt from long-term loans	-	187,500,000	-	187,500,000
Repayment of long-term loans	(550,000,000)	(537,500,000)	(550,000,000)	(537,500,000)
Cash paid for liabilities under hire-purchases and				
financial lease agreements	(25,936,496)	(45,418,433)	(18,734,870)	(28,830,041)
Cash paid for investment in subsidiary	-	-	(100,000,000)	-
Cash paid for long term employee benefits	(5,695,486)	(7,652,190)	(3,582,880)	(6,962,490)
Cash received from increase share capital	300,000,000	-	300,000,000	-
Dividend paid	(170,000,000)	(71,130,483)	(170,000,000)	(71,130,483)
Net cash flows used in financing activities	(437,992,954)	(939,162,696)	(283,226,813)	(622,133,527)
Increase (decrease) in translation adjustments	(20,006,622)	3,482,417	-	-
Net increase (decrease) in cash and cash equivalents	22,674,541	(148,376,576)	49,415,056	(9,210,817)
Cash and cash equivalents at beginning of year	97,235,677	245,612,253	14,720,685	23,931,502
Cash and cash equivalents at end of year	119,910,218	97,235,677	64,135,741	14,720,685
Supplement cash flows information				
1) Non-cash related transaction for investing activities				
Net increase (decrease) in trust receipts and other accounts payable				
for purchases of fixed assets	(4,294,816)	(17,264,016)	1,948,411	(27,846,195)
2) Non-cash related transaction for financing activities				
Dividend payable	674,534	581,197	674,534	581,197
Assets acquired under hire-purchase				
and financial lease agreements	54,517,609	44,987,510	40,660,094	39,381,991

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 year ended 31 December 2013

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 Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 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 the following subsidiary companies (“the subsidiaries”):

Subsidiary companies	Nature of business	Country of incorporation	Percentage of shareholding		
			2013	2012	
			Percent	Percent	
<u>Subsidiaries held by the Company</u>					
Kulthorn Kirby Foundry Company Limited	Manufacturing and sales of iron castings for compressor parts and automotives parts	Thailand	100	100	
Kulthorn Premier Company Limited	Manufacturing and sales of hermetic compressors 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	

Subsidiary companies	Nature of business	Country of incorporation	Percentage of shareholding	
			2013	2012
			Percent	Percent
<u>Subsidiaries held directly and indirectly by Kulthorn Materials and Controls Company Limited</u>				
Kulthorn Metal Products Company Limited	Manufacture and sell forging, machining and heat treatment metal parts	Thailand	100	100
Suzhou Kulthorn Magnet Wire Company Limited (held by Phelps Dodge Suzhou Holdings, Inc.)	Manufacture and sell enameled copper wire	China	100	100

- b) Subsidiaries are fully consolidated, from the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- c) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- d) The assets and liabilities in the financial statements of overseas subsidiary companies are translated into Baht using the exchange rate prevailing at the end of reporting period, and revenues and expenses are translated using monthly average exchange rates. The resulting differences are shown under the caption of “Exchange differences on translation of financial statements in foreign currency” in the statements of changes in shareholders’ equity.
- 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. New accounting standards

Below is a summary of accounting standards that became effective in the current accounting year and those that will become effective in the future.

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

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

Financial Reporting Standard:

TFRS 8 Operating Segments

Accounting Standard Interpretations:

TSIC 10 Government Assistance - No Specific Relation to Operating
Activities

TSIC 21 Income Taxes - Recovery of Revalued Non-Depreciable Assets

TSIC 25 Income Taxes - Changes in the Tax Status of an Entity or its
Shareholders

Accounting Treatment Guidance for Transfers of Financial Assets

These accounting standards, financial reporting standard, accounting standard interpretations and accounting treatment guidance do not have any significant impact on the financial statements, except for the following accounting standard.

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base and recognise the tax effects as deferred tax assets or liabilities subjecting to certain recognition criteria. The Company and its subsidiaries have changed this accounting policy since 1 January 2013 and restated the prior year's financial statements, presented as comparative information, as though the Company and its subsidiaries had initially recognised the tax effects as deferred tax assets or liabilities. The cumulative effect of this change in accounting policy has been presented in Note 4 to the financial statements.

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

	<u>Effective date</u>
Accounting Standards:	
TAS 1 (revised 2012) Presentation of Financial Statements	1 January 2014
TAS 7 (revised 2012) Statement of Cash Flows	1 January 2014
TAS 12 (revised 2012) Income Taxes	1 January 2014
TAS 17 (revised 2012) Leases	1 January 2014
TAS 18 (revised 2012) Revenue	1 January 2014
TAS 19 (revised 2012) Employee Benefits	1 January 2014
TAS 21 (revised 2012) The Effects of Changes in Foreign Exchange Rates	1 January 2014
TAS 24 (revised 2012) Related Party Disclosures	1 January 2014
TAS 28 (revised 2012) Investments in Associates	1 January 2014
TAS 31 (revised 2012) Interests in Joint Ventures	1 January 2014
TAS 34 (revised 2012) Interim Financial Reporting	1 January 2014
TAS 36 (revised 2012) Impairment of Assets	1 January 2014
TAS 38 (revised 2012) Intangible Assets	1 January 2014
Financial Reporting Standards:	
TFRS 2 (revised 2012) Share-based Payment	1 January 2014
TFRS 3 (revised 2012) Business Combinations	1 January 2014
TFRS 4 Insurance Contracts	1 January 2016
TFRS 5 (revised 2012) Non-current Assets Held for Sale and Discontinued Operations	1 January 2014
TFRS 8 (revised 2012) Operating Segments	1 January 2014
Accounting Standard Interpretations:	
TSIC 15 Operating Leases - Incentives	1 January 2014
TSIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1 January 2014
TSIC 29 Service Concession Arrangements: Disclosures	1 January 2014
TSIC 32 Intangible Assets — Web Site Costs	1 January 2014

		<u>Effective date</u>
Financial Reporting Standard Interpretations:		
TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 January 2014
TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2014
TFRIC 7	Applying the Restatement Approach under TAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>	1 January 2014
TFRIC 10	Interim Financial Reporting and Impairment	1 January 2014
TFRIC 12	Service Concession Arrangements	1 January 2014
TFRIC 13	Customer Loyalty Programmes	1 January 2014
TFRIC 17	Distributions of Non-cash Assets to Owners	1 January 2014
TFRIC 18	Transfers of Assets from Customers	1 January 2014

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

4. Cumulative effect of changes in accounting policies due to the adoption of new accounting standard

Since 1 January 2013, the Company and its subsidiaries made the changes described in Note 3 to the financial statements to its significant accounting policies, as a result of the adoption of Thai Accounting Standard 12 Income Taxes. The cumulative effect of the changes in the accounting policies has been separately presented in the statements of changes in shareholders' equity.

The amounts of adjustments affecting the statements of financial position and the statements of comprehensive income are summarised below.

	(Unit: Thousand Baht)					
	As at 31 December 2013		As at 31 December 2012		As at 1 January 2012	
	Consolidate d financial statements	Separate financial statements	Consolidate d financial statements	Separate financial statements	Consolidate d financial statements	Separate financial statements
Statements of financial position						
Increase in deferred tax assets	49,541	16,384	36,116	19,247	33,498	14,105
Increase in unappropriated retained earnings	49,541	16,384	36,116	19,247	33,498	14,105

	(Unit: Thousand Baht)			
	For the year ended 31 December 2013		For the year ended 31 December 2012	
	Consolidate d financial statements	Separate financial statements	Consolidate d financial statements	Separate financial statements
Statements of comprehensive income				
Profit or loss:				
Increase (decrease) in income tax expenses	(13,425)	2,863	(173)	(4,182)
Increase (decrease) in profit for the year	13,425	(2,863)	173	4,182
Increase in basic earnings per share (Baht)	0.02	-	-	0.01
Other comprehensive income:				
Actuarial loss	-	-	(2,445)	(960)

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

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

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

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

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

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

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 attributed to the original cost portion included in determining income.

No depreciation is provided for land and construction in progress.

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

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 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.

5.12 Foreign currencies

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

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

Gains and losses on exchange are included in determining income.

5.13 Impairment of assets

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

An impairment loss is recognised in profit or loss.

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

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

Defined benefit plans and other long-term employee benefits

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

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

Actuarial gain and loss arising from post-employment benefits are recognised immediately in other comprehensive income.

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

For the first-time adoption of TAS 19 Employee Benefits in 2011, 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 of 2011.

5.15 Provisions

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

5.16 Income tax

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

Current tax

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

Deferred tax

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

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

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

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

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 and its subsidiary companies enter into such agreements in order to manage foreign exchange risk.

The notional amounts of currency option agreements utilised by the Companies and its subsidiary 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 or its subsidiary companies 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 financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follows:

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.

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 exercises judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, taking into consideration the liquidity, correlation and longer-term volatility of financial instruments.

Impairment of equity investments

The Company considers 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.

Deferred tax assets

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

Warranty reserve

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

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

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

7. 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 years ended 31 December		For the years ended 31 December		Pricing policy
	2013	2012	2013	2012	
<u>Transactions with subsidiary companies (eliminated from the consolidated financial statements)</u>					
Purchases of goods	-	-	1,586	1,589	Market price
Sales and service income and scraps sales	-	-	458	584	Approximate market price
Sales of fixed assets	-	-	1	-	Mutually agreed price
Other income	-	-	6	3	Mutually agreed price as stipulated in the contract
Rental income	-	-	2	2	Mutually agreed price as stipulated in the contract
Other expenses	-	-	2	2	Mutually agreed price as stipulated in the contract
<u>Transactions with related companies</u>					
Sales and service income and scraps sales	536	676	398	456	Approximate market price
Purchases of goods	94	72	67	64	Market price
Rental expense	11	11	-	-	Mutually agreed price as stipulated in the contract
Other income	1	1	-	-	Mutually agreed price as stipulated in the contract
Interest expenses	1	1	-	-	Interest rate at 3.5 percent per annum
Rental income	-	1	-	-	Mutually agreed price as stipulated in the contract
Other expenses	1	1	-	-	Mutually agreed price as stipulated in the contract

The balances of the accounts as at 31 December 2013 and 2012 between the Company and those related parties are as follows:

	Consolidated financial statements		Separate financial statements	
	(Unit: Thousand Baht)			
	2013	2012	2013	2012
<u>Trade and other receivables - related parties (Note 9)</u>				
Subsidiary companies	-	-	41,132	37,462
Related companies (related by common director/shareholder)	125,389	160,078	80,934	112,693
Trade and other receivables - related parties	125,389	160,078	122,066	150,155
<u>Trade and other payable - related parties (Note 17)</u>				
Subsidiary companies	-	-	512,438	610,477
Related companies (related by common director/shareholder)	26,572	27,909	19,714	21,870
Total trade and other payable - related parties	26,572	27,909	532,152	632,347

Short-term loan related party

As at 31 December 2013 and 2012, the balance of short-term loan of the Company from subsidiary and of subsidiary from related party, and the movement are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		
	Balance as at	Decrease	Balance as at
	31 December 2012	during the year	31 December 2013
<u>Short-term loan of subsidiary from related party</u>			
Director	37,082	(37,082)	-
Total	37,082	(37,082)	-

(Unit: Thousand Baht)

	Separate financial statements			
	Balance as at	Increase	Decrease	Balance as at
	31 December 2012	during the year	during the year	31 December 2013
<u>Short-term loan of the Company from subsidiary</u>				
Kulthorn Premier Co., Ltd.	30,500	104,000	(30,500)	104,000
Total	30,500	104,000	(30,500)	104,000

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

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

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

(Unit: Thousand Baht)

Short-term loans of the Company to subsidiaries

Kulthorn Materials and Controls Co., Ltd.	3,359
Kulthorn Steel Co., Ltd.	2,152
Kulthorn Metal Product Co., Ltd.	918
Total short-term loans of the Company to subsidiaries	6,429

Short-term loans of the Company from subsidiaries

Kulthorn Kirby Foundry Co., Ltd.	28,162
Kulthorn Premier Co., Ltd.	23,603
Total short-term loans of the Company from subsidiaries	51,765

Directors and management's benefits

During the years ended 31 December 2013 and 2012, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below:

(Unit: Million Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Short-term employee benefits	46	34	20	18
Post-employment benefits	1	1	1	1
Total	47	35	21	19

Guarantee obligations with related parties

The Company has outstanding guarantee obligations with its related parties, as described in Note 31.4 to the financial statements.

8. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Cash	1,297	1,175	800	744
Bank deposits	118,613	96,061	63,336	13,977
Total	119,910	97,236	64,136	14,721

As at 31 December 2013, bank deposits in savings and fixed accounts carried interests at the rate between 0.10 and 0.88 percent per annum (2012: between 0.62 and 0.88 percent per annum).

9. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
<u>Trade receivables - related parties</u>				
Not yet due	71,562	103,187	73,489	102,586
Overdue				
Less than 3 months	24,365	31,711	25,461	24,815
3 - 6 months	12,755	631	7,293	469
6 - 12 months	446	721	-	170
Over 12 months	13,839	19,300	11,981	18,315
Total trade receivables - related parties, net	122,967	155,550	118,224	146,355
<u>Trade receivables - unrelated parties</u>				
Not yet due	1,567,768	1,403,908	715,270	510,167
Overdue				
Less than 3 months	478,541	604,203	91,210	238,982
3 - 6 months	10,269	19,879	4,495	4,764
6 - 12 months	1,092	8,297	-	-
Over 12 months	21,349	4,510	418	344
Total	2,079,019	2,040,797	811,393	754,257
Less: Allowance for doubtful debts	(6,488)	(6,735)	(418)	(430)
Total trade receivables - unrelated parties, net	2,072,531	2,034,062	810,975	753,827
Total trade receivables - net	2,195,498	2,189,612	929,199	900,182
<u>Other receivables</u>				
Advances - related party	2,422	4,528	3,842	3,800
Other	2,863	1,465	2,541	727
Total other receivables	5,285	5,993	6,383	4,527
Total trade and other receivables - net	2,200,783	2,195,605	935,582	904,709

10. Inventories

(Unit: Thousand Baht)

Consolidated financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	2013	2012	2013	2012	2013	2012
Finished goods	849,127	894,172	(46,151)	(61,461)	802,976	832,711
Work in process	289,853	296,172	(2,087)	(6,296)	287,766	289,876
Raw materials	1,085,569	885,509	(12,463)	(13,342)	1,073,106	872,167
Goods in transit	139,833	270,623	-	-	139,833	270,623
Total	<u>2,364,382</u>	<u>2,346,476</u>	<u>(60,701)</u>	<u>(81,099)</u>	<u>2,303,681</u>	<u>2,265,377</u>

(Unit: Thousand Baht)

Separate financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	2013	2012	2013	2012	2013	2012
Finished goods	293,105	348,560	(13,213)	(30,668)	279,892	317,892
Work in process	125,193	96,620	(592)	(435)	124,601	96,185
Raw materials	541,594	459,064	(9,867)	(11,803)	531,727	447,261
Goods in transit	78,726	48,160	-	-	78,726	48,160
Total	<u>1,038,618</u>	<u>952,404</u>	<u>(23,672)</u>	<u>(42,906)</u>	<u>1,014,946</u>	<u>909,498</u>

11. Restricted bank deposit

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

12. Investments in subsidiaries

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

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost		Dividend received during the year	
	2013	2012	2013	2012	2013	2012	2013	2012
			(%)	(%)				
Kulthorn Kirby Foundry Company Limited	475,000	375,000	100	100	639,999	539,999	-	105,000
Kulthorn Premier Company Limited	1,260,000	1,260,000	100	100	1,936,751	1,936,751	242,528	75,593
Kulthorn Steel Company Limited	400,000	400,000	100	100	399,999	399,999	40,000	40,000
kulthorn Materials and Controls Company Limited	350,000	350,000	100	100	240,630	240,630	-	-
Total					3,217,379	3,117,379	282,528	220,593
Less: Allowance for impairment loss on investments in subsidiaries					(783,007)	(783,007)	-	-
Total investments in subsidiaries - net					2,434,372	2,334,372	282,528	220,593

On 11 December 2013, the Extraordinary General Meeting of Kulthorn Kirby Foundry Company Limited, subsidiary of the Company, issuance of new ordinary shares of Baht 200 million (2 million ordinary shares of Baht 100 each). This subsidiary called for the capital payment at 50 percent and the Company paid for this investment of Baht 100 million in the current year. The Company holds 100 percent interest in this subsidiary.

13. Property, plant and equipment

(Unit: Thousand Baht)

Consolidated financial statements

[illegible]

(Unit: Thousand Baht)

Separate financial statements								
	Land	Land improvement and plant	Machinery	Plant equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
Cost								
As at 1 January 2012	195,007	525,751	3,088,032	712,319	64,057	49,233	399,924	5,034,323
Additions	26,017	154	24,520	16,573	4,265	9,583	116,529	197,641
Transfer in (out)	-	8,745	34,960	10,552	313	-	(54,570)	-
Disposals/write-off	-	-	(391)	(1,892)	(36)	(548)	-	(2,867)
As at 31 December 2012	221,024	534,650	3,147,121	737,552	68,599	58,268	461,883	5,229,097
Additions	-	105	5,714	9,328	6,348	2,606	93,808	117,909
Transfer in (out)	-	85,009	351,482	25,321	9,544	-	(471,356)	-
Disposals/write-off	-	-	(24,232)	(1,607)	(4,460)	(1,276)	-	(31,575)
As at 31 December 2013	221,024	619,764	3,480,085	770,594	80,031	59,598	84,335	5,315,431
Accumulated depreciation								
As at 1 January 2012	-	266,445	2,110,300	640,537	54,130	36,929	-	3,108,341
Depreciation for the year	-	23,075	169,585	28,006	5,076	4,912	-	230,654
Disposals/write-off	-	-	(391)	(1,892)	(30)	(548)	-	(2,861)
As at 31 December 2012	-	289,520	2,279,494	666,651	59,176	41,293	-	3,336,134
Depreciation for the year	-	25,599	198,970	29,527	6,580	5,874	-	266,550
Disposals/write-off	-	-	(23,330)	(1,607)	(4,460)	(1,270)	-	(30,667)
As at 31 December 2013	-	315,119	2,455,134	694,571	61,296	45,897	-	3,572,017
Net book value								
As at 31 December 2012	221,024	245,130	867,627	70,901	9,423	16,975	461,883	1,892,963
As at 31 December 2013	221,024	304,645	1,024,951	76,023	18,735	13,701	84,335	1,743,414
Depreciation for the year								
2012 (Baht 226 million included in manufacturing cost, and the balance in administrative expenses)								230,654
2013 (Baht 248 million included in manufacturing cost, and the balance in administrative expenses)								266,550

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 1,280.8 million (The Company only: Baht 374.9 million) (2012: Baht 1,615.5 million in consolidated financial statements and Baht 415.5 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.

As at 31 December 2013, 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, of those assets amounted to Baht 3,125.6 million (The Company only: Baht 2,206.9 million) (2012: Baht 3,235.0 million in the consolidated financial statements and Baht 2,190.3 million in the separate financial statements).

As at 31 December 2013, the Company and a subsidiary had machinery, vehicles and equipment under finance lease agreements with net book values amounting to Baht 259.0 million (The Company only: Baht 155.5 million) (2012: Baht 240.1 million in the consolidated financial statements and Baht 137.9 million in the separate financial statements).

14. Goodwill on business combination

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
Goodwill on business combination	37,620	37,620	-	-
Less: Accumulated impairment loss	(37,620)	(37,620)	-	-
Net book value	-	-	-	-

15. Intangible assets

The net book value of intangible assets are computer software. Its net book value as at 31 December 2013 and 2012 is presented below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
As at 31 December 2013		
Cost	97,173	42,760
Less: Accumulated amortisation	(41,427)	(31,053)
Net book value	55,746	11,707
As at 31 December 2012		
Cost	50,061	33,528
Less: Accumulated amortisation	(38,197)	(30,318)
Net book value	11,864	3,210

A reconciliation of the net book value of intangible assets for the years 2013 and 2012 is presented below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
Net book value at beginning of year	11,864	11,953	3,210	3,765
Acquisition during the year	46,344	1,581	9,232	100
Amortisation	(3,088)	(1,513)	(735)	(655)
Translation adjustment	626	(157)	-	-
Net book value at end of year	55,746	11,864	11,707	3,210

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

(Unit: Thousand Baht)					
	Interest rate (percent per annum)	Consolidated financial statements		Separate financial statements	
		2013	2012	2013	2012
Bank overdrafts	7.38 - 7.50	19,198	17,014	580	-
Short-term loans	3.90 - 7.80	1,585,678	1,541,355	569,100	556,000
Trust receipts	1.67 - 4.35	1,527,699	1,459,190	582,726	481,155
Packing credit	2.15 - 3.83	570,888	569,667	570,888	518,167
Total		<u>3,703,463</u>	<u>3,587,226</u>	<u>1,723,294</u>	<u>1,555,322</u>

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 and machineries of the Company and subsidiaries.

17. Trade and other payables

(Unit: Thousand Baht)				
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Trade payables - related parties	20,474	21,677	494,851	612,148
Trade payables - unrelated parties	864,599	825,464	317,220	254,254
Other payable - related parties	6,098	3,705	37,268	20,199
Other payable - unrelated parties	120,457	54,531	49,982	34,853
Accrued interest expenses to related parties	--	2,527	33	-
Accrued interest expenses to unrelated parties	4,176	3,275	1,567	1,830
Accrued expenses	<u>112,504</u>	<u>86,768</u>	<u>41,360</u>	<u>40,882</u>
Total trade and other payables	<u>1,128,308</u>	<u>997,947</u>	<u>942,281</u>	<u>964,166</u>

18. Long-term loans

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
Long-term loans	1,100,000	1,650,000	1,100,000	1,650,000
Less: Current portion of long-term loans	(550,000)	(550,000)	(550,000)	(550,000)
Long-term loans, net of current portion	550,000	1,100,000	550,000	1,100,000

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

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

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

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

Under the loan agreement, the Company has to comply with certain conditions including maintaining interest bearing debt to EBITDA ratio not exceeding 5:1 for the consolidated financial statements, debt to equity ratio for the consolidated financial statements not exceeding 5:1 in Financial Year 2010; 4:1 in Financial Year 2011; 3.5:1 in Financial Year 2012; and 2.75:1 from 1 January 2013 onwards, current ratio for consolidated financial statements not less than 1:1, and debt service coverage ratio for the consolidated financial statements not less than 1.2:1. As at 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 as at 31 December 2011 to be current is in accordance with financial reporting standards.

As at 30 June 2012, the Company and its subsidiaries could not maintain debt service coverage ratio and interest bearing debt to EBITDA ratio as specified in the Credit Facility Agreement, which resulted in the loan becoming payable on demand. However, on 23 August 2012, the Company and its subsidiaries have already received the waiver for such non compliance from all lenders.

As at 27 December 2013, the Company and its subsidiaries received the waiver letter for maintain covenant ratio from all lenders for the year ended 31 December 2013. The Company and its subsidiaries have to comply with certain conditions including maintaining interest bearing debt to EBITDA ratio not exceeding 5.5:1, current ratio for consolidated financial statements not less than 0.95:1 and debt service coverage ratio for the consolidated financial statements not less than 1.10:1. As at 31 December 2013, the Company and its subsidiaries could maintain all conditions in the waiver letter and the loan agreement.

During the year ended 31 December 2013, the Company and its subsidiaries have not entered into any new loan agreement with financial institution.

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

The Company has entered into a cross currency interest rate swap contract for a portion of the above loan as discussed in Note 32 to the financial statements.

19. Liabilities under hire-purchase and financial lease agreements

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
Liabilities under hire-purchase and financial lease agreements	86,911	49,975	70,206	41,992
Less: Deferred interest	(12,036)	(6,920)	(9,777)	(6,125)
Total	74,875	43,055	60,429	35,867
Less: Current portion due within one year	(18,788)	(12,667)	(13,982)	(9,440)
Liabilities under hire-purchase and financial lease agreements, net of current portion	<u>56,087</u>	<u>30,388</u>	<u>46,447</u>	<u>26,427</u>

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

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

(Unit: Million Baht)

	As at 31 December 2013					
	Consolidated financial statements			Separate financial statements		
	Less than 1 year	1-5 years	Total	Less than 1 year	1-5 years	Total
Future minimum lease payments	24	63	87	18	52	70
Deferred interest expenses	(5)	(7)	(12)	(4)	(6)	(10)
Present value of future minimum lease payments	19	56	75	14	46	60

(Unit: Million Baht)

	As at 31 December 2012					
	Consolidated financial statements			Separate financial statements		
	Less than 1 year	1-5 years	Total	Less than 1 year	1-5 years	Total
Future minimum lease payments	15	35	50	12	30	42
Deferred interest expenses	(2)	(5)	(7)	(2)	(4)	(6)
Present value of future minimum lease payments	13	30	43	10	26	36

20. Other current liabilities

The outstanding balances of warranty reserve as at 31 December 2013 and 2012 which are included in other current liabilities are as follow:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Warranty reserve	22,778	22,452	20,702	21,186

21. Provision for long-term employee benefits

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

(Unit: Thousand Baht)			
Consolidated financial statements			
	Retirement benefits plan	Long service awards plan	Total
Defined benefit obligation as at 1			
January 2012	84,508	4,648	89,156
Current service cost	11,269	2,049	13,318
Interest cost	3,877	272	4,149
Benefits paid during the year	(7,247)	(405)	(7,652)
Actuarial loss (gain)	16,862	(1,782)	15,080
Defined benefit obligation as at 31			
December 2012	109,269	4,782	114,051
Current service cost	8,870	1,061	9,931
Interest cost	3,925	168	4,093
Benefits paid during the year	(5,696)	-	(5,696)
Provisions for long-term employee			
benefits as at 31 December 2013	116,368	6,011	122,379

(Unit: Thousand Baht)			
Separate financial statements			
	Retirement benefits plan	Long service awards plan	Total
Defined benefit obligation as at 1			
January 2012	41,707	4,648	46,355
Current service cost	5,205	2,049	7,254
Interest cost	1,900	272	2,172
Benefits paid during the year	(6,557)	(405)	(6,962)
Actuarial loss (gain)	7,494	(1,782)	5,712
Defined benefit obligation as at 31			
December 2012	49,749	4,782	54,531
Current service cost	3,733	1,061	4,794
Interest cost	1,763	168	1,931
Benefits paid during the year	(3,583)	-	(3,583)
Provisions for long-term employee			
benefits as at 31 December 2013	51,662	6,011	57,673

Long-term employee benefit expenses included in the profit or loss was as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
Current service cost	9,931	13,318	4,794	7,254
Interest cost	4,093	4,149	1,931	2,172
Actuarial gain recognised during the year	-	(1,782)	-	(1,782)
Total expense recognised in profit or loss	14,024	15,685	6,725	7,644
Line items under which such expenses are included in profit or loss				
Cost of sales	10,357	10,584	4,448	4,241
Selling and administrative expenses	3,667	5,101	2,277	3,403

Total actuarial losses recognised in the other comprehensive income and taken as part of retained earnings of the Company and its subsidiaries as at 31 December 2012 amounted to Baht 16.9 million (The Company only: Baht 7.5 million).

Principal actuarial assumptions at the valuation date were as follows:

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	3.7	3.7	3.7	3.7
Future salary increase rate	5.0 - 9.0	5.0 - 9.0	5.0 - 9.0	5.0 - 9.0
Staff turnover rate (depending on age)	0 - 12.5	0 - 12.5	0 - 12.5	0 - 12.5

Amounts of defined benefit obligation for the current and previous three years are as follows:

	(Unit: Thousand Baht)			
	Defined benefit obligation		Experience adjustments on the obligation	
	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements
Year 2013	122,379	57,673	-	-
Year 2012	114,051	54,531	7,321	5,998
Year 2011	89,156	46,355	-	-
Year 2010	79,118	41,978	-	-

22. Share capital

On 25 April 2013, the Annual General Meeting of the shareholders No. 34/2013 had approved to change the allotment of 150,000,000 new ordinary shares at the par value of Baht 1 per share from offering to private placement for sales of those shares to existing shareholders pursuant to their shareholdings in the Company at the proportion of 17 existing shares to 3 new shares at the subscription price of Baht 2 per share. The Company had registered the increase in its registered share capital with the Ministry of Commerce on 21 June 2013 and already received all share capital increase in June 2013.

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. At present, the statutory reserve has fully been set aside.

24. Expenses by nature

Significant expenses by nature are as follows:

	Consolidated		(Unit: Thousand Baht)	
			Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
Raw materials and consumables used	8,911,730	10,026,226	3,720,579	4,004,466
Changes in inventories of finished goods and work in progress	613,440	(136,454)	(26,881)	(72,079)
Salary, wages and other employee benefits	985,216	985,913	458,518	418,471
Depreciation and amortisation expenses	637,242	601,297	267,284	231,309
Net loss (gain) on exchange	142,393	(97,784)	75,570	(42,583)
Rental expenses	24,393	40,935	2,720	1,787

25. Income tax

Income tax expenses (revenues) for the years ended 31 December 2013 and 2012 are made up as follows:

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
	<u>2013</u>	<u>2012</u>
	(Restated)	(Restated)
Current income tax:		
Current income tax charge	(8,314)	(17,611)
Adjustment in respect of current income tax of previous year	(273)	(8)
Deferred tax:		
Relating to origination and reversal of temporary differences	13,425	29
Effects of changes in the applicable tax rates	-	144
Income tax expenses (revenues) reported in the statement of comprehensive income	<u>4,838</u>	<u>(17,446)</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2013 and 2012 are as follows:

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
	<u>2013</u>	<u>2012</u>
	(Restated)	(Restated)
Deferred tax relating to loss on actuarial loss	-	(2,445)
	<u>-</u>	<u>(2,445)</u>

Reconciliation between income tax expenses (revenues) and the product of accounting profit (loss) multiplied by the applicable tax rates for the years ended 31 December 2013 and 2012

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
		(Restated)		(Restated)
Accounting profit (loss) before tax	<u>(3,956)</u>	<u>233,441</u>	<u>271,431</u>	<u>192,409</u>
Applicable tax rate	20, 25%	23, 25%	20%	23%
Accounting profit (loss) before tax multiplied by applicable tax rate	(791)	46,688	54,286	44,254
Adjustment in respect of current income tax of previous year	(273)	(8)	-	-
Effects of changes in the applicable tax rates	-	144	-	627
Effects of:				
Promotional privileges (Note 26)	(37,227)	(23,439)	(28,416)	(13,625)
Dividend income not subject to tax	-	-	(56,505)	(50,736)
Non-deductible expenses	45,625	26,405	4,366	458
Additional expense deductions allowed	(4,794)	(6,856)	(250)	(284)
Loss carry forward	(49,440)	(49,115)	-	-
Others	15,252	5,421	2,087	4,188
Total	(30,584)	(47,584)	(78,718)	(59,998)
Deferred tax assets not recognised	26,810	18,206	27,295	18,206
Income tax expenses (revenues) reported in the statement of comprehensive income	<u>(4,838)</u>	<u>17,446</u>	<u>2,863</u>	<u>(3,089)</u>

The components of deferred tax assets are as follows:

(Unit: Thousand Baht)

	Statements of financial position					
	Consolidated financial statements			Separate financial statements		
	As at	As at	As at	As at	As at	As at
	31 December	31 December	1 January	31 December	31 December	1 January
	2013	2012	2012	2013	2012	2012
		(Restated)			(Restated)	
Deferred tax assets						
Allowance for doubtful accounts	895	938	780	84	86	94
Allowance for diminution in value of inventories	13,092	12,944	14,061	6,657	8,581	6,900
Warranty reserve	2,496	2,967	363	2,232	2,714	293
Provision for long-term employee benefits	15,731	15,449	13,667	7,026	6,985	5,938
Others	17,327	3,819	4,627	384	881	880
Total	49,541	36,117	33,498	16,383	19,247	14,105

In October 2011, the cabinet passed a resolution to reduce the corporate income tax rate from 30 percent to 23 percent in 2012, and then to 20 percent from 2013. In addition, in order to comply with the resolution of the cabinet, in December 2011, the decreases in tax rates for 2012 - 2014 were enacted through a royal decree. The Company has reflected the changes in the income tax rates in its deferred tax calculation, as presented above.

As at 31 December 2013 the Company and its subsidiaries have unused tax losses totaling Baht 239 million (2012: Baht 537 million), on which deferred tax assets have not been recognised as the Company and its subsidiaries believe future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses.

26. Promotional privileges

26.1 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. 1421(2)/2552	Certificate No. 1987(2)/2554
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 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	From 1 July 2013 until 1 July 2018
2.2 Exemption from import duty on raw materials and essential materials imported for use specifically in producing for export for a period of 1 year as from the date of first import.	Granted	Granted
2.3 Exemption from import duty on imported machinery as approved by the Board.	Granted	Granted
2.4 Dividend paid from those investment promoted operations which are exempted from corporate income tax are in turn exempted from inclusion in the determination of income tax.	Granted	Granted
3. Date of first earning operating income.	2 February 2010	1 July 2013

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

Sales of the Company amounting to approximately Baht 4,942 million (2012: Baht 4,872 million) for the year ended 31 December 2013 included revenue from manufacturing and sales derived from promoted operations of approximately Baht 2,278 million (2012: Baht 1,752 million).

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

	Certificate No. 2127(2)/2548
1. Promotional privileges for	Manufacturing of casting iron parts
2. The significant privileges are	
2.1 Exemption of corporate income tax on net earnings for the period of 8 years commencing as from the date of earning operating income. In case that the Company has loss during the exemption of corporate income tax on net income, it can carry forward loss from operations to offset against income after exemption period, for a period of 5 years commencing as from the expiration of exemption period.	From 8 July 2012 until 7 July 2020
2.2 Dividend paid from those investment promoted operations which are exempted from corporate income tax are in turn exempted from inclusion in the determination of income tax.	Granted
2.3 Exemption from import duty on imported machinery as approved by the Board.	Granted
3. Date of first earning operating income	8 July 2012

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

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

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

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

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

	Certificate No.	
	1677(2)/2549	1204(2)/2551
1. Promotional privileges for	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 6 years commencing as from the date of earning first operating income.	From 6 March 2007 until 5 March 2013	Granted
2.2 Exemption from import duty on raw materials and essential materials imported for use specifically in producing for export for a period of 1 year as from the date of first import.	Granted	Granted
2.3 A fifty percent reduction of import duty on imported machinery as approved by the Board.	-	Granted
2.4 Exemption from import duty on imported machinery as approved by the Board.	Granted	-
2.5 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.	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.

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

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

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

27. Earnings per share

Basic earnings per share is calculated by dividing 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.

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

	Profit (loss) for		Weighted average		Earnings	
	the year		number of ordinary		per share	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	(Thousand	(Thousand	(Thousand	(Thousand	(Baht)	(Baht)
	Baht)	Baht)	shares)	shares)		
		(Restated)				(Restated)
<u>Consolidated financial statements</u>						
Basic earnings per share						
Profit attributable to equity						
holders of the parent	882	215,995	929,726	850,000	0.0009	0.2541
<u>Separate financial statements</u>						
Basic earnings per share						
Profit attributable to equity						
holders of the parent	268,568	195,497	929,726	850,000	0.2889	0.2300

28. Segment information

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

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

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

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

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

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

The following table presents revenue, profit (loss) and total assets information regarding the Company and its subsidiaries' operating segments for the years ended 31 December 2013 and 2012:

Year ended 31 December 2013	Compressors and parts	Enameled wire	Steel sheet	Steel coil center	Others	Total reportable segments	Adjustments and eliminations	Consolidated	(Unit: Thousand Baht)
Revenue from external customers	6,608,878	2,013,480	1,055,657	996,732	79,176	10,753,923	-	10,753,923	
Inter-segment revenue	374,182	847,161	611,561	468,316	123,930	2,425,150	(2,425,150)	-	
Interest revenue	1,653	6,994	19	205	33	8,904	(7,568)	1,336	
Interest expense	(134,351)	(73,306)	(9,740)	(1,641)	(1,817)	(220,855)	7,832	(213,023)	
Depreciation and amortisation	(393,805)	(96,254)	(45,654)	(63,702)	(31,834)	(631,249)	1,579	(629,670)	
Income tax revenue (expenses)	(2,928)	1,704	(974)	(6,910)	(60)	(9,168)	14,006	4,838	
Unrealised gain (loss) on exchange	(63,380)	(12,821)	(19,075)	495	107	(94,674)	-	(94,674)	
Segment profit (loss)	314,697	(156,506)	(8,096)	279,509	1,270	430,874	(429,992)	(882)	
Segment total assets	9,200,234	2,326,229	1,038,346	1,765,316	215,680	14,545,805	(5,762,790)	8,783,015	
Additions (decrease) to non-current assets other than financial instruments and deferred tax assets	(103,305)	(37,375)	(18,920)	186,709	(11,304)	15,805	(258,092)	(242,287)	

Year ended 31 December 2012	Compressors and parts	Enameled wire	Steel sheet	Steel coil center	Others	Total reportable segments	Adjustments and eliminations	Consolidated
Revenue from external customers	7,057,462	2,774,680	748,022	918,787	40,468	11,539,419	-	11,539,419
Inter-segment revenue	486,683	661,440	856,537	419,541	92,121	2,516,322	(2,516,322)	-
Interest revenue	538	6,717	112	215	32	7,614	(6,500)	1,114
Interest expense	(169,807)	(80,770)	(10,665)	(2,711)	(1,866)	(265,819)	7,246	(258,573)
Depreciation and amortisation	(361,064)	(94,229)	(44,785)	(70,465)	(31,852)	(602,395)	1,405	(600,990)
Income tax revenues (expenses)	4,783	(4,729)	(12,455)	(4,313)	11	(16,703)	(743)	(17,446)
Unrealised gain (loss) on exchange	10,075	8,603	1,369	54	185	20,286	-	20,286
Segment profit (loss)	347,774	(10,272)	37,616	72,074	(13,323)	433,869	(217,874)	215,995
Segment total assets	9,126,104	2,707,724	913,142	1,254,047	206,483	14,207,500	(5,289,971)	8,917,529
Additions (decrease) to non-current assets other than financial instruments and deferred tax assets	(111,173)	(53,774)	(37,410)	(50,635)	(21,927)	(274,919)	1,405	(273,514)

Geographic information

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

	(Unit: Thousand Baht)	
	<u>2013</u>	<u>2012</u>
Revenue from external customers		
Thailand	6,424,724	6,507,994
Hong Kong	1,090,852	921,351
China	899,658	1,265,061
Indonesia	403,528	691,269
Saudi Arabia	333,340	231,768
Others	1,601,821	1,921,976
Total	<u>10,753,923</u>	<u>11,539,419</u>
Non-current assets (other than financial instruments and deferred tax assets)		
Thailand	3,693,514	3,920,114
China	263,553	279,240
Total	<u>3,957,067</u>	<u>4,199,354</u>

Major customers

For the year 2013, the Company and its subsidiaries have revenue from one major customer in amount of Baht 1,107.7 million, arising from sales by the compressors and parts segment (2012: Baht 892.7 million derived from one major customer, arising from sales by the compressors and parts segment).

29. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contribute to the fund monthly at the rate of 3 - 7 percent of basic salary. The fund, which is managed by Local Asset Management Company, will be paid to employees upon termination in accordance with the fund rules. During the year 2013, the Company and its subsidiaries contributed Baht 17.4 million (2012: Baht 16.9 million) and the Company contributed Baht 6.5 million (2012: Baht 6.3 million) to the fund.

30. Dividends

		(Unit: Million Baht)	
		Total	Dividend
		dividends	per share
Dividends	Approved by		(Baht)
Final dividends for 2012	Annual General Meeting of the		
	shareholders on 25 April 2013	170	0.2
Total dividend declared in 2013		170	0.2

31. Commitment and contingent liabilities**31.1 Capital commitments**

As at 31 December 2013, the Company and its subsidiaries have capital commitments of approximately Baht 25.2 million (the Company only: Baht 10.9 million) (2012: Baht 16.4 million (the Company only: Baht 1.8 million)), relating to construction of factory building and acquisition of machinery.

31.2 Operating lease commitments

The Company and its subsidiaries have entered into several lease agreements in respect of the lease of land, motor vehicles, and office equipment. The terms of the agreements are generally between 1 and 3 years. As at 31 December 2013 and 2012, future minimum lease payments required under these operating leases contracts were as follows:

		(Unit: Million Baht)	
		Consolidated	Separate
		financial statements	financial statements
Payable within		2013	2012
In up to 1 year		23.9	10.5
In over 1 and up to 3 years		33.0	14.2

31.3 Long-term service commitments

- a) As at 31 December 2013 and 2012, the Company and its subsidiaries have commitments relating to service agreements payable in the future as follows:

<u>Payable within</u>	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
In up to 1 year	12.8	4.6	2.3	0.5
In over 1 year	1.8	-	0.3	-

- 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 2013, the subsidiary has outstanding royalty fees amounting to approximately Baht 17.6 million (2012: Baht 4.5 million) which was included in other current liabilities.

- 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.

31.4 Guarantees

- a) The Company has contingent liabilities relating to the guarantees of financial lease agreements given to a subsidiary company as follows:

As at 31 December 2012			
Subsidiaries	Unit	Guaranteed	
		facility	Facility used
Kulthorn Steel Company Limited	Million Baht	0.04	0.04

As at 31 December 2013, the Company has no contingent liabilities relating to the guarantees of financial lease agreements given to a subsidiary company.

- b) As at 31 December 2013, the Company and Kulthorn Materials and Controls Company Limited have contingent liability relating to the guarantee of credit facility of Suzhou Kulthorn Megnet Wire Co., Ltd. to an overseas branch of a commercial bank amounting to RMB 100 million or equivalent to Baht 540.9 million (2012: RMB 100 million or equivalent to a total of Baht 498.8 million).
- c) As at 31 December 2013, there were outstanding bank guarantees of approximately Baht 78.3 million (2012: Baht 89.7 million), (the Company only: Baht 22.3 million (2012: Baht 31.0 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 73.9 million (2012: Baht 73.9 million) (the Company only: Baht 18.3 million (2012: Baht 18.3 million)), and to guarantee import duty and others amounting to Baht 4.4 million (2012: Baht 15.8 million), (the Company only: Baht 4.0 million (2012: Baht 12.7 million)).

32. Financial instruments

32.1 Financial risk management

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instrument: Disclosure Presentations", principally comprise cash and cash equivalents, trade and other receivables, trade 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 and other receivables. 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 2013 and 2012 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 2013

	Fixed interest rates		Floating	Non-		Effective
	Within		Interest	interest		interest
	1 year	1-5 years	rate	Total	Total	rate
						(% per annum)
Financial assets						
Cash and cash equivalents	-	-	113	7	120	0.10 - 0.88
Trade and other receivables	-	-	-	2,201	2,201	-
	-	-	113	2,208	2,321	
Financial liabilities						
Bank overdrafts and short-term						
loans from financial institutions	3,684	-	19	-	3,703	1.67 - 7.80
Trade and other payables	-	-	-	1,111	1,111	-
Liabilities under hire-purchase and						
financial lease agreements	19	56	-	-	75	5.02 - 7.70
Long-term loans	-	-	1,100	-	1,100	THBFIX+3%
	3,703	56	1,119	1,111	5,989	

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2012

	Fixed interest rates		Floating	Non-		Effective
	Within		Interest	interest		interest
	1 year	1-5 years	rate	Total	Total	rate
						(% per annum)
<u>Financial assets</u>						
Cash and cash equivalents	-	-	71	26	97	0.62 - 0.88
Trade and other receivables	-	-	-	2,196	2,196	-
	-	-	71	2,222	2,293	
<u>Financial liabilities</u>						
Bank overdrafts and short-term loans from						
financial institutions	3,570	-	17	-	3,587	1.68 - 7.50
Trade and other payables	-	-	-	998	998	-
Short-term loan from related party	37	-	-	-	37	3.50
Liabilities under hire-purchase and						
financial lease agreements	13	30	-	-	43	5.02 - 7.69
Long-term loans	-	-	1,650	-	1,650	THBFIX + 3%
	3,620	30	1,667	998	6,315	

(Unit: Million Baht)

Separate financial statements as at 31 December 2013

	Fixed interest rates		Floating	Non-		Effective
	Within		Interest	interest		interest
	1 year	1-5 years	rate	Total	Total	rate
						(% per annum)
<u>Financial assets</u>						
Cash and cash equivalents	-	-	63	1	64	0.10 - 0.88
Trade and other receivables	-	-	-	936	936	-
Short-term loan to related party	6	-	-	-	6	3.50
	6	-	63	937	1,006	
<u>Financial liabilities</u>						
Bank overdrafts and short-term loans from						
financial institutions	1,722	-	1	-	1,723	1.67 - 7.38
Trade and other payables	-	-	-	942	942	-
Short-term loan from subsidiary	156	-	-	-	156	0.25 - 3.90
Liabilities under hire-purchase and						
financial lease agreements	14	46	-	-	60	5.02 - 7.70
Long-term loans	-	-	1,100	-	1,100	THBFIX+3%
	1,892	46	1,101	942	3,981	

(Unit: Million Baht)

Separate financial statements as at 31 December 2012

	Fixed interest rates		Floating	Non-		Effective
	Within		Interest	interest		interest
	1 year	1-5 years	rate	Total	Total	rate
						(% per annum)
Financial assets						
Cash and cash equivalents	-	-	2	13	15	0.62 - 0.88
Trade and other receivables	-	-	-	905	905	-
	-	-	2	918	920	
Financial liabilities						
Bank overdrafts and short-term loans						
from financial institutions	1,555	-	-	-	1,555	1.69 - 4.64
Trade and other payables	-	-	-	964	964	-
Short-term loan from subsidiary	31	-	-	-	31	4.50
Liabilities under hire-purchase and						
financial lease agreements	10	26	-	-	36	5.02 - 7.69
Long-term loans	-	-	1,650	-	1,650	THBFIX+3%
	1,596	26	1,650	964	4,236	

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 2013 and 2012.

As at 31 December 2013						
Foreign currency	Consolidated financial statements		Separate financial statements		Exchange rate	
	Financial	Financial	Financial	Financial	Buying	Selling
	assets	liabilities	assets	liabilities		
	(Million)	(Million)	(Million)	(Million)		
					(Baht per one foreign currency unit)	
US dollar	21	68	16	33	32.6778	32.9494
Japanese yen	-	13	-	1	0.3102	0.3159
Switzerland franc	3	5	-	-	36.4022	36.9930
Euro	1	-	1	-	44.7210	45.3223

As at 31 December 2012

Foreign currency	Consolidated financial statements		Separate financial statements		Exchange rate	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Buying	Selling
	(Million)	(Million)	(Million)	(Million)	(Baht per one foreign currency unit)	
US dollar	<u>24</u>	<u>77</u>	<u>12</u>	<u>28</u>	<u>30.4857</u>	<u>30.7775</u>
Euro	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>40.2522</u>	<u>40.8603</u>
Japanese yen	<u>-</u>	<u>43</u>	<u>-</u>	<u>24</u>	<u>0.3511</u>	<u>0.3580</u>

As at 31 December 2013 and 2012, the Company and its subsidiaries 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

As at 31 December 2013, the Company and its subsidiaries had outstanding forward exchange contract as follows:

Consolidated financial statements					
Foreign currency	Bought amount	Sold amount	Contractual maturity date	Contractual exchange rate	
	(Million)	(Million)		Bought amount	Sold amount
				(Baht per one foreign currency unit)	
US Dollar	6.1	17.7	2 January - 20 June 2014	32.49 - 32.80	29.10 - 32.50

Separate financial statements					
Foreign currency	Bought amount	Sold amount	Contractual maturity date	Contractual exchange rate	
	(Million)	(Million)		Bought amount	Sold amount
				(Baht per one foreign currency unit)	
US Dollar	6.1	11.5	23 January - 20 June 2014	32.49 - 32.80	29.10 - 32.45

As at 31 December 2012, the Company and its subsidiaries had no outstanding forward exchange contract.

Ratio forward contracts

As at 31 December 2012, the Company and its subsidiary had outstanding ratio forward contracts as follows:

Consolidated financial statements					
	Currency	Sold amount I (Million)	Sold amount II (Million)	Strike rate (Baht per unit of foreign currency)	Maturity date
Short call option	US Dollar	19.5	33.8	30.45 - 30.75	2 January - 14 June 2013

Separate financial statements					
	Currency	Sold amount I (Million)	Sold amount II (Million)	Strike rate (Baht per unit of foreign currency)	Maturity date
Short call option	US Dollar	10.5	15.8	30.75	2 January — 28 February 2013

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

If on the maturity date, the reference exchange rate is lower than strike rate, the Company and its subsidiary are obligated to sell US dollars at strike rate in the amount equivalent to sold amount I.

On each valuation date, if the accumulated Intrinsic Value between the reference exchange rate and strike rate is greater than or equal the Knock-out amount at Baht 1, the following settlement will be cancelled.

(Unit: Million US Dollar)

	Separate financial statements
Sold amount I	0.4
Sold amount II	0.8

As at 31 December 2012, fair value of ratio forward contracts are lower than trade date of Baht 0.8 million (the Company only: Baht 0.3 million).

As at 31 December 2013, the Company and subsidiaries had no Ratio forward contract.

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, and has entered into an amendment on 21 November 2012 to transmits some terms and conditions for outstanding principal of Baht 1,162.5 million. Termination date of the contract is 31 December 2015. The objectives of the contract after amendment are

1. to convert loan in Thai Baht of 1,037.5 million to USD 33.8 million
2. to calculate the interest for the loan of Baht 1,162.5 million whereby loan principal of Baht 1,162.5 million be converted to USD 37.9 million and interest calculation be changed from floating interest rate of THB-THBFIX-Reuters plus 3% per annum calculated on the balance of THB notional amount to floating interest rate of USD-LIBOR-BBA plus 4.22% per annum calculated on the balance of USD notional amount.

As at 31 December 2013, fair value of cross currency interest rate swap contract is lower than trade date of Baht 51.6 million (2012: Baht 12.0 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 2013 and 2012, subsidiary companies had outstanding copper swap/future of which details are presented below.

As at 31 December 2013

Type of goods	Quantity	Maturity date	Contract price	Market price as at 31 December 2013
	(Ton)		(per ton)	(per ton)
Copper	90	January - July 2014	USD 6,890 - 6,925	USD 7,395
Copper	170	March - September 2014	RMB 49,070 - 50,690	RMB 52,310 - 52,460

As at 31 December 2012

Type of goods	Quantity	Maturity date	Contract price	Market price as at 31 December 2012
	(Ton)		(RMB per unit)	(RMB per unit)
Copper	25	January 2013	USD 7,440	USD 7,865
Copper	130	February - August 2013	RMB 55,580 - 57,110	RMB 57,520 - 58,160

As at 31 December 2013, fair value of copper hedging contracts with financial institution is higher than trade date of Baht 1.4 million (2012: Baht 1.5 million).

32.2 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.

33. 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 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 2013 and 2012.

34. Events after the reporting period

On 19 February 2013, the Board of Directors' Meeting of the Company No. 1/2557 approved to omit annual dividend payment for operation results of 2013.

35. Approval of financial statements

These financial statements were authorised for issue by the Company's authorised Directors on 28 February 2014.

World Class Products



by

Kulthorn Kirby Plc

Established Since March 24, 1980



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