

2014 ANNUAL REPORT

รายงานประจำปี 2557



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)



100%

SUZHOU KULTHORN MAGNET
WIRE CO., LTD. (SKMC)



100%

KULTHORN METAL
PRODUCTS CO., LTD. (KMP)



บริษัท กุลธรรเคอร์บี้ 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 : 20th million compressor was produced
- 2007 : Kulthorn Steels Co., Ltd. was established for steels coil center
- 2008 : Starting the production of KA and LA compressors for large air conditioners
- 2009 : Starting the production of CA compressors for large refrigerators
 - : Thailand Kaizen awards (Excellence Technique - Automation) from Technology Promotion Association (TPA) – Thai Japan
- 2010 : 30th million compressor and 5th million AW compressor were produced.
 - : Golden Award (Thailand 5S Award) from the Technology Promotion Association (TPA) – Thai Japan
 - : Thailand Kaizen awards (Excellence Technique - Automation) from 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 - Automation) 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
- 2014 : Thailand Kaizen awards (Bronze awards - Office) from Technology Promotion Association (TPA) – Thai Japan
 - : 40th million compressor was produced.

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



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
21	Shareholders
22	Dividend Payment Policy
23	Management Structure
28	Corporate Governance
40	Related Party Transactions
41	Management Discussion And Analysis
58	Declaration of the Directors' Responsibility for the Financial Statements
59	Audit Committee's Report
62	Report of Independent Auditor
64	Financial Statements



MESSAGE FROM THE CHAIRMAN



A handwritten signature in black ink, appearing to be 'S. Simakulthorn'.

[Mr. Sumeth Simakulthorn]
Chairman of the Board of Directors

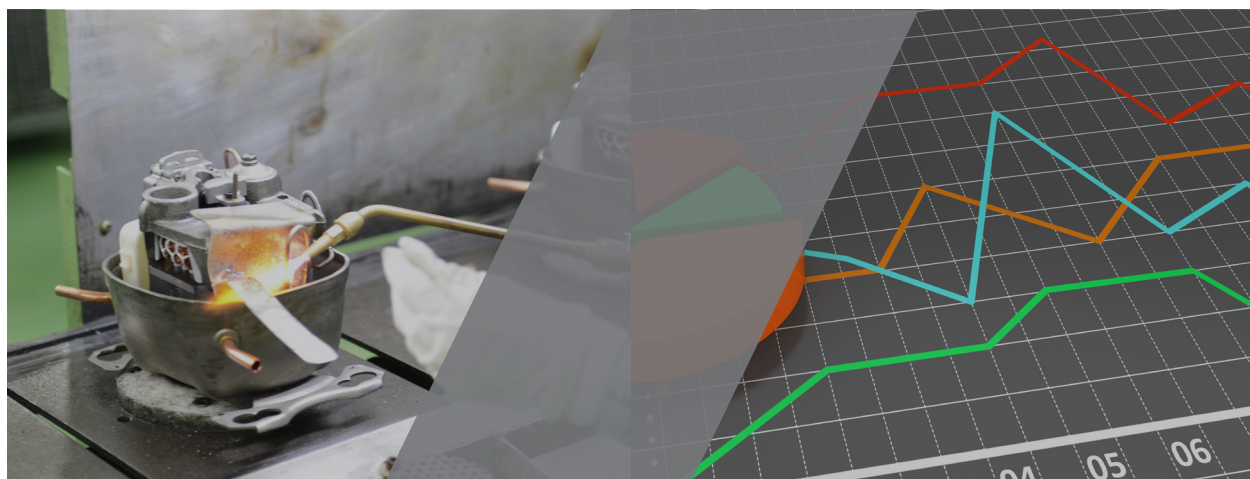


Kulthorn Kirby PLC management would like to sincerely thank our customers, business partners, bankers, related government bodies and shareholders, for their patronage and for given their trust in us. The 2014 performance, KKC and its subsidiaries have achieved 5.13 % growth from 11,747,444,235 Baht sales, of which generated around 57,420,113 Baht profit after tax, the result have reflected the dedication to success from our employees and the management team under the pressure from Thailand and global's slight downshift economy.

The world's total demand for everyday life's comfort, such as refrigeration products and air-conditioning, is ever rising and KKC's motor compressor is the most significant part right in the heart of them. Our mission has always been to manufacture the best quality energy saving motor compressors that are environmental friendly which delivers optimum performance. So we dedicated to the development of new product lines to tailor for customer's requirement, no matter what there be.

As 2015 progresses on, the price of global commodity such as steel and copper are gradually decreasing, follow the price drop of crude oil; these are the elements that shifted in our favors, and that they exhibiting the sign of increasing demand for motor compressors. KKC is the industry leader of global hermetic motor compressor, and is continuing to strive for the very best; our policies are our reassurance to you.

SUMMARY OF THE COMPANY'S FINANCIAL INFORMATION



	2014	2013	2012	2011	2010
Consolidated Financial Statements (Thousand Baht)					
Total assets	8,949,394	8,783,015	8,917,530	9,501,928	9,309,518
Total liabilities	6,889,913	6,272,267	6,538,631	7,355,249	7,015,506
Shareholder's equity	2,059,481	2,510,748	2,378,899	2,146,679	2,294,012
Sales and services income	11,330,118	10,753,923	11,539,419	11,842,282	11,860,611
Total revenues	11,747,444	11,173,551	12,021,149	12,277,159	12,537,329
Gross income (loss)	385,105	435,202	521,853	480,033	905,045
Net income (loss)	57,420	881	215,822	83,969	819,696
Financial Ratio (%)					
Net profit margin	0.49	0.01	1.80	0.68	6.54
Return on equity	2.79	0.04	9.48	3.75	44.86
Return on total assets	0.65	0.01	2.34	0.89	9.16
Per share data (Baht)					
Net income (loss)	0.057	0.0009	0.25	0.10	1.05
Dividend	**0.50	-	0.20	-	0.40
Book value	2.06	2.71	2.80	2.53	2.93

** Board of Directors meeting no.5/2014, held on 17 December 2014 approved to pay the interim dividend from the 2010 to 2013 accumulated profit and 2014 profit of the promoted activity by Board of Investment at Baht 0.50 (Fifty Satang) per share for 1,000,000,000 ordinary shares, in total of Baht 500,000,000 (Five hundred million). The shareholders have been granted an exemption from payment of income tax on dividend according to the Investment Promotion Certificate No. 1421(2)/2009 dated 2 June 2009. The company had paid the said interim dividend on 16 January 2015.

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 32th anniversary in 13 January, 2014.

With the goal to become the leader of motor compressor manufacturing, the company sets up business operating process 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 maintain 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

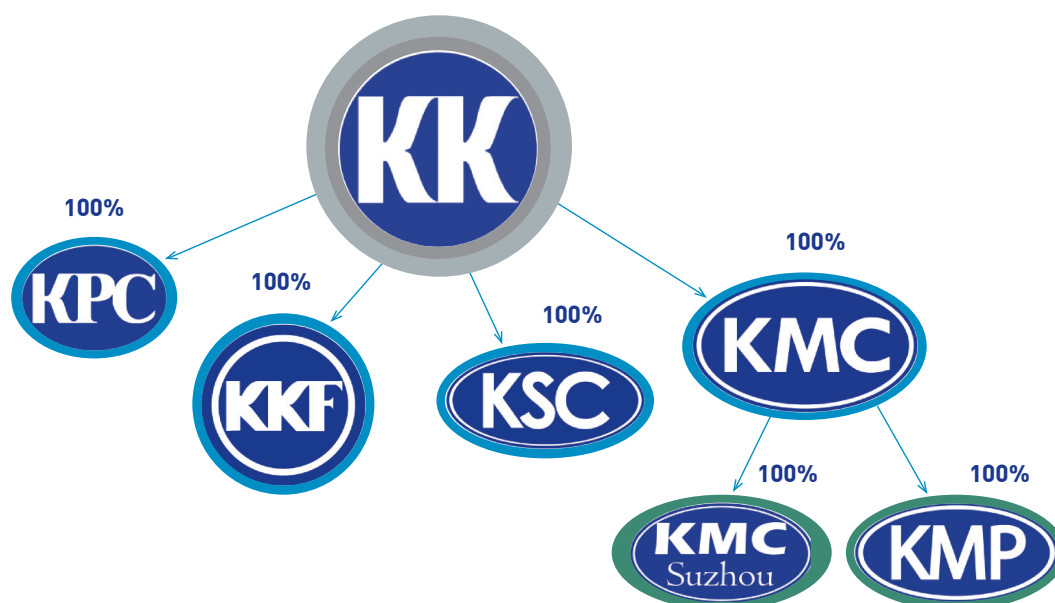
Company's Shareholding Structure

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 R22, R290, R134a, R404A, R407C, R410A, R507, 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)					
		2014		2013		2012	
Refrigerator, Freezer, Water Cooler	160 - 900	975,992	39.88	1,033,078	44.76%	1,014,306	44.79%
Refrigerator, Commercial Refrigerator	900 - 5,000	526,811	21.53	550,540	23.85%	660,760	29.18%
Commercial Refrigerator, Air Conditioners	5,000 - 35,000	942,195	38.50	722,038	31.28%	587,656	25.95%
Large Size Air Conditioner	37,000 - 120,000	2,310	0.09%	2,331	0.10%	1,715	0.08%
Total		2,447,308	100%	2,307,987	100%	2,264,477	100%

- Sales amount (Thousand Baht)

Motor Compressors for	Cooling Capacity (B.T.U. / Hrs)	Sales quantity (sets)					
		2014		2013		2012	
Refrigerator, Freezer, Water Cooler	160 - 900	1,234,867	22.97	1,278,749	27.96%	1,002,989	22.87%
Refrigerator, Commercial Refrigerator	900 - 5,000	1,000,765	18.62	957,575	20.74%	1,377,724	31.42%
Commercial Refrigerator, Air Conditioners	5,000 - 35,000	3,116,357	57.97	2,357,737	51.06%	1,984,890	45.26%
Large Size Air Conditioner	37,000 - 120,000	23,402	0.44	23,277	0.51%	19,674	0.45%
Total		5,375,391	100%	4,617,338	100%	4,385,277	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)	Sales transaction		
	2014	2013	2012
Sales quantity (sets)	1,737,761	2,116,703	2,749,791
Sales amount (Thousand Baht)	1,679,528	2,007,514	2,643,216

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
2014 World Market Demand	170 mm units for household Refrigerators and Refrigeration	138.20 mm units	12.57 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 R22, R134a, R290, R404A, R407C, R410A, R507, 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.

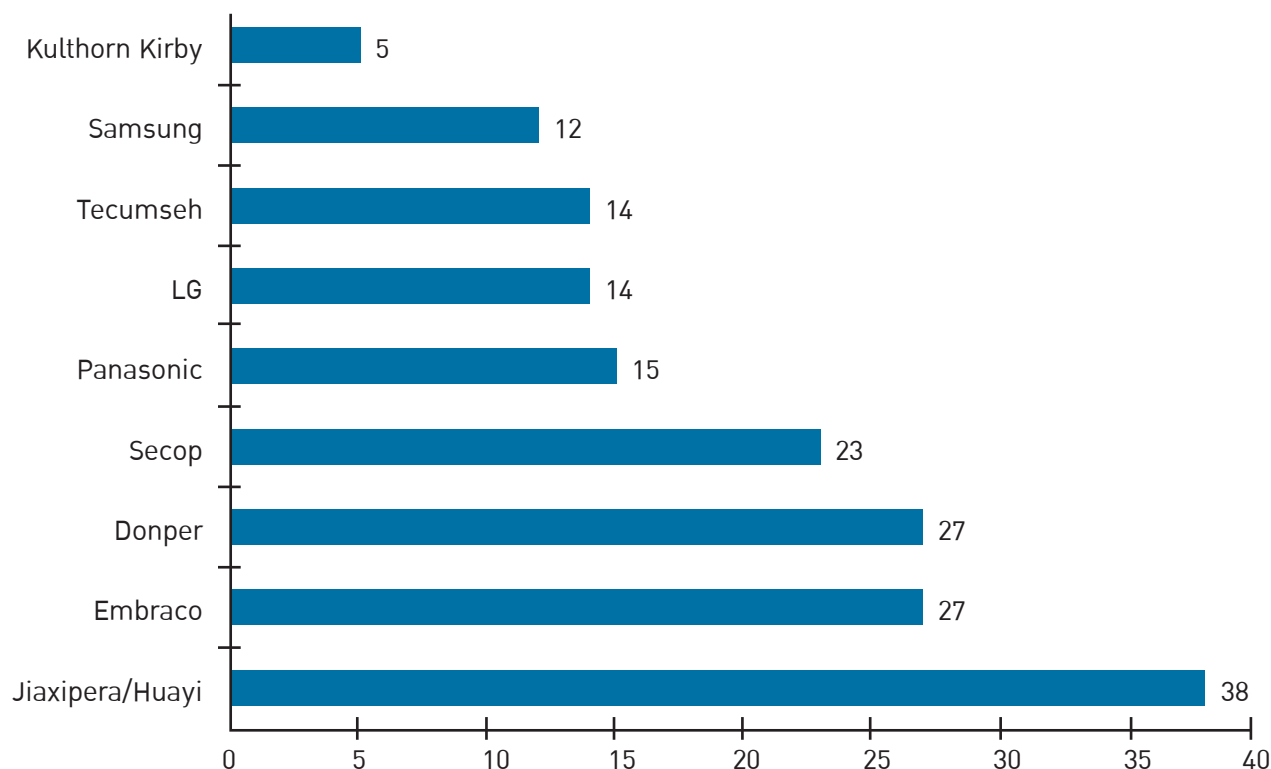
Reciprocating compressors are still the standard in the refrigeration sector due to their high reliability and performance under harsh working conditions. Reciprocating compressors also dominate the household refrigerator market. In the commercial and industrial sectors, the main applications are refrigeration for food and perishables, cold storage chains, and process cooling. Even though the income levels rise in emerging countries such as China, India, Brazil and ASEAN countries, more people are buying household refrigerators but it is not diving up demand caused by a few recovering of world economic situation.

World's Major Hermetic Compressor Manufacturers

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

2014 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. In 2014, even though the production cost including with raw materials were not fluctuated significantly but the effects from excess production capacity in the world of China manufacturers lead to have a high competition of sales price. 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 in order to response customers' demand of high quality products and cheaper prices.

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 22% and 78 % 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 Premier Company Limited	C-S	1.79 cc–3.92 cc	Refrigeration & Freezer	R134a
	C-Q	1.79 cc–3.92 cc	Refrigeration & Freezer	R134a, R600a
	C-B	2.55 cc–9.82 cc	Refrigeration & Freezer	R134a, R600a, R404a, R290
Kulthorn Kirby Public Company Limited				
	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
	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	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 the effects from excess production capacity in the world of China manufacturers lead to have a high competition of sales price. 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
Promotional privileges for	Manufacturing of compressors for air condition and refrigerator	Manufacturing of compressors for air condition and refrigerator
2 The significant privileges are	From 2 February 2010	From 1 July 2013
2.1 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.	until 1 February 2015	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.		
2.2 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
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

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 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 45 % of total production cost of 2014. 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 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 widely used in a general group of customers and has increasing demand from customers in China, India, Brazil, Russia and the ASEAN countries.

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.

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 Kasikorn bank 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. In September 2014, the Company and its subsidiaries entered into the Third Amendment to Credit Facilities Agreement in order to extend the repayment period. The loan shall be repaid within the year 2016. And at 31 December 2014 the total outstanding loan was remained Baht 4,644 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, Khwaeng Lam Pla Thio, Khet Lat Krabang, Bangkok 10520 Tel : +66 (0) 2326 0612 Fax : +66 (0) 2326 0802
Nature of Business	: Manufacturer of - Reciprocating Compressor
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 Priao, Chachoengsao 24000 Tel : +66 (0) 3859 3016-9 Fax : +66 (0) 3859 3015
Branch	: 42/2 Moo 1, Suwintawong Road, Klong Udom Cholajorn, 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 19,835,000
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 EY 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 6 January 2015

		No. of Shareholdings	%
1	Simakulthorn Group	502,312,538	50.231
2	Heatcraft Australia Pty. Ltd.	65,255,000	6.526
3	Ms Sasi Ingkanant	46,322,448	4.632
4	Ms Saisamorn Suriyathep	44,839,343	4.484
5	Ms Pojanee Khemumnaj	43,223,852	4.322
6	1st Lt Supakorn Chantasasawat	41,952,515	4.195
7	Ms U-rai Khemumnaj	41,746,233	4.175
8	Ms Kalpapas Phanpitchtawee	36,975,358	3.698
9	Mrs Benjamas Poohaipol	18,116,549	1.812
10	Mrs Supatra Kuntien	16,629,085	1.663
11	Others	142,627,079	14.263
	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 as follows

	2014	2013	2012	2011	2010
Net profit pre share	0.057	0.0009	0.25	0.10	1.05
Dividend per share	0.50	–	0.20	–	0.40
Dividend payment/net profit (%)	**	–	80	–	38

** In 2014, the Board of Directors Meeting No. 5/2014, held on 17 December 2014 approved to pay the interim dividend from the 2010 to 2013 accumulated profit and 2014 profit of the promoted activity by Board of Investment at Baht 0.50 (Fifty Satang) per share for 1,000,000,000 ordinary shares, in total of Baht 500,000,000 (Five hundred million). The shareholders have been granted an exemption from payment of income tax on dividend according to the Investment Promotion Certificate No. 1421(2)/2009 dated 2 June 2009. The company had paid the said interim dividend on 16 January 2015

MANAGEMENT STRUCTURE

The Board of Directors

As at 31 December 2014

* Authorized Director

			SHAREHOLDING (%)
1	Mr Sumeth Simakulthorn *	Chairman	2.525
2	Mr Sutee Simakulthorn *	President	0.719
3	To be 2nd Lt Samart Mekavanichkul	Independent Director	0.0092 (1)
4	Mr Tawatchai Jaranakarun	Independent Director	0.0001 (1)
5	Mr Padoong Techasarintr	Independent Director	-
6	Mr Praphot Aphiphunya	Independent Director	0.120
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	0.441
14.	Mr Titisak Simakulthorn *	Director	0.483
15.	Mr Thomas Federick Overs Jr. *	Director	-

(1) shareholding by the spouse

The Audit Committee

As at 31 December 2014

1	To be 2nd 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 2014

			SHAREHOLDING (%)
1	Mr Sutee Simakulthorn	Managing Director/President	0.719
2	Mr Paiboon Boonpermvitaya	Executive Vice President (Manufacturing)	0.441
3	Mr Titisak Simakulthorn	Executive Vice President (Technology & Marketing)	0.483
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 2014

To Directors

Remuneration to company's directors of 15 persons as monthly director fee and the meeting allowance was Baht 2,118,000 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 12,081,783.

DIRECTORS IN SUBSIDIARY COMPANIES

As at 31 December 2014

Kulthorn Premier Company Limited

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

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

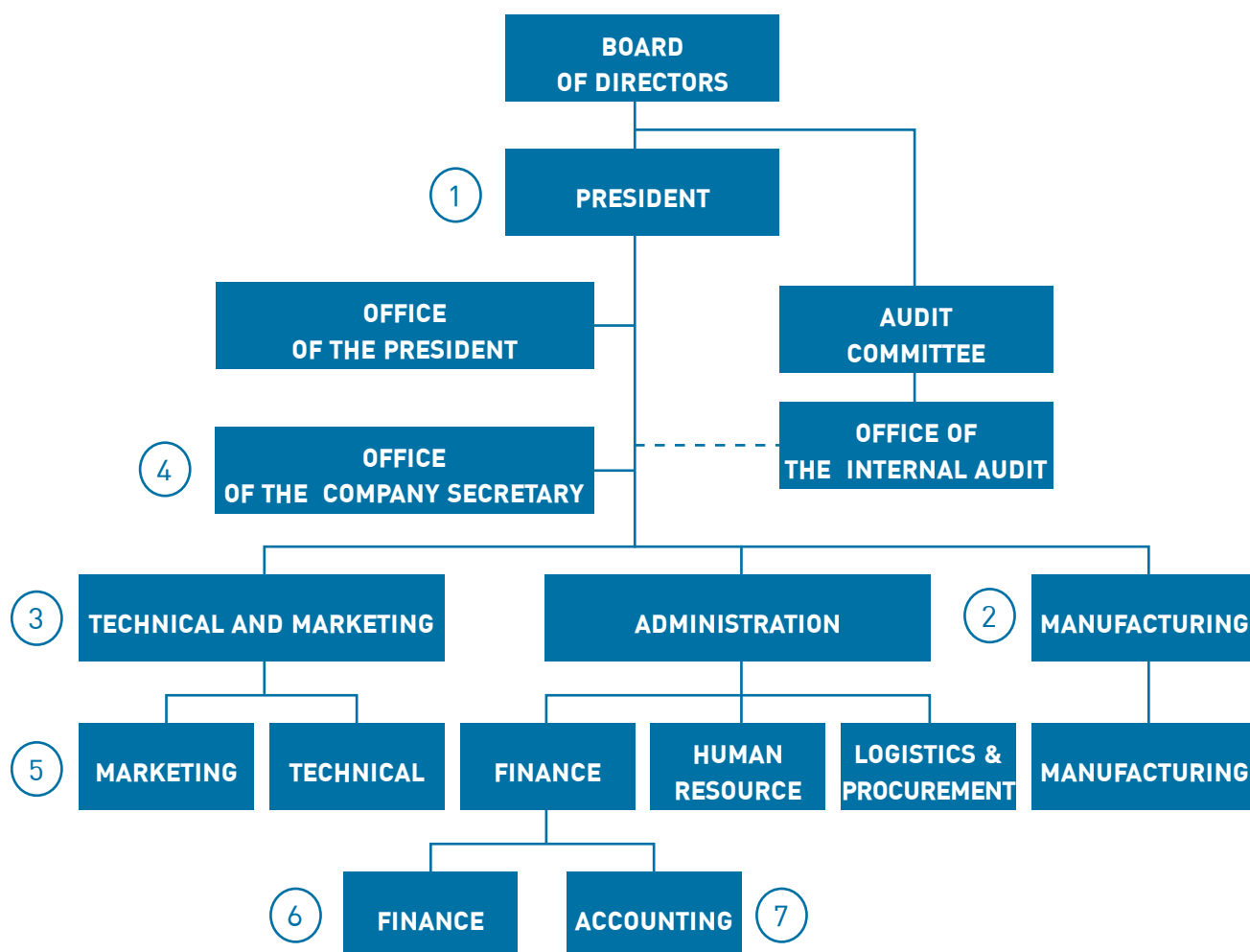
Kulthorn Metal Products Company Limited

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 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 be 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 time 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 and 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 are clearly separated its roles and responsibilities from those of management and monitor the company's operations to ensure all activities are conducted in accordance with the law and ethical standards.

Business Ethics

1 Conflicts of Interest

The Company has drawn out guidelines for directors and employees to prevent conflicts of interest follow.

- 1 Refuse to use Company's information obtained in their posts for an opportunity to derive personal benefits by creating rivalry with the Company or involving in related businesses.
- 2 Refuse to use Company's information to buy shares for personal benefits or to leak Company's information to outsiders for their benefits.
- 3 Avoid all actions that may cause conflicts of interest with the Company;

- 4 In case that directors or employees commit any action related to the Company, the particular director and employee will be treated like an outsider, and will play no part in decision-making process;
- 5 Refuse to reveal Company's classified information e.g. electronic information, financial situation, work's plans, business information and Company's future plans during and after their posts.
- 6 In case of dealing with conflict of interest directors or employees must consult and ask countermeasure from their supervisors.

The Audit Committee will consider the conflict of interest is happened and propose to inform the Board of Directors about conflict of interest and connected transaction. The Board of Directors should consider carefully and comply with the Securities and Exchange Act. Despite price and condition will be accounted like an outsider and disclosed the detail, size, partner of contract, and reason in Annual Report and 56-1 Form as well as notes to financial statements for consideration of connected transaction. The directors who have conflict of interest should not be in the meeting to abstain for consideration and vote.

2 Responsibilities to shareholder

The Company upholds a principle to treat every shareholder without any discrimination.

- 1 Respect shareholder's right to information for evaluation purposes. Oblige to truthfully reveal annual income, financial status with other supporting documents with accuracy. Such practice is mandated by the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission.
- 2 Operate all business affairs with moral conducts. All decisions are carefully made with fullest attention to accomplish fair deal and maximum benefit to every shareholder.
- 3 Determine to maintain sustainable growth and stability of the Company, thus all shareholders can enjoy long-lasting benefits due to Company's superb performance and its efficiency and effectiveness in delivering all tasks.
- 4 Monitor and operate to ensure that appropriate transactions from financial management to administrative strategies are properly carried out to protect and raise benefit for shareholders.

3 Customer policies

The Company strongly believes in building confidence and bringing satisfaction to all of the customers. Since their trusts are critical to our business, the Company promotes the following policies:

- 1 Provide high-quality products and services at reasonable price.
- 2 Provide accurate information without any exaggeration that may cause misunderstandings on product's quality and quantity, or special conditions for each product and service.
- 3 Formulate procedures that permit customers to inform about drawbacks of the products or improper services, because those complaints are valuable for the Company to come up with immediate remedy and improvement for problematic products and services.
- 4 Provide effective after-sale services for customer's convenience.
- 5 Determine to provide and produce commodities and services that are trendy to satiate customers' needs.
- 6 Guard all customers' information as top secret and refuse to use them for personal benefits.
- 7 Support all activities that will strengthen, as well as maintain, lasting and healthy relationship between Company and customer.

4 Trade partners and Creditors policies

The Company must instigate fair treatment and mutual benefits to all trade partners and creditors because they are essential in contributing success to the Company. The Company has duty to:

- 1 Systematically provide products and services with the highest standard under these principles:
 - Must compete based on congruent information.
 - Must have clear-cut rules in evaluation and selection of trade partners.
 - Must formulate fair agreements with trade partners.
 - Must provide systematic operating and monitoring processes to ensure that all conditions stated in the agreement are strictly followed.
 - All payments for all trade partners and creditors must be issued with punctuality and accuracy according to all conditions stated in the agreements
- 2 Strictly follow each covenanted condition.
- 3 In case the Company could not follow the covenanted condition, the Company will foregone notify to creditor for solving problem.

- 4 Develop and maintain good relationship between all partners with trust and confidence.
- 5 Refuse to accept any personal benefit offered by all trade partners and creditors.
- 6 Refuse to fabricate or falsify information that will cause misunderstandings to partners.

5 Employee policies

The Company highly regards all of the employees as invaluable resources and indispensable factor that propel the Company to meet all objectives and future successes. Henceforth, the Company is responsible to provide just opportunity, reasonable remuneration, promotion, appointment, transfer and development of potential by:

- 1 Maintain working atmosphere that is conducive to promote better safety for their lives and properties.
- 2 Provide the appropriate compensation such as medical fee, life insurance, annual checkup, reserve allowance fund, accommodation, subvention in case death of employees or employees' family, bus, fitness, etc.
- 3 Avoid all unfair actions that may cause instability of employee's position.
- 4 Treat every employee with respect to his/her right, honor and privacy.
- 5 Propose reasonable remuneration packages according to market situations, business competitions, job descriptions, work qualities, and Company's capability to pay for that remuneration packages.
- 6 Promoting, transferring, awarding and punishing, of employees are conducted with sincerity, and based on each employee's knowledge, effort, and appropriateness.
- 7 Pay importance on developing skills and potential of employees by constantly organizing various activities, for instance, seminars, training, and handing out scholarships for employees.
- 8 Provide opportunities for employees to express opinions and file complaints related to their jobs. Those suggestions and complaints will be seriously taken into consideration for formulating solutions. This important policy is meant to draw benefits to all parties and spawn camaraderie in the office.

In addition, the Company emphasizes on the safety of life and health of employees as the following policies:

- 1 The Company will perform all necessary measures to ensure the safety of life and health of employees.
- 2 The Company seeks to control and prevent losses caused by fire, accidents and illness from working and maintain a safe working environment for employees as well as promoting and raising awareness of health care workers.
- 3 The Company is committed to developing and creating safety and health of employees in accordance with the requirements of the law.
- 4 The Company will support adequate and appropriate resources in accordance with the requirements of the law and commit to develop human resources with knowledge and awareness of safety and health of employees.
- 5 The Company is aware that a safety and health of employees is very important, it was the duties and responsibilities of executive, supervisors at all levels and employee to comply with the rules and the requirements of the law.

6 Counterpart /Competitor policies

The Company conducts all business affairs under just rules and competitions by holding the following principles:

- 1 Refuse to search for rivals' secret information by all means, dishonestly or inappropriately.
- 2 Refuse to ruin counterparts/Competitors' reputations by accusing them of wrongful actions.
- 3 Refuse to violate intellectual property rights of business' counterparts /competitor.

7 Responsibility to society as a whole

The Company recognizes that it can survive and grow in a society that is vigorous and prosperous.

Therefore to bring about societal progress, the Company has policies to:

- 1 Participate in societal improvements with financial support to all activities that aim to maintain beneficial cultures, customs, and rituals. Moreover, the Company will involve in religious activities regularly.
- 2 Support educational activities, vocational development, and athletic ability, as well as sanction for outreach people.

- 3 Support and aid society and community, and also always aid sufferers.
- 4 Practicing in comply with all related laws and regulation.

8. Responsibility to community

The Company has defined the scopes and practices on strengthening the closed relationship with surrounding and nearby communities as follows:

- 1 To cultivate consciousness to the Company's employees on responsibility to the society, community and environment via media and internal activities continually.
- 2 Strengthen good relationship with the organizations, both from public and private sectors, as well as the community leaders in various levels so that the works for community development can be harmoniously coordinated on sustainable and concrete basis.
- 3 To provide the buildings, materials including funds to oversee the livelihood condition and safety of the communities.
- 4 To raise funds and supply the necessities to help the disaster victims.

9 Responsibility to environment

The Company recognizes the duties and responsibilities to environment, the Company has policies to:

- 1 Operate the business by taking into consideration of conservation and security standard, and also be civility to follow the law and related regulations.
- 2 Utilize natural resources in form of raw materials, investments, human resources, and energies in prudent manners.
- 3 Support care taking environment activities and conservation campaign continually supports environment conservation to social and other organization as well as public environment news for making image and good understanding of the Company's environment management.
- 4 Foster the guideline of responsibility to environment for understanding the importance of environment by training the employee continuously for efficient environment system.

10 Receiving and giving present, property or other benefits policies

Receiving or giving any benefits as tradition and morality to express gratitude or maintaining business relation as usual should be done with appropriateness. The Company will not encourage or expect the receiving person to ignore his/her duty and/or return favor from giving inappropriate present, property or other benefits with the following practices:

- 1 Receiving and giving property or other benefits that could improperly influence decision making;
 - The employee of company shall not receive or give money, property, merchandise or any benefits involving anyone whose intention is to persuade the employee to commit or omit anything contrary to duty.
 - Receiving present or property shall be compliance with morals, and shall not be illegal as well as such gift or property shall not be illegal.
 - Paying for business expenses such as meals and other forms of hospitality that are directly connected to performance of business commitments is acceptable, but such expenses must be reasonable.
 - Giving present, property or other benefits to government officer in Thailand and other countries must be sure that it shall not against the law and local tradition.
- 2 Receiving or giving present and the memento:
 - Before receiving or giving present or memento, should make sure that such an action does not violate the law and the Company's regulations. Gifts exchanged in the normal course of business should be inexpensive and appropriate to the occasion.
 - Avoid receiving or giving present or memento that could unfairly influence a decision in the performance of one's duties. If it is necessary to receive a gift of unusually high value from someone doing business with the Company, report the matter to the superior.
 - Keep records of expenses as evidence of the value of present or memento given, so that can be examined later.
 - If the employee has been assigned or permitted by the superior to assist an outside agency, the employee may receive money, item, or present according to the guidelines or standards that agency has set.

3 Transactions with the government sector:

- Conduct properly and honestly when in contact with government officials or agencies.
- Always Comply with the laws, and customs of each place may have diverse conditions, procedures, or methods of proceeding.
- Comply with the laws of each country or locality in matters pertaining to hiring government employees as consultants or employees of the Company. Such hiring must be transparent and appropriate.

11 Corporate Social Responsibility Report / Sustainable Development Report

The Company specified that there should be the corporate social responsibility report in place. At first, this report may be a part of the annual report and after that if the Company has more readiness, then such CSR report may be considered to be separated from the annual report.

12 Non violation of the human right policies

The Company emphasizes on human right as common practice, all employee shall not act or support violation the human right as follows:

1 Personal right and freedom:

- The Company has policies that employee's personal information is the secret and shall not be sent or disseminated to unauthorized parties.
- Disclosure or transfer of personal information only upon the owner's consent.
- The human has right and freedom so long as not violate the right and freedom of others.

2 Equal treatment:

- The Company treats all employees equitable, no person shall be discriminated against regardless of race, nationality, language, religion, sex, age and education.
- The employee shows respect to and acceptance of others, and acts appropriate with job as the Company's regulation and tradition without disgrace.
- The Company has opportunity for the employee to show their capability by set appropriate remuneration and has opportunity for more education both in higher education, and short term/long-term training.
- Deliberation related to hiring and judgment of performance should be accurate and fair.

- When performing the work, avoid expressing opinions that have to do with differences of physical and mind, race, nationality, language, religion, sex, age, education, or any other attribute likely to cause conflict.
- Contribute to making the work environment free of oppression and injustice.
- The employee shows respect and tolerance for each other's opinions.

13 Opinion or suggestion

The Board of Directors emphasize on stakeholders' participation in reinforcement of the Company's operation and permanency by disclosure related important information to stakeholders sufficiently and transparent. The Company provides channels to stakeholders for giving opinion and suggestion that are usefulness and added value for the Company. Stakeholders could send the letter as address shown on the Company's website (www.kulthorn.com) in a part of "Contact Us"

14 Procedures and methods on "Notifying the information on misconduct and the protection of the informant"

The Company adheres to good corporate governance principles and encourages its employees to examine and oversee any action which is against the corporate governance principles, ethics, rules and regulations of the Company, laws or any action which might cause damages to the Company. The employee can find the method on informing the clue and the protection of the informant from the company's regulation hand book and through public relations media of the Company, by Intranet System. If such action is found, the employee can notify the clue on misconduct behavior to the Company by sending document and/or evidence to the President and/or Vice President. Human Resources Division. Such document and/or evidence may be sent by the employees themselves or via the postal service, however name and surname of the sender must also be notified for convenience on enquiry and/or contact for more information.

Shall then investigate and analyze such matter and if it is found that it has factual basis, it shall be sent to the meeting which the President in Chairman of the meeting for further consideration together with all concerned executives.

The Company shall protect the employee who notifies such information (the informant or whistle blower) by not disclosing the name of the informant to any person. Only the President and/or Vice President. Human Resources Division shall know such information. (If the name has not been identified, this matter shall not be considered).

15 Ethics of the Directors and the Executives

The Company wishes its directors and executives to express their intentions on performing the Company's business operations with transparently and morally as well as perform their duties pursuant to the ethical standards on integrity, with carefulness and cautiously for benefits of the shareholders and the stakeholders. Hence, the ethics which shall be used as operating guidelines for the directors and the executives have been specified as follows:

- 1 To perform the Company's business operations with integrity, fairness, transparent and morality.
- 2 To perform their duties with fullest capacity to maximize benefits of the Company.
- 3 To perform duties by compliance with laws, rules and regulations concerning business operations.
- 4 To have the independence in making decision and their actions must be based on the righteousness basis.
- 5 To perform duties by avoiding the conflicts of their own interests with the Company's benefits so that the management tasks can be effectively achieved.
- 6 Must not have any benefits or interests in any business made with the Company or in any business which is regarded as the competition with the Company, irrespective of directly or indirectly.
- 7 To keep the confidential information of the Company and the stakeholders from leaking to non-relevant people that might cause damages to the Company or the stakeholders.
- 8 Refuse to use Company's information to buy shares for personal benefits or to leak Company's information to outsiders for their benefits.

16 Ethics of the Employees

The Company trained and informed the prudent operating guidelines standards with regards to good manner and ethics of the employees via the orientation of the new employees. Such ethics have been written in the working regulations of the Company for the employee's adherence as follows:

- 1 The employees must devote themselves and perform their duties and the assigned works with their utmost competency.
- 2 The employees must respect and comply with the rules and regulations specified by the Company.

- 3 The employees must respect and comply with the legally orders and recommendations of their superior as well as the persons designated by the Company.
- 4 The employees must protect the Company's benefits.
- 5 The employees must work on time and on regular basis.
- 6 The employees must perform the work with integrity.
- 7 The employees must have good discipline as well as good morality.
- 8 To keep the confidential information of the Company and the stakeholders from leaking to non-relevant people that might cause damages to the Company or the stakeholders.
- 9 Refuse to use Company's information to buy shares for personal benefits or to leak Company's information to outsiders for their benefits.

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. 6

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, especially China base. 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 22% and 78% 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 2014 was Baht 11,330.12 million, compared to the approximated Baht 10,753.92 million of sales and services income of the previous year, an increase of Baht 576.20 million or 5.35%, caused from the increasing of motor compressors for large air conditioners and large refrigerators by higher customers' demand due to the better responsive products than competitors.

(2) Gross profit margin

The gross profit margin of 2014 and 2013 of the company were 3.40% and 4.05%. This was due to a provision on reduce inventory to net realizable value was recorded in this period as determined by the Accounting Standards.

(3) Operation Expenses

- Selling Expenses of the Company and its subsidiary for 2014 approximated Baht 126.07 million, compared to the approximated Baht 114.12 million of the previous year, an increasing of Baht 11.95 million caused from the increased commission and freight charges which related to the increasing sales.
- Administrative Expenses of the Company and its subsidiary for 2014 approximated Baht 411.32 million, compared to the approximated Baht 376.91 million of 2013 and the approximated Baht 365.36 million of 2012 effected by the increasing of yearly adjustment of salary & wages and the related expenses from the implementation of new enterprise resource planning system by SAP program.
- Gain on foreign exchange rate of the company and its subsidiaries for 2014 approximated Baht 13.45 million while the 2013 got loss on foreign exchange rate 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 beginning year to be 32.48 Baht per 1 US\$ at the end of year which resulted from import transactions of copper and steels materials. And the 2012 exchange rate transaction 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 2014 approximated Baht 392.52 million, compared to the approximated Baht 407.04 million of the previous year, a decreasing of Baht 14.52 million or 3.57 % caused from sales price of copper scrap was decreased from 2013.

Financial Position

The consolidated total assets in 2014 was Baht 8,949.39 million, an increase of Baht 166.38 million from Baht 8,730.01 million in 2013, resulted by the increasing of inventory for sales at the beginning of next year as per customers' order.

The consolidated total liabilities in 2014, was Baht 6,889.91 million, a decrease of of Baht 617.64 million from Baht 6,272.27 million in 2013, resulted by the dividend payable approximated of Baht 500 million which was paid on 16 January 2015.

The consolidated total shareholders' equity in 2014 was Baht 2,059.48 million, decreased from 2013 by Baht 451.27 million caused from the dividend payable approximated of Baht 500 million which was paid on 16 January 2015.

Financial Information

Financial Statements

Statement of comprehensive income for the year ended 31 December 2014, 2013 and 2012

	Unit : Baht		
	2014	2013	2012
Revenues			(Restated)
Sales and service income	11,330,117,773	10,753,923,084	11,539,418,747
Other income			
Income from scrap sales	392,524,876	407,039,819	375,950,548
Gain on exchange rate	13,448,397	-	97,783,975
Interest income	1,114,401	1,336,249	1,114,441
Others	10,238,788	11,252,052	6,881,499
Total revenues	11,747,444,235	11,173,551,204	12,021,149,210
Cost of sales and services	10,945,013,424	10,318,720,838	11,017,565,483
Gross profit	385,104,349	435,202,246	521,853,264
Gross profit %	3.40%	4.05%	4.52%
Operating expenses			
Selling expenses	126,067,548	114,124,088	136,567,060
Administrative expenses	411,317,062	376,913,288	365,358,614
Loss on exchange rate	-	142,392,856	-
Total expenses	537,384,610	633,430,232	501,925,674

Unit : Baht

	2014	2013	2012
Profit before finance cost and corporate income tax			
	265,046,201	221,400,134	501,658,053
Finance cost	(208,973,166)	(225,356,088)	(268,216,551)
Profit before corporate income tax	56,073,035	(3,955,954)	233,441,502
Income tax expenses	1,347,078	4,837,834	(17,446,083)
Profit for the year	57,420,113	881,880	215,995,419
Other comprehensive income:			
Exchange differences on translation of financial statements in foreign currency	(8,686,571)	967,006	(2,855,961)
Actuarial losses	-	-	(16,862,231)
Income tax effect	-	-	2,445,377
Other comprehensive income for the year	(8,686,571)	967,006	(17,272,815)
Total comprehensive income for the year	48,733,542	1,848,886	198,722,604
Basic earnings per share	0.057	0.001	0.25
Weighted average number of ordinary shares (shares)	1,000,000,000	926,726,000	850,000,000

Statement of financial position as at 31 December 2014, 2013 and 2012

Unit : Baht

	2014	2013	2012
Assets			(Restated)
Current assets			
Cash and cash equivalents	249,262,452	119,910,218	97,235,677
Trade and other receivables	2,179,458,741	2,200,783,025	2,195,605,479
Inventories	2,660,305,035	2,303,681,395	2,265,377,553
Other current assets	198,457,329	152,032,323	123,840,473
Total current assets	5,287,483,557	4,776,406,961	4,682,059,182
Non-current assets			
Property, plant and equipment	3,517,005,640	3,899,479,714	4,186,187,772

Unit : Baht

	2014	2013	2012
Deferred tax assets	59,615,903	49,541,044	36,116,756
Other non-current assets	85,289,433	57,587,411	13,165,817
Total non-current assets	3,661,910,976	4,006,608,169	4,235,470,345
Total assets	8,949,394,533	8,783,015,130	8,917,529,527
Liabilities and shareholders' equity			
Current liabilities			
Bank overdrafts and short-term loans from financial institutions	3,785,874,457	3,703,462,829	3,587,226,491
Trade and other payables	1,484,076,620	1,128,308,515	997,947,040
Current portion of long-term loans	675,240,283	550,000,000	550,000,000
Other current liabilities	500,674,751	674,534	581,197
Total current liabilities	6,534,251,172	5,543,800,785	5,294,192,040
Non-current liabilities			
Long-term loans – net of current portion	183,288,947	550,000,000	1,100,000,000
Provision for long-term employee benefits and others	172,372,963	178,466,436	144,438,464
Total non-current liabilities	355,661,910	728,466,436	1,244,438,464
Total liabilities	6,889,913,082	6,272,267,221	6,538,630,504
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	1,000,000,000	850,000,000
Share premium	500,000,000	500,000,000	350,000,000
Retained earnings Appropriated – statutory reserve	100,000,000	100,000,000	90,601,450
Unappropriated	271,386,195	713,966,082	892,482,752
Other components of shareholders' equity	188,095,256	196,781,827	195,814,821
Total shareholders' equity	2,059,481,451	2,510,747,909	2,378,899,023
Total liabilities and shareholders' equity	8,949,349,533	8,783,015,130	8,917,529,527

Cash flow statement for the year ended 31 December 2014, 2013 and 2012

Unit : Baht

	2014	2013	2012
Cash flows from operating activities			
Profit before tax	56,073,035	(3,955,954)	233,441,502
Adjustments to reconcile profit before tax to			
net cash provided by (paid from) operating activities			
Depreciation and amortization	621,451,754	637,241,607	601,297,490
Allowance for impairment loss on property plant and equipment	516,963	-	-
Allowance for doubtful accounts (reversal)	8,735,741	(246,574)	657,070
Reduction of inventory value to net realizable value (reversal)	31,998,408	(20,398,266)	(15,364,413)
Gain on sales of property, plant and equipment	(1,206,828)	(481,454)	(635,936)
Dividend income	(7,300)	-	-
Deferred interest	4,994,173	3,239,470	1,731,146
Provision for long-term employee benefits	14,389,289	14,024,020	15,684,819
Unrealised (gain) loss on exchange	27,305,030	94,674,221	(20,286,173)
Interest expenses	192,306,602	209,783,826	264,088,152
Profit from operating activities before changes in			
operating assets and liabilities	956,556,867	933,880,896	1,080,613,657
Operating assets (increase) decrease			
Trade and other receivables	15,610,525	24,915,228	100,037,866
Inventories	(388,622,048)	(17,905,576)	106,152,784
Other current assets	(39,503,164)	(23,393,190)	8,053,707
Other non-current assets	(1,684,159)	(538,910)	1,502,933
Operating liabilities increase (decrease)			
Trade and other payables	352,836,349	122,688,394	64,643,611
Other current liabilities	(62,376,843)	(4,466,892)	17,345,072
Cash flows from operating activities	832,817,527	1,035,179,950	1,378,349,630
Cash paid for interest expenses	(192,356,271)	(215,210,398)	(262,714,193)
Cash paid for corporate income tax	(11,950,792)	(20,356,687)	(20,672,862)
Net cash flows from operating activities	628,510,464	799,612,865	1,094,962,575

Cash flow statement for the year ended 31 December 2014, 2013 and 2012 (Continued)

Unit : Baht

	2014	2013	2012
Cash flows from investing activities			
Decrease in restricted bank deposits	409,750	-	500,250
Acquisition of property, plant and equipment	(276,168,304)	(347,219,480)	(333,274,675)
Proceeds from sales of property, plant and equipment	5,134,421	28,280,732	25,115,553
Dividend income	7,300	-	-
Net cash flows from (used in) investing activities	(270,616,833)	(318,938,748)	(307,658,872)
Cash flows from financing activities			
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	49,464,603	50,721,467	(464,961,590)
Repayment of short-term loan from related party	-	(37,082,439)	-
Short-term loan from related party	-	-	-
Cash receipt from long-term loans	228,192,000	-	187,500,000
Repayment of long-term loans	(469,662,770)	(550,000,000)	(537,500,000)
Cash received from increase share capital	-	300,000,000	-
Cash paid for liabilities under hire-purchases and financial lease agreement	(26,707,220)	(25,936,496)	(45,418,433)
Cash paid for long term employee benefit	(6,044,799)	(5,695,486)	(7,652,190)
Dividend paid	-	(170,000,000)	(71,130,483)
Net cash flows from (used in) financing activities	(224,758,186)	(437,992,954)	(939,162,696)
Increase (decrease) in translation adjustments	(3,783,211)	(20,006,622)	3,482,417
Net increase (decrease) in cash and equivalents	129,352,234	22,674,541	(148,376,576)
Cash and cash equivalents at beginning of year	119,910,218	97,235,677	245,612,253
Cash and cash equivalents at end of year	249,262,452	119,910,218	97,235,677

Financial Ratio

	2014	2013	2012
Liquidity Ratio			
Current Ratio	0.81 Times	0.86 Times	0.88 Times
Quick Ratio	0.37 Times	0.42 Times	0.43 Times
Cash Ratio	0.10 Times	0.14 Times	0.21 Times
Account Receivable Turnover	5.17 Times	4.89 Times	5.13 Times
Average Collection Period	70 Days	74 Days	70 Days
Inventory Turnover	11.79 Times	11.84 Times	13.88 Times
Inventory Cycle	30.53 Days	30.41 Days	25.94 Days
Payable Turnover	8.38 Times	9.71Times	11.41 Times
Payable Cycle	43 Days	37 Days	32 Days
Cash Cycle	57 Days	67 Days	65 Days
Profitability Ratio			
Gross Profit	3.40 %	4.05 %	4.52 %
Net Profit	0.49 %	0.01 %	1.80 %
Return on Equity	2.79 %	0.04 %	9.48 %
Efficiency Ratio			
Return on Assets	0.65 %	0.01 %	2.34 %
Return on Fixed Assets	18.31 %	15.78 %	18.91 %
Assets Turnover	1.32 Times	1.26 Times	1.25 Times
Financial Policy Ratio			
Debt to Equity Ratio	3.35 Times	2.50 Times	2.75 Times
Interest Coverage Ratio	3.27 Times	4.81 Times	5.25 Times
Debt Service Coverage Ratio	0.82 Times	0.73 Times	1.14 Times
Dividend Payout	** %	- %	80.00 %

** In 2014, the Board of Directors Meeting No. 5/2014, held on 17 December 2014 approved to pay the interim dividend from the 2010 to 2013 accumulated profit and 2014 profit of the promoted activity by Board of Investment at Baht 0.50 (Fifty Satang) per share for 1,000,000,000 ordinary shares, in total of Baht 500,000,000 (Five hundred million). The shareholders have been granted an exemption from payment of income tax on dividend according to the Investment Promotion Certificate No. 1421(2)/2009 dated 2 June 2009. The company had paid the said interim dividend on 16 January 2015

Assets and liabilities management

1 Trade and other receivables

(Unit : Thousand Baht)

	2014			2013		2012
Trade receivable – related parties						
Not yet due	79,459	3.65 %	71,562	3.25 %	103,187	4.07 %
Over due						
Less than 3 months	15,199	0.70 %	24,365	1.11 %	31,711	1.44 %
3 - 6 months	1,297	0.06 %	12,755	0.58 %	631	0.03 %
Over 6 months*	8,913	0.40 %	14,285	0.65 %	20,021	0.91 %
Total	104,868	4.81 %	122,967	5.59 %	155,550	7.08 %
Less: Allowance for doubtful debts*	-	-	-	-	-	-
Total trade receivables -related parties, net	104,868	4.81 %	122,967	5.59 %	155,550	7.08 %
Trade receivable – unrelated parties						
Not yet due	1,473,616	67.61 %	1,567,768	71.24 %	1,403,908	63.94 %
Overdue						
Less than 3 months	572,271	26.26 %	478,541	21.74 %	604,203	27.52 %
3 - 6 months	14,316	0.66 %	10,269	0.47 %	19,879	0.90 %
Over 6 months	23,706	1.09 %	22,441	1.02 %	12,807	0.58 %
Total	2,083,909	95.62 %	2,079,019	94.47 %	2,040,797	92.94 %
Less: Allowance for doubtful debts	(15,224)	(0.70 %)	(6,488)	(0.29 %)	(6,735)	(0.31 %)
Total trade receivables – unrelated parties, net	2,068,685	94.92%	2,072,531	94.17 %	2,034,062	92.63 %
Total trade receivable - net	2,173,553	99.73 %	2,195,498	99.76 %	2,189,612	99.73 %
Other receivables						
Advances – related party	2,581	0.12 %	2,422	0.11 %	4,528	0.20 %
Other	3,325	0.15 %	2,863	0.13 %	1,465	0.07 %
Total other receivables	5,906	0.27 %	5,285	0.24 %	5,993	0.27 %
Total trade and other receivables- net	2,179,459	100 %	2,200,783	100 %	2,195,605	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 and immateriality effect.

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.

2 Inventories

(Unit : Thousand Baht)

	2014		2013		2012	
Cost						
Finished goods	1,007,195	37 %	849,127	36 %	894,172	38 %
Work in process	454,579	16 %	289,853	13 %	296,172	13 %
Raw materials	1,235,156	45 %	1,085,569	46 %	885,509	38 %
Goods in transit	56,074	2 %	139,833	5 %	270,623	11 %
Total	2,753,004	100 %	2,364,382	100 %	2,346,476	100 %
Allowance for diminution in value of inventories	(92,699)	3.37 %	(60,701)	2.57 %	(81,099)	3.46 %
Net amount	2,660,305	-	2,303,681	-	2,265,377	-

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 realizable value. Cost of work in process and finished goods includes raw materials, direct labor and production overhead. And allowance for diminution in inventory value will be set up for old, obsolete or deteriorated inventories.

The 2014 outstanding balances of the Company's finished goods was Baht 1,007.20 million or about 37% of total inventory which increased from 2013 outstanding balance it's caused from the additional produced stock during the end of year for delivery in the beginning of 2014 by customers' order. And the outstanding balance of 2014 raw materials approximated of Baht 1,235.16 million or about 45% of total inventory which was equal ratio of the outstanding balance of 2013 due to the company needed to keep more stock for more production in beginning of 2015 to serve customers' demand.

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
Cost:								
As at 1 January 2012	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
Additions	-	2,889	37,679	16,270	14,028	8,529	163,412	242,807
Transfer and Disposals	-	22,487	108,627	38,438	2,803	(46)	(185,872)	(13,563)
Translation adjustments	(842)	(4,745)	(7,860)	-	(210)	(154)	-	(12,969)
As at 31 December 2014	349,728	1,831,865	7,590,647	1,168,319	178,205	138,617	189,711	11,447,092
Accumulated depreciation:								
As at 1 January 2012	-	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)
Translation adjustments	-	(1,568)	(4,742)	-	(208)	(124)	-	(6,642)
Depreciation for the year	-	82,169	443,795	52,519	10,943	10,051	-	599,477
As at 31 December 2012	-	862,472	4,706,065	923,820	118,689	88,343	-	6,699,389

(Unit : Thousand Baht)

	Land	Land improvement and plant	Machinery	Plant equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
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
Transfer and Disposals	-	-	(4,867)	(1,976)	(578)	(2,232)	-	(9,653)
Depreciation for the year	-	82,269	451,839	53,476	16,056	11,136	-	614,776
Translation adjustments	-	(1,807)	(5,626)	-	(184)	(116)	-	(7,733)
As at 31 December 2014	-	1,033,380	5,623,362	1,023,856	141,544	107,427	-	7,929,569
Allowance for impairment loss:								
As at 31 December 2013	-	-	-	-	-	-	-	-
Increase during the year							(517)	(517)
As at 31 December 2014	-	-	-	-	-	-	(517)	(517)
Net book value:								
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
As at 31 December 2014	349,728	798,485	1,967,285	144,463	36,661	31,190	189,194	3,517,006

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 2014, certain items of building improvement and equipment of the Company and its subsidiaries have been fully depreciated but are still in use amounted to Baht 3,995.20 million.

4 Bank overdrafts and short-term loans from financial institutions

(Unit : Thousand Baht)

	Interest rate (percent per annum)	2014	2013	2012
Bank overdrafts	7.38 - 7.75	26,719	19,198	17,014
Short-term loans	4.00 - 5.25	790,466	1,585,678	1,541,355
Trust receipts	1.66 - 4.20	1,843,134	1,527,699	1,459,190
Packing credit	2.75 - 7.28	1,040,371	570,888	569,667
Loans from discounting of account receivable	2.35	85,184	-	-
Total		3,785,874	3,703,463	3,587,226

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)

	2014	2013	2012
Trade payables – related parties	24,322	20,474	21,677
Trade payables – unrelated parties	1,166,088	864,599	825,464
Other payable – related parties	23,285	6,098	3,705
Other payable – unrelated parties	146,779	120,457	54,531
Accrued interest expenses to related parties	-	-	2,527
Accrued interest expenses to unrelated parties	3,630	4,176	3,275
Accrued expenses	119,973	112,504	86,768
Total trade and other payables	1,484,077	1,128,308	997,947

The 2014 outstanding balances of the Company's trade and other payables was higher than the 2013 outstanding balances amounting to Baht 355.77 million caused from the payment due date was changed from at the end of month to the middle of next month.

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)		
	2014	2013	2012
Long-term loans	858,529	1,100,000	1,650,000
Less: Current portion of long-term loans	(675,240)	(550,000)	(550,000)
Long-term loans, net of current portion	183,289	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.

In April 2011, the Company and its subsidiaries entered into the First Amendment to Credit Facilities Agreement to obtain additional credit facilities. The Company drawdowned additional Baht 200 million loan from the banks.

Furthermore, the Company and its subsidiaries entered in to the Second Amendment and Novation Agreement to Credit Facility Agreement in December 2011, in order to make a new commercial bank be the Acceding Lender for the existing Credit Facility Agreement and the Company and its subsidiaries obtained additional credit facilities including long-term loan of Baht 200 million. The additional long-term loan amount was drawdown in year 2012, and to be repaid within year 2015.

In September 2014, the Company and its subsidiaries entered into the Third Amendment to Credit Facilities Agreement in order to extend the repayment period. The loan shall be repaid with in the year 2016.

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 and its subsidiaries have to comply with certain conditions including maintaining financial ratio.

As at 23 December 2014, the Company and its subsidiaries received the waiver letter for certain covenant ratio from all lenders for the year ended 31 December 2014. 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 0.9:1 and debt service coverage ratio for the consolidated financial statements not less than 1:1. However, as at 31 December 2014, the Company and its subsidiaries could not maintain debt to equity ratio as specified in the Credit Facility Agreement, which resulted in the loan becoming payable on demand. In February 2015, the Company and its subsidiaries have already requested the waiver for such non-compliance and the matter is being considered by financial institution lenders, and the management believes that the Company and its subsidiaries will eventually receive such waiver.

The classification of such liabilities to be current is in accordance with financial reporting standards.

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

During the current year, a subsidiary has new loan agreements of Baht 228.2 million with two financial institutions, which are guaranteed by the mortgage and pledge of the subsidiary's machinery.

7 Dividend payable

Board of Directors meeting no.5/2014, held on 17 December 2014 approved to pay the interim dividend from the 2010 to 2013 accumulated profit and 2014 profit of the promoted activity by Board of Investment at Baht 0.50 (Fifty Satang) per share for 1,000,000,000 ordinary shares, in total of Baht 500,000,000 (Five hundred million). The shareholders have been granted an exemption from payment of income tax on dividend according to the Investment Promotion Certificate No. 1421(2)/2009 dated 2 June 2009. The company had paid the said interim dividend on 16 January 2015.

8 Provision for long-term employee benefits.

Provision for long-term employee benefits, which represents compensations payable to employees' retirement and long service awards.

The outstanding balance of provision for long-term employee benefit for 2014 was approximated to Baht 130.72 million was higher than the 2013 outstanding balance amounting to Baht 8.34 million.

Management View

Manufacturers in reciprocating motor compressor business are constantly in competitive trend in both domestic and world market to serve customers' demand of better quality of products and price. And especially in this year, price competition was more condense due to the global economic situation was unclear recovery which effected to have no growing of customers' demand and together with the effects from more required sale orders of Chinese manufacturers to fulfill their production capacity as the world biggest base.

By Global Warming circumstances is rising the world's total demand for everyday life's comfort, such as refrigeration products and air-conditioning which reciprocating motor compressor is the most significant part right in the heart of them. This presents a good business opportunity and directs the manufacturers to aim at improving and developing products to satisfy customers demand in both price and quality.

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 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 aluminum as an alternative material choice for customers instead of copper.
- 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.

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 2014 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 2014. 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, 2014 are reliable under generally accepted accounting principles, legally sound and acceptable to relevant regulations.



Mr Sumeth Simakulthorn

Chairman



Mr Sutee Simakulthorn

President

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 2014, the Audit Committee had 12 meetings with presence of all the three committee members throughout the period. During the year there were also meetings for consultation and exchange of ideas with the external auditors pertaining to the internal control system of accounting and finance to improve their efficiency and effectiveness. Moreover all activities performed were regularly reported to the Board of Directors quarterly which covered the key points as follows:

1 Financial Statements: the Audit Committee reviewed the key data of the quarterly and annually financial statements for the year 2014 of the company and its subsidiaries in order to ensure that the mentioned statements were prepared in accordance with the enforcement of the current accounting standards with complete and sufficient disclosure of information and reliable.

2 Internal Control System: the Audit Committee reviewed and assessed the sufficiency of the internal control and the internal auditing systems for appropriateness and effectiveness. This also covered the subsidiaries companies. The annual internal auditing plan was considered and endorsed. The internal auditing reports were reviewed and the process of suggested improvements were also continuously followed up. There was no significant weakness. The Audit Committee found that the company and its subsidiaries had sufficient and appropriate internal control systems.

3 Risk Management: according to the review it was found that the company had an appropriate risk management system which was suitable to the business conditions. There were meetings to establish the working procedures in order to prevent the problems or reduce the impacts which might affect the company's businesses and keep them at the acceptable level.

4 Related transactions or transactions which might cause conflict of interests: the Audit Committee reviewed the related transactions and the business transactions of the company and its subsidiaries including the transactions which might cause conflict of interests. The results showed that the mentioned transactions were carried out according to the normal business conditions and to the optimum benefit of the company. No benefits were siphoned off. The information was sufficiently and completely disclosed in accordance with the regulations stipulated by the Stock Exchange of Thailand.

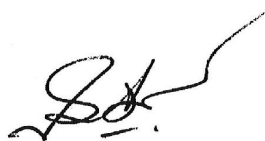
5 Work according to the laws relating to the business: the Audit Committee reviewed the company's operation. It was found out that they adhered to the Securities Exchange Act and all the relevant laws. Additionally works in accordance with the good corporate governance principles were also observed for 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. Siriwan Suratepin, a certified public accountant number 4604 and/or Ms. Kamonthip Lertvitvorathep, a certified public accountant number 4377 and/or Mr. Wichart Lokatekrawee, a certified public accountant number 4451 of the EY Office Limited as the company's auditors for another year in 2015 at the auditing and reviewing fees of 1,090,000 baht which was the same as last year.

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

March 24, 2015

On behalf of the Audit Committee



Acting Sub. Lieut. Samart Mekavanitchakul

Chairman of the Audit Committee



Kulthorn Kirby Public Company Limited
and its subsidiaries

Report and Financial Statements

31 December 2014

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 2014, 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 judgement, 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.

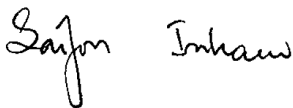
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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 2014, 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 the matter as stated in Note 1.2 and Note 17 to the financial statements. As at 31 December 2014, the Company and its subsidiaries had total current liabilities in excess of total current assets of Baht 1,247 million (the Company only: Baht 2,007 million), Baht 263 million of which is caused by the classification of long-term loan to be included in the current portion of long-term loans because as at 31 December 2014, the Company and its subsidiaries could not maintain certain financial ratio in accordance with the loan covenants, which resulted in the loans becoming payable on demand. The Company and its subsidiaries have already requested for the waiver for such non-compliance and the matter is being considered by financial institution lenders. This matter is a material uncertainty which raises substantial doubt about the Company's and its subsidiaries' ability to continue as a going concern. My opinion is not qualified in respect of this matter.



Saifon Inkaew

Certified Public Accountant (Thailand) No. 4434

EY Office Limited

Bangkok: 27 February 2015

Statements of financial position

Kulthorn Kirby Public Company Limited and its subsidiaries
As at 31 December 2014

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
Assets					
Current assets					
Cash and cash equivalents	7	249,262,452	119,910,218	182,545,963	64,135,741
Trade and other receivables	8	2,179,458,741	2,200,783,025	1,032,373,984	935,582,494
Short-term loans to related parties	6	-	-	237,057,566	6,428,883
Inventories	9	2,660,305,035	2,303,681,395	1,246,248,091	1,014,946,549
VAT receivable		124,200,865	67,314,238	86,535,594	30,812,478
Other current assets		74,256,464	84,718,085	13,950,752	7,895,730
Total current assets		<u>5,287,483,557</u>	<u>4,776,406,961</u>	<u>2,798,711,950</u>	<u>2,059,801,875</u>
Non-current assets					
Restricted bank deposit	10	-	409,750	-	-
Investments in subsidiaries	11	-	-	2,434,372,497	2,434,372,497
Property, plant and equipment	12	3,517,005,640	3,899,479,714	1,544,947,516	1,743,414,288
Goodwill on business combination	13	-	-	-	-
Other intangible assets	14	82,174,001	55,746,680	25,684,683	11,707,353
Deferred tax assets	24	59,615,903	49,541,044	13,519,909	16,383,518
Other non-current assets		3,115,432	1,430,981	1,468,149	1,249,031
Total non-current assets		<u>3,661,910,976</u>	<u>4,006,608,169</u>	<u>4,019,992,754</u>	<u>4,207,126,687</u>
Total assets		<u><u>8,949,394,533</u></u>	<u><u>8,783,015,130</u></u>	<u><u>6,818,704,704</u></u>	<u><u>6,266,928,562</u></u>

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

81

Statements of financial position (continued)

Kulthorn Kirby Public Company Limited and its subsidiaries
As at 31 December 2014

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2014	2013	2014	2013
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans from					
financial institutions	15	3,785,874,457	3,703,462,829	1,907,748,048	1,723,294,080
Trade and other payables	16	1,484,076,620	1,128,308,515	1,230,216,246	942,280,955
Short-term loan from related party	6	-	-	503,610,895	155,765,152
Current portion of long-term loans	17	675,240,283	550,000,000	634,700,000	550,000,000
Current portion of liabilities under					
financial lease agreements	18	20,573,379	18,788,463	15,746,168	13,981,793
Dividend payable		500,674,751	674,534	500,673,274	674,534
Income tax payable		8,073,326	4,346,690	-	-
Other current liabilities	19	59,738,356	138,219,754	12,984,700	68,031,972
Total current liabilities		6,534,251,172	5,543,800,785	4,805,679,331	3,454,028,486
Non-current liabilities					
Long-term loans - net of current portion	17	183,288,947	550,000,000	-	550,000,000
Liabilities under financial lease agreements - net					
of current portion	18	41,649,392	56,087,355	34,296,232	46,447,442
Provision for long-term employee benefits	20	130,723,571	122,379,081	63,017,930	57,673,152
Total non-current liabilities		355,661,910	728,466,436	97,314,162	654,120,594
Total liabilities		6,889,913,082	6,272,267,221	4,902,993,493	4,108,149,080

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

81

Statements of financial position (Continued)

Kulthorn Kirby Public Company Limited and its subsidiaries
As at 31 December 2014

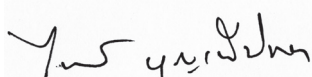
(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
Shareholders' equity					
Share capital	21				
Registered					
1,000,000,000 ordinary shares of Baht 1 each		<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued and fully paid up					
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
Share premium		500,000,000	500,000,000	500,000,000	500,000,000
Retained earnings					
Appropriated - statutory reserve	22	100,000,000	100,000,000	100,000,000	100,000,000
Unappropriated		271,386,195	713,966,082	315,711,211	558,779,482
Other components of shareholders' equity		<u>188,095,256</u>	<u>196,781,827</u>	-	-
Total shareholders' equity		<u>2,059,481,451</u>	<u>2,510,747,909</u>	<u>1,915,711,211</u>	<u>2,158,779,482</u>
Total liabilities and shareholders' equity		<u>8,949,394,533</u>	<u>8,783,015,130</u>	<u>6,818,704,704</u>	<u>6,266,928,562</u>

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

81





Directors



Statements of comprehensive income

Kulthorn Kirby Public Company Limited and its subsidiaries
For the year ended 31 December 2014

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2014	2013	2014	2013
Profit or loss:					
Revenues					
Sales and service income	6, 25	11,330,117,773	10,753,923,084	6,193,749,220	4,942,463,814
Other income					
Income from scrap sales	6	392,524,876	407,039,819	246,194,292	228,413,831
Gain on exchange		13,448,397	-	6,950,526	-
Interest income	6	1,114,401	1,336,249	1,002,477	737,072
Dividend income	11	7,300	-	75,602,029	282,527,818
Others		10,231,488	11,252,052	14,255,671	9,801,938
Total revenues		11,747,444,235	11,173,551,204	6,537,754,215	5,463,944,473
Expenses					
Cost of sales and services	6	10,945,013,424	10,318,720,838	5,922,765,846	4,754,055,879
Selling expenses		126,067,548	114,124,088	64,122,209	63,250,510
Administrative expenses		411,317,062	376,913,288	177,484,968	163,172,863
Loss on exchange		-	142,392,856	-	75,569,671
Total expenses		11,482,398,034	10,952,151,070	6,164,373,023	5,056,048,923
Profit before finance cost and income tax		265,046,201	221,400,134	373,381,192	407,895,550
Finance cost		(208,973,166)	(225,356,088)	(113,585,853)	(136,464,593)
Profit (loss) before income tax		56,073,035	(3,955,954)	259,795,339	271,430,957
Income tax	24	1,347,078	4,837,834	(2,863,610)	(2,863,058)
Profit for the year		57,420,113	881,880	256,931,729	268,567,899
Other comprehensive income:					
Exchange differences on translation of					
financial statements in foreign currency		(8,686,571)	967,006	-	-
Other comprehensive income for the year		(8,686,571)	967,006	-	-
Total comprehensive income for the year		48,733,542	1,848,886	256,931,729	268,567,899
Basic earnings per share					
Profit attributable to equity holders of the Company	26	0.057	0.001	0.257	0.289

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

81

Statements of changes in shareholders' equity

Kulthorn Kirby Public Company Limited and its subsidiaries
For the year ended 31 December 2014

(Unit: Baht)

	Consolidated financial statements							
	Other components of shareholders' equity							
	Other comprehensive							
	income							
	Exchange							
	differences on							
Issued and fully paid-up share capital	Share premium	Retained earnings		translation of financial statements in foreign currency	Surplus from business combination under common control	Total other components of shareholders' equity	Total shareholders'	
		Appropriated	Unappropriated				equity	
Balance as at 1 January 2013	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
Profit for the year	-	-	-	881,880	-	-	-	881,880
Other comprehensive income for the year	-	-	-	-	967,006	-	967,006	967,006
Total comprehensive income for the year	-	-	-	881,880	967,006	-	967,006	1,848,886
Ordinary share capital increased during the year (Note 21)	150,000,000	150,000,000	-	-	-	-	-	300,000,000
Dividend paid (Note 29)	-	-	-	(170,000,000)	-	-	-	(170,000,000)
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
Balance as at 1 January 2014	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
Profit for the year	-	-	-	57,420,113	-	-	-	57,420,113
Other comprehensive income for the year	-	-	-	-	(8,686,571)	-	(8,686,571)	(8,686,571)
Total comprehensive income for the year	-	-	-	57,420,113	(8,686,571)	-	(8,686,571)	48,733,542
Dividend paid (Note 29)	-	-	-	(500,000,000)	-	-	-	(500,000,000)
Balance as at 31 December 2014	1,000,000,000	500,000,000	100,000,000	271,386,195	(19,802,693)	207,897,949	188,095,256	2,059,481,451

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

81

Statements of changes in shareholds' equity (continued)

Kulthorn Kirby Public Company Limited and its subsidiaries

For the year ended 31 December 2014

(Unit: Baht)

	Separate financial statements				Total shareholders' equity
	Issued and fully paid-up share capital	Share premium	Retained earnings		
			Appropriated	Unappropriated	
Balance as at 1 January 2013	850,000,000	350,000,000	90,601,450	469,610,133	1,760,211,583
Profit for the year	-	-	-	268,567,899	268,567,899
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	268,567,899	268,567,899
Ordinary share capital increased during the year (Note 21)	150,000,000	150,000,000	-	-	300,000,000
Dividend paid (Note 29)	-	-	-	(170,000,000)	(170,000,000)
Transfer unappropriated retained earnings to statutory reserve	-	-	9,398,550	(9,398,550)	-
Balance as at 31 December 2013	<u>1,000,000,000</u>	<u>500,000,000</u>	<u>100,000,000</u>	<u>558,779,482</u>	<u>2,158,779,482</u>
Balance as at 1 January 2014	1,000,000,000	500,000,000	100,000,000	558,779,482	2,158,779,482
Profit for the year	-	-	-	256,931,729	256,931,729
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	256,931,729	256,931,729
Dividend paid (Note 29)	-	-	-	(500,000,000)	(500,000,000)
Balance as at 31 December 2014	<u>1,000,000,000</u>	<u>500,000,000</u>	<u>100,000,000</u>	<u>315,711,211</u>	<u>1,915,711,211</u>

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

Cash flow statements

Kulthorn Kirby Public Company Limited and its subsidiaries
For the year ended 31 December 2014

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Cash flows from operating activities				
Profit (loss) before tax	56,073,035	(3,955,954)	259,795,339	271,430,957
Adjustments to reconcile profit (loss) before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	621,451,754	637,241,607	277,413,926	267,284,213
Allowance for impairment loss on property, plant and equipment	516,963	-	-	-
Allowance for doubtful accounts (reversal)	8,735,741	(246,574)	-	(11,980)
Reduction of inventory value to net realisable value (reversal)	31,998,408	(20,398,266)	(358,418)	(19,234,589)
Gain on sales of property, plant and equipment	(1,206,828)	(481,454)	(1,262,139)	(702,717)
Dividend income	(7,300)	-	(75,602,029)	(282,527,818)
Deferred interest	4,994,173	3,239,470	4,069,532	2,636,734
Provision for long-term employee benefits	14,389,289	14,024,020	7,036,778	6,725,235
Unrealised loss on exchange	27,305,030	94,674,221	9,546,463	59,957,498
Interest expenses	192,306,602	209,783,826	106,666,816	131,462,768
Profit from operating activities before changes in operating assets and liabilities	956,556,867	933,880,896	587,306,268	437,020,301
Operating assets (increase) decrease				
Trade and other receivables	15,610,525	24,915,228	(95,641,101)	(15,038,149)
Inventories	(388,622,048)	(17,905,576)	(230,943,124)	(86,213,935)
Other current assets	(39,503,164)	(23,393,190)	(61,013,352)	(11,046,745)
Other non-current assets	(1,684,159)	(538,910)	(219,119)	(462,316)
Operating liabilities increase (decrease)				
Trade and other payables	352,836,349	122,688,394	300,601,858	(34,619,615)
Other current liabilities	(62,376,843)	(4,466,892)	(53,188,030)	(24,381,700)
Cash flows from operating activities	832,817,527	1,035,179,950	446,903,400	265,257,841
Cash paid for interest expenses	(192,356,271)	(215,210,398)	(105,999,836)	(131,692,932)
Cash paid for income tax	(11,950,792)	(20,356,687)	(764,784)	(528,838)
Net cash flows from operating activities	628,510,464	799,612,865	340,138,780	133,036,071

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

81

Cash flow statements (continued)

Kulthorn Kirby Public Company Limited and its subsidiaries
For the year ended 31 December 2014

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Cash flows from investing activities				
Decrease in restricted bank deposits	409,750	-	-	-
Acquisition of property, plant and equipment	(276,168,304)	(347,219,480)	(98,903,710)	(84,532,858)
Proceeds from sales of property, plant and equipment	5,134,421	28,280,732	1,960,144	1,610,838
Dividend income	7,300	-	75,602,029	282,527,818
Increase in short-term loans to related parties	-	-	(230,628,683)	-
Net cash flows from (used in) investing activities	(270,616,833)	(318,938,748)	(251,970,220)	199,605,798
Cash flows from financing activities				
Increase in bank overdrafts and short-term loans				
from financial institutions	49,464,603	50,721,467	169,074,286	133,825,785
Repayment of short-term loan from related party	-	(37,082,439)	(104,000,000)	(30,500,000)
Cash received from short-term loan from related party	-	-	380,000,000	-
Increase in short-term loans from related parties	-	-	71,845,743	155,765,152
Cash received from long-term loans	228,192,000	-	-	-
Repayment of long-term loans	(469,662,770)	(550,000,000)	(465,300,000)	(550,000,000)
Cash paid for liabilities under financial lease agreements	(26,707,220)	(25,936,496)	(19,686,367)	(18,734,870)
Cash paid for investment in subsidiary	-	-	-	(100,000,000)
Cash paid for long term employee benefits	(6,044,799)	(5,695,486)	(1,692,000)	(3,582,880)
Cash received from increase share capital	-	300,000,000	-	300,000,000
Dividend paid	-	(170,000,000)	-	(170,000,000)
Net cash flows from (used in) financing activities	(224,758,186)	(437,992,954)	30,241,662	(283,226,813)
Decrease in translation adjustments	(3,783,211)	(20,006,622)	-	-
Net increase in cash and cash equivalents	129,352,234	22,674,541	118,410,222	49,415,056
Cash and cash equivalents at beginning of year	119,910,218	97,235,677	64,135,741	14,720,685
Cash and cash equivalents at end of year	249,262,452	119,910,218	182,545,963	64,135,741
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	(10,007,340)	(4,294,816)	(10,511,219)	1,948,411
2) Non-cash related transaction for financing activities				
Dividend payable	500,674,751	674,534	500,673,274	674,534
Assets acquired under financial lease agreements	9,060,000	54,517,609	5,230,000	40,660,094

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

81

Notes to consolidated financial statements

Kulthorn Kirby Public Company Limited and its subsidiaries
For the year ended 31 December 2014

1. General information

1.1 Corporate information

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

1.2 Fundamental accounting assumptions

As discussed in Note 17 as at 31 December 2014, the Company and its subsidiaries could not maintain debt to equity ratio as specified in the Credit Facility Agreement, which resulted in the loan becoming payable on demand. The Company and its subsidiaries have reclassified of long-term loan to be included in the current portion of long-term loans. The classification of such liabilities to be current is in accordance with financial reporting standards. This matter, which is a material uncertainty, raises substantial doubt about the Company’s and its subsidiaries’ ability to continue as a going concern and to realise assets and settle liabilities in the ordinary course of business. The Company and its subsidiaries have already requested for the waiver for such non-compliance and the matter is being considered by financial institution lenders, and the management believes that the Company and its subsidiaries will eventually receive such waiver. Therefore, the Company’s consolidated and separate financial statements have been prepared on the going concern basis, without making the adjustments to assets to their net realisable values and adjustments to liabilities to the amounts to be paid that would need to be made in the accounts if the Company and its subsidiaries were not be able to continue as a going concern.

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	
			2014	2013
			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
<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 financial reporting standards

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

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

Conceptual Framework for Financial Reporting (revised 2014)

Accounting Standards:

TAS 1 (revised 2012)	Presentation of Financial Statements
TAS 7 (revised 2012)	Statement of Cash Flows
TAS 12 (revised 2012)	Income Taxes
TAS 17 (revised 2012)	Leases
TAS 18 (revised 2012)	Revenue
TAS 19 (revised 2012)	Employee Benefits
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates
TAS 24 (revised 2012)	Related Party Disclosures
TAS 28 (revised 2012)	Investments in Associates
TAS 31 (revised 2012)	Interests in Joint Ventures
TAS 34 (revised 2012)	Interim Financial Reporting
TAS 36 (revised 2012)	Impairment of Assets
TAS 38 (revised 2012)	Intangible Assets

Financial Reporting Standards:

TFRS 2 (revised 2012)	Share-based Payment
TFRS 3 (revised 2012)	Business Combinations
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (revised 2012)	Operating Segments

Accounting Standard Interpretations:

TSIC 15	Operating Leases – Incentives
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29	Service Concession Arrangements: Disclosures
TSIC 32	Intangible Assets – Web Site Costs

Financial Reporting Standard Interpretations:

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

Accounting Treatment Guidance for Stock Dividend

These financial reporting standards were amended primarily to align their content with the corresponding International Financial Reporting Standards. Most of the changes were directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of the accounting standards. These financial reporting standards do not have any significant impact on the financial statements.

(b) Financial reporting standards that will become effective in the future

The Federation of Accounting Professions has issued a number of revised and new financial reporting standards that become effective for fiscal years beginning on or after 1 January 2015. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of accounting standards. The management of the Company believes they will not have any significant impact on the financial statements in the year in which they are adopted. However, some of these financial reporting standards involve changes to key principles, as discussed below:

TAS 19 (revised 2014) Employee Benefits

This revised standard requires that the entity recognise actuarial gains and losses immediately in other comprehensive income while the existing standard allows the entity to recognise such gains and losses immediately in profit or loss, or in other comprehensive income, or to recognise them gradually in profit or loss.

This revised standard does not have any impact on the financial statements as the Company and its subsidiaries already recognised actuarial gains and losses immediately in other comprehensive income.

TFRS 10 Consolidated Financial Statements

TFRS 10 prescribes requirements for the preparation of consolidated financial statements and replaces the part dealing with consolidated financial statements as included in TAS 27 *Consolidated and Separate Financial Statements*. This standard changes the principles used in considering whether control exists. Under this standard, an investor is deemed to have control over an investee if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns, even if it holds less than half of the shares or voting rights. This important change requires the management to exercise a lot of judgement when reviewing whether the Company and its subsidiaries have control over the investees and determine which entities have to be included for preparation of the consolidated financial statements.

The management of the Company and its subsidiaries believes that this standard will not have any significant impact on the Company's and its subsidiaries' financial statements.

TFRS 12 Disclosure of Interests in Other Entities

This standard stipulates disclosures relating to an entity's interests in subsidiaries, joint arrangements and associates, including structured entities. This standard therefore has no financial impact to the financial statements of the Company and its subsidiaries.

TFRS 13 Fair Value Measurement

This standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurements. Entities are to apply the guidance under this standard if they are required by other financial reporting standards to measure their assets or liabilities at fair value. The effect of the change from the adoption of this standard is to be recognised prospectively.

Based on the preliminary analysis, the management of the Company and its subsidiaries believes that this standard will not have any significant impact on the Company's and its subsidiaries' financial statements.

4. Significant accounting policies

4.1 Revenue recognition

Sales of goods

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

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.

4.2 Cash and cash equivalents

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

4.3 Trade accounts receivable

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

4.4 Inventories

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

4.5 Investments

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

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

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

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

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

4.6 Property, plant and equipment and depreciation

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

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

Land improvement and plant	-	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.

4.7 Intangible assets

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

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

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

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

4.8 Goodwill

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

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

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

4.9 Warranty reserve

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

4.10 Related party transactions

Related parties comprise 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.

4.11 Long-term leases

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

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

4.12 Foreign currencies

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency. Items 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.

4.13 Impairment of assets

At the end of each reporting period, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment 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.

4.14 Employee benefits

Short-term employee benefits

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

Post-employment benefits and other long-term employee benefits*Defined contribution plans*

The Company and its employees, and subsidiaries and their 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.

4.15 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.

4.16 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.

4.17 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.

The notional amounts of currency option agreements utilised by the Company and its subsidiary companies 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.

5. Significant accounting judgements and estimates

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

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 judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

Allowance for diminution in inventory value

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

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.

6. Related party transactions

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

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Pricing policy
	For the years ended 31 December		For the years ended 31 December		
	2014	2013	2014	2013	
<u>Transactions with subsidiary companies (eliminated from the consolidated financial statements)</u>					
Purchases of goods	-	-	1,901	1,586	Market price
Sales and service income and scraps sales	-	-	496	458	Approximate market price
Dividend income	-	-	76	283	At the declared rate
Other income	-	-	11	6	Mutually agreed price as stipulated in the contract
Rental income	-	-	3	2	Mutually agreed price as stipulated in the contract
Interest expenses	-	-	2	-	Interest rate at 0.25 - 3.95 percent per annum
Sales of fixed assets	-	-	1	1	Mutually agreed price
Other expenses	-	-	-	2	Mutually agreed price as stipulated in the contract
<u>Transactions with related companies</u>					
Sales and service income and scraps sales	568	536	344	398	Approximate market price
Purchases of goods	110	94	79	67	Market price
Rental expense	13	11	-	-	Mutually agreed price as stipulated in the contract
Other expenses	4	1	-	-	Mutually agreed price as stipulated in the contract
Other income	-	1	-	-	Mutually agreed price as stipulated in the contract
Interest expenses	-	1	-	-	Interest rate at 3.5 percent per annum

The balances of the accounts as at 31 December 2014 and 2013 between the Company and those related parties are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
<u>Trade and other receivables - related parties</u>				
(Note 8)				
Subsidiary companies	-	-	29,238	41,132
Related companies (related by common director/shareholder)	107,449	125,389	58,176	80,934
Trade and other receivables - related parties	107,449	125,389	87,414	122,066

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Trade and other payable - related parties (Note 16)				
Subsidiary companies	-	-	611,673	512,438
Related companies (related by common director/ shareholder)	47,607	26,572	19,967	19,714
Total trade and other payable - related parties	47,607	26,572	631,640	532,152

Short-term loan to and short-term loan from related companies

As at 31 December 2014 and 2013, the balance of short-term loans between the Company and its subsidiaries, and the movement are as follows:

(Unit: Thousand Baht)

	Separate financial statements		
	Balance as at 31 December 2013	Increase during the year	Balance as at 31 December 2014
Short-term loan to subsidiary			
Kulthorn Materials and Controls Co., Ltd.	-	208,000	208,000
Total	-	208,000	208,000

(Unit: Thousand Baht)

	Separate financial statements			
	Balance as at 31 December 2013	Increase during the year	Decrease during the year	Balance as at 31 December 2014
Short-term loan from subsidiary				
Kulthorn Premier Co., Ltd.	104,000	380,000	(104,000)	380,000
Total	104,000	380,000	(104,000)	380,000

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 2014 and 2013, the Company and its subsidiaries had outstanding short-term loans from the above agreement as follows:

(Unit: Thousand Baht)

	<u>2014</u>	<u>2013</u>
<u>Short-term loans to related parties</u>		
Kulthorn Materials and Controls Co., Ltd.	11,601	3,359
Kulthorn Kirby Foundry Co., Ltd.	10,000	-
Kulthorn Metal Product Co., Ltd.	7,457	918
Kulthorn Steel Co., Ltd.	-	2,152
Total short-term loans to related parties	<u>29,058</u>	<u>6,429</u>

Short-term loans from related parties

Kulthorn Premier Co., Ltd.	90,922	23,603
Kulthorn Steel Co., Ltd.	32,689	-
Kulthorn Kirby Foundry Co., Ltd.	-	28,162
Total short-term loans from related parties	<u>123,611</u>	<u>51,765</u>

Directors and management's remuneration

During the years ended 31 December 2014 and 2013, 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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Short-term employee benefits	48	46	19	20
Post-employment benefits	1	1	1	1
Total	<u>49</u>	<u>47</u>	<u>20</u>	<u>21</u>

Guarantee obligations with related parties

The Company and its subsidiaries have outstanding guarantee obligations with its related parties, as described in Note 30.4 to the financial statements.

7. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Cash	5,252	1,297	306	800
Bank deposits	244,010	118,613	182,240	63,336
Total	249,262	119,910	182,546	64,136

As at 31 December 2014, bank deposits in savings accounts carried interests at the rate between 0.30 and 0.63 percent per annum (2013: between 0.10 and 0.88 percent per annum).

8. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
<u>Trade receivables - related parties</u>				
Not yet due	79,459	71,562	53,627	73,489
Overdue				
Less than 3 months	15,199	24,365	6,511	25,461
3 - 6 months	1,297	12,755	1,000	7,293
6 - 12 months	453	446	-	-
Over 12 months	8,460	13,839	5,682	11,981
Total trade receivables - related parties	104,868	122,967	66,820	118,224
<u>Trade receivables - unrelated parties</u>				
Not yet due	1,473,616	1,567,768	630,404	715,270
Overdue				
Less than 3 months	572,271	478,541	308,311	91,210
3 - 6 months	14,316	10,269	4,104	4,495
6 - 12 months	1,876	1,092	-	-
Over 12 months	21,830	21,349	298	418
Total	2,083,909	2,079,019	943,117	811,393
Less: Allowance for doubtful debts	(15,224)	(6,488)	(418)	(418)
Total trade receivables - unrelated parties	2,068,685	2,072,531	942,699	810,975
Total trade receivables - net	2,173,553	2,195,498	1,009,519	929,199
<u>Other receivables</u>				
Advances - related parties	2,581	2,422	20,594	3,842
Others	3,325	2,863	2,261	2,541
Total other receivables	5,906	5,285	22,855	6,383
Total trade and other receivables - net	2,179,459	2,200,783	1,032,374	935,582

The outstanding balance of the Company's trade accounts receivable as at 31 December 2014 included approximately Baht 85.2 million of trade accounts receivable that have been sold at a discount to a local commercial bank. The Company still has obligations under the guarantee it provided in respect of the sale.

9. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements					
	Reduce cost to net					
	Cost		realisable value		Inventories - net	
	2014	2013	2014	2013	2014	2013
Finished goods	1,007,195	849,127	(70,610)	(46,151)	936,585	802,976
Work in process	454,579	289,853	(6,499)	(2,087)	448,080	287,766
Raw materials	1,235,156	1,085,569	(15,590)	(12,463)	1,219,566	1,073,106
Goods in transit	56,074	139,833	-	-	56,074	139,833
Total	2,753,004	2,364,382	(92,699)	(60,701)	2,660,305	2,303,681

(Unit: Thousand Baht)

	Separate financial statements					
	Reduce cost to net					
	Cost		realisable value		Inventories - net	
	2014	2013	2014	2013	2014	2013
Finished goods	457,584	293,105	(8,403)	(13,213)	449,181	279,892
Work in process	257,256	125,193	(4,725)	(592)	252,531	124,601
Raw materials	554,353	541,594	(10,186)	(9,867)	544,167	531,727
Goods in transit	369	78,726	-	-	369	78,726
Total	1,269,562	1,038,618	(23,314)	(23,672)	1,246,248	1,014,946

During the current year, the Company and its subsidiaries reduced cost of inventories by Baht 32.0 million (The Company only: reversed the reduction cost of inventories by Baht 0.4 million) (2013: reversed the reduction cost of inventories by Baht 20.4 million in the consolidated financial statements and Baht 19.2 million in the separate financial statements) to reflect the net realisable value. This was included in cost of sales.

10. 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.

11. 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	
	2014	2013	2014	2013	2014	2013	2014	2013
			(%)	(%)				
Kulthorn Kirby Foundry Company Limited	475,000	475,000	100	100	639,999	639,999	-	-
Kulthorn Premier Company Limited	1,260,000	1,260,000	100	100	1,936,751	1,936,751	75,595	242,528
Kulthorn Steel Company Limited	400,000	400,000	100	100	399,999	399,999	-	40,000
kulthorn Materials and Controls Company Limited	350,000	350,000	100	100	240,630	240,630	-	-
Total					3,217,379	3,217,379	75,595	282,528
Less: Allowance for impairment loss on investments in subsidiaries					(783,007)	(783,007)	-	-
Total investments in subsidiaries - net					2,434,372	2,434,372	75,595	282,528

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). The subsidiary called for the capital payment at 50 percent and the Company paid for this investment of Baht 100 million in 2013. The Company holds 100 percent interest in this subsidiary.

(Unit: Thousand Baht)

	Separate financial statements							
	Land			Furniture,				
	improvement			Plant	fixtures and office	Motor	Construction	
	Land	and plant	Machinery	equipment	equipment	vehicles	in progress	Total
Cost								
As at 1 January 2013	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
Additions	-	403	902	6,075	4,070	7,466	59,584	78,500
Transfer in (out)	-	4,523	78,074	8,903	698	-	(92,198)	-
Disposals/write-off	-	-	(4,118)	-	-	(2,853)	-	(6,971)
As at 31 December 2014	221,024	624,690	3,554,943	785,572	84,799	64,211	51,721	5,386,960
Accumulated depreciation								
As at 1 January 2013	-	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
Depreciation for the year	-	26,545	207,304	28,887	8,364	5,168	-	276,268
Disposals/write-off	-	-	(4,118)	-	-	(2,155)	-	(6,273)
As at 31 December 2014	-	341,664	2,658,320	723,458	69,660	48,910	-	3,842,012
Net book value								
As at 31 December 2013	221,024	304,645	1,024,951	76,023	18,735	13,701	84,335	1,743,414
As at 31 December 2014	221,024	283,026	896,623	62,114	15,139	15,301	51,721	1,544,948
Depreciation for the year								
2013 (Baht 248 million included in manufacturing cost, and the balance in administrative expenses)								266,550
2014 (Baht 268 million included in manufacturing cost, and the balance in administrative expenses)								276,268

The Company and its subsidiaries have mortgaged and negative pledged their land and building thereon and machinery, with net book value amounting to approximately Baht 1,233.0 million (The Company only: Baht 332.3 million) (2013: Baht 1,280.8 million in consolidated financial statements and Baht 374.9 million in separate financial statements) with financial institutions to secure against credit facility and loans obtained from those financial institutions as discussed in Note 15 and 17.

As at 31 December 2014, certain items of building improvement and equipment of the Company and its subsidiaries were fully depreciated but are still in use. The gross carrying amount, before deducting accumulated depreciation, of those assets amounted to Baht 3,995.2 million (The Company only: Baht 2,360.6 million) (2013: Baht 3,125.6 million in the consolidated financial statements and Baht 2,206.9 million in the separate financial statements).

As at 31 December 2014, the Company and its subsidiaries had machinery, vehicles and equipment with net book values of Baht 210.3 million (The Company only: Baht 133.4 million) (2013: Baht 259.0 million in the consolidated financial statements and Baht 155.5 million in the separate financial statements) which were acquired under financial lease agreements.

13. Goodwill on business combination

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Goodwill on business combination	37,620	37,620	-	-
Less: Accumulated impairment loss	(37,620)	(37,620)	-	-
Net book value	-	-	-	-

14. Intangible assets

The net book value of intangible assets are computer software. Its net book value as at 31 December 2014 and 2013 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
As at 31 December 2014		
Cost	130,246	57,883
Less: Accumulated amortisation	(48,072)	(32,198)
Net book value	82,174	25,685
As at 31 December 2013		
Cost	97,173	42,760
Less: Accumulated amortisation	(41,427)	(31,053)
Net book value	55,746	11,707

A reconciliation of the net book value of intangible assets for the years 2014 and 2013 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate Financial statements	
	2014	2013	2014	2013
Net book value at beginning of year	55,746	11,864	11,707	3,210
Acquisition during the year	33,239	46,344	15,123	9,232
Amortisation	(6,676)	(3,088)	(1,145)	(735)
Translation adjustment	(135)	626	-	-
Net book value at end of year	82,174	55,746	25,685	11,707

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

(Unit: Thousand Baht)

	Interest rate (percent per annum)	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
Bank overdrafts	7.38 - 7.75	26,719	19,198	170	580
Short-term loans	4.00 - 5.25	790,466	1,585,678	548,466	569,100
Trust receipts	1.66 - 4.20	1,843,134	1,527,699	650,835	582,726
Packing credit	2.75 - 7.28	1,040,371	570,888	623,093	570,888
Loans from discounting of accounts receivable	2.35	85,184	-	85,184	-
Total		3,785,874	3,703,463	1,907,748	1,723,294

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

16. Trade and other payables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Trade payables - related parties	24,322	20,474	542,390	494,851
Trade payables - unrelated parties	1,166,088	864,599	483,595	317,220
Other payable - related parties	23,285	6,098	89,109	37,268
Other payable - unrelated parties	146,779	120,457	66,031	49,982
Accrued interest expenses to related parties	-	-	141	33
Accrued interest expenses to unrelated parties	3,630	4,176	2,126	1,567
Accrued expenses	119,973	112,504	46,824	41,360
Total trade and other payables	1,484,077	1,128,308	1,230,216	942,281

17. Long-term loans

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Long-term loans	858,529	1,100,000	634,700	1,100,000
Less: Current portion of long-term loans	(675,240)	(550,000)	(634,700)	(550,000)
Long-term loans, net of current portion	183,289	550,000	-	550,000

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.

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

In September 2014, the Company and its subsidiaries entered into the Third Amendment to Credit Facilities Agreement in order to extend the repayment period. The loan shall be repaid within the year 2016. The repayment of the principal is to be made in 9 quarterly installments, of Baht 74.3 million each for the 1st quarter, the 3rd quarter, and the 4th quarter of each year, Baht 140.3 million for the 2nd quarter of each year and Baht 48.6 million for the 3rd quarter of 2016, with the first installment to be paid in September 2014.

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 and its subsidiaries have to comply with certain conditions including maintaining interest bearing debt to EBITDA ratio not exceeding 5:1 for the consolidated financial statements, debt to equity ratio for the consolidated financial statements not exceeding 5:1 in Financial Year 2010; 4:1 in Financial Year 2011; 3.5:1 in Financial Year 2012; and 2.75:1 from 1 January 2013 onwards, current ratio for consolidated financial statements not less than 1:1, and debt service coverage ratio for the consolidated financial statements not less than 1.2:1.

As at 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.

As at 23 December 2014, the Company and its subsidiaries received the waiver letter for certain covenant ratio from all lenders for the year ended 31 December 2014. 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 0.9:1 and debt service coverage ratio for the consolidated financial statements not less than 1:1. However, as at 31 December 2014, the Company and its subsidiaries could not maintain debt to equity ratio as specified in the Credit Facility Agreement, which resulted in the loan becoming payable on demand. The Company and its subsidiaries have reclassified of long-term loan to be included in the current portion of long-term loans. In February 2015, the Company and its subsidiaries have already requested the waiver for such non-compliance and the matter is being considered by financial institution lenders, and the management believes that the Company and its subsidiaries will eventually receive such waiver. The classification of such liabilities to be current is in accordance with financial reporting standards.

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 31 to the financial statements.

During the current year, a subsidiary has new loan agreements of Baht 228.2 million with two financial institutions, which are guaranteed by the mortgage and pledge of the subsidiary's machinery.

18. Liabilities under financial lease agreements

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Liabilities under financial lease agreements	69,310	86,911	55,996	70,206
Less: Deferred interest expenses	(7,087)	(12,036)	(5,954)	(9,777)
Total	62,223	74,875	50,042	60,429
Less: Portion due within one year	(20,573)	(18,788)	(15,746)	(13,982)
Liabilities under financial lease agreements, net of current portion	<u>41,650</u>	<u>56,087</u>	<u>34,296</u>	<u>46,447</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 2014					
	Consolidated financial statements			Separate financial statements		
	Less than 1			Less than 1		
	year	1-5 years	Total	year	1-5 years	Total
Future minimum lease payments	24	45	69	19	37	56
Deferred interest expenses	(4)	(3)	(7)	(3)	(3)	(6)
Present value of future minimum lease payments	<u>20</u>	<u>42</u>	<u>62</u>	<u>16</u>	<u>34</u>	<u>50</u>

(Unit: Million Baht)

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

19. Other current liabilities

The outstanding balances of warranty reserve as at 31 December 2014 and 2013 which are included in other current liabilities in the statement of financial position are as follow:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Warranty reserve	10,755	22,778	9,569	20,702

20. Provision for long-term employee benefits

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

(Unit: Thousand Baht)

	Consolidated financial statements		
	Retirement benefits plan	Long service awards plan	Total
Defined benefit obligation as at			
1 January 2013	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)
Defined benefit obligation as at			
31 December 2013	116,368	6,011	122,379
Current service cost	8,943	1,164	10,107
Interest cost	4,091	191	4,282
Benefits paid during the year	(6,045)	-	(6,045)
Provisions for long-term employee benefits			
as at 31 December 2014	123,357	7,366	130,723

(Unit: Thousand Baht)

	Separate financial statements		
	Retirement	Long service	Total
	benefits plan	awards plan	
Defined benefit obligation as at			
1 January 2013	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)
Defined benefit obligation as at			
31 December 2013	51,662	6,011	57,673
Current service cost	3,796	1,164	4,960
Interest cost	1,886	191	2,077
Benefits paid during the year	(1,692)	-	(1,692)
Provisions for long-term employee benefits			
as at 31 December 2014	55,652	7,366	63,018

Long-term employee benefit expenses included in the profit or loss consist of the follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Current service cost	10,107	9,931	4,960	4,794
Interest cost	4,282	4,093	2,077	1,931
Total expense recognised in profit or loss	14,389	14,024	7,037	6,725
Line items in profit or loss under which such expenses are included				
Cost of sales	10,525	10,357	4,600	4,448
Selling and administrative expenses	3,864	3,667	2,437	2,277

As at 31 December 2014 and 2013, cumulative actuarial losses, which were recognised in other comprehensive income of the Company and its subsidiaries, amounted to Baht 16.9 million (The Company only: Baht 7.5 million).

Key actuarial assumptions used for the valuation are as follows:

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	(% 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

The amounts of defined benefit obligations and experience adjustments for the current year and the past four years are as follows:

(Unit: Thousand Baht)

	Defined benefit obligations		Experience adjustments on the obligations	
	Consolidated	Separate	Consolidated	Separate
	financial statements	financial statements	financial statements	financial statements
Year 2014	130,723	63,018	-	-
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	-	-

21. 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.

22. 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.

23. Expenses by nature

Significant expenses classified by nature are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Raw materials and consumables used	11,542,066	8,911,730	4,982,532	3,720,579
Changes in inventories of finished goods and work in progress	(322,794)	613,440	(296,542)	(26,881)
Salaries, wages and other employee benefits	1,079,163	985,216	535,681	458,518
Depreciation and amortisation expenses	621,452	637,242	277,414	267,284
Net loss (gain) on exchange	(13,448)	142,393	(6,951)	75,570
Rental expenses	32,101	24,393	2,753	2,720

24. Income tax

Income tax expenses (revenues) for the years ended 31 December 2014 and 2013 are made up as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Current income tax:				
Current income tax charge	8,667	8,314	-	-
Adjustment in respect of income tax of previous year	88	273	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences	(10,102)	(13,425)	2,863	2,863
Income tax expenses (revenues) reported in the statement of comprehensive income	(1,347)	(4,838)	2,863	2,863

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

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Accounting profit (loss) before tax	56,073	(3,956)	259,795	271,431
Applicable tax rate	20, 25%	20, 25%	20%	20%
Accounting profit (loss) before tax multiplied by income tax rate	11,215	(791)	51,959	54,286
Adjustment in respect of income tax of previous year	(88)	(273)	-	-
Effects of:				
Promotional privileges (Note 25)	(25,460)	(37,227)	(12,843)	(28,416)
Dividend income not subject to tax	-	-	(15,119)	(56,505)
Non-deductible expenses	58,120	45,625	4,106	4,366
Additional expense deductions allowed	(5,223)	(4,794)	(6,887)	(250)
Loss carry forward	(63,648)	(49,440)	(20,728)	-
Others	21,355	15,252	2,375	2,087
Total	(14,856)	(30,584)	(49,096)	(78,718)
Deferred tax assets not recognised	2,382	26,810	-	27,295
Income tax expenses (revenues) reported in the statement of comprehensive income	(1,347)	(4,838)	2,863	2,863

The components of deferred tax assets are as follows:

(Unit: Thousand Baht)

	Statements of financial position			
	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Deferred tax assets				
Allowance for doubtful accounts	3,548	895	84	84
Allowance for diminution in value of inventories	18,880	13,092	4,663	6,657
Warranty reserve	1,201	2,496	1,048	2,232
Provision for long-term employee benefits	17,565	15,731	7,725	7,026
Others	18,422	17,327	-	384
Total	59,616	49,541	13,520	16,383

As at 31 December 2014 the Company and its subsidiaries have unused tax losses totaling Baht 535 million (2013: Baht 239 million). No deferred tax assets have been recognised on these amounts as the Company and its subsidiaries believe future taxable profits may not be sufficient to allow utilisation of the unused tax losses.

25. Promotional privileges

25.1 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 6,194 million (2013: Baht 4,942 million) for the year ended 31 December 2014 included revenue from manufacturing and sales derived from promoted operations of approximately Baht 2,801 million (2013: Baht 2,278 million).

25.2 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.

25.3 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.

25.4 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	From 10 January 2012 until 9 January 2018
2.2 Exemption from import duty on raw materials and essential materials imported for use specifically in producing for export for a period of 1 year as from the date of first import.	Granted	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.	6 March 2007	10 January 2012

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

25.5 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.

26. 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 the year		Weighted average number of ordinary shares		Earnings per share	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
<u>Consolidated financial statements</u>						
Basic earnings per share						
Profit attributable to equity holders of the parent	57,420	882	1,000,000	929,726	0.057	0.001
<u>Separate financial statements</u>						
Basic earnings per share						
Profit attributable to equity holders of the parent	256,932	268,568	1,000,000	929,726	0.257	0.289

27. 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 2014 and 2013:

(Unit: Thousand Baht)								
Year ended 31 December 2014	Compressors and parts	Enameled wire	Steel sheet	Steel coil center	Others	Total reportable segments	Adjustments and eliminations	Consolidated
Revenue from external customers	7,440,582	1,763,711	1,056,795	966,633	102,397	11,330,118	-	11,330,118
Inter-segment revenue	432,696	801,705	831,657	628,118	141,730	2,835,906	(2,835,906)	-
Interest revenue	2,892	1,069	7	36	18	4,022	(2,908)	1,114
Interest expense	(110,736)	(70,891)	(13,111)	(3,502)	(1,969)	(200,209)	2,908	(197,301)
Depreciation and amortisation	(386,364)	(91,195)	(45,014)	(79,212)	(27,883)	(629,668)	8,216	(621,452)
Income tax revenue (expenses)	(1,803)	9,452	(5,057)	(1,646)	420	1,366	(19)	1,347
Unrealised loss on exchange	(7,539)	(13,949)	(5,495)	(134)	(188)	(27,305)	-	(27,305)
Segment profit (loss)	215,311	(176,515)	8,185	32,905	6,063	85,949	(29,344)	56,605
Segment total assets	8,617,915	2,180,383	1,299,843	1,062,462	226,521	13,387,124	(4,438,545)	8,949,395
Additions (decrease) to non-current assets other than financial instruments and deferred tax assets	(262,199)	76,521	(32,926)	(6,647)	(13,345)	(238,596)	(116,176)	(354,772)

(Unit: Thousand Baht)

	Compressors and parts	Enameled wire	Steel sheet	Steel coil center	Others	Total reportable segments	Adjustments and eliminations	Consolidated
Year ended 31 December 2013								
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 revenues (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)

Geographic information

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

(Unit: Thousand Baht)

	<u>2014</u>	<u>2013</u>
Revenue from external customers		
Thailand	5,860,821	6,424,724
Hong Kong	1,817,332	1,090,852
China	602,884	899,658
Indonesia	465,084	403,528
Saudi Arabia	234,323	333,340
Others	2,349,674	1,601,821
Total	<u>11,330,118</u>	<u>10,753,923</u>
Non-current assets (other than financial instruments and deferred tax assets)		
Thailand	3,363,236	3,693,514
China	239,059	263,553
Total	<u>3,602,295</u>	<u>3,957,067</u>

Major customers

For the year 2014, the Company and its subsidiaries have revenue from one major customer in amount of Baht 1,822.9 million, arising from sales by the compressors and parts segment (2013: Baht 1,107.7 million derived from one major customer, arising from sales by the compressors and parts segment).

28. 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 2014, the Company and its subsidiaries contributed Baht 18.3 million (2013: Baht 17.4 million) and the Company contributed Baht 6.9 million (2013: Baht 6.5 million) to the fund.

29. Dividends

(Unit: Million Baht)

Dividends	Approved by	Total dividends	Dividend per share (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
Interim dividends for 2014	Board of Directors' Meeting on 17 December 2014	500	0.5
Total dividend declared in 2014		500	0.5

30. Commitment and contingent liabilities

30.1 Capital commitments

As at 31 December 2014, the Company and its subsidiaries have capital commitments of approximately Baht 6.6 million (2013: Baht 25.2 million) (the Company only: Baht 2.8 million (2013: Baht 10.9 million)), relating to acquisition of mold, machinery and computer software.

30.2 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 2014 and 2013, future minimum lease payments required under these operating leases contracts were as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Payable:</u>				
In up to 1 year	27.5	23.9	0.4	0.4
In over 1 and up to 3 years	16.0	33.0	0.2	0.5

30.3 Long-term service commitments

- a) As at 31 December 2014 and 2013, the Company and its subsidiaries have commitments relating to service agreements payable in the future as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Payable:</u>				
In up to 1 year	11.0	12.8	2.3	2.3
In over 1 year	0.6	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 2014, the subsidiary has outstanding royalty fees amounting to approximately Baht 17.6 million (2013: Baht 17.6 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.

30.4 Guarantees

- a) As at 31 December 2014, the Company and Kulthorn Materials and Controls Company Limited have contingent liability relating to the guarantee of credit facility of Suzhou Kulthorn Megnet Wire Co., Ltd. to an oversea branch of a commercial bank amounting to RMB 100 million or equivalent to Baht 535.2 million (2013: RMB 100 million or equivalent to Baht 540.9 million).
- b) As at 31 December 2014, there were outstanding bank guarantees of approximately Baht 78.8 million (2013: Baht 78.3 million), (the Company only: Baht 22.6 million (2013: Baht 22.3 million)) issued by the banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the normal course of business of the Company and its subsidiaries. These included letter of guarantee to guarantee electricity use amounting to Baht 75.0 million (2013: Baht 73.9 million) (the Company only: Baht 19.2 million (2013: Baht 18.3 million)), and to guarantee import duty and others amounting to Baht 3.8 million (2013: Baht 4.4 million), (the Company only: Baht 3.4 million (2013: Baht 4.0 million)).

31. Financial instruments

31.1 Financial risk management

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instrument: Disclosure Presentations", principally comprise cash and cash equivalents, trade and other receivable, 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 2014 and 2013 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 2014						
Fixed interest rates		Floating Interest rate	Non- interest Total	Total	Effective interest rate	
Within 1 year	1-5 years					
						(% per annum)

Financial assets

Cash and cash equivalents	-	-	186	63	249	0.30 - 0.63
Trade and other receivables	-	-	-	2,179	2,179	-
	-	-	186	2,242	2,428	

Financial liabilities

Bank overdrafts and short-term loans from financial

institutions	3,759	-	27	-	3,786	1.66 - 7.75
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Trade and other payables	-	-	-	1,484	1,484	-
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Liabilities under financial lease agreements	20	42	-	-	62	3.70 - 7.70
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Long-term loans

	41	183	635	-	859	THBFIX+3%, 5.55
	3,820	225	662	1,484	6,191	

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2013						
Fixed interest rates		Floating Interest rate	Non- interest Total	Total	Effective interest rate	
Within 1 year	1-5 years					
						(% per annum)

Financial assets

Cash and cash equivalents	-	-	113	7	120	0.10 - 0.88
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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
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Trade and other payables	-	-	-	1,128	1,128	-
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Liabilities under financial lease agreements	19	56	-	-	75	5.02 - 7.70
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Long-term loans	-	-	1,100	-	1,100	THBFIX+3%
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	3,703	56	1,119	1,128	6,006	
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(Unit: Million Baht)

	Separate financial statements as at 31 December 2014					
	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	-	-	162	21	183	0.37 - 0.63
Trade and other receivables	-	-	-	1,032	1,032	-
Short-term loans to related parties	237	-	-	-	237	3.25 - 3.95
	237	-	162	1,053	1,452	
<u>Financial liabilities</u>						
Bank overdrafts and short-term loans from financial						
institutions	1,908	-	-	-	1,908	1.66 - 7.38
Trade and other payables	-	-	-	1,230	1,230	-
Short-term loans to related parties	504	-	-	-	504	0.25 - 3.95
Liabilities under financial lease agreements	16	34	-	-	50	5.02 - 7.70
Long-term loans	-	-	635	-	635	THBFIX+3%
	2,428	34	635	1,230	4,327	

(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 loans to related parties	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 loans to related parties	156	-	-	-	156	0.25 - 3.90
Liabilities under 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	

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.

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

As at 31 December 2014						
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	24	67	16	25	32.8128	33.1132
Euro	2	-	2	-	39.7507	40.3552

As at 31 December 2013						
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	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 2014 and 2013, 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

The Company and its subsidiaries had outstanding forward exchange contract as follows:

As at 31 December 2014					
Consolidated financial statements					
Foreign currenc	Bought	Sold	Contractual maturity date	Contractual exchange rate	
	amount	amount		Bought amount	Sold amount
	(Million)	(Million)		(Baht per one foreign currency unit)	
US Dollar	7.9	3.1	11 February - 19 June 2015	32.12 - 33.07	32.90 - 33.20

As at 31 December 2013					
Consolidated financial statements					
Foreign currenc	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

As at 31 December 2014					
Separate financial statements					
Foreign currenc	Bought amount	Sold amount	Contractual maturity date	Contractual exchange rate	
	(Million)	(Million)		Bought amount	Sold amount
				(Baht per one foreign currency unit)	
US Dollar	1.6	1.9	11 February - 19 June 2015	32.12 - 32.60	33.02 - 33.20

As at 31 December 2013					
Separate financial statements					
Foreign currenc	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

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 2014, fair value of cross currency interest rate swap contract is lower than trade date of Baht 24.9 million (2013: Baht 51.6 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

Subsidiary companies had outstanding copper swap/future of which details are presented below.

As at 31 December 2014				
Type of goods	Quantity	Maturity date	Contract price	Market price as at 31 December 2014
	(Ton)		(per ton)	(per ton)
Copper	100	February - May 2015	RMB 44,840 - 48,243	RMB 45,080 - 46,090

As at 31 December 2013				
Type of goods	Quantity	Maturity date	Contract price	Market price as at 31 December 2013
	(Ton)		(RMB per unit)	(RMB per unit)
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 2014, fair value of copper hedging contracts with financial institution is lower than trade date of Baht 0.8 million (2013: higher than trade date of Baht 1.4 million).

31.2 Fair values of financial instruments

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

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

32. Capital management

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

The Company manages its capital position with reference to its debt-to-equity ratio in order to comply with a condition in a long-term loan agreement with a financial institution, which requires the Company to maintain a debt-to-equity ratio of consolidated financial statements not more than 3.5:1 in financial year 2012 and 2.75:1 from 1 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 2014 and 2013.

33. Events after the reporting period

On 20 February 2015, the Board of Directors' Meeting of the Company No. 2/2558 passed the following significant resolutions:

- 1) Approval to omit the annual dividend payment for operation results of 2014. Nevertheless, the Company paid the interim dividend from profit derived from investment promoted operations, which shareholders will be exempted from income tax, at Baht 0.50 per share for 1,000,000,000 ordinary shares, or a total of Baht 500 million. The dividend is pursuant to the approval of the Board of Directors' Meeting of the Company No. 5/2557 on 17 December 2014. Such dividend paid on 16 January 2015.

- 2) Approval of an increase in the Company's share capital from Baht 1,000 million (1,000,000,000 ordinary shares of Baht 1 each) to Baht 1,200 million (1,200,000,000 ordinary shares of Baht 1 each) through the issuance of 200,000,000 ordinary shares with a par value of Baht 1 each to the existing shareholders pursuant to their shareholdings in the Company at the proportion of 5 existing shares to 1 new share at the subscription price of Baht 2 per share. Such an increase of share capital will be issued after it is approved by the resolution of the Annual General Meeting of the Company's shareholders.

34. Approval of financial statements

These financial statements were authorised for issue by the Company's authorised Directors on 27 February 2015.

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