



Annual Report 2015

รายงานประจำปี 2558



*Leading Manufacturer in reciprocating
compressor for refrigeration
and air conditioning products*



บริษัท กุลธอร์น 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
 - : Hold the share 100% of Kulthorn Premier Co., Ltd. (KPC) on 29 September 2006.
- 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 echnology 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.



- 2015 : Thailand Kaizen Silver awards and Golden awards from Technology Promotion Association (TPA) – Thai Japan
- : Thaipat Institute granted a Certificate of ESG 100 COMPANY to certified KKC as one of the 100 Public Company Limited of Environmental, Social and Governance Carefulness on 27 May 2015.



Thaipat Institute assessed “2015 CSR for sustainable activities of Kulthorn Kirby Pcl.,” and granted ESG100 Certificate as the 100 Excellent Public Company Limited of Environmental, Social and Governance Carefulness to Mr.Suraporn Simakulthorn (Chairman) on 27 May 2015.

Vision

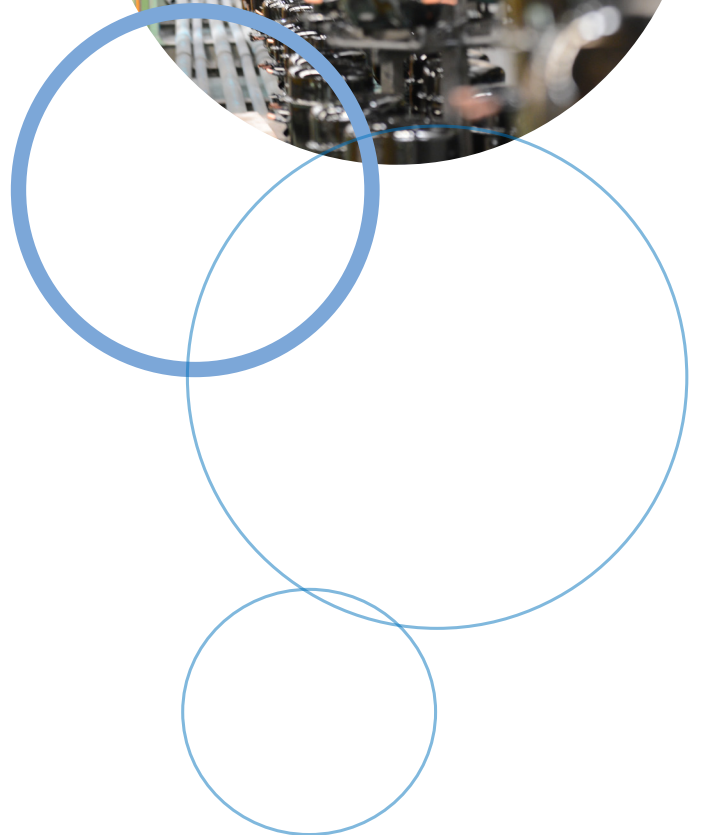
To be the leader in the reciprocating motor compressor business in ASEAN

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' staffat all levels
5. To conduct its business in line with the social responsibility principles and environment

Values)"  - BEST"

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



CONTENTS

- 01 Message from the Chairman
- 02 Summary of the Company's Financial Information
- 03 Business Overview and Policy
- 09 Characteristics of Business
- 14 Business Risks
- 16 The Company's Information
- 19 Shareholders
- 20 Dividend Payment Policy
- 21 Management Structure
- 25 Corporate Governance
- 42 Related Party Transactions
- 43 Management Discussion and Analysis
- 59 Declaration of the Financial Statements
- 60 Audit Committee's Report
- 64 Report of Independent Auditor
- 66 Financial Statements





Mr. Suraporn Simakulthorn

Chairman of the Board of Directors

MESSAGE FROM THE CHAIRMAN

The year 2015 was a challenging year that was impacted both by the economic downturn worldwide and also in Thailand. This was a reflection of unclear recovery of economic situation and a slight downturn in the Chinese economy.

For the year ending December 31, 2015, the company and its subsidiaries have sales and services income of Baht 10,544.38 million compared to the 2014 sales and services income of Baht 11,330.21 million, a decrease of Baht 785.74 million or 6.93% resulting from the lower consumption both worldwide and in Thailand. However, the company's performance was a result from the efficient operation controls implemented by our management team and staffs. The profit was impacted by both lower costs and a favorable exchange rate from Thai Baht depreciation. The 2015 operation profit was Baht 212.38 million while the 2014 profit was Baht 57.42 million, an increase of Baht 154.96 million or 270%.

We are also pleased to commit to the shareholders that profits are maximized, the maximization of customer and stakeholder satisfaction by conducting good governance and striving toward excellence and sustainable growth.

On this occasion, we would like to sincerely thank our talented, dedicated team of directors, management team, as well as the staffs who remained determined and firmly committed to the success of the company. We, as always, are grateful to our customers, suppliers, shareholders, government entities and financial institutions for their continued support and encouragement. This is an important element that brings us impressive success both today and in the future.

**OUR MISSION HAS
ALWAYS BEEN TO
MANUFACTURE
QUALITY MOTOR
COMPRESSORS
WITH ON TIME
DELIVERY AND AT
A COMPETITIVE
PRICE**



SUMMARY OF THE COMPANY'S FINANCIAL INFORMATION

	2015	2014	2013	2012	2011
Consolidated Financial Statements (Thousand Baht)					
Total assets	8,216,797	8,949,395	8,783,015	8,917,530	9,501,928
Total liabilities	5,567,271	6,889,913	6,272,267	6,538,631	7,355,249
Shareholder's equity	2,649,526	2,059,482	2,510,748	2,378,899	2,146,679
Sales and services income	10,544,381	11,330,118	10,753,923	11,539,419	11,842,282
Total revenues	10,770,918	11,747,444	11,173,551	12,021,149	12,277,159
Gross income (loss)	796,926	385,104	435,202	521,853	480,033
Net income (loss)	212,379	57,420	881	215,822	83,969
Financial Ratio (%)					
Net profit margin	1.97	0.49	0.01	1.80	0.68
Return on equity	8.02	2.79	0.04	9.48	3.75
Return on total assets	2.47	0.64	0.01	2.34	0.89
Per share data (Baht)					
Net income (loss)	0.19	0.057	0.0009	0.25	0.10
Dividend	0.15	**0.50	-	0.20	-
Book value	2.21	2.06	2.71	2.80	2.53

** In 2014, the Board of Directors Meeting No. 5/2014, held on 17 December 2014 approved to pay the interim dividend from the 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

LEADING MANUFACTURER IN
RECIPROCATING COMPRESSOR
FOR REFRIGERATION
AND AIR CONDITIONING
PRODUCTS



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 33th anniversary in 13 January, 2015.

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)

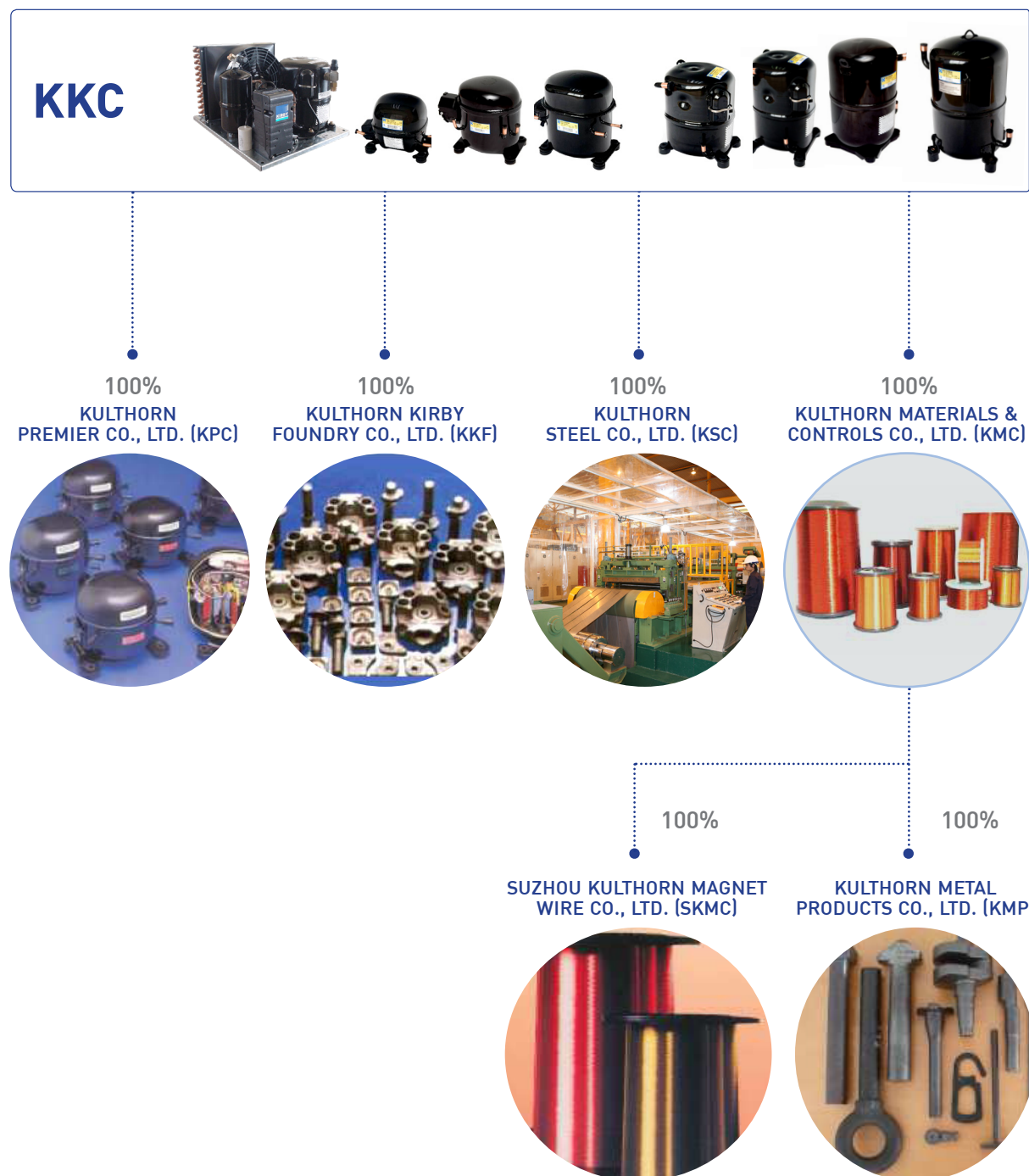


The structure of the company and its subsidiary is as follow.

COMPANY

GROUP STRUCTURE

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, R600a and R744(CO₂) 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 compressors.
- 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 and motor parts of compressor.

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)					
		2015		2014		2013	
Refrigerator, Freezer, Water Cooler	160 - 900	1,040,548	43.39%	975,992	39.88%	1,033,078	44.76%
Refrigerator, Commercial Refrigerator	900 - 5,000	328,253	13.69%	526,811	21.53%	550,540	23.58%
Commercial Refrigerator, Air Conditioners	5,000 - 35,000	1,028,103	42.87%	942,195	38.50%	722,038	31.28%
Large Size Air Conditioner	37,000 - 120,000	1,409	0.05%	2,310	0.09%	2,331	0.10%
Total		2,398,313	100%	2,447,308	100%	2,307,987	100%

- Sales amount (Thousand Baht)

Motor Compressors for	Cooling Capacity (B.T.U. / Hrs)	Sales amount (Thousand Baht)					
		2015		2014		2013	
Refrigerator, Freezer, Water Cooler	160 - 900	1,219,772	23.05%	1,234,867	22.97%	1,278,749	27.96%
Refrigerator, Commercial Refrigerator	900 - 5,000	605,489	11.44%	1,000,765	18.62%	957,575	20.74%
Commercial Refrigerator, Air Conditioner	5,000 - 35,000	3,450,812	65.21%	3,116,357	57.97%	2,357,737	51.06%
Large Size Air Conditioner	37,000 - 120,000	15,527	0.30%	23,402	0.44%	23,277	0.51%
Total		5,291,600	100%	5,375,391	100%	4,617,338	100%

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

	Sales transaction		
Motor Compressors for Refrigerator, Freezer, Water Coolers (Sizes 106-1775 B.T.U. / Hrs)	2015	2014	2013
Sales quantity (sets)	1,109,068	1,737,761	2,116,703
Sales amount (Thousand Baht)	1,117,804	1,679,528	2,007,514

Revenue structure by products of the Company and Subsidiaries

Products	Operate by	% of holding shares	2015 Revenue (Million Baht)	%	2014 Revenue (Million Baht)	%	2013 Revenue (Million Baht)	%
1 Compressors and parts	KKC, KPC	100	7,229.97	69	7,440.58	66	6,608.88	61
2 Enameled wires	KMC, SKMC	100	1,333.94	13	1,763.71	16	2,013.48	19
3 Steels sheets and forming	KSC	100	997.77	9	1,056.80	9	1,055.66	10
4 Casting parts	KKF	100	897.07	8	966.63	8	996.73	9
5 Metal parts	KMP	100	85.62	1	102.40	1	79.18	1
Total		100	10,544.38	100	11,330.12	100	10,753.92	100

KPC	:	Kulthorn Premier Company Limited
KKF	:	Kulthorn Kirby Foundry Company Limited
KSC	:	Kulthorn Steel Company Limited
KMC	:	Kulthorn Materials and Controls Company Limited
KMP	:	Kulthorn Metal Products Company Limited
SKMC	:	Suzhou Kulthorn Magnet Wire Company Limited

Revenue from external customers by locations (Thousand Baht)

	2015	2014	2013
Revenue from external customers			
Thailand	6,208,513	5,860,821	6,424,724
Hong Kong	2,168,593	1,817,332	1,090,852
China	240,843	602,884	899,658
Indonesia	281,334	465,084	403,528
Saudi Arabia	78,614	234,323	333,340
Others	1,566,485	2,349,674	1,601,821
Total	10,544,382	11,330,118	10,753,923

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

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 such as BRICs including China as well as the AEC 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, R600a and R744(CO₂)

However, competition among manufacturers is intense, and M&A has been a constant feature of the past several years and the Chinese manufacturers are the main player who have stronger competitive advantage than others.

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

Compressor manufacturing industry has a relatively high competition in both domestic and international market. During 2014 - 2015, 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 26% and 74 % of total revenues from sales respectively. The Company determines its products prices by considering various factors, such as competition and customer demand.

Motor compressor of Kulthorn Kirby in the market

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

Company	Model	Displacement	Application	Refrigerant
Kulthron	C—S	1.79 cc - 3.92 cc	Refrigeration & Freezer	R134a
Premier	C—Q	1.79 cc - 3.92 cc	Refrigeration & Freezer	R134a
Company Limited	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	Certificate
	No. 1421(2)/2552	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 next 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 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

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. And the prices of copper and steels have continuously reduced in 2014 - 2015 and 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 47 % of total production cost of 2015. 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 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 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. In April 2015, the Company and its subsidiaries entered into the Fourth Amendment to Credit Facilities Agreement in order to decrease the amount of existing credit facility. And at 31 December 2015 the total outstanding loan was remained Baht 3,923 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 1,200 Million
Paid up Capital	:	Baht 1,200 Million
Issued Shares	:	Ordinary 1,200,000,000 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 Cholaajorn, Amphur Muang, Chachoengsao 24000 Tel : + 66 (0) 3884 6072-4 Fax : +66 (0) 3884 5677
Nature of Business	:	Manufacturer of Quality Iron Casting
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 4,500,000 shares, Par Value at Bath 100/share

Shareholding by KKC : 100%

5. Kulthorn Metal Products Company Limited

Head Office/Factory : 23 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 1,500,000 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 22,835,000

Shareholding : 100% indirectly held by Kulthorn Materials & Controls Co., Ltd.

Other References

Registrar : Thailand Securities Depository Co., Ltd.
93 The Stock Exchange of Thailand Building,
Ratchadaphisek Road, Dindaeng, Dindaeng, Bangkok 10400
Tel. +662 009 9000 Fax. +662 009 9991

Auditor : Ms.Siriwan Suratepin,
Certified Public Accountant no. 4604 and/or
Ms.Kamontip Lertwitworatep
Certified Public Accountant no. 4377 and/or
Mr.Wichart Lokatekrawee,
Certified Public Accountant no. 4451 and/or
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 15 June 2015

	No. of Shareholdings	%
1. Simakulthorn Group	603,165,710	50.264
2. Heatcraft Australia Pty. Ltd.	65,255,000	5.438
3. Ms Sasi Ingkanant	56,957,211	4.746
4. Ms Saisamorn Suriyathap	54,119,835	4.510
5. Ms Pojanee Khemumnaj	53,695,478	4.475
6. 1st Lt Supakorn Chantasasawat	52,534,181	4.378
7. Ms U-rai Khemumnaj	50,691,177	4.224
8. Ms Kalpapas Phanpitchawee	44,370,429	3.698
9. Mrs Benjamas Poohaipol	21,739,858	1.812
10. Mrs Supatra Kumtien	19,954,902	1.663
11. Others	177,516,219	14.793
Total	1,200,000,000	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

	2015	2014	2013	2012	2011
Net profit pre share	0.452	0.257	0.289	0.230	0.970
Dividend per share	0.15	0.50	-	0.20	-
Dividend payment/net profit (%)	33.19	**	-	86.96	-

** 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 2015

* Authorized Director	Shareholding (%)	
1. Mr Suraporn 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	0.133
7. Mr Somlak Jiamtiranat	Independent Director	-
8. Mr Praphad Phodhivorakhun *	Director	-
9. Mr Prasan Tanprasert *	Director	-
10. Mr Arnon Simakulthorn *	Director	2.525
11. Mrs Kanit Muangkrachang *	Director	-
12. Mr Paiboom Boonpermvitaya *	Director	0.280
13. Mr Titisak Simakulthorn *	Director	0.483
14. Mr Thomas Federick Overs Jr. *	Director	-
15. Pol. Gen. Pateep Tanprasert *	Director	0.0017 ⁽¹⁾

(1) hareholding by the spouse

The Audit Committee

As at 31 December 2015

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 2015			Shareholding(%)
1	Mr Sutee Simakulthorn	Managing Director/President	0.719
2	Mr Paiboon Boonpermvitaya	Executive Vice President (Manufacturing)	0.280
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 2015

To Directors

Remuneration to company's directors of 15 persons as monthly director fee and the meeting allowance was Baht 2,229,000 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 13,538,046.

Directors in Subsidiary Companies

As at 31 December 2015

Kulthorn Premier Company Limited

Chairman and Managing Director	: Pol. Gen. Pateep Tanprasert
Managing Director	: Mr Titisak Simakulthorn

Directors : Mr Sutee Simakulthorn
Mr Paiboon Boonpermvitaya
Mr Prommarat Simakulthorn
Mr Abhijit Simakulthorn

Kulthorn Kirby Foundry Company Limited

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

Kulthorn Steel Company Limited

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

Kulthorn Materials and Control Company Limited

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

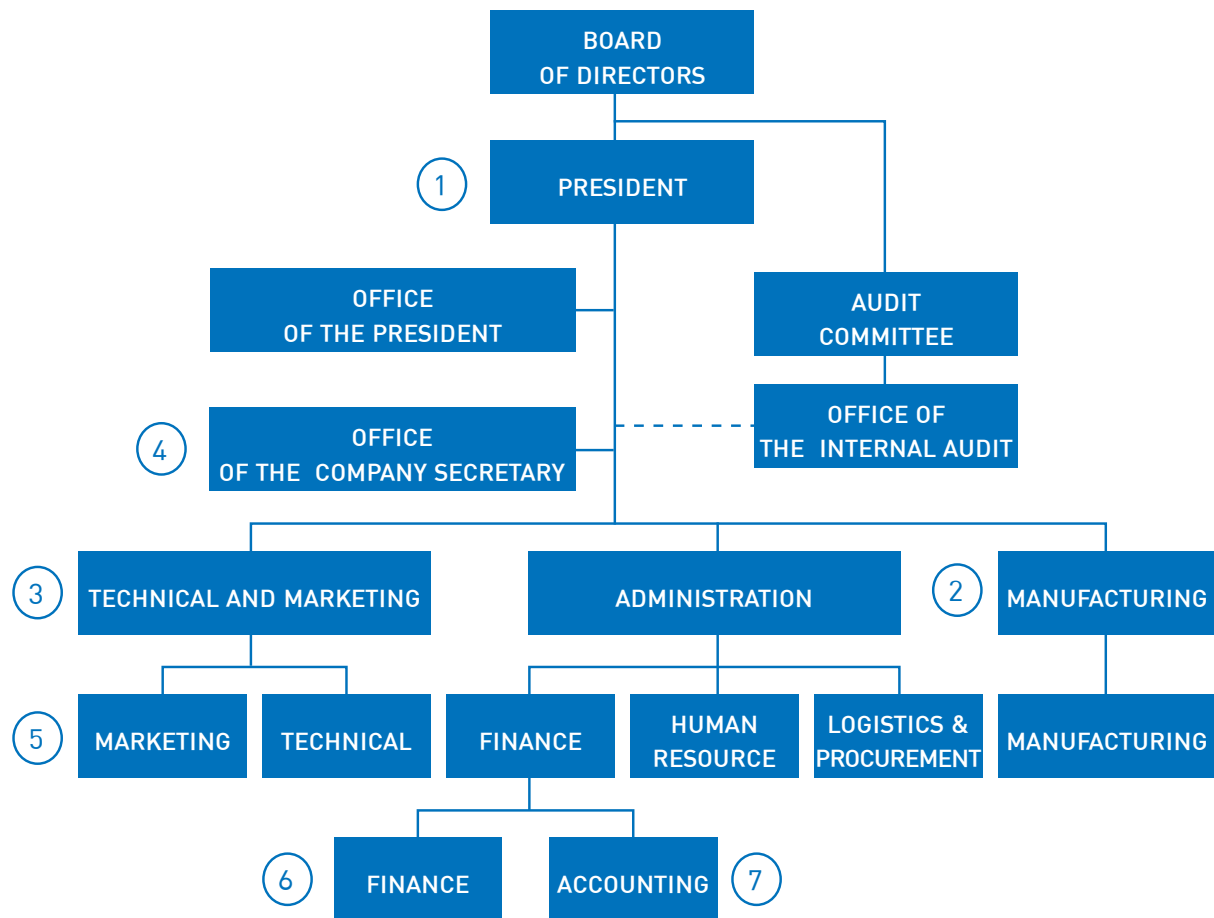
Kulthorn Metal Products Company Limited

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

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



- | | | |
|---|------------------------------|--|
| 1 | Mr Sutee Simakulthorn | Managing Director/President |
| 2 | Mr Paiboon Boonpermvitaya | Executive Vice President
(Manufacturing) |
| 3 | Mr Titisak Simakulthorn | Executive Vice President
(Technology & Marketing) |
| 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 |

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. Rights of Shareholders

The Company emphasizes and recognizes the importance of the rights of all shareholders equitably. The rights that the Company provides for its shareholders as fundamental are as follows:

- **Rights to get share certificate, sell, purchase or transfer the Company’s shares**

Thailand Securities Depository Co., Ltd. (“TSD”) has been appointed as the Company’s registrar to provide all services for all transactions related to registration of the Company’s shares

- **Rights to propose agenda and enquiries for the Shareholders’ Meeting**

The Company is aware of the shareholders’ rights and equitable treatment to the shareholders under the good corporate governance. It’s the Company policy to allow the shareholders to propose matter(s) for consideration of the Board of Directors as agenda of the shareholders’ meeting. The shareholders are allowed to submit any enquiries prior to the Annual General meeting of shareholders. Shareholders who would like to propose the agenda have to comply with the Company’s procedures and criteria of the above matter. The Company allow the shareholders to propose the matter for consideration as agenda or submit the enquiries in advance since October of the current year to January of the next year and has specified the shareholding proportion of the shareholders entitled to propose the agenda must not be less than 0.5 percent of total number of the voting rights. The Company will notify and disclose contact channels and period for proposing agenda and enquiries via SET and also provide details of the procedures on the company’ website (www.kulthorn.com).

- **Participation in the Shareholders’ Meeting.**

The Company is aware of the shareholders’ rights and equitable treatment to participate in the shareholder’s meeting, be informed conditions and procedures of meeting as well as having proxy to vote and comment in the meeting on behalf of the shareholders. The date, time and place of meeting will be set by consideration of Shareholders’ convenience with the following process of meeting:

Before the Meeting Date

The shareholders will be informed on the date and agenda of the meeting via SET's communication system prior to the meeting date which been complied with SET's regulations. At the same time, the Company will also disclose the invitation letter as well as related documents in both languages, Thai and English, on the Company's website no less than 30 days before meeting date for the shareholders to have sufficient time for consideration. Same documents will be directly delivered to the shareholders by TSD, the Company's registrar, at least 7 days or 14 days before the meeting date depends on consideration matter that required by law and regulations. The invitation letter will contain facts, rationales, opinion from the Board of Directors for each agenda, conditions and procedures of meeting as well as other related document with sufficient information for shareholders' consideration. Moreover, the invitation letter will be 3 days continually published on the newspaper at least 3 days prior to the meeting date to be in line with law.

On the Meeting Date

Meeting procedures has been set to conform to regulations and considering on shareholders' convenience. The Company is aware of the equitable of shareholders' right and their comfort to participate in the shareholders' meeting. Appropriated technology and equipments are sufficient for registration reviewed on required documents prior to commencement of the meeting.

In every Shareholders' Meeting, the Board of Directors, Chairman of all committees, the Company's management and external auditors will also present in the meeting. Chairman of the Board of Directors who is Chairman of the meeting will introduce all Board members and the management to the shareholders. The Chairman will also declare to the shareholders how to exercise their right and vote before commencement and conducts the meeting to be in line with the agenda without any additional topic from what have been expressed in the invitation letter. Voting cards will be provided for significant agenda. Voting result in term of approval, disapproval or abstain for each agenda will be transparently presented to the meeting. The shareholders will be encouraged to express their opinions and raise any questions, either in the agenda or any other questions related to the Company's business, at the meeting. All questions will be answered and taken in the minutes of meeting as well as the opinions from the shareholders.

After the Shareholders' Meeting

Resolutions of the meeting will be disclosed to SET on the next day after the meeting date. Full minutes of meeting of which contained the attendance record of the directors, summary of questions and answers during the meeting with voting details, approved, disapproved and sustained, of each agenda in both Thai & English will be sent to SET and related parties within 14 days after the meeting date as well as posed on the Company's website (www.kulthorn.com) for verification.

- **Appointment/Dismissal of Directors of the Company and Approve their Remuneration**

According to the Company's Articles of Association, at the Annual General Meeting of Shareholders, one third (1/3) of the Directors has to be retired by rotation. Election for replacement is required. The retired directors are eligible to be re-elected for another term. And the shareholders have the rights to consider and approve the remuneration for all directors and members of sub-committees. Adequate Information of all candidates for being considered and appointed as directors or members of sub-committees was also delivered for shareholders' consideration.

The election of the Board of Directors shall be in accordance with the rules and procedures as follows:

- Each shareholder shall have one vote on each share.
- In voting, a shareholder shall vote in accordance with the number of votes each shareholder has under (1) for one or several directors. The said shareholder may not allot any number of his votes to any person.
- The person obtaining the highest and higher votes respectively shall be elected as directors equal to the number of directors required or ought to be elected at such a meeting. In the event that persons receiving votes in respective orders receive equal votes and the number of directors exceeds the positions required or ought to be, the chairman of the meeting shall have a casting vote.

Apart from the appointment of Directors, the shareholders also have rights to remove any director from the office before the expiration of his term of office by having votes of no less than three quarters (3/4) of the number of shareholders attending the meeting and having the rights to vote and the aggregate number of shares shall be no less than one half (1/2) of the shares held by all the shareholders attending the meeting and having the rights to vote.

- **Appointment of Auditors and approval of their remuneration**

In every Annual General Meeting of Shareholders, one of the agenda is the appointment of Company's auditors and consideration of their remuneration. The Company will propose name of the auditors with sufficient details and remuneration for consideration of the shareholders.

- **Regularly and timely obtained adequate information, business performance and management policy.**

The Company concerns on Shareholders' rights and not only disclosed Company's information via SET's communication system but also posed all significant and updated information on the Company's website (www.kulthorn.com).

- **Getting profit.**

The Company will return profit to its shareholders by way of dividend payment. The Board of Directors of company will propose dividend payment is "no less than 60% of its separated net profit after corporate income tax subject to need for future investment and business plan, future necessity and appropriation. The Company's subsidiary companies have to pay dividend based on the resolution of its Board of Director meeting.

2. Equitable Treatment of Shareholders

The Company realizes to protect and due care for the interests of all major and minor shareholders as fairly basis. In addition, the Company sets policy for equitably treatment to all shareholders for attending and vote in the shareholders' meetings, sharing in profits, obtained adequate information, business performance and management policy. In the shareholders' meeting, each shareholder shall have one vote on each share. Proxy form requiring documents were delivered together with the invitation letter for share holders who would like to appoint a proxy. Proxy form, which contains detail of voting as approve, disapprove or abstain, as well as details of 4 independent directors also are attached for shareholders consideration as alternative proxy. In addition, voting cards were provided for each agenda, especially, the agenda of appointment of directors of which been appointed by individual. In every shareholders meeting, the meetings were conducted to be in line with the agenda without any additional topic from what have been expressed in the invitation letter otherwise rights of the shareholders who could not participate in the meeting by themselves will be deprived.

The Company will inspect to ensure no inside information of which is material, undisclosed and confidential leak to public or be used from unauthorized for personal benefit. IT system has been implemented for a secure access for all users inside and outside the firewall in conjunction with the Company's own user authentication and security system. It was also set forth in the Company's Corporate Governance Policy to refuse directors, management and employees of the Company to use Company's inside information for personal benefits. The Directors and management of the Company had been informed on their duties and punishment regarding to report on securities holdings of themselves, their spouse and any minor children to the Stock Exchange of Thailand (SET) within 3 days from the transaction date according to the Securities and Exchange Act B.E. 2535. Any change in securities holdings, such directors and managements have to report the Company Secretary for coordination and preparing report submit to the Securities and Exchange Commission (SEC). In addition, the Company has set as a policy to report on securities holdings of directors in every meeting of the Board of Directors.

In case of conflict of interest, it is the Company's Policy to have the directors, management, employees and related parties to disclose such interests to the Audit Committee for consideration of the transaction to be complied to SET's regulations and any governing laws and regulations prior to further submit for consideration of either the Board of Directors or the shareholders. The directors who have conflict of interest will not participate in any agenda that they have conflict of interest. Moreover, any conflict of interest transactions with the connected persons will be disclosed in the Company's Annual Report and the Annual Information Disclosure (56-1).

General practices for conflict of interest protection have been set in the Company's Business Ethics. Such practices have been delivered to all directors, management and employees.

3. Roles to Stakeholders

The support from each stakeholder should increase the competitiveness and ability to generate more benefit for long-term succession. The Company realized the importance of all stakeholders i.e. shareholders, employees of the Company and its subsidiaries, customers, competitors, lenders, societies and environment. Thus, general rules and practices have been set for directors, management and employees in the Company's Business Ethics for directors, managements, and employees to perform and disclosed on the Company's website (www.kulthorn.com) as well as providing more channels for the stakeholders to contact directly to the Company in order to provide either comments or recommendations which will be benefit to the Company.

4. Disclosure and Transparency

The Company has strong determination to reveal accurate complete, consistent and updated information, both financial and general information that related to Company's business. The Complete, consistent and updated information will truly reflect Company's financial performance and future business direction. Such information were disclosed to shareholders, investors and any related parties via SET's Communication system, Company's website (www.kulthorn.com), press release and Company's Annual Report as well as participated in the "Opportunity Day" which arranged by SET.

The Board of Directors has to ensure that the Company's disclosures are transparency and strictly complied by laws, Company's and any related regulations. The Board has Major concerned on transparency and disclosure in the following area:

Provide multi channels for disclosure of information

Annual Report and Form 56-1

The Board of Directors has to ensure that Annual Report / Form 56-1 contained adequate information with accuracy, clarity and could create understanding to the shareholders and related parties on the Company's operation and its performance for the previous year as well as the management structure, performance of the Board of Directors and all Committees.

Company's website

The Board of Directors is aware of the efficiency of website disclosure to the shareholders and related persons as well as equitably and easily of getting information. The Board of Directors therefore ensure the Company not only provide all significant information of the Company in the Company's Annual report but also on the Company's website (www.kulthron.com) in both languages, Thai and English. The disclosed information comprised of Corporate Governance Policy, Business Ethics, General News, Financial Statement as well as Annual Report and the Annual Disclosure Information (56-1), etc.

- **Accountability to the Financial Statement**

The Board of Directors is responsible for the Company's consolidated financial statements and any financial information which been disclosed in the Company's annual report. Such financial statements were prepared in accordance with the general acceptance-accounting standard in Thailand with appropriated financial policy. The reports were carefully considered and prepared with sufficient information in the notes to the financial statements. The financial statements have been audited and commented independently by the authorized auditors of SEC.

The Board of Directors also set out and maintained for the efficiency of the Company's internal control system to ensure that the financial information had been correctly and accurately booked and sufficient to maintain the Company's assets and be aware of weak point in order to prevent whether from any dishonesty or significant error. The Board of Directors had appointed the Audit Committee of which comprised independent directors to be responsible for the quality of the financial statements and the internal control system and disclosed such opinion in the Annual Report under the Report of the Audit Committee. The opinion of the Audit Committee has already been disclosed in the annual report. Moreover, Report of the Board of Directors' responsibility on the Company's Financial Statements was also attached in the Company's Annual Report.

5. Roles and Responsibilities of the Board of Directors

5.1 Composition

The Board of Directors has at least 5 members, and there are 15 members at the present. The Board consists of Chairman, and other members of which more than one-half will be Non - Executive Directors. The Board composed of independent directors with at least one-third of total numbers and shall at least 3 members. No less than one half of the total number of directors shall have residence within the Kingdom.

5.2 Qualifications

1. Has qualifications which comply to Public Company Act B.E. 2535, regulations of the Stock Exchange of Thailand, Securities and Exchange Commission, and Company's Articles of Association and any other related laws
2. Does not run any business, which is competed with the Company, and not being a shareholder of any legal entities whose business is the Company's competitors except obtained approval from the shareholders
3. Having leadership, vision, and independent consideration for best benefit of the Company and the shareholders
4. Having various knowledge, experience, and specific skill that suitable for the Company business
5. Having Integrity
6. Having sufficient time for fully participated as a Director of the Company

Qualifications of Independent Director

1. Shall not hold shares exceeding 0.5% of the total number of voting shares of the Company, its parent company, subsidiary, associated company, major shareholder or controlling person including shares held by related persons of such independent director.
2. Shall neither be nor have ever been a director with management authority, employee, staff member, advisor who receives a salary or be a controlling person of the Company, its parent company, subsidiary, associated company, same level subsidiary, major shareholder or controlling person unless the foregoing status ended not less than 2 years prior to the date of appointment to be an independent director.
3. Shall not be a person related by blood or legal registration as father, mother, spouse, sibling, or child, including spouse of child, of an executive, major shareholder, controlling person or person to be nominated as executive or controlling person of the Company or its subsidiary.
4. Shall neither have nor have ever had a business relationship with the Company, its parent company, subsidiary, associated company, major shareholder or controlling person, in a manner that may interfere with his/her independent judgment, and neither be nor have ever been a significant shareholder or controlling person of any person having a business relationship with the Company, its parent company, subsidiary, associated company, major shareholder or controlling person, unless the foregoing status ended not less than 2 years prior to the date of appointment to be an independent director.

The term 'business relationship' in the preceding paragraph shall include any normal business transaction, rental or lease of immovable property, transaction relating to assets or services, or grant or receipt of financial assistance through receiving or extending loans, guarantee, providing assets as collateral, including any other similar actions which result in the Company or its counterparty being subject to indebtedness payable to the other party in the amount of 3 % or more of the net tangible assets of the Company or Baht 20 million or more, whichever is lower.

5. Shall neither be nor have ever been an auditor of the Company, its parent company, subsidiary, associated company, major shareholder or controlling person, and shall not be a significant shareholder, controlling person or partner of an audit firm which employs auditors of the Company, its parent company, subsidiary, associated company, major shareholder or controlling person, unless the foregoing status ended not less than 2 years prior to the date of appointment to be an independent director.
6. Shall neither be nor have ever been a provider of any professional service including legal advisor or financial advisor who receives service fees exceeding Baht 2 million per year from the Company, its parent company, subsidiary, associated company, major share

holder or controlling person, and shall not be a significant shareholder, controlling person or partner of the office of professional service provider, unless the foregoing status ended not less than 2 years prior to the date of appointment to be an independent director.

7. Shall not be a director appointed as representative of the director of the Company, the major shareholder or any other shareholder who is related person to the major shareholder.
8. Shall not undertake any business in the same nature and in competition with the business of the Company or its subsidiary, or shall not be a significant partner in a partnership, or an executive director, employee, staff member, advisor who receives a salary, or holds shares exceeding 1% of the total number of voting shares of another company which undertakes business in the same nature and in competition with the business of the Company or its subsidiary.
9. Shall not have any other characteristic that limits his/her ability to express independent opinions regarding the Company's business operations.

After having been appointed as an independent director with qualifications complying with the criteria under 1 to 9, the independent director may be assigned by the Board of Directors to take part in the business decisions of the Company, its parent company, subsidiary, associated company, major shareholder or controlling person, on condition that these actions must be collective decision and it's not mean that the independent director do a part of management.

Furthermore, in case of the amendment of Independent Director's qualifications which announced by the Board of Capital Market Supervisory or the Securities and Exchange Commission, such amendment will be complied.

5.3 Terms of positions

Pursuant to the Public Company Acts B.E. 2535, at first Annual General Meeting of Shareholders after the registration of the Company and at the first Annual General Meeting of Shareholders in every subsequent year one-third of the directors, who have been longest in office, shall retire. The retired directors are eligible to be re-elected for another term by obtaining majority approval from the Board of Directors and the Shareholders of company.

5.4 The Independent of the Board of Directors

5.4.1 Separation of CEO and President

For best benefit of the shareholders and to strike a balance of power within the Company, the positions of Chairman of the Board of Directors and President must not be attained by the same person. Roles and responsibility of the management have been clearly classified.

5.4.2 Balance between members

More than half of the members of the Board of Directors are not a part of executive team. Within this half, one third of the directors at least 3 members are independent and have no

relations, business or personal, with the Company's executives. Free from executives' influences, they oversee the Company's direction with neutrality and pay careful attention to the rights of shareholder and stakeholder and to strike a balance of power within the Company.

5.4.3 Separate Roles and Responsibilities of the Board of Directors and President

The Board of Directors must take part in setting out the Company goals and carry out all the policies with an objective to optimize benefits to all shareholders and stakeholders without an obligation to personal benefits or any particular party. They must avoid all actions that may cause conflicts of interest between companies within the same umbrella. They have to operate the business with morality, responsibility, due care and integrity, as well as supervise the management to comply with Company's Objectives, Articles of Association, resolutions of the Board of Directors and shareholders' meeting along with rules and regulations stated by The Stock Exchange of Thailand and Office of the Securities and Exchange Commission (SEC). Their duties include:

1. Conduct business with responsibility, due care, and integrity uphold the duties according to the law, and Company's objectives, Articles of Association, resolutions of the Board of Directors and shareholders' meeting
2. Formulate policies and directions for the Company's operations. The Board must also supervise managerial and administrative departments to deliver all policies with effectiveness and efficiency
3. Consider and approve the Company's investment and annual budget
4. Appoint directors and Committee members to replace of those who will retire by rotation as well as consider the remuneration package for such directors and committee members, prior to propose for further consideration of the shareholders
5. Appoint audit committees to oversee administrative process and internal system to coincide with Company's policies, and propose to the Board of Directors prior to propose for further consideration of the shareholders
6. Appoint and consider remuneration package for top executives of the Company and appoint Company Secretary.
7. Summarize Profit & Loss Statement and Statement of Financial Position of the Company for every fiscal year's ended period. Authorize the statements and present them during the Annual General Meeting of Shareholders for further consideration
8. Nominate appropriated persons with remuneration for further consideration, proposed from the Audit Committee, and approval of shareholders for the appointment of the Company's auditors

9. Ensure the Company's to have written Corporate Governance Policy and Business Ethic as well as to ensure that there will be no conflicts of interest at the same time to establish systematic plans for internal control and risk management
10. Ensure that good corporate governance is implemented to demonstrate Company's commitment to operate the business with ethics and to bring fair treatment to all stakeholders
11. In case of entering into any direct or indirect transaction with the Company and subsidiaries, such director has to immediately inform his/her or related parties' personal interest to the Company
12. In case of holding the company's securities, such director has to immediately inform his/her changing of his/her holding of the company's shares.

Duties and responsibilities of the Chairman of the Board

1. To be responsible as the leader of the Board of Directors to oversee, monitor and supervise the operations of the Management and the Audit Committees to make them achieve the objectives pursuant to the specified plan
2. To act as the Chairman of the Board of Directors' meeting and the Shareholders' meeting
3. To have a casting vote in case the Board of Directors' meeting has a tie vote.

Roles and Responsibilities of President

Roles and responsibilities of the management have been clearly classified. The President will be the chairman of the management in terms of running the business of which will cover the following roles:

1. General operation management and control in business of the Company to comply with its objectives, policy and the Articles of Association
2. Consideration in business investment plans prior to propose to the Board of Directors for further approval in case of the over limit amount from the assigned authority.
3. Entering into any transaction binding the Company conforming to the Company's Delegation of Authorities
4. Carry out any assignment from the Board of Directors and/or the shareholders of the Company.

The delegation authorities of the President should not be delegated or further assigned that authorize the President or its attorney to approve any connected transactions between themselves or any persons who may have conflict of interest (according to the concept of conflict of interest of the Securities Exchange Commission's notification) with the Company or subsidiaries except such transactions are handled in line with the connected transaction procedure or policy which been approved by the Board of Directors of the Company shareholders' meeting to be complied to regulations of SET/ SEC or any related laws and regulations.

5.5 Transparency of Nomination

The Board of Directors select, and nominate appropriate candidates for positions of Chairman of the Boards, members of the Boards and other committees, President and other executives as well as consider the appropriate remuneration for such directors and management. Whenever the position of directors are vacant, the Board of Directors will select and nominate the appropriate candidates for such position propose to the Board of Directors meeting for approval and for further approval of the shareholders in case of vacancy by rotation or appointing of new director. The elected directors should obtain majority vote from shareholders who attend the meeting and have voting right. Each shareholder shall have one vote on each share. In voting, a shareholder shall vote in accordance with the number of votes each shareholder has for one or several directors. The said shareholder may not allot any number of his/her votes to any person. For election of independent directors, the Board of Directors will nominate any person who is fully complied with the qualifications of Independent Directors under the company's policy as well as complying to such requirements of SEC/SET as a minimum. Moreover, the Board of Directors of the Company has also appointed the Audit Committee's members which required further approval from the shareholders to help the Board on its business either audit or consideration any significant matters.

Executive Succession Plan

The Company is aware of the importance of executive succession plan when any executive position is vacant. In order to create confidence for investors, shareholders and employees on the continuity operation of the Company, an Executive Succession Plan has been considered. The potential candidate will be selected, trained and developed to be ready to accommodate the vacant position in the future.

5.6 Directors' Remuneration

Policy of Directors' Remuneration have been clearly and transparently set to be comparable to the general practice in same industry and be appealing enough to tract and retain qualified directors. The directors who also be appointed to be the member of any sub Committees will be paid appropriately more in accordance with the extra work. The Board of Directors will consider the remuneration and propose for consideration of the Board of Directors meeting prior to further approval from the shareholders. The directors' remuneration by individual has been disclosed in the Company's annual information disclosure (Form 56-1) and the Annual Report.

5.7 Accountabilities of the Board of Directors

5.7.1 Set Policy and Business Direction

The Board of Directors involved and agreed on setting out the Company's vision, mission, Corporate Governance Policy, Business Ethics, strategies, goal, direction, business plan, budget, internal control and internal audit systems, including risk management . The Board has to ensure that the management had efficiently followed the Company's business plan and

budget for profitability and economic value to the Company as well as for best stability to the shareholders. In addition, the Board of Directors has not only to ensure the Company and its management to oversee the value of all stakeholders, neither derive personal benefit nor create any rivalry with the Company and its subsidiaries, but also conducted the business with great awareness in ethical, moral and compliance to the Company's Articles of Associations as well as laws and regulations of the SET and the SEC.

5.7.2 Set up of Committees

For governing the management to comply with the approved policies and having better efficiency, the Board of Directors appointed the Audit committee to help the Board for consideration in significant matters.

Audit Committee

The Audit Committee's members have to be the independent directors who were elected by the Board of Directors and proposed for the Company's Board of Directors' and/or the shareholders' approval. The Audit Committee has at least 3 members.

Qualifications of Audit Committee

1. Has been appointed from the Board of Directors and/or the shareholders
2. The Members of the Audit Committee have to be the Independent director qualification from the SEC
3. Not being a person who has been empowered by the Board of Directors for any decision in the business operation of the Company, Parent Company, Subsidiary or affiliated Companies, Same-Level of Subsidiaries as well as any juristic person, major shareholder, or controlling person of the Company
4. Not being a director in parent Company Subsidiaries and any same-Level of subsidiaries which is a listed Company
5. Having sufficient knowledge, experience, and time to perform duties as the Audit Committee members
6. At least one member of the Audit Committee should have sufficient knowledge and experience to review the financial statement credibility and the Company has to put his/her name in the filing of 56-1 form and annual report. In addition, such qualification also has to be put in the committee certified letter which will be submitted to SET.

Term of the Audit Committee member is 3 years. The retired directors are eligible to be re-elected for another term by obtaining approval from Board of Directors and/or the Company's Shareholders.

Roles and Responsibilities of the Audit Committee

1. Review the Company's financial statement to ensure its accuracy and adequacy
2. Ensure that the Company has an appropriate and efficiency internal control, internal audit system, and consider the independence of the internal audit as well as to appoint, rotate or dismiss chief of internal audit of the Company or any other related function who takes responsibilities to internal audit
3. Ensure that the Company has complied to the Securities and Exchange Act, regulations of SEC/SET and any other related regulations
4. Nominate appropriated and independent persons with remuneration for further consideration and approval of the Board of Directors and shareholders for the appointment of the Company's auditors
5. Arrange meeting with auditors without the management of the Company at least once a year
6. Review, comment and ensure that all connected transactions and any other conflict of interest transactions have been complied to laws, and regulations of SET/SEC as well as to ensure that the transactions are reasonable with best benefit to the Company
7. Provide the Audit Committee report for disclosure in the annual report of the Company with minimum contents as required by regulations of SET/SEC
8. Consider any other activities assigned by the Board of Directors.

5.7.3 Board of Directors' Meeting

The Board of Directors' Meeting schedule have been set as quarterly basis with certain agenda. The meeting schedule will be sent to each director by the Company Secretary for preparation and arrangement for meeting participation. To comply with the Company's Articles of Association, unless any urgent matters, the invitation letter as well as meeting materials will be delivered by the Company Secretary to all directors 7 days prior to the meeting date for consideration. However, additional unscheduled Board meetings may be called upon appropriate notice at any time either to address specific needs of the Company or to fulfill requirement of any directors.

5.8 Internal Control / Audit

The Company organized an internal audit department to review compliance control of all departments to investigate the errors and weaknesses and then proposes the suggestions to improve the operational efficiency. This is to ensure the consistent and appropriate compliance with existent internal control as well as strengthen the confidence of management and stakeholders. This department is independent and reports directly to the Audit Committee. The Company organized that good internal control allows the Company to notice irregularity and gives early warning for possible risks as well as manage risk to acceptable level.

The Company provides Internal control system in accordance with the system suggested by the Committee of Sponsoring Organizations of the Tread way Commission (COSO) that covers organizational and control environment, risk management, management control, information and communication and monitoring.

5.9 Operation of Business Risk

The Company has operated to serve business risk by mitigating any potential impact caused by economic, political changes, and domestic and global financial crisis. Policy also includes the criteria for risk prevention and detection will be designed from Top Management in the meeting. All concerning management therefore complied with the policy and implemented the risk prevention and mitigation measures in accordance with the designed prevention and detection of Top Management with the collaboration of concerned department as follows:

1. Preparation of risk prevention and detection by each department to support the Company's master business plan and to cope with business risks for the Company's goal achievement;
2. Each responsible department has prioritized the risks by evaluating the overall risk profile and its potential impact to the organization. The appropriate risk mitigation criteria shall be determined in conjunction with each department.
3. All prevention and detection shall be implemented and regularly followed up by the Top Executives comprising of each concerning management in a quarterly meeting as outlined in the risk management plan. All countermeasures shall be followed and reviewed by internal audit department to ensure that the final outcome is agreeable with the Company's proposed objectives.

Besides, the Company held risk management seminar and training for each business. The risk training also focused on concepts and principles of practicing on risk management throughout the organization which would contribute ensuring the sustainable growth of the Company as well as create long term value for stakeholders and shareholders.

5.10 Development of Directors and Management

To support and increase knowledgeable of the directors and Management, periodical training will be provided and especially the Director Accreditation Program (DAP) and Director Certification Program (DCP) arranged by the Thai Institute of Directors (IOD).

5.11 Company Secretary

The Nominating & Compensation Committee considered and appointed a potential and experienced person as the Company Secretary proposed for further approval of the Board of Directors. Roles and responsibilities of the appointed Company Secretary are as follows:

1. Perform her duty with responsibility, due care and royalty as well as has to comply by laws and any other related regulation
2. Support the Board of Directors for their activities including provide consultation with related to Company's Articles of Association, and any other regulations from related authorities

3. Arrange meetings for Board of Directors, Committees and Shareholders as well as coordinate to ensure all resolutions have been implemented complying with Company's Objectives, Articles of Association, laws and related regulations
4. Preparing and keeping important documents of the Company, i.e. a register of directors, notices calling directors' and shareholders' meetings as well as the reports of such meeting and the annual report, ect.
5. Keeping the report on interest filed by Directors and executives as well as submit a copy of such report to the Chairman and the Chairman of Audit Committee within seven business days from the date on which the Company has received the report

Business Ethics

Code of conduct for Management and Directors :

1. To the Company and Shareholder

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

2. To Employee

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

3. To Customer

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

4. To Business Partner and/or Creditor

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

5. To Trade Competitor

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

6. To Society

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

Code of conduct for Employee :

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

RELATED PARTY TRANSACTIONS

During the years, the Company and its subsidiaries had significant business transactions with related parties mainly in respect of purchases and sales of goods. Such transactions, which have been concluded on commercial terms and bases agreed upon in the ordinary course of business between the Company and those related parties. 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 26 % and 74 % 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 2015 was Baht 10,544.38 million, compared to the approximated Baht 11,330.12 million of sales and services income of the previous year, a decrease of Baht 785.74 million or 6.39%, resulted by the suppression of customers demand caused from the economic situation of Thailand and of the world wide were not well recovered yet.

(2) Gross profit margin

The gross profit margin of 2015 and 2014 of the company were 7.56% and 3.40%, an increase of 4.16% caused from the continued price reduction of main materials of copper and steels, depreciated value of Thai Baht, a better cost management and more sales of the profitable models. However, all customers always request to reduce the sales price.

(3) Operation Expenses

- Selling Expenses of the Company and its subsidiary for 2015 approximated Baht 162.84 million, compared to the approximated Baht 126.07 million of the previous year, an increase of Baht 36.77 million caused from the increased promotion activities of sales.

- Administrative Expenses of the Company and its subsidiary for 2015 approximated Baht 391.99 million, compared to the approximated Baht 411.32 million of 2014 and the approximated Baht 376.91 million of 2013 the deviated amount of these 3 years effected by the increasing of yearly adjustment of salary & wages and the related expenses from the implementation of new enterprise resource palnning system by SAP program.

- The company and its subsidiaries got loss on foreign exchange rate for 2015 approximated Baht 18.19 million while the 2014 got gain on foreign exchange rate approximated Baht 13.45 million and the 2013 got losss 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.

(4) Others Income

- Income from scrap sales of the Company and its subsidiary for 2015 approximated Baht 219.14 million, compared to the approximated Baht 392.52 million of the previous year, a decreasing of Baht 173.38 million or 44.17% caused from sales price of copper and steels scrap were huge decreasing from 2014.

Financial Position

The consolidated total assets in 2015 was Baht 8,216.80 million, a decrease of Baht 732.59 million from Baht 8,949.39 million in 2014, mainly resulted by the decrease of inventory approximated of Baht 222.54 million and the decrease of fixed assets approximated of Baht 324.71 million which effected from the depreciated amount in 2015 approximated of Baht 566.43 million

The consolidated total liabilities in 2015, was Baht 5,567.27 million, a decrease of of Baht 1,322.34 million from Baht 6,889.91 million in 2014, resulted by the main payments for dividend payable approximated of Baht 500 million which was paid on 16 January 2015, long term loan approximated of Baht 371.50 million and trade payable approximated of Baht 345.90 million.

The consolidated total shareholders' equity in 2015 was Baht 2,649.53 million, compared to the approximated Baht 2,059.48 million of the previous year, an increase of Baht 590.05 million caused from the received amount from the increasing of registered capital approximated of Baht 400 million and the increasing of unappropriated retained earning approximated of Baht 166.45 million.

Financial Information

Financial Statements

Statement of comprehensive income for the year ended 31 December 2015, 2014 and 2013

Unit : Baht

	2015	2014	2013
Revenues			
Sales and service income	10,544,381,527	11,330,117,773	10,753,923,084
Other income			
Income from scrap sales	219,144,543	392,524,876	407,039,819
Gain on exchange rate	-	13,448,397	407,039,819
Interest income	868,433	1,114,401	1,336,249
Others	6,523,111	10,238,788	11,252,052
Total revenues	10,770,917,614	11,747,444,235	11,173,551,204
Cost of sales and services	9,747,455,660	10,945,013,424	10,318,720,838
Gross profit	796,925,867	385,104,349	435,202,246
Gross profit %	7.56%	3.40%	4.05%
Operating expenses			
Selling expenses	162,835,271	126,067,548	114,124,088
Administrative expenses	391,993,086	411,317,062	376,913,288
Loss on exchange rate	18,194,757	-	142,392,856
Total expenses	573,023,114	537,384,610	633,430,232
Profit before finance cost and corporate income tax	450,438,840	265,046,201	221,400,134
Finance cost	(210,801,814)	(208,973,166)	(225,356,088)
Profit before corporate income tax	239,637,026	56,073,035	(3,955,954)
Income tax expenses	(27,257,833)	1,347,078	4,837,834
Profit for the year	212,379,193	57,420,113	881,880
Other comprehensive income:			
Exchange differences on translation of financial statements in foreign currency	3,595,627	(8,686,571)	967,006
Actuarial losses	(30,662,151)	-	-
Income tax effect	4,731,850	-	-
Profit or loss in subsequent periods-net of income tax	(25,930,301)	-	-
Other comprehensive income for the year	(22,334,674)	(8,686,571)	967,006
Total comprehensive income for the year	190,044,519	48,733,542	1,848,886
Basic earnings per share	0.191	0.057	0.001
Weighted average number of ordinary shares (shares)	1,112,329,000	1,000,000,000	926,726,000

Statement of financial position as at 31 December 2015, 2014 and 2013

Unit : Baht

	2015	2014	2013
Assets			
Current assets			
Cash and cash equivalents	173,031,297	249,262,452	119,910,218
Trade and other receivables	2,083,897,699	2,179,458,741	2,200,783,025
Inventories	2,437,768,790	2,660,305,035	2,303,681,395
Other current assets	164,346,336	198,457,329	152,032,323
Total current assets	4,859,044,122	5,287,483,557	4,776,406,961
Non-current assets			
Property, plant and equipment	3,192,293,839	3,517,005,640	3,899,479,714
Deferred tax assets	79,929,341	59,615,903	49,541,044
Other non-current assets	85,529,647	85,289,433	57,587,411
Total non-current assets	3,357,752,827	3,661,910,976	4,006,608,169
Total assets	8,216,796,949	8,949,394,533	8,783,015,130
Liabilities and shareholders' equity			
Current liabilities			
Bank overdrafts and short-term loans from financial institutions	3,660,060,111	3,785,874,457	3,703,462,829
Trade and other payables	1,138,199,528	1,484,076,620	1,128,308,515
Current portion of long-term loans	263,200,000	634,700,000	550,000,000
Other current liabilities	156,862,954	629,600,095	162,029,441
Total current liabilities	5,218,322,593	6,534,251,172	5,543,800,785
Non-current liabilities			
Long-term loans — net of current portion	186,930,692	224,938,339	550,000,000
Provision for long-term employee benefits and others	162,017,694	130,723,571	178,466,436
Total non-current liabilities	348,948,386	355,661,910	728,466,436
Total liabilities	5,567,270,979	6,889,913,082	6,272,267,221
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	1,200,000,000	1,000,000,000	1,000,000,000
Share premium	700,000,000	500,000,000	500,000,000
Retained earnings Appropriated — statutory reserve	120,000,000	100,000,000	100,000,000
Unappropriated	437,835,087	271,386,195	713,966,082
Other components of shareholders' equity	191,690,883	188,095,256	196,781,827
Total shareholders' equity	2,649,525,970	2,059,481,451	2,510,747,909
Total liabilities and shareholders' equity	8,216,796,949	8,949,394,533	8,783,015,130

Cash flow statement for the year ended 31 December 2015, 2014 and 2013

Unit : Baht

	2015	2014	2013
Cash flows from operating activities			
Profit before tax	239,637,026	56,073,035	(3,955,954)
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities			
Depreciation and amortization	567,050,179	621,451,754	637,241,607
Allowance for impairment loss on property plant and equipment	973,535	516,963	-
Allowance for doubtful accounts (reversal)	277,163	8,735,741	(246,574)
Reduction of inventory value to net realizable value (reversal)	41,735,069	31,998,408	(20,398,266)
Gain on sales of property, plant and equipment	(763,887)	(1,206,828)	(481,454)
Write-off withholding tax	1,455,209	-	-
Dividend income	(6,293)	(7,300)	-
Deferred interest	15,590,420	4,994,173	3,239,470
Provision for long-term employee benefits	9,843,144	14,389,289	14,024,020
Unrealised (gain) loss on exchange	(39,448,504)	27,305,030	94,674,221
Interest expenses	180,599,729	192,306,602	209,783,826
Profit from operating activities before changes in operating assets and liabilities	1,016,942,790	956,556,867	933,880,896
Operating assets (increase) decrease			
Trade and other receivables		15,610,525	24,915,228
Inventories		(388,622,048)	(17,905,576)
Other current assets	33,366,733	(39,503,164)	(23,393,190)
Other non-current assets	(227,251)	(1,684,159)	(538,910)
Operating liabilities increase (decrease)			
Trade and other payables		352,836,349	122,688,394
Other current liabilities	1,929,476	(62,376,843)	(4,466,892)
Cash flows from operating activities	991,457,159	832,817,527	1,035,179,950
Cash paid for long-term employee benefits	(9,211,172)	(6,044,799)	(5,695,486)
Cash paid for interest expenses	(181,190,411)	(192,356,271)	(215,210,398)
Cash paid for corporate income tax		(11,950,792)	(20,356,687)
Net cash flows from operating activities	774,547,799	622,465,665	793,917,379

Cash flow statement for the year ended 31 December 2015, 2014 and 2013 (Continued)

Unit : Baht

	2015	2014	2013
Cash flows from investing activities			
Decrease in restricted bank deposits	-	409,750	-
Acquisition of property, plant and equipment	(228,695,148)	(276,168,304)	(347,219,480)
Proceeds from sales of property, plant and equipment	1,127,123	5,134,421	28,280,732
Dividend income	6,293	7,300	-
Net cash flows from (used in) investing activities	(227,561,732)	(270,616,833)	(318,938,748)
Cash flows from financing activities			
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	(94,631,952)	49,464,603	50,721,467
Repayment of short-term loan from related party	-	-	(37,082,439)
Short-term loan from related party	-	-	-
Cash receipt from long-term loans	35,650,000	228,192,000	-
Repayment of long-term loans	(371,500,000)	(465,300,000)	(550,000,000)
Cash received from increase share capital	400,000,000	-	300,000,000
Cash paid for liabilities under financial lease agreements	(85,198,346)	(31,069,990)	(25,936,496)
Dividend paid	(499,871,727)	-	(170,000,000)
Net cash flows from (used in) financing activities	(615,552,025)	(218,713,387)	(432,297,468)
Increase (decrease) in translation adjustments	(7,665,197)	(3,783,211)	(20,006,622)
Net increase (decrease) in cash and equivalents	(76,231,155)	129,352,234	22,674,541
Cash and cash equivalents at beginning of year	249,262,452	119,910,218	97,235,677
Cash and cash equivalents at end of year	173,031,297	249,262,452	119,910,218

Financial Ratio

	2015	2014	2013
Liquidity Ratio			
Current Ratio	0.93 Times	0.81 Times	0.86 Times
Quick Ratio	0.43 Times	0.37 Times	0.42 Times
Cash Ratio	0.15 Times	0.10 Times	0.14 Times
Account Receivable Turnover	4.95 Times	5.17 Times	4.89 Times
Average Collection Period	73 Days	70 Days	73.59 Days
Inventory Turnover	9.42 Times	11.79 Times	11.84 Times
Inventory Cycle	38 Days	31 Days	30 Days
Payable Turnover	7.43 Times	8.38 Times	9.71 Times
Payable Cycle	48 Days	43 Days	37 Days
Cash Cycle	63 Days	57 Days	67 Days
Profitability Ratio			
Gross Profit	7.56 %	3.40 %	4.05 %
Net Profit	1.97 %	0.49 %	0.01 %
Return on Equity	8.02 %	2.79 %	0.04 %
Efficiency Ratio			
Return on Assets	2.47 %	0.65 %	0.01 %
Return on Fixed Assets	23.23 %	18.31 %	15.78 %
Assets Turnover	1.25 Times	1.32 Times	1.26 Times
Financial Policy Ratio			
Debt to Equity Ratio	2.10 Times	3.35 Times	2.50 Times
Interest Coverage Ratio	4.27 Times	3.27 Times	4.81 Times
Debt Service Coverage Ratio	1.13 Times	0.82 Times	0.73 Times
Dividend Payout	78.95 %	** %	- %

** In 2014, the Board of Directors Meeting No. 5/2014, held on 17 December 2014 approved to pay the interim dividend from the 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)

	2015		2014		2013	
Trade receivable — related parties						
Not yet due	74,481	3.57 %	79,459	3.65 %	71,562	3.25 %
Over due						
Less than 3 months		1.24 %	15,199	0.7 %	24,365	1.11 %
3 - 6 months	6,336	0.30 %	1,297	0.06 %	12,755	0.58 %
Over 6 months*	3,539	0.17 %	8,913	0.4 %	14,285	0.65 %
Total	110,174	5.28 %	104,868	4.81 %	122,967	5.59 %
Less: Allowance for doubtful debts*	-	-	-	-	-	-
Total trade receivables -related parties, net	110,174	5.28 %	104,868	4.81 %	122,967	5.59 %
Trade receivable — unrelated parties						
Not yet due	1,451,682	69.66 %	1,473,616	67.61 %	1,567,768	71.24 %
Overdue						
Less than 3 months		23.06 %	572,271	26.26 %	478,541	21.74 %
3 - 6 months	21,828	1.05 %	14,316	0.66 %	10,269	0.47 %
Over 6 months	25,492	1.22 %	23,706	1.09 %	22,441	1.02 %
Total	1,979,643	94.99 %	2,083,909	95.62 %	2,079,019	94.47 %
Less: Allowance for doubtful debts	(9,412)	(0.45 %)	(15,224)	(0.7 %)	(6,488)	(0.29 %)
Total trade receivables — unrelated parties, net	1,970,231	94.55 %	2,068,685	94.92 %	2,072,531	94.17 %
Total trade receivable - net	2,080,405	99.83 %	2,173,553	99.73 %	2,195,498	99.76 %
Other receivables						
Advances — related party	1,153	0.06 %	2,581	0.12 %	2,422	0.11 %
Other	2,340	0.11 %	3,325	0.15 %	2,863	0.13 %
Total other receivables	3,493	0.17 %	5,906	0.27 %	5,285	0.24 %
Total trade and other receivables- net	2,083,898	100 %	2,179,459	100 %	2,200,783	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)

	2015		2014		2013	
Cost						
Finished goods	1,063,052	41 %	1,007,195	37 %	849,127	36 %
Work in process	460,517	18 %	454,579	16 %	289,853	13 %
Raw materials	1,016,435	40 %	1,235,156	45 %	1,085,569	46 %
Goods in transit	32,199	1 %	56,074	2 %	139,833	5 %
Total	<u>2,572,203</u>	<u>100 %</u>	<u>2,753,004</u>	<u>100 %</u>	<u>2,364,382</u>	<u>100 %</u>
Allowance for diminution in value of inventories	<u>(134,434)</u>	<u>5.23%</u>	<u>(92,699)</u>	<u>3.37%</u>	<u>(60,701)</u>	<u>2.57 %</u>
Net amount	<u>2,437,769</u>		<u>2,660,305</u>		<u>2,303,681</u>	

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 2015 outstanding balances of the Company's finished goods was Baht 1,063.05 million or about 41% of total inventory it's caused from the additional produced stock during the end of year for delivery in the beginning of 2016 by customers' order. And the outstanding balance of 2015 raw materials approximated of Baht 1,016.44 million or about 40% of total inventory compared to the outstanding balance of 2014 was approximated of Baht 1,235.16 million or about 45% which was decreased of Baht 218.72 million, resulted by a better management of purchasing transactions.

3 Property, plant and equipment

(Unit : Thousand Baht)

	Land	Land improve- ment and plant	Machinery	Plant equipment	Furniture, fixtures and office equipment	Motor vehicles	Con- struction in progress	Total
Cost:								
As at 1 January 2013	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)	-	(13,811)
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
Additions	-	425	13,176	7,050	6,027	4,536	192,761	223,975
Transfer and Disposals	-	13,356	75,031	37,083	1,676	(3,684)	(136,610)	(13,148)
Translation adjustments	-	10,885	18,525	-	490	357	-	30,257
As at 31 December 2015	349,728	1,856,531	7,697,379	1,212,452	186,398	139,826	245,862	11,688,176
Accumulated depreciation:								
As at 1 January 2013	-	862,472	4,706,065	923,820	118,689	88,343	-	6,699,389
Transfer and Disposals	-	(210)	(16,471)	(5,043)	(5,314)	(1,526)	-	(28,564)
Depreciation for the year	-	82,471	467,196	53,579	12,049	11,287	-	626,582
Translation adjustments	-	8,185	25,226	-	826	535	-	34,772
As at 31 December 2013	-	952,918	5,182,016	972,356	126,250	98,639	-	7,332,179
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
Transfer and Disposals	-	-	(31)	(495))	(3,734)	(7,243)	-	(11,503)
Depreciation for the year	-	82,688	390,261	55,474	16,548	11,462	-	566,433
Translation adjustments	-	4,867	14,341	-	400	285	-	19,893
As at 31 December 2015	-	1,120,935	6,027,933	1,078,835	154,758	111,931	-	8,494,392
Allowance for impairment loss:	-	-	-	-	-	-	-	-
As at 31 December 2013	-	-	-	-	-	-	(517)	(517)
Increase during the year	-	-	-	-	-	-	(517)	(517)
As at 31 December 2014	-	-	(973)	-	-	-	-	(973)
Increase during the year	-	-	(973)	-	-	-	(517)	(1,490)
As at 31 December 2015	-	-	-	-	-	-	-	-
Net book value:								
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
As at 31 December 2015	349,728	735,596	1,668,473	133,617	31,640	27,895	245,345	3,192,294

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 its subsidiaries have mortgaged and negative pledged their land and building thereon and machineries, with net book value amounting to approximately Baht 1,001.9 million with financial institutions.

As at 31 December 2015, 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 4,511.0 million.

As at 31 December 2015, the Company and its subsidiaries had machineries, vehicles and equipment with net book values of Baht 174.5 million which were acquired under financial lease agreements.

4. Investments in subsidiaries

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost		Dividend received during the year	
	2015	2014	2015	2014	2015	2014	2015	2014
Kulthorn Kirby Foundry Company Limited	575,000	475,000	100	100	739,999	639,999	119,050	-
Kulthorn Premier Company Limited	1,260,000	1,260,000	100	100	1,936,751	1,936,751	-	75,595
Kulthorn Steel Company Limited	400,000	400,000	100	100	399,999	399,999	16,000	-
kulthorn Materials and Controls Company Limited	450,000	350,000	100	100	340,630	240,630	-	-
Total					3,417,379	3,217,379	135,050	75,595
Less: Allowance for impairment loss on investments in subsidiaries					(783,007)	(783,007)	-	-
Total investments in subsidiaries - net					2,634,372	2,434,372	135,050	75,595

On 6 May 2015, the Board of Directors' Meeting of the Company No. 4/2558 passed a resolution to increase in the share capital of Kulthorn Materials and Controls Company Limited by Baht 100 million (1 million ordinary shares of Baht 100 each) from Baht 350 million (3.5 million ordinary shares of Baht 100 each) to Baht 450 million (4.5 million ordinary shares of Baht 100 each). The subsidiary registered the increase in its registered and paid-up share capital with the Ministry of Commerce on 22 July 2015. The Company maintains its shareholding at 100 percent.

In addition, during the current year, Kulthorn Kirby Foundry Company Limited called up the uncalled portion of the additional registered capital amounting to Baht 200 million (2 million ordinary shares of Baht 100 each), 50 percent of which was called up initially in 2013. The subsidiary called up the remaining 50 percent payment for the shares, amounting to Baht 100 million and the Company made full payment for the shares on 9 July 2015. As result, this subsidiary has increased from Baht 475 million to Baht 575 million of its paid-up capital. The subsidiary registered the increase in its registered and paid-up share capital with the Ministry of Commerce on 24 July 2015. The Company maintains its shareholding at 100 percent.

5 Bank overdrafts and short-term loans from financial institutions

(Unit : Thousand Baht)

	Interest rate (percent per annum)	2015	2014	2013
Bank overdrafts	MOR	24,452	26,719	19,198
Short-term loans	4.10 — 5.00	767,849	790,466	1,585,678
Trust receipts	2.00 — 5.50	1,786,424	1,843,134	1,527,699
Packing credit	4.09 — 5.66	1,081,335	1,040,371	570,888
Loans from discounting of account receivable	-	-	85,184	-
Total		3,660,060	3,785,874	3,703,463

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.

6 Trade and other payables

(Unit : Thousand Baht)

	2015	2014	2013
Trade payables - related parties	18,487	24,322	20,474
Trade payables - unrelated parties	823,633	1,166,088	864,599
Other payable - related parties	11,656	23,285	6,098
Other payable - unrelated parties	173,195	146,779	120,457
Accrued interest expenses to related parties	-	-	-
Accrued interest expenses to unrelated parties	2,737	3,630	4,176
Accrued expenses	108,491	119,973	112,504
Total trade and other payables	1,138,199	1,484,077	1,128,308

The 2015 outstanding balances of the Company's trade and other payables was lower than the 2014 outstanding balances amounting to Baht 345.88 million caused from the payment due date of the end of 2014 was changed from at the end of month to the middle of next month then the payable amount were carried to pay in 2015.

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.

7 Long-term loans

(Unit : Thousand Baht)

	2015	2014	2013
Long-term loans	450,131	859,638	1,100,000
Less: Current portion of long-term loans	(263,200)	(634,700)	(550,000)
Long-term loans, net of current portion	186,931	224,938	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 drawn down 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.

In April 2015, the Company and its subsidiaries entered into the Fourth Amendment to Credit Facilities Agreement in order to decrease the amount of existing credit facility.

The loan is subject to interest at the rate with reference to THBFIX+3%, 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 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 requested the waiver for such non-compliance and have got an approval in April 2015. The classification of such liabilities as at 31 December 2014 to be current is in accordance with financial reporting standards.

As at 17 December 2015, the Company and its subsidiaries received the waiver letter for maintain

covenant ratio from all lenders for the year ended 31 December 2015. The Company and its subsidiaries have to comply with certain conditions including maintaining current ratio for consolidated financial statements not less than 0.95:1. As at 31 December 2015, the Company and its subsidiaries could maintain all conditions in the waiver letter and the loan agreement.

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

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 2015 was approximated to Baht 162.02 million was higher than the 2014 outstanding balance amounting to Baht 31.30 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 cheaper price. Continuing in this 4-5 years, the price competition was much more condense due to the global economic situation was unclear recovery and the decrease of China economic growth rate which suppressed the customers' demand in worldwide market 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 and the more earned income of the people in Emerging countries such as BRICs and AEC countries are 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. 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 and improve productivity of all production process.

2. 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.
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 since 2010.
5. Reduce exchange rate risk or possible exposure on the foreign currency by entering to some extent Forward Exchange 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.

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 which reflected a better yearly profit since 2013.

DECLARATION OF THE DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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 2015 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 2015. 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, 2015 are reliable under generally accepted accounting principles, legally sound and acceptable to relevant regulations.



Mr. Suraporn Simakulthorn
Chairman of the Board of Directors



Mr. Sutee Simakulthorn
President

AUDIT COMMITTEE'S REPORT

Audit Committee's Report

The Audit Committee of the Kulthorn Kirby Public Co., Ltd. consisted of the 3 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 Office of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand.

During the year 2015, the Audit Committee had 12 meeting with presence of all the 3 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 operation's improvements which benefited the company. 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 2015 which were reviewed and endorsed by the external auditors 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 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 transaction 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 that occurred during the year 2015. This was to ascertain 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 SEC and 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. Satida Ratananurak, a certified public accountant number 4753 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 2016 at the auditing and reviewing fees of 1,180,000 baht which was 90,000 baht increased from the year 2015. This was considered reasonable.

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 relating to the internal control system of accounting and finance. There were no irregularities and significant errors found.

March 16th, 2016

On behalf of the Audit Committee



Acting Sub. Lieut. Samart Mekavanitchakul

Chairman of the Audit Committee

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 2015, 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.

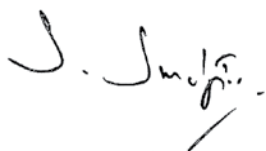
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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 2015, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

Other matter

The consolidated financial statements of Kulthorn Kirby Public Company Limited and its subsidiaries and the separate financial statements of Kulthorn Kirby Public Company Limited for the year ended 31 December 2014 were audited by another auditor of our office who, under her report dated 27 February 2015, expressed an unqualified opinion on those financial statements, but drew attention on the reclassification 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.



Siriwan Suratepin

Certified Public Accountant (Thailand) No. 4604

EY Office Limited

Bangkok: 24 February 2016

Statements of financial position

Kulthorn Kirby Public Company Limited and its subsidiaries

As at 31 December 2015

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2015	2014	2015	2014
Assets					
Current assets					
Cash and cash equivalents	7	173,031,297	249,262,452	112,585,141	182,545,963
Trade and other receivables	8	2,083,897,699	2,179,458,741	1,269,126,096	1,032,373,984
Short-term loans to related parties	6	-	-	213,575,749	237,057,566
Inventories	9	2,437,768,790	2,660,305,035	1,438,905,008	1,246,248,091
VAT receivable		80,147,540	124,200,865	55,937,964	86,535,594
Other current assets		84,198,796	74,256,464	16,047,728	13,950,752
Total current assets		4,859,044,122	5,287,483,557	3,106,177,686	2,798,711,950
Non-current assets					
Investments in subsidiaries	10	-	-	2,634,372,497	2,434,372,497
Property, plant and equipment	11	3,192,293,839	3,517,005,640	1,394,532,835	1,544,947,516
Goodwill on business combination	12	-	-	-	-
Other intangible assets	13	82,186,964	82,174,001	28,652,975	25,684,683
Deferred tax assets	23	79,929,341	59,615,903	30,235,434	13,519,909
Other non-current assets		3,342,683	3,115,432	1,548,149	1,468,149
Total non-current assets		3,357,752,827	3,661,910,976	4,089,341,890	4,019,992,754
Total assets		8,216,796,949	8,949,394,533	7,195,519,576	6,818,704,704

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

Statements of financial position (continued)

Kulthorn Kirby Public Company Limited and its subsidiaries

As at 31 December 2015

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2015	2014	2015	2014
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans from financial institutions	14	3,660,060,111	3,785,874,457	2,170,431,046	1,907,748,048
Trade and other payables	15	1,138,199,528	1,484,076,620	1,158,737,129	1,230,216,246
Short-term loans from related parties	6	-	-	619,287,755	503,610,895
Current portion of long-term loans	16	263,200,000	634,700,000	263,200,000	634,700,000
Current portion of liabilities under financial lease agreements	17	67,996,136	61,113,662	15,405,992	15,746,168
Dividend payable		805,588	500,674,751	801,547	500,673,274
Income tax payable		26,395,962	8,073,326	23,350,029	-
Other current liabilities	18	61,665,268	59,738,356	41,106,088	12,984,700
Total current liabilities		5,218,322,593	6,534,251,172	4,292,319,586	4,805,679,331
Non-current liabilities					
Liabilities under financial lease agreements - net of current portion	17	186,930,692	224,938,339	18,890,240	34,296,232
Provision for long-term employee benefits	19	162,017,694	130,723,571	77,914,836	63,017,930
Total non-current liabilities		348,948,386	355,661,910	96,805,076	97,314,162
Total liabilities		5,567,270,979	6,889,913,082	4,389,124,662	4,902,993,493

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

Statements of financial position (continued)

Kulthorn Kirby Public Company Limited and its subsidiaries

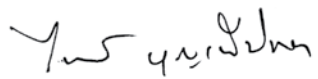
As at 31 December 2015

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2015	2014	2015	2014
Shareholders' equity					
Share capital	20				
Registered					
1,200,000,000 ordinary shares of Baht 1 each					
(2014: 1,000,000,000 ordinary shares					
of Baht 1 each)		1,200,000,000	1,000,000,000	1,200,000,000	1,000,000,000
Issued and fully paid up					
1,200,000,000 ordinary shares of Baht 1 each					
(2014: 1,000,000,000 ordinary shares					
of Baht 1 each)		1,200,000,000	1,000,000,000	1,200,000,000	1,000,000,000
Share premium		700,000,000	500,000,000	700,000,000	500,000,000
Retained earnings					
Appropriated - statutory reserve	21	120,000,000	100,000,000	120,000,000	100,000,000
Unappropriated		437,835,087	271,386,195	786,394,914	315,711,211
Other components of shareholders' equity		191,690,883	188,095,256	-	-
Total shareholders' equity		2,649,525,970	2,059,481,451	2,806,394,914	1,915,711,211
Total liabilities and shareholders' equity		8,216,796,949	8,949,394,533	7,195,519,576	6,818,704,704

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





Directors



Statements of comprehensive income

Kulthorn Kirby Public Company Limited and its subsidiaries
For the year ended 31 December 2015

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2015	2014	2015	2014
Profit or loss:					
Revenues					
Sales and service income	6, 24	10,544,381,527	11,330,117,773	6,406,994,627	6,193,749,220
Other income					
Income from scrap sales	6	219,144,543	392,524,876	158,069,583	246,194,292
Gain on exchange		-	13,448,397	-	6,950,526
Interest income	6	868,433	1,114,401	15,388,710	1,002,477
Dividend income	6, 10	6,293	7,300	135,056,281	75,602,029
Others		6,516,818	10,231,488	17,909,967	14,255,671
Total revenues		10,770,917,614	11,747,444,235	6,733,419,168	6,537,754,215
Expenses					
Cost of sales and services	6	9,747,455,660	10,945,013,424	5,757,058,836	5,922,765,846
Selling expenses		162,835,271	126,067,548	102,335,259	64,122,209
Administrative expenses		391,993,086	411,317,062	191,803,297	177,484,968
Loss on exchange		18,194,757	-	14,841,899	-
Total expenses		10,320,478,774	11,482,398,034	6,066,039,291	6,164,373,023
Profit before finance cost and income tax		450,438,840	265,046,201	667,379,877	373,381,192
Finance cost		(210,801,814)	(208,973,166)	(145,587,972)	(113,585,853)
Profit before income tax		239,637,026	56,073,035	521,791,905	259,795,339
Income tax	23	(27,257,833)	1,347,078	(19,051,103)	(2,863,610)
Profit for the year		212,379,193	57,420,113	502,740,802	256,931,729
Other comprehensive income:					
<i>Other comprehensive income to be reclassified</i>					
<i>to profit or loss in subsequent periods:</i>					
Exchange differences on translation of					
financial statements in foreign currency		3,595,627	(8,686,571)	-	-
Other comprehensive income to be reclassified					
to profit or loss in subsequent periods - net of income tax		3,595,627	(8,686,571)	-	-
<i>Other comprehensive income not to be reclassified</i>					
<i>to profit or loss in subsequent periods:</i>					
Actuarial loss	19	(30,662,151)	-	(14,661,811)	-
Less: Income tax effect		4,731,850	-	2,604,712	-
Other comprehensive income not to be reclassified					
to profit or loss in subsequent periods - net of income tax		(25,930,301)	-	(12,057,099)	-
Other comprehensive income for the year		(22,334,674)	(8,686,571)	(12,057,099)	-
Total comprehensive income for the year		190,044,519	48,733,542	490,683,703	256,931,729
Basic earnings per share	25				
Profit attributable to equity holders of the Company		0.191	0.057	0.452	0.257

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

Kulthorn Kirby Public Company Limited and its subsidiaries
For the year ended 31 December 2015

Statements of changes in shareholders' equity

(Unit: Baht)

Consolidated financial statements									
	Other components of shareholders' equity								
	Other comprehensive income								
	Issued and fully paid-up share capital	Share premium	Retained earnings		Unappropriated foreign currency	Surplus from business combination under common control	Total other components of shareholders' equity	Total shareholders' equity	
			Appropriated	Unappropriated					
Balance as at 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 28)	-	-	-	(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	
Balance as at 1 January 2015	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	
Profit for the year	-	-	-	212,379,193	-	-	-	212,379,193	
Other comprehensive income for the year	-	-	-	(25,930,301)	3,595,627	-	3,595,627	(22,334,674)	
Total comprehensive income for the year	-	-	-	186,448,892	3,595,627	-	3,595,627	190,044,519	
Increase in share capital (Note 20)	200,000,000	200,000,000	-	-	-	-	-	400,000,000	
Retained earnings transferred to statutory reserve									
(Note 21)	-	-	20,000,000	(20,000,000)	-	-	-	-	
Balance as at 31 December 2015	1,200,000,000	700,000,000	120,000,000	437,835,087	(16,207,066)	207,897,949	191,690,883	2,649,525,970	

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

Kulthorn Kirby Public Company Limited and its subsidiaries
For the year ended 31 December 2015

Statements
of changes in
shareholders' equity
(continued)

(Unit: Baht)

Separate financial statements

	Issued and fully paid-up share capital	Share premium	Retained earnings		Total shareholders' equity
			Appropriated	Unappropriated	
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 28)	-	-	-	(500,000,000)	(500,000,000)
Balance as at 31 December 2014	1,000,000,000	500,000,000	100,000,000	315,711,211	1,915,711,211
Balance as at 1 January 2015	1,000,000,000	500,000,000	100,000,000	315,711,211	1,915,711,211
Profit for the year	-	-	-	502,740,802	502,740,802
Other comprehensive income for the year	-	-	-	(12,057,099)	(12,057,099)
Total comprehensive income for the year	-	-	-	490,683,703	490,683,703
Increase in share capital (Note 20)	200,000,000	200,000,000	-	-	400,000,000
Retained earnings transferred to statutory reserve (Note 21)	-	-	20,000,000	(20,000,000)	-
Balance as at 31 December 2015	1,200,000,000	700,000,000	120,000,000	786,394,914	2,806,394,914

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

e

Cash flow statements

Kulthorn Kirby Public Company Limited and its subsidiaries For the year ended 31 December 2015

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
Cash flows from operating activities				
Profit before tax	239,637,026	56,073,035	521,791,905	259,795,339
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	567,050,179	621,451,754	277,021,852	277,413,926
Allowance for impairment loss on property, plant and equipment	973,535	516,963	-	-
Allowance for doubtful accounts and other provision	277,163	8,735,741	-	-
Reduction of inventory value to net realisable value (reversal)	41,735,069	31,998,408	24,757,495	(358,418)
Gain on sales of property, plant and equipment	(763,887)	(1,206,828)	(819,616)	(1,262,139)
Write-off withholding tax	1,455,209	-	-	-
Dividend income	(6,293)	(7,300)	(135,056,281)	(75,602,029)
Deferred interest	15,590,420	4,994,173	3,012,839	4,069,532
Provision for long-term employee benefits	9,843,144	14,389,289	2,884,185	7,036,778
Unrealised (gain) loss on exchange	(39,448,504)	27,305,030	(12,242,677)	9,546,463
Interest expenses	180,599,729	192,306,602	134,538,181	106,666,816
Profit from operating activities before changes in operating assets and liabilities	1,016,942,790	956,556,867	815,887,883	587,306,268
Operating assets (increase) decrease				
Trade and other receivables	105,898,154	15,610,525	(234,134,264)	(95,641,101)
Inventories	180,801,176	(388,622,048)	(217,414,412)	(230,943,124)
Other current assets	33,366,733	(39,503,164)	28,050,332	(61,013,352)
Other non-current assets	(227,251)	(1,684,159)	(80,000)	(219,119)
Operating liabilities increase (decrease)				
Trade and other payables	(347,253,919)	352,836,349	(76,080,442)	300,601,858
Other current liabilities	1,929,476	(62,376,843)	28,121,388	(53,188,030)
Cash flows from operating activities	991,457,159	832,817,527	344,350,485	446,903,400
Cash paid for long-term employee benefits	(9,211,172)	(6,044,799)	(2,649,090)	(1,692,000)
Cash paid for interest expenses	(181,190,411)	(192,356,271)	(131,438,316)	(105,999,836)
Cash paid for income tax	(26,507,777)	(11,950,792)	(10,307,806)	(764,784)
Net cash flows from operating activities	774,547,799	622,465,665	199,955,273	338,446,780

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

Cash flow statements (continued)

Kulthorn Kirby Public Company Limited and its subsidiaries
For the year ended 31 December 2015

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
Cash flows from investing activities				
Decrease in restricted bank deposits	-	409,750	-	-
Acquisition of property, plant and equipment and intangible assets	(228,695,148)	(276,168,304)	(131,589,523)	(98,903,710)
Proceeds from sales of property, plant and equipment	1,127,123	5,134,421	998,962	1,960,144
Dividend income	6,293	7,300	135,056,281	75,602,029
Decrease (increase) in short-term loans to related parties	-	-	23,481,817	(230,628,683)
Cash paid for additional investment in subsidiaries	-	-	(200,000,000)	-
Net cash flows used in investing activities	(227,561,732)	(270,616,833)	(172,052,463)	(251,970,220)
Cash flows from financing activities				
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	(94,631,952)	49,464,603	276,590,243	169,074,286
Increase in short-term loans from related parties	-	-	115,676,860	347,845,743
Repayment of long-term loans	(371,500,000)	(465,300,000)	(371,500,000)	(465,300,000)
Proceeds from sales and lease back of machineries	35,650,000	228,192,000	-	-
Cash paid for liabilities under financial lease agreements	(85,198,346)	(31,069,990)	(18,759,008)	(19,686,367)
Cash received from increase share capital	400,000,000	-	400,000,000	-
Dividend paid	(499,871,727)	-	(499,871,727)	-
Net cash flows from (used in) financing activities	(615,552,025)	(218,713,387)	(97,863,632)	31,933,662
Decrease in translation adjustments	(7,665,197)	(3,783,211)	-	-
Net increase (decrease) in cash and cash equivalents	(76,231,155)	129,352,234	(69,960,822)	118,410,222
Cash and cash equivalents at beginning of year	249,262,452	119,910,218	182,545,963	64,135,741
Cash and cash equivalents at end of year	173,031,297	249,262,452	112,585,141	182,545,963
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	1,490,407	(10,007,340)	(1,834,715)	(10,511,219)
2) Non-cash related transaction for financing activities				
Dividend payable	805,588	500,674,751	801,547	500,673,274
Assets acquired under financial lease agreements	2,832,753	9,060,000	-	5,230,000

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

Notes to consolidated financial statements

Kulthorn Kirby Public Company Limited and its subsidiaries
For the year ended 31 December 2015

1. General information

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

2. Basis of preparation

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

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

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

2.2 Basis of consolidation

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

Subsidiary companies	Nature of business	Country of incorporation	Percentage of shareholding	
			2015 Percent	2014 Percent
Subsidiaries held by the Company				
Kulthorn Kirby Foundry Company Limited	Manufacturing and sales of iron castings for compressor parts and automotives parts	Thailand	100	100
Kulthorn Premier Company Limited	Manufacturing and sales of hermetic compressors and iron castings for compressor parts and automotives parts	Thailand	100	100
Kulthorn Steel Company Limited	Slitting of electrical steel for compressor	Thailand	100	100
Kulthorn Materials and Controls Company Limited	Manufacturing and sales of enameled copper wires and thermostat used in air conditioners and refrigerators	Thailand	100	100

Subsidiary companies	Nature of business	Country of incorporation	Percentage of shareholding	
			2015 Percent	2014 Percent
<u>Subsidiaries held directly and indirectly by Kulthorn Materials and Controls Company Limited</u>				
Kulthorn Metal Products Company Limited	Manufacture and sell forging, machining and heat treatment metal parts	Thailand	100	100
Suzhou Kulthorn Magnet Wire Company Limited (held by Phelps Dodge Suzhou Holdings, Inc.)	Manufacture and sell enameled copper wire	China	100	100

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

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

3. New financial reporting standards

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 year

The Company has adopted the revised (revised 2014) and new financial reporting standards issued by the Federation of Accounting Professions which 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 standards. The adoption of these financial reporting standards does not have any significant impact on the Company's financial statements. However, some of these standards involve changes to key principles, which are summarised 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 former standard allowed the entity to recognise such gains and losses immediately in either profit or loss or 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 recognise 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 content of TAS 27 Consolidated and Separate Financial Statements dealing with consolidated 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 investees and determining which entities have to be included in preparation of the consolidated financial statements.

This standard does not have any 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 on 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 measurement. 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 effects of the adoption of this standard are to be recognised prospectively.

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

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

During the current year, the Federation of Accounting Professions issued a number of the revised (revised 2015) and new financial reporting standards and accounting treatment guidance which is effective for fiscal years beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards. The Company's management believes that the revised and new financial reporting standards and accounting treatment guidance will not have any significant impact on the financial statements when it is initially applied.

4. Significant accounting policies

4.1 Revenue recognition

Sales of goods

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

Rendering of services

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

Interest income

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

Dividends

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

4.2 Cash and cash equivalents

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

4.3 Trade accounts receivable

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

4.4 Inventories

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

4.5 Investments

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

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

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

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

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

4.6 Property, plant and equipment and depreciation

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

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

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

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

No depreciation is provided for land and construction in progress.

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

4.7 Intangible assets

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

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

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

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

4.8 Goodwill

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

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

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

4.9 Warranty reserve

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

4.10 Related party transactions

Related parties comprise 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.

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

4.12 Foreign currencies

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

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

Gains and losses on exchange are included in determining income.

4.13 Impairment of assets

At the end of each reporting period, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment 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 employees, have jointly established a provident fund. The fund is monthly contributed by employees and by the Company and the subsidiaries. The fund's assets are held in a separate trust fund and the Company and the subsidiaries' contributions are recognised as expenses when incurred.

Defined benefit plans and other long-term employee benefits

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

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

Actuarial gain and loss arising from 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.

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

Interest rate swap 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.

4.18 Fair value measurement

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

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

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

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

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

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

5. Significant accounting judgements and estimates

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

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 recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercise judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk (bank and counterparty, both) liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value recognised in the statement of financial position and disclosures of fair value hierarchy.

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)

	For the years ended 31 December				
	Consolidated financial statements		Separate financial statements		Pricing policy
	2015	2014	2015	2014	
<u>Transactions with subsidiary companies (eliminated from the consolidated financial statements)</u>					
Purchases of goods	-	-	1,718	1,901	Market price
Sales and service income and scraps sales	-	-	359	496	Approximate market price
Dividend income	-	-	135	76	At the declared rate
Interest expenses	-	-	25	2	Interest rate at 0.25 - 5.8 percent per annum
Interest income	-	-	15	-	Interest rate at 3.25 - 5.8 percent per annum
Other income	-	-	11	11	Mutually agreed price as stipulated in the contract
Rental income	-	-	3	3	Mutually agreed price as stipulated in the contract
Sales of fixed assets	-	-	1	1	Mutually agreed price
Other expenses	-	-	1	-	Mutually agreed price as stipulated in the contract
<u>Transactions with related companies</u>					
Sales and service income and scraps sales	598	568	358	344	Approximate market price
Purchases of goods	84	110	77	79	Market price
Rental expense	15	13	2	-	Mutually agreed price as stipulated in the contract
Other expenses	11	4	6	-	Mutually agreed price as stipulated in the contract
Other income	1	-	1	-	Mutually agreed price as stipulated in the contract

The balances of the accounts as at 31 December 2015 and 2014 between the Company and those related parties are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
<u>Trade and other receivables - related parties (Note 8)</u>				
Subsidiary companies	-	-	104,894	29,238
Related companies (related by common director/shareholder)	111,327	107,449	64,860	58,176
Trade and other receivables - related parties	111,327	107,449	169,754	87,414
<u>Trade and other payables - related parties (Note 15)</u>				
Subsidiary companies	-	-	535,401	611,673
Related companies (related by common director/ shareholder)	30,143	47,607	18,524	19,967
Total trade and other payables - related parties	30,143	47,607	553,925	631,640

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

As at 31 December 2015 and 2014, 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 2014	Increase during the year	Decrease during the year
<u>Short-term loans to subsidiary</u>			
Kulthorn Materials and Controls Co., Ltd.	208,000	100,000	(100,000)
Total	208,000	100,000	(100,000)

(Unit: Thousand Baht)

	Separate financial statements		
	Balance as at 31 December 2014	Increase during the year	Decrease during the year
<u>Short-term loans from subsidiaries</u>			
Kulthorn Metal Product Co., Ltd.	-	30,000	-
Kulthorn Premier Co., Ltd.	380,000	371,000	(276,000)
Total	380,000	401,000	(276,000)

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 2015 and 2014, the Company and its subsidiaries had outstanding short-term loans from the above agreement as follows:

	(Unit: Thousand Baht)	
	<u>2015</u>	<u>2014</u>
<u>Short-term loans to related parties</u>		
Kulthorn Metal Product Co., Ltd.	5,576	7,457
Kulthorn Materials and Controls Co., Ltd.	-	11,601
Kulthorn Kirby Foundry Co., Ltd.	-	10,000
Total short-term loans to related parties	5,576	29,058
<u>Short-term loans from related parties</u>		
Kulthorn Premier Co., Ltd.	66,796	90,922
Kulthorn Kirby Foundry Co., Ltd.	37,463	-
Kulthorn Steel Co., Ltd.	5,045	32,689
Kulthorn Materials and Controls Co., Ltd.	4,984	-
Total short-term loans from related parties	114,288	123,611

Directors and management's remuneration

During the years ended 31 December 2015 and 2014, 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>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Short-term employee benefits	54	48	22	19
Post-employment benefits	1	1	1	1
Total	55	49	23	20

Guarantee obligations with related parties

The Company and its subsidiaries have outstanding guarantee obligations with its related parties, as described in Note 29.4 to the financial statements.

7. Cash and cash equivalents

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
Cash	719	5,252	169	306
Bank deposits	172,312	244,010	112,416	182,240
Total	173,031	249,262	112,585	182,546

As at 31 December 2015, bank deposits in savings accounts carried interests at the rate between 0.35 and 0.75 percent per annum (2014: between 0.30 and 0.63 percent per annum).

8. Trade and other receivables

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
<u>Trade receivables - related parties</u>				
Not yet due	74,481	79,459	100,864	53,627
Overdue				
Less than 3 months	25,818	15,199	17,948	6,511
3 - 6 months	6,336	1,297	4,565	1,000
6 - 12 months	-	453	-	-
Over 12 months	3,539	8,460	-	5,682
Total trade receivables - related parties	110,174	104,868	123,377	66,820
<u>Trade receivables - unrelated parties</u>				
Not yet due	1,451,682	1,473,616	899,786	630,404
Overdue				
Less than 3 months	480,641	572,271	189,148	308,311
3 - 6 months	21,828	14,316	3,887	4,104
6 - 12 months	9,191	1,876	4,901	-
Over 12 months	16,301	21,830	245	298
Total	1,979,643	2,083,909	1,097,967	943,117
Less: Allowance for doubtful debts	(9,412)	(15,224)	(418)	(418)
Total trade receivables - unrelated parties	1,970,231	2,068,685	1,097,549	942,699
Total trade receivables - net	2,080,405	2,173,553	1,220,926	1,009,519
<u>Other receivables</u>				
Advances - related parties	1,153	2,581	46,377	20,594
Others	2,340	3,325	1,823	2,261
Total other receivables	3,493	5,906	48,200	22,855
Total trade and other receivables - net	2,083,898	2,179,459	1,269,126	1,032,374

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					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2015	2014	2015	2014	2015	2014
Finished goods	1,063,052	1,007,195	(102,806)	(70,610)	960,246	449,181
Work in process	460,517	454,579	(8,142)	(6,499)	452,375	448,080
Raw materials	1,016,435	1,235,156	(23,486)	(15,590)	992,949	1,219,566
Goods in transit	32,199	56,074	-	-	32,199	56,074
Total	<u>2,572,203</u>	<u>2,753,004</u>	<u>(134,434)</u>	<u>(92,699)</u>	<u>2,437,769</u>	<u>2,660,305</u>

(Unit: Thousand Baht)

	Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2015	2014	2015	2014	2015	2014
Finished goods	568,935	457,584	(25,221)	(8,403)	543,714	949,181
Work in process	303,349	257,256	(5,465)	(4,725)	297,884	252,531
Raw materials	614,638	554,353	(17,385)	(10,186)	597,253	544,167
Goods in transit	54	369	-	-	54	369
Total	<u>1,486,976</u>	<u>1,269,562</u>	<u>(48,071)</u>	<u>(23,314)</u>	<u>1,438,905</u>	<u>1,246,248</u>

During the current year, the Company and its subsidiaries reduced cost of inventories by Baht 41.7 million (The Company only: Baht 24.8 million) (2014: reduced cost of inventories by Baht 32.0 million in the consolidated financial statements and reversed the write-down of cost of inventories by Baht 0.4 million in the separate financial statements) to reflect the net realisable value. This was included in cost of sales.

10. Investments in subsidiaries

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

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost		Dividend received during the year	
	2015	2014	2015	2014	2015	2014	2015	2014
			(%)	(%)				
Kulthorn Kirby Foundry Company Limited	575,000	475,000	100	100	739,999	639,999	119,050	-
Kulthorn Premier Company Limited	1,260,000	1,260,000	100	100	1,936,751	1,936,751	-	75,595
Kulthorn Steel Company Limited	400,000	400,000	100	100	399,999	399,999	16,000	-
kulthorn Materials and Controls Company Limited	450,000	350,000	100	100	340,630	240,630	-	-
Total					3,417,379	3,217,379	135,050	75,595
Less: Allowance for impairment loss on investments in subsidiaries					(783,007)	(783,007)	-	-
Total investments in subsidiaries - net					2,634,372	2,434,372	135,050	75,595

On 6 May 2015, the Board of Directors' Meeting of the Company No. 4/2558 passed a resolution to increase in the share capital of Kulthorn Materials and Controls Company Limited by Baht 100 million (1 million ordinary shares of Baht 100 each) from Baht 350 million (3.5 million ordinary shares of Baht 100 each) to Baht 450 million (4.5 million ordinary shares of Baht 100 each). The subsidiary registered the increase in its registered and paid-up share capital with the Ministry of Commerce on 22 July 2015. The Company maintains its shareholding at 100 percent.

In addition, during the current year, Kulthorn Kirby Foundry Company Limited called up the uncalled portion of the additional registered capital amounting to Baht 200 million (2 million ordinary shares of Baht 100 each), 50 percent of which was called up initially in 2013. The subsidiary called up the remaining 50 percent payment for the shares, amounting to Baht 100 million and the Company made full payment for the shares on 9 July 2015. As result, this subsidiary has increased from Baht 475 million to Baht 575 million of its paid-up capital. The subsidiary registered the increase in its registered and paid-up share capital with the Ministry of Commerce on 24 July 2015. The Company maintains its shareholding at 100 percent.

11. Property, plant and equipment

(Unit: Thousand Baht)

Consolidated financial statements								
	Land	Land improvement and plant	Machineries	Plant equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
Cost								
As at 1 January 2014	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 in (out)	-	22,487	113,707	40,414	3,418	3,219	(183,245)	-
Disposals/write-off	-	-	(5,080)	(1,976)	(615)	(3,265)	(2,627)	(13,563)
Adjustment of prior year	(842)	-	-	-	-	-	-	(842)
Translation adjustments	-	(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
Additions	-	425	13,176	7,050	6,027	4,536	192,761	223,975
Transfer in (out)	-	13,356	75,062	37,777	5,575	3,559	(136,610)	(1,281)
Disposals/write-off	-	-	(31)	(694)	(3,899)	(7,243)	-	(11,867)
Translation adjustment	-	10,885	18,525	-	490	357	-	30,257
As at 31 December 2015	349,728	1,856,531	7,697,379	1,212,452	186,398	139,826	245,862	11,688,176
Accumulated depreciation								
As at 1 January 2014	-	952,918	5,182,016	972,356	126,250	98,639	-	7,332,179
Disposals/ write-off	-	-	(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 adjustment	-	(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
Disposals/ write-off	-	-	(31)	(495)	(3,734)	(7,243)	-	(11,503)
Depreciation for the year	-	82,688	390,261	55,474	16,548	11,462	-	556,433
Translation adjustment	-	4,867	14,341	-	400	285	-	19,893
As at 31 December 2015	-	1,120,935	6,027,933	1,078,835	154,758	111,931	-	8,494,392
Allowance for impairment loss:								
As at 1 January 2014	-	-	-	-	-	-	-	-
Increase during the year	-	-	-	-	-	-	(517)	(517)
As at 31 December 2014	-	-	-	-	-	-	(517)	(517)
Increase during the year	-	-	(973)	-	-	-	-	(973)
As at 31 December 2015	-	-	(973)	-	-	-	(517)	(1,490)
Net book value								
As at 31 December 2014	349,728	798,485	1,967,285	144,463	36,661	31,190	189,194	3,517,006
As at 31 December 2015	349,728	735,596	1,668,473	133,617	31,640	27,895	245,345	3,192,294
Depreciation for the year								
2014 (Baht 571 million included in manufacturing cost, and the balance in administrative expenses)								614,776
2015 (Baht 531 million included in manufacturing cost, and the balance in administrative expenses)								556,433

(Unit: Thousand Baht)

Separate financial statements								
	Land	Land improvement and plant	Machineries	Plant equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
Cost								
As at 1 January 2014	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
Additions	-	-	130	1,863	2,921	628	117,923	123,465
Transfer in (out)	-	730	26,356	21,913	2,263	1,822	(53,084)	-
Disposals/write-off	-	-	-	(184)	(2,381)	(2,365)	-	(4,930)
As at 31 December 2015	221,024	625,420	3,581,429	809,164	87,602	64,296	116,560	5,505,495
Accumulated depreciation								
As at 1 January 2014	-	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
Depreciation for the year	-	25,456	207,254	26,850	8,489	5,651	-	273,700
Disposals/write-off	-	-	-	(4)	(2,381)	(2,365)	-	(4,750)
As at 31 December 2015	-	367,120	2,865,574	750,304	75,768	52,196	-	4,110,962
Net book value								
As at 31 December 2014	221,024	283,026	896,623	62,114	15,139	15,301	51,721	1,544,948
As at 31 December 2015	221,024	258,300	715,855	58,860	11,834	12,100	116,560	1,394,533
Depreciation for the year								
2014 (Baht 268 million included in manufacturing cost, and the balance in administrative expenses)								276,268
2015 (Baht 265 million included in manufacturing cost, and the balance in administrative expenses)								273,700

The Company and its subsidiaries have mortgaged and negative pledged their land and building thereon and machineries, with net book value amounting to approximately Baht 1,001.9 million (The Company only: Baht 304.4 million) (2014: Baht 1,233.0 million in consolidated financial statements and Baht 332.3 million in separate financial statements) with financial institutions to secure against credit facility and loans obtained from those financial institutions as discussed in Note 14 and 16.

As at 31 December 2015, 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 4,511.0 million (The Company only: Baht 2,755.2 million) (2014: Baht 3,995.2 million in the consolidated financial statements and Baht 2,360.6 million in the separate financial statements).

As at 31 December 2015, the Company and its subsidiaries had machineries, vehicles and equipment with net book values of Baht 174.5 million (The Company only: Baht 104.2 million) (2014: Baht 210.3 million in the consolidated financial statements and Baht 133.4 million in the separate financial statements) which were acquired under financial lease agreements.

12. Goodwill on business combination

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	2015	2014
Goodwill on business combination	37,620	37,620
Less: Accumulated impairment loss	(37,620)	(37,620)
Net book value	-	-

13. Intangible assets

The net book value of intangible assets, computer software, as at 31 December 2015 and 2014 is presented below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
As at 31 December 2015		
Cost	140,993	64,172
<u>Less:</u> Accumulated amortisation	(58,806)	(35,519)
Net book value	82,187	28,653
As at 31 December 2014		
Cost	130,246	57,883
<u>Less:</u> Accumulated amortisation	(48,072)	(32,198)
Net book value	82,174	25,685

A reconciliation of the net book value of intangible assets for the years 2015 and 2014 is presented below.

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
Net book value at beginning of year	82,174	55,746	25,685	11,707
Acquisition during the year	10,324	33,239	6,289	15,123
Amortisation	(10,617)	(6,676)	(3,321)	(1,145)
Translation adjustment	306	(135)	-	-
Net book value at end of year	82,187	82,174	28,653	25,685

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

(Unit: Thousand Baht)					
	Interest rate (percent per annum)	Consolidated		Separate	
		financial statements		financial statements	
		2015	2014	2015	2014
Bank overdrafts	MOR	24,452	26,719	-	170
Short-term loans	4.10 - 5.00	767,849	790,466	576,849	548,466
Trust receipts	2.00 - 5.50	1,786,424	1,843,134	922,031	650,835
Packing credit	4.09 - 5.66	1,081,335	1,040,371	671,551	623,093
Loans from discounting of accounts receivable	-	-	85,184	-	85,184
Total		3,660,060	3,785,874	2,170,431	1,907,748

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.

15. Trade and other payables

(Unit: Thousand Baht)				
	Consolidated		Separate	
	financial statements		financial statements	
	2015	2014	2015	2014
Trade payables - related parties	18,487	24,322	496,881	542,390
Trade payables - unrelated parties	823,633	1,166,088	466,572	483,595
Other payables - related parties	11,656	23,285	52,921	89,109
Other payables - unrelated parties	173,195	146,779	96,530	66,031
Accrued interest expenses to related parties	-	-	4,123	141
Accrued interest expenses to unrelated parties	2,737	3,630	1,244	2,126
Accrued expenses	108,491	119,973	40,466	46,824
Total trade and other payables	1,138,199	1,484,077	1,158,737	1,230,216

16. Current portion of long-term loans

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.

In April 2015, the Company and its subsidiaries entered into the Fourth Amendment to Credit Facilities Agreement in order to decrease the amount of existing credit facility.

The loan is subject to interest at the rate with reference to THBFIX+3%, 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 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 requested the waiver for such non-compliance and have got an approval in April 2015. The classification of such liabilities as at 31 December 2014 to be current is in accordance with financial reporting standards.

As at 17 December 2015, the Company and its subsidiaries received the waiver letter for maintain covenant ratio from all lenders for the year ended 31 December 2015. The Company and its subsidiaries have to comply with certain conditions including maintaining current ratio for consolidated financial statements not less than 0.95:1. As at 31 December 2015, the Company and its subsidiaries could maintain all conditions in the waiver letter and the loan agreement.

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

During the year 2014 and 2015, the Company has entered into a cross currency interest rate swap contract for a portion of the above loan as discussed in Note 31.

17. Liabilities under financial lease agreements

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2015	2014	2015	2014
Liabilities under financial lease agreements	287,710	326,813	37,237	55,996
Less: Deferred interest expenses	(32,783)	(40,761)	(2,941)	(5,954)
Total	254,927	286,052	34,296	50,042
Less: Portion due within one year	(67,996)	(61,114)	(15,406)	(15,746)
Liabilities under financial lease agreements, net of current portion	<u>186,931</u>	<u>224,938</u>	<u>18,890</u>	<u>34,296</u>

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

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

	(Unit: Million Baht)					
	As at 31 December 2015					
	Consolidated financial statements			Separate financial statements		
	Less than 1 year	1-5 years	Total	Less than 1 year	1-5 years	Total
Future minimum lease payments	82	206	288	17	20	37
Deferred interest expenses	(14)	(19)	(33)	(2)	(1)	(3)
Present value of future minimum lease payments	<u>68</u>	<u>187</u>	<u>255</u>	<u>15</u>	<u>19</u>	<u>34</u>

	(Unit: Million Baht)					
	As at 31 December 2014					
	Consolidated financial statements			Separate financial statements		
	Less than 1 year	1-5 years	Total	Less than 1 year	1-5 years	Total
Future minimum lease payments	76	251	327	19	37	56
Deferred interest expenses	(15)	(26)	(41)	(3)	(3)	(6)
Present value of future minimum lease payments	<u>61</u>	<u>225</u>	<u>286</u>	<u>16</u>	<u>34</u>	<u>50</u>

18. Other current liabilities

The outstanding balances of warranty reserve as at 31 December 2015 and 2014 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	
	2015	2014	2015	2014
Warranty reserve	38,920	10,755	37,691	9,569

19. Provision for long-term employee benefits

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

	(Unit: Thousand Baht)					
	Consolidated financial statements					
	Retirement		Long service		Total	
	benefits plan		awards plan			
	2015	2014	2015	2014	2015	2014
Provision for long-term employee benefits at beginning of year	123,357	116,368	7,366	6,011	130,723	122,379
Included in profit or loss:						
Current service cost	9,021	8,943	1,265	1,164	10,286	10,107
Interest cost	3,848	4,091	212	191	4,060	4,282
Actuarial gain arising from						
Financial assumptions changes	-	-	(1,507)	-	(1,507)	-
Experience adjustments	-	-	(2,995)	-	(2,995)	-
Included in other comprehensive income:						
Actuarial loss arising from						
Financial assumptions changes	8,698	-	-	-	8,698	-
Experience adjustments	21,964	-	-	-	21,964	-
Benefits paid during the year	(9,211)	(6,045)	-	-	(9,211)	(6,045)
Provision for long-term employee benefits at end of year	157,677	123,357	4,341	7,366	162,018	130,723

(Unit: Thousand Baht)

	Separate financial statements					
	Retirement		Long service		Total	
	benefits plan		awards plan			
	2015	2014	2015	2014	2015	2014
Provision for long-term employee benefits at beginning of year	55,652	51,662	7,366	6,011	63,018	57,673
Included in profit or loss:						
Current service cost	3,871	3,796	1,265	1,164	5,136	4,960
Interest cost	2,038	1,886	212	191	2,250	2,077
Actuarial gain arising from						
Financial assumptions changes	-	-	(1,507)	-	(1,507)	-
Experience adjustments	-	-	(2,995)	-	(2,995)	-
Included in other comprehensive income:						
Actuarial loss arising from						
Financial assumptions changes	4,109	-	-	-	4,109	-
Experience adjustments	10,553	-	-	-	10,553	-
Benefits paid during the year	(2,649)	(1,692)	-	-	(2,649)	(1,692)
Provision for long-term employee benefits at end of year	73,574	55,652	4,341	7,366	77,915	63,018

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2015	2014	2015	2014
Cost of sales	6,599	10,525	2,367	4,600
Selling and administrative expenses	3,245	3,864	517	2,437
Total expense recognised in profit or loss	9,844	14,389	2,884	7,037

The Company and its subsidiaries expect to pay Baht 15.1 million of long-term employee benefits during the next year (Separate financial statements: Baht 6.9 million) (2014: Baht 9.2 million, separate financial statements: Baht 2.6 million).

As at 31 December 2015, the weighted average duration of the liabilities for long-term employee benefit is 13 years (Separate financial statements: 13 years) (2014: 13 years, separate financial statements: 13 years).

Significant actuarial assumptions used for the valuation are as follows:

	(Unit: percent per annum)			
	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
Discount rate	2.9	3.7	2.9	3.7
Future salary increase rate (depending on age)	5.0 - 8.0	5.0 - 9.0	5.0 - 8.0	5.0 - 9.0

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2015 are summarised below:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(11.8)	13.5	(5.6)	6.4
Future salary increase rate	12.8	(11.5)	6.0	(5.4)

20. Share capital

On 23 April 2015, the Annual General Meeting of the Company's shareholders No. 36/2558 passed resolutions approval of an increase in the Company's share capital from Baht 1,000 million (1,000 million ordinary shares of Baht 1 each) to Baht 1,200 million (1,200 million ordinary shares of Baht 1 each) through the issuance of 200 million 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. The Company had registered the increase in its registered and paid-up share capital with the Ministry of Commerce on 10 June 2015.

21. 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. During the current year, the Company set aside an additional statutory reserve of its net profit of Baht 20 million.

22. Expenses by nature

Significant expenses classified by nature are as follows:

			(Unit: Thousand Baht)	
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Raw materials and consumables used	8,974,747	11,542,066	4,643,582	4,982,532
Changes in inventories of finished goods and work in progress	(61,795)	(322,794)	(157,444)	(296,542)
Salaries, wages and other employee benefits	1,048,260	1,079,163	556,429	535,681
Depreciation and amortisation expenses	567,050	621,452	277,022	277,414
Net loss (gain) on exchange	18,195	(13,448)	14,842	(6,951)
Rental expenses	34,682	32,101	7,754	2,753

23. Income tax

Income tax expenses (revenues) for the years ended 31 December 2015 and 2014 are made up as follows:

			(Unit: Thousand Baht)	
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current income tax:				
Current income tax charge	42,551	8,667	33,162	-
Adjustment in respect of income tax of previous year	-	88	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences	(15,293)	(10,102)	(14,111)	2,863
Income tax expenses (revenues) reported in the statement of comprehensive income	<u>27,258</u>	<u>(1,347)</u>	<u>19,051</u>	<u>2,863</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2015 and 2014 are as follows:

			(Unit: Thousand Baht)	
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Deferred tax relating to actuarial loss	(4,732)	-	(2,605)	-

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2015	2014	2015	2014
Accounting profit before tax	239,637	56,073	521,792	259,795
Applicable tax rate	20, 25%	20, 25%	20%	20%
Accounting profit before tax multiplied by income tax rate	47,927	11,215	104,358	51,959
Adjustment in respect of income tax of previous year	-	(88)	-	-
Effects of:				
Promotional privileges (Note 24)	(19,668)	(25,460)	(12,322)	(12,843)
Dividend income not subject to tax	-	-	(27,011)	(15,119)
Non-deductible expenses	10,847	58,120	3,345	4,106
Additional expense deductions allowed	(16,365)	(5,223)	(4,522)	(6,887)
Loss carry forward	(46,730)	(63,648)	(40,720)	(20,728)
Others	(2,984)	(408)	(4,077)	2,375
Total	(74,900)	(36,619)	(85,307)	(49,096)
Unrecognised tax loss	54,231	24,145	-	-
Income tax expenses (revenues) reported in the statement of comprehensive income	27,258	(1,347)	19,051	2,863

The components of deferred tax assets are as follows:

	(Unit: Thousand Baht)			
	Statements of financial position			
	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
Deferred tax assets				
Allowance for doubtful accounts	3,100	3,548	84	84
Allowance for diminution in value of inventories	26,887	18,880	9,614	4,663
Warranty reserve	6,866	1,201	6,696	1,048
Provision for long-term employee benefits	25,048	17,565	13,841	7,725
Others	18,028	18,422	-	-
Total	79,929	59,616	30,235	13,520

As at 31 December 2015, the Company and its subsidiaries have unused tax losses totaling Baht 534.8 million (2014: Baht 561.3 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.

The unused tax losses amounting to Baht 534.8 million will expire by the year 2020.

24. Promotional privileges

24.1 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 6,407 million (2014: Baht 6,194 million) for the year ended 31 December 2015 included revenue from manufacturing and sales derived from promoted operations of approximately Baht 716 million (2014: Baht 2,801 million).

- 24.2** 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.

- 24.3** 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.

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

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

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

24.5 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.

25. 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 for the year		Weighted average number of ordinary shares		Earnings per share	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</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 Company	212,379	57,420	1,112,329	1,000,000	0.191	0.057
<u>Separate financial statements</u>						
Basic earnings per share						
Profit attributable to equity holders of the Company	502,741	256,932	1,112,329	1,000,000	0.452	0.257

26. Segment information

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

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

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

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

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

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

The following tables present revenue, profit (loss) and total assets information regarding the Company and its subsidiaries' operating segments for the years ended 31 December 2015 and 2014:

Year ended 31 December 2015	(Unit: Thousand Baht)						
	Compressors and parts	Enameled wire	Steel sheet	Steel coil center	Others	Total reportable segments	Adjustments and eliminations Consolidated
Revenue from external customers	7,229,973	1,333,942	997,773	897,072	85,622	10,544,382	- 10,544,382
Inter-segment revenue	316,532	792,405	590,764	510,136	145,006	2,354,843	(2,354,843) -
Interest income	40,838	323	10	20	55	41,246	(40,378) 868
Interest expense	(149,364)	(71,080)	(11,077)	(3,592)	(1,455)	(236,568)	40,378 (196,190)
Depreciation and amortisation	(349,685)	(76,483)	(34,017)	(85,578)	(29,533)	(575,296)	8,246 (567,050)
Income tax revenue (expenses)	(18,066)	2,563	51	(10,346)	266	(25,532)	(1,726) (27,258)
Unrealised gain (loss) on exchange	7,838	2,959	3,300	(7)	174	14,264	- 14,264
Segment profit (loss)	496,618	(264,054)	3,889	68,083	2,405	306,941	(94,562)
Segment total assets	8,935,038	1,916,721	873,622	1,025,185	229,333	12,979,899	(4,763,102)
Additions (decrease) to non-current assets other than financial instruments and deferred tax assets	(1,090)	59,720	887	(78,296)	(23,970)	(42,749)	(281,722) (324,471)

	(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 2014								
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 income	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 revenues (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)	215,821	(175,955)	8,185	32,905	6,063	87,019	(29,599)	57,420
Segment total assets	8,618,170	2,180,943	1,299,843	1,062,462	226,521	13,387,939	(4,438,545)	8,949,394
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)

Geographic information

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

	(Unit: Thousand Baht)	
	<u>2015</u>	<u>2014</u>
Revenue from external customers		
Thailand	6,208,513	5,860,821
Hong Kong	2,168,593	1,817,332
China	240,843	602,884
Indonesia	281,334	465,084
Saudi Arabia	78,614	234,323
Others	1,566,485	2,349,674
Total	<u>10,544,382</u>	<u>11,330,118</u>
Non-current assets (other than financial instruments and deferred tax assets)		
Thailand	3,050,197	3,363,236
China	<u>227,627</u>	<u>239,059</u>
Total	<u>3,277,824</u>	<u>3,602,295</u>

Major customers

For the year 2015, the Company and its subsidiaries have revenue from one major customer in amount of Baht 2,168.6 million, arising from sales by the compressors and parts segment (2014: Baht 1,822.9 million derived from one major customer, arising from sales by the compressors and parts segment).

27. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contribute to the fund monthly at the rate of 3 - 7 percent of basic salary. The fund, which is managed by Local Asset Management Company, will be paid to employees upon termination in accordance with the fund rules. The contributions for the year 2015 of the Company and its subsidiaries amounting to approximately Baht 19.4 million (2014: Baht 18.3 million) the Company only: Baht 7.9 million (2014: Baht 6.9 million) were recognised as expenses.

28. Dividends

			(Unit: Million Baht)
Dividends	Approved by	Total dividends	Dividend per share (Baht)
Interim dividends for 2014	Board of Directors' Meeting on 17 December 2014	500	0.5
Total dividend for 2014		500	0.5

29. Commitment and contingent liabilities

29.1 Capital commitments

As at 31 December 2015, the Company and its subsidiaries have capital commitments of approximately Baht 89.5 million (2014: Baht 6.6 million) the Company only: Baht 81.1 million (2014: Baht 2.8 million), relating to acquisition of mold, machinery and computer software.

29.2 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 2015 and 2014, future minimum lease payments required under these operating leases contracts were as follows:

		(Unit: Million Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
		<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<u>Payable:</u>					
In up to 1 year		29.0	27.5	5.4	0.4
In over 1 and up to 3 years		51.8	16.0	8.5	0.2

29.3 Long-term service commitments

- a) As at 31 December 2015 and 2014, 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>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<u>Payable:</u>				
In up to 1 year	14.4	11.0	4.7	2.3
In over 1 year	4.4	0.6	2.7	-

- 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 2015, the subsidiary has outstanding royalty fees amounting to approximately Baht 17.6 million (2014: 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.

29.4 Guarantees

- a) As at 31 December 2015, 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 67 million or equivalent to Baht 376.8 million (2014: RMB 100 million or equivalent to Baht 535.2 million).
- b) As at 31 December 2015, there were outstanding bank guarantees of approximately Baht 79.9 million (2014: Baht 78.8 million) (the Company only: Baht 21.7 million (2014: Baht 22.6 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 77.3 million (2014: Baht 75.0 million) (the Company only: Baht 19.6 million (2014: Baht 19.2 million)), and to guarantee import duty and others amounting to Baht 2.6 million (2014: Baht 3.8 million) (the Company only: Baht 2.1 million (2014: Baht 3.4 million)).

30. Fair values of financial instruments

As of 31 December 2015, the Company and its subsidiaries had the following assets and liabilities that were measured or disclosed at fair value using different level of input as follow.

	(Unit: Million Baht)			
	Consolidated		Separated	
	financial statements		financial statements	
	Level 1	Level 2	Level 1	Level 2
Financial assets measured at fair value				
Derivatives				
Foreign currency forward contracts	-	6.2	-	0.2
Liabilities for which fair value are disclosed				
Copper swap contract	0.7	-	-	-

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 receivables, trade and other payables, and short-term and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

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

Interest rate risk

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

Significant financial assets and liabilities as at 31 December 2015 and 2014 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 2015						
	Fixed interest rates		Floating	Non-		Effective
	Within		Interest	interest		interest
	1 year	1-5 years	rate	bearing	Total	rate
						(% per annum)
<u>Financial assets</u>						
Cash and cash equivalents	18	-	136	19	173	0.35 - 0.75
Trade and other receivables	-	-	-	2,084	2,084	-
	18	-	136	2,103	2,257	
<u>Financial liabilities</u>						
Bank overdrafts and short-term loans						
from financial institutions	3,636	-	24	-	3,660	2.00 - 7.38
Trade and other payables	-	-	-	1,138	1,138	-
Liabilities under financial lease						
agreements	68	187	-	-	255	2.55 - 13.38
Current portion of long-term loans	-	-	263	-	263	THBFX+3%
	3,704	187	287	1,138	5,316	

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2014

	Fixed interest rates		Floating	Non-		Effective
	Within		Interest	interest		interest
	1 year	1-5 years	rate	bearing	Total	rate
						(% per annum)
<u>Financial assets</u>						
Cash and cash equivalents	-	-	186	63	249	0.30 - 0.63
Trade and other receivables	-	-	-	2,179	2,179	-
	-	-	186	2,242	2,428	
<u>Financial liabilities</u>						
Bank overdrafts and short-term loans						
from financial institutions	3,759	-	27	-	3,786	1.66 - 7.75
Trade and other payables	-	-	-	1,484	1,484	-
Liabilities under financial lease agreements	61	225	-	-	286	3.70 - 7.70
Long-term loans	-	-	635	-	635	THBFIX+3%
	3,820	225	662	1,484	6,191	

(Unit: Million Baht)

Separate financial statements as at 31 December 2015

	Fixed interest rates		Floating	Non-		Effective
	Within		Interest	interest		interest
	1 year	1-5 years	rate	bearing	Total	rate
						(% per annum)
<u>Financial assets</u>						
Cash and cash equivalents	-	-	112	1	113	0.37 - 0.63
Trade and other receivables	-	-	-	1,269	1,269	-
Short-term loans to related parties	214	-	-	-	214	3.25 - 5.80
	214	-	112	1,270	1,596	
<u>Financial liabilities</u>						
Bank overdrafts and short-term loans						
from financial institutions	2,170	-	-	-	2,170	2.00 - 5.10
Trade and other payables	-	-	-	1,159	1,159	-
Short-term loans from related parties	619	-	-	-	619	0.25 - 5.80
Liabilities under financial lease agreements	15	19	-	-	34	5.02 - 7.70
Current portion of long-term loans	-	-	263	-	263	THBFIX+3%
	2,804	19	263	1,159	4,245	

(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	bearing	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 from 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	

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 below.

As at 31 December 2015

Foreign currency	Consolidated financial statements		Separate financial statements		Average exchange rate	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Buying	Selling
	(Million)	(Million)	(Million)	(Million)	(Baht per one foreign currency unit)	
US dollar	28	19	18	5	35.9233	36.2538
Japanese yen	1	84	-	81	0.2965	0.3028

As at 31 December 2014

Foreign currency	Consolidated financial statements		Separate financial statements		Average 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 2015 and 2014, the Company and its subsidiaries had outstanding forward exchange 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 2015					
Consolidated financial statements					
Foreign currency	Bought amount	Sold amount	Contractual maturity date	Contractual exchange rate	
	(Million)	(Million)		Bought amount	Sold amount
				(Baht per one foreign currency unit)	
US Dollar	13.4	-	3 February - 20 June 2016	35.04 - 36.33	-

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

As at 31 December 2015					
Separate financial statements					
Foreign currency	Bought amount	Sold amount	Contractual maturity date	Contractual exchange rate	
	(Million)	(Million)		Bought amount	Sold amount
				(Baht per one foreign currency unit)	
US Dollar	0.7	-	3 February - 20 June 2016	35.04 - 36.04	-

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

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 transmit 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.

The Company has no outstanding balances of cross currency interest rate swap contract as at 31 December 2015.

Commodity hedge agreements

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

As at 31 December 2015

Type of goods	Quantity	Maturity date	Contract price	Market price
	(Ton)		(per ton)	(per ton)
Copper	50	January 2016	RMB 39,100	RMB 36,740

As at 31 December 2014

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

As at 31 December 2015, fair value of copper hedging contracts with financial institution is lower than trade date of Baht 0.7 million (2014: Baht 0.8 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.

The estimate fair value of derivatives is as follows:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2015	2014	2015	2014
	Fair value	Fair value	Fair value	Fair value
	Gain	Gain	Gain	Gain
Derivatives				
Forward exchange contracts	6.2	1.5	0.2	1.1

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

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

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

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 2015 and 2014.

33. Events after the reporting period

On 24 February 2016, the Board of Directors' Meeting of the Company No. 1/2016 passed the following significant resolutions:

- 1) Approval of the dividend payment for the operating results of the year 2015 at the rate of Baht 0.15 per share for 1,200 million ordinary shares, totaling Baht 180 million. The schedule of the dividend payment is on 18 May 2016. However, such dividend payment is subject to the approval of the Annual General Meeting of the shareholders, which is to be held on 23 April 2016.
- 2) Approval of an increase of the registered capital in Kulthorn Material & Controls Co., Ltd., a subsidiary company in which the Company has 100 percent shareholding, of Baht 200 million (2 million ordinary shares of Baht 100 each) from Baht 450 million (4.5 million ordinary shares of Baht 100 each) to Baht 650 million (6.5 million ordinary shares of Baht 100 each). The Company will hold all newly issued shares of Baht 200 million.

34. Approval of financial statements

These financial statements were authorised for issue by the Company's authorised Directors on 24 February 2016.

World Class Products



by

Kulthorn Kirby Plc

Established Since March 24, 1980



AW



KA



LA



THACOM ROTARY



WJ



CA



BA



AE



AZ



KU MOTOR

Compressors and Motors Supply to
Refrigeration and Air-conditioning
Industries Worldwide



ISO 9001



ISO 14001



OHSAS 18001

Manufacture by Kulthorn Kirby Plc & its subsidiaries

126 Soi Chalong Krung 31, Chalong Krung Road,

Lat Krabang Industrial Estate, Bangkok 10520 Thailand

Tel : +66 2326 0831, 2739 4893 Fax : +66 2326 0837, 2739 4892

E-mail : kkc@kulthorn.com www.kulthorn.com



บริษัท กุลธอร์นบี้ จำกัด (มหาชน)
Kulthorn Kirby Public Company Limited

126 ซอยฉลองกรุง 31 ถนนฉลองกรุง
แขวงลำปลาทิว เขตลาดกระบัง
กรุงเทพฯ 10520 ประเทศไทย

โทร. : (662) 326-0831-6, 739-4893-5
แฟกซ์ : (662) 326-0837, 739-4892
อีเมล : kkc@kulthorn.com
Website : www.kulthorn.com

126 Soi Chalong Krung 31, Chalong Krung Road,
Khwaeng Lam Pla Thio, Khet Lat Krabang,
Bangkok 10520, Thailand

Tel. : (662) 326-0831-6, 739-4893-5
Fax : (662) 326-0837, 739-4892
E-mail : kkc@kulthorn.com
Website : www.kulthorn.com