

บริษัท กุลธอร์คีย์ จำกัด (มหาชน)  
Kulthorn Kirby Public Company Limited



Annual Report 2012  
รายงานประจำปี 2555



Leading Manufacturer in reciprocating compressor  
for refrigeration and air conditioning products





## โครงสร้างบริษัท Company Group Structure



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

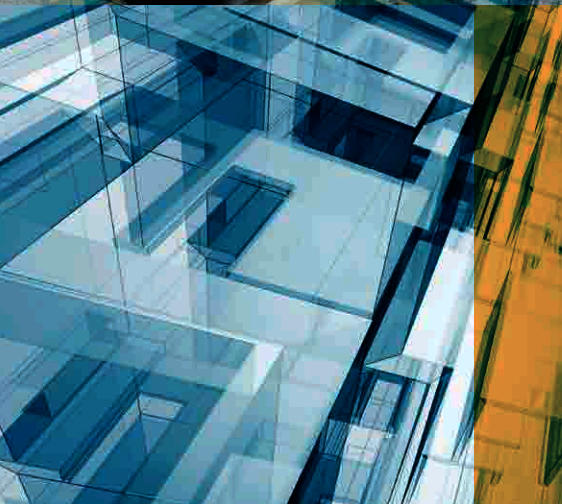




## Sustainable Growth

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





## Vision

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

## Mission

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

## Core Values “ **KK** - BEST “

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



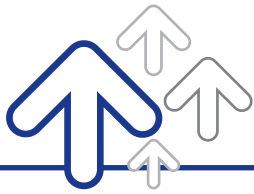




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## Message from the Chairman



The current economics situation of developing countries in Asia such ASEAN, China and India have showed continuing growth and expansion but in the United State of America and European countries both faced weak conditions. And also, the manufacturing bases of China, Malaysia and, including Thailand are the main operation bases for export of many electrical and appliance products. In 2012 the company's operation had total revenue of approximate Baht 12,021.15 million, net profit of approximate Baht 215.82 million and the total revenue was a few decreasing of 2.09% compared to the previous year which caused from the appreciated value of Baht exchange to US\$ in the year. The company controlled operations in order to reduce all economic effects and protect from risks such as sales price adjustment, financial management and others. However based on the 2012 operation results, the company can improve its profit.

Daily life living of all people in the world under the current circumstance need to have cooling appliances to support their comfortable and healthy life living such as refrigerator for food keeping and air conditioner for air cooling. The company's motor compressors are the key equipments of cooling appliances for making cool and its current demand in the world is increasing every year. In order to make satisfy customer requirements, the company has continued making the improvement and development of products to be world wide acceptance and with the conditions of best quality, excellent energy saving and environmental friendly.

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

(Mr.Sumeth Simakulthorn)

Chairman of the Board of Directors

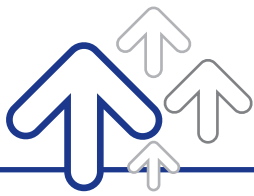
## Summary of the company's financial information

	2012	2011	2010	2009	2008
<b>Consolidated Financial Statements (Thousand Baht)</b>					
Total assets	8,881,413	9,501,928	9,309,518	8,586,247	6,241,513
Total liabilities	6,538,631	7,355,249	7,015,506	7,226,021	5,242,602
Shareholder's equity	2,342,782	2,146,679	2,294,012	1,360,226	998,911
Sales and services income	11,539,419	11,842,281	11,860,611	8,482,042	6,915,797
Total revenues	12,021,149	12,277,159	12,537,329	8,748,554	7,080,727
Gross income (loss)	521,853	480,033	905,045	606,425	433,583
Net income (loss)	215,822	83,969	819,696	15,512	(68,952)
<b>Financial Ratio (%)</b>					
Net profit margin	1.87	0.71	6.91	0.18	(0.97)
Return on equity	9.61	3.78	44.86	1.14	(6.90)
Return on total assets	2.35	0.89	9.16	0.18	(1.10)
<b>Per share data (Baht)</b>					
Net income (loss)	0.25	0.10	1.05	0.02	(0.14)
Dividend	0.20	-	0.40	-	0.50
Book value	2.76	2.53	2.93	1.95	2.00



**157%**  **Net Profit**

SUMMARY OF THE  
COMPANY'S FINANCIAL  
INFORMATION



## The Company's information

### History

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

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



#### **Kulthorn Kirby Public Company Limited**

Head Office/Factory : 126 Soi Chalong Krung 31,  
Chalong Krung Road, Khwaeng Lam Pla Thio,  
Khet Lat Krabang, Bangkok 10520  
Tel : +66 (0)2326 0831, +66 (0)2739 4893  
Fax : +66 (0)2326 0837, +66 (0)2739 4892  
E-mail : [kkc@kulthorn.com](mailto:kkc@kulthorn.com)  
[http : //www.kulthorn.com](http://www.kulthorn.com)

Nature of Business : Manufacturer of Reciprocating Compressors  
for Refrigeration and Air conditioning Products

Registered No. : 0107537002150

Registered Capital : Baht 1,000 Million

Paid up Capital : Baht 850 Million

Issued Shares : Ordinary 850,000,000 Shares,  
Par Value at Baht 1/share



## Subsidiary Companies

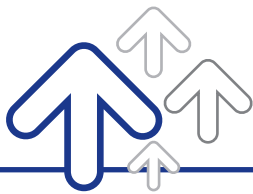
### 1. Kulthron Premier Company Limited

- Head Office/Factory : 446/3 Moo 9, Nong Kee, Kabin Buri,  
Prachin Buri 25110  
Tel : +66(0)3720 4835-41 Fax : +66 (0)3720 4844
- Branch : (1) 42/2 Moo 1, Suwintawong Road, Klong Udom Cholajorn,  
Amphur Muang, Chachoengsao 24000  
Tel : + 66(0)3884 6072-4 Fax : +66(0)3884 5677  
(2) 129 Soi Chalong Krung 31, Chalong Krung Road,  
Khwaeng Lam Pla Thio, Khet Lat Krabang, Bangkok 10520  
Tel : +66(0)2326 0612 Fax : +66(0)2326 0802
- Nature of Business : Manufacturer of  
- Reciprocating Compressor  
- Quality Iron Casting
- Issued Shares : Ordinary 12,600,000 shares, Par Value at Baht 100/share
- Shareholding by KKC : 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
- Nature of Business : Manufacturer of Quality Iron Casting
- Issued Shares : Ordinary 3,750,000 shares, Par Value at Baht 100/share
- Shareholding by KKC : 100%





### 3. Kulthorn Steel Company Limited

Head Office/Factory : 124 Soi Chalong Krung 31, Chalong Krung Road,  
Khwaeng Lam Pla Thio, Khet Lat Krabang,  
Bangkok 10520,  
Tel : +66(0)2326 0851 Fax : +66(0)2326 0766

Nature of Business : Steel Coil Center

Issued Shares : Ordinary 4,000,000 shares, Par Value at Bath 100/share

Shareholding by KKC : 100%

### 4. Kulthorn Materials and Controls Company Limited

Head Office/Factory : 1/2 Moo 22 Suwintawong Road. Saladang,  
Bangnumpreaw, Chachoengsao 24000  
Tel : +66(0)3859 3030-3 Fax : +66(0)3859 3028

Nature of Business : Manufacturer of Enameled Copper Wire and  
Thermostat used in refrigerators

Issued Shares : Ordinary 3,500,000 shares, Par Value at Bath 100/share

Shareholding by KKC : 100%

### 5. Kulthorn Metal Products Company Limited

Head Office/Factory : 123 Soi Chalong Krung 31, Chalong Krung Road,  
Lam Pla Thio, Khet Lat Krabang, Bangkok 10520  
Tel : +66(0)2739 6638-9, +66(0)2326 0314-7  
Fax : +66(0)2739 6643, +66(0)2326 0318

Nature of Business : Manufacturer of Forging, Heat Treatment metal parts

Issued Shares : Ordinary 2,500,000 shares, Par Value at Bath 100/share

Shareholding : 100% by Kulthorn Materials and Controls Co., Ltd.



## 6. Suzhou Kulthorn Magnet Wire Company Limited

Head Office/Factory : 18 Long Pu Road, SIP, Jiangsu Province, 215126 China  
Tel : 86 (512) 6283 3750/86 (512) 6265 0058  
Fax : 86 (512) 6283 3763a

Nature of Business : Manufacturer of Enameled Copper Wire

Issued Shares : Ordinary 347 shares, Total Capital USD 15,835,000

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

### Other References

#### Registrar

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

#### Auditor

: Ms. Saifon Inkaew,  
Certified Public Accountant no. 4434 and/or  
  
Mr. Wichart Lokatekrawee,  
Certified Public Accountant no. 4451 and/or  
  
Ms. Siriwan Suratepin,  
Certified Public Accountant no. 4604  
  
Ernst & Young Office Limited.  
33<sup>rd</sup> Floor, Lake Rajada Office Complex  
193/136-137 Rajadapisek Road, Klongtoey, Bangkok 10110  
Tel. +66 (0)2264 0777 Fax. +66 (0)2264 0789-90

#### Law Consultant

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





## Business Overview of the Company and its Subsidiaries

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

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

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

## Characteristics of Business

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

Type	Reciprocating (RE)	Rotary (RO)	Scroll (SL)
Size	1/20 HP to 25 HP	1 HP to 7 HP	1.5 HP to 30 HP
Application	Household refrigerator, Freezer, commercial Refrigerator, ice machine, water cooler, air condition and heat pumps	Small tonnage air conditioner, Room air conditioner, Package air conditioner and heat pumps	Air conditioner and heat pumps
Strength	Machine efficiency, reliability, and durability in high-ambient temperatures. Wide range of HP to be chosen from to suit with various applications	Energy saving and low cost, Twin Rotary types (Similar to Scroll)	Energy saving and high efficiency
Weakness	Noisy and more expensive than rotary type	Moderate cooling efficiency, and unreliable.	Costly and a few manufacturers
Market Demand in 2012	160 mm units for household Refrigerators and Refrigeration	114 mm units	13.60 mm units

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

- **Industrial Overview of Reciprocating Compressors**

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

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

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



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

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

- **Market Overview of Reciprocating Compressors**

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

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

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

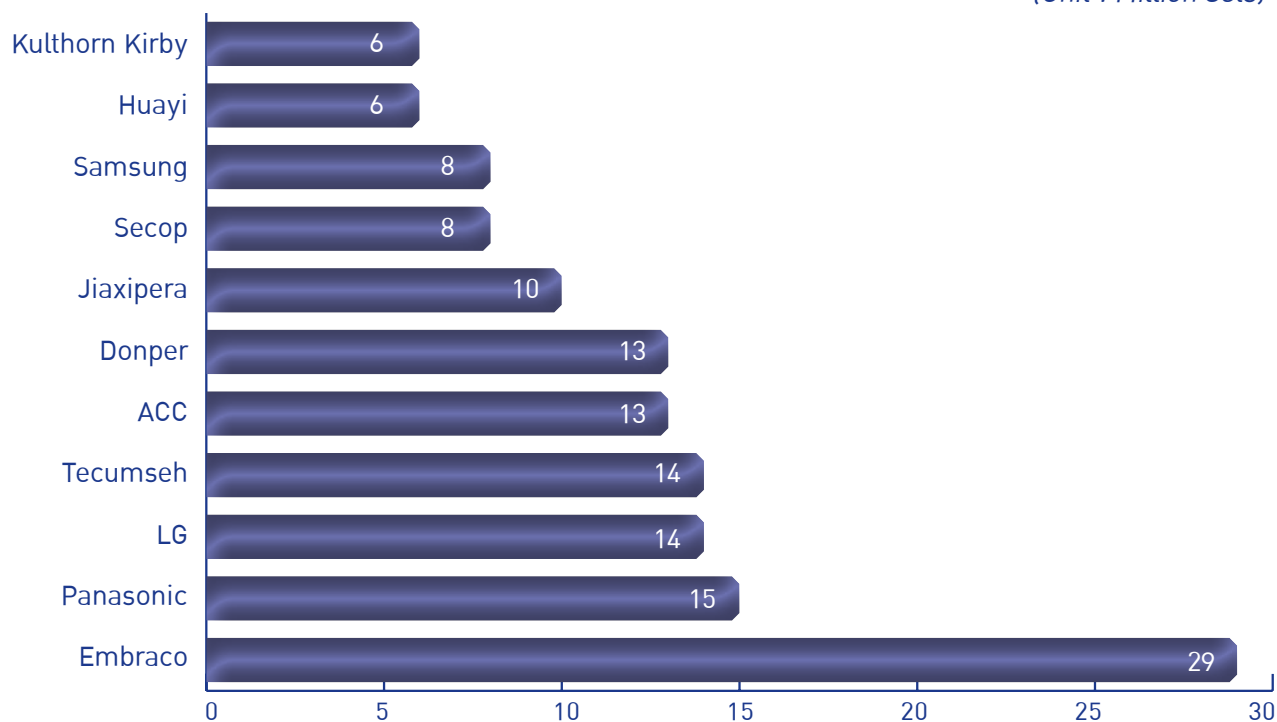
#### **World's Major Hermetic Compressor Manufacturers**

Embraco	Brazil, China, Italy, Slovakia
Panasonic	Singapore, Malaysia, China, Mexico, Japan
LG	Korea, China
Tecumseh	The United States, Brazil, France, India
ACC	Australia, China, Italy
Donper	China
Jiaxipera	China
Secop (Danfoss)	Slovenia, China, Germany
Samsung	Korea
Huayi	China
Kulthorn Kirby	Thailand



### 2012 Production volume of World's Major Hermetic Compressor Manufacturers

(Unit : Million Sets)



Compressor manufacturing industry has a relatively high competition in both domestic and international market. Moreover, during the past year, the production cost increases significantly due mainly to a rise in raw material cost, this lead to a price competition. As a result, most of manufacturers including the Company have strategies to reduce cost and to create a competitive advantage such as customer relationship, and improve production productivity.

### 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 sale and international sale is approximately 44% and 56 % of total revenues from sales respectively. The Company determines its products prices by considering various factors, such as competition and customer demand.



## Motor compressor of Kulthorn Kirby in the market

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

Company	Model	Displacement	Application	Refrigerant
Kulthron Premier Company Limited	C-S	1.79 cc-3.92 cc	Refrigeration & Freezer	R134a
	C-Q	1.79 cc-3.92 cc	Refrigeration & Freezer	R134a, R600a
	C-B	2.55 cc-9.82 cc	Refrigeration & Freezer	R134a, R600a, R404a, R290
Kulthorn Kirby Public Company Limited	AZ	2.23 cc-5.60 cc	Refrigeration & Freezer	R134a
	AZA	2.73 cc-6.00 cc	Refrigeration & Freezer	R134a, R600a, R404a, R290, R507
	AE	3.10 cc-10.9 cc	Refrigeration & Freezer	R134a, R600a, R404a, R290, R507, R22
	AEL	12.05 cc-18.0 cc	Commercial Refrigeration	R134a, R600a, R404a, R290, R507, R22
	BA	8.85 cc-18.0 cc	Commercial Refrigeration	R134a, R600a, R404a, R290, R507
	CA	18.0 cc-22.3 cc	Commercial Refrigeration	R134a, R600a, 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 an increase of production costs in the past several years due to the rising raw material prices. Under such circumstance, the Company has employed many strategies in order to respond to customers' needs in terms of prices, develop strong relationship with its customers, improve production productivity, as well as reducing the product costs by using alternative raw materials. Pricing of the Company is determined by relevant factors such as changing production costs from rising costs of steel and copper, competitive landscape, and customer order quantity. Therefore, the Company's selling prices for domestic and international markets is certainly competitive, compared with those of its competitors.

## Business risks

- **Risks associated with costs of raw materials for production**

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

- **Risk associated with technology**

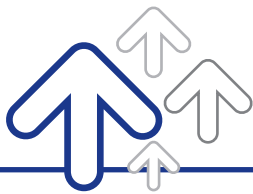
Motor compressors available around the world are many types but it's recommended the 3 types namely reciprocating, rotary, scroll. Reciprocating and rotary compressors are widely used in household refrigerators, freezer, water cooler, commercial refrigerator and room air conditioners.

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

The Company aims to make the product technology and production of motor compressor congruent with market needs and comply with the rules and regulation of refrigerants in relation to environmental issues. The company has an in-house R & D working team and by their efforts and capability many output of the developed products can be served to customers' demand relatively compared with other world's leading compressor manufactures.

However, reciprocating type is still widely used in a general group of customers and has increasing demand from customers in China, India, Brazil, Russia and the ASEAN countries.





- **Risks associated with trade credits**

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

## **Financial risks**

- **Risk associated with currency exchange volatility**

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

- **Risk associated with interest rate risk**

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

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

## MAJOR SHAREHOLDERS

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

As of the shareholder register closing date 9 March 2012

	No. of Shareholdings	%
1. Simakulthorn Group	426,311,347	50.154
2. Heatcraft Australia Pty. Ltd.	65,255,000	7.677
3. 1 <sup>st</sup> Lt Supakorn Chantasasawat	42,063,377	4.949
4. Ms. Sasi Ingkanant	39,374,081	4.632
5. Ms. Saisamorn Suriyathap	38,113,442	4.484
6. Ms. U-rai Khemumnaj	35,849,299	4.218
7. Ms. Pojanee Khemumnaj	35,584,231	4.186
8. Ms. Kalpapas Phanpitchawee	32,950,555	3.877
9. Mrs. Supatra Kumtien	14,474,723	1.703
10. Mrs. Benjamas Poohaipol	9,533,369	1.122

### Shareholding by Original Equipment Manufacturers

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

## THE BOARD OF DIRECTORS

As at 31 December 2012

\* Authorized Director

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

(1) shareholding by the spouse



## THE AUDIT COMMITTEE

As at 31 December 2012

- |   |                                 |
|---|---------------------------------|
| 1. To be 2 <sup>nd</sup> 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 2012

			SHAREHOLDING (%)
1.	Mr. Sutee Simakulthorn	Managing Director/President	0.7187
2.	Mr. Paiboon Boonpermvitaya	Executive Vice President (Manufacturing)	0.4345
3.	Mr. Titisak Simakulthorn	Executive Vice President (Marketing and Logistics)	0.4834
4.	Mr. Chanachai Kulnoppaleark	Vice President (Office of the Company Secretary)	-
5.	Mr. Kumjorn Khunvapanichkul	Vice President (Marketing)	-
6.	Ms. Sopida Doungtratmaneechot	Manager, Finance Department	-
7.	Mrs. Chanpen Phadungsilp	Manager, Accounting & Costing Department	-
COMPANY SECRETARY		: Mr. Chanachai Kulnoppaleark	

## Investor Relations

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

The Investor Relations department is not yet set up due to a few concerned activities then the Company assigned Mr. Chanachai Kulnoppaleark, Vice President to communicate with investors, shareholders and stakeholders, and all investors can contact to the company by Website [www.kulthorn.com](http://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](mailto:chanachai@kulthorn.com)

## Remuneration to the Company's Executives in year 2012

### To Directors

Remuneration to company's directors of 15 persons as monthly director fee and the meeting allowance was Baht 2,160,000 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 15,207,525.

## DIRECTORS IN SUBSIDIARY COMPANIES

As at 31 December 2012

### Kulthorn Premier Company Limited

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

### Kulthorn Kirby Foundry Company Limited

Chairman	: Mr. Suraporn Simakulthorn
Managing Director	: Mr. Pramoth Wongsrisagnuan
Director	: Mr. Sutee Simakulthorn
	Mr. Paiboon Boonpermvitaya
	Mr. Abhijit Simakulthorn

### Kulthorn Steel Company Limited

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

### Kulthorn Materials and Control Company Limited

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

### Kulthorn Metal Products Company Limited

Chairman	: Mr. Suraporn Simakulthorn
Managing Director	: Mr. Paiboon Boonpermvitaya
Directors	: Mr. Sutee Simakulthorn
	Mr. Titisak Simakulthorn
	Mr. Abhijit Simakulthorn



### Suzhou Kulthorn Magnet Wire Company Limited

Chairman and Managing Director : Mr. Suraporn Simakulthorn

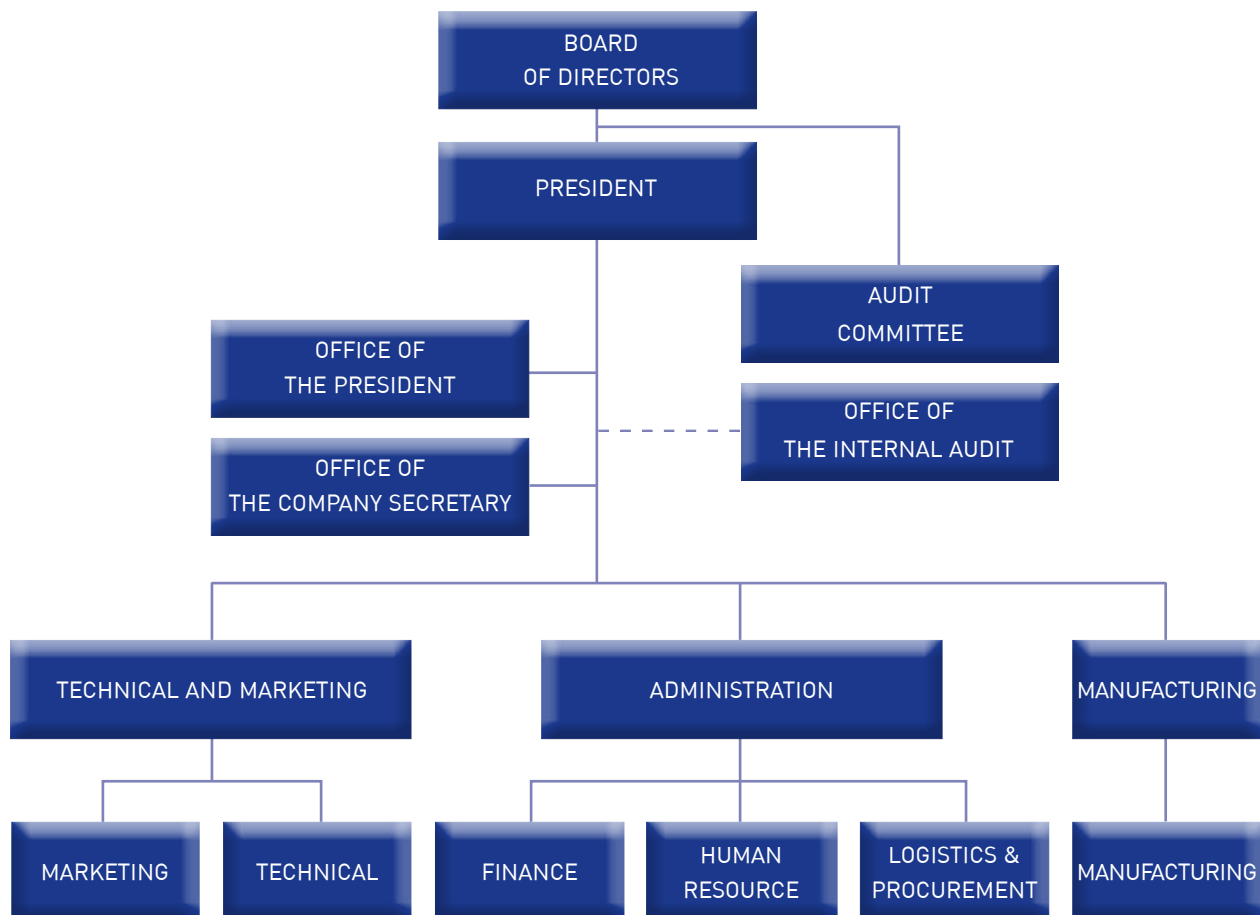
Directors : Mr. Arnon Simakulthorn

Mr. Sutee Simakulthorn

Mr. Titisak Simakulthorn

Ms. Sunisa Simakulthorn

### Company Organization Chart



## Corporate Governance Policy

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

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

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



## PERFORMANCE AND FINANCIAL POSITION

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

### Operations

#### (1) Revenues from sales and services income

The revenues from sales and services income of the Company and its subsidiary for 2012 was Baht 11,539.42 million, compared to the approximated Baht 11,842.28 million of sales and services income of the previous year, a decrease of Baht 302.86 million or 2.56%, caused from the decreasing of export sales to customers in China which were greatly effected from the economics crisis in European Countries.

#### (2) Gross profit margin

The gross profit margin of 2012 and 2011 of the company were 4.52% and 4.05%, decreasing from the 7.63% of 2010. This was effected by the sales price competition and the increasing price of major materials such as copper and steels, even though the company could make some better cost down and improve the operation efficiency, but this was offset decrease by the increasing of minimum wages which regulated by the government policy, and was effective since 1 April 2012.

#### (3) Operation Expenses

- Selling Expenses of the Company and its subsidiary for 2012 approximated Baht 136.57 million, compared to the approximated Baht 151.36 million of the previous year, a decreasing of Baht 14.79 million caused from the decreased commission rate in 2012 and the results from cost down activities.
- Administrative Expenses of the Company and its subsidiary for 2012 approximated Baht 365.36 million, compared to the approximated Baht 358.84 million of 2011 and the approximated Baht 320.05 million of 2010 effected by the increasing of minimum wages regulated by the government policy which was effective from 1 April 2012, and the extra preparation expenses for protection from the nation wide flooding in Thailand in 2011.

#### (4) Others Income

- Income from scrap sales of the Company and its subsidiary for 2012 approximated Baht 375.95 million, compared to the approximated Baht 429.16 million of the previous year, a decreasing of Baht 53.21 or 12.40% caused from the decreased market price of copper and steels in 2012.
- Gain on exchange rate of the company and its subsidiary for 2012 approximated Baht 97.78 was included in the net profit of the company, compared to the approximated loss of Baht 40.73 million of the previous year. 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 and are managed by Forward exchange contracts, Cross currency swap agreement and Currency option contract.



## (5) Corporate Income Tax

The corporate income tax of the company for 2012 approximated Baht 17.62, compared to the approximated Baht 22.73 million of the previous year a decreasing of Baht 5.08 million or 22.35% effected from the privileges for exemption of corporate income tax on net profit of each investment projects.

The Company and its subsidiary have been granted certain promotional privileges according to the Investment Promotion Act B.E. 2520 as approved by the Board of Investment with significant privileges for 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

## Financial Position

The consolidated total assets in 2012 was Baht 8,881.41 million, a decrease of Baht 620.52 million from Baht 9,501.93 million in 2011 by the decreasing of some major items such as net book value of fixed assets approximated Baht 267.72 million and the outstanding balance of trade and others receivable of approximated Baht 337.12 million.

The consolidated total liabilities in 2012, was Baht 6,586.78 million, an increase of Baht 766.47 million from Baht 7,355.25 million in 2011 by the decreasing of bank's overdrafts and short term loan approximated Baht 461.09 Million and long term loan approximated Baht 237.50 million.

The consolidated total shareholders' equity in 2012 was Baht 2,303.76 million, an increase from 2011 by Baht 157.07 million.

## Financial Statements

### Statement of comprehensive income

for the year ended 31 December 2012, 2011 and 2010

	<i>(Unit : Baht)</i>		
	2012	2011	2010
<b>Revenues</b>			
Sales and service income	11,539,418,747	11,842,281,705	11,860,611,187
Other income			
Income from scrap sales	375,950,548	429,155,570	432,698,552
Gain on exchange rate	97,783,975	-	217,676,891
Interest income	1,114,441	1,968,843	6,688,738
Others	6,881,499	3,752,900	19,653,630
<b>Total revenues</b>	<b>12,021,149,210</b>	<b>12,277,159,018</b>	<b>12,537,328,998</b>
<b>Cost of sales and services</b>	<b>11,017,565,483</b>	<b>11,362,249,012</b>	<b>10,955,566,243</b>
<b>Gross profit</b>	<b>521,853,264</b>	<b>480,032,693</b>	<b>905,044,944</b>
<b>Gross profit %</b>	<b>4.52%</b>	<b>4.05%</b>	<b>7.63%</b>


*(Unit : Baht)*

	2012	2011	2010
<b>Operating expenses</b>			
Selling expenses	136,567,060	151,364,488	163,815,319
Administrative expenses	365,358,614	358,841,099	320,054,188
Loss on exchange rate	-	40,725,517	-
<b>Total expenses</b>	<b>501,925,674</b>	<b>550,931,104</b>	<b>483,869,507</b>
<b>Profit before finance cost and corporate income tax</b>	<b>501,658,053</b>	<b>363,978,902</b>	<b>1,097,893,248</b>
Finance cost	(268,216,551)	(257,312,971)	(219,288,911)
<b>Profit before corporate income tax</b>	<b>233,441,502</b>	<b>106,665,931</b>	<b>878,604,337</b>
Income tax expenses	(17,619,868)	(22,697,322)	(58,908,250)
<b>Profit for the year</b>	<b>215,821,634</b>	<b>83,968,609</b>	<b>819,696,087</b>
<b>Other comprehensive income:</b>			
Exchange differences on translation of financial statements in foreign currency	(2,855,961)	17,816,998	(15,910,149)
Actuarial losses	(16,862,231)	-	-
<b>Other comprehensive income for the year</b>	<b>(19,718,192)</b>	<b>17,816,998</b>	<b>(15,910,149)</b>
<b>Total comprehensive income for the year</b>	<b>196,103,442</b>	<b>101,785,607</b>	<b>803,785,938</b>
<b>Basic earnings per share</b>	<b>0.25</b>	<b>0.10</b>	<b>1.05</b>
<b>Weighted average number of ordinary shares (shares)</b>	<b>850,000,000</b>	<b>850,000,000</b>	<b>781,780,821</b>

## Statement of financial position

as at 31 December 2012, 2011 and 2010

*(Unit : Baht)*

	2012	2011	2010
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	97,235,677	245,612,253	145,672,232
Trade and other receivables	2,195,605,479	2,299,506,212	2,238,160,289
Inventories	2,265,377,553	2,356,165,924	2,229,002,496
Other current assets	123,840,473	127,775,583	134,845,797
<b>Total current assets</b>	<b>4,682,059,182</b>	<b>5,029,059,972</b>	<b>4,747,680,814</b>

(Unit : Baht)

	2012	2011	2010
<b>Non-current assets</b>			
Property, plant and equipment	4,186,187,772	4,457,609,587	4,547,883,749
Other non-current assets	13,165,817	15,257,942	13,954,258
<b>Total non-current assets</b>	<b>4,199,353,589</b>	<b>4,472,867,529</b>	<b>4,561,838,007</b>
<b>Total assets</b>	<b>8,881,412,771</b>	<b>9,501,927,501</b>	<b>9,309,518,821</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Bank overdrafts and short-term loans from financial institutions	3,587,226,491	4,090,566,493	3,290,072,233
Trade and other payables	997,947,040	932,551,049	1,207,061,441
Current portion of long-term loans	550,000,000	2,000,000,000	500,000,000
Other current liabilities	159,018,509	235,937,499	176,514,787
<b>Total current liabilities</b>	<b>5,294,192,040</b>	<b>7,259,055,041</b>	<b>5,173,648,461</b>
<b>Non-current liabilities</b>			
Long-term loans - net of current portion	1,100,000,000	-	1,800,000,000
Provision for long-term employee benefits and others	144,438,464	96,193,635	41,858,700
<b>Total non-current liabilities</b>	<b>1,244,438,464</b>	<b>96,193,635</b>	<b>1,841,858,700</b>
<b>Total liabilities</b>	<b>6,538,630,504</b>	<b>7,355,248,676</b>	<b>7,015,507,161</b>
<b>Shareholders' equity</b>			
Share capital registered 1,000,000,000 ordinary shares of Baht 1 each (31 December 2011: 850,000,000 ordinary shares of Baht 1 each)			
Issued and fully paid up 850,000,000 ordinary shares of Baht 1 each	850,000,000	850,000,000	850,000,000
Share premium	350,000,000	350,000,000	350,000,000
Retained earnings Appropriated - statutory reserve	90,601,450	81,035,666	77,793,632
Unappropriated	856,365,996	666,972,377	835,364,244
Other components of shareholders' equity	195,814,821	198,670,782	180,853,784
<b>Total shareholders' equity</b>	<b>2,342,782,267</b>	<b>2,146,678,825</b>	<b>2,294,011,660</b>
<b>Total liabilities and shareholders' equity</b>	<b>8,881,412,771</b>	<b>9,501,927,501</b>	<b>9,309,518,821</b>



## Cash flow statement

for the year ended 31 December 2012, 2011 and 2010

(Unit : Baht)

	2012	2011	2010
<b>Cash flows from operating activities</b>			
Profit before tax	233,441,502	106,665,931	878,604,337
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities			
Depreciation and amortisation	601,297,490	604,008,991	592,918,229
Allowance for doubtful accounts (reversal)	657,070	(4,381,476)	(4,886,046)
Reduction of inventory value to net realizable value (reversal)	(15,364,413)	381,985	(5,183,705)
Gain on sales of property, plant and equipment	(635,936)	(1,855,826)	(2,127,325)
Reversal of allowance for impairment loss on assets	-	(3,741,179)	-
Deferred interest	1,731,146	5,472,924	10,329,892
Provision for long-term employee benefits	15,684,819	15,112,524	-
Unrealised (gain) loss on exchange	(20,286,173)	47,538,691	(42,092,852)
Interest expenses	264,088,152	247,234,770	214,139,506
<b>Profit from operating activities before changes in operating assets and liabilities</b>	<b>1,080,613,657</b>	<b>1,016,437,335</b>	<b>1,641,702,036</b>
Operating assets (increase) decrease			
Trade and other receivables	100,037,866	(34,089,754)	(410,883,019)
Short term loan to related party	-	-	12,000,000
Inventories	106,152,784	(127,545,413)	(474,825,481)
Other current assets	8,053,707	17,199,059	2,884,375
Other non-current assets	1,502,933	(445,156)	2,232,494
Operating liabilities increase (decrease)			
Trade and other payables	64,643,611	(278,835,748)	283,898,738
Other current liabilities	17,345,072	184,104,864	(222,190,032)
<b>Cash flows from operating activities</b>	<b>1,378,349,630</b>	<b>776,825,187</b>	<b>834,819,111</b>
Cash paid for interest expenses	(262,714,193)	(247,188,054)	(216,344,529)
Cash paid for corporate income tax	(20,672,862)	(55,700,327)	(75,928,896)
<b>Net cash flows from operating activities</b>	<b>1,094,962,575</b>	<b>473,936,806</b>	<b>542,545,686</b>
<b>Cash flows from investing activities</b>			
Increase in restricted bank deposits	500,250	-	(280,000)
Acquisition of property, plant and equipment	(333,274,675)	(654,864,312)	(600,838,027)
Investment in subsidiaries	-	-	(240,630,038)
Proceeds from sales of property, plant and equipment	25,115,553	2,673,519	7,629,306
<b>Net cash flows from (used in) investing activities</b>	<b>(307,658,872)</b>	<b>(652,190,793)</b>	<b>(834,118,759)</b>



(Unit : Baht)

	2012	2011	2010
<b>Cash flows from financing activities</b>			
Increase (decrease) in bank overdrafts			
and short-term loans from financial institutions	(464,961,590)	735,652,615	404,478,764
Short-term loan from related party	-	38,053,403	(70,200,000)
Factoring payable	-	-	(135,712,487)
Cash receipt from long-term loans	187,500,000	200,000,000	2,400,000,000
Repayment of long-term loans	(537,500,000)	(500,000,000)	(2,459,867,278)
Cash from increasing capital	-	-	300,000,000
Cash paid for liabilities under hire-purchases			
and financial lease agreement	(45,418,433)	(81,529,628)	(86,977,058)
Cash paid for long term employee benefit	(7,652,190)	(5,075,279)	-
Dividend paid	(71,130,483)	(98,752,030)	(170,000,000)
<b>Net cash flows from (used in) financing activities</b>	<b>(939,162,696)</b>	<b>288,349,081</b>	<b>181,721,941</b>
<b>Increase (decrease) in translation adjustments</b>	<b>3,482,417</b>	<b>(10,155,073)</b>	<b>5,423,172</b>
<b>Net increase (decrease) in cash and equivalents</b>	<b>(148,376,576)</b>	<b>99,940,021</b>	<b>(104,427,960)</b>
Cash and cash equivalents at beginning of year	245,612,253	145,672,232	250,100,192
<b>Cash and cash equivalents at end of year</b>	<b>97,235,677</b>	<b>245,612,253</b>	<b>145,672,232</b>



## Assets and liabilities management

### 1. Trade and other receivables

(Unit : Thousand Baht)

	2012		2011		2010	
<u>Trade receivable - related parties</u>						
Not yet due	103,187	4.07 %	92,317	4.00 %	115,254	5.15 %
Over due						
Less than 3 months	31,711	1.44 %	26,565	1.16 %	46,647	2.08 %
3 - 6 months	631	0.03 %	2,205	0.10 %	1,334	0.06 %
Over 6 months	20,021	0.91 %	19,678	0.86 %	10,957	0.49 %
Total	155,550	7.08 %	140,765	6.12 %	174,192	7.78 %
Less: Allowance for doubtful debts	-	-	-	-	-	-
Total trade receivables - related parties, net	155,550	7.08 %	140,765	6.12 %	174,192	7.78 %
<u>Trade receivable - unrelated parties</u>						
Not yet due	1,403,908	63.94 %	1,445,289	62.85 %	1,462,437	65.34 %
Overdue						
Less than 3 months	604,203	27.52 %	682,474	29.68 %	568,858	25.42 %
3 - 6 months	19,879	0.90 %	22,889	1.00 %	9,607	0.43 %
Over 6 months	12,807	0.58 %	5,841	0.25 %	7,761	0.35 %
Total	2,040,797	92.94 %	2,156,493	93.78 %	2,048,663	91.54 %
Less: Allowance for doubtful debts	(6,735)	(0.31 %)	(6,078)	(0.26 %)	(10,460)	(0.47 %)
Total trade receivables - unrelated parties, net	2,034,062	92.63 %	2,150,415	93.52 %	2,038,203	91.07 %
Total trade receivable - net	2,189,612	99.73 %	2,291,180	99.64 %	2,212,395	98.85 %
<u>Other receivables</u>						
Advances - related party	4,528	0.20 %	4,468	0.19 %	18,515	0.83 %
Other	1,465	0.07 %	3,858	0.17 %	7,250	0.32 %
Total other receivables	5,993	0.27 %	8,326	0.36 %	25,765	1.15 %
Total trade and other receivables - net	2,195,605	100 %	2,299,506	100 %	2,238,160	100 %

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

The Company offers trade credits only to customers with creditworthiness and enters into the insurance policy for the uncollection of export customers; the Company thus does not expect to encounter significant impacts from trade credits. In addition, thanks to a wide customer base, the Company is able to diversify the risks from trade credits, not concentrate on the particular group of customers.

The outstanding balances of the Company's trade and others accounts receivable at the end of each year were reflected by the volume of sales and the allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debtor aging.

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

## 2 Inventories

(Unit : Thousand Baht)

	2012		2011		2010	
<b>Cost</b>						
Finished goods	894,172	38 %	693,723	28 %	789,372	34 %
Work in process	296,172	13 %	360,167	15 %	284,455	12 %
Raw materials	885,509	38 %	1,089,589	44 %	922,043	40 %
Goods in transit	270,623	11 %	309,150	13 %	320,214	14 %
Total	2,346,476	100 %	2,452,629	100 %	2,325,084	100 %
<b>Allowance for diminution in value of inventories</b>	(81,099)	3.46 %	(96,463)	3.93 %	(96,082)	4.13 %
<b>Net amount</b>	2,265,377	-	2,356,166	-	2,229,002	-

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

Inventories are valued at the lower of cost (first-in, first-out basis) and net realisable value. Cost of work in process and finished goods includes raw materials, direct labour and production overhead. And allowance for diminution in inventory value will be set up for old, obsolete or deteriorated inventories.

The 2012 outstanding balances of the Company's finished goods was Baht 894.17 million or about 38% of total inventory which increased from 2011 outstanding balance it's caused from the additional produced stock during the end of year for delivery in the beginning of 2013 by customers' order. And the outstanding balance of 2011 raw materials approximated of Baht 1,089.59 million or about 44% of total inventory which was higher than the outstanding balance of 2012 and 2010 it's effected from the crisis of wide nation flooding in Thailand during the 4<sup>th</sup> quarter of 2011 and the company could produced only some finished products.



### 3 Property, plant and equipment

(Unit : Thousand Baht)

	Land	Land improvement and plant	Machinery	Plant and equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
<b>Cost:</b>								
As at 1 January 2010	224,679	1,609,705	6,074,443	923,201	123,311	88,076	528,004	9,571,419
Additions	-	5,459	113,208	37,055	11,463	9,501	387,105	563,791
Transfer and Disposals	-	8,093	494,800	22,359	(5,079)	5,028	(545,031)	(19,830)
As at 31 December 2010	224,679	1,623,257	6,682,451	982,615	129,695	102,605	370,078	10,115,380
Additions	-	7,611	38,680	32,319	8,935	516	394,251	482,312
Transfer and Disposals	70,000	13,530	119,516	(5,025)	(2,184)	(2)	(238,825)	(42,990)
Translation adjustments	-	5,711	10,268	-	296	169	730	17,174
As at 31 December 2011	294,679	1,650,109	6,850,915	1,009,909	136,742	103,288	526,234	10,571,876
Additions	26,016	5,747	59,820	26,260	8,485	14,434	218,929	359,691
Transfer and Disposals	-	29,960	67,306	15,189	(3,779)	1,646	(143,095)	(32,773)
Translation adjustments	-	(4,804)	(7,768)	-	(242)	(140)	(263)	(13,217)
As at 31 December 2012	320,695	1,681,012	6,970,273	1,051,358	141,206	119,228	601,805	10,885,577



(Unit : Thousand Baht)

	Land improvement	Land and plant	Machinery	Plant equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
<b>Accumulated depreciation:</b>								
As at 1 January 2010	-	610,690	3,412,755	780,834	98,022	63,211	-	4,965,512
Transfer and Disposals	-	-	(4,212)	(41)	(6,532)	(3,543)	-	(14,328)
Depreciation for the year	-	84,877	422,396	63,525	11,491	9,449	-	591,738
As at 31 December 2010	-	695,567	3,830,939	844,318	102,981	69,117	-	5,542,922
Transfer and Disposals	-	-	(9,517)	(29,945)	(2,671)	(3)	-	(42,136)
Translation adjustments	-	2,540	7,698	-	272	178	-	10,688
Depreciation for the year	-	83,782	438,289	58,908	11,507	10,306	-	602,792
As at 31 December 2011	-	781,889	4,267,409	873,281	112,089	79,598	-	6,114,266
Transfer and Disposals	-	(18)	(397)	(1,980)	(4,135)	(1,182)	-	(7,712)
Depreciation for the year	-	82,169	443,795	52,519	10,943	10,051	-	599,477
Translation adjustments	-	(1,568)	(4,742)	-	(208)	(124)	-	(6,642)
As at 31 December 2012	-	862,472	4,706,065	923,820	118,689	88,343	-	6,699,389
<b>Net book value:</b>								
As at 31 December 2010	224,679	913,698	2,841,437	138,297	26,594	33,399	369,779	4,547,883
As at 31 December 2011	294,679	868,220	2,583,506	136,628	24,653	23,690	526,234	4,457,610
As at 31 December 2012	320,695	818,540	2,264,208	127,538	22,517	30,885	601,805	4,186,188

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



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

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

Depreciation is included in determining income.

No depreciation is provided for land and construction in progress.

The Company and a subsidiary have mortgaged and negative pledged their land and building thereon and machinery, with net book value amounting to approximately Baht 1,615.5 million.

As at 31 December 2012, certain equipment items of the Company and its subsidiaries have been fully depreciated but are still in use amounted to Baht 3,235 million.

#### 4 Bank overdrafts and short-term loans from financial institutions

(Unit : Thousand Baht)

	Interest rate (percent per annum)	2012	2011	2010
Bank overdrafts	7.38 - 7.50	17,014	30,519	80,279
Short-term loans	4.40 - 4.75	1,541,355	1,580,014	997,975
Trust receipts	1.68 - 4.54	1,459,190	1,758,681	2,190,018
Packing credit	2.35 - 4.64	569,667	644,699	21,800
Loans from discounting of account receivable	2.85	-	76,653	-
Total		3,587,226	4,090,566	3,290,072

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

#### 5 Trade and other payables

(Unit : Thousand Baht)

	2012	2011	2010
Trade payables - related parties	21,677	8,851	6,569
Trade payables - unrelated parties	825,464	770,133	847,205
Other payable - related parties	3,705	13,192	5,356
Other payable - unrelated parties	54,531	38,776	246,463
Accrued interest expenses to related parties	2,527	1,221	-
Accrued interest expenses to unrelated parties	3,275	979	795
Accrued expenses	86,768	99,399	100,673
Total trade and other payables	997,947	932,551	1,207,061

The 2012 outstanding balances of the Company's trade and other payables was higher than the 2011 outstanding balances caused from the more purchased transactions of raw materials during the 4<sup>th</sup> quarter of the year to serve the increasing of sales in the beginning of 2013 as customers' order.

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

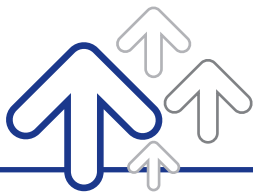
## 6 Long-term loans

	<i>(Unit : Thousand Baht)</i>		
	2012	2011	2010
Long-term loans	1,650,000	2,000,000	2,300,000
Less: Current portion of long-term loans	(550,000)	(2,000,000)	(500,000)
Long-term loans, net of current portion	1,100,000	-	1,800,000

During 2010, the Company and its subsidiaries entered into a new Credit Facility Agreement with two commercial banks to obtain loan facilities including long-term loan facility, working capital facility, contingent facility and hedging facility and the Company drawdowned Baht 2,400 million loan from the banks, the loan shall be repaid within the year 2015. The repayment of the principal is to be made in 21 quarterly installments, of Baht 100 million each for the 1<sup>st</sup> quarter, the 3<sup>rd</sup> quarter, and the 4<sup>th</sup> quarter of each year and Baht 200 million for the 2<sup>nd</sup> quarter of each year, with the first installment to be paid in December 2010.

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

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



At 31 December 2011, the Company and its subsidiaries could not maintain interest bearing debt to EBITDA ratio and current ratio as specified in the Credit Facility Agreement, which resulted in the loan becoming payable on demand. However, in February 2012, the Company and its subsidiaries had already received the waiver for such non-compliance from all lenders. The classification of such liabilities as at 31 December 2011 to be current is in accordance with financial reporting standards.

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

## **7 Other current liabilities**

The 2011 outstanding balances of the Company's other current liabilities approximated of Baht 235.94 million was higher than the outstanding balance of 2012 and 2010 it's related to the accrued dividend amounting to Baht 71.71 million of the 2010 operation results and the additional warranty reserve for the returned products as stated in the note to financial statements no.19

## **8 Provision for long-term employee benefits**

The outstanding balance of provision for long-term employee benefits, which is compensations on employees' retirement and long service awards for 2012 approximated to Baht 114.05 million was higher than the 2011 outstanding balance amounting to Baht 24.90 million it's related to the 2012 accrued expenses which effected by the increasing of minimum wages which regulated by the government policy, and was effective since 1 April 2012.

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

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



## Audit Committee's Report

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

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

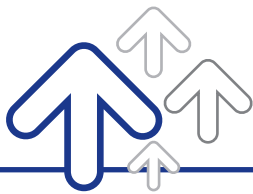
During the year 2012, the Audit Committee had 12 meetings with presence of all the three committee members throughout the period. The summary of their works were reported to the company Board of Directors every quarter which included the key points as follows:

**Financial Statements:** the Audit committee reviewed the key data of the quarterly and annually financial statements for the year 2012 of the company and its subsidiaries and found that the mentioned statements were prepared in conformity with the accounting standards with complete and sufficient disclosure of information, reliable and timely submission.

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

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

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



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

**Appointment of Auditors:** the Audit Committee reviewed and proposed to the company's Board of Directors to be further approved at the General Meeting of the shareholders, appointment of Ms. Saifon Inkaew or Mr. Wichart Lokatekrawee or Ms. Siriwan Suratepin of Ernst & Young Co.,Ltd. as the company's auditors for another year in 2013 at the auditing and reviewing fees of 1,050,000 Baht. This was considered appropriate and reasonable.

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

March 12, 2013

On behalf of the Audit Committee

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

## Declaration of the Directors' Responsibility for the Financial Statements

The Board of Directors of the Kulthorn Kirby Public Company Limited (KKC) has prepared the Company's financial statements to show its financial status and performance for 2012 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 2012. 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, 2012 are reliable under generally accepted accounting principles, legally sound and acceptable to relevant regulations.



Mr. Sumeth Simakulthorn  
Chairman



Mr. Sutee Simakulthorn  
President



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 2012, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of Kulthorn Kirby Public Company Limited for the same period.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kulthorn Kirby Public Company Limited and its subsidiaries and of Kulthorn Kirby Public Company Limited as at 31 December 2012, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.



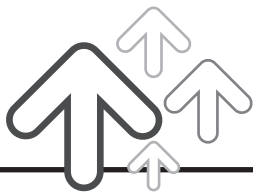
Saifon Inkaew

Certified Public Accountant (Thailand) No. 4434

Ernst & Young Office Limited

Bangkok: 26 February 2013





# Statement of financial position

Kulthorn Kirby Public Company Limited and its subsidiaries  
As at 31 December 2012 and 2011

As at 31 December 2012

(Unit: Baht)

	<u>Note</u>	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	97,235,677	245,612,253	14,720,685	23,931,502
Trade and other receivables	8	2,195,605,479	2,299,506,212	904,708,897	980,133,744
Inventories	9	2,265,377,553	2,356,165,924	909,498,025	873,653,128
VAT receivable		57,260,041	48,082,644	23,569,498	16,392,732
Other current assets		66,580,432	79,692,939	9,992,010	5,913,931
<b>Total current assets</b>		<u>4,682,059,182</u>	<u>5,029,059,972</u>	<u>1,862,489,115</u>	<u>1,900,025,037</u>
<b>Non-current assets</b>					
Restricted bank deposit	10	409,750	910,000	-	-
Investments in subsidiaries	11	-	-	2,334,372,497	2,334,372,497
Property, plant and equipment	12	4,186,187,772	4,457,609,587	1,892,962,993	1,925,981,942
Goodwill on business combination	13	-	-	-	-
Other intangible assets	14	11,864,002	11,952,645	3,209,619	3,765,031
Other non-current assets		892,065	2,395,297	786,715	930,052
<b>Total non-current assets</b>		<u>4,199,353,589</u>	<u>4,472,867,529</u>	<u>4,231,331,824</u>	<u>4,265,049,522</u>
<b>Total assets</b>		<u>8,881,412,771</u>	<u>9,501,927,501</u>	<u>6,093,820,939</u>	<u>6,165,074,559</u>

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



# Statement of financial position (continued)

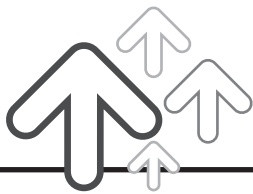
Kulthorn Kirby Public Company Limited and its subsidiaries

As at 31 December 2012 and 2011

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2012	2011	2012	2011
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans from					
financial institutions	15	3,587,226,491	4,090,566,493	1,555,321,928	1,778,197,987
Trade and other payables	16	997,947,040	932,551,049	964,165,851	645,107,777
Short-term loan from related party	6	37,082,439	38,053,403	30,500,000	-
Current portion of long-term loans	17	550,000,000	2,000,000,000	550,000,000	2,000,000,000
Current portion of liabilities under hire-purchase					
and financial lease agreements	18	12,667,319	34,717,065	9,440,209	20,071,832
Dividend payable		581,197	71,711,680	581,197	71,711,680
Income tax payable		11,318,255	10,252,952	-	-
Other current liabilities	19	97,369,299	81,202,399	61,888,882	42,346,719
<b>Total current liabilities</b>		<b>5,294,192,040</b>	<b>7,259,055,041</b>	<b>3,171,898,067</b>	<b>4,557,435,995</b>
Non-current liabilities					
Long-term loans - net of current portion	17	1,100,000,000	-	1,100,000,000	-
Liabilities under hire-purchase and financial lease					
agreements - net of current portion	18	30,387,917	7,037,948	26,427,069	4,139,830
Provision for long-term employee benefits	20	114,050,547	89,155,687	54,530,797	46,355,302
<b>Total non-current liabilities</b>		<b>1,244,438,464</b>	<b>96,193,635</b>	<b>1,180,957,866</b>	<b>50,495,132</b>
<b>Total liabilities</b>		<b>6,538,630,504</b>	<b>7,355,248,676</b>	<b>4,352,855,933</b>	<b>4,607,931,127</b>

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



# Statement of financial position (continued)

Kulthorn Kirby Public Company Limited and its subsidiaries  
As 31 December 2012 and 2011

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
<b>Shareholders' equity</b>					
Share capital	21				
Registered					
1,000,000,000 ordinary shares of Baht 1 each					
(31 December 2011: 850,000,000 ordinary shares of Baht 1 each)		1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Issued and fully paid up					
850,000,000 ordinary shares of Baht 1 each		850,000,000	850,000,000	850,000,000	850,000,000
Share premium		350,000,000	350,000,000	350,000,000	350,000,000
Retained earnings					
Appropriated - statutory reserve	22	90,601,450	81,035,666	90,601,450	81,035,666
Unappropriated		856,365,996	666,972,377	450,363,556	276,107,766
Other components of shareholders' equity		195,814,821	198,670,782	-	-
<b>Total shareholders' equity</b>		<b>2,342,782,267</b>	<b>2,146,678,825</b>	<b>1,740,965,006</b>	<b>1,557,143,432</b>
<b>Total liabilities and shareholders' equity</b>		<b>8,881,412,771</b>	<b>9,501,927,501</b>	<b>6,093,820,939</b>	<b>6,165,074,559</b>

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

Directors





# Statement of comprehensive income

Kulthorn Kirby Public Company Limited and its subsidiaries  
For the year ended 31 December 2012 and 2011

(Unit: Baht)

		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>Note</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Profit or loss:</b>					
<b>Revenues</b>					
Sales and service income	6,29	11,539,418,747	11,842,281,705	4,871,589,688	5,209,686,920
Other income					
Income from scrap sales	6	375,950,548	429,155,570	280,842,017	291,165,511
Gain on exchange rate		97,783,975	-	42,582,527	8,161,686
Interest income	6	1,114,441	1,968,843	204,310	477,831
Dividend income	11	-	-	220,592,852	-
Others		6,881,499	3,752,900	4,198,058	8,563,335
<b>Total revenues</b>		<b>12,021,149,210</b>	<b>12,277,159,018</b>	<b>5,420,009,452</b>	<b>5,518,055,283</b>
<b>Expenses</b>					
Cost of sales and services	6	11,017,565,483	11,362,249,012	4,841,617,037	5,029,283,069
Selling expenses		136,567,060	151,364,488	58,451,243	79,852,796
Administrative expenses		365,358,614	358,841,099	157,925,929	174,568,655
Loss on exchange rate		-	40,725,517	-	-
<b>Total expenses</b>		<b>11,519,491,157</b>	<b>11,913,180,116</b>	<b>5,057,994,209</b>	<b>5,283,704,520</b>
<b>Profit before finance cost and corporate income tax</b>		<b>501,658,053</b>	<b>363,978,902</b>	<b>362,015,243</b>	<b>234,350,763</b>
Finance cost		(268,216,551)	(257,312,971)	(169,606,515)	(169,581,462)
<b>Profit before corporate income tax</b>		<b>233,441,502</b>	<b>106,665,931</b>	<b>192,408,728</b>	<b>64,769,301</b>
Income tax expenses		(17,619,868)	(22,697,322)	(1,093,054)	(1,187,643)
<b>Profit for the year</b>		<b>215,821,634</b>	<b>83,968,609</b>	<b>191,315,674</b>	<b>63,581,658</b>
<b>Other comprehensive income:</b>					
Exchange differences on translation of financial statements in foreign currency		(2,855,961)	17,816,998	-	-
Actuarial losses		(16,862,231)	-	(7,494,100)	-
<b>Other comprehensive income for the year</b>		<b>(19,718,192)</b>	<b>17,816,998</b>	<b>(7,494,100)</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>196,103,442</b>	<b>101,785,607</b>	<b>183,821,574</b>	<b>63,581,658</b>
<b>Basic earnings per share</b>	26				
Profit attributable to equity holders of the Company		0.25	0.10	0.23	0.07
Weighted average number of ordinary shares (shares)		850,000,000	850,000,000	850,000,000	850,000,000

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



# Statement of changes in shareholders' equity

Kulthorn Kirby Public Company Limited and its subsidiaries  
For the year ended 31 December 2012 and 2011

	Consolidated financial statements											(Unit: Baht)
	Other components of shareholders' equity											
	Other comprehensive											
	income											
	Exchange											

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





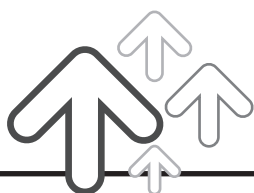
# Statement of changes in shareholders' equity (Continued)

Kulthorn Kirby Public Company Limited and its subsidiaries  
For the year ended 31 December 2012 and 2011

Kulthorn Kirby Public Company Limited

	Separate financial statements				(Unit: Baht)
	Issued and fully paid-up share capital	Share premium	Retained earnings		Total shareholders' equity
			Appropriated	Unappropriated	
<b>Balance as at 31 December 2010</b>	850,000,000	350,000,000	77,793,632	427,746,221	1,705,539,853
Cumulative effect of change in accounting policy for employee benefits	-	-	-	(41,978,079)	(41,978,079)
Dividend paid (Note 23)	-	-	-	(170,000,000)	(170,000,000)
Total comprehensive income for the year	-	-	-	63,581,658	63,581,658
Transfer unappropriated retained earnings to statutory reserve	-	-	3,242,034	(3,242,034)	-
<b>Balance as at 31 December 2011</b>	850,000,000	350,000,000	81,035,666	276,107,766	1,557,143,432
<b>Balance as at 31 December 2011</b>	850,000,000	350,000,000	81,035,666	276,107,766	1,557,143,432
Profit for the year	-	-	-	191,315,674	191,315,674
Other comprehensive income for the year	-	-	-	(7,494,100)	(7,494,100)
Total comprehensive income for the year	-	-	-	183,821,574	183,821,574
Transfer unappropriated retained earnings to statutory reserve	-	-	9,565,784	(9,565,784)	-
<b>Balance as at 31 December 2012</b>	850,000,000	350,000,000	90,601,450	450,363,556	1,740,965,006

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



# Cash flow statement

Kulthorn Kirby Public Company Limited and its subsidiaries  
For the year ended 31 December 2012 and 2011

(Unit: Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Cash flows from operating activities</b>				
Profit before tax	233,441,502	106,665,931	192,408,728	64,769,301
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	601,297,490	604,008,991	231,309,186	234,456,206
Allowance for doubtful accounts (reversal)	657,070	(4,381,476)	(40,000)	(4,295,443)
Reduction of inventory value to net realisable value (reversal)	(15,364,413)	381,985	8,407,299	(4,284,587)
Gain on sales of property, plant and equipment	(635,936)	(1,855,826)	(529,432)	(3,384,069)
Reversal of allowance for impairment loss on assets	-	(3,741,179)	-	-
Dividend income	-	-	(220,592,852)	-
Deferred interest	1,731,146	5,472,924	1,103,667	2,808,513
Provision for long-term employee benefits	15,684,819	15,112,524	7,643,886	7,797,525
Unrealised (gain) loss on exchange	(20,286,173)	47,538,691	(10,042,212)	717,067
Interest expenses	264,088,152	247,234,770	166,363,845	163,329,739
Profit from operating activities before changes in operating assets and liabilities	1,080,613,657	1,016,437,335	376,032,115	461,914,252
Operating assets (increase) decrease				
Trade and other receivables	100,037,866	(34,089,754)	76,366,537	(314,323)
Inventories	106,152,784	(127,545,413)	(44,252,197)	68,554,842
Other current assets	8,053,707	17,199,059	(11,030,003)	28,264,632
Other non-current assets	1,502,933	(445,156)	143,336	(67,760)
Operating liabilities increase (decrease)				
Trade and other payables	64,643,611	(278,835,748)	328,670,983	(353,633,803)
Other current liabilities	17,345,072	184,104,864	18,899,297	160,087,451
Cash flows from operating activities	1,378,349,630	776,825,187	744,830,068	364,805,291
Cash paid for interest expenses	(262,714,193)	(247,188,054)	(165,512,717)	(163,034,655)
Cash paid for corporate income tax	(20,672,862)	(55,700,327)	(1,317,895)	(16,665,185)
<b>Net cash flows from operating activities</b>	<b>1,094,962,575</b>	<b>473,936,806</b>	<b>577,999,456</b>	<b>185,105,451</b>

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



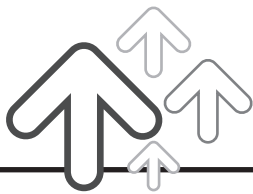
# Cash flow statement (continued)

Kulthorn Kirby Public Company Limited and its subsidiaries  
For the year ended 31 December 2012 and 2011

(Unit: Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Cash flows from investing activities</b>				
Increase in restricted bank deposits	500,250	-	-	-
Acquisition of property, plant and equipment	(333,274,675)	(654,864,312)	(186,205,033)	(508,397,284)
Proceeds from sales of property, plant and equipment	25,115,553	2,673,519	535,435	3,862,781
Dividend income	-	-	220,592,852	-
<b>Net cash flows from (used in) investing activities</b>	<u>(307,658,872)</u>	<u>(652,190,793)</u>	<u>34,923,254</u>	<u>(504,534,503)</u>
<b>Cash flows from financing activities</b>				
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	(464,961,590)	735,652,615	(195,710,513)	782,194,594
Short-term loan from related party	-	38,053,403	30,500,000	-
Cash receipt from long-term loans	187,500,000	200,000,000	187,500,000	200,000,000
Repayment of long-term loans	(537,500,000)	(500,000,000)	(537,500,000)	(500,000,000)
Cash paid for liabilities under hire-purchases and financial lease agreements	(45,418,433)	(81,529,628)	(28,830,041)	(37,685,169)
Cash paid for long term employee benefit	(7,652,190)	(5,075,279)	(6,962,490)	(3,420,302)
Dividend paid	(71,130,483)	(98,752,030)	(71,130,483)	(98,752,030)
<b>Net cash flows from (used in) financing activities</b>	<u>(939,162,696)</u>	<u>288,349,081</u>	<u>(622,133,527)</u>	<u>342,337,093</u>
<b>Increase (decrease) in translation adjustments</b>	<u>3,482,417</u>	<u>(10,155,073)</u>	<u>-</u>	<u>-</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(148,376,576)</u>	<u>99,940,021</u>	<u>(9,210,817)</u>	<u>22,908,041</u>
Cash and cash equivalents at beginning of year	<u>245,612,253</u>	<u>145,672,232</u>	<u>23,931,502</u>	<u>1,023,461</u>
<b>Cash and cash equivalents at end of year</b>	<u>97,235,677</u>	<u>245,612,253</u>	<u>14,720,685</u>	<u>23,931,502</u>
<b>Supplement cash flows information</b>				
1) Non-cash related transaction for investing activities				
Net decrease in trust receipt and other accounts payable for purchases of fixed assets	(17,264,016)	(171,166,468)	(27,846,195)	(146,501,912)
2) Non-cash related transaction for financing activities				
Dividend payable	581,197	71,711,680	581,197	71,711,680
Assets acquired under hire-purchase and financial lease agreements	44,987,510	-	39,381,991	-

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



## Notes to consolidated financial statements

Kulthorn Kirby Public Company Limited and its subsidiaries  
For the year ended 31 December 2012 and 2011

### 1. General information

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

### 2. Basis of preparation

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

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

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

#### 2.2 Basis of consolidation

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

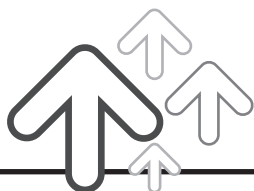


Subsidiary companies	Nature of business	Country of incorporation	Percentage of shareholding	
			2012	2011
<u>Subsidiaries held by the Company</u>				
Kulthorn Kirby Foundry Company Limited	Manufacturing and sales of iron castings for compressor parts and automotives parts	Thailand	100	100
Kulthorn Premier Company Limited	Manufacturing and sales of hermetic compressors and iron castings for compressor parts and automotives parts	Thailand	100	100
Kulthorn Steel Company Limited	Slitting of electrical steel for compressor	Thailand	100	100
Kulthorn Materials and Controls Company Limited	Manufacturing and sales of enameled copper wires and thermostat used in air conditioners and refrigerators	Thailand	100	100
<u>Subsidiaries held directly and indirectly by Kulthorn Materials and Controls Company Limited</u>				
Kulthorn Metal Products Company Limited	Manufacture and sell forging, machining and heat treatment metal parts	Thailand	100	100
Suzhou Kulthorn Magnet Wire Company Limited (held by Phelps Dodge Suzhou Holdings, Inc.)	Manufacture and sell enameled copper wire	China	100	100

On 2 July 2010, the Company acquired ordinary shares of Kulthorn Materials and Controls Company Limited and its subsidiaries. This acquisition was considered to be a business combination under common control with a consideration of Baht 240 million and the difference between the cost of this business combination under common control and the net book value of equity of those companies of Baht 208 million was recorded as “Surplus from business combination under common control” and separately presented under other components of shareholders’ equity in the consolidated statement of changes in shareholders’ equity.

Kulthorn Materials and Controls Company Limited has indirect investment in an oversea subsidiary, Suzhou Kulthorn Magnet Wire Company Limited, which was incorporated in People’s Republic of China. The consolidated statement of financial position as at 31 December 2012 included the financial statements of that company which presented total assets of Baht 637 million, or equivalent to 7.2 percent of total consolidated assets (2011: Baht 796 million, or equivalent to 8.4 percent of total consolidated assets), and the consolidated statement of comprehensive income for the year ended 31 December 2012 included total revenue of that company of Baht 1,299 million, or equivalent to 10.8 percent of total consolidated revenue (2011: Baht 1,285 million, or equivalent to 10.5 percent of total consolidated revenue), and net operating loss of that company of Baht 78 million (2011: Baht 76 million).





- b) Subsidiaries are fully consolidated, from the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
  - c) The financial statements of the subsidiaries are prepared using the same accounting period and significant accounting policies as the Company.
  - d) The assets and liabilities in the financial statements of overseas subsidiary companies are translated into Baht using the exchange rate prevailing at the end of reporting period, and revenues and expenses are translated using monthly average exchange rates. The resulting differences are shown under the caption of “Exchange differences on translation of financial statements in foreign currency” in the statements of changes in shareholders’ equity.
  - e) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- 2.3** The separate financial statements, which present investments in subsidiaries under the cost method, have been prepared solely for the benefit of the public.

### **3. New accounting standards not yet effective**

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

Accounting standards:

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

Financial Reporting Standard:

TFRS 8	Operating Segments
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Accounting Standard Interpretations:

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

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



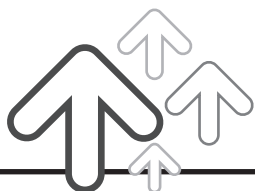
## TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognize deferred tax assets and liabilities under the stipulated guidelines. The effect of the adoption to the financial statements of the Company and its subsidiary will be to increase profit for the year 2012 by Baht 0.2 million (0.0003 Baht per share) and increase brought-forward retained earnings of the year 2012 by Baht 33.5 million (0.04 Baht per share) (separate financial statements: increase profit for the year 2012 by Baht 4.2 million (0.005 Baht per share) and increase brought-forward retained earnings of the year 2012 by Baht 14.1 million (0.02 Baht per share)).

In addition, the Federation of Accounting Professions has issued Notification No. 30/2555 – 34/2555, published in the Royal Gazette on 17 January 2013, mandating the use of accounting treatment guidance and accounting standard interpretations as follows.

	<u>Effective date</u>
Accounting Treatment Guidance for Transfers of Financial Assets	1 January 2013
Accounting Standard Interpretation:	
SIC 29              Service Concession Arrangements:	1 January 2014
Disclosures	
Financial Reporting Standard Interpretations:	
TFRIC 4            Determining whether an Arrangement	1 January 2014
contains a Lease	
TFRIC 12          Service Concession Arrangements	1 January 2014
TFRIC 13          Customer Loyalty Programmes	1 January 2014

The management of the Company has assessed the effect of these standards and believes that Accounting Treatment Guidance for Transfers of Financial Assets, SIC 29, TFRIC 4 and TFRIC 12 are not relevant to the business of the Company. Management is still evaluating the first-year impact to the financial statements of the adoption of TFRIC 13 and has yet to reach a conclusion.



#### **4. Significant accounting policies**

##### **4.1 Revenue recognition**

###### *Sales of goods*

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

###### *Rendering of services*

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

###### *Interest income*

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

###### *Dividends*

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

##### **4.2 Cash and cash equivalents**

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

##### **4.3 Trade accounts receivable**

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

##### **4.4 Inventories**

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

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



#### 4.5 Investments

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

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

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

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

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

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

#### 4.6 Property, plant and equipment and depreciation

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

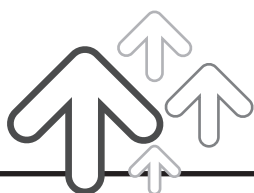
Depreciation of plant and equipment is calculated by reference to their costs on the straight-line basis over the estimated useful lives as follows:

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

Depreciation is included in determining income.

No depreciation is provided for land and construction in progress.

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



#### 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 Foreign currencies**

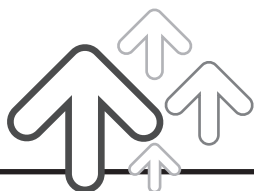
Transactions in foreign currencies are translated into Baht at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

#### **4.12 Impairment of assets**

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

#### **4.13 Long-term leases**

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

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

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



#### Defined benefit plans and other long-term employee benefits

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

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

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

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

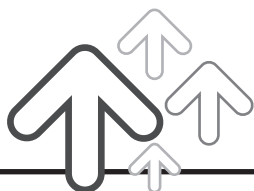
For the first-time adoption of TAS 19 Employee Benefits in 2011, the Company elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings of 2011.

#### Change in accounting policy

In the current year, the Company and its subsidiary companies changed their accounting policy for employee benefits with respect to actuarial gains and losses arising from post-employment benefits, so that the financial statements more appropriately reflect the Company's and the subsidiary companies' financial performance. As a result, actuarial gains and losses are now recognised immediately in other comprehensive income, whereas they would previously have been recognised immediately in profit or loss. The change has no effect to the prior year financial information because the Company and the subsidiary companies' have such actuarial gains and losses for the first time in this year.

#### **4.15 Provisions**

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



#### **4.16 Income tax**

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

#### **4.17 Derivatives**

##### **Forward exchange contracts**

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

##### **Interest rate swap contracts**

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

##### **Cross currency swap agreement**

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

##### **Currency option contract**

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

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

#### **5. Significant accounting judgments and estimates**

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

**Leases**

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

**Allowance for doubtful accounts**

In determining an allowance for doubtful accounts, the management needs to make judgment and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

**Allowance for diminution in inventory value**

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

**Fair value of financial instruments**

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

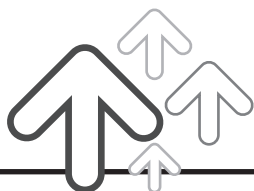
**Impairment of equity investments**

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

**Property, plant and equipment/Depreciation**

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

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



### **Goodwill and intangible assets**

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

### **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.

### **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.

## **6. Related party transactions**

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





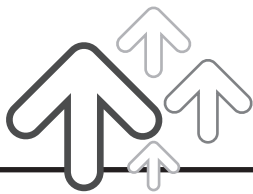
(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		
	For the year ended 31 December		For the year ended 31 December		Pricing policy
	2012	2011	2012	2011	
<u>Transactions with subsidiary companies</u> (eliminated from the consolidated financial statements)					
Purchases of goods	-	-	1,589	1,451	Market price
Sales and service income and scraps sales	-	-	584	481	Approximate market price
Sales of fixed assets	-	-	-	1	Mutually agreed price
Other income	-	-	3	2	Mutually agreed price as stipulated in the contract
Rental income	-	-	2	2	Mutually agreed price as stipulated in the contract
Other expenses	-	-	2	-	Mutually agreed price as stipulated in the contract
<u>Transactions with related companies</u>					
Sales and service income and scraps sales	676	666	456	360	Approximate market price
Purchases of goods	72	70	64	78	Market price
Rental expense	11	11	-	-	Mutually agreed price as stipulated in the contract
Other income	1	1	-	-	Mutually agreed price as stipulated in the contract
Interest expenses	1	1	-	-	Interest rate at 3.5 percent per annum
Rental income	1	1	-	-	Mutually agreed price as stipulated in the contract
Commission expenses	-	10	-	10	Commission rate at 1 percent of sales after deducting expenses
Other expenses	1	-	-	-	Mutually agreed price as stipulated in the contract

The balances of the accounts as at 31 December 2012 and 2011 between the Company and those related parties are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<u>Trade and other receivables - related parties</u>				
(Note 8)				
Subsidiary companies	-	-	37,462	59,270
Related companies (related by common director/shareholder)	160,078	145,233	112,693	92,886
<b>Trade and other receivables - related parties</b>	<b>160,078</b>	<b>145,233</b>	<b>150,155</b>	<b>152,156</b>



(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<b><u>Trade and other payable - related parties (Note 16)</u></b>				
Subsidiary companies	-	-	610,477	361,998
Related companies (related by common director/ shareholder)	27,909	23,264	21,870	21,318
<b>Total trade and other payable - related parties</b>	<b>27,909</b>	<b>23,264</b>	<b>632,347</b>	<b>383,316</b>

**Short-term loan from related party**

Subsidiary company	-	-	30,500	-
Director	37,082	38,053	-	-
<b>Total short-term loan from related party</b>	<b>37,082</b>	<b>38,053</b>	<b>30,500</b>	<b>-</b>

As at 31 December 2012 and 2011, the balance of short-term loan of the Company from subsidiary and of subsidiary from relate party, and the movement are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements			
	Balance as at 1 January 2012	Increase during the year	Decrease during the year	Unrealised gain on exchange rate
				Balance as at 31 December 2012
<b><u>Short-term loan of subsidiary from related party</u></b>				
Director	38,053	-	-	(971)
<b>Total</b>	<b>38,053</b>	<b>-</b>	<b>-</b>	<b>(971)</b>

(Unit: Thousand Baht)

	Separate financial statements			
	Balance as at 1 January 2012	Increase during the year	Decrease during the year	Balance as at 31 December 2012
<b><u>Short-term loan of the Company from subsidiary</u></b>				
Kulthorn Premier Co., Ltd.	-	30,500	-	30,500
<b>Total</b>	<b>-</b>	<b>30,500</b>	<b>-</b>	<b>30,500</b>



### **Directors and management's benefits**

During the year ended 31 December 2012 and 2011, 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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Short-term employee benefits	34	30	18	15
Post-employment benefits	1	2	1	1
Total	35	32	19	16

### **Guarantee obligations with related parties**

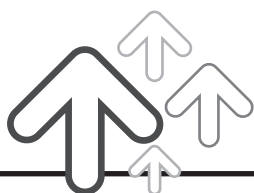
The Company has outstanding guarantee obligations with its related parties, as described in Note 27.4 to the financial statements.

## **7. Cash and cash equivalents**

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Cash	1,175	142,469	744	297
Bank deposits	96,061	103,143	13,977	23,635
Total	97,236	245,612	14,721	23,932

As at 31 December 2012, bank deposits in savings and fixed accounts carried interests at the rate between 0.62 and 0.88 percent per annum (2011: between 0.50 and 0.75 percent per annum).



## 8. Trade and other receivables

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<u>Trade receivable - related parties</u>				
Not yet due	103,187	92,317	102,586	109,106
Overdue				
Less than 3 months	31,711	26,565	24,815	17,824
3 - 6 months	631	2,205	469	2,076
6 - 12 months	721	12,182	170	11,609
Over 12 months	19,300	7,496	18,315	7,418
Total	155,550	140,765	146,355	148,033
Less: Allowance for doubtful debts	-	-	-	-
Total trade receivables - related parties, net	155,550	140,765	146,355	148,033
<u>Trade receivable - unrelated parties</u>				
Not yet due	1,403,908	1,445,289	510,167	487,562
Overdue				
Less than 3 months	604,203	682,474	238,982	337,007
3 - 6 months	19,879	22,889	4,764	1
6 - 12 months	8,297	500	-	-
Over 12 months	4,510	5,341	344	483
Total	2,040,797	2,156,493	754,257	825,053
Less: Allowance for doubtful debts	(6,735)	(6,078)	(430)	(470)
Total trade receivables - unrelated parties, net	2,034,062	2,150,415	753,827	824,583
Total trade receivable - net	2,189,612	2,291,180	900,182	972,616
<u>Other receivables</u>				
Advances - related party	4,528	4,468	3,800	4,123
Other	1,465	3,858	727	3,395
Total other receivables	5,993	8,326	4,527	7,518
Total trade and other receivables - net	2,195,605	2,299,506	904,709	980,134

The outstanding balances of the Company and a subsidiary's trade accounts receivable as at 31 December 2011 included Baht 76 million (The Company only: Baht 42 million) of the trade accounts receivable that were sold to a local commercial bank at a discount. The Company and a subsidiary still have obligations under the guarantee they provided in respect of the sale. However, as at 31 December 2012, there was no trade accounts receivable that were sold to a local commercial bank.



## 9. Inventories

(Unit: Thousand Baht)

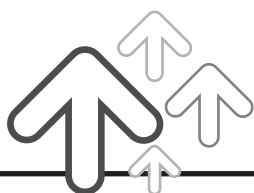
Consolidated financial statements						
	Cost		Allowance for diminution in value of inventories		Inventories - net	
	2012	2011	2012	2011	2012	2011
Finished goods	894,172	693,723	(61,461)	(65,023)	832,711	628,700
Work in process	296,172	360,167	(6,296)	(4,618)	289,876	355,549
Raw materials	885,509	1,089,589	(13,342)	(26,822)	872,167	1,062,767
Goods in transit	270,623	309,150	-	-	270,623	309,150
<b>Total</b>	<b>2,346,476</b>	<b>2,452,629</b>	<b>(81,099)</b>	<b>(96,463)</b>	<b>2,265,377</b>	<b>2,356,166</b>

(Unit: Thousand Baht)

Separate financial statements						
	Cost		Allowance for diminution in value of inventories		Inventories - net	
	2012	2011	2012	2011	2012	2011
Finished goods	348,560	255,028	(30,668)	(16,285)	317,892	238,743
Work in process	96,620	118,073	(435)	(1,005)	96,185	117,068
Raw materials	459,064	490,712	(11,803)	(17,209)	447,261	473,503
Goods in transit	48,160	44,339	-	-	48,160	44,339
<b>Total</b>	<b>952,404</b>	<b>908,152</b>	<b>(42,906)</b>	<b>(34,499)</b>	<b>909,498</b>	<b>873,653</b>

## 10. Restricted bank deposit

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



## 11. Investments in subsidiaries

As at 31 December 2012 and 2011 the Company has long-term investments in ordinary shares of the following companies:

(Unit: Thousand Baht)

Company's name	Separate financial statements					
	Share capital		Shareholding Percentage		Investment (At cost)	
	2012	2011	2012	2011	2012	2011
			(%)	(%)		
Kulthorn Kirby Foundry Company Limited	375,000	375,000	100	100	539,999	539,999
Kulthorn Premier Company Limited	1,260,000	1,260,000	100	100	1,936,751	1,936,751
Kulthorn Steel Company Limited	400,000	400,000	100	100	399,999	399,999
Kulthorn Materials and Controls Company Limited	350,000	350,000	100	100	240,630	240,630
Total					3,117,379	3,117,379
Less: Allowance for impairment loss on investments in subsidiaries					(783,007)	(783,007)
Total investments in subsidiary companies - net					2,334,372	2,334,372

On 23 April 2012, the Annual General Meeting of the shareholders of Kulthorn Steel Company Limited No. 6/2012 has approved to pay the dividend from the unappropriated retained earnings as at 31 December 2011 at Baht 10 per share for 4,000,000 ordinary shares, or a total of Baht 40 million. Such dividend was paid on 11 June 2012.

On 23 April 2012, the Annual General Meeting of the shareholders of Kulthorn Kirby Foundry Company Limited No. 23/2012 has approved to pay the dividend from the unappropriated retained earnings as at 31 December 2011 at Baht 28 per share for 3,750,000 ordinary shares, or a total of Baht 105 million. Such dividend was paid on 30 April 2012.

On 20 September 2012, the Board of Directors' Meeting of Kulthorn Premier Company Limited No. 4/2012 has approved to pay the interim dividend from the earnings as at 30 June 2012 at Baht 6 per share for 12,600,000 ordinary shares, or a total of Baht 75.6 million. Such dividend was paid on 24 September 2012.

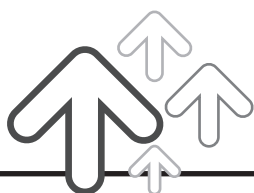




## 12. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements							
	Land improvement		Furniture, fixtures and office equipment				Construction in progress	Total
	Land	and plant	Machinery	equipment	equipment	vehicles		
<b>Cost</b>								
As at 1 January 2011	224,679	1,623,257	6,682,451	982,615	129,695	102,605	370,078	10,115,380
Additions	-	7,611	38,680	32,319	8,935	516	394,251	482,312
Transfer in (out)	70,000	13,530	124,217	25,379	583	-	(233,709)	-
Disposals/write-off	-	-	(4,701)	(30,404)	(2,767)	(2)	(5,116)	(42,990)
Translation adjustments:	-	5,711	10,268	-	296	169	730	17,174
As at 31 December 2011	294,679	1,650,109	6,850,915	1,009,909	136,742	103,288	526,234	10,571,876
Additions	26,016	5,747	59,820	26,260	8,485	14,434	218,929	359,691
Transfer in (out)	-	29,984	67,705	17,434	395	3,408	(118,926)	-
Disposals/write-off	-	(24)	(399)	(2,245)	(4,174)	(1,762)	(24,169)	(32,773)
Translation adjustment	-	(4,804)	(7,768)	-	(242)	(140)	(263)	(13,217)
As at 31 December 2012	320,695	1,681,012	6,970,273	1,051,358	141,206	119,228	601,805	10,885,577
<b>Accumulated depreciation</b>								
As at 1 January 2011	-	695,567	3,830,939	844,318	102,981	69,117	-	5,542,922
Disposals/ write-off	-	-	(9,517)	(29,945)	(2,671)	(3)	-	(42,136)
Depreciation for the year	-	83,782	438,289	58,908	11,507	10,306	-	602,792
Translation adjustment	-	2,540	7,698	-	272	178	-	10,688
As at 31 December 2011	-	781,889	4,267,409	873,281	112,089	79,598	-	6,114,266
Disposals/ write-off	-	(18)	(397)	(1,980)	(4,135)	(1,182)	-	(7,712)
Depreciation for the year	-	82,169	443,795	52,519	10,943	10,051	-	599,477
Translation adjustment	-	(1,568)	(4,742)	-	(208)	(124)	-	(6,642)
As at 31 December 2012	-	862,472	4,706,065	923,820	118,689	88,343	-	6,699,389
<b>Allowance for impairment</b>								
As at 1 January 2011	-	3,741	-	-	-	-	-	3,741
Reversal	-	(3,741)	-	-	-	-	-	(3,741)
As at 31 December 2011	-	-	-	-	-	-	-	-
As at 31 December 2012	-	-	-	-	-	-	-	-
<b>Net book value</b>								
As at 31 December 2011	294,679	868,220	2,583,506	136,628	24,653	23,690	526,234	4,457,610
As at 31 December 2012	320,695	818,540	2,264,208	127,538	22,517	30,885	601,805	4,186,188
<b>Depreciation for the year</b>								
2011 (Baht 425 million included in manufacturing cost, and the balance in administrative expenses)								602,792
2012 (Baht 574 million included in manufacturing cost, and the balance in administrative expenses)								599,477



(Unit: Thousand Baht)

	Separate financial statements							
	Land improvement			Plant	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	Land	and plant	Machinery	equipment	equipment	vehicles	in progress	
<b>Cost</b>								
As at 1 January 2011	125,007	515,347	3,031,590	710,256	61,515	48,717	219,537	4,711,969
Additions	-	770	11,665	12,145	4,025	516	332,398	361,519
Transfer in (out)	70,000	9,634	52,899	18,898	580	-	(152,011)	-
Disposals/write-off	-	-	(8,122)	(28,980)	(2,063)	-	-	(39,165)
As at 31 December 2011	195,007	525,751	3,088,032	712,319	64,057	49,233	399,924	5,034,323
Additions	25,317	154	24,520	16,573	4,265	9,583	117,229	197,641
Transfer in (out)	-	8,745	34,960	10,552	313	-	(54,570)	-
Disposals/write-off	-	-	(391)	(1,892)	(36)	(548)	-	(2,867)
As at 31 December 2012	220,324	534,650	3,147,121	737,552	68,599	58,268	462,583	5,229,097
<b>Accumulated depreciation</b>								
As at 1 January 2011	-	243,885	1,949,835	636,363	51,151	31,999	-	2,913,233
Depreciation for the year	-	22,560	168,135	33,153	5,016	4,930	-	233,794
Disposals/write-off	-	-	(7,670)	(28,979)	(2,037)	-	-	(38,686)
As at 31 December 2011	-	266,445	2,110,300	640,537	54,130	36,929	-	3,108,341
Depreciation for the year	-	23,075	169,585	28,006	5,076	4,912	-	230,654
Disposals/write-off	-	-	(391)	(1,892)	(30)	(548)	-	(2,861)
As at 31 December 2012	-	289,520	2,279,494	666,651	59,176	41,293	-	3,336,134
<b>Net book value</b>								
As at 31 December 2011	195,007	259,306	977,732	71,782	9,927	12,304	399,924	1,925,982
As at 31 December 2012	220,324	245,130	867,627	70,901	9,423	16,975	462,583	1,892,963
<b>Depreciation for the year</b>								
2011 (Baht 228 million included in manufacturing cost, and the balance in administrative expenses)								233,794
2012 (Baht 226 million included in manufacturing cost, and the balance in administrative expenses)								230,654

The Company and a subsidiary have mortgaged and negative pledged their land and building thereon and machinery, with net book value amounting to approximately Baht 1,615.5 million (The Company only: Baht 415.5 million) (2011: Baht 1,456.9 million in consolidated financial statements and Baht 425.2 million in separate financial statements) with financial institutions to secure against credit facility and loans obtained from those financial institutions as discussed in Note 15 and 17 to the financial statements.

As at 31 December 2012, certain equipment items of the Company and its subsidiaries have been fully depreciated but are still in use. The gross carrying amount, before deducting accumulated depreciation, of those assets amounted to Baht 3,235.0 million (The Company only: Baht 2,190.3 million) (2011: Baht 2,454.0 million in the consolidated financial statements and Baht 2,084.2 million in the separate financial statements).



As at 31 December 2012, the Company and a subsidiary had machinery, vehicles and equipment under finance lease agreements with net book values amounting to Baht 240.1 million (The Company only: Baht 137.9 million) (2011: Baht 238.1 million in the consolidated financial statements and Baht 119.3 million in the separate financial statements).

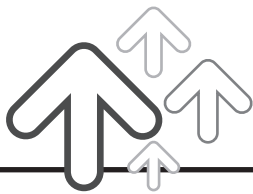
### 13. Goodwill on business combination

	(Unit: Thousand Baht)			
	Consolidated	financial	Separate	financial
	statements		statements	
	2012	2011	2012	2011
Goodwill on business combination	37,620	37,620	-	-
Less: Accumulated impairment loss	(37,620)	(37,620)	-	-
Net book value	-	-	-	-

### 14. Intangible asset

Intangible asset is computer software. Its net book value as at 31 December 2012 and 2011 is presented below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
As at 31 December 2012		
Cost	50,061	33,528
<u>Less:</u> Accumulated amortisation	(38,197)	(30,318)
Net book value	11,864	3,210
As at 31 December 2011		
Cost	48,650	33,428
<u>Less:</u> Accumulated amortisation	(36,697)	(29,663)
Net book value	11,953	3,765



A reconciliation of the net book value of intangible assets for the years 2012 and 2011 is presented below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		Financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Net book value at beginning of year	11,953	11,094	3,765	4,051
Acquisition during the year	1,581	1,423	100	347
Amortisation	(1,513)	(1,216)	(655)	(633)
Translation adjustment	(157)	652	-	-
Net book value at end of year	11,864	11,953	3,210	3,765

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

		(Unit: Thousand Baht)			
	Interest rate	Consolidated financial		Separate financial	
	(percent per annum)	statements		statements	
		2012	2011	2012	2011
Bank overdrafts	7.38 - 7.50	17,014	30,519	-	22
Short-term loans	4.40 - 4.75	1,541,355	1,580,014	556,000	627,500
Trust receipts	1.68 - 4.54	1,459,190	1,758,681	481,155	493,521
Packing credit	2.35 - 4.64	569,667	644,699	518,167	615,119
Loans from discounting of account receivable		-	76,653	-	42,036
Total		3,587,226	4,090,566	1,555,322	1,778,198

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



## 16. Trade and other payables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Trade payables - related parties	21,677	8,851	612,148	369,655
Trade payables - unrelated parties	825,464	770,133	254,254	181,248
Other payable - related parties	3,705	13,192	20,199	13,661
Other payable - unrelated parties	54,531	38,776	34,853	30,875
Accrued interest expenses to related parties	2,527	1,221	-	-
Accrued interest expenses to unrelated parties	3,275	979	1,830	979
Accrued expenses	86,768	99,399	40,882	48,690
Total trade and other payables	<u>997,947</u>	<u>932,551</u>	<u>964,166</u>	<u>645,108</u>

## 17. Long-term loans

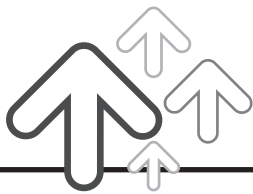
	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Long-term loans	1,650,000	2,000,000	1,650,000	2,000,000
Less: Current portion of long-term loans	(550,000)	(2,000,000)	(550,000)	(2,000,000)
Long-term loans, net of current portion	<u>1,100,000</u>	<u>-</u>	<u>1,100,000</u>	<u>-</u>

As at 31 December 2012 and 2011, long-term loans in the consolidated financial statements and the separate financial statements consisted of:

### The Company

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

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



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

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

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

At 31 December 2011, the Company and its subsidiaries could not maintain interest bearing debt to EBITDA ratio and current ratio as specified in the Credit Facility Agreement, which resulted in the loan becoming payable on demand. However, in February 2012, the Company and its subsidiaries had already received the waiver for such non-compliance from all lenders. The classification of such liabilities as at 31 December 2011 to be current is in accordance with financial reporting standards.

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

The Company has entered into a cross currency interest rate swap contract for a portion of the above loan as discussed in Note 30 the financial statements.





## 18. Liabilities under hire-purchase and financial lease agreements

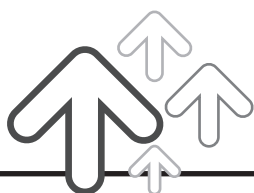
	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Liabilities under hire-purchase and financial lease agreements	49,975	43,537	41,992	25,220
Less: Deferred interest	(6,920)	(1,782)	(6,125)	(1,008)
Total	43,055	41,755	35,867	24,212
Less: Current portion due within one year	(12,667)	(34,717)	(9,440)	(20,072)
Liabilities under hire-purchase and financial lease agreements, net of current portion	30,388	7,038	26,427	4,140

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

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

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

	(Unit: Million Baht)					
	As at 31 December 2011					
	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	37	7	44	21	4	25
Deferred interest expenses	(2)	-	(2)	(1)	-	(1)
Present value of future minimum lease payments	35	7	42	20	4	24



## 19. Other current liabilities

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Warranty reserve	22,452	2,636	21,186	2,286

## 20. Provision for long-term employee benefits

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

	(Unit: Thousand Baht)		
	Consolidated financial statements		
	Retirement benefits plan	Long service awards plan	Total
<b>Defined benefit obligation as at 1 January 2011</b>	-	-	-
Cumulative effect of change in accounting policy for employee benefits adjusted against beginning balance of retained earnings	75,783	3,335	79,118
Current service cost	9,714	1,702	11,416
Interest cost	3,493	204	3,697
Benefits paid during the year	(4,482)	(593)	(5,075)
<b>Defined benefit obligation as at 31 December 2011</b>	84,508	4,648	89,156
Current service cost	11,269	2,049	13,318
Interest cost	3,877	272	4,149
Benefits paid during the year	(7,247)	(405)	(7,652)
Actuarial loss (gain)	16,862	(1,782)	15,080
<b>Provisions for long-term employee benefits as at 31 December 2012</b>	109,269	4,782	114,051



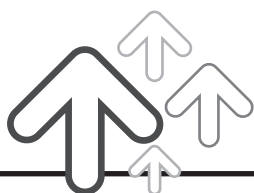
(Unit: Thousand Baht)

	Separate financial statements		
	Retirement benefits	Long service	Total
	plan	awards plan	
<b>Defined benefit obligation as at 1 January 2011</b>	-	-	-
Cumulative effect of change in accounting policy for employee benefits adjusted against beginning balance of retained earnings	38,643	3,335	41,978
Current service cost	4,127	1,702	5,829
Interest cost	1,765	204	1,969
Benefits paid during the year	(2,828)	(593)	(3,421)
<b>Defined benefit obligation as at 31 December 2011</b>	41,707	4,648	46,355
Current service cost	5,205	2,049	7,254
Interest cost	1,900	272	2,172
Benefits paid during the year	(6,557)	(405)	(6,962)
Actuarial loss (gain)	7,494	(1,782)	5,712
<b>Provisions for long-term employee benefits as at 31 December 2012</b>	49,749	4,782	54,531

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Current service cost	13,318	11,416	7,254	5,829
Interest cost	4,149	3,697	2,172	1,969
Actuarial gain recognised during the year	(1,782)	-	(1,782)	-
<b>Total expense recognized in profit or loss</b>	<b>15,685</b>	<b>15,113</b>	<b>7,644</b>	<b>7,798</b>
Line items under which such expenses are included in profit or loss				
Cost of sales	10,584	10,081	4,241	4,465
Selling and administrative expenses	5,101	5,032	3,403	3,333

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



Principal actuarial assumptions at the valuation date were as follows:

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	3.7	4.0 - 4.2	3.7	4.1
Future salary increase rate	5.0 - 9.0	5.0	5.0 - 9.0	5.0
Staff turnover rate	0 - 12.5	3.0 - 30.0	0 - 12.5	3.0 - 20.0

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

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

## 21. Share capital

On 20 April 2011, the Annual General Meeting of the Company's shareholders No. 32/2554 passed a resolution to approve an increase in the Company's share capital from Baht 850 million (850,000,000 ordinary shares of Baht 1 each) to Baht 1,000 million (1,000,000,000 ordinary shares of Baht 1 each) through the issuance of 150,000,000 ordinary shares with a par value of Baht 1 each to investor(s) on a Private Placement basis. The Company registered to increase its registered share capital with the Ministry of Commerce on 3 May 2011. However, the Company has not issued such share to investors on a Private Placement basis.

## 22. Statutory reserve

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



## 23. Dividends

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

## 24. Expenses by nature

Significant expenses by nature are as follows:

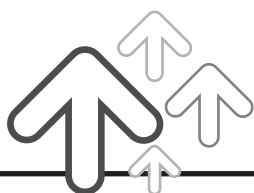
	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
	2012	2011
Raw materials and consumables used	10,026,226	11,939,981
Changes in inventories of finished goods and work in progress	(136,454)	28,937
Salary, wages and other employee benefits	985,913	893,835
Depreciation and amortisation expenses	601,297	604,008
Net loss (gain) on exchange	(97,784)	40,726
Rental expenses from operating lease agreement	26,643	20,840
Rental expenses	14,292	8,868

## 25. Corporate income tax

Income tax is provided for in the accounts based on the taxable profits of non-promoted operation at the rate of 23 percent determined in accordance with tax legislation, after adding back disallowable expenses and provisions and deducting the dividend income which is exempted from income tax.

The taxable income from non-promoted operation of the subsidiaries in Thailand are subject to corporate income tax at the rate of 23 percent of net profit after adding back expenses and provisions which are disallowed for tax computation purposes.

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



## 26. Earnings per share

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

## 27. Commitment and contingent liabilities

### 27.1 Capital commitments

As at 31 December 2012, the Company and its subsidiaries have capital commitments of approximately Baht 16.4 million (2011: Baht 34.8 million), relating to construction of factory building and acquisition of machinery.

### 27.2 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 2012 and 2011, future minimum lease payments required under these operating leases contracts were as follows:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
<u>Payable within</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Less than 1 year	10.5	25.1	0.3	0.2
1 to 3 years	14.2	15.6	0.5	-

### 27.3 Long-term service commitments

- a) As at 31 December 2012 and 2011, the Company and its subsidiaries have commitments relating to service agreements payable in the future as follows:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
<u>Payable within</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Less than 1 year	4.6	6.4	0.5	3.0
Over 1 year	-	-	-	-





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

As at 31 December 2012, the subsidiary has outstanding royalty fees amounting to approximately Baht 4.5 million (2011: Baht 11.3 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.

#### 27.4 Guarantees

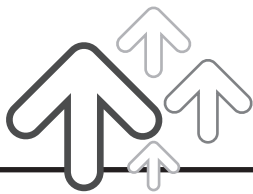
- a) The Company has contingent liabilities relating to the guarantees of financial lease agreements given to a subsidiary company as follows:

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

As at 31 December 2011			
Subsidiaries	Unit	Guaranteed facility	Facility used
Kulthorn Steel Company Limited	Million Baht	11.49	11.49

- b) As at 31 December 2012, the Company and Kulthorn Materials and Controls Company Limited have contingent liability relating to the guarantee of credit facility of Suzhou Kulthorn Megnet Wire Co., Ltd. to an oversea branch of a commercial bank amounting to RMB 100 million or equivalent to Baht 498.8 million (2011: RMB 40 million and USD 6 million or equivalent to a total of Baht 395.5 million).
- c) As at 31 December 2012, there were outstanding bank guarantees of approximately Baht 89.7 million (2011: Baht 87.8 million), the Company only: Baht 31.0 million (2011: Baht 29.3 million) issued by the banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the normal course of business of the Company and its subsidiaries. These included letter of guarantee to guarantee electricity use amounting to Baht



73.9 million (2011: Baht 69.9 million) The Company only: Baht 18.3 million (2011: Baht 14.3 million), and to guarantee import duty and others amounting to Baht 15.8 million (2011: Baht 17.9 million), the Company only: Baht 12.7 million (2011: Baht 15.0 million).

## 28. Promotional privileges

**28.1** 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
1. Promotional privileges for	Manufacturing of compressors for air condition and refrigerator
2. The significant privileges are	From 2 February 2010 until 1 February 2015
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.	
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.	2 February 2010

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

Sales of the Company amounting to approximately Baht 4,872 million (2011: Baht 5,210 million) for the year ended 31 December 2012 included revenue from manufacturing and sales derived from promoted operations of approximately Baht 1,752 million (2011: Baht 1,886 million).

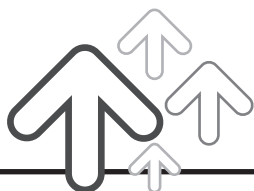


**28.2** Kulthorn Kirby Foundry Co., Ltd., a subsidiary company, has been granted the privileges for certain specified category of products under the Investments Promotion Act B.E. 2520 as approved by the Board of Investment with significant privileges as follows:

	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.

**28.3** 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.	From 14 January 2008 until 13 January 2016
In case that the Company has loss during the exemption of corporate income tax on net income, it can carry forward loss from operations to offset against income after exemption period, for a period of 5 years commencing as from the expiration of exemption period.	
2.2 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

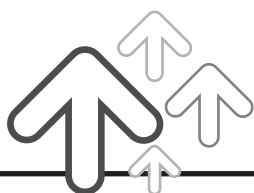
The subsidiary company has to comply with certain conditions and restrictions specified under the promotion certificates.



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

	Certificate No.	
	1677(2)/2549	1204(2)/2551
1. Promotional privileges for	Manufacturing of enameled copper wire product Type 5.3	Manufacturing of enameled metal wire product Type 5.3
2. The significant privileges are		
2.1 Exemption of corporate income tax on net profit from promotional operation which does not exceed 100 percent of investment, excluding land and working capital for a period of 6 years commencing as from the date of earning first operating income.	From 6 March 2007 until 5 March 2013	Granted
2.2 Exemption from import duty on raw materials and essential materials imported for use specifically in producing for export for a period of 1 year as from the date of first import.	Granted	Granted
2.3 A fifty percent reduction of import duty on imported machinery as approved by the Board.	-	Granted
2.4 Exemption from import duty on imported machinery as approved by the Board.	Granted	-
2.5 Dividend paid from those investment promoted operations which are exempted from corporate income tax are in turn exempted from inclusion in the determination of income tax.	Granted	Granted
3. Date of first earning operating income.	6 March 2007	The subsidiary has not yet commenced its promoted operation.

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



**28.5** 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.



## 29. Financial information by segment

The operations of the Company and its subsidiary companies involve a single industry segment in manufacturing and sales of compressor parts, and the current major operations are carried on mainly in Thailand. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain mainly to the aforementioned industry segment and geographic area. However, the Company and its subsidiaries operate in both local and overseas markets and financial information by market for year ended 31 December 2012 and 2011, is as follow:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2012	2011	2012	2011
Income from direct and indirect export and overseas sales	4,501	5,629	2,772	3,436
Income from local sales	7,038	6,213	2,100	1,774
	<u>11,539</u>	<u>11,842</u>	<u>4,872</u>	<u>5,210</u>

## 30. Financial instruments

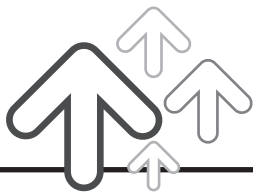
### 30.1 Financial risk management

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instrument: Disclosure Presentations", principally comprise cash and cash equivalents, trade accounts receivable, investments, trade accounts payable, other payables and short-term and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

#### Credit risk

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





### Interest rate risk

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

Significant financial assets and liabilities as at 31 December 2012 and 2011 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 2012

	Fixed interest rates			Floating Interest rate	Non- interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	Over 1-5 years	Over 5 years				
<b>Financial assets</b>							
Cash and cash equivalents	-	-	-	71	26	97	0.62% - 0.88%
Trade and other receivable	-	-	-	-	2,196	2,196	-
	-	-	-	71	2,222	2,293	
<b>Financial liabilities</b>							
Bank overdrafts and short-term loans							
from financial institutions	3,570	-	-	17	-	3,587	1.68% - 7.5%
Trade and other payables	-	-	-	-	998	998	-
Short-term loan from related party	37	-	-	-	-	37	3.50%
Liabilities under hire-purchase and financial lease agreements	13	30	-	-	-	43	5.02% - 7.69%
Long-term loans	-	-	-	1,650	-	1,650	THBFIX + 3%
	3,620	30	-	1,667	998	6,315	



(Unit: Million Baht)

## Consolidated financial statements as at 31 December 2011

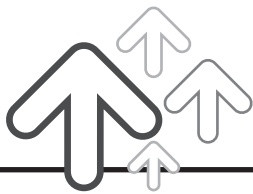
	Fixed interest rates			Floating	Non-		
	Within		Over	Interest	interest		Interest
	1 year	1-5 years	5 years	rate	bearing	Total	rate
							(% p.a.)
<u>Financial assets</u>							
Cash and cash equivalents	-	-	-	82	163	245	0.25% - 0.75%
Trade accounts receivable - net	-	-	-	-	2,300	2,300	-
Restricted bank deposit	-	-	-	1	-	1	0.50%
	-	-	-	83	2,463	2,546	
<u>Financial liabilities</u>							
Bank overdrafts and short-term loans							
from financial institutions	4,060	-	-	31	-	4,091	2.02% - 7.25%
Trade and other payables	-	-	-	-	933	933	-
Short-term loan from related party	38	-	-	-	-	38	3.50%
Liabilities under hire-purchase and							
financial lease agreements	35	7	-	-	-	42	5.60% - 9.21%
Long-term loans	-	-	-	2,000	-	2,000	THBFIX+3%
	4,133	7	-	2,031	933	7,104	

(Unit: Million Baht)

## Separate financial statements as at 31 December 2012

Separate financial statements as at 31 December 2012

	Fixed interest rates			Floating	Non-		Interest
	Within		Over	Interest	interest		Interest
	1 year	1-5 years	5 years	rate	bearing	Total	rate
							(% p.a.)
<u>Financial assets</u>							
Cash and cash equivalents	-	-	-	2	13	15	0.62% - 0.88%
Trade and other receivable	-	-	-	-	905	905	-
Investments in subsidiaries	-	-	-	-	2,334	2,334	-
	-	-	-	2	3,252	3,254	
<u>Financial liabilities</u>							
Bank overdrafts and short-term loans							
from financial institutions	1,555	-	-	-	-	1,555	2.02% - 7.25%
Trade and other payables	-	-	-	-	964	964	-
Short-term loan from subsidiary	31	-	-	-	-	31	4.50%
Liabilities under hire-purchase and							
financial lease agreements	10	26	-	-	-	36	5.02% - 7.69%
Long-term loans	-	-	-	1,650	-	1,650	THBFIX+3%
	1,596	26	-	1,650	964	4,236	



(Unit: Million Baht)

### Separate financial statements as at 31 December 2011

	Fixed interest rates			Floating	Non-	Total	Interest rate (% p.a.)
	Within	Over		Interest	interest		
	1 year	1-5 years	5 years	rate	bearing		
<b>Financial assets</b>							
Cash and cash equivalents	-	-	-	4	20	24	0.50% - 0.75%
Trade and other receivable	-	-	-	-	980	980	-
Investments in subsidiaries- net	-	-	-	-	2,334	2,334	-
	-	-	-	4	3,334	3,338	
<b>Financial liabilities</b>							
Bank overdrafts and short-term loans							
from financial institutions	1,756	-	-	22	-	1,778	2.02% - 7.25%
Trade and other payables	-	-	-	-	645	645	-
Liabilities under hire-purchase and							
financial lease agreements	20	4	-	-	-	24	5.90% - 8.27%
Long-term loans	-	-	-	2,000	-	2,000	THBFIX+3%
	1,776	4	-	2,022	645	4,447	

### Foreign currency risk

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

Below is the summary of the Company and its subsidiaries' foreign currency-denominated financial assets/liabilities as at 31 December 2012 and 2011.

Foreign currency	As at 31 December 2012					
	Consolidated financial statements		Separate financial statements		Exchange rate	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Buying	Selling
	(Million)	(Million)	(Million)	(Million)	(Baht per one foreign currency unit)	
US dollar	24	77	12	28	30.4857	30.7775
Euro	1	1	1	1	40.2522	40.8603
Japanese yen	-	43	-	24	0.3511	0.3580



As at 31 December 2011						
Foreign currency	Consolidated financial statements		Separate financial statements		Exchange rate	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Buying	Selling
	(Million)	(Million)	(Million)	(Million)	(Baht per one foreign currency unit)	
US dollar	28	58	15	17	31.5505	31.8319
Japanese yen	-	61	-	15	0.4044	0.4124

As at 31 December 2012 and 2011, the Company and its subsidiaries had outstanding forward exchange contracts and currency option contracts with maturities less than one year and cross currency interest rate swap contract as follows:

### Forward exchange contracts

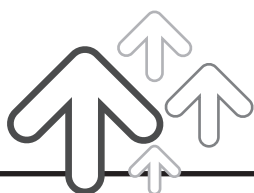
As at 31 December 2011			
Consolidated financial statements			
Foreign currency	Sold amount (Million)	Maturity date	Contractual exchange rate
			Sold amount (Baht per one foreign currency unit)
US Dollar	1.16	9 January 2012	30.01
Separate financial statements			
Foreign currency	Sold amount (Million)	Maturity date	Contractual exchange rate
			Sold amount (Baht per one foreign currency unit)
US Dollar	1.16	9 January 2012	30.01

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

### Ratio forward contracts

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

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



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

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

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

If the reference exchange rate is at or lower than the knock out rate at Baht 30.5: USD 1 during the agreement period, the following settlement will be cancelled.

(Unit: Million US Dollar)

	Consolidated financial statements	Separate financial statements
Sold amount I	11.0	7.0
Sold amount II	18.5	10.5

On 2 January 2013, reference exchange rate was lower than the knock out rate at Baht 30.5: USD 1, hence, ratio forward contract of the Company and its subsidiary of the said amount have already been cancelled.

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

### Currency option contracts

As at 31 December 2011				
Consolidated financial statements				
	Currency	Sold amount (Million)	Strike rate (Baht per unit of foreign currency)	Maturity date
Short call option	USD	18.8	30.12 - 30.55	10 February - 7 June 2012
Separate financial statements				
	Currency	Sold amount (Million)	Strike rate (Baht per unit of foreign currency)	Maturity date
Short call option	USD	12.5	30.12 - 30.55	10 February - 7 June 2012



For short call option, if on the maturity date, the reference exchange rate is higher than strike rate, the Company and its subsidiary are obligated to sell US dollars at strike rate.

As at 31 December 2011, fair value of short call option and put option contracts are lower than trade date of Baht 18.4 million (Company only: Baht 12.0 million).

As at 31 December 2012, the Company and subsidiaries had no outstanding currency option contracts.

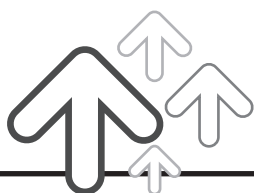
### **Cross currency interest rate swap contract**

On 4 March 2011, the Company entered into a cross currency interest rate swap contract with a bank for a principal of Baht 1,500 million, with effective date on 31 March 2011, and has entered into an amendment on 21 November 2012 to transmits some terms and conditions for outstanding principal of Baht 1,162.5 million. Termination date of the contract is 31 December 2015. The objectives of the contract after amendment are

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

As at 31 December 2012, fair value of cross currency interest rate swap contract is lower than trade date of Baht 12.0 million (2011: Baht 30.9 million lower than trade date).

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



### Commodity hedge agreements

As at 31 December 2012 and 2011, subsidiary companies had outstanding copper swap/future of which details are presented below.

As at 31 December 2012

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

As at 31 December 2011

Type of goods	Quantity	Maturity date	Contract price	Market price as at 31 December 2012
	(Ton)		(RMB per unit)	(RMB per unit)
Copper	180	January - August 2012	54,062 - 62,800	54,830 - 55,040

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

### 30.2 Fair values of financial instruments

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

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

### 31. Capital management

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

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





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

No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 2011.

### **32. Events after the reporting period**

On 20 February 2013, the Board of Directors' Meeting of the Company No. 1/2556 passed the following significant resolutions:

- 1) Approval to pay the dividend from the Company's profit derived from dividends received from subsidiaries at Baht 0.20 per share for 850,000,000 ordinary shares, or a total of Baht 170,000,000. Such dividend will be paid on 23 May 2013. The dividend payment is subject to the approval of the Annual General Meeting of the Shareholders.
- 2) Approval of the change of the condition for the allotment of 150,000,000 new ordinary shares with a par value of Baht 1 per share, totaling Baht 150,000,000 from capital increase of the Company to investor (s) on a Private Placement basis to the existing shareholders.

### **33. Approval of financial statements**

These financial statements were authorised for issue by the Company's authorised Directors on 26 February 2013.



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