

13. Essential Financial Information
1. Statement of Financial Position

Statement of Financial Position	31 December 2013 (Reclassified)		31 December 2014		31 December 2015	
	Baht	%	Baht	%	Baht	%
Assets						
Current assets						
Cash and cash equivalents	2,439,443	1.1	1,164,111	0.4	104,127,676	19.0
Trade and other receivables - related parties.	1,827,712	0.8	11,926,707	3.7	3,972,556	0.7
Trade and other receivables - other parties	40,143,000	18.6	42,017,727	13.1	80,196,177	14.7
Current portion of receivables for financial lease contract	247,825	0.1	234,629	0.1	530,110	0.1
Inventories	105,760,446	49.1	172,007,864	53.8	230,920,152	42.2
Other current assets	9,623,488	4.5	8,463,029	2.6	13,308,895	2.4
Total current assets	160,041,914	74.3	235,814,067	73.7	433,055,566	79.2
Non-current assets						
Deposit at financial institutions pledged as collateral	24,701,367	11.5	40,667,305	12.7	48,242,992	8.8
Receivables for financial lease contract – net of current portion	607,706	0.3	398,076	0.1	963,156	0.2
Investment in subsidiary	-	-	-	-	-	-
Property, plant and equipment	24,020,814	11.2	34,247,253	10.7	54,576,185	10.0
Intangible assets - net	1,272,485	0.6	3,289,562	1.0	3,200,958	0.6
Deferred tax assets	4,146,178	1.9	3,955,671	1.2	5,437,202	1.0
Other non-current assets	584,024	0.3	1,556,534	0.5	1,556,534	0.3
Total non-current assets	55,332,574	25.7	84,114,401	26.3	113,977,027	20.8
Total assets	215,374,488	100.0	319,928,468	100.0	547,032,593	100.0

Statement of Financial Position	31 December 2013 (Reclassified)		31 December 2014		31 December 2015	
	Baht	%	Baht	%	Baht	%
Liabilities and shareholder' equity						
Current liabilities						
Bank overdrafts and short term loans from financial institutions	90,133,725	41.8	134,133,738	41.9	84,894,899	15.5
Trade and other payables – related parties	115,299	0.1	428	0.0	-	-
Trade and other payables – other parties	34,595,464	16.1	67,453,411	21.1	126,247,018	23.1
Current portion of long term loan	-	-	312,647	0.1	426,195	0.1
Current portion of financial lease liabilities	403,242	0.2	224,575	0.1	985,406	0.2
Income tax payable	69,238	0.0	2,483,955	0.8	-	-
Other current liabilities	2,926,314	1.4	3,533,157	1.1	4,501,255	0.8
Total current liabilities	128,243,282	59.5	208,141,911	65.1	217,054,773	39.7
Non-current liabilities						
Long term loan from financial institutions – net of current portion	-	-	444,365	0.1	239,973	0.0
Long term of liabilities under financial lease contracts – net of current portion	246,655	0.1	22,080	0.0	1,898,850	0.3
Employee benefit obligation	1,592,556	0.7	2,815,048	0.9	1,575,034	0.3
Total non-current liabilities	1,839,211	0.9	3,281,493	1.0	3,713,857	0.7
Total liabilities	130,082,493	60.4	211,423,404	66.1	220,768,630	40.4
Shareholders' Equity						
Issued and fully-paid share capital						
- 480,000,000 shares at 0.25 Baht in 2015						
- 360,000,000 shares at 0.25 Baht in 2014	70,000,000	32.5	90,000,000	28.1	120,000,000	21.9
- 7,000,000 shares at 10.0 Baht in 2013						
- 4,440,000 shares at 10.0 Baht in 2012						
Premium on share capital	4,900,000	2.3	4,900,000	1.5	183,030,333	33.5
Surplus on share-based payment transactions	2,498,975	1.2	3,063,937	1.0	3,063,937	0.6
Retained earnings						
- Appropriated for legal reserve	1,391,868	0.6	3,146,327	1.0	3,743,166	0.7
- Unappropriated	6,501,152	3.0	7,394,800	2.3	16,426,527	3.0
Total shareholders' equity	85,291,995	39.6	108,505,064	33.9	326,263,963	59.6
Total liabilities and shareholders' equity	215,374,488	100.0	319,928,468	100.0	547,032,593	100.0

2. Statement of Comprehensive Income

Statement of Comprehensive Income	31 December 2013 (Reclassified)		31 December 2014		31 December 2015	
	Baht	%	Baht	%	Baht	%
Revenues						
Revenues from sales	280,326,378	91.2	436,205,404	94.1	606,107,625	94.6
Revenues from services	25,028,939	8.1	22,443,355	4.8	30,299,475	4.7
Other revenues	2,141,327	0.7	4,842,184	1.0	4,368,655	0.7
Total revenues	307,496,644	100.0	463,490,943	100.0	640,775,755	100.0
Expenses						
Cost of sales	164,185,604	53.4	251,211,041	54.2	361,893,490	56.5
Cost of services	6,892,873	2.2	8,736,586	1.9	11,115,654	1.7
Selling expenses	81,507,616	26.5	102,571,952	22.1	180,872,270	28.2
Administrative expenses	39,766,337	12.9	48,293,385	10.4	57,388,258	8.9
Management benefit expenses	8,602,267	2.8	8,256,063	1.8	13,419,014	2.1
Finance costs	3,417,341	1.1	5,973,957	1.3	7,669,024	1.2
Total expenses	304,372,038	99.0	425,042,984	91.7	632,357,710	98.7
Profit before share of profit (loss) from investments in jointly controlled entity	3,124,606	1.0	38,447,959	8.3	8,418,045	1.3
Share of profit (loss) from investments in jointly controlled entity	60,227	0.0	-	0.0	-	-
Profit before income tax	3,184,833	1.0	38,447,959	8.3	8,418,045	1.3
Income tax expense	469,673	0.2	7,047,356	1.5	392,873	0.0
Profit for the year	2,715,160	0.9	31,400,603	6.8	8,025,172	1.3
Other comprehensive gain (loss) – Actuarial gain (loss) on defined employee benefit plan – net of tax	-	-	(940,620)	-0.2	2,004,242	0.3
Income tax relating to components of other comprehensive income	-	-	188,124	0.0	(400,848)	-0.1
Total comprehensive income for the year	2,715,160	0.9	30,648,107	6.6	9,628,566	1.5
Primary earnings per share (Baht)	0.58		0.10		0.02	
Primary earnings per share (Baht) (at the par value of 0.25 baht per share)	0.01		0.10		0.02	
Primary earnings per share (Baht) (Fully-diluted at 480 million shares)	0.01		0.07		0.02	

3. Statement of Cash Flows

Statement of Cash Flows	31 December 2013 (Reclassified)	31 December 2014	31 December 2015
	Baht	Baht	Baht
Cash flow from operating activities			
Profit before income tax	3,184,833	38,447,959	8,418,045
Adjustment for:			
Depreciation and Amortization	6,707,902	7,863,112	9,099,955
Loss on written of fixed assets	369,300	328,572	11,697
Gain on sales of fixed assets	2	-	
Impairment loss on assets	-	-	418,830
Unrealized loss on exchange rate	1,480,330	201,883	5,481,922
Share of profit (loss) from investments in jointly controlled entity	(60,227)	-	-
Goodwill amortization	267,597	-	-
Loss on decline in value of inventories	454,896	2,700,470	6,006,200
Bad debts and allowance for doubtful accounts (reversal)	3,247,827	(1,984,117)	1,536,111
Finance costs	3,417,341	5,973,957	7,669,024
Interest income	(451,060)	(679,438)	(1,108,459)
Employee benefit obligation	191,580	200,297	624,737
Provision expenses after sale	954,842	761,068	753,671
Expenses for share-based payment transactions	2,498,975	564,962	-
Profit from operating activities before change in operating assets and liabilities	22,264,138	54,378,725	38,911,733
Decrease (increase) in operating assets			
Trade and other receivables	(12,706,313)	(9,966,856)	(31,675,983)
Receivables for financial lease contracts	(835,810)	242,910	(829,074)
Inventories	(42,493,093)	(70,358,216)	(68,289,431)
Other current assets	(4,600,507)	(1,464,834)	(7,256,071)
Other non-current assets	1,028,800	(972,510)	-
Increase (decrease) in operating liabilities			
Trade and other payables	11,205,528	32,529,456	56,248,223
Other current liabilities	82,111	(154,225)	214,426
Cash generated (paid) from operations	(26,055,146)	4,234,450	(12,676,177)
Interest paid	(3,304,540)	(5,886,798)	(7,290,177)
Income tax paid	(3,890,019)	(4,254,009)	(4,759,207)
Net cash used in operating activities	(33,249,705)	(5,906,357)	(24,725,561)

Statement of Cash Flows	31 December 2013 (Reclassified)	31 December 2014	31 December 2015
	Baht	Baht	Baht
Cash flow from investing activities			
Increase in deposits at financial institution pledged as collateral	(9,310,116)	(15,965,938)	(7,575,687)
Increase in short term loan to related party	-	-	-
Cash paid for investment for subsidiary	(43,063)	-	-
Cash received from sale of fixed assets	-	25,069	287,062
Purchases of fix assets	(7,476,989)	(11,245,325)	(19,297,095)
Deposit for purchases of fix assets	-	(2,296,221)	-
Purchases of intangible assets	(16,822)	(2,865,470)	(854,523)
Interest received	431,339	659,353	1,019,250
Net cash used in investment activities	(16,415,651)	(31,688,532)	(26,420,993)
Cash flows from financing activities			
Increase (decrease) in bank overdrafts and short term loan from financial institution	44,871,569	43,989,003	(52,202,512)
Increase in long term loan from financial institution	-	955,600	298,792
Repayments of long term loan from financial institution	(73,574)	(198,589)	(389,636)
Repayments of liabilities under finance lease contracts	(733,017)	(426,457)	(1,726,858)
Cash receipts from increase of share capital	25,600,000	20,000,000	30,000,000
Proceeds from premium on share	-	-	186,000,000
Transaction costs for issue of common shares	-	-	(7,869,667)
Dividends paid	(22,999,200)	(28,000,000)	-
Net cash provided by financing activities	46,665,778	36,319,557	154,110,119
Net increase (decrease) in cash and cash equivalents	(2,999,578)	(1,275,332)	102,963,565
Cash and cash equivalents at beginning of the year	5,439,021	2,439,443	1,164,111
Cash and cash equivalents at end of the year	2,439,443	1,164,111	104,127,676
Supplemental disclosure of cash flow information			
Non cash item – Purchase of vehicles under finance lease contracts	494,393	-	4,239,087

4. Financial Ratios

Financial Ratios	31 Dec 2013	31 Dec 2014	31 Dec 2015
	Baht	Baht	Baht
LIQUIDITY RATIO			
Current ratio (times)	1.25	1.13	2.00
Quick ratio (times)	0.35	0.26	0.87
Cash flow current ratio (times)	-0.34	-0.04	-0.12
Receivable current ratio (times)	5.99	7.98	8.02
Avg. debt collection period (days)	60.06	45.12	44.89
Inventory turnover ratio (times)	4.69	3.16	2.49
Avg. selling period (days)	76.68	113.83	144.58
Payable current ratio (times)	6.11	4.92	5.73
Loan repayment period (days)	58.95	73.20	63.70
Cash Cycle (days)	77.80	85.75	125.77
PROFITABILITY RATIO			
Gross profit margin on sales (%)	41.43	42.41	40.29
Gross profit margin on service (%)	72.46	61.07	63.31
Operating profit margin (%)	1.44	8.63	1.84
Other profit margin (%)	0.70	1.04	0.68
Cash to profit margin (%)	-755.57	-14.92	-211.00
Net profit margin (%)	0.88	6.77	1.25
Return on equity (%)	3.34	32.41	3.69
EFFICIENCY RATIO			
Return on assets (%)	1.50	11.73	1.85
Return on fixed assets (%)	41.55	134.77	38.56
Asset turnover (times)	1.70	1.73	1.48
FINANCIAL POLICY RATIO			
Debt to equity ratio (times)	1.53	1.95	0.68
Interest coverage ratio (times)	3.89	8.75	3.28
Commitment coverage ratio (cash basis)(times)	-1.06	-0.14	-0.11
Dividend payout ratio (%)	847.07	89.17	0.00

14. Management's Discussion and Analysis

Masterkool International Public Company Limited would like to report on the operating results of the Company and its subsidiary for the year 2015; 12 months ended December 31, 2015 which was approved by the Board of Directors Meeting No. 1/2016 arranged on February 23, 2016 as detailed below:

Overview of the operating results for the year 2015; 12 months ended December 31, 2015

Million Baht

	2015	2014	Increase (decrease)	
	(12 months)	(12 months)	Amount	%
Revenues from sales	606.11	436.21	169.90	38.95
Revenues from services	30.30	22.44	7.86	35.03
Other income*	4.37	4.84	(0.47)	(9.71)
Total revenues	640.78	463.49	177.29	38.25
Cost of sales	361.89	251.62	110.27	43.82
Cost of services	11.12	8.74	2.38	27.23
Selling and administrative expenses	238.26	150.45	87.81	58.36
Management benefit expenses	13.42	8.26	5.16	62.47
Finance cost	7.67	5.97	1.70	28.48
Net profit	9.63	30.65	(21.02)	(68.58)
Earnings per share (baht per share)	0.02	0.10	(0.08)	(75.00)

*Other income such as interest income, government grants, etc.

● Revenue

Performance for the year 2015, revenue totaled 640.78 million baht which increased from the same period of last year in the amount 177.29 million baht, representing 38.25% growth. The leading product is still evaporative air coolers for several years; and continues to grow through the expansion of distribution channels. The two important distribution channels are Modern Trade and Export. These two channels have higher growth rates comparing to other channels of the same product lines. The key factors of the growth are the quality of products which continuously improved; and product designs which meet the needs of the market. Besides, the company has consistently focused on direct marketing activities to draw target customers' attention and acceptance on products which deemed to be a good alternative of air cooling. For international markets, we have focused on new area of markets; especially AEC since 2014 onwards; which resulting orders commencing in the summer of 2015 until the present.

- **Cost of sales and services**

In the year 2015, the Company's cost of sales and services stood at 373.01 million baht, an increase from the same period of last year at 112.65 million baht or equivalent to an increase in the rate of 43.27%, which is based on growth of sales and services. It can be seen that the rate of increase of the costs more than the rate of increase in revenue; mainly coming from two factors. Firstly, the increase in the exchange rate of the US dollar, as the main currency in product import, the rate has strengthened steadily since the beginning of 2015 until the end of the year. Secondly, Portfolio of the international sales has had a significant growth. The international sales' gross profit is not very high; but at the same time, other costs are very low. In conclusion, the expansion of international sales will lead a good impact in long-term stability of the company and a good solution in terms of reducing the risk of foreign exchange; due to the company's trading in the form of foreign currency. Moreover, it can be diversification of the customer base.

- **Selling and administrative expense**

The overall results for the year 2015, the Company had selling and administrative expenses at 238.26 million baht, an increase over the same period of last year at 87.81 million baht, or an increase of 58.36%. The major expense came from exchange losses resulting from product imports in dollars have appreciated steadily since the beginning of 2015 until the end of 2015. Besides, the company had spent on marketing expenses in the first quarter of 2015 to create awareness of the product among the target customers; including costs resulting from product sales through modern trade channel; and employee expenses on product consultants on branches. Moreover, the company had run activities with exclusive dealers (strategic partner) and some other key trading networks for 2016 business goals.

- **Profitability's**

At the end of the year 2015, the profit stood at 9.63 million baht, equivalent to 1.50% of sales, while net profit for the same period of last year equals to 30.65 million baht, representing 6.61% of sales. The main reason that affected the profitability was the exchange losses incurred during the nine months of 2015; included expenses from the sale of products through modern trade channels which the company launched the promotion as a competitive strategy and the marketing expenses on activities with the exclusive dealers.

Financial Status

- **Assets**

As at December 31, 2015, the Company had total assets of 547.03 million baht, up from 227.10 million baht at December 31, 2014; representing an increase of 70.99%; mainly caused by:

Current assets valued at 433.06 million baht or 79.16% of the assets that mainly comprise of:

- Cash and cash equivalents valued 104.13 million baht at 31 December 2014; increased from 31 December 2014 in amount of 102.96 million baht. The cash flow primarily derived from the capital raise of the company in September 2015 which valued 216 million baht.
- Account receivables of 84.17 million baht or 15.39% of total assets; increased in 30.22 million baht or 56.03 when comparing to 31 December 2014. The main receivables at the ending of 2015 were account receivables from international customers and local dealers.
- Inventories as of 31 December 2015 which prepared for peak season of sales in 2016 valued 230.92 million baht or 42.21% of total assets; increased in 16.35 million baht or an increase of 34.25%.

Non-current assets valued 113.97 million baht or 20.84% of total assets which mainly were:-

- Pledged deposits with financial institutions of 48.42 million baht or 8.82% of total assets; increased from 2014 in amount of 7.58 million baht or 18.63% which based on expansion of limit of short term loan and overdraft loan; including L/C for product import according to 2016 business plan.
- Property, plant and equipment were 54.58 million baht or 9.98% of total assets; increased from the end of 2014 in amount of 20.33 million baht or 59.36%. The value increased from the investment of new evaporative air cooler mold and vehicles for product delivery and customer services.

● **Liabilities**

As of 31 December 2015, the company had total liabilities of 220.77 million baht or 40.36% of total assets; increased from 31 December 2014 in amount of 9.35 million baht or 4.42% as details below:

Current liabilities at 217.05 million baht or 39.68% of total assets comprised of:

- Bank overdrafts and short-term loans from financial institutions of 84.89 million baht, representing 15.52% of total assets decreased from the end of the year 2014 in the amount of 49.24 million baht, representing 36.71% which was due to repayment of short-term loans with the proceeds from the capital increase to reduce interest costs.
- Trade payables and other payables of 126.25 million baht or 23.08% of total assets increased in the amount of 58.79 million baht or 87.16% when compared to 2014; for product import to cover the peak selling in 2016 as planned.

- **Shareholders' equity**

As at December 31, 2015, the Company's shareholders amounted to 326.26 million baht, representing 59.64% of total assets. An increase from year-end 2014 of 217.76 million baht in shareholders' equity increased due to the Company has increased the registered capital of 30 million baht and premium on shares of 178.43 million baht. The Company had net profit from operation at 9.63 million from operations in the year 2015.