

Lohakit Metal Public Company Limited and its subsidiaries

Notes to consolidated interim financial statements

For the three-month period ended 30 June 2014

1. General information

1.1 Corporate information

Lohakit Metal Public Company Limited ("the Company") is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the processing, distribution and shearing of stainless steel, steel and metal products. The registered address of the Company is at 66/1 Moo 6 Suksawad Road, Bangjak, Prapradaeng, Samutprakarn.

1.2 Basis of preparation

These interim financial statements are prepared in accordance with Thai Accounting Standard No. 34 (revised 2012) "Interim Financial Reporting", with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, comprehensive income, changes in shareholders' equity, and cash flows in the same format as that used for the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events, and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

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

1.3 Basis of consolidation

These consolidated financial statements include the financial statements of Lohakit Metal Public Company Limited and its subsidiaries ("the Group") and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 March 2014. During the current period, there was no change in the structure of the Group.

1.4 New accounting standards

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

The Company disclosed the accounting standards, financial reporting standard, accounting standard interpretations and financial reporting standard interpretations that are effective for fiscal years beginning on or after 1 January 2014, in the notes to financial statements for the year ended 31 March 2014.

The Company's management has assessed the effects of the above accounting standards, financial reporting standard, accounting standard interpretations and financial reporting standard interpretations, and believes that they are not relevant to the business of the Company or do not have a significant impact.

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

The Company has disclosed the financial reporting standard that will be effective in the future in the notes to financial statements for the year ended 31 March 2014.

The Company's management has assessed the effect of this financial reporting standard and believes that it is not relevant to the business of the Company.

2. Related party transactions

During the period, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Thousand Baht)

	For the three-month period ended 30 June				
	Consolidated		Separate		
	financial statements		financial statements		Transfer Pricing Policy
	2014	2013	2014	2013	
<u>Transactions with subsidiaries</u>					
(Eliminate from the consolidated financial statements)					
Sales of goods and service income	-	-	30,785	55,416	Sale of goods: Market price less discount 2%, and cost plus a margin at rate of 5% Service income: Closed to the market price

(Unit: Thousand Baht)

	For the three-month period ended 30 June				
	Consolidated		Separate		
	financial statements		financial statements		Transfer Pricing Policy
	2014	2013	2014	2013	
Service income	-	-	1,200	1,200	Accordance with the negotiation price
Dividend income	-	-	19,584	26,640	As approved by shareholders' meeting
Purchases of goods	-	-	-	422	Market price
Commission expenses	-	-	24	34	Not over 2% of sales
<u>Transactions with related companies</u>					
Service income	75	75	75	75	Fixed fee per month
Dividend income	-	-	-	4,900	As approved by shareholders' meeting
Commission expenses	1,248	1,661	-	-	Not over 2% of sales
Car rental expenses	108	108	-	-	Contract price
<u>Transactions with related parties</u>					
Building rental expenses	744	744	-	-	Contract price that closed to the market price

As at 30 June 2014 and 31 March 2014, the balances of the accounts between the Company and those related companies are as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 March	30 June	31 March
	2014	2014	2014	2014
<u>Trade receivables - related parties (Note 5)</u>				
Subsidiaries	-	-	23,296	34,737
<u>Other payables - related parties (Note 12)</u>				
Associated company	1,629	1,717	-	-
Subsidiary	-	-	26	-
Total other payables - related parties	1,629	1,717	26	-

Directors and management's benefits

For the three-month period ended 30 June 2014 and 2013, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Short-term employee benefits	8,577	8,874	4,579	4,478
Increase (decrease) in post-employment benefits	431	(764)	(5)	(369)
Total	<u>9,008</u>	<u>8,110</u>	<u>4,574</u>	<u>4,109</u>

3. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June 2014	31 March 2014	30 June 2014	31 March 2014
Cash	125	125	55	55
Bank deposits	76,030	63,816	51,801	33,560
Total	<u>76,155</u>	<u>63,941</u>	<u>51,856</u>	<u>33,615</u>

As at 30 June 2014, bank deposits in saving accounts and fixed deposits carried interests between 0.35 and 1.70 percent per annum (31 March 2014: between 0.38 and 1.70 percent per annum).

4. Current investment

As at 30 June 2014, a subsidiary has current investment of Baht 5 million (31 March 2014: Baht 5 million) in the 5-year debenture of a Thai bank, bearing interest at a rate of 4.90% per annum and maturing on 12 November 2014.

5. Trade and other receivables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 March	30 June	31 March
	2014	2014	2014	2014
<u>Trade receivables - related parties (Note 2)</u>				
Aged on the basis of due dates				
Not yet due	-	-	18,182	26,539
Past due				
Up to 3 months	-	-	5,114	8,198
Total trade receivables - related parties	-	-	23,296	34,737
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	524,593	577,498	266,127	308,941
Past due				
Up to 3 months	195,011	180,181	105,889	99,493
Over 3 months but less than 12 months	200	150	27	-
Over 12 months	22,001	22,214	17,426	17,426
Total	741,805	780,043	389,469	425,860
Less: Allowance for doubtful accounts	(22,161)	(22,289)	(17,431)	(17,426)
Total trade receivables - unrelated parties, net	719,644	757,754	372,038	408,434
Total trade receivable - net	719,644	757,754	395,334	443,171
<u>Other receivables</u>				
Other receivables	2,388	340	2,238	107
Interest receivable	137	99	-	-
Total other receivables	2,525	439	2,238	107
Total trade and other receivables - net	722,169	758,193	397,572	443,278

6. Restricted bank deposits

As at 30 June 2014, the Company and its subsidiary have deposits with banks of Baht 46 million (31 March 2014: Baht 46 million) which are pledged with the banks to secure credit facilities as described in Note 17.5 to the financial statements.

7. Investments in subsidiaries

7.1 Details of subsidiaries

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

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost method	
	30 June	31 March	30 June	31 March	30 June	31 March
	2014	2014	2014	2014	2014	2014
	(Million Baht)	(Million Baht)	(Percent)	(Percent)		
Auto Metal Company Limited	240	240	60	60	144,000	144,000
Alternative Stainless Company Limited	1	1	100	100	999	999
NSC Metal Company Limited*	230	230	100	100	258,238	258,238
Total					<u>403,237</u>	<u>403,237</u>

(* Formerly known as "Ngeck Seng Chiang Metal Company Limited")

7.2 Dividend income

(Unit: Thousand Baht)

Company's name	For the three-month period ended 30 June	
	2014	2013
	<u>2014</u>	<u>2013</u>
Auto Metal Company Limited	<u>19,584</u>	<u>26,640</u>

On 19 June 2014, the Annual General Meeting of the shareholders of Auto Metal Company Limited passed a resolution to approve the payment of a dividend of Baht 13.60 per share from the operating results of the year ended 31 March 2014. The dividend was paid on 27 June 2014.

8. Investment in associated company

8.1 Details of associate

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Shareholding percentage		Separate financial statements		Consolidated financial statements	
					Cost method		Carrying amount based on equity method	
			30 June	31 March	30 June	31 March	30 June	31 March
			2014	2014	2014	2014	2014	2014
			(Percent)	(Percent)				
Mory Lohakit (Thailand) Co., Ltd.	Agent	Thailand	49	49	4,900	4,900	7,563	7,440

8.2 Share of profit and dividend received

(Unit: Thousand Baht)

Company's name	For the three-month period ended 30 June			
	Consolidated financial statements		Separate financial statements	
	Share of profit from investment in associate		Dividend received	
	2014	2013	2014	2013
Mory Lohakit (Thailand) Co., Ltd.	123	321	-	4,900

8.3 Summarised financial information of associate

Financial informations of the associated company are summarised below.

(Unit: Million Baht)

Company's name	Paid-up capital		Total assets		Total liabilities		Total revenues for the three-month period ended		Profit for the three-month period ended	
	as at		as at		as at		30 June		30 June	
	30 June	31 March	30 June	31 March	30 June	31 March				
	2014	2014	2014	2014	2014	2014	2014	2013	2014	2013
Mory Lohakit (Thailand) Co., Ltd.	10	10	16	16	-	-	1	2	-	1

9. Long-term investments

(Unit: Thousand Baht)

	Consolidated financial statements			
	30 June 2014		31 March 2014	
	Cost	Fair value	Cost	Fair value
<u>Available-for-sale securities</u>				
Investment units in property fund	3,185	3,109	3,185	3,008
Total available-for-sale securities	3,185	3,109	3,185	3,008
Add: Changes in fair value	(76)		(177)	
Total available-for-sale securities	3,109		3,008	

10. Property, plant and equipment

Movements of the property, plant and equipment account during the three-month period ended 30 June 2014 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Net book value as at 1 April 2014	549,006	272,710
Acquisitions during period - at cost	44,963	43,146
Depreciation for the period	(21,269)	(7,037)
Net book value as at 30 June 2014	<u>572,700</u>	<u>308,819</u>

As at 30 June 2014, the Company and its subsidiaries had vehicles under finance lease agreements with net book values amounting to Baht 15 million (31 March 2014: Baht 16 million) (Separate financial statements: Baht 11 million (31 March 2014: Baht 12 million)).

The Company and a subsidiary have mortgaged all of their land with structures thereon and pledged machineries with banks, and another subsidiary has mortgaged unit of condominium with bank, to secure loans and other credit facilities granted to the Company and its subsidiaries by the banks as described in Note 17.5 to the financial statements.

The book value of machineries of the Company and a subsidiary pledged with banks are summarised below.

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	30 June 2014	31 March 2014	30 June 2014	31 March 2014
Cost	306	306	197	197
Net book value	19	21	-	-

11. Short-term loans from financial institutions

	(Unit: Thousand Baht)					
	Interest rate		Consolidated		Separate	
	(percent per annum)		financial statements		financial statements	
	30 June	31 March	30 June	31 March	30 June	31 March
	2014	2014	2014	2014	2014	2014
Bank overdrafts	2.88	-	216	-	-	-
Short-term loans from banks	4.35	4.35	54,000	55,000	45,000	45,000
Trust receipts	2.05 - 4.50	2.30 - 4.50	207,064	218,371	139,692	154,243
			<u>261,281</u>	<u>273,371</u>	<u>184,692</u>	<u>199,243</u>

Short-term loans from banks represent promissory notes maturing within 1 month.

Bank overdrafts, short-term loans from banks and trust receipts facilities are secured by the Company and its subsidiaries' land with structures thereon, unit of condominium, machineries and fixed deposit accounts and guarantees provided by the Company as described in Note 17.5 to the financial statements.

12. Trade and other payables

	(Unit: Thousand Baht)			
	Consolidated financial		Separate financial	
	statements		statements	
	30 June	31 March	30 June	31 March
	2014	2014	2014	2014
Trade payables - unrelated parties	452,106	469,417	324,424	325,015
Other payables - unrelated parties	51,984	26,045	40,845	17,279
Other payables - related party (Note 2)	1,629	1,717	26	-
Accrued commission expenses - unrelated parties	182	151	158	130
Accrued expenses	10,116	1,902	4,637	1,091
Total trade and other payables	<u>516,017</u>	<u>499,232</u>	<u>370,090</u>	<u>343,515</u>

13. Income tax

Income tax expenses for the three-month period ended 30 June 2014 and 2013 are made up as follows:

(Unit: Thousand Baht)

	For the three-month period ended 30 June			
	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Current income tax:				
Interim corporate income tax charge	9,700	7,725	5,220	4,808
Deferred tax:				
Relating to origination and reversal of temporary differences	(587)	1,677	(561)	494
Income tax expense reported in the statements of comprehensive income	9,113	9,402	4,659	5,302

As of 30 June 2014 and 31 March 2014, the components of deferred tax assets are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June	31 March	30 June	31 March
	2014	2014	2014	2014
Deferred tax assets				
Allowance for doubtful accounts	947	973	1	-
Allowance for loss on diminution in value of inventories	13,314	12,767	10,771	10,245
Provision for long-term employee benefits	5,653	5,592	3,213	3,179
Unused tax losses	2,478	2,473	-	-
Total	22,392	21,805	13,985	13,424

14. Forward foreign exchange contracts

The Company and its subsidiaries had the significant balances of financial assets and liabilities denominated in foreign currencies as summarised below.

Foreign currency	Financial assets as at		Financial liabilities as at		Average exchange rate as at	
	30 June	31 March	30 June	31 March	30 June	31 March
	2014	2014	2014	2014	2014	2014
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US Dollar	0.1	0.3	0.9	0.6	32.41	32.44
Japanese Yen	0.5	0.5	3.4	1.3	0.3199	0.3155
Singapore Dollar	-	-	0.1	-	26.23	26.01

The Company and its subsidiaries had outstanding balances of forward foreign exchange contracts which to reduce the exchange rate risk arising from their financial liabilities dominated in foreign currency, which mature within one year. The details are summarised below.

Foreign currency	Bought amount	Sold amount	Contractual exchange rate	
			Bought	Sold
	(Million)	(Million)	(Baht per 1 foreign currency unit)	
<u>As at 30 June 2014</u>				
US Dollar	0.4	-	32.55 - 33.08	-
Japanese Yen	3.4	-	0.3205	-
Singapore Dollar	0.1	-	26.17	-
<u>As at 31 March 2014</u>				
US Dollar	0.5	-	32.37 - 32.81	-
Japanese Yen	1.3	-	0.3184	-

15. Earnings per share

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

16. Segment information

The Company and its subsidiaries are organised into business units based on its products and services. During the current period, the Company and its subsidiaries have not changed the organisation of their reportable segments.

(Unaudited but reviewed)

The following tables present revenue and profit information regarding the Company and its subsidiaries' operating segments for the three-month period ended 30 June 2014 and 2013, respectively.

(Unit: Million Baht)

	For the three-month period ended 30 June 2014				
	Production and distribution	Procurement and distribution	Total reportable segments	Adjustments and eliminations	Consolidated
Revenue					
Revenue from external customers	567	204	771	-	771
Inter-segment revenue	31	-	31	(31)	-
Total revenues	598	204	802	(31)	771
Operating results					
Segment profit	63	19	82	-	82
Other income					9
Finance cost					(4)
Selling expenses					(18)
Administrative expenses					(24)
Interest in the profit of associate accounted for by the equity method					-
Profit before income tax expenses					45
Income tax expenses					(9)
Profit for the period					36

(Unit: Million Baht)

	For the three-month period ended 30 June 2013				
	Production and distribution	Procurement and distribution	Total reportable segments	Adjustments and eliminations	Consolidated
Revenue					
Revenue from external customers	626	207	833	-	833
Inter-segment revenue	57	-	57	(57)	-
Total revenues	683	207	890	(57)	833
Operating results					
Segment profit	79	24	103	-	103
Other income					8
Finance cost					(5)
Selling expenses					(17)
Administrative expenses					(29)
Interest in the profit of associate accounted for by the equity method					-
Profit before income tax expenses					60
Income tax expenses					(9)
Profit for the period					51

17. Commitments and contingent liabilities**17.1 Capital commitments**

As at 31 March 2014, the Company had capital commitments of Baht 33 million in respect of the constructions of a factory and purchases of a machinery.

17.2 Operating lease commitments

The Company and its subsidiaries have entered into lease agreements in respect of the office building space, building and vehicles. The terms of the agreements are generally 1 - 20 years.

Future minimum lease payments required under these non-cancellable operating leases contracts were as follows.

	(Unit: Million Baht)	
	30 June 2014	31 March 2014
Payable:		
In up to 1 year	3	4
In over 1 and up to 5 years	4	5
In over 5 years	2	2

17.3 Other service commitments

As at 30 June 2014, the Company and a subsidiary had commitments of approximately Baht 8 million relating to a technical assistance service agreement and other agreements (31 March 2014: Baht 10 million).

17.4 Guarantees

As at 30 June 2014, the Company has guaranteed bank credit facilities for a subsidiary amounting to Baht 320 million (31 March 2014: Baht 320 million).

17.5 Credit facilities

As at 30 June 2014, the Company and its subsidiaries have been granted credit facilities by various financial institutions for which they have placed collaterals, as follows:-

The Company

- Letter of credit, trust receipts, guarantees and short-term loan facilities totaling Baht 1,461 million, of which totaling Baht 232 million (31 March 2014: Baht 227 million) of utilised amount are outstanding. These credit facilities are secured by the mortgage of the Company's land with structures thereon and machineries.
- Overdraft facilities of Baht 30 million. The facilities have not yet been utilised (31 March 2014: Nil). These credit facilities are secured by the mortgage of the Company's land with structures thereon, machineries and the fixed deposit.
- Forward foreign exchange contract facilities of Baht 1,000 million, of which Baht 7 million (31 March 2014: Baht 4 million) of utilised amount are outstanding. These credit facilities are secured by the mortgage of the Company's land with structures thereon and machineries.

A subsidiary

- Letter of credit, trust receipts, guarantees and short-term loan facilities totaling Baht 300 million, of which Baht 23 million (31 March 2014: Baht 31 million) of utilised amount are outstanding. These credit facilities are secured by the mortgage of the subsidiary's land with structures thereon and machineries.
- Overdraft facilities of Baht 10 million. The facilities have not yet been utilised (31 March 2014: Nil). These credit facilities are secured by the mortgage of the subsidiary's land with structures thereon.
- Forward foreign exchange contract facilities of Baht 200 million, of which Baht 1 million (31 March 2014: Baht 3 million) of utilised amount are outstanding. These credit facilities are secured by the mortgage of the subsidiary's land with structures thereon and machineries.

Another subsidiary

- Letter of credit, trust receipts, guarantees and short-term loan facilities totaling Baht 506 million, of which Baht 88 million (31 March 2014: Baht 45 million) of utilised amount are outstanding. These credit facilities are secured by the mortgage of the subsidiary's unit of condominium which is the subsidiary's office, fixed deposit accounts and a guarantee provided the Company.

- Overdraft facilities of Baht 60 million, of which Baht 0.2 million (31 March 2014: Nil) of utilised amount are outstanding. These credit facilities are secured by fixed deposit accounts and a guarantee provided by the Company.
- Forward foreign exchange contract facilities, comprising USD 11.7 million (equivalent to Baht 381 million) and Baht 6 million, or a total approximately Baht 387 million, of which USD 0.3 million (equivalent to Baht 9 million) (31 March 2014: USD 0.3 million (equivalent to Baht 8 million)) of utilised amount are outstanding. These credit facilities are secured by fixed deposit accounts and a guarantee provided by the Company.

18. Event after the reporting period

On 28 July 2014, the Annual General Meeting of the Company's shareholders passed a resolution to approval the dividend payment of Baht 0.22 per share from its net operating profit for the year ended 31 March 2014. However, by the resolution of the meeting of the Company's Board of Directors No 4/2556 held on 13 November 2013, the Company had paid out the interim dividend of Baht 0.12 per share, for 383 million ordinary shares, to the Company's shareholders totaling Baht 46 million on 12 December 2013. The remaining dividend is Baht 0.10 per share, or totaling Baht 38 million. The dividend would be paid on 8 August 2014.

19. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 14 August 2014.