

Lohakit Metal Public Company Limited and its subsidiaries

Notes to consolidated interim financial statements

For the three-month and six-month periods ended 30 September 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.

1.5 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as well used for the financial statements for the year ended 31 March 2014.

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 periods ended 30 September				
	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	-	-	30,995	40,457	Sale of goods: Market price less discount 2%, and cost plus a margin at rate of 5% Service income: Closed to the market price
Rental income	-	-	144	-	Contract price that closed to the market price
Others service income	-	-	2,050	1,200	Accordance with the negotiation price
Fixed assets acquisition	-	-	3,545	20,163	Accordance with the negotiation price
Commission expenses	-	-	18	25	Not over 2% of sales
<u>Transactions with related parties</u>					
Others service income	75	75	75	75	Fixed fee per month
Commission expenses	1,380	1,509	-	-	Not over 2% of sales
Motor vehicles rental expenses	108	108	-	-	Contract price
<u>Transactions with related persons</u>					
Building rental expenses	496	743	-	-	Contract price that closed to the market price

(Unit: Thousand Baht)

	For the six-month periods ended 30 September				
	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	-	-	61,740	95,873	Sale of goods: Market price less discount 2%, and cost plus a margin at rate of 5% Service income: Closed to the market price
Rental income	-	-	144	-	Contract price that closed to the market price
Others service income	-	-	3,250	2,400	Accordance with the negotiation price
Dividend income	-	-	19,584	26,640	As approved by shareholders' meeting
Purchases of goods	-	-	-	422	Market price
Fixed assets acquisition	-	-	3,545	20,163	Accordance with the negotiation price
Commission expenses	-	-	42	59	Not over 2% of sales
<u>Transactions with related parties</u>					
Others service income	150	150	150	150	Fixed fee per month
Dividend income	-	-	-	4,900	As approved by shareholders' meeting
Commission expenses	2,628	3,170	-	-	Not over 2% of sales
Motor vehicles rental expenses	216	216	-	-	Contract price
<u>Transactions with related persons</u>					
Building rental expenses	1,240	1,487	-	-	Contract price that closed to the market price

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

	Consolidated financial statements		Separate financial statements	
	30 September 2014	31 March 2014	30 September 2014	31 March 2014
Trade receivables - related parties (Note 5)				
Subsidiaries	-	-	20,259	34,737
Other payables - related parties (Note 12)				
Associated company	1,652	1,717	-	-
Subsidiary	-	-	19	-
Total other payables - related parties	1,652	1,717	19	-

Directors and management's benefits

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

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 September			
	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Short-term employee benefits	8,815	8,513	4,819	4,847
Increase in post-employment benefits	630	74	605	1,181
Total	9,445	8,587	5,424	6,028

	(Unit: Thousand Baht)			
	For the six-month periods ended 30 September			
	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Short-term employee benefits	17,392	17,387	9,398	9,325
Increase (decrease) in post-employment benefits	1,061	(690)	600	812
Total	18,453	16,697	9,998	10,137

3. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 September 2014	31 March 2014	30 September 2014	31 March 2014
Cash	130	125	70	55
Bank deposits	86,409	63,816	22,645	33,560
Total	86,539	63,941	22,715	33,615

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

4. Current investment

As at 30 September 2014, a subsidiary has current investment of Baht 5 million (31 March 2014: Baht 5 million) in the 5-year debenture of a 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 financial statements		Separate financial statements	
	30 September 2014	31 March 2014	30 September 2014	31 March 2014
<u>Trade receivables - related parties (Note 2)</u>				
Aged on the basis of due dates				
Not yet due	-	-	16,746	26,539
Past due				
Up to 3 months	-	-	3,513	8,198
Total trade receivables - related parties	-	-	20,259	34,737
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	565,184	577,498	309,603	308,941
Past due				
Up to 3 months	193,978	180,181	105,355	99,493
Over 3 months but less than 12 months	6,215	150	5,923	-
Over 12 months	21,605	22,214	17,426	17,426
Total	786,982	780,043	438,307	425,860
Less: Allowance for doubtful accounts	(22,859)	(22,289)	(18,614)	(17,426)
Total trade receivables - unrelated parties, net	764,123	757,754	419,693	408,434
Total trade receivables - net	764,123	757,754	439,952	443,171
<u>Other receivables</u>				
Other receivables	704	340	45	107
Interest receivable	108	99	-	-
Total other receivables	812	439	45	107
Total trade and other receivables - net	764,935	758,193	439,997	443,278

6. Restricted bank deposits

As at 30 September 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 18.5 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 September	31 March	30 September	31 March	30 September	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)

For the six-month
periods ended
30 September

Company's name	2014	2013
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 for the year ended 31 March 2014. The dividend was paid on 27 June 2014.

8. Investment in associated company

8.1 Details of associate

Company's name	Nature of business	Country of incorporation	(Unit: Thousand Baht)					
			Shareholding percentage		Separate financial statements		Consolidated financial statements	
					Cost method		Carrying amount based on equity method	
			30 September 2014	31 March 2014	30 September 2014	31 March 2014	30 September 2014	31 March 2014
			(Percent)	(Percent)				
Mory Lohakit (Thailand) Co., Ltd.	Agent	Thailand	49	49	4,900	4,900	7,704	7,440

8.2 Share of profit and dividend received

(Unit: Thousand Baht)

Company's name	For the three-month periods ended 30 September			
	Consolidated financial statements		Separate financial statements	
	Share of profit from investments in associates		Dividend received	
	2014	2013	2014	2013
Mory Lohakit (Thailand) Co., Ltd.	141	339	-	-

(Unit: Thousand Baht)

Company's name	For the six-month periods ended 30 September			
	Consolidated financial statements		Separate financial statements	
	Share of profit from investment in associate		Dividend received	
	2014	2013	2014	2013
Mory Lohakit (Thailand) Co., Ltd.	264	660	-	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		Profit	
	as at		as at		as at		for the six-month		for the six-month	
	periods ended		periods ended		periods ended		periods ended		periods ended	
	30 September		30 September		30 September		30 September		30 September	
	2014	2014	2014	2014	2014	2014	2014	2013	2014	2013
Mory Lohakit										
(Thailand)										
Co., Ltd.	10	10	16	16	-	-	3	4	1	1

9. Long-term investments

(Unit: Thousand Baht)

	Consolidated financial statements			
	30 September 2014		31 March 2014	
	Cost	Fair value	Cost	Fair value
<u>Available-for-sale securities</u>				
Investment units in property fund	3,185	3,084	3,185	3,008
Total available-for-sale securities	3,185	3,084	3,185	3,008
Add: Changes in fair value	(101)		(177)	
Total available-for-sale securities	3,084		3,008	

10. Property, plant and equipment

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

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Net book value as at 1 April 2014	549,006	272,710
Acquisitions during period - at cost	62,856	60,530
Disposal during period - net book value		
as at disposal date	(2,491)	-
Depreciation for the period	(43,444)	(14,935)
Net book value as at 30 September 2014	565,927	318,305

As at 30 September 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 12 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 18.5 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		Separate	
	financial statements		financial statements	
	30 September	31 March	30 September	31 March
	2014	2014	2014	2014
Cost	306	306	197	197
Net book value	16	21	-	-

11. Short-term loans from banks

	(Unit: Thousand Baht)					
	Interest rate		Consolidated		Separate	
	(percent per annum)		financial statements		financial statements	
	30 September	31 March	30 September	31 March	30 September	31 March
	2014	2014	2014	2014	2014	2014
Short-term loans from banks	4.35	4.35	140,000	55,000	140,000	45,000
Trust receipts	2.05 - 4.60	2.30 - 4.50	201,814	218,371	139,349	154,243
			341,814	273,371	279,349	199,243

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 18.5 to the financial statements.

12. Trade and other payables

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	30 September	31 March	30 September	31 March
	2014	2014	2014	2014
Trade payables - unrelated parties	481,201	469,417	329,657	325,015
Other payables - unrelated parties	23,916	26,045	15,244	17,279
Other payables - related party (Note 2)	1,652	1,717	19	-
Accrued commission expenses - unrelated parties	184	151	184	130
Accrued expenses	15,434	1,902	7,555	1,091
Total trade and other payables	522,387	499,232	352,659	343,515

13. Income tax

Income tax expenses for the three-month and six-month periods ended 30 September 2014 and 2013 are made up as follows:

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 September			
	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Current income tax:				
Interim corporate income tax charge	12,061	10,629	6,145	5,801
Deferred tax:				
Relating to origination and reversal of temporary differences	(1,669)	2,836	(1,697)	(227)
Income tax expense reported in the statements of comprehensive income	10,392	13,465	4,448	5,574

	(Unit: Thousand Baht)			
	For the six-month periods ended 30 September			
	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Current income tax:				
Interim corporate income tax charge	21,761	18,354	11,365	10,609
Deferred tax:				
Relating to origination and reversal of temporary differences	(2,256)	4,513	(2,258)	267
Income tax expense reported in the statements of comprehensive income	19,505	22,867	9,107	10,876

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

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	30 September	31 March	30 September	31 March
	2014	2014	2014	2014
Deferred tax assets				
Allowance for doubtful accounts	1,086	973	238	-
Allowance for loss on diminution in value of inventories	14,721	12,767	12,043	10,245
Provision for long-term employee benefits	5,771	5,592	3,401	3,179
Unused tax losses	2,483	2,473	-	-
Total	24,061	21,805	15,682	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 September	31 March	30 September	31 March	30 September	31 March
	2014	2014	2014	2014	2014	2014
					(Baht per 1 foreign currency unit)	
	(Million)	(Million)	(Million)	(Million)		
US Dollar	0.2	0.3	1.2	0.6	32.33	32.44
Japanese Yen	0.5	0.5	-	1.3	0.2923	0.3155
Singapore Dollar	-	-	0.1	-	25.66	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 September 2014</u>				
US Dollar	1.4	-	32.12 - 33.08	-
Singapore Dollar	0.1	-	25.58	-
<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.

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

(Unit: Million Baht)

	For the three-month periods ended 30 September									
	Production and distribution		Procurement and distribution		Total reportable segments		Adjustments and eliminations		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Revenue										
Revenue from external customers	636	649	192	225	828	874	-	-	828	874
Inter-segment revenue	32	44	-	-	32	44	(32)	(44)	-	-
Total revenue	668	693	192	225	860	918	(32)	(44)	828	874
Operating results										
Segment profit	64	74	21	22	85	96			85	96
Other income									14	11
Finance cost									(4)	(4)
Selling expenses									(20)	(17)
Administrative expenses									(25)	(25)
Interest in the profit of associate accounted for by the equity method									-	-
Income before income tax expenses									50	61
Income tax expenses									(10)	(14)
Profit for the period									40	47

(Unaudited but reviewed)

(Unit: Million Baht)

	For the six-month periods ended 30 September									
	Production and distribution		Procurement and distribution		Total reportable segments		Adjustments and eliminations		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Revenue										
Revenue from external customers	1,203	1,275	396	432	1,599	1,707	-	-	1,599	1,707
Inter-segment revenue	62	101	-	-	62	101	(62)	(101)	-	-
Total revenue	1,265	1,376	396	432	1,661	1,808	(62)	(101)	1,599	1,707
Operating results										
Segment profit	127	152	40	47	167	199	-	-	167	199
Other income									23	19
Finance cost									(8)	(9)
Selling expenses									(38)	(34)
Administrative expenses									(49)	(54)
Interest in the profit of associate accounted for by the equity method									-	-
Income before income tax expenses									95	121
Income tax expenses									(19)	(23)
Profit for the period									76	98

17. Dividends

Dividends	Approved by	Total dividends (Million Baht)	Dividend per share (Baht)	Payment date
Final dividends for 2014	Annual General Meeting of the shareholders on 28 July 2014	38.30	0.10	8 August 2014
Interim dividends for 2014	The Board of Directors Meeting on 13 November 2013	45.96	0.12	12 December 2013
Total dividends for 2014		84.26	0.22	
Final dividends for 2013	Annual General Meeting of the shareholders on 26 July 2013	45.96	0.12	9 August 2013
Interim dividends for 2013	The Board of Directors Meeting on 14 November 2012	32.00	0.10	13 December 2012
Total dividends for 2013		77.96	0.22	

18. Commitments and contingent liabilities**18.1 Capital commitments**

As at 31 March 2014, the Company and its subsidiary had capital commitments in respect of the constructions of a factory and purchases of a machinery by Baht 33 million (30 September 2014: nil).

18.2 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 - 3 years.

As at 30 September 2014, the Company and its subsidiaries have future minimum lease payments required under these non-cancellable operating leases contracts as follows.

	(Unit: Million Baht)	
	<u>30 September 2014</u>	<u>31 March 2014</u>
Payable:		
Up to 1 year	3	4
Over 1 and up to 5 years	3	5
Over 5 years	-	2

18.3 Other service commitments

As at 30 September 2014, the Company and a subsidiary had commitments of approximately Baht 7 million relating to a technical assistance service agreement and other agreements (31 March 2014: Baht 10 million).

18.4 Guarantees

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

18.5 Credit facilities

As at 30 September 2014, the Company and its subsidiaries have been granted credit facilities by various banks 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 334 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. No outstanding balances of 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 deposits.
- Forward foreign exchange contract facilities of Baht 1,000 million, of which Baht 6 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 14 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. No outstanding balances of 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. No outstanding balances of the facilities have not yet been utilised (31 March 2014: Baht 3 million). 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 50 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. No outstanding balances of the facilities have not yet been utilised (31 March 2014: Nil). 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 386 million) of which USD 1.3 million (equivalent to Baht 41 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.

19. Event after the reporting period

On 12 November 2014, the Company's Board of Directors Meeting approved the payment of an interim dividend of Baht 0.11 per share to the Company's ordinary shareholders for the Company's operations from 1 April 2014 to 30 September 2014. This constitutes a total dividend of Baht 42 million.

20. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's Board of Directors on 12 November 2014.