

Lohakit Metal Public Company Limited and its subsidiaries

Notes to consolidated interim financial statements

For the three-month period ended 30 June 2016

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 of interim financial statements

These interim financial statements are prepared in accordance with Thai Accounting Standard No. 34 (revised 2015) *Interim Financial Reporting*, with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, income statement, 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 2016. During the current period, there was no change in the structure of the Group.

1.4 New financial reporting standards

During the period, the Company has adopted the revised and new financial reporting standards and accounting treatment guidance issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company's financial statements.

2. Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 March 2016.

3. 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 June				Transfer Pricing Policy
	Consolidated		Separate		
	financial statements		financial statements		
	2016	2015	2016	2015	
<u>Transactions with subsidiaries</u>					
(Eliminate from the consolidated financial statements)					
Sales of goods and service income	-	-	17,538	25,319	Sale of goods: Market price less discount 2%, and cost plus a margin at rate of 5% Service income: Closed to the market price

(Unaudited but reviewed)

(Unit: Thousand Baht)

	For the three-month periods ended 30 June				Transfer Pricing Policy
	Consolidated		Separate		
	financial statements		financial statements		
	2016	2015	2016	2015	
Rental income	-	-	432	432	Contract price that closed to the market price
Others service income	-	-	3,750	3,750	Accordance with the negotiation price
Dividend income	-	-	42,025	59,570	As approved by shareholders' meeting
Purchases of goods	-	-	1,162	360	Market price
Commission expenses	-	-	-	5	Not over 2% of sales
<u>Transactions with related companies</u>					
Others service income	75	75	75	75	Fixed fee per month
Commission expenses	1,495	1,434	-	-	Not over 2% of sales

As at 30 June 2016 and 31 March 2016, 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
	2016	2016	2016	2016
<u>Trade receivables - related parties (Note 6)</u>				
Subsidiaries	-	-	3,457	9,970
<u>Trade and other payables - related parties (Note 14)</u>				
Associated company	1,507	1,669	-	-
Subsidiary	-	-	65	481
Total trade and other payables - related parties	1,507	1,669	65	481

Directors and management's benefits

For the three-month periods ended 30 June 2016 and 2015, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
Short-term employee benefits	10,831	9,675	6,682	5,834
Post-employment benefits	650	530	397	279
Total	<u>11,481</u>	<u>10,205</u>	<u>7,079</u>	<u>6,113</u>

4. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2016	31 March 2016	30 June 2016	31 March 2016
Cash	130	130	70	70
Bank deposits	183,606	177,513	33,556	28,747
Total	<u>183,736</u>	<u>177,643</u>	<u>33,626</u>	<u>28,817</u>

As at 30 June 2016, bank deposits in saving accounts and fixed deposits carried interests between 0.38 to 1.10 percent per annum (31 March 2016: between 0.38 and 1.00 percent per annum).

5. Current investments

(Unit: Thousand Baht)

	Consolidated financial statements			
	30 June 2016		31 March 2016	
	Cost	Fair value	Cost	Fair value
<u>Trading securities</u>				
Investment units in open-end fund	4,500	4,512	4,500	4,504
Total trading securities	4,500	<u>4,512</u>	4,500	<u>4,504</u>
Add: Changes in fair value	12		4	
Total trading securities	<u>4,512</u>		<u>4,504</u>	

As at 30 June 2016 and 31 March 2016, a subsidiary has investment in Siam Commercial (SCBSFF) Fixed Income Fund which is a debt mutual fund. The fund focuses on investing in debentures issued or guaranteed by the government or corporate.

6. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 March	30 June	31 March
	2016	2016	2016	2016
<u>Trade receivables - related parties (Note 3)</u>				
Aged on the basis of due dates				
Not yet due	-	-	624	5,041
Past due				
Not over 3 months	-	-	2,833	4,929
Total trade receivables - related parties	-	-	3,457	9,970
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	512,475	591,612	254,278	296,026
Past due				
Not over 3 months	203,922	164,110	105,017	95,838
Over 3 months but less than 12 months	2,298	11,066	852	47
Over 12 months	26,890	18,874	18,592	18,732
Total	745,585	785,662	378,739	410,643
Less: Allowance for doubtful accounts	(27,613)	(24,045)	(18,592)	(18,779)
Total trade receivables - unrelated parties, net	717,972	761,617	360,147	391,864
Total trade receivable - net	717,972	761,617	363,604	401,834
<u>Other receivables</u>				
Other receivables	857	502	163	502
Interest receivable	70	54	-	-
Total other receivables	927	556	163	502
Total trade and other receivables - net	718,899	762,173	363,767	402,336

7. Inventories

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2016	31 March 2016	30 June 2016	31 March 2016
Inventories	790,351	721,537	448,239	393,394
Less: Reduce cost to net realisable value	(62,842)	(57,185)	(49,647)	(43,467)
Inventories - net	<u>727,509</u>	<u>664,352</u>	<u>398,592</u>	<u>349,927</u>

During the current period, the Company and its subsidiaries reversed the reduction of cost of inventories by Baht 6 million (Separate financial statements: reversed the reduction of Baht 6 million), to reflect the net realisable value. This was presented as cost of sales.

8. Restricted bank deposits

As at 30 June 2016, the Company and its subsidiary have deposits with banks of Baht 47 million (31 March 2016: Baht 47 million) which are pledged with the banks to secure credit facilities as described in Note 19.5 to the financial statements.

9. Investment in associated company**9.1 Details of associate**

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Shareholding		Separate		Consolidated	
			percentage		financial statements		financial statements	
			30 June 2016 (Percent)	31 March 2016 (Percent)	Cost method		Carrying amount based on equity method	
					30 June 2016	31 March 2016	30 June 2016	31 March 2016
Mory Lohakit (Thailand) Co., Ltd.	Agent	Thailand	<u>49</u>	<u>49</u>	<u>4,900</u>	<u>4,900</u>	<u>9,729</u>	<u>9,330</u>

(Unaudited but reviewed)

9.2 Share of profit and dividend received

(Unit: Thousand Baht)

Company's name	For the three-month periods ended 30 June			
	Consolidated financial statements		Separate financial statements	
	Share of profit from investment in associate		Dividend received	
	2016	2015	2016	2015
Mory Lohakit (Thailand) Co., Ltd.	399	272	-	-

9.3 Summarised financial information of associate

Summarised information about financial position

(Unit: Million Baht)

	30 June	31 March
	2016	2016
Current assets	20.0	18.9
Non-current assets	0.5	0.6
Current liabilities	(0.6)	(0.4)
Non-current liabilities	(0.1)	(0.1)
Net assets	19.8	19.0
Shareholding percentage (%)	49.0	49.0
Share of net assets	9.7	9.3
Carrying amounts of associates based on equity method	9.7	9.3

Summarised information of comprehensive income

(Unit: Million Baht)

For the three-month
periods ended 30 June

	2016	2015
	Revenue	1.5
Profit	0.8	0.6
Other comprehensive income	-	-
Total comprehensive income	0.8	0.6

10. Investments in subsidiaries

10.1 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
	2016	2016	2016	2016	2016	2016
	(Million Baht)	(Million Baht)	(Percent)	(Percent)		
Auto Metal Company Limited	240	240	60	60	144,000	144,000
Alternative Enmat Company Limited	6	6	75	75	4,249	4,249
NSC Metal Company Limited	230	230	100	100	258,238	258,238
Total					406,487	406,487

10.2 Dividend income

(Unit: Thousand Baht)

Company's name	For the three-month periods ended 30 June	
	2016	2015
Auto Metal Company Limited	28,800	33,120
NSC Metal Company Limited	13,225	26,450
Total	42,025	59,570

Auto Metal Company Limited

On 20 June 2016, the Annual General Meeting of the shareholders of Auto Metal Company Limited passed a resolution to approve the payment of a dividend of Baht 20.00 per share from the operating profit of the year ended 31 March 2016. The dividend was paid on 27 June 2016.

NSC Metal Company Limited

On 20 June 2016, the Annual General Meeting of the shareholders of NSC Metal Company Limited passed a resolution to approve the payment of a dividend of Baht 5.75 per share from the operating profit of the year ended 31 March 2016. The dividend was paid on 27 June 2016.

11. Long-term investments

(Unit: Thousand Baht)

	Consolidated financial statements			
	30 June 2016		31 March 2016	
	Cost	Fair value	Cost	Fair value
<u>Available-for-sale securities</u>				
Investment units in property fund	3,185	3,109	3,185	3,160
Total available-for-sale securities	3,185	3,109	3,185	3,160
Add: Changed in fair value	(76)		(25)	
Total available-for-sale securities	3,109		3,160	

12. Property, plant and equipment

Movements of the property, plant and equipment account during the three-month period ended 30 June 2016 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Net book value as at 1 April 2016	519,217	336,884
Acquisitions during period - at cost	2,726	324
Disposal during period - net book value as at disposal date	(151)	(151)
Depreciation for the period	(23,036)	(11,908)
Net book value as at 30 June 2016	498,756	325,149

As at 30 June 2016, the Company and its subsidiaries had vehicles under finance lease agreements with net book values amounting to Baht 5 million (31 March 2016: Baht 6 million) (Separate financial statements: Baht 5 million (31 March 2016: Baht 6 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 19.5 to the financial statements.

(Unaudited but reviewed)

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 June	31 March	30 June	31 March
	2016	2016	2016	2016
Cost	306	306	197	197
Net book value	-	2	-	-

13. Short-term loans from banks

(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
	2016	2016	2016	2016	2016	2016
Bank overdrafts	1.80 - 2.10	-	9,131	-	-	-
Short-term loans from banks	3.65	3.60 - 3.75	20,000	50,000	20,000	50,000
Trust receipts	3.50 - 3.80	2.75 - 3.68	130,347	202,953	51,169	130,961
Total			159,478	252,953	71,169	180,961

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 19.5 to the financial statements.

14. Trade and other payables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 March	30 June	31 March
	2016	2016	2016	2016
Trade payables - unrelated parties	403,282	341,019	255,176	197,914
Trade payables - related party (Note 3)	-	-	65	481
Other payables - unrelated parties	14,290	18,164	7,505	10,004
Other payables - related party (Note 3)	1,507	1,669	-	-
Accrued commission expenses - unrelated parties	22	61	22	61
Accrued expenses	9,723	1,905	4,562	1,213
Total	428,824	362,818	267,330	209,673

15. Income tax

Income tax expenses for the three-month periods ended 30 June 2016 and 2015 are made up as follows:

(Unit: Thousand Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
Current income tax:				
Interim corporate income tax charge	13,910	8,707	5,226	2,550
Deferred tax:				
Relating to origination and reversal of temporary differences	(2,173)	(1,175)	(1,371)	(957)
Income tax expense reported in the statements of comprehensive income	11,737	7,532	3,855	1,593

As at 30 June 2016 and 31 March 2016, the components of deferred tax assets are as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 March	30 June	31 March
	2016	2016	2016	2016
Deferred tax assets				
Allowance for doubtful accounts	2,200	1,449	396	396
Allowance for loss on diminution in value of inventories	12,568	11,437	9,929	8,693
Provision for long-term employee benefits	6,214	6,003	3,871	3,736
Unused tax losses	2,685	2,605	-	-
Total	23,667	21,494	14,196	12,825

16. 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 2016 (Million)	31 March 2016 (Million)	30 June 2016 (Million)	31 March 2016 (Million)	30 June 2016 (Baht per 1 foreign currency unit)	31 March 2016 (Baht per 1 foreign currency unit)
USD Dollar	0.1	0.2	1.0	0.5	35.13	35.24
Japanese Yen	0.5	0.5	-	3.2	0.3379	0.3134
SG Dollar	-	-	0.07	0.01	26.36	26.09

The Company and its subsidiaries had outstanding balance of 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 (Million)	Sold amount (Million)	Contractual exchange rate (Baht per 1 foreign currency unit)	
			Bought	Sold
<u>As at 30 June 2016</u>				
US Dollar	2.6	-	35.30 - 35.92	-
SG Dollar	0.07	-	26.28	-
<u>As at 31 March 2016</u>				
US Dollar	2.2	-	34.85 - 36.22	-
Japanese Yen	3.2	-	0.3136	-

17. 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.

18. 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 periods ended 30 June 2016 and 2015, respectively.

(Unit: Million Baht)

For the three-month period ended 30 June 2016

	Production and distribution	Procurement and distribution	Total reportable segments	Adjustments and eliminations	Consolidated
Revenue					
Revenue from external customers	534	211	745	-	745
Inter-segment revenue	18	1	19	(19)	-
Total revenues	552	212	764	(19)	745
Operating results					
Segment profit	76	23	99	-	99
Other income					8
Selling expenses					(20)
Administrative expenses					(25)
Finance cost					(3)
Profit before income tax expenses					59
Income tax expenses					(12)
Profit for the period					47

(Unit: Million Baht)

For the three-month period ended 30 June 2015

	Production and distribution	Procurement and distribution	Total reportable segments	Adjustments and eliminations	Consolidated
Revenue					
Revenue from external customers	594	192	786	-	786
Inter-segment revenue	28	-	28	(28)	-
Total revenues	622	192	814	(28)	786
Operating results					
Segment profit	53	21	74	-	74
Other income					11
Selling expenses					(19)
Administrative expenses					(24)
Finance cost					(5)
Profit before income tax expenses					37
Income tax expenses					(8)
Profit for the period					29

19. Commitments and contingent liabilities**19.1 Operating lease commitments**

The Company and its subsidiaries have entered into lease agreements in respect of the office building space. The terms of the agreements are generally 3 years.

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

	(Unit: Million Baht)	
	<u>30 June 2016</u>	<u>31 March 2016</u>
Payable:		
In up to 1 year	0.5	1

19.2 Other service commitments

As at 30 June 2016, the Company and a subsidiary had commitments of approximately Baht 8 million relating to a technical assistance service agreement and other agreements (31 March 2016: Baht 10 million).

19.3 Other commitments

As at 30 June 2016, the Company had outstanding commitments of Baht 3.25 million (31 March 2016: Baht 3.25 million) in respect of uncalled portion of investment in a subsidiary.

19.4 Guarantees

As at 30 June 2016, the Company has guaranteed bank credit facilities for a subsidiary amounting to Baht 320 million (31 March 2016: Baht 320 million).

19.5 Credit facilities

As at 30 June 2016 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 133 million (31 March 2016: Baht 232 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, have not yet been utilised (31 March 2016: 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 63 million (31 March 2016: Baht 48 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 0.5 million (31 March 2016: Baht 4 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, have not yet been utilised (31 March 2016: 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, have not yet been utilised (31 March 2016: Baht 1 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 79 million (31 March 2016: Baht 68 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 9 million (31 March 2016: 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 413 million) and Baht 6 million, or a total approximately Baht 419 million, of which USD 0.8 million (equivalent to Baht 30 million) (31 March 2016: USD 0.8 million (equivalent to Baht 29 million)) of utilised amount are outstanding. These credit facilities are secured by fixed deposit accounts and a guarantee provided by the Company.

20. Fair value of financial instruments

The Company and its subsidiaries use the market approach to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards, except that the cost approach or income approach is used when there is no active market or when a quoted market price is not available.

Fair value hierarchy

In applying the above-mentioned valuation techniques, the Company and its subsidiaries endeavor to use relevant observable inputs as much as possible. TFRS 13 *Fair Value Measurement* establishes a fair value hierarchy categorising such inputs into three levels as follows:

- Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities
- Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly
- Level 3 - Use of unobservable inputs such as estimates of future cash flows

(Unaudited but reviewed)

As of 30 June 2016, the subsidiary had the following assets and liabilities that were measured at fair value using different levels of inputs as follows:

(Unit: Thousand Baht)

	Consolidated Financial Statements			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Current investments	-	4.5	-	4.5
Available-for-sale investments	3.1	-	-	3.1

21. Event after the reporting period

On 28 July 2016, the Annual General Meeting of the Company's shareholders passed a resolution to approval the dividend payment of Baht 0.24 per share from its net operating profit for the year ended 31 March 2016. However, by the resolution of the meeting of the Company's Board of Directors No 4/2015 held on 16 November 2015, the Company had paid out the interim dividend of Baht 0.10 per share, for 383 million ordinary shares, to the Company's shareholders totaling Baht 38.3 million on 15 December 2015. The remaining dividend is Baht 0.14 per share, or totaling Baht 53.6 million. The dividend will be paid on 11 August 2016.

22. Approval of interim consolidated financial statements

These interim consolidated financial statements were authorised for issue by the Company's Board of Directors on 10 August 2016.