

Lohakit Metal Public Company Limited and its subsidiaries

Notes to interim consolidated financial statements

For the three-month and six-month periods ended 30 September 2012

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 shearing and distribution of iron and metal products. The registered office of the Company is at 66/1 Moo 6 Suksawad Road, Bangjak, Prapradaeng, Samutprakarn.

1.2 Basis for the preparation of interim financial statements

These interim financial statements are prepared in accordance with Thai Accounting Standard No. 34 (revised 2009) "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 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 2012.

1.4 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 2012. During the current period, there was no change in the structure of the Group.

1.5 New accounting standard issued during the year not yet effective

During the current period, the Federation of Accounting Professions issued the financial reporting standard No 8: Operating Segments, which is effective for fiscal years beginning on or after 1 January 2013.

The Company's management believes that the above accounting standard will not have any significant impact on the financial statements for the year when it is initially applied.

2. Related party transactions

During the periods 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				Transfer Pricing Policy
	Consolidated		Separate		
	financial statements	financial statements	financial statements	financial statements	
	2012	2011	2012	2011	
<u>Transactions with subsidiaries</u>					
(Eliminate from the consolidated financial statements)					
Sales of goods and service income	-	-	57,539	79,202	Sale of goods: Market price less discount 2%, and cost plus a margin at rate of 5%
Interest income	-	-	-	2,151	Service income: Closed to the market price MLR per annum

(Unaudited but reviewed)

(Unit: Thousand Baht)

	For the three-month periods ended 30 September				Transfer Pricing Policy
	Consolidated		Separate		
	financial statements		financial statements		
	2012	2011	2012	2011	
Proceed from sales assets	-	-	-	2,243	Accordance with the negotiation price
Service expenses	-	-	1,200	-	Accordance with the negotiated price
<u>Transactions with related party</u>					
Sales of goods and service income	12,896	15,742	11,413	10,528	Sales of goods: Closed to the net selling price that is sold to major customers Service income: Closed to the market price
Rental income	75	75	75	75	Fixed fee per month
Commission expenses	2,558	2,866	82	100	Not over 2% of sales

(Unit: Thousand Baht)

	For the six-month periods ended 30 September				Transfer Pricing Policy
	Consolidated		Separate		
	financial statements		financial statements		
	2012	2011	2012	2011	
<u>Transactions with subsidiaries</u>					
(Eliminate from the consolidated financial statements)					
Sales of goods and service income	-	-	125,824	145,328	Sale of goods: Market price less discount 2%, and cost plus a margin at rate of 5% Service income: Closed to the market price
Interest income	-	-	-	4,052	MLR per annum
Dividend income	-	-	7,718	-	As approved by shareholder's meeting
Proceed from sales assets	-	-	-	2,243	Accordance with the negotiation price
Service expenses	-	-	2,400	-	Accordance with the negotiated price
<u>Transactions with related party</u>					
Sales of goods and service income	26,040	29,383	22,366	19,900	Sales of goods: Closed to the net selling price that is sold to major customers Service income: Closed to the market price

(Unaudited but reviewed)

(Unit: Thousand Baht)

	For the six-month periods ended 30 September				Transfer Pricing Policy
	Consolidated		Separate		
	financial statements		financial statements		
	2012	2011	2012	2011	
Rental income	150	150	150	150	Fixed fee per month
Commission expenses	5,762	4,908	132	156	Not over 2% of sales

As at 30 September 2012 and 31 March 2012, 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 September	31 March	30 September	31 March
	2012	2012	2012	2012
<u>Trade and other receivables - related parties (Note 4)</u>				
Subsidiaries	-	-	41,995	62,298
Related companies (related by common major shareholders)	2,370	5,063	2,072	4,761
Total trade and other receivables - related parties	2,370	5,063	44,067	67,059
<u>Trade and other payables - related parties (Note 9)</u>				
Associated companies	3,513	3,514	-	-
Related companies (related by common major shareholders)	97	29	97	29
Total trade and other payables - related parties	3,610	3,543	97	29

Directors and management's benefits

For the six-month periods ended 30 September 2012 and 2011, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Short-term employee benefits	13,910	13,900	8,802	8,648
Increase (decrease) in post-employment benefits after retirement	240	346	(59)	506
Total	14,150	14,246	8,743	9,154

3. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 September 2012	31 March 2012	30 September 2012	31 March 2012
Cash	85	85	55	55
Bank deposits	51,970	53,763	41,073	45,635
Total	52,055	53,848	41,128	45,690

As at 30 September 2012, bank deposits in saving accounts and fixed deposits carried interests between 0.62 and 1.80 percent per annum (31 March 2012: between 0.62 and 1.90 percent per annum).

4. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 September 2012	31 March 2012	30 September 2012	31 March 2012
<u>Trade receivables - related parties</u>				
Aged on the basis of due dates				
Not yet due	1,225	2,820	29,706	44,438
Past due				
Not over 3 months	1,145	2,243	14,361	22,621
Total trade receivables - related parties	2,370	5,063	44,067	67,059

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 September	31 March	30 September	31 March
	2012	2012	2012	2012
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	441,064	402,311	267,539	242,345
Past due				
Not over 3 months	183,600	134,140	93,962	68,358
Over 12 months	17,426	17,426	17,426	17,426
Total	642,090	553,877	378,927	328,129
Less: Allowance for doubtful accounts	(17,426)	(17,426)	(17,426)	(17,426)
Total trade receivables - unrelated parties, net	624,664	536,451	361,501	310,703
Total trade receivable - net	627,034	541,514	405,568	377,762
<u>Other receivables</u>				
Other receivable - unrelated parties	579	28	28	28
Total other receivables	579	28	28	28
Trade and other receivables - net	627,613	541,542	405,596	377,790

5. Investments in associated company

5.1 Details of associate:

Company's name	Nature of business	Country of incorporation	(Unit: Thousand Baht)							
			Shareholding percentage				Separate		Consolidated	
			30 September		31 March		financial statements		financial statements	
			based on equity method		Cost method					
			30 September	31 March	30 September	31 March	30 September	31 March	30 September	31 March
			2012	2012	2012	2012	2012	2012	2012	2012
			Percent	Percent						
Mory Lohakit (Thailand)										
Company Limited	Agent	Thailand	49	49	4,900	4,900	10,348	9,140		

(Unaudited but reviewed)

5.2 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	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Mory Lohakit (Thailand) Co., Ltd.	458	583	-	-

(Unit: Thousand Baht)

Company's name	For the six-month periods ended 30 September			
	Consolidated financial statements		Separate financial statements	
	Share of profit from investments in associates		Dividend received	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Mory Lohakit (Thailand) Co., Ltd.	1,207	906	-	-

5.3 Summarised financial information of associate

Financial information of the associated company is summarised below.

(Unit: Million Baht)

Company's name	Paid-up capital		Total assets		Total liabilities		Total revenues for the six-month periods ended 30 September		Profit for the six-month periods ended 30 September	
	as at		as at		as at		30 September		30 September	
	30 September 2012	31 March 2012	30 September 2012	31 March 2012	30 September 2012	31 March 2012	2012	2011	2012	2011
	<u>2012</u>	<u>2012</u>	<u>2012</u>	<u>2012</u>	<u>2012</u>	<u>2012</u>	<u>2012</u>	<u>2012</u>	<u>2012</u>	<u>2011</u>
Mory Lohakit (Thailand) Co., Ltd.	10.0	10.0	22.3	20.0	1.2	1.1	5.6	4.8	2.5	1.8

6. Investments in subsidiaries

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

Company's name	Paid-up capital		Shareholding percentage		Cost method	
	30	31	30	31	30	31
	September	March	September	March	September	March
	2012	2012	2012	2012	2012	2012
	Million Baht		Percent		Thousand Baht	
Auto Metal Company Limited	240	240	60	60	144,000	144,000
Alternative Stainless Company Limited	1	1	100	100	999	999
Total					144,999	144,999

6.2 Dividend income

(Unit: Thousand Baht)

For the six-month
periods ended
30 September

	2012	2011
Auto Metal Company Limited	7,718	-

On 19 June 2012, the Annual General Meeting of the shareholders of Auto Metal Co., Ltd. passed a resolution to approve the payment of a dividend of Baht 5.36 per share from the operating results of the year ended 31 March 2012. The dividend was paid on 27 June 2012.

7. Property, plant and equipment

Movements of the property, plant and equipment account during the six-month period ended 30 September 2012 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Net book value as at 31 March 2012	349,495	126,140
Acquisitions during period - at cost	47,283	1,975
Depreciation for the period	(31,782)	(7,823)
Net book value as at 30 September 2012	<u>364,996</u>	<u>120,292</u>

As at 30 September 2012, the Company and one subsidiary have vehicles under finance lease agreements with net book values amounting to Baht 13.6 million (31 March 2012: Baht 14.9 million) (Separate financial statements: Baht 9.2 million (31 March 2012: Baht 9.8 million)).

The Company and one subsidiary have mortgaged all of their land with structures thereon and mortgaged the following machinery with values as at 30 September 2012 and 31 March 2012 with bank to secure loans and other credit facilities granted to the Company and its subsidiary by the bank.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
Mortgaged machinery	financial statements		financial statements	
	30 September 2012	31 March 2012	30 September 2012	31 March 2012
Cost	305.9	305.9	196.8	196.8
Net book value	36.0	41.0	-	-

8. Short-term loans from financial institution

(Unit: Thousand Baht)

	Interest rate (percent per annum)	Consolidated		Separate	
		financial statements		financial statements	
		30 September 2012	31 March 2012	30 September 2012	31 March 2012
Short-term loans					
from bank	5.20	80,000	100,000	10,000	10,000
Trust receipts	5.25 - 5.40	249,212	166,172	133,780	128,671
		<u>329,212</u>	<u>266,172</u>	<u>143,780</u>	<u>138,671</u>

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

Bank overdrafts, short-term loans and trust receipts facilities are secured by the mortgage of the Company's and its subsidiary's land with structures thereon and machinery, as described in Note 7.

9. Trade and other payables

(Unit: Thousand Baht)

	Consolidated financial		Separate financial	
	statements		statements	
	30 September 2012	31 March 2012	30 September 2012	31 March 2012
Trade payables - unrelated parties	344,620	200,309	189,250	104,706
Other payables - unrelated parties	18,297	14,293	9,824	9,168
Other payables - related party	3,513	3,514	-	-
Accrued commission expenses - unrelated parties	399	41	399	-
Accrued commission expenses - related party	97	29	97	29
Accrued expenses	<u>11,719</u>	<u>4,929</u>	<u>6,297</u>	<u>2,483</u>
Total trade and other payables	<u>378,645</u>	<u>223,115</u>	<u>205,867</u>	<u>116,386</u>

10. Corporate income tax

Interim corporate income tax of the Company and a subsidiary were calculated on net income for the periods, after adding back certain expenses and deducting income which are not disallowable for the tax computation purposes and deducting tax loss brought forward from previous years (if any). The corporate income tax is calculated base on the estimated average annual effective income tax rate.

Interim corporate income tax of another subsidiary which operates the promoted operations (as described in Note 11) were calculated on net income of the subsidiary from non-promoted activities, after adding back certain provisions and expenses which are disallowed for tax computation purposes and deducting tax loss brought forward from previous years (if any). The corporate income tax is calculated base on the estimated average annual effective income tax rate.

11. Promotional Privileges

The Company has received promotional privileges from the Board of Investment for the shearing and converting of flat metal, pursuant to the promotion certificate No. 3007/Wo./2550 issued on 25 May 2007. Subject to certain imposed conditions, the privileges include an exemption from import duty on articles and essential raw materials imported for use in manufacturing for export sales and an exemption from import duty on items imported for re-export, for a period of 1 year commencing as from the first importation date.

A subsidiary has received promotional privileges from the Board of Investment for the manufacture of stainless steel tubes, pursuant to the promotion certificate No. 1407(2)/2548 issued on 23 March 2005. Subject to certain imposed conditions, the privileges include an exemption from corporate income tax for a period of 7 years from the date the promoted activity commenced generating revenues, and any losses incurred during the corporate income tax exemption period may be carried forward to be utilised by the subsidiary as a deduction against net income of future years, for up to 5 years after the expiry of the tax exemption period. In addition, the privileges include an exemption from income tax on dividends received from promoted operations which have been granted corporate income tax exemption, throughout the period for which the tax exemption privilege is granted.

The subsidiary's revenue for the six-month periods ended 30 September 2012 and 2011 were derived from sales and service of BOI promoted products amounted to Baht 461 million and Baht 326 million, respectively.

12. Basic 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.

13. Segment information

The Company and its subsidiaries operate in the single industry segment of distribution and provision of service related to iron and metal products and their principal operations are carried on in the single geographic area of Thailand. As a result, all of the revenues, operating income and assets as reflected in these financial statements pertain to the aforementioned industry segment and geographic area. Export sales for the six-month periods ended 30 September 2012 and 2011 amounted to Baht 12 million and Baht 33 million, respectively (Separate financial statements: Baht 7 million and Baht 19 million, respectively).

14. Dividends

	Approved by	Total dividends	Dividend Per share	Payment date
		(Million Baht)	(Baht)	
Final dividends for 2012	Annual General Meeting of the shareholders on 26 July 2012	44.80	0.14	10 August 2012
Final dividends for 2011	Annual General Meeting of the shareholders on 26 July 2011	70.40	0.22	15 August 2011

15. Commitments and contingent liabilities**15.1 Operating lease commitments**

The Company has entered into a lease agreement in respect of the office building space. The terms of the agreements are generally 3 years.

As at 30 September 2012, future minimum lease payments required under these non-cancellable operating leases contracts were as follows.

	<u>Million Baht</u>
Payable:	
In up to 1 year	2.4

15.2 Other service commitment

As at 30 September 2012, the Company had commitments of approximately Baht 3.6 million relating to technical assistance agreement and other service agreement.

15.3 Credit facilities

As at 30 September 2012, the Company has been granted credit facilities by various financial institutions for which it has placed collaterals, as follows:-

- Letter of credit, trust receipts, guarantee and short-term loan facilities totaling Baht 1,460.5 million, of which totaling Baht 252.6 million of the utilised amounts are outstanding. These credit facilities are secured by the mortgage of the Company's land with structures thereon and machinery.
- Overdraft facilities of Baht 30 million. The facilities have not yet been utilised. The credit facilities are secured by the mortgage of the Company's land with structures thereon and machinery and the pledge of fixed deposits of the Company.
- Forward exchange contract facility of Baht 1,000 million, of which Baht 37.3 million of utilised amounts is outstanding. This credit facility is secured by the mortgage of the Company's land with structures thereon and machinery.

As at 30 September 2012, the subsidiary has been granted credit facilities by a financial institution for which it has placed collaterals, as follows: -

- Letter of credit, trust receipts, guarantee and short-term loan facilities totaling Baht 300 million, of which totaling Baht 218 million of the utilised amounts are outstanding. These credit facilities are secured by the mortgage of the subsidiary's land with structures thereon and machinery.
- Overdraft facility of Baht 10 million, the facility has not yet been utilised. This credit facility is secured by the mortgage of the subsidiary's land with structures thereon.
- Forward exchange contract facility of Baht 200 million, of which Baht 19.1 million of utilised amounts is outstanding. This credit facility is secured by the mortgage of the subsidiary's land with structures thereon and machinery.

15.4 Forward foreign exchange contracts

As at 30 September 2012, the Company and subsidiary had various forward foreign exchange contracts of which maturity dates were not over 1 year as follows:

Foreign currency	Consolidated financial statements		Separate financial statements	
	Bought amount	Contractual exchange rate bought	Bought amount	Contractual exchange rate bought
	(Million)	(Baht per 1 foreign currency unit)	(Million)	(Baht per 1 foreign currency unit)
USD	1.69	31.145 - 31.903	1.11	31.145 - 31.903
SGD	0.08	25.377	0.08	25.377
JPY	1.91	0.3991 - 0.3997	-	-

16. Event after the reporting period

On 14 November 2012, the Company's Board of Directors Meeting approved the payment of an interim dividend of Baht 0.1 per share to the Company's ordinary shareholders from the Company's operations from 1 April 2012 to 30 September 2012. This constitutes a total dividend of Baht 32.0 million.

17. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's Board of Directors on 14 November 2012.