

Lohakit Metal Public Company Limited and its subsidiaries

Notes to interim consolidated financial statements

For the three-month periods ended 30 June 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 of preparation

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.

2. Related party transactions

During the three-month periods ended 30 June 2012 and 2011, 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	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	-	-	68,285	66,126	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	-	-	-	1,901	MLR per annum
Dividend income	-	-	7,718	-	As approved by shareholder's meeting
Service expenses	-	-	1,200	-	Accordance with the negotiated price

(Unit: Thousand Baht)

	For the three-month periods ended 30 June				Transfer Pricing Policy
	Consolidated		Separate		
	financial statements		financial statements		
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	
<u>Transactions with related party</u>					
Sales of goods and service income	13,144	13,641	10,953	9,372	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	3,204	2,042	50	56	Not over 2% of sales

As at 30 June 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 June	31 March	30 June	31 March
	<u>2012</u>	<u>2012</u>	<u>2012</u>	<u>2012</u>
<u>Trade and other receivables - related parties (Note 4)</u>				
Subsidiaries	-	-	54,118	62,298
Related companies (related by common major shareholders)	<u>4,273</u>	<u>5,063</u>	<u>3,654</u>	<u>4,761</u>
Total trade and other receivables - related parties	<u>4,273</u>	<u>5,063</u>	<u>57,772</u>	<u>67,059</u>
<u>Trade and other payables - related parties (Note 9)</u>				
Associated companies	4,021	3,514	-	-
Related companies (related by common major shareholders)	<u>50</u>	<u>29</u>	<u>50</u>	<u>29</u>
Total trade and other payables - related parties	<u>4,071</u>	<u>3,543</u>	<u>50</u>	<u>29</u>

(Unaudited but reviewed)

Directors and management's benefits

For the three-month periods ended 30 June 2012 and 2011, 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	financial statements	financial statements
	2012	2011	2012	2011
Short-term employee benefits	6,683	6,448	4,381	4,172
Increase (decrease) in post-employment benefits after retirement	349	-	(88)	-
Total	<u>7,032</u>	<u>6,448</u>	<u>4,293</u>	<u>4,172</u>

3. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	30 June	31 March	30 June	31 March
	2012	2012	2012	2012
Cash	85	85	55	55
Bank deposits	70,179	53,763	54,300	45,635
Total	<u>70,264</u>	<u>53,848</u>	<u>54,355</u>	<u>45,690</u>

As at 30 June 2012, bank deposits in saving accounts and fixed deposits carried interests between 0.62 and 1.90 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 June 2012	31 March 2012	30 June 2012	31 March 2012
<u>Trade receivables - related parties</u>				
Aged on the basis of due dates				
Not yet due	2,700	2,820	41,484	44,438
Past due				
Up to 3 months	1,573	2,243	16,288	22,621
Total trade receivables - related parties	4,273	5,063	57,772	67,059
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	406,109	402,311	241,196	242,345
Past due				
Not over 3 months	145,044	134,140	71,276	68,358
Over 12 months	17,426	17,426	17,426	17,426
Total	568,579	553,877	329,898	328,129
Less: Allowance for doubtful accounts	(17,426)	(17,426)	(17,426)	(17,426)
Total trade receivables - unrelated parties, net	551,153	536,451	312,472	310,703
Total trade receivable - net	555,426	541,514	370,244	377,762
<u>Other receivables</u>				
Other receivable - unrelated parties	1,256	28	1,170	28
Total other receivables	1,256	28	1,170	28
Trade and other receivables - net	556,682	541,542	371,414	377,790

5. Investments in associated company

5.1 Details of associate:

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Shareholding percentage		Separate		Consolidated	
			Carrying amount		financial statements		financial statements	
			30 June 2012	31 March 2012	Cost method		based on equity method	
			Percent	Percent	30 June 2012	31 March 2012	30 June 2012	31 March 2012
Mory Lohakit (Thailand) Company Limited	Agent	Thailand	49	49	4,900	4,900	9,889	9,140

5.2 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 investments in associates		Dividend received	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Mory Lohakit (Thailand) Co., Ltd.	749	323	-	-

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		Profit	
	as at		as at		as at		for the three - month periods		for the three - month periods	
	30 June	31 March	30 June	31 March	30 June	31 March	ended 30 June		ended 30 June	
	<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>2012</u>
Mory Lohakit (Thailand) Co., Ltd.	10	10	22	20	1.7	1.7	3.2	2.0	1.5	0.7

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 June	31 March	30 June	31 March	30 June	31 March
	<u>2012</u>	<u>2012</u>	<u>2012</u>	<u>2012</u>	<u>2012</u>	<u>2012</u>
	<i>Million Baht</i>		<i>Percent</i>		<i>Thousand Baht</i>	
Auto Metal Company Limited	240	240	60	60	144,000	144,000
Alternative Stainless Company Limited	1	1	100	100	999	999
Total					<u>144,999</u>	<u>144,999</u>

(Unaudited but reviewed)

6.2 Dividend income

(Unit: Thousand Baht)

	For the three-month periods ended 30 June	
	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 three-month periods ended 30 June 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	21,405	312
Depreciation for the period	(15,296)	(3,951)
Net book value as at 30 June 2012	355,604	122,501

As at 30 June 2012, the Company had vehicles under finance lease agreements with net book values amounting to Baht 13.8 million (31 March 2012: Baht 14.9 million) (Separate financial statements: Baht 9.1 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 June 2012 and 31 March 2012 with bank to secure loans and other credit facilities granted to the Company and its subsidiary by the bank.

(Unaudited but reviewed)

(Unit: Thousand Baht)

Mortgaged machinery	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 March	30 June	31 March
	2012	2012	2012	2012
Cost	305.9	305.9	196.8	196.8
Net book value	38.5	41.0	-	-

8. Short-term loans from financial institution

(Unit: Thousand Baht)

	Interest rate (percent per annum)	Consolidated		Separate	
		financial statements		financial statements	
		30 June	31 March	30 June	31 March
		2012	2012	2012	2012
Short-term loans from bank	5.20	85,000	100,000	10,000	10,000
Trust receipts	5.25 - 5.80	157,107	166,172	99,711	128,671
		<u>242,107</u>	<u>266,172</u>	<u>109,711</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 June	31 March	30 June	31 March
	2012	2012	2012	2012
Trade payables - unrelated parties	273,365	200,309	125,435	104,706
Other payables - unrelated parties	35,439	14,293	8,229	9,168
Other payables - related party	4,021	3,514	-	-
Accrued commission expenses - unrelated parties	276	41	276	-
Accrued commission expenses - related party	50	29	50	29
Accrued expenses	8,194	4,929	4,307	2,483
Total trade and other payables	<u>321,345</u>	<u>223,115</u>	<u>138,297</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 three-month periods ended 30 June 2012 and 2011 were derived from sales and service of BOI promoted products amounted to Baht 213 million and Baht 137 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 three-month periods ended 30 June 2012 and 2011 amounted to Baht 8.9 million and Baht 19.9 million, respectively (Separate financial statements: Baht 4.3 million and Baht 13 million, respectively).

14. Commitments and contingent liabilities

14.1 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 June 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	2.56
In over 1 and up to 5 years	2.99

14.2 Other service commitment

As at 30 June 2012, the Company had commitments of approximately Baht 4.49 million relating to technical assistance agreement and other service agreement.

14.3 Credit facilities

As at 30 June 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 232.0 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 71.1 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 June 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 169.2 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 50.1 million of utilised amounts is outstanding. This credit facility is secured by the mortgage of the subsidiary's land with structures thereon and machinery.

14.4 Forward foreign exchange contracts

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

Consolidated financial statements				
Foreign currency	Bought amount	Contractual exchange rate bought	Sold amount	Contractual exchange rate sold
	(Million)	(Baht per 1 foreign currency unit)	(Million)	(Baht per 1 foreign currency unit)
US dollar	1.42	31.512 - 31.918	-	-

Separate financial statements				
Foreign currency	Bought amount	Contractual exchange rate bought	Sold amount	Contractual exchange rate sold
	(Million)	(Baht per 1 foreign currency unit)	(Million)	(Baht per 1 foreign currency unit)
US dollar	0.91	31.512 - 31.918	-	-

15. Event after the reporting period

On 26 July 2012, a meeting of Annual General Meeting of the shareholders passed a resolution to approve the payment of dividends from the operating results of the year ended 31 March 2012. The dividend was Baht 0.14 per share or a total of Baht 44.80 million. The dividend was paid to the shareholders on 10 August 2012.

16. Approval of interim financial statements

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