

KCE Electronics Public Company Limited and its subsidiaries
Notes to consolidated financial statements
For the years ended 31 December 2011 and 2010

1. General information

1.1 Corporate information of the Company and its subsidiaries

KCE Electronics Public Company Limited (“the Company”) was incorporated as a limited company under Thai law and was transformed to be a public limited company under the Public Limited Companies Act on 21 December 1992. The Company operates in Thailand and its principal activity is the manufacture and distribution of printed circuit board products, with the registered address at No. 125-125/1, 1 Moo 4 Lat Krabang Industrial Estate, Kwang Lumplatew, Khet Lat Krabang, Bangkok.

The Company has the subsidiaries as follows:

KCE Technology Co., Ltd. was incorporated as a limited company under Thai law, with the registered address at No. 117 - 118 Moo 1, Hi-Tech Industrial Estate, Tambon Ban Lain, Amphur Bang Pa-In, Pranakornsriyuthaya Province. The subsidiary company operates its business in Thailand and its principal activity is the manufacture and distribution of printed circuit board products.

K.C.E. International Co., Ltd. was incorporated as a limited company under Thai law, with the registered address at No. 677 Moo 4 Export Processing Zone, Bangpoo Industrial Estate, Sukhumvit Road, Tambon Phraksa, Amphur Muang, Samutprakarn Province. The subsidiary company operates its business in Thailand and its principal activity is the manufacture and distribution of printed circuit board products.

Thai Laminate Manufacturer Co., Ltd. was incorporated as a limited company under Thai law, with the registered address at No. 115/2 Moo 4 Export Processing Zone, Lat Krabang Industrial Estate, Kwang Lumplatew, Khet Lat Krabang, Bangkok. The subsidiary company operates its business in Thailand and its principal activity is the manufacture and distribution of prepreg and laminate products to the Company and two subsidiary companies (K.C.E. International Co., Ltd. and KCE Technology Co., Ltd).

KCE (Thailand) Co., Ltd. was incorporated as a limited company under Thai law, with the registered address at No. 100/61, 21st floor, Vongvanich Building, Rama 9 Road, Tambon Huaykwang, Khet Huaykwang, Bangkok. The subsidiary company operates its business in Thailand and its principal activity is the domestic sale representative to the Company and its affiliates.

Thai Business Solution Co., Ltd. was incorporated as a limited company under Thai law, with the registered address at No. 100/61, 21st Floor, Vongvanich Building, Rama 9 Road, Tambon Huaykwang, Khet Huaykwang, Bangkok. The subsidiary company operates its business in Thailand and its principal activity is a service provider for computer system implementation and support.

2. Basis of preparation

- 2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

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

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

2.2 Basis of consolidation

- a) The consolidated financial statements include the financial statements of KCE Electronics Public Company Limited (hereinafter called “the Company”) and the following subsidiaries (hereinafter called “the subsidiaries”).

Company's name	Nature of business	Country of incorporate	Percentage of shareholding	
			2011 (Percent)	2010 (Percent)
KGE Technology Co., Ltd.	The manufacture and distribution of printed circuit board products.	Thailand	100.00	100.00
K.C.E. International Co., Ltd.	The manufacture and distribution of printed circuit board products.	Thailand	99.99	99.99
Thai Laminate Manufacturer Co., Ltd (Held by the Company 74.80% and by K.C.E. International Co., Ltd. 25.20%).	The manufacture and distribution of prepeg and laminate products	Thailand	100.00	100.00
KCE (Thailand) Co., Ltd.	The domestic sale representative	Thailand	60.00	60.00
Thai Business Solution Co., Ltd.	A service provider for computer system implementation and support	Thailand	49.00	49.00

- b) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- c) The financial statements of the subsidiaries are prepared for the same reporting period and using the same significant accounting policies as the Company.
- d) Material balances and transactions between the Company and its subsidiaries and investments in subsidiaries in the Company's accounts and subsidiaries' share capital have been eliminated from the consolidated financial statements.
- e) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

2.3 The separate financial statements, which present investments in subsidiaries and associates under the cost method, have been prepared solely for the benefit of the public.

3. Adoption of new accounting standards during the year

During the current year, the Company adopted a number of revised and new accounting standards, issued by the Federation of Accounting Professions, as listed below.

Accounting standards:

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property

Financial reporting standards:

TFRS 2	Share-Based Payment
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources

Accounting Standard Interpretations:

SIC 10	Government Assistance - No Specific Relation to Operating Activities
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standards.

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognize deferred tax assets and liabilities under the stipulated guidelines.

At present, the management is evaluating the impact on the financial statements in the year when this standard is adopted.

TAS 21 (revised 2009) The Effects of Changes in Foreign Exchange Rates

This accounting standard requires an entity to identify its functional currency in accordance with certain conditions in the standard and to record transactions and report its financial position and operating results in this functional currency, which may not be Baht.

At present, the management is still evaluating the impact on the financial statements in the year when this standard is adopted.

5. Significant accounting policies

5.1 Revenue recognition

a) Sales of goods

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

b) Rendering of services

Service revenue is recognised when services have been rendered taking into account the stage of completion.

c) Interest income

Interest income is recognised on an accrual basis based on the effective rate.

d) Dividends

Dividends are recognised when the right to receive the dividends is established.

5.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and cash at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

5.3 Trade accounts receivable and allowance for doubtful accounts

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The adequacy of the allowance is based on analysis of debt aging and current status of receivables outstanding at the end of reporting period including trend to collect from each debtor.

5.4 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

5.5 Inventories

Finished goods and work in process are valued at the lower of cost (weighted average method) and net realisable value. The cost includes cost of material, labour and production overheads.

Raw materials, spare parts and factory supplies are valued at the lower of cost (weighted average method) and net realisable value and charged to production costs when consumed.

5.6 Investments

- a) Investments in the associates in the consolidated financial statements are stated under equity method.
- b) Investments in the subsidiaries and associates in the separate financial statements are stated under cost method.
- c) Investments in marketable securities held for trading are stated at fair value, which is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. Changes in the fair value of these securities are recorded as gain or loss on revaluation of investment in marketable securities in profit or loss. The weighted average method is used for computation of the cost of investments.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

5.7 Property, plant and equipment

Land is stated at cost. Plant and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation of plant and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives:

Building and plant	-	20 - 25	years
Machinery and equipment	-	5 - 20	years
Plant and office improvement	-	5 - 20	years
Furniture, fixtures and office equipment	-	5 - 10	years
Vehicles	-	5	years

No depreciation is provided for land, construction in progress, and machinery and equipment in transit and under installation.

Depreciation is included in determining income.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

5.8 Intangible assets

Intangible assets are initially recognised at cost. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised on a systematic basis over the useful economic life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. The amortisation expense is recognised in profit or loss.

The intangible assets are computer software which have finite useful lives between 5 and 15 years.

5.9 Impairment of assets

At the end of each reporting period, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company and its subsidiaries could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in profit or loss.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

5.10 Long-term leases

Finance leases

Leases of property, plant or equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, while the interest element is charged to profit or loss over the lease period. The property, plant or equipment acquired under finance leases is depreciated over the useful life of the asset.

Operating leases

Leases, which a significant portion of the risks and rewards of ownership are not transferred to the lessee, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the lease period. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

5.11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

5.12 Treasury shares

Treasury shares are stated at cost and presented as a deduction from shareholders' equity. Gains on disposal of treasury shares are determined by reference to the carrying amount and are presented as premium on treasury shares. Losses on disposal of treasury shares are determined by reference to the carrying amount and are first deducted from premium on treasury shares, with any remaining loss being recorded against retained earnings.

5.13 Employee benefits

Short-term employee benefits

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

Post-employment benefits

Defined contribution plans

The Company, its subsidiaries and their employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company and its subsidiaries. The fund's assets are held in a separate trust fund and the Company's and its subsidiaries' contributions are recognised as expenses when incurred.

Defined benefit plans

The Company and its subsidiaries have obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in profit or loss.

For the first-time adoption of TAS 19 Employee Benefits, the Company and its subsidiaries elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in the current year.

5.14 Foreign currencies

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

5.15 Provisions

Provisions are recognised when the Company and its subsidiaries have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

5.16 Income tax

Income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

5.17 Derivatives

Forward exchange contracts

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling at the end of reporting period. Gains and losses from the translation are included in determine income. Premiums or discounts on forward exchange contracts are amortised on a straight-line basis over the contract periods.

Currency option agreements

Currency option agreements are contracts between two parties whereby the seller grants the buyer a future option to buy (call option) or to sell (put option) foreign currency at an exchange rate stipulated in the agreement. The Company and its subsidiaries enter into such agreements in order to manage foreign exchange risk.

The notional amounts of cross currency option agreements utilised by the Company and its subsidiaries to manage foreign exchange risk are not recognised as assets or liabilities upon inception of the agreement, but fees paid by the Company and its subsidiaries in respect of such agreements are amortised on a straight-line basis over the term of the agreements.

Cross currency and interest rate swap agreements

Cross currency and interest rate swap agreements are contracts between the Company and its subsidiary and counterparties to exchange amounts of principal denominated in different currencies upon inception of the agreements, either over the term of the agreement or on maturity, depending on the terms of the agreements made with the counterparties. In addition, each counterparty receives or pays interest in amounts calculated on the basis of the pre-determined principal and interest rates throughout the term of the agreements.

With regard to amounts receivable or payable under cross currency and interest rate swap agreements which the Company and its subsidiary use to manage foreign exchange and interest rate risk, receivables or payables under cross currency agreements are translated at the rate of exchange applying on the end of reporting period, with unrealised gains or losses on such translation included in profit or loss. The differential to be paid or received by the Company and its subsidiary under interest rate swap agreements is recognised as an adjustment to interest income or interest expense over the term of the agreement. Gains or losses arising upon the termination of agreements or the early settlement of the underlying liabilities are recognised in profit or loss. Receivables and payables under cross currency and interest rate swap agreements are presented net in the statement of financial position.

Commodities hedge agreements

The Company and its subsidiaries enter into commodities hedge agreements whereby the Company and its subsidiaries are committed to purchase commodities at the price and quantity as stipulated in the agreements. The Company and its subsidiaries enter into such agreements in order to manage such risk. The Company and its subsidiaries recognise unrealised gains or losses on the change of fair value of such commodities hedge agreements in profit or loss.

6. Significant accounting judgments and estimates

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ. Significant judgments and estimates are as follows:

Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgment in estimating collection loss from each debtor based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

Allowance for diminution in value of inventories and inventory obsolescence

In determining an allowance for diminution in value of inventories and inventory obsolescence, the management needs to make judgment in estimating loss from obsolete deteriorated inventories including the effect from the reduction of net realisable value of inventories.

Fair value of financial instruments

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercises judgment, using a variety of valuation techniques. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

Property, plant and equipment and depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the Company's plant and equipment and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

Post-employment benefits under defined benefit

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

Litigation

The Company has contingent liabilities as a result of litigation. The Company's management has used judgment to assess of the results of the litigation and believes that no loss will result. Therefore, no contingent liabilities are recorded as at the end of reporting period.

7. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Cash	207	226	50	50
Bank deposits	535,328	142,952	142,442	20,970
Total	535,535	143,178	142,492	21,020

As at 31 December 2011, bank deposits in saving accounts and fixed deposits carried interests between 0.10 and 3.15 percent per annum (2010: between 0.05 and 0.75 percent per annum).

8. Trade and other receivables

The balance of trade accounts receivable as at 31 December 2011 and 2010, aged on the basis of due date, was as follows:

(Unit: Thousand Baht)

Age of receivables	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
<u>Trade accounts receivable - related parties</u>				
Not yet due	275,413	268,447	210,832	158,144
Past due				
Up to 3 months	54,915	76,672	75,310	79,959
3 - 6 months	677	4	28,342	272
6 - 12 months	167	-	163	-
Total trade accounts receivable				
- related parties	331,172	345,123	314,647	238,375
<u>Trade accounts receivable - unrelated parties</u>				
Not yet due	848,883	1,031,236	539,931	421,017
Past due				
Up to 3 months	281,651	151,923	145,861	108,957
3 - 6 months	18,789	613	16,412	-
6 - 12 months	1,456	956	1,360	-
Over 12 months	71	1,285	71	-
Total trade accounts receivable				
unrelated parties	1,150,850	1,186,013	703,635	529,974
Total trade accounts receivable	1,482,022	1,531,136	1,018,282	768,349
Less: Allowance for doubtful accounts	(353)	(165)	(322)	(136)
Trade accounts receivable - net	1,481,669	1,530,971	1,017,960	768,213

(Unit: Thousand Baht)

Age of receivables	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Other receivables				
Other receivables - related parties	-	75	4,661	42
Other receivables - unrelated parties	64,751	53,885	10,772	29,239
Dividend receivable from a related party	-	-	-	66,496
Total other receivables	64,751	53,960	15,433	95,777
Total trade and other receivables - net	1,546,420	1,584,931	1,033,393	863,990

9. Related party transactions

During the years, 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: Million Baht)

	Consolidated financial statements		Separate financial statements		Transfer pricing policy
	For the years ended 31 December		For the years ended 31 December		
	2011	2010	2011	2010	
<i><u>Transactions with subsidiaries</u></i> (eliminated from the consolidated financial statements)					
Sales of goods	-	-	276	300	Market prices and prices per job order for each product which are agreed between the parties
Service income	-	-	17	21	Market prices and prices per job order for each product which are agreed between the parties
Sales of fixed assets	-	-	1	1	Net book value plus margin and prices agreed between the parties
Dividend income	-	-	-	187	As announced in the minute of shareholders' meeting
Other income	-	-	11	7	Prices agreed between the parties
Purchases of goods	-	-	1,089	919	Market prices and prices per job order for each product which are agreed between the parties
Purchases of fixed assets	-	-	6	49	Prices agreed between the parties
<i><u>Transactions with associated companies</u></i>					
Sales of goods	1,171	1,289	575	577	Market prices at which similar quality products are sold under same conditions
Purchases of raw materials	52	72	18	19	Market prices at which similar quality products are purchased under same conditions
Commission expense	50	64	29	28	At the rate agreed between the parties which is general rate for the same business

As at 31 December 2011 and 2010, the balances of the accounts between the Company and those related parties are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
<u>Trade and other receivables - related parties</u>				
Subsidiaries				
KCE Technology Co., Ltd.	-	-	97,112	67,950
K.C.E. International Co., Ltd.	-	-	42,357	72,099
KCE (Thailand) Co., Ltd.	-	-	3,513	4,176
Thai Laminate Manufacturer Co., Ltd.	-	-	864	924
Thai Business Solution Co., Ltd.	-	-	46	-
Total trade and other receivables - subsidiaries	-	-	143,892	145,149
Associated companies				
KCE America, Inc.	297,822	304,108	163,011	131,604
KCE Singapore Pte., Ltd.	33,350	41,090	12,405	28,160
Total trade and other receivables - associated companies	331,172	345,198	175,416	159,764
Total trade and other receivables - related parties	331,172	345,198	319,308	304,913
<u>Trade and other payables - related parties</u>				
Subsidiaries				
Thai Laminate Manufacturer Co., Ltd.	-	-	349,453	242,866
K.C.E. International Co., Ltd.	-	-	43,483	36,587
KCE Technology Co., Ltd.	-	-	15,881	40,135
Thai Business Solution Co., Ltd.	-	-	455	3,875
Total trade and other payables - subsidiaries	-	-	409,272	323,463
Associated company				
KCE Singapore Pte., Ltd.	26,217	26,221	15,115	12,608
Total trade and other payables - associated company	26,217	26,221	15,115	12,608
Total trade and other payables - related parties	26,217	26,221	424,387	336,071

Directors and management's benefits

During the year ended 31 December 2011, the Company and its subsidiaries had short-term employee benefit expenses payable to their directors and management totaling Baht 72 million (the Company only: Baht 35 million) (2010: Baht 61 million, the Company only: Baht 31 million)

Guarantee obligations with related parties

The Company and its subsidiaries have outstanding guarantee obligations with its related parties, as described in Note 29.4 to the financial statements.

10. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2011	2010	2011	2010	2011	2010
Finished goods	167,526	256,382	(20,064)	(28,647)	147,462	227,735
Work in process	222,750	319,431	-	-	222,750	319,431
Raw materials	321,291	318,185	(1,108)	(3,022)	320,183	315,163
Supplies	251,296	270,574	(11,946)	(12,193)	239,350	258,381
Spare parts	119,447	141,183	-	(343)	119,447	140,840
Goods in transit	30,550	70,613	-	-	30,550	70,613
Total	<u>1,112,860</u>	<u>1,376,368</u>	<u>(33,118)</u>	<u>(44,205)</u>	<u>1,079,742</u>	<u>1,332,163</u>

(Unit: Thousand Baht)

	Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2011	2010	2011	2010	2011	2010
Finished goods	70,852	71,242	(8,022)	(4,811)	62,830	66,431
Work in process	154,239	90,457	-	-	154,239	90,457
Raw materials	109,943	76,106	(35)	(1,179)	109,908	74,927
Supplies	133,108	111,930	(11,497)	(11,616)	121,611	100,314
Spare parts	49,832	49,290	-	-	49,832	49,290
Goods in transit	5,416	4,825	-	-	5,416	4,825
Total	<u>523,390</u>	<u>403,850</u>	<u>(19,554)</u>	<u>(17,606)</u>	<u>503,836</u>	<u>386,244</u>

11. Investments in subsidiaries

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

(Unit: Thousand Baht)

Company's name	Separate financial statements							
	Paid-up capital		Shareholding percentage		Cost		Dividend income	
	2011	2010	2011	2010	2011	2010	2011	2010
			(%)	(%)				
KCE Technology Co., Ltd.	1,600,000	1,400,000	100.00	100.00	1,600,000	1,400,000	-	-
K.C.E. International Co., Ltd.	100,000	100,000	99.99	99.99	185,395	185,395	-	-
Thai Laminate Manufacturer Co., Ltd.	250,000	250,000	74.80	74.80	368,460	368,460	-	187,320
KCE (Thailand) Co., Ltd.	3,600	3,600	60.00	60.00	2,160	2,160	-	-
Thai Business Solution Co., Ltd.	3,000	3,000	49.00	49.00	1,470	1,470	-	-
Total					2,157,485	1,957,485	-	187,320

On 1 June 2010, the Company entered into an agreement to purchase 500,000 ordinary shares of K.C.E. International Company Limited with an existing shareholder at Baht 25 per share, or a total of Baht 12.5 million and obtain the right to receive unpaid interim dividend of Baht 3.5 million. As a result, the percentage of shareholding of the Company in that subsidiary increased from 94.99 percent to 99.99 percent.

On 25 June 2010, the Company and K.C.E. International Company Limited entered into the agreements to purchase 6 million ordinary shares of Thai Laminate Manufacturer Company Limited with an existing shareholder of the subsidiary, representing 24 percent of the registered and paid-up share capital of the subsidiary, at total amount of Baht 243.4 million.

In September 2010, the Company purchased 1.2 million ordinary shares of Thai Laminate Manufacturer Company Limited from the existing shareholders at Baht 23.5 per share, or a total of Baht 28.2 million, representing 5 percent of the registered and paid-up share capital of the subsidiary. As a result, the percentage of direct shareholding of the Company and its subsidiary in that company increased to 74.8 percent and 25.2 percent, respectively, or increased to 100 percent for both direct and indirect shareholding of the Company.

The excess of the acquisition price over the attributable net book value of the subsidiaries at acquisition date, amounting to approximately Baht 38.6 million, was recorded under the caption of "Excess of investments arising from additional purchases of investments in subsidiaries at a price higher than the net book value of the subsidiaries at the acquisition date" in the shareholders' equity.

During 2010, the Company had reversed an allowance for impairment of investment in KCE Technology Co., Ltd. by Baht 541.8 million taking into account the recoverable amount of the investment in the subsidiary. Since the operating results of the subsidiary had been improved, the Company's management believes that the operations of the subsidiary will be consistently profitable in the future.

On 16 June 2011, the Extraordinary General Meeting No. 2/2554 of the shareholders of KCE Technology Co., Ltd. approved the increase of the subsidiary's registered share capital from Baht 1,400 million (140,000,000 ordinary shares of Baht 10 each) to Baht 1,600 million (160,000,000 ordinary shares of Baht 10 each) through an issuance of 20,000,000 new ordinary shares at a par value of Baht 10 each, totaling Baht 200 million. The Company acquired and fully paid all the newly issued ordinary shares during the year. The subsidiary registered the share capital increase with the Ministry of Commerce on 29 June 2011.

12. Investments in associates

12.1 Details of associates

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Consolidated financial statements						
			Shareholding percentage		Cost		Carrying amounts based on equity method		
			2011 (%)	2010 (%)	2011	2010	2011	2010	
KCE America, Inc.	Foreign sale representative of the Company and its affiliates	United States of America							
			50.00	50.00	644	644	55,421	50,660	
KCE Singapore Pte., Ltd.	Foreign sale representative of the Company and its affiliates	Singapore							
			49.00	49.00	4,201	4,201	26,712	26,156	
Total					4,845	4,845	82,133	76,816	

(Unit: Thousand Baht)

Company's name	Separate financial statements			
	Shareholding percentage		Cost	
	2011 (%)	2010 (%)	2011	2010
KCE America, Inc.	25.00	25.00	322	322
KCE Singapore Pte., Ltd.	24.50	24.50	2,100	2,100
Total			2,422	2,422

(Unit: Thousand Baht)

Company's name	Consolidated financial statements		Separate financial statements	
	Share of profit (loss) from investments in associates during the year		Dividend received during the year	
	2011	2010	2011	2010
KCE America, Inc.	831	2,218	-	-
KCE Singapore Pte., Ltd.	(1,190)	540	-	-
Total	(359)	2,758	-	-

Share of profit (loss) from investments for 2011 and 2010 in the above two associated companies was calculated from the unaudited financial statements of those associated companies because they are located overseas and the Company has no power to direct the financial and operating policies of those companies, including the audit of their financial statements.

12.2 Summarised financial information of associates

(Unit: Million Baht)

Company's name	Paid-up capital as at		Total assets as at		Total liabilities as at		Total revenues for the years ended		Profit (loss) for the years ended	
	31 December		31 December		31 December		31 December		31 December	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
KCE America, Inc.	USD 50,000	USD 50,000	431	435	312	324	1,095	1,107	3	3
KCE Singapore Pte., Ltd.	SGD 500,000	SGD 500,000	109	109	62	62	170	204	(2)	1

13. Property, plant and equipment

(Unit: Thousand Baht)

Consolidated financial statements											
	Land	Building and plant	Machinery and equipment	Plant improvement	Furniture, fixtures and office equipment	Office improvement	Vehicles	Plant and plant improvement under construction	Machinery and equipment under installation	Machinery and equipment in transit	Total
Cost											
31 December 2009	337,187	682,674	7,933,801	233,674	649,196	19,421	47,425	3,957	79,723	-	9,987,058
Purchases	-	142	34,125	13,610	6,179	1,045	33,604	336	182,527	20,658	292,226
Transfer in (out)	-	240,001	117,638	8,226	(240,126)	-	212	(4,293)	(102,607)	(19,051)	-
Disposals	-	-	(85,353)	(2,060)	(7,915)	-	(6,453)	-	(1,654)	-	(103,435)
31 December 2010	337,187	922,817	8,000,211	253,450	407,334	20,466	74,788	-	157,989	1,607	10,175,849
Purchases	-	585	59,581	10,002	17,602	393	19,088	-	295,270	198,423	600,944
Transfer in (out)	-	52,063	100,164	7,081	(16)	-	635	-	(158,762)	(8,547)	(7,382)
Disposals/write-off	-	(407,350)	(1,505,119)	(63,947)	(4,154)	(156)	(6,055)	-	(5,588)	-	(1,992,369)
31 December 2011	337,187	568,115	6,654,837	206,586	420,766	20,703	88,456	-	288,909	191,483	8,777,042
Accumulated depreciation											
31 December 2009	-	271,328	3,550,175	104,382	400,746	10,716	30,826	-	-	-	4,368,173
Depreciation for the year	-	98,031	444,633	26,106	9,713	1,304	9,735	-	-	-	589,522
Accumulated depreciation of disposed assets	-	-	(83,331)	(1,770)	(7,822)	-	(5,221)	-	-	-	(98,144)
31 December 2010	-	369,359	3,911,477	128,718	402,637	12,020	35,340	-	-	-	4,859,551
Depreciation for the year	-	69,773	429,139	27,777	8,911	872	11,686	-	-	-	548,158
Accumulated depreciation of disposed/ written off assets	-	(244,178)	(603,227)	(11,131)	(3,630)	(156)	(3,480)	-	-	-	(865,802)
31 December 2011	-	194,954	3,737,389	145,364	407,918	12,736	43,546	-	-	-	4,541,907
Allowance for impairment loss											
31 December 2009	-	-	-	-	-	-	-	-	-	-	-
Increase during the year	-	-	8,128	-	-	-	-	-	-	-	8,128
31 December 2010	-	-	8,128	-	-	-	-	-	-	-	8,128
Reversal during the year	-	-	(8,128)	-	-	-	-	-	-	-	(8,128)
31 December 2011	-	-	-	-	-	-	-	-	-	-	-
Net book value											
31 December 2010	337,187	553,458	4,080,606	124,732	4,697	8,446	39,448	-	157,989	1,607	5,308,170
31 December 2011	337,187	373,161	2,917,448	61,222	12,848	7,967	44,910	-	288,909	191,483	4,235,135
Depreciation for the year											
2010 (Baht 569 million included in manufacturing cost, and the balance in selling expenses and administrative expenses)											589,522
2011 (Baht 527 million included in manufacturing cost, and the balance in selling expenses and administrative expenses)											548,158

(Unit: Thousand Baht)

Separate financial statements

	Land	Building and plant	Machinery and equipment	Plant improvement	Furniture, fixtures and office equipment	Office improvement	Vehicles	Machinery and equipment under installation	Total
Cost									
31 December 2009	164,000	132,229	2,068,505	155,703	39,506	16,966	14,371	34,110	2,625,390
Purchases	-	-	27,626	12,493	2,714	1,045	10,604	60,569	115,051
Transfer in (out)	-	-	64,898	800	(5,156)	-	-	(60,542)	-
Disposals	-	-	(52,672)	(2,060)	(4,799)	-	-	-	(59,531)
31 December 2010	164,000	132,229	2,108,357	166,936	32,265	18,011	24,975	34,137	2,680,910
Purchases	-	35	30,346	9,195	13,657	303	14,258	24,295	92,089
Transfer in (out)	-	-	14,171	-	(111)	-	-	(14,060)	-
Disposals/write-off	-	-	(26,353)	(66)	(1,661)	-	(4,398)	-	(32,478)
31 December 2011	164,000	132,264	2,126,521	176,065	44,150	18,314	34,835	44,372	2,740,521
Accumulated depreciation									
31 December 2009	-	65,604	1,108,445	85,980	26,827	7,846	10,644	-	1,305,346
Depreciation for the year	-	5,971	135,109	22,595	3,045	907	3,150	-	170,777
Accumulated depreciation of disposed assets	-	-	(50,551)	(1,770)	(4,778)	-	-	-	(57,099)
31 December 2010	-	71,575	1,193,003	106,805	25,094	8,753	13,794	-	1,419,024
Depreciation for the year	-	4,658	124,362	23,762	3,248	773	3,584	-	160,387
Accumulated depreciation of disposed assets	-	-	(25,156)	(66)	(1,137)	-	(1,983)	-	(28,342)
31 December 2011	-	76,233	1,292,209	130,501	27,205	9,526	15,395	-	1,551,069
Net book value									
31 December 2010	164,000	60,654	915,354	60,131	7,171	9,258	11,181	34,137	1,261,886
31 December 2011	164,000	56,031	834,312	45,564	16,945	8,788	19,440	44,372	1,189,452
Depreciation for the year									
2010 (Baht 164 million included in manufacturing cost, and the balance in selling expenses and administrative expenses)									170,777
2011 (Baht 153 million included in manufacturing cost, and the balance in selling expenses and administrative expenses)									160,387

As at 31 December 2011 and 2010, certain machinery and equipment of the Company and its subsidiaries have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 1,718 million and Baht 1,375 million, respectively (the Company only: Baht 786 million and Baht 616 million, respectively).

13.1 The Company and its two subsidiaries, K.C.E. International Co., Ltd. and Thai Laminate Manufacturer Co., Ltd., entered into negative pledge memorandums which are part of bank overdrafts and loans agreements. Under these memorandums, the Company and its subsidiaries are not allowed to dispose of, transfer, mortgage or provide any lien on their assets, as stipulated in such memorandums.

13.2 The subsidiaries of the Company have mortgaged and pledged the following property, plant and equipment.

13.2.1 Thai Laminate Manufacturer Co., Ltd. has mortgaged its construction and pledged its machinery with total net book value as at 31 December 2011 of Baht 202 million (2010: Baht 279 million), as collateral for loans from banks, as described in Note 18.

13.2.2 KCE Technology Co., Ltd. has mortgaged its land and construction thereon and pledged its machinery with a total net book value as at 31 December 2011 of Baht 1,164 million (2010: Baht 1,960 million), as collateral for bank overdrafts and loans from banks, as described in Note 15 and 18.

13.3 The Company and its subsidiaries have capitalised interest expenses as part of costs of machinery and equipment under installation for the years ended 31 December 2011 and 2010 as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Interest expenses capitalised as cost of machinery and equipment (Thousand Baht)	262	80	-	-
Capitalisation rate (Percent per annum)	2.14 - 2.26	1.96 - 2.16	-	-

14. Intangible assets

Details of intangible assets which are computer software are as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Cost		
31 December 2009	99,519	52,945
Purchases	27,482	20,161
Disposals/write-off	(668)	(668)
31 December 2010	126,333	72,438
Purchases	15,300	12,037
31 December 2011	141,633	84,475
Accumulated amortisation		
31 December 2009	43,306	16,250
Amortisation for the year	8,336	3,200
Accumulated amortisation of disposed/written-off assets	(668)	(668)
31 December 2010	50,974	18,782
Amortisation for the year	4,214	4,003
31 December 2011	55,188	22,785
Net book value		
31 December 2010	75,359	53,656
31 December 2011	86,445	61,690
Amortisation for the year		
2010	8,336	3,200
2011	4,214	4,003

15. Bank overdrafts and short-term loans from financial institutions

Bank overdrafts and short-term loans from financial institutions as at 31 December 2011 and 2010 consisted of:

(Unit: Thousand Baht)

	Interest rate (percent per annum)	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
		Bank overdrafts	-	-	6,545
Short-term loans	3.40 - 4.78	918,950	212,875	240,000	100,625
Packing credits	1.35 - 4.26	2,042,462	2,584,913	920,149	886,913
Trust receipts	1.45 - 3.05	589,655	364,709	53,728	66,758
Total		<u>3,551,067</u>	<u>3,169,042</u>	<u>1,213,877</u>	<u>1,060,841</u>

15.1 Bank overdrafts and partial loans from banks of the Company are guaranteed by K.C.E. International Co., Ltd., a subsidiary company.

15.2 Bank overdrafts and loans from banks of K.C.E. International Co., Ltd., a subsidiary company, are guaranteed by the Company.

15.3 Bank overdrafts and loans from banks of KCE Technology Co., Ltd., a subsidiary company, are guaranteed by the Company and are secured by the mortgage of land and construction thereon and the pledge of most of machinery of such subsidiary company.

16. Trade and other payables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Trade payables - related parties	15,112	14,081	416,613	330,672
Trade payables - unrelated parties	835,410	880,873	335,957	254,308
Other payables for purchase of machineries and equipment - related parties	-	-	430	3,875
Other payables for purchase of machineries and equipment - unrelated parties	359,346	70,532	20,075	15,885
Other payables - related parties	11,105	12,140	7,344	1,524
Other payables - unrelated parties	69,585	60,466	24,440	15,178
Accrued expenses	176,119	151,675	69,559	47,869
Total trade and other payables	<u>1,466,677</u>	<u>1,189,767</u>	<u>874,418</u>	<u>669,311</u>

17. Liabilities under hire-purchase and finance lease agreements

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Liabilities under hire-purchase and finance lease agreements	158,666	270,458	145,406	249,944
Less: Deferred interest expenses	(3,430)	(9,288)	(2,630)	(7,820)
Total	155,236	261,170	142,776	242,124
Less: Portion due within one year	(51,511)	(105,858)	(43,348)	(96,199)
Liabilities under hire-purchase and finance lease agreements - net of current portion	<u>103,725</u>	<u>155,312</u>	<u>99,428</u>	<u>145,925</u>

The Company and its subsidiaries entered into a number of hire-purchase and finance lease agreements with leasing companies for rental of machinery and equipment for use in their operations, whereby they are committed to pay rental on a monthly basis. The terms of the agreements are generally 4 years. At the end of each agreement, the Company and its subsidiaries have an option to purchase such machinery and equipment at terms and prices which are specified in the lease agreements.

As at 31 December 2011, future minimum lease payments required under hire-purchase and finance lease agreements were as follows:

(Unit: Million Baht)

	Consolidated financial statements		
	Less than 1		
	<u>year</u>	<u>1-4 years</u>	<u>Total</u>
Future minimum lease payments	54.0	104.6	158.6
Deferred interest expenses	(2.5)	(0.9)	(3.4)
Present value of future minimum lease payments	<u>51.5</u>	<u>103.7</u>	<u>155.2</u>

(Unit: Million Baht)

	Separate financial statements		
	Less than 1		
	<u>year</u>	<u>1-4 years</u>	<u>Total</u>
Future minimum lease payments	45.3	100.1	145.4
Deferred interest expenses	(1.9)	(0.7)	(2.6)
Present value of future minimum lease payments	<u>43.4</u>	<u>99.4</u>	<u>142.8</u>

18. Long-term loans

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Euro portion (Consolidated: 2010: Euro 0.18 million)	-	7,405	-	-
USD portion (2011: Consolidated: USD 49.04 million, Separate financial statements: USD 9.82 million)	1,557,606	-	309,155	-
Baht portion	55,133	1,479,890	44,734	133,494
Total	1,612,739	1,487,295	353,889	133,494
Less: Current portion	(352,564)	(397,407)	(124,727)	(47,230)
Long-term loans - net of current portion	1,260,175	1,089,888	229,162	86,264

Details of long-term loans from banks as at 31 December 2011 are as follows:

No.	Contract date	Credit facility	Outstanding long-term loan amount			Significant terms and conditions of loan agreements			
			Current portion (Thousand Baht)	Non-current portion (Thousand Baht)	Total (Thousand Baht)	Loan period	Interest rate (Percent per annum)	Principal repayment	Interest repayment
<u>The Company only</u>									
1.	2 April 2008	Thousand Baht 250,000	42,250	2,484	44,734	3 years 10 months	MLR - fixed percentage	1 month	1 month
2.	25 March 2011	Thousand US dollar 1,800	13,561	34,778	48,339	4 years 3 months	SIBOR 3M + fixed percentage	1 month	1 month
3.	25 March 2011	Thousand US dollar 2,850	18,144	29,183	47,327	5 years 6 months	SIBOR 3M + fixed percentage	1 month	1 month
4.	19 July 2011	Thousand US dollar 7,000	50,772	162,717	213,489	3 years 6 months	SIBOR 3M + fixed percentage	1 month	1 month
Total loans of the Company			124,727	229,162	353,889				
<u>Subsidiaries</u>									
<u>Thai Laminate Manufacturer Co., Ltd.</u>									
1.	12 May 2011	Thousand US dollar 4,000	95,496	-	95,496	3 years	SIBOR 3M + fixed percentage	3 months	1 month
2.	12 May 2011	Thousand US dollar 4,000	31,832	95,496	127,328	3 years	SIBOR 3M + fixed percentage	3 months	1 month
3.	12 May 2011	Thousand US dollar 4,000	-	127,328	127,328	3 years	SIBOR 3M + fixed percentage	3 months	1 month
			127,328	222,824	350,152				

No.	Contract date	Credit facility	Outstanding long-term loan amount			Significant terms and conditions of loan agreements				
			Current portion	Non-current portion	Total	Loan period	Interest rate	Principal repayment	Interest repayment	
			(Thousand Baht)	(Thousand Baht)	(Thousand Baht)	(Percent per annum)				
<u>K.C.E International Co., Ltd.</u>										
1.	13 June 2011	Thousand US dollar 3,000	-	63,070	63,070	6 years	SIBOR 3M + fixed percentage	3 months	1 month	
2.	24 June 2011	Thousand US dollar 2,255	35,868	20,968	56,836	2 years	SIBOR 1M + fixed percentage	1 month	1 month	
			<u>35,868</u>	<u>84,038</u>	<u>119,906</u>					
<u>KCE Technology Co., Ltd.</u>										
1.	28 February 2005	Thousand Baht 180,000	10,400	-	10,400	6 years	MLR - fixed percentage	3 months	1 month	
2.	12 May 2011 amendment on 22 December 2011	Thousand US dollar 25,605	42,018	694,547	736,565	4 years 11 months	SIBOR + fixed percentage	1 month	1 month	
3.	19 May 2011	Thousand US dollar 2,700	12,223	29,604	41,827	6 years	SIBOR + fixed percentage	3 months	1 month	
			<u>64,641</u>	<u>724,151</u>	<u>788,792</u>					
Total loans of subsidiaries			<u>227,837</u>	<u>1,031,013</u>	<u>1,258,850</u>					
Total loans of the Company and subsidiaries			<u>352,564</u>	<u>1,260,175</u>	<u>1,612,739</u>					

- 18.1 Long-term loans from banks of K.C.E. International Co., Ltd., a subsidiary company, are guaranteed by the Company. Under the loan agreement, the subsidiary company has to comply with certain conditions, including maintaining interest bearing debt to equity ratio of not more than 2:1 and debt service coverage ratio (DSCR) of not less than 1.2:1.
- 18.2 Long-term loans from bank of Thai Laminate Manufacturer Co., Ltd., a subsidiary company, are secured by mortgage and pledge of the subsidiary's construction and machinery.
- 18.3 Long-term loans from banks of KCE Technology Co., Ltd., a subsidiary company, are guaranteed by the Company and are secured by the mortgage of the subsidiary's land and construction thereon and the pledge of most of the subsidiary's machinery.

As at 31 December 2011, there was no long-term credit facility of the Company and its subsidiaries which had not yet been drawn down.

19. Provision for long-term employee benefits

- 19.1 Provision for long-term employee benefits as at 31 December 2011, which are compensations on employees' retirement, was as follows:

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Cumulative effect of change in accounting policy for employee benefits adjusted against beginning balance of retained earnings (Note 3)	63,459	36,661
Current service cost	5,781	2,245
Interest cost	2,182	1,267
Benefits paid during the year	(9,280)	(8,677)
Balance at end of year	<u>62,142</u>	<u>31,496</u>

Long-term employee benefit expenses included in the profit or loss for the year ended 31 December 2011 amounted to Baht 8 million (The Company only: Baht 4 million).

19.2 Principal actuarial assumptions at the valuation date

Financial assumptions

	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	3.8	3.8	3.8	3.8
Future salary increase rate (depending on age of employee)	4.0 - 8.0	4.0 - 8.0	4.0 - 8.0	4.0 - 8.0

Demographic assumptions

- a) Mortality assumption: The mortality rate is from Thailand Mortality Ordinary 1997 (TMO97) issued by the Office of the Insurance Commission. The TMO97 contains the results of the most recent mortality investigation of policyholders in life insurance companies in Thailand. It is reasonable to assume that these rates would reflect the mortality experience of the working population in Thailand.
- b) Turnover rate assumption:

Age-related scale	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Prior to age 29	16.0 - 28.0	16.0 - 28.0	16.0	16.0
Age 30 - 39	8.0 - 20.0	8.0 - 20.0	8.0	8.0
Age 40 - 49	6.0 - 10.0	6.0 - 10.0	6.0	6.0
Age 50 thereafter	2.0 - 5.0	2.0 - 5.0	2.0	2.0

The turnover rate above reflects the rate at which employees voluntarily resign from service. It does not include death, disability, and early retirement. The calculation for the employee benefits shall then be based on such assumptions.

20. Share capital

20.1 Share warrants

During 2007, the Company issued and allotted 3,000,000 registered and nontransferable (except for transferring as stipulated in the prospectus) warrants free of charge to the employees of the Company and/or its subsidiaries. These warrants are exercisable at a price of Baht 3.93 per share at a ratio of 1 warrant to 1 new ordinary share, every quarter from 15 to 18 of March, June, September and December, for a period of 5 years from the issue date, starting from 15 to 18 September 2008 and with a final exercise date of 18 June 2012. The aforesaid exercise price and/or exercise ratio may be adjusted if certain events stipulated in the prospectus occur.

Subsequently on 29 April 2010, the Annual General Meeting of the Company's shareholders passed a resolution approving the issuance and offering 10,000,000 registered and nontransferable (except for transferring as stipulated in the prospectus for ESOP-W3) warrants free of charge to the directors and employees of the Company and/or its subsidiaries, and allocation of shares to reserve for the exercise of the warrants. These warrants are exercisable at a price of Baht 6.86 per share at a ratio of 1 warrant to 1 new ordinary share, every quarter from 15 to 18 of March, June, September and December, for a period of 3 years from the issue date, starting from 15 to 18 June 2010 and with a final exercise date of 18 June 2013.

Subsequently on 28 April 2011, the Annual General Meeting of the Company's shareholders passed a resolution approving the issuance and offering of 10,000,000 registered and nontransferable (except for transferring as stipulated in the prospectus for ESOP-W4) warrants free of charge to the directors and employees of the Company and/or its subsidiaries, and allocation of shares to reserve for the exercise of the warrants. These warrants are exercisable at a price of Baht 7.81 per share at a ratio of 1 warrant to 1 new ordinary share, every quarter from 1 to 10 of March, June, September and December, for a period of 5 years from the issue date. The Company's Board of Directors has the authority to determine the first exercise date to purchase the newly-issued shares as proper after the sale of repurchased shares has completed or in case of a cancellation of repurchased shares by virtue of Section 3, the sale and cancellation of repurchased shares, of the 2001 Ministerial Regulations regarding rules and regulation concerning the share repurchase, the sale of repurchased shares and the cancellation of repurchased shares.

Movements of share warrants during the year are summarised below.

	Number of units (Thousand units)	
	2011	2010
Warrants issued at beginning of the year	4,430	2,435
Add: Warrants issued during the year	-	10,000
Less: Exercised during the year	(1,157)	(8,005)
Canceled during the year	(473)	-
Warrants issued at end of the year	<u>2,800</u>	<u>4,430</u>

20.2 Treasury shares

As at 31 December 2011 and 2010, details of treasury shares are as follows:

	Consolidated and separate financial statements	
	31 December 2011	31 December 2010
Cost of treasury shares (Thousand Baht)	70,050.49	39,836.69
Number of treasury shares (Thousand shares)	8,170.50	4,149.80
Average price per share (Baht)	8.57	9.60
Percentage of treasury shares to the Company's shares in issue	1.73	0.88

On 20 July 2010, the meeting of the Board of Directors of the Company No. 7/2553 passed the resolutions approving the Company's share repurchase program for financial management, with value not exceeding Baht 90 million, and not exceeding the Company's retained earnings. The number of shares repurchased will be 10 million shares at the par value of Baht 1 each, or equal to 2.14 percent of the total paid-up share capital. The repurchase period will be from 9 August 2010 to 8 February 2011.

Any shares bought back are to be resold on the Stock Exchange of Thailand during the period from 9 August 2011 to 8 February 2012. Resale of shares, cancellations of the repurchased shares and reductions of share capital are to conform with the 2001 Ministerial Regulations on the principles and procedures for the repurchase and resale of shares. The determination of the resale price will be taken into account the prevailing market price at the time of sale.

During 2011 and 2010, the Company repurchased 4.02 million and 4.15 million ordinary shares, respectively, with total cost of Baht 30 million and Baht 40 million, respectively. The Company had set aside Baht 30 million and Baht 40 million, respectively, of its retained earnings as reserve for treasury shares.

During 2010, the Company disposed treasury shares, of which details are presented below.

- a) During the first quarter of 2010, the Company disposed 0.95 million treasury shares with cost of Baht 1.1 million at total price of Baht 5.6 million. The resale price took into account the prevailing market price at the time of sale. The Company recorded the excess of the resale price over the carrying amount of treasury shares of Baht 4.5 million as “Share premium” in the shareholders’ equity.
- b) During the second quarter of 2010, the Company disposed 5.83 million treasury shares with cost of Baht 6.4 million at total price of Baht 42.6 million. The resale price took into account the prevailing market price at the time of sale. The Company recorded the excess of the resale price over the carrying amount of treasury shares of Baht 36.2 million as “Share premium” in the shareholders’ equity.

20.3 Reserve for treasury shares

Under the notification of the Office of the Securities and Exchange Commission No. Gor Lor Tor. Chor Sor. (Wor) 2/2548 and the notification of the Federation of Accounting Professions No. Sor. Sor Wor Bor Chor. 016/2548, public companies have to set aside retained earnings in an amount equal to the amount paid for treasury shares until they either dispose of such shares or reduce paid-up capital to cancel any remaining shares, as the case may be.

20.4 Weighted average number of ordinary shares

The weighted average number of ordinary shares used in calculating earnings per share for the years ended 31 December 2011 and 2010 is calculated as follows:

	(Unit: Thousand Shares)	
	Consolidated and separate financial statements	
	2011	2010
Balance brought forward (net of treasury shares)	466,918	455,718
Less: Treasury shares repurchased during the year	(3,685)	(1,485)
Add: Weighted average number of ordinary shares issued during the year	813	4,340
Treasury shares sold during the year	-	5,081
Weighted average number of ordinary shares	464,046	463,654
Add: Potential ordinary shares - share warrants (2011: 2,800,000 shares, 2010: 4,430,000 shares)	61	900
Diluted weighted average number of ordinary shares	<u>464,107</u>	<u>464,554</u>

In March 2010, the Company received advance share subscription of Baht 3.93 per share for 1,482,500 additional ordinary shares supporting the exercise of the warrants, or a total of Baht 5,826,225. The Company registered the resulting increase of Baht 1,482,500 in its capital with the Ministry of Commerce on 8 April 2010.

In June 2010, the Company received advance share subscription of Baht 6.86 per share for 2,615,000 additional ordinary shares supporting the exercise of the warrants, or a total of Baht 17,938,900. The Company registered the resulting increase of Baht 2,615,000 in its capital with the Ministry of Commerce on 1 July 2010.

In September 2010, the Company received advance share subscription of Baht 3.93 per share for 480,000 additional ordinary shares and Baht 6.86 per share for 3,428,000 additional ordinary shares supporting the exercise of the warrants, or a total of Baht 25,402,480. The Company registered the resulting increase of Baht 3,908,000 in its capital with the Ministry of Commerce on 29 September 2010.

In March 2011, the Company received share subscription of Baht 6.86 per share for 712,000 additional ordinary shares supporting the exercise of the warrants, or a total of Baht 4,884,320. The Company registered the resulting increase of Baht 712,000 in its capital with the Ministry of Commerce on 17 March 2011.

In June 2011, the Company received share subscription of Baht 6.86 per share for 445,000 additional ordinary shares supporting the exercise of the warrants, or a total of Baht 3,052,700. The Company registered the resulting increase of Baht 445,000 in its capital with the Ministry of Commerce on 30 June 2011.

21. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside a statutory reserve at least 5 percent of its net profit deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

22. Expenses by nature

Significant expenses by nature are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Raw materials and consumables used	3,466,361	3,289,267	2,061,703	1,788,227
Decrease (increase) in inventories of finished goods and work in process	185,537	(89,100)	(63,392)	(11,873)
Salary, wages and other employee benefits	1,264,798	1,185,591	474,000	432,884
Depreciation	548,158	589,522	160,387	170,777
Utility expenses	462,949	488,827	150,911	142,819
Freight charge	216,280	197,231	125,382	114,612
Repair and maintenance expenses	227,847	225,662	64,225	64,897
Commission expenses	141,322	180,174	56,560	52,889

23. Corporate income tax

The Company is not liable to corporate income tax for the years 2011 and 2010 since the Company has tax loss from the write-off of debts according to the Central Bankruptcy Court's order in 2010 and has tax loss brought forward from prior years exceeding its profit for the year.

Corporate income tax for the years 2011 and 2010 of three subsidiary companies, K.C.E. International Co., Ltd., Thai Laminate Manufacturer Co., Ltd. and KCE Technology Co., Ltd., have been calculated from profit from the non-BOI promoted operations (if any), after adding back non-tax deductible expenses and tax loss brought forward from prior years.

24. Promotional privileges

The Company and its subsidiaries have been granted promotional privileges under the Investment Promotion Act B.E. 2520 by the Board of Investment under certain significant conditions. Significant privileges of the Company and its subsidiaries are as follows:

Details	KCE Electronics Public Company Limited			K.C.E. International Co., Ltd.	Thai Laminate Manufacturer Co., Ltd.					KCE Technology Co., Ltd.		
	1292/2539	1062/2541	1065/2543		1278(2)/2548	1099/2544	1249(1)/2545	1664(2)/2547	1176(2)/2550	1160(2)/2551	1378/2543	1598(2)/2547
1. Certificate No.												
2. Promotional privileges for	Manufacturing of Printed Circuit Board	Manufacturing of Printed Circuit Board	Manufacturing of Printed Circuit Board	Manufacturing of Printed Circuit Board	Manufacturing of Prepreg	Manufacturing of Laminate	Manufacturing of Prepreg	Manufacturing of Propreg and Laminate	Manufacturing of Propreg and Laminate	Manufacturing of Printed Circuit Board	Manufacturing of Printed Circuit Board	
3. The significant privileges are												
3.1 Exemption from corporate income tax on net income from promoted operations and exemption from income tax on dividends paid from the income of the operations throughout the period in which the corporate income tax is exempted.	3 years (Expired)	3 years (Expired)	3 years (Expired)	3 years (Expired)	3 years (Expired)	3 years (Expired)	3 years (Expired)	5 years	5 years	7 years (Expired)	7 years	
3.2 Allowance for 5% of the increment in export income over the preceding year for ten years, providing that the export income of that particular year should not be lower than the average export income over the three preceding years except for the first two years.	Granted (Expired)	Granted (Expired)	Granted	Not granted	Granted (Expired)	Not granted	Not granted	Not granted	Not granted	Granted	Not granted	
3.3 Exemption from import duty on machinery as approved by the board	Granted	Granted	Granted	Granted	Granted (Expired)	Granted (Expired)	Granted (Expired)	Granted	Granted	Granted	Granted	
3.4 Exemption from import duty on raw materials and essential supplies used in export production for a period of one year from the first import date.	Granted (Expired)	Granted (Expired)	Not granted	Not granted	Not granted	Not granted	Not granted	Not granted	Not granted	Granted (Expired)	Granted (Expired)	
4. Date of first earning operating income	6 January 1996	8 August 1998	4 June 2000	1 September 2006	3 November 2000	1 September 2003	7 July 2004	2 May 2007	22 December 2009	25 June 2001	1 November 2004	

All sales and services of the Company for the years 2011 and 2010 are derived from non-promoted operations which could be separated between export and domestic sales and services as follows:

	(Unit: Thousand Baht)	
	2011	2010
Sales and services		
Export sales	3,347,039	3,089,832
Domestic sales and services	120,585	89,270
Total sales and services	<u>3,467,624</u>	<u>3,179,102</u>

25. Earnings per share

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

Diluted earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year plus the weighted average number of ordinary shares which would need to be issued to convert all dilutive potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the potential ordinary shares were issued.

The following table sets forth the computation of basic and diluted earnings per share:

	Consolidated financial statements					
	Profit for the year		Weighted average number of ordinary shares		Earnings per share	
	<u>2011</u> (Thousand Baht)	<u>2010</u> (Thousand Baht)	<u>2011</u> (Thousand shares)	<u>2010</u> (Thousand shares)	<u>2011</u> (Baht)	<u>2010</u> (Baht)
Basic earnings per share						
Profit attributable to equity holders of the Company	<u>132,021</u>	<u>534,615</u>	464,046	463,654	<u>0.28</u>	<u>1.15</u>
Effect of dilutive potential ordinary shares						
Warrants to directors and employees of the Company and its subsidiaries			<u>61</u>	<u>900</u>		
Diluted earnings per share						
Profit of ordinary shareholders assuming the conversion of warrants to ordinary shares	<u>132,021</u>	<u>534,615</u>	<u>464,107</u>	<u>464,554</u>	<u>0.28</u>	<u>1.15</u>

	Separate financial statements					
	Profit for the year		Weighted average number of ordinary shares		Earnings per share	
	<u>2011</u> (Thousand Baht)	<u>2010</u> (Thousand Baht)	<u>2011</u> (Thousand shares)	<u>2010</u> (Thousand shares)	<u>2011</u> (Baht)	<u>2010</u> (Baht)
Basic earnings per share						
Profit attributable to equity holders of the Company	<u>257,865</u>	<u>1,033,640</u>	464,046	463,654	<u>0.56</u>	<u>2.23</u>
Effect of dilutive potential ordinary shares						
Warrants to directors and employees of the Company and its subsidiaries			<u>61</u>	<u>900</u>		
Diluted earnings per share						
Profit of ordinary shareholders assuming the conversion of warrants to ordinary shares	<u>257,865</u>	<u>1,033,640</u>	<u>464,107</u>	<u>464,554</u>	<u>0.56</u>	<u>2.23</u>

26. Financial information by segment

The Company and its subsidiaries' operations mainly involve business segments in printed circuit board, prepreg and laminate products with production facilities in Thailand and operates in both local and overseas markets. Financial information of the Company and its subsidiaries by business for the years ended as at 31 December 2011 and 2010 is as follows:

(Unit: Thousand Baht)

Consolidated financial statements																
For the years ended 31 December 2011 and 2010																
Printed Circuit Board business																
	Prepreg and Laminate business		America		Europe		Asia		Total		Service provider business		Eliminating entries		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenues from external customers	108,271	99,541	1,115,587	1,252,506	4,274,778	4,213,481	1,668,070	1,686,896	7,058,435	7,152,883	34,359	8,752	-	-	7,201,065	7,261,176
Inter-segment revenues	1,600,535	1,301,469	-	-	-	-	1,162,442	1,172,756	1,162,442	1,172,756	7,860	60,723	(2,770,837)	(2,534,948)	-	-
Total revenues	1,708,806	1,401,010	1,115,587	1,252,506	4,274,778	4,213,481	2,830,512	2,859,652	8,220,877	8,325,639	42,219	69,475	(2,770,837)	(2,534,948)	7,201,065	7,261,176
Segment operating profit	158,380	100,398							1,073,329	1,323,621	10,166	39,056	2,188	(26,924)	1,244,063	1,436,151
Unallocated profit and expenses:																
Compensation from insurance claim															87,003	49,149
Other income															106,103	180,791
Selling expenses															(466,937)	(492,411)
Administrative expenses															(685,126)	(446,643)
Finance cost															(153,493)	(184,749)
Share of profit (loss) from investments in associates															(359)	2,758
Corporate income tax															(2,303)	(1,609)
Non-controlling interests of the subsidiaries															3,070	(8,822)
Profit															132,021	534,615

Financial information by business segment for the consolidated statements of financial position as at 31 December 2011 and 2010 are as follows:

(Unit: Thousand Baht)

	Prepreg and Laminate		Printed Circuit Board		Service provider business		Elimination of inter-segment		Total	
	business		business				revenues			
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Property, plant and equipment	405,024	466,408	3,829,399	4,840,797	1,578	1,831	(866)	(866)	4,235,135	5,308,170
Other assets	911,834	798,237	7,542,139	5,629,936	29,956	43,264	(3,360,852)	(3,026,695)	5,123,077	3,444,742
Total assets	<u>1,316,858</u>	<u>1,264,645</u>	<u>11,371,538</u>	<u>10,470,733</u>	<u>31,534</u>	<u>45,095</u>	<u>(3,361,718)</u>	<u>(3,027,561)</u>	<u>9,358,212</u>	<u>8,752,912</u>

Transfer prices between business segments are as set out in Note 9 to the financial statements.

27. Provident fund

The Company and its subsidiaries, and their employees have jointly established a provident fund as approved by the Ministry of Finance in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company or the subsidiary companies contribute to the fund monthly at the rates of 4 - 8 percent of their basic salary. The funds, which are managed by National Asset Management Co., Ltd., will be paid to employees upon termination in accordance with the fund rules. During the year 2011, the Company and its subsidiaries contributed Baht 21 million (2010: Baht 18 million) and the Company contributed Baht 7 million (2010: Baht 7 million) to the fund.

28. Dividend paid

During the year 2011 and 2010, the Company and its subsidiaries had dividend payments as follows:

	Approved by	Total dividends (Million Baht)	Dividend per share (Baht)
<u>The Company</u>			
<u>For the year 2011</u>			
Interim dividend in respect of the profit for the period from 1 July 2010 to 31 December 2010	Annual General Meeting of the shareholders on 28 April 2011	139	0.30
Interim dividend in respect of the profit for the period from 1 January 2011 to 30 June 2011	Board of Directors' Meeting on 16 August 2011	46	0.10
Total for the year 2011		185	0.40
<u>For the year 2010</u>			
Dividends on 2009 profit	Annual General Meeting of the shareholders on 29 April 2010	68	0.15
Interim dividend in respect of the profit for the period from 1 January 2010 to 30 June 2010	Board of Directors' Meeting on 17 August 2010	70	0.15
Total for the year 2010		138	0.30

	Approved by	Total dividends (Million Baht)	Dividend per share (Baht)
<u>Subsidiary company</u>			
Thai Laminate Manufacturer Co., Ltd.			
<u>For the year 2010</u>			
Dividends on 2007 profit	Annual General Meeting of the shareholders on 23 April 2010	15	0.60
Dividends on the unappropriated retained earnings	Board of Directors' Meeting on 29 September 2010	240	9.60
Total for the year 2010		<u>255</u>	<u>10.20</u>

29. Commitments and contingent liabilities

29.1 Capital commitments

As at 31 December 2011, the Company and its subsidiaries had capital commitments related to purchases of machinery amounting to approximately Baht 16 million, USD 0.27 million and SGD 0.01 million or equivalent to a total of approximately Baht 25 million (the Company only: Baht 14 million).

29.2 Operating lease commitments

29.2.1 The Company and its subsidiaries have entered into several lease agreements in respect of the lease of motor vehicles and equipment. The terms of the agreements are generally between 1 and 4 years. Operating lease agreements are non-cancelable.

As at 31 December 2011, future minimum lease payments required under these non-cancellable operating lease contracts were as follows:

	Consolidated financial statements	Separate financial statements
(Unit: Million Baht)		
Payable within:		
Less than 1 year	52	43
1 to 4 years	104	99

29.2.2 On 26 October 2005, KCE America Inc., an associated company, had entered into an operating lease agreement for its office premises with a subsidiary of an associated company for a period of 15 years. As at 31 December 2011, the associated company had a commitment to pay the rental fee in the future under this agreement of approximately USD 1.5 million or equivalent to approximately Baht 48 million.

29.3 Long-term service commitments

29.3.1 The Company and its subsidiaries had commitments under service contracts, the terms of which are between 1 and 3 years. As at 31 December 2011, the future minimum charges until the end of these agreements are as follows:

	(Unit: Million Baht)	
	Consolidated financial statements	Separate financial statements
Payable within:		
Less than 1 year	32	17
1 to 3 years	3	2

29.3.2 As at 31 December 2011, the Company and its two subsidiaries had commitments in respect of installment and implementation of computer software with a subsidiary company amounting to Baht 19 million (the Company only: Baht 4 million).

29.4 Guarantees

29.4.1 As at 31 December 2011 and 2010, the Company and its subsidiaries had contingent liabilities in respect of cross guarantees of loans and other credit facilities as follows:

Guarantee company	(Unit: Million)			
	Guarantor			
	KCE Electronics Plc.		K.C.E. International Co., Ltd.	
	2011	2010	2011	2010
KCE Electronics Plc.				
- Baht	-	-	288	141
K.C.E. International Co., Ltd.				
- Baht	107	123	-	-
- US dollar	4	-	-	-

(Unit: Million)

Guarantee company	Guarantor			
	KCE Electronics Plc.		K.C.E. International Co., Ltd.	
	2011	2010	2011	2010
KCE Technology Co., Ltd.				
- Baht	2,697	3,104	-	-
- US dollar	24	-	-	-

29.4.2 As at 31 December 2011, the Company and its subsidiaries had contingent liabilities in respect of bank guarantees issued on their behalves amounting to Baht 106 million (the Company only: Baht 31 million) in respect of certain performance bonds as required in the normal course of business, mainly for guarantee of electric payment.

29.5 Litigation

As at 31 December 2011, the Company had contingent liabilities in respect of specifies business tax assessment from the Revenue Department's officer of Baht 4 million because the Company provided guarantee to a related party without fee. On 9 July 2009, the Central Tax Court announced a judgment which was in favour of the Company and overran the assessment of officer and the Tax Appeal Board's judgment from the Revenue Department. Later on 7 September 2009, the Revenue Department lodged an appeal against the Central Tax Court's judgment and the Central Tax Court had issued a court receipt for such appeal. At present, the lawsuit is being considered by the Supreme Court. The Company's management believes that the Company will eventually win the case and has therefore not set aside any contingent liabilities in the accounts.

30. Insurance claim

Fire event

During the second quarter of the year 2010, the electrical distribution control room of KCE Technology Co., Ltd., a subsidiary, was fired. The loss from the incidents is covered by the subsidiary's insurance, which covers all risks and business interruption. As at 31 December 2011, the subsidiary recognised insurance claim receivable from property damage and business interruption of Baht 46 million (2010: Baht 95 million) and recognised the net compensation from insurance claim of Baht 17 million as revenue in profit or loss for the year 2011 (2010: Baht 49 million).

Flood event

During the fourth quarter of the year 2011, there was severe flooding in Thailand. The location of KCE Technology Co., Ltd., a subsidiary's factory and offices, was inundated. The damages from the flood incident are estimated to be approximately Baht 1,712 million which consist of damages to fixed assets of Baht 1,115 million, damages to inventories of Baht 433 million and other damages of Baht 164 million. The loss from the incidents is covered by the subsidiary's insurance, which covers all risks and business interruption. The management of the Company and its subsidiary is virtually certain that there is insurance recovery for all of the losses. As at 31 December 2011, the subsidiary recognised insurance claim receivable from property damage of Baht 1,548 million and business interruption loss of Baht 70 million.

31. Financial instruments

31.1 Financial risk management

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, other receivables, investments, trade accounts payable, other payables, and short-term and long-term loans. In addition, the Company and its subsidiaries have off-balance derivatives for hedging the risk from foreign currency risk. The financial risks associated with these financial instruments and derivatives and how they are managed is described below.

Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Company and its subsidiaries do not have high concentration of credit risk since they have a large customer base that has good payment abilities. The maximum exposure to credit risk is limited to the carrying amounts of receivables as stated in the statements of financial position.

Interest rate risk

The Company and its subsidiaries' exposure to interest rate risk relates primarily to their cash at banks and financial institutions, bank overdrafts, and loans from banks. However, since most of the Company and its subsidiaries' financial assets and liabilities bear floating interest rates, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 31 December 2011 classified by type of interest rates are summarised in the table below.

	Consolidated financial statements			Interest rate (% p.a.)
	Floating interest rate	Non-interest bearing	Total	
	(Million Baht)			
<u>Financial assets</u>				
Cash and cash equivalents	536	-	536	0.10 - 3.15
Short-term investments in trading securities	-	2	2	-
Trade and other receivables	-	1,546	1,546	-
Investments in associates accounted for under equity method	-	82	82	-
	<u>536</u>	<u>1,630</u>	<u>2,166</u>	
<u>Financial liabilities</u>				
Bank overdrafts and short-term loans from financial institutions	3,551	-	3,551	1.35 - 4.78
Trade and other payables	-	1,467	1,467	-
Liabilities under hire-purchase and finance lease agreements	155	-	155	1.88 - 7.92
Long-term loans	1,613	-	1,613	2.13 - 6.00
	<u>5,319</u>	<u>1,467</u>	<u>6,786</u>	

	Separate financial statements			Interest rate (% p.a.)
	Floating interest rate	Non-interest bearing (Million Baht)	Total	
<u>Financial assets</u>				
Cash and cash equivalents	142	-	142	0.10 - 0.75
Short-term investments in trading securities	-	2	2	-
Trade and other receivables	-	1,033	1,033	-
Investments in subsidiaries and associates accounted for under cost method	-	2,160	2,160	-
	<u>142</u>	<u>3,195</u>	<u>3,337</u>	
<u>Financial liabilities</u>				
Bank overdrafts and short-term loans from financial institutions	1,214	-	1,214	1.35 - 4.78
Trade and other payables	-	874	874	-
Liabilities under hire-purchase and finance lease agreements	143	-	143	3.77 - 5.12
Long-term loans	<u>354</u>	<u>-</u>	<u>354</u>	2.13 - 5.50
	<u>1,711</u>	<u>874</u>	<u>2,585</u>	

Foreign currency risk

The Company and its subsidiaries' exposure to foreign currency risk relates primarily to their sales of goods, purchases of materials and loans, which are denominated in foreign currencies. The Company and its subsidiaries have policies to manage their assets and liabilities denominated in foreign currencies through balancing the proportions and conditions of those assets and liabilities (Natural Hedging), with emphasis on having cash inflows and cash outflows occur concurrently. In addition, the policy has also been focused on hedging on transaction risk in accordance with varying situations and forecasts of the foreign exchange rates. As a result, the Company and its subsidiaries have entered into a number of forward exchange contracts with banks that have maturities of less than one year in order to hedge their foreign currency risk.

As at 31 December 2011, the Company and its subsidiaries had balances of financial assets and liabilities denominated in foreign currencies as follows:

Currency	Consolidated financial statements		Separate financial statements		Exchange rate as at 31 December 2011	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Buying rate	Selling rate
	(Thousand Unit)				(Baht per unit of foreign currency)	
US dollar	32,155	119,773	17,448	37,636	31.4525	31.8319
Euro	9,741	549	8,359	305	40.5938	41.3397
Pound sterling	31	-	27	-	48.3516	49.2089
Japanese yen	-	112,449	-	2,509	0.4033	0.4124
SG dollar	-	98	-	82	24.0790	24.6141

As at 31 December 2011, the Company and its subsidiaries had outstanding forward exchange contracts, currency option agreements, cross currency and interest rate swap agreements and commodity hedge agreements, of which details are presented below.

a) Forward exchange contracts

Currency	Amount	Contractual maturity date	Contract exchange rate	Exchange rate as at 31 December 2011
	(Thousand)		(Baht per unit of foreign currency)	(Baht per unit of foreign currency)
Buy				
US dollar	1,219	4 January 2012 - 22 June 2012	30.9804 - 31.6004	31.8319
Euro	84	14 June 2012	41.8200	41.3397
Sell				
US dollar	11,865	25 January 2012 - 29 June 2012	30.2388 - 30.7703	31.4525
Euro	3,609	21 February 2012 - 3 May 2012	41.1900 - 43.3700	40.5938

b) Currency option agreements

Currency	Bought amount	Strike rate	Delivery date	
	(Thousand)	(Baht per unit of foreign currency)		
Call option	US Dollar	30,000	31.20 - 31.50	10 January 2012 - 29 March 2012

When exchange rate on delivery date is higher than call option strike rate, the Company will buy US dollar at strike rate.

As at 31 December 2011, fair value of currency option agreements was Baht 12 million.

c) Cross currency and interest rate swap

As at 31 December 2011, the Company had a cross currency and interest rate swap agreement with a local bank for the period from 29 April 2011 to 30 January 2013 by which the Company agreed to swap the currency and interest rate of Baht 64 million using exchange rate of Baht 30.10 per 1 USD and swap a floating interest rate of THB MLR minus 1.50 to 2.00 percent per annum to US fixed interest rate of 3.47 percent per annum.

As at 31 December 2011, a subsidiary company had an interest rate swap agreement with a local bank for the period from 7 July 2011 to 7 July 2014 by which the subsidiary company agreed to swap the interest rate of its USD 6 million facilities from a floating interest rate of US LIBOR (3 months) plus fixed percent per annum to US fixed interest rate of 3.06 percent per annum.

d) Commodity hedge agreements

As at 31 December 2011, the Company and its subsidiaries had outstanding copper swap agreements, of which details are presented below.

Type of goods	Quantity	Maturity date	Contract price	Commodity's market price as at 31 December 2011
	(Ton)		(US dollar per ton)	(US dollar per ton)
Copper	100	29 February 2012	8,380	7,554

31.2 Fair values of financial instruments

Since the majority of the Company and its subsidiaries' financial assets and liabilities are short-term in nature or bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in the statements of financial position.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

32. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2011, the Group's debt-to-equity ratio was 2.58:1 (2010: 2.31:1) and the Company's was 1.02:1 (2010: 0.82:1).

33. Events after the reporting period

Under a resolution passed by the Company's Board of Directors' meeting No. 7/2553, any shares bought back are to be resold during the period from 9 August 2011 to 8 February 2012. However, since the market price was much lower than the repurchase price, the Company had to reduce its registered, issued and fully paid-up share capital by way of writing off all 8,170,500 repurchased shares with a par value of Baht 1 each which remain unsold, as empowered by the resolution of the Company's Board of Directors' meeting No. 7/2553. This will result in a decrease in the registered, issued and fully paid-up share capital from Baht 472,224,269 (472,224,269 ordinary shares of Baht 1 each) to Baht 464,053,769 (464,053,769 ordinary shares of Baht 1 each). The Company will register the change in its registered share capital with the Ministry of Commerce in 2012.

34. Reclassification

To comply with the Notification of the Department of Business Development relating to the financial statement presentation as described in Note 2, certain amounts in the financial statements for the year ended 31 December 2010 have been reclassified to conform to the current year's classification, without any effect to the previously reported profit or shareholders' equity.

In addition, there have been the reclassifications in the statements of comprehensive income to conform to the current year's classification, without any effect to the previously reported profit or shareholder's equity, as follows:

(Unit: Thousand Baht)

statements of comprehensive income for the year ended

31 December 2010 (Only reclassification items)

	Consolidated financial statements		Separate financial statements	
	As reclassified	As previously reported	As reclassified	As previously reported
Sales and service income	7,261,175,806	-	3,179,101,862	-
Other income	180,790,839	-	82,716,453	-
Sales	-	7,236,422,469	-	3,152,806,643
Service income	-	8,751,801	-	20,814,308
Income from scrap sales	-	136,264,489	-	48,690,038
Gain on exchange rate	-	33,080,613	-	-
Interest income from related parties	-	-	-	66,335
Gain from hedging activities	-	14,911,307	-	5,688,969
Rental income and other	-	27,316,184	-	23,539,126
Cost of sales	5,825,025,092	5,814,897,186	2,512,912,849	2,510,313,922
Selling expenses	492,410,878	500,157,599	202,198,784	204,797,711
Administrative expenses	446,642,496	387,682,589	189,550,216	142,473,301
Management benefit expenses	-	61,341,092	-	31,157,283
Finance cost	184,748,743	199,528,961	52,607,087	58,313,823

35. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 27 February 2012.