

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**

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# KCE Electronics Public Company Limited and its subsidiaries

## Notes to the financial statements

These notes form an integral part of the interim financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors on 18 February 2014.

### 1 General information

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 has its registered office at No. 125-125/1, 1 Moo 4 Lat Krabang Industrial Estate, Kwang Lumplatew, Khet Lat Krabang, Bangkok.

The Company’s major shareholders during the financial year were Ongkosit family (34% shareholding).

The principal activities of the Company are the manufacture and distribution of electric printed circuit board products. Details of the Company’s subsidiaries as at 31 December 2013 and 2012 are given in notes 7 and 12.

### 2 Basis of preparation of the financial statements

#### (a) *Statement of compliance*

The financial statements are prepared in accordance with Thai Financial Reporting Standards (TFRS); guidelines promulgated by the Federation of Accounting Professions (“FAP”); and applicable rules and regulations of the Thai Securities and Exchange Commission.

The FAP has issued the following new and revised TFRS relevant to the Group’s operations and effective for accounting periods beginning on or after 1 January 2013:

TFRS	Topic
TAS 12	Income Taxes
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates
TFRS 8	Operating Segments

The adoption of these new and revised TFRS has resulted in changes in the Group’s accounting policies. The effects of these changes are disclosed in note 4.

In addition to the above new and revised TFRS, the FAP has issued a number of other new and revised TFRS which are effective for financial statements beginning on or after 1 January 2014 and have not been adopted in the preparation of these financial statements. Those new and revised TFRS that are relevant to the Group’s operations are disclosed in note 37.

#### (b) *Basis of measurement*

The financial statements have been prepared on the historical cost basis unless otherwise stated in accounting policies.

# KCE Electronics Public Company Limited and its subsidiaries

## Notes to the financial statements

### (c) *Functional and presentation currency*

The financial statements are presented in Thai Baht, which is the Company's functional currency. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest thousand unless otherwise stated.

### (d) *Use of estimates and judgments*

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is included in the following notes:

Note 16	Utilisation of tax losses
Note 19	Measurement of defined benefit obligations

## 3 Impact of severe flooding in Thailand

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 coverage 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.

KCE Technology Co., Ltd. has (subsidiary) recognised the following expenses and insurance reimbursements resulting from the flood damage.

<i>Years ended 31 December</i>	KCE Technology Co., Ltd.	
	2013	2012
	<i>(in thousand Baht)</i>	
Insurance reimbursement recognised	694,320	740,659
Impairment of inventories	-	(15,682)
Impairment of machinery and equipment	(511,270)	(43,864)
Repair and other flood related expenses	(150,717)	(215,431)
Total flood related expenses	(661,987)	(274,977)
<b>Net flood related gain recognised</b>	<b>32,333</b>	<b>465,682</b>

In addition, for the year ended 31 December 2012, KCE Electronics Public Company Limited, Thai Laminate Manufacturer Co., Ltd.(subsidiary), and KCE (Thailand) Co., Ltd.(subsidiary) recognised compensation from insurance claim for business interruption of Baht 10 million, Baht 10 million, and Baht 10 million, respectively.



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<i>Statement of comprehensive income for the year ended 31 December</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
(Increase) decrease in income tax expense	28,329	(69,824)	(28,292)	(65,002)
<b>Increase (decrease) in profit for the year</b>	<u>28,329</u>	<u>(69,824)</u>	<u>(28,292)</u>	<u>(65,002)</u>
<b>Increase (decrease) in other comprehensive income for the year</b>	<u>658</u>	<u>-</u>	<u>(1,205)</u>	<u>-</u>
<b>Increase (decrease) in earnings per share</b>				
- Basic earnings per share <i>(in Baht)</i>	<u>0.061</u>	<u>(0.152)</u>	<u>(0.061)</u>	<u>(0.141)</u>
- Diluted earnings per share <i>(in Baht)</i>	<u>0.056</u>	<u>(0.152)</u>	<u>(0.056)</u>	<u>(0.141)</u>

**(c) Accounting for the effects of changes in foreign exchange rates**

From 1 January 2013, the Group has adopted TAS 21 (revised 2009) Accounting for the effects of changes in foreign exchange rates.

The principal change introduced by TAS 21 (revised 2009) is the introduction of the concept of functional currency, which is defined as the currency of the primary economic environment in which the entity operates. TAS 21 (revised 2009) requires the entity to determine its functional currency and translate foreign currency items into its functional currency, reporting the effects of such translation in accordance with the provisions of TAS 21 (revised 2009). Foreign currencies are defined by TAS 21 (revised 2009) as all currencies other than the entity's functional currency.

Management has determined that the functional currency of the Company and its subsidiaries is Thai Baht and that the adoption of TAS 21 (revised 2009) from 1 January 2013 has not had a significant impact on the Group's reported assets, liabilities or retained earnings.

**(d) Presentation of information on operating segments**

From 1 January 2013, the Group has adopted TFRS 8 Operating Segments. The new policy for presentation of information on operating segments, together with information on the previous policy, is given below. The new policy has been applied retrospectively and segment information included in the financial statements for the year ended 31 December 2012, which are included in the Group's 2013 financial statements for comparative purposes, has been re-presented accordingly. The change in policy only impacts presentational aspects and has no impact on the Group's reported assets, liabilities, results or earnings per share.

TFRS 8 introduces the "management approach" to segment reporting. It requires a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to those segments. Previously the Group presented segment information in respect of its business and geographical segments in accordance with TAS 14 Segment Reporting.

The change in basis of presentation and disclosure of segment information has had no significant effect on the segment information reported in the Group's financial statements.

**5 Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as explained in note 4, which addresses changes in accounting policies.

# **KCE Electronics Public Company Limited and its subsidiaries**

## **Notes to the financial statements**

### **(a) *Basis of consolidation***

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates.

#### *Business combinations*

The Group applies the acquisition method for all business combinations other than those with entities under common control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgment is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Goodwill is measured as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs that the Group incurs in connection with a business combination, such as legal fees, and other professional and consulting fees are expensed as incurred.

#### *Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group. Losses applicable to non-controlling interests in a subsidiary are allocated to non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

#### *Loss of control*

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

# **KCE Electronics Public Company Limited and its subsidiaries**

## **Notes to the financial statements**

### *Associates*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for in the consolidated financial statements using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investment includes transaction costs.

### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## **(b) Foreign currencies**

### *Foreign currency transactions*

Transactions in foreign currencies are translated to the functional currency at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the functional currency using the foreign exchange rates ruling at the dates of the transactions.

### *Foreign operations*

The assets and liabilities of foreign operations are translated to Thai Baht at the foreign exchange rates ruling at the reporting date.

The revenues and expenses of foreign operations are translated to Thai Baht at rates approximating the foreign exchange rates ruling at the dates of the transactions.

Foreign exchange differences arising on translation are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity until disposal of the investment.

## **(c) Derivatives financial instruments**

### *Forward exchange contracts*

Receivables and payables arising from forward exchange contracts are translated 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.

# **KCE Electronics Public Company Limited and its subsidiaries**

## **Notes to the financial statements**

### *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 Group enters into such agreements in order to manage foreign exchange risk.

The notional amounts of cross currency option agreements utilised by the Group to manage foreign exchange risk are not recognised as assets or liabilities upon inception of the agreement, but fees paid by the Group 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 Group 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 Group 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 Group 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 Group enters into commodities hedge agreements whereby the Group are committed to purchase commodities at the price and quantity as stipulated in the agreements. The Group enters into such agreements in order to manage such risk. The Group recognises unrealised gains or losses on the change of fair value of such commodities hedge agreements in profit or loss.

#### **(d) *Cash and cash equivalents***

Cash and cash equivalents in the statements of cash flows comprise cash balances, call deposits and highly liquid short-term investments. Bank overdrafts that are repayable on demand are a component of financing activities for the purpose of the statement of cash flows.

#### **(e) *Trade and other accounts receivable***

Trade and other accounts receivable are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

#### **(f) *Inventories***

Inventories are measured at the lower of cost and net realisable value.

## **KCE Electronics Public Company Limited and its subsidiaries**

### **Notes to the financial statements**

Cost is calculated using the weighted average cost principle, and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity and is calculated using standard cost adjusted to approximate average cost.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and to make the sale.

#### **(g) Investments**

##### *Investments in associates and subsidiaries*

Investments in associates and subsidiaries entities in the separate financial statements of the Company are accounted for using the cost method. Investments in associates in the consolidated financial statements are accounted for using the equity method.

##### *Investments in other debt and equity securities*

Debt securities and marketable equity securities held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Equity securities which are not marketable are stated at cost less any impairment losses.

##### *Disposal of investments*

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognised in profit or loss.

If the Group disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

#### **(h) Property, plant and equipment**

##### *Recognition and measurement*

##### *Owned assets*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss.

# KCE Electronics Public Company Limited and its subsidiaries

## Notes to the financial statements

### *Leased assets*

Leases in terms of which the Group substantially assumes all the risk and rewards of ownership are classified as finance leases. Plant and equipment acquired by way of finance leases is capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit or loss.

### *Subsequent costs*

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

### *Depreciation*

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. The estimated useful lives are as follows:

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

No depreciation is provided on freehold land or assets under construction.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

### **(i) Intangible assets**

#### *Goodwill*

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The measurement of goodwill at initial recognition is described in note 5(a). Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

#### *Other intangible assets*

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

#### *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

# **KCE Electronics Public Company Limited and its subsidiaries**

## **Notes to the financial statements**

### *Amortisation*

Amortisation is based on the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows: □

Software licences	5 - 15 years
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Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

### **(j) Impairment**

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill and intangible assets that have indefinite useful lives or are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised if the carrying amount of an exceeds its recoverable amount. The impairment loss is recognised in profit or loss unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

### *Calculation of recoverable amount*

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing 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. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

### *Reversals of impairment*

An impairment loss in respect of goodwill is not reversed. Impairment losses recognised in prior periods in respect of non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### **(k) Interest-bearing liabilities**

Interest-bearing liabilities are recognised initially at fair value less attributable transaction charges. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

### **(l) Trade and other accounts payable**

Trade and other accounts payable are stated at cost.

# **KCE Electronics Public Company Limited and its subsidiaries**

## **Notes to the financial statements**

### **(m) Employee benefits**

#### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

#### *Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed regularly by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Group recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all expenses related to defined benefit plans in profit or loss.

#### *Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

#### *Share-based payments*

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met.

### **(n) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

# **KCE Electronics Public Company Limited and its subsidiaries**

## **Notes to the financial statements**

### **(o) Treasury shares**

When share capital recognised as equity is repurchased, the amount of consideration paid, including directly attributable costs, is classified as treasury shares and recognised as a deduction from equity. An equal amount is appropriated from retained earnings and taken to a reserve for treasury shares within equity. When treasury shares are sold, the amount received is recognised as an increase in equity by crediting the cost of the treasury shares sold, calculated using the weighted average method, to the treasury shares account and transferring the equivalent amount back from reserve for treasury shares to retained earnings. Surpluses on the sale of treasury shares are taken directly to a separate category within equity, 'Surplus on treasury shares'. Net deficits on sale or cancellation of treasury shares are debited to retained earnings after setting off against any remaining balance of surplus on treasury shares.

### **(p) Revenue**

Revenue excludes value added taxes and is arrived at after deduction of trade discounts and volume rebates.

#### *Sale of goods and services rendered*

Revenue is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs or the probable return of goods. Service income is recognised as services are provided taking into account the stage of completion.

#### *Dividend income*

Dividend income is recognised in profit or loss on the date the Group's right to receive payments is established.

#### *Interest income*

Interest income is recognised in profit or loss as it accrues.

### **(q) Finance costs**

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

### **(r) Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

# **KCE Electronics Public Company Limited and its subsidiaries**

## **Notes to the financial statements**

### *Determining whether an arrangement contains a lease*

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

### **(s) Income tax**

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries and jointly-controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

# KCE Electronics Public Company Limited and its subsidiaries

## Notes to the financial statements

### (t) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

### (u) Segment reporting

Segment results that are reported to the Group's CEO (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

## 6 Acquisition of subsidiary

On 2 October 2012, the Group obtained a controlling interest of Chemtronic Technology (Thailand) Co., Ltd. ("Chemtronic"), which is engaged in the business of operating a factory manufacturing ink for printed circuit board and chemical solution used in the production of printed circuit board by acquiring ordinary shares at the proportion of 97.25% of the total issued and fully paid up shares. Taking control of Chemtronic will enable the Group to increase profitability in the production process and have enough chemicals while shortage.

For the period from 2 October 2012 to 31 December 2012, Chemtronic contributed revenue of Baht 69 million and profit of Baht 26 million to the Group's results. If the acquisition had occurred on 1 January 2012, management estimates that consolidated revenue for the year ended 31 December 2012 would have been Baht 284 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2012.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

#### *Identifiable assets acquired, liabilities assumed and goodwill*

	Carrying amounts	Fair value adjustments (in thousand Baht)	Recognised values
Cash and cash equivalents	63,058	-	63,058
Trade and other receivables	48,960	-	48,960
Inventories	13,373	-	13,373
Property, plant and equipment	61,149	30,664	91,813
Other liabilities	(59,253)	-	(59,253)
<b>Total identifiable net assets</b>	<b>127,287</b>	<b>30,664</b>	<b>157,951</b>
Interest in acquire			97.25%
<b>Net identifiable assets acquired and liabilities assumed</b>			<b>153,607</b>
Total consideration transferred			(233,400)
<b>Goodwill</b>			<b>79,793</b>

The goodwill is attributable mainly to the skills and technical talent of Chemtronic's work force, and the synergies expected to be achieved from integrating Chemtronic into the Group's business. None of the goodwill recognised is expected to be deductible for income tax purposes.

# KCE Electronics Public Company Limited and its subsidiaries

## Notes to the financial statements

### 7 Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with subsidiaries and associates entities are described in notes 11 and 12. Relationships with key management and other related parties were as follows:

Name of entities	Country of incorporation/ nationality	Nature of relationships
Key management personnel	Thai	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Group.
Thai Business Solution Co., Ltd.	Thai	As at 31 December 2012, 19% Shareholding and a director (31 December 2013: No relationship).

The pricing policies for particular types of transactions are explained further below:

Transactions	Pricing policies
<b>Subsidiaries</b>	
Sales of goods	Market prices and prices per job order for each product which are agreed between the parties
Rendering of service	Market prices and prices per job order for each product which are agreed between the parties
Other incomes and other expenses	Prices agreed between the parties
Sales of property, plant and equipment	Net book value plus margin and prices agreed between the parties
Purchase of goods	Market prices and prices per job order for each product which are agreed between the parties
Purchase of property, plant and equipment	Net book value plus margin and prices agreed between the parties
Dividend income	As announced in the minute of shareholders' meeting
<b>Associates</b>	
Sales of goods	Market prices at which similar quality products are sold under same conditions
Other incomes and other expenses	Prices agreed between the parties
Purchase of raw materials	Market prices at which similar quality products are purchased under same conditions
Commission expense	At the rate agreed between the parties which is general rate for the same business
Purchase of property, plant and equipment	Net book value plus margin and prices agreed between the parties
<b>Other related parties</b>	
Purchase of intangible asset	Prices per job order for each product which are agreed between the parties

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**

Significant transactions for the years ended 31 December with related parties were as follows:

<i>For the years ended 31 December</i>	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>
	2013	2012	2013	2012
	<i>(in million Baht)</i>			
<b>Subsidiaries</b>				
Sale of goods	-	-	107	168
Rendering of service	-	-	45	21
Other income	-	-	16	15
Sales of property, plant and equipment	-	-	5	1
Purchases of goods	-	-	1,104	1,022
Purchases of property, plant and equipment	-	-	20	14
Purchases of intangible assets	-	-	-	4
Other expense	-	-	10	7
Dividend income	-	-	127	72
<b>Associates</b>				
Sales of goods	1,741	1,037	786	598
Other income	2	-	-	-
Purchase of raw material	337	59	143	17
Commission expense	79	53	32	29
Purchases of property, plant and equipment	9	8	3	4
Other expense	15	5	11	2
<b>Other related party</b>				
Purchases of intangible assets	2	-	1	-
<b>Key management personnel</b>				
Key management personnel compensation				
Short-term employee benefit	73	78	36	40
Share-based payments	-	5	-	3
Retirement benefits	11	-	2	-
Total key management personnel compensation	<u>84</u>	<u>83</u>	<u>38</u>	<u>43</u>

Balances as at 31 December with related parties were as follows:

<i>Trade receivables</i> <i>- related parties</i>	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
<b>Subsidiaries</b>				
KCE Technology Co., Ltd.	-	-	9,324	29,298
K.C.E. International Co., Ltd.	-	-	8,368	5,825
KCE (Thailand) Co., Ltd.	-	-	8,123	8,342
Thai Laminate Manufacturer Co., Ltd.	-	-	837	1,358
<b>Associates</b>				
KCE America, Inc.	748,694	337,548	312,085	205,073
KCE Singapore Pte., Ltd.	69,087	40,177	24,192	8,257
KCE Taiwan Co., Ltd.	-	69	-	-
<b>Total</b>	<u><b>817,781</b></u>	<u><b>377,794</b></u>	<u><b>362,929</b></u>	<u><b>258,153</b></u>

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**

<i>Other receivables</i> <i>- related parties</i>	<b>Consolidated</b> <b>financial statements</b>		<b>Separate</b> <b>financial statements</b>	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
<b>Subsidiaries</b>				
KCE Technology Co., Ltd.	-	-	30,214	2,980
Chemtronic Technology (Thailand) Co., Ltd.	-	-	1,984	2,911
K.C.E. International Co., Ltd.	-	-	8,423	1,506
KCE (Thailand) Co., Ltd.	-	-	5	5
Thai Laminate Manufacturer Co., Ltd.	-	-	24	-
<b>Associate</b>				
KCE Singapore Pte., Ltd.	1,943	1,342	-	1,342
<b>Other related party</b>				
Thai Business Solution Co., Ltd.	-	10	-	10
<b>Total</b>	<b>1,943</b>	<b>1,352</b>	<b>40,650</b>	<b>8,754</b>

<i>Trade payables</i> <i>- related parties</i>	<b>Consolidated</b> <b>financial statements</b>		<b>Separate</b> <b>financial statements</b>	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
<b>Subsidiaries</b>				
Thai Laminate Manufacturer Co., Ltd.	-	-	258,787	266,133
K.C.E. International Co., Ltd.	-	-	20,197	39,448
KCE Technology Co., Ltd.	-	-	121,594	27,109
Chemtronic Chemical Co., Ltd.	-	-	7,471	6,737
<b>Associates</b>				
KCE Taiwan Co., Ltd	52,402	31,248	26,953	17,259
KCE Singapore Pte., Ltd.	26,000	19,524	21,184	16,086
<b>Total</b>	<b>78,402</b>	<b>50,772</b>	<b>456,186</b>	<b>372,772</b>

<i>Other payables for purchase of machineries</i> <i>and equipment</i> <i>- related parties</i>	<b>Consolidated</b> <b>financial statements</b>		<b>Separate</b> <b>financial statements</b>	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
<b>Subsidiaries</b>				
KCE Technology Co., Ltd.	-	-	18,013	8,470
K.C.E. International Co., Ltd.	-	-	1,904	-
<b>Associate</b>				
KCE Taiwan Co., Ltd.	977	396	614	-
KCE Singapore Pte., Ltd.	3	-	-	-
<b>Other related party</b>				
Thai Business Solution Co., Ltd.	-	891	-	700
<b>Total</b>	<b>980</b>	<b>1,287</b>	<b>20,531</b>	<b>9,170</b>

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**

<i>Other payables</i> <i>- related parties</i>	<b>Consolidated</b> <b>financial statements</b>		<b>Separate</b> <b>financial statements</b>	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
<b>Subsidiaries</b>				
KCE Technology Co., Ltd.	-	-	8	-
Thai Laminate Manufacturer Co., Ltd.	-	-	20	-
<b>Associate</b>				
KCE Singapore Pte., Ltd.	35,102	18,364	2,765	1,730
<b>Other related party</b>				
Thai Business Solution Co., Ltd.	-	3,113	-	930
<b>Total</b>	<b>35,102</b>	<b>21,477</b>	<b>2,793</b>	<b>2,660</b>

*Guarantee obligations with related parties*

The Company and its subsidiaries have outstanding guarantee obligations with its related parties, as described in Note 36 to the financial statements.

**8 Cash and cash equivalents**

	<b>Consolidated</b> <b>financial statements</b>		<b>Separate</b> <b>financial statements</b>	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
Cash on hand	259	269	50	50
Cash at banks - current accounts	202,866	219,498	107,150	64,099
Cash at banks - savings accounts	143,637	102,088	66,884	30,826
Highly liquid short-term investments	55,000	75,000	-	-
Others	329	323	-	-
<b>Total</b>	<b>402,091</b>	<b>397,178</b>	<b>174,084</b>	<b>94,975</b>

The currency denomination of cash and cash equivalents as at 31 December was as follows:

	<b>Consolidated</b> <b>financial statements</b>		<b>Separate</b> <b>financial statements</b>	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
Thai Baht (THB)	392,156	391,184	164,692	89,481
United States Dollars (USD)	6,626	3,007	6,273	2,678
Euro (EUR)	2,537	2,282	2,347	2,111
Great British Pound (GBP)	772	705	772	705
<b>Total</b>	<b>402,091</b>	<b>397,178</b>	<b>174,084</b>	<b>94,975</b>

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**

**9 Trade and other receivables**

	Note	Consolidated financial statements		Separate financial statements	
		2013	2012	2013	2012
<i>(in thousand Baht)</i>					
<b>Trade receivable</b>					
Related parties	7	817,781	377,794	362,929	258,153
Other parties		2,365,339	1,581,479	954,615	756,598
<b>Total</b>		<b>3,183,120</b>	<b>1,959,273</b>	<b>1,317,544</b>	<b>1,014,751</b>
Less allowance for doubtful accounts		-	(353)	-	(322)
<b>Net</b>		<b>3,183,120</b>	<b>1,958,920</b>	<b>1,317,544</b>	<b>1,014,429</b>
<b>Other receivables</b>					
Related parties	7	1,943	1,352	40,650	8,754
Other parties		31,147	39,136	7,806	9,227
<b>Total</b>		<b>33,090</b>	<b>40,488</b>	<b>48,456</b>	<b>17,981</b>
<b>Total trade and other   receivables</b>		<b>3,216,210</b>	<b>1,999,408</b>	<b>1,366,000</b>	<b>1,032,410</b>
Bad and doubtful debts expense (reversal) for the years ended 31 December		<b>(353)</b>	<b>-</b>	<b>(322)</b>	<b>-</b>

Aging analysis for trade accounts receivable were as follows:

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
<i>(in thousand Baht)</i>				
<b>Related parties</b>				
Within credit terms	518,166	309,850	235,718	204,305
Overdue:				
Less than 3 months	259,718	67,766	115,460	53,528
3 - 6 months	39,560	129	11,561	123
6 - 12 months	156	33	18	39
Over 12 months	181	16	172	158
	<b>817,781</b>	<b>377,794</b>	<b>362,929</b>	<b>258,153</b>
Less allowance for doubtful accounts	-	-	-	-
	<b>817,781</b>	<b>377,794</b>	<b>362,929</b>	<b>258,153</b>
<b>Other parties</b>				
Within credit terms	1,628,158	1,241,118	670,375	591,016
Overdue:				
Less than 3 months	699,321	333,728	276,565	165,582
3 - 6 months	24,090	4,652	5,804	-
6 - 12 months	11,737	1,632	1,871	-
Over 12 months	2,033	349	-	-
	<b>2,365,339</b>	<b>1,581,479</b>	<b>954,615</b>	<b>756,598</b>
Less allowance for doubtful accounts	-	(353)	-	(322)
	<b>2,365,339</b>	<b>1,581,126</b>	<b>954,615</b>	<b>756,276</b>
<b>Net</b>	<b>3,183,120</b>	<b>1,958,920</b>	<b>1,317,544</b>	<b>1,014,429</b>

The normal credit terms granted by the Group range from 30 days to 120 days.

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**

The currency denomination of trade accounts receivable as at 31 December was as follows:

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
Thai Baht (THB)	130,010	66,863	31,268	52,501
United States Dollars (USD)	2,579,745	1,525,496	932,675	629,395
Euro (EUR)	453,460	354,552	333,696	320,525
Great British Pound (GBP)	19,905	12,009	19,905	12,008
<b>Total</b>	<b>3,183,120</b>	<b>1,958,920</b>	<b>1,317,544</b>	<b>1,014,429</b>

**10 Inventories**

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
Finished goods	322,659	263,314	34,571	66,852
Work in progress	205,508	181,956	88,660	89,266
Raw materials	358,079	308,604	63,943	82,296
Factory supplies	327,221	317,255	135,497	130,564
Spare parts	173,950	121,890	64,926	56,240
Goods in transit	70,802	94,534	22,642	35,455
	1,458,219	1,287,553	410,239	460,673
<i>Less</i> allowance for decline in value	(112,959)	(47,349)	(16,012)	(16,678)
<b>Total</b>	<b>1,345,260</b>	<b>1,240,204</b>	<b>394,227</b>	<b>443,995</b>
Inventories recognised as an expense in 'cost of sales of goods':				
- Cost	6,777,197	5,175,418	3,012,258	2,871,336
- Write-down to net realisable value (reversal)	65,610	14,231	(666)	(2,876)
<b>Net</b>	<b>6,842,807</b>	<b>5,189,649</b>	<b>3,011,592</b>	<b>2,868,460</b>

**11 Investments in associates**

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<b>Equity Method</b>		<b>Cost Method</b>	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
<b>Associates</b>				
At 1 January	77,674	82,133	3,962	2,422
Share of profit (loss) from investments in using associates equity method	13,019	(2,621)	-	-
Foreign currency translation differences for foreign operations	8,102	(3,378)	-	-
Acquisitions	-	1,540	-	1,540
<b>At 31 December</b>	<b>98,795</b>	<b>77,674</b>	<b>3,962</b>	<b>3,962</b>

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**

Investments in associates as at 31 December were as follows:

	Type of business	Country of incorporation	Ownership interest		<b>Consolidated financial statements</b>							
			2013	2012	Paid-up capital		Cost		Equity			
			(%)		2013	2012	2013	2012	2013	2012		
<b>Associates</b>												
KCE America, Inc.	(1)	United States	50.00	50.00	USD 50,000	USD 50,000	644	644	58,012	55,198		
KCE Singapore Pte., Ltd.	(1)	Singapore	49.00	49.00	SGD 500,000	SGD 500,000	4,201	4,201	29,871	20,890		
KCE Taiwan Co., Ltd.	(2)	Taiwan	49.00	49.00	NTD 3,000,000	NTD 3,000,000	1,540	1,540	10,912	1,586		
<b>Total</b>							<b>6,385</b>	<b>6,385</b>	<b>98,795</b>	<b>77,674</b>		

- (1) Foreign sale representative of the Group
- (2) Foreign raw materials and machinery sourcing representative of the Group

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**

**Separate financial statements**

	Ownership interest		Paid-up capital		Cost		Impairment		Equity - net	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	(%)						(in thousand Baht)			
<b>Associates</b>										
KCE America, Inc.	25.0	25.0	USD 50,000	USD 50,000	322	322	-	-	322	322
KCE Singapore Pte., Ltd.	24.5	24.5	SGD 500,000	SGD 500,000	2,100	2,100	-	-	2,100	2,100
KCE Taiwan Co., Ltd.	49.0	49.0	NTD 3,000,000	NTD 3,000,000	1,540	1,540	-	-	1,540	1,540
<b>Total</b>					<b>3,962</b>	<b>3,962</b>	<b>-</b>	<b>-</b>	<b>3,962</b>	<b>3,962</b>

The following summarised financial information on interests in associates is not adjusted for the percentage ownership held by the Group:

	Reporting date	Ownership interest		Total assets		Total Liabilities		Total revenues		Net profit/(loss)	
		2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
		(%)						(in million Baht)			
KCE America, Inc	31 December	50.00	50.00	810	446	695	342	1,720	986	2	1
KCE Singapore Pte., Ltd.	31 December	49.00	49.00	130	110	77	68	201	148	7	(4)
KCE Taiwan Co., Ltd.	31 December	49.00	49.00	107	45	86	42	305	49	18	(2)
<b>Total</b>				<b>1,047</b>	<b>601</b>	<b>858</b>	<b>452</b>	<b>2,226</b>	<b>1,183</b>	<b>27</b>	<b>(5)</b>

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**

**12 Investments in subsidiaries**

	<i>Notes</i>	<b>Separate financial statements</b>	
		2013	2012
At 1 January		2,396,121	2,157,485
Acquisitions	6	-	233,810
Disposals		-	(1,470)
Warrant granted to subsidiaries' directors and employees		887	6,296
<b>At 31 December</b>		<b><u>2,397,008</u></b>	<b><u>2,396,121</u></b>

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**

Investments in subsidiaries as at 31 December 2013 and 2012, and dividend income from those investments for the years then ended, were as follows:

	Type of business	Ownership Interest		Paid-up capital		Cost		Warrant granted to subsidiaries' directors and employees		Total		Dividend income	
		2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
		(% )											
<b>Separate financial statements</b>													
<i>(in thousand Baht)</i>													
<b>Direct subsidiaries</b>													
KCE Technology Co., Ltd.	(1)	100.00	100.00	1,600,000	1,600,000	1,600,000	1,600,000	4,265	3,583	1,604,265	1,603,583	-	-
K.C.E. International Co., Ltd.	(1)	99.99	99.99	100,000	100,000	185,395	185,395	1,979	1,833	187,374	187,228	29,998	29,998
Chemtronic Technology (Thailand) Co., Ltd.	(2)	97.25	97.25	48,000	48,000	233,810	233,810	-	-	233,810	233,810	37,928	-
Thai Laminate Manufacturer Co., Ltd.	(3)	74.80	74.80	250,000	250,000	368,460	368,460	815	756	369,275	369,216	59,092	37,400
KCE (Thailand) Co., Ltd.	(4)	60.00	60.00	3,600	3,600	2,160	2,160	124	124	2,284	2,284	-	-
Thai Business Solution Co., Ltd.	(5)	-	-	6,958 *	3,000	-	-	-	-	-	-	-	4,410
<b>Total</b>						<b>2,389,825</b>	<b>2,389,825</b>	<b>7,183</b>	<b>6,296</b>	<b>2,397,008</b>	<b>2,396,121</b>	<b>127,018</b>	<b>71,808</b>
<b>Indirect subsidiaries</b>													
Chemtronic Chemical Co., Ltd.	(2)	96.03	96.03	4,800	4,800	-	-	-	-	-	-	-	-

- (1) The manufacture and distribution of electric printed circuit board products  
(2) The manufacture and distribution of chemicals products  
(3) The manufacture and distribution of prepreg and laminate products  
(4) The domestic sale representative  
(5) A service provider for computer system implementation and support  
(\*) Paid-up capital as at 30 September 2013

All subsidiaries were incorporated in Thailand.

## **KCE Electronics Public Company Limited and its subsidiaries**

### **Notes to the financial statements**

At the board of directors' meeting of the Company held on 22 May 2012, the board of directors approved to sell investment of 90,000 ordinary shares or 30% of the issued and paid-up share capital in Thai Business Solution Co., Ltd. to a shareholder of Thai Business Solution Co., Ltd. at a price of Baht 10 per share, totaling Baht 0.9 million. The investment was sold in November 2012. Therefore, the Company held the rest of investment of 19% of the issued and paid-up share capital and has no ability to control or exercise significant influence in making financial and operating decisions. As such, the Company recorded the rest of investment as other long-term investment in the statement of financial position as at 31 December 2012.

During the year 2013, the Company acquired the newly issued ordinary shares in Thai Business Solution Co., Ltd. of 43,000 ordinary shares. Therefore, the Company held the investment totaling 100,000 ordinary shares. In November 2013, the Company sold all the investment of 100,000 ordinary shares in Thai Business Solution Co., Ltd. to a shareholder of Thai Business Solution Co., Ltd. at a price of Baht 10 per share, totaling Baht 1.0 million. Consequently, as at 31 December 2013, the Company does not held any investment in Thai Business Solution Co., Ltd.

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**

**13 Property, plant and equipment**

	<b>Consolidated financial statements</b>										
	Land	Buildings and plant	Machinery and plant equipment	Plant improvement	Furniture, Fixtures and office equipment	Buildings improvement <i>(in thousand Baht)</i>	Vehicles	Buildings and plant under construction	Machinery and equipment installation	Machinery and equipment in transit	Total
<b>Cost</b>											
At 1 January 2012	337,187	568,115	6,654,837	206,586	420,766	20,703	88,456	-	288,909	191,483	8,777,042
Additions	388	2,334	83,881	7,174	14,491	288	13,899	-	1,282,783	40,056	1,445,294
Acquisitions through business combinations	14,600	15,200	55,760	-	1,319	-	4,934	-	-	-	91,813
Transfers	-	227,688	405,676	19,219	1,164	25	175	-	(451,488)	(202,456)	3
Disposals	-	(5,689)	(99,379)	(144)	(7,758)	-	(22,450)	-	(21,470)	-	(156,890)
<b>At 31 December 2012 and 1 January 2013</b>	<b>352,175</b>	<b>807,648</b>	<b>7,100,775</b>	<b>232,835</b>	<b>429,982</b>	<b>21,016</b>	<b>85,014</b>	<b>-</b>	<b>1,098,734</b>	<b>29,083</b>	<b>10,157,262</b>
Additions	54,000	1,802	54,747	5,435	6,191	110	12,959	177,853	709,090	136,778	1,158,965
Transfers	-	205,395	1,043,131	63,632	4,170	470	99	-	(1,316,897)	-	-
Disposals	-	(15,921)	(1,181,724)	(4,963)	(10,769)	(38)	(10,093)	-	(22,747)	-	(1,246,255)
<b>At 31 December 2013</b>	<b>406,175</b>	<b>998,924</b>	<b>7,016,929</b>	<b>296,939</b>	<b>429,574</b>	<b>21,558</b>	<b>87,979</b>	<b>177,853</b>	<b>468,180</b>	<b>165,861</b>	<b>10,069,972</b>

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**

	<b>Consolidated financial statements</b>										
	Land	Buildings and plant	Machinery and plant equipment	Plant improvement	Furniture, Fixtures and office equipment	Buildings improvement <i>(in thousand Baht)</i>	Vehicles	Building and plant under construction	Machinery and equipment installation	Machinery and equipment in transit	Total
<b><i>Depreciation and impairment losses</i></b>											
At 1 January 2012	-	194,954	3,737,389	145,364	407,918	12,736	43,546	-	-	-	4,541,907
Depreciation charge for the year	-	40,215	384,632	24,602	11,165	846	15,941	-	-	-	477,401
Disposals	-	(5,643)	(67,896)	(1)	(6,488)	-	(19,056)	-	-	-	(99,084)
<b>At 31 December 2012 and 1 January 2013</b>	<b>-</b>	<b>229,526</b>	<b>4,054,125</b>	<b>169,965</b>	<b>412,595</b>	<b>13,582</b>	<b>40,431</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,920,224</b>
Depreciation charge for the year	-	65,016	410,828	15,467	11,647	899	12,823	-	-	-	516,680
Losses on decline in values	-	-	18,056	-	-	-	-	-	-	-	18,056
Disposals	-	(14,739)	(694,615)	(857)	(11,537)	(38)	(5,950)	-	-	-	(727,736)
<b>At 31 December 2013</b>	<b>-</b>	<b>279,803</b>	<b>3,788,394</b>	<b>184,575</b>	<b>412,705</b>	<b>14,443</b>	<b>47,304</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,727,224</b>
<b><i>Net book value</i></b>											
<b>At 1 January 2012</b>											
Owned assets	337,187	373,161	2,541,959	61,222	11,622	7,967	6,117	-	288,909	191,483	3,819,627
Assets under finance leases	-	-	375,489	-	1,226	-	38,793	-	-	-	415,508
	<b>337,187</b>	<b>373,161</b>	<b>2,917,448</b>	<b>61,222</b>	<b>12,848</b>	<b>7,967</b>	<b>44,910</b>	<b>-</b>	<b>288,909</b>	<b>191,483</b>	<b>4,235,135</b>
<b>At 31 December 2012 and 1 January 2013</b>											
Owned assets	352,175	578,122	2,699,194	62,870	16,940	7,434	13,741	-	1,098,734	29,083	4,858,293
Assets under finance leases	-	-	347,456	-	447	-	30,842	-	-	-	378,745
	<b>352,175</b>	<b>578,122</b>	<b>3,046,650</b>	<b>62,870</b>	<b>17,387</b>	<b>7,434</b>	<b>44,583</b>	<b>-</b>	<b>1,098,734</b>	<b>29,083</b>	<b>5,237,038</b>
<b>At 31 December 2013</b>											
Owned assets	406,175	719,121	3,228,535	112,364	16,869	7,115	23,415	177,853	468,180	165,861	5,325,488
Assets under finance leases	-	-	-	-	-	-	17,260	-	-	-	17,260
	<b>406,175</b>	<b>719,121</b>	<b>3,228,535</b>	<b>112,364</b>	<b>16,869</b>	<b>7,115</b>	<b>40,675</b>	<b>177,853</b>	<b>468,180</b>	<b>165,861</b>	<b>5,342,748</b>

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**

	<b>Separate financial statements</b>										
	Land	Buildings and plant	Machinery and plant equipment	Plant improvement	Furniture, Fixtures and office equipment	Buildings improvement	Vehicles	Building and plant under construction	Machinery and equipment installation	Machinery and equipment in transit	Total
	<i>(in thousand Baht)</i>										
<b>Cost</b>											
At 1 January 2012	164,000	132,264	2,126,521	176,065	44,150	18,314	34,835	-	44,372	-	2,740,521
Additions	388	-	47,766	5,787	8,486	60	802	-	26,843	-	90,132
Transfers	-	-	22,356	-	3	-	-	-	(22,356)	-	3
Disposals	-	-	(17,763)	(144)	(343)	-	(7,193)	-	(7,878)	-	(33,321)
<b>At 31 December 2012 and 1 January 2013</b>	<b>164,388</b>	<b>132,264</b>	<b>2,178,880</b>	<b>181,708</b>	<b>52,296</b>	<b>18,374</b>	<b>28,444</b>	<b>-</b>	<b>40,981</b>	<b>-</b>	<b>2,797,335</b>
Additions	-	-	43,669	5,038	1,835	78	-	177,853	26,589	-	255,062
Transfers	-	-	597	-	-	-	-	-	(597)	-	-
Disposals	-	-	(5,441)	(36)	(824)	-	(129)	-	(4,344)	-	(10,774)
<b>At 31 December 2013</b>	<b>164,388</b>	<b>132,264</b>	<b>2,217,705</b>	<b>186,710</b>	<b>53,307</b>	<b>18,452</b>	<b>28,315</b>	<b>177,853</b>	<b>62,629</b>	<b>-</b>	<b>3,041,623</b>
<b>Depreciation and impairment losses</b>											
At 1 January 2012	-	76,233	1,292,209	130,501	27,205	9,526	15,395	-	-	-	1,551,069
Depreciation charge for the year	-	3,680	117,892	20,934	5,222	738	5,197	-	-	-	153,663
Transfers	-	-	-	-	-	-	-	-	-	-	-
Disposals /Amortization	-	-	(16,650)	(1)	(329)	-	(7,193)	-	-	-	(24,173)
<b>At 31 December 2012 and 1 January 2013</b>	<b>-</b>	<b>79,913</b>	<b>1,393,451</b>	<b>151,434</b>	<b>32,098</b>	<b>10,264</b>	<b>13,399</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,680,559</b>
Depreciation charge for the year	-	3,680	109,752	7,760	5,669	746	4,685	-	-	-	132,292
Impairment losses	-	-	18,056	-	-	-	-	-	-	-	18,056
Disposals	-	-	(2,482)	(36)	(824)	-	(129)	-	-	-	(3,471)
<b>At 31 December 2013</b>	<b>-</b>	<b>83,593</b>	<b>1,518,777</b>	<b>159,158</b>	<b>36,943</b>	<b>11,010</b>	<b>17,955</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,827,436</b>

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**

	<b>Separate financial statements</b>										
	Land	Buildings and plant	Machinery and plant equipment	Plant improvement	Furniture, Fixtures and office equipment	Buildings improvement	Vehicles	Building and plant under construction	Machinery and equipment installation	Machinery and equipment in transit	Total
<i>(in thousand Baht)</i>											
<b>Net book value</b>											
<b>At 1 January 2012</b>											
Owned assets	164,000	56,031	459,261	45,564	16,945	8,788	704	-	44,372	-	795,665
Assets under finance leases	-	-	375,051	-	-	-	18,736	-	-	-	393,787
	<b>164,000</b>	<b>56,031</b>	<b>834,312</b>	<b>45,564</b>	<b>16,945</b>	<b>8,788</b>	<b>19,440</b>	<b>-</b>	<b>44,372</b>	<b>-</b>	<b>1,189,452</b>
<b>At 31 December 2012 and 1 January 2013</b>											
Owned assets	164,388	52,351	438,232	30,274	20,198	8,110	1,715	-	40,981	-	756,249
Assets under finance leases	-	-	347,197	-	-	-	13,330	-	-	-	360,527
	<b>164,388</b>	<b>52,351</b>	<b>785,429</b>	<b>30,274</b>	<b>20,198</b>	<b>8,110</b>	<b>15,045</b>	<b>-</b>	<b>40,981</b>	<b>-</b>	<b>1,116,776</b>
<b>At 31 December 2013</b>											
Owned assets	164,388	48,671	698,928	27,552	16,364	7,442	863	177,853	62,629	-	1,204,690
Assets under finance leases	-	-	-	-	-	-	9,497	-	-	-	9,497
	<b>164,388</b>	<b>48,671</b>	<b>698,928</b>	<b>27,522</b>	<b>16,364</b>	<b>7,442</b>	<b>10,360</b>	<b>177,853</b>	<b>62,629</b>	<b>-</b>	<b>1,214,187</b>

## KCE Electronics Public Company Limited and its subsidiaries

### Notes to the financial statements

The gross amount of the Group's and the Company's fully depreciated property, plant and equipment that was still in use as at 31 December 2013 amounted to Baht 2,259 million (2012: Baht 1,994 million) for the consolidated financial statements and Baht 1,127 million (2012: Baht 932 million) for the separate financial statements.

#### *Property, plant and equipment under construction*

During the year ended 31 December 2013, the Company commenced construction of the new factory; costs incurred up to the report date totaled Baht 177 million (2012: nil).

- 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 which a total net book value as at 31 December 2012 of Baht 171 million, as collateral for bank overdrafts and loans from banks, as described in Note 17. Thai Laminate Manufacturer Co., Ltd. has redeemed such mortgage and pledge in October 2013.
- 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 2013 of Baht 638 million (2012: Baht 1,084 million), as collateral for bank overdrafts and loans from banks, as described in Note 17.
- 13.2.3 Chemtronic Technology (Thailand) Co., Ltd. has mortgaged its land with a total net book value as at 31 December 2013 of Baht 68.6 million (2012: Baht 14.6 million), as collateral for loans from banks, as described in Note 17.
- 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 2013 and 2012 as follows:

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2013	2012	2013	2012
Interest expenses capitalised as cost of machinery and equipment (Thousand Baht)	7,229	12,559	-	-
Capitalisation rate (% per annum)	1.70-3.05	1.70-3.34	-	-

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**

**14 Goodwill**

	Note	Consolidated financial statements	
		2013	2012
		<i>(in thousand Baht)</i>	
<b>Cost</b>			
At 1 January		79,793	-
Acquisitions through business combinations	6	-	79,793
<b>At 31 December</b>		<b>79,793</b>	<b>79,793</b>
<b>Impairment losses</b>			
At 1 January		-	-
Impairment loss		-	-
<b>At 31 December</b>		<b>-</b>	<b>-</b>
<b>Net book value</b>			
At 1 January		79,793	-
<b>At 31 December</b>		<b>79,793</b>	<b>79,793</b>

**15 Intangible assets**

	Software licences	
	Consolidated financial statements	Separate financial statements
	<i>(in thousand Baht)</i>	
<b>Cost</b>		
At 1 January 2012	141,633	84,475
Additions	84,810	14,810
Transfers in/(out)	(3)	(3)
Disposals	(641)	-
<b>At 31 December 2012 and 1 January 2013</b>	<b>225,799</b>	<b>99,282</b>
Additions	47,862	31,839
Transfers in/(out)	-	-
Disposals	-	-
<b>At 31 December 2013</b>	<b>273,661</b>	<b>131,121</b>
<b>Amortisation and impairment losses</b>		
At 1 January 2012	55,188	22,785
Amortisation for the year	10,266	5,808
Disposals	(337)	-
<b>At 31 December 2012 and 1 January 2013</b>	<b>65,117</b>	<b>28,593</b>
Amortisation for the year	12,138	6,816
Disposals	-	-
<b>At 31 December 2013</b>	<b>77,255</b>	<b>35,409</b>
<b>Net book value</b>		
At 1 January 2012	86,445	61,690
<b>At 31 December 2012 and 1 January 2013</b>	<b>160,682</b>	<b>70,689</b>
<b>At 31 December 2013</b>	<b>196,406</b>	<b>95,712</b>

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**

**16 Deferred tax**

Deferred tax assets and liabilities as at 31 December were as follows:

	<b>Consolidated financial statements</b>			
	<b>Assets</b>		<b>Liabilities</b>	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
Total	176,031	165,448	(142,097)	(160,501)
Set off of tax	(102,662)	(148,674)	102,662	148,674
<b>Net deferred tax assets (liabilities)</b>	<b><u>73,369</u></b>	<b><u>16,774</u></b>	<b><u>(39,435)</u></b>	<b><u>(11,827)</u></b>

  

	<b>Separate financial statements</b>			
	<b>Assets</b>		<b>Liabilities</b>	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
Total	9,262	41,163	(48,697)	(51,101)
Set off of tax	(9,262)	(41,163)	9,262	41,163
<b>Net deferred tax assets (liabilities)</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>(39,435)</u></b>	<b><u>(9,938)</u></b>

Movements in total deferred tax assets and liabilities during the year were as follows:

	<b>Consolidated financial statements</b>			<b>At 31 December 2013</b>
	<u>(Charged) /Credited to:</u>			
	<b>At 1 January 2013</b>	Profit or loss income ( Note 31) <i>(in thousand Baht)</i>	Other comprehensive income	
<b><i>Deferred tax assets</i></b>				
Allowance for decline in value of inventories	8,606	13,986	-	22,592
Employee benefit obligations	13,460	1,101	658	15,219
Loss carry forward	143,362	(5,162)	-	138,200
Others	20	-	-	20
<b>Total</b>	<b><u>165,448</u></b>	<b><u>9,925</u></b>	<b><u>658</u></b>	<b><u>176,031</u></b>
<b><i>Deferred tax liabilities</i></b>				
Finance lease agreements	(49,101)	2,244	-	(46,857)
Insurance claim receivable	(111,400)	16,160	-	(95,240)
<b>Total</b>	<b><u>(160,501)</u></b>	<b><u>18,404</u></b>	<b><u>-</u></b>	<b><u>(142,097)</u></b>
<b>Net</b>	<b><u>4,947</u></b>	<b><u>28,329</u></b>	<b><u>658</u></b>	<b><u>33,934</u></b>

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**

	<b>Consolidated financial statements</b>			<b>At 31 December 2012</b>
	<b>At 1 January 2012</b>	<b>(Charged) /Credited to:</b>		
		Profit or loss ( Note 31) (in thousand Baht)	Other comprehensive income	
<b>Deferred tax assets</b>				
Allowance for decline in value of inventories	7,386	1,220	-	8,606
Employee benefit obligations	12,201	1,259	-	13,460
Loss carry forward	114,257	29,105	-	143,362
Others	14	6	-	20
<b>Total</b>	<b>133,858</b>	<b>31,590</b>	<b>-</b>	<b>165,448</b>
<b>Deferred tax liabilities</b>				
Finance lease agreements	(45,087)	(4,014)	-	(49,101)
Insurance claim receivable	(14,000)	(97,400)	-	(111,400)
<b>Total</b>	<b>(59,087)</b>	<b>(101,414)</b>	<b>-</b>	<b>(160,501)</b>
<b>Net</b>	<b>74,771</b>	<b>(69,824)</b>	<b>-</b>	<b>4,947</b>
		<b>Separate financial statements</b>		
		<b>(Charged) /Credited to:</b>		
	<b>At 1 January 2013</b>	Profit or loss ( Note 31) (in thousand Baht)	Other comprehensive income	<b>At 31 December 2013</b>
<b>Deferred tax assets</b>				
Allowance for decline in value of inventories	3,336	(134)	-	3,202
Employee benefit obligations	6,997	248	(1,205)	6,040
Loss carry forward	30,810	(30,810)	-	-
Others	20	-	-	20
<b>Total</b>	<b>41,163</b>	<b>(30,696)</b>	<b>(1,205)</b>	<b>9,262</b>
<b>Deferred tax liabilities</b>				
Finance lease agreements	(49,101)	2,244	-	(46,857)
Insurance claim receivable	(2,000)	160	-	(1,840)
<b>Total</b>	<b>(51,101)</b>	<b>2,404</b>	<b>-</b>	<b>(48,697)</b>
<b>Net</b>	<b>(9,938)</b>	<b>(28,292)</b>	<b>(1,205)</b>	<b>(39,435)</b>

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**

	At 1 January 2012	Separate financial statements (Charged) /Credited to:		At 31 December 2012
		Profit or loss ( Note 31) (in thousand Baht)	Other comprehensive income	
<b>Deferred tax assets</b>				
Allowance for decline in value of inventories	4,498	(1,162)	-	3,336
Employee benefit obligations	6,299	698	-	6,997
Loss carry forward	89,340	(58,530)	-	30,810
Others	14	6	-	20
<b>Total</b>	<b>100,151</b>	<b>(58,988)</b>	<b>-</b>	<b>41,163</b>
<b>Deferred tax liabilities</b>				
Finance lease agreements	(45,087)	(4,014)	-	(49,101)
Insurance claim receivable	-	(2,000)	-	(2,000)
<b>Total</b>	<b>(45,087)</b>	<b>(6,014)</b>	<b>-</b>	<b>(51,101)</b>
<b>Net</b>	<b>55,064</b>	<b>(65,002)</b>	<b>-</b>	<b>(9,938)</b>

Deferred tax assets (liabilities) arising from temporary differences and unused tax losses that have not been recognised in the financial statements as at 31 December were as follows:

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
	(in thousand Baht)			
Deductible temporary differences	-	-	-	-
Tax losses carry forward	319,722	300,006	-	-
<b>Total</b>	<b>319,722</b>	<b>300,006</b>	<b>-</b>	<b>-</b>

The tax losses expire in 2013-2025. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

**17 Interest-bearing liabilities**

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
	(in thousand Baht)			
<b>Current</b>				
Bank overdrafts - secured	-	2,484	-	2,484
Short-term loans from financial institutions				
- secured	183,445	664,450	30,000	80,000
Packing credits - secured	2,506,312	1,216,887	810,028	570,887
Trust receipts - secured	529,983	927,985	58,932	56,151
<b>Total bank overdrafts and short-term loans from financial institutions</b>	<b>3,219,740</b>	<b>2,811,806</b>	<b>898,960</b>	<b>709,522</b>

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
Current portion of liabilities under hire-purchase and finance lease liabilities	5,720	19,700	3,484	14,858
Current portion of long-term loans - secured	843,513	1,373,025	282,081	301,677
<b>Total current interest-bearing liabilities</b>	<b><u>4,068,973</u></b>	<b><u>4,204,531</u></b>	<b><u>1,184,525</u></b>	<b><u>1,026,057</u></b>
<b>Non-current</b>				
Liabilities under hire-purchase and Finance lease agreements	4,223	9,601	1,958	5,221
Long-term loans - secured	778,632	1,317,003	366,198	613,578
<b>Total non-current interest-bearing liabilities</b>	<b><u>782,855</u></b>	<b><u>1,326,604</u></b>	<b><u>368,156</u></b>	<b><u>618,799</u></b>
<b>Total</b>	<b><u>4,851,828</u></b>	<b><u>5,531,135</u></b>	<b><u>1,552,681</u></b>	<b><u>1,644,856</u></b>

The periods to maturity of interest-bearing liabilities, excluding liabilities under hire-purchase and finance lease liabilities, as at 31 December were as follows:

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
Within one year	4,063,253	4,184,831	1,181,041	1,011,199
After one year but within five years	778,632	1,317,003	366,198	613,578
After five years	-	-	-	-
<b>Total</b>	<b><u>4,841,885</u></b>	<b><u>5,501,834</u></b>	<b><u>1,547,239</u></b>	<b><u>1,624,777</u></b>

Secured interest-bearing liabilities as at 31 December were secured on the following assets:

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
Property, plant and equipment	637,758	1,254,994	-	-
<b>Total</b>	<b><u>637,758</u></b>	<b><u>1,254,994</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

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

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

17.3 Bank overdrafts and loans from financial institutions 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.

17.4 Under the long-term loans agreement from financial institutions of KCE Electronics Public Company Limited, the Company has to comply with certain conditions, including maintaining interest bearing debt to equity ratio of not more than 3:1 and debt service coverage ratio (DSCR) of not less than 1.1 :1.

## **KCE Electronics Public Company Limited and its subsidiaries**

### **Notes to the financial statements**

- 17.5 Long-term loans from financial institutions 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.
- 17.6 Long-term loans from financial institutions of Thai Laminate Manufacturer Co., Ltd., a subsidiary, are secured by mortgage and pledge of subsidiary's construction and machinery. Thai Laminate Manufacture Co., Ltd. has redeemed such mortgage and pledge in October 2013.
- 17.7 Long-term loans from financial institutions of KCE Technology Co., Ltd., a subsidiary, are in US Dollar, with a SIBOR (Singapore Interbank Offered Rate) plus rates as specified in agreements. The loans 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.
- 17.8 Long-term loans from financial institutions of Chemtronic Technology (Thailand) Co., Ltd., a subsidiary, are secured by mortgage of subsidiary's land. 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 1.

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**

Details of long-term loans from banks as at 31 December 2013 and 2012 are as follows:

No.	Contract date	Outstanding long-term loans amount						Significant terms and conditions of loan agreements			
		2013			2012			Loan period	Interest rate	Principal repayment	Interest repayment
		Current portion	Non-current portion	Total	Current portion	Non-current portion	Total				
<i>(in thousand Baht)</i>						<i>(Percent per annum)</i>					
<b>The Company only</b>											
1.	2 April 2008	-	-	-	5,734	-	5,734	3 years 10 months	MLR - fixed percentage	1 month	1 month
2.	4 October 2012	50,000	87,500	137,500	50,000	150,000	200,000	4 years	fixed percentage	3 months	1 month
3.	25 March 2011	14,036	7,926	21,962	13,111	20,515	33,626	4 years 3 months	SIBOR 3M + fixed percentage	1 month	1 month
4.	25 March 2011	11,427	-	11,427	17,543	10,674	28,217	5 years 6 months	SIBOR 3M + fixed percentage	1 month	1 month
5.	19 July 2011	70,405	-	70,405	91,563	65,764	157,327	3 years	SIBOR 3M + fixed percentage	1 month	1 month
6.	26 November 2012	132,457	260,040	392,497	123,726	366,625	490,351	4 years	fixed percentage	1 month	1 month
7.	16 July 2012 *	3,756	10,732	14,488	-	-	-	4 years 6 months	SIBOR 3M + fixed percentage	1 month	1 month
<b>Total loans of the Company</b>		<b>282,081</b>	<b>366,198</b>	<b>648,279</b>	<b>301,677</b>	<b>613,578</b>	<b>915,255</b>				

(\*) The Company utilised the loan in 2013.

**Subsidiaries**

KCE Technology Co., Ltd.

1.	17 October 2012	-	-	-	250,000	-	250,000	1 year 3 months	fixed percentage	within 12 months	1 month
2.	12 May 2011 amendment on 22 December 2011	287,022	150,916	437,938	262,471	409,071	671,542	4 years 10 months	SIBOR + fixed percentage	1 month	1 month
3.	19 May 2011	13,773	-	13,773	15,758	12,865	28,623	6 years	SIBOR + fixed percentage	3 months	1 month
4.	31 January 2012	65,898	186,646	252,544	61,555	235,897	297,452	4 years	SIBOR + fixed percentage	3 months	1 month
5.	17 October 2012	172,564	-	172,564	322,383	-	322,383	1 year 9 months	fixed percentage	3 months	1 month
		<u>539,257</u>	<u>337,562</u>	<u>876,819</u>	<u>912,167</u>	<u>657,833</u>	<u>1,570,000</u>				

K.C.E International Co., Ltd.

1.	13 June 2011	16,475	40,572	57,047	15,389	45,592	60,981	6 years	SIBOR 3M + fixed percentage	3 months	1 month
2.	24 June 2011	-	-	-	20,273	-	20,273	2 years	SIBOR 1M + fixed percentage	1 month	1 month
		<u>16,475</u>	<u>40,572</u>	<u>57,047</u>	<u>35,662</u>	<u>45,592</u>	<u>81,254</u>				

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**

No.	Contract date	Outstanding long-term loans amount						Significant terms and conditions of loan agreements			
		2013			2012			Loan period	Interest rate	Principal repayment	Interest repayment
		Current portion	Non-current portion	Total	Current portion	Non-current portion	Total				
<i>(in thousand Baht)</i>							<i>(Percent per annum)</i>				
<u>Chemtronic Technology (Thailand) Co., Ltd.</u>											
1.	22 November 2010	-	-	-	409	-	409	2 years 4 months	MLR - fixed percentage	1 month	1 month
2.	23 December 2013	5,700	34,300	40,000	-	-	-	5 years 9 months	MLR - fixed percentage	3 months	1 month
		<u>5,700</u>	<u>34,300</u>	<u>40,000</u>	<u>409</u>	<u>-</u>	<u>409</u>				
<u>Thai Laminate Manufacturer Co., Ltd.</u>											
1.	12 May 2011	-	-	-	123,110	-	123,110	3 years	SIBOR 3M + fixed percentage	3 months	1 month
		<u>-</u>	<u>-</u>	<u>-</u>	<u>123,110</u>	<u>-</u>	<u>123,110</u>				
<b>Total loans of subsidiaries</b>		<b><u>561,432</u></b>	<b><u>412,434</u></b>	<b><u>973,866</u></b>	<b><u>1,071,348</u></b>	<b><u>703,425</u></b>	<b><u>1,774,773</u></b>				
<b>Total loans of the Company and subsidiaries</b>		<b><u>843,513</u></b>	<b><u>778,632</u></b>	<b><u>1,622,145</u></b>	<b><u>1,373,025</u></b>	<b><u>1,317,003</u></b>	<b><u>2,690,028</u></b>				

As at 31 December 2013 the Group and the Company had all types of unutilised credit facilities totalling Baht 8,399 million and US dollar 108 million (Baht 2,494 million and US dollar 93 million for separate financial statements). This included credit facilities for construction of the new factory.

As at 31 December 2012 the Group and the Company had all types of unutilised credit facilities totalling Baht 7,427 million and US dollar 22 million (Baht 1,510 million for separate financial statements).

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**

***Liabilities under hire-purchase and finance lease liabilities***

Liabilities under hire-purchase and finance lease liabilities as at 31 December were payable as follows:

	<b>Consolidated financial statements</b>					
	2013			2012		
	Future minimum lease payments	Interest	Present value of minimum lease payments <i>(in thousand Baht)</i>	Future minimum lease payments	Interest	Present value of minimum lease payments
Within one year	6,046	(326)	5,720	20,497	(797)	19,700
After one year but within five years	4,387	(164)	4,223	10,105	(504)	9,601
<b>Total</b>	<b>10,433</b>	<b>(490)</b>	<b>9,943</b>	<b>30,602</b>	<b>(1,301)</b>	<b>29,301</b>

  

	<b>Separate financial statements</b>					
	2013			2012		
	Future minimum lease payments	Interest	Present value of minimum lease payments <i>(in thousand Baht)</i>	Future minimum lease payments	Interest	Present value of minimum lease payments
Within one year	3,672	(188)	3,484	15,375	(517)	14,858
After one year but within five years	2,008	(50)	1,958	5,459	(238)	5,221
<b>Total</b>	<b>5,680</b>	<b>(238)</b>	<b>5,442</b>	<b>20,834</b>	<b>(755)</b>	<b>20,079</b>

The Group 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.

The currency denomination of interest-bearing liabilities as at 31 December was as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
Thai Baht (THB)	2,678,889	2,644,923	870,942	725,297
United States Dollars (USD)	2,151,037	2,877,888	681,739	919,559
Euro (EUR)	13,995	6,574	-	-
Yen	7,907	1,750	-	-
<b>Total</b>	<b>4,851,828</b>	<b>5,531,135</b>	<b>1,552,681</b>	<b>1,644,856</b>

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**

**18 Trade payables and others**

	Note	Consolidated financial statements		Separate financial statements	
		2013	2012	2013	2012
		<i>(in thousand Baht)</i>			
Trade payables					
Related parties	7	78,402	50,772	456,186	372,772
Other parties		1,162,944	1,040,543	246,009	281,907
Other payables for purchase of machineries and equipment					
Related parties	7	980	1,287	20,531	9,170
Other parties		418,485	202,536	199,181	30,487
Other payables					
Related parties	7	35,102	21,477	2,793	2,660
Other parties		82,746	41,389	27,968	12,927
Accrued expenses		394,138	208,471	112,137	71,422
<b>Total trade and other payables</b>		<b><u>2,172,797</u></b>	<b><u>1,566,475</u></b>	<b><u>1,064,805</u></b>	<b><u>781,345</u></b>

**19 Employee benefit obligations**

Movement in the present value of the defined benefit obligations

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
Defined benefit obligations at 1 January	67,301	62,142	34,983	31,496
Increase from acquisition of subsidiary	-	3,216	-	-
Decrease from disposal of subsidiary	-	(1,677)	-	-
Benefits paid by the plan	(2,515)	(3,624)	(2,464)	-
Current service costs and interest	8,023	7,244	3,707	3,487
Actuarial (gains) losses in other comprehensive income	3,288	-	(6,027)	-
<b>Defined benefit obligations at 31 December</b>	<b><u>76,097</u></b>	<b><u>67,301</u></b>	<b><u>30,199</u></b>	<b><u>34,983</u></b>

Expense recognised in profit or loss (Note 28)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
Current service costs	5,592	5,053	2,335	2,212
Interest on obligation	2,431	2,191	1,372	1,275
<b>Total</b>	<b><u>8,023</u></b>	<b><u>7,244</u></b>	<b><u>3,707</u></b>	<b><u>3,487</u></b>

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**

The expense is recognised in the following line items in the statement of comprehensive income:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
Cost of sales	3,763	3,250	1,879	1,752
Administrative expenses	4,260	3,994	1,828	1,735
<b>Total</b>	<b>8,023</b>	<b>7,244</b>	<b>3,707</b>	<b>3,487</b>

Actuarial gains and losses recognised in other comprehensive income:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
Included in retained earnings:				
At 1 January	-	-	-	-
Recognised during the year	3,288	-	(6,207)	-
<b>At 31 December</b>	<b>3,288</b>	<b>-</b>	<b>(6,207)</b>	<b>-</b>

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2013	2012	2013	2012
	<i>(%)</i>			
Discount rate	4.4	3.8	4.4	3.8
Future salary increases	4.0-6.0	4.0-8.0	4.0-6.0	4.0-8.0

Assumptions regarding future mortality are based on published statistics and mortality tables.

## 20 Share capital

	Par value per share <i>(in Baht)</i>	2013		2012	
		Number	Baht	Number	Baht
		<i>(thousand shares / thousand Baht)</i>			
<b>Authorised</b>					
At 1 January					
- ordinary shares	1	491,830	491,830	500,000	500,000
Increase of authorised share capital	1	115,568	115,568	-	-
Reduction of shares	1	(28,976)	(28,976)	(8,170)	(8,170)
<b>At 31 December</b>					
- ordinary shares	1	<b>578,422</b>	<b>578,422</b>	<b>491,830</b>	<b>491,830</b>
<b>Issued and paid-up</b>					
At 1 January					
- ordinary shares	1	472,601	472,601	472,224	472,224
Reduction of shares	1	(14,000)	(14,000)	(8,170)	(8,170)
Issue of new shares	1	21,894	21,894	8,547	8,547
<b>At 31 December</b>					
- ordinary shares	1	<b>480,495</b>	<b>480,495</b>	<b>472,601</b>	<b>472,601</b>

# KCE Electronics Public Company Limited and its subsidiaries

## Notes to the financial statements

### *Reduction of the Company's authorised share capital*

On 29 April 2013, the Company's shareholders at the Annual General Meeting approved the reduction of the Company's authorised share capital in the amount of Baht 14,975,731 from the current authorised share capital of Baht 491,829,500 to Baht 476,853,769 by cancelling 14,975,731 unissued ordinary shares with Baht 1 par value per share.

The Company registered the reduction of its authorised share capital with the Ministry of Commerce on 8 May 2013.

### *Increasing of registered capital*

On 29 April 2013, the Company's shareholders at the Annual General Meeting approved the increase of the Company's authorised share capital in the amount of Baht 115,567,813 from the authorised share capital of Baht 476,853,769 to Baht 592,421,582 by issuing 115,567,813 new ordinary shares at Baht 1 par value per share.

The Company registered the increase of the authorised share capital with the Ministry of Commerce on 10 May 2013.

During the second quarter of 2013, the Company reduced its authorised and issued and paid-up share capital by way of writing off all 14,000,000 repurchased shares as described in Note 21.

### *The allocation of new ordinary shares*

On 29 April 2013, the Company's shareholders at the Annual General Meeting approved the allocation of not exceeding 115,567,813 new ordinary shares at Baht 1 par value per share as follows:

1. not exceeding 115,248,942 shares to accommodate the exercise of warrants (KCE-W2) to be allocated to its existing shareholders in proportion to their shareholdings (Rights Offering);
2. not exceeding 81,520 shares to accommodate the adjustment of rights of warrants to Purchase Ordinary Shares of the Company (ESOP-W3) allocated to directors and employees of the Company and/or its subsidiaries ("ESOP Warrants-W3").
3. not exceeding 237,351 shares to accommodate the adjustment of rights of warrants to Purchase Ordinary Shares of the Company (ESOP-W4) allocated to directors and employees of the Company and/or its subsidiaries ("ESOP Warrants-W4").

## **21 Treasury shares**

As at 31 December 2013 and 2012, details of treasury shares are as follows:

	<b>Consolidated/ separate financial statements</b>	
	<b>2013</b>	<b>2012</b>
Cost of treasury shares (Thousand Baht)	-	105,582
Number of treasury shares (Thousand shares)	-	14,000
Average price per share (Baht)	-	7.54
Percentage of treasury shares to the Company's shares in issue	-	2.96

## **KCE Electronics Public Company Limited and its subsidiaries**

### **Notes to the financial statements**

On 20 July 2010, the meeting of the Board of Directors of the Company No. 7/2010 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% 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 the first quarter of 2012, the Company reduced its authorised and issued and 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. 7/2010. This resulted in a decrease in its authorised and issued and paid-up share capital from authorised share capital of 500 million ordinary shares (Baht 1 each) and issued and paid-up share capital of 472,224,269 ordinary shares (Baht 1 each) to authorised share capital of 491,829,500 ordinary shares (Baht 1 each) and issued and paid-up share capital of 464,053,769 ordinary shares (Baht 1 each). The Company registered the reduction of its registered share capital with the Ministry of Commerce on 15 February 2012.

On 22 May 2012, the meeting of the Board of Directors of the Company No. 6/2012 passed the resolutions approving the Company's share repurchase program for financial management, with value not exceeding Baht 280 million, and not exceeding the Company's retained earnings. The number of shares repurchased will be 46.4 million shares at the par value of Baht 1 each, or equal to 10.00% of the total paid-up share capital. The repurchase period will be from 11 June 2012 to 10 December 2012. The period for the resale of shares bought back will be considered by the Board of Directors after 6 months from the completion date of share repurchase program and not later than 3 years from the time. Any shares bought back are to be resold on the Stock Exchange of Thailand. 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 take into account the prevailing market price at the time of sale.

During the year ended 31 December 2012, the Company repurchased 14 million ordinary shares with total cost of Baht 105.58 million and set aside Baht 105.58 million of its retained earnings as reserve for treasury shares. As at 31 December 2012, total shares repurchased by the Company were 14 million ordinary shares with total cost of Baht 105.58 million and reserve for treasury shares amounted to Baht 105.58 million.

During the second quarter of 2013, the Company reduced its authorised and issued and paid-up share capital by way of writing off all 14,000,000 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. 6/2556 on 18 June 2013. This resulted in a decrease in its authorised and issued and paid-up share capital from authorised share capital of 592,421,582 ordinary shares (Baht 1 each) and issued and paid-up share capital of 474,995,769 ordinary shares (Baht 1 each) to authorised share capital of 578,421,582 ordinary shares (Baht 1 each) and issued and paid-up share capital of 460,995,769 ordinary shares (Baht 1 each). The Company registered the reduction of its registered share capital with the Ministry of Commerce on 27 June 2013.

# KCE Electronics Public Company Limited and its subsidiaries

## Notes to the financial statements

### 22 Share warrants

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. As at 31 December 2013, all these warrants had been exercised and cancelled.

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 granted the said warrants to the directors and employees of the Company and/or its subsidiaries on 12 March 2012, which is the date of notification of conditions and arrangements in exercising the warrants to the directors and employees. The first exercise period is 1 to 10 June 2012 and the final exercise date is 10 March 2017.

As the Thai Financial Reporting Standards 2 (TFRS2): Share-based Payment was effective for the share-based payment awards granted on or after 1 January 2011. Therefore, according to TFRS2, ESOP-W4 has to be measured by using the fair value of the warrants on the grant date.

#### *Measurement of fair value*

The fair value of the warrants granted "ESOP-W4" was measured based on Binomial option pricing model. Expected volatility is estimated by considering historic average share price volatility during the period 13 March 2007 to 12 March 2012.

The inputs used in the measurement of the fair values at grant date of warrants "ESOP-W4" were as follows:

Fair value at grant date	Baht	1.238
Share price at grant date	Baht	5.15
Exercise price	Baht	7.81
Expected volatility (%)		45.62
Expected dividends (%)		2.67
Risk-free interest rate (%)		3.42
Termination rate (%)		0.26

The expense recognised from share-based payment transaction for the year ended 31 December 2012 was Baht 12.4 million for the consolidated financial statements and Baht 6.1 million for the separate financial statements.

On 29 April 2013, the Annual General Meeting of the Company's shareholders passed a resolution approving the adjusted the exercise price and exercise ratio of ESOP-W3 and ESOP-W4 as follows:

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**

ESOP-W3

	<b>Prior to the Adjustment</b>	<b>Following the Adjustment</b>
Exercise Price	6.860	5.904
Exercise Ratio	1 unit : 1 share	1 unit : 1.16199 shares

ESOP-W4

	<b>Prior to the Adjustment</b>	<b>Following the Adjustment</b>
Exercise Price	7.810	6.721
Exercise Ratio	1 unit : 1 share	1 unit : 1.16199 shares

The said adjustment was effective since 7 May 2013 onward. The adjustment resulted to the incremental fair value of ESOP-W4 of Baht 1.4 million.

***Issue and offering of warrants***

On 29 April 2013, the Company's shareholders at the Annual General Meeting approved the issue and offering of warrants to purchase ordinary shares of the Company (KCE-W2) in the amount not exceeding 115,248,942 units to its existing shareholders in proportion to their shareholdings (Rights Offering) at the ratio of 4 ordinary shares to 1 unit of warrant without any charge and at the exercise price of Baht 5 per share.

On 17 June 2013, the Company allocated the Company's warrants (KCE-W2). The warrants are exercisable within 3 years from the issuing date at the exercise price of Baht 5 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, starting from 1 to 10 September 2013 and with a final exercise date at 10 June 2016.

Movements of share warrants ESOP-W3 and ESOP-W4 during the years ended 31 December 2013 and 2012 are summarised below:

	2013		2012	
	Number	Baht	Number	Baht
	<i>(in thousand shares/thousand Baht)</i>			
Warrants issued at 1 January	4,253	4,009	2,800	-
Add: Warrants issued during the period	-	-	10,000	12,380
Incremental fair value	-	1,397	-	-
Less: Exercised during the period	(3,398)	(4,723)	(8,547)	(8,371)
Canceled during period	(475)	-	-	-
Warrants issued at 31 December	<u>380</u>	<u>683</u>	<u>4,253</u>	<u>4,009</u>

In September 2012, the Company received share subscription from ESOP-W3 for 920,000 additional ordinary shares of Baht 6.86 each share and from ESOP-W4 for 4,320,000 additional ordinary shares of Baht 7.81 each share supporting the exercise of the warrants, totaling of Baht 40,050,400. The Company registered the said increase of new shares with the Ministry of Commerce on 26 September 2012.

In December 2012, the Company received share subscription from ESOP-W3 for 865,000 additional ordinary shares of Baht 6.86 each share and from ESOP-W4 for 2,442,000 additional ordinary shares of Baht 7.81 each share supporting the exercise of the warrants, totaling of Baht 25,005,920. The Company registered the said increase of new shares with the Ministry of Commerce on 26 December 2012.

# KCE Electronics Public Company Limited and its subsidiaries

## Notes to the financial statements

In March 2013, the Company received share subscription from ESOP-W3 for 540,000 additional ordinary shares of Baht 6.86 each share and from ESOP-W4 for 1,855,000 additional ordinary shares of Baht 7.81 each share supporting the exercise of the warrants, totaling of Baht 18.2 million. The Company registered the said increase of new shares with the Ministry of Commerce on 22 March 2013.

In June 2013, the Company received share subscription from ESOP-W4 for 530,000 warrants or equivalent to 615,300 additional ordinary shares of Baht 6.721 each share supporting the exercise of the warrants, totaling of Baht 4.1 million. The Company registered the said increase of new shares with the Ministry of Commerce on 5 July 2013.

In December 2013, the Company received share subscription from ESOP-W4 for 473,000 warrants or equivalent to 549,100 additional ordinary shares of Baht 6.721 each share supporting the exercise of the warrants, totaling of Baht 3.7 million. The Company registered the said increase of new shares with the Ministry of Commerce on 19 December 2013.

As at 31 December 2013, share warrants outstanding consists of share warrants of ESOP-W4 project of 380,000 units.

Movements of share warrants KCE-W2 during the year ended 31 December 2013 are summarised below:

	Number (in thousand unit)
Warrants issued at 1 January 2013	-
Add: Warrants issued during the period	115,245
Less: Exercised during the period	(18,335)
Canceled during period	-
Warrants issued at 31 December 2013	<u>96,910</u>

In September 2013, the Company received share subscription from KCE-W2 for 7,659,867 additional ordinary shares of Baht 5.00 each share supporting the exercise of the warrants, totaling of Baht 38.3 million. The Company registered the said increase of new shares with the Ministry of Commerce on 10 September 2013.

In December 2013, the Company received share subscription from KCE-W2 for 10,675,053 additional ordinary shares of Baht 5.00 each share supporting the exercise of the warrants, totaling of Baht 53.4 million. The Company registered the said increase of new shares with the Ministry of Commerce on 19 December 2013.

## 23 Reserves

Reserves comprise:

### *Appropriations of profit and/or retained earnings*

#### **Legal reserve**

Section 116 of the Public Companies Act B.E. 2535 Section 116 requires that a public company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward, to a reserve account ("legal reserve"), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

# **KCE Electronics Public Company Limited and its subsidiaries**

## **Notes to the financial statements**

### **Treasury shares reserve**

The treasury shares reserve represents the amount appropriated from retained earnings equal to the cost of the Company's own shares held by the Group. The treasury shares reserve is not available for dividend distribution.

### ***Other components of equity***

#### **Currency translation differences**

The currency translation differences account within equity comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company's net investment in a foreign operation.

### ***Movements in reserves***

Movements in reserves are shown in the statements of changes in equity.

## **24 Segment information**

The Group has four reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the chief operating decision maker (CODM) reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments.

- Segment 1      Manufacturing and distributing of Prepreg and Laminate.
- Segment 2      Manufacturing and distributing of Printed Circuit Board
- Segment 3      Manufacturing and distributing of Chemical
- Segment 4      Servicing; this segment was sold in November 2012.

None of other segments meets the quantitative thresholds for determining reportable segments in 2013 or 2012.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment operating profit, as included in the internal management reports that are reviewed by the Group's CODM. Segment operating profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

## KCE Electronics Public Company Limited and its subsidiaries

### Notes to the financial statements

The Company and its subsidiaries' operations mainly involve business segments in printed circuit board, prepreg and laminate products with production facilities in Thailand and operate in both local and overseas markets. Financial information of the Company and its subsidiaries by business for the years ended 31 December 2013 and 2012 is as follows:

#### Consolidated financial statements

For the years ended 31 December 2013 and 2012

	Prepreg and		Printed Circuit Board business						Service provider		Chemical		Eliminating entries		Total			
	Laminate business		America		Europe		Asia		Total		business		business		Total			
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012		
	<i>(in thousand Baht)</i>																	
Revenues from external customers	63,555	59,669	1,627,722	948,708	4,784,937	3,778,628	2,607,289	1,577,515	9,019,948	6,304,851	-	57,286	210,392	56,084	-	-	9,293,895	6,477,890
Inter-segment revenues	1,631,053	1,380,668	-	-	-	-	1,068,542	891,883	1,068,542	891,883	-	-	64,620	12,925	(2,764,215)	(2,285,476)	-	-
Total revenues	<u>1,694,608</u>	<u>1,440,337</u>	<u>1,627,722</u>	<u>948,708</u>	<u>4,784,937</u>	<u>3,778,628</u>	<u>3,675,831</u>	<u>2,469,398</u>	<u>10,088,490</u>	<u>7,196,734</u>	<u>-</u>	<u>57,286</u>	<u>275,012</u>	<u>69,009</u>	<u>(2,764,215)</u>	<u>(2,285,476)</u>	<u>9,293,395</u>	<u>6,477,890</u>
Segment operating profit	240,684	196,601							2,106,523	1,007,025	-	11,982	93,547	34,702	10,334	(4,739)	2,451,088	1,245,571
Unallocated profit and expenses:																		
Compensation from insurance claim																	32,602	496,765
Other income																	146,233	230,989
Selling expenses																	(568,970)	(432,746)
Administrative expenses																	(705,542)	(642,371)
Finance cost																	(170,623)	(159,279)
Share of profit (loss) from investments in associates																	13,019	(2,622)
Corporate income tax																	(16,304)	(89,627)
Profit for the period																	<u>1,181,503</u>	<u>646,680</u>

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**

Financial information by business segment for the consolidated statements of financial position as at 31 December 2013 and 2012 are as follows:

	Prepreg and Laminate business		Printed Circuit Board business		Service provider business		Chemical business		Elimination of inter-segment revenues and consolidated transactions		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	<i>(in thousand Baht)</i>											
Property, plant and equipment	309,095	347,099	4,888,399	4,802,994	-	-	122,587	90,417	22,667	(3,472)	5,342,748	5,237,038
Other assets	930,614	824,666	9,314,912	7,668,142	-	-	153,323	112,377	(4,457,355)	(3,569,882)	5,941,494	5,035,303
Total assets	<u>1,239,709</u>	<u>1,171,765</u>	<u>14,203,311</u>	<u>12,471,136</u>	<u>-</u>	<u>-</u>	<u>275,910</u>	<u>202,794</u>	<u>(4,434,688)</u>	<u>(3,573,354)</u>	<u>11,284,242</u>	<u>10,272,341</u>
Total liabilities	<u>439,920</u>	<u>480,115</u>	<u>7,612,110</u>	<u>7,510,712</u>	<u>-</u>	<u>-</u>	<u>97,520</u>	<u>43,722</u>	<u>(975,733)</u>	<u>(844,383)</u>	<u>7,173,817</u>	<u>7,190,166</u>

Transfer prices between business segments are as set out in Note 7 to the financial statements.

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**

***Geographical segments***

Segments 1, 2 and 3 are managed on a worldwide basis but operate manufacturing facilities in Thailand.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

***Major customer***

Revenues from three customers of the Group's printed circuit board business segments represents approximately Baht 4,801 million (2012: Baht 3,259 million) of the Group's total revenues.

**25 Gain on exchange rate and from hedging activities**

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
Included in other income				
- Gain on exchange rate and from hedging activities - net	89,329	159,011	55,835	53,729

**26 Selling expenses**

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
Freight charge	220,446	202,126	110,077	125,620
Commission expense	223,865	155,043	64,225	57,021
Employee benefit expenses	13,298	8,871	3,562	3,420
Others	111,361	66,706	39,677	29,015
<b>Total</b>	<b>568,970</b>	<b>432,746</b>	<b>217,541</b>	<b>215,076</b>

**27 Administrative expenses**

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
Employee benefit expenses	484,758	345,783	171,753	122,554
Factory expenses during shut down period	-	117,391	-	-
Depreciation of property, plant and equipment	25,802	27,095	11,444	11,509
Insurance expense	52,976	43,168	14,577	7,248
Repair and maintenance expenses	26,191	23,431	9,399	8,287
Others	115,815	85,503	58,798	54,319
<b>Total</b>	<b>705,542</b>	<b>642,371</b>	<b>265,971</b>	<b>203,917</b>

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**

**28 Employee benefit expense**

	Note	Consolidated financial statements		Separate financial statements	
		2013	2012	2013	2012
<i>(in million Baht)</i>					
Wages, salaries		1,341,576	978,049	489,170	437,922
Contribution to defined contribution plans		23,614	21,246	7,478	7,199
Defined benefit plans	19	8,023	7,244	3,707	3,487
Bonus		222,465	281,049	97,695	57,487
<b>Total</b>		<b><u>1,595,678</u></b>	<b><u>1,287,588</u></b>	<b><u>598,050</u></b>	<b><u>506,095</u></b>

*Defined benefit plans*

Details of the defined benefit plans are given in note 19.

*Defined contribution plans*

The defined contribution plans comprise provident funds established by the Group for its employees. Membership to the funds is on a voluntary basis. Contributions are made monthly by the employees at rates ranging from 4% to 8% of their basic salaries and by the Group at rates ranging from 4% to 8% of the employees' basic salaries. The provident funds are registered with the Ministry of Finance as juristic entities and are managed by a licensed Fund Manager.

**29 Expenses by nature**

The statements of income include an analysis of expenses by function. Expenses by nature disclosed in accordance with the requirements of various TFRS were as follows:

	Note	Consolidated financial statements		Separate financial statements	
		2013	2012	2013	2012
<i>(in thousand Baht)</i>					
Raw materials and consumables used		3,619,603	3,014,949	2,090,516	1,969,587
Employee benefit expenses	28	1,595,678	1,287,588	598,050	506,095
Utility expenses		610,394	488,070	194,846	173,768
Depreciation of property, plant and equipment	13	516,680	477,401	132,292	153,663
Freight charge	26	220,446	202,126	110,077	125,620
Repair and maintenance expenses		226,492	171,545	83,314	79,142
Commission expense	26	223,865	155,043	64,225	57,021
Others		1,104,161	510,714	221,784	222,558
<b>Total cost of sales of goods, selling expenses and administrative expenses</b>		<b><u>8,117,319</u></b>	<b><u>6,307,436</u></b>	<b><u>3,495,104</u></b>	<b><u>3,287,454</u></b>

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**

**30 Finance costs**

	<i>Note</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
		2013	2012	2013	2012
		<i>(in thousand Baht)</i>			
Interest expenses to banks		177,852	171,838	51,491	51,619
Less: amounts included in the cost of qualifying assets:					
- Machinery and equipment	13	(7,229)	(12,559)	-	-
<b>Net</b>		<b>170,623</b>	<b>159,279</b>	<b>51,491</b>	<b>51,619</b>

**31 Income tax expense**

*Income tax recognised in profit or loss*

<i>For the years ended</i> <i>31 December</i>	<i>Note</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
		2013	2012	2013	2012
		<i>(in thousand Baht)</i>			
<b>Current tax expense</b>					
Current year		44,666	19,511	2,095	-
Adjustment for prior years		(33)	292	-	-
		<b>44,663</b>	<b>19,803</b>	<b>2,095</b>	<b>-</b>
<b>Deferred tax expense</b>					
Movements in temporary differences		(28,329)	67,963	28,292	63,746
Income tax reduction - deferred		-	1,861	-	1,256
	16	<b>(28,329)</b>	<b>69,824</b>	<b>28,292</b>	<b>65,002</b>
<b>Total</b>		<b>16,304</b>	<b>89,627</b>	<b>30,387</b>	<b>65,002</b>

*Reconciliation of effective tax rate*

<i>For the years ended</i> <i>31 December</i>	<b>Consolidated financial statements</b>			
		2013		2012
	<i>Rate (%)</i>	<i>(in thousand Baht)</i>	<i>Rate (%)</i>	<i>(in thousand Baht)</i>
Profit before income tax expense		1,197,807		736,307
Income tax using the Thai corporation tax rate	20	239,561	23	169,351
Income tax reduction - deferred	-	-	-	1,861
Income not subject to tax	(19)	(221,712)	(3)	(20,808)
Expenses not deductible for tax purposes and additional reduction transactions	-	1,333	(9)	(69,160)
Current year losses for which no deferred tax asset was recognised	3	30,240	2	12,265
Recognition of previously unrecognised tax losses	(3)	(30,800)	-	-
Others	-	(2,318)	(1)	(3,882)
<b>Total</b>	<b>1</b>	<b>16,304</b>	<b>12</b>	<b>89,627</b>

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**

<i>For the years ended</i> <i>31 December</i>	<b>Separate financial statements</b>			
		2013		2012
	<i>Rate</i> <i>(%)</i>	<i>(in thousand</i> <i>Baht)</i>	<i>Rate</i> <i>(%)</i>	<i>(in thousand</i> <i>Baht)</i>
Profit before income tax expense		480,195		322,189
Income tax using the Thai corporation tax rate	20	96,039	23	74,103
Income tax reduction - deferred	-	-	-	1,256
Income not subject to tax	(15)	(69,339)	(5)	(16,518)
Expenses not deductible for tax purposes and additional reduction transactions	-	1,001	1	3,490
Others	1	2,686	1	2,671
<b>Total</b>	<b>6</b>	<b>30,387</b>	<b>20</b>	<b>65,002</b>

*Income tax recognised in other comprehensive income*

	<b>Consolidated financial statements</b>					
	2013			2012		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
	<i>(in thousand Baht)</i>					
Defined benefit plan actuarial gains (losses)	(3,288)	658	(2,630)	-	-	-
<b>Total</b>	<b>(3,288)</b>	<b>658</b>	<b>(2,630)</b>	<b>-</b>	<b>-</b>	<b>-</b>

	<b>Separate financial statements</b>					
	2013			2012		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
	<i>(in thousand Baht)</i>					
Defined benefit plan actuarial gains (losses)	6,027	(1,205)	4,822	-	-	-
<b>Total</b>	<b>6,027</b>	<b>(1,205)</b>	<b>4,822</b>	<b>-</b>	<b>-</b>	<b>-</b>

*Income tax reduction*

Royal Decree No. 530 B.E. 2554 dated 21 December 2011 grants a reduction in the corporate income tax rate for the three accounting periods 2012, 2013 and 2014; from 30% to 23% for the accounting period 2012 which begins on or after 1 January 2012 and to 20% for the following two accounting periods 2013 and 2014 which begin on or after 1 January 2013 and 2014, respectively.

It is understood that the Government will proceed to amend the law in order to maintain the corporate income tax rate at not higher than 20% for the accounting period 2015 which begins on or after 1 January 2015 and onwards in order to give full effect to the Cabinet resolution dated 11 October 2011 to increase Thailand's tax competitiveness.

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**

**32 Promotional privileges**

The Group 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.			Chemtronic Technology (Thailand) Co., Ltd
	9026(2)/2556	- *	1278(2)/2548	1099/2544	1249(1)/2545	1664(2)/2547	1176(2)/2550	1160(2)/2551	1378/2543	1598(2)/2547	2432(2)/2555	1987(2)/2550
1. Certificate No.	9026(2)/2556	- *	1278(2)/2548	1099/2544	1249(1)/2545	1664(2)/2547	1176(2)/2550	1160(2)/2551	1378/2543	1598(2)/2547	2432(2)/2555	1987(2)/2550
2. Promotional privileges for	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	Manufacturing of Printed Circuit Board	Manufacturing of Copper Sulfate
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	8 years	3 years (Expired)	3 years (Expired)	3 years (Expired)	3 years (Expired)	5 years (Expired)	5 years	7 years (Expired)	7 years (Expired)	8 years	8 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.	Not granted	Not granted	Not granted	Granted (Expired)	Not granted	Not granted	Not granted	Not granted	Granted	Not granted	Not granted	Not granted
3.3 Exemption from import duty on machinery as approved by the board	Granted	Granted	Granted	Granted (Expired)	Granted (Expired)	Granted (Expired)	Granted	Granted	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.	Not granted	Not granted	Not granted	Not granted	Not granted	Not granted	Not granted	Not granted	Granted (Expired)	Granted (Expired)	Not granted	Not granted
4. Date of first earning operating income	11 July 2013	Not yet operated	1 September 2006	3 November 2000	1 September 2003	7 July 2004	2 May 2007	22 December 2009	25 June 2001	1 November 2004	21 August 2012	19 April 2007

(\* ) granted on 9 August 2013 and begin in process of BOI certificate issuance.

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**

As promoted companies, the Group must comply with certain terms and conditions prescribed in the promotional certificates.

Summary of revenue from promoted and non-promoted businesses:

	<b>Separate financial statements</b>					
	2013			2012		
	Promoted businesses	Non- promoted businesses	Total	Promoted businesses	Non- promoted businesses	Total
	<i>(in thousand Baht)</i>					
Export sales	1,632,448	1,984,335	3,616,783	-	3,269,416	3,269,416
Local sales	11,843	186,198	198,041	-	223,713	223,713
<b>Total Revenue</b>	<b><u>1,644,291</u></b>	<b><u>2,170,533</u></b>	<b><u>3,814,824</u></b>	<b><u>-</u></b>	<b><u>3,493,129</u></b>	<b><u>3,493,129</u></b>

**33 Earnings per share**

*Basic earnings per share*

The calculations of basic earnings per share for the years ended 31 December 2013 and 2012 were based on the profit for the years attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding during the periods as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2013	2012	2013	2012
	<i>(thousand Baht/ thousand shares)</i>			
<b>Profit attributable to ordinary shareholders of the Company (basic)</b>	<b><u>1,173,504</u></b>	<b><u>643,274</u></b>	<b><u>449,808</u></b>	<b><u>257,187</u></b>
Number of ordinary shares outstanding at 1 January	472,601	472,224	472,601	472,224
<i>Less</i> Treasury shares/ Reduction of shares	<u>(14,000)</u>	<u>(8,170)</u>	<u>(14,000)</u>	<u>(8,170)</u>
Number of ordinary shares outstanding net of treasury shares/ reduction of shares	458,601	464,054	458,601	464,054
Effect from treasury shares repurchases during the year	-	(5,112)	-	(5,112)
Effect from ordinary shares issued during the year	<u>4,945</u>	<u>1,497</u>	<u>4,945</u>	<u>1,497</u>
<b>Weighted average number of ordinary shares outstanding (basic)</b>	<b><u>463,546</u></b>	<b><u>460,439</u></b>	<b><u>463,546</u></b>	<b><u>460,439</u></b>
<b>Earnings per share (basic) (in Baht)</b>	<b><u>2.53</u></b>	<b><u>1.40</u></b>	<b><u>0.97</u></b>	<b><u>0.56</u></b>

**KCE Electronics Public Company Limited and its subsidiaries**  
**Notes to the financial statements**

*Diluted earnings per share*

The calculations of diluted earnings per share for the years ended 31 December 2013 and 2012 were based on the profit for the years attributable to ordinary holders of the Company and the weighted average number of ordinary shares outstanding during the periods after adjusting for the effects of all diluted potential ordinary shares as follows:

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
	<i>(thousand Baht/ thousand shares)</i>			
<b>Profit attributable to ordinary shareholders of the Company</b>	<b>1,173,504</b>	<b>643,274</b>	<b>449,808</b>	<b>257,187</b>
Weighted average number of ordinary shares outstanding (basic)	463,546	460,439	463,546	460,439
Effect of share warrants	41,927	64	41,927	64
<b>Weighted average number of ordinary shares outstanding (diluted)</b>	<b>505,473</b>	<b>460,503</b>	<b>505,473</b>	<b>460,503</b>
<b>Earnings per share (diluted) (in Baht)</b>	<b>2.32</b>	<b>1.40</b>	<b>0.89</b>	<b>0.56</b>

**34 Dividends**

On 27 April 2012, the Annual General Meeting of the Company's shareholders approved the payment of dividend in respect of the Company's operating results for the period from 1 July 2011 to 31 December 2011 at Baht 0.10 per share to the ordinary shareholders, totaling approximately Baht 46.4 million. The Company paid the dividend on 10 May 2012.

On 7 August 2012, the meeting of the Board of Directors of the Company approved the payment of interim dividend in respect of the Company's operating results for the period from 1 January 2012 to 30 June 2012 at Baht 0.20 per share to the ordinary shareholders, totaling approximately Baht 90.8 million. The Company paid the interim dividend on 7 September 2012.

On 29 April 2013, the Annual General Meeting of the Company's shareholders approved the payment of dividend in respect of the Company's operating results for the period from 1 July 2012 to 31 December 2012 at Baht 0.35 per share to the ordinary shareholders, totaling approximately Baht 161.3 million. The Company paid the dividend on 15 May 2013.

On 8 August 2013, the meeting of the Board of Directors of the Company approved the payment of interim dividend in respect of the Company's operating results for the period from 1 January 2013 to 30 June 2013 at Baht 0.25 per share to the ordinary shareholders, totaling approximately Baht 115.4 million. The Company paid the interim dividend on 6 September 2013.

**35 Financial instruments**

*Financial risk management policies*

The Group is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Group does not hold or issue derivative financial instruments for speculative or trading purposes.

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Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

***Capital management***

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity, excluding non-controlling interests and also monitors the level of dividends to ordinary shareholders.

***Interest rate risk***

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Group's operations and its cash flows because financial assets and liabilities interest rates are mainly adjust in accordance to market rate or are fixed which is close to current market rate.

The effective interest rates of financial assets as at 31 December and the periods in which those assets mature were as follows:

		<b>Consolidated financial statements</b>				
		Effective interest rate (% per annum)	Within 1 year	After 1 year but within 5 years	After 5 years	Total
		<i>(in million Baht)</i>				
<b>2013</b>						
<b>Current</b>						
	Cash and cash equivalents	0.10 - 2.70	402	-	-	402
	<b>Total</b>		<b>402</b>	<b>-</b>	<b>-</b>	<b>402</b>
<b>2012</b>						
<b>Current</b>						
	Cash and cash equivalents	0.10 - 2.50	397	-	-	397
	<b>Total</b>		<b>397</b>	<b>-</b>	<b>-</b>	<b>397</b>
		<b>Separate financial statements</b>				
		Effective interest rate (% per annum)	Within 1 year	After 1 year but within 5 years	After 5 years	Total
		<i>(in million Baht)</i>				
<b>2013</b>						
<b>Current</b>						
	Cash and cash equivalents	0.10 - 0.75	174	-	-	174
	<b>Total</b>		<b>174</b>	<b>-</b>	<b>-</b>	<b>174</b>
<b>2012</b>						
<b>Current</b>						
	Cash and cash equivalents	0.10 - 0.75	95	-	-	95
	<b>Total</b>		<b>95</b>	<b>-</b>	<b>-</b>	<b>95</b>

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The effective interest rates of interest-bearing financial liabilities as at 31 December and the periods in which those liabilities mature or re-price were as follows:

	Effective interest rate (% per annum)	Consolidated financial statements			Total
		Within 1 year	After 1 year but within 5 years (in million Baht)	After 5 years	
<b>2013</b>					
Bank overdrafts and short-term loans from financial institutions	1.15 – 5.25	3,220	-	-	3,220
Liabilities under hire-purchase and finance lease liabilities	1.88 – 5.63	6	4	-	10
Long-term loans	2.00 – 5.63	843	779	-	1,622
<b>Total</b>		<b>4,069</b>	<b>783</b>	<b>-</b>	<b>4,852</b>
<b>2012</b>					
Bank overdrafts and short-term loans from financial institutions	1.20 – 7.90	2,812	-	-	2,812
Liabilities under hire-purchase and finance lease liabilities	1.88 – 7.92	20	9	-	29
Long-term loans	2.25 – 5.64	1,373	1,317	-	2,690
<b>Total</b>		<b>4,205</b>	<b>1,326</b>	<b>-</b>	<b>5,531</b>
	Effective interest rate (% per annum)	Separate financial statements			Total
		Within 1 year	After 1 year but within 5 years (in million Baht)	After 5 years	
<b>2013</b>					
Bank overdrafts and short-term loans from financial institutions	1.15 – 3.10	899	-	-	899
Liabilities under hire-purchase and finance lease liabilities	4.28 – 5.12	3	2	-	5
Long-term loans	2.00 – 4.36	282	366	-	648
<b>Total</b>		<b>1,184</b>	<b>368</b>	<b>-</b>	<b>1,552</b>
<b>2012</b>					
Bank overdrafts and short-term loans from financial institutions	1.20 – 7.65	710	-	-	710
Liabilities under hire-purchase and finance lease liabilities	3.77 – 5.12	15	5	-	20
Long-term loans	2.25 – 5.64	302	613	-	915
<b>Total</b>		<b>1,027</b>	<b>618</b>	<b>-</b>	<b>1,645</b>

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***Foreign currency risk***

The Group is exposed to foreign currency risk relating to purchases and sales which are denominated in foreign currencies. The Group primarily utilizes forward exchange contracts with maturities of less than one year to hedge such financial assets and liabilities denominated in foreign currencies. The forward exchange contracts entered into at the reporting date also relate to anticipated purchases and sales, denominated in foreign currencies, for the subsequent period.

At 31 December 2013 and 2012, the Group and the Company were exposed to foreign currency risk in respect of financial assets and liabilities denominated in the following currencies:

Currency	Consolidated financial statements		Separate financial statements		Exchange rate as at 31 December 2013	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Buying rate	Selling rate
	<i>(Thousand Unit)</i>				<i>(Baht per unit of foreign currency)</i>	
US dollar	79,576	100,084	28,821	34,939	32.5795	32.9494
Euro	10,255	1,792	7,534	263	44.5980	45.3223
Pound sterling	387	-	387	-	53.4064	54.2572
Japanese yen	-	35,219	-	5,111	0.3092	0.3159
SG dollar	-	45	-	34	25.5670	26.1167
Swiss franc dollar	-	4	-	-	36.3018	36.9930
HK dollar	-	8	-	8	4.1877	4.2587

Currency	Consolidated financial statements		Separate financial statements		Exchange rate as at 31 December 2012	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Buying rate	Selling rate
	<i>(Thousand Unit)</i>				<i>(Baht per unit of foreign currency)</i>	
US dollar	50,839	138,032	20,801	45,062	30.3873	30.7775
Euro	8,891	1,990	8,038	836	40.1344	40.8603
Pound sterling	260	2	260	-	48.8331	49.7030
Japanese yen	-	199,936	-	2,019	0.3500	0.3580
SG dollar	-	73	-	53	24.6996	25.2835
Swiss franc dollar	-	13	-	6	33.1686	33.8519
HK dollar	-	5	-	5	3.9043	3.9813

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**Forward exchange contracts**

As at 31 December 2013 and 2012, the Group had outstanding forward exchange contracts as follows:

<b>Consolidated financial statements</b>			
Currency	Amount (Thousand)	Maturity date	Contract exchange rate (Per unit of foreign currency)
<b>2013</b>			
Buying contract			
US dollar	13	13 June 2014 – 18 June 2014	32.3320 - 32.3399 Baht
US dollar	1,380	26 April 2014	0.7280 Euro
Selling contract			
US dollar	16,296	2 January 2014 - 26 June 2014	31.4200 - 32.9725 Baht
Euro	1,686	27 January 2014 - 17 June 2014	42.0900 - 42.9300 Baht
<b>2012</b>			
Buying contract			
US dollar	2,970	2 January 2013 – 19 April 2013	30.6220 - 31.8550 Baht
Euro	296	27 March 2013 - 17 June 2013	40.4004 - 40.6140 Baht
Selling contract			
US dollar	5,383	26 February 2013 - 2 July 2013	30.1000 - 30.9450 Baht
Euro	3,200	2 April 2013 - 7 June 2013	40.2400 - 40.6200 Baht

**Separate financial statements**

Currency	Amount (Thousand)	Maturity date	Contract exchange rate (Per unit of foreign currency)
<b>2013</b>			
Buying contract			
US dollar	1,380	26 April 2014	0.7280 Euro
Selling contract			
US dollar	2,812	2 January 2014 - 22 May 2014	31.4200 - 32.0100 Baht
Euro	1,200	10 February 2014 - 11 June 2014	42.0900 - 44.3500 Baht
<b>2012</b>			
Selling contract			
US dollar	1,383	18 June 2013 - 2 July 2013	30.1000 - 30.9450 Baht
Euro	3,200	2 April 2013 - 7 June 2013	40.2400 - 40.6200 Baht

# KCE Electronics Public Company Limited and its subsidiaries

## Notes to the financial statements

### Currency call option agreements

As at 31 December 2012, the Company had outstanding call option agreements as follows:

	Currency	Bought amount (Thousand)	Strike rate (Baht per unit of foreign currency)	Delivery date
Call option	US dollar	10,000	31.70	7 January 2013

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 2012, fair value of currency call option agreements was Baht 0.09 million.

As at 31 December 2013, the Company has no outstanding currency call option agreements.

### Cross currency and interest rate swap

The Company had a cross currency and interest rate swap agreement with a local financial institution 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% per annum to US fixed interest rate of 3.47% per annum. As at 31 December 2013, the Company had no outstanding balance of this cross currency and interest rate swap agreement.

Thai Laminate Manufacturer Co., Ltd, a subsidiary company, had an interest rate swap agreement with a local financial institution 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% per annum. As at 31 December 2013, the outstanding balance of such agreement was USD 1.5 million (2012: the outstanding balance was USD 6.0 million).

### Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group as and when the fall due.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. However, due to the large number of parties comprising the Group's customer base, Management does not anticipate material losses from its debt collection.

### Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

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*Determination of fair values*

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values have been determined for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Most of financial assets and liabilities of the Group were short-term. The fair value of financial assets and liabilities is taken to approximate the carrying value as determined in the statement of financial position.

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price at the reporting date for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

**36 Commitments**

*Commitments*

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2013	2012	2013	2012
	<i>(in thousand Baht)</i>			
<i>Capital commitments</i>				
Contracted but not provided				
Buildings and other constructions	737,316	-	737,316	-
Unrecognised purchase orders for machinery and equipment	406,714	166,067	292,834	21,277
<b>Total</b>	<b><u>1,144,030</u></b>	<b><u>166,067</u></b>	<b><u>1,030,150</u></b>	<b><u>21,277</u></b>
<i>Non-cancellable operating lease and long-term service commitments</i>				
Within one year	38,486	39,508	1,871	17,405
After one year but within five years	25,648	2,007	2,766	336
<b>Total</b>	<b><u>64,134</u></b>	<b><u>41,515</u></b>	<b><u>4,637</u></b>	<b><u>17,741</u></b>

As at 31 December 2013 and 2012, the Group has forward exchange contracts, currency call option agreements and cross currency and interest rate swap as stated in Note 35.

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**Guarantees**

As at 31 December 2013 and 2012, the Company and its subsidiaries had contingent liabilities in respect of cross guarantees of loans and other credit facilities as follows:

Guarantee company	Guarantor			
	KCE Electronics Plc. 2013	KCE Electronics Plc. 2012	K.C.E. International Co., Ltd. 2013	K.C.E. International Co., Ltd. 2012
	<i>(in thousand Baht)</i>			
KCE Electronics Plc.				
- Baht	-	-	62	115
K.C.E. International Co., Ltd.				
- Baht	115	119	-	-
- US dollar	2	3	-	-
KCE Technology Co., Ltd.				
- Baht	2,097	2,350	-	-
- US dollar	27	42	-	-

As at 31 December 2013, the Company and its subsidiaries had contingent liabilities in respect of bank guarantees issued on their behalf amounting to Baht 73 million (the Company only: Baht 31 million) (2012: Consolidated financial statement: Baht 44 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 electricity payment.

**37 Thai Financial Reporting Standards (TFRS) not yet adopted**

The Group has not adopted the following new and revised TFRS that have been issued as of the reporting date but are not yet effective. Those new and revised TFRS that are applicable to the Group's operations, which become effective for annual financial periods beginning on or after 1 January in the year indicated in the following table, are as follows:

<b>TFRS</b>	<b>Topic</b>	<b>Year effective</b>
TAS 1 (revised 2012)	Presentation of financial statements	2014
TAS 7 (revised 2012)	Statement of Cash Flows	2014
TAS 12 (revised 2012)	Income Taxes	2014
TAS 17 (revised 2012)	Leases	2014
TAS 18 (revised 2012)	Revenue Recognition	2014
TAS 19 (revised 2012)	Employee Benefits	2014
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates	2014
TAS 24 (revised 2012)	Related Party Disclosures	2014
TAS 28 (revised 2012)	Investments in Associates	2014
TAS 34 (revised 2012)	Interim Financial Reports	2014
TAS 36 (revised 2012)	Impairment of Assets	2014
TAS 38 (revised 2012)	Intangible Assets	2014
TFRS 2 (revised 2012)	Share-based Payment	2014
TFRS 3 (revised 2012)	Business Combinations	2014
TFRS 8 (revised 2012)	Operating Segments	2014
TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	2014
TFRIC 4	Determining whether an Arrangement contains a Lease	2014
TFRIC 10	Interim Financial Reporting and Impairment	2014
TIC 15	Operating Leases-Incentives	2014

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<b>TFRS</b>	<b>Topic</b>	<b>Year effective</b>
TIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	2014
TIC 32	Intangible Assets-Web Site Costs	2014

Management expects to adopt and apply these new TFRS in accordance with the FAP's announcement and has made a preliminary assessment of the potential initial impact on the consolidated and separate financial statements of those new standards assessed to have the greatest potential impact on the financial statements in the period of initial application.

**38 Reclassification of accounts**

Certain accounts in the statement of financial position as at 31 December 2012 have been reclassified to conform to the presentation in the 2013 financial statements as follows:

	<b>2012</b>					
	<b>Consolidated</b>			<b>Separate</b>		
	<b>financial statements</b>			<b>financial statements</b>		
	Before Reclassi- fication	Reclassi- fication	After Reclassi- fication	Before Reclassi- fication	Reclassi- fication	After Reclassi- fication
	<i>(in thousand Baht)</i>					
<b>Statement of financial position</b>						
Trade and other receivable	2,214,827	(215,419)	1,999,408	-	-	-
Insurance claim receivable	762,223	<u>215,419</u>	977,642	-	<u>-</u>	-
		<u>-</u>			<u>-</u>	

The reclassifications have been made because, in the opinion of management, the new classification is more appropriate to the Group's business.