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Independent Auditor's Report

To the Shareholders of SRF Industries (Thailand) Limited

I have audited the accompanying financial statements of SRF Industries (Thailand) Limited which comprise the statement of financial position as at 31 March 2014, and the related statements of income and changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards applicable to non-publicly accountable entities, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

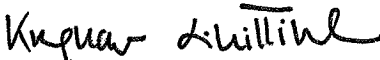
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Basis for Qualified Opinion

During the year 2013, fire damaged certain parts of the Company's plant and there was an accident during the transportation of the Company's machinery. The Company recorded damage from these two incidents totaling approximately Baht 84.6 million in the income statement. The Company has already submitted claims for compensation to the relevant insurance companies, who have received reports from independent loss assessors but are still considering the amount of the settlements. However, the Company is confident that it will receive settlement of its claims from the insurance companies based on the reports of the independent loss assessors. The Company recorded compensation receivables of Baht 96.2 million in its accounts. Moreover, the amount of this receivable net of the damage previously recorded, amounting to Baht 11.6 million, was recorded as gain from compensation for damage in the income statement. However, the recording of such compensation receivable in the accounts at this stage is contrary to Thai Financial Reporting Standards applicable to non-publicly accountable entities.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of SRF Industries (Thailand) Limited as at 31 March 2014, and its financial performance for the year then ended in accordance with Thai Financial Reporting Standards applicable to non-publicly accountable entities.



Krongkaew Limkittikul

Certified Public Accountant (Thailand) No. 5874

EY Office Limited

(Formerly known as Ernst & Young Office Limited)

Bangkok: 24 April 2014

SRF Industries (Thailand) Limited**Statement of financial position****As at 31 March 2014**

		(Unit: Baht)	
	<u>Note</u>	<u>2014</u>	<u>2013</u>
Assets			
Current assets			
Cash and cash equivalents	6	35,694,184	213,396,252
Trade receivables	7	577,372,463	210,775,440
Inventories	8	343,247,707	177,841,280
Input tax refundable		11,862,270	22,891,116
Compensation receivables	2	96,197,493	-
Other current assets		15,412,947	8,321,023
Total current assets		<u>1,079,787,064</u>	<u>633,225,111</u>
Non-current assets			
Property, plant and equipment	9	2,676,807,655	2,511,409,413
Other non-current assets		4,479,715	4,250,723
Total non-current assets		<u>2,681,287,370</u>	<u>2,515,660,136</u>
Total assets		<u>3,761,074,434</u>	<u>3,148,885,247</u>

The accompanying notes are an integral part of the financial statements.

SRF Industries (Thailand) Limited
Statement of financial position (continued)
As at 31 March 2014

		(Unit: Baht)	
	<u>Note</u>	<u>2014</u>	<u>2013</u>
Liabilities and shareholders' equity			
Current liabilities			
Bank overdrafts and short-term loans from financial institutions	10	40,504,389	1,702,999
Trade and other payables	11	948,997,192	530,100,445
Current portion of long-term loans from financial institution	12	-	55,300,000
Short-term loans from other company	13	10,939,211	-
Other current liabilities		10,582,084	5,234,288
Total current liabilities		<u>1,011,022,876</u>	<u>592,337,732</u>
Non-current liabilities			
Long-term loans from financial institutions - net of current portion	12	1,449,498,200	1,042,033,864
Long-term loan from parent company	14	898,548,095	768,007,248
Provisions for long-term employee benefits	15	21,015,063	16,204,653
Total non-current liabilities		<u>2,369,061,358</u>	<u>1,826,245,765</u>
Total liabilities		<u>3,380,084,234</u>	<u>2,418,583,497</u>

The accompanying notes are an integral part of the financial statements.

SRF Industries (Thailand) Limited
Statement of financial position (continued)
As at 31 March 2014

	(Unit: Baht)	
	<u>2014</u>	<u>2013</u>
Shareholders' equity		
Share capital		
Registered		
1,000,003 ordinary shares of Baht 100 each	<u>100,000,300</u>	<u>100,000,300</u>
Issued and fully paid up		
1,000,003 ordinary shares of Baht 100 each	100,000,300	100,000,300
Retained earnings - unappropriated	<u>280,989,900</u>	<u>630,301,450</u>
Total shareholders' equity	<u>380,990,200</u>	<u>730,301,750</u>
Total liabilities and shareholders' equity	<u>3,761,074,434</u>	<u>3,148,885,247</u>

The accompanying notes are an integral part of the financial statements.

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Directors

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SRF Industries (Thailand) Limited**Income statement****For the year ended 31 March 2014**

(Unit: Baht)

	<u>Note</u>	<u>2014</u>	<u>2013</u>
Revenues			
Sales		2,540,177,658	1,966,431,148
Other income			
Exchange gain		-	85,623,445
Gain from compensation for damage	2	11,622,988	-
Others		45,622,547	22,250,714
Total revenues		<u>2,597,423,193</u>	<u>2,074,305,307</u>
Expenses			
Cost of sales		2,496,403,169	1,804,839,172
Selling expenses		71,589,854	34,860,824
Administrative expenses		108,171,492	77,776,406
Exchange loss		191,329,278	-
Total expenses		<u>2,867,493,793</u>	<u>1,917,476,402</u>
Profit before finance cost		(270,070,600)	156,828,905
Finance cost		(79,240,950)	(39,164,768)
Net profit (loss) for the year	17	<u>(349,311,550)</u>	<u>117,664,137</u>

The accompanying notes are an integral part of the financial statements.

SRF Industries (Thailand) Limited
Statement of changes in shareholders' equity
For the year ended 31 March 2014

(Unit: Baht)

	Issued and fully paid up share capital	Retained earnings - unappropriated	Total
Balance as at 1 April 2012	100,000,300	512,637,313	612,637,613
Net profit for the year	-	117,664,137	117,664,137
Balance as at 31 March 2013	<u>100,000,300</u>	<u>630,301,450</u>	<u>730,301,750</u>
Balance as at 1 April 2013	100,000,300	630,301,450	730,301,750
Net loss for the year	-	(349,311,550)	(349,311,550)
Balance as at 31 March 2014	<u>100,000,300</u>	<u>280,989,900</u>	<u>380,990,200</u>

The accompanying notes are an integral part of the financial statements.

SRF Industries (Thailand) Limited
Notes to financial statements
For the year ended 31 March 2014

1. General information

SRF Industries (Thailand) Limited ("the Company") is a limited company incorporated and domiciled in Thailand. Its parent company is SRF Global B.V., which was incorporate in Netherlands. The Company is principally engaged in the manufacture and distribution of Tyre Cord and plastic products. The registered offices of the Company are as follows:

Head office: 3 Map Ta Phut Industrial Estate, I-1 Road, Tambol Map Ta Phut, Amphur Muang, Rayong.

Branch: 112 Moo 3 Hemaraj Eastern Seaboard Industrial Estate, Tambol Tasit, Amphur Pluakdeang, Rayong.

2. Impact of plant fire and accident while transporting machinery

During the year 2013, fire damaged certain parts of the Company's plant and there was an accident during the transportation of the Company's machinery. The Company recorded damage from these two incidents totaling approximately Baht 84.6 million in the income statement. The Company has already submitted claims for compensation to the relevant insurance companies, who have received reports from independent loss assessors but are still considering the amount of the settlements. However, the Company is confident that it will receive settlement of its claims from the insurance companies based on the reports of the independent loss assessors. The Company recorded compensation receivables of Baht 96.2 million in its accounts. Moreover, the amount of this receivable net of the damage previously recorded, amounting to Baht 11.6 million, was recorded as gain from compensation for damage in the income statement.

3. Basis of preparation

The financial statements have been prepared in accordance with Thai Financial Reporting Standards applicable to non-publicly accountable entities as issued by the Federation of Accounting Professions and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

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

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

4. Significant accounting policies

4.1 Revenue recognition

Sales of goods

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

Interest income

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

4.2 Cash and cash equivalents

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

4.3 Trade accounts receivable

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debt aging.

4.4 Inventories

Finished goods and work in process are valued at the lower of average cost and net realisable value. Such cost includes all production costs and attributable factory overheads.

Raw materials, chemicals, spare parts and factory supplies are valued at the lower of average cost and net realisable value and are charged to production costs whenever consumed.

4.5 Property, plant and equipment/Depreciation

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for diminution in value (if any).

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

Leasehold improvement	-	30 years and based on the remainder of the initial term of the lease agreement
Buildings and building improvement	-	40 years and based on the remainder of the initial term of the lease agreement
Machinery and equipment	-	3 - 30 years and based on the machine hour method
Furniture and office equipment	-	3, 5 years
Motor vehicles	-	5 years

Depreciation is included in determining income. No depreciation is provided for land and construction in progress.

4.6 Borrowing costs

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

4.7 Long-term leases

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

Leases of property, plant and equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

4.8 Foreign currencies

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

Gains and losses on exchange are included in determining income.

4.9 Provisions

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

For long-term employee benefits, the Company calculates its long-term employee benefits obligation on the basis of its best estimate of its payment obligations as at the end of the reporting period.

4.10 Income tax

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

5. Use of accounting estimates

The preparation of financial statements in conformity with financial reporting standards requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

6. Cash and cash equivalents

As at 31 March 2013, the outstanding balance of cash on hand and cash equivalents included a saving account of the Company amounting to Baht 11 million (2014: Nil) which was maintained to secure the credit facilities provided by a bank.

7. Trade receivables

As at 31 March 2014, the Company transferred the right to receive payments from trade receivables amounting to Baht 30 million (2013: Nil) to secure the short-term loans from financial institutions and other company.

8. Inventories

(Unit: Thousand Baht)

	Cost		Reduce cost to net realisable value		Inventories-net	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Finished goods	50,810	19,863	-	-	50,810	19,863
Work in process	136,636	66,798	-	-	136,636	66,798
Raw materials	54,299	29,841	-	-	54,299	29,841
Spare parts and factory supplies	79,540	58,932	(4,774)	(4,774)	74,766	54,158
Good in transit	26,737	7,181	-	-	26,737	7,181
Total	<u>348,022</u>	<u>182,615</u>	<u>(4,774)</u>	<u>(4,774)</u>	<u>343,248</u>	<u>177,841</u>

9. Property, plant and equipment

(Unit: Thousand Baht)

	Land	Leasehold improvement	Buildings and		Machinery and		Furniture and		Motor vehicles	Construction in progress	Total
			building	improvement	equipment	office equipment					
Cost											
1 April 2012	124,000	14,150	505,530	2,683,231	46,685	10,001	159,283	3,542,880			
Additions	-	-	-	-	142	-	1,267,456	1,267,598			
Disposals	-	-	-	(728)	-	(3,583)	-	(4,311)			
Transfers in (out)	-	-	-	3,138	553	538	(4,229)	-			
Capitalised borrowing costs	-	-	-	-	-	-	21,660	21,660			
31 March 2013	124,000	14,150	505,530	2,685,641	47,380	6,956	1,444,170	4,827,827			
Additions	-	-	-	-	127	-	315,545	315,672			
Disposals	-	-	-	-	-	-	-	-			
Transfers in (out)	-	19,836	266,270	1,503,791	11,972	-	(1,801,869)	-			
Capitalised borrowing costs	-	-	-	-	-	-	52,703	52,703			
31 March 2014	124,000	33,986	771,800	4,189,432	59,479	6,956	10,549	5,196,202			
Accumulated depreciation											
1 April 2012	-	8,911	334,106	1,784,720	44,781	9,718	-	2,182,236			
Depreciation for the year	-	606	19,764	116,943	732	338	-	138,383			
Depreciation on disposals	-	-	-	(618)	-	(3,583)	-	(4,201)			
31 March 2013	-	9,517	353,870	1,901,045	45,513	6,473	-	2,316,418			
Depreciation for the year	-	1,087	24,698	174,613	2,470	108	-	202,976			
Depreciation on disposals	-	-	-	-	-	-	-	-			
31 March 2014	-	10,604	378,568	2,075,658	47,983	6,581	-	2,519,394			
Net book value											
31 March 2013	124,000	4,633	151,660	784,596	1,867	483	1,444,170	2,511,409			
31 March 2014	124,000	23,382	393,232	2,113,774	11,496	375	10,549	2,676,808			

During the year ended 31 March 2014, borrowing costs totaling approximately Baht 53 million were capitalized as part of the project cost (2013: Baht 22 million). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 7.35 % (2013: 3.03%).

The Company has mortgaged its land, building and pledged majority of machinery amounting to approximately Baht 2,631 million (2013: Baht 1,269 million) to secure the credit facilities granted by the financial institutions.

During the year ended 31 March 2011, the Company arranged for independent appraisers to revalue the Company's building and machinery, using the depreciated replacement cost approach. The amount of fair value is totaling Baht 1,351 million (cost: Baht 1,220 million).

10. Bank overdraft and short-term loans from financial institution

		(Unit: Thousand Baht)	
	(percent per annum)	<u>2014</u>	<u>2013</u>
Bank overdraft	MOR	6,353	1,703
Trust receipt payable	2.65, 2.78	17,425	-
Short-term loans from financial institution	4.45	16,726	-
Total		<u>40,504</u>	<u>1,703</u>

Bank overdraft and trust receipt payable are secured by the mortgage of the Company's buildings and the pledge of the Company's machineries. Short-term loans from financial institution were secured by the right to receive payments from the Company's trade receivables.

11. Trade and other payables

	(Unit: Thousand Baht)	
	<u>2014</u>	<u>2013</u>
Trade payables	802,962	391,986
Accrued expenses	73,936	37,036
Other payables	72,099	101,078
Total trade and other payables	<u>948,997</u>	<u>530,100</u>

12. Long-term loans from financial institutions

(Unit: Thousand Baht)

Principal	Interest rates	Repayment schedule	Outstanding balance	
			2014	2013
Baht 625 million	Reference to MLR per annum	Repayable in 72 equal monthly installments of Baht 8.7 million from September 2010 to March 2015	-	55,300
USD 45 million	Reference to LIBOR per annum	Repayable in 15 equal semi-annually installments of USD 3 million, from December 2015 to December 2022	1,466,163	1,060,114
Total			1,466,163	1,115,414
Less: Current portion of long-term loans			-	(55,300)
Less: Loan arrangement fees			(16,665)	(18,080)
Long-term loans - net of current portion			<u>1,449,498</u>	<u>1,042,034</u>

The loans are secured by the mortgage of the Company's land, buildings and the pledge of machineries.

The loan agreements contain covenants and restrictions imposed by the lender such as the dividend payment.

As at 31 March 2013, the long-term credit facilities of the Company which have not yet been drawn down amounted to USD 9 million (2014: Nil).

13. Short-term loans from other company

Short-term loans from other company represented loan from the assignment of right agreement made with a local company. These loans were carrying interest rate of 7.25 percent per annum and were secured by the right to receive payments from the Company's trade receivables.

14. Long-term loans from parent company

The balance of long-term loans from parent company amounting to USD 27.6 million comprised credit facilities totaling USD 44 million under numerous agreement, on which interest was charged at LIBOR plus 2% - 3.35 % per annum and repayment is to be made whenever the Company fulfils the conditions stipulated in the long-term loan agreements made with financial institutions. These loans are unsecured.

15. Provisions for long term employee benefits

	(Unit: Thousand Baht)
At 1 April 2012	13,112
Increase during the year	3,528
Utilised	(435)
At 31 March 2013	16,205
Increase during the year	4,810
Utilised	-
At 31 March 2014	21,015

The provisions represent the Company's obligations payable to its employees when they reach a retirement age. They are determined based on the employee's age, length of employment services and salary increase rate, among other things.

16. Statutory reserve

According to the Thai Civil and Commercial Code, the Company is required to set aside to a statutory reserve an amount equal to at least five percent of its net profit each time the Company pays out a dividend, until such reserve reaches ten percent of its registered share capital. The statutory reserve cannot be used for dividend payment.

17. Corporate income tax

The Company is not liable to corporate income tax for the year 2013 due to tax loss brought forward.

18. Promotional privileges

The Company has received promotional privileges from the Board of Investment for the manufacture of plastic product or plastic coat, pursuant to the promotion certificate No. 1212(2)/2555 issued on 20 February 2012. Subject to certain imposed conditions, the privileges include an exemption from corporate income tax for a period of 8 years from the date the promoted operations commenced generating revenues (8 July 2013) and a 50% reduction of corporate income tax on income derived from the promoted operations for a period of 5 years after the tax-exemption period ends.

The Company's operating revenues for the years are below shown divided according to promoted and non-promoted operations.

(Unit: Thousand Baht)

	Promoted operations		Non-promoted operations		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Sales						
Domestic sales	252,293	-	408,720	557,215	661,013	557,215
Export sales	708,320	-	1,170,845	1,409,216	1,879,165	1,409,216
Total sales	<u>960,613</u>	<u>-</u>	<u>1,579,565</u>	<u>1,966,431</u>	<u>2,540,178</u>	<u>1,966,431</u>

19. Commitments and contingent liabilities

19.1 Capital commitments

As at 31 March 2013, the Company had capital commitments of approximately Baht 101 million (2014: Nil), relating to the construction of factory buildings and acquisition of machinery.

19.2 Operating lease commitments

In 1990, the Company entered into a land lease agreement at Map-Ta-Phut with the Industrial Estate Authority of Thailand. This agreement is for a period of thirty years and renewable for a period of twenty years. Under the terms of the agreement, the Company is committed to pay annual rental of approximately Baht 4 million. The rental is subject to escalation adjustment every ten years.

19.3 Guarantees

As at 31 March 2014, there were outstanding bank guarantees of approximately Baht 23 million (2013: Baht 23 million) issued by banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business. These included letters of guarantee amounting to Baht 16 million (2013: Baht 16 million) to guarantee electricity use, Baht 4 million (2013: Baht 4 million) to guarantee land lease for industrial purpose and Baht 3 million (2013: Baht 3 million) to guarantee natural gas purchase, among others.

20. Approval of financial statements

These financial statements were authorised for issue by the Company's authorised director on 24 April 2014.