

Pan Asia Footwear Public Company Limited  
and its subsidiaries  
Report and consolidated financial statements  
31 December 2013



Building a better  
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## Independent Auditor's Report

To the Shareholders of Pan Asia Footwear Public Company Limited

I have audited the accompanying consolidated financial statements of Pan Asia Footwear Public Company Limited and its subsidiaries, which comprise the consolidated statements of financial position as at 31 December 2013, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of Pan Asia Footwear Public Company Limited for the same period.

### 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, 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 audit opinion.

### **Basis for Qualified Opinion**

As discussed in Note 16 to the financial statements, the Company did not obtain the financial statements for the year ended 31 December 2013 of PA Capital Company Limited, (“the associate”) and of subsidiaries of the associate. The latest financial statements of the associate available to the Company were the financial statements as at 31 December 2012, which were audited by its auditor, and only separate financial statements were presented, not consolidated financial statements. I did not audit the financial statements of the associate and of subsidiaries of the associate since I was not appointed as their auditor and I was unable to apply other audit procedures to satisfy myself as to the value of such investment. This matter is considered to be a scope limitation imposed by circumstance.

### **Qualified Opinion**

In my opinion, except for the possible 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 Pan Asia Footwear Public Company Limited and its subsidiaries, and of Pan Asia Footwear Public Company Limited as at 31 December 2013, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

### **Emphasis of Matters**

I draw attention to the following notes to the financial statements;

- 1) Note 1.2 to the financial statements, regarding the going concern. As presented in the consolidated statement of financial position as at 31 December 2013, the Company and its subsidiaries have current liabilities exceeded current assets by Baht 68 million (Separate financial statements: current assets exceeded current liabilities by Baht 3 million) and have deficits of Baht 2,680 million (Separate financial statements: Baht 2,604 million). In addition, during the current year, the Company and its subsidiaries laid off a number of employees and several subsidiaries ceased their operations. These factors may significantly affect to the continuity of the operations of the Company and its subsidiaries. However, during the current year, the Company and its subsidiaries sold partial fixed assets in value of Baht 1,285 million (Separate financial statements: Baht 938 million), resulted gain on sales of those assets amounting to Baht 560 million (Separate financial statements: Baht 248 million) in order to settle debts and improve their liquidity. In addition, the Company has restructured its business, as discussed in Note 1.1 to the financial statements. For these reasons, the financial statements have been prepared on the going concern basis.

- 2) Note 4 to the financial statements, regarding the change in accounting policy due to the adoption of Thai Accounting Standard 12 Income Taxes. The Company has restated the consolidated and separate financial statements for the year ended 31 December 2012, presented herein as comparative information, to reflect the adjustment resulting from such change. The Company has also presented the consolidated and separate statements of financial position as at 1 January 2012 as comparative information, using the newly adopted accounting policy for income taxes.

My opinion is not qualified in respect of these matters.

### **Other Matters**

The consolidated financial statements of Pan Asia Footwear Public Company Limited and its subsidiaries, and the separate financial statements of Pan Asia Footwear Public Company Limited for the year ended 31 December 2012 (before restatement) and 31 December 2011 (before restatement, which have been used for preparing the consolidated and separate statements of financial position as at 1 January 2012 as described in the Emphasis of Matters 2) paragraph) were audited by other auditor, who expressed qualified opinions on those statements with respect to the scope limitation imposed by circumstance, under her reports dated 30 March 2013 and 5 March 2012 (except some transactions are dated 4 May 2012), respectively.



Termphong Opanaphan

Certified Public Accountant (Thailand) No. 4501

EY Office Limited

(Formerly known as "Ernst & Young Office Limited")

Bangkok: 28 February 2014



## Pan Asia Footwear Public Company Limited and its subsidiaries

## Statement of financial position

As at 31 December 2013

(Unit: Baht)

Note	Consolidated financial statements			Separate financial statements			
	31 December 2013	31 December 2012 (Restated)	1 January 2012	31 December 2013	31 December 2012 (Restated)	1 January 2012	
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents	7	194,651,734	18,180,592	72,649,254	124,420,291	1,085,841	3,702,146
Current investment	8	65,000,000	-	171,027	-	-	-
Trade and other receivables	9	116,130,882	289,051,152	553,540,739	39,463,726	198,363,703	392,359,333
Short-term loans to related parties and others	10	9,085,668	9,605,668	25,012,969	-	-	-
Inventories	11	73,031,176	323,115,278	616,245,477	20,327,517	257,211,463	306,434,836
Other current assets		8,958,915	7,965,355	26,864,317	1,103,575	18,563,450	44,659,733
		466,858,375	647,918,045	1,294,483,783	185,315,109	475,224,457	747,156,048
Assets classified as held for sale	12	119,506,296	871,457,530	-	123,260,558	795,712,160	-
<b>Total current assets</b>		<b>586,364,671</b>	<b>1,519,375,575</b>	<b>1,294,483,783</b>	<b>308,575,667</b>	<b>1,270,936,617</b>	<b>747,156,048</b>
<b>Non-current assets</b>							
Restricted bank deposits	13	6,907,698	993,774	7,947,200	1,861,000	-	-
Investments in available-for-sale securities	14	32,000	38,000	29,400	32,000	38,000	29,400
Investments in subsidiaries	15	-	-	-	142,483,155	169,074,820	682,691,679
Investments in associates	16	38,197,460	31,401,549	103,206,926	-	-	-
Investments in related parties		3,750,000	3,844,459	40,501,869	-	-	-
Long-term loans to related parties	10	20,000,000	12,800,000	-	-	51,300,000	98,300,000
Investment properties		-	-	227,017,329	-	3,213,954	795,089,093
Property, plant and equipment	17	82,629,624	208,052,175	1,281,340,266	184,863,723	296,656,798	448,272,145
Goodwill	18	-	-	-	-	-	-
Leasehold right		4,337,752	4,881,084	6,160,529	4,337,752	4,881,085	5,424,418
Receivables from guarantee - related parties	10	-	-	-	-	54,070,000	54,070,000
Deferred tax assets	24	4,933,403	61,937,779	54,677,053	-	46,730,551	40,953,846
Other non-current assets		21,753,307	27,730,235	53,004,822	13,993,400	13,751,207	17,670,464
<b>Total non-current assets</b>		<b>182,541,244</b>	<b>351,679,055</b>	<b>1,773,885,394</b>	<b>347,571,030</b>	<b>639,716,415</b>	<b>2,142,501,045</b>
<b>Total assets</b>		<b>768,905,915</b>	<b>1,871,054,630</b>	<b>3,068,369,177</b>	<b>656,146,697</b>	<b>1,910,653,032</b>	<b>2,889,657,093</b>

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



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## Pan Asia Footwear Public Company Limited and its subsidiaries

## Statement of financial position (continued)

As at 31 December 2013

(Unit: Baht)

Note	Consolidated financial statements			Separate financial statements				
	31 December 2013	31 December 2012 (Restated)	1 January 2012	31 December 2013	31 December 2012 (Restated)	1 January 2012		
<b>Liabilities and shareholders' equity</b>								
<b>Current liabilities</b>								
Bank overdrafts and short-term loans from								
	financial institutions	19	220,254,186	634,393,431	799,851,933	110,747,733	427,928,480	498,948,759
	Trade and other payables	20	250,695,692	401,067,197	606,720,001	78,127,489	213,424,685	273,518,460
	Short-term loans from related parties and others	10	100,720,547	116,264,907	118,899,302	105,000,000	182,950,000	15,000,000
Current portion of liabilities under finance								
	lease agreements		820,721	736,905	198,724	-	-	-
	Long-term loan - classified as current liability	21	43,404,534	39,109,022	25,324,253	-	-	-
	Current portion of long-term loans	21	11,702,000	245,549,801	146,517,063	11,244,000	175,464,107	72,720,000
	Income tax payable		185,600	3,169,658	17,384	-	-	-
	Short-term provisions	22	-	399,019,260	-	-	399,019,260	-
	Other current liabilities		3,493,421	19,604,398	30,994,900	924,181	-	-
			<u>631,276,701</u>	<u>1,858,914,579</u>	<u>1,728,523,560</u>	<u>306,043,403</u>	<u>1,398,786,532</u>	<u>860,187,219</u>
Liabilities directly associated with the assets classified								
	as held for sales		23,780,340	33,518,254	-	-	-	-
	<b>Total current liabilities</b>		<u>655,057,041</u>	<u>1,892,432,833</u>	<u>1,728,523,560</u>	<u>306,043,403</u>	<u>1,398,786,532</u>	<u>860,187,219</u>
<b>Non-current liabilities</b>								
Liabilities under finance lease agreements,								
	net of current portion		1,842,443	2,663,164	-	-	-	-
	Long-term loans, net of current portion	21	28,071,000	160,702,856	321,399,474	28,071,000	115,450,000	260,804,106
	Provision for long-term employee benefits		3,693,019	5,872,568	31,966,517	1,181,571	3,235,885	18,169,594
	Long-term provisions	22	41,985,568	10,664,614	431,190,993	203,202,748	184,002,748	504,961,353
	Deferred tax liabilities	24	443,314	961,541	524,628	364,807	-	-
	Other non-current liabilities		2,953,452	23,111	3,241,026	23,000	-	-
	<b>Total non-current liabilities</b>		<u>78,988,796</u>	<u>180,887,854</u>	<u>788,322,638</u>	<u>232,843,126</u>	<u>302,688,633</u>	<u>783,935,053</u>
	<b>Total liabilities</b>		<u>734,045,837</u>	<u>2,073,320,687</u>	<u>2,516,846,198</u>	<u>538,886,529</u>	<u>1,701,475,165</u>	<u>1,644,122,272</u>
<b>Shareholders' equity</b>								
Share capital								
Registered								
	540,000,000 ordinary shares of Baht 5 each		2,700,000,000	2,700,000,000	2,700,000,000	2,700,000,000	2,700,000,000	2,700,000,000
Issued and fully paid								
	540,000,000 ordinary shares of Baht 5 each		2,700,000,000	2,700,000,000	2,700,000,000	2,700,000,000	2,700,000,000	2,700,000,000
	Premium on ordinary shares		1,677,183	1,677,183	1,677,183	1,677,183	1,677,183	1,677,183
	The Company's shares held by subsidiaries		(17,552,525)	(17,552,525)	(35,525,499)	-	-	-
Retained earnings								
	Appropriated - statutory reserve		21,000,000	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000
	Unappropriated (deficit)		(2,680,502,877)	(2,912,762,877)	(1,914,781,362)	(2,605,325,015)	(2,513,413,316)	(1,477,047,762)
	Other component of shareholders' equity		(92,000)	(86,000)	(94,600)	(92,000)	(86,000)	(94,600)
	Equity attributable to owners of the Company (capital deficit)		24,529,781	(207,724,219)	772,275,722	117,260,168	209,177,867	1,245,534,821
	Non-controlling interests of the subsidiaries		10,330,297	5,458,162	(220,752,743)	-	-	-
	<b>Total shareholders' equity</b>		<u>34,860,078</u>	<u>(202,266,057)</u>	<u>551,522,979</u>	<u>117,260,168</u>	<u>209,177,867</u>	<u>1,245,534,821</u>
	<b>Total liabilities and shareholders' equity</b>		<u>768,905,915</u>	<u>1,871,054,630</u>	<u>3,068,369,177</u>	<u>656,146,697</u>	<u>1,910,653,032</u>	<u>2,889,657,093</u>

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

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Directors



Pan Asia Footwear Public Company Limited and its subsidiaries  
Statement of comprehensive income  
For the year ended 31 December 2013

(Unit: Baht)

	Consolidated financial statements		Separate financial statements		
	Note	2013	2012 (Restated)	2013	2012 (Restated)
<b>Profit or loss:</b>					
<b>Revenues</b>					
Sales		916,056,001	2,016,145,434	561,769,482	1,638,960,203
Revenues from hire of work		40,401,062	83,278,662	8,100,541	13,419,039
Interest income		37,316,729	33,508,031	18,095,066	11,695,577
Rental income		12,861,629	36,633,551	12,297,339	44,384,530
Gain on sales of assets		559,774,578	135,511,298	247,853,818	102,879,739
Gain on debt restructuring		314,856,975	-	314,856,975	-
Compensation from flooding		-	57,377,408	-	-
Other income		50,387,327	42,313,905	32,510,948	13,487,143
<b>Total revenues</b>		<b>1,931,654,301</b>	<b>2,404,768,289</b>	<b>1,195,484,169</b>	<b>1,824,826,231</b>
<b>Expenses</b>					
Cost of sales and hire of work		1,052,546,712	2,218,423,601	701,176,596	1,726,589,438
Selling expenses		20,026,488	82,493,887	17,813,192	58,657,820
Administrative expenses		189,427,803	284,807,865	91,946,580	113,490,577
Allowance for doubtful accounts		33,968,529	567,753,679	130,988,164	197,271,316
Severance payment		129,882,230	-	129,882,230	-
Impairment loss on investments		94,459	12,968,441	26,591,665	477,314,859
Impairment loss on assets		73,590,824	103,443,950	71,267,998	101,271,535
Loss on guarantees and contract defaults		-	15,159,960	-	85,874,369
Provision for litigation		31,320,954	-	19,200,000	-
Other expenses		15,597,919	35,768,379	12,001,116	32,124,683
<b>Total expenses</b>		<b>1,546,455,918</b>	<b>3,320,819,762</b>	<b>1,200,867,541</b>	<b>2,792,594,597</b>
<b>Profit (loss) before share of profit from investments in associates, finance cost and income tax expenses</b>		<b>385,198,383</b>	<b>(916,051,473)</b>	<b>(5,383,372)</b>	<b>(967,768,366)</b>
Share of profit from investments in associates		6,795,911	43,884,518	-	-
<b>Profit (loss) before finance cost and income tax expenses</b>		<b>391,994,294</b>	<b>(872,166,955)</b>	<b>(5,383,372)</b>	<b>(967,768,366)</b>
Finance cost		(65,898,984)	(116,738,525)	(39,432,968)	(74,373,893)
<b>Profit (loss) before income tax expenses</b>		<b>326,095,310</b>	<b>(988,905,480)</b>	<b>(44,816,340)</b>	<b>(1,042,142,259)</b>
Tax income (expenses)	24	(56,912,300)	3,325,563	(47,095,359)	5,776,705
<b>Profit (loss) for the year before loss from discontinued operations</b>		<b>269,183,010</b>	<b>(985,579,917)</b>	<b>(91,911,699)</b>	<b>(1,036,365,554)</b>
Loss for the year from discontinued operations		(32,050,875)	(4,586,979)	-	-
<b>Profit (loss) for the year</b>		<b>237,132,135</b>	<b>(990,166,896)</b>	<b>(91,911,699)</b>	<b>(1,036,365,554)</b>
<b>Other comprehensive income:</b>					
Gain (loss) on change in value of available-for-sale investments		(6,000)	8,600	(6,000)	8,600
<b>Other comprehensive income for the year</b>		<b>(6,000)</b>	<b>8,600</b>	<b>(6,000)</b>	<b>8,600</b>
<b>Total comprehensive income for the year</b>		<b>237,126,135</b>	<b>(990,158,296)</b>	<b>(91,917,699)</b>	<b>(1,036,356,954)</b>

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



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Pan Asia Footwear Public Company Limited and its subsidiaries  
 Statement of comprehensive income (continued)  
 For the year ended 31 December 2013

(Unit: Baht)

	Consolidated financial statements		Separate financial statements		
	Note	2013	2012 (Restated)	2013	2012 (Restated)
<b>Profit (loss) attributable to:</b>					
Equity holders of the Company		232,260,000	(985,365,791)	(91,911,699)	(1,036,365,554)
Non-controlling interests of the subsidiaries		4,872,135	(4,801,105)		
		<u>237,132,135</u>	<u>(990,166,896)</u>		
<b>Total comprehensive income attributable to:</b>					
Equity holders of the Company		232,254,000	(985,357,191)	(91,917,699)	(1,036,356,954)
Non-controlling interests of the subsidiaries		4,872,135	(4,801,105)		
		<u>237,126,135</u>	<u>(990,158,296)</u>		
<b>Basic earnings per share</b>					
Profit (loss) attributable to equity holder of the Company	25	0.44	(1.84)	(0.17)	(1.92)

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



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Pan Asia Footwear Public Company Limited and its subsidiaries  
Statement of changes in shareholders' equity  
For the year ended 31 December 2013

(Unit: Baht)

Consolidated financial statements											
Equity attributable to owners of the Company											
	Issued and fully paid-up share capital	Share premium	The Company's shares held by its subsidiaries	Retained earnings (deficit)		Unappropriated	Other component of equity			Total	
				Appropriated	Unappropriated		Deficit on changes in value of available-for-sale investments	Total equity attributable to owners of the Company	Equity attributable to non-controlling interests of the subsidiaries		Total shareholders' equity
Balance as at 31 December 2011 - as previously reported	2,700,000,000	1,677,183	(35,525,499)	21,000,000	(1,968,949,255)	(94,600)	718,107,829	(220,737,275)	497,370,554		
Cumulative effect of change in accounting policy for income taxes (Note 4)	-	-	-	-	54,167,893	-	54,167,893	(15,468)	54,152,425		
Balance as at 31 December 2011 - as restated	2,700,000,000	1,677,183	(35,525,499)	21,000,000	(1,914,781,362)	(94,600)	772,275,722	(220,752,743)	551,522,979		
Selling of treasury stock	-	-	17,972,974	-	(12,615,724)	-	5,357,250	-	5,357,250		
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-		
- decrease from changes in status of subsidiaries to be associates	-	-	-	-	-	-	-	231,012,010	231,012,010		
Total comprehensive income for the year - restated	-	-	-	-	(985,365,791)	8,600	(985,357,191)	(4,801,105)	(990,158,296)		
Balance as at 31 December 2012 - as restated	2,700,000,000	1,677,183	(17,552,525)	21,000,000	(2,912,762,877)	(86,000)	(207,724,219)	5,458,162	(202,266,057)		
Balance as at 31 December 2012 - as previously reported	2,700,000,000	1,677,183	(17,552,525)	21,000,000	(2,973,763,394)	(86,000)	(268,724,736)	5,482,441	(263,242,295)		
Cumulative effect of change in accounting policy for income taxes (Note 4)	-	-	-	-	61,000,517	-	61,000,517	(24,279)	60,976,238		
Balance as at 31 December 2012 - as restated	2,700,000,000	1,677,183	(17,552,525)	21,000,000	(2,912,762,877)	(86,000)	(207,724,219)	5,458,162	(202,266,057)		
Total comprehensive income for the year	-	-	-	-	232,260,000	(6,000)	232,254,000	4,872,135	237,126,135		
Balance as at 31 December 2013	2,700,000,000	1,677,183	(17,552,525)	21,000,000	(2,680,502,877)	(92,000)	24,529,781	10,330,297	34,860,078		



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



Pan Asia Footwear Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity (continued)

For the year ended 31 December 2013

(Unit: Baht)

Separate financial statements

	Issued and fully paid-up share capital	Share premium	Retained earnings (deficit)		Other component of equity	Total shareholders' equity
			Appropriated	Unappropriated		
<b>Balance as at 31 December 2011 - as previously reported</b>	2,700,000,000	1,677,183	21,000,000	(1,518,001,608)	(94,600)	1,204,580,975
Cumulative effect of change in accounting policy for income taxes (Note 4)	-	-	-	40,953,846	-	40,953,846
<b>Balance as at 31 December 2011 - as restated</b>	2,700,000,000	1,677,183	21,000,000	(1,477,047,762)	(94,600)	1,245,534,821
Total comprehensive income for the year - restated	-	-	-	(1,036,365,554)	8,600	(1,036,356,954)
<b>Balance as at 31 December 2012 - as restated</b>	2,700,000,000	1,677,183	21,000,000	(2,513,413,316)	(86,000)	209,177,867
<b>Balance as at 31 December 2012 - as previously reported</b>	2,700,000,000	1,677,183	21,000,000	(2,560,143,867)	(86,000)	162,447,316
Cumulative effect of change in accounting policy for income taxes (Note 4)	-	-	-	46,730,551	-	46,730,551
<b>Balance as at 31 December 2012 - as restated</b>	2,700,000,000	1,677,183	21,000,000	(2,513,413,316)	(86,000)	209,177,867
Total comprehensive income for the year	-	-	-	(91,911,699)	(6,000)	(91,917,699)
<b>Balance as at 31 December 2013</b>	2,700,000,000	1,677,183	21,000,000	(2,605,325,015)	(92,000)	117,260,168



*Wattana Chaiyaporn*

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

Pan Asia Footwear Public Company Limited and its subsidiaries

Cash flows statement

For the year ended 31 December 2013

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012 (Restated)	2013	2012 (Restated)
<b>Cash flows from operating activities</b>				
Profit (loss) before tax	326,095,310	(988,905,480)	(44,816,340)	(1,042,142,259)
Loss from discontinued operations	(32,050,875)	(4,586,979)	-	-
Profit (loss) for the year	294,044,435	(993,492,459)	(44,816,340)	(1,042,142,259)
Adjustments to reconcile profit (loss) to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	41,412,411	90,222,512	22,581,852	50,234,909
Allowance for doubtful accounts	33,968,529	567,753,679	130,988,163	197,271,316
Reduce cost to net realisable value (reversal)	19,999,474	27,112,514	68,831,706	27,091,152
Allowance for impairment loss on assets	73,590,824	103,443,950	71,267,998	101,271,535
Gain on sales of property, plant and equipment	(559,774,578)	(135,511,298)	(247,853,818)	(102,879,739)
Share of profit from investments in associates	(6,795,911)	(43,884,518)	-	-
Allowance for impairment loss on investments	94,459	12,968,441	26,591,665	477,314,859
Gain on sales of investments in a subsidiary	(1,283,572)	-	-	-
Loss from guarantee (reversal)	(7,511,546)	15,159,960	(7,511,546)	85,874,369
Provision for litigation	31,320,954	-	19,200,000	-
Reversal of provision for long-term employee benefits	(2,179,549)	(3,048,965)	(2,054,314)	(3,689,202)
Gain on debt restructuring	(314,856,975)	-	(314,856,975)	-
Unrealised gain on exchange	(503,664)	(334,807)	(750,883)	(198,735)
Interest income	(37,316,729)	(33,554,000)	(18,095,066)	(11,695,577)
Interest expenses	65,898,984	114,991,976	39,432,968	74,373,893
Loss from operating activities before changes in operating assets and liabilities	(369,892,454)	(278,173,015)	(257,044,590)	(147,173,479)
Operating assets (increase) decrease				
Trade and other receivables	159,678,446	147,384,214	131,555,181	182,195,737
Inventories	230,084,628	186,439,766	168,052,239	22,132,222
Other current assets	(993,560)	5,374,787	17,459,875	(7,384,687)
Other non-current assets	7,845,088	(475,100)	131,416	(47,090)
Assets of subsidiaries that classified as held for sale	19,424,676	-	-	-
Receivables from guarantee	(7,727,987)	3,919,376	21,442,014	3,919,376
Operating liabilities increase (decrease)				
Trade and other payables	(151,468,216)	(159,069,697)	(122,204,658)	(69,436,825)
Other current liabilities	(16,110,977)	(81,910)	924,181	-
Short-term provisions	(91,162,880)	(53,152,045)	(91,162,880)	(32,751,627)
Other non-current liabilities	2,930,341	(865,618)	23,000	-
Liabilities directly associated with assets of subsidiaries that classified as held for sales	9,626,716	-	-	-
Cash used in operating activities	(207,766,179)	(148,699,242)	(130,824,222)	(48,546,373)
Cash paid for corporate income tax	(24,774,584)	(5,782,846)	(10,189,368)	(3,112,704)
Income tax refunded	19,496,216	12,837,809	9,815,759	7,079,049
<b>Net cash used in operating activities</b>	<b>(213,044,547)</b>	<b>(141,644,279)</b>	<b>(131,197,831)</b>	<b>(44,580,028)</b>

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



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Pan Asia Footwear Public Company Limited and its subsidiaries

Cash flows statement (continued)

For the year ended 31 December 2013

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012 (Restated)	2013	2012 (Restated)
<b>Cash flows from investing activities</b>				
Decrease in cash from changes in status of subsidiaries				
to be associates	-	(34,395,923)	-	-
Decrease (increase) in restricted bank deposits	(5,913,924)	1,901,813	(1,861,000)	-
Decrease (increase) in current investment	(65,000,000)	112,978	-	-
Increase in short-term loans to related parties	(1,980,000)	-	-	-
Cash receipt from short-term loans to related parties	2,500,000	2,440,000	-	-
Increase in long-term loans to related parties	(5,900,000)	-	(83,526,995)	(88,730,000)
Cash receipt from long-term loans to related parties	20,940,000	3,200,000	77,666,839	5,000,000
Proceeds from sales of assets classified as held for sale	1,230,092,095	-	908,452,064	-
Proceeds from sales of investments in a subsidiary	8,849,587	-	8,849,587	-
Purchase of property, plant and equipment	(8,513,023)	(25,159,868)	(4,582,534)	(11,932,843)
Proceeds from sales of property, plant and equipment	54,762,010	209,847,052	29,294,759	147,929,800
Interest received	2,844,925	2,478,741	5,025,963	823,294
<b>Net cash from investing activities</b>	<b>1,232,681,670</b>	<b>160,424,793</b>	<b>939,318,683</b>	<b>53,090,251</b>
<b>Cash flows from financing activities</b>				
Decrease in bank overdrafts and short-term loans				
from financial institutions	(414,139,245)	(91,474,678)	(317,180,747)	(71,255,882)
Cash receipt from short-term loans from related parties	-	113,304,360	-	228,100,000
Repayment of short-term loans from related parties and others	(15,544,360)	-	(77,950,000)	(60,150,000)
Repayment of liabilities under finance lease agreements	(1,062,000)	(203,312)	-	-
Repayment of long-term loans	(366,479,657)	(19,419,199)	(251,599,107)	(42,610,000)
Proceeds from sales of treasury stocks	-	5,357,251	-	-
Cash paid for interest expenses	(45,940,719)	(75,057,311)	(38,056,548)	(65,210,646)
<b>Net cash used in financing activities</b>	<b>(843,165,981)</b>	<b>(67,492,889)</b>	<b>(684,786,402)</b>	<b>(11,126,528)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>176,471,142</b>	<b>(48,712,375)</b>	<b>123,334,450</b>	<b>(2,616,305)</b>
Cash and cash equivalents at the beginning of year	18,180,592	72,649,254	1,085,841	3,702,146
Transferred cash and cash equivalents of subsidiaries				
to be assets classified as held for sale	-	(5,756,287)	-	-
<b>Cash and cash equivalents at end of year</b>	<b>194,651,734</b>	<b>18,180,592</b>	<b>124,420,291</b>	<b>1,085,841</b>

**Supplementary cash flows information:**

Non-cash transactions:

Purchase of assets for which no cash has been paid	7,944	38,243	7,944	38,243
Assets acquired under finance lease agreements	-	3,201,345	-	-
Decrease of assets from change in status of subsidiaries to be associates	-	34,395,923	-	-
Transfer assets classified as held for sale to assets available for use	16,746,577	-	-	-



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



**Pan Asia Footwear Public Company Limited and its subsidiaries**  
**Notes to consolidated financial statements**  
**For the year ended 31 December 2013**

**1. General information**

**1.1 Corporate information**

Pan Asia Footwear Public Company Limited ("the Company") is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the manufacture, distribution and export of footwear. The registered office of the Company is at 177/20 Moo 5, Nongkharm, Sriracha, Chonburi.

On 15 August 2013, the Board of Directors' meeting passed a resolution to approve a restructuring of the Company's business, whereby it is to cease its production of shoes and bags effective from 31 August 2013 and to engage only in investment holding (a holding company). The Company's shareholdings in its subsidiaries are unchanged, and the subsidiaries continue their factory operations as before. The Company has a 100% shareholding in WBLP Co., Ltd. (formerly known as "Pan Rayong Co., Ltd."), a subsidiary whose main business is the production of shoes and bags.

In addition, the Company has laid-off almost all employees and retains a certain number of employees to support office operations. The Company recorded the compensation paid to the employees who were laid-off, amounting to Baht 130 million, in profit or loss and reversed provision for long-term employee benefits amounting to Baht 2 million. In addition, the Company's management considered to set aside allowance for impairment amounting to Baht 73 million for unused machines in profit or loss during the second quarter of this year.

**1.2 Going concern**

As presented in the consolidated statement of financial position as at 31 December 2013, the Company and its subsidiaries have current liabilities exceeded current assets by Baht 68 million (Separate financial statements: current assets exceeded current liabilities by Baht 3 million) and have deficits of Baht 2,680 million (Separate financial statements: Baht 2,604 million). In addition, during the current year the Company and its subsidiaries laid off a number of employees and several subsidiaries ceased their operations. Although these conditions raise substantial doubt about their ability to continue as a going concern. However, during the current year, the Company and its subsidiaries sold partial fixed assets in value of Baht 1,285 million (Separate financial statements: Baht 938 million), resulted gain on sales of those assets amounting to Baht 560 million (Separate financial statements: Baht 248 million) in order to settle debts and improve their liquidity. In addition, the Company has restructured its business, as discussed in Note 1.1 to the financial statements. For these reasons, the financial statements have been prepared on the going concern basis.



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## 2. Basis of preparation

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

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

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

## 2.2 Basis of consolidation

(a) These consolidated financial statements include the financial statements of Pan Asia Footwear Public Company Limited ("the Company") and the following subsidiary companies ("the subsidiaries"):

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2013 Percent	2012 Percent
<u>Subsidiaries directly held by the Company</u>				
Footwear Tech 1530 Company Limited	Ceased operation	Thailand	100.00	100.00
International Curity Footwear Company Limited	Manufacture, distribute and export of footwear and dyeing of fabric	Thailand	100.00	100.00
WBLP Company Limited	Manufacture of footwear and bag	Thailand	100.00	100.00
Phimai Footwear Company Limited	Ceased operation	Thailand	100.00	100.00
Excellent Rubber Company Limited	Ceased operation	Thailand	100.00	100.00
Kabinburi Pan Asia Footwear Company Limited	Ceased operation	Thailand	100.00	100.00
Pontex (Thailand) Company Limited	Manufacture of plastic parts and injection	Thailand	92.53	92.53
Innovation Nakornluang Footwear Company Limited	Ceased operation	Thailand	96.07	96.07
Chainat Rubber Company Limited	Manufacture of footwear soles	Thailand	-	100.00
Hankha Bangkok Rubber Company Limited	Manufacture of footwear uppers	Thailand	99.99	99.99
Pan Tech R&D Company Limited	Ceased operation	Thailand	100.00	100.00
Pan Asia Garment (Laos) Company Limited	Manufacture of garment	Laos	100.00	100.00
<u>Subsidiaries held by Kabinburi Pan Asia Footwear Company Limited</u>				
Modern Technology Component Company Limited	Manufacture of footwear parts	Thailand	100.00	100.00
Pan Component Company Limited	Ceased operation	Thailand	100.00	100.00
Pan Upper Company Limited	Ceased operation	Thailand	100.00	100.00
Burirum Pan Footwear Company Limited	Ceased operation	Thailand	69.27	65.67



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

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

### 3. New accounting standards

Below is a summary of accounting standards that became effective in the current accounting period and those that will become effective in the future.

#### a. Accounting standards that became effective in the current accounting period

Accounting standards:

TAS 12 Income Taxes

TAS 20 (revised 2009) Accounting for Government Grants and Disclosure of Government Assistance

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

Financial Reporting Standard:

TFRS 8 Operating Segments

Accounting Standard Interpretations:

TSIC 10 Government Assistance - No Specific Relation to Operating Activities

TSIC 21 Income Taxes - Recovery of Revalued Non-Depreciable Assets

TSIC 25 Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

Accounting Treatment Guidance for Transfers of Financial Assets



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		<u>Effective date</u>
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations	1 January 2014
TFRS 8 (revised 2012)	Operating Segments	1 January 2014
Accounting Standard Interpretations:		
TSIC 15	Operating Leases - Incentives	1 January 2014
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1 January 2014
TSIC 29	Service Concession Arrangements: Disclosures	1 January 2014
TSIC 32	Intangible Assets - Web Site Costs	1 January 2014
Financial Reporting Standard Interpretations:		
TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 January 2014
TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2014
TFRIC 7	Applying the Restatement Approach under TAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>	1 January 2014
TFRIC 10	Interim Financial Reporting and Impairment	1 January 2014
TFRIC 12	Service Concession Arrangements	1 January 2014
TFRIC 13	Customer Loyalty Programmes	1 January 2014
TFRIC 17	Distributions of Non-cash Assets to Owners	1 January 2014
TFRIC 18	Transfers of Assets from Customers	1 January 2014

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



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**4. Cumulative effect of changes in accounting policies due to the adoption of new accounting standard**

During the current year, the Company and its subsidiaries made the changes described in Note 3 to the financial statements to its significant accounting policies, as a result of the adoption of Thai Accounting Standard 12 Income Taxes. The cumulative effect of the changes in the accounting policies has been separately presented in the statements of changes in shareholders' equity.

The amounts of adjustments affecting the statements of financial position and the statements of comprehensive income are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements			Separate financial statements		
	As at	As at	As at	As at	As at	As at
	31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
<b>Statements of financial position</b>						
Increase in deferred tax assets	4,933	61,938	54,677	-	46,730	40,954
Increase in deferred tax liabilities	443	962	525	365	-	-
Decrease in non-controlling interests of the subsidiaries	(6)	(24)	(15)	-	-	-
Increase (decrease) in unappropriated retained earnings	4,496	61,000	54,167	(365)	46,730	40,954

(Unit: Thousand Baht)

	For the years ended 31 December				
	Consolidated		Separate		
	financial statements	financial statements	financial statements	financial statements	
	2013	2012	2013	2012	
<b>Statements of comprehensive income</b>					
<b>Profit or loss:</b>					
Increase (decrease) in income tax expenses		56,486	(6,824)	47,095	(5,777)
Increase (decrease) in profit attributable to non- controlling interest of the subsidiaries		(56,504)	6,833	-	-
Increase (decrease) in profit attributable to equity holders of the Company		(18)	(9)	(47,095)	5,777
Increase (decrease) in basic earnings per share (Baht)		(0.11)	0.01	(0.09)	0.01



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## **5. Significant accounting policies**

### **5.1 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.

#### *Rendering of services*

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

#### *Interest income*

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

### **5.2 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.

### **5.3 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 experience and analysis of debt aging.

### **5.4 Inventories**

Finished goods and work in process are valued at the lower of standard cost (which is close to actual cost) and net realisable value. Standard Cost included factory overhead.

Raw material are valued at the lower of average cost and net realisable value and included in manufacturing cost when they were issued.

### **5.5 Investments**

- a) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in other comprehensive income and will be recorded in profit or loss when the securities are sold.
- b) Investments in non-marketable equity securities, which the subsidiary classifies as other investments, are stated at cost net of allowance for diminution in value (if any).



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- c) Investments in associates are accounted for in the consolidated financial statements using the equity method.
- d) Investments in subsidiaries and associates are accounted for in the separate financial statements using the cost method.

The fair value of marketable securities is based on the latest bid price of the last working day of the year.

The weighted average method is used for computation of the cost of investments.

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

### 5.6 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for loss on impairment (if any).

Depreciation of investment properties is calculated by reference to their costs on the straight-line basis over estimated useful lives of 20 - 50 years. Depreciation of the investment properties is included in determining income.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period when the asset is derecognised.

### 5.7 Property, plant and equipment/Depreciation

Land is stated at cost less allowance for diminution in value (if any). 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:

Land improvements	-	5 - 20 years
Plants and buildings	-	20 - 25 years
Machinery and equipment	-	5 - 10 years
Furniture, fixtures and office equipment	-	3 - 5 years
Motor vehicles	-	3 - 5 years
Utilities	-	5 - 10 years

Depreciation is included in determining income.

No depreciation is provided on land and assets under installation and under construction.



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An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

## 5.8 Goodwill

Goodwill is initially recorded at cost, which equals to the excess of cost of business combination over the fair value of the net assets acquired. If the fair value of the net assets acquired exceeds the cost of business combination, the excess is immediately recognised as gain in profit or loss.

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Company's cash generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combination. The Company estimates the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

## 5.9 Related party transactions

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

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

## 5.10 Long-term leases

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



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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 profit or loss on a straight line basis over the lease term.

#### **5.11 Foreign currencies**

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency. Items included in the consolidated financial statements of each entity are measured using that functional currency.

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.

#### **5.12 Impairment of assets**

At the end of each reporting period, the Company and its subsidiaries perform impairment review in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. The Company also carries out annual impairment reviews in respect of goodwill. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

An impairment loss is recognised in profit or loss.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company and its subsidiaries estimate the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal, which exceeds the carrying amount that would have been determined, is treated as a revaluation increase.



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## 5.13 Employee benefits

### *Short-term employee benefits*

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

### *Post-employment benefits*

#### *Defined contribution plans*

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

#### *Defined benefit plans*

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

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

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

## 5.14 Provisions

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

## 5.15 Income tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

### **Current tax**

Current 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.



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## Deferred tax

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company and its subsidiaries record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

### 5.16 Assets held for sale

Net assets of discontinued operations held for sale are stated at the lower of cost and fair value after deduction with selling expenses.

Investment properties and property, plant and equipment classified as held for sale are stated at the cost or fair value whichever is lower

## 6. Significant accounting judgements and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follows:

### Leases

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

### Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.



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### **Allowance of diminution in value of inventory**

In determining a reduce cost to net realisable value of inventories, the management needs to make judgment in estimating the losses that will be incurred on the sale of the inventory, taking into account net realisable value, aging profile of outstanding inventories and the stock-keeping conditions, among other factors.

### **Impairment of equity investments**

The Company treats available-for-sale investments and other investments as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement of the management.

### **Property plant and equipment and investment property/Depreciation**

In determining depreciation of plant and equipment and investment property, the management is required to make estimates of the useful lives and residual values of those assets and to review estimate useful lives and residual values when there are any changes.

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

### **Goodwill**

The initial recognition and measurement of goodwill and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

### **Deferred tax assets**

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.



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## Post-employment benefits under defined benefit plans

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

## Litigations

The Company and its subsidiaries have contingent liabilities as a result of litigations. The Company's management has used judgement to assess of the results of the litigations and recorded the provisions as described in Note 28.3 to the financial statements.

## 7. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Cash	259	733	3	63
Bank deposits	194,393	17,448	124,417	1,023
Total	<u>194,652</u>	<u>18,181</u>	<u>124,420</u>	<u>1,086</u>

As at 31 December 2013, bank deposits in saving accounts carried interests between 0.50% and 0.63% per annum (2012: between 0.50% and 0.63% per annum).

## 8. Current investment

As at 31 December 2013, the subsidiaries have 4-month fixed deposits, carried the interest at 2.63% per annum (2012: nil).

## 9. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated		Separate	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<u>Trade receivables - related parties</u>				
Aged on the basis of due dates				
Not yet due	30,186	20,399	-	-
Past due				
Up to 3 months	27,359	17,665	1,120	-
3 - 6 months	4,725	7,156	985	144
6 - 12 months	9,375	5,191	-	15
Over 12 months	70,299	65,617	231	141
Total	<u>141,944</u>	<u>116,028</u>	<u>2,336</u>	<u>300</u>
Less: Allowance for doubtful accounts	<u>(64,228)</u>	<u>(62,092)</u>	<u>(87)</u>	<u>(87)</u>
Total trade receivables - related parties, net	<u>77,716</u>	<u>53,936</u>	<u>2,249</u>	<u>213</u>



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(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	12,091	95,619	221	87,352
Past due				
Up to 3 months	8,677	77,202	471	46,999
3 - 6 months	2,124	9,912	1,991	9,804
6 - 12 months	6,402	790	6,247	543
Over 12 months	12,247	13,005	198	143
Total	41,541	196,528	9,128	144,841
Less: Allowance for doubtful accounts	(15,004)	(13,900)	(3,230)	(359)
Total trade receivables - unrelated parties, net	26,537	182,628	5,898	144,482
Total trade receivables - net	104,253	236,564	8,147	144,695
<u>Other receivables</u>				
Other receivables - related parties	346,242	312,921	203,506	185,801
Other receivables - unrelated parties	14,539	43,231	6,035	7,763
Total	360,781	356,152	209,541	193,564
Less: Allowance for doubtful accounts	(348,903)	(303,665)	(178,224)	(139,895)
Total other receivables - net	11,878	52,487	31,317	53,669
Total trade and other receivables - net	116,131	289,051	39,464	198,364

## 10. Related party transactions

During the years, the Company and its subsidiaries had significant business transactions with individual or related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and subsidiaries and those related parties.

(Unit: Million Baht)

	Consolidated		Separate		Transfer pricing policy
	financial statements		financial statements		
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	
<u>Transactions with subsidiaries</u>					
(Eliminated from consolidated financial statements)					
Sales of goods	-	-	5	2	Cost plus margins
Hire of work income	-	-	-	3	Cost plus margins
Interest income	-	-	17	12	7.50% per annum
Rental income	-	-	1	12	As indicated in the agreement
Other income	-	-	3	4	Cost plus margins or as indicated in the agreement
Purchases of goods	-	-	21	163	Cost plus margins
Hire of work expenses	-	-	5	269	Cost plus margins
Other expenses	-	-	3	7	As indicated in the agreement



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(Unit: Million Baht)

	Consolidated		Separate		Transfer pricing policy
	financial statements		financial statements		
	2013	2012	2013	2012	
<b>Transactions with associates</b>					
Sales of goods	8	13	-	3	Cost plus margins
Hire of work income	-	2	-	-	Cost plus margins
Interest income	32	32	-	-	3.00% - 8.63% per annum
Rental income	5	20	4	27	As indicated in the agreement
Other income	3	6	-	1	Cost plus margins or as indicated in the agreement
Purchase of goods	30	104	22	38	Cost plus margins
Hire of work expenses	-	9	-	1	Cost plus margins
Other expenses	2	16	-	-	As indicated in the agreement
<b>Transactions with related companies</b>					
Sales of goods	220	151	3	2	Cost plus margins
Hire of work income	126	17	-	8	Cost plus margins
Rental income	4	10	4	1	As indicated in the agreement
Other income	2	1	-	-	Cost plus margins or as indicated in the agreement
Purchases of goods	11	17	1	3	Cost plus margins
Hire of work expenses	-	2	-	2	Cost plus margins
Public utilities expenses	10	20	9	19	As indicated in the agreement
Other expenses	15	18	1	14	As indicated in the agreement
<b>Transaction with related persons</b>					
Interest expenses	-	2	-	2	4.90% - 6.00% per annum

As at 31 December 2013 and 2012, the balances of the accounts between the Company and those related parties are as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
<b>Trade and other receivables - related parties (Note 9)</b>				
Subsidiaries	-	-	134,554	108,971
Associates	266,053	235,063	30,266	27,036
Related companies (related by common shareholders and directors)	222,133	193,886	41,022	50,094
Total	488,186	428,949	205,842	186,101
Less: Allowance for doubtful accounts	(402,992)	(356,755)	(175,025)	(139,982)
Net	85,194	72,194	30,817	46,119
<b>Receivables from guarantee - related parties</b>				
Subsidiaries	-	-	24,900	54,070
Associates	36,286	28,558	36,286	28,558
Related companies (related by common shareholders)	14,734	14,734	14,734	14,734
Total	51,020	43,292	75,920	97,362
Less: Allowance for doubtful accounts	(51,020)	(43,292)	(75,920)	(43,292)
Net	-	-	-	54,070



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	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b><u>Trade and other payables - related parties (Note 20)</u></b>				
Subsidiaries	-	-	20,166	37,248
Associates	27,116	51,484	517	10,999
Related companies (related by common shareholders)	64,136	50,248	35,640	25,096
<b>Total</b>	<b>91,252</b>	<b>101,732</b>	<b>56,323</b>	<b>73,343</b>

### Short-term loans to related parties and others

As at 31 December 2013 and 2012, the balances of short-term loans to related parties and others and the movements are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements			
	As at			As at
	1 January	Increase	Decrease	31 December
	<u>2013</u>			<u>2013</u>
<b><u>Short-term loans to related parties and others</u></b>				
<b>Short-term loans to related parties</b>				
<b>Associates</b>				
Nongchang Rubber Co., Ltd.	850	-	-	850
PA Capital Co., Ltd.	3,033	-	(500)	2,533
<b>Total</b>	<b>3,883</b>	<b>-</b>	<b>(500)</b>	<b>3,383</b>
<b>Related companies</b>				
Narai Bangkok Rubber Co., Ltd.	500	-	-	500
Thai Sung Shin New Material Co., Ltd.	2,600	-	-	2,600
Panway of Life Co., Ltd.	-	990	-	990
Pan Biotech Co., Ltd.	-	990	-	990
Naturalart and Technology Co., Ltd. (formerly known as "Pan Asia Biotechnology Co., Ltd.")	6,000	-	(2,000)	4,000
<b>Total</b>	<b>9,100</b>	<b>1,980</b>	<b>(2,000)</b>	<b>9,080</b>
<b>Total short-term loans to related parties</b>	<b>12,983</b>	<b>1,980</b>	<b>(2,500)</b>	<b>12,463</b>
Less: Allowance for doubtful accounts	(3,950)	-	-	(3,950)
<b>Total short-term loans to related parties - net</b>	<b>9,033</b>	<b>1,980</b>	<b>(2,500)</b>	<b>8,513</b>
Short-term loans to others	573	-	-	573
<b>Total short-term loans to related parties and others, net</b>	<b>9,606</b>	<b>1,980</b>	<b>(2,500)</b>	<b>9,086</b>



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## Long-term loans to related parties

As at 31 December 2013 and 2012, the balances of long-term loans to related parties and the movements are as follows:

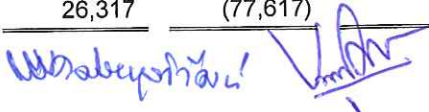
(Unit: Thousand Baht)

	Consolidated financial statements			
	As at			As at
	1 January 2013	Increase	Decrease	31 December 2013
<b><u>Long-term loans to related parties</u></b>				
Associates				
Pan Asia Leather Co., Ltd.	47,000	-	(2,240)	44,760
PA Capital Co., Ltd.	395,785	-	-	395,785
P.L. John Industries Co., Ltd.	10,700	-	-	10,700
Pek Engineering Co., Ltd.	9,540	-	-	9,540
Advantage Footwear Co., Ltd.	12,800	5,900	(18,700)	-
<b>Total</b>	<b>475,825</b>	<b>5,900</b>	<b>(20,940)</b>	<b>460,785</b>
Related companies				
Rangsit Footwear Co., Ltd.	2,109	-	-	2,109
Pan Tech Machinery Co., Ltd.	2,180	-	-	2,180
Rangsit Polymer Co., Ltd.	3,721	-	-	3,721
<b>Total</b>	<b>8,010</b>	<b>-</b>	<b>-</b>	<b>8,010</b>
<b>Total long-term loans to related parties</b>	<b>483,835</b>	<b>5,900</b>	<b>(20,940)</b>	<b>468,795</b>
Less: Allowance for doubtful accounts	(471,035)	-	22,240	(448,795)
<b>Total long-term loans to related parties, net</b>	<b>12,800</b>	<b>5,900</b>	<b>1,300</b>	<b>20,000</b>

(Unit: Thousand Baht)

	Separate financial statements			
	As at			As at
	1 January 2013	Increase	Decrease	31 December 2013
<b><u>Long-term loans to related parties</u></b>				
Subsidiaries				
Modern Technology Component Co., Ltd.	41,600	7,800	(25,000)	24,400
Kabinburi Pan Asia Footwear Co., Ltd.	136,070	48,970	(11,000)	174,040
Excellent Rubber Co., Ltd.	18,300	5,473	(23,773)	-
Phimai Footwear Co., Ltd.	19,660	3,890	(500)	23,050
International Curity Footwear Co., Ltd.	-	11,494	(11,494)	-
<b>Total</b>	<b>215,630</b>	<b>77,627</b>	<b>(71,767)</b>	<b>221,490</b>
Associate				
Advantage Footwear Co., Ltd.	-	5,900	(5,900)	-
<b>Total</b>	<b>-</b>	<b>5,900</b>	<b>(5,900)</b>	<b>-</b>
Related company				
Rangsit Footwear Co., Ltd.	2,109	-	-	2,109
<b>Total</b>	<b>2,109</b>	<b>-</b>	<b>-</b>	<b>2,109</b>
<b>Total long-term loans to related parties</b>	<b>217,739</b>	<b>83,527</b>	<b>(77,667)</b>	<b>223,599</b>
Less: Allowance for doubtful accounts	(166,439)	(57,210)	50	(223,599)
<b>Total long-term loans to related parties, net</b>	<b>51,300</b>	<b>26,317</b>	<b>(77,617)</b>	<b>-</b>



  
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### Short-term loans from related parties and others

As at 31 December 2013 and 2012, the balances of short-term loans from related parties and others and the movements are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		
	As at		As at
	1 January 2013	Decrease	31 December 2013
<b><u>Short-term loans from related parties and others</u></b>			
Associate			
Aphakorn Industrial Co., Ltd.	4,000	(4,000)	-
Total	4,000	(4,000)	-
Related persons			
Mr. Boonyasit Chokwatana	100,000	-	100,000
Mr. Boonyakiat Chokwatana	10,000	(10,000)	-
Total	110,000	(10,000)	100,000
Others			
Sajja Aomsap Mutual Fund	861	(140)	721
Employee Relief Fund Buriram	1,404	(1,404)	-
Total	2,265	(1,544)	721
Total short-term loans from related parties and others	116,265	(15,544)	100,721

(Unit: Thousand Baht)

	Separate financial statements		
	As at		As at
	1 January 2013	Decrease	31 December 2013
<b><u>Short-term loans from related parties</u></b>			
Subsidiaries			
Pontex (Thailand) Co., Ltd.	11,000	(11,000)	-
Footwear Tech 1530 Co., Ltd.	14,300	(14,300)	-
WBLP Co., Ltd.	41,800	(36,800)	5,000
Pantech R&D Co., Ltd.	1,850	(1,850)	-
Total	68,950	(63,950)	5,000
Associate			
Aphakorn Industrial Co., Ltd.	4,000	(4,000)	-
Total	4,000	(4,000)	-
Related persons			
Mr. Boonyasit Chokwatana	100,000	-	100,000
Mr. Boonyakiat Chokwatana	10,000	(10,000)	-
Total	110,000	(10,000)	100,000
Total short-term loans from related parties	182,950	(77,950)	105,000



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### Directors and management's benefits

During the years ended 31 December 2013 and 2012, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Short-term employee benefits	9,104	14,717	5,414	9,100
Post-employment benefits	53	51	42	40
<b>Total</b>	<b>9,157</b>	<b>14,768</b>	<b>5,456</b>	<b>9,140</b>

### Guarantee obligations with related parties

The Company and its subsidiaries have outstanding guarantee obligations with its related parties as described in Note 28.2 a) to the financial statements.

## 11. Inventories

(Unit: Thousand Baht)

	Consolidated financial statement					
	Cost		Reduce cost to net realisable value		Inventories-net	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Finished goods	114,034	171,975	(71,481)	(36,681)	42,553	135,294
Work in process	24,915	66,376	(11,503)	(18,927)	13,412	47,449
Raw materials	108,989	230,731	(92,064)	(96,146)	16,925	134,585
Raw materials in transit	141	5,787	-	-	141	5,787
<b>Total</b>	<b>248,079</b>	<b>474,869</b>	<b>(175,048)</b>	<b>(151,754)</b>	<b>73,031</b>	<b>323,115</b>

(Unit: Thousand Baht)

	Separated financial statement					
	Cost		Reduce cost to net realisable value		Inventories-net	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Finished goods	78,004	123,005	(57,676)	(21,423)	20,328	101,582
Work in process	-	35,719	-	-	-	35,719
Raw materials	75,108	156,709	(75,108)	(42,530)	-	114,179
Raw materials in transit	-	5,731	-	-	-	5,731
<b>Total</b>	<b>153,112</b>	<b>321,164</b>	<b>(132,784)</b>	<b>(63,953)</b>	<b>20,328</b>	<b>257,211</b>



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## 12. Assets classified as held for sale

In 2012, the Company and its subsidiaries transferred part of investments in subsidiaries, investment properties, and property, plant and equipment to assets classified as held for sale.

Movements in assets classified as held for sale account during the year ended 31 December 2013 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements			
	Assets of subsidiaries	Investment properties	Property, plant and equipment	Total
<b>Balance as at 31 December 2012</b>	70,054	227,531	573,872	871,457
Transfer to assets available for use	-	-	(16,746)	(16,746)
Decrease during the year	(19,425)	-	-	(19,425)
Disposals during the year	(26,931)	(131,723)	(557,126)	(715,780)
<b>Balance as at 31 December 2013</b>	<u>23,698</u>	<u>95,808</u>	<u>-</u>	<u>119,506</u>

(Unit: Thousand Baht)

	Separate financial statements			
	Investments in subsidiaries	Investment properties	Property, plant and equipment	Total
<b>Balance as at 31 December 2012</b>	36,302	685,165	74,245	795,712
Disposals during the year	(8,850)	(589,357)	(74,245)	(672,452)
<b>Balance as at 31 December 2013</b>	<u>27,452</u>	<u>95,808</u>	<u>-</u>	<u>123,260</u>

On 8 February 2013, a meeting of the Board of Directors passed a resolution to sell all 149,993 shares of the Company's investment in Chainat Rubber Company Limited, a subsidiary in which the Company held 100% of shares, to two related companies at Baht 59 per share, or a total of Baht 9 million. The Company has classified this investment under assets classified as held for sale in 2012. The sale was completed in July 2013 which the Company has recorded gain on disposal of investment of Baht 1 million in consolidated profit or loss

As at 31 December 2013, the Company and its subsidiaries have pledged assets classified as held for sale with net book value amounting to Baht 94 million (2012: Baht 597 million) as collateral against loan from director and financial institutions (Separate financial statements: Baht 94 million (2012: Baht 566 million)).



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### 13. Restricted bank deposits

As at 31 December 2013 and 2012, the subsidiaries had pledged the fixed deposits at financial institutions to secure loans and bank guarantee facilities issued by the banks on behalf of the subsidiaries.

### 14. Investments in available-for-sale securities

(Unit: Thousand Baht)

	Consolidated/Separate financial statements	
	<u>2013</u>	<u>2012</u>
Boutique New City Public Company Limited	124	124
Bangkok Rubber Public Company Limited	758,294	758,294
Total cost	758,418	758,418
Less: Deficit on changes in value of investment	(92)	(86)
Provision for impairment of investments	(758,294)	(758,294)
Investments in available-for-sale securities, net	<u>32</u>	<u>38</u>

The Company had set aside full provision for impairment of investments in the ordinary shares of Bangkok Rubber Public Company Limited which is undergoing debt restructuring under the rehabilitation business plan.

### 15. Investments in subsidiaries

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

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost		Allowance for impairment on investments		Net	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
			(%)	(%)						
Footwear Tech 1530 Co., Ltd.	400,000	400,000	100	100	467,968	467,968	(467,968)	(467,968)	-	-
International Curity										
Footwear Co., Ltd.	350,000	350,000	100	100	349,999	349,999	(349,999)	(349,999)	-	-
Kabinburi Pan Asia										
Footwear Co., Ltd.	350,000	350,000	100	100	443,523	443,523	(443,523)	(443,523)	-	-
Excellent Rubber Co., Ltd.	370,000	370,000	100	100	385,887	385,887	(385,887)	(385,887)	-	-
Phimai Footwear Co., Ltd.	100,000	100,000	100	100	115,969	115,969	(115,969)	(115,969)	-	-
WBLP Co., Ltd.	30,000	30,000	100	100	43,371	43,371	-	-	43,371	43,371
Pantech R&D Co., Ltd.	150,000	150,000	100	100	149,998	149,998	(149,998)	(146,406)	-	3,592
Innovation Nakornluang										
Footwear Co., Ltd.	350,150	350,150	96	96	264,290	264,290	(264,290)	(264,290)	-	-
Pontex (Thailand) Co., Ltd.	60,800	60,800	93	93	122,112	122,112	(23,000)	-	99,112	122,112
<b>Total</b>					<u>2,343,117</u>	<u>2,343,117</u>	<u>(2,200,634)</u>	<u>(2,174,042)</u>	<u>142,483</u>	<u>169,075</u>



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## 16. Investments in associates

### 16.1 Details of associates:

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Consolidated financial statements					
			Shareholding percentage		Cost		Carrying amounts based on equity method	
			2013 (%)	2012 (%)	2013	2012	2013	2012
PA Capital Co., Ltd.	Grocery stores and petrol station	Thailand	43.67	43.67	375,157	375,157	-	-
Nongchang Rubber Co., Ltd.	Ceased operations	Thailand	28.82	28.82	12,000	12,000	-	-
Uthai Bangkok Rubber Co., Ltd.	Ceased operations	Thailand	28.82	28.82	8,999	8,999	-	-
Aphakorn Industrial Co., Ltd.	Manufacture and repair of plastic injection molds	Thailand	33.36	33.36	11,672	11,672	11,614	10,560
Advantage Footwear Co., Ltd.	Manufacture of footwear and footwear parts	Thailand	45.33	45.33	89,415	89,415	26,583	20,842
P.L. John Industries Co., Ltd.	In the process of liquidation	Thailand	19.25	19.25	7,700	7,700	-	-
<b>Total</b>					<u>504,943</u>	<u>504,943</u>	<u>38,197</u>	<u>31,402</u>

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Separate financial statements							
			Shareholding percentage		Cost		Allowance for impairment of investments		Carrying amounts based on cost method - net	
			2013 (%)	2012 (%)	2013	2012	2013	2012	2013	2012
PA Capital Co., Ltd.	Grocery stores and petrol station	Thailand	5.62	5.62	64,559	64,559	(64,559)	(64,559)	-	-
<b>Total</b>					<u>64,559</u>	<u>64,559</u>	<u>(64,559)</u>	<u>(64,559)</u>	<u>-</u>	<u>-</u>



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## 16.2 Share of profit/loss

During the years, the Company has recognised its share of profit (loss) from investments in associates in the consolidated financial statements as follows:

Company's name	(Unit: Thousand Baht)	
	Consolidated financial statements	
	Share of profit (loss) from investments in associates during the year	
	<u>2013</u>	<u>2012</u>
Aphakorn Industrial Co., Ltd.	1,054	919
Advantage Footwear Co., Ltd.	5,742	(4,067)
Reversal share of loss for which PA Capital Co., Ltd. had capital deficiency in being subsidiary before the reclassification of investment in 2012	-	47,033
Total	<u>6,796</u>	<u>43,885</u>

## 16.3 Investment in associates with capital deficit

The Company and its subsidiaries recognised share of losses from investments in 4 associates, until the value of the investments approached zero. Subsequent losses incurred by those associates have not been recognised in the accounts of the Company and its subsidiaries since the Company and its subsidiaries have no obligations, whether legal or constructive, to make any payments on behalf of those associates.

Partial of investments in associates at cost of Baht 375 million was investment in PA Capital Co., Ltd. ("the associate"), the Company did not obtain the financial statements for the year ended 31 December 2013 of the associate and subsidiaries of the associate. The latest financial statements of the associate available to the Company were the financial statements as at 31 December 2012, which were audited by its auditor, and only separate financial statements were presented, not consolidated financial statements, even though it has subsidiaries and associates. However, the Company recorded investment in this associate under the equity method as equal to zero.



*Advantage Footwear*



#### 16.4 Summarised financial information of associates

Financial information of the associates is summarised below.

(Unit: Million Baht)

Company's name	Paid-up capital		Total assets		Total liabilities		Total revenues		Profit (loss)	
	as at		as at		as at		for the years		for the years	
	31 December		31 December		31 December		ended		ended	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
PA Capital Co., Ltd.	*	1,054	*	345	*	560	*	92	*	(29)
Nongchang Rubber Co., Ltd.	40	40	3	2	57	57	1	1	1	0.4
Uthai Bangkok Rubber Co., Ltd.	30	30	4	3	49	50	1	1	1	1
Aphakorn Industrial Co., Ltd.	22	22	43	42	12	14	31	33	3	3
Advantage Footwear Co., Ltd.	367	367	82	101	28	60	253	251	12	(9)

\* The Company did not obtain the financial statements of PA Capital Co., Ltd. as discussed in Note 16.3.

P.L. John Industries Co., Ltd. is in the process of liquidation as discussed in Note 16.1.



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## 17. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements							Total
	Land and land improvement	Buildings and building improvement	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Infrastructure	Assets under installation and under construction	
<b>Cost</b>								
1 January 2012	708,612	853,386	2,589,563	479,258	42,631	42,400	10,912	4,726,762
Additions	622	2,923	15,105	3,267	435	103	9,345	31,800
Disposals / written off	(52,976)	(39,199)	(130,901)	(22,052)	(13,400)	-	(194)	(258,722)
Transfers in (out)	-	3,193	4,184	98	-	-	(7,475)	-
Transfers to assets classified as held for sales	(499,358)	(529,744)	(334,636)	(60,344)	(374)	(12,775)	-	(1,437,231)
The Company's state changes	(130,843)	(199,002)	(610,255)	(90,665)	(14,266)	(21,357)	(5,526)	(1,071,914)
31 December 2012	26,057	91,557	1,533,060	309,562	15,026	8,371	7,062	1,990,695
Additions	-	766	3,323	1,146	4	8	6,213	11,460
Disposals / written off	(1,855)	(10,448)	(480,905)	(108,145)	(5,055)	(14,294)	(2,864)	(623,566)
Transfers in (out)	-	1,382	5,911	1,462	-	-	(8,755)	-
Transfers from (transfers out) assets classified as held for sale	(1,550)	(3,113)	315,912	40,187	282	12,775	-	364,493
Transfer out as a result of disposal of investment classified as held for sale	-	(5,097)	(57,197)	(8,471)	-	(660)	(935)	(72,360)
31 December 2013	22,652	75,047	1,320,104	235,741	10,257	6,200	721	1,670,722



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(Unit: Thousand Baht)

## Consolidated financial statements

	Land and land improvement	Buildings and building improvement	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Infrastructure	Assets under installation and under construction	Total
<b>Accumulated depreciation</b>								
1 January 2012	12,439	487,095	2,261,376	445,589	34,666	41,201	-	3,282,366
Depreciation for the year	415	14,819	63,572	7,745	2,107	601	5	89,264
Depreciation of disposals / written off	(3,505)	(30,985)	(113,958)	(22,454)	(12,377)	-	-	(183,279)
Transfers to assets classified as held for sale	(1,484)	(309,832)	(308,310)	(55,371)	(373)	(12,775)	-	(688,145)
The Company's state changes	(7,618)	(104,391)	(546,697)	(89,421)	(11,580)	(21,237)	-	(780,944)
31 December 2012	247	56,706	1,355,983	286,088	12,443	7,790	5	1,719,262
Depreciation for the year	-	2,592	36,452	4,879	307	152	-	44,382
Depreciation of disposals / written off	-	(3,634)	(458,734)	(105,100)	(4,290)	(14,296)	-	(586,054)
Transfers from (transfers out) assets classified as held for sale	-	(1,706)	289,600	36,203	281	12,775	-	337,153
Transfer out as a result of disposal of investment classified as held for sale	-	(2,864)	(50,533)	(7,856)	-	(660)	-	(61,913)
31 December 2013	247	51,094	1,172,768	214,214	8,741	5,761	5	1,452,830



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(Unit: Thousand Baht)

## Consolidated financial statements

	Land and land improvement	Buildings and building improvement	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Infrastructure	Assets under installation and under construction	Total
<b>Provision for impairment</b>								
1 January 2012	73,264	30,023	54,134	623	-	-	5,012	163,056
Increase during the year	101,271	-	1,995	-	-	-	-	103,266
Transfers to assets classified as held for sale	(144,844)	(19,776)	(10,594)	-	-	-	-	(175,214)
The Company's state changes	(26,681)	(4,467)	(14,181)	(585)	-	-	(5,012)	(50,926)
31 December 2012	3,010	5,780	31,354	38	-	-	-	40,182
Increase during the year	-	3,635	90,159	1,422	-	180	65	95,461
Decrease during the year	(3,010)	-	(18,836)	(23)	-	-	-	(21,869)
Transfer from assets classified as held for sale	-	-	10,594	-	-	-	-	10,594
31 December 2013	-	9,415	113,271	1,437	-	180	65	124,368
<b>Investments classified as held for sale</b>								
31 December 2012	2,360	9,810	3,710	1,701	143	467	5,008	23,199
31 December 2013	-	3,864	5,055	1,472	-	7	496	10,894
<b>Net book value:</b>								
1 January 2012	622,909	336,268	274,053	33,046	7,965	1,199	5,900	1,281,340
31 December 2012	20,440	19,261	142,013	21,735	2,440	114	2,049	208,052
31 December 2013	22,405	10,674	29,010	18,618	1,516	252	155	82,630
<b>Depreciation for the year</b>								
2012 (Baht 36 million included in manufacturing cost, and the balance in selling and administrative expenses)								89,264
2013 (Baht 22 million included in manufacturing cost, and the balance in selling and administrative expenses)								44,382



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(Unit: Thousand Baht)

## Separate financial statements

Cost	Land and buildings				Machinery and equipment		Furniture, fixtures and office equipment		Motor vehicles		Infrastructure		Assets under installation and under construction		Total
	improvement	land	building improvement	building	improvement	equipment	improvement	office equipment	motor vehicles	vehicles	infrastructure	infrastructure	under construction	construction	
1 January 2012	201,956	-	96,932	456	512,704	67,955	1,223	9,023	435	1,519	2,963	-	5,307	893,052	
Additions	-	(40,438)	-	-	4,512	(7,254)	(1,393)	-	-	-	-	-	-	11,933	
Disposals/written off	-	-	-	-	(24,302)	98	(1,393)	-	-	-	-	-	-	(73,387)	
Transfers in (out)	-	-	3,193	-	4,184	98	-	-	-	-	(7,475)	-	-	-	
Transfers to assets classified as held for sale	(50,514)	-	(26,693)	-	-	(686)	-	-	-	-	-	-	-	(77,893)	
31 December 2012	111,004	-	73,888	-	497,098	61,336	71	8,065	-	1,519	795	-	2,392	753,705	
Additions	-	-	-	-	2,128	(11,711)	(2,508)	-	-	-	-	-	-	4,591	
Disposals/written off	-	-	(6,036)	-	(187,837)	323	-	-	-	(1,519)	(2,864)	-	-	(212,475)	
Transfers in (out)	-	-	-	-	311,712	49,696	-	-	-	-	(323)	-	-	-	
31 December 2013	111,004	-	67,852	-	311,712	49,696	-	5,557	-	-	-	-	-	545,821	
<b>Accumulated depreciation</b>															
1 January 2012	1,042	-	3,139	5,421	370,566	63,170	2,091	5,756	1,424	1,107	-	-	-	444,780	
Depreciation for the year	-	(1,042)	-	-	31,999	(7,620)	(1,271)	-	-	307	-	-	-	41,242	
Depreciation of disposals/written off	-	-	-	-	(18,480)	(298)	-	-	-	77	-	-	-	(28,336)	
Transfers to assets classified as held for sale	-	-	(3,350)	-	-	(298)	-	-	-	-	-	-	-	(3,648)	
31 December 2012	-	-	5,210	2,318	384,085	57,343	1,621	5,909	788	1,491	-	-	-	454,038	
Depreciation for the year	-	-	-	(997)	16,917	(11,348)	(1,884)	-	-	31	-	-	-	21,675	
Depreciation of disposals/written off	-	-	-	-	(170,432)	47,616	-	-	-	(1,522)	-	-	-	(186,183)	
31 December 2013	-	-	6,531	-	230,570	47,616	-	4,813	-	-	-	-	-	289,530	



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(Unit: Thousand Baht)

	Separate financial statements							Total
	Land and land improvement	Buildings and building improvement	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Infrastructure	Assets under installation and under construction	
<b>Provision for impairment</b>								
1 January 2012	-	-	-	-	-	-	-	-
Increase during the year	3,010	-	-	-	-	-	-	3,010
31 December 2012	3,010	-	-	-	-	-	-	3,010
Increase during the year	-	-	71,427	-	-	-	-	71,427
Decrease during the year	(3,010)	-	-	-	-	-	-	(3,010)
31 December 2013	-	-	71,427	-	-	-	-	71,427
<b>Net book value</b>								
1 January 2012	200,914	93,793	142,138	4,785	3,267	412	2,963	448,272
31 December 2012	107,994	68,678	113,013	3,993	2,156	28	795	296,657
31 December 2013	111,004	61,321	9,715	2,080	744	-	-	184,864
<b>Depreciation for the year</b>								
2012 (Baht 28 million included in manufacturing cost, and the balance in selling and administrative expenses)								41,242
2013 (Baht 17 million included in manufacturing cost, and the balance in selling and administrative expenses)								21,675



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As at 31 December 2013, the subsidiary had machinery, vehicles and equipment under finance lease agreements with net book values amounting to Baht 4 million (2012: Baht 5 million).

As at 31 December 2013, the Company and its subsidiaries had certain plant and equipment items which have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation and allowance for impairment loss of those assets amounted to approximately Baht 1,037 million (2012: Baht 1,557 million) (Separate financial statements: Baht 175 million (2012: Baht 337 million)).

The Company and its subsidiaries have pledged assets amounting to approximately Baht 39 million (2012: Baht 52 million) as collateral against credit facilities received from financial institutions (Separate financial statements: Baht 173 million (2012: Baht 177 million)).

#### 18. Goodwill

	(Unit: Thousand Baht)	
	Consolidated	
	financial statements	
	<u>2013</u>	<u>2012</u>
Goodwill	12,047	12,047
Less: Provision for impairment of goodwill	(12,047)	(12,047)
Net	-	-

#### 19. Bank overdrafts and short-term loans from financial institutions

		(Unit: Thousand Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
	Interest rate (% per annum)	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Bank overdrafts	MOR, MOR+1	10,984	107,763	4,748	33,716
Short-term loans from financial institutions	MLR, 18.00	196,000	90,063	106,000	-
Trust receipts	7.00	-	100,219	-	89,392
Packing credit	6.20 - 18.00	13,270	336,348	-	304,820
Total		<u>220,254</u>	<u>634,393</u>	<u>110,748</u>	<u>427,928</u>

Bank overdrafts and short-term loans from financial institutions of subsidiaries are secured by the guarantees of the Company and Bangkok Rubber Plc., the pledge of



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fixed deposits and machines, and the mortgage of land and construction thereon of subsidiaries as described in Notes 13 and 17 to the financial statements.

## 20. Trade and other payables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Trade accounts payable - related parties	38,457	57,265	15,965	40,057
Trade accounts payable - unrelated parties	49,193	145,316	5,904	67,770
Other payables - related parties	6,316	17,436	6,466	6,255
Other payables - unrelated parties	6,056	19,695	5,437	19,695
Accrued expenses - related parties	25,835	22,031	13,248	22,031
Accrued expenses - unrelated parties	101,008	126,997	8,429	52,582
Advance received for share subscription - related parties	20,644	5,000	20,644	5,000
Unearned revenue - unrelated parties	3,187	7,327	2,035	35
<b>Total</b>	<b>250,696</b>	<b>401,067</b>	<b>78,128</b>	<b>213,425</b>

## 21. Long-term loans

(Unit: Thousand Baht)

Loan	Interest rate (% per annum)	Repayment schedule	Consolidated		Separate	
			financial statements		financial statements	
			<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
1	MLR	Monthly installments as from June 2012 - August 2015	-	10,940	-	10,940
2	MLR	Monthly installments as from June 2012 - January 2017	-	52,300	-	52,300
3	MLR	Monthly installments as from January 2013 - May 2017	39,315	88,310	39,315	88,310
4	MLR	Monthly installments as from May 2010 - July 2017	-	139,364	-	139,364
5	MLR	Monthly installments as from June 2012 - December 2015	-	33,646	-	-
6	MLR	Monthly installments as from July 2011 - June 2013	-	3,646	-	-
7	MLR	Monthly installments as from March 2011 - March 2013	-	300	-	-
8	MLR	Monthly installments as from February 2012 - November 2014	458	1,037	-	-



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			(Unit: Thousand Baht)			
			Consolidated		Separate	
			financial statements		financial statements	
Loan	Interest rate (% per annum)	Repayment schedule	2013	2012	2013	2012
9	MLR	Monthly installments as from February 2010 - July 2017	-	73,528	-	-
10	MLR	Monthly installments as from July 2010 - June 2013	-	3,182	-	-
11	18.00	Monthly installments as from April 2009 - January 2011	43,405	39,109	-	-
Total			83,178	445,362	39,315	290,914
Less: Portion due within one year			(11,702)	(245,550)	(11,244)	(175,464)
Classified as current liability			(43,405)	(39,109)	-	-
Long-term loans, net of current portion			28,071	160,703	28,071	115,450

The loans are secured by mortgage of project land and construction thereon, and guaranteed by the Company's directors.

As at 31 December 2013, the long-term credit facilities of a subsidiary which has not yet been drawn down amounted to Baht 2 million (2012: Baht 2 million).

During 2010, a subsidiary defaulted on debt repayment under a debt restructuring agreement and was sued by a commercial bank in November 2010. The Company therefore presented the balance of the loans under the debt restructuring agreement as current liabilities in the statement of financial position.

## 22. Provisions

(Unit: Thousand Baht)				
Consolidated financial statements				
	Provisions from guarantee	Provisions from litigation	Provisions for short-term employee benefits	Total
1 January 2012	420,767	10,424	-	431,191
Increase during the year	-	-	11,163	11,163
Reversal of provisions	(32,670)	-	-	(32,670)
31 December 2012	388,097	10,424	11,163	409,684
Increase during the year	-	31,321	-	31,321
Utilised	(80,000)	-	(11,163)	(91,163)
Reversal of provisions	(307,856)	-	-	(307,856)
31 December 2013	241	41,745	-	41,986



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(Unit: Thousand Baht)

## Consolidated financial statements

	Provisions from guarantee	Provisions from litigation	Provisions for short-term employee benefits	Total
<b>2013</b>				
Current	-	-	-	-
Non-current	241	41,745	-	41,986
	<u>241</u>	<u>41,745</u>	<u>-</u>	<u>41,986</u>
<b>2012</b>				
Current	387,856	-	11,163	399,019
Non-current	241	10,424	-	10,665
	<u>388,097</u>	<u>10,424</u>	<u>11,163</u>	<u>409,684</u>

(Unit: Thousand Baht)

## Separate financial statements

	Provisions from guarantee	Provisions from litigation	Provisions for short-term employee benefits	Total
1 January 2012	494,537	10,424	-	504,961
Increase during the year	99,568	-	11,163	110,731
Reversal of provisions	(32,670)	-	-	(32,670)
31 December 2012	561,435	10,424	11,163	583,022
Increase during the year	-	19,200	-	19,200
Utilised	(80,000)	-	(11,163)	(91,163)
Reversal of provisions	(307,856)	-	-	(307,856)
31 December 2013	<u>173,579</u>	<u>29,624</u>	<u>-</u>	<u>203,203</u>
<b>2013</b>				
Current	-	-	-	-
Non-current	173,579	29,624	-	203,203
	<u>173,579</u>	<u>29,624</u>	<u>-</u>	<u>203,203</u>
<b>2012</b>				
Current	387,856	-	11,163	399,019
Non-current	173,579	10,424	-	184,003
	<u>561,435</u>	<u>10,424</u>	<u>11,163</u>	<u>583,022</u>



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- a) The Company was sued by a commercial bank as a result of its guarantee of credit facilities provided to Ban Pan Engineering and Holding Co., Ltd. which defaulted on its repayment of debts. On 4 December 2003 and 25 December 2008, the Court of First Instance and Appeal Court ordered the Company and a related company to pay such debts. Subsequently, on 4 January 2010, the Company had restructured its debts with Thai Assets Management Corporation ("TAMC"). Under the terms of the restructuring, the Company has to pay a total of Baht 360 million, comprised of principal of Baht 288 million and interest of Baht 72 million, and is to make additional payment if the Company's cash inflows exceed the provided financial projections (excluding cash flows from sales of land, building, equipment, share capital, investment and dividend received), although total debt settlement (excluding new interest) will not exceed Baht 540 million.

In the fourth quarter of 2012, the Company did not make due debt repayment because TAMC had ceased its operation and transferred all assets to Bangkok Commercial Asset Management ("BAM"), but the Company had not received any notice of this transfer from TAMC which cause indecision in the settlements. The Company's management sent a letter to BAM asking for information regarding the repayment procedures after debt transferring. However, BAM has yet to provide clarification. Thus, the Company classified such provision of Baht 380 million as "Liabilities from guarantee defaulted debt" presented in current liabilities as at 31 December 2012.

On 18 December 2013, the Company entered into the debt restructuring agreement with BAM. Under the terms of the agreement, the Company had to pay a total of Baht 80 million within 31 January 2014. The Company has already paid such debts in full in December 2013. Consequently on 19 January 2014, BAM issued a letter to the Company to confirm that the Company had completed settlement under the terms of the debt restructuring agreement and BAM agreed not to exercise the right to proceed with bankruptcy case and/or execute the Company's other assets. Therefore, the Company reversed the outstanding liabilities arising from its guarantee of defaulted debt and accrued interest amounting to Baht 314 million and recorded this transaction as "Gain on debt restructuring" in profit or loss of the year 2013.

- b) As discussed in Note 21 to the financial statements, during 2010 a subsidiary defaulted on debt repayment under a debt restructuring agreement and was sued by a commercial bank in November 2010. Consequently, during 2013, the Central Intellectual Property and International Trade Court ordered the Company and its subsidiary to make payment amounting to Baht 31 million plus interest charged from the date of filing the suit until settlement is completed.



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The subsidiary estimated its liabilities in the form of principal and accrued interest up to 31 December 2013 at Baht 55 million. The subsidiary had already recorded principal and accrued interest amounting to Baht 43 million in its statement of financial position. The Company's management therefore decided to record additional provision of Baht 12 million under the caption of "Provision from litigation" in the consolidated financial statements of 2013.

### 23. Expenses by nature

Significant expenses by nature are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Salaries, wages and other employees				
benefit expenses	445,219	785,081	320,569	476,335
Depreciation and amortisation	41,412	90,223	22,581	50,235
Allowance for doubtful accounts	33,969	567,754	130,988	197,271
Impairment loss on investments	94	12,968	26,592	477,315
Impairment loss on assets	73,591	103,444	71,268	101,272
Raw materials and consumables used	760,583	1,220,800	403,597	1,306,452
Changes in inventories of finished goods				
and work in progress	(148,098)	77,643	(80,721)	(26,597)

### 24. Income tax

Income tax expenses (income) for the years ended 31 December 2013 and 2012 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
		(Restated)		(Restated)
<b>Current income tax:</b>				
Current income tax charge	426	3,498	-	-
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	56,486	(6,616)	47,095	(5,569)
Effect of changes in applicable tax rates	-	(208)	-	(208)
<b>Income tax expenses (income) reported in the statements of comprehensive income</b>	<u>56,912</u>	<u>(3,326)</u>	<u>47,095</u>	<u>(5,777)</u>



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Reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2013 and 2012.

	Consolidated financial statements		(Unit: Thousand Baht) Separate financial statements	
	<u>2013</u>	<u>2012</u> (Restated)	<u>2013</u>	<u>2012</u> (Restated)
Accounting profit (loss) before tax	326,095	(988,905)	(44,816)	(1,042,142)
Applicable tax rate of the Company	20%	23%	20%	23%
Accounting profit( loss) before tax multiplied by applicable tax rate	65,219	(227,448)	(8,963)	(239,693)
Effects of changes in the applicable tax rates	-	208	-	208
Deferred tax assets for which have not been recognised during the year because future taxable profits may not be sufficient	35,689	85,157	27,384	26,433
Effects of preparing the consolidated financial statements	(26,797)	35,443	-	-
Reversal of unused deferred tax assets	47,781	2,233	46,730	2,233
Share of profit from investments in associates	(1,359)	(10,093)	-	-
Effects of:				
Tax exempt revenue	(110,856)	(14,027)	(80,138)	-
Non-deductible expenses	48,959	124,284	63,390	204,582
Additional expense deductions allowed	(1,308)	(533)	(1,308)	(533)
Others	(416)	1,450	-	993
Total	(63,621)	111,174	(18,056)	205,042
Income tax expenses (income) reported in the statement of comprehensive income	56,912	(3,326)	47,095	(5,777)



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The components of deferred tax assets and deferred tax liabilities are as follows:

(Unit: Thousand Baht)

	Statements of financial position					
	Consolidated financial statements			Separate financial statements		
	As at 31 December 2013	As at 31 December 2012 (Restated)	As at 1 January 2012	As at 31 December 2013	As at 31 December 2012 (Restated)	As at 1 January 2012
<b>Deferred tax assets</b>						
Allowance for asset impairment	-	35,008	35,008	-	35,008	35,008
Accumulated depreciation - machinery and equipment	50	(636)	(318)	-	-	-
Provision for long-term employee benefits	492	800	3,767	-	664	3,634
Unused tax loss	4,758	27,999	17,120	-	12,929	3,530
<b>Total</b>	<b>5,300</b>	<b>63,171</b>	<b>55,577</b>	<b>-</b>	<b>48,601</b>	<b>42,172</b>
<b>Deferred tax liabilities</b>						
Accumulated depreciation - building	(810)	(2,195)	(1,425)	(365)	(1,870)	(1,218)
<b>Total</b>	<b>(810)</b>	<b>(2,195)</b>	<b>(1,425)</b>	<b>(365)</b>	<b>(1,870)</b>	<b>(1,218)</b>

In October 2011, the cabinet passed a resolution to reduce the corporate income tax rate from 30% to 23% in 2012, and then to 20% from 2013. In addition, in order to comply with the resolution of the cabinet, in December 2012, the decreases in tax rates for 2012 - 2014 were enacted through a royal decree. The Company has reflected the changes in the income tax rates in its deferred tax calculation, as presented above.

As at 31 December 2013, the Company and its subsidiaries have deductible temporary differences and unused tax losses totaling Baht 2,592 million (2012: Baht 1,488 million) (Separate financial statements: Baht 614 million (2012: Baht 133 million)), on which deferred tax assets have not been recognised as the Company and its subsidiaries believe future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses.

## 25. Earnings per share

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



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## 26. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance. The chief operating decision maker has been identified as Board of Directors and Executive Board of the Company and its subsidiaries.

The one main reportable operating segment of the Company and its subsidiaries are the manufacture, distribution and export of footwear and the single geographical area of their operations is Thailand. Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain exclusively to the aforementioned reportable operating segment and geographical area.

For the year 2013, the Company and its subsidiaries have revenue from 4 major customers in amount of Baht 424 million (2012: Baht 482 million derived from 2 major customers).

## 27. Provident fund

The Company, its subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Company, its subsidiaries and their employees contribute to the fund monthly at the rate of 3% of basic salary. The fund, which is managed by Bangkok Bank Public Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2013, the Company and its subsidiaries contributed Baht 1 million to the fund (2012: Baht 4 million) (Separate financial statements: Baht 1 million (2012 Baht 2 million)).

## 28. Commitments and contingent liabilities

### 28.1 Operating lease commitments

- a) The Company and its subsidiaries have entered into several lease agreements in respect of the lease of land, office building, plant, machinery and motor vehicles. The terms of the agreements are generally between 1 and 5 years. These operating lease contracts are non-cancellable contracts.



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Future minimum lease payments required under these non-cancellable operating leases contracts were as follows.

(Unit: Million Baht)

	As at 31 December			
	Consolidated financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Payable:				
In up to 1 year	5	29	1	11
In over 1 and up to 5 years	2	8	-	2

## 28.2 Guarantees

- As at 31 December 2013, the Company and its subsidiaries have obligations under its guarantees of loans and credit facilities provided to its related parties by banks and financial institutions totaling Baht 349 million (2012: Baht 678 million) (Separate financial statements: Baht 344 million (2012: Baht 662 million)).
- The Company and its subsidiaries have outstanding bank guarantees as follows:

(Unit: Million Baht)

	As at 31 December			
	Consolidated financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Guarantee electricity use	9	14	3	4
Other guarantees	15	12	-	-

## 28.3 Legal cases

- The Company faced a lawsuit from alleged lay-off directors and a demand for Baht 32 million in compensation, but the Company pursued a countersuit. The Court of First Instance has ordered the Company to make payment amounting to Baht 10 million. The case is currently pending in the Appeal Court. The Company then recorded provision for the litigation at the amount ordered by the Court.
- The Company was sued by a commercial bank as a result of its guarantee of credit facilities provided to Innovation Nakornluang Footwear Co., Ltd., Modern Technology Component Co., Ltd. and International Curity Footwear Co., Ltd. which defaulted on their repayment of debts amounting to Baht 173 million. At present, the case is under negotiation. The Company has recorded contingent liability as provisions from guarantee for subsidiaries.



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- c) In 2010, the Company sued a related company in relation to the hire of work agreement, claiming compensation of Baht 34 million, and that company countersued. The Court of First Instance dismissed the Company's suit and ordered the Company to make payment amounting to Baht 19 million plus interest charged 7.5% per annum to that related company. In addition, in July 2013 the Appeal Court affirmed the decision of the lower court. The Company is currently preparing to petition the Supreme Court. However, the Company recorded provision for the litigation amounting to Baht 19 million in profit or loss in the current year.
- d) During 2013, a subsidiary was sued for damages arising as a result of its default on payments due under a photocopier lease and service agreement. The Court of First Instance ordered the subsidiary to make payment amounting to Baht 0.6 million. At present, the parties to the case are negotiating a settlement. The subsidiary recorded provision for litigation in the amount it was ordered to pay by the Court.

## **29. Financial instruments**

### **29.1 Financial risk management**

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, loans, investments, and short-term and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

#### ***Credit risk***

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

#### ***Interest rate risk***

The Company and its subsidiaries' exposure to interest rate risk relates primarily to its cash at banks, bank overdrafts, short-term and long-term borrowings. Most of the Company and its subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate.



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Significant financial assets and liabilities classified by type of interest rate are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

Consolidated financial statements						
As at 31 December 2013						
	Fixed interest rates				Total	Effective interest rate (% per annum)
	Within 1 year	1-5 years	Floating interest rate	Non- interest bearing		
<b>Financial assets</b>						
Cash and cash equivalent	-	-	184	11	195	0.50 - 0.63
Current investment	65	-	-	-	65	2.63
Trade and other receivables	-	-	-	116	116	-
Short-term loans to related parties and others	9	-	-	-	9	3.00 - 8.63
Restricted bank deposits	-	-	7	-	7	0.50 - 2.25
Long-term loans to related parties	-	20	-	-	20	7.50
	<u>74</u>	<u>20</u>	<u>191</u>	<u>127</u>	<u>412</u>	
<b>Financial liabilities</b>						
Bank overdrafts and short-term loans from financial institutions	103	-	117	-	220	MOR, MOR+1, MLR, 6.20 - 18.00
Trade and other payables	-	-	-	251	251	-
Short-term loans from related parties and others	101	-	-	-	101	4.90 - 6.50
Liabilities under finance lease agreements	-	3	-	-	3	10.48
Long-term loans	43	-	40	-	83	MLR, 18.00
	<u>247</u>	<u>3</u>	<u>157</u>	<u>251</u>	<u>658</u>	



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(Unit: Million Baht)

## Consolidated financial statements

As at 31 December 2012

	Fixed interest rates				Total	Effective interest rate (% per annum)
	Within 1 year	1-5 years	Floating interest rate	Non- interest bearing		
<b>Financial assets</b>						
Cash and cash equivalent	-	-	8	10	18	0.50 - 0.63
Trade and other receivables	-	-	-	289	289	-
Short-term loans to related parties and others	10	-	-	-	10	7.50
Restricted bank deposits	-	-	1	-	1	0.50 - 2.25
Long-term loans to related parties	13	-	-	-	13	5.94 - 7.50
	<u>23</u>	<u>-</u>	<u>9</u>	<u>299</u>	<u>331</u>	
<b>Financial liabilities</b>						
Bank overdrafts and short-term loans from financial institutions	526	-	108	-	634	MOR, MOR+1, 3.47 - 18.00
Trade and other payables	-	-	-	401	401	-
Short-term loans from related parties and others	116	-	-	-	116	3.00 - 12.00
Liabilities under finance lease agreements	-	3	-	-	3	10.48
Long-term loans	39	-	406	-	445	MLR, 18.00
	<u>681</u>	<u>3</u>	<u>514</u>	<u>401</u>	<u>1,599</u>	

(Unit: Million Baht)

## Separate financial statements

As at 31 December 2013

	Fixed interest rates	Floating interest rate	Non- interest bearing	Total	Effective interest rate (% per annum)
	within 1 year	interest rate	bearing		
<b>Financial assets</b>					
Cash and cash equivalent	-	123	1	124	0.50 - 0.63
Trade and other receivables	-	-	39	39	-
Restricted bank deposits	-	2	-	2	0.50
	<u>-</u>	<u>125</u>	<u>40</u>	<u>165</u>	



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(Unit: Million Baht)

Separate financial statements					
As at 31 December 2013					
	Fixed	Floating	Non- interest	Total	Effective
	interest rates				
	within 1 year				(% per annum)
<b>Financial liabilities</b>					
Bank overdrafts and short-term					MOR, MOR+1,
loans from financial institutions	-	111	-	111	18.00
Trade and other payables	-	-	78	78	-
Short-term loan from related					
parties and others	105	-	-	105	4.90 - 7.50
Long-term loans	-	39	-	39	MLR
	105	150	78	333	

(Unit: Million Baht)

Separate financial statements					
As at 31 December 2012					
	Fixed interest	Floating	Non- interest	Total	Effective
	rates				
	within 1 year				(% per annum)
<b>Financial assets</b>					
Cash and cash equivalent	-	1	-	1	0.50 - 0.63
Trade and other receivables	-	-	198	198	-
Long-term loans to related parties	50	-	1	51	5.94 - 7.50
	50	1	199	250	
<b>Financial liabilities</b>					
Bank overdrafts and short-term					MOR, MOR+1,
loans from financial institutions	394	34	-	428	6.20 - 8.00
Trade and other payables	-	-	213	213	-
Short-term loan from related					
parties and others	183	-	-	183	4.90 - 7.50
Long-term loans	-	291	-	291	MLR
	577	325	213	1,115	

### Foreign currency risk

The Company and its subsidiaries' exposure to foreign currency risk arise mainly from trading transactions. The Company and its subsidiaries seek to reduce this risk by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.



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The outstanding balances of the Company and its subsidiaries' financial assets and liabilities denominated in foreign currencies which were unhedged are summarised below.

Foreign currency	Financial assets		Financial liabilities		Average exchange rate	
	as at 31 December		as at 31 December		as at 31 December	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
USD	-	5	1	1	32.8136	30.6316

## 29.2 Fair values of financial instruments

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

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

## 30. Capital management

The primary objective of the Company and its subsidiaries' capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value.

## 31. Reclassification

Certain amounts in the financial statements as at 31 December 2012 have been reclassified to conform to the current year's classification.

Except for the prior years' adjustment discussed in Note 3 to the financial statements, the reclassifications had no effect to previously reported loss or shareholders' equity.

## 32. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 28 February 2014.



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