

Thai Plaspac Public Company Limited

Notes to financial statements

For the year ended 31 December 2012

1. General information

Thai Plaspac Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its major shareholder is Modernform Group Public Company Limited, which was incorporated in Thailand. The Company is principally engaged in the manufacture and distribution of plastic packaging. The registered office of the Company is at 68/46 Moo 8, Thakam, Bang Khun Thian, Bangkok.

2. Basis of preparation

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

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

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

3. New accounting standards not yet effective

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

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
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4. Significant accounting policies

4.1 Revenue recognition

Sales of goods

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

Interest income

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

4.2 Cash and cash equivalents

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

4.3 Trade and other receivables

Trade and other receivables 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.

4.4 Inventories

Finished goods are valued at the lower of standard cost (which approximates actual cost) and net realisable value. Standard cost includes all production costs and attributable factory overheads.

Raw materials, packaging and supplies are valued at the lower of cost (first-in, first-out) and net realisable value and are charged to the production costs whenever consumed.

4.5 Cost of molds

The Company records costs of molds as assets. Costs of molds with an expected remaining useful life of not more than 1 year are recorded as current assets, while costs of molds with an expected remaining useful life of more than 1 year are recorded as other assets. Costs of molds are amortised to cost of goods sold as goods are delivered to its customers.

4.6 Property, plant and equipment/Depreciation

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

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

Building and building improvement	-	20 years
Furniture and office equipment	-	5 years
Machinery and equipment	-	5 years and 10 years
Motor vehicles	-	5 years

Depreciation is included in determining income.

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

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.

4.7 Borrowing costs

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

4.8 Intangible assets/Amortisation

Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

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

Intangible assets with finite useful lives of the Company are computer software which has useful lives of 5 years and 10 years.

4.9 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.

4.10 Long-term leases

Leases of 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 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. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

4.11 Foreign currencies

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

Gains and losses on exchange are included in determining income.

4.12 Impairment of assets

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

An impairment loss is recognised in profit or loss.

4.13 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 and other long-term employee benefits

Defined contribution plans

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

Defined benefit plans and other long-term employee benefits

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company treats these severance payment obligations as a defined benefit plan. In addition, the Company provides other long-term employee benefit plan, namely long service awards.

The obligation under the defined benefit plan and other long-term employee benefit plans 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 other comprehensive income.

Actuarial gains and losses arising from other long-term benefits are recognised immediately in profit and loss.

For the first-time adoption of TAS 19 Employee Benefits in 2011, the Company elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in 2011.

4.14 Provisions

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

4.15 Income tax

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

4.16 Derivatives

Forward exchange contracts

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

5. 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, management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

Allowance for doubtful accounts

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

Allowance for diminution in value of inventory

The determination of allowance for diminution in the value of inventory requires management to exercise judgment in estimating losses on outstanding inventory, based on the selling price expected in the ordinary course of business; minus selling expenses and provision for obsolete, slow-moving and deteriorated inventories, and taking into account based upon the condition of inventory and the duration such goods have remained in stock.

Property plant and equipment/Depreciation

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

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses 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.

Post-employment benefits under defined benefit plans and other long-term employee benefits

The obligation under the defined benefit plan and other long-term employee 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.

6. Related party transactions

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

(Unit: Million Baht)

	<u>2012</u>	<u>2011</u>	<u>Transfer pricing policy</u>
Sales of goods	1	2	Close to market price
Consultant fee	1	1	Baht 1.2 million per year
Dividend paid	19	29	Baht 0.40 per share (2011: Baht 0.60 per share)

As at 31 December 2012 and 2011, the balances of the accounts between the Company and those related companies are as follows:

(Unit: Baht)

	<u>2012</u>	<u>2011</u>
<u>Trade and other receivables - related company (Note 8)</u>		
Major shareholder	<u>266,359</u>	<u>238,353</u>
<u>Trade and other payables - related company (Note 13)</u>		
Major shareholder	<u>190,285</u>	<u>-</u>

Directors and management's benefits

During the year ended 31 December 2012 and 2011, the Company had employee benefit expenses payable to its directors and management as below.

	(Unit: Baht)	
	<u>2012</u>	<u>2011</u>
Short-term employee benefits	11,363,282	12,615,236
Post-employment benefits	279,355	764,583
Other long-term benefits	1,636	10,072
Total	<u>11,644,273</u>	<u>13,389,891</u>

7. Cash and cash equivalent

	(Unit: Baht)	
	<u>2012</u>	<u>2011</u>
Cash	80,229	254,307
Cash at banks	26,776,205	47,316,411
Total	<u>26,856,434</u>	<u>47,570,718</u>

As at 31 December 2012, bank deposits in saving accounts carried interests between 0.13 and 1.00 percent per annum (2011: between 0.50 and 1.75 percent per annum).

8. Trade accounts receivable

	(Unit: Baht)	
	<u>2012</u>	<u>2011</u>
<u>Trade receivables - a related party</u>		
Aged on the basis of due dates		
Not yet due	134,232	207,323
Past due		
Up to 3 months	92,127	31,030
Total trade receivables - a related party	<u>226,359</u>	<u>238,353</u>
<u>Trade receivables - unrelated parties</u>		
Aged on the basis of due dates		
Not yet due	237,051,534	187,926,899
Past due		
Up to 3 months	91,126,099	70,760,075
3 - 6 months	1,728,311	21,260
Total trade receivables - unrelated parties	<u>329,905,944</u>	<u>258,708,234</u>
Total trade accounts receivables	<u>330,132,303</u>	<u>258,946,587</u>

9. Inventories

(Unit: Baht)

	Cost		Reduce cost to net realisable value		Inventories - net	
	2012	2011	2012	2011	2012	2011
Finished goods	45,783,704	35,767,564	(136,421)	(143,873)	45,647,283	35,623,691
Raw materials	39,522,487	51,415,194	(398,623)	(345,289)	39,123,864	51,069,905
Packing materials	8,093,515	6,646,821	-	-	8,093,515	6,646,821
Factory supplies	2,480,063	2,271,220	-	-	2,480,063	2,271,220
Total	95,879,769	96,100,799	(535,044)	(489,162)	95,344,725	95,611,637

10. Property, plant and equipment

(Unit: Baht)

	Land and land improvement	Building and building improvement	Furniture and office equipment	Machinery and equipment	Motor vehicles	Assets under construction	Total
Cost:							
1 January 2011	48,355,185	161,890,141	8,929,767	686,963,531	8,988,132	-	915,126,756
Additions	-	3,839,483	186,880	138,259,206	1,475,794	3,938,883	147,700,246
Disposals/written-off	-	-	-	(13,683,000)	(2,057,007)	-	(15,740,007)
Adjustment	-	-	-	(79,536)	-	-	(79,536)
Transfers in (out)	340,013	4,441,518	-	(842,648)	-	(3,938,883)	-
31 December 2011	48,695,198	170,171,142	9,116,647	810,617,553	8,406,919	-	1,047,007,459
Additions	9,000	881,360	467,286	73,527,256	-	5,940,649	80,825,551
Disposals/written-off	-	-	(422,150)	(19,777,326)	-	-	(20,199,476)
31 December 2012	48,704,198	171,052,502	9,161,783	864,367,483	8,406,919	5,940,649	1,107,633,534
Accumulated depreciation:							
1 January 2011	-	60,198,729	6,434,941	400,601,504	7,185,345	-	474,420,519
Depreciation for the year	-	8,098,286	859,396	62,507,592	547,189	-	72,012,463
Depreciation on disposals/ written-off	-	-	-	(12,182,962)	(2,057,004)	-	(14,239,966)
31 December 2011	-	68,297,015	7,294,337	450,926,134	5,675,530	-	532,193,016
Depreciation for the year	-	8,358,381	745,022	68,161,534	748,388	-	78,013,325
Depreciation on disposals/ written-off	-	-	(417,858)	(19,542,625)	-	-	(19,960,483)
31 December 2012	-	76,655,396	7,621,501	499,545,043	6,423,918	-	590,245,858
Allowance for impairment loss:							
1 January 2011	-	-	-	2,576,031	-	-	2,576,031
Increase during the year	-	-	-	(1,350,491)	-	-	(1,350,491)
31 December 2011	-	-	-	1,225,540	-	-	1,225,540
Decrease during the year	-	-	-	(201,562)	-	-	(201,562)
31 December 2012	-	-	-	1,023,978	-	-	1,023,978

(Unit: Baht)

	Land and land improvement	Building and building improvement	Furniture and office equipment	Machinery and equipment	Motor vehicles	Assets under construction	Total
Net book value:							
1 January 2011	<u>48,355,185</u>	<u>101,691,412</u>	<u>2,494,826</u>	<u>283,785,996</u>	<u>1,802,787</u>	-	<u>438,130,206</u>
31 December 2011	<u>48,695,198</u>	<u>101,874,127</u>	<u>1,822,310</u>	<u>358,465,879</u>	<u>2,731,389</u>	-	<u>513,588,903</u>
31 December 2012	<u>48,704,198</u>	<u>94,397,106</u>	<u>1,540,282</u>	<u>363,798,462</u>	<u>1,983,001</u>	<u>5,940,649</u>	<u>516,363,698</u>
Depreciation for the year							
2011 (Baht 69 million included in manufacturing cost, and the balance in selling and administrative expenses)							<u>72,012,463</u>
2012 (Baht 76 million included in manufacturing cost, and the balance in selling and administrative expenses)							<u>78,018,325</u>

As at 31 December 2012, the Company had vehicles under finance lease agreements with net book values amounting to Baht 1 Million (2011: Baht 2 million).

As at 31 December 2012, certain equipment items have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 328 million (2011: Baht 298 million).

The Company has pledged its land and construction thereon and part of its machinery amounting to approximately Baht 196 million (2011: Baht 133 million) as collateral against bank overdrafts, short-term loans, long-term loans and credit facilities received from financial institutions.

11. Intangible assets

The net book value of intangible assets which are computer software as at 31 December 2012 and 2011 is presented below.

	(Unit: Baht)	
	<u>2012</u>	<u>2011</u>
Cost	2,576,980	2,576,980
Less: Accumulated amortisation	<u>(1,303,559)</u>	<u>(1,053,831)</u>
Net book value	<u>1,273,421</u>	<u>1,523,149</u>

A reconciliation of the net book value of intangible assets which are computer software for the years 2012 and 2011 is presented below.

	(Unit: Baht)	
	<u>2012</u>	<u>2011</u>
Net book value at beginning of year	1,523,149	1,772,877
Amortisation	<u>(249,728)</u>	<u>(249,728)</u>
Net book value at end of year	<u>1,273,421</u>	<u>1,523,149</u>

12. Short-term loans from financial institutions

(Unit: Baht)

	Interest rate (percent per annum)	<u>2012</u>	<u>2011</u>
Bank overdrafts	7.875	1,121,435	-
Short-term loans from financial institutions	3.40 – 3.60	90,000,000	100,000,000
Trust receipt	1.96 – 5.63	<u>15,045,850</u>	<u>38,995,414</u>
Total		<u>106,167,285</u>	<u>138,995,414</u>

Bank overdrafts are secured by the mortgage of the Company's land and construction thereon, and short-term loans from financial institutions are guaranteed by the Company's directors and secured by the mortgage of the Company's land and construction thereon as well as the pledge of part of its machinery.

13. Trade and other payables

(Unit: Baht)

	<u>2012</u>	<u>2011</u>
Trade payables - a related party	190,285	-
Trade payables - unrelated parties	148,751,495	119,860,632
Accounts payable for purchase of machineries	17,018,936	16,496,958
Accrued expenses	29,691,275	22,590,411
Other payables	<u>6,143,356</u>	<u>5,767,465</u>
Total trade and other payables	<u>201,795,347</u>	<u>164,715,466</u>

14. Liabilities under finance lease agreements

(Unit: Baht)

	<u>2012</u>	<u>2011</u>
Liabilities under finance lease agreements	1,128,373	1,748,482
Less : Deferred interest expenses	<u>(145,153)</u>	<u>(241,383)</u>
Total	983,220	1,507,099
Less : Portion due within one year	<u>(442,473)</u>	<u>(523,879)</u>
Liabilities under finance lease agreements - net of current portion	<u>540,747</u>	<u>983,220</u>

The Company has entered into the finance lease agreements with leasing companies for rental of motor vehicles for use in its operation, whereby it is committed to pay rental on a monthly basis. The terms of the agreements are generally between 4 and 5 years.

Future minimum lease payments required under the finance lease agreements were as follows:

(Unit: Thousand Baht)

	As at 31 December 2012		
	Less than 1		
	year	1-5 years	Total
Future minimum lease payments	515,660	612,713	1,128,373
Deferred interest expenses	(73,187)	(71,966)	(145,153)
Present value of future minimum lease payments	<u>442,473</u>	<u>540,747</u>	<u>983,220</u>

(Unit: Thousand Baht)

	As at 31 December 2011		
	Less than 1		
	year	1-5 years	Total
Future minimum lease payments	620,209	1,128,373	1,748,482
Deferred interest expenses	(96,330)	(145,153)	(241,383)
Present value of future minimum lease payments	<u>523,879</u>	<u>983,220</u>	<u>1,507,099</u>

15. Long-term loans

(Unit: Baht)

Loan	Interest rate	Repayment schedule	2012	2011
	(% per annum)			
1	MLR - 1.5 to MLR	Monthly installment as from March 2007 to December 2018	169,368,737	179,499,298
2	Prime rate - 1.25 to Prime rate - 1.0	Monthly installment as from January 2007 to November 2019	11,683,348	1,880,148
Total			181,052,085	181,379,446
Less: Current portion			<u>(51,710,589)</u>	<u>(50,147,359)</u>
Long-term loans - net of current portion			<u>129,341,496</u>	<u>131,232,087</u>

The loans are secured by land and construction thereon and certain machinery of the Company.

The loan agreements contain covenants as specified in the agreements that, among other things, require the Company to maintain certain debt to equity and debt service coverage ratios according to the agreements.

As at 31 December 2012, the long-term credit facilities of the Company which have not yet been drawn down amounted to Baht 127 million (2011: 100 million).

16. Other current liabilities

	(Unit: Baht)	
	<u>2012</u>	<u>2011</u>
Advance received for molds	17,804,804	51,682,552
Others	705,845	700,761
Total other current liabilities	<u>18,510,649</u>	<u>52,383,313</u>

17. Provision for long-term employee benefits

Provision for long-term employee benefits, which is compensations on employees' retirement, was as follows:

	(Unit: Baht)	
	<u>2012</u>	<u>2011</u>
Defined benefit obligation at beginning of year	11,732,672	9,781,525
Current service cost	2,633,018	2,403,628
Interest cost	470,417	391,261
Benefits paid during the year	<u>(2,665,257)</u>	<u>(843,742)</u>
Provisions for long-term employee benefits at end of year	<u>12,170,850</u>	<u>11,732,672</u>

Long-term employee benefit expenses included in the profit or loss was as follows:

	(Unit: Baht)	
	<u>2012</u>	<u>2011</u>
Current service cost	2,633,018	2,403,628
Interest cost	470,417	391,261
Total expense recognized in profit or loss	<u>3,103,435</u>	<u>2,794,889</u>
Line items under which such expenses are included in profit or loss		
Cost of sales	2,083,699	1,540,976
Selling and administrative expenses	1,019,736	1,253,913

Principal actuarial assumptions at the valuation date were as follows:

	<u>2012</u>	<u>2011</u>
	(% per annum)	(% per annum)
Discount rate	4	4
Future salary increase rate (depending on age)	3 - 5	3 - 5
Staff turnover rate	0 - 36	0 - 36

Amounts of defined benefit obligation for the current and previous four periods are as follows:

(Unit: Baht)

	<u>Defined benefit obligation</u>
Year 2012	12,170,850
Year 2011	11,732,672
Year 2010	9,781,525
Year 2009	8,065,799
Year 2008	6,493,635

18. Statutory reserve

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

19. Expenses by nature

Significant expenses by nature are as follow:

	(Unit: Baht)	
	<u>2012</u>	<u>2011</u>
Salary, wages and other employee benefits	171,046,004	156,287,059
Depreciation and amortisation	91,009,178	82,446,975
Raw materials and consumables used	774,759,230	726,161,898
Changes in inventories of finished goods	10,016,140	(2,625,090)

20. Income tax

The Company's corporate income tax for the year 2012 has been calculated at the rate of 23 percent of net taxable income. The Company's corporate income tax for the year 2011 has been calculated at the rate of 25 percent of net taxable income for the amount not over Baht 50 million and 30 percent of net taxable income for the amount over 50 Baht million.

21. Basic earnings per share

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

22. Segment information

The Company's business operations involve a single industry segment, the manufacture and distribution of plastic packaging, and are carried on in the single geographic area of Thailand. As a result, all of the revenues, operating income and assets reflected in these financial statements pertain to the aforementioned industry segment and geographic area. Export sales during 2012 are amounted to Baht 95 million (2011: Baht 134 million).

23. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contributed to the fund monthly at the rate of 5 percent of basic salary. The fund, which is managed by Bank of Ayudhaya Public Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2012, the Company contributed Baht 4 million (2011: Baht 3 million) to the fund.

24. Dividends

(Unit: Baht)			
Dividends	Approved by	Total dividends	Dividend per share
Final dividends for 2010	Annual General Meeting of the shareholders on 28 April 2011	60,000,000	0.60
Total dividends for 2011		<u>60,000,000</u>	<u>0.60</u>
Final dividends for 2011	Annual General Meeting of the shareholders on 23 April 2012	40,000,000	0.40
Total dividends for 2012		<u>40,000,000</u>	<u>0.40</u>

25. Commitments and contingent liabilities

25.1 Capital commitments

As at 31 December 2012, the Company had capital commitments totaling approximately Baht 14 million and JPY 7 million (2011: Baht 4 million), relating to acquisition of molds and machinery.

25.2 Service commitment

As at 31 December 2012, the Company had the consultant agreement and professional service of Baht 4 million with a related company (2011: Baht 6 million).

25.3 Guarantees

As at 31 December 2012, there were outstanding bank guarantees to guarantee electricity use of Baht 13 million (2011: Baht 11 million) issued by banks on behalf of the Company.

25.4 Letter of credit

As at 31 December 2012, the Company had unused letters of credit facility amounting to Baht 180 million (2011: Baht 40 million).

26. Financial instruments

26.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade and other receivables, short-term loans from financial institutions, trade and other payables, financial lease payable and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company is exposed to credit risk primarily with respect to trade and other receivables. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company does 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 trade and other receivables as stated in the statement of financial position.

Interest rate risk

The Company's exposure to interest rate risk relates primarily to its cash at banks, short-term loans and long-term loans from financial institutions. However, since most of the Company's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

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)

As at 31 December 2012

	Fixed interest rates					Total	Effective interest rate (% per annum)
	Within 1 year	1-5 years	Over 5 years	Floating interest rate	Non-interest bearing		
Financial assets							
Cash and cash equivalents	-	-	-	4	23	27	0.13 - 1.00
Trade and other receivables	-	-	-	-	330	330	-
	-	-	-	4	353	357	
Financial liabilities							
Short-term loans from							
financial institutions	106	-	-	-	-	106	1.96 - 7.88
Trade and other payables	-	-	-	-	202	202	-
Financial lease payable	1	-	-	-	-	1	4.10 - 6.67
Long-term loans	-	-	-	181	-	181	4.62 - 6.88
	107	-	-	181	202	490	

(Unit: Million Baht)

As at 31 December 2011

	Fixed interest rates					Total	Effective interest rate (% per annum)
	Within 1 year	1-5 years	Over 5 years	Floating interest rate	Non-interest bearing		
Financial assets							
Cash and cash equivalents	-	-	-	45	3	48	0.50 - 1.75
Trade and other receivables	-	-	-	-	259	259	-
	-	-	-	45	262	30	
Financial liabilities							
Short-term loans from							
financial institutions	139	-	-	-	-	139	3.20 - 7.25
Trade and other payables	-	-	-	-	165	165	-
Financial lease payable	1	1	-	-	-	2	4.10 - 6.67
Long-term loans	-	-	-	181	-	181	4.50 - 6.13
	140	1	-	181	165	487	

Foreign currency risk

The Company's exposure to foreign currency risk arises mainly from trading of goods and equipment transactions that are denominated in foreign currencies.

The balances of financial assets and liabilities denominated in foreign currencies 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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	(Thousand)	(Thousand)	(Thousand)	(Thousand)	(Baht per 1 foreign currency unit)	
US dollar	723	1,065	25	-	30.6316	31.6912
Singapore dollar	-	3	-	-	25.0340	24.3854
Japanese yen	6,714	-	34,848	87,930	0.3545	0.4084
Euro	-	-	-	66	40.5563	41.0274

26.2 Fair values of financial instruments

Since the majority of the Company's 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 statements of financial position.

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

27. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2012, the Company's debt-to-equity ratio was 0.98:1 (2011: 1.16:1).

28. Events after the reporting period

On 22 February 2013, the meeting of the Board of Directors passed the following resolutions to propose to the Annual General Meeting of 2013 of the Company's shareholders for their approval:

1) Dividend payment

Approved the payment of a dividend for the year 2012 of Baht 0.11 per share to the Company's shareholders, or a total of Baht 11 million. This dividend will be paid on 22 May 2013.

2) Stock dividend

Approved the stock dividend to the Company's shareholders, with a number of not exceed 100,000,000 ordinary shares, with par value of Baht 1 each, at a ratio of 1 existing ordinary shares to receive stock dividend of 1 share, or a total amount of not exceed Baht 100 million.

- 3) The issuance of the warrant to purchase ordinary share distributed to the Company's shareholders

Approved the issuance of the warrant to purchase ordinary share distributed to employees of the Company for 50,000,000 units.

- 4) The issuance of the warrant to purchase ordinary share distributed to directors and /or employees

Approved the issuance of the warrant to purchase ordinary share distributed to employees of the Company and its subsidiaries for 5,000,000 units.

- 5) Increase in the Company's registered share capital

Approved a Baht 155,000,000 increase in the Company's registered share capital to support the issue of Stock dividend, warrant to purchase ordinary share distributed to the Company's shareholders and warrant to purchase ordinary share distributed to directors and /or employees.

29. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 22 February 2013.