



บริษัท อินเตอร์ไฮด์ จำกัด (มหาชน)
INTERHIDES PUBLIC CO.,LTD.



Annual Report 2012

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Financial Highlights

(Unit : Thousand Baht)

	Consolidated Financial Statement			Separate Financial Statement		
	2010	2011	2012	2010	2011	2012
Statements of comprehensive income						
Sales and service revenue	-	1,552,955	1,891,527	1,822,887	1,541,105	1,609,939
Total revenues	-	1,560,026	1,916,262	1,847,831	1,554,184	1,713,328
Gross Profit	-	344,384	426,889	455,248	318,743	311,023
Selling & Administrative expenses	-	119,715	109,367	95,640	118,620	103,465
Profit before finance costs and corporate income tax	-	231,741	342,257	384,552	213,202	310,946
Total comprehensive income	-	148,416	250,134	272,896	130,012	219,502
Statements of financial Position						
Current Assets	-	936,432	1,043,091	821,704	891,035	966,382
Total Assets	-	2,145,710	2,254,603	1,872,503	2,112,883	2,185,794
Total Liabilities	-	1,436,838	1,353,573	1,140,330	1,422,415	1,333,800
Shareholders' Equity	-	708,872	901,030	732,174	690,468	851,994
Per Share Data						
Earning Per Share *	-	0.42	0.71	0.78	0.37	0.63
Book Value Per Share *	-	2.03	2.57	2.09	1.97	2.43
Stock dividend payment rate ** (existing share : stock dividend)	-	-	-	-	6 : 1	5 : 1
Cash dividend (Baht/share)	-	-	-	0.65	0.17	0.17
Total dividend payment (Baht/share)	-	-	-	0.65	0.34	0.37
Financial Ratio						
Net Profit Margin (%)	-	9.56%	13.22%	14.97%	8.44%	13.63%
Return on Equity - ROE (%)	-	20.94%	27.76%	37.27%	18.83%	25.76%
Return On Assets - ROA (%)	-	6.92%	11.09%	14.57%	6.15%	10.04%
Debt/Equity Ratio -D/E ratio (Times)	-	2.03	1.50	1.56	2.06	1.57

* For the year 2011-2012 has been recalculated by number of ordinary shares after the Stock Dividend in year 2012. The number of ordinary shares after the Stock Dividend is 349,999,230 shares

** The Board of Director no.1/2013 held on February 23, 2013 had the resolution to have the Annual General Meeting of Shareholders no.8 held on April 26,2013 consider and approve to pay an annual dividend from the operation profit of the year 2012 additional to the interim dividend of Baht 0.15 per share paid on September 10, 2012 as follows :

1. To pay dividend by ordinary shares in the ratio of 5 current shares per 1 dividend share. In case that any shareholders hold the indivisible share remaining after such allocation, the cash dividend will be paid at the rate of Baht 0.20 per share.
2. To pay dividend by cash of Baht 0.022223 per share in order to cover the payment of withholding tax at the rate stipulated by law.



General Information of the Company

Company's name in Thai	: บริษัท อินเตอร์ไฮด์ จำกัด (มหาชน) (“บริษัทฯ”)
Company's name in English	: Interhides Public Company Limited
Nature of Business	: Producing and distributing leather covering for car seats and other related products

Location:

Headquarter	: 678 Soi T.J.C. Sukhumvit Rd. Tambon Bangpoomai Amphoe Muang Samutprakarn 10280
First factory	: 192 M. 2 Soi Foknung Kilometer 34 Sukhumvit Rd. Tambon Bangpoomai Amphoe Muang Samutprakarn 10280
Second – Third factory	: 678 Soi T.J.C. Sukhumvit Rd. Tambon Bangpoomai Amphoe Muang Samutprakarn 10280
Fourth Factory	: 999 Soi T.J.C. Sukhumvit Rd. Tambon Bangpoomai Amphoe Muang Samutprakarn 10280
Fifth Factory	: 555 Soi T.J.C. Sukhumvit Rd. Tambon Bangpoomai Amphoe Muang Samutprakarn 10280
Sixth Factory	: 1111 M. 2 Soi Foknung Kilometer 34 Sukhumvit Rd. Tambon Bangpoomai Amphoe Muang Samutprakarn 10280
Seventh Factory	: 775 Bangpu Industril Estate, Moo 2, Soi 4, Tambon Bangpoomai Amphoe Muang Samutprakarn 10280
Company's Registration Number	: PLC 0107548000595
Website	: http://www.interhides.com
Telephone	: (662) 323-2754-5, (662) 709-5512-4, (662) 709-6288-9, (662) 710-6244-5
Fax	: (662) 709-5516, (662) 323-2749
Register Capital	: 350,000,000 ordinary shares at par value of Baht 1.0
Paid-up Capital	: 349,999,230 ordinary shares at par value of Baht 1.0

Other Referees

1. Auditor

Ernst & Young Office Limited
33rd Floor Lake Rajada Office Complex (Near Queen Sirikit National
Convention Centre)
193/136-137 Rajadapisek Road
Bangkok 10110
Tel: (662) 264-0777, (662) 661-9190
Fax: (662) 264-0789, (662) 661-9192

2. Securities Registrar

Thailand Securities Depository Co., Ltd.
62 The Stock Exchange of Thailand Building,
Rachadapisek Road, Klongtoey,
Bangkok 10110
Tel: (662) 229-2800
Fax: (662) 359-1259

3. Internal Control Systems Auditor

Chutikarn Accounting Office
25/92 M.3 Sukhapiban 3 St. Kwang Sapansueng
Supansueng District Bangkok 10240
Tel: (662) 373-8016, (662) 373-7776
Fax: (662) 373-1277

Information of the subsidiary company

Company's name : Inter Seat Cover Company Limited

Location : 999 Soi T.J.C. Sukhumvit Rd. Tambon Bangpoomai Amphoe Muang
Samutprakarn 10280

Nature of Business : Producing and distributing trim covering for car seats , steering wheel and
gearnob

Company's Registration Number : 0115554009416



Telephone	: (662) 323-2754-5, (662) 709-5512-4
Fax	: (662) 709-5516, (662) 323-2749
Register Capital	: 200,000 ordinary shares at par value of Baht 100
Paid-up Capital	: 200,000 ordinary shares at par value of Baht 100
No. of Held Shares	: 199,998 shares
Tax privileges	: Exemption corporate tax for 8 years by the Board Of Investment (BOI)



Message from the Chairman and Managing Director

In the Year of 2012, has been one of the good years for the automotive industry, which can be countered by the number of new car reserved and launch. The result from increasing capacity to fulfill the backup order to be able to achieve all the requested from customer. One of the major issues should be a result of the first car policy of the government to stimulated domestic car sales. This reflects to our production increase, which leads to achieve satisfaction level of performance.

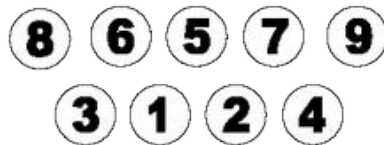
Next year Interhides Public Company Limited expected to have the growth rate approximately 10 – 15% comparing with Year 2012 as a result of external factors such from the growth of the economy and continuously. On the other end, to minimize the risk we also expand our business line apart from automotive to leather for furniture as well. The strategy of the year 2013; company will take more aggressive strategy with tactics to expand the business line to approach with increasing in product and rise up with increase sales forecast. We are on focus for the importance of cost analysis and quality control; we set up the management term to be in all activity concern with those criteria. We would maintain our quality and standard by development skill of staff at all level to achieve maximum efficiency and effectiveness.

The Board of Director would like to deeply express appreciation to all of shareholder, customer, trading partners, employees, and our supportive financial institutions. Interhides Public Company Limited is committed to improving the operational competency and organizational transparency for the utmost benefit of all parties involved. Interhides Public Company Limited aspires to achieve an ideal position of helpful and peaceful coexistence among the people in our company, our community and society at large. Interhides Public Company Limited willingly seeks to participate in community and social projects that promote occupational health, safety, and environmental conscience within our community. We work tirelessly and eagerly to promote sustainable, responsible practices to serve our strong community, society and our country.

(Mr. Thira Wipuchanin)
Chairman of the Board

(Mr. Ongart Thumrongsakunvong)
Managing Director

Board of Directors



Name	Position
1. Mr. Thira Wipuchanin	Chairman and Independent Director
2. Mr. Punnop Charasaiya	Chairman of Audit Committee and Independent Director
3. Mr. Somchart Limpanuphap	Audit Committee and Independent Director
4. Mr. Weboon Seetthaporn	Audit Committee and Independent Director
5. Mr. Ongart Thumrongsakunvong	Deputy Chairman
6. Miss. Chutima Busayapoka	Director
7. Mrs. Wallapa Thuannavarat	Director
8. Mr. Ouychai Matitanaviroon	Director
9. Mr. Kazuhiko Yamazaki	Director

Board of Audit Committee



② ① ③

	Name		Position
1	Mr. Punnop	Charasaiya	Chairman of Audit Committee and Independent Director
2	Mr. Somchart	Limpanuphap	Audit Committee and Independent Director
3	Mr. Weboon	Seethaporn	Audit Committee and Independent Director

Business Nature of the Company

Type of Products and Services

The Company and subsidiary principally engaged in the manufacture and distribution of leather coverings for car seat using processed cow or buffalo raw hides bleached and dyed, then cut and/or sewed to produce finished products. The complete cycle of products and services is implemented according to the customer's order. Products and services can be divided into seven major groups:

1. **Finished Leather** - For produce car seat and other leather accessories such as Steering wheel and Gear knob. The leather will be cut and sewed in a shape of car seat by customer.



Picture 1 Finished Leather

2. **Cut part** – Finished Leather will be cut in shape of the tailor-made drawing as ordered by the customer.



Picture 2 Cut Part

3. **Trim cover** - Finished Leather will be cut in shape and sewing to be Trim Cover ready for covering the car seats.



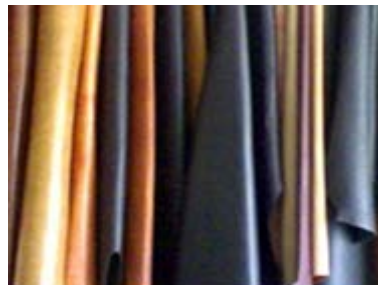
Picture 4 Trim Cover

4. **Steering Wheels and Gear knobs** - Finished Leather will be cut in shape and string to the steering wheels and gear knobs.



Picture 5 Steering Wheel & Gear Knop

5. **Spray Service** - Customer provide all materials related to production in finishing process. The Company will produce the finishing product according to supplier's order and process.



Picture 5 Spray Service

6. **Tanning service** - Customer provide all materials related to production in Tannery process. The Company will produce the tanning product according to supplier's order and process.



Picture 6 Tanning Service

7. **Other Products** - By product from production process such as lime split from tanning process and scrap leather from cutting process.



Picture 6 Other Products

The Company's product is certified with ISO/TS 16949:2002 in terms of production and the overall operating system from TUV Rheinland Group, Germany, a certification that is well accepted in the automotive industry. Most of the Company's production is made to order from both domestic and foreign customers. Each customer can order leather products in various shapes and usage types such as cleaning leather and Chrome free leather. The Company's advantages are the strong management team and high technology machinery and equipment and able to produce all various leather products and meet every need, will attentively work with carmakers to come up with the design leather products for each car model.



Revenue Proportion for Each Product Line or Business Unit of the Company and subsidiary

(Unit: Million Baht)

Revenue by product	Operated by	% of Shareholders	2010		2011		2012	
			Sales	%	Sales	%	Sales	%
Cut Part	IHL	100%	977	53%	698	45%	968	51%
Trim Cover	ISC	100%	594	32%	385	24%	591	31%
Steering wheel and gear knob	IHL	100%	6	1%	3	0%	11	1%
Finished leather	IHL	100%	48	3%	98	6%	10	1%
Crust leather & Wet Blue	IHL	100%	-	-	199	13%	87	4%
Services	IHL	100%	70	4%	92	6%	180	10%
Other products	IHL	100%	128	7%	78	5%	45	2%
รวม			1,823	100%	1,553	100%	1,892	100%

The company's main customer is the producer of car seat leather and interior leather parts for car accessories (First Tier Original Equipment Manufacturers or 1st Tier OEM) of the leading carmakers such as Toyota, Honda, Nissan, Ford, Mitsubishi, Isuzu, Mazda, Subaru, and so on. However before receiving the order, the Company has to be chosen from these carmakers to be the second tier original equipment manufacture (or 2nd Tier OEM) because they have to research and develop the products together before they can sell each model of the car in each country so that the Company is trusted for the quality of the products. Moreover, the Company has to show confidence in the capacity of the production, the standard of the products, and the punctuality in delivering products to the customers because the nature of the Company's operation is planning well ahead in advance in order to deliver car seat leather and other accessories to the First Tier OEM punctually for the later production line. As the Second Tier OEM, the Company can present the products to other manufacturers of car seat leather and accessories of any car's model directly around the globe, not only in Thailand, within the model life of that car's model. In general, each car's model has the model life of 4-8 years. The Company has to bid for the product's price which is the business practice with other manufacturers. The Company can export its products through two channels which are (1) indirect export in which the seat makers using the Company's products export to other countries and (2) direct export in which the Company itself would present the products to the customers in other countries. Hence, selling products in other countries is considered only the direct export from the Company.

Industrial Trend and Competition

Industrial Trend

Trend of Thailand Automotive Industry in 2013 will be another promising year for the Thai automobile industry as carmakers plan to ramp up production for export orders. As a result, it expects that car exports will again hit a record high of perhaps 1.23 million to 1.29 million units, up 20-26 per cent year on year. This increase will support domestic car sales that may contract by 2-7 per cent to between 1.34 million and 1.41 million units, because much car demand has already been absorbed by the first-car-buyer program. Because of this, domestic car sales in 2013 may decline from those seen in 2012. Nevertheless, an expected increase in car exports should help offset smaller domestic demand and bolster overall auto production to a new high of 2.5 million to 2.6 million units, thus rising 5-9 per cent year on year

Competition

The company is a manufacturer and seller of leather for the automotive industry both of domestic and export .This cause to the competition has two business segments.The main domestic competitors such as Chai Watana Tannery Group Public Company Limited, Eagle Otiawa and Bader Company Limited. Also in the international competitor are Midori Anzen , Hokuyo and Garden Stage. However, the company is a leader in the car automotive industrial with both car seats and car interior of leather components. We rise with a full range of products and operation starting from tanning process until sewing plant.

The company rise with advanced technology of machine and equipment to support production; with research and development for develop products of high quality standard to meets the requirement of customer. On the other end, our labor skilled had been with continuously improvement and development. With above key factors, we well received with trust and honor from many automotive producers. We remain standard of leader in the production of automotive leather components.

Risk factors

1) Risks on earning revenue

1.1) Structure of revenue

The main revenue of the company is from manufacturing and selling the leather for automobile, not only for seat but also steering wheel and gear knob. The process to get business is to compete with competitors by bidding process. The company has to make direct offer to carmakers for each specific model time by time, no long-term contract to be a sole supplier for carmakers, because the policy of carmakers are to get the most competitive offer for each model and not to monopolize only single supplier for their all models. However, once the company gets awarded for each model, then carmakers will issue a letter of intent to confirm the order and permit the company to supply the leather for whole model life of that model, which normally takes 4 - 8 years.

The major portion of sales is for domestic production, but of course some of the domestic-production vehicles which used the company's leather are exported by carmakers themselves as completed built unit (CBU). Due to the company's revenue depends on performance of automotive industry, so there will be a big influence to the company if the automotive industry goes down. However, the company have diversified such risk by increased the proportion revenue from shoes leather and furnisher leather in order to reduce dependence on performance of automotive industry.

1.2) Business competition

Competition in the domestic automotive leather does not so tough because of sever demand on quality of carmakers. The company whom will be authorized by carmakers to be listed as a supplier has to be able to produce the leather to comply all requirements in carmakers' specification, and there are few suppliers in domestic compete in this business at the moment.

Even though trade barriers become less because of engagement on Free Trade Agreement (FTA) which facilitate carmakers to utilize materials from overseas under their Global Sourcing Policy, but it is still quite hard for new comer from overseas to penetrate in the genuine leather business because of government regulation in zoning the area for tannery and long lead-time to develop and approve new supplier and new material. Anyway, there should be more/less influence of such privilege to the company in the future by having more competition either from directs investment of overseas tannery or imported leather of authorized supplier in overseas.

2) Risks on costing management

Fluctuation of raw materials price

Main costs of production are from raw hides and chemicals, which are around 70% of total cost of production. Such costs of raw materials may move according to world demand and supply, or they could be changed by special factors occasionally; for instance, price increasing from mad-cow disease. Besides, the price of raw hides can be also higher by the effect of oil price increasing which results to higher logistics cost. As a result of the aforesaid factors, the company may need to shoulder the higher cost of production. Anyway, the company still has a room to negotiate for increasing price with carmakers based on the fact of raw materials' prices increasing.

3) Risks on human resource

Relying on expert personnel

Since the genuine leather is very unique product as it is a natural material, so it requires personnel who have expertise in this field. Besides, lower stream process like cutting and sewing also require skillful persons to work at the sites in order to materialize workmanship goods. Therefore, it is quite hard for the company to guarantee that those skillful and experienced personnel will work with the company lastingly.

To cover the aforementioned issue, the company has addressed in 3 means by adopting machines and equipments to facilitate or replace manual works, then continual organizing training courses to get new generation to succeed the jobs, and the last the company offers reasonable benefits and welfare, including setting another incentive for each working station when it can achieve the goals, to attract such valuable human resource to remain at the company.

4) Risks on financial

Risk from foreign exchange rate fluctuation

The Company imports materials such as raw hides and chemical from the USA, Australia, Singapore, Germany, South Africa and Columbia etc., for which payment is mainly dominated in U.S. dollars. At the same time, the Company is also exporting products for which revenue is received in U.S. dollars. However, the company has a policy of risk management for exchange rate with the Natural Hedge Risk management by spending foreign currency received from export to pay for the imported raw materials without exchange the currency. And the company, also apply a hedging policy of buying Forward Exchange Contract based upon certain situations, without any policy to seek profits from the exchange rate speculation. As a result, the company can be relieved from the risk of exchange rate fluctuation.



Shareholding Structure

Top 10 major shareholders

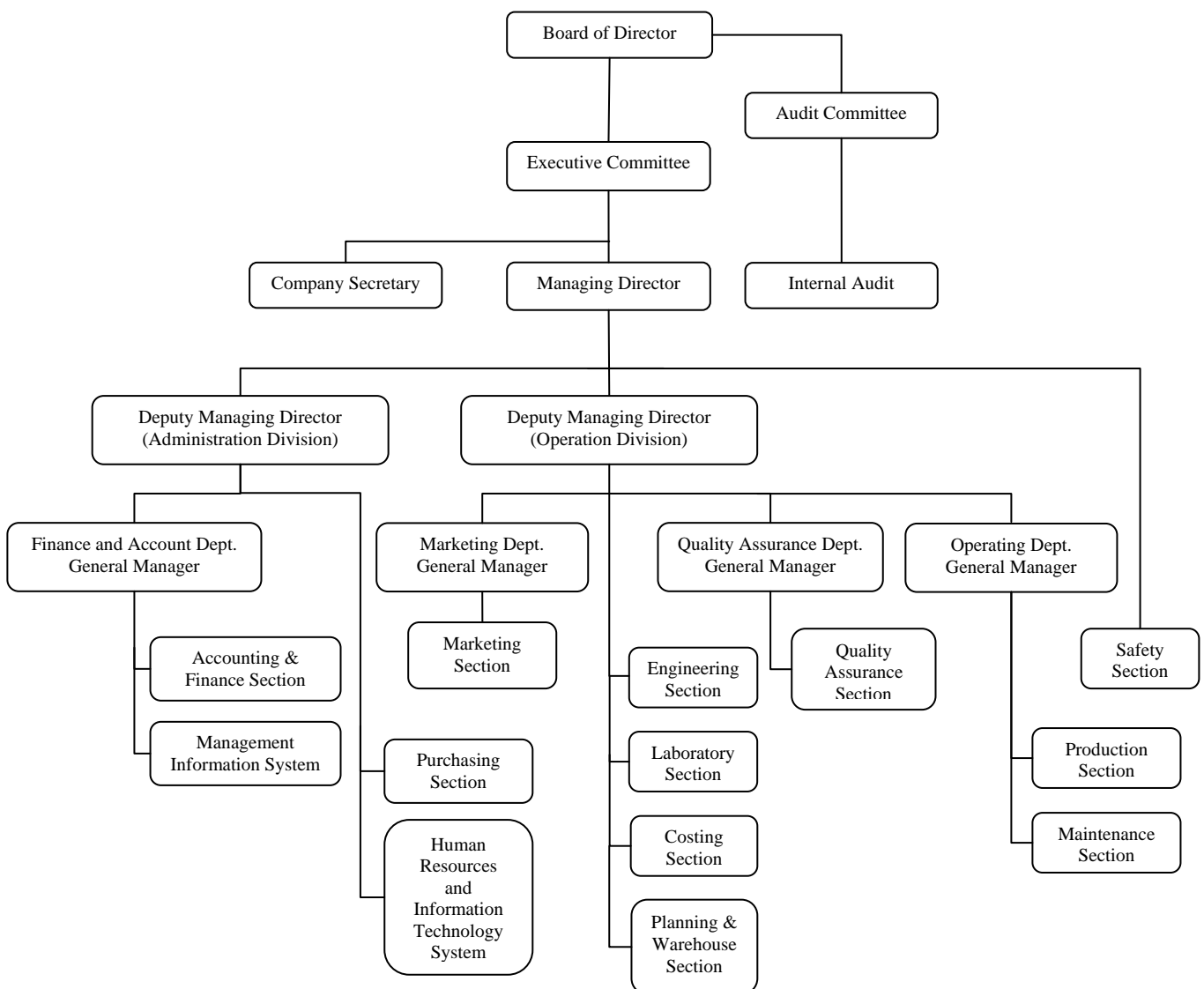
				29 August 2012	
Name				Number of Shares	% Shares
1	Mr.Ongart Thumrongsakunvong Group				
	Mr.	Ongart	Thumrongsakunvong	136,166,584	38.90%
	Miss	Chutima	Busayapoka	80,667,623	23.05%
	Mr.	Wasin	Thumrongsakunvong	7,244,200	2.07%
	Miss	Wanvisa	Thumrongsakunvong	4,300,000	1.23%
	Mrs.	Wallapa	Thuannavarat	1,166,666	0.33%
	Mr.	Sirut	Busayapoka	1,066,433	0.30%
	Mr.	Taksa	Busayapoka	910,000	0.26%
	Mr.	Peng	Thuannavarat	583,333	0.17%
	Mr.	Thanat	Busayapoka	380,000	0.11%
	Miss.	Warittha	Thuannavarat	350,000	0.10%
	Mr.	Siratha	Busayapoka	333,633	0.10%
	Miss	Suthera	Busayapoka	105,000	0.03%
	Total Mr.Ongart Thumrongsakunvong Group			233,273,472	66.65%
2	Mr.	Sorat	Wanitwarakit	13,532,933	3.87%
3	Modernform Group Public Co., Ltd.			9,000,000	2.57%
4	Mr.	Surasak	Laosaicher	5,550,000	1.59%
5	Mr.	Chaiyaporn	Wongsaenganan	5,546,400	1.58%
6	Mr.	Lampoon	Phleanthengtham	3,733,333	1.07%
7	Ramkhamhaeng Hospital Public Co. Ltd.			2,697,100	0.77%
8	Mr.	Pichai	Wijakkhaphan	2,230,000	0.64%
9	Thai NVDR Co., Ltd.			2,079,143	0.59%
10	Mr.	Phongthorn	Charoenkul	1,870,000	0.53%
	Others			70,486,849	20.14%
	Total Shares			349,999,230	100.00%

- Mr.Ongart Damrongsakulwong's group nominated 3 directors: Mr.Ongart Thumrongsakunvong, Miss Chutima Busayapoka, and Mrs.Wallapa Thuannavarat.

Dividend payment policy

The Board of Directors sets a dividend payment policy of the Company that whenever the Company has a net profit, the Company will pay a dividend to the Company's shareholders at the rate not lower than 40% of the net profit except in case that the Company has other investment projects.

Management Structure





Structure of Board of the Company

The corporate structure of the Company comprises 5 committees, namely, Board of Directors, Executive Committee, Audit Committee, Remuneration Committee and Nomination Committee.

1. Board of Directors

As of December 31, 2012, Board of Directors consists of 9 committees as follows:

Name	Position
1. Mr.Thira Wipuchanin	Chairman and Independent Director
2. Mr.Ongart Thumrongsakunvong	Deputy Chairman
3. Miss.Chutima Busayapoka	Director
4. Mrs.Wallapa Thuannavarat	Director
5. Mr. Kazuhiko Yamazaki	Director
6. Mr.Ouychai Matitanaviroon	Director
7. Mr.Punnop Charasaiya	Chairman of Audit Committee and Independent Director
8. Mr.Somchart Limpanuphap	Audit Committee and Independent Director
9. Mr.Weboon Seetthaporn	Audit Committee and Independent Director

Authorized directors who can sign on behalf of the Company

Authorized signatories to sign on behalf and to bind the Company are two of the following three directors, namely, Miss.Chutima Busayapoka, Mr.Ongart Thumrongsakunvong and Mrs.Wallapa Thuannavarat, sign jointly with the Company's seal.

Duties and responsibilities of the Company's Board of Directors

1. The Board of Directors has power and duties to conduct the Company's business according to the laws, Company's objectives, Articles of Association, and resolutions of the shareholders meetings.
2. To set the Company's directions in running business; monitor the Company's operation complying with laws and regulations of Government authorities, disclose sufficient information to shareholders and transparently run the business for the best benefits the shareholders.
3. To fix the Company's goals, directions, policies, plans and budgets; monitor the Company's management delegated to implement the policy. Some matters must be approved by the shareholders before being implemented such as amending the Memorandum and Articles of Association, increasing

or reducing the capital of the Company, issuing stocks or debentures, selling or transferring the Company's business to other persons or purchase or acceptance of transfer of the business of other companies, the making, amending or terminating of contracts with respect to the granting of a lease of the whole or important parts of the business of the company, the assignment of the management of the business of the company to any other persons or the amalgamation of the business with other persons with the purpose of profit and loss sharing merging or dissolution of the company, paying remuneration and bonus to directors, etc.

4. The Company's Board may appoint an executive committee as it deemed appropriate to operate the business assigned by the Company's Board, and the Company's Board will appoint one of the executive director to serve as Chairman of the Executive Committee.
5. The Company's Board may assign the Managing Director or give to other person authority to operate the business under the Board of Directors' supervision or may give authority to such persons with a scope and duration as the Board thinks fit. The Board may revoke, withdraw, or revise such authority. In case the Board assigns the Managing Director or other persons to operate the company's normal and regular businesses the assignment must be approved by the Board meeting which attended by independent directors or audit committee. If the independent directors or audit committee object to the assignment of authority the opinion of the said directors must be clearly recorded in the minutes of the meeting. The assignment of authority must stated clearly the scope of authority and responsibility of the assignee. The assigned authority must not empower the assignee to approve transaction with the assignee himself or with persons with real or potential conflicting interest with the company or its subsidiaries.
6. The Company's board will ensure that the Company has an effective control system and internal auditing by providing internal auditors to monitor the implementation of the system and co-ordinate with the Audit Committee.
7. Independent and external directors shall have their own discretion independently in setting strategy, management, appointment of directors to fill positions vacated by resigned directors, and consider matters affecting interest of the company's stakeholder. The directors have access to the financial and other business information sufficient to perform their duty.
8. The Board shall prepare compliance manual regarding code of ethics, business ethics, executive and staff codes of ethics to be used as guideline in the Company.



2. Executive Directors

As of December 31, 2012, there are 3 executive directors as follows:

Name	Position
1. Mr.Ongart Thumrongsakunvong	Chairman of Executive Directors
2. Miss.Chutima Busayapoka	Vice Chairman of Executive Directors
3. Mrs.Wallapa Thuannavarat	Executive Director

Duties and responsibilities of Executive Directors

1. To set policy, direction, strategy and principle to be in accordance with the goal assigned by the Company's Board and be authorized to implement the Board's policy under the law, conditions, regulations, and Company Articles of Association.
2. To develop organization structure and authority manual covering recruitment selection, employment, transferring, training, and dismissal of company's staff, except the Chairman of the Board and the Managing Director.
3. To consider annual budget proposed by the Managing Director for scrutinization before submitting for the Board's approval.
4. To examine, monitor implementation of policy and guidelines set by the company so that efficiency can be achieved.
5. To consider, screen, investment in projects related to core business as well as unrelated ones before submitting for Board's approval.
6. To have authority to approve loans or credit line from financial institutions, making imbursement for the Company's regular business transactions such as investment, buying land or land with building(s), buying machinery or other assets and other payments with a limit for each transaction of not exceeding 50 million baht. For transaction over Baht 50 million prior Board approval shall be required.
7. To have authority in considering and allocating reward, bonus or other remunerations approved by the Board.
8. To perform other duties in each duration assigned by the Board
9. To approve loans as welfare to staff with low income in the amount not exceeding Baht 500,000.

A director having interests in a matter or a conflict of interests against the company or subsidiaries shall not be entitled to approve of such matter. (In accordance with the regulations of the stock Exchange of Thailand and the committee of securities control)



3. The Audit Committee

As of December 31, 2012, there are 3 audit committees as follows:

Name	Position
1. Mr.Punnop Charasaiya	Chairman of Audit Committee and Independent Director
2. Mr.Somchart Limpanuphap	Audit Committee and Independent Director
3. Mr.Weboon Seetthaporn	Audit Committee and Independent Director

Mrs.Wannida Jirawattho is the secretary of the Audit Committee.

Duties and responsibilities of the Audit Committee

1. To review financial reports to ensure their accuracy and adequacy.
2. To review the internal control system and audit functions to ensure their appropriateness and effectiveness and review the sufficient independence of the internal audit, and provide opinions for the appointment, transfer, and promotion of heads of the internal audit or other offices with responsibilities for internal audit activities.
3. To review the Company's operations and activities to ensure their compliance with the Securities and Exchange Act, SET regulations and other applicable laws to the Company's business.
4. To consider and propose for the persons with independence of performing the duties of external auditors for the Company, purpose the remunerations, and arrange the meeting with external auditors at least once a year without the presence of the Company's management.
5. To review the connected transaction or transactions with potential conflict of interest to be in compliance with laws and requirements of the Stock Exchange of Thailand in order to ensure that such transactions are reasonable and provide the best benefits for the Company.
6. To prepare and disclose the audit committee reports in the annual reports which must be signed by the Chairman of the audit committee. The report should consist of:
 - a) Opinions about the process of conducting and disclosing information in the Company's financial report as well as its accuracy, completeness and reliability.
 - b) Opinions about the sufficiency of the Company's internal control system.
 - c) Opinions about the compliance with laws on securities and exchange, requirements of the Stock Exchange of Thailand and any other laws relating to the Company's business.
 - d) Opinions about the appropriateness of external auditors.
 - e) Opinions about transactions with potential conflict of interest.



- f) Number of meetings to be convened by the Audit Committee and meeting attendance of each Audit Committee member.
 - g) Opinions or general findings obtained by performing its duties in accordance with the Audit Committee Charter.
 - h) Opinions about other matters that should be inform to general shareholders and investors under the scope of duties and responsibilities assigned by the Board of Directors.
7. To perform any acts as assigned by the Board of Directors of the Company together with and approval and under the scope of duties and responsibilities of the Audit Committee.

4. The Remuneration Committee

As of December 31, 2012, there are 3 remuneration committee as follows:

Name	Position
1. Mr.Punnop Charasaiya	Chairman of Remuneration Committee
2. Mr.Somchart Limpanuphap	Remuneration Committee
3. Mr.Ouychai Matitanaviroon	Remuneration Committee

Duties and responsibilities of the Remuneration Committee

1. To consider directors' remuneration basing on directors' performance in each year, duties and responsibilities, company's financial status and rate of remuneration comparing to industrial standard, and to propose salary adjustment and other benefits for the Board's consideration.
2. Other duties assigned by the Company's Board.

5. The Nomination Committee

As of December 31, 2012, there are 3 nomination committee as follows:

Name	Position
1. Mr.Punnop Charasaiya	Chairman of Remuneration Committee
2. Mr.Somchart Limpanuphap	Remuneration Committee
3. Mr.Ouychai Matitanaviroon	Remuneration Committee

Duties and responsibilities of the Nomination Committee

1. Select persons who deserve to be nominated as the new Directors, or select of Managing Director.
2. Determine the procedures and regulations on selection of Directors or Managing Director to ensure the transparency.

The Management Team

As of December 31, 2012, there are 3 executives as follows:

Name	Position
1. Mr.Ongart Thumrongsakunvong	Managing Director
2. Miss.Chutima Busayapoka	Deputy Managing Director (Operation)/ Operation Dept. General Manager/Marketing and Engineering Dept. General Manager/Quality Assurance Dept. General Manager
3. Mrs.Wallapa Thuannavarat	Deputy Managing Director (Administration)/ Finance and Account Dept. General Manager

Election of the Directors and the Executive Management

According to the Good Corporate Governance, the company had granted the shareholders to propose the director nominee in advance through the Stock Exchange of Thailand's website on November 30, 2012. The shareholders could propose the director nominee to the company from December 1, 2012 to December 30, 2012. The names of qualified candidates will initially review by the Nomination Committee before propose to the board of directors.

Who were approved by the board of directors including the opinion of the board of directors will be proposed in the agenda of the Annual General Meeting of shareholders

The election of directors by the shareholders meeting shall be in accordance with the following rules and procedures:

- (1) A shareholder shall have one vote for one share.
- (2) Each shareholder shall use all his or her votes under (1) to elect one or several persons as a director.

However, he or she may not divide his or her votes among candidates.

- (3) The persons who receive the most votes in ranking order will be elected as directors until all the director positions are filled. In case the persons being elected in descending order are tied but their election will exceed the number of director positions available, the chairman of the meeting shall have a casting vote.

At each annual general meeting of shareholders, one-third of the Company's directors shall retire in rotation. Should the number of directors to retire in rotation is not a multiple of three, the number of directors closest to one-third (1/3) of all directors shall retire.

In the first and second year of the registration of the Company, directors retiring from office shall be selected by drawing lots. In subsequent year the director who has held office longest shall retire. A director who vacates office may be re-elected.

Apart from the vacation upon the expiry of his or her term, a director shall vacate office upon:

- Death
- Resignation
- Lack of qualifications or possession of prohibited characteristics under section 68 the Public Company Act B.E.2535
- Removal by a resolution of the Shareholders meeting
- Removal by a court order.

Directors and Management remuneration

1. The total amount of directors and management remuneration for year 2012 is 17,720,890.34 baht by dividing the remuneration to the Directors positions, the Executive Directors and Management details are as follows :

a.) The Directors Positions : 3,480,000 baht

- Remuneration for the Company's Board of Directors : 2,880,000 baht
- Remuneration for the Audit Committee : 600,000 baht



Name	Board of Director (Baht)	Audit Committee (Baht)	Total (Baht)
1 Mr.Thira Wipuchanin	480,000	-	480,000
2 Mr.Ongart Thumrongsakunvong	300,000	-	300,000
3 Miss.Chutima Busayapoka	300,000	-	300,000
4 Mrs.Wallapa Thuannavarat	300,000	-	300,000
5 Mr.Kazuhiko Yamazaki	300,000	-	300,000
6 Mr.Ouychai Matitanaviroon	300,000	-	300,000
7 Mr.Punnop Charasaiya	300,000	240,000	540,000
8 Mr.Somchart Limpanuphap	300,000	180,000	480,000
9 Mr.Weboon Seetthaporn	300,000	180,000	480,000
	2,880,000	600,000	3,480,000

b.) Remuneration for the Executive Directors and Management for year 2012 comprising salaries, bonus and welfare is totally of 14,240,890.34 baht.

Remark: * “Management ” means Managing Director and the first 4 executives down from the Managing Director, excluding the accounting or financial managers if not in the same level as the 4th management executive.

2. Other remunerations :

- None –



Summary of director attendance for the year 2012

Name	Board of Director	Audit Committee	Remuneration Committee	Nomination Committee
	Number of Attendance/Total Meeting	Number of Attendance/Total Meeting	Number of Attendance/Total Meeting	Number of Attendance/Total Meeting
1 Mr.Thira Wipuchanin	5/5	-	-	-
2 Mr.Ongart Thumrongsakunvong	5/5	-	-	-
3 Miss.Chutima Busayapoka	5/5	-	-	-
4 Mrs.Wallapa Thuannavarat	5/5	-	-	-
5 Mr. Kazuhiko Yamazaki	1/5	-	-	-
6 Mr.Ouychai Matitanaviroon	5/5	-	1/1	1/1
7 Mr.Punnop Charasaiya	5/5	4/4	1/1	1/1
8 Mr.Somchart Limpanuphap	5/5	4/4	1/1	1/1
9 Mr.Weboon Seetthaporn	5/5	4/4	-	-

Good Corporate Governance

The Board of Directors realizes the importance of Corporate Governance and believes that the good Corporate Governance is the crucial factor for business operation, in order to efficiently and effectively manage the business to have stability, continuous growth and fairness to all stakeholders. From such reasons, the Board of Directors stipulates the Corporate Governance Policy, having content covering the important principle as follows:

1. Rights of Shareholders

The Board of Directors of the Company gives the importance to the right of shareholders by not performing any act that violates or lessens the rights, and to facilitate the exercise of rights on various matters. It is then the guideline of operation is set in order to ensure that shareholders that they will be protected under the basic rights as follows:

- The Company gives an opportunity to the shareholders to propose agenda and propose the name list to be appointed as directors in advance, which the company has notified the rules and supplementary documents on the web site of the Company.
- The Company has delivered the notice calling for the meeting with information, documentation supplement to each agenda with proxy to shareholders 7 days prior to the meeting date and post all of these document on the web site of the Company. Each agenda is provided with opinions of the Board of Directors to facilitate shareholders' decision. Minutes of the shareholder meeting will be prepared for shareholder's inspection.
- For shareholders who are unable to attend the meeting, proxy form is provided for appointment of proxy to attend the meeting.
- Prior to the meeting commencement, the Board of Directors will explain to the shareholders to acknowledge the rights under the Articles of Association of the Company, the proceeding of the meeting, casting the vote, including the giving of the rights to shareholders to raise questions and express opinion equally.

2. Equitable Treatment of Shareholders

The Company ensures the equitable treatment of shareholders in terms of calling and holding shareholders meetings and for protecting the Rights of Shareholders for other matters by taking the following steps:

- Date, time, venue of the meeting is convenient to attend.
- Offering one-share-one-vote.
- Facilitate proxy voting: clearly specifying the documents required to give proxy and by sending out the Notice to the extent possible under the regulations.
- Registration period is commenced at least 1 hour in advance to keep adequate time for completion of registration.
- Directors and Executives disclose and report their conflict of interests, including dealings with their relatives, if any, to the Company for the Company's use in complying with the regulation about connected transactions. Such report on interest is also useful in monitoring their adherence to their duties, by the following practices;
- Providing detailed explanation of related-party transactions in the Annual Report.

3. Roles of Stakeholders

The Company put a high value on every group of persons who has a stake in the Company both internally (company's board and staff) and externally (competitor, creditor).

- Employee : to be treated equally and give fair remuneration.
- Trading partners and Creditors : to be treated equally and fairly under trade condition and agreement
- Customer : take care of customers by producing good quality and standardized goods and serve customer's needs and wants by focusing on the importance of quality of goods and services with a reasonable price.
- Competitor : to compete under fair rules and norm of competition.
- Society : establish social responsibility by doing business under code of ethics avoiding polluting the environment of the community. Give support to community activities on suitable occasion.

4. Disclosure and Transparency

The Board of Directors stressed the importance of disclosing correct, complete, clear, accessible and on-time information to investors in terms of financial reports, performance reports and

other related information. The Company realizes that all information plays a key role for investors' decisions to invest.

The company provide the Investor Relation to communicate with the investors and analysts including organized activities such as Company visit, meeting with management for information exchanges and various activities that encourage relationship between the Company and the investors.

5. Board Responsibilities

The Company separates positions clearly according to the scope of duties and responsibilities set by the Company's Board and MD. The Board Chairman is an independent director and not the same person as MD. Furthermore, the Company appoints 3 independent directors as audit committee to monitor the Company's operation as a counter-balance.

The Company has a policy to have meeting every 3 months. However, additional meeting may be called if needed by giving notice with agenda 7 days in advance so that the directors have enough time to study the details before the meeting.

The Company sets up 3 sub-committee which are auditing committee, remuneration committee and nomination committee to help the Company's supervision according to information in the Structure of Board of the Company, the auditing committee having a meeting by every 3 months. If there is an emergency case, an urgent meeting will be conducted.

The Company appointed the Remuneration Committee on February 24, 2008 by having at least one independent director to sit on the remuneration committee. The remuneration has been disclosed in the Annual Report as well as the 56-1 Annual Submission of the SEC:

Directors' remuneration	:	setting up clear remuneration and suitable level in keeping with the industry.
Executives' remuneration	:	remuneration based on guideline and policy set by the Board which related to the Company's operation outcome and performance of each executive

Moreover, the remuneration of directors and executives should be fair appropriate and sufficient to keep qualified executives required by the Company and create sufficient motivation to perform with good standard appropriate for the assigned tasks

The Company's board is responsible for important business operation and supervision, budget, financial information to publics in form of annual report with carefulness and disclosing sufficient information such as stock structure, risk factors, and relevant items to shareholder.

The Board of Directors has provided and maintained an efficient internal control system to ensure that accounting records are accurate, complete and adequate to protect its assets and uncover weaknesses in order to prevent fraud or materially irregular operations.

Furthermore, the Board of Directors has appointed an Audit Committee, which consists of non-executive directors responsible for the quality of financial statements, internal control system.



Management Information

Name	Age	Education	No. and % of Shares	Relationship	Employment Record		
					Period	Position	Company
1. Mr.Thira Wipuchanin Chairman	63	- BBA. University of Wisconsin, USA. - DCP and ACP Program of IOD	-	-	2005 - present	Chairman and Independent Director	Interhides Public Company Limited
					2005 - present	Chairman of Audit Committee	Bangkok First Investment & Trust Public Company Limited
					2003 - present	Audit Committee and Independent Director	Siam Macro Public Company Limited
					2000 - present	Chairman and Independent Director	United Palm Oil Industry Public Company Limited
					2000- present	Chairman and Independent Director	Precious Shipping Public Company Limited
					1998 - 2003	Senior Deputy Managing Director	Export-Import Bank of Thailand
					1994 - 1997	Deputy Managing Director	Premier Group
					1990 - 1994	Thailand Branch Representative	Prudential Asset Management Asia Ltd.
					1975 - 1990	Deputy Chairman	American International Assurance Co.,Ltd.
2. Mr.Ongart Thumrongsakunvong - Deputy Chairman - Chief Executive Director - Managing Director	54	- Highschool, I Assumption Sriracha School - DAP and ACP Program of IOD	216,834,207 (61.95%) (including Spouse)	Spouse of No. 3	1992 - present	Managing Director	Interhides Public Company Limited
					2005 - present	Director	Vivid Atelier Co.,Ltd.
					2005 - present	Director	Trio Fusion Co.,Ltd.
					2005 - present	Director	Automotive Accessory Co.,Ltd.
					1992 - 1994	Managing Director	OC Leather Co.,Ltd (Closed)
					1988 - 1991	Manager	OC Leather Co.,Ltd (Closed)
3. Miss Chutima Busayapoka - Director - Deputy Chief Executive Director - Deputy Managing Director (Operation) - Production General Mgr. - Quality Assurance General Mgr. - Marketing&Engineering General Mgr.	51	- Diploma Certificate, Phanyapranit College - DAP and ACP Program of IOD	216,834,207 (61.95%) (including Spouse)	Spouse of No. 2	1992 - ปัจจุบัน	Deputy Managing Director (Operation)	Interhides Public Company Limited
					1992 - 1994	Deputy Managing Director	OC Leather Co.,Ltd (Closed)
					1988 - 1991	Assistant Manager	OC Leather Co.,Ltd (Closed)



Name	Age	Education	Share (%)	Relationship	Employment Record		
4. Mrs.Wallapa Thuannavarat - Director - Executive Director - Deputy Managing Director (Administration) - Finance and Accounting General Mgr.	60	- BBA. Sukhothaimatirat - DAP Program of IOD	1,749,999 (0.50%) (including Spouse)	Sister of No. 3	1994 - present 1978 - 1993 1997 - 1978	Deputy Managing Director (Administration) Supervisor (General Account) Accountant	Interhides Public Company Limited Thai Investment and securities Public Company Limited Poonpipat Public Company Limited
5. Mr.Ouychai Matitanaviroon Director	53	- MBA. Campbell University, USA. - DAP Program of IOD	-	-	2008 - present 2005 - present 2006 - 2008 2003 - 2006 1998 - 2003 1993 - 1998 1992 - 1992 1989 - 1989 1986 - 1986	Director and Division Head Transportaton and Infrastructure Division Director Director and Deputy Transportaton and Infrastructure Division General Manager Deputy General Manager Manager Assistant Manager Senior In charge Officer	Sumitomo Corporation Thailand Co.,Ltd. Interhides Public Company Limited Sumitomo Corporation Thailand Co.,Ltd. Sumitomo Corporation Thailand Co.,Ltd. Sumitomo Corporation Thailand Co.,Ltd. Sumitomo Corporation Thailand Co.,Ltd. Sumitomo Corporation Thailand Co.,Ltd. Sumitomo Corporation Thailand Co.,Ltd. Sumitomo Corporation Thailand Co.,Ltd.
6. Mr.Kazuhiko Yamazaki	65	- Faculty of Law, Keio University, Japan	-	-	2006 - 2009 2001 - 2005 1997 - 2001 1990 - 1996 1995 - 1990 1978 - 1985 1970 - 1978	President and CEO President General Manager General Manager Manager Assistance Manager Officer	Sumitomo Shoji Chemical Co.,Ltd, Japan Sumitomo Corporation of Thailand Sumitomo Corporation, Japan Sumitomo Corporation of Singapore Sumitomo Corporation, Japan Sumitomo Corporation of America Sumitomo Corporation, Japan



Name	Age	Education	Share (%)	Relationship	Employment Record		
7. Mr.Punnop Charasaiya - Independent Director - Chairman of Audit Committee	65	- Master Science of Management Arthur D. Little University, USA. - DAP and ACP Program of IOD	-	-	2008 - 2010	Consultant	Export-Import Bank of Thailand
					2005 - present	Chairman of Audit Committee and Independent Director	Interhides Public Company Limited
					1996 - 2008	Deputy Managing Director	Export-Import Bank of Thailand
					1976 - 1996	Vice President	Kasikorn Bank
8. Mr.Somchart Limpanuphap - Independent Director - Audit Committee	61	- Master of Accountancy Thammasat University - DAP and ACP Program of IOD	525,000 (0.15%)	-	2008 - Present	Manager (Provincial Loan Recovery Dept)	Bangkok Bank
					2005 – present	Audit Committee and Independent Director	Interhides Public Company Limited
					1999 - 2008	Manager (Credit Dept.)	Bangkok Bank
					1985 - 1999	Branch Manager	Bangkok Bank
					1975 - 1984	Internal Auditor	Bangkok Bank
9. Mr.Weboon Seetthaporn - Independent Director - Audit Committee	65	- LL.M. Temple University, USA. - A Barrister-at-Law, The Bar Association - DAP and ACP Program of IOD	-	-	2005 – present	Audit Committee and Independent Director	Interhides Public Company Limited
					2006 - 2008	Deputy Managing Director	Export-Import Bank of Thailand
					1998 - 2006	Executive Vice President	Export-Import Bank of Thailand
					1976 - 1997	Vice President	Kasikorn Bank
					1974 - 1975	Attorney	Office of Adul Singhanade
					1971 - 1973	Credit Compromise Officer	Bangkok Bank

Audit Committee Report

To the shareholders of Interhides Public Company Limited

At present, the Audit Committee of the Company comprises Mr. Punnop Charasaiya as Chairman, Mr. Somchart Limpanuphap and Mr. Weboon Seetthaporn as Committee members, and Ms. Nuntaporn Kanjanawaigoon as Secretary. All members possess adequate qualifications for their posts as required by the Audit Committee Charter and in accordance with the Stock Exchange of Thailand's Best Practice Guidelines.

The Audit Committee has performed its duties and responsibilities as assigned by the Board of Directors in supervising and overseeing the Company's state of affairs in order to show precisely and ensure that Management and executive directors, who are accountable to shareholders of the Company, execute their duties with honesty and responsibility, and in accordance with the policy of the Company accurately and completely, and by reaching a level of standard practice. The Audit Committee conducted a total of 4 meetings in 2012 and appropriately discussed and shared opinions with senior management, external auditors, and internal auditors on related matters. This can be summarized as follows:

1. Reviewed quarterly and annual financial statements of the company for 2012, which had already been reviewed and audited by the external auditor, before submitting them to the Board of Directors for approval. The Audit Committee inquired into the accuracy and completeness of financial statements of the external auditor and Management, and the adequacy of financial disclosure. In addition, the Audit Committee considered and acknowledged the management letter and audit approach for the external auditor's 2012 financial statement. The Audit Committee came to the conclusion that internal control of the financial reporting process was adequate to ensure that such financial statements represented the Company's financial status and operating results accurately, that they were in accordance with legally defined accounting principles, and that they were adequately and promptly disclosed for the benefit of investors and users of such statements when making investment decisions.

2. Reviewed connected transactions executed by the Company with related parties who were considered as having a conflict of interest, and reviewed the sufficiency of the disclosure of these transactions in accordance with the requirements of the Stock Exchange of Thailand. The Audit Committee came to the conclusion that the aforementioned transactions were conducted by Management fairly and priced with a view to giving the utmost benefit to the Company at an arm's length basis, and that they were accurately and adequately disclosed.

3. Reviewed, from a total of four meetings, compliance with Securities and Exchange laws, regulations of the Stock Exchange of Thailand, and other relevant laws including Securities and Exchange acts,

regulations of the Securities and Exchange Commission, the Public Company Act BE 2535, rules, the Revenue Code, Labour Law, business commitments. The Audit Committee came to the conclusion that the Company had complied with all applicable regulatory requirements.

4. Reviewed the Internal Control System in its evaluation of the adequacy and effectiveness of the Company in achieving its goals. The Audit Committee reviewed the Internal Audit Report for 2012, according to the approved Internal Audit Action Plan, of major business processes such as inventory control process, production management system or collection management. There were no major weaknesses or significant errors in internal control. In addition, the Audit Committee evaluated the Company's Internal Control System, which consisted of management control, financial control and compliance control based on guidelines of the Office of the Securities and Exchange Commission. The Audit Committee came to the conclusion that the Internal Control System was adequate and functioning effectively with regards to the internal environment, risk assessment, control activities, information and communication systems, and monitoring system.

5. Reviewed the Risk Management System to evaluate its adequacy and effectiveness. The Audit Committee considered risk management policy, the Risk Management Manual, risk identification, and risk response including the progress of the Risk Management Plan as proposed by the Top Management on a yearly basis. The Audit Committee came to the conclusion that the Risk Management System was adequate and functioning effectively with clear objectives, complete risk identification, appropriate risk assessment and risk response.

6. Considered the nomination and appointment of the external auditor and the annual audit fee for 2013 to seek approval from the Company's Board of Directors for the 2013 Annual General Meeting of Shareholders. The Audit Committee reviewed the independence, performance, and services of the external auditor including the audit fees, and judged that the external auditor gave useful opinions and recommendations regarding financial reporting and internal control. Therefore, the Audit Committee proposed that an external auditor from Ernst & Young Office Limited be appointed the Certified Public Accountant of the Company for 2013. This recommendation was made to the Board of Directors prior to being presented to the Annual General Meeting of Shareholders.

7. To propose activity reports of the audit committee to the board of directors for every meeting of the audit committee in order to be in conformity with good conduct of the audit committee.

8. To consider the annual audit plan and reexamine report of inspecting result as well as evaluating the internal control in order to assure that the internal control is efficient enough to meet the acceptable risk and suitability for changing business environment.

In 2012, the Audit Committee conducted as total of 4 meeting, the summary of attendance are as following:

Name of Audit Committee		Position	Number of Attendance/Total Meeting
Mr.Punnop	Charasaiya	Chairman of the Audit Committee	4/4
Mr.Somchart	Limpanuphap	Audit Committee member	4/4
Mr.Weboon	Seetthaporn	Audit Committee member	4/4

The Audit Committee exercised its judgment and independently fulfilled its duties and responsibilities with sufficient competency, with circumspectness, and with full access to information from Management, employees, and relevant persons. The Audit Committee also gave comments and recommendations on the equitable treatment of stakeholders.

In summary, the Audit Committee is of the opinion that the Board of Directors, Management, and executive directors have operated with an ethical mind and have had the intention of performing duties professionally to achieve the Company's goals. Furthermore, the Company has committed itself to operate the business under an effective Internal Control System. In addition, the Company has established a concise and appropriate Risk Management System and has effective corporate governance.



Mr. Punnop Charasaiya
Chairman of the Audit Committee



Mr. Somchart Limpanuphap
Audit Committee member



Mr. Weboon Seetthaporn
Audit Committee member

Related Party Transactions

Detail of related transactions in the 2011 and 2012

1) Schumans Electronics Company Limited (“Schumans”)

Nature of business	Assembly of electronic equipment for use in the vehicle industry i.e. reverse sensor. Founded on May 2005 and renamed at Department of Business Development with effective date on June 8, 2006
Registered and paid capital	10 millions Baht with total 1 Million shares at par Baht 10 (Bor Or Jor 5 as at February 23, 2010)
Shareholding structure	As of December 31, 2012

Name	Share	Percent
Schumans (Thailand) Co., Ltd..	682,496	68.25
Mr. Rama Jandran Tangaweru	145,000	14.50
Mr. Ongart Thumrongsakunvong	100,000	10.00
Mr. Taan Huan Kaan	72,500	7.25
Other aliens	3	0.00
Other Thai citizens	1	0.00
Total	1,000,000	100.00

Relationship with the Company	Relative Operation in which director as main shareholder and executive of the Company, Mr. Ongart Thumrongsakunvong, held 100,000 shares of Schumans, or 10 percent shareholding.
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Important particulars	Balance / Value (Baht)		Terms of price / necessity	Comments of the Audit Committee
	Year 2011	Year 2012		
<p><u>Continuous particulars</u></p> <p>1. The company purchased finished goods from Schumans.</p> <ul style="list-style-type: none"> - Purchase of finished goods 	7,322,358	6,491,509	<ul style="list-style-type: none"> - The company purchased sets of reverse sensors from Schumans. The product sets were made by orders and the Company can mark up the additional profit at least 15% by a cost plus method. - The company signed the letter of intent and the business agreement with Schumans for each model. The agreement presents details of the product price which enable the company mark up the profit which is a generally accepted price. In addition, according to made-by-order products, it is beneficial to the company not keeping the stocks and not disadvantage to the company. - For orders of the new models, if the company develops the reverse sensors together with car manufacturers, it assumes that the company is assigned to search for the reverse sensors for the car manufacturers and the company will hire Schumans as a sub-contractor with the pricing method as mentioned. However, if 	<ul style="list-style-type: none"> - The transaction was reasonable for normal business and the purchase prices were set upon the cost and benefit of the company which considered being fair price for business deal.

Important particulars	Balance / Value (Baht)		Terms of price / necessity	Comments of the Audit Committee
	Year 2011	Year 2012		
			Schumans can directly find out and contact car manufacturers, it can make the deal by itself without passing through the company.	

2) **Automotive Accessories Company Limited (“Automotive”)**

Nature of business	Manufacture and sale of coating work, pattern coating, pattern spray, wood coating spray, spray on material surface used in the vehicle industry. Founded on July 13, 2005
Registered and paid capital	15 millions Baht with total 1.5 million shares at par Baht 10 (Bor Or Jor 5 as at April 26, 2010)
Shareholding structure	As of December 31, 2012

Name	Share	Percent
Mr. Ongart Thumrongsakunvong	719,999	48.00
Miss Chutima Busayapoka	719,998	48.00
Miss Wanvisa Thumrongsakunvong	60,003	4.00
Total	1,500,000	100.00

Relationship with company	Main shareholders; Mr. Ongart Thumrongsakunvong, Miss Chutima Busayapok and Miss Wanvisa Thumrongsakunvong held total shares of Automotive Accessories Co., Ltd. with co-director; Mr.Ongart Thumrongsakunvong.
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Important particulars	Balance / Value (Baht)		Terms of price / necessity	Comments of the Audit Committee
	Year 2011	Year 2012		
<u>Continuous particulars</u> 1. The Company leased office and factory space to Automotive. - Rental and central service charge	1,170,000	585,000	<ul style="list-style-type: none"> - The company leased the total area of 750 square meters on the 1st floor of address no. 55/5 to be used as office and factory. The agreement commencing from July 1, 2007 with option to extend for another 1 year upon the expiration. The company will charge additional rent not exceeding 10 percent at each time of extension. The company charged the rental plus central service charge at the rate of 130 Baht per square meter per month which close to the market rate assessed by Cantor Consultant Co., Ltd. - The company or lessee can terminate the contract prior to expiration date with prior notice in writing not less than 3 months. - The lessee did not extend the rent since July 1, 2012. 	<ul style="list-style-type: none"> - The rental rate was based on the market price of normal lease and does not prejudice the company, and it is considered as efficiently utilization of unused area of the company. The agreement is made in short time, about 1 year in case the company needs additional space to support work enlargement in the future. The contract can be extended if the company deems proper.

Important particulars	Balance / Value (Baht)		Terms of price / necessity	Comments of the Audit Committee
	Year 2011	Year 2012		
<p>2. The company charged the utility fee from Automotive.</p> <ul style="list-style-type: none"> - Utility fee 	845,001	396,908	<ul style="list-style-type: none"> - The company allowed Automotive as lessee to use water and electricity, and water and electric meters have been installed for measurement of used quantity of water and electricity. Automotive was responsible for the water and electricity charges at the rate regulated by the Provincial Water Authority and Provincial Electricity Authority. The payment must be done within 7 days after receipt of notice from the Company. 	<ul style="list-style-type: none"> - Utility fee was charged separately between Company and lessee as the meters have been installed separately for measurement of the used quantity and can be charged from Automotive at the rate regulated by the authority.
<p>3. The company purchased finished goods from Automotive</p> <ul style="list-style-type: none"> - Purchase of finished goods 	20,993,297	5,963,069	<ul style="list-style-type: none"> - The company purchased wooden surface products from Automotive for selling to third parties or car manufacturers with made-by-orders. The company gained the additional profit by marking up the price at least 15% of cost. - In present, there is no wooden surface manufacturer in Thailand, mostly import from international with expensive price. According to many difference of product 	<ul style="list-style-type: none"> - The transaction was reasonable for normal business and the price did not prejudice the Company as well as the conditions of the agreement were prepared as those of third parties' agreement.

Important particulars	Balance / Value (Baht)		Terms of price / necessity	Comments of the Audit Committee
	Year 2011	Year 2012		
			<p>types complied with different models of cars, it is difficult to have a comparison price. The company, however, made a business contract to Automotive by each product model after the company has the letter of intent from the car manufacturer. The letter of intent presents adequate details and price for the company to set the additional profit and generally-accepted-business-conditions. In addition, the sale orders of the products are made by order which enable the company to not keep stocks; therefore, this transaction is not disadvantageous to the company.</p> <p>- For orders of the new models, if the Company develops the wooden surface products together with car manufacturers, it assumes that the Company is assigned to search for the wooden surface products for the car manufacturers and the Company will hire Automotive as a sub-contractor with the pricing method above.</p>	

Necessity and justification for the related transaction

At the board of directors meeting, the Audit Committee examined the particulars together with the Company's executives and considered that interactions among individual or juristic person in conflict are reasonable. The price requirements or terms of the particulars are fair, and the comparison has been made with the price estimated by the central estimation company or market price.

Upon consideration of the businesses of the related companies, it may be considered that the businesses are related to the leather manufacturing business using in the automotive industry i.e. Schumans and Automotive. However, on presentation to be products manufacturer for the automobile manufacturing company, each part will be offered separately and the company cannot offer products of related company together with those of company products. It is deemed as normal purchase procedures of the automobile manufacturing company. In addition, the automobile manufacturing company has standard cost as a base in selection of manufacturer of each parts and each car model. The automobile manufacturing company must realize the quality of products and companies separately for the most benefit in term of cost, quality and reliability.

Transaction of leased factory space for related companies and persons represented the lease of 1st floor, plant 5, total area of 750 square meters in which the company has the total area of 113,000 square meters.

Measures or procedures for approving the related transaction

The Company complied with the regulations of the Committee of the Securities Control and the Stock Exchange of Thailand. In case where the related transactions are to be causing possible conflict of interests, the approval must be granted by the board of directors. The Audit Committee shall consider the reasonability of particulars and realize the most benefits of the Company. The price and terms of particulars must be based on the normal course of business by using fair price or comparison market price. In addition, the persons or person having possible conflict of interest shall not be able to participate in the approval of transactions.

For continuous related transaction which has been considered by the Audit Committee, the Audit Committee planned to examine that particular on quarterly basis.

Policy or tendency of entering into related transaction

The Company policy of entering into related transactions in the future for continuous particulars will be based on necessity and reasonability of the particulars by considering fair price and market price as well as benefits of the Company as the main purpose. The main particulars can be summarized as follows:

- 1) Space leased to related company to be used as office and plant.

The lease rate was in accordance with the assessed price from the central estimation company in the list of the Committee of the Securities Control. An agreement represented a short-term lease not exceeding 1 year in case the Company needs additional space in which the company may extend the agreement if it deemed appropriate upon its expiration.

- 2) Utility use by related companies

The company installed the water and electricity meters for each space leased to related companies and charged those companies at the rate regulated by the Provincial Water Authority and Provincial Electricity Authority.

- 3) Purchase of products from “Automotive” for re-sale

The Company pricing policy is to add up profit for products purchased from related companies for the re-sale purpose of not less than 15 percent.

The company shall comply with the rules and regulations of the Committee of Securities Control and the Stock Exchange of Thailand as well as requirements to disclose the related transaction, acquisition and distribution of important assets of the company or affiliated company in accordance to the accounting standard provided by the Professional Accountant Council. In case transaction having possible conflict of interest, the company shall require the board of directors and Audit Committee to consider the necessity and reasonability of the particulars, including terms of price and circumstances to correspond with the normal business practice. The company may consider comparison of price with outsider or with the market price. The person having possible conflict of interest shall not be able to participate in the approval of transactions. In case the Audit Committee does not have the expertise required in considering the related transaction, the company may assign an independent expert or auditor to give opinion on such related transaction for supporting of decision made by the board of directors or Audit Committee or shareholders as the case maybe. The Company will disclose information on related transaction in the notes accompanying the financial balance sheet examined by the auditor and in the annual information sheet (Form 56-1)

Report of the Board of Directors' Responsibilities for Financial Statements

The Board of Directors of Interhides Public Company Limited has provided the financial statements showing the Company's financial status and business operation result for the year 2012 under the Public Limited Companies Act B.E. 2535 (A.D. 1992) and Rules and Regulations of the Stock Exchange of Thailand. The Board of Directors is responsible for the company financial statements presented in this annual report. The Board of Directors confirms that the aforementioned financial statements are in accordance with Thai Generally Accepted Accounting Principles, using appropriate accounting policy consistently employed by the Company as well as applying careful judgment and best estimation. Important information is adequately disclosed in the notes to financial statements.

Financial Statements of the Company have been audited by Ernst & Young Office Limited, auditor of the Company. The Board of Directors has supported the auditor with all necessary information and documents so the external auditor could audit and express his opinion in accordance with auditing standards. The external auditor has expressed his opinion in Auditor's Report as shown in the Annual Report.

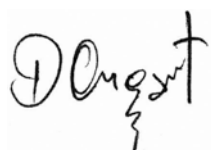
The Board of Directors has provided and maintained an efficient internal control system to ensure that accounting records are accurate, complete and adequate to protect its assets and uncover weaknesses in order to prevent fraud or materially irregular operations.

The Board of Directors has appointed an Audit Committee, which consists of Non-Executive Directors responsible for the quality of financial statements, internal control system and law compliance, whose comments on these issues are readily included in the Audit Committee Report in this annual report.

The Board of Directors is of the opinion that the Company's overall internal control system has functioned up to the satisfactory level and rendered credibility and reliability to the consolidated and company financial statements for they year ended December 31, 2012.



MR. THIRA WIPUCHANIN
Chairman of the Board



MR. ONGART THUMRONGSAKUNVONG
Managing Director

Management Discussion and Analysis of Financial Position and Performance

Financial Overview

The performance of Interhides Public Company Limited for the fiscal year 2012 the performance reached a satisfactory level posting net profits of 250 million baht. This was due to increase of sale volume and the efficient cost management as well as additional earnings from rendering of services which solidify revenue structure of the company. The principal revenue was still from manufacturing and distributing the leather covering for car seats, steering wheels and gear knobs for the leading automotive manufacturer. At present, the company has 7 factories and had revenue from export (only direct export) was accounted for 16%.

Analysis of financial performance

Revenue

The company's total revenue can be classified into two parts consisting of revenue from sales and services and other revenue, in which revenue from sales and services are composed of sales of leather cut part, trim cover, steering wheel and gear knob, finished leather and rendering of services. Other revenue includes rental revenue, utility income and gain on sales of equipments and so on.

Total revenue for year 2012 was 1,916 million baht comparing to that of year 2011 with total revenue of 1,560 million baht. The increase of 356 million baht or 22.83% was due to the resulting from the Tsunami in Japan in April 2011 and the mega flood in quarter 4/2011. These incidents were main cause in reducing car production in 2011, meanwhile the car production in 2012 was the highest volume in the history of Thailand.

Table of source of revenues classified by products

(Unit: Million Baht)

Revenue from operation	Year 2011		Year 2012	
	Amount	%	Amount	%
Sales of leather cut part	698	45%	968	51%
Sales of trim cover	373	24%	591	31%
Sales of steering wheel and gear knob	3	1%	11	1%
Sales of finished leather	98	6%	10	1%
Sales of crust leather and wet blue	199	13%	87	5%
Services revenues	92	6%	180	10%
Other products	78	5%	45	2%
Total	1,541	100%	1,892	100%

As indicated in the table above, major revenue still from leather for car seats. (leather cut part, trim cover, steering wheel and gear knob) .

Cost and expenses

Cost of sales

Cost of goods sold for year 2012 was 1,465 million baht or 77% of sales. The percentage decreased comparing to that of year 2011 which the company incurred cost of sales of 1,209 million baht or 78% of sales. This was due to the improvement in management efficiency and the economy of scales.

Selling and administrative expenses

Selling and administration for year 2012 was 109 million baht or 5.7% of total revenue. The percentage decreased comparing to year 2011 which the company incurred selling and administration of 103 million baht or 6.6% of total revenue as a result of the company's more efficient management.

Finance Cost

Finance cost for the year 2012 was 48 million baht, increasing by 13 million baht or 37.1% from year 2011, This came from the borrowing loan for capacity expansion in the year 2012.

Net profit

The net profit for year 2012 was 250 million baht increased 102 million baht or 69% comparing to year 2011 which reported net profit of 148 million baht.

Analysis of financial position**Total assets**

Major company's assets comprise cash and cash equivalents, accounts and notes receivable, inventories and property, plant and equipment. As of December 31, 2012, total assets of the company were valued at 2,255 million baht, up by 109 million baht or 5.1% from 2011, consisting of;

Cash and cash equivalents

As of December 31, 2012, the company's cash and cash equivalents was accounted for 31 million baht, up by 19 million baht from 2011 which mainly due to the increase in the operating income.

Accounts and notes receivable

As of December 31, 2012, the company's accounts and notes receivable was accounted for 282 million baht, up by 132 million baht from 2011 which mainly due to the increase in sales volume and the effected from the mega flood in quarter 4/2011 were the result of decreased in sales and accounts and notes receivable of the ended of 2012.

Inventory

As of December 31, 2012, the company's inventory was accounted for 725 million baht, down by 46 million baht from 2011 which mainly due to the inventory management efficiency.

Total liabilities

As of December 31, 2012, the company had total liabilities of 1,354 million baht, down by 83 million baht from 2011 which mainly due to the company's policy to reduce the inventory. This policy also reduced the borrowing working capital from financial institution.

Shareholder's equity

As of December 31, 2012, shareholder's equity was amounted to 901 million baht, up by 192 million baht due to net profit of 250 million baht and dividend payment of 58 million baht.

Analysis of cash flow

In 2012, cash of the company increased by 19 million baht. Net cash provided by operating activities was 310 million baht, net cash used in investing activities was 118 million baht. And cash used in investing activities (repayment of loan) was 115 million baht and dividend payment was 58 million baht.

Audit fees

The company paid to auditors, Ernst & Young Office Limited amounting to 1,530,000 baht which solely for the audit fees of the company and subsidiary. However, the company had no obligation for other non-audit fees paying to the auditors or auditing offices, personnel, or any other businesses related to the auditors and the subsidiary of the auditors or auditing offices in any way.

Independent Auditor's Report

To the Shareholders of Interhides Public Company Limited

I have audited the accompanying consolidated financial statements of Interhides Public Company Limited and its subsidiary, which comprise the consolidated statement of financial position as at 31 December 2012, and the related consolidated statements of income, 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 Interhides 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 audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Interhides Public Company Limited and its subsidiary and of Interhides Public Company Limited as at 31 December 2012, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

Emphasis of matter

I draw attention to Note 27.4 to the financial statements regarding contingent liabilities as described that the Company received a letter from Thai Asset Management Corporation (TAMC), alleging the Company and acquitting termination of debt restructuring agreements. In addition, TAMC petitioned to the Central Bankruptcy Court to declare the Company bankrupt. The Central Bankruptcy Court dismissed the case. However, TAMC submitted an appeal against the judgment of the Central Bankruptcy Court to the Bankruptcy Division of the Supreme Court, and the Company filed a statement of objection in respect of the appeal. This appeal is current still being considered by the Supreme. The above matter shows that there is material uncertainty that may have an effect or may in the end have no effect on going concern of the Company which cannot be determined at this stage. My opinion is not qualified in respect of this matter.

Waraporn Prapasirikul
Certified Public Accountant (Thailand) No. 4579

Ernst & Young Office Limited
Bangkok: 23 February 2013

Interhides Public Company Limited and its subsidiary

Statements of financial position

As at 31 December 2012

(Unit: Baht)

	Note	Consolidated financial statement		Separate financial statements	
		2012	2011	2012	2011
Assets					
Current assets					
Cash and cash equivalents	7	31,468,946	12,134,509	14,011,438	6,782,782
Trade accounts receivable and other receivable	8	281,665,932	150,032,718	262,569,782	150,109,618
Inventories	9	725,042,489	771,437,636	685,194,038	731,451,204
Other current assets		4,913,536	2,826,942	4,606,375	2,691,884
Total current assets		<u>1,043,090,903</u>	<u>936,431,805</u>	<u>966,381,633</u>	<u>891,035,488</u>
Non-current assets					
Advance payments for purchase of machinery		3,547,977	-	-	-
Investment in a subsidiary	10	-	-	19,999,800	19,999,800
Investment properties	11	-	6,544,260	-	6,544,260
Property, plant and equipment	12	1,203,561,230	1,196,785,816	1,195,091,718	1,189,397,948
Intangible asset	13	1,544,893	2,029,096	1,464,058	1,986,156
Other non-current assets		2,857,674	3,919,138	2,857,074	3,919,338
Total non-current assets		<u>1,211,511,774</u>	<u>1,209,278,310</u>	<u>1,219,412,650</u>	<u>1,221,847,502</u>
Total assets		<u>2,254,602,677</u>	<u>2,145,710,115</u>	<u>2,185,794,283</u>	<u>2,112,882,990</u>

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

Interhides Public Company Limited and its subsidiary

Statements of financial position (continued)

As at 31 December 2012

(Unit: Baht)

		Consolidated financial statement		Separate financial statements	
	Note	2012	2011	2012	2011
Liabilities and shareholders' equity					
Current liabilities					
Short-term loans from financial institutions	14	574,989,009	432,318,215	574,989,009	387,318,215
Trust receipts		171,715,940	444,223,806	171,715,940	444,223,806
Short-term loan from a subsidiary	6	-	-	-	40,000,000
Trade accounts payable and other payable	15	185,807,035	163,239,443	167,371,924	153,963,957
Current portion of liabilities under finance lease agreements	16	12,472,472	7,913,718	12,472,472	7,913,718
Current portion of long-term loans	17	78,540,007	92,660,481	78,540,007	92,660,481
Income tax payable		18,823,882	16,625,245	18,104,577	16,534,832
Other current liabilities		5,375,972	2,758,535	4,758,063	2,701,352
Total current liabilities		1,047,724,317	1,159,739,443	1,027,951,992	1,145,316,361
Non-current liabilities					
Liabilities under finance lease agreements, net of current portion	16	30,278,011	2,527,991	30,278,011	2,527,991
Long-term loans, net of current portion	17	161,868,932	161,802,258	161,868,932	161,802,258
Provision for long-term employee benefits	18	8,701,529	7,768,135	8,701,529	7,768,135
Provision for contingent loss on allegation	27.4	105,000,000	105,000,000	105,000,000	105,000,000
Total non-current liabilities		305,848,472	277,098,384	305,848,472	277,098,384
Total liabilities		1,353,572,789	1,436,837,827	1,333,800,464	1,422,414,745

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

Interhides Public Company Limited and its subsidiary

Statements of financial position (continued)

As at 31 December 2012

(Unit: Baht)

	Note	Consolidated financial statement		Separate financial statements	
		2012	2011	2012	2011
Shareholders' equity					
Share capital	19				
Registered					
350,000,000 ordinary shares of Baht 1 each					
(2011: 300,000,000 ordinary shares of Baht 1 each)		<u>350,000,000</u>	<u>300,000,000</u>	<u>350,000,000</u>	<u>300,000,000</u>
Issued and fully paid					
349,999,230 ordinary shares of Baht 1 each					
(2011: 300,000,000 ordinary shares of Baht 1 each)		349,999,230	300,000,000	349,999,230	300,000,000
Share premium		211,584,110	211,584,110	211,584,110	211,584,110
Retained earnings					
Appropriated - statutory reserve	20	37,000,000	30,000,000	35,000,000	30,000,000
Unappropriated		<u>302,446,548</u>	<u>167,288,178</u>	<u>255,410,479</u>	<u>148,884,135</u>
Total shareholders' equity		<u>901,029,888</u>	<u>708,872,288</u>	<u>851,993,819</u>	<u>690,468,245</u>
Total liabilities and shareholders' equity		<u>2,254,602,677</u>	<u>2,145,710,115</u>	<u>2,185,794,283</u>	<u>2,112,882,990</u>
		-	-	-	-

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

Directors



Interhides Public Company Limited and its subsidiary

Statements of comprehensive income

For the year ended 31 December 2012

(Unit: Baht)

		Consolidated financial statement		Separate financial statements	
	Note	2012	2011	2012	2011
Revenues					
Sales and services revenue	23	1,891,527,284	1,552,955,134	1,609,939,189	1,541,105,133
Other income					
Gains on exchange		16,116,309	-	16,116,309	-
Dividend income		-	-	59,999,400	-
Others		8,618,358	7,071,250	27,272,779	13,079,254
Total revenues		1,916,261,951	1,560,026,384	1,713,327,677	1,554,184,387
Expenses					
Cost of sales and services		1,464,637,788	1,208,570,696	1,298,915,868	1,222,361,676
Selling expenses		19,610,905	27,366,764	19,369,347	27,076,714
Administrative expenses		89,755,827	75,879,885	84,095,967	75,075,300
Losses on exchange		-	16,468,406	-	16,468,406
Total expenses		1,574,004,520	1,328,285,751	1,402,381,182	1,340,982,096
Profit before finance costs and income tax expenses		342,257,431	231,740,633	310,946,495	213,202,291
Finance costs		(47,815,653)	(34,808,727)	(48,109,480)	(34,764,841)
Profit before income tax expenses		294,441,778	196,931,906	262,837,015	178,437,450
Income tax expenses	22	(44,307,461)	(48,516,231)	(43,334,724)	(48,425,818)
Profit for the year		250,134,317	148,415,675	219,502,291	130,011,632
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		250,134,317	148,415,675	219,502,291	130,011,632
Basic earnings per share	24				
Profit for the year		0.71	0.42	0.63	0.37

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

Interhides Public Company Limited and its subsidiary

Cash flow statements

For the year ended 31 December 2012

(Unit: Baht)

	Consolidated financial statement		Separate financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Cash flows from operating activities				
Profit before tax	294,441,778	196,931,906	262,837,015	178,437,450
Adjustments to reconcile income before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	132,107,696	112,188,283	130,019,241	111,577,192
Allowance for doubtful accounts (reversal)	(323,788)	4,069,944	(323,788)	4,069,944
Reduce inventories cost to net realisable value (reversal)	(6,651,264)	5,016,026	(6,651,264)	5,016,026
(Gain) loss on sales of equipment	616,219	(2,846,118)	1,219,061	(3,728,362)
Provision for long-term employee benefits	1,552,144	1,413,708	1,552,144	1,413,708
Unrealised (gains) losses on exchange	(15,138,024)	14,894,563	(15,138,024)	14,894,563
Dividend income	-	-	(59,999,400)	-
Interest expenses	<u>44,516,736</u>	<u>32,787,386</u>	<u>44,845,234</u>	<u>32,748,552</u>
Profit from operating activities before changes in operating assets and liabilities	451,121,497	364,455,698	358,360,219	344,429,073
Operating assets (increase) decrease				
Trade and other receivables	(132,109,323)	55,514,943	(112,936,273)	55,438,043
Inventories	53,046,411	(175,912,825)	52,908,430	(135,926,393)
Other current assets	(1,748,005)	1,140,435	(1,802,231)	1,272,435
Other non-current assets	875,464	(4,009,611)	922,264	(3,965,711)
Operating liabilities increase (decrease)				
Trade and other payables	26,887,974	3,517,814	17,383,760	(5,413,083)
Cash paid for provision for long-term employee benefits	(618,750)	(362,850)	(618,750)	(362,850)
Other current liabilities	<u>1,315,839</u>	<u>1,167,070</u>	<u>755,113</u>	<u>1,109,887</u>
Cash from operating activities	398,771,107	245,510,674	314,972,532	256,581,401
Cash paid for interest expenses	(45,908,874)	(31,069,044)	(45,892,783)	(31,374,799)
Cash paid for income tax	<u>(42,447,413)</u>	<u>(60,407,725)</u>	<u>(41,877,239)</u>	<u>(60,404,667)</u>
Net cash from operating activities	<u>310,414,820</u>	<u>154,033,905</u>	<u>227,202,510</u>	<u>164,801,935</u>

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

Interhides Public Company Limited and its subsidiary

Cash flow statements (continued)

For the year ended 31 December 2012

(Unit: Baht)

	Consolidated financial statement		Separate financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Cash flows from investing activities				
Cash payment for investment in a subsidiary	-	-	-	(19,999,800)
Dividend received	-	-	59,999,400	-
Payment of accounts payable - purchase of machinery	(6,790,180)	(6,480,987)	(6,790,180)	(6,480,987)
Acquisition of property, plant and equipment	(106,437,520)	(252,671,041)	(100,541,870)	(252,665,641)
Cash paid for interest capitalised	(4,692,540)	(5,286,754)	(4,692,540)	(5,286,754)
Proceeds from sales of equipment	131,495	3,621,586	342,974	12,496,229
Net cash used in investing activities	(117,788,745)	(260,817,196)	(51,682,216)	(271,936,953)
Cash from financing activities				
Increase in short-term loans from financial institutions	142,670,794	217,590,752	187,670,794	172,590,752
Increase (decrease) in trust receipts	(257,059,292)	101,889,964	(257,059,292)	101,889,964
Cash received from short-term loan from a subsidiary	-	-	-	40,000,000
Repayment of short-term loan from a subsidiary	-	-	(40,000,000)	-
Increase in finance lease	29,365,209	-	29,365,209	-
Repayment of liabilities under finance lease agreements	(16,349,919)	(17,983,300)	(16,349,919)	(17,983,300)
Cash received from long-term loans	76,840,000	38,635,000	76,840,000	38,635,000
Repayment of long-term loans	(90,893,800)	(65,065,272)	(90,893,800)	(65,065,272)
Dividend paid	(57,864,630)	(165,000,000)	(57,864,630)	(165,000,000)
Net cash from (used in) financing activities	(173,291,638)	110,067,144	(168,291,638)	105,067,144
Net increase (decrease) in cash and cash equivalents	19,334,437	3,283,853	7,228,656	(2,067,874)
Cash and cash equivalents at beginning of year	12,134,509	8,850,656	6,782,782	8,850,656
Cash and cash equivalents at end of year	31,468,946	12,134,509	14,011,438	6,782,782
	-	-	-	-
Supplemental cash flows information				
Non-cash item				
Increase of machinery and vehicle from				
finance lease agreements	19,411,090	2,684,579	19,411,090	2,684,579
Purchase of machinery on credit	5,423,188	6,790,180	5,423,188	6,790,180

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



Interhides Public Company Limited and its subsidiary

Statements of changes in shareholders' equity

For the year ended 31 December 2012

(Unit: Baht)

	Consolidated financial statement				
	Issued and paid-up share capital	Share premium	Retained earnings		Total
			Appropriated- statutory reserve	Unappropriated	
Balance as at 1 January 2011	300,000,000	211,584,110	30,000,000	183,872,503	725,456,613
Dividend paid (Note 26)	-	-	-	(165,000,000)	(165,000,000)
Total comprehensive income for the year	-	-	-	148,415,675	148,415,675
Balance as at 31 December 2011	<u>300,000,000</u>	<u>211,584,110</u>	<u>30,000,000</u>	<u>167,288,178</u>	<u>708,872,288</u>
					-
Balance as at 1 January 2012	300,000,000	211,584,110	30,000,000	167,288,178	708,872,288
Unappropriated retained earnings					
transferred to statutory reserve (Note 20)	-	-	7,000,000	(7,000,000)	-
Stock dividends (Note 19, 26)	49,999,230	-	-	(49,999,230)	-
Dividend paid (Note 26)	-	-	-	(57,976,717)	(57,976,717)
Total comprehensive income for the year	-	-	-	250,134,317	250,134,317
Balance as at 31 December 2012	<u>349,999,230</u>	<u>211,584,110</u>	<u>37,000,000</u>	<u>302,446,548</u>	<u>901,029,888</u>
					-

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



Interhides Public Company Limited and its subsidiary

Statements of changes in shareholders' equity

For the year ended 31 December 2012

(Unit: Baht)

	Separate financial statements				
	Issued and		Retained earnings		
	paid-up	Share	Appropriated-		
	share capital	premium	statutory reserve	Unappropriated	Total
Balance as at 1 January 2011	300,000,000	211,584,110	30,000,000	183,872,503	725,456,613
Dividend paid (Note 26)	-	-	-	(165,000,000)	(165,000,000)
Total comprehensive income for the year	-	-	-	130,011,632	130,011,632
Balance as at 31 December 2011	300,000,000	211,584,110	30,000,000	148,884,135	690,468,245
					-
Balance as at 1 January 2012	300,000,000	211,584,110	30,000,000	148,884,135	690,468,245
Unappropriated retained earnings					
transferred to statutory reserve (Note 20)	-	-	5,000,000	(5,000,000)	-
Stock dividends (Note 19, 26)	49,999,230	-	-	(49,999,230)	-
Dividend paid (Note 26)	-	-	-	(57,976,717)	(57,976,717)
Total comprehensive income for the year	-	-	-	219,502,291	219,502,291
Balance as at 31 December 2012	349,999,230	211,584,110	35,000,000	255,410,479	851,993,819

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

Interhides Public Company Limited and its subsidiary

Notes to consolidated financial statements

For the year ended 31 December 2012

1. General information

Interhides Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its major shareholders are group of individuals. The Company is principally engaged in the manufacture and distribution of leather coverings for car seats. The registered office of the Company is at 678 Soi T.J.C., Sukhumvit Road, Bangpoomai, Muang, Samutprakarn.

2. Basis of preparation

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

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

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

2.2 Basis of consolidation

- a) The consolidated financial statements include the financial statements of Interhides Public Company Limited (“the Company”) and the following subsidiary company (“the subsidiary”).

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2012	2011
			Percent	Percent
Inter Seat Cover Company Limited	Manufacturing and trading of leather coverings for car seats	Thailand	100	100

- b) The meeting of the Company's Board of Directors held on 14 May 2011 approved the incorporation of Inter Seat Cover Company Limited ("the subsidiary") with Baht 20 million registered capital (200,000 ordinary shares of Baht 100 each) and its registered capital is 100% held by the Company. Such subsidiary has already registered its incorporation on 20 June 2011.
 - c) A subsidiary is fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date when such control ceases.
 - d) The financial statements of the subsidiary are prepared using the same significant accounting policies as the Company.
 - e) Material balances and transactions between the Company and its subsidiary company have been eliminated from the consolidated financial statements.
- 2.3 The separate financial statements, which present investments in the subsidiary under the cost method, have been prepared solely for the benefit of the public.

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

Accounting Standard Interpretations:

SIC 10 Government Assistance - No Specific Relation to Operating Activities

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

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

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

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognize deferred tax assets and liabilities under the stipulated guidelines. The management of the Company expects the adoption of this accounting standard to have the effect of increasing the Company and its subsidiary's brought-forward retained earnings of the year 2013 by approximately Baht 27 million (the Company only: approximately Bath 27 million).

In addition, the Federation of Accounting Professions has issued Notification No. 30/2555 - 34/2555, published in the Royal Gazette on 17 January 2013, mandating the use of accounting treatment guidance and accounting standard interpretations as follows.

		<u>Effective date</u>
Accounting Treatment Guidance for Transfers of Financial Assets		1 January 2013
Accounting Standard Interpretation:		
SIC 29	Service Concession Arrangements: Disclosures	1 January 2014
Financial Reporting Standard Interpretations:		
TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 12	Service Concession Arrangements	1 January 2014
TFRIC 13	Customer Loyalty Programmes	1 January 2014

The management of the Company has assessed the effect of these standards and believes that Accounting Treatment Guidance for Transfers of Financial Assets, Accounting Standard Interpretation and Financial Reporting standard Interpretations are not relevant to the business of the Company.

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.

Dividends income

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

4.2 Cash and cash equivalents

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

4.3 Trade accounts receivable

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

4.4 Inventories

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

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

4.5 Investment

An investment in subsidiary is accounted for in the separate financial statements using the cost method.

4.6 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 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.

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

Buildings	-	20	years
Building improvement	-	5	years
Machinery and equipment	-	5,10	years
Motor vehicles	-	5	years

Depreciation is included in determining income.

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

4.8 Borrowing costs

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

4.9 Intangible assets

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

Intangible assets with finite lives are amortised on a systematic basis over the 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 for such intangible asset are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

Intangible asset of the Company is computer software with finite useful live of 4 years.

4.10 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.

4.11 Long-term lease

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

Leases property, plant or 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.

4.12 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.

4.13 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.

4.14 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 and other employee benefit plans. 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.

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.

4.15 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.

4.16 Income Tax

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

4.17 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 judgments and estimates

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

Leases

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

Allowance for doubtful accounts

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

Reduce inventories cost to net realisable value

In determining a reduce inventories cost to net realisable value, the management makes judgment and estimates net realisable value of inventory based on the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the year. Also, the management makes judgment and estimates expected loss from stock obsolescence based upon aging profile of inventories and the prevailing economic condition.

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 in the period when it is determined that their recoverable amount is lower than the carrying cost. 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.

Provision for contingent loss on allegation

As described in Note 27.4 to financial statement, the Company was alleged that the nature and value of the assets that the Company had transferred in settlement of debt under debt restructuring agreement were not as had been presented. The Company's management has exercised judgment to assess of the results of this allegation and recorded provision for contingent loss as a result of such allegation in its account. However, actual results could differ from the estimates.

6. Related party transactions

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

(Unit: Million Baht)

	Consolidated		Separate		Transfer pricing policy
	financial statements		financial statements		
	2012	2011	2012	2011	
<u>Transactions with subsidiary company</u>					
<i>(Eliminated from the consolidated financial statements)</i>					
Sales of goods	-	-	296	94	Cost plus margin
Sales of machine and equipment	-	-	-	9	Agreed price
Management income	-	-	10	3	Contract price
Rental and service income	-	-	8	2	Contract price
Purchase of goods	-	-	5	-	Cost plus margin
Management fee	-	-	2	-	Agreed price
Interest expense	-	-	2	-	4.5% per annum
<u>Transactions with related companies</u>					
Rental and service income	12	28	12	28	Contract price
Purchase of goods	1	2	1	2	Cost plus margin



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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statement		financial statements	
	2012	2011	2012	2011
<u>Trade and other receivables - related parties</u>				
(Note 8)				
Subsidiary company	-	-	26,796	36,674
Related company (related by common director)	-	348	-	348
Total trade and other receivables - related parties	-	348	26,796	37,022

Trade and other payables - related parties

(Note 15)

Subsidiary company	-	-	4,048	75
Related companies (related by common director)	261	2,978	261	2,978
Total trade and other payables - related parties	261	2,978	4,309	3,053

Short-term loan from related party

Subsidiary company	-	-	-	40,000
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The balance of loan between the Company and the related company and the movement are as follows:

		(Unit: Thousand Baht)			
Loans from related party	Related by	Balance as at	Increase	Decrease	Balance as at
		31 December 2011	during the year	during the year	31 December 2012
Inter Seat Cover Co., Ltd.	Subsidiary	40,000	18,000	(58,000)	-

Directors and management's expenses

During the years ended 31 December 2012 and 2011, the Company and its subsidiary had employee benefit expenses payable to their directors and management amounting to Baht 18 million and Baht 17 million, respectively (the Company only: amounting to Baht 18 million and Baht 17 million, respectively).

7. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated financial statement		Separate financial statements	
	2012	2011	2012	2011
Cash	318	292	315	291
Bank deposits	31,151	11,843	13,696	6,492
Total	31,469	12,135	14,011	6,783

As at 31 December 2012, bank deposits in saving accounts carried interests between 0.25% - 2.50% per annum (2011: 0.25% - 0.75% per annum).

8. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statement		Separate financial statements	
	2012	2011	2012	2011
<u>Trade receivables - related party</u>				
Aged on the basis of due dates				
Not yet due	-	-	25,029	10,667
Past due				
Up to 1 months	-	-	-	22,310
Total trade accounts receivable - related party	-	-	25,029	32,977
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	170,487	114,335	125,255	79,128
Past due				
Up to 1 month	103,479	28,070	102,819	28,070
1 - 2 months	1,622	3,381	1,622	3,381
2 - 3 months	709	26	709	26
3 - 6 months	2,298	453	2,298	453
6 - 12 months	1,252	24	1,252	24
Over 12 months	5,068	5,376	5,068	5,376
Total	284,915	151,665	239,023	116,458
Less: Allowance for doubtful accounts	(5,052)	(5,376)	(5,052)	(5,376)
Total trade receivables - unrelated parties, net	279,863	146,289	233,971	111,082
Total trade receivables, net	279,863	146,289	259,000	144,059
<u>Other receivables</u>				
Other receivable - related parties	-	348	1,767	4,045
Other receivable - unrelated parties	1,803	3,396	1,803	2,006
Total other receivables	1,803	3,794	3,570	6,051
Total trade and other receivables	281,666	150,033	262,570	150,110

9. Inventories

(Unit: Thousand Baht)

Consolidated financial statement

	Cost		Reduce cost to net realisable value		Inventories - net	
	2012	2011	2012	2011	2012	2011
Finished goods	174,022	178,894	(10,410)	(13,905)	163,612	164,989
Work in process	373,152	463,537	-	(3,170)	373,152	460,367
Raw materials	102,943	90,897	(4,161)	(4,147)	98,782	86,750
Supplies	3,735	4,611	-	-	3,735	4,611
Raw materials in transit	85,761	54,721	-	-	85,761	54,721
Total	739,613	792,660	(14,571)	(21,222)	725,042	771,438

(Unit: Thousand Baht)

Separate financial statements

	Cost		Reduce cost to net realisable value		Inventories - net	
	2012	2011	2012	2011	2012	2011
Finished goods	170,940	169,945	(10,410)	(13,905)	160,530	156,040
Work in process	345,637	439,917	-	(3,170)	345,637	436,747
Raw materials	93,692	83,479	(4,161)	(4,147)	89,531	79,332
Supplies	3,735	4,611	-	-	3,735	4,611
Raw materials in transit	85,761	54,721	-	-	85,761	54,721
Total	699,765	752,673	(14,571)	(21,222)	685,194	731,451

10. Investment in a subsidiary

Details of investment in a subsidiary as presented in separate financial statements are as follows:

(Unit: Thousand Baht)

Company's name	Nature of business	Paid-up share capital		Percentage of shareholding		Cost		Dividend received during the year	
		2012	2011	2012	2011	2012	2011	2012	2011
				percent	percent				
Inter Seat Cover Company Limited	Manufacturing and trading of leather coverings for car seats	20,000	20,000	100	100	20,000	20,000	59,999	-

11. Investment properties

The net book value of investment properties as at 31 December 2011 is presented below.

(Unit: Thousand Baht)

	Consolidated/Separate financial statements		
	Factory building		Total
	Land for rent	for rent	
As at 31 December 2011:			
Cost	1,967	6,427	8,394
Less: Accumulated depreciation	-	(1,850)	(1,850)
Net book value - net	1,967	4,577	6,544

A reconciliation of the net book value of investment properties for the years 2012 and 2011 is presented below.

(Unit: Thousand Baht)

	Consolidated/Separate financial statements	
	2012	2011
Net book value at the beginning year	6,544	6,867
Transfers	(6,544)	-
Depreciation for the year	-	(323)
Net book value at the ending year	-	6,544



12. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statement							Total
	Land	Land improvement	Buildings and building improvement	Machinery and equipment	Furniture, fixture and office equipment	Motor vehicles	Assets under installation and construction	
Cost:								
As at 1 January 2011	240,650	-	545,209	690,274	21,517	20,069	61,908	1,579,627
Additions	9,628	-	-	12,765	2,766	3,934	233,054	262,147
Disposals/written-off	-	-	-	(8,276)	(188)	(2,086)	-	(10,550)
Transfer	-	-	11,636	166,669	304	-	(178,609)	-
Capitalised interest	-	-	-	-	-	-	5,286	5,286
As at 31 December 2011	250,278	-	556,845	861,432	24,399	21,917	121,639	1,836,510
Additions	-	2,146	146	8,618	4,172	699	111,943	127,724
Transfer from investment properties	1,967	-	6,427	-	-	-	-	8,394
Disposals/written-off	-	-	-	(1,050)	(9)	-	-	(1,059)
Transfer	-	-	92,711	100,575	-	-	(193,286)	-
Capitalised interest	-	-	-	-	-	-	4,693	4,693
As at 31 December 2012	252,245	2,146	656,129	969,575	28,562	22,616	44,989	1,976,262
Accumulated depreciation:								
As at 1 January 2011	-	-	187,291	326,474	14,889	9,858	-	538,512
Depreciation for the year	-	-	38,088	65,896	2,868	4,135	-	110,987
Depreciation on disposals/written-off	-	-	-	(7,662)	(157)	(1,956)	-	(9,775)
As at 31 December 2011	-	-	225,379	384,708	17,600	12,037	-	639,724
Depreciation for the year	-	-	44,131	81,425	2,754	3,128	-	131,438
Depreciation on asset transfer from investment properties	-	-	1,850	-	-	-	-	1,850
Depreciation on disposals/written-off	-	-	-	(304)	(7)	-	-	(311)
As at 31 December 2012	-	-	271,360	465,829	20,347	15,165	-	772,701
Net book value:								
As at 31 December 2011	250,278	-	331,466	476,724	6,799	9,880	121,639	1,196,786
As at 31 December 2012	252,245	2,146	384,769	503,746	8,215	7,451	44,989	1,203,561
Depreciation for the year:								
2011 (Baht 104 million included in manufacturing cost, and the balance in administrative expenses)								110,987
2012 (Baht 124 million included in manufacturing cost, and the balance in administrative expenses)								131,438



(Unit: Thousand Baht)

	Separate financial statements							
	Land	Land improvement	Buildings and building improvement	Machinery and equipment	Furniture, fixture and office equipment	Motor vehicles	Assets under installation and construction	Total
Cost:								
As at 1 January 2011	240,650	-	545,209	690,274	21,517	20,069	61,908	1,579,627
Additions	9,628	-	-	12,765	2,760	3,934	233,054	262,141
Disposals/written-off	-	-	-	(40,258)	(188)	(2,086)	-	(42,532)
Transfer	-	-	11,636	166,669	304	-	(178,609)	-
Capitalised interest	-	-	-	-	-	-	5,286	5,286
As at 31 December 2011	250,278	-	556,845	829,450	24,393	21,917	121,639	1,804,522
Additions	-	2,146	146	6,559	4,047	699	111,780	125,377
Transfer from investment properties	1,967	-	6,427	-	-	-	-	8,394
Disposals/written-off	-	-	-	(3,001)	(9)	-	-	(3,010)
Transfer	-	-	92,711	100,575	-	-	(193,286)	-
Capitalised interest	-	-	-	-	-	-	4,693	4,693
As at 31 December 2012	252,245	2,146	656,129	933,583	28,431	22,616	44,826	1,939,976
Accumulated depreciation:								
As at 1 January 2011	-	-	187,291	326,474	14,889	9,858	-	538,512
Depreciation for the year	-	-	38,088	65,292	2,862	4,135	-	110,377
Depreciation on disposals/written-off	-	-	-	(31,652)	(157)	(1,956)	-	(33,765)
As at 31 December 2011	-	-	225,379	360,114	17,594	12,037	-	615,124
Depreciation for the year	-	-	44,131	79,366	2,732	3,128	-	129,357
Depreciation on asset transfer from investment properties	-	-	1,850	-	-	-	-	1,850
Depreciation on disposals/written-off	-	-	-	(1,440)	(7)	-	-	(1,447)
As at 31 December 2012	-	-	271,360	438,040	20,319	15,165	-	744,884
Net book value:								
As at 31 December 2011	250,278	-	331,466	469,336	6,799	9,880	121,639	1,189,398
As at 31 December 2012	252,245	2,146	384,769	495,543	8,112	7,451	44,826	1,195,092
Depreciation for the year:								
2011 (Baht 103 million included in manufacturing cost, and the balance in administrative expenses)								110,377
2012 (Baht 122 million included in manufacturing cost, and the balance in administrative expenses)								129,357

As at 31 December 2012, the Company had an outstanding balance of a building under construction and machine under installation of approximately Baht 45 million (2011: Baht 122 million). Construction of the building and machine under installation has been financed with loans from a financial institutions and borrowing costs totaling approximately Baht 5 million were capitalised during the year ended 31 December 2012 (2011: Baht 5 million). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 3.67% (2011: 2.75%)

As at 31 December 2012, the Company had machinery and motor vehicles under finance lease agreements with net book values amounting to approximately Baht 51 million (2011: Baht 46 million).

As at 31 December 2012, certain plant and 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 153 million (2011: Baht 173 million).

The Company has pledged assets with net book value of approximately Baht 432 million as at 31 December 2012 (2011: Baht 460 million) as collateral against credit facilities which the Company and its subsidiary obtained from financial institutions.

13. Intangible assets

Intangible asset of the Company is computer software which has details as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statement	Separate financial statement
As at 31 December 2012:		
Cost	6,651	6,607
Less: Accumulated amortisation	186	140
Net book value - net	(5,292)	(5,283)
	<u>1,545</u>	<u>1,464</u>
As at 31 December 2011:		
Cost	6,651	6,607
Less: Accumulated amortisation	(4,622)	(4,621)
Net book value - net	<u>2,029</u>	<u>1,986</u>

Movements of the intangible assets for the year 2012 and 2011 are summarised below.

	Consolidated		Separate	
	financial statement		financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Net book value at the beginning year	2,029	1,432	1,986	1,432
Addition software	186	1,476	140	1,432
Accumulated amortisation	(670)	(879)	(662)	(878)
Net book value at the end of year	<u>1,545</u>	<u>2,029</u>	<u>1,464</u>	<u>1,986</u>

14. Short-term loans from financial institutions

	Interest rate		Consolidated		Separate	
	(percent per annum)		financial statement		financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Promissory notes	4.05 - 5.00	4.00 - 4.50	465,500	333,700	465,500	288,700
Bill of exchange	4.25	4.75	109,489	98,618	109,489	98,618
Total			<u>574,989</u>	<u>432,318</u>	<u>574,989</u>	<u>387,318</u>

These credit facilities are secured by the mortgage of land with structures thereon and part of machines of the Company.

15. Trade and other payables

	Consolidated		Separate	
	financial statement		financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Trade accounts payable - related party	261	2,978	3,513	2,978
Trade accounts payable - unrelated parties	138,368	117,740	117,964	110,319
Other payable - related party	-	-	796	75
Other payable - unrelated parties	21,476	17,817	20,314	16,608
Accounts payable - purchase of machinery	5,423	6,790	5,423	6,790
Accrued expenses	20,279	17,914	19,362	17,194
Total trade and other payables	<u>185,807</u>	<u>163,239</u>	<u>167,372</u>	<u>153,964</u>

16. Liabilities under finance lease agreements

	(Unit: Thousand Baht)	
	Consolidated / Separate	
	financial statements	
	2012	2011
Liabilities under finance lease agreements	47,601	11,011
Less: Deferred interest expenses	(4,850)	(569)
Total	42,751	10,442
Less: Portion due within one year	(12,472)	(7,914)
Liabilities under finance lease agreements - net of current portion	30,279	2,528

The Company has entered into the finance lease agreements with leasing companies for rental of machinery and motor vehicles for use in its operation, whereby it is committed to pay rental on a monthly basis. The term of the agreements is generally between 1-4 years. Finance lease agreements are non-cancelable.

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 - 4 years	Total
Future minimum lease payments	14,438	33,163	47,601
Deferred interest expenses	(1,966)	(2,884)	(4,850)
Present value of future minimum lease payments	12,472	30,279	42,751

	(Unit: Thousand Baht)		
	As at 31 December 2011		
	Less than 1 year	1 - 4 years	Total
Future minimum lease payments	8,220	2,791	11,011
Deferred interest expenses	(306)	(263)	(569)
Present value of future minimum lease payments	7,914	2,528	10,442

17. Long-term loans

(Unit: Thousand Baht)

	Consolidated / Separate financial statements	
	2012	2011
Long-term loans	240,409	254,462
Less: Portion due within one year	(78,540)	(92,660)
Long-term loans-net of current portion	161,869	161,802

Long-term loans from banks comprised long-term loans from several loan facility agreements made with two commercial banks. These long-term loans carried interest at a rate of the minimum loan rate (MLR) minus the spread as specified in agreements. The loans are to be repaid on a monthly basis due in May 2012 to August 2017.

The loans are secured by the mortgage of the Company's land with structures thereon and part of machines.

The loan agreements contain covenants as specified in the agreements that, among other things, require the Company to maintain certain debt to equity ratio, including restrictions on disposals of assets.

18. Provision for long-term employee benefits

Provision for long-term employee benefits as at 31 December 2012 comprised defined benefits plans and other long-term employee benefits as detailed below.

(Unit: Thousand Baht)

	Consolidated / Separate financial statements	
	2012	2011
Defined benefit plan	6,900	6,017
Other long-term employee benefits	1,802	1,751
Total	8,702	7,768



18.1 Provision for defined benefits plan, which is compensations on employees' retirement, was as follows:

	(Unit: Thousand Baht)	
	Consolidated/ Separate financial statements	
	2012	2011
Defined benefit obligation at beginning of year	6,017	5,150
Current service cost	611	625
Interest cost	272	242
Provisions for long-term employee benefits at end of year	6,900	6,017
Defined benefit expense recognised in statements of comprehensive income:		
- Cost of sales	332	359
- Administrative expenses	551	508

Principal actuarial assumptions at the valuation date were as follows:

	Consolidated/ Separate financial statements	
	2012	2011
Discount rate	4.7%	4.7%
Future salary increase rate (depend on employment terms)	2.5% - 4.0%	2.5% - 4.0%

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

	(Unit: Thousand Baht)
2012	6,900
2011	6,017
2010	5,151
2009	4,343

18.2 Provision for other long-term employee benefits was as follows:

	(Unit: Thousand Baht)	
	Consolidated/ Separate	
	financial statements	
	2012	2011
Defined benefit obligation at beginning of year	1,751	1,567
Current service cost	588	478
Interest cost	82	69
Benefits paid during the year	(619)	(363)
Provisions for other long-term employee benefits at end of year	1,802	1,751

19. Share Capital

On 24 April 2012, the Annual General Meeting of the Company's shareholders passed the following resolution.

1. Made the following dividend payment for the operating profit of the year 2011.
 - Payment of stock dividend of 50 million ordinary shares with a par value of Baht 1 each. The rate of payment is 1 dividend share for every 6 existing shares. Any shareholdings of less than 6 shares, remaining after such allocation, are to receive a cash dividend of Baht 0.1667 per share.
 - Payment of a cash dividend of Baht 0.0185 per share to cover withholding tax costs, or a total of Baht 5.6 million.
2. Approved a Baht 50 million increase in registered capital, from Baht 300 million to Baht 350 million, by issuing an additional 50 million ordinary shares with a par value of Baht 1 each to support the payment of a stock dividend.

The Company registered the increase in its registered share capital to Baht 50 million, with the Ministry of Commerce on 24 May 2012.

20. 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% of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10% of the registered capital. The statutory reserve is not available for dividend distribution.

21. Expenses by nature

Significant expenses by nature are as follow:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statement		financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Salary and wages and other employee benefits	225,228	161,296	185,500	154,015
Depreciation	131,438	111,310	129,357	110,700
Amortisation expenses	670	879	662	878
Rental expenses from operating lease agreements	7,872	6,151	7,872	6,151
Raw materials and consumables used	576,650	1,157,417	877,129	1,149,796
Changes in inventories of finished goods and work in process	95,256	(336,404)	93,285	(303,835)
Changes in the reduce inventories cost to net realisable value	(6,651)	5,016	(6,651)	5,016

22. Corporate income tax

Corporate income tax of the Company and its subsidiary was calculated on non-promoted income before income tax for the year, after adding back provisions and certain expenses which are disallowable for tax computation purposes. For tax purposes, provisions are treated as expenses when loss is actually incurred.

23. Promotional privileges

The Company has received promotional privileges from the Board of Investment for the manufacture of finishing, pursuant to the promotion certificate No.1785(2)/2554 issued on 3 May 2011. Subject to certain imposed conditions, the privileges exemption from corporate income tax for a period of eight years for the date the promoted operations commenced generating revenues to extent that the amount of tax exempted does not exceed the amount of investment (excluding land cost and working capital). Presently, the Company has not operated in the promotional privileges project.

The subsidiary has received promotional privileges from the Board of Investment for the manufacture of finishing, pursuant to the promotion certificate No.1981(5)/2554 issued on 14 March 2011. Subject to certain imposed conditions, the privileges exemption from corporate income tax for a period of eight years for the date the promoted operations commenced generating revenues (1 September 2011). This privilege will expire on 31 August 2019.

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

(Unit: Thousand Baht)

	Consolidated financial statement					
	Promoted operations		Non-promoted operations		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Sales						
Domestic sales	570,864	102,277	1,016,224	1,010,728	1,587,088	1,113,005
Export sales	-	-	304,439	439,950	304,439	439,950
Total sales	<u>570,864</u>	<u>102,277</u>	<u>1,320,663</u>	<u>1,450,678</u>	<u>1,891,527</u>	<u>1,552,955</u>

(Unit: Thousand Baht)

	Separate financial statements					
	Promoted operations		Non-promoted operations		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Sales						
Domestic sales	-	-	1,305,500	1,101,155	1,305,500	1,101,155
Export sales	-	-	304,439	439,950	304,439	439,950
Total sales	<u>-</u>	<u>-</u>	<u>1,609,939</u>	<u>1,541,105</u>	<u>1,609,939</u>	<u>1,541,105</u>

24. Earnings per share

Basic earnings per share is calculated by dividing profit for the period attributable to equity holders of the Company (excluding other comprehensive income) by the number of ordinary shares in issue at the end of reporting period, after adjusting the number of ordinary shares to reflect the impact of the stock dividend as discussed in note 19 and 26 to the financial statements. The prior period's basic earnings per share has been recalculated as if the stock dividend had been distributed at the beginning of the earliest period reported.

	Consolidated financial statements		Separate financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
		(Restated)		(Restated)
Profit for the year (Thousand Baht)	250,134	148,416	219,502	130,012
Weighted average number of ordinary shares (Thousand shares)	349,999	349,999	349,999	349,999
Earnings per share (Baht/share)	0.71	0.42	0.63	0.37

25. Segment information

The Company and its subsidiary's operations involve in principal in industry segment of the manufacture and distribution of leather coverings for car seats. It also provides bleaching, dyeing and finishing services but the revenue from these services is relatively insignificant. Its operations are carried on in the single geographic area of Thailand. As a result, most of the revenues, operating income and assets reflected in these financial statements pertain to the aforementioned principal industry segment and geographic area. For the year ended 31 December 2012, the Company had export sales and services revenue amounting to Baht 304 million (2011: Baht 440 million).

26. Dividend

Dividends	Approved by	Total dividends (Thousand Baht)	Dividend per share (Baht per share)
Dividends of 2011:			
Final dividend in respect of the retained earnings as at 31 December 2010	Annual General Meeting of the shareholders on 7 April 2011	120,000	0.40
Interim dividend in respect of the income for the six-month period ended 30 June 2011	Board of Director's Meeting of the Company No.3/2554 held on 11 August 2011	45,000	0.15
Total for 2011		165,000	0.55
Dividend of 2012:			
Final dividend in respect of the operating profit of the year 2011	Annual General Meeting of the shareholders on 24 April 2012		
- Cash dividend		5,477	0.02
- Stock dividend of 50 million ordinary shares		49,999	0.17
Interim dividend in respect of the net income for the six-month period ended 30 June 2012	Board of Director's Meeting of the Company No. 4/2555 held on 11 August 2012	52,500	0.15
Total for 2012		107,976	0.34

27. Commitments and contingent liabilities

27.1 Operating lease commitments

The Company has entered into several lease agreements in respect of the lease of equipment. The terms of the agreements are 3 years. Operating lease agreements are non-cancelable.

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

	(Unit: Million Baht)	
	As at 31 December	
	<u>2012</u>	<u>2011</u>
Payable within:		
in up to 1 year	14	4
In over 1 and up to 3 years	6	1

27.2 Purchase of raw material commitments

As at 31 December 2012, the Company had commitments of approximately USD 1 million (2011: USD 4 million) relating to purchase of raw materials.

27.3 Bank guarantees

As at 31 December 2012, there were outstanding bank guarantees of Baht 14 million (2011: Baht 13 million) issued by banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business. These included letters of guarantee amounting to Baht 3 million (2011: Baht 3 million) to guarantee payments due to government agencies, Baht 10 million (2011: Baht 9 million) as guarantee for the usage of electricity and Baht 1 million (2011: Baht 1 million) as guarantee for purchase of inventory.

27.4 Contingent liabilities

In the year 2003 the Company restructured debt of approximately Baht 735 million with Thai Asset Management Corporation (TAMC) and such debt restructuring process was completed, Under the Debt Restructure Agreement the total was settled at a payment of Baht 118 million in cash and an approximately Baht 105 million worth of assets (land). The Company realised the gain from the debt restructuring in the year 2003 and there was no remaining debt with TAMC. In April 2007, the Company received a letter from TAMC, alleging that the nature and value of the assets (land) that the Company had transferred to settle the debt under the Debt Restructure Agreement were not as they had been presented to TAMC, so announcing that the Debt Restructuring Agreement and all privileges granted to the Company under such agreement were terminated, and demanding the Company to settle the original amount debts. The Company's management disagreed with the allegations made by TAMC, and had consulted with its solicitor for a solution to settle the dispute with TAMC. For reasons of prudence, and without admitting any obligations, the Company has set up provision for contingent loss in respect of the allegation amounting to Baht 105 million in its accounts. This provision was set aside for account recording purpose only, and does not constitute an admission of legal liability.

In July and September 2009, TAMC petitioned to the Central Bankruptcy Court to issue an order for absolute receivership and to declare the Company bankrupt, on the grounds that the Company was insolvent. The Company's management and its legal advisor believed that no significant loss would arise from the case and the Company assigned its attorney to defend the case, with its defence being that the Company was not insolvent as alleged by TAMC and also that the Company has fulfilled conditions of the Debt Restructure Agreement and that all debt obligations had been settled. Later, in November 2009, the Central Bankruptcy Court dismissed the case on the grounds that the debt that was the subject of the lawsuit was debt under the Debt Restructuring Agreement that had already been restructured with TAMC. However, in December 2009, TAMC submitted an appeal against the judgment of the Central Bankruptcy Court to the Bankruptcy Division of the Supreme Court, and the Company filed a statement of objection in respect of the appeal. The final outcome of the case depends on the decision of the Supreme Court, which has to date yet to hand down its judgment.

During the current year, the Company received a letter from TAMC stating that TAMC was in the process of being liquidated and had transferred its right of claim with respect to the case to Sukhumvit Asset Management Company Limited.

The above matter indicates the existence of material uncertainty that may have an effect or may in the end have no effect on the Company's continuous operation, and this cannot be determined at this stage. Nevertheless, the financial statements have been prepared on a going concern basis.

28. Financial instruments

28.1 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 accounts receivable, trade accounts payable, other accounts payable, short-term loans, trust receipt, 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 accounts receivable. 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 concentration of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of trade accounts 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 and long-term borrowings. However, most of the Company's financial assets and liabilities bear non-interest or floating interest rates.

Significant financial assets and liabilities as at 31 December 2012 classified by type of interest rates are summarised in the table below.

(Unit: Million Baht)

Consolidated financial statement						
As at 31 December 2012						
Fixed interest rates		Floating	Non- interest			Effective
Within 1 year	1 - 3 years	interest rate	bearing	Total		interest rate
(% p.a.)						
<u>Financial assets</u>						
Cash and cash equivalents	-	-	-	31	31	0.25 - 2.50
Trade and other receivables	-	-	-	282	282	-
<u>Financial liabilities</u>						
Short-term loans from financial						
institutions	575	-	-	-	575	4.05 - 5.00
Trust receipts	172	-	-	-	172	1.28 - 4.13
Trade and other payables	-	-	-	186	186	-
Liabilities under finance lease						
agreements	13	30	-	-	43	2.15 - 5.50
Long-term loan	-	-	240	-	240	4.63 - 6.13

(Unit: Million Baht)

	Consolidated financial statement					
	As at 31 December 2011					
	Fixed interest rates		Floating	Non- interest		Effective
	Within 1 year	1 - 3 years	interest rate	bearing	Total	interest rate
						(% p.a.)
<u>Financial assets</u>						
Cash and cash equivalents	-	-	4	8	12	0.25 - 0.75
Trade and other receivables	-	-	-	150	150	-
<u>Financial liabilities</u>						
Short-term loans from financial institutions	432	-	-	-	432	4.00 - 4.75
Trust receipts	444	-	-	-	444	2.13 - 4.48
Trade and other payables	-	-	-	163	163	4.50
Liabilities under finance lease agreements	8	2	-	-	10	2.15 - 2.60
Long-term loan	-	-	254	-	254	5.75 - 6.25



(Unit: Million Baht)

	Separate financial statement					
	As at 31 December 2012					
	Fixed interest rates		Floating	Non- interest		Effective
	Within 1 year	1 - 3 years	interest rate	bearing	Total	interest rate
						(% p.a.)
<u>Financial assets</u>						
Cash and cash equivalents	-	-	-	14	14	0.25 - 0.75
Trade and other receivables	-	-	-	263	263	-
<u>Financial liabilities</u>						
Short-term loans from financial institutions	575	-	-	-	575	4.05 - 5.00
Trust receipts	172	-	-	-	172	1.28 - 4.13
Trade and other payables	-	-	-	167	167	-
Liabilities under finance lease agreements	13	30	-	-	43	2.15 - 5.50
Long-term loan	-	-	240	-	240	4.63 - 6.13

(Unit: Million Baht)

Separate financial statement						
As at 31 December 2011						
Fixed interest rates		Floating interest rate	Non- interest bearing	Total	Effective interest rate (% p.a.)	
Within 1 year	1 - 3 years					
<u>Financial assets</u>						
Cash and cash equivalents	-	-	4	3	7	0.25 - 0.75
Trade and other receivables	-	-	-	150	150	-
<u>Financial liabilities</u>						
Short-term loans from financial						
institutions	387	-	-	-	387	4.00 - 4.75
Trust receipts	444	-	-	-	444	2.13 - 4.48
Short-term loan from a subsidiary	40	-	-	-	40	4.50
Trade and other payables	-	-	-	154	154	-
Liabilities under finance lease						
agreements	8	2	-	-	10	2.15 - 2.60
Long-term loan	-	-	254	-	254	5.75 - 6.25

Foreign currency risk

The Company's exposure to foreign currency risk relates primarily to those of its bank deposit, trade accounts receivable, trade accounts payable, accounts payable for machinery purchase and trust receipts which are denominated in foreign currency.

The balances of financial assets and liabilities denominated in foreign currencies are summarized 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>
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	2	2	8	16	30.63	31.69
Euro	-	-	1	-	40.56	41.03

Foreign exchange contracts outstanding are summarised below.

As at 31 December 2011			
Foreign currency	Bought amount	Contractual exchange rate bought	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
US dollar	1	31.20 - 31.67	11 April 2012 - 7 June 2012

28.2 Fair value 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.

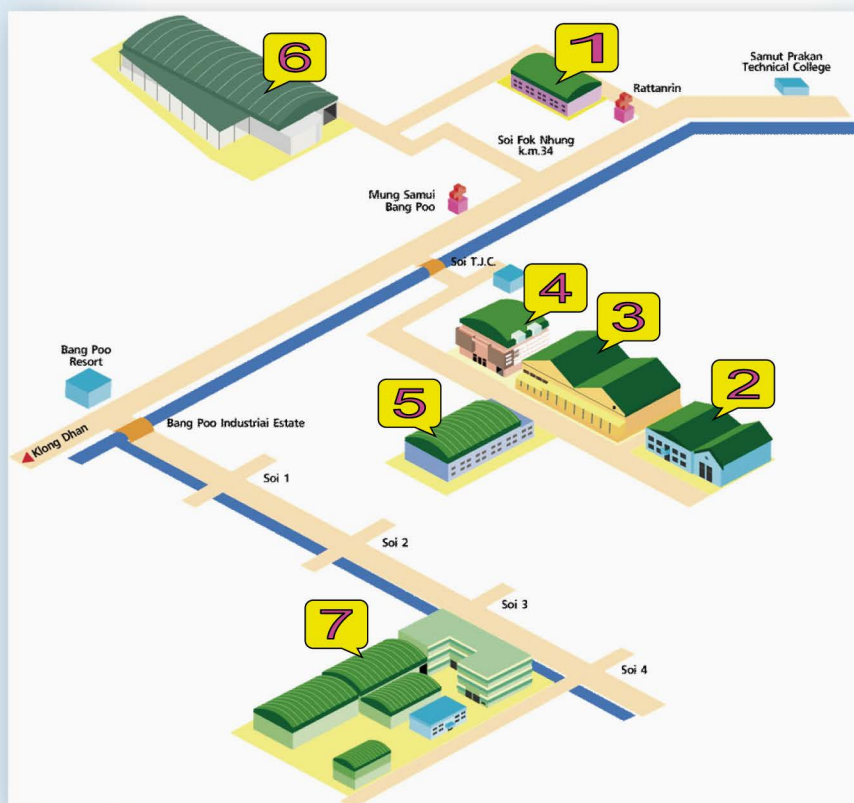
A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending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

29. 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 Group's debt-to-equity ratio was 1.5:1 (2011: 2:1) and the Company's was 1.6:1 (2011: 2.1:1).

30. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 23 February 2013.



Head Office

678 Soi T.J.C. Sukhumvit Rd.T.Bangpoomai A.Muang
Samutprakarn10280

Tel : 02-3232754-5 Fax :02-3232749