



ANNUAL REPORT

2013

บริษัท อินเตอร์ไฮด์ จำกัด (มหาชน)



Interhides (Public) Co., Ltd.

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Financial Highlights

Unit : Thousand Baht)

	Consolidated Financial Statement			Separate Financial Statement		
	2013	2012	2011	2013	2012	***2011
Statements of comprehensive income						
Sales and service revenue	1,788,113	1,891,527	1,552,955	1,564,503	1,609,939	1,541,105
Total revenues	1,797,492	1,916,262	1,560,026	1,638,108	1,713,328	1,554,184
Gross Profit	373,655	426,889	344,384	249,684	311,023	318,743
Selling & Administrative expenses	115,873	109,367	119,715	108,245	103,465	118,620
Profit before finance costs and corporate income tax	265,688	342,257	231,741	213,914	310,946	213,202
Total comprehensive income	197,133	248,917	148,416	147,928	218,285	130,012
Statements of financial Position						
Current Assets	945,089	1,043,091	936,432	808,233	966,382	891,035
Total Assets	2,178,569	2,280,566	2,172,891	2,040,073	2,211,758	2,112,883
Current Liabilities	745,417	1,047,724	1,159,739	705,163	1,027,952	1,145,316
Total Liabilities	1,125,553	1,353,573	1,436,838	1,085,300	1,333,800	1,422,415
Shareholders' Equity	1,053,015	926,993	736,053	954,774	877,957	690,468
Per Share Data						
Earning Per Share *	0.47	0.59	0.35	0.35	0.52	0.31
Book Value Per Share *	2.51	2.21	1.69	2.27	2.03	1.64
Stock dividend payment rate ** (existing share : stock dividend)	-	-	-	-	5 : 1	6 : 1
Cash dividend (Baht/share)	-	-	-	0.30	0.17	0.17
Total dividend payment (Baht/share)	-	-	-	0.30	0.37	0.34
Financial Ratio						
Net Profit Margin (%)	10.97%	12.99%	9.51%	9.03%	12.81%	8.37%
Return on Equity - ROE (%)	11.99%	15.56%	11.53%	10.12%	14.46%	10.09%
Return On Assets - ROA (%)	20.18%	31.07%	20.60%	16.37%	28.46%	18.83%
Debt/Equity Ratio -D/E ratio (Times)	1.07	1.46	1.95	1.14	1.52	2.06

* For the year 2011-2012 has been recalculated by number of ordinary shares after the Stock Dividend in year 2013. The number of ordinary shares after the Stock Dividend is 419,998,782 shares

** The Board of Director no.1/2014 held on February 26, 2014 had the resolution to have the Annual General Meeting of Shareholders no.9 held on April 25,2014 consider and approve to pay the annual dividend at the rate of Baht 0.30 per share. The Company has been paid the interim dividend at the rate of Baht 0.15 per share on September 6, 2013. Therefore, remaining dividend will be paid to Shareholders at this moment is Baht 0.15 per share. The dividend will be paid from retained earnings at the rate of Baht 0.1297 per share and from the operating profit of the year 2013 at the rate of Baht 0.0203 per share. The dividend will be made on May 23, 2014.

*** The financial statement of year 2011 were not restated by the adoption of new accounting standard.



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 : 419,999,076 ordinary shares at par value of Baht 1.0
Paid-up Capital : 419,998,782 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

Information of the subsidiary company

Company's name in Thai	: บริษัท อินเตอร์ซีท คัพเวอร์ จำกัด
Company's name in English	: Inter Seat Cover Company Limited
Nature of Business	: Producing and distributing trim covering for car seats , steering wheel and gearnob
Location	: 999 Soi T.J.C. Sukhumvit Rd. Tambon Bangpoomai Amphoe Muang Samutprakarn 10280
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 2013, it is generally accepted that the market of the automotive industry is in a state of balance. The demand of car buyers was not as high as in recent years, which was the result of external uncontrollable economic factors within Thailand. Even though Thailand political unrest stirred the confidence of the buyers, performance of Interhides Public Company Limited and its revenue were not affected much. Overall, in 2013, the company's operations were successful in a satisfactory level.

Next year Interhides Public Company Limited expects its corporate growth to increase from 2013 for approximately 10%. This increase will come from the result of reorganization initiative. The reorganization focuses on defensive strategy, risk reduction, and risk dissipation, which will offset the chain effects the external factors have on the automotive industry and thus to our company. This will be achieved by expanding product lines and services, which originally consisted of car seat leather production, cutting and sewing. Within this coming year, the company aims to expand its services to include car seat fabric sewing as well as establishing new production lines for furniture leather, wet blue and dyed leather. This is to increase diversity in our product lines for diversified revenue stream, which will eventually allow the company to achieve the aforementioned defensive risk reduction and dissipation. On top of establishing new production lines and services, we also initiate expense control in harmony with the concept of cost control and cost reduction. This will be achieved by focusing on good managements and effective tasks control, which will be conducted in parallel with Cost of Poor activity. The activity will allow all workers to participate in one common goal for the whole organization. Additionally, we will seek to control each operational expense by focusing on effective management, good governance and energy saving activities, production waste reduction, production waste recycling or reusing for other purposes to maximize utility, and power and water usage reduction and saving for environmental preservation.

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.

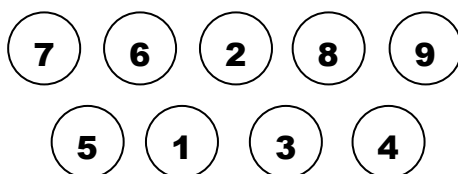


(Mr. Thira Wipuchanin)
Chairman of the Board



(Mr. Ongart Thumrongsakunvong)
Managing Director

Board of Directors



1. Mr.Thira	Wipuchanin	Chairman of the Board of Directors and Independent Director
2. Mr.Ongart	Thumrongsakunvong	Deputy Chairman of the Board of Directors and Managing Director
3. Mr.Punnop	Charasaiya	Chairman of the Audit Committee Chairman of the Nomination Committee Chairman of the Remuneration Committee and Independent Director
4. Mr.Weeboon	Seetthaporn	Audit Committee and Independent Director
5. Mr.Somchart	Limpanuphap	Audit Committee, Nomination Committee, Remuneration Committee and Independent Director
6. Miss.Chutima	Busayapoka	Director and Deputy Managing Director
7. Mr.Ouychai	Matitanaviroon	Director, Nomination Committee And Remuneration Committee
8. Mr.Thaksa	Busayapoka	Director
9. Mr.Niti	Nerngchamnong	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.



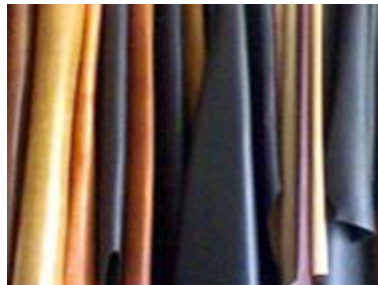
Picture 4 Trim Cover

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	2011		2012		2013	
			Sales	%	Sales	%	Sales	%
Cut Part	IHL	100%	698	45%	968	51%	805	45%
Trim Cover	ISC	100%	373	24%	591	31%	486	27%
Steering wheel and gear knob	ISC	100%	3	1%	11	1%	44	2%
Fabric for Car Seat	ISC	100%	-	-	-	-	34	2%
Finished leather	IHL	100%	98	6%	10	1%	26	1%
Crust leather & Wet Blue	IHL	100%	199	13%	87	5%	68	4%
Services	IHL	100%	92	6%	180	10%	264	15%
Other products	IHL	100%	78	5%	45	2%	61	4%
รวม			1,541	100%	1,892	100%	1,788	100%

In Q4/2013, the Company began produce and sales of Fabric for Car Seat with revenue of Baht 34 million. Therefore, the revenue of Fabric for Car Seat in 2014 will be the other major revenue of the Company.

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 2014, it is expected that the expansion of the domestic automotive market is likely to decline further due to the political crisis that has not stabilized but still expect the situation to be positive in the 3 quarter onwards, or possibly sooner, if the political situation ended quickly. However, the domestic market will grow less but car manufacturers also support many export markets. The export situation is still going well. Thailand's export cars market are growing in many countries such as Australia, Asian and the Middle East Asia. It is a result of the order pending since 2012-2013, caused by the car manufacturer produced and delivered to the local demand under the First Car policy.

Nevertheless, with a neutral assessment scenario, car production volume in 2014 to be close to 2013 expected to produce more than 2.55 million units (2.46 million units in 2013) due to the overseas demand remains high.

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 OTTOWA (THAILAND) CO., LTD. and BADER (ASIA) CO.,LTD. Also in the international competitor are MIDORI HOKUYO CO., LTD. and GST AUTO LEATHER. 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 including higher quality of service than the competitors especially the competitors from aboard. 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, gear knob and fabric for car seat. 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 had a policy to diversify such risk by increased the proportion revenue from non-automotive such as shoes leather and furnisher leather in order to reduce dependence on performance of automotive industry.

(Million Baht)

Revenue from operation	2013		2012	
	Revenue	%	Revenue	%
Revenue from Automotive Industry	1,369	76%	1,570	82%
Revenue from Non-Automotive Industry	419	23%	321	17%
Other revenue	9	1%	25	1%
Total	1,797	100%	1,916	100%

In 2013, the revenue from automotive industry decreased by Baht 201 million or 13% from year 2012. Meanwhile the revenue from non-automotive industry increased by Baht 98 million or 31% from year 2012 comply with the Company's policy.

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 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

The Company imports materials such as raw hides and chemical from abroad 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

At present, the Registered Capital of Interhides Public Co., Ltd. is Baht 419,999,076 and the Paid Up Capital is Baht 419,998,782 divided into 419,999,076 Ordinary shares with the par value of Baht 1

Top 10 major shareholders

August 28, 2013

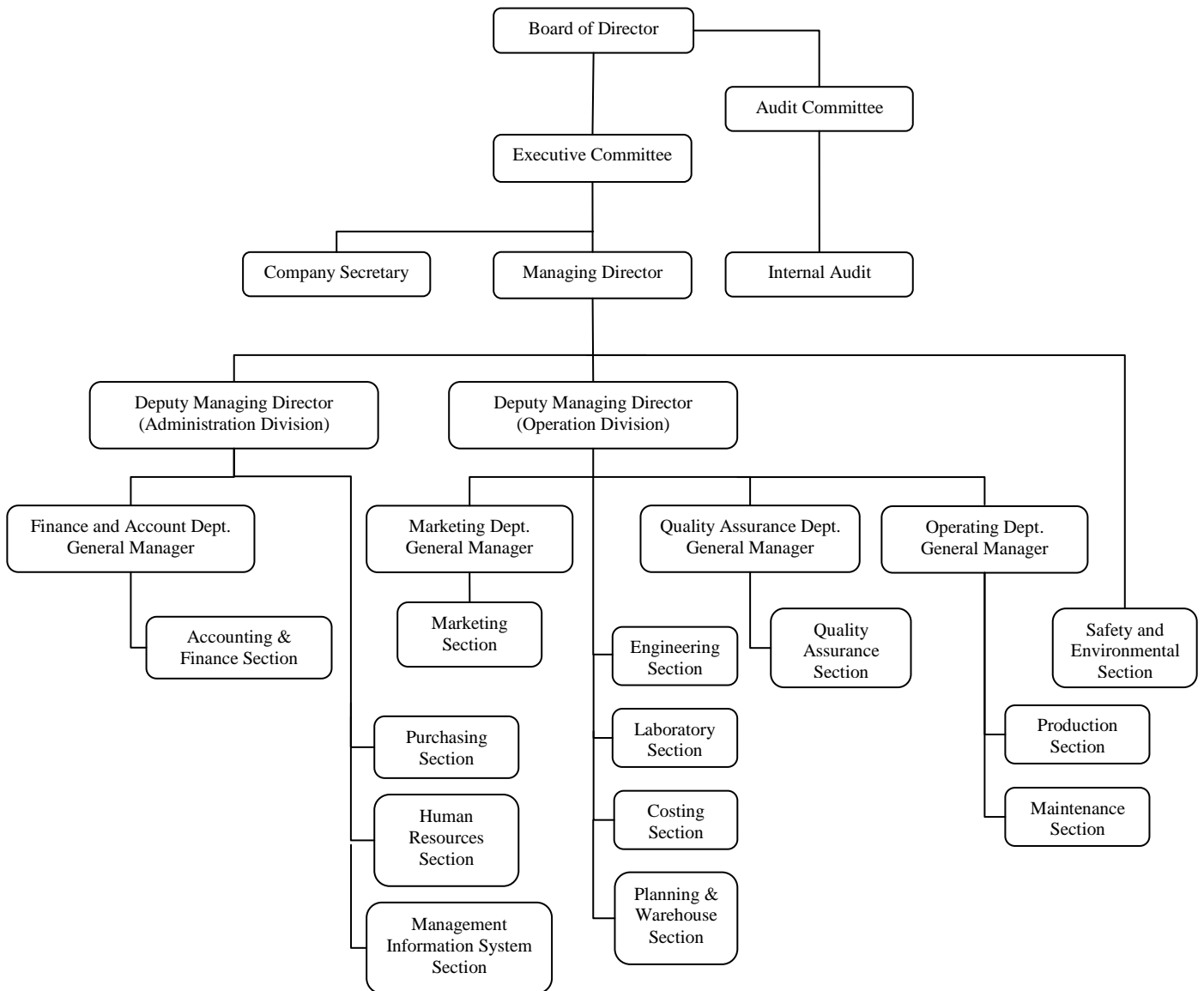
	Name	Number of Shares	% Shares
1. Mr.Ongart Thumrongsakunvong Group			
Mr.	Ongart Thumrongsakunvong	163,399,900	38.90%
Miss	Chutima Busayapoka	88,401,147	21.05%
Mr.	Wasin Thumrongsakunvong	12,102,000	2.88%
Miss	Wanvisa Thumrongsakunvong	5,160,000	1.23%
Total Mr.Ongart Thumrongsakunvong Group		269,063,047	64.06%
2.	Mr. Sorat Wanitwarakit	35,519,759	8.46%
3.	Modernform Group Public Co., Ltd.	19,200,000	4.57%
4.	Mr. Surasak Laosaicher	8,880,000	2.11%
5.	Mr. Lampoon Phleanthengtham	4,479,999	1.07%
6.	Mr. Chaiyaporn Wongsangnan	4,474,100	1.07%
7.	Mr. Pichai Wijakkhaphan	3,180,000	0.76%
8.	Miss. Nichuda Mungkornkaew	2,710,000	0.65%
9.	Mr. Phisit Soisuwan	2,083,459	0.50%
10.	Thai NVDR Co.,Ltd.	1,581,440	0.38%
	Others	68,826,978	16.39%
Total Shares		419,998,782	100.00%

- Mr.Ongart Damrongsakulwong's group nominated 2 directors: Mr.Ongart Thumrongsakunvong and Miss.Chutima Busayapoka.

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, 2013, 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



Name	Position
4. Mr.Ouychai Matitanaviroon Mrs.Wallapa	Director
5. Mr.Thaksa Busayapoka	Director
6. Mr.Niti Nerngchamnong	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

Duties and responsibilities of the 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, 2013, there are 2 Executive Directors as follows:

Name	Position
1. Mr.Ongart Thumrongsakunvong	Chairman of Executive Directors
2. Miss.Chutima Busayapoka	Executive Directors

Authorized directors who can sign on behalf of the Company

Authorized signatories to sign on behalf of the Company are Miss.Chutima Busayapoka and Mr.Ongart Thumrongsakunvong, sign jointly with the Company's seal.

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, 2013, the Audit Committee consist of 3 independent directors follows:

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

Mr.Poobaize Benjasiriworakul 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, 2013, 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, 2013, 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.

6. The Management Team

As of December 31, 2013, there are 2 directors as follows:

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

7. Company Secretary

In keeping with good Corporate Governance, the Company designated a Company Secretary viz. Miss.Wanvisa Thumrongsakunvong, having duties and responsibilities in accordance with the Securities and Exchange Act and to be responsible for overseeing and advising the Board and the Management regarding applicable laws, rules, regulations and good Corporate Governance and responsible for holding the Board and Shareholders' meetings. The additional tasks include assisting the Board to comply with resolutions and safeguard the Company's documents and information.

The Consideration of the Remuneration

The Company has the policy to consider the Remunerations as follows;

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 Election of the Directors

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 29, 2013. The shareholders could propose the director nominee to the company from December 1, 2013 to December 30, 2013. 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.

Definition of Independent Director

“**Independent Director**” means the director who is independent in expressing his opinion to the operation of the Company, must be a person who has no involvement or interest to the result of operation either directly or indirectly.

The qualifications of the Independent Director are as follows:

1. Hold share not more than 1% of paid up capital of the Company, affiliates company, joint company, associated company, including the shares held by the related person.
2. Being independent either directly or indirectly of both financial and management of the Company or joint company or major shareholders of the Company, and having no benefit or interest in such manner within 2 years before being appointed as the Independent Director, unless the Board of Director has carefully considered and see that such participation in having benefit or interest will not affect the duty performing and the independence in giving an opinion.
3. Being independent from the executives and major shareholders of the Company. Must not be the Director who has been appointed as the representative to maintain the interest of the Director of the Company, major shareholders, or shareholders who are related to the major shareholders of the Company.
4. Must not participate in management and must not be employee, staff or consultant who receives regular salary in the Company, affiliate company, joint company, company or major shareholder of the Company.
5. Must not be related person or relatives of the executive or major shareholders of the Company.
6. Capable to perform his duty and express opinion or report result of duty performing independently as assigned by the Board of Directors, and not under the control of the Executive or major shareholders of the Company, including related person or close relatives of such person.
7. No other character that causes the inability to give opinion to operation of the Company independently.

All the definition above has complied with the rules and regulations stipulated by Securities and Exchange Commission and the Stock Exchange of Thailand.

Directors and Management Remuneration

1. The total amount of directors and management remuneration for year 2013 is 18,859,472.92 baht by dividing the remuneration to the Directors positions, the Executive Directors and Management details are as follows :

a.) The Directors Positions : 3,880,000 baht

- Remuneration for the Board of Directors : 3,280,000 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.Thaksa Busayapoka	200,000	-	200,000
8 Mr.Niti Nerngchamnong	200,000	-	200,000
9 Mr.Punnop Charasaiya	300,000	240,000	540,000
10 Mr.Somchart Limpanuphap	300,000	180,000	480,000
11 Mr.Weboon Seetthaporn	300,000	180,000	480,000
	3,280,000	600,000	3,880,000

- b.) Remuneration for the Executive Directors and Management² for year 2013 comprising salaries, bonus and welfare is totally of 14,979,472.92 baht.

Remark:

- Mr. Kazuhiko Yamazaki, director and Mrs.Wallapa Thuannavarat, director have tendered their resignation effective on December 31, 2013
- “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 2013

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	4/4	-	-	-
2 Mr.Ongart Thumrongsakunvong	4/4	-	-	-
3 Miss.Chutima Busayapoka	4/4	-	-	-
4 Mrs.Wallapa Thuannavarat	4/4	-	-	-
5 Mr. Kazuhiko Yamazaki	0/4	-	-	-
6 Mr.Ouychai Matitanaviroon	4/4	-	1/1	1/1
7 Mr.Thaksa Busayapoka ¹	3/4	-	-	-
8 Mr.Niti Nerngchamngong ¹	2/4	-	-	-
9 Mr.Punnop Charasaiya	4/4	4/4	1/1	1/1
10 Mr.Somchart Limpanuphap	4/4	4/4	1/1	1/1
11 Mr.Weboon Seetthaporn	4/4	4/4	-	-

Remark:

1. Mr.Thaksa Busayapoka and Mr.Niti Nerngchamngong were appointed by the Annual General Meeting of Shareholders held on April 26, 2013. Therefore, they attended the Board of Directors meeting from the meeting no.2 onward.

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 posts all of these documents 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:

-
- Ascertaining that the 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 to the Company's shareholders. For shareholders who are unable to attend in each meeting, the Company has designated the Independent Director to attend and to vote on their behalf in each meeting. Full details for this purpose are provided in the Notice of shareholders' meetings. Moreover, the Notice, including Proxy (Form B.), was disclosed on the Company's website to facilitate its download by shareholders.
 - Registration period is commenced at least 1 hour in advance to keep adequate time for completion of registration.
 - Providing ballot papers for each agenda item.
 - Arranging barcode system for registration and vote counting for shareholders' convenience and accuracy of the vote-count.
 - Providing an opportunity for shareholders to elect Director by voting on the given ballot papers for each of the Directors separately.
 - Not adding any new agenda item without notice to shareholders in advance.
 - Directors disclosing their interests and those of their related parties to the Board.
 - Directors reporting their ownership of Company's shares to the Board regularly.
 - 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;
 - A new director/executive submits the Form "Report on Conflict of Interest Transaction" within 30 days after appointment.
 - Thereafter when there is a change, director/executive submits the updated Form "Report on Conflict of Interest Transaction" immediately or no later than 7 working days from the transaction date.
 - The Company Secretary submits a copy of report on interest to the Chairman of the Board of Directors and the Chairman of Audit & Corporate Governance Committee within seven working days from the date on which the Company has received such a report.
-

- The Board of Directors has established a guideline to prohibit a director/executive, who has a conflict of interest on the issue, to participate in the decision-making process. Normally a director/executive, who has a conflict of interest on an issue, will leave from the meeting and join back once the issue has been discussed and a decision is made.
- Providing detailed explanation of related-party transactions characterizing names, relationship, policy, and value of each transaction as explained under the “Connected Transactions” section of this Annual Report. No non-compliance cases involving related-party transactions have been detected.
- Following an appropriate policy and laying down procedures for monitoring the use of insider information as explained under the “Insider Trading Controls” section of this Annual Report. No cases of insider trading involving the Directors and/or the Management have been detected.

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).

Management : The Company recognizes that Management is one of the key success factors for the Company’s operations and accordingly, Management remuneration is appropriately structured and comparable with the Industry norms and other equivalent listed companies in Thailand. The Management is also allowed to work independently without interference as defined in their duties and responsibilities, which are approved by the Board of Directors.

Employees: The Company recognizes that employees are one more key success factor for the Company’s operations. The Company provides equal opportunities in employment, job security, and career advancement, as well as adhering to other good principles related to employees and employment. The Company also ensures that employees are adequately knowledgeable and skillful to perform their jobs for the Company’s business, and understand relevant code of conduct and practice and are encouraged to gain knowledge and ability and keep them updated following Industry trends as well as a focus on the safety and occupational health of all employees.

The Company provides remuneration to employees as salary, bonus, and other benefits, like Provident Fund on a voluntary basis, although the same is not required by law. Remuneration is based on their performance, roles and duties and incentives/increments/bonuses are also based on financial status/performance and future plans of the Company. As a long-term incentive, the Company does not have an ESOP plan in place

since the Company feels that to a large extent, the share price of the Company depends on a number of factors beyond the employees' direct the Company's share price may not adequately reflect the better performance of the employees. Therefore, the Company has implemented a profit sharing scheme, which ensures that the employees are paid bonus annually based on the performance of the Company against specified quantitative targets, which are laid down annually in advance.

The Company provides in-house and external training. The costs of such training are borne by the Company. Moreover, the Company allows special leave and flexible working hours for employees who are undergoing longer term professional or degree courses. Moreover, the Company supports good relationship between all employees including the Management.

Creditors: The Company recognizes Financial Creditors as one more important success factor who provide funds which are particularly required for the Company's highly capital intensive business. The Company complies with all terms in borrowings including compliance with the objectives of using the borrowed funds, repayment, collateral and other conditions as may be agreed.

Suppliers: The Company recognizes the importance of satisfied Suppliers and the Company always ensures that terms and conditions for suppliers are based on industry norms and practices and thereafter, agreed terms and conditions are strictly followed by the Company.

Customers: The Company recognizes that the Customers are the key success factors for the Company's operations. The Company always protects customers' interests, is attentive and ultimately responsible for the needs of the customers with regard to service, and in setting and maintaining steady standards of service. The customers' confidential information is used exclusively for concerned business, without revealing it unless required by laws, regulations, or with consent from the information owners, including issues related to marketing, market power exercises, price setting, and details of services, quality and safety.

Competitors: The Company acts within the rules of fair trade, not destroying trade competitors' reputations with false allegations against their companies without truth, nor does the Company access competitors' confidential information or use dishonest or inappropriate means for any purpose.

Social Responsibility to the Community: The Company recognizes its responsibility to the Community and is often involved in supporting community activities and being attentive to the consequences of the Company's

conduct that affect the people more than what the laws require, including making efforts to absorb social accountability.

Regulators: The Company recognizes that Government is a regulator who is in control of the Company's operations in respect of the fairness and transparency of trading. The Company recognizes the significance of compliance with related laws and regulations and has included its review of compliance as one of the duties of the Internal Audit Department.

Environment: The Company recognizes that the Tanning and Re-tanning operations if conducted irresponsibly may affect the environment, particularly in terms of air and/or water pollution. For the Environmental Protection Policy, the Company is committed to the protection and conservation of the environment and ranks environmental considerations equally with commercial and operational factors in managing its operations and implements this policy.

Respect for International Human Rights Principles: The Company requires that all of its directors, the management and staff strictly respect International human rights principles as part of the operations and the Company does not tolerate any violations thereof.

Ethics for Intellectual Property Rights: The Company requires that all of its directors, the management and staff respect the intellectual property rights of others with care and caution.

Policy on preventing corruption and offering a bribe: The Company has guidelines for preventing corruption and offering a bribe as follows:

- Giving and receiving benefits that could improperly influence decision making should be conducted correctly, honestly and in ways that are certain not to cause condemnation or loss of reputation. Gifts received by Directors are generally retained within the Company or distributed within office staff.
- Procurement is to be conducted according to the Company's guidelines and should be fair to all involved. The procurement's decisions are to be made on the basis of reasonable prices, quality, and service, and should stand scrutiny if an investigation occurs.

- Transaction with government must not be such as to persuade the government or government officials to do anything wrong or inappropriate. Mutual acknowledgement and building relations, within the proper bounds and normal practices, such as offering congratulatory messages and flowers on public occasions is acceptable.

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 provides 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 details are as follows:

Mr.Marote Songsaengtham	Assistance to General Manager, Accounting & Finance Department
	Telephone No. : 0-2323-2754-5
	Email : marote@interhides.com

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 set a policy to have a meeting of Board of Directors 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-committees 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 Board of Directors 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 independent directors responsible for the quality of financial statements, internal control system.

Business Ethics

The Company has set up a code of ethics for Directors, management and employees as a guideline to carry out their respective work for the Company in a transparent, honest, faithful and justifiable manner.

Directors and Management Training

The Board of Directors continues to try and enhance their value by participation in activities, courses and events which add to their knowledge base in the continually changing business environment to ensure that they are updated and possess full knowledge. All the Company's Directors have attended important training courses that are available such as the Director Certification Program (DCP) or the Director Accreditation Program (DAP) held by the Thai Institute of Directors Association (IOD).

Directors' Orientation

If someone is newly appointed on the Board of Directors by the shareholders, the Company Secretary will inform and provide relevant documents for new Directors such as Director's handbook, the Company's corporate documents, CG Policy Manual, Business Ethics and Code of Conduct Manual, laws, regulations and practices which are related to the trading of Company's shares.

Insider Information Controls

The Company had the policy to ensure correct and adequate disclosure of information such as financial statements and other significant data or information related to the business, on a transparent and timely basis to shareholders, investors and general public.

The Board is committed to comply with rules and regulations with regard to the disclosure of information in a timely manner with full transparency. The monitoring of the use of insider information of the Company is considered the responsibility of the Directors, executives and senior staff who are obliged to strictly monitor and prevent any leaks of the Company's confidential and privileged information including information not yet revealed to the public or any data that might affect the Company's operations or share price. This includes the prohibition on use of Company's information obtained from directorships or employment for personal benefit or conducting business or other activities in competition with the Company.

Pursuant to section 59 of the Securities and Exchange Act B.E. 2535, all Directors and Management personnel are required to report the changes in their (and that of their spouse and minor children) shareholding to the Office of the Securities and Exchange Commission, which was fully complied by the Company's Directors and Management during the previous year. Moreover, the Directors in an executive position, who are full-time employees of the Company (or its subsidiary) and Senior Management, are not allowed to trade/transfer in the Company's shares during the period of 2 weeks before and 2 days after public the Financial Statement. The Management personnel are also strongly encouraged to follow this policy and during the year 2013, all members of management have fully complied with this policy and no non-compliance cases have been observed.

Internal Control

The Board of Directors has appointed an Audit Committee to direct efficient and effective internal control and to ensure that the Company operates in checks and balances providing appropriate and tight control. All aspects of operations; finance, accounting and general administration are audited in compliance with laws, regulations and guidelines of related business areas. Assessments include operational risks and internal control systems that are effective tools to safeguard shareholder's interests as well as the company's assets. All operational instructions and department administrative guidelines are provided in writing including approval authorities in each business area and disciplinary code of conducts expected from executives as well as employees in charge of that particular business area. Internal auditors are responsible for auditing, testing and reviewing operational systems of each business line according to the annual audit plan. The Board of Directors will be reported with audit results and operational results from internal auditors. As an effort of continuous improvement, the Audit Committee together with the Board of Directors, review and re-assess performance of the internal control system annually. For 2013, the Board of the Directors concluded that the internal control at present is sufficient and effective and resolved this opinion in Board Meeting no.1/2014 on February 26, 2014. The Board agreed that the company and its subsidiaries have sufficient levels of internal control appropriate to the industry and type of business. The Company is aware of the importance in having the internal control as a tool for risk management for executives about the significance of risk management and internal control where each department was urged to develop its own internal control system for the purpose of control self-assessment (CSA). In addition, the Internal Audit Department was entrusted to enhance understanding and assess the CSA procedures in all other departments. This is to build up confidence that the administration and implementation systems accord with the Company's control structure and internal control objectives in terms of creditability and accurateness of the information and practice along with the rules and regulations, security of property in order to have efficient and effective performance, and actually achieve the Company's objectives and goals. The internal control comprises of the following elements as summarized below.

1. Internal Environment

The Board of Directors has put in place an organization structure that allows future adjustments to suit the business growth and changing business environment. Policies and regulations are regularly reviewed and communicated to staff in writing so that everyone has the same understanding, which will allow employees to perform their duties effectively while the Company can constantly enhance their skills and capacity to be in line with their responsibilities.

Furthermore, the Company pays high attention on the internal control in employee's ethics and quality of people, concentrating on self control together with the implementation control and creation of control environment for positive attitude to the internal control that enable both employees and executives to be aware of the internal control's benefits and lead to the continuous improvement. The code of conduct sets out

guidelines of professionalism; conflicts of interests, integrity, handling sensitive information which all would lead our staff to always do the right thing and use the utmost of integrity in order to protect the benefits of our company and stakeholders. Adherence to their guidelines in their day-to-day activities is ensured by close follow-ups.

2. Objective Setting

The Company has clearly set its objectives and business goals that are not only achievable but also measurable. Guidelines, strategies, business plans, authority, line of command, reporting procedures and standard operating procedures are written for each corporate level to be in sync with the Company's Core Value. Employees took part in setting objectives in the work process that they were involved so that their performance would effectively correspond with the corporate's main objective that they commonly recognized. In addition, the objective is reviewed from time to time to ensure that it aligns with the Company's overall goal.

3. Event Identification

The Company has an ability to identify risks from various changes at various levels. The focus is to enable each department or unit to identify both the event risks and other risk factors that may jeopardize both the organizational and operational goals of the company from either internal or external threats on a regular basis. In addition, both opportunities and risks are identified in order to find a right solution from our internal process to manage these risks in a coordinated manner.

4. Risk Assessment

The Company recognizes the importance of Risk Assessment as a tool to indicate a dangerous signal that could result in loss and therefore, the Company has annually assessed prominent risks. Such assessments bring out the risks that affect the Company's operations which are then required to be managed through a set-up of correct and appropriate control systems. The results of Risk Assessment for various activities are reported periodically to Management and the Board of Directors for consideration.

5. Risk Response

The Company gives importance to following the internal control guidelines of COSO - ERM in elements of risks such as risk identification, risk evaluation and response to risk. Both internal and external risk factors are focused from activity level to the organizational level. The Company's Internal Control Department applies the risk management analytical concept for evaluation of the adequacy of the internal control, encourages self control within work units. This aims at collaboration on arrangement of the specific, measurable, and practical work plan and objectives which accord to the Company's vision and mission and are communicated to the employees and executives to be aware of the importance of the risk management and the

internal control in reducing damages that may arise and in containing risk at the acceptable level and establishes work standards for better efficiency.

6. Control Activities

The Company has established internal control at all levels and all duties of our operation as deemed necessary with a written policy and operation procedures to make sure that all employees have been provided with necessary guidance to work and coordinate under the same standards of practice in all departments i.e. finance, purchasing, sales. The guideline clearly states the level of checks and balances in asset management, segregated approval authority and performance evaluations. Authorization and approval limits are also clearly stipulated. There is a provision of a work implementation plan in line with the organization's policy and objectives under an appropriate timeframe. The Internal Audit Department performs its duty and monitors results independently to increase efficiency and effectiveness of the Company's internal control procedures.

7. Information and Communications

The Company also provides sufficient information technology and both internal and external communications channels that are reliable and in time for shareholders, investors, stakeholders, directors and the management to make decision on the basis of accurate and up-to-date information. Financial report, general information and important information affecting a decision-making process are published in the Annual Report, the 56-1 Annual Information Report Form, the company's website and other channels of the Stock Exchange of Thailand (SET) access into information is controlled to be in line with the levels of work implementation assigned by the Company. Examination is performed to ensure that the input control, data interpretation, processing control, and output control are accurate, efficient and in time as designated by relevant rules and regulations. This is to allow for efficient management and decision making. We have set sufficient and proper information back-up system, safety system and emergency plan to safeguard our international technology system to not only better manage our IT but also to accommodate our expansion.

8. Monitoring

The Board of Executive Directors will continue to measure business results regularly by meeting with management teams at least 1 times/quarter to measure performance against goals and departmental objectives. This will ensure that we work effectively and efficiently toward our goals and allow us to adjust tactics or fix problems in time. During 2011, we introduced the use of KPI (Key performance Index) as the company's measuring index ultimately making concrete measurement of all results and corresponding with the company's core value in supporting goal achievement and objective evaluation of individual performance. This is to ascertain the adherence to the Company's vision, mission, and strategy.

In addition, the Internal Control Department is set to independently perform audit and evaluation. Each project audited is monitored closely on its performance. This appears on an annual audit plan of the



Internal Control Department which is directly reported to the Audit Committee. This is to push for improvement and adjustment following any suggestions as a means to prevent drawbacks that may significantly affect the Company's work processes, reputation and financial status. The monitoring system builds up confidence on the Company's good corporate governance, internal control and business ethics that truly allow clearness, transparency and optimal benefits to the shareholders.

Management Information

Name	Age	Education	No. and % of Shares	Relationship	No. of service year	Employment Record		
						Period	Position	Company
1. Mr.Thira Wipuchanin Chairman	64	- BBA. University of Wisconsin, USA. - DCP 6/2001 and ACP 5 Program of IOD	-	-	9	2005 - Present 2005 - Present 2003 - Present 2000 - Present 2000- Present 1998 - 2003 1994 - 1997 1990 - 1994 1975 - 1990	Chairman and Independent Director Chairman of Audit Committee Audit Committee and Independent Director Chairman and Independent Director Chairman and Independent Director Senior Deputy Managing Director Deputy Managing Director Thailand Branch Representative Deputy Chairman	Interhides Public Company Limited Bangkok First Investment & Trust Public Company Limited Siam Macro Public Company Limited United Palm Oil Industry Public Company Limited Precious Shipping Public Company Limited Export-Import Bank of Thailand Premier Group Prudential Asset Management Asia Ltd. American International Assurance Co.,Ltd.
2. Mr.Ongart Thumrongsakunvong - Deputy Chairman - Chief Executive Director - Managing Director	55	- High school, Assumption Sriracha School - DAP 44/2005 Program of IOD	251,801,047 (59.95%) (including Spouse)	Spouse of No. 3	22	1992 - Present 2005 - Present 2005 - Present 2005 - Present 1992 - 1994 1988 - 1991	Chief Executive Director Director Director Director Managing Director Manager	Interhides Public Company Limited Vivid Atelier Co.,Ltd. Schumans Electronics Co.,Ltd. Automotive Accessory Co.,Ltd. OC Leather Co.,Ltd (Closed) OC Leather Co.,Ltd (Closed)
3. Mr.Punnop Charasaiya - Independent Director - Chairman of Audit Committee	66	- Master Science of Management Arthur D. Little University, USA. - DAP 43/2005 and ACP 8 Program of IOD	-	-	9	2008 - 2010 2005 - Present 1996 - 2008 1976 - 1996	Consultant Chairman of Audit Committee and Independent Director Deputy Managing Director Vice President	Export-Import Bank of Thailand Interhides Public Company Limited Export-Import Bank of Thailand Kasikorn Bank Public Co.,Ltd.
4. Mr.Weboon Seetthaporn - Independent Director - Audit Committee	66	- LL.M. Temple University, USA. - A Barrister-at-Law, The Bar	-	-	9	2005 - Present 2006 - 2008	Audit Committee and Independent Director Deputy Managing Director	Interhides Public Company Limited Export-Import Bank of Thailand



Name	Age	Education	No. and % of Shares	Relationship	No. of service year	Employment Record		
						Period	Position	Company
		Association - DAP 43/2005 and ACP 8 Program of IOD				1998 - 2006 1976 - 1997 1974 - 1975 1971 - 1973	Executive Vice President Vice President Attorney Credit Compromise Officer	Export-Import Bank of Thailand Kasikorn Bank Public Co.,Ltd. Office of Adul Singhanade Bangkok Bank Public Co.,Ltd.
5. Mr.Somchart Limpanuphap - Independent Director - Audit Committee	62	- Master of Accountancy Thammasat University - DAP 43/2005 and ACP 8 Program of IOD	630,000 (0.15%)	-	9	2008 - 2013 2005 - Present 1999 - 2008 1985 - 1999 1975 - 1984	Head of Provincial Loan Recovery Department Audit Committee and Independent Director Manager (Credit Dept.) Branch Manager Internal Auditor	Bangkok Bank Public Co.,Ltd. Interhides Public Company Limited Bangkok Bank Public Co.,Ltd. Bangkok Bank Public Co.,Ltd. Bangkok Bank Public Co.,Ltd.
6. Miss Chutima Busayapoka - Director - Deputy Chief Executive Director - Deputy Managing Director (Operation) - Production General Mgr. - Quality Assurance General Mgr. - Marketing&Engineering General Mgr.	52	- Diploma Certificate, Phanyapranit College - DCP 66/2005 Program of IOD	251,801,047 (59.95%) (including Spouse)	Spouse of No. 2	22	1992 - Present 1992 - 1994 1988 - 1991	Deputy Managing Director (Operation) Deputy Managing Director Assistant Manager	Interhides Public Company Limited OC Leather Co.,Ltd (Closed) OC Leather Co.,Ltd (Closed)
7. Mr.Ouychai Matitanaviroon Director	54	- MBA. Campbell University, USA. - DAP 44/2005 Program of IOD	-	-	9	2008 - Present 2005 - Present 2006 - 2008 2003 - 2006 1998 - 2003 1993 - 1998 1992 - 1992	Director and Division Head Transportation and Infrastructure Division Director Director and Deputy Transportation and Infrastructure Division General Manager Deputy General Manager Manager Assistant Manager	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.



Name	Age	Education	No. and % of Shares	Relationship	No. of service year	Employment Record		
						Period	Position	Company
						1989 - 1989	Senior In charge	Sumitomo Corporation Thailand Co.,Ltd.
						1986 - 1986	Officer	Sumitomo Corporation Thailand Co.,Ltd.
8. Mr. Thaksa Busayapoka	63	<ul style="list-style-type: none"> - Master, New Technology Venture College of Management, Mahidol University - B.Com Marketing Chulalongkorn University Faculty of Commerce and Accountancy - DCP 32/2003 Program of IOD 	1,572,000 (0.37%)	Brother of Miss.Chutima	1	1997 - Present 1994 - Present 2005 - Present 1989 - Present 2006 - Present 2013 - Present 2014 - Present	Chief Executive Director Chairman Chairman Executive Director Executive Director Director Director	Modernform Group Public Co.,Ltd. Thai Plaspac Public Co.,Ltd. Modernform Health & Care Co.,Ltd. Modernform Tower Co.,Ltd. Rafa Associate Co.,Ltd. Interhides Public Co.,Ltd. MFEC Public Co.,Ltd.
9. Mr.Niti Nerngchamnong	33	<ul style="list-style-type: none"> - Master of Laws (LL.M.) Assumption University Thailand in collaboration with Indiana University, USA. - Bachelor of Laws (LL.B.) in recognition of Academic Excellence Assumption University Thailand 	200,000 (0.05%)	-	1	2013 - Present Present Present Present 2005 2002 2001	Director Division Manager Retail Business Development Director Sripatum Legal Center and Lecture Faculty of Laws Director of Thai International Health Care Standard Training Center Lecture Master of Laws (International Program) Faculty of Laws Attorney Attorney	Interhides Public Co.,Ltd. Modernform Group Public Co.,Ltd. Sripatum University Mahidol University Assumption University International Legal Counsellors Thailand Ltd.(ILCT) Baker & M ^c Kenzie



Audit Committee Report

To the shareholders of Interhides Public Company Limited

At present, the Audit Committee of the Company comprises of 3 independent directors viz., Mr. Punnop Charasaiya as Chairman, Mr. Somchart Limpanuphap and Mr. Weboon Seetthaporn as Committee members. 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 secretary of the Audit Committee is Mr. Poobaize Benjasiriworakul.

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 2013 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 2013, 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 2013 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 2013, 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 2014 to seek approval from the Company's Board of Directors for the 2014 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 2014. 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 2013, 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 2012 and 2013

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, 2013

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 2012	Year 2013		
<u>Continuous particulars</u> 1. The company purchased finished goods from Schumans. - Purchase of finished goods	6,491,509	4,390,128	<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 2012	Year 2013		
			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, 2013

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 2012	Year 2013		
<u>Continuous particulars</u> 1. The Company leased office and factory space to Automotive. - Rental and central service charge	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 2012	Year 2013		
<p>2. The company charged the utility fee from Automotive.</p> <ul style="list-style-type: none"> - Utility fee 	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 	5,963,069	487,549	<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 2012	Year 2013		
			<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>	

3) Modernform Group Public Co.,Ltd. (“Modern”)

Nature of business	Manufacturer, Importer and Distributor of Knocked-Down Furniture
Registered Capital	Baht 809,646,280
Paid-up Capital	Baht 750,000,000
Relationship with the Company	Relative Operation in which as at August 28, 2013, Modern and Mr.Thaksa Busayapoks the Chief Executive Director of Modern were the shareholders of the Company with a total of 20,772,000 shares and Mr.Thaksa Bussyapoka is the Director of the Company.

Important particulars	Balance / Value (Baht)		Terms of price / necessity	Comments of the Audit Committee
	Year 2012	Year 2013		
<u>Continuous particulars</u>				
1. The company sell finished goods to Modern				
- Sell of finished goods	-	8,032,121	- The company sells the finished leather to Modern to produce the furniture with the same price with the other customers.	- 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.
1. The company purchased finished goods from Modern				
- Purchase of finished goods	-	548,760	- The company purchases the furniture from Modern with 30% discount from the normal price.	- 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.

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.

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.

- 4) Purchase and Sell of products which are the normal traditional

The pricing policy between the Related Party has to be the market price.

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 2013 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, 2013.

MR. THIRA WIPUCHANIN
Chairman of the Board

MR. ONGART THUMRONGSAKUNVONG
Managing Director

Management Discussion and Analysis of Financial Position and Performance

Financial Overview

In the past several years, the automotive industry has been affected by several major events such as the Tsunami in Japan in April 2011, the mega flood in quarter 4/2011 and the declining of the automotive industry caused by the end of First car policy in year 2013. Of such events, the Company try to reduce the dependence from the automotive industry by increasing the contribution from furniture leather and shoes leather more. But the revenues from the automotive industry still be a major revenue.

(Million Baht)

Revenue from operation	2013		2012	
	Revenue	%	Revenue	%
Revenue from Automotive Industry	1,369	76%	1,570	82%
Revenue from Non-Automotive Industry	419	23%	321	17%
Other revenue	9	1%	25	1%
Total	1,797	100%	1,916	100%

In 2013, the revenue from automotive industry decreased by Baht 201 million or 13% from year 2012. Meanwhile the revenue from non-automotive industry increased by Baht 98 million or 31% from year 2012 comply with the Company's policy.

Analysis of financial performance

For the consolidate financial statement of year 2013 the company had a net profit of Baht 197 million comparing to year 2012 with a net profit of Baht 249 million decreased by Baht 52 million or 20.9% was mainly due to factors as follows;

Revenue

Total revenue of year 2013 was Baht 1,797 million comparing to that of year 2012 with total revenue Baht 1,916 million decreased by Baht 119 million or 6.2% was due to the resulting of the declining of the automotive industry caused by the end of First car policy. Furthermore, in 2013 the Company had losses on exchange rate in amount of Baht 1 million meanwhile had gains on exchange in amount of Baht 16 million which classified to be other income in 2012.

Cost and expenses

Cost of sales and services

Cost of sales and services of year 2013 was Baht 1,414 million or 79% of sales and services revenue comparing to that of year 2012 with the cost of sales and services of Baht 1,465 million or 77%. The increasing in percentage of Cost of sales and services was mainly due to the cost of hides in year 2013 was higher than year 2012.

Selling and administrative expenses

The selling and administrative expenses of year 2013 was Baht 116 million or 6.5% of total revenues comparing to that of year 2012 with the selling and administrative expenses of Baht 103 million or 5.8% of total revenues. The increasing in the selling and administrative expenses was due to the increasing in export cost as a result of the increasing in export sales.

(Million Baht)

Sales and service revenue	2013		2012	
	Revenue	%	Revenue	%
Domestic Sales	1,260	70%	1,587	84%
Export Sales	528	30%	304	16%
Total	1,788	100%	1,891	100%

Finance Cost

Finance cost of year 2013 was Baht 41 million decreased by Baht 7 million or 15% from year 2012. This mainly due to the lower working capital loan used as a result of the inventory management efficiency.

Analysis of financial position

Total assets

Major company's assets comprise cash and cash equivalents, trade accounts receivable, inventories and property, plant and equipment. As of December 31, 2013, total assets of the company were Baht 2,179 million decreased by Baht 102 million or 4.5% from year 2012 was mainly due to factors as follows;

Cash and cash equivalents

As of December 31, 2013, the company's cash and cash equivalents was Baht 70 million increased by Baht 39 million from year 2012.

Trade accounts receivable

As of December 31, 2013, the company's trade accounts receivables was Baht 253 million decreased by 29 million or 10% from year 2012 . This mainly due to the decreasing in sales volume.

Inventories

As of December 31, 2013, the Company's inventories was Baht 604 million decreased by Baht 121 million or 17% from year 2012. This mainly due to the inventory management efficiency.

Total liabilities

As of December 31, 2013, the Company's total liabilities was Baht 1,125 million decreased by 228 million or 17% from year 2012. This mainly due to the inventories reduction policy of the company. This policy also reduced the borrowing working capital from financial institution.

Shareholder's equity

As of December 31, 2013, The total shareholder's equity of the Company was Baht 1,053 million increased by 127 million or 14% from year 2012. This mainly due to net profit of Baht 197 million and the type of dividend payment changed from cash dividend payment to stock dividend payment on May 3, 2013.

Analysis of cash flow

In 2013, cash of the company increased by Baht 39 million. Net cash from operating activities was Baht 412 million, net cash used in investing activities was Baht 135 million and net cash used in financing activities (repayment of loan) was Baht 238 million.

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.



Interhides Public Company Limited and its subsidiary
Report and consolidated financial statements
31 December 2013

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 2013, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of 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 2013, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

Emphasis of matters

I draw attention to Note 4 to the financial statements regarding the change in accounting policy due to the adoption of Thai Accounting Standard 12 *Income Taxes*. The Company has restated the consolidated and separate financial statements for the year ended 31 December 2012, presented herein as comparative information, to reflect the adjustments resulting from such change. The Company has also presented the consolidated and separate statements of financial position as at 1 January 2012 as comparative information, using the newly adopted accounting policy for income taxes. In addition, I draw attention to Note 29.4 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 Court. 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 these matters.

Waraporn Prapasirikul

Certified Public Accountant (Thailand) No. 4579

EY Office Limited

(Formerly known as Ernst & Young Office Limited)

Bangkok: 26 February 2014



Interhides Public Company Limited and its subsidiary

Statement of financial position

As at 31 December 2013

(Unit: Baht)

	Note	Consolidated financial statements			Separate financial statements		
		As at	As at	As at	As at	As at	As at
		31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
			(Restated)			(Restated)	
Assets							
Current assets							
Cash and cash equivalents	8	69,858,312	31,468,946	12,134,509	39,682,496	14,011,438	6,782,782
Trade and other receivables	9	253,202,201	281,665,932	150,032,718	220,761,438	262,569,782	150,109,618
Inventories	10	603,775,018	725,042,489	771,437,636	530,654,556	685,194,038	731,451,204
Advance payments for purchase of raw material and spareparts		13,494,183	1,251,549	-	13,494,183	1,251,549	-
Other current assets		4,759,728	3,661,987	2,826,942	3,640,283	3,354,826	2,691,884
Total current assets		945,089,442	1,043,090,903	936,431,805	808,232,956	966,381,633	891,035,488
Non-current assets							
Restricted bank deposits	11	5,525,000	-	-	5,525,000	-	-
Deferred tax assets	23	25,031,444	25,963,254	27,180,928	25,031,444	25,963,254	27,180,928
Investment in a subsidiary	12	-	-	-	19,999,800	19,999,800	19,999,800
Investment properties		-	-	6,544,260	-	-	6,544,260
Property, plant and equipment	13	1,198,085,763	1,203,561,230	1,196,785,816	1,176,582,953	1,195,091,718	1,189,397,948
Intangible asset	14	2,255,105	1,544,893	2,029,096	2,183,280	1,464,058	1,986,156
Advance payments for purchase of machinery		63,043	3,547,977	-	-	-	-
Other non-current assets		2,518,804	2,857,674	3,919,138	2,518,004	2,857,074	3,919,338
Total non-current assets		1,233,479,159	1,237,475,028	1,236,459,238	1,231,840,481	1,245,375,904	1,249,028,430
Total assets		2,178,568,601	2,280,565,931	2,172,891,043	2,040,073,437	2,211,757,537	2,140,063,918

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



Interhides Public Company Limited and its subsidiary

Statement of financial position (continued)

As at 31 December 2013

(Unit: Baht)

	Note	Consolidated financial statements			Separate financial statements		
		As at	As at	As at	As at	As at	As at
		31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
			(Restated)			(Restated)	
Liabilities and shareholders' equity							
Current liabilities							
Bank overdrafts and short-term loans from							
financial institutions	15	337,679,706	574,989,009	432,318,215	337,679,706	574,989,009	387,318,215
Trust receipts	15	142,371,670	171,715,940	444,223,806	142,371,670	171,715,940	444,223,806
Trade and other payables	16	129,333,303	185,807,035	163,239,443	90,388,801	167,371,924	153,963,957
Short-term loan from a subsidiary		-	-	-	-	-	40,000,000
Current portion of liabilities under finance lease							
agreements	17	21,393,815	12,472,472	7,913,718	21,393,815	12,472,472	7,913,718
Current portion of long-term loans	18	103,247,422	78,540,007	92,660,481	103,247,422	78,540,007	92,660,481
Income tax payable		7,997,787	18,823,882	16,625,245	6,987,718	18,104,577	16,534,832
Other current liabilities		3,393,301	5,375,972	2,758,535	3,094,201	4,758,063	2,701,352
Total current liabilities		745,417,004	1,047,724,317	1,159,739,443	705,163,333	1,027,951,992	1,145,316,361
Non-current liabilities							
Liabilities under finance lease agreements, net							
of current portion	17	36,202,143	30,278,011	2,527,991	36,202,143	30,278,011	2,527,991
Long-term loans, net of current portion	18	228,606,515	161,868,932	161,802,258	228,606,515	161,868,932	161,802,258
Provision for long-term employee benefits	19	10,327,762	8,701,529	7,768,135	10,327,762	8,701,529	7,768,135
Provision for contingent loss on allegation	29.4	105,000,000	105,000,000	105,000,000	105,000,000	105,000,000	105,000,000
Total non-current liabilities		380,136,420	305,848,472	277,098,384	380,136,420	305,848,472	277,098,384
Total liabilities		1,125,553,424	1,353,572,789	1,436,837,827	1,085,299,753	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

Statement of financial position (continued)

As at 31 December 2013

(Unit: Baht)

	Note	Consolidated financial statements			Separate financial statements		
		As at	As at	As at	As at	As at	As at
		31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
			(Restated)			(Restated)	
Shareholders' equity							
Share capital	20						
Registered							
419,999,076 ordinary shares of Baht 1 each							
(31 December 2012: 350,000,000 ordinary shares of Baht 1 each)							
(1 January 2012: 300,000,000 ordinary shares of Baht 1 each)		419,999,076	350,000,000	300,000,000	419,999,076	350,000,000	300,000,000
Issued and fully paid							
419,998,782 ordinary shares of Baht 1 each							
(31 December 2012: 349,999,230 ordinary shares of Baht 1 each)							
(1 January 2012: 300,000,000 ordinary shares of Baht 1 each)		419,998,782	349,999,230	300,000,000	419,998,782	349,999,230	300,000,000
Share premium		211,584,110	211,584,110	211,584,110	211,584,110	211,584,110	211,584,110
Retained earnings							
Appropriated							
Statutory reserve - the Company	21	42,000,000	35,000,000	30,000,000	42,000,000	35,000,000	30,000,000
Statutory reserve - the subsidiary		2,000,000	2,000,000	-	-	-	-
Unappropriated		377,432,285	328,409,802	194,469,106	281,190,792	281,373,733	176,065,063
Total shareholders' equity		1,053,015,177	926,993,142	736,053,216	954,773,684	877,957,073	717,649,173
Total liabilities and shareholders' equity		2,178,568,601	2,280,565,931	2,172,891,043	2,040,073,437	2,211,757,537	2,140,063,918
		-	-	-	-	-	-

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

Directors

Interhides Public Company Limited and its subsidiary

Statement of comprehensive income

For the year ended 31 December 2013

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	<u>Note</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
			(Restated)		(Restated)
Profit or loss:					
Revenues					
Sales and services revenue	24	1,788,112,589	1,891,527,284	1,564,502,946	1,609,939,189
Other income					
Gains on exchange		-	16,116,309	-	16,116,309
Dividend income	12	-	-	39,999,600	59,999,400
Others		9,379,612	8,618,358	33,605,914	27,272,779
Total revenues		<u>1,797,492,201</u>	<u>1,916,261,951</u>	<u>1,638,108,460</u>	<u>1,713,327,677</u>
Expenses					
Cost of sales and services		1,414,457,830	1,464,637,788	1,314,818,624	1,298,915,868
Selling expenses		21,436,768	19,610,905	17,132,788	19,369,347
Administrative expenses		94,435,995	89,755,827	91,112,562	84,095,967
Losses on exchange		1,473,586	-	1,130,741	-
Total expenses		<u>1,531,804,179</u>	<u>1,574,004,520</u>	<u>1,424,194,715</u>	<u>1,402,381,182</u>
Profit before finance costs and income tax expenses		<u>265,688,022</u>	<u>342,257,431</u>	<u>213,913,745</u>	<u>310,946,495</u>
Finance costs		(40,642,137)	(47,815,653)	(40,476,609)	(48,109,480)
Profit before income tax expenses		<u>225,045,885</u>	<u>294,441,778</u>	<u>173,437,136</u>	<u>262,837,015</u>
Income tax expenses	23	(27,912,897)	(45,525,135)	(25,509,572)	(44,552,398)
Profit for the year		<u>197,132,988</u>	<u>248,916,643</u>	<u>147,927,564</u>	<u>218,284,617</u>
Other comprehensive income:					
Actuarial loss, net of income tax		(332,808)	-	(332,808)	-
Total comprehensive income for the year		<u>196,800,180</u>	<u>248,916,643</u>	<u>147,594,756</u>	<u>218,284,617</u>
Basic earnings per share	25				
Profit for the year		<u>0.47</u>	<u>0.59</u>	<u>0.35</u>	<u>0.52</u>

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

Interhides Public Company Limited and its subsidiary

Cash flow statement

For the year ended 31 December 2013

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Cash flows from operating activities				
Profit before tax	225,045,885	294,441,778	173,437,136	262,837,015
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	140,153,503	132,107,696	137,625,967	130,019,241
Allowance for doubtful accounts (reversal)	1,275,041	(323,788)	1,275,041	(323,788)
Reversal of reduction of inventories cost to net realisable value	(5,361,735)	(6,651,264)	(5,914,780)	(6,651,264)
(Gain) loss on sales and write off of equipment	(179,428)	616,219	(179,428)	1,219,061
Provision for long-term employee benefits	2,398,723	1,552,144	2,398,723	1,552,144
Unrealised (gains) losses on exchange	3,807,469	(15,138,024)	3,807,469	(15,138,024)
Dividend income	-	-	(39,999,600)	(59,999,400)
Interest expenses	38,196,384	44,516,736	38,071,726	44,845,234
Profit from operating activities before changes in operating assets and liabilities	405,335,842	451,121,497	310,522,254	358,360,219
Operating assets (increase) decrease				
Trade and other receivables	30,139,963	(132,109,323)	43,484,576	(112,936,273)
Inventories	114,386,572	53,046,411	148,211,628	52,908,430
Other current assets	(482,462)	(1,748,005)	(329,066)	(1,802,231)
Other non-current assets	(626,830)	875,464	(626,630)	922,264
Operating liabilities increase (decrease)				
Trade and other payables	(57,009,830)	26,887,974	(74,832,309)	17,383,760
Cash paid for long-term employee benefits	(1,188,500)	(618,750)	(1,188,500)	(618,750)
Other current liabilities	(1,982,671)	1,315,839	(1,663,862)	755,113
Cash flows from operating activities	488,572,084	398,771,107	423,578,091	314,972,532
Cash paid for interest expenses	(38,518,069)	(45,908,874)	(38,393,411)	(45,892,783)
Cash paid for income tax	(38,339,259)	(42,447,413)	(35,567,810)	(41,877,239)
Net cash flows from operating activities	411,714,756	310,414,820	349,616,870	227,202,510

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

Interhides Public Company Limited and its subsidiary

Cash flow statement (continued)

For the year ended 31 December 2013

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Cash flows from investing activities				
Increase in restricted bank deposits	-5,525,000	-	(5,525,000)	-
Dividend received	-	-	39,999,600	59,999,400
Payment of accounts payable - purchase of machinery	(5,423,188)	(6,790,180)	(5,423,188)	(6,790,180)
Acquisition of property, plant and equipment	(121,491,173)	(106,437,520)	(112,111,195)	(100,541,870)
Cash paid for interest capitalised	(3,427,697)	(4,692,540)	(3,427,697)	(4,692,540)
Proceeds from sales of equipment	485,981	131,495	485,981	342,974
Net cash flows used in investing activities	<u>(135,381,077)</u>	<u>(117,788,745)</u>	<u>(86,001,499)</u>	<u>(51,682,216)</u>
Cash flows from financing activities				
Increase (decrease) in bank overdrafts and short-term loans				
from financial institutions	(237,309,303)	142,670,794	(237,309,303)	187,670,794
Decrease in trust receipts	(34,118,724)	(257,059,292)	(34,118,724)	(257,059,292)
Repayment of short-term loan from a subsidiary	-	-	-	(40,000,000)
Increase in liabilities under finance lease agreements	29,780,091	29,365,209	29,780,091	29,365,209
Payment of liabilities under finance lease agreements	(17,028,063)	(16,349,919)	(17,028,063)	(16,349,919)
Cash received from long-term loans	200,000,000	76,840,000	200,000,000	76,840,000
Repayment of long-term loans	(108,555,002)	(90,893,800)	(108,555,002)	(90,893,800)
Dividend paid	(70,713,312)	(57,864,630)	(70,713,312)	(57,864,630)
Net cash flows used in financing activities	<u>(237,944,313)</u>	<u>(173,291,638)</u>	<u>(237,944,313)</u>	<u>(168,291,638)</u>
Net increase in cash and cash equivalents	38,389,366	19,334,437	25,671,058	7,228,656
Cash and cash equivalents at beginning of year	31,468,946	12,134,509	14,011,438	6,782,782
Cash and cash equivalents at end of year	<u>69,858,312</u>	<u>31,468,946</u>	<u>39,682,496</u>	<u>14,011,438</u>
	-	-	-	-

Supplemental cash flows information

Non-cash item

Increase of machinery and vehicle from				
finance lease agreements	960,000	19,411,090	960,000	19,411,090
Purchase of machinery and construction on credit	5,365,297	5,423,188	2,678,385	5,423,188
Transfer advance payments for purchase of machinery				
to property, plant and equipment	3,484,934	-	-	-
Transfer advance payments for purchase of raw materials				
and spareparts to inventories	12,242,634	-	12,242,634	-

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

Interhides Public Company Limited and its subsidiary

Statement of changes in shareholders' equity

For the year ended 31 December 2013

(Unit: Baht)

	Consolidated financial statements					
			Retained earnings			
			Appropriated			
	Issued and paid-up share capital	Share premium	Statutory reserve - the Company	Statutory reserve - the subsidiary	Unappropriated	Total
Balance as at 31 December 2011 - as previously reported	300,000,000	211,584,110	30,000,000	-	167,288,178	708,872,288
Cumulative effect of change in accounting policy for deferred tax (Note 4)	-	-	-	-	27,180,928	27,180,928
Balance as at 31 December 2011 - as restated	300,000,000	211,584,110	30,000,000	-	194,469,106	736,053,216
Unappropriated retained earnings						
transferred to statutory reserve (Note 21)	-	-	5,000,000	2,000,000	(7,000,000)	-
Stock dividends (Note 28)	49,999,230	-	-	-	(49,999,230)	-
Dividend paid (Note 28)	-	-	-	-	(57,976,717)	(57,976,717)
Total comprehensive income for the year- restated	-	-	-	-	248,916,643	248,916,643
Balance as at 31 December 2012 - as restated	349,999,230	211,584,110	35,000,000	2,000,000	328,409,802	926,993,142
						-
Balance as at 31 December 2012 - as previously reported	349,999,230	211,584,110	35,000,000	2,000,000	302,446,548	901,029,888
Cumulative effect of change in accounting policy for deferred tax (Note 4)	-	-	-	-	25,963,254	25,963,254
Balance as at 31 December 2012 - as restated	349,999,230	211,584,110	35,000,000	2,000,000	328,409,802	926,993,142
Unappropriated retained earnings						
transferred to statutory reserve (Note 21)	-	-	7,000,000	-	(7,000,000)	-
Stock dividends (Note 20, 28)	69,999,552	-	-	-	(69,999,552)	-
Dividend paid (Note 28)	-	-	-	-	(70,778,145)	(70,778,145)
Total comprehensive income for the year	-	-	-	-	196,800,180	196,800,180
Balance as at 31 December 2013	419,998,782	211,584,110	42,000,000	2,000,000	377,432,285	1,053,015,177

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



Interhides Public Company Limited and its subsidiary
Statement of changes in shareholders' equity (continued)
For the year ended 31 December 2013

(Unit: Baht)

	Separate financial statements				
	Issued and		Retained earnings		
	paid-up	Share	Appropriated -		
	share capital	premium	statutory reserve	Unappropriated	Total
Balance as at 31 December 2011 - as previously reported	300,000,000	211,584,110	30,000,000	148,884,135	690,468,245
Cumulative effect of change in accounting policy for deferred tax (Note 4)	-	-	-	27,180,928	27,180,928
Balance as at 31 December 2011 - as restated	300,000,000	211,584,110	30,000,000	176,065,063	717,649,173
Unappropriated retained earnings transferred to statutory reserve (Note 21)	-	-	5,000,000	(5,000,000)	-
Stock dividends (Note 28)	49,999,230	-	-	(49,999,230)	-
Dividend paid (Note 28)	-	-	-	(57,976,717)	(57,976,717)
Total comprehensive income for the year - restated	-	-	-	218,284,617	218,284,617
Balance as at 31 December 2012 - as restated	349,999,230	211,584,110	35,000,000	281,373,733	877,957,073
					-
Balance as at 31 December 2012 - as previously reported	349,999,230	211,584,110	35,000,000	255,410,479	851,993,819
Cumulative effect of change in accounting policy for deferred tax (Note 4)	-	-	-	25,963,254	25,963,254
Balance as at 31 December 2012 - as restated	349,999,230	211,584,110	35,000,000	281,373,733	877,957,073
Unappropriated retained earnings transferred to statutory reserve (Note 21)	-	-	7,000,000	(7,000,000)	-
Stock dividends (Note 20, 28)	69,999,552	-	-	(69,999,552)	-
Dividend paid (Note 28)	-	-	-	(70,778,145)	(70,778,145)
Total comprehensive income for the year	-	-	-	147,594,756	147,594,756
Balance as at 31 December 2013	419,998,782	211,584,110	42,000,000	281,190,792	954,773,684

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 2013

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

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

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

2.2 Basis of consolidation

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

Company	Nature of business	Country of incorporation	Percentage of shareholding	
			2013	2012
			Percent	Percent
Inter Seat Cover Company Limited	Manufacturing and trading of leather coverings for car seats	Thailand	100	100

- b) A subsidiary is fully consolidated, being the date on which the Company obtains control, and continues to be consolidated until the date when such control ceases.

- c) The financial statements of the subsidiary are prepared using the same significant accounting policies as the Company.
 - d) 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

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

(a) Accounting standards that became effective in the current accounting year

Accounting standards:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

Financial Reporting Standard:

TFRS 8	Operating Segments
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Accounting Standard Interpretations:

TSIC 10	Government Assistance - No Specific Relation to Operating Activities
TSIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
TSIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

Accounting Treatment Guidance for Transfers of Financial Assets

These accounting standards, financial reporting standard, accounting standard interpretations and accounting treatment guidance do not have any significant impact on the financial statements, except for the following accounting standard.

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base and recognise the tax effects as deferred tax assets or liabilities subjecting to certain recognition criteria. The Company and its subsidiary have changed this accounting policy in this current period and restated the prior year's financial statements, presented as comparative information, as though the Company and its subsidiary had initially recognised the tax effects as deferred tax assets or liabilities. The cumulative effect of this change in accounting policy has been presented in Note 4 to the financial statements.

(b) Accounting standards that will become effective in the future

		<u>Effective date</u>
Accounting Standards:		
TAS 1 (revised 2012)	Presentation of Financial Statements	1 January 2014
TAS 7 (revised 2012)	Statement of Cash Flows	1 January 2014
TAS 12 (revised 2012)	Income Taxes	1 January 2014
TAS 17 (revised 2012)	Leases	1 January 2014
TAS 18 (revised 2012)	Revenue	1 January 2014
TAS 19 (revised 2012)	Employee Benefits	1 January 2014
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates	1 January 2014
TAS 24 (revised 2012)	Related Party Disclosures	1 January 2014
TAS 28 (revised 2012)	Investments in Associates	1 January 2014
TAS 31 (revised 2012)	Interests in Joint Ventures	1 January 2014
TAS 34 (revised 2012)	Interim Financial Reporting	1 January 2014
TAS 36 (revised 2012)	Impairment of Assets	1 January 2014
TAS 38 (revised 2012)	Intangible Assets	1 January 2014
Financial Reporting Standards:		
TFRS 2 (revised 2012)	Share-based Payment	1 January 2014
TFRS 3 (revised 2012)	Business Combinations	1 January 2014
TFRS 4	Insurance Contracts	1 January 2016
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations	1 January 2014
TFRS 8 (revised 2012)	Operating Segments	1 January 2014

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

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

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

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

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

(Unit: Thousand Baht)

	As at 31 December 2013		As at 31 December 2012		As at 1 January 2012	
	Consolidated	Separate	Consolidated	Separate	Consolidated	Separate
	financial	financial	financial	financial	financial	financial
	statements	statements	statements	statements	statements	statements
Statements of financial position						
Increase in deferred tax assets	25,031	25,031	25,963	25,963	27,181	27,181
Increase in unappropriated retained earnings	25,031	25,031	25,963	25,963	27,181	27,181

(Unit: Thousand Baht)

	For the year ended 31 December 2013		For the year ended 31 December 2012	
	Consolidated	Separate	Consolidated	Separate
	financial	financial	financial	financial
	statements	statements	statements	statements
Statements of comprehensive income				
Profit or loss:				
Increase in income tax expenses	1,015	1,015	1,217	1,217
Decrease in profit attributable to equity holders of the Company	1,015	1,015	1,217	1,217
Decrease in basic earnings per share (Baht)	0.002	0.002	0.003	0.003
Other comprehensive income:				
Decrease in actuarial loss	83	-	83	-

5. Significant accounting policies

5.1 Revenue Recognition

Sales of goods

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

Rendering of services

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

Dividends income

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

5.2 Cash and cash equivalents

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

5.3 Trade accounts receivable

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

5.4 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.

5.5 Investment

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

5.6 Investment properties

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

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

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

5.7 Property, plant and equipment / Depreciation

Land is stated at cost. 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	-	10	years
Furniture, fixture and office equipment	-	5	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.

5.8 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.

5.9 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 (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method 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.

5.10 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.

5.11 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 assets acquired under finance leases is depreciated over the useful life of the asset.

Leases of 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.

5.12 Foreign currencies

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

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.

5.13 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.

5.14 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. The Company treats these severance payment obligations as a defined benefit plan. In addition, the Company provides other long-term employee benefit plan, namely long service awards.

The obligation under the defined benefit plan and other long-term employee benefit plans is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

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

5.15 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.

5.16 Income Tax

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

Current tax

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

Deferred tax

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

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

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

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

5.17 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.

6. Significant accounting judgments and estimates

The preparation of financial statements in conformity with financial reporting standards 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 reduction of 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 reporting period. 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 amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

Deferred tax assets

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

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 29.4 to the financial statements, 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.

7. 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		
	2013	2012	2013	2012	
<u>Transactions with subsidiary company</u>					
<i>(Eliminated from the consolidated financial statements)</i>					
Sales of goods	-	-	269	296	Cost plus margin
Management income	-	-	11	10	Contract price
Rental and service income	-	-	9	8	Contract price
Services income	-	-	4	-	Agreed price
Purchase of goods	-	-	54	5	Cost plus margin
Management fee	-	-	-	2	Agreed price
Interest expense	-	-	-	2	4.5% per annum
<u>Transactions with related companies</u>					
Sales of goods	8	-	8	-	Cost plus margin
Purchase of goods	5	12	5	12	Cost plus margin
Rental and service income	-	1	-	1	Contract price
Purchase of equipment	1	-	1	-	Market price

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

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
<u>Trade and other receivables - related parties</u>				
(Note 9)				
Subsidiary company	-	-	21,330	26,796
Related company (related by common director)	2,779	-	2,779	-
Total trade and other receivables - related parties	2,779	-	24,109	26,796

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
<u>Trade and other payables - related parties</u>				
(Note 16)				
Subsidiary company	-	-	6,080	4,048
Related companies (related by common director)	747	261	747	261
Total trade and other payables - related parties	<u>747</u>	<u>261</u>	<u>6,827</u>	<u>4,309</u>

Directors and management's benefits

During the years ended 31 December 2013 and 2012, the Company and its subsidiary had employee benefit expenses payable to their directors and management amounting to Baht 19 million and Baht 18 million, respectively (the Company only: Baht 19 million and Baht 18 million, respectively).

8. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
Cash	234	318	225	315
Bank deposits	69,624	31,151	39,457	13,696
Total	<u>69,858</u>	<u>31,469</u>	<u>39,682</u>	<u>14,011</u>

As at 31 December 2013, bank deposits in saving accounts carried interests between 0.50% - 0.65%. per annum (2012: 0.25% - 0.75% per annum).

9. Trade and other receivables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
<u>Trade accounts receivable - related parties</u>				
Aged on the basis of due dates				
Not yet due	628	-	18,730	25,029
Past due				
Up to 1 months	2,151	-	2,151	-
Total trade accounts receivable - related parties	2,779	-	20,881	25,029
<u>Trade accounts receivable - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	222,474	170,487	169,851	125,255
Past due				
Up to 1 month	1,025	103,479	73	102,819
1 - 2 months	14,054	1,622	14,034	1,622
2 - 3 months	10,847	709	10,847	709
3 - 6 months	742	2,298	742	2,298
6 - 12 months	97	1,252	97	1,252
Over 12 months	5,524	5,068	5,373	5,068
Total	254,763	284,915	201,017	239,023
Less: Allowance for doubtful accounts	(5,373)	(5,052)	(5,373)	(5,052)
Total trade accounts receivable - unrelated parties, net	249,390	279,863	195,644	233,971
Total trade accounts receivable, net	252,169	279,863	216,525	259,000
<u>Other receivables</u>				
Other receivable - related party	-	-	3,228	1,767
Other receivable - unrelated parties	1,033	1,803	1,008	1,803
Total other receivables	1,033	1,803	4,236	3,570
Total trade and other receivables, net	253,202	281,666	220,761	262,570

10. Inventories

(Unit: Thousand Baht)

Consolidated financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	2013	2012	2013	2012	2013	2012
Finished goods	173,976	174,022	(2,945)	(10,410)	171,031	163,612
Work in process	311,883	373,152	-	-	311,883	373,152
Raw materials	79,481	102,943	(6,264)	(4,161)	73,217	98,782
Supplies	5,776	3,735	-	-	5,776	3,735
Raw materials in transit	41,868	85,761	-	-	41,868	85,761
Total	612,984	739,613	(9,209)	(14,571)	603,775	725,042

(Unit: Thousand Baht)

Separate financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	2013	2012	2013	2012	2013	2012
Finished goods	163,350	170,940	(2,890)	(10,410)	160,460	160,530
Work in process	264,785	345,637	-	-	264,785	345,637
Raw materials	63,532	93,692	(5,766)	(4,161)	57,766	89,531
Supplies	5,776	3,735	-	-	5,776	3,735
Raw materials in transit	41,868	85,761	-	-	41,868	85,761
Total	539,311	699,765	(8,656)	(14,571)	530,655	685,194

During years 2013 and 2012, the Company and its subsidiary reversed the reduction of inventory cost to net realisable value by Baht 5.4 million and Baht 6.7 million, respectively (the Company only: Baht 5.9 million and Baht 6.7 million, respectively). This was presented as cost of sales.

11. Restricted bank deposits

This represent saving deposit pledged with the bank to secure bank guarantees.

12. Investment in a subsidiary

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

Company	Paid-up share capital		Percentage of shareholding		Cost		Dividend received during the year	
	2013	2012	2013	2012	2013	2012	2013	2012
			percent	percent				
Inter Seat Cover Company Limited	20,000	20,000	100	100	20,000	20,000	40,000	59,999

13. Property, plant and equipment

(Unit: Thousand Baht)

Consolidated 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 2012	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
Additions	11,016	-	660	10,385	4,080	1,357	103,804	131,302
Disposals/written-off	-	-	-	(969)	-	(1,207)	-	(2,176)
Transfer	-	-	24,296	30,779	94	-	(55,169)	-
Capitalised interest	-	-	-	-	-	-	3,428	3,428
As at 31 December 2013	263,261	2,146	681,085	1,009,770	32,736	22,766	97,052	2,108,816
Accumulated depreciation:								
As at 1 January 2012	-	-	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
Depreciation for the year	-	-	42,497	91,501	3,033	2,867	-	139,898
Depreciation on disposals/written-off	-	-	-	(672)	-	(1,197)	-	(1,869)
As at 31 December 2013	-	-	313,857	556,658	23,380	16,835	-	910,730
Net book value:								
As at 31 December 2012	252,245	2,146	384,769	503,746	8,215	7,451	44,989	1,203,561
As at 31 December 2013	263,261	2,146	367,228	453,112	9,356	5,931	97,052	1,198,086
Depreciation for the year:								
2012 (Baht 124 million included in manufacturing cost, and the balance in administrative expenses)								131,438
2013 (Baht 134 million included in manufacturing cost, and the balance in administrative expenses)								139,898

(Unit: Thousand Baht)

	Separate financial statements							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 2012	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
Additions	11,016	-	660	6,169	4,035	1,357	92,513	115,750
Disposals/written-off	-	-	-	(969)	-	(1,207)	-	(2,176)
Transfer	-	-	24,296	30,779	94	-	(55,169)	-
Capitalised interest	-	-	-	-	-	-	3,428	3,428
As at 31 December 2013	263,261	2,146	681,085	969,562	32,560	22,766	85,598	2,056,978
Accumulated depreciation:								
As at 1 January 2012	-	-	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
Depreciation for the year	-	-	42,497	89,022	2,994	2,867	-	137,380
Depreciation on disposals/written-off	-	-	-	(672)	-	(1,197)	-	(1,869)
As at 31 December 2013	-	-	313,857	526,390	23,313	16,835	-	880,395
Net book value:								
As at 31 December 2012	252,245	2,146	384,769	495,543	8,112	7,451	44,826	1,195,092
As at 31 December 2013	263,261	2,146	367,228	443,172	9,247	5,931	85,598	1,176,583
Depreciation for the year:								
2012 (Baht 122 million included in manufacturing cost, and the balance in administrative expenses)								129,357
2013 (Baht 131 million included in manufacturing cost, and the balance in administrative expenses)								137,380

As at 31 December 2013, the Company and its subsidiary had an outstanding balance of a building under construction and machine under installation of approximately Baht 97 million (2012: Baht 45 million) (the Company only: 2013: Baht 86 million and 2012: Baht 45 million). Construction of the building and machine under installation has been financed with loans from several financial institutions and borrowing costs totaling approximately Baht 3 million were capitalised during the year ended 31 December 2013 (2012: Baht 5 million). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 3.86% (2012: 3.67%)

As at 31 December 2013, the Company had machinery and motor vehicles under finance lease agreements with net book values amounting to approximately Baht 57 million (2012: Baht 51 million).

As at 31 December 2013, 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 193 million (2012: Baht 153 million).

The Company has pledged its sum of land with structures thereon and machinery which have net book value of approximately Baht 401 million as at 31 December 2013 (2012: Baht 432 million) as collateral against credit facilities which the Company and its subsidiary obtained from financial institutions.

14. Intangible assets

Intangible asset of the Company and its subsidiary are computer software which have details as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
As at 31 December 2013:		
Cost	7,803	7,713
Less: Accumulated amortisation	(5,548)	(5,530)
Net book value	2,255	2,183
As at 31 December 2012:		
Cost	6,837	6,747
Less: Accumulated amortisation	(5,292)	(5,283)
Net book value	1,545	1,464

Movements of the intangible assets for the years 2013 and 2012 are summarised below.

	Consolidated financial statements		(Unit: Thousand Baht) Separate financial statements	
			2013	2012
	2013	2012	2013	2012
Net book value at the beginning year	1,545	2,029	1,464	1,986
Acquisition of computer software	966	186	966	140
Amortisation	(256)	(670)	(247)	(662)
Net book value at the end of year	2,255	1,545	2,183	1,464

15. Bank overdrafts and short-term loans from financial institutions/Trust receipts

	Interest rate (percent per annum)		(Unit: Thousand Baht) Consolidated/Separate financial statements	
			2013	2012
	2013	2012	2013	2012
Bank overdrafts	8.00	-	3,018	-
Promissory notes	3.80 - 3.93	4.05 - 5.00	295,000	465,500
Bill of exchange	4.25	4.25	39,662	109,489
Total			337,680	574,989

	Interest rate (percent per annum)		(Unit: Thousand Baht) Consolidated/Separate financial statements	
			2013	2012
	2013	2012	2013	2012
Trust receipts	1.37 - 1.86	1.28 - 4.13	142,372	171,716

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

16. Trade and other payables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
Trade accounts payable - related parties	169	261	6,249	3,513
Trade accounts payable - unrelated parties	85,245	138,368	46,964	117,964
Other payable - related party	-	-	-	796
Other payable - unrelated parties	20,810	21,476	18,465	20,314
Accounts payable - purchase of fixed assets - related party	578	-	578	-
Accounts payable - purchase of machinery - unrelated parties	4,787	5,423	2,101	5,423
Accrued expenses	17,744	20,279	16,032	19,362
Total trade and other payables	129,333	185,807	90,389	167,372

17. Liabilities under finance lease agreements

	(Unit: Thousand Baht)	
	Consolidated / Separate	
	financial statements	
	2013	2012
Liabilities under finance lease agreements	62,462	47,601
Less: Deferred interest expenses	(4,866)	(4,850)
Total	57,596	42,751
Less: Portion due within one year	(21,394)	(12,472)
Liabilities under finance lease agreements - net of current portion	36,202	30,279

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- 10 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 2013			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Future minimum lease payments	23,772	32,307	6,383	62,462
Deferred interest expenses	(2,378)	(2,199)	(289)	(4,866)
Present value of future minimum lease payments	21,394	30,108	6,094	57,596

(Unit: Thousand Baht)

	As at 31 December 2012			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Future minimum lease payments	14,438	24,893	8,270	47,601
Deferred interest expenses	(1,966)	(2,376)	(508)	(4,850)
Present value of future minimum lease payments	12,472	22,517	7,762	42,751

18. Long-term loans

(Unit: Thousand Baht)

	Consolidated / Separate financial statements	
	2013	2012
Long-term loans	331,854	240,409
Less: Portion due within one year	(103,247)	(78,540)
Long-term loans-net of current portion	228,607	161,869

During the current year, the Company entered into an agreement with a local bank, granting long-term loan facilities amounting to Baht 200 million. The facilities under the agreement carry interest at a rate of the minimum loan rate (MLR) minus 2% per annum. The long-term loan principal is repayable in monthly installments within 5 years. As at 31 December 2013, the Company has drawn down the full amount of the long-term loans under the loan agreement.

Long-term loans from banks comprised long-term loans from several loan facility agreements made with several 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 March 2018.

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

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

19. Provision for long-term employee benefits

Provision for long-term employee benefits, which are compensations on employee's retirement and other long-term employee benefits as detailed below.

	(Unit: Thousand Baht)	
	Consolidated / Separate	
	financial statements	
	2013	2012
Post-employment benefits	7,399	6,900
Other long-term employee benefits	2,929	1,802
Total	10,328	8,702

19.1 Provision for long-term employee benefits, which are compensations on employee's retirement, was as follows:

	(Unit: Thousand Baht)	
	Consolidated / Separate	
	financial statements	
	2013	2012
Defined benefit obligation at beginning of year	6,900	6,017
Current service cost	783	611
Interest cost	300	272
Benefits paid during the year	(1,000)	-
Actuarial loss recognised during the year	416	-
Defined benefit obligation at end of year	7,399	6,900

Long-term employee benefit expenses, which are compensations on employee's retirement, included in profit or loss were as follows:

	(Unit: Thousand Baht)	
	Consolidated / Separate	
	financial statements	
	2013	2012
Current service cost	783	611
Interest cost	300	272
Total expenses recognised in profit or loss	1,083	883
Line items under which such expenses are included in profit and loss		
- Cost of sales	460	332
- Selling and administrative expenses	623	551

The cumulative amount of actuarial loss recognised in other comprehensive income and taken as part of retained earnings of the Company and its subsidiary as at 31 December 2013 amounted to Baht 0.4 million (the Company only: Baht 0.4 million).

Principal actuarial assumptions at the valuation date were as follows:

	Consolidated / Separate	
	financial statements	
	2013	2012
	(% per annum)	(% per annum)
Discount rate	4.1	4.7
Future salary increase rate (depending on employee type)	4.5	2.5 - 4.0
Staff turnover rate (depending on age and employee type)	5.0 - 65.0	5.0 - 75.0

Amounts of defined benefit obligation, which is compensation on employee's benefits, and experience adjustments on the obligation, for the current and previous four years are as follows:

	(Unit: Thousand Baht)	
	Consolidated / Separate financial statements	
	Defined benefit obligation	Experience adjustments on the obligation
2013	7,399	(495)
2012	6,900	-
2011	6,017	-
2010	5,151	-
2009	4,343	-

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

	(Unit: Thousand Baht)	
	Consolidated/ Separate	
	financial statements	
	2013	2012
Defined benefit obligation at beginning of year	1,802	1,751
Current service cost	477	588
Interest cost	100	82
Benefits paid during the year	(189)	(619)
Actuarial loss recognised during the year	739	-
Defined benefit obligation at end of year	2,929	1,802

20. Share Capital

On 26 April 2013, the Annual General Meeting of the Company's shareholders passed the following resolution.

- Made the following dividend payment respect of retained earnings as at 31 December 2012.
 - Payment of stock dividend of 69,999,846 ordinary shares with a par value of Baht 1 each. The rate of payment is 1 dividend share for every 5 existing shares. Any shareholdings of less than 5 shares, remaining after such allocation, are to receive a cash dividend of Baht 0.200000 per share.
 - Payment of a cash dividend of Baht 0.022223 per share to cover withholding tax costs, or a total of Baht 7.8 million.
- Approved a decrease the Company's registered capital, from Baht 350,000,000 to Baht 349,999,230, by eliminating the registered ordinary share in total of 770 shares with a par value of Baht 1 per share, remaining the stock dividend allocation from the resolution of the 7th Annual General Meeting of Shareholders.
- Approved an increase the Company's registered capital by 69,999,846 ordinary shares with a par value of Baht 1 per share, to support the payment of a stock dividend.

The Company registered the decrease and increase in its registered share with the Ministry of Commerce on 9 May 2013 and 23 May 2013, respectively and paid dividends to its shareholders on 23 May 2013.

Reconciliation of number of ordinary shares

	(Unit: Shares)
	Consolidated /Separate financial statements
<u>Registered share capital</u>	
Number of ordinary shares as of 1 January 2013	350,000,000
Decrease from approval of the Annual General Meeting of the Company's shareholders on 26 April 2013	(770)
Increase from approval of the Annual General Meeting of the Company's shareholders on 26 April 2013	69,999,846
Number of ordinary shares as of 31 December 2013	419,999,076

21. Statutory reserve

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

22. Expenses by nature

Significant expenses by nature are as follow:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Salary and wages and other employee benefits	239,080	225,228	196,274	185,500
Depreciation	139,898	131,438	137,380	129,357
Amortisation expenses	256	670	247	662
Utility expenses	59,845	58,037	59,845	58,037
Rental expenses from operating lease agreements	8,878	7,872	8,878	7,872
Raw materials and consumables used	821,966	905,390	742,152	785,490
Changes in inventories of finished goods and work in process	61,315	95,256	88,442	93,285
Changes in the reduction of inventories cost to net realisable value	(5,362)	(6,651)	(5,915)	(6,651)

23. Income tax

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
	(Restated)		(Restated)	
Current income tax:				
Current income tax charge	26,898	44,308	24,495	43,335
Deferred tax:				
Relating to origination and reversal of temporary differences	1,015	1,400	1,015	1,400
Effects of changes in the applicable tax rates	-	(183)	-	(183)
Income tax expense reported in the statement of comprehensive income	27,913	45,525	25,510	44,552

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2013 and 2012 are as follows:

	(Unit : Thousand Baht)	
	Consolidated/	
	Separate financial statements	
	2013	2012
	(Restated)	
Deferred tax relating to actuarial loss	83	-

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
		(Restated)		(Restated)
Accounting profit before tax	225,046	294,442	173,437	262,837
Applicable tax rate	20%	23%	20%	23%
Accounting profit before tax multiplied by applicable tax rate	45,009	67,722	34,688	60,452
Effects of changes in the applicable tax rates	-	(183)	-	(183)
Effects of:				
Tax effect of dividend income not required to be included in the tax calculation	-	-	(8,000)	(13,800)
Promotional privileges (Note 24)	(16,430)	(19,375)	-	-
Non-deductible expenses	710	524	336	461
Additional expense deductions allowed	(1,769)	(3,089)	(1,769)	(2,304)
Others	393	(74)	255	(74)
Total	(17,096)	(22,014)	(9,178)	(15,717)
Income tax expenses reported in the statement of comprehensive income	27,913	45,525	25,510	44,552

The components of deferred tax assets are as follows:

	(Unit: Thousand Baht)					
	Statements of financial position					
	Consolidated financial statements			Separate financial statements		
	As at	As at	As at	As at	As at	As at
	31 December	31 December	1 January	31 December	31 December	1 January
	2013	2012	2012	2013	2012	2012
		(Restated)			(Restated)	
Deferred tax assets						
Allowance for diminution in value of inventories	1,731	2,914	4,244	1,731	2,914	4,244
Accumulated amortisation - Computer software	235	309	383	235	309	383
Provision for long-term employee benefits	2,065	1,740	1,554	2,065	1,740	1,554
Provision for contingent loss on allegation	21,000	21,000	21,000	21,000	21,000	21,000
Total	25,031	25,963	27,181	25,031	25,963	27,181

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

24. 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 and its subsidiary's operating revenues for the year are below shown divided according to promoted and non-promoted operation.

(Unit: Thousand Baht)

	Consolidated financial statements					
	Promoted operations		Non-promoted operations		Total	
	2013	2012	2013	2012	2013	2012
Sales and services income						
Domestic	751,323	570,864	508,306	896,749	1,259,629	1,467,613
Export	-	-	528,484	423,914	528,484	423,914
Total sales and services income	751,323	570,864	1,036,790	1,320,663	1,788,113	1,891,527

(Unit: Thousand Baht)

	Separate financial statements					
	Promoted operations		Non-promoted operations		Total	
	2013	2012	2013	2012	2013	2012
Sales and services income						
Domestic	-	-	1,036,019	1,186,025	1,036,019	1,186,025
Export	-	-	528,484	423,914	528,484	423,914
Total sales and services income	-	-	1,564,503	1,609,939	1,564,503	1,609,939

25. Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year, after adjusting the number of ordinary shares to reflect the impact of the stock dividend as discussed in notes 20 and 28 to the financial statements. The prior year'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		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
		(Restated)		(Restated)
Profit for the year (Thousand Baht)	197,133	248,917	147,928	218,285
Weighted average number of ordinary shares (Thousand shares)	419,999	419,999	419,999	419,999
Earnings per share (Baht/share)	0.47	0.59	0.35	0.52

26. Segment information

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

For management purposes, the Company and its subsidiary are organised into business units based on its products and services and have two reportable segments as follows:

- Manufacturing and distribution of leather and other products consisting of leather coverings for car seat and other by products from production.
- Servicing segment, which provides bleaching, dyeing and finishing service.

No operating segments have been aggregated to form the above reportable operating segments.

The chief operating decision maker, monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on gross operating profit or loss and on a basis consistent that used to measure with gross operating profit or loss in the financial statements.

The basis of accounting for any transactions between reportable segments is consistent with that for third party transactions.

The following tables present revenue and profit information regarding the Company and its subsidiary's operating segments for the years ended 31 December 2013 and 2012.

(Unit: Million Baht)

	For the year ended 31 December							
	Manufacturing and distribution of leather and other products		Services		Adjustments and eliminations		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012
								(Restated)
Revenues from external customers	1,524	1,690	264	201	-	-	1,788	1,891
Segment profit	249	359	125	69	-	-	374	428
Unallocated income (expenses):								
Other income							9	25
Selling expenses							(21)	(20)
Administrative expenses							(95)	(90)
Losses on exchange							(1)	-
Finance costs							(41)	(48)
Income tax expenses							(28)	(46)
Profit for the year							197	249

The chief operating decision maker monitors the total assets for business operations, therefore, no allocation of assets to each segments.

Geographic information

Revenue from external customers is based on locations of the customers are as follow.

	(Unit: Million Baht)	
	2013	2012
Revenue from external customers		
Thailand	1,260	1,468
England	133	76
China	156	89
India	123	69
Indonesia	42	24
Taiwan	40	85
Malaysia	8	16
Philippines	20	43
United States	-	5
Hong Kong	-	5
South Korea	-	4
Mexico	-	4
Others	6	3
Total	1,788	1,891

Major customers

For the year 2013, the Company and its subsidiary have revenue from three major customers, arising from sales by manufacturing and distribution of leather and other products (2012: four major customers, arising from sales by manufacturing and distribution of leather and other products). Revenue from such major customers are as follow.

	(Unit: Million Baht)	
	2013	2012
No. 1	277	357
No. 2	202	131
No. 3	286	382
No. 4	-	285
	765	1,155

27. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contribute to the fund monthly at the rate of 2 percent of basic salary. The fund, which is managed by CIMB-Principal Asset Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2013, the Company contributed Baht 1.0 million (2012: Baht 0.9 million) to the Fund.

28. Dividend

Dividends	Approved by	Total dividends (Thousand Baht)	Dividend per share (Baht)
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 50,000,000 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
Dividend of 2013:			
Final dividend in respect of retained earnings as at 31 December 2012	Annual General Meeting of the shareholders on 26 April 2013		
- Cash dividend		7,778	0.02
- Stock dividend of 69,999,846 ordinary shares		70,000	0.20
Interim dividend in respect of the net income for the six-month period ended 30 June 2013	Board of Director's Meeting of the Company No. 3/2556 held on 9 August 2013	63,000	0.15
Total for 2013		140,778	0.37

29. Commitments and contingent liabilities

29.1 Operating lease commitments

The Company has entered into several lease agreements in respect of the lease of equipment, and service agreements. The terms of the agreements are generally 3 years. Operating lease and service agreements are non-cancellable.

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

	(Unit: Million Baht)	
	As at 31 December	
	2013	2012
Payable within:		
In up to 1 year	7	14
In over 1 and up to 3 years	3	6

29.2 Purchase of raw material commitments

As at 31 December 2013, the Company had commitments of approximately USD 3 million (2012: USD 1 million) relating to purchase of raw materials.

29.3 Bank guarantees

As at 31 December 2013, there were outstanding bank guarantees of Baht 18 million (2012: Baht 14 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 (2012: Baht 3 million) to guarantee payments due to government agencies, Baht 14 million (2012: Baht 10 million) to guarantee electricity use and Baht 1 million (2012: Baht 1 million) to guarantee for purchase of inventory.

29.4 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 year 2012, 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.

30. Financial instruments

30.1 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, restricted bank deposits, trade accounts payable, other accounts payable, bank overdrafts and short-term loans, trust receipts, liabilities under finance lease agreements 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, bank overdrafts and short-term loans, trust receipts and long-term loans. Most of the Company's financial assets and liabilities bear non-interest or fixed interest rates which are close to market rate.

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

(Unit: Million Baht)

Consolidated financial statements							
As at 31 December 2013							
	Fixed interest rates						
	Within 1	1 - 5	Over 5	Floating	Non- interest		Interest rate
	year	years	years	interest rate	bearing	Total	(% p.a.)
<u>Financial assets</u>							
Cash and cash equivalents	-	-	-	37	33	70	0.50 - 0.65
Trade and other receivables	-	-	-	-	253	253	-
Restricted bank deposits	-	-	-	6	-	6	0.50 - 0.65
<u>Financial liabilities</u>							
Bank overdrafts and short-term loans from financial institutions	335	-	-	3	-	338	3.80 - 8.00
Trust receipts	142	-	-	-	-	142	1.37 - 1.86
Trade and other payables	-	-	-	-	129	129	-
Liabilities under finance lease agreements	22	30	6	-	-	58	2.15 - 7.00
Long-term loans	-	-	-	332	-	332	5.38 - 6.63

(Unit: Million Baht)

Consolidated financial statements							
As at 31 December 2012							
Fixed interest rates				Floating interest rate	Non- interest bearing	Total	Interest rate (% p.a.)
Within 1 year	1 - 5 years	Over 5 years					
<u>Financial assets</u>							
Cash and cash equivalents	-	-	-	-	31	31	0.25 - 0.75
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	12	23	8	-	-	43	2.15 - 5.50
Long-term loans	-	-	-	240	-	240	4.63 - 6.13



(Unit: Million Baht)

Separate financial statements							
As at 31 December 2013							
Fixed interest rates			Floating interest rate	Non- interest bearing	Total	Interest rate (% p.a.)	
Within 1 year	1 - 5 years	Over 5 years					
<u>Financial assets</u>							
Cash and cash equivalents	-	-	-	7	33	40	0.50 - 0.65
Trade and other receivables	-	-	-	-	221	221	-
Restricted bank deposits	-	-	-	6	-	6	0.50 - 0.65
<u>Financial liabilities</u>							
Bank overdrafts and short-term loans from financial institutions	335	-	-	3	-	338	3.80 - 8.00
Trust receipts	142	-	-	-	-	142	1.37 - 1.86
Trade and other payables	-	-	-	-	90	90	-
Liabilities under finance lease							
agreements	22	30	6	-	-	58	2.15 - 7.00
Long-term loans	-	-	-	332	-	332	5.38 - 6.63

(Unit: Million Baht)

Separate financial statements							
As at 31 December 2012							
Fixed interest rates			Floating interest rate	Non- interest bearing	Total	Interest rate (% p.a.)	
Within 1 year	1 - 5 years	Over 5 years					
<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	12	23	8	-	-	43	2.15 - 5.50
Long-term loans	-	-	-	240	-	240	4.63 - 6.13

Foreign currency risk

The Company's exposure to foreign currency risk arises from purchase and sales of goods and services and purchase of machinery that are denominated in foreign currency. The Company seeks to reduce this risk by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.

The balances of financial assets and liabilities denominated in foreign currencies are summarised below.

Foreign currency	Financial assets		Financial liabilities		Average exchange rate	
	as at 31 December		as at 31 December		as at 31 December	
	2013	2012	2013	2012	2013	2012
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	3	2	4	8	32.81	30.63
Euro	-	-	-	1	45.02	40.56

As at 31 December 2013 and 2012, no foreign exchange contracts outstanding.

30.2 Fair value of financial instruments

Since the majority of the Company's financial instruments are short-term in nature or bear interest rates which are close to market rate, their fair value is not expected to be materially different from the amounts presented in statements of financial position.

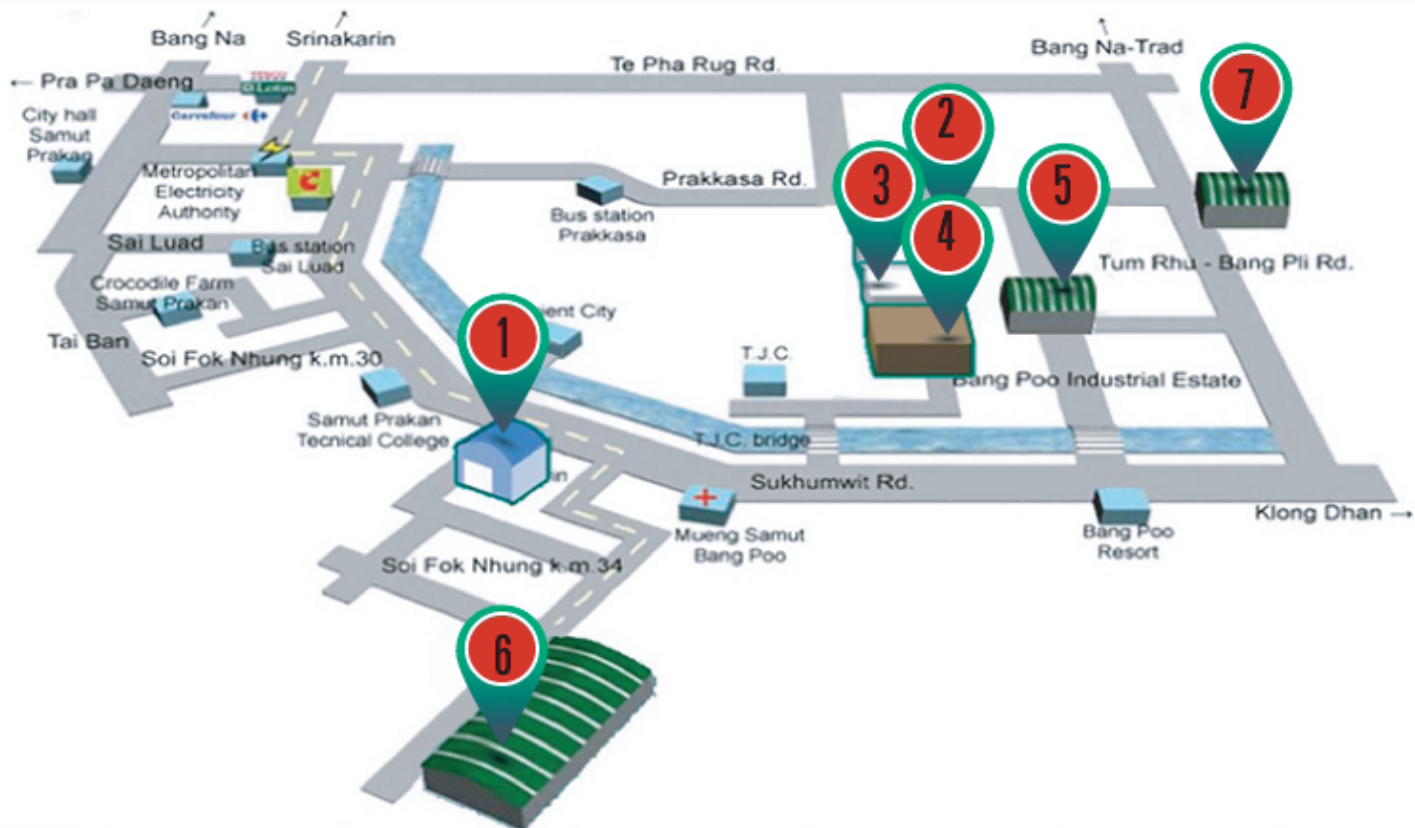
A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending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

31. 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 2013, the Group's debt-to-equity ratio was 1.1:1 (2012: 1.5:1) and the Company's was 1.1:1 (2012: 1.5:1).

32. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 26 February 2014.



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