

Pan Asia Footwear Public Company Limited  
and its subsidiaries  
Report and consolidated financial statements  
31 December 2014

## **Independent Auditor's Report**

To the Shareholders of Pan Asia Footwear Public Company Limited

I have audited the accompanying consolidated financial statements of Pan Asia Footwear Public Company Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2014, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of Pan Asia Footwear Public Company Limited for the same period.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Basis for Qualified Opinion**

As discussed in Note 15 to the financial statements, the Company did not obtain the financial statements for the year ended 31 December 2014 of PA Capital Company Limited, the associate, and subsidiaries of the associate. The latest financial statements of the associate available to the Company were the financial statements as at 31 December 2013, which were audited by its auditor, and only separate financial statements were presented, not consolidated financial statements. I did not audit the financial statements of the associate and of subsidiaries of the associate since I was not appointed as their auditor and I was unable to apply other audit procedures to satisfy myself as to the value of such investment. This matter is considered to be a scope limitation imposed by circumstance.

### **Qualified Opinion**

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Pan Asia Footwear Public Company Limited and its subsidiaries, and of Pan Asia Footwear Public Company Limited as at 31 December 2014, 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 1.2 to the financial statements, regarding the ability of the Company and its subsidiaries to continue as a going concern. As presented in the consolidated statement of financial position as at 31 December 2014, the Company and its subsidiaries have current liabilities exceeded current assets by Baht 156 million (Separate financial statements: Baht 116 million) and have deficits of Baht 2,650 million (Separate financial statements: Baht 2,552 million). In addition, several subsidiaries ceased their operations. These conditions indicate the existence of a material uncertainty which could give rise to doubt as to the Company and its subsidiaries ability to continue as a going concern. My opinion is not qualified in respect of this matter.

Termphong Opanaphan

Certified Public Accountant (Thailand) No. 4501

EY Office Limited

Bangkok: 27 February 2015

**Pan Asia Footwear Public Company Limited and its subsidiaries**

**Statement of financial position**

**As at 31 December 2014**

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	6	81,683,141	194,651,734	23,489,638	124,420,291
Current investments	7	105,463,337	65,000,000	40,463,337	-
Trade and other receivables	8	127,519,127	116,130,882	11,408,508	39,463,726
Short-term loans to related parties and others	9	6,915,668	9,085,668	-	-
Inventories	10	76,688,295	73,031,176	13,003,716	20,327,517
Other current assets		9,836,392	8,958,915	1,214,455	1,103,575
		408,105,960	466,858,375	89,579,654	185,315,109
Assets classified as held for sale	11	31,092,703	119,506,296	22,967,684	123,260,558
<b>Total current assets</b>		<b>439,198,663</b>	<b>586,364,671</b>	<b>112,547,338</b>	<b>308,575,667</b>
<b>Non-current assets</b>					
Restricted bank deposits	12	5,234,249	6,907,698	1,349,000	1,861,000
Investments in available-for-sale securities	13	58,000	32,000	58,000	32,000
Investments in subsidiaries	14	-	-	142,483,155	142,483,155
Investments in associates	15	47,694,443	38,197,460	17,327,966	-
Investments in related parties	16	8,984,827	3,750,000	7,744,500	-
Long-term loans to related parties	9	-	20,000,000	1,500,000	-
Investment properties	17	101,482,323	-	101,482,323	-
Property, plant and equipment	18	71,824,748	82,629,624	169,038,518	184,863,723
Goodwill	19	-	-	-	-
Leasehold right		-	4,337,752	-	4,337,752
Receivables from guarantee - related parties	9	-	-	-	-
Deferred tax assets	26	4,057,090	4,933,403	-	-
Other non-current assets		19,776,429	21,753,307	13,229,473	13,993,400
<b>Total non-current assets</b>		<b>259,112,109</b>	<b>182,541,244</b>	<b>454,212,935</b>	<b>347,571,030</b>
<b>Total assets</b>		<b>698,310,772</b>	<b>768,905,915</b>	<b>566,760,273</b>	<b>656,146,697</b>

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

**Pan Asia Footwear Public Company Limited and its subsidiaries**

**Statement of financial position (continued)**

**As at 31 December 2014**

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Bank overdrafts and short-term loans from					
financial institutions	20	152,718,084	220,254,186	44,727,489	110,747,733
Trade and other payables	21	244,004,096	250,695,692	46,797,773	78,127,489
Short-term loans from related parties and others	9	100,000,000	100,720,547	100,000,000	105,000,000
Current portion of liabilities under finance					
lease agreements		913,864	820,721	-	-
Long-term loan - classified as current liability	22	43,404,534	43,404,534	-	-
Current portion of long-term loans	22	-	11,702,000	-	11,244,000
Income tax payable		170,379	185,600	-	-
Short-term provisions	23	17,685,226	-	36,119,034	-
Other current liabilities		2,997,567	3,493,421	772,961	924,181
		<u>561,893,750</u>	<u>631,276,701</u>	<u>228,417,257</u>	<u>306,043,403</u>
Liabilities directly associated with the assets classified					
as held for sales		33,202,427	23,780,340	-	-
<b>Total current liabilities</b>		<u>595,096,177</u>	<u>655,057,041</u>	<u>228,417,257</u>	<u>306,043,403</u>
<b>Non-current liabilities</b>					
Liabilities under finance lease agreements,					
net of current portion		928,579	1,842,443	-	-
Long-term loans, net of current portion	22	-	28,071,000	-	28,071,000
Provision for long-term employee benefits		2,431,389	3,693,019	535,709	1,181,571
Long-term provisions	23	29,864,613	41,985,568	167,083,714	203,202,748
Deferred tax liabilities	26	787,836	443,314	546,743	364,807
Other non-current liabilities		3,381,873	2,953,452	23,000	23,000
<b>Total non-current liabilities</b>		<u>37,394,290</u>	<u>78,988,796</u>	<u>168,189,166</u>	<u>232,843,126</u>
<b>Total liabilities</b>		<u>632,490,467</u>	<u>734,045,837</u>	<u>396,606,423</u>	<u>538,886,529</u>

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

**Pan Asia Footwear Public Company Limited and its subsidiaries**

**Statement of financial position (continued)**

**As at 31 December 2014**

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
<b>Shareholders' equity</b>					
Share capital					
Registered					
540,000,000 ordinary shares of Baht 5 each		2,700,000,000	2,700,000,000	2,700,000,000	2,700,000,000
Issued and fully paid-up					
540,000,000 ordinary shares of Baht 5 each		2,700,000,000	2,700,000,000	2,700,000,000	2,700,000,000
Premium on ordinary shares		1,677,183	1,677,183	1,677,183	1,677,183
The Company's shares held by subsidiaries		(17,552,525)	(17,552,525)	-	-
Retained earnings					
Appropriated - statutory reserve	24	21,000,000	21,000,000	21,000,000	21,000,000
Unappropriated (deficit)		(2,649,640,641)	(2,680,502,877)	(2,552,457,333)	(2,605,325,015)
Other component of shareholders' equity		(66,000)	(92,000)	(66,000)	(92,000)
Equity attributable to owners of the Company		55,418,017	24,529,781	170,153,850	117,260,168
Non-controlling interests of the subsidiaries		10,402,288	10,330,297	-	-
<b>Total shareholders' equity</b>		<b>65,820,305</b>	<b>34,860,078</b>	<b>170,153,850</b>	<b>117,260,168</b>
<b>Total liabilities and shareholders' equity</b>		<b>698,310,772</b>	<b>768,905,915</b>	<b>566,760,273</b>	<b>656,146,697</b>
		-	-	-	-

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

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Directors  
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**Pan Asia Footwear Public Company Limited and its subsidiaries**

**Statement of comprehensive income**

**For the year ended 31 December 2014**

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
<b>Profit or loss:</b>					
<b>Revenues</b>					
Sales		485,375,425	916,056,001	33,867,152	561,769,482
Revenues from hire of work		35,325,854	40,401,062	-	8,100,541
Interest income		30,764,637	37,316,729	15,846,668	18,095,066
Rental income		960,600	12,861,629	442,200	12,297,339
Gain on sales of assets		31,377,659	559,774,578	10,446,815	247,853,818
Gain on debt restructuring		-	314,856,975	-	314,856,975
Other income		24,336,618	50,387,327	19,340,582	32,510,948
<b>Total revenues</b>		<b>608,140,793</b>	<b>1,931,654,301</b>	<b>79,943,417</b>	<b>1,195,484,169</b>
<b>Expenses</b>					
Cost of sales and hire of work		436,901,016	1,052,546,712	14,754,002	701,176,596
Selling expenses		7,691,631	20,026,488	2,946,505	17,813,192
Administrative expenses		90,908,092	189,427,803	38,482,374	91,946,580
Allowance for doubtful accounts (reversal)		1,851,329	33,968,529	(48,520,460)	130,988,164
Severance payment		-	129,882,230	-	129,882,230
Impairment loss on investments (reversal)		(4,136,850)	94,459	3,400,000	26,591,665
Impairment loss on assets		9,234,246	73,590,824	7,373,692	71,267,998
Provision for litigation		6,483,826	31,320,954	-	19,200,000
Other expenses		5,728,966	15,597,919	17,800	12,001,116
<b>Total expenses</b>		<b>554,662,256</b>	<b>1,546,455,918</b>	<b>18,453,913</b>	<b>1,200,867,541</b>
<b>Profit (loss) before share of profit from investments</b>					
<b>in associates, finance cost and income tax expenses</b>					
		53,478,537	385,198,383	61,489,504	(5,383,372)
Share of profit from investments in associates	15.2	9,496,983	6,795,911	-	-
<b>Profit (loss) before finance cost and</b>					
<b>income tax expenses</b>					
		62,975,520	391,994,294	61,489,504	(5,383,372)
Finance cost		(27,647,346)	(65,898,984)	(8,439,886)	(39,432,968)
<b>Profit (loss) before income tax expenses</b>					
		35,328,174	326,095,310	53,049,618	(44,816,340)
Income tax expenses	26	(1,905,019)	(56,912,300)	(181,936)	(47,095,359)
<b>Profit (loss) for the year before loss from</b>					
<b>discontinued operations</b>					
		33,423,155	269,183,010	52,867,682	(91,911,699)
Loss for the year from discontinued operations		(2,027,538)	(32,050,875)	-	-
<b>Profit (loss) for the year</b>					
		<b>31,395,617</b>	<b>237,132,135</b>	<b>52,867,682</b>	<b>(91,911,699)</b>
<b>Other comprehensive income:</b>					
Gain (loss) on change in value of available-for-sale investments		26,000	(6,000)	26,000	(6,000)
<b>Other comprehensive income for the year</b>					
		<b>26,000</b>	<b>(6,000)</b>	<b>26,000</b>	<b>(6,000)</b>
<b>Total comprehensive income for the year</b>					
		<b>31,421,617</b>	<b>237,126,135</b>	<b>52,893,682</b>	<b>(91,917,699)</b>

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



**Pan Asia Footwear Public Company Limited and its subsidiaries**

**Statement of comprehensive income (continued)**

**For the year ended 31 December 2014**

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
<b>Profit (loss) attributable to:</b>					
Equity holders of the Company		30,862,236	232,260,000	52,867,682	(91,911,699)
Non-controlling interests of the subsidiaries		533,381	4,872,135		
		<u>31,395,617</u>	<u>237,132,135</u>		
<b>Total comprehensive income attributable to:</b>					
Equity holders of the Company		30,888,236	232,254,000	52,893,682	(91,917,699)
Non-controlling interests of the subsidiaries		533,381	4,872,135		
		<u>31,421,617</u>	<u>237,126,135</u>		
<b>Basic earnings per share</b>					
Profit (loss) attributable to equity holder of the Company	27	<u>0.06</u>	<u>0.44</u>	<u>0.10</u>	<u>(0.17)</u>

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

Pan Asia Footwear Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity

For the year ended 31 December 2014

(Unit: Baht)

<b>Consolidated financial statements</b>									
Equity attributable to owners of the Company									
	Issued and fully paid-up share capital	Share premium	The Company's shares held by subsidiaries	Retained earnings (deficit)		Other component of equity	Total equity attributable to owners of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total shareholders' equity
				Appropriated	Unappropriated	Other comprehensive income Deficit on changes in value of available-for-sale investments			
<b>Balance as at 1 January 2013</b>	2,700,000,000	1,677,183	(17,552,525)	21,000,000	(2,912,762,877)	(86,000)	(207,724,219)	5,458,162	(202,266,057)
Profit for the year	-	-	-	-	232,260,000	-	232,260,000	4,872,135	237,132,135
Other comprehensive income for the year	-	-	-	-	-	(6,000)	(6,000)	-	(6,000)
Total comprehensive income for the year	-	-	-	-	232,260,000	(6,000)	232,254,000	4,872,135	237,126,135
<b>Balance as at 31 December 2013</b>	<u>2,700,000,000</u>	<u>1,677,183</u>	<u>(17,552,525)</u>	<u>21,000,000</u>	<u>(2,680,502,877)</u>	<u>(92,000)</u>	<u>24,529,781</u>	<u>10,330,297</u>	<u>34,860,078</u>
<b>Balance as at 1 January 2014</b>	2,700,000,000	1,677,183	(17,552,525)	21,000,000	(2,680,502,877)	(92,000)	24,529,781	10,330,297	34,860,078
Profit for the year	-	-	-	-	30,862,236	-	30,862,236	533,381	31,395,617
Other comprehensive income for the year	-	-	-	-	-	26,000	26,000	-	26,000
Total comprehensive income for the year	-	-	-	-	30,862,236	26,000	30,888,236	533,381	31,421,617
Decrease in non-controlling interest of the subsidiaries	-	-	-	-	-	-	-	(461,390)	(461,390)
<b>Balance as at 31 December 2014</b>	<u>2,700,000,000</u>	<u>1,677,183</u>	<u>(17,552,525)</u>	<u>21,000,000</u>	<u>(2,649,640,641)</u>	<u>(66,000)</u>	<u>55,418,017</u>	<u>10,402,288</u>	<u>65,820,305</u>

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

Pan Asia Footwear Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity (continued)

For the year ended 31 December 2014

(Unit: Baht)

	Separate financial statements				Other component of equity	Total
	Issued and fully paid-up share capital	Share premium	Retained earnings (deficit)			
			Appropriated	Unappropriated	Deficit on changes in value of available-for-sale investments	shareholders' equity
<b>Balance as at 1 January 2013</b>	2,700,000,000	1,677,183	21,000,000	(2,513,413,316)	(86,000)	209,177,867
Loss for the year	-	-	-	(91,911,699)	-	(91,911,699)
Other comprehensive income for the year	-	-	-	-	(6,000)	(6,000)
Total comprehensive income for the year	-	-	-	(91,911,699)	(6,000)	(91,917,699)
<b>Balance as at 31 December 2013</b>	<u>2,700,000,000</u>	<u>1,677,183</u>	<u>21,000,000</u>	<u>(2,605,325,015)</u>	<u>(92,000)</u>	<u>117,260,168</u>
<b>Balance as at 1 January 2014</b>	2,700,000,000	1,677,183	21,000,000	(2,605,325,015)	(92,000)	117,260,168
Profit for the year	-	-	-	52,867,682	-	52,867,682
Other comprehensive income for the year	-	-	-	-	26,000	26,000
Total comprehensive income for the year	-	-	-	52,867,682	26,000	52,893,682
<b>Balance as at 31 December 2014</b>	<u>2,700,000,000</u>	<u>1,677,183</u>	<u>21,000,000</u>	<u>(2,552,457,333)</u>	<u>(66,000)</u>	<u>170,153,850</u>

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

**Pan Asia Footwear Public Company Limited and its subsidiaries**

**Cash flows statement**

**For the year ended 31 December 2014**

(Unit: Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Cash flows from operating activities</b>				
Profit (loss) before tax	35,328,174	326,095,310	53,049,618	(44,816,340)
Loss from discontinued operations	(2,027,538)	(32,050,875)	-	-
Profit (loss) for the year	33,300,636	294,044,435	53,049,618	(44,816,340)
Adjustments to reconcile profit (loss) before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	12,745,233	41,412,411	7,503,087	22,581,852
Allowance for doubtful accounts (reversal)	1,851,329	33,968,529	(48,520,460)	130,988,163
Reduce cost to net realisable value (reversal)	(36,099,052)	19,999,474	(36,186,266)	68,831,706
Allowance for impairment loss on assets	9,234,246	73,590,824	7,373,692	71,267,998
Gain on sales of property, plant and equipment	(31,377,659)	(559,774,578)	(10,446,815)	(247,853,818)
Reversal of short-term loan from other party	(720,547)	-	-	-
Share of profit from investments in associates	(9,496,983)	(6,795,911)	-	-
Allowance for impairment loss on investments (reversal)	(4,136,850)	94,459	3,400,000	26,591,665
Gain on sales of investments in a subsidiary	(1,605,683)	(1,283,572)	(59,563)	-
Reversal loss from guarantee	-	(7,511,546)	-	(7,511,546)
Provision for litigation	6,483,826	31,320,954	-	19,200,000
Reversal of provision for long-term employee benefits	(1,261,630)	(2,179,549)	(645,862)	(2,054,314)
Gain on debt restructuring	-	(314,856,975)	-	(314,856,975)
Unrealised loss (gain) on exchange	52,201	(503,664)	(55,241)	(750,883)
Interest income	(30,764,637)	(37,316,729)	(15,846,668)	(18,095,066)
Interest expenses	27,647,346	65,898,984	8,439,886	39,432,968
Loss from operating activities before changes in operating assets and liabilities	(24,148,224)	(369,892,454)	(31,994,592)	(257,044,590)
Operating assets (increase) decrease				
Trade and other receivables	4,541,519	159,678,446	34,687,257	131,555,181
Inventories	32,441,933	230,084,628	43,510,067	168,052,239
Other current assets	(877,477)	(993,560)	(110,880)	17,459,875
Other non-current assets	(1,719,603)	7,845,088	(1,103,888)	131,416
Assets of subsidiaries that classified as held for sale	(7,394,550)	19,424,676	-	-
Receivables from guarantee	-	(7,727,987)	7,844,500	21,442,014
Operating liabilities increase (decrease)				
Trade and other payables	(24,344,726)	(151,468,216)	(29,281,803)	(122,204,658)
Other current liabilities	(495,854)	(16,110,977)	(151,220)	924,181
Short-term provisions	-	(91,162,880)	-	(91,162,880)
Other non-current liabilities	428,421	2,930,341	-	23,000
Liabilities directly associated with assets of subsidiaries that classified as held for sales	9,422,087	9,626,716	-	-
Cash from (used in) operating activities	(12,146,474)	(207,766,179)	23,399,441	(130,824,222)
Cash paid for income tax	(3,253,262)	(24,774,584)	(1,244,890)	(10,189,368)
Income tax refunded	6,250,338	19,496,216	3,112,705	9,815,759
<b>Net cash from (used in) operating activities</b>	<b>(9,149,398)</b>	<b>(213,044,547)</b>	<b>25,267,256</b>	<b>(131,197,831)</b>

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

**Pan Asia Footwear Public Company Limited and its subsidiaries**

**Cash flows statement (continued)**

**For the year ended 31 December 2014**

(Unit: Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Cash flows from investing activities</b>				
Decrease (increase) in restricted bank deposits	1,673,449	(5,913,924)	512,000	(1,861,000)
Increase in current investments	(40,463,337)	(65,000,000)	(40,463,337)	-
Increase in short-term loans to related parties	(950,000)	(1,980,000)	-	-
Cash receipt from short-term loans to related parties	3,420,000	2,500,000	-	-
Increase in long-term loans to related parties	-	(5,900,000)	(6,500,000)	(83,526,995)
Cash receipt from long-term loans to related parties	26,985,114	20,940,000	29,040,156	77,666,839
Proceeds from sales of assets classified as held for sale	-	1,230,092,095	-	908,452,064
Proceeds from sales of investments in a subsidiary	-	8,849,587	-	8,849,587
Acquisition of property, plant and equipment	(8,380,770)	(8,513,023)	(7,301,934)	(4,582,534)
Proceeds from sales of property, plant and equipment	33,047,398	54,762,010	23,160,747	29,294,759
Acquisition of investment properties	(5,800,000)	-	(5,800,000)	-
Interest received	4,540,553	2,844,925	778,512	5,025,963
<b>Net cash from (used in) investing activities</b>	<b>14,072,407</b>	<b>1,232,681,670</b>	<b>(6,573,856)</b>	<b>939,318,683</b>
<b>Cash flows from financing activities</b>				
Decrease in bank overdrafts and short-term loans				
from financial institutions	(67,536,102)	(414,139,245)	(66,020,244)	(317,180,747)
Repayment of short-term loans from related parties and others	-	(15,544,360)	(5,000,000)	(77,950,000)
Repayment of liabilities under finance lease agreements	(820,721)	(1,062,000)	-	-
Repayment of long-term loans	(39,773,000)	(366,479,657)	(39,315,000)	(251,599,107)
Cash paid for interest expenses	(9,761,779)	(45,940,719)	(9,288,809)	(38,056,548)
<b>Net cash used in financing activities</b>	<b>(117,891,602)</b>	<b>(843,165,981)</b>	<b>(119,624,053)</b>	<b>(684,786,402)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(112,968,593)</b>	<b>176,471,142</b>	<b>(100,930,653)</b>	<b>123,334,450</b>
Cash and cash equivalents at the beginning of year	194,651,734	18,180,592	124,420,291	1,085,841
<b>Cash and cash equivalents at end of year</b>	<b>81,683,141</b>	<b>194,651,734</b>	<b>23,489,638</b>	<b>124,420,291</b>
	-	-	-	-
<b>Supplementary cash flows information:</b>				
Non-cash transactions:				
Purchase of assets for which no cash has been paid	-	7,944	-	7,944
Transfer assets classified as held for sale to assets available for use	-	16,746,577	-	-
Transfer assets classified as held for sale to investment properties	95,808,143	-	95,808,143	-
Investments in associates and investments in related parties increased due to payment receipt from accounts receivable - subsidiaries	-	-	25,072,466	-
Investments in related parties increased due to payment receipt from an account receivable - related company	1,097,977	-	-	-

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

**Pan Asia Footwear Public Company Limited and its subsidiaries**  
**Notes to consolidated financial statements**  
**For the year ended 31 December 2014**

**1. General information**

**1.1 Corporate information**

Pan Asia Footwear Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the manufacture, distribution and export of footwear. However, the Company had restructured its business in 2013. Currently, the Company is principally engaged in investment in other companies (Holding Company). The registered office of the Company is at 177/20 Moo 5, Nongkharm, Sriracha, Chonburi.

**1.2 Going concern**

As presented in the consolidated statement of financial position as at 31 December 2014, the Company and its subsidiaries have current liabilities exceeded current assets by Baht 156 million (Separate financial statements: Baht 116 million) and have deficits of Baht 2,650 million (Separate financial statements: Baht 2,552 million). In addition, several subsidiaries had ceased their operations. Although these conditions raise substantial doubt about their ability to continue as a going concern. However, during 2014 and 2013, the Company and its subsidiaries sold partial fixed assets in value of Baht 33 million and Baht 1,285 million, respectively (Separate financial statements: Baht 23 million and Baht 938 million, respectively), in order to settle debts and improve their liquidity. In addition, the Company had restructured its business. For these reasons, the financial statements have been prepared on the going concern basis.

**2. Basis of preparation**

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

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

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

## 2.2 Basis of consolidation

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

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2014 Percent	2013 Percent
<u>Subsidiaries directly held by the Company</u>				
Footwear Tech 1530 Company Limited	Ceased operation	Thailand	100.00	100.00
International Curity Footwear Company Limited	Manufacture, distribute and export of footwear and dyeing of fabric	Thailand	100.00	100.00
WBLP Company Limited	Manufacture of footwear and bag	Thailand	100.00	100.00
Phimai Footwear Company Limited	Ceased operation	Thailand	100.00	100.00
Excellent Rubber Company Limited	Ceased operation	Thailand	100.00	100.00
Kabinburi Pan Asia Footwear Company Limited	Ceased operation	Thailand	100.00	100.00
Pontex (Thailand) Company Limited	Manufacture of plastic parts and injection	Thailand	92.53	92.53
Innovation Nakornluang Footwear Company Limited	Ceased operation	Thailand	96.07	96.07
Hankha Bangkok Rubber Company Limited	Manufacture of footwear uppers	Thailand	99.99	99.99
Pan Tech R&D Company Limited	Ceased operation	Thailand	100.00	100.00
Pan Asia Garment (Laos) Company Limited	Ceased operation	Laos	100.00	100.00
<u>Subsidiaries held by Kabinburi Pan Asia Footwear Company Limited</u>				
Modern Technology Component Company Limited	Manufacture of footwear parts	Thailand	100.00	100.00
Pan Component Company Limited (registered its dissolution with the Ministry of Commerce on 19 December 2014)	In the process of liquidation	Thailand	100.00	100.00
Pan Upper Company Limited (registered its dissolution with the Ministry of Commerce on 19 December 2014)	In the process of liquidation	Thailand	100.00	100.00
Burirum Pan Footwear Company Limited (registered its dissolution with the Ministry of Commerce on 11 June 2014)	In the process of liquidation	Thailand	69.27	69.27

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

### **3. New financial reporting standards**

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

#### **(a) Financial reporting standards that became effective in the current accounting year**

Conceptual Framework for Financial Reporting (revised 2014)

Accounting Standards:

TAS 1 (revised 2012)	Presentation of Financial Statements
TAS 7 (revised 2012)	Statement of Cash Flows
TAS 12 (revised 2012)	Income Taxes
TAS 17 (revised 2012)	Leases
TAS 18 (revised 2012)	Revenue
TAS 19 (revised 2012)	Employee Benefits
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates
TAS 24 (revised 2012)	Related Party Disclosures
TAS 28 (revised 2012)	Investments in Associates
TAS 31 (revised 2012)	Interests in Joint Ventures
TAS 34 (revised 2012)	Interim Financial Reporting
TAS 36 (revised 2012)	Impairment of Assets
TAS 38 (revised 2012)	Intangible Assets

Financial Reporting Standards:

TFRS 2 (revised 2012)	Share-based Payment
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TFRS 3 (revised 2012)	Business Combinations
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (revised 2012)	Operating Segments
Accounting Standard Interpretations:	
TSIC 15	Operating Leases – Incentives
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29	Service Concession Arrangements: Disclosures
TSIC 32	Intangible Assets – Web Site Costs
Financial Reporting Standard Interpretations:	
TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4	Determining whether an Arrangement contains a Lease
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7	Applying the Restatement Approach under TAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>
TFRIC 10	Interim Financial Reporting and Impairment
TFRIC 12	Service Concession Arrangements
TFRIC 13	Customer Loyalty Programmes
TFRIC 17	Distributions of Non-cash Assets to Owners
TFRIC 18	Transfers of Assets from Customers
Accounting Treatment Guidance for Stock Dividend	

These financial reporting standards were amended primarily to align their content with the corresponding International Financial Reporting Standards. Most of the changes were directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of the accounting standards. These accounting financial reporting standards do not have any significant impact on the financial statements.

**(b) Financial reporting standards that will become effective in the future**

The Federation of Accounting Professions has issued a number of revised and new financial reporting standards that become effective for fiscal years beginning on or after 1 January 2015. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of accounting standards.

The management of the Company and its subsidiaries believes they will not have any significant impact on the financial statements in the year in which they are adopted. However, some of these accounting financial reporting standards involve changes to key principles, as discussed below:

#### **TAS 19 (revised 2014) Employee Benefits**

This revised standard requires that the entity recognise actuarial gains and losses immediately in other comprehensive income while the existing standard allows the entity to recognise such gains and losses immediately in profit or loss, or in other comprehensive income, or to recognise them gradually in profit or loss.

At present, the Company and its subsidiaries immediately recognise actuarial gains and losses in profit or loss in the period in which they occur. The assessment of the management of the Company and its subsidiaries is that when the revised standard is applied in 2015 and the method of recognising those gains and losses is changed to immediately recognise them in other comprehensive income, there will be no impact to provision for long-term employee benefit liabilities and retained earnings in the financial statements.

#### **TFRS 10 Consolidated Financial Statements**

TFRS 10 prescribes requirements for the preparation of consolidated financial statements and replaces the part dealing with consolidated financial statements as included in TAS 27 Consolidated and Separate Financial Statements. This standard changes the principles used in considering whether control exists. Under this standard, an investor is deemed to have control over an investee if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns, even if it holds less than half of the shares or voting rights. This important change requires the management to exercise a lot of judgement when reviewing whether the Company and its subsidiaries have control over the investees and determine which entities have to be included for preparation of the consolidated financial statements.

At present, the management of the Company and its subsidiaries is evaluating the impact of this standard to the financial statements in the year when they are adopted.

## **TFRS 12 Disclosure of Interests in Other Entities**

This standard stipulates disclosures relating to an entity's interests in subsidiaries, joint arrangements and associates, including structured entities. This standard therefore has no financial impact to the financial statements of the Company and its subsidiaries.

## **TFRS 13 Fair Value Measurement**

This standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurements. Entities are to apply the guidance under this standard if they are required by other financial reporting standards to measure their assets or liabilities at fair value. The effect of the change from the adoption of this standard is to be recognised prospectively.

Based on the preliminary analysis, the management of the Company and its subsidiaries believes that this standard will not have any significant impact on the Company's and its subsidiaries' financial statements.

### **4. Significant accounting policies**

#### **4.1 Revenue recognition**

##### *Sales of goods*

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

##### *Rendering of services*

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

##### *Interest income*

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

#### **4.2 Cash and cash equivalents**

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

#### **4.3 Trade accounts receivable**

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

#### **4.4 Inventories**

Finished goods and work in process are valued at the lower of cost (under the weighted average method) and net realisable value. The cost of inventories is measured using the standard cost method, which approximates actual cost, and includes all production costs and attributable factory overheads.

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

#### **4.5 Investments**

- a) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in other comprehensive income and will be recorded in profit or loss when the securities are sold.
- b) Investments in non-marketable equity securities, which the subsidiary classifies as other investments, are stated at cost net of allowance for impairment loss (if any).
- c) Investments in associates are accounted for in the consolidated financial statements using the equity method.
- d) Investments in subsidiaries and associates are accounted for in the separate financial statements using the cost method.

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

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

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

#### **4.6 Investment properties**

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

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

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

#### **4.7 Property, plant and equipment/Depreciation**

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

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

Depreciation is included in determining income.

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

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

#### **4.8 Goodwill**

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

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

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

#### **4.9 Related party transactions**

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

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

#### **4.10 Long-term leases**

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

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

#### **4.11 Foreign currencies**

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

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

Gains and losses on exchange are included in determining income.

#### **4.12 Impairment of assets**

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

An impairment loss is recognised in profit or loss.

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

#### **4.13 Employee benefits**

##### ***Short-term employee benefits***

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

##### ***Post-employment benefits***

###### *Defined contribution plans*

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

###### *Defined benefit plans*

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

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

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

#### **4.14 Provisions**

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

#### **4.15 Income tax**

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

##### **Current tax**

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

##### **Deferred tax**

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

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

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

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



#### **4.16 Assets held for sale**

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

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

#### **5. Significant accounting judgements and estimates**

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

##### **Leases**

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

##### **Allowance for doubtful accounts**

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

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

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

##### **Impairment of equity investments**

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

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

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

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

### **Goodwill**

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

### **Deferred tax assets**

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

### **Post-employment benefits under defined benefit plans**

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

### **Litigation**

The Company and its subsidiaries have contingent liabilities as a result of litigation. The Company's management has used judgement to assess of the results of the litigation and recorded the provisions as described in Note 30.4 to the financial statements.

## 6. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Cash	240	259	8	3
Bank deposits	81,443	194,393	23,482	124,417
Total	<u>81,683</u>	<u>194,652</u>	<u>23,490</u>	<u>124,420</u>

As at 31 December 2014, bank deposits in saving accounts carried interest at the rate of 0.50% per annum (2013: between 0.50% and 0.63% per annum) (Separate financial statements: 0.50% per annum (2013: between 0.50% and 0.63% per annum)).

## 7. Current investments

As at 31 December 2014, the Company and its subsidiaries have 4-month fixed deposits, carried interests between 1.05% and 2.00% per annum (2013: 2.63% per annum) (Separate financial statements: 1.05% per annum (2013: Nil)).

## 8. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Trade receivables - related parties</u>				
Aged on the basis of due dates				
Not yet due	29,853	30,186	-	-
Past due				
Up to 3 months	28,998	27,359	485	1,120
3 - 6 months	8,942	4,725	493	985
6 - 12 months	13,708	9,375	321	-
Over 12 months	67,984	70,299	231	231
Total	149,485	141,944	1,530	2,336
Less: Allowance for doubtful accounts	(63,718)	(64,228)	(231)	(87)
Total trade receivables - related parties, net	85,767	77,716	1,299	2,249
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	19,700	12,091	-	221
Past due				
Up to 3 months	12,009	8,677	312	471
3 - 6 months	307	2,124	133	1,991
6 - 12 months	231	6,402	137	6,247
Over 12 months	11,476	12,247	174	198
Total	43,723	41,541	756	9,128
Less: Allowance for doubtful accounts	(10,800)	(15,004)	(7)	(3,230)
Total trade receivables - unrelated parties, net	32,923	26,537	749	5,898
Total trade receivables - net	118,690	104,253	2,048	8,147
<u>Other receivables</u>				
Other receivables - related parties	339,083	346,242	168,605	203,506
Other receivables - unrelated parties	15,134	14,539	5,424	6,035
Total	354,217	360,781	174,029	209,541
Less: Allowance for doubtful accounts	(345,388)	(348,903)	(164,668)	(178,224)
Total other receivables - net	8,829	11,878	9,361	31,317
Total trade and other receivables - net	127,519	116,131	11,409	39,464

## 9. Related party transactions

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

(Unit: Million Baht)

	Consolidated		Separate		Transfer pricing policy
	financial statements		financial statements		
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	
<u>Transactions with subsidiaries</u>					
(Eliminated from consolidated financial statements)					
Sales of goods	-	-	4	5	Cost plus margins
Interest income	-	-	15	17	7.50% per annum
Rental income	-	-	-	1	As indicated in the agreement
Other income	-	-	5	3	Cost plus margins or as indicated in the agreement
Purchases of goods	-	-	3	21	Cost plus margins
Hire of work expenses	-	-	-	5	Cost plus margins
Other expenses	-	-	-	3	As indicated in the agreement
<u>Transactions with associates</u>					
Sales of goods	4	8	-	-	Cost plus margins
Interest income	28	32	-	-	3.00% - 8.63% per annum
Rental income	1	5	-	4	As indicated in the agreement
Other income	1	3	-	-	Cost plus margins or as indicated in the agreement
Purchase of goods	9	30	-	22	Cost plus margins
Other expenses	-	2	-	-	As indicated in the agreement
<u>Transactions with related companies</u>					
Sales of goods	269	220	-	3	Cost plus margins
Hire of work income	1	11	-	-	Cost plus margins
Rental income	-	4	-	4	As indicated in the agreement
Other income	3	2	1	-	Cost plus margins or as indicated in the agreement
Purchases of goods	8	11	-	1	Cost plus margins
Hire of work expenses	-	-	1	-	Cost plus margins
Public utilities expenses	10	10	-	9	As indicated in the agreement
Other expenses	8	15	-	1	As indicated in the agreement
<u>Transaction with related persons</u>					
Interest expenses	5	5	5	5	4.90% per annum

As at 31 December 2014 and 2013, the balances of the accounts between the Company and those related parties are as follows:

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	2014	2013	2014	2013
<b><u>Trade and other receivables - related parties (Note 8)</u></b>				
Subsidiaries	-	-	113,624	134,554
Associates	262,280	266,053	18,239	30,266
Related companies (related by common shareholders and directors)	226,288	222,133	38,272	41,022
Total	488,568	488,186	170,135	205,842
Less: Allowance for doubtful accounts	(397,940)	(402,992)	(161,266)	(175,025)
Net	90,628	85,194	8,869	30,817
<b><u>Receivables from guarantee - related parties</u></b>				
Subsidiaries	-	-	17,055	24,900
Associates	36,286	36,286	36,286	36,286
Related companies (related by common shareholders)	14,734	14,734	14,734	14,734
Total	51,020	51,020	68,075	75,920
Less: Allowance for doubtful accounts	(51,020)	(51,020)	(68,075)	(75,920)
Net	-	-	-	-
<b><u>Trade and other payables - related parties (Note 21)</u></b>				
Subsidiaries	-	-	7,246	20,166
Associates	26,543	27,116	289	517
Related companies (related by common shareholders)	51,380	64,136	29,394	35,640
Total	77,923	91,252	36,929	56,323

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

As at 31 December 2014 and 2013, the balances of short-term loans to related parties and others and the movements are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements			
	As at 1 January 2014	Increase	Decrease	As at 31 December 2014
<b><u>Short-term loans to related parties and others</u></b>				
Short-term loans to related parties				
Associates				
Nongchang Rubber Co., Ltd.	850	-	-	850
PA Capital Co., Ltd.	2,533	-	-	2,533
Total	3,383	-	-	3,383

(Unit: Thousand Baht)

	Consolidated financial statements			
	As at		As at	
	1 January			31 December
	2014	Increase	Decrease	2014
<b>Related companies</b>				
Narai Bangkok Rubber Co., Ltd.	500	-	(300)	200
Thai Sung Shin New Material Co., Ltd.	2,600	-	-	2,600
Panway of Life Co., Ltd.	990	-	(990)	-
Pan Biotech Co., Ltd.	990	-	(750)	240
Naturalart and Technology Co., Ltd.	4,000	-	(1,000)	3,000
Rattanakorn Engineering Co., Ltd.	-	950	(300)	650
<b>Total</b>	<b>9,080</b>	<b>950</b>	<b>(3,340)</b>	<b>6,690</b>
Total short-term loans to related parties	12,463	950	(3,340)	10,073
Less: Allowance for doubtful accounts	(3,950)	-	300	(3,650)
Total short-term loans to related parties - net	8,513	950	(3,040)	6,423
Short-term loans to others	573	-	(80)	493
Total short-term loans to related parties and others, net	9,086	950	(3,120)	6,916

**Long-term loans to related parties**

As at 31 December 2014 and 2013, the balances of long-term loans to related parties and the movements are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements			
	As at		As at	
	1 January			31 December
	2014	Increase	Decrease	2014
<b><u>Long-term loans to related parties</u></b>				
<b>Associates</b>				
Pan Asia Leather Co., Ltd.	44,760	-	(44,760)	-
PA Capital Co., Ltd.	395,785	-	(5,000)	390,785
P.L. John Industries Co., Ltd.	10,700	-	-	10,700
Pek Engineering Co., Ltd.	9,540	-	-	9,540
<b>Total</b>	<b>460,785</b>	<b>-</b>	<b>(49,760)</b>	<b>411,025</b>

(Unit: Thousand Baht)

	Consolidated financial statements			
	As at			As at
	1 January			31 December
	2014	Increase	Decrease	2014
Related companies				
Rangsit Footwear Co., Ltd.	2,109	-	-	2,109
Pan Tech Machinery Co., Ltd.	2,180	-	(360)	1,820
Rangsit Polymer Co., Ltd.	3,721	-	(3,721)	-
Total	8,010	-	(4,081)	3,929
Total long-term loans to related parties	468,795	-	(53,841)	414,954
Less: Allowance for doubtful accounts	(448,795)	-	33,841	(414,954)
Total long-term loans to related parties, net	20,000	-	(20,000)	-

(Unit: Thousand Baht)

	Separate financial statements			
	As at			As at
	1 January			31 December
	2014	Increase	Decrease	2014
<b><u>Long-term loans to related parties</u></b>				
Subsidiaries				
Modern Technology Component Co., Ltd.	24,400	5,000	(7,000)	22,400
Kabinburi Pan Asia Footwear Co., Ltd.	174,040	-	(22,040)	152,000
Phimai Footwear Co., Ltd.	23,050	-	-	23,050
International Curity Footwear Co., Ltd.	-	1,500	-	1,500
Total	221,490	6,500	(29,040)	198,950
Related company				
Rangsit Footwear Co., Ltd.	2,109	-	-	2,109
Total	2,109	-	-	2,109
Total long-term loans to related parties	223,599	6,500	(29,040)	201,059
Less: Allowance for doubtful accounts	(223,599)	-	24,040	(199,559)
Total long-term loans to related parties, net	-	6,500	(5,000)	1,500



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

As at 31 December 2014 and 2013, the balances of short-term loans from related parties and others and the movements are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		
	As at		As at
	1 January		31 December
	2014	Decrease	2014
<b><u>Short-term loans from related parties and others</u></b>			
Related person			
Mr. Boonyasit Chokwatana	100,000	-	100,000
Total	100,000	-	100,000
Other			
Sajja Aomsap Mutual Fund	721	(721)	-
Total	721	(721)	-
Total short-term loans from related parties and others	100,721	(721)	100,000

(Unit: Thousand Baht)

	Separate financial statements		
	As at		As at
	1 January		31 December
	2014	Decrease	2014
<b><u>Short-term loans from related parties</u></b>			
Subsidiary			
WBLP Co., Ltd.	5,000	(5,000)	-
Total	5,000	(5,000)	-
Related person			
Mr. Boonyasit Chokwatana	100,000	-	100,000
Total	100,000	-	100,000
Total short-term loans from related parties	105,000	(5,000)	100,000

### Directors and management's benefits

During the years ended 31 December 2014 and 2013, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Short-term employee benefits	17,235	9,104	13,210	5,414
Post-employment benefits	92	53	66	42
Total	<u>17,327</u>	<u>9,157</u>	<u>13,276</u>	<u>5,456</u>

### Guarantee obligations with related parties

The Company and its subsidiaries have outstanding guarantee obligations with its related parties as described in Note 30.3 a) to the financial statements.

## 10. Inventories

(Unit: Thousand Baht)

	Consolidated financial statement					
	Cost		Reduce cost to net realisable value		Inventories-net	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Finished goods	86,652	114,034	(45,007)	(71,481)	41,645	42,553
Work in process	26,147	24,915	(12,079)	(11,503)	14,068	13,412
Raw materials	102,042	108,989	(81,863)	(92,064)	20,179	16,925
Raw materials in transit	-	141	-	-	-	141
Supplies	796	-	-	-	796	-
Total	<u>215,637</u>	<u>248,079</u>	<u>(138,949)</u>	<u>(175,048)</u>	<u>76,688</u>	<u>73,031</u>

(Unit: Thousand Baht)

	Separated financial statement					
	Cost		Reduce cost to net realisable value		Inventories-net	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Finished goods	44,156	78,004	(31,152)	(57,676)	13,004	20,328
Raw materials	65,446	75,108	(65,446)	(75,108)	-	-
Total	<u>109,602</u>	<u>153,112</u>	<u>(96,598)</u>	<u>(132,784)</u>	<u>13,004</u>	<u>20,328</u>

During the current year, the Company and its subsidiaries reduced cost of inventories by Baht 1 million (2013: Baht 79 million) (Separate financial statements: Nil (2013: Baht 79 million)), to reflect the net realisable value. This was included in cost of sales. In addition, the Company and its subsidiaries reversed the write-down of cost of inventories by Baht 37 million (2013: Baht 56 million) (Separate financial statements: Baht 36 million (2013: Baht 10 million)), and reduced the amount of inventories recognised as expenses during the year.

## 11. Assets classified as held for sale

Movements in assets classified as held for sale account for the years ended 31 December 2014 and 2013 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements			
	Assets of subsidiaries	Investment properties	Property, plant and equipment	Total
<b>Balance as at 31 December 2012</b>	70,054	227,531	573,872	871,457
Transfer to assets available for use	-	-	(16,746)	(16,746)
Decrease during the year	(19,425)	-	-	(19,425)
Disposals during the year	(26,931)	(131,723)	(557,126)	(715,780)
<b>Balance as at 31 December 2013</b>	23,698	95,808	-	119,506
Transfer to investment properties	-	(95,808)	-	(95,808)
Increase during the year	7,395	-	-	7,395
<b>Balance as at 31 December 2014</b>	<u>31,093</u>	<u>-</u>	<u>-</u>	<u>31,093</u>

(Unit: Thousand Baht)

	Separate financial statements			
	Investments in subsidiaries	Investment properties	Property, plant and equipment	Total
<b>Balance as at 31 December 2012</b>	36,302	685,165	74,245	795,712
Disposals during the year	(8,850)	(589,357)	(74,245)	(672,452)
<b>Balance as at 31 December 2013</b>	27,452	95,808	-	123,260
Transfer to investment properties	-	(95,808)	-	(95,808)
Decrease during the year	(3,400)	-	-	(3,400)
Disposals during the year	(1,084)	-	-	(1,084)
<b>Balance as at 31 December 2014</b>	<u>22,968</u>	<u>-</u>	<u>-</u>	<u>22,968</u>

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

On 8 February 2013, a meeting of the Board of Directors passed a resolution to sell all 5,693 shares of the Company's investment in Hankha Bangkok Rubber Company Limited, a subsidiary in which the Company held 100% of shares, to a related company at Baht 201 per share, or a total of Baht 1.1 million. The Company has classified this investment under assets classified as held for sale in 2012. The sale was completed in July 2014 which the Company has recorded gain on disposal of investment of Baht 1.6 million in consolidated profit or loss

As at 31 December 2013, the Company pledged assets classified as held for sale with net book value amounting to Baht 94 million as collateral against loan from related person.

## 12. Restricted bank deposits

As at 31 December 2014 and 2013, the Company and its subsidiaries had pledged the fixed deposits at financial institutions to secure loans and bank guarantee facilities issued by the banks on behalf of the Company and its subsidiaries.

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

	(Unit: Thousand Baht)	
	Consolidated/Separate financial statements	
	<u>2014</u>	<u>2013</u>
Boutique New City Public Company Limited	124	124
Bangkok Rubber Public Company Limited	758,294	758,294
Total cost	<u>758,418</u>	<u>758,418</u>
Less: Deficit on changes in value of investment	(66)	(92)
Provision for impairment of investments	<u>(758,294)</u>	<u>(758,294)</u>
Investments in available-for-sale securities, net	<u><u>58</u></u>	<u><u>32</u></u>

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

## 14. Investments in subsidiaries

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

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost		Allowance for impairment on investments		Net	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
			(%)	(%)						
Footwear Tech 1530 Co., Ltd.	400,000	400,000	100	100	467,968	467,968	(467,968)	(467,968)	-	-
International Curiry										
Footwear Co., Ltd.	350,000	350,000	100	100	349,999	349,999	(349,999)	(349,999)	-	-
Kabinburi Pan Asia										
Footwear Co., Ltd.	350,000	350,000	100	100	443,523	443,523	(443,523)	(443,523)	-	-
Excellent Rubber Co., Ltd.	370,000	370,000	100	100	385,887	385,887	(385,887)	(385,887)	-	-
Phimai Footwear Co., Ltd.	100,000	100,000	100	100	115,969	115,969	(115,969)	(115,969)	-	-
WBLP Co., Ltd.	30,000	30,000	100	100	43,371	43,371	-	-	43,371	43,371
Pantech R&D Co., Ltd.	150,000	150,000	100	100	149,998	149,998	(149,998)	(149,998)	-	-
Innovation Nakornluang										
Footwear Co., Ltd.	350,150	350,150	96	96	264,290	264,290	(264,290)	(264,290)	-	-
Pontex (Thailand) Co., Ltd.	60,800	60,800	93	93	122,112	122,112	(23,000)	(23,000)	99,112	99,112
<b>Total</b>					<b>2,343,117</b>	<b>2,343,117</b>	<b>(2,200,634)</b>	<b>(2,200,634)</b>	<b>142,483</b>	<b>142,483</b>

## 15. Investments in associates

### 15.1 Details of associates:

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Consolidated financial statements							
			Shareholding percentage		Cost		Carrying amounts based on equity method			
			2014	2013	2014	2013	2014	2013		
			(%)	(%)						
PA Capital Co., Ltd.	Grocery stores and petrol station	Thailand	43.67	43.67	375,157	375,157	-	-	-	-
Nongchang Rubber Co., Ltd.	Ceased operations	Thailand	28.82	28.82	12,000	12,000	-	-	-	-
Uthai Bangkok Rubber Co., Ltd.	Ceased operations	Thailand	28.82	28.82	8,999	8,999	-	-	-	-
Aphakorn Industrial Co., Ltd.	Manufacture and repair of plastic injection molds	Thailand	33.36	33.36	11,672	11,672	12,708	11,614		
Advantage Footwear Co., Ltd.	Manufacture of footwear and footwear parts	Thailand	47.24	47.24	89,415	89,415	34,986	26,583		
P.L. John Industries Co., Ltd.	In the process of liquidation	Thailand	19.25	19.25	7,700	7,700	-	-		
<b>Total</b>					<b>504,943</b>	<b>504,943</b>	<b>47,694</b>	<b>38,197</b>		

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Separate financial statements							
			Shareholding percentage		Cost		Allowance for impairment of investments		Carrying amounts based on cost method - net	
			2014 (%)	2013 (%)	2014	2013	2014	2013	2014	2013
PA Capital Co., Ltd.	Grocery stores and petrol station	Thailand	5.62	5.62	64,559	64,559	(64,559)	(64,559)	-	-
Advantage Footwear Co., Ltd.	Manufacture of footwear and footwear parts	Thailand	32.38	-	17,328	-	-	-	17,328	-
Total					81,887	64,559	(64,559)	(64,559)	17,328	-

In September and October 2014, two subsidiaries have settled a debt of Baht 17.3 million with 1,188,475 shares of the common stock of Advantage Footwear Co., Ltd., which represents 32.38% of the issued and paid-up share capital of that company.

## 15.2 Share of profit

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

(Unit: Thousand Baht)

Company's name	Consolidated financial statements	
	Share of profit from investments in associates during the year	
	2014	2013
Aphakorn Industrial Co., Ltd.	1,094	1,054
Advantage Footwear Co., Ltd.	8,403	5,742
Total	9,497	6,796

## 15.3 Investment in associates with capital deficit

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

Partial of investments in associates at cost of Baht 375 million was investment in PA Capital Co., Ltd. ("the associate"), the Company did not obtain the financial statements for the year ended 31 December 2014 of the associate and subsidiaries of the associate. The latest financial statements of the associate available to the Company were the financial statements as at 31 December 2013, which were audited by its auditor, and only separate financial statements were presented, not consolidated financial statements, even though it has subsidiaries and associates. However, the Company recorded investment in this associate under the equity method as equal to zero.

#### 15.4 Summarised financial information of associates

Financial information of the associates is summarised below.

(Unit: Million Baht)

Company's name	Paid-up capital		Total assets		Total liabilities		Total revenues		Profit (loss)	
	as at		as at		as at		for the years		for the years	
	31 December		31 December		31 December		ended		ended	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
PA Capital Co., Ltd.	*	1,054	*	146	*	588	*	87	*	(227)
Nongchang Rubber Co., Ltd.	40	40	3	3	57	57	1	1	1	1
Uthai Bangkok Rubber Co., Ltd.	30	30	3	4	49	49	1	1	1	1
Aphakorn Industrial Co., Ltd.	22	22	38	43	7	12	30	31	3	3
Advantage Footwear Co., Ltd.	367	367	99	82	28	28	253	253	18	12

\* The Company did not obtain the financial statements of PA Capital Co., Ltd. as discussed in Note 15.3.

P.L. John Industries Co., Ltd. is in the process of liquidation as discussed in Note 15.1.

#### 16. Investments in related parties

Details of investment in related parties are as follows:

(Unit : Thousand Baht)

Company's name	Consolidated financial statements					
	Cost		Allowance for impairment of investments		Net	
	2014	2013	2014	2013	2014	2013
Sahapat Properties Co., Ltd	500	500	-	(500)	500	-
Nutrition House Co., Ltd	13,598	12,500	(8,232)	(12,500)	5,366	-
Thai Takaya Co., Ltd	2,000	2,000	-	-	2,000	2,000
Pan Long John Co., Ltd	1,750	1,750	(1,631)	-	119	1,750
Natural Art and Technology Co., Ltd	1,000	1,000	-	(1,000)	1,000	-
Barnpan Engineering and Holding Co., Ltd	130,000	130,000	(130,000)	(130,000)	-	-
Pancomp International Co., Ltd	2,000	2,000	(2,000)	(2,000)	-	-
Total	150,848	149,750	141,863	146,000	8,985	3,750

(Unit : Thousand Baht)

Company's name	Separate financial statements					
	Cost		Allowance for impairment of investments		Net	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Sahapat Properties Co., Ltd	1,050	-	-	-	1,050	-
Nutrition House Co., Ltd	4,268	-	-	-	4,268	-
Thai Takaya Co., Ltd	2,308	-	-	-	2,308	-
Pan Long John Co., Ltd	119	-	-	-	119	-
Total	<u>7,745</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,745</u>	<u>-</u>

In September 2014, an associate has settled a debt of Baht 1.1 million to a subsidiary with the common stock of a related company.

In December 2014, a subsidiary has settled a debt of Baht 7.7 million with the common stock of four related companies.

## 17. Investment properties

The net book value of investment properties as at 31 December 2014 is presented below.

	(Unit: Thousand Baht)		
	Consolidated/ Separate financial statements		
	Land and land improvement	Building	Total
As at 31 December 2014			
Cost	101,281	9,246	110,527
<u>Less</u> Accumulated depreciation	(145)	(6,049)	(6,194)
<u>Less</u> Provision for impairment	-	(2,851)	(2,851)
Net book value	<u>101,136</u>	<u>346</u>	<u>101,482</u>



A reconciliation of the net book value of investment properties for the years 2014 and 2013 is presented below.

	(Unit: Thousand Baht)	
	Consolidated/ Separate financial statements	
	<u>2014</u>	<u>2013</u>
Net book value at beginning of year	-	-
Transfer from assets classified as held for sale	95,808	-
Additions	5,800	-
Depreciation charged	(126)	-
Net book value at end of year	<u>101,482</u>	<u>-</u>

The fair value of the land and construction thereon as at 31 December 2014 were Baht 152.5 million, which have been determined based on valuations performed by an accredited independent valuer. The fair value has been determined based on market prices.

As at 31 December 2014, the Company has mortgaged investment properties with net book value amounting to Baht 94 million as collateral against loan from related person.

## 18. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements							Total
	Land and land improvement	Buildings and building improvement	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Infrastructure	Assets under installation and under construction	
<b>Cost</b>								
1 January 2013	26,057	91,557	1,533,060	309,562	15,026	8,371	7,062	1,990,695
Additions	-	766	3,323	1,146	4	8	6,213	11,460
Disposals / written off	(1,855)	(10,448)	(480,905)	(108,145)	(5,055)	(14,294)	(2,864)	(623,566)
Transfers in (out)	-	1,382	5,911	1,462	-	-	(8,755)	-
Transfers from (transfers to) assets classified as held for sale	(1,550)	(3,113)	315,912	40,187	282	12,775	-	364,493
Transfers out as a result of disposal of investment classified as held for sale	-	(5,097)	(57,197)	(8,471)	-	(660)	(935)	(72,360)
31 December 2013	22,652	75,047	1,320,104	235,741	10,257	6,200	721	1,670,722
Additions	-	606	1,537	1,311	-	756	4,171	8,381
Disposals / written off	(1,265)	(15,958)	(168,906)	(47,586)	(10)	(1,248)	(65)	(235,038)
Transfers in (out)	-	1,753	-	2,313	-	-	(4,066)	-
31 December 2014	21,387	61,448	1,152,735	191,779	10,247	5,708	761	1,444,065

(Unit: Thousand Baht)

## Consolidated financial statements

	Land and land improvement	Buildings and building improvement	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Infrastructure	Assets under installation and under construction	Total
<b>Accumulated depreciation</b>								
1 January 2013	247	56,706	1,355,983	286,088	12,443	7,790	5	1,719,262
Depreciation for the year	-	2,592	36,452	4,879	307	152	-	44,382
Depreciation of disposals / written off	-	(3,634)	(458,734)	(105,100)	(4,290)	(14,296)	-	(586,054)
Transfers from (transfers out) assets classified as held for sale	-	(1,706)	289,600	36,203	281	12,775	-	337,153
Transfers out as a result of disposal of investment classified as held for sale	-	(2,864)	(50,533)	(7,856)	-	(660)	-	(61,913)
31 December 2013	247	51,094	1,172,768	214,214	8,741	5,761	5	1,452,830
Depreciation for the year	-	2,111	7,657	2,079	99	129	-	12,075
Depreciation of disposals / written off	-	(9,394)	(154,436)	(47,350)	(10)	(1,068)	-	(212,258)
31 December 2014	247	43,811	1,025,989	168,943	8,830	4,822	5	1,252,647

(Unit: Thousand Baht)

## Consolidated financial statements

	Land and land improvement	Buildings and building improvement	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Infrastructure	Assets under installation and under construction	Total
<b>Provision for impairment</b>								
1 January 2013	3,010	5,780	31,354	38	-	-	-	40,182
Increase during the year	-	3,635	90,159	1,422	-	180	65	95,461
Decrease during the year	(3,010)	-	(18,836)	(23)	-	-	-	(21,869)
Transfer from assets classified as held for sale	-	-	10,594	-	-	-	-	10,594
31 December 2013	-	9,415	113,271	1,437	-	180	65	124,368
Increase during the year	-	-	5,385	54	-	-	-	5,439
Decrease during the year	-	(6,563)	(14,158)	(142)	-	(180)	(65)	(21,108)
31 December 2014	-	2,852	104,498	1,349	-	-	-	108,699
<b>Investments classified as held for sale</b>								
31 December 2013	-	3,864	5,055	1,472	-	7	496	10,894
31 December 2014	-	3,864	5,055	1,472	-	7	496	10,894
<b>Net book value</b>								
31 December 2013	22,405	10,674	29,010	18,618	1,516	252	155	82,630
31 December 2014	21,140	10,921	17,193	20,015	1,417	879	260	71,825
<b>Depreciation for the year</b>								
2013 (Baht 22 million included in manufacturing cost, and the balance in selling and administrative expenses)								44,382
2014 (Baht 6 million included in manufacturing cost, and the balance in selling and administrative expenses)								12,075

(Unit: Thousand Baht)

	Separate financial statements							Total
	Land and land improvement	Buildings and building improvement	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Infrastructure	Assets under installation and under construction	
<b>Cost</b>								
1 January 2013	111,004	73,888	497,098	61,336	8,065	1,519	795	753,705
Additions	-	-	2,128	71	-	-	2,392	4,591
Disposals/written off	-	(6,036)	(187,837)	(11,711)	(2,508)	(1,519)	(2,864)	(212,475)
Transfers in (out)	-	-	323	-	-	-	(323)	-
31 December 2013	111,004	67,852	311,712	49,696	5,557	-	-	545,821
Additions	-	606	1,235	534	-	756	4,171	7,302
Disposals/written off	(12,350)	-	(33,301)	(3,431)	-	-	-	(49,082)
Transfers in (out)	-	1,753	-	2,313	-	-	(4,066)	-
31 December 2014	98,654	70,211	279,646	49,112	5,557	756	105	504,041
<b>Accumulated depreciation</b>								
1 January 2013	-	5,210	384,085	57,343	5,909	1,491	-	454,038
Depreciation for the year	-	2,318	16,917	1,621	788	31	-	21,675
Depreciation of disposals/written off	-	(997)	(170,432)	(11,348)	(1,884)	(1,522)	-	(186,183)
31 December 2013	-	6,531	230,570	47,616	4,813	-	-	289,530
Depreciation for the year	-	2,821	2,301	1,087	589	36	-	6,834
Depreciation of disposals/written off	-	-	(28,597)	(3,401)	-	-	-	(31,998)
31 December 2014	-	9,352	204,274	45,302	5,402	36	-	264,366

(Unit: Thousand Baht)

	Separate financial statements							Total
	Land and land improvement	Buildings and building improvement	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Infrastructure	Assets under installation and under construction	
<b>Provision for impairment</b>								
1 January 2013	3,010	-	-	-	-	-	-	3,010
Increase during the year	-	-	71,427	-	-	-	-	71,427
Decrease during the year	(3,010)	-	-	-	-	-	-	(3,010)
31 December 2013	-	-	71,427	-	-	-	-	71,427
Increase during the year	-	-	3,579	-	-	-	-	3,579
Decrease during the year	-	-	(4,370)	-	-	-	-	(4,370)
31 December 2014	-	-	70,636	-	-	-	-	70,636
<b>Net book value</b>								
31 December 2013	111,004	61,321	9,715	2,080	744	-	-	184,864
31 December 2014	98,654	60,859	4,736	3,810	155	720	105	169,039
<b>Depreciation for the year</b>								
2013 (Baht 17 million included in manufacturing cost, and the balance in selling and administrative expenses)								21,675
2014 (Baht 7 million included in manufacturing cost, and the balance in selling and administrative expenses)								6,834

As at 31 December 2014, the subsidiary had machinery, vehicles and equipment with net book value of Baht 3 million (2013: Baht 4 million) which were acquired under finance lease agreements.

As at 31 December 2014, certain items of plant and equipment which were fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation and allowance for impairment loss of those assets amounted to approximately Baht 797 million (2013: Baht 1,037 million) (Separate financial statements: Baht 77 million (2013: Baht 175 million)).

The Company and its subsidiaries have pledged their property, plant and equipment amounting to approximately Baht 21 million (2013: Baht 39 million) as collateral against credit facilities received from financial institutions (Separate financial statements: Baht 145 million (2013: Baht 173 million)).

#### 19. Goodwill

	(Unit: Thousand Baht)	
	Consolidated	
	financial statements	
	<u>2014</u>	<u>2013</u>
Goodwill	12,047	12,047
Less: Provision for impairment of goodwill	<u>(12,047)</u>	<u>(12,047)</u>
Net	<u>-</u>	<u>-</u>

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

		(Unit: Thousand Baht)			
		Consolidated		Separate	
	Interest rate	financial statements		financial statements	
	(% per annum)	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Bank overdrafts	MOR, MLR	15,448	10,984	10,727	4,748
Short-term loans from					
financial institutions	18	124,000	196,000	34,000	106,000
Packing credit	18	<u>13,270</u>	<u>13,270</u>	<u>-</u>	<u>-</u>
Total		<u>152,718</u>	<u>220,254</u>	<u>44,727</u>	<u>110,748</u>

Short-term loans from financial institutions of the Company are secured by the mortgage of land and construction thereon. Bank overdrafts and short-term loans from financial institutions of subsidiaries are secured by the guarantees of the Company, the pledge of fixed deposits and machines, and the mortgage of land and construction thereon of subsidiaries as described in Notes 12 and 18 to the financial statements.

## 21. Trade and other payables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Trade accounts payable - related parties	31,519	38,457	4,307	15,965
Trade accounts payable - unrelated parties	44,827	49,193	898	5,904
Other payables - related parties	6,249	6,316	5,220	6,466
Other payables - unrelated parties	2,353	6,056	1,952	5,437
Accrued expenses - related parties	19,655	25,835	6,902	13,248
Accrued expenses - unrelated parties	117,735	101,008	6,984	8,429
Advance received for share subscription - related parties	20,500	20,644	20,500	20,644
Unearned revenue - unrelated parties	1,166	3,187	35	2,035
<b>Total</b>	<b>244,004</b>	<b>250,696</b>	<b>46,798</b>	<b>78,128</b>

## 22. Long-term loans

(Unit: Thousand Baht)

Loan	Interest rate (% per annum)	Repayment schedule	Consolidated		Separate	
			financial statements		financial statements	
			<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
1	MLR	Monthly installments as from January 2013 - May 2017	-	39,315	-	39,315
2	MLR	Monthly installments as from February 2012 - November 2014	-	458	-	-
3	18.00	Monthly installments as from April 2009 - January 2011	43,405	43,405	-	-
<b>Total</b>			<b>43,405</b>	<b>83,178</b>	<b>-</b>	<b>39,315</b>
Less: Portion due within one year			-	(11,702)	-	(11,244)
Classified as current liability			(43,405)	(43,405)	-	-
<b>Long-term loans, net</b>			<b>-</b>	<b>28,071</b>	<b>-</b>	<b>28,071</b>

As at 31 December 2014, the long-term credit facilities of subsidiary which has not yet been drawn down amounted to Baht 4 million (2013: Baht 2 million).



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

### 23. Provisions

(Unit: Thousand Baht)

	Consolidated financial statements			
	Provisions from guarantee	Provisions from litigation	Provisions for short-term employee benefits	Total
1 January 2013	388,097	10,424	11,163	409,684
Increase during the year	-	31,321	-	31,321
Utilised	(80,000)	-	(11,163)	(91,163)
Reversal of provisions	(307,856)	-	-	(307,856)
31 December 2013	241	41,745	-	41,986
Increase during the year	-	6,484	-	6,484
Reversal of provisions	-	(920)	-	(920)
31 December 2014	241	47,309	-	47,550
<b>2014</b>				
Current	-	17,685	-	17,685
Non-current	241	29,624	-	29,865
	241	47,309	-	47,550
<b>2013</b>				
Current	-	-	-	-
Non-current	241	41,745	-	41,986
	241	41,745	-	41,986

(Unit: Thousand Baht)

	Separate financial statements			
	Provisions from guarantee	Provisions from litigation	Provisions for short-term employee benefits	Total
1 January 2013	561,435	10,424	11,163	583,022
Increase during the year	-	19,200	-	19,200
Utilised	(80,000)	-	(11,163)	(91,163)
Reversal of provisions	(307,856)	-	-	(307,856)
31 December 2013	173,579	29,624	-	203,203
31 December 2014	173,579	29,624	-	203,203
<b>2014</b>				
Current	36,119	-	-	36,119
Non-current	137,460	29,624	-	167,084
	173,579	29,624	-	203,203
<b>2013</b>				
Current	-	-	-	-
Non-current	173,579	29,624	-	203,203
	173,579	29,624	-	203,203

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

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

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

#### 24. Statutory reserve

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

#### 25. Expenses by nature

Significant expenses classified by nature are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Salaries, wages and other employees				
benefit expenses	159,375	445,219	13,562	320,569
Depreciation and amortisation	12,745	41,412	7,503	22,581
Allowance for doubtful accounts (reversal)	1,851	33,969	(48,520)	130,988
Impairment loss on investments (reversal)	(4,137)	94	3,400	26,592
Impairment loss on assets	9,234	73,591	7,374	71,268
Raw materials and consumables used	259,031	760,583	38,335	403,597
Changes in inventories of finished goods				
and work in progress	(26,150)	(148,098)	(33,848)	(80,721)

## 26. Income tax

Income tax expenses for the years ended 31 December 2014 and 2013 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Current income tax:</b>				
Current income tax charge	684	426	-	-
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	1,221	56,486	182	47,095
<b>Income tax expenses reported in the statements of comprehensive income</b>	<u>1,905</u>	<u>56,912</u>	<u>182</u>	<u>47,095</u>

Reconciliation between accounting profit and income tax expenses is shown below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Accounting profit (loss) before tax	35,328	326,095	53,050	(44,816)
Applicable tax rate of the Company	20%	20%	20%	20%
Accounting profit (loss) before tax multiplied by income tax rate	7,066	65,219	10,610	(8,963)
Deferred tax assets for which have not been recognised during the year because future taxable profits may not be sufficient	17,850	35,689	7,199	27,384
Previous year tax losses which were recognised as deferred tax assets during the year	(3,477)	-	-	-
Effects of preparing the consolidated financial statements	(5,970)	(26,797)	-	-
Reversal of unused deferred tax assets	-	47,781	-	46,730
Share of profit from investments in associates	(1,899)	(1,359)	-	-
Effects of:				
Tax exempt revenue	(16,255)	(110,856)	(17,070)	(80,138)
Non-deductible expenses	8,061	48,959	2,674	63,390
Additional expense deductions allowed	(3,471)	(1,308)	(3,231)	(1,308)
Others	-	(416)	-	-
Total	(11,665)	(63,621)	(17,627)	(18,056)
Income tax expenses reported in the statement of comprehensive income	<u>1,905</u>	<u>56,912</u>	<u>182</u>	<u>47,095</u>

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

(Unit: Thousand Baht)

	Statements of financial position as at 31 December			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Deferred tax assets</b>				
Accumulated depreciation - machinery and equipment	98	50	-	-
Provision for long-term employee benefits	367	492	-	-
Unused tax loss	3,916	4,758	-	-
<b>Total</b>	<b>4,381</b>	<b>5,300</b>	<b>-</b>	<b>-</b>
<b>Deferred tax liabilities</b>				
Accumulated depreciation - building	(1,112)	(810)	(547)	(365)
<b>Total</b>	<b>(1,112)</b>	<b>(810)</b>	<b>(547)</b>	<b>(365)</b>

As at 31 December 2014, the Company and its subsidiaries have deductible temporary differences and unused tax losses totaling Baht 2,059 million (2013: Baht 2,152 million) (Separate financial statements: Baht 1,161 million (2013: Baht 1,237 million)). No deferred tax assets have been recognised on these amounts as the Company and its subsidiaries believe future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses.

## 27. Earnings per share

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

## **28. Segment information**

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

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

For the year 2014, the Company and its subsidiaries have revenue from 2 major customers in amount of Baht 193 million (2013: Baht 424 million derived from 4 major customers).

## **29. Provident fund**

The Company, its subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Company, its subsidiaries and their employees contribute to the fund monthly at the rate of 3% of basic salary. The fund, which is managed by Bangkok Bank Public Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2014, the Company and its subsidiaries contributed Baht 1 million (2013: Baht 1 million) (Separate financial statements: Nil (2013: Baht 1 million)) to the fund.

## **30. Commitments and contingent liabilities**

### **30.1 Capital commitments**

As at 31 December 2014, a subsidiary had capital commitments of approximately Baht 4 million relating to acquisition of machinery (2013: Nil).

### **30.2 Operating lease commitments**

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

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

(Unit: Million Baht)

	As at 31 December			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Payable:				
In up to 1 year	13	5	-	1
In over 1 and up to 5 years	1	2	-	-

### 30.3 Guarantees

- a) The Company and its subsidiaries have obligations under its guarantees of loans and credit facilities provided to its related parties by banks and financial institutions totaling Baht 349 million (2013: Baht 349 million) (Separate financial statements: Baht 344 million (2013: Baht 344 million)).
- b) The Company and its subsidiaries have outstanding bank guarantees as follows:

(Unit: Million Baht)

	As at 31 December			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Guarantee electricity use	6	9	1	3
Other guarantees	9	15	-	-

### 30.4 Legal cases

- a) The Company faced a lawsuit from alleged lay-off directors and a demand for Baht 32 million in compensation, but the Company pursued a countersuit. The Court of First Instance has ordered the Company to make payment amounting to Baht 10 million. The case is currently pending in the Appeal Court. The Company then recorded provision for the litigation at the amount ordered by the Court.
- b) The Company was sued by a commercial bank as a result of its guarantee of credit facilities provided to Innovation Nakornluang Footwear Co., Ltd., Modern Technology Component Co., Ltd. and International Curity Footwear Co., Ltd. which defaulted on their repayment of debts amounting to Baht 173 million. As at 31 December 2014, negotiations for a settlement of the case were in progress. The Company has recorded the contingent liability as provisions from guarantee for subsidiaries.

However, on 26 January 2015, the Company and those subsidiaries entered into compromise agreements with the bank in the presence of the court. Under the terms of the agreements, payment is to be made as follows:

Agreement	Parties	Principal payment	Original interest payment	New interest payment
1, 2	Innovation Nakornluang Footwear Co., Ltd. and Pan Asia Footwear Plc.	Full amount of principal of Baht 33 million to be paid on 26 January 2015. The Company and its subsidiary have already paid in full.	The bank agreed to forgive the unpaid interest upon full payment of principal.	-
3, 4	Modern Technology Component Co., Ltd. and Pan Asia Footwear Plc.	Principal of Baht 14 million to be paid in monthly installments from January 2015 - December 2019, totaling 60 installments.	Unpaid interest accrued up to 31 December 2014 is deferred.*	From 1 January 2015 until principal is settled in full, interest is to be paid monthly, at the Prime Rate (6.75%) started January 2015 (the difference between interest charged at a rate of 18% per annum and interest charged at the Prime Rate is to be deferred).*
5	International Curity Footwear Co., Ltd. and Pan Asia Footwear Plc.	Principal of Baht 95 million to be paid in monthly installments from January 2015 - December 2019, totaling 60 installments.	Unpaid interest accrued up to 31 December 2014 is deferred.*	From 1 January 2015 until principal is settled in full, interest is to be paid monthly, at the Prime Rate (6.75%) started January 2015 (the difference between interest charged at a rate of 18% per annum and interest charged at the Prime Rate is to be deferred).*

In addition, the Company and its subsidiaries must comply with certain conditions as stipulated in the agreements. In the event of any breach of the agreements, whether of a condition or an installment, the Company and its subsidiaries will be considered to have defaulted on the whole agreements and all remaining debts are deemed to be due immediately.

\*If the Company and its subsidiaries are able to comply with the requirements stipulated in the agreements, the bank will forgive the accrued interest that is deferred.



- c) In 2010, the Company sued a related company in relation to the hire of work agreement, claiming compensation of Baht 34 million, and that company countersued. The Court of First Instance dismissed the Company's suit and ordered the Company to make payment amounting to Baht 19 million plus interest charged 7.5% per annum to that related company. In addition, in July 2013 the Appeal Court affirmed the decision of the lower court. The case is currently pending in the Supreme Court. However, the Company recorded provision for the litigation amounting to Baht 19 million as ordered by court.

## **31. Financial instruments**

### **31.1 Financial risk management**

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

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

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

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

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

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

(Unit: Million Baht)

## Consolidated financial statements

As at 31 December 2014

	Fixed interest rates		Floating interest rate	Non- interest bearing	Total	Effective interest rate (% per annum)
	Within 1 year	1-5 years				
<b>Financial assets</b>						
Cash and cash equivalents	-	-	72	10	82	0.50
Current investments	105	-	-	-	105	1.05 - 2.00
Trade and other receivables	-	-	-	128	128	-
Short-term loans to related parties and others	7	-	-	-	7	3.00 - 8.63
Restricted bank deposits	-	-	5	-	5	0.50 - 2.25
	<u>112</u>	<u>-</u>	<u>77</u>	<u>138</u>	<u>327</u>	
<b>Financial liabilities</b>						
Bank overdrafts and short-term loans from financial institutions	34	-	119	-	153	MOR, MLR, 18.00
Trade and other payables	-	-	-	244	244	-
Short-term loans from related parties and others	100	-	-	-	100	4.90
Liabilities under finance lease agreements	-	2	-	-	2	10.48
Long-term loans	43	-	-	-	43	18.00
	<u>177</u>	<u>2</u>	<u>119</u>	<u>244</u>	<u>542</u>	

(Unit: Million Baht)

## Consolidated financial statements

As at 31 December 2013

	Fixed interest rates		Floating interest rate	Non- interest bearing	Total	Effective interest rate (% per annum)
	Within 1 year	1-5 years				
<b>Financial assets</b>						
Cash and cash equivalents	-	-	184	11	195	0.50 - 0.63
Current investments	65	-	-	-	65	2.63
Trade and other receivables	-	-	-	116	116	-
Short-term loans to related parties and others	9	-	-	-	9	3.00 - 8.63
Restricted bank deposits	-	-	7	-	7	0.50 - 2.25
Long-term loans to related parties	-	20	-	-	20	7.50
	<u>74</u>	<u>20</u>	<u>191</u>	<u>127</u>	<u>412</u>	

(Unit: Million Baht)

## Consolidated financial statements

As at 31 December 2013

	Fixed interest rates		Floating interest rate	Non- interest bearing	Total	Effective interest rate (% per annum)
	Within 1 year	1-5 years				
<b>Financial liabilities</b>						
Bank overdrafts and short-term loans from financial institutions	103	-	117	-	220	MOR, MLR, 18.00
Trade and other payables	-	-	-	251	251	-
Short-term loans from related parties and others	101	-	-	-	101	4.90 - 6.50
Liabilities under finance lease agreements	-	3	-	-	3	10.48
Long-term loans	43	-	40	-	83	MLR, 18.00
	<u>247</u>	<u>3</u>	<u>157</u>	<u>251</u>	<u>658</u>	

(Unit: Million Baht)

## Separate financial statements

As at 31 December 2014

	Fixed	Floating interest rate	Non- interest bearing	Total	Effective interest rate (% per annum)
	interest rates within 1 year				
<b>Financial assets</b>					
Cash and cash equivalents	-	23	-	23	0.50
Current investments	40	-	-	40	1.05
Trade and other receivables	-	-	11	11	-
Restricted bank deposits	-	1	-	1	0.50
Long-term loans to related parties	2	-	-	2	5.94
	<u>42</u>	<u>24</u>	<u>11</u>	<u>77</u>	
<b>Financial liabilities</b>					
Bank overdrafts and short-term loans from financial institutions	-	45	-	45	MLR, 18.00
Trade and other payables	-	-	47	47	-
Short-term loan from related parties and others	100	-	-	100	4.90
	<u>100</u>	<u>45</u>	<u>47</u>	<u>192</u>	

(Unit: Million Baht)

Separate financial statements					
As at 31 December 2013					
	Fixed interest			Total	Effective interest rate (% per annum)
	rates within 1 year	Floating interest rate	Non- interest bearing		
<b>Financial assets</b>					
Cash and cash equivalents	-	123	1	124	0.50 - 0.63
Trade and other receivables	-	-	39	39	-
Short-term loan to related parties and others	-	2	-	2	0.50
	-	125	40	165	
<b>Financial liabilities</b>					
Bank overdrafts and short-term loans from financial institutions	-	111	-	111	MOR, MOR+1, 18.00
Trade and other payables	-	-	78	78	-
Short-term loan from related parties and others	105	-	-	105	4.90 - 7.50
Long-term loans	-	39	-	39	MLR
	105	150	78	333	

### ***Foreign currency risk***

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

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

Foreign currency	Financial assets as at 31 December		Financial liabilities as at 31 December		Average exchange rate as at 31 December	
	<u>2014</u> (Million)	<u>2013</u> (Million)	<u>2014</u> (Million)	<u>2013</u> (Million)	<u>2014</u> (Baht per 1 foreign currency unit)	<u>2013</u>
USD	0.3	0.4	0.3	0.6	32.9630	32.8136

### **31.2 Fair values of financial instruments**

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

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

### **32. Capital management**

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

### **33. Events after the reporting period**

During January 2558, International Curity Footwear Co., Ltd., a subsidiary, agreed to make partial settlement of debts to the Company with machinery valued at Baht 12 million. The Company has invested in a new company, Exact Q Co., Ltd., to operate a fabric dyeing factory business, with Baht 12 million of shares paid up with the machinery and another Baht 4 million paid in cash.

Exact Q Co., Ltd. was registered with the Ministry of Commerce on 6 February 2015, with a registered share capital of Baht 16 million, divided into 160,000 ordinary shares of Baht 100 each. The Company holds 159,970 shares or 99.98% of the issued and fully paid-up share capital.

### **34. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 27 February 2015.