

**BEAUTY COMMUNITY PUBLIC COMPANY LIMITED**

**AUDITOR'S REPORT AND FINANCIAL STATEMENTS**

**AS AT DECEMBER 31, 2013**

## AUDITOR'S REPORT

To The Shareholders of  
BEAUTY COMMUNITY PUBLIC COMPANY LIMITED

I have audited the accompanying financial statements of BEAUTY COMMUNITY PUBLIC COMPANY LIMITED, which comprise the statement of financial position as at December 31, 2013, and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, including notes of summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with The 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 standards on auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of BEAUTY COMMUNITY PUBLIC COMPANY LIMITED as at December 31, 2013, and its financial performance and cash flows for the year then ended in accordance with The Financial Reporting Standards.

**Emphasis of Matter**

Without qualifying my opinion, I draw your attention to notes 3.1 and 5 to the financial statements as explained involving the impacts on the Company from changes in new accounting policy since Thai accounting standard No.12 "Income Taxes" was applied.

D I A International Audit Co., Ltd.

(Miss Somjintana Polhirunrat)

C.P.A. (Thailand)

Registration No. 5599

February 25, 2014

**BEAUTY COMMUNITY PUBLIC COMPANY LIMITED**

**STATEMENTS OF FINANCIAL POSITION**

**AS AT DECEMBER 31, 2013**

*(Unit: Baht)*

Assets	<i>Note</i>	December 31, 2013	December 31, 2012 (Restated)	January 1, 2012 (Restated)
<b>Current assets</b>				
Cash and cash equivalents	6	192,136,883.93	298,264,197.19	105,236,513.11
Temporary investments	7	500,000,000.00	460,000,000.00	-
Trade and other receivables	8, 19	25,844,476.05	11,763,267.71	6,997,606.45
Inventories	9	<u>175,773,668.59</u>	<u>123,574,042.18</u>	<u>92,645,953.72</u>
<b>Total current assets</b>		<u>893,755,028.57</u>	<u>893,601,507.08</u>	<u>204,880,073.28</u>
<b>Non-current assets</b>				
Property, plant and equipment	10	157,013,575.08	122,111,200.12	94,643,138.90
Leasehold rights	11	11,100,410.71	12,035,852.20	13,261,480.60
Intangible assets	12	10,763,824.62	1,847,966.94	1,357,803.31
Deferred tax assets	5, 13	409,123.99	360,983.15	1,095,882.89
Other non-current assets	14	<u>65,015,928.68</u>	<u>48,928,634.13</u>	<u>38,890,672.65</u>
<b>Total non-current assets</b>		<u>244,302,863.08</u>	<u>185,284,636.54</u>	<u>149,248,978.35</u>
<b>Total assets</b>		<u><u>1,138,057,891.65</u></u>	<u><u>1,078,886,143.62</u></u>	<u><u>354,129,051.63</u></u>

Notes to financial statements are parts of these financial statements.

**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**

**AS AT DECEMBER 31, 2013**

*(Unit: Baht)*

<b>Liabilities and shareholders' equity</b>	<i>Note</i>	<b>December 31, 2013</b>	<b>December 31, 2012</b> (Restated)	<b>January 1, 2012</b> (Restated)
<b>Current liabilities</b>				
Trade and other payables	<i>15, 19</i>	105,207,450.98	68,832,567.88	63,800,108.74
Current portion of financial lease liabilities	<i>16</i>	-	266,129.62	373,500.27
Current portion of long-term loans				
from financial institutions	<i>17</i>	-	1,052,214.69	1,016,724.04
Accrued income tax		<u>25,483,262.52</u>	<u>12,951,319.69</u>	<u>50,317,866.59</u>
<b>Total current liabilities</b>		<u>130,690,713.50</u>	<u>83,102,231.88</u>	<u>115,508,199.64</u>
<b>Non-current liabilities</b>				
Financial lease liabilities	<i>16</i>	-	558,505.27	815,089.86
Long-term loans from financial institutions	<i>17</i>	-	4,919,111.94	6,086,461.39
Loans from directors		-	-	954,073.32
Employee benefit obligations	<i>18</i>	1,599,437.00	1,281,551.00	987,304.00
Other non-current liabilities		<u>2,546,550.00</u>	<u>2,212,754.30</u>	<u>1,616,400.00</u>
<b>Total non-current liabilities</b>		<u>4,145,987.00</u>	<u>8,971,922.51</u>	<u>10,459,328.57</u>
<b>Total liabilities</b>		<u>134,836,700.50</u>	<u>92,074,154.39</u>	<u>125,967,528.21</u>
<b>Shareholders' equity</b>				
Share capital				
Authorized share capital				
300,000,000 common shares of Baht 1 each		<u>300,000,000.00</u>	<u>300,000,000.00</u>	
550,000 common shares of Baht 100 each				<u>55,000,000.00</u>
Issued and paid-up share capital				
300,000,000 common shares of Baht 1 each		300,000,000.00	300,000,000.00	
550,000 common shares of Baht 100 each				55,000,000.00
Premium on share capital		556,439,628.87	556,439,628.87	-
Retained earnings				
Appropriated				
Legal reserve	<i>20</i>	27,858,528.96	10,787,500.00	-
Unappropriated		<u>118,923,033.32</u>	<u>119,584,860.36</u>	<u>173,161,523.42</u>
<b>Total shareholders' equity</b>		<u>1,003,221,191.15</u>	<u>986,811,989.23</u>	<u>228,161,523.42</u>
<b>Total liabilities and shareholders' equity</b>		<u>1,138,057,891.65</u>	<u>1,078,886,143.62</u>	<u>354,129,051.63</u>

Notes to financial statements are parts of these financial statements.

**BEAUTY COMMUNITY PUBLIC COMPANY LIMITED**

**STATEMENTS OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

*(Unit: Baht)*

	<b>2013</b>	<b>2012</b>
		(Restated)
Revenues from sales	976,246,542.32	769,887,779.59
Cost of sales	<u>(287,874,459.53)</u>	<u>(221,161,961.08)</u>
<b>Gross profit</b>	<u>688,372,082.79</u>	<u>548,725,818.51</u>
Other income		
Interest income	21,565,359.95	4,178,036.85
Others	<u>4,850,538.58</u>	<u>3,588,297.61</u>
<b>Total other income</b>	<u>26,415,898.53</u>	<u>7,766,334.46</u>
Selling expenses	(348,199,471.56)	(255,071,421.39)
Administrative expenses	(101,732,336.62)	(82,450,901.06)
Finance costs	<u>(207,397.89)</u>	<u>(456,496.46)</u>
<b>Profit before income tax</b>	264,648,775.25	218,513,334.06
Income tax	<i>13</i> (53,239,573.33)	(45,552,497.12)
<b>Profit for the year</b>	<u>211,409,201.92</u>	<u>172,960,836.94</u>
Other comprehensive income	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>	<u><u>211,409,201.92</u></u>	<u><u>172,960,836.94</u></u>
<b>Basic earnings per share</b>		
Earnings per share	0.70	1.35
Number of weighted average common shares (share)	300,000,000	128,565,574

Notes to financial statements are parts of these financial statements.

**BEAUTY COMMUNITY PUBLIC COMPANY LIMITED**  
**STATEMENTS OF CHANGES IN SHREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

*(Unit: Baht)*

	<i>Note</i>	Issued and paid-up share capital	Premium on share capital	Retained earnings		Total shareholders' equity
				Appropriated Legal reserve	Unappropriated	
<b>Balance as at December 31, 2011 (as previously reported)</b>		55,000,000.00	-	-	172,065,640.53	227,065,640.53
Cumulative effect of changes in accounting policy	5	-	-	-	1,095,882.89	1,095,882.89
<b>Balance as at December 31, 2011 (after restated)</b>		55,000,000.00	-	-	173,161,523.42	228,161,523.42
Increase - ordinary shares		245,000,000.00	556,439,628.87	-	-	801,439,628.87
Total comprehensive income for the year (restated)		-	-	-	172,960,836.94	172,960,836.94
Legal reserve	20	-	-	10,787,500.00	(10,787,500.00)	-
Dividend paid		-	-	-	(215,750,000.00)	(215,750,000.00)
<b>Balance as at December 31, 2012</b>		<u>300,000,000.00</u>	<u>556,439,628.87</u>	<u>10,787,500.00</u>	<u>119,584,860.36</u>	<u>986,811,989.23</u>
<b>Balance as at December 31, 2012 (as previously reported)</b>		300,000,000.00	556,439,628.87	10,787,500.00	119,223,877.21	986,451,006.08
Cumulative effect of changes in accounting policy	5	-	-	-	360,983.15	360,983.15
<b>Balance as at December 31, 2012 (after restated)</b>		300,000,000.00	556,439,628.87	10,787,500.00	119,584,860.36	986,811,989.23
Total comprehensive income for the year		-	-	-	211,409,201.92	211,409,201.92
Legal reserve	20	-	-	17,071,028.96	(17,071,028.96)	-
Dividend paid	21	-	-	-	(195,000,000.00)	(195,000,000.00)
<b>Balance as at December 31, 2013</b>		<u>300,000,000.00</u>	<u>556,439,628.87</u>	<u>27,858,528.96</u>	<u>118,923,033.32</u>	<u>1,003,221,191.15</u>

Notes to financial statements are parts of these financial statements.

**BEAUTY COMMUNITY PUBLIC COMPANY LIMITED**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

*(Unit: Baht)*

	<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities</b>		
Profit before income tax	264,648,775.25	218,513,334.06
Adjustment profit before income tax to cash receipt (disbursement)		
from operating activities		
Depreciation and amortization	32,160,800.03	22,667,566.17
Doubtful accounts	246,000.00	-
Loss (reversal) on devaluation of inventories	(48,900.81)	(3,489,463.27)
Gain on sales of assets	(204,927.13)	(104,998.00)
Loss on write off of assets	1,497,460.17	404,754.33
Employee benefit expenses	317,886.00	294,247.00
Interest expenses	207,397.89	456,496.46
Profit from operation before changes of		
operating assets and liabilities	298,824,491.40	238,741,936.75
(Increase) Decrease in changes of operating assets		
Trade and other receivables	(14,327,208.34)	(4,765,661.26)
Inventories	(52,150,725.60)	(27,438,625.19)
Other non-current assets	(16,087,294.55)	(10,037,961.48)
(Increase) Decrease in changes of operating assets	(82,565,228.49)	(42,242,247.93)
Increase (Decrease) in changes of operating liabilities		
Trade and other payables	16,524,181.67	(8,386,440.57)
Other non-current liabilities	333,795.70	596,354.30
Increase (Decrease) in changes of operating liabilities	16,857,977.37	(7,790,086.27)
Cash generated (paid) from operation	233,117,240.28	188,709,602.55
Interest paid	(207,397.89)	(456,496.46)
Income tax paid	(40,755,771.34)	(82,184,144.28)
<b>Net cash provided by (used in) operating activities</b>	<b>192,154,071.05</b>	<b>106,068,961.81</b>

Notes to financial statements are parts of these financial statements.



**BEAUTY COMMUNITY PUBLIC COMPANY LIMITED**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

*(Unit: Baht)*

	<b>2013</b>	<b>2012</b>
<b>Cash flows from investing activities</b>		
(Increase) Decrease in changes of temporary investments	(40,000,000.00)	(460,000,000.00)
Building and equipment acquisition	(47,916,425.78)	(35,384,780.32)
Proceeds from sales of equipment	1,272,442.99	105,000.00
Leasehold rights acquisition	(300,000.00)	-
Intangible assets acquisition	(9,541,440.00)	(1,001,238.92)
<b>Net cash provided by (used in) investing activities</b>	<u>(96,485,422.79)</u>	<u>(496,281,019.24)</u>
<b>Cash flows from financing activities</b>		
Payments for financial lease liabilities	(824,634.89)	(363,955.24)
Repayments for long-term loans from financial institutions	(5,971,326.63)	(1,131,858.80)
Decrease in loans from directors	-	(954,073.32)
Proceeds from share capital increase	-	822,500,000.00
Payments for cost of sale share capital	-	(21,060,371.13)
Dividend paid	(195,000,000.00)	(215,750,000.00)
<b>Net cash provided by (used in) financing activities</b>	<u>(201,795,961.52)</u>	<u>583,239,741.51</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(106,127,313.26)	193,027,684.08
Cash and cash equivalents as at the beginning of year	<u>298,264,197.19</u>	<u>105,236,513.11</u>
<b>Cash and cash equivalents as at the end of year</b>	<u><u>192,136,883.93</u></u>	<u><u>298,264,197.19</u></u>

Notes to financial statements are parts of these financial statements.

**BEAUTY COMMUNITY PUBLIC COMPANY LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**1. GENERAL INFORMATION**

Beauty Community Public Company Limited (“the Company”), the Company registered as a listed company in The Stock Exchange of Thailand on December 12, 2012. The registered address is located at 10/915, Soi Nuanchan 34, Nuanchan, Bungkum, Bangkok

The principle business of the Company is to retail of cosmetics.

**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements have been prepared in conformity with the financial reporting standards, enunciated under the Accounting Professions Act B.E. 2547 and presented in accordance with the notification of Department of Business Development, the Ministry of Commerce dated September 28, 2011 regarding the condensed form should be included in the financial statements B.E. 2554 and the regulation of the Securities and Exchange Commission regarding the preparation and presentation of the financial reporting under the Securities and Exchange Act B.E. 2535.

The financial statements have been prepared under the historical cost convention, except as transaction disclosed in related accounting policy.

**3. NEW ACCOUNTING STANDARDS ISSUANCE**

**3.1 Accounting standards adoption during the period**

The Federation of Accounting Professions issued accounting standards, financial reporting standards, standing interpretations and accounting guidance which is expected to be effective for the financial statements beginning on or after January 1, 2013 as follows:

*Contents*

Accounting Standards

TAS 12

TAS 20 (Revised 2009)

TAS 21 (Revised 2009)

Income Taxes

Accounting for Government Grants and Disclosure of  
Government Assistance

The Effects of Changes in Foreign Exchange Rate

*Contents*

Financial Reporting Standards

TFRS 8	Operating Segments
Standing Interpretations	
TSIC 10	Government Assistance-No Specific Relation to Operating Activities
TSIC 21	Income Taxes-Recovery of Revalued Non-depreciable Assets
TSIC 25	Income Taxes-Changes in the Tax Status of an Enterprises or its Shareholders
Accounting Guidance	Transfers of Financial Assets

Those accounting standards, financial reporting standards, standing interpretations and accounting guidance will have no significantly impacts on these financial statements except for TAS 12 "Income Taxes" and disclosed in notes 5 to financial statements

**3.2 New accounting standards in issue not yet effective**

The issued and revised financial reporting standards which are effective for the financial statements beginning on or after January 1, 2014 onwards and have not been adopted for preparation of these financial statements as follows:

	<i>Contents</i>	<u><i>Effective date</i></u>
Accounting Standard		
TAS 1 (Revised 2012)	Presentation of Financial Statements	January 1, 2014
TAS 7 (Revised 2012)	Statement of Cash Flows	January 1, 2014
TAS 12 (Revised 2012)	Income Taxes	January 1, 2014
TAS 17 (Revised 2012)	Leases	January 1, 2014
TAS 18 (Revised 2012)	Revenue	January 1, 2014
TAS 19 (Revised 2012)	Employee Benefits	January 1, 2014
TAS 21 (Revised 2012)	The Effects of Changes in Foreign Exchange Rate	January 1, 2014
TAS 24 (Revised 2012)	Related Party Disclosures	January 1, 2014
TAS 28 (Revised 2012)	Investments in Associates	January 1, 2014
TAS 31 (Revised 2012)	Interests in Joint Venture	January 1, 2014
TAS 34 (Revised 2012)	Interim Financial Reporting	January 1, 2014
TAS 36 (Revised 2012)	Impairment of Assets	January 1, 2014
TAS 38 (Revised 2012)	Intangible assets	January 1, 2014

	<i>Contents</i>	<u><i>Effective date</i></u>
Financial Reporting Standard		
TFRS 2 (Revised 2012)	Share - Based Payments	January 1, 2014
TFRS 3 (Revised 2012)	Business Combinations	January 1, 2014
TFRS 4	Insurance Contracts	January 1, 2016
TFRS 5 (Revised 2012)	Non-current Asset Held for Sale and Discontinued Operations	January 1, 2014
TFRS 8 (Revised 2012)	Operating Segments	January 1, 2014
Standing Interpretations		
TSIC 15	Operating Leases-Incentives	January 1, 2014
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	January 1, 2014
TSIC 29	Service Concession Arrangements: Disclosures	January 1, 2014
TSIC 32	Intangible Assets-Web Site Costs	January 1, 2014
Financial Reporting Interpretations		
TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	January 1, 2014
TFRIC 4	Determining whether an Arrangement contains a Lease	January 1, 2014
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	January 1, 2014
TFRIC 7	Applying the Restatement Approach under TAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>	January 1, 2014
TFRIC 10	Interim Financial Reporting and Impairment	January 1, 2014
TFRIC 12	Service Concession Arrangements	January 1, 2014
TFRIC 13	Customer Loyalty Programmes	January 1, 2014
TFRIC 17	Distributions of Non-cash Assets to Owners	January 1, 2014
TFRIC 18	Transfers of Assets from Customers	January 1, 2014

The management of the Company is being evaluated the effects of those standards on financial statements in the year in which they are applied.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 4.1 Revenues and Expenses recognition

###### *Revenues from sales*

Revenues from sales of goods are recognized as income whenever the goods, the significant risk and rewards of ownership have been transferred to the buyer.

###### *Other income and expenses*

Other income and expenses are recognized on accrual basis.

##### 4.2 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash at banks, bills of exchange which are due within not exceed three months and without withdrawal restrictions.

##### 4.3 Temporary investments

Temporary investments consist of short-term deposit with financial institution due over three months but not over 1 year and without withdrawal restrictions.

##### 4.4 Trade and other receivables

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

##### 4.5 Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the average basis.

##### 4.6 Property, plant and equipment

Land is stated at cost. Building and equipment are stated at cost less accumulated depreciation and provision for impairment of assets (if any).

Depreciation of building and equipment is calculated by reference to its cost on the straight-line basis over the following estimated useful lives: -

	Number of years
Building and improvement	20, 5
Furniture	5
Office tools and equipment	5
Computer	3
Vehicles	5

Land and construction in progress were not depreciated.

The Company includes the initial estimate of the cost of assets dismantling, removing the item and restoring the site on which it is located, the obligation for which the Company incurs as parts of cost of property, plant and equipment, the depreciation charge has to be determined separately for each significant part of property, plant and equipment with the cost that is significant in relation to the total cost of assets item. In addition, the entity is required to review the useful lives, residual value and depreciation method at least at each financial year-end.

#### **4.7 Intangible assets**

Intangible assets are computer software which is stated at cost less accumulated amortization and provision for impairment of assets (if any).

Amortization is determined by reference to the cost of assets on a straight-line basis over the estimated useful lives for approximate 5 years.

#### **4.8 Leasehold rights**

Leasehold rights are stated at cost less accumulated amortization. Amortization is calculated by reference to cost of leasehold right on a straight-line basis over the lease periods for 10 years.

#### **4.9 Impairment of assets**

The Company has assessed the impairment of assets whenever events or changes indicate that the carrying amount of assets exceeds its recoverable value. The impairment loss will be recognized in statements of comprehensive income. The Company will reverse the impairment loss whenever there is no longer impairment or reduction in impairment.

Recoverable value of asset is the net selling price of the asset under current operations or its utilization values whichever is higher. The impairment will be assessed for each asset item or each asset unit generating cash flow, whichever is practical.

#### **4.10 Related parties**

Enterprise and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company which has a power in planning and operating control.

#### **4.11 Long-term lease**

##### ***Operating Lease***

Lease in which substantially all the risks and rewards of ownership of assets remain with the lessor is accounted for as operating lease. Rentals applicable to such operating leases are charged to the statement of comprehensive income over the lease term.

##### ***Finance leases***

Lease in which substantially all the risks and rewards of ownership other than legal title are transferred to the Company is accounted for as a financial lease. The Company capitalized the equipment at the lower of estimated present value of the underlying lease payments or at the fair value of the equipment at the contractual date. The lease obligation reduced with financial costs will be recorded as long-term liability. Interest is recognized as expenses in the statements of comprehensive income over the period of the lease. The depreciation policy for assets acquired under financial lease agreement is determined on the useful lives or over the period of the lease whichever is lower.

#### **4.12 Transactions in foreign currencies**

The Company records the transactions in foreign currencies converting into Thai Baht by using the exchange rates ruling on the transaction dates. The outstanding balances of accounts in foreign currencies as at the statements of financial position date are converted into Thai Baht by using the exchange rates ruling on the same day.

Gain or loss on exchange is taken into income or expense as incurred.

#### **4.13 Employee benefits and provident fund**

##### **4.13.1. Employee benefits**

The Company provide for post employment benefits, payable to employees under the Thai Labor Law. The present value of employee benefit liabilities recognized in the statements of financial position is estimated on an actuarial basis using Projected Unit Credit Method. The calculation was made by utilizing various assumptions about future events. The Company is responsible for the selection of appropriate assumptions. The assumptions used in determining the net period cost for employee benefits include the discount rate, the rate of salary increment, and employee turnover. Any changes in these assumptions will impact the net periodic cost recorded for employee benefits. On an annual basis, the Company determines the appropriate discount rate, which represents the interest rate that should be used to determine the present value of future cash flows currently expected to be required to settle the employee benefits. In determining the appropriate discount rate, the Company and consider the market yield based on Thai government bonds with currency and term similar to the estimated term of benefit obligation.

The principal actuarial assumptions used were as follows;

Discount rate	At 4.31 % per annum for monthly staff At 4.57% per annum for daily staff
Employee turnover rate	Separate by age of monthly and daily staff
Mortality rate	At 50% of TMO 2008 for monthly staff At 100 % of TMO 2008 for daily staff

#### 4.13.2 Provident fund

The Company establish provident fund under the defined contribution plan. The fund's assets are separated entitles which are administered by the external fund manager. The Company employees made contribution into such provident fund. The Company's contribution payments to the provident fund were recorded as expenses in the statements of comprehensive income in the incurred period.

#### 4.14 Income tax

Income tax expense for the period comprises current and deferred tax. Current and deferred tax is recognized in profit or loss except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized that it is probable that they will not utilize in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they adjust, using tax rates enacted or substantively enacted at the reporting date.



In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### **4.15 Financial instruments**

Financial assets shown in statements of financial position consist of cash and cash equivalents and temporary investments and trade accounts receivable. Financial liabilities shown in statements of financial position consist of short-term loans from financial institutions, trade accounts payable, financial lease liabilities and long-term loans. Accounting policies regarding to recognition and measurement have been disclosed for each related transaction.

#### **4.16 Accounting estimates**

Preparation of financial statements in conformity with financial reporting standards requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

The Company makes estimates and assumptions concerning the future factors. The results of accounting estimates may be differed from the related actual results. The estimates and assumptions that may have a risk of causing an adjustment to the assets in the next financial year related to allowance for doubtful accounts, and provision for impairment of assets at the statements of financial position date. Other estimates are further described in the corresponding disclosures.

#### 4.17 Provisions

The Company recognizes a provision when an entity has a present legal or constructive obligation as a result of a past event. It is probable that an outflow of economic benefits resources will be required to settle the obligation and reliable estimate can be made of the amount of the obligation. If some or all the expenditure is required to settle a provision, it is expected to be reimbursed when it is virtually certain that reimbursement will be received if the Company settles the obligation. The amount recognized should not exceed the amount of the provision.

#### 4.18 Basic earnings per share

Earnings (Loss) per share as presented in the statements of comprehensive income is the basic earnings (loss) per share which is determined by dividing the profit for the year by the number of weighted average common shares issued and paid-up during the periods.

### 5. CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING POLICY FROM NEW ACCOUNTING STANDARDS ADOPTION

Since January 1, 2013, the Company has changed the significant accounting policy as stated in notes 3.1 to financial statements caused by the Company adopted TAS 12 “Income Taxes”. The Company has recorded deferred tax on temporary differences of carrying value of assets and liabilities at the end of the reporting period with tax bases of those assets and liabilities using the tax rates enacted or substantively enacted. The Company recorded deferred tax as an adjustment to the beginning retained earnings of 2013 and made retroactively adjustment the 2012 financial statements by using cumulative effects of such changes in accounting policy.

The amounts of adjustments reflected to the statements of financial position and the statements of comprehensive income are summarized below.

(Unit: Baht)

	<b>Statement of financial position</b>		
	<b>As at January 1, 2012</b>		
	Before adjustment	Adjustment	After adjustment
Deferred tax assets	-	1,095,882.89	1,095,882.89
Unappropriated retained earnings	172,065,640.53	1,095,882.89	173,161,523.42

(Unit: Baht)

**Statement of financial position**

**As at December 31, 2012**

	Before adjustment	Adjustment	After adjustment
Deferred tax assets	-	360,983.15	360,983.15
Unappropriated retained earnings	119,223,877.21	360,983.15	119,584,860.36

**Statement of comprehensive income**

**for the year ended December 31, 2012**

	Before adjustment	Adjustment	After adjustment
Income tax	44,817,597.38	734,899.74	45,552,497.12
Profit for the year	173,695,736.68	(734,899.74)	172,960,836.94
Earning per share (after convertible share)	1.35	-	1.35

**6. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as at December 31, 2013 and 2012 are as follows:

	(Unit: Baht)	
	<b>2013</b>	<b>2012</b>
Cash	4,363,421.12	3,044,785.80
Current accounts	26,650,332.09	17,907,422.33
Savings deposit	160,398,144.22	146,561,520.81
Fixed deposits	-	100,000,000.00
Bills of exchange	-	30,000,000.00
Unbilled for credit card slip	724,986.50	750,468.25
Total	<u>192,136,883.93</u>	<u>298,264,197.19</u>

**7. TEMPORARY INVESTMENTS**

The Company has temporary investment in form of short-term deposits at various local financial institutions as at December 31, 2013 and 2012 are as follows:

	(Unit: Baht)			
	At interest rate per annum			
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Fixed deposits	3.00 -3.38	3.10 - 3.25	500,000,000.00	460,000,000.00

## 8. TRADE AND OTHER RECEIVABLES

Trade and other receivable as at December 31, 2013 and 2012 are as follows:

	<i>(Unit: Baht)</i>	
	<b>2013</b>	<b>2012</b>
<b>Trade accounts receivable</b>		
Related parties	655,887.38	351,673.50
Other parties		
- Franchise receivable	4,069,462.66	2,132,655.71
- Employees receivable	124,226.70	141,491.34
- Other parties receivable	5,192,357.73	543,028.91
Total other parties receivable	<u>9,386,047.09</u>	<u>2,817,175.96</u>
Total trade accounts receivable	<u><u>10,041,934.47</u></u>	<u><u>3,168,849.46</u></u>

	<i>(Unit: Baht)</i>	
	<b>2013</b>	<b>2012</b>
<b>Other receivables</b>		
Prepaid expenses	1,992,277.84	1,472,660.07
Accrued income	8,110,476.71	3,940,056.73
Goods deposit	1,607,384.51	1,234,317.90
Advance payment	697,027.00	253,176.00
Others	3,395,375.52	1,694,207.55
Total other receivables	<u>15,802,541.58</u>	<u>8,594,418.25</u>
Total trade and other receivables	<u><u>25,844,476.05</u></u>	<u><u>11,763,267.71</u></u>

As at December 31, 2013 and 2012 the Company has outstanding trade accounts receivable classified by aging as follows:

	<i>(Unit: Baht)</i>	
	<b>2013</b>	<b>2012</b>
Trade accounts receivable due in term	7,402,909.72	2,970,687.40
Overdue trade accounts receivable		
- Less than 3 months	2,234,463.12	186,415.72
- Over 3 months but less than 1 year	404,561.63	11,746.34
Total trade accounts receivable	<u>10,041,934.47</u>	<u>3,168,849.46</u>

## 9. INVENTORIES

Inventories as at December 31, 2013 and 2012 are as follows:

	<i>(Unit: Baht)</i>	
	<b>2013</b>	<b>2012</b>
Finished goods	127,874,992.12	83,236,928.12
Packaging	35,921,070.91	31,629,635.99
Work in process	10,086,318.77	7,573,321.24
Supplies	2,130,326.92	1,422,097.77
Total	<u>176,012,708.72</u>	<u>123,861,983.12</u>
Allowance for devaluation of inventories	<u>(239,040.13)</u>	<u>(287,940.94)</u>
Net	<u>175,773,668.59</u>	<u>123,574,042.18</u>

## 10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at December 31, 2013 and 2012 consist of:

(Unit: Baht)

	Land	Building and improvement	Furniture	Office tools and equipment	Computer	Vehicles	Construction in progress	Total
<b>Cost:</b>								
As at December 31, 2011	19,240,000.00	28,801,913.79	63,983,467.26	10,541,742.93	6,415,901.39	4,626,369.16	-	133,609,394.53
Acquisition	-	1,246,438.03	33,482,945.75	3,848,543.89	2,961,164.02	5,546,728.98	624,000.00	47,709,820.67
Disposal	-	-	-	-	-	(425,000.00)	-	(425,000.00)
Write off/adjustment	-	42,200.00	(3,175,510.63)	1,060,477.16	(212,437.42)	3,900.00	-	(2,281,370.89)
As at December 31, 2012	19,240,000.00	30,090,551.82	94,290,902.38	15,450,763.98	9,164,627.99	9,751,998.14	624,000.00	178,612,844.31
Acquisition	-	9,000.00	49,932,410.30	3,558,192.35	5,871,823.63	5,925,700.93	2,470,000.00	67,767,127.21
Disposal	-	-	(83,000.00)	-	-	(2,532,000.00)	-	(2,615,000.00)
Write off/adjustment	-	-	(2,111,891.77)	(288,054.57)	(301,179.83)	-	(624,000.00)	(3,325,126.17)
As at December 31, 2013	19,240,000.00	30,099,551.82	142,028,420.91	18,720,901.76	14,735,271.79	13,145,699.07	2,470,000.00	240,439,845.35
<b>Depreciation:</b>								
As at December 31, 2011	-	(6,262,820.54)	(21,684,812.84)	(4,693,200.16)	(3,850,481.41)	(2,474,940.68)	-	(38,966,255.63)
Depreciation	-	(1,575,130.62)	(14,237,403.70)	(2,171,623.43)	(1,875,638.69)	(1,071,066.04)	-	(20,930,862.48)
Disposal	-	-	-	-	-	424,998.00	-	424,998.00
Write off/adjustment	-	(10,592.60)	2,483,566.79	295,905.17	201,711.93	(115.37)	-	2,970,475.92
As at December 31, 2012	-	(7,848,543.76)	(33,438,649.75)	(6,568,918.42)	(5,524,408.17)	(3,121,124.09)	-	(56,501,644.19)
Depreciation	-	(1,699,090.02)	(21,555,644.23)	(2,859,866.22)	(2,421,077.99)	(1,764,097.76)	-	(30,299,776.22)
Disposal	-	-	16,104.04	-	-	1,531,380.10	-	1,547,484.14
Write off/adjustment	-	-	1,318,328.88	229,284.09	280,053.03	-	-	1,827,666.00
As at December 31, 2013	-	(9,547,633.78)	(53,659,861.06)	(9,199,500.55)	(7,665,433.13)	(3,353,841.75)	-	(83,426,270.27)
Net book value:								
As at December 31, 2012	19,240,000.00	22,242,008.06	60,852,252.63	8,881,845.56	3,640,219.82	6,630,874.05	624,000.00	122,111,200.12
As at December 31, 2013	19,240,000.00	20,551,918.04	88,368,559.85	9,521,401.21	7,069,838.66	9,791,857.32	2,470,000.00	157,013,575.08

Depreciation for the year ended December 31, 2013 and 2012 amounted to Baht 30.30 million and Baht 20.93 million respectively.

As at December 31, 2013 and 2012, the Company has fixed assets at cost amount of Baht 17.41 million and Baht 10.67 million respectively which have been fully depreciated but are still in use.

As at December 31, 2012, the Company has vehicles under financial lease at carrying value amount of Baht 1.17 million.

## 11. LEASEHOLD RIGHTS

	<i>(Unit: Baht)</i>	
	<b>2013</b>	<b>2012</b>
<b>Cost:</b>		
Beginning balance as at January 1	20,408,980.80	20,408,980.80
Increase	300,000.00	-
At the end as at December 31	<u>20,708,980.80</u>	<u>20,408,980.80</u>
<b>Accumulated amortization:</b>		
Beginning balance as at January 1	8,373,128.60	7,147,500.20
Amortization	1,235,441.49	1,225,628.40
At the end as at December 31	<u>9,608,570.09</u>	<u>8,373,128.60</u>
<b>Net book value</b>	<u>11,100,410.71</u>	<u>12,035,852.20</u>

Amortization of leasehold right for the year ended December 31, 2013 and 2012 amounted to Baht 1.24 million and Baht 1.23 million respectively.

The Company used leasehold right at carrying as at December 31, 2013 amount of Baht 12.04 million as guarantee against long-term loans from financial institution as stated in note 17.

In the second quarter of 2013, the Company has made the payment of loans in full and redeemed such collateral.

## 12. INTANGIBLE ASSETS

	<i>(Unit: Baht)</i>	
	<b>2013</b>	<b>2012</b>
<b>Computer software</b>		
<b>Cost:</b>		
Beginning balance as at January 1	3,138,394.44	2,137,155.52
Acquisition	510,000.00	1,001,238.92
At the end as at December 31	<u>3,648,394.44</u>	<u>3,138,394.44</u>
<b>Accumulated amortization:</b>		
Beginning balance as at January 1	1,290,427.50	779,352.21
Amortization	625,582.32	511,075.29
At the end as at December 31	<u>1,916,009.82</u>	<u>1,290,427.50</u>
<b>Net book value</b>	1,732,384.62	1,847,966.94
Software under installation	<u>9,031,440.00</u>	<u>-</u>
<b>Total</b>	<u>10,763,824.62</u>	<u>1,847,966.94</u>

Amortization of intangible assets for year ended December 31, 2013 and 2012 amounted to Baht 0.63 million and Baht 0.51 million respectively.

## 13. DEFERRED TAX/ INCOME TAX EXPENSES

	<i>(Unit :Baht)</i>	
	<b>2013</b>	<b>2012</b>
Deferred tax assets		
Allowance for devaluation of inventories	47,808.03	66,226.42
Employee benefit obligations	319,887.40	294,756.73
Provisions	41,428.56	-
<b>Total</b>	<u>409,123.99</u>	<u>360,983.15</u>

Movements of deferred tax assets and liabilities incurred during the year as follows:

	As at	(Expense)	As at	(Expense)	As at
	January	income in	December	income in	December
	1, 2012	statement of	31, 2012	statement of	31, 2013
	<u>1, 2012</u>	<u>income</u>	<u>31, 2012</u>	<u>income</u>	<u>31, 2013</u>
Deferred tax assets					
Allowance for devaluation of good	868,802.97	(802,576.55)	66,226.42	(18,418.39)	47,808.03
Employee benefit obligations	227,079.92	67,676.81	294,756.73	25,130.67	319,887.40
Provisions	-	-	-	41,428.56	41,428.56
<b>Total</b>	<u>1,095,882.89</u>	<u>(734,899.74)</u>	<u>360,983.15</u>	<u>48,140.84</u>	<u>409,123.99</u>



Income tax expenses for the year ended December 31, 2013 and 2012 can be summarized as follows:

	<i>(Unit :Baht)</i>	
	<b>2013</b>	<b>2012</b>
<i>Current tax:</i>		
Income tax for the year	53,287,714.17	44,817,597.38
<i>Deferred tax</i>		
Deferred tax resulted from temporary differences and reversal of temporary differences	(48,140.84)	734,899.74
Income tax expenses presented in statements of comprehensive income	<u>53,239,573.33</u>	<u>45,552,497.12</u>

Reconciliation amount between income tax expenses and multiplication of taxable profits and tax rates used for the year ended December 31, 2013 and 2012 can be presented as follows:

	<i>(Unit :Baht)</i>	
	<b>2013</b>	<b>2012</b>
Accounting profit before income tax	264,648,775.25	218,513,334.06
Income tax rates	20%	23%
Accounting profit before income tax multiply by tax rates	52,929,755.05	50,258,066.83
<i>Taxable effects for :</i>		
Accounting base differ from tax base	-	(5,678,794.32)
Taxable expenses, increase	(104,804.78)	(32,200.00)
Prohibited expenses	414,623.06	1,005,424.61
Total	<u>309,818.28</u>	<u>(4,705,569.71)</u>
Income tax expenses presented in statements of comprehensive income	<u>53,239,573.33</u>	<u>45,552,497.12</u>
Effective income tax rate	20.12%	20.85%

#### 14. OTHER NON-CURRENT ASSETS

Other non-current assets as at December 31, 2013 and 2012 consist of:

	<i>(Unit: Baht)</i>	
	<b>2013</b>	<b>2012</b>
Rental and services deposit	63,391,342.54	47,911,662.17
Others	1,624,586.14	1,016,971.96
Total	<u>65,015,928.68</u>	<u>48,928,634.13</u>

**15. TRADE AND OTHER PAYABLES**

Trade and other payables as at December 31, 2013 and 2012 consist of:

	<i>(Unit: Baht)</i>	
	<b>2013</b>	<b>2012</b>
Trade accounts payable		
-Related parties	922,500.00	980,000.00
-Other parties	52,149,823.96	36,125,258.92
Total trade accounts payable	<u>53,072,323.96</u>	<u>37,105,258.92</u>
Other payables		
Accrued expenses	24,003,743.46	14,924,903.52
Revenue Department payable	6,337,129.71	4,254,544.91
Assets payables	21,209,879.16	12,535,040.35
Others	584,374.69	12,820.18
Total other payables	<u>52,135,127.02</u>	<u>31,727,308.96</u>
Total trade and other payables	<u><u>105,207,450.98</u></u>	<u><u>68,832,567.88</u></u>

**16. FINANCIAL LEASE LIABILITIES**

Long-term financial lease liabilities will be due under financial lease as follows:

	<i>(Unit: Baht)</i>	
	<b>2013</b>	<b>2012</b>
Within 1 year	-	297,527.96
Over 1 year but less than 5 years	-	558,505.27
Total	-	856,033.23
Less: Deferred interest	-	(31,398.34)
Present value of the minimum amount to be paid under financial lease	-	824,634.89
Less: Current portion of liabilities	-	(266,129.62)
Net	<u><u>-</u></u>	<u><u>558,505.27</u></u>

In the second quarter of 2013, the Company has made payment for the remaining financial lease liabilities before maturity.

**17. LONG-TERM LOANS FROM FINANCIAL INSTITUTION**

	<i>(Unit: Baht)</i>	
	<b>2013</b>	<b>2012</b>
Long-term loans from bank	-	5,971,326.63
Less: Current portion of loans	-	(1,052,214.69)
Net	<u>-</u>	<u>4,919,111.94</u>

On July 31, 2009, the Company has obtained loans in Thai Baht currency from local bank for credit amount of Baht 9.46 million (withdrawn in full) in order to settle leasehold right and related other expenses. These loans are charged interest rate at the rate of MLR-1.5% for the first three year and MLR-1% thereafter. The principal and interest is repayable on a monthly basis not less than Baht 0.13 million each, commenced in October 2009 and the loans repayment should be completed in September 2017.

Such loans are guaranteed by assigning leasehold right agreement as stated in note 11 including the benefit from insurance policy of those assets to the lender and the Company's director guarantee.

In the second quarter of 2013, the Company has made payment such loans before maturity and already redeemed the leasehold right collateral.

**18. EMPLOYEE BENEFIT OBLIGATIONS**

Long-term employee benefit obligations are compensation paid to employees when they retired as at December 31, 2013 and 2012 are as follows:

	<i>(Unit: Baht)</i>	
	<b>2013</b>	<b>2012</b>
Employee benefit obligations as at January 1	1,281,551.00	987,304.00
Current costs of services and interest	317,886.00	294,247.00
Benefits paid during the period	<u>-</u>	<u>-</u>
Employee benefit obligations as at December 31	<u>1,599,437.00</u>	<u>1,281,551.00</u>

## 19. TRANSACTION WITH RELATED PERSONS AND PARTIES

The Company had transaction with related persons and parties. These transactions are related in the normal course of business and on the basis of the Company and related persons or parties concerned

Relationship of the Company and related persons and parties can be summarized as follows:

<u>Related persons and persons name</u>	<u>Relationship</u>	<u>Related transactions</u>
<i>1. Persons consist of:-</i>		
Mr.Suwin Kraibhubes	Shareholder and director	Loans form director
Mrs. Tanyapon Kraibhubes	Shareholder and director	Loans form director, guarantee liabilities without remuneration
Mr. Pratya Levan	Shareholder and director (since 20 April 2012)	Sale of goods (franchise), purchase of goods
Mr. Wasan Khocharoen	Director's relative and authorized person from directors of Thanaphumi Body of persons	Sale of goods
<i>2. Body of persons consist of:-</i>		
Thanaphumi Body of persons	Director's relative, shareholder and director (by Mr. Wasan Khocharoen and Mrs. Tanyapon Kraibhubes )	Land rental, land with its construction rental
C&N International Ordinary Partnership	Shareholder and director , and director's relative ( by Mr. Pratya Levan)	Sale of goods (franchise)
Bevita International Co., Ltd.	Director's relative (Mrs. Rukchanok Chiangtong is near relative of Mr. Pratya Levan)	Purchase of goods
V&P Ordinary Partnership	Director's relative (by Mr. Wasan Khocharoen )	Sale of goods (franchise)
S&V Ordinary Partnership	Director's relative (by Mr. Wasan Khocharoen)	Sale of goods (franchise)

(Note: from 1 October 2012, Mr. Wasan Khocharoen is not related person of the Company since there is no any land lease transactions with Thanaphumi Body of persons.)

Related transactions	Pricing policy
Revenues from sales (franchise)	Market price as applicable to other franchises
Other income	As indicated in agreement
Purchase of goods	Market price as applicable to major customers
Land rental	As indicated in agreement
Land with its construction rental	As indicated in agreement equal to appraisal value of independent appraiser

19.1 Transactions between the Company with related persons and parties can be summarized as follow:

	<i>(Unit: Baht)</i>	
	<b>For the years ended December 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Revenues from sales</b>		
C&N International Ordinary Partnership	3,362,719.12	3,755,926.07
V&P Ordinary Partnership	-	2,767,838.21
Mr. Wasan Khocharoen	-	276,072.58
<b>Other income</b>		
C&N International Ordinary Partnership	4,830.00	8,970.00
V&P Ordinary Partnership	-	438,098.37
S&V Ordinary Partnership	-	18,691.59
Mr. Wasan Khocharoen	-	4,379.26
<b>Purchase of goods</b>		
Bevita International Co., Ltd.	5,404,205.62	5,259,346.00
<b>Land with its construction rental</b>		
Thanaphumi Body of persons	-	348,000.00
(since 1 October 2012, rented from Mrs. Tanyapon Kraibhubes )		
Mrs. Tanyapon Kraibhubes	348,000.00	-

19.2 The balance with its related persons and parties as at 31 December 2013 and 2012 are as follow:

	<i>(Unit: Baht)</i>	
	<b>2013</b>	<b>2012</b>
<b>Trade accounts receivable</b>		
C&N International Ordinary Partnership	655,887.38	351,673.50
<b>Trade accounts payable</b>		
Bevita International Co., Ltd.	922,500.00	980,000.00

19.3 Guarantees

As at December 31 2013, Mrs. Tanyapon Kraibhubes, the Company's director got into guarantee without remuneration as follow:-

Guarantee financial lease liabilities (note 16)

Guarantee loans under long-term loans agreement (note 17)

As at December 31, 2013, the above mentioned guarantee is ended since the payment for liabilities is made in full.

19.4 Land lease agreement obligations

The Company has commitment under land lease agreement for warehouse construction in accordance with agreement dated June 11, 2013 for the period of 20 years. The rental is determined equal to the value of the independent appraiser commenced from January 1, 2014. As at December 31, 2013, the Company is liable on payment the remaining rental as follows:

	<i>(Unit: Baht)</i>
Payment within	
1 year	874,800.00
Over 1 year not exceed 5 years	3,499,200.00
Over 5 years	<u>17,467,020.00</u>
Total	<u><u>21,841,020.00</u></u>

## 20. LEGAL RESERVE

By virtue of the Public Companies Act B.E. 2535, the Company is required to set aside a legal reserve at least 5% of annual net profit after deduction with deficit brought forwards (if any) until the reserve reaches an amount of 10% of the authorized share capital. Such legal reserve is not available for dividend distribution

## **21. DIVIDEND PAID**

According to the minutes of shareholders' general meeting for the year 2013 held on April 25, 2013, passed the resolution to pay dividend from the 2012 results of operation for the increment from interim dividend payment to the shareholders for 300 million shares at Baht 0.35 each, totaling Baht 105.00 million. The dividend payment was made on May 22, 2013.

Accordance to the minutes of the Board of directors' meeting No 4/2013 held on August 13, 2013, passed the resolution to pay interim dividend from the results of operation for the six-month periods ended June 30, 2013 to the shareholders whose the name listed in the shareholders register as at August 28, 2013 for 300 million shares at Baht 0.30 each, amounting to Baht 90 million. The dividend payment was made on September 12, 2013.

The Company has paid the above mentioned dividend total amount of Baht 195.00 million.

## **22. DIRECTORS' REMUNERATION AND MANAGEMENT BENEFIT EXPENSES**

### **22.1 Directors' remuneration**

Directors' remuneration is benefit paid to the Company's directors in accordance with the Section 90 of the Public Company Limited Act B.E. 2535 excluded salaries and related benefits to be paid to executive directors.

### **22.2 Management benefit expenses**

Management benefit expenses focus salaries, remunerations and other benefits paid to their directors and management, in accordance with the definitions of the Office of the Securities and Exchange Commission. Management under definition includes a chief executive officer, the next four executive levels immediately below that chief executive officer and all persons in positions comparable to these fourth executive levels and includes the accounting and financial executive officer, the manager level above or persons in position comparable.

### 23. PROVIDENT FUND

The Company and employees have jointed to be a member of provident fund name “THE SIN SATA PORN REGISTERED PROVIDENT FUND” in accordance with the Provident Fund Act B.E. 2530. The Company and employees have to contribute to the fund at the same rate 3-5% of employees’ salaries. The provident fund is managed by BBL Asset Management Co., Ltd. The employees will entitle the accumulation and benefit when they retired according to the provident fund regulation.

The Company has paid the contribution to the fund for the year 2013 amount of Baht 1.99 million.

### 24. EXPENSE ANALYZED BY NATURE

The significant expenses analyzed by nature for the year ended December 31, 2013 and 2012 are as follow:

	<i>(Unit: Baht)</i>	
	<b>2013</b>	<b>2012</b>
Changes in finished goods		
and work in progress	(47,151,061.53)	(32,820,447.10)
Purchase of goods	338,701,379.85	252,119,487.01
Employee benefit expenses	162,569,283.92	116,743,452.97
Management benefit expenses	20,288,657.21	15,773,511.38
Directors’ remuneration	1,071,948.19	1,013,827.00
Depreciation and amortization	32,160,800.03	22,667,566.17
Rental and services	146,536,828.63	107,645,713.00
Advertising and sale promotion expenses	14,629,008.01	17,507,632.37
Reversal of loss on devaluation of		
inventories	(48,900.81)	(3,489,463.27)

### 25. FINANCIAL INFORMATION BY SEGMENT

Opereting segment information is reported corresponding with the internal reports of the Company that are regularly reviewed by the chief operating decision maker in order to make decision about the allocation of resources to the segment and assess its performance.

The Company's operations involve virtually a single in retail of cosmetics business in the geographical segment in Thailand and chanel of distribution for selling goods to franchise and business centre. Besides, the Company has overseas income, and selling to franchise and business centre lower than 10 % of total sale amount so the Company did not present financial information by segent.



## 26. COMMITMENT AND CONTINGENT LIABILITIES

26.1 The Company has obligations under lease of space and services agreements of the Company's branches for the periods from 1 year to 3 years. The Company is liable on payment rental and service under agreement as at December 31, 2013 as follows:

*(Unit: Baht)*

Payment within	
1 year	149,360,294.62
Over 1 year but less than 3 years	<u>126,259,008.27</u>
Total	<u><u>275,619,302.89</u></u>

26.2 The Company is liable on payment building construction plan agreement as at December 31, 2013 amount of Baht 0.13 million.

26.3 The Company is liable on payment for computer software installation as at December 31, 2013 amount of Baht 6.51 million.

26.4 The Company is liable on payment for commitment under lease of car as at December 31, 2013 amount of Baht 4.39 million.

## 27. DISCLOSURE AND PRESENTATION OF FINANCIAL INSTRUMENTS

For off-statement of financial position, the Company has no policy to hold derivative financial instruments for speculation and trading.

### 27.1 Management risk policy

The significant financial instruments of the Company under the definition of TAS 32 "Financial Instruments: Disclosure and Presentation" principally comprise cash and cash equivalents, trade accounts receivable and payable, financial lease liabilities and long-term loans. The Company has a risk in respect of such financial instruments and has management risk policy as follow:

#### *Credit risk*

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

***Interest rate risk***

The Company's exposure to interest rate risk relates primarily to their cash at financial institutions, bank overdrafts, loans, and short-term and long-term borrowings. However, since most of the Company's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate. The interest rate risk is expected to be minimal. Details of interest and maturity of loans have been disclosed in notes 17 to financial statements.

***Exchange rate risk***

The Company exposed to foreign currencies exchange rate risk in the minimum level since the business transactions denominated in Thai Baht currency.

**27.2 Fair value of financial instruments**

Most of the Company's financial assets and liabilities are classified as short-term, and the rates of loan interest are based on the market value. The book value of financial assets and liabilities shown in statements of financial position are close to their fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

**28. CAPITAL MANAGEMENT**

The objective of capital management of the Company is to appropriate properly financial structure and to preserve the ability to continue its operation as a going concern.

As at December 31, 2013 the Company has debt to equity ratio equal to 0.13

## **29. EVENTS AFTER THE REPORTING PERIOD**

According to the minutes of Board of directors' meeting No. 2/2014 held on February 25, 2014, passed the resolution as follows:

1. To propose the approval for dividend payment from the 2013. Be paid to the shareholders of 300 million shares at Baht 0.65 per share, amount of Baht 195 million, for which the interim dividend was paid in 2013 at Baht 0.30 per share, amount of Baht 90 million, the remaining dividend to be paid at Baht 0.35 per share, amount of Baht 105 million to the general shareholder's meeting.
2. To amend land lease agreement (as stated in note 19.4) by making 1 issue of attachment with land lease agreement for the significant matter is to extend the lease period for the next 10 year to be 30 year and determine lease remuneration in accordance with the price of the independent appraiser and amend the ownership of other constructions on leased land from belong to the lessor to the lessee and the lessee has to demolish such constructions when the lease is terminated. The lessor started to charge rental when the construction is completed or not over January 1, 2016.

## **30. FINANCIAL STATEMENTS APPROVAL**

These financial statements were approved and authorized for issue by the Company's Board of directors on February 25, 2014.