

Land and Houses Public Company Limited and its subsidiaries

Notes to consolidated financial statements

For the year ended 31 December 2012

1. General information

Land and Houses Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in property development. The registered office of the Company is at No. 1 South Sathon Road, 37th-38th Floor, Q. House Lumpini Building, Tungmahamek, Sathon, Bangkok.

2. Basis of preparation

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

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

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

2.2 Basis of consolidation

a) The consolidated financial statements include the financial statements of Land and Houses Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”):

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2012 (Percent)	2011 (Percent)
<u>Held by the Company</u>				
Atlantic Real Estate Co., Ltd.	Real estate business	Thailand	99.99	99.99
Pacific Real Estate Co., Ltd.	Real estate business	Thailand	99.99	99.99
Land and Houses North Co., Ltd.	Real estate business	Thailand	99.99	99.99
Land and Houses Northeast Co., Ltd.	Real estate business	Thailand	99.99	99.99
Siam Tanee Property Co., Ltd. and its subsidiary	Real estate business	Thailand	99.99	99.99
L H Real Estate Co., Ltd.	Real estate business	Thailand	99.99	99.99
L H Asset Co., Ltd.	Real estate business	Thailand	99.99	99.99
L H Muang Mai Co., Ltd. and its subsidiaries	Real estate business	Thailand	55.00	55.00
L&H Property Co., Ltd. and its subsidiaries	Real estate for lease business	Thailand	60.00	60.00
Land and Houses U.S.A., Inc.	Real estate for lease business	USA	100.00	-

Company's name	Nature of business	Country of incorporation	Percentage of indirect shareholding	
			2012 (Percent)	2011 (Percent)
<u>Held by subsidiary companies</u>				
Siam Tanee Real Estate Co., Ltd. (99.99 percent held by Siam Tanee Property Co., Ltd.)	Real estate business	Thailand	99.99	99.99
Phuket Future Plan Co., Ltd. (99.99 percent held by L H Muang Mai Co., Ltd.)	Real estate business	Thailand	55.00	55.00
Double Tree Co., Ltd. (99.99 percent held by L H Muang Mai Co., Ltd.)	Real estate business	Thailand	55.00	55.00
L&H Sathon Co., Ltd. (99.99 percent held by L&H Property Co., Ltd.)	Real estate for lease business	Thailand	60.00	60.00
L&H Retail Management Co., Ltd. (99.99 percent held by L&H Property Co., Ltd.)	Project administration	Thailand	60.00	-
L&H Hotel Management Co., Ltd. (99.99 percent held by L&H Property Co., Ltd.)	Project administration	Thailand	60.00	-

- 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) The assets and liabilities in the financial statements of overseas subsidiary company are translated to Baht using the exchange rate prevailing at the end of reporting period, and revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of "Exchange differences on translation of financial statements in foreign currency" in the statements of changes in shareholders' equity.
- e) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.
- f) 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 accounting standards not yet effective**

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

Accounting standards:

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

Financial Reporting Standard:

TFRS 8	Operating Segments
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Accounting Standard Interpretations:

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

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

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognise deferred tax assets and liabilities under the stipulated guidelines. The management of the Company expects the adoption of this accounting standard to have the effect of increasing the Company and its subsidiaries' brought-forward retained earnings and other components of shareholders' equity of the year 2013 by approximately Baht 539 million in total (the Company only: approximately Bath 400 million).

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

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

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

4. Significant accounting policies

4.1 Revenue recognition

(a) Sales of land and houses and sales of residential condominium units

Sales of land and houses and sales of residential condominium units are recognised as revenue when the construction works are completed and the significant risks and rewards of ownership have been transferred to buyer and the ownerships have been transferred to buyers after all payments received from the buyers.

(b) Rendering of rental and services

Rental of area in buildings and related services income are recognised on an accrual basis over the period of contract.

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

Income related to hotel operations is recognised, excluding value added tax, when goods are supplied and services rendered.

(c) Interest income

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

(d) Dividends

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

4.2 Cost of land and houses sold and cost of residential condominium units sold

Cost of land and houses sold and cost of residential condominium unit sold consist of cost of land, land improvement, design fees, public utilities, construction and direct related interest and other related cost.

In determining the cost of land and houses sold and cost of residential condominium units sold, the anticipated total development costs (taking into account actual costs incurred to date) are attributed to land and houses sold and residential condominium units sold on the basis of the salable area.

Selling expenses directly associated with projects, such as specific business tax and transfer fee are recognised when sale incurred.

4.3 Borrowing costs

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

The interest costs are determined by applying a capitalisation rate to the expenditures on that project. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the year.

4.4 Cash and cash equivalents

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

4.5 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.

4.6 Inventories

Land and construction in progress are stated at lower of cost and net realisable value. The details of cost calculation are as follows:

- Land - Cost of land using the weighted average method, calculating it separately for each project.
- Construction in progress - Construction in progress consists of the cost of construction, public utility costs and borrowing cost capitalised to cost of projects. The Company and its subsidiaries record cost of construction and public utilities based on the actual cost incurred.

The Company and its subsidiaries recognise loss on diminution in value of projects (if any) in profit or loss.

4.7 Investments

- a) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in comprehensive income, and will be recorded in profit or loss when the securities are sold.
- b) Investments in debt securities, both due within one year and expected to be held to maturity, are recorded at amortised cost. The premium/discount on debt securities is amortised/accreted by the effective rate method with the amortised/accreted amount presented as an adjustment to the interest income.
- c) Investments in non-marketable equity securities, which the Company classifies as other investments, are valued at cost net of allowance for loss on impairment (if any).
- d) Investment in associates are accounted for in the consolidated financial statements using the equity method.
- e) 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 fair value of debt instruments is determined based on the yield rates quoted by the Thai Bond Market Association.

Loss on impairment (if any) of investments in available-for-sale securities, debt securities expected to be held to maturities and other investments are included in profit or loss.

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

In the event the Company reclassifies investments from one type to another, such investments will be readjusted to their fair value as at the reclassification date. The difference between the carrying amount of the investments and the fair value on the date

of reclassification are recorded in profit or loss or recorded as other components of shareholders' equity, depending on the type of investment that is reclassified.

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

4.8 Land held for development

Land held for development is stated at cost less allowance for loss on diminution in value of projects. It consists of cost of land, land improvement, public utilities cost, project development cost and borrowing cost which occurred during the developed period in the past.

4.9 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 - 33 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.

4.10 Property, plant and equipment/Depreciation

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

Depreciation of clubhouse, pool and tennis court is calculated on the basis of salable area. And depreciation of building and equipment is calculated by reference to their costs on a straight-line basis over the following estimated useful lives:

Building and building improvement	20	years
Office equipment	3 - 10	years
Furniture, fixture and equipment	5	years
Motor vehicles	5	years
Others	5 - 20	years

Depreciation is included in determining income.

No depreciation is provided on land and assets under construction.

The cost of linen, crockery, glass and utensils purchased to meet the normal requirements of the subsidiary's hotel operations have been regarded as a base stock. Subsequent purchases for replacement are expensed when incurred.

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 (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

4.11 Intangible assets

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

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

Amortisation of intangible assets are calculated by reference to their cost on straight-line basis over the following estimated useful lives:

Computer software	5 and 10 years
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The subsidiary amortised the right to the use of the connecting walkway between Bangkok Mass Transit System and Terminal 21 Shopping Mall based on the remaining concession period granted by Bangkok Metropolitan Administration.

4.12 Long-term lease

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

4.13 Leasehold rights

Leasehold rights are stated at cost less accumulated amortisation. The subsidiaries amortise leasehold rights on a straight-line basis over the leasehold period.

The amortisation expense is charged to profit or loss.

4.14 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.

4.15 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.

4.16 Foreign currencies

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

Gains and losses on exchange are included in determining income.

4.17 Impairment of assets

At the end of each reporting period, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment, land held for development, investment properties, leasehold rights, investments and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. The Company and its subsidiaries also carry 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. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company and its subsidiaries could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

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 estimates 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.

4.18 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, 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 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 other comprehensive income.

4.19 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.

4.20 Income tax

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

4.21 Derivatives

Interest rate swap contracts

The net amount of interest to be received from or paid to the counterparty under an interest rate swap contract is recognised as income or expenses on an accrual basis.

Cross currency swap agreement

Payables and receivables arising from cross currency swap agreements are translated into Baht at the rates of exchange ruling at the end of reporting period. Unrecognised gains and losses from the translation are recognised in profit or loss.

5. Significant accounting judgments and estimates

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

Leases

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

Allowance for doubtful accounts

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

Fair value of financial instruments

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercises judgment, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

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 judgment of the management.

Property plant and equipment / Investment properties / Leasehold rights / Depreciation

In determining depreciation of building and equipment and investment properties, the management is required to make estimates of the useful lives and residual values of the Company's and subsidiaries' building and equipment and investment properties 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, investment properties and leasehold rights for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

Goodwill and other intangible assets

The initial recognition and measurement of goodwill and other intangible assets, 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.

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.

Litigations

The Company and its subsidiaries have contingent liabilities as a result of litigations. The management of the Company and its subsidiaries have used judgment to assess of the results of the litigation and provision for the related liabilities has been recorded as at the end of reporting period. However, actual results could differ from the estimates.

Allowance for diminution in value of land, construction in progress and public utilities and land held for development

The Company and its subsidiaries treat land, construction in progress and public utilities and land held for development, as diminution when the management judges that there have been a significant or prolonged decline in the fair value below their cost. The management determines the devaluation of such land, construction in progress and public utilities and land held for development based on net realisable value. The determination of what is “significant” and such devaluation requires the management to exercise judgment.

Project development costs estimation

In calculating cost of land and houses sold and residential condominium units sold, the Company and its subsidiaries have to estimate all project development costs, comprising land and land improvement costs, design and construction costs, public utility costs, borrowing costs and other related costs. The management estimates these costs based on their business experience and revisit the estimations on a periodical basis or when the actual costs incurred significantly vary from the estimated costs.

Provision for after-sale maintenance expense

The Company and its subsidiaries estimate provision for after-sale maintenance expenses based on actual historical maintenance expenses and/or currently available information related to the cost of various types of repairment work.

Provision for public utilities maintenance

In determining provision for public utilities maintenance, the management considered historical data and/or currently available information related to the cost of various types of repairment work.

Provision for compensation for Housing Estate Juristic Persons

The Company and its subsidiaries estimate the provision for compensation for Housing Estate Juristic Persons using the rate specified by the regulator and the budgeted public utilities costs as a basis for the calculation.

Provision for guarantee income of fund

In recording provision for guarantee income of fund, the management estimates the expenses expected to be incurred as a result of providing such guarantee based on the profitability of the fund, and records the provision according to the proportion of guarantee provided.

6. Related party transactions

The relationships between the Company and its related parties are summarised below.

<u>Name of related parties</u>	<u>Relationship</u>
Atlantic Real Estate Co., Ltd.	Subsidiary
Pacific Real Estate Co., Ltd.	Subsidiary
Land and Houses North Co., Ltd.	Subsidiary
Land and Houses Northeast Co., Ltd.	Subsidiary
Siam Tanee Property Co., Ltd.	Subsidiary

Name of related parties	Relationship
Siam Tanee Real Estate Co., Ltd.	Subsidiary (99.99 percent held by Siam Tanee Property Co., Ltd.)
L H Real Estate Co., Ltd.	Subsidiary
L H Asset Co., Ltd.	Subsidiary
L H Muang Mai Co., Ltd.	Subsidiary
Phuket Future Plan Co., Ltd.	Subsidiary (99.99 percent held by L H Muang Mai Co., Ltd.)
Double Tree Co., Ltd.	Subsidiary (99.99 percent held by L H Muang Mai Co., Ltd.)
L&H Property Co., Ltd.	Subsidiary
L&H Sathon Co., Ltd.	Subsidiary (99.99 percent held by L&H Property Co., Ltd.)
L&H Retail Management Co., Ltd.	Subsidiary (99.99 percent held by L&H Property Co., Ltd.)
L&H Hotel Management Co., Ltd.	Subsidiary (99.99 percent held by L&H Property Co., Ltd.)
Land and Houses U.S.A., Inc.	Subsidiary
LH Financial Group Plc.	Associate
Land and Houses Bank Plc.	Associate (99.99 percent held by LH Financial Group Plc.)
Bangkok Chain Hospital Plc.	Associate (The Company sold all investments in this company in March 2011.)
Quality Construction Products Plc.	Associate
Home Product Center Plc.	Associate
Asia Asset Advisory Co., Ltd.	Associate
L&H Management Co., Ltd.	Associate (99.99 percent held by Asia Asset Advisory Co., Ltd.)
Land and Houses Property Fund	Associate
Land and Houses Property and Loan Fund-II	Associate
Quality Houses Plc.	Associate
Q.H. International Co., Ltd.	Associate (99.99 percent held by Quality Houses Plc.)
Quality Houses Leasehold Property Fund	Associate of Quality Houses Plc.

Name of related parties	Relationship
Starmalls, Inc. (formerly known as "Polar Property Holdings Corporation")	Note 11.2.5
Muang Mai Property Co., Ltd.	Shareholder of subsidiary
Reco Resorts Pte Ltd.	Shareholder of subsidiary
Siam Retail Development Co., Ltd.	Common shareholder
Land and Houses Freehold and Leasehold Property Fund	Common shareholder
Trinity Securities Company Limited	Common director

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

(Unit: Million Baht)

	Consolidated		Separate		Transfer pricing policy
	financial statements		financial statements		
	2012	2011	2012	2011	
<u>Transactions with subsidiaries</u>					
(Eliminated from the consolidated financial statements)					
Interest income	-	-	48.8	47.1	MLR - 1.5 and 5 - 7.5% p.a.
Management fee income	-	-	12.5	14.5	Approximate cost
Dividend income	-	-	300.0	407.7	Declared rate
Sales of land	-	-	1.4	2.9	Approximate cost
Cash paid for use of land	-	-	5.2	2.8	Approximate cost
Purchases of land	-	-	0.5	-	Approximate cost
Interest expenses	-	-	4.1	3.1	3.0% p.a.
Rental and service expenses	-	-	1.8	4.2	Market price
<u>Transactions with associates</u>					
Interest income	22.7	13.3	21.5	11.8	Market rate
Dividend income	662.0	432.3	662.0	432.3	Declared rate
Purchases of goods	134.7	109.8	127.9	93.1	Market price
Sale promotion expenses	-	5.9	-	5.9	Market rate
Services expenses	3.4	1.5	-	-	Contract price
Accounting services expenses	1.0	2.0	-	-	Contract price
Project management fee expenses	116.2	76.5	-	-	Contract price
Commission expenses	-	0.5	-	-	Contract price

(Unit: Million Baht)

	Consolidated		Separate		Transfer pricing policy
	financial statements	financial statements	financial statements	financial statements	
	2012	2011	2012	2011	
<u>Transactions with related companies</u>					
Dividend income	31.4	18.4	31.4	18.4	Declared rate
Rental and services expenses	39.3	39.7	39.3	39.7	Baht 500 - 798 per square meter per month
Interest expenses	29.8	29.0	-	-	MLR - 1.5 and 7 - 7.5% p.a.
Commission expenses	11.3	0.6	0.4	-	Contract price/Market price
Project management fee expenses	22.0	8.2	-	-	Contract price
<u>Transactions with directors of subsidiaries</u>					
Interest expenses	2.2	2.2	-	-	7 - 7.50% p.a.

On 28 February 2012, the meeting of the Company's Board of Directors approved to set up Land and Houses Freehold and Leasehold Property Fund whereby the Company is a co-sponsor with Government of Singapore Investment Corporation Pte Ltd. (GIC). The Company and GIC individually hold 15 percent of shareholding in Land and Houses Freehold and Leasehold Property Fund and the remaining of 70 percent are held by the general investors. The new property fund purchased a project of L&H Villa Sathon from L&H Sathon Company Limited, the Company's subsidiary, and purchased Center Point Sukhumvit - Thonglor and Center Point Residence Phrompong from Land and Houses Property and Loan Fund-II, an associated company. In addition, the Company and Reco Plaza Pte Ltd. guaranteed income of such fund whereby they guaranteed between the different amount of Baht 179.88 million for the year 2012 and Baht 243.16 million per year for the year 2013-2015 and the actual net income. The Company and Reco Plaza Pte Ltd. guaranteed at the portion of 52 percent and 48 percent, respectively. However, the guarantee income must not exceed 50 percent of actual net income before income guarantee. During the year 2012, the Company made a payment to guarantee income of the fund amounting to Baht 7.7 million to Land and Houses Freehold and Leasehold Property Fund. As at 31 December 2012, the outstanding provision to guarantee income of the fund is amounting to Baht 72.8 million. The amount are represented as a short-term provision totaling Baht 50.3 million and long-term provision totaling Baht 22.5 million in the statement of financial position.

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

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Short-term bill of exchange and deposit at financial institution (shown under cash and cash equivalents)				
<u>Associate</u>				
Land and Houses Bank Plc.	919.0	661.2	722.4	530.3
Amounts due from and accounts receivables - related parties (Note 8)				
<u>Subsidiaries</u> (Eliminated from the consolidated financial statements)				
L H Asset Co., Ltd.	-	-	1.1	0.1
Atlantic Real Estate Co., Ltd.	-	-	0.8	0.1
	-	-	1.9	0.2
<u>Associates</u>				
Home Product Center Plc.	-	0.1	-	0.1
Quality Houses Plc.	0.2	0.4	-	-
Land and Houses Property and Loan Fund-II	-	2.9	-	-
Land and Houses Bank Plc.	0.1	0.2	-	-
	0.3	3.6	-	0.1
<u>Related company</u>				
Land and Houses Freehold and Leasehold Property Fund	3.5	-	-	-
Total	3.8	3.6	1.9	0.3
Short-term loans to and accrued interest receivables from related parties				
<u>Subsidiaries</u> (Eliminated from the consolidated financial statements)				
Land and Houses Northeast Co., Ltd.	-	-	50.1	-
L H Asset Co., Ltd.	-	-	60.1	-
Siam Tanee Property Co., Ltd.	-	-	-	3.1
Land and Houses North Co., Ltd.	-	-	-	2.0
L H Muang Mai Co., Ltd.	-	-	68.8	65.3
L&H Property Co., Ltd.	-	-	745.5	1,024.5
	-	-	924.5	1,094.9
<u>Associate</u>				
Land and Houses Bank Plc.	0.1	0.3	0.1	-
Total	0.1	0.3	924.6	1,094.9
Deposit to related companies				
<u>Subsidiary</u> (Eliminated from the consolidated financial statements)				
L&H Property Co., Ltd.	-	-	0.4	0.5
<u>Related company</u>				
Quality Houses Leasehold Property Fund	8.6	8.5	8.6	8.5
Total	8.6	8.5	9.0	9.0

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Trade accounts payables - related parties (Note 20)				
<u>Associates</u>				
Quality Construction Products Plc.	9.9	2.4	9.9	2.4
Home Product Center Plc.	0.8	0.7	0.3	0.6
Quality Houses Plc.	16.8	-	-	-
	<u>27.5</u>	<u>3.1</u>	<u>10.2</u>	<u>3.0</u>
<u>Related companies</u>				
Land and Houses Freehold and Leasehold Property Fund	2.4	-	-	-
Siam Retail Development Co., Ltd.	7.6	-	-	-
	<u>10.0</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>37.5</u>	<u>3.1</u>	<u>10.2</u>	<u>3.0</u>
Amounts due to related parties (Note 20)				
<u>Subsidiary</u>				
(Eliminated from consolidated financial statements)				
L&H Property Co., Ltd.	-	-	-	4.2
<u>Associates</u>				
Asia Asset Advisory Co., Ltd.	-	1.6	-	-
Home Product Center Plc.	4.5	1.0	4.6	0.8
Quality Houses Plc.	5.7	16.5	-	-
	<u>10.2</u>	<u>19.1</u>	<u>4.6</u>	<u>0.8</u>
<u>Related company</u>				
Siam Retail Development Co., Ltd.	4.3	3.3	-	-
Total	<u>14.5</u>	<u>22.4</u>	<u>4.6</u>	<u>5.0</u>
Short-term loans from and accrued interest payables to related parties				
<u>Subsidiaries</u>				
(Eliminated from consolidated financial statements)				
Pacific Real Estate Co., Ltd.	-	-	42.6	-
Siam Tanee Property Co., Ltd.	-	-	9.0	-
Land and Houses North Co., Ltd.	-	-	22.1	-
	<u>-</u>	<u>-</u>	<u>73.7</u>	<u>-</u>
<u>Related companies</u>				
Muang Mai Property Co., Ltd.	12.5	11.8	-	-
Reco Resorts Pte Ltd.	496.9	682.9	-	-
Directors of subsidiaries	45.2	43.0	-	-
	<u>554.6</u>	<u>737.7</u>	<u>-</u>	<u>-</u>
Total	<u>554.6</u>	<u>737.7</u>	<u>73.7</u>	<u>-</u>
Provision for guarantee income of fund				
<u>Related company</u>				
Land and Houses Freehold and Leasehold Property Fund	72.8	-	72.8	-

Loans to/loan from related parties are in the form of promissory notes without collateral which are due at call.

During the year 2012, movements of loans to/loan from the Company, subsidiaries and related companies were as follows:

(Unit: Million Baht)

	Consolidated financial statements			
	1 January 2012	Increase	Decrease	31 December 2012
Short-term loans to and accrued interest receivables from related parties				
<u>Associate</u>				
Land and Houses Bank Plc.	0.3	22.7	(22.9)	0.1
Short-term loans from and accrued interest payables to related parties				
<u>Related companies</u>				
Muang Mai Property Co., Ltd.	11.8	0.7	-	12.5
Reco Resorts Pte Ltd.	682.9	29.2	(215.2)	496.9
Directors of subsidiaries	43.0	2.2	-	45.2
Total	737.7	32.1	(215.2)	554.6

(Unit: Million Baht)

	Separate financial statements			
	1 January 2012	Increase	Decrease	31 December 2012
Short-term loans to and accrued interest receivables from related parties				
<u>Subsidiaries</u>				
Land and Houses North East Co., Ltd.	-	150.1	(100.0)	50.1
L H Asset Co., Ltd.	-	153.6	(93.5)	60.1
Siam Tanee Property Co., Ltd.	3.1	-	(3.1)	-
Land and Houses North Co., Ltd.	2.0	2.1	(4.1)	-
L H Muang Mai Co., Ltd.	65.3	3.5	-	68.8
L&H Property Co., Ltd.	1,024.5	43.6	(322.6)	745.5
Atlantic Real Estate Co., Ltd.	-	10.0	(10.0)	-
	1,094.9	362.9	(533.3)	924.5
<u>Associate</u>				
Land and Houses Bank Plc.	-	21.5	(21.4)	0.1
Total	1,094.9	384.4	(554.7)	924.6
Short-term loans from and accrued interest payables to related parties				
<u>Subsidiaries</u>				
Pacific Real Estate Co., Ltd.	-	124.1	(81.5)	42.6
Siam Tanee Property Co., Ltd.	-	14.1	(5.1)	9.0
Land and Houses North Co., Ltd.	-	42.3	(20.2)	22.1
Atlantic Real Estate Co., Ltd.	-	310.1	(310.1)	-
Land and Houses Northeast Co., Ltd.	-	143.5	(143.5)	-
L H Asset Co., Ltd.	-	30.0	(30.0)	-
L H Real Estate Co., Ltd.	-	14.6	(14.6)	-

Total	-	678.7	(605.0)	73.7
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Directors and management's benefits

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

(Unit: Thousand Baht)

	Consolidated and Separate financial statements	
	2012	2011
Short-term employee benefits	90,985	86,399
Post-employment benefits	3,194	3,187
Total	<u>94,179</u>	<u>89,586</u>

Commitments and contingent liabilities of related parties

The Company and its subsidiaries had commitments related to project management, finding lessees, consulting, operating lease and service agreement and agreement to purchase/sale of products with related companies as described in Note 34.

The Company and a subsidiary had outstanding guarantee obligations with its related parties, as described in Note 34.3.

7. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Cash	5,271	4,068	1,798	1,654
Bank deposits	1,028,121	538,121	761,615	434,732
Due cheques not yet deposited	278,704	193,192	268,039	187,049
Bills of exchange	-	464,000	-	260,000
Treasury bills	149,989	-	149,989	-
Total	<u>1,462,085</u>	<u>1,199,381</u>	<u>1,181,441</u>	<u>883,435</u>

As at 31 December 2012, bank deposits, bills of exchange and treasury bills carried interests between 0.625 to 3.00 percent per annum (2011: 0.25 to 3.00 percent per annum).

8. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
<u>Trade receivables - unrelated parties</u>				
Past due				
Less than 3 months	78,743	62,443	-	-
3 - 6 months	10,186	3,120	-	-
6 - 9 months	553	2,326	-	-
9 - 12 months	-	15	-	-
Over 12 months	567	271	-	-
Total	90,049	68,175	-	-
Less: Allowance for doubtful debts	-	(173)	-	-
Total trade receivables - unrelated parties, net	90,049	68,002	-	-
<u>Other receivables</u>				
Amounts due from and accounts receivables - related parties				
receivables - related parties	3,776	3,607	1,876	281
Other	26,421	32,902	25,879	31,696
Other receivables	30,197	36,509	27,755	31,977
Total trade and other receivables - net	120,246	104,511	27,755	31,977

9. Land, construction in progress and utilities (inventories)

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Land	20,514,921	19,776,750	19,591,173	19,322,058
Land improvements	1,296,652	1,238,262	1,234,153	1,205,394
Construction in progress	7,114,711	6,920,441	6,770,099	6,605,696
Interest cost	1,515,468	1,508,162	1,462,351	1,454,601
Public utilities	2,147,214	2,039,953	1,996,344	1,918,519
Deferred development cost	1,091	2,433	500	522
Houses held for sales	60,204	60,042	-	-
Total	32,650,261	31,546,043	31,054,620	30,506,790
Less : Allowance for reduce cost to net realisable value	(113,626)	(74,216)	(78,952)	(37,286)
Inventories - net	32,536,635	31,471,827	30,975,668	30,469,504

During the year 2012, the Company engaged an independent valuer to appraise the fair value of certain projects of land and construction in progress of the Company and its subsidiaries, using the Market Comparison Approach and the Hypothetical development or residual valuation as the basis for determining the valuation of assets. The fair values of the land and construction in progress appraised by the independent appraiser exceeded their net carrying amount of project values.

During the years, the Company and its subsidiaries included borrowing costs in cost of land and construction in progress. These were determined by applying a capitalisation rate which is the weighted average of the financial charges on total borrowings as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Borrowing costs included in cost of land and construction in progress (Million Baht)	695	678	671	669
Capitalisation rate (Percent)	4.0	3.9	4.0	4.1

As at 31 December 2012 and 2011, the Company and its subsidiary have mortgaged land and structures thereon to secure the loans and the overdraft facilities of the Company and its subsidiary, of with net book values as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Net book value of land and structures thereon mortgaged as collateral	9,571	6,345	8,762	5,938

(Unit: Million Baht)

Movements in the allowance for loss on diminution in value of projects during the year ended 31 December 2012 are summarised below.

	Consolidated		Separate	
	financial statements		financial statements	
Balance as at 1 January 2012	74,216		37,286	
Add: Additional set up	54,415		51,898	
Transfer from land held for development	635		635	
Less: Reversal due to sale	(15,640)		(10,867)	
Balance as at 31 December 2012	<u>113,626</u>		<u>78,952</u>	

(Unit: Thousand Baht)

During the current year, the Company and its subsidiary recorded an additional Baht 54 million provision for loss on diminution in value of projects (the Company only: Baht 52 million) for remaining land and houses of old projects based on a comparison between the market value under current conditions and their net book values.

10. Investments in subsidiaries

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

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost		Allowance for impairment		Carrying amount based on cost method - net	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
			(Percent)	(Percent)						
Atlantic Real Estate Co., Ltd.	15,000	15,000	99.99	99.99	14,998	14,998	-	-	14,998	14,998
Pacific Real Estate Co., Ltd.	5,810	5,810	99.99	99.99	5,810	5,810	-	-	5,810	5,810
Land and Houses North Co., Ltd.	13,500	13,500	99.99	99.99	13,500	13,500	-	-	13,500	13,500
Land and Houses Northeast Co., Ltd.	150,000	150,000	99.99	99.99	149,999	149,999	(50,000)	(50,000)	99,999	99,999
Siam Tanee Property Co., Ltd. and its subsidiary	100,000	100,000	99.99	99.99	64,859	64,859	-	-	64,859	64,859
L H Real Estate Co., Ltd.	58,000	58,000	99.99	99.99	25,000	25,000	-	-	25,000	25,000
L H Asset Co., Ltd.	100,000	100,000	99.99	99.99	52,734	52,734	-	-	52,734	52,734
L H Muang Mai Co., Ltd. and its subsidiaries	900,000	900,000	55.00	55.00	495,000	495,000	-	-	495,000	495,000
L&H Property Co., Ltd. and its subsidiaries	2,450,000	2,450,000	60.00	60.00	1,566,000	1,566,000	-	-	1,566,000	1,566,000
Land and Houses U.S.A., Inc.	(a)	-	100.00	-	346,466	-	-	-	346,466	-
					<u>2,734,366</u>	<u>2,387,900</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>2,684,366</u>	<u>2,337,900</u>

(a) As at 31 December 2012, Land and Houses U.S.A., Inc. had paid-up capital amounted to USD 11.3 million.

During the years 2012 and 2011, the Company received dividend income from its subsidiaries as detailed below.

(Unit: Thousand Baht)

Company's name	2012	2011
Atlantic Real Estate Co., Ltd.	299,958	149,979
Pacific Real Estate Co., Ltd.	-	7,756
L H Asset Co., Ltd.	-	249,998
Total	<u>299,958</u>	<u>407,733</u>

10.2 L H Muang Mai Company Limited and its subsidiaries

As at 31 December 2012 and 2011, L H Muang Mai Company Limited pledged the ordinary shares of its subsidiaries, Phuket Future Plan Company Limited and Double Tree Company Limited, as collateral of long-term loans.

10.3 L&H Property Company Limited

L&H Property Company Limited established 2 new subsidiaries as following details:

1. L&H Retail Management Co., Ltd. was established on 30 January 2012 with a registered capital of Baht 100,000 consisting of 10,000 ordinary shares with a par value of Baht 10 each. L&H Property Company Limited holds 99.99 percent of share ownership and paid all subscription already. The new subsidiary operates the retail management business.
2. L&H Hotel Management Co., Ltd. was established on 7 February 2012 with a registered capital of Baht 100,000 consisting of 10,000 ordinary shares with a par value of Baht 10 each. L&H Property Company Limited holds 99.99 percent of share ownership and paid all subscription already. The new subsidiary operates the hotel management business.

10.4 Land and Houses U.S.A., Inc.

On 14 August 2012, the meeting of the Company's Board of Directors passed a resolution to establish a new subsidiary named Land and Houses U.S.A., Inc. to invest in real estate in the United States of America. Subsequently, on 24 August 2012, Land and Houses U.S.A., Inc., is registered in California, the United States of America. The Company owned 100 percent of shareholding in such company with registered share capital of 20 million shares at USD 1 per share, totaling USD 20 million. On 14 September 2012, 31 October 2012 and 11 December 2012, Land and Houses U.S.A., Inc. called up USD 400,000, USD 300,000 and USD 10,600,000, respectively and the Company has already paid in total.

11. Investments in associates

11.1 Details of investments in 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	
			2012	2011	2012	2011	2012	2011
		(Percent)	(Percent)					
LH Financial Group Plc.	Holding company	Thai	35.07	35.43	4,254,008	4,254,008	4,979,970	4,726,443
Quality Construction Products Plc.	Manufacture of construction materials	Thai	21.16	21.16	179,178	179,178	392,166	304,873
Home Product Center Plc.	Trading of construction materials	Thai	30.11	30.07	1,337,231	1,175,060	3,449,762	2,777,661
Asia Asset Advisory Co., Ltd.	Investment advisor	Thai	40.00	40.00	2,000	2,000	4,114	1,387
Land and Houses Property Fund	Real estate business	Thai	49.94	49.94	20,692	20,692	32,402	32,402
Land and Houses Property and Loan Fund-II	Real estate business	Thai	49.99	49.99	785,330	1,512,269	542,334	1,260,648
Quality Houses Plc.	Real estate business	Thai	24.86	24.86	3,252,802	3,252,802	4,703,957	4,126,857
Starmalls, Inc. (formerly known as "Polar Property Holdings	Real estate business	Philippines	-	25.00	-	866,849	-	1,148,654

Corporation")

9,831,241	11,262,858	14,104,705	14,378,925
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(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Separate financial statements					
			Shareholding percentage		Cost		Carrying amounts based on cost method	
			2012 (Percent)	2011 (Percent)	2012	2011	2012	2011
LH Financial Group Plc.	Holding company	Thai	35.07	35.43	4,254,008	4,254,008	4,254,008	4,254,008
Quality Construction Products Plc.	Manufacture of construction materials	Thai	21.16	21.16	179,178	179,178	179,178	179,178
Home Product Center Plc.	Trading of construction materials	Thai	30.11	30.07	1,337,231	1,175,060	1,337,231	1,175,060
Asia Asset Advisory Co., Ltd.	Investment advisor	Thai	40.00	40.00	2,000	2,000	2,000	2,000
Land and Houses Property Fund	Real estate business	Thai	49.94	49.94	20,692	20,692	20,692	20,692
Land and Houses Property and Loan Fund-II	Real estate business	Thai	49.99	49.99	785,330	1,512,269	785,330	1,512,269
Quality Houses Plc.	Real estate business	Thai	24.86	24.86	3,252,802	3,252,802	3,252,802	3,252,802
Starmalls, Inc. (formerly known as "Polar Property Holdings Corporation")	Real estate business	Philippines	-	25.00	-	866,849	-	866,849
					9,831,241	11,262,858	9,831,241	11,262,858

11.2 Significant changes in investments in associates

11.2.1 LH Financial Group Public Company Limited

In May 2011, LH Financial Group Public Company Limited offered 1,443 million new ordinary shares with a par value of Baht 1 each through an Initial Public Offering (IPO), at a price of Baht 1.40 per share. The Company did not acquire additional shares of LH Financial Group Public Company Limited. Consequently, the percentage shareholding of the Company's in the associated company has decreased from 40.95 percent to 35.75 percent. The increase in share capital of such associate resulted in increasing in the investment in associate accounted for under the equity method amounting to Baht 136.1 million, presented as other income in the consolidated statement of income for the year 2011.

During the year 2011, the warrant holders of LH Financial Group Public Company Limited exercised their rights to convert 101 million warrants to 101 million ordinary shares. As a result, the Company's shareholding percentage in that company has changed from 35.75 percent to 35.43 percent.

On 23 April 2012, the Annual General Meeting of the shareholders of LH Financial Group Public Company Limited approved the payment of dividend to its shareholders. This comprised a stock dividend at a rate of 1 dividend share for every 30 existing shares, or equivalent to Baht 0.0333 per share, and a cash dividend of Baht 0.0037 per share. The Company received 136 million stock dividend shares and cash dividend of Baht 15 million in May 2012. The Company included this stock dividend in recalculating

the average cost of investment in such company, using the total shares held after receiving stock dividend during the current year.

In addition, during the year 2012, the warrant holders of LH Financial Group Public Company Limited exercised their rights to convert warrants to 124 million ordinary shares. As a result, the Company's percentage shareholding in that company has changed from 35.43 percent to 35.07 percent.

11.2.2 Home Product Center Public Company Limited

During the year 2012, the Company additionally purchased the ordinary shares of Home Product Center Public Company Limited totaling 12 million shares or Baht 162 million and the warrant holders of Home Product Center Public Company Limited exercised their rights to convert warrants to 32 million ordinary shares. As a result, the Company's shareholding percentage in that company has changed from 30.07 percent to 30.11 percent.

11.2.3 Land and Houses Property and Loan Fund-II

On 1 August 2012, a meeting of the unitholders of Land and Houses Property and Loan Fund-II, passed a resolution approving a reduction in capital proportionate to unitholding, amounting to Baht 2,001 million. The Company received proceeds amounting to Baht 1,001 million, in proportion to its 49.99 percent holding in August 2012. The Company recognised gain on share reduction amounting to Baht 274 million in profit or loss for the year 2012.

11.2.4 Quality Houses Public Company Limited

On 20 April 2012, the Annual General Meeting of the shareholders of Quality Houses Public Company Limited approved the payment of dividend to its shareholders. This comprised a stock dividend at a rate of 1 dividend share for every 12 existing shares, or equivalent to Baht 0.08333 per share, and a cash dividend of Baht 0.00926 per share. The Company received 176 million stock dividend shares and cash dividend of Baht 20 million in May 2012. The Company included this stock dividend in recalculating the average cost of investment in such company, using the total shares held after receiving stock dividend during the current year.

11.2.5 Starmalls, Inc. (formerly known as "Polar Property Holdings Corporation")

In June 2012, Polar Property Holdings Corporation, an associated company, restructured its shareholding and increased the capital to acquire 99 percent of paid up capital in Manuela Corporation, which operates shopping mall development business in Philippines. Then, Polar Property Holdings Corporation changed its name to Starmalls, Inc. From the shareholding restructure, the Company's existing shareholding of 1,223 million shares or 25 percent of its paid up share capital was reduced to 808 million shares or 9.6 percent of paid up share capital of Starmalls, Inc. The Company reclassified such investments from investments in associated company to available-for-sale investments and presented them under other long-term investments. According to TAS 105 "Accounting for Investments in Debt and Equity Securities", the difference of carrying amount and fair value at transfer date shall be recognised in shareholders' equity. The Company recognised gain on reclassification of investment from investments in associated company to available-for-sale investments amounting to Baht 1,228 million in the shareholders' equity of the consolidated financial statements (Separate financial statements: Baht 1,502 million) as other surplus which is a part of other components of shareholders' equity in statement of financial position.

11.2.6 Bangkok Chain Hospital Public Company Limited

In March 2011, the Company sold all investments in Bangkok Chain Hospital Public Company Limited totaling 416.6 million shares at a price of Baht 8.5 each. The Company received net consideration from selling such investments totaling Baht 3,501 million. As a result, the Company had gain on sale of the investment as follows:

(Unit: Thousand Baht)

	For the year ended 31 December 2011	
	Consolidated financial statements	Separate financial statements
Gain on sale of investments	2,765,536*	2,912,261

* Including a Baht 144 million from the transfer of share premium of associate to profit due to disposals of investments.

During the year 2011, the Company determined share of profit from this associate from the beginning of the year until the disposal date of this investment amounting to Baht 30 million.

11.3 Share of profit (loss) and dividend received

During the years, the Company recognised its share of profit (loss) from investments in associate companies in the consolidated financial statements and dividend income from associated companies in the separate financial statements as follows:

Company's name	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	Share of profit (loss) from investments in associates during the year		Dividend received during the year	
	2012	2011	2012	2011
LH Financial Group Plc.	234,290	192,329	15,041	-
Bangkok Chain Hospital Plc.	-	29,886	-	-
Quality Construction Products Plc.	94,200	28,035	6,770	4,231
Home Product Center Plc.	807,082	605,421	304,292	49,816
Asia Asset Advisory Co., Ltd.	3,512	(77)	-	-
Land and Houses Property Fund*	-	-	-	-
Land and Houses Property and Loan Fund-II	524,622	39,108	316,335	125,326
Quality Houses Plc.	593,110	212,064	19,516	252,905
Starmalls, Inc. (formerly known as "Polar Property Holdings Corporation")	25,344	49,371	-	-
Total	2,282,160	1,156,137	661,954	432,278

*Registered its termination on 11 December 2007.

11.4 Fair values of investments in listed associates

In respect of investments in associated companies that are listed companies on the Stock Exchange, their fair values as at 31 December 2012 and 2011 are as follows:

(Unit: Million Baht)

Company's name	Country of listing	Fair values	
		2012	2011
LH Financial Group Plc.	Thai	5,713	5,650
Quality Construction Products Plc.	Thai	1,244	504
Home Product Center Plc.	Thai	26,715	19,303
Quality Houses Plc.	Thai	4,886	3,140
Starmalls, Inc. (formerly known as "Polar Property Holdings Corporation")	Philippines	-	2,034

Total

38,558

30,631

11.5 Summarised financial information of associates

- a) Financial information (after adjust the impact of using the different accounting policies) of the domestic associated companies is summaries below:

(Unit: Million Baht)

Company's name	Paid-up capital		Total assets		Total liabilities		Total revenues for the		Profit for the	
	as at 31 December		as at 31 December		as at 31 December		year ended		year ended	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
LH Financial Group Plc.	11,979	11,472	122,369	81,189	108,194	67,877	5,252	3,545	681	537
Quality Construction Products Plc.	400	400	2,197	1,794	344	353	2,176	1,553	445	133
Home Product Center Plc.	7,041	5,837	25,801	20,650	15,941	12,529	36,969	30,502	2,679	2,005
Asia Asset Advisory Co., Ltd.	5	5	38	37	27	34	86	86	9	-
Land and Houses Property and Loan Fund-II	1,569	3,021	1,092	2,557	7	35	143	238	1,197	78
Quality Houses Plc.	9,184	8,477	41,584	37,991	26,076	24,823	14,409	10,671	2,405	853

- b) Financial information of an overseas associated company is summarised below:

(Unit: Million Peso)

Company's name	Paid-up capital		Total assets		Total liabilities		Total revenues for the		Profit for the	
	as at 30 September		as at 30 September		as at 30 September		nine-month period		nine-month period	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Starmalls, Inc. (formerly known as "Polar Property Holdings Corporation")	-	4,892	-	6,339	-	135	-	216	-	204

- 11.6 The Company's consolidated financial statements for the years ended 31 December 2012 and 2011 included investments in the following associates accounted for under the equity method, and share of profit (loss) from investments in associates under the equity method, determined based on financial statements of those companies which have been audited or not been audited as follows.

(Unit: Thousand Baht)

	Consolidated financial statements			
	Investments under the equity method as at 31 December		Share of profit (loss) from investments under the equity method for the year ended 31 December	
	2012	2011	2012	2011
Audited by auditor and another auditor of the same firm				
LH Financial Group Plc.	4,979,970	4,726,443	234,290	192,329
Home Product Center Plc.	3,449,762	2,777,661	807,082	605,421
Asia Asset Advisory Co., Ltd.	4,114	1,387	3,512	(77)
Land and Houses Property Fund ⁽¹⁾	32,402	32,402	-	-

Land and Houses Property and Loan Fund-II	542,334	1,260,648	524,622	39,108
Quality Houses Plc.	4,703,957	4,126,857	593,110	212,064

(Unit: Thousand Baht)

	Consolidated financial statements			
	Investments under the equity method as at 31 December		Share of profit (loss) from investments under the equity method for the year ended 31 December	
	2012	2011	2012	2011
Audited by other auditors				
Bangkok Chain Hospital Plc.	-	-	-	29,886
Quality Construction Products Plc.	392,166	304,873	94,200	28,035
Unaudited by auditor				
Starmalls, Inc. (formerly known as "Polar Property Holdings Corporation")	-	1,148,654 ⁽²⁾	25,344	49,371 ⁽²⁾

⁽¹⁾ Registered its termination on 11 December 2007

⁽²⁾ Determined based on the financial statements for the nine-month period ended 30 September 2011 prepared by the management

During the year 2011, the Company did not receive the financial statements of Starmalls, Inc. for the year ended 31 December 2011. The value of investment of this associate accounted for under the equity method in the consolidated financial statements as at 31 December 2011, amounting to Baht 1,149 million and share of profit from this associate accounted for under the equity method in the consolidated financial statements for the year then ended Baht 49 million were determined based on the financial statements for the nine-month period ended 30 September 2011 provided by that company's management, which were not reviewed by its auditor. In addition, the Company did not adjust for the possible effect of application of different accounting policies.

During the year 2012, the Company received the audited financial statements for the year ended 31 December 2011 of Starmalls, Inc. whose auditor expressed an unqualified opinion on those statements. In addition, the Company received financial statements for the three-month period ended 31 March 2012 of Starmalls, Inc. which were prepared by the management of such company. The Company used such financial statements for the three-month period ended 31 March 2012 to calculate share of profit under the equity method from the beginning of the year until Starmalls, Inc.'s the shareholding restructure date. Certain accounting policies of Starmalls, Inc. differ from those of the Company's group. However, the management of the Company believes that the effect of the difference of accounting period and differences in accounting policies will not have a material impact on the consolidated financial statements of the Company.

12. Other long-term investments

12.1 Details of other long-term investments

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Available-for-sale securities				
Equity securities - Domestic (Note 12.3)	783,568	288,568	783,568	288,568
Equity securities - Overseas (Note 11.2.5)	2,368,704	-	2,368,704	-
Less: Changes in fair value of securities	(156,740)	(45,801)	(156,740)	(45,801)
Available-for-sale securities - net	2,995,532	242,767	2,995,532	242,767
Other investments				
Equity securities - Domestic	250,089	250,267	26,000	26,000
Less: Allowance for impairment	(37,064)	(37,064)	(16,000)	(16,000)
Other investments - net	213,025	213,203	10,000	10,000
Total	3,208,557	455,970	3,005,532	252,767

12.2 In December 2011, the Company sold investments in ordinary shares and preferred shares of 5 companies incorporated in Indonesia. The Company received net consideration from selling this investments totaling Baht 347 million. As a result, the Company had loss on sale of investments amounting to Baht 275 million in the year 2011.

12.3 During the year 2012, the Company invested in Land and Houses Freehold and Leasehold Property Fund totaling Baht 495 million as described in Note 6.

13. Land held for development

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Land held for development	4,957,913	5,257,608	3,755,806	4,050,734
Less: Allowance for loss on diminution in value	(792,850)	(774,022)	(691,869)	(692,504)
Land held for development - net	4,165,063	4,483,586	3,063,937	3,358,230

During the year 2012, the Company engaged an independent valuer to appraise the fair value of certain plots of land held for development of the Company and its subsidiaries, using the Market Comparison Approach as the basis of determining the valuation of assets. The fair values of land held for development appraised by the independent appraiser exceeded their net carrying amount.

As at 31 December 2012 and 2011, the Company and its subsidiaries have mortgaged land held for development to secure long-term loans with net book value as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Net book value of mortgaged land held for development to secure loans	2,116	945	1,171	-

During the year 2012, the Company transferred land held for development with net book value of Baht 303 million to inventories and received inventory with net book value of Baht 3 million to land held for development.

Movements in the allowance for loss on diminution in value of land held for development during the year ended 31 December 2012 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial	Separate
	statements	financial statements
Balance as at 1 January 2012	774,022	692,504
Add: Additional set up	26,783	-
Less: Transfer to inventories	(635)	(635)
Less: Reversal due to sales	(7,320)	-
Balance as at 31 December 2012	792,850	691,869

During the current year, the subsidiary recorded an additional Baht 27 million provision for loss on diminution in the value of land held for development based on a comparison between the market value under current conditions and their net book value conducted by management.

14. Investment properties

The net book value as at 31 December 2012 and 2011 of investment properties, representing houses for rent of the L&H Villa Sathon project of L&H Sathon Company Limited and apartments of Land and Houses U.S.A., Inc. is presented below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	2012	2011
Cost	313,974	496,905
Less: Accumulated depreciation	(291)	(110,392)
Net book value	<u>313,683</u>	<u>386,513</u>

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

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	2012	2011
Net book value at beginning of year	386,513	412,309
Acquisition of assets	313,974	-
Depreciation charged	(6,012)	(25,796)
Disposals - net book value at disposal date	(380,792)	-
Net book value at end of year	<u>313,683</u>	<u>386,513</u>

Depreciation of investment properties for the year 2012 of Baht 6 million (2011: Baht 26 million) included in cost of rental and services.

The fair value of the investment properties as at 31 December 2012 and 2011 stated below:

	(Unit: Million Baht)	
	Consolidated financial statements	
	2012	2011
Investment properties	314	644

As at 31 December 2011, the fair value of investment properties (L&H Villa Sathon Project) as determined based on valuations performed by an independent valuer was Baht 644 million, which has been determined using the income approach. The main assumptions used in the valuation are yield rate, inflation rate, long-term vacancy rate and long-term growth in real rental rates which has been determined based on rental information of tenants of the building. The aforementioned fair value included leasehold rights of land which has the net book value of Baht 160 million.

On 28 February 2012, the Board of Director's meeting of L&H Sathon Company Limited, a Company's subsidiary, approved to sell L&H Villa Sathon Project to Land and Houses Freehold and Leasehold Property Fund at a total price of Baht 628 million (including leasedhold rights of the land on which such project is located, furniture and equipment). Such investment properties had net book value as at disposal date of Baht 381 million. The Company recognised gain on sale of this transaction in the consolidated profit or loss for the year 2012 totalling Baht 15 million (net of relevant sales expenses).

As at 31 December 2012, the fair value of investment properties (apartments of Land and Houses U.S.A., Inc.) are determined based on acquisition cost in December 2012. The management believes that there are no material differences between the book value and its fair value.

During the years 2012 and 2011, the subsidiaries gained rental income and had direct operating expenses arising from the L&H Villa Sathon Project and apartments of Land and Houses U.S.A., Inc. which are recorded in profit or loss as detailed below.

	(Unit: Million Baht)	
	Consolidated	
	financial statements	
	2012	2011
Rental and service income	20	75
Direct operating expenses	16	69

15. Property, plant and equipment

(Unit: Thousand Baht)

Consolidated financial statements									
	Land	Building and improvement	Office equipment	Furniture, fixture and equipment	Motor vehicles	Clubhouse, pool and tennis court	Other	Assets under construction	Total
Cost									
1 January 2011	26,997	68,878	122,610	383,390	64,511	706,737	176,405	15,363	1,564,891
Purchase	-	1,346	33,463	76,738	16,885	116,047	81,184	33,976	359,639
Disposal/Write-off	-	(8,187)	(3,529)	(5,710)	(16,420)	(34,563)	(20,883)	-	(89,292)
Transfer in (out)	-	1,175	1,946	11,150	-	-	(1,470)	(12,801)	-
31 December 2011	26,997	63,212	154,490	465,568	64,976	788,221	235,236	36,538	1,835,238
Purchase	-	-	29,492	4,176	54,668	109,992	16,415	23,938	238,681
Disposal/write-off	-	-	(23,617)	(77,375)	(5,993)	(63,810)	(1,693)	-	(172,488)
Transfer in (out)	-	1,180	-	21,163	-	-	-	(22,343)	-
31 December 2012	26,997	64,392	160,365	413,532	113,651	834,403	249,958	38,133	1,901,431
Accumulated depreciation									
1 January 2011	-	41,429	103,425	272,817	48,218	506,578	109,781	-	1,082,248
Depreciation for the year	-	3,302	12,572	60,731	6,342	85,356	27,520	-	195,823
Depreciation on disposal	-	(6,863)	(2,941)	(3,622)	(16,420)	(33,984)	(18,604)	-	(82,434)
31 December 2011	-	37,868	113,056	329,926	38,140	557,950	118,697	-	1,195,637
Depreciation for the year	-	2,149	17,656	52,694	16,505	97,757	30,910	-	217,671
Depreciation on disposal	-	-	(23,522)	(69,865)	(5,715)	(63,810)	(1,133)	-	(164,045)
31 December 2012	-	40,017	107,190	312,755	48,930	591,897	148,474	-	1,249,263
Allowance for impairment									
31 December 2011	-	1,178	-	-	-	-	-	-	1,178
31 December 2012	-	1,178	-	-	-	-	-	-	1,178
Net book value									
31 December 2011	26,997	24,166	41,434	135,642	26,836	230,271	116,539	36,538	638,423
31 December 2012	26,997	23,197	53,175	100,777	64,721	242,506	101,484	38,133	650,990
Depreciation for the year									
2011 (Baht 153 million included in cost of sales and cost of rental and services, and the balance in administrative expenses)									195,823
2012 (Baht 164 million included in cost of sales and cost of rental and services, and the balance in administrative expenses)									217,671

(Unit: Thousand Baht)

Separate financial statements								
	Building and improvement	Office equipment	Furniture, fixture and equipment	Motor vehicles	Clubhouse, pool and tennis court	Other	Assets under construction	Total
Cost								
1 January 2011	42,988	102,670	165,710	55,330	586,205	43,575	13,677	1,010,155
Purchase	1,346	7,483	119	16,458	115,570	5,206	33,801	179,983
Disposal/Write-off	-	(106)	(4,780)	(16,416)	(28,008)	(119)	-	(49,429)
Transfer in (out)	1,174	-	10,339	-	-	-	(11,513)	-
31 December 2011	45,508	110,047	171,388	55,372	673,767	48,662	35,965	1,140,709
Purchase	-	24,399	-	52,888	106,179	2,782	19,946	206,194
Disposal/write-off	-	(22,822)	(8,781)	(2,372)	(59,427)	-	-	(93,402)
Transfer in (out)	1,180	-	21,163	-	-	-	(22,343)	-
31 December 2012	46,688	111,624	183,770	105,888	720,519	51,444	33,568	1,253,501

(Unit: Thousand Baht)

	Separate financial statements							Total
	Building and improvement	Office equipment	Furniture, fixture and equipment	Motor vehicles	Clubhouse, pool and tennis court	Other	Assets under construction	
<u>Accumulated depreciation</u>								
1 January 2011	19,182	88,425	128,265	40,306	399,626	34,823	-	710,627
Depreciation for the year	2,162	8,479	16,410	5,849	77,451	3,489	-	113,840
Depreciation on disposal	-	(83)	(2,637)	(16,416)	(28,008)	(63)	-	(47,207)
31 December 2011	21,344	96,821	142,038	29,739	449,069	38,249	-	777,260
Depreciation for the year	2,149	10,089	12,566	15,814	92,374	3,574	-	136,566
Depreciation on disposal	-	(22,791)	(7,599)	(2,372)	(59,427)	-	-	(92,189)
31 December 2012	23,493	84,119	147,005	43,181	482,016	41,823	-	821,637
<u>Net book value</u>								
31 December 2011	24,164	13,226	29,350	25,633	224,698	10,413	35,965	363,449
31 December 2012	23,195	27,505	36,765	62,707	238,503	9,621	33,568	431,864
<u>Depreciation for the year</u>								
2011 (Baht 77 million included in cost of sales, and the balance in administrative expenses)								113,840
2012 (Baht 92 million included in cost of sales, and the balance in administrative expenses)								136,566

As at 31 December 2012 and 2011, certain building and equipment items of the Company and its subsidiaries have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation and allowance for impairment loss of those assets as follows:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Building and equipment items have been fully depreciated but are still in use	536	323	261	251

16. Leasehold rights

(Unit: Thousand Baht)

Project	Remaining periods of leasehold rights (years)	Consolidated financial statements				31 December 2012
		1 January 2012	Increase (Decrease)	Disposal - net book value at disposal date	Amortisation	
Grande Centre Point Hotel & Residence	25	1,946,802	514	-	(90,917)	1,856,399
L&H Villa Sathon	-	160,011	-	(158,676)	(1,335)	-
Terminal 21 Shopping Mall and Grande Centre Point Hotel and Residence Suhkumvit - Terminal 21	28	4,763,345	(35,872)	-	(164,318)	4,563,155
Vacant land	14	556	-	-	(39)	517
Total		6,870,714	(35,358)	(158,676)	(256,609)	6,420,071

The amortisation of leasehold rights for the year 2012 of Baht 257 million (2011: Baht 126 million) included in cost of rental and services.

Leasehold rights of Grande Centre Point Hotel & Residence project included the value of premises thereon because a subsidiary has to transfer such premises located on the leasehold to the lessor when the construction of such premises completed, in accordance with the conditions stipulated in the agreement.

Subsidiaries have pledged their land leasehold rights with construction thereon with a total net book value as at 31 December 2012 of Baht 1,856 million (2011: land leasehold rights with construction and land sub-leasehold rights totaling Baht 2,107 million) as collateral for bank overdrafts and long-term loans.

During the year 2011, the subsidiary included borrowing costs in leasehold rights totaling Baht 112 million with the capitalisation rate of 5.4 percent.

During the year 2012, L&H Sathon Company Limited, a Company's subsidiary, sold land leasehold rights of L&H Villa Sathon Project as detailed in Note 14. Such leasehold rights had net book value at the disposed date of Baht 159 million.

17. Deposit for purchase of land

(Unit: Thousand Baht)

	Consolidated and Separate financial statements	
	2012	2011
Deposit for purchase of land	282,450	282,450
Less: Allowance for impairment	(84,735)	(84,735)
Deposit for purchase of land - net	<u>197,715</u>	<u>197,715</u>

In 1992, the Company entered into an agreement to buy and to sell land and made full payment of Baht 282 million. Regarding to the condition in the agreement, ownership of the land would be transferred after completion of some construction on the land within 36 months from the agreement date. If the Company is unable to fulfill this condition, the seller can cancel the agreement and return 70 percent of the purchase price to the Company. Currently, the Company has not yet proceeded such construction, therefore, allowance for impairment of deposit for purchase of land was recorded of Baht 85 million (2011: Baht 85 million).

18. Other intangible assets

The net book value of other intangible assets as at 31 December 2012 and 2011 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements			Separate financial statements	
	Right to the use of the connecting walkway	Computer software	Total	Computer software	Total
As at 31 December 2012					
Cost	81,408	64,915	146,323	38,804	38,804
Less: Accumulated amortisation	(9,118)	(19,758)	(28,876)	(15,704)	(15,704)
Net book value	<u>72,290</u>	<u>45,157</u>	<u>117,447</u>	<u>23,100</u>	<u>23,100</u>
As at 31 December 2011					
Cost	81,408	39,448	120,856	19,317	19,317
Less: Accumulated amortisation	(849)	(14,127)	(14,976)	(12,923)	(12,923)
Net book value	<u>80,559</u>	<u>25,321</u>	<u>105,880</u>	<u>6,394</u>	<u>6,394</u>

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

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Net book value at beginning of year	105,880	8,409	6,394	6,708
Acquisition of computer software	25,494	19,488	19,486	1,369
Paid for the right to the use of the connecting walkway	-	81,408	-	-
Disposal during the year - net book value as at disposal date	(27)	-	-	-
Amortisation	(13,900)	(3,425)	(2,780)	(1,683)
Net book value at end of year	<u>117,447</u>	<u>105,880</u>	<u>23,100</u>	<u>6,394</u>
Amortisation for the year charged to				
Cost of rental and services	8,269	1,742	-	-
Administrative expenses	5,631	1,683	2,780	1,683

Right to the use of the connecting walkway

On 1 February 2011, L&H Property Company Limited, a subsidiary of the Company, entered into Connecting Walkway Agreement with the Bangkok Mass Transit System Public Company Limited. Under such agreement, L&H Property Company Limited agreed to construct the connecting walkway between Bangkok Mass Transit System and Terminal 21 Shopping Mall and to pay for consideration for using such walkway to Bangkok Mass Transit System Public Company Limited. In this regard, L&H Property Company Limited obtains the right to the use of the connecting walkway for a period equal to the remaining concession period granted to Bangkok Mass Transit System Public Company Limited by Bangkok Metropolitan Administration. The connecting walkway under the agreement is a part of the Bangkok Mass Transit System.

19. Bank overdrafts and short-term loans

(Unit: Thousand Baht)

	Interest rate		Consolidated		Separate	
	(Percent per annum)		financial statements		financial statements	
	2012	2011	2012	2011	2012	2011
<u>Bank overdrafts and short-term loans from financial institutions</u>						
Bank overdrafts	MOR	MOR	15,061	22,951	-	-
Promissory notes	3.2,	-	310,000	-	300,000	-
	MOR - 1.5					
Total bank overdrafts and short-term loans from financial institutions			325,061	22,951	300,000	-
<u>Short-term loans</u>						
Bills of exchange	2.9 - 2.99	3.4 - 4.05	900,000	4,463,000	900,000	4,463,000
Less: Prepaid interest			(6,018)	(34,932)	(6,018)	(34,932)
Total short-term loans			893,982	4,428,068	893,982	4,428,068

As at 31 December 2012, bank overdrafts and short-term loans from financial institutions are secured by the pledge of land leasehold rights and mortgage of land and structures thereon of projects of the subsidiaries (2011: secured by the pledge of land leasehold rights and land sub-leasehold rights and structures thereon of subsidiaries).

20. Trade and other payables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Trade payables - unrelated parties	1,318,789	1,267,231	1,111,370	969,262
Trade payables - related parties	37,455	3,159	10,195	2,962
Other payables - related parties	14,481	22,353	4,578	5,017
Accrued expenses	753,302	546,854	617,979	467,164
Others	21,825	21,990	19,812	19,792
Total trade and other payables	2,145,852	1,861,587	1,763,934	1,464,197

21. Long-term loans

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Long-term loans	10,707,662	10,014,290	6,552,345	5,923,000
Less: Current portion	(1,545,010)	(573,031)	(1,000,000)	-
Net	9,162,652	9,441,259	5,552,345	5,923,000

As at 31 December 2012 and 2011, long-term loans of the Company and its subsidiaries from domestic financial institutions are shown below:

(Unit: Million Baht)

	Consolidated		Separate		Interest rate per annum	Principal repayments	Guaranteed by
	financial statements	financial statements	financial statements	financial statements			
	2012	2011	2012	2011			
<u>The Company</u>	-	700	-	700	Year 1-2 - 2.86% Thereafter - MLR - 1.5	Repayments within 4 years from the first drawdown date	Land and premises of project
	-	832	-	832	Year 1-2 - 2.83% Thereafter - MLR - 1.5	Repayment within 1 June 2014	Land and premises of project
	2,000	-	2,000	-	Year 1-2 - 4.11% Thereafter - MLR - 1.75	Repayment within 4 years from the first drawdown date	-
	2,000	3,000	2,000	3,000	Year 1-3 - 5% Year 4 - 5 - 4.05%	Repayments within 5 years whereas repayments at least Baht 1,000 million per year since the end of the third year	-

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Interest rate per annum	Principal repayments	Guaranteed by
	2012	2011	2012	2011			
	1,391	1,391	1,391	1,391	Year 1-3 - 4% Year 4 - MLR-1.75	Repayments within 4 years from the first drawdown date	Land and premises of project
	815	-	815	-	Year 1 - 2 - 3.95% Thereafter - MLR - 1.75	Repayments within 4 years from the first drawdown date	Land and premises of projects
	346	-	346	-	Year 1 - 5 - MLR - 2.25	Repayments within 5 years from the first drawdown date	Land
<u>Subsidiaries</u>							
L&H Property Co., Ltd.	813	943	-	-	Year 1-3 - MLR - 1.5 Thereafter - MLR - 1.0 or fixed deposit interest rate plus 2.5% whichever is higher rate	Repayments within December 2017	Land leasehold of project which the bank granted the loan
	2,547	2,442	-	-	Year 1-4 - MLR - 1.5 Year 5-8 - MLR - 1.0 Thereafter - MLR - 0.75	Repayments within 12 years for the first drawdown date commencing from January 2013	Letter of comfort from shareholders ^(a)
L&H Sathon Co., Ltd.	-	273	-	-	Year 1-3 - MLR - 1.5 Thereafter - MLR - 1.0 or fixed deposit interest rate plus 2.5% whichever is higher rate	Repayments within December 2017	Land sub-leasehold of project which the bank granted the loan Guaranteed by L&H Property Co., Ltd. covering Baht 390 million
L H Muang Mai Co., Ltd.	247	214	-	-	MLR - 1.5	60 percent of proceeds from sale of land and premises whereas the total loan have to be repaid within 5 years from the first drawdown date	Land and premises of project
	334	-	-	-	MLR - 2	60 percent of proceeds from sale of land and premises whereas the total loan have to be repaid within 5 years from the first drawdown date	Land and premises of project
Double Tree Co., Ltd.	214	219	-	-	Year 1 - MLR - 1.5 Year 2 - 4 - MLR - 1 Year 5 - MLR - 1.25	70 percent of proceeds from sale of land	Land of project Ordinary shares of the company and the related company
Total	10,707	10,014	6,552	5,923			
Less: Current portion	(1,545)	(573)	(1,000)	-			
Net	9,162	9,441	5,552	5,923			

a) The Company and Reco Resorts Pte Ltd., as shareholders of L&H Property Company Limited, agreed to provide assurance to the lender of L&H Property Company Limited which is a subsidiary, whereby there are certain covenants pertaining to, among other things, the maintenance of its level of shareholding in the subsidiary, the provision of financial support to the subsidiary as may be required to ensure that the subsidiary is able to meet its payment obligations under this facility. In addition, the Company needs to obtain the written consent from the lender should the Company sells, transfers or pledges the shares of such subsidiary.

Most loan agreements contain certain covenants and restrictions imposed by the lenders regarding, the proportion of shareholding of the major shareholders, changes in management, guarantees to loans or aval to promissory notes of any other persons or other companies, dividend payments, merger or consolidation with any other companies, the maintenance of certain financial ratios and formal reporting when the Company has a legal case which may affect its ability to repay loan.

As at 31 December 2012 and 2011, there were available long-term loan facilities from financial institutions as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Undrawdown loan facilities	2,633	1,038	1,254	-

In addition, as at 31 December 2012, a subsidiary has available long-term loan facilities from shareholder, except for facilities from the Company, totally Baht 260 million (2011: Baht 260 million).

22. Debentures

Details of approval to issue the debenture are as follows:

Approved by	The Annual General Meeting of the Company's shareholders held on 26 April 2011
Amount	Revolving amount of Baht 20,000 million or the equivalent in any other currency
Term	Maximum terms of 10 years
Type	Any types of debentures such as unsubordinated and/or subordinated, unsecured and/or secured, with and/or without debentureholder representation

Method of issuance To be issued in Thailand and/or offshore

As at 31 December 2012, the Company has unissued debentures under the above mentioned approval totalling Baht 5,000 million (2011: Baht 8,500 million).

The outstanding balance of debentures as at 31 December 2012 and 2011 are detailed below.

No.	Interest rate per annum	Tenor	Repayment	Maturity	Consolidated and Separate financial statements			
					Number of debenture (Shares)		Amount (Thousand Baht)	
					2012	2011	2012	2011
<u>Unsubordinated and unsecured debentures</u>								
No. 1/2008	Fixed rate 5.33% for 1st - 2nd year and fixed rate 6.5% for 3rd - 4th year	4 years	At maturity	24 July 2012	-	3,000,000	-	3,000,000
No. 1/2009	Fixed rate 4.5%	5.5 years	At maturity	19 June 2015	2,000,000	2,000,000	2,000,000	2,000,000
No. 1/2010	Fixed rate 3.4%	3.5 years	At maturity	30 September 2013	1,000,000	1,000,000	1,000,000	1,000,000
No. 2/2010	Fixed rate 3%	3 years	At maturity	29 March 2013	2,000,000	2,000,000	2,000,000	2,000,000
No. 3/2010	Fixed rate 2.89%	3 years	At maturity	27 July 2013	1,000,000	1,000,000	1,000,000	1,000,000
No. 1/2011	Fixed rate 3.54%	3 years	At maturity	20 January 2014	2,500,000	2,500,000	2,500,000	2,500,000
No. 1/2012 (1)	Fixed rate 3.85%	2.5 years	At maturity	30 September 2014	900,000	-	900,000	-
No. 1/2012 (2)	Fixed rate 3.99%	3 years	At maturity	30 March 2015	3,100,000	-	3,100,000	-
No. 2/2012 (1)	Fixed rate 4.10%	3 years	At maturity	30 September 2015	2,500,000	-	2,500,000	-
Total					<u>15,000,000</u>	<u>11,500,000</u>	<u>15,000,000</u>	<u>11,500,000</u>
Less: Current portion of debentures							<u>(4,000,000)</u>	<u>(3,000,000)</u>
Net							<u>11,000,000</u>	<u>8,500,000</u>

Prospectus contains certain covenants and restrictions regarding the maintenance of certain financial ratios, dividend payments and formal reporting when the significant events occurred such as a legal case.

23. Provisions

(Unit: Thousand Baht)

	Consolidated financial statements							
	Short-term provisions				Long-term provisions			
	After-sale maintenance expenses	Legal cases	Guarantee income of fund	Total	Compensation			Total
					for Housing Estate Juristic Persons	Public utilities maintenance	Guarantee income of fund	
As at 1 January 2011	30,321	35,582	-	65,903	132,576	125,795	-	258,371
Increase during the year	43,685	987	-	44,672	28,035	44,285	-	72,320
Utilised	(31,296)	-	-	(31,296)	(13,533)	(5,404)	-	(18,937)
As at 31 December 2011	42,710	36,569	-	79,279	147,078	164,676	-	311,754
Increase during the year	45,471	174,477	58,037	277,985	22,741	60,927	22,522	106,190
Utilised	(36,676)	-	(7,717)	(44,393)	(19,341)	(19,261)	-	(38,602)
As at 31 December 2012	<u>51,505</u>	<u>211,046</u>	<u>50,320</u>	<u>312,871</u>	<u>150,478</u>	<u>206,342</u>	<u>22,522</u>	<u>379,342</u>

(Unit: Thousand Baht)

	Separate financial statements								
	Short-term provisions				Long-term provisions				
	After-sale maintenance expenses	Legal cases	Guarantee income of fund	Total	Compensation for Housing			Guarantee income of fund	Total
					Estate Juristic Persons	Public utilities maintenance			
As at 1 January 2011	24,110	35,582	-	59,692	121,124	117,358	-	238,482	
Increase during the year	39,262	987	-	40,249	25,632	42,720	-	68,352	
Utilised	(25,397)	-	-	(25,397)	(13,533)	(5,404)	-	(18,937)	
As at 31 December 2011	37,975	36,569	-	74,544	133,223	154,674	-	287,897	
Increase during the year	42,315	174,477	58,037	274,829	19,701	60,713	22,522	102,936	
Utilised	(31,914)	-	(7,717)	(39,631)	(17,980)	(17,330)	-	(35,310)	
As at 31 December 2012	48,376	211,046	50,320	309,742	134,944	198,057	22,522	355,523	

24. Provision for long-term employee benefits

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

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Defined benefit obligation at beginning of year	131,651	120,256	126,191	116,132
Current service cost	8,486	7,932	6,971	6,757
Interest cost	5,954	5,503	5,774	5,342
Benefits paid during the year	(7,163)	(2,040)	(7,163)	(2,040)
Actuarial loss	42,901	-	40,342	-
Defined benefit obligation at end of year	181,829	131,651	172,115	126,191

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

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Current service cost	8,486	7,932	6,971	6,757
Interest cost	5,954	5,503	5,774	5,342
Total expenses recognised in profit or loss	14,440	13,435	12,745	12,099
Line items under which such expenses are included in profit or loss				
Cost of sales and cost of rental and services	3,598	3,133	2,359	3,050
Administrative expenses	10,842	10,302	10,386	9,049

Total actuarial losses recognised in the other comprehensive income of the Company and its subsidiaries as at 31 December 2012 amounted to Baht 43 million (the Company only: Baht 40 million)

Principal actuarial assumptions at the valuation date were as follows:

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	(Percent per annum)	(Percent per annum)	(Percent per annum)	(Percent per annum)
Discount rate	3.6 - 3.7	3.7 - 4.7	3.6	4.6
Future salary increase rate	6.0 - 7.5	6.0 - 6.5	6.5	6.5
Staff turnover rate (depending on age)	0 - 20	0 - 20	0 - 20	0 - 20

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

(Unit: Thousand Baht)

	Defined benefit obligation		Experience adjustments arising on the plan liabilities (loss)	
	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements
Year 2012	181,829	172,115	(68,972)	(64,317)
Year 2011	131,651	126,191	-	-
Year 2010	120,256	116,132	-	-
Year 2009	116,713	113,199	-	-

25. Revaluation deficit in investments

During the year 2012, movement of revaluation deficit in investments are as follows:

(Unit: Thousand Baht)

	Consolidated and Separate financial statements	
	2012	2011
Balance as at beginning of year	(45,801)	(19,012)
Changes during the year due to revaluation	(110,939)	(26,789)
Balance as at end of year	<u>(156,740)</u>	<u>(45,801)</u>

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

27. Gain on investments

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Realised gain from sale of investments in associate (Note 11.2.6)	-	2,765,536	-	2,912,261
Realised loss from sale of other long-term investments (Note 12.2)	-	(275,235)	-	(275,235)
Total	<u>-</u>	<u>2,490,301</u>	<u>-</u>	<u>2,637,026</u>

During the years, the Company received net proceeds from sale of investments classified by their types as follows:

(Unit: Thousand Baht)

	Consolidated and Separate financial statements	
	2012	2011
Associate	-	3,500,660
Other long-term investments	-	346,774

28. Provident fund

The Company and its employees and the 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 employees of each company contribute to the fund monthly at the rate of 5 to 7 percent of basic salaries since July 2012 (the former rate is 3 to 5 percent of their basic salaries). The fund, which is managed by TISCO Asset Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the years, the Company and its subsidiaries contributed to the provident fund as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Contribution to provident fund	29	20	26	20

29. Expenses by nature

Significant expenses by nature are as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Purchase of land and land held for development and payment of construction in progress	14,422,533	16,014,976	13,051,424	15,327,882
Changes in land, constructions in progress and land held for development	(746,285)	(4,352,402)	(211,871)	(4,756,755)
Salary and wages and other employee benefits	807,207	753,021	761,386	683,440
Depreciation and amortisation expenses	494,192	350,788	139,347	115,523
Loss on diminution in value of projects	54,415	13,824	51,897	-
Loss on diminution in value of land held for development	26,783	1,980	-	-
Rental expenses from operating lease agreements	84,065	68,287	47,968	47,204
Expenses related to flood	89,177	211,097	68,658	166,969

30. Income tax

In the year 2012, the income tax of the Company and its subsidiaries has been calculated at the rate of 23 percent (2011: 30 percent) on income before tax after adding back certain provisions and expenses which are not deductible for tax computation purposes.

31. Earnings per share

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

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Profit for the year (Thousand Baht)	5,635,734	5,608,560	4,216,263	5,159,670
Weighted average number of ordinary shares (Thousand shares)	10,025,922	10,025,922	10,025,922	10,025,922
Earnings per share (Baht/share)	0.56	0.56	0.42	0.51

32. Segment information

The Company and its subsidiaries' main business is a real estate developer, which consist of land and house projects, residential condominium projects, service apartment for rent and shopping mall for rent. The Company and its subsidiaries operate principally in the single geographic area of Thailand.

The Company and its subsidiaries' financial information by segment of real estate business and rental and service business in the consolidated financial statements as of and for the years ended 31 December 2012 and 2011 are as follows:

	(Unit: Million Baht)							
	Real estate business		Rental and service business		Elimination of inter-segment revenues		Consolidation	
	2012	2011	2012	2011	2012	2011	2012	2011
Revenues from external customers	22,493	18,748	1,797	649	-	-	24,290	19,397
Inter-segment revenues	-	-	2	4	(2)	(4)	-	-
Total revenues	22,493	18,748	1,799	653	(2)	(4)	24,290	19,397
Loss on diminution in value of projects and land held for development	(81)	(16)	-	-	-	-	(81)	(16)
Segment income (loss)	4,538	3,433	360	(95)	-	-	4,898	3,338
Unallocated income (expenses):								
Interest income							26	22
Other income							116	94
Gain from investments							-	2,490
Gain from change in shareholders' equity of an associate							-	136
Share of profit from investment in associates							2,282	1,156
Finance cost							(488)	(310)
Income tax expenses							(1,150)	(1,399)
Non-controlling interests of the subsidiaries							(48)	82

Profit for the year

5,636

5,609

(Unit: Million Baht)

	Real estate business		Rental and service business		Elimination of inter-segment revenues		Consolidation	
	2012	2011	2012	2011	2012	2011	2012	2011
	Land and construction in progress	32,537	31,472	-	-	-	-	32,537
Land held for development	4,165	4,484	-	-	-	-	4,165	4,484
Investment properties	-	-	314	387	-	-	314	387
Property, plant and equipment	444	375	207	263	-	-	651	638
Leasehold rights	1	1	6,419	6,870	-	-	6,420	6,871
Unallocated assets							20,314	16,981
Total assets							64,401	60,833

Transfer prices between business segments are as set out in Note 6.

33. Dividend

Dividends	Approved by	Approved dividend per share	Interim dividend per share	Additional dividend paid per share	Total additional dividend paid	Portion belonging to shareholders	
						not entitled to dividend	Net dividend paid
		(Baht)	(Baht)	(Baht)	(Million Baht)	(Million Baht)	(Million Baht)
Final dividend for 2010	Annual General Meeting of the shareholders on 26 April 2011	0.34	0.16	0.18	1,805	12	1,793
Interim dividend for 2011	Board of Director's meeting on 10 August 2011	0.17	-	0.17	1,704	10	1,694
							3,487
Final dividend for 2011	Annual General Meeting of the shareholders on 26 April 2012	0.40	0.17	0.23	2,306	20	2,286
Interim dividend for 2012	Board of Director's meeting on 14 August 2012	0.20	-	0.20	2,005	18	1,987
Interim dividend for 2012	Board of Director's meeting on 13 November 2012	0.10	-	0.10	1,002	9	993
							5,266

34. Commitments and contingent liabilities

34.1 Commitments

34.1.1 As at 31 December 2012 and 2011, the Company and its subsidiaries have commitments under construction contracts as follows:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Commitments under construction contracts	2,904	1,744	2,772	1,690

34.1.2 As at 31 December 2012 and 2011, L&H Property Company Limited has the following commitments under, land and construction lease agreement and land lease agreement as follows:

a) Land and construction lease agreement

Agreement date	Agreement period	Maturity date	Rental rate
7 June 2005	30 years*	31 May 2038	<p>From 1 June 2008, the following rental is to be paid in monthly installments</p> <p>1st - 5th year, total rental payment of Baht 33.15 million (As at 31 December 2012: already paid Baht 30.12 million in total (2011: Baht 22.97 million))</p> <p>6th - 10th year, total rental payment of Baht 42.31 million</p> <p>11th - 15th year, total rental payment of Baht 54.00 million</p> <p>16th - 20th year, total rental payment of Baht 68.92 million</p> <p>21th - 25th year, total rental payment of Baht 87.97 million</p> <p>26th - 30th year, total rental payment of Baht 112.27 million</p>

* The agreement runs from 1 June 2008 (3 years after the period of construction).

In addition, as at 31 December 2012 and 2011 L&H Property Company Limited is committed to pay security expenses at the rate of Baht 11,160 per month throughout the period of construction and the period of the lease.

b) Land lease agreement

Agreement date	Agreement period	Rental rate
10 March 2006	30 years*	<p>Land leasing fee is to be monthly paid as follows:</p> <p>1st - 5th year, total rental of Baht 20.16 million (As at 31 December 2012: already paid Baht 9.41 million in total (2011: Baht 5.38 million))</p> <p>6th - 10th year, total rental of Baht 23.18 million</p> <p>11th - 15th year, total rental of Baht 26.66 million</p> <p>16th - 20th year, total rental of Baht 30.66 million</p> <p>21st - 25th year, total rental of Baht 35.25 million</p> <p>26th - 30th year, total rental of Baht 40.54 million</p>

* The agreement runs from 1 September 2010 to 31 August 2040.

34.1.3 As at 31 December 2012, the Company had outstanding commitment of Baht 90 million in respect of uncalled portion of investments in L&H Property Company Limited (2011: Baht 90 million).

As at 31 December 2012, the Company had outstanding commitments of USD 8.7 million in respect of the uncalled portion of investments in Land and Houses U.S.A., Inc. (2011: Nil).

34.1.4 As at 31 December 2012, L&H Property Company Limited are committed to pay Asia Asset Advisory Company Limited, which is an associate of the Company, totaling Baht 66.2 million.

34.1.5 As at 31 December 2012, L&H Property Company Limited are committed to pay Quality House Public Company Limited, which is an associate company of the Company, consultant fee totalling Baht 1 million (2011: Baht 1 million).

34.1.6 As 31 December 2012 and 2011, L&H Property Company Limited is committed to pay project management fees to the following associates.

Associates	Service fee rates	Term
Quality Houses Public Company Limited	2% of total revenue plus additional 5.5% of operating income Baht 100,000 per month of software service Project management fee charged at actual cost plus 15 percent	3 years commencing from 1 October 2010
Q.H. International Co., Ltd.	Baht 80,500 per month of project management fee Baht 75,000 per month of accounting, financing and software service Baht 53,500 per month of personnel management fee	2 years commencing from 1 January 2011

34.1.7 As at 31 December 2012 and 2011, L&H Property Company Limited is committed to pay Siam Retail Development Company Limited, which is a related company of the Company, commissions for finding lessees for Terminal 21 Shopping Mall, as per the conditions specified in the relevant agreement.

34.1.8 As at 31 December 2012 and 2011, the Company has commitment related to purchase of land as follows.

(Unit: Million Baht)

	Consolidated and Separate financial statements	
	2012	2011
Commitment to purchase of land	2,490	69

34.1.9 Obligation and commitment to complete projects on hand

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Number of projects on hand at beginning of year	53	45	46	39
Number of closed projects during year	(13)	(9)	(12)	(8)
Number of new projects during year	14	17	12	15
Number of projects on hand at end of year	54	53	46	46
Accumulative value of sales already contracted (Million Baht)	88,773	74,250	75,955	61,887
As percentage of total sales of projects on hand	66	63	63	59
Value of sales already contracted during year (Million Baht)	22,225	18,433	20,874	16,824
As percentage of total sales of projects on hand	16	16	17	16
Commitments in respect of the installation of central utilities of projects on hand (Million Baht)	1,393	1,122	1,309	1,100

34.1.10 As at 31 December 2012, the subsidiaries have servitude over land of approximately 85 rai (2011: 90 rai) of which the cost is included in the cost of projects.

34.1.11 Operating lease commitments

The Company has entered into lease agreements and service agreements in respect of the lease of office building space. The terms of the agreements are 3 years.

As at 31 December 2012 and 2011, the future minimum lease payments and services fee payments required under these non-cancellable contracts were as follows.

	(Unit: Million Baht)	
	Consolidated and Separate financial statements	
	2012	2011
Payable:		
In up to 1 year	33	33
In over 1 and up to 5 years	29	60

34.1.12 On 2 March 2010, the Company entered into an agreement to purchase/sale of products with Quality Construction Products Public Company Limited, an associate, with a tenor of 3 years. Under the agreement, the Company agrees

to purchase autoclaved aerated concrete blocks from such company at the minimum volume and price as stipulated in the agreement.

34.2 Bank guarantees

As at 31 December 2012 and 2011, there were the following outstanding bank guarantees issued by the banks in respect of certain performance bonds required in the normal course of business by the Company and its subsidiaries.

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Letter of guarantees for arrangement and maintenance of public utilities	2,014	1,543	1,871	1,442
Letter of guarantees for electricity usage	51	55	41	41
Other letter of guarantees	30	22	22	22
	<u>2,095</u>	<u>1,620</u>	<u>1,934</u>	<u>1,505</u>

34.3 Guarantees

34.3.1 As at 31 December 2012 and 2011, the Company and its subsidiaries have the following obligations in respect of guarantees.

(Unit: Million Baht)

Guarantor	Guarantee	2012	2011
Land and Houses Plc.	Customers	<u>7</u>	<u>7</u>
L&H Property Co., Ltd.	L&H Sathon Co., Ltd.	<u>-</u>	<u>390</u>

34.3.2 The Company has contingent liabilities to a bank in relation to the financial support in form of issuance of a letter of comfort to provide to a subsidiary company for loan and guarantee facilities obtained for development of the subsidiary's project. As at 31 December 2012, the subsidiary has outstanding loans related to guarantee portion of the Company as specified in the letter of comfort amounting to Baht 2,021 million (2011: Baht 1,465 million).

34.4 Litigation

The Company and its subsidiaries

The following significant lawsuits had been filed against the Company and its subsidiaries.

- a) In 2006, two housing estate juristic persons filed a lawsuit against the Company and a subsidiary for claim of Baht 1,013 million in relation to access to public thoroughfares. In June 2009, the plaintiffs requested to reduce the claim amount to Baht 800 million. In addition, in February 2009, the Company was additionally sued 2 lawsuits which are under the claims amounting to Baht 310 million and Baht 102 million, in accordance with the Land Allocation Act and Customer Protect Act. The Company has set aside a provision of Baht 25 million for liabilities arising as a result of these cases.

Subsequently, on 10 August 2012, the Court of First Instance issued a verdict on a civil case with the amount in dispute of Baht 102 million between the Company, and two housing estate juristic persons together with co-defendant. The Court ordered the Company to pay for damages of Baht 104 million plus interest at a rate of 7.5 percent per annum, commencing from 8 December 2008 until the full amount is paid. The Company's management and its legal consultant are of the opinion that the Company should set aside a provision and related interest expenses fund of Baht 136 million. However, the Company had already filed an appeal against the judgment to clarify the case.

- b) As at 31 December 2012, the Company and its subsidiaries have been sued for a total of approximately Baht 524 million (2011: Baht 68 million). To date, the Court of First Instance and the Appeal Court have ordered the Company and its subsidiaries to pay compensation plus interest totaling Baht 50 million (2011: Baht 12 million). The Company has set aside a provision of Baht 50 million (2011: Baht 12 million) for liabilities arising as a result of these cases, based on the opinion of their legal department.

Associates

The following significant lawsuits had been filed against the associates:

- a) Land and Houses Property Fund (“the Fund”) has been sued as second defendant in a civil case in which the plaintiff claims the Fund illegally received the transfer of the land and construction thereon of the “Langsuan Ville” condominium project from Wave Development Company Limited, a debtor of the plaintiff. The Court of First Instance and the Appeal Court dismissed the lawsuit. And in 2008, the plaintiff filed the petition to the Supreme Court. At current, the case is being heard by the Supreme Court. However, the Fund’s legal advisor believes that the outcome of the case will not adversely affect the Fund, as the Fund was a preferred creditor and thus had a preferential right to receipt of payment from the mortgaged assets. In addition, the prices at which the assets were transferred in settlement of debt were those appraised by an independent appraisal firm and thus can be held to be fair price.
- b) Land and Houses Property and Loan Fund-II (“the Fund”) has been sued by a condominium estate juristic persons seeking compensation of Baht 51.6 million for damage to common areas, plus interest at the rate of 7.5 percent per annum calculated from the day following the date the case was filed. On 8 November 2010, the South Bangkok Civil Court dismissed this lawsuit. Subsequently, the plaintiff appealed the decision and the Appeal Court found in accordance with the Court of First Instance on 27 June 2012. The plaintiff did not file a petition with the Supreme Court within the deadline of 25 October 2012 and the case is therefore deemed finalised.

35. Financial instruments

35.1 Financial risk management

The Company and its subsidiaries’ financial instruments, as defined under Thai Accounting Standard No. 107 “Financial Instruments: Disclosure and Presentations”, principally comprise cash and cash equivalents, trade and other receivables, trade and other payables, loans and debentures. 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 receivables and short-term loans to. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. The maximum exposure to credit risk is limited to the carrying amounts of trade and other receivables and short-term loans to as stated in the statements of financial position.

Interest rate risk

The Company and its subsidiaries' exposure to interest rate risk relates primarily to its deposit at financial institutions, short-term loans to, bank overdrafts, loans and debentures which bearing of interest. However, since most of the Company and its subsidiaries' 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.

As at 31 December 2012 and 2011 significant financial assets and liabilities classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

Consolidated financial statements								
2012								
Fixed interest rates								
At call	Within 1 year	1 - 5 years	Over 5 years	Floating interest rate	Non-interest bearing	Total	Interest rate	
(Million Baht)								(% p.a.)
Financial assets								
Cash and cash equivalents	300	150	-	-	664	348	1,462	0.625 - 3.00
Trade and other receivables	-	-	-	-	-	120	120	-
Financial liabilities								
Bank overdrafts and short-term loans from financial institutions	-	300	-	-	25	-	325	Note 19
Trade and other payables	-	-	-	-	-	2,146	2,146	-
Short-term loans from related parties	40	-	-	-	436	-	476	MLR - 1.5, 7 - 7.5
Short-term loans	-	900	-	-	-	-	900	Note 19
Long-term loans	-	1,391	4,815	-	4,501	-	10,707	Note 21
Debentures	-	4,000	11,000	-	-	-	15,000	Note 22

Separate financial statements

2012							
Fixed interest rates							
At call	Within		Over	Floating interest rate	Non-interest bearing	Total	Interest rate
	1 year	1 - 5 years	5 years				
(Million Baht)							(% p.a.)
<u>Financial assets</u>							
Cash and cash equivalents	280	150	-	473	278	1,181	0.625 - 3.00
Trade and other receivables	-	-	-	-	28	28	-
Short-term loans to related parties	158	-	-	654	-	812	MLR - 1.5, 5 - 7.5
<u>Financial liabilities</u>							
Bank overdrafts and short-term loans from financial institutions	-	300	-	-	-	300	Note 19
Trade and other payables	-	-	-	-	1,764	1,764	-
Short-term loans from related parties	74	-	-	-	-	74	3.00
Short-term loans	-	900	-	-	-	900	Note 19
Long-term loans	-	1,391	4,815	346	-	6,552	Note 21
Debentures	-	4,000	11,000	-	-	15,000	Note 22

Consolidated financial statements

2011							
Fixed interest rates							
At call	Within		Over	Floating interest rate	Non-interest bearing	Total	Interest rate
	1 year	1 - 5 years	5 years				
(Million Baht)							(% p.a.)
<u>Financial assets</u>							
Cash and cash equivalents	260	204	-	352	383	1,199	0.25 - 3.00
Trade and other receivables	-	-	-	-	105	105	-
<u>Financial liabilities</u>							
Bank overdrafts	-	-	-	23	-	23	Note 19
Trade and other payables	-	-	-	-	1,862	1,862	-
Short-term loans from related parties	39	-	-	620	-	659	MLR - 1.5, 7.0 - 7.5
Short-term loans	-	4,463	-	-	-	4,463	Note 19
Long-term loans	-	4,532	1,391	4,091	-	10,014	Note 21
Debentures	-	3,000	8,500	-	-	11,500	Note 22

Separate financial statements

2011							
Fixed interest rates							
At call	Within		Over	Floating interest rate	Non-interest bearing	Total	Interest rate
	1 year	1 - 5 years	5 years				
(Million Baht)							(% p.a.)
<u>Financial assets</u>							
Cash and cash equivalents	260	-	-	266	357	883	0.50 - 3.00
Trade and other receivables	-	-	-	-	32	32	-
Short-term loans to related parties	52	-	-	931	-	983	MLR-1.5, 7-7.5
<u>Financial liabilities</u>							
Trade and other payables	-	-	-	-	1,464	1,464	-
Short-term loans	-	4,463	-	-	-	4,463	Note 19
Long-term loans	-	4,532	1,391	-	-	5,923	Note 21
Debentures	-	3,000	8,500	-	-	11,500	Note 22

Foreign currency risk

The Company exposure to foreign currency risk arises mainly from investment transactions that are denominated in foreign currencies. The Company has no forward contracts to reduce the exposure.

The balances of financial assets denominated in foreign currencies as at 31 December 2012 and 2011 are summarised below:

Foreign currency	Financial assets		Average exchange rate as at 31 December	
	2012	2011	2012	2011
	(Million)	(Million)	(Baht per 1 foreign currency unit)	
Philippines Peso	2,926	1,223	0.74525	0.72315
US Dollar	11	-	30.6316	-

In addition, the Company entered into cross currency and interest rate swap agreements to manage risk associated with the financial liabilities carrying floating interest. The details of long-term loans from financial institutions are set out in Note 21. The details of the cross currency and interest rate swap agreements outstanding as at 31 December 2012 is as follows:

2012				
Currency and Interest Revenue Rate Swap agreements		Currency and Interest Expense Rate Swap agreements		Termination date
Principal amount	Interest rate	Principal amount	Interest rate	
Baht 346 million	Floating rate MLR - 2.25%	USD 11.3 million	Floating rate LIBOR 6 month plus 3.25%	8 December 2017

The Company would have unrealised losses of approximately Baht 16.9 million, if it recorded the above contracts at fair value.

35.2 Fair values of financial instruments

The estimated fair values of financial instruments as at 31 December 2012 and 2011, in comparison with the related amounts carried, are as follows:

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	Carrying amount		Fair value		Carrying amount		Fair value	
	2012	2011	2012	2011	2012	2011	2012	2011
<u>Financial assets</u>								
Cash and cash equivalents	1,462	1,199	1,462	1,199	1,181	883	1,181	883
Trade and other receivables	120	105	120	105	28	32	28	32
Short-term loans to related parties	-	-	-	-	812	983	812	983

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	Carrying amount		Fair value		Carrying amount		Fair value	
	2012	2011	2012	2011	2012	2011	2012	2011
<u>Financial liabilities</u>								
Bank overdrafts and short-term loans from financial institutions	325	23	325	23	300	-	300	-
Trade and other payables	2,146	1,862	2,146	1,862	1,764	1,464	1,764	1,464
Short-term loans from related parties	476	659	476	659	74	-	74	-
Short-term loans	900	4,463	900	4,463	900	4,463	900	4,463
Long-term loans	10,707	10,014	10,421	9,895	6,552	5,923	6,266	5,804
Debentures	15,000	11,500	14,244	10,877	15,000	11,500	14,244	10,877

The methods and assumptions used by the Company and its subsidiaries in estimating the fair value of financial instruments are as follows:

- a) For financial assets and liabilities which have short-term maturity, including cash and deposit at financial institutions, accounts receivables and accounts payables, their carrying amounts in the statements of financial position approximate their fair values.
- b) For fixed rate debentures and long-term loans, their fair value is estimated by discounting expected future cash flow by the current market interest rate of the loans with similar terms and conditions.
- c) For loans to and loans from carrying interest approximate to the market rate, their carrying amounts in the statements of financial position approximates their fair values.
- d) For derivatives, their fair value is generally derived from quoted market prices, or based on generally accepted pricing models when no market price is available.

36. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2012, the Group's debt-to-equity ratio was 1.01:1 (2011: 1:1) and the Company's was 1.02:1 (2011: 0.94:1).

37. Event after reporting period

The Meeting of the Company's Board of Directors, held on 28 February 2013, passed the resolution to propose the payment of a dividend for the year 2012 of Baht 0.45 per share. However, since the Board of Directors previously approved an interim dividend from profit of the year 2012 amounting to Baht 0.30 per share, the Board will propose the remaining dividend payment of Baht 0.15 per share, amounting to Baht 1,503.9 for approval by the Annual General Meeting of the Company's shareholders for the year 2013.

38. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 28 February 2013.