

# Land and Houses Public Company Limited and its subsidiaries

## Notes to consolidated financial statements

For the year ended 31 December 2013

### 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 Floor, Q. House Lumpini Building, Tungmahamek, Sathon, Bangkok.

### 2. Basis of preparation

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

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

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

### 2.2 Basis of consolidation

a) The consolidated financial statements include the financial statements of 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	
			2013 (Percent)	2012 (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	100.00

Company's name	Nature of business	Country of incorporation	Percentage of indirect shareholding	
			2013 (Percent)	2012 (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. (99.95 percent held by L&H Property Co., Ltd.)	Project administration	Thailand	60.00	60.00
L&H Hotel Management Co., Ltd. (99.97 percent held by L&H Property Co., Ltd.)	Project administration	Thailand	60.00	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 subsidiary companies 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.



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

		<u>Effective date</u>
Accounting Standards:		
TAS 1 (revised 2012)	Presentation of Financial Statements	1 January 2014
TAS 7 (revised 2012)	Statement of Cash Flows	1 January 2014
TAS 12 (revised 2012)	Income Taxes	1 January 2014
TAS 17 (revised 2012)	Leases	1 January 2014
TAS 18 (revised 2012)	Revenue	1 January 2014
TAS 19 (revised 2012)	Employee Benefits	1 January 2014
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates	1 January 2014
TAS 24 (revised 2012)	Related Party Disclosures	1 January 2014
TAS 28 (revised 2012)	Investments in Associates	1 January 2014
TAS 31 (revised 2012)	Interests in Joint Ventures	1 January 2014
TAS 34 (revised 2012)	Interim Financial Reporting	1 January 2014
TAS 36 (revised 2012)	Impairment of Assets	1 January 2014
TAS 38 (revised 2012)	Intangible Assets	1 January 2014
Financial Reporting Standards:		
TFRS 2 (revised 2012)	Share-based Payment	1 January 2014
TFRS 3 (revised 2012)	Business Combinations	1 January 2014
TFRS 4	Insurance Contracts	1 January 2016
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations	1 January 2014
TFRS 8 (revised 2012)	Operating Segments	1 January 2014
Accounting Standard Interpretations:		
TSIC 15	Operating Leases - Incentives	1 January 2014
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1 January 2014
TSIC 29	Service Concession Arrangements: Disclosures	1 January 2014
TSIC 32	Intangible Assets - Web Site Costs	1 January 2014
Financial Reporting Standard Interpretations:		
TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 January 2014
TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014

		<u>Effective date</u>
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2014
TFRIC 7	Applying the Restatement Approach under TAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>	1 January 2014
TFRIC 10	Interim Financial Reporting and Impairment	1 January 2014
TFRIC 12	Service Concession Arrangements	1 January 2014
TFRIC 13	Customer Loyalty Programmes	1 January 2014
TFRIC 17	Distributions of Non-cash Assets to Owners	1 January 2014
TFRIC 18	Transfers of Assets from Customers	1 January 2014

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

**4. Cumulative effect of change in accounting policy due to the adoption of new accounting standard**

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

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

(Unit: Thousand Baht)

	Consolidated financial statements			Separate financial statements		
	As at	As at	As at	As at	As at	As at
	31 December	31 December	1 January	31 December	31 December	1 January
	2013	2012	2012	2013	2012	2012
<b>Statements of financial position</b>						
Increase in investments in associates	163,880	99,575	101,096	-	-	-
Increase in deferred tax assets	617,679	539,456	478,019	491,841	400,584	306,619
Increase in unappropriated retained earnings	679,070	596,957	542,516	410,523	369,236	297,459
Increase (decrease) in other components of shareholders' equity	80,673	3,920	(14,176)	81,318	31,348	9,160
Increase in non-controlling interests of subsidiaries	21,816	38,154	50,775	-	-	-

(Unit: Thousand Baht)

	For the years ended 31 December			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
<b>Income statements</b>				
Decrease in income tax expenses	(28,253)	(30,669)	(41,287)	(63,709)
Increase in share of profit from investments in associates	37,523	2,569	-	-
Decrease in profit attributable to non-controlling interests of subsidiaries	(16,337)	(12,853)	-	-
Increase in profit attributable to equity holders of the Company	82,113	46,091	41,287	63,709
Increase in basic earnings per share (Baht)	0.008	0.005	0.004	0.006
<b>Statements of comprehensive income</b>				
Decrease in loss on change in value of available-for-sale investments	(49,970)	(22,188)	(49,970)	(22,188)
Decrease in actuarial loss	-	(8,580)	-	(8,068)
Increase (decrease) in share of other comprehensive income of associates	26,782	(4,091)	-	-

## 5. Significant accounting policies

### 5.1 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.

## **5.2 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.

## **5.3 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.

#### **5.4 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.

#### **5.5 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.

#### **5.6 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.

#### **5.7 Investments**

- a) Investments in securities held for trading are stated at fair value. Changes in the fair value of these securities are recorded in profit or loss.
- b) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in other comprehensive income, and will be recorded in profit or loss when the securities are sold.
- c) 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.



- d) Investments in non-marketable equity securities, which the Company and its subsidiaries classify as other investments, are stated at cost net of allowance for impairment loss (if any).
- e) Investments in associates are accounted for in the consolidated financial statements using the equity method.
- f) 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.

## **5.8 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.

## **5.9 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 5 - 40 years. Depreciation of the investment properties is included in determining income.

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

#### **5.10 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 and pool 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	2 - 20	years

Depreciation is included in determining income.

No depreciation is provided on land and assets under construction.

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

#### **5.11 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.

### **5.12 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.

### **5.13 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.

### **5.14 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.

### **5.15 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.

## **5.16 Foreign currencies**

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

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

## **5.17 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.

## **5.18 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.

For the first-time adoption of TAS 19 Employee Benefits in 2011, the Company elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in 2011.

## **5.19 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.

## **5.20 Income tax**

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

### **Current tax**

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

### **Deferred tax**

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

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

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

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

## **5.21 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.

## **6. Significant accounting judgments and estimates**

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

### **Deferred tax assets**

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

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

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

### **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.

## **7. 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
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.)

Name of related parties	Relationship
L&H Retail Management Co., Ltd.	Subsidiary (99.95 percent held by L&H Property Co., Ltd.)
L&H Hotel Management Co., Ltd.	Subsidiary (99.97 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.)
Land and Houses Fund Management Co., Ltd.	Associate (99.99 percent held by the subsidiary of LH Financial Group Plc.)
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.
Starmalls, Inc.	Associate (The Company reclassified the type of investment from investments in associate to available-for-sale investments in June 2012)
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		
	2013	2012	2013	2012	
<u>Transactions with subsidiaries</u>					
(Eliminated from the consolidated financial statements)					
Interest income	-	-	90.2	48.8	MLR - 1.5 and 5.00% - 7.50% p.a.
Management fee income	-	-	13.5	12.5	Approximate cost
Dividend income	-	-	325.5	300.0	Declared rate
Sales of land	-	-	56.8	1.4	Approximate cost
Cash paid for use of land	-	-	81.0	5.2	Approximate cost
Purchases of land	-	-	9.0	0.5	Approximate cost
Interest expenses	-	-	3.3	4.1	3.00% p.a.
Rental and service expenses	-	-	1.7	1.8	Baht 1,030 per square metre per month
<u>Transactions with associates</u>					
Interest income	16.7	22.7	13.7	21.5	Market rate
Dividend income	708.5	662.0	708.5	662.0	Declared rate
Purchases of goods	107.0	134.7	101.0	127.9	Market price
Commission expenses	4.4	-	-	-	Market rate
Services expenses	0.5	3.4	-	-	Contract price
Accounting services expenses	-	1.0	-	-	Contract price
Project management fee expenses	107.6	116.2	-	-	Contract price
<u>Transactions with related companies</u>					
Dividend income	55.9	31.4	55.9	31.4	Declared rate
Rental and services expenses	42.1	39.3	42.1	39.3	Baht 500 - 800 per square meter per month
Interest expenses	21.3	29.8	-	-	MLR - 1.5 and 5.50% - 7.50% p.a.
Commission expenses	14.6	11.3	-	0.4	Contract price
Project management fee expenses	23.7	22.0	-	-	Contract price
Sale of project	-	628.0	-	-	Market price
Provision for guarantee					
Income of fond	33.3	80.6	33.3	80.6	Contract price
<u>Transactions with directors of subsidiaries</u>					
Interest expenses	2.2	2.2	-	-	5.50% - 7.50% p.a.

According to the undertaking agreement with Land and Houses Freehold and Leasehold Property Fund, the Company and Reco Plaza Pte Ltd. guarantee income of such fund. They guarantee between the different amount of Baht 179.88 million and the actual net income for the year 2012 and Baht 243.16 million and the actual net income for the year 2013 - 2015. The Company and Reco Plaza Pte Ltd. guarantee at the portion of 52% and 48%, respectively. However, the guarantee income must not exceed 50% of actual net income before income guarantee.

As at 31 December 2013, the outstanding provision to guarantee income of the fund is amounting to Baht 67 million. The amount are represented as a short-term provision totaling Baht 47 million and long-term provision totaling Baht 20 million in the statement of financial position.

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

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
<b>Deposit at financial institution</b>				
(shown under cash and cash equivalents)				
<u>Associate</u>				
Land and Houses Bank Plc.	651.9	919.0	499.5	722.4
<b>Current investments (Note 9)</b>				
<u>Associate</u>				
Land and Houses Fund Management Co., Ltd.	50.0	50.0	50.0	50.0
<b>Amounts due from and accounts receivables - related parties (Note 10)</b>				
<u>Subsidiaries</u>				
(Eliminated from the consolidated financial statements)				
L H Asset Co., Ltd.	-	-	0.1	1.1
Atlantic Real Estate Co., Ltd.	-	-	0.1	0.8
Land and Houses Northeast Co., Ltd.	-	-	0.5	-
L H Muangmai Co., Ltd.	-	-	0.2	-
	-	-	0.9	1.9
<u>Associates</u>				
Q.H. International Co., Ltd.	3.3	-	-	-
Quality Houses Plc.	-	0.2	-	-
Land and Houses Bank Plc.	-	0.1	-	-
	3.3	0.3	-	-
<u>Related company</u>				
Land and Houses Freehold and Leasehold Property Fund	-	3.5	-	-
<b>Total</b>	<b>3.3</b>	<b>3.8</b>	<b>0.9</b>	<b>1.9</b>
<b>Short-term loans to and accrued interest receivables from related parties</b>				
<u>Subsidiaries</u>				
(Eliminated from the consolidated financial statements)				
Land and Houses Northeast Co., Ltd.	-	-	282.7	50.1
L H Asset Co., Ltd.	-	-	35.4	60.1
L H Muang Mai Co., Ltd.	-	-	99.9	68.8
L&H Property Co., Ltd.	-	-	590.8	745.5
Pacific Real Estate Co., Ltd.	-	-	75.9	-
	-	-	1,084.7	924.5
<u>Associate</u>				
Land and Houses Bank Plc.	0.1	0.1	0.1	0.1
<b>Total</b>	<b>0.1</b>	<b>0.1</b>	<b>1,084.8</b>	<b>924.6</b>
<b>Long-term loans to and accrued interest receivables from related parties</b>				
<u>Subsidiary</u>				
(Eliminated from the consolidated financial statements)				
Land and Houses U.S.A., Inc.	-	-	3,141.2	-

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
<b>Deposit to related companies</b>				
<u>Subsidiary</u>				
(Eliminated from the consolidated financial statements)				
L&H Property Co., Ltd.	-	-	-	0.4
<u>Related company</u>				
Quality Houses Leasehold Property Fund	9.3	8.6	9.3	8.6
Total	9.3	8.6	9.3	9.0
<b>Trade accounts payables - related parties (Note 22)</b>				
<u>Associates</u>				
Quality Construction Products Plc.	14.2	9.9	14.2	9.9
Home Product Center Plc.	0.8	0.8	0.6	0.3
Quality Houses Plc.	10.3	16.8	-	-
	25.3	27.5	14.8	10.2
<u>Related companies</u>				
Land and Houses Freehold and Leasehold Property Fund	2.7	2.4	-	-
Siam Retail Development Co., Ltd.	3.3	7.6	-	-
	6.0	10.0	-	-
Total	31.3	37.5	14.8	10.2
<b>Amounts due to related parties (Note 22)</b>				
<u>Associates</u>				
Home Product Center Plc.	0.1	4.5	0.1	4.6
Quality Houses Plc.	10.6	5.7	-	-
	10.7	10.2	0.1	4.6
<u>Related companies</u>				
Siam Retail Development Co., Ltd.	9.6	4.3	-	-
Quality Houses Leasehold Property Fund	0.3	-	0.3	-
	9.9	4.3	0.3	-
Total	20.6	14.5	0.4	4.6
<b>Short-term loans from and accrued interest payables to related parties</b>				
<u>Subsidiaries</u>				
(Eliminated from consolidated financial statements)				
LH Real Estate Co., Ltd.	-	-	16.6	-
Pacific Real Estate Co., Ltd.	-	-	-	42.6
Siam Tanee Property Co., Ltd.	-	-	90.4	9.0
Land and Houses North Co., Ltd.	-	-	22.2	22.1
	-	-	129.2	73.7
<u>Related companies</u>				
Muang Mai Property Co., Ltd.	13.1	12.5	-	-
Reco Resorts Pte Ltd.	393.7	496.9	-	-
Directors of subsidiaries	53.4	45.2	-	-
	460.2	554.6	-	-
Total	460.2	554.6	129.2	73.7

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
<b>Provision for guarantee income of fund (Note 25)</b>				
<u>Related company</u>				
Land and Houses Freehold and Leasehold Property Fund	67.3	72.8	67.3	72.8

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

During the year 2013, movements of loans to/loans from the Company, subsidiaries and related companies were as follows:

(Unit: Million Baht)

	Consolidated financial statements			
	1 January 2013	Increase	Decrease	31 December 2013
<b>Short-term loans to and accrued interest receivables from related parties</b>				
<u>Associate</u>				
Land and Houses Bank Plc.	0.1	16.7	(16.7)	0.1
<b>Short-term loans from and accrued interest payables to related parties</b>				
<u>Related companies</u>				
Muang Mai Property Co., Ltd.	12.5	0.6	-	13.1
Reco Resorts Pte Ltd.	496.9	20.7	(123.9)	393.7
Directors of subsidiaries	45.2	8.2	-	53.4
Total	554.6	29.5	(123.9)	460.2

(Unit: Million Baht)

	Separate financial statements			
	1 January 2013	Increase	Decrease	31 December 2013
<b>Short-term loans to and accrued interest receivables from related parties</b>				
<u>Subsidiaries</u>				
Land and Houses Northeast Co., Ltd.	50.1	275.8	(43.2)	282.7
L H Asset Co., Ltd.	60.1	48.2	(72.9)	35.4
L H Muang Mai Co., Ltd.	68.8	31.1	-	99.9
L&H Property Co., Ltd.	745.5	31.1	(185.8)	590.8
Atlantic Real Estate Co., Ltd.	-	75.9	(75.9)	-
Pacific Real Estate Co., Ltd.	-	80.9	(5.0)	75.9
	924.5	543.0	(382.8)	1,084.7
<u>Associate</u>				
Land and Houses Bank Plc.	0.1	13.7	(13.7)	0.1
Total	924.6	556.7	(396.5)	1,084.8
<b>Long-term loans to and accrued interest receivables from related parties</b>				
<u>Subsidiary</u>				
Land and Houses U.S.A., Inc.	-	3,170.9	(29.7)	3,141.2

(Unit: Million Baht)

	Separate financial statements			
	1 January 2013	Increase	Decrease	31 December 2013
<b>Short-term loans from and accrued interest payables to related parties</b>				
<u>Subsidiaries</u>				
Pacific Real Estate Co., Ltd.	42.6	120.6	(163.2)	-
Siam Tanee Property Co., Ltd.	9.0	111.7	(30.3)	90.4
Land and Houses North Co., Ltd.	22.1	45.6	(45.5)	22.2
Atlantic Real Estate Co., Ltd.	-	231.3	(231.3)	-
L H Real Estate Co., Ltd.	-	48.7	(32.1)	16.6
Total	73.7	557.9	(502.4)	129.2

### Directors and management's benefits

During the year 2013 and 2012, 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	
	2013	2012
Short-term employee benefits	83,620	90,985
Post-employment benefits	3,180	3,194
Total	86,800	94,179

### 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 35 to the financial statements.

The Company and a subsidiary had outstanding guarantee obligations with its related parties, as described in Note 35.3 to the financial statements.

## 8. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
Cash	4,776	5,271	2,050	1,798
Bank deposits	695,888	1,028,121	380,799	761,615
Cheques in transit	264,875	278,704	244,984	268,039
Bills of exchange	200,000	-	200,000	-
Treasury bills	-	149,989	-	149,989
<b>Total</b>	<b>1,165,539</b>	<b>1,462,085</b>	<b>827,833</b>	<b>1,181,441</b>

As at 31 December 2013, bank deposits, bills of exchange and treasury bills carried interests between 0.50% and 2.25% per annum (2012: 0.625% to 3.00% per annum).

## 9. Current investments

(Unit: Thousand Baht)

	Consolidated and Separate financial statements	
	2013	2012
Investments in LH Money Market Fund, Cost	50,000	-
Add: Unrealised gain on changes in value of investments	25	-
<b>Fair value</b>	<b>50,025</b>	<b>-</b>

## 10. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
<u>Trade receivables - unrelated parties</u>				
Past due				
Less than 3 months	94,960	78,743	-	-
3 - 6 months	3,918	10,186	-	-
6 - 9 months	2,706	553	-	-
9 - 12 months	2,480	-	-	-
Over 12 months	188	567	-	-
<b>Total</b>	<b>104,252</b>	<b>90,049</b>	<b>-</b>	<b>-</b>
Less: Allowance for doubtful debts	(105)	-	-	-
<b>Total trade receivables - unrelated parties, net</b>	<b>104,147</b>	<b>90,049</b>	<b>-</b>	<b>-</b>



	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
<u>Other receivables</u>				
Amounts due from and accounts receivables - related parties	3,251	3,776	887	1,876
Other	28,850	26,421	28,087	25,879
Other receivables	32,101	30,197	28,974	27,755
Total trade and other receivables - net	136,248	120,246	28,974	27,755

#### 11. Land, construction in progress and utilities (inventories)

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
Land	23,564,974	20,514,921	22,636,503	19,591,173
Land improvements	1,931,679	1,296,652	1,824,428	1,234,153
Construction in progress	8,952,298	7,114,711	8,428,246	6,770,099
Interest cost	1,520,064	1,515,468	1,443,111	1,462,351
Public utilities	2,652,358	2,147,214	2,364,445	1,996,344
Deferred development cost	832	1,091	414	500
Houses held for sales	41,430	60,204	-	-
Total	38,663,635	32,650,261	36,697,147	31,054,620
Less : Allowance for reduce cost to net realisable value	(167,552)	(113,626)	(69,129)	(78,952)
Inventories - net	38,496,083	32,536,635	36,628,018	30,975,668

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	
	2013	2012	2013	2012
Borrowing costs included in cost of land				
and construction in progress (Million Baht)	696	695	650	671
Capitalisation rate (Percent)	3.8	4.0	3.8	4.0

As at 31 December 2013 and 2012, the Company and a 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	
	2013	2012	2013	2012
Net book value of land and structures				
thereon mortgaged as collateral	5,559	9,571	4,576	8,762

(Unit: Million Baht)

Movements in the allowance for loss on diminution in value of projects during the year ended 31 December 2013 are summarised below.

	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
Balance as at 1 January 2013	113,626		78,952	
Add: Additional set up	43,274		-	
Transfer from land held for development	26,692		-	
Less: Reversal due to sale	(16,040)		(9,823)	
Balance as at 31 December 2013	<u>167,552</u>		<u>69,129</u>	

(Unit: Thousand Baht)

During the current year, the subsidiaries transferred out inventories with net book value of Baht 31 million to land held for development and transferred out in inventories with net book value of Baht 25 million.

## 12. Investments in subsidiaries

12.1 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	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
			(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)	(a)	100.00	100.00	616,427	346,466	-	-	616,427	346,466
					<u>3,004,327</u>	<u>2,734,366</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>2,954,327</u>	<u>2,684,366</u>

(a) As at 31 December 2013, Land and Houses U.S.A., Inc. had paid-up capital amounted to USD 20.0 million (2012: USD 11.3 million).

During the years 2013 and 2012, the Company received dividend income from a subsidiary as detailed below.

(Unit: Thousand Baht)

Company's name	2013	2012
Atlantic Real Estate Co., Ltd.	325,454	299,958
Total	<u>325,454</u>	<u>299,958</u>

## 12.2 L H Muang Mai Company Limited and its subsidiaries

As at 31 December 2013 and 2012, 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.

## 12.3 Land and Houses U.S.A., Inc.

On 24 July 2013, Land and Houses U.S.A., Inc. called up USD 8.7 million and the Company had already paid in total.

## 13. Investments in associates

### 13.1 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		
			31	31	1	31	31	1	31	31	1
			December	December	January	December	December	January	December	December	January
			2013	2012	2012	2013	2012	2012	2013	2012	2012
			(Percent)	(Percent)	(Percent)				(Restated)		
LH Financial Group Plc.	Holding company	Thai	34.14	35.07	35.43	4,394,026	4,254,008	4,254,008	5,137,099	4,976,725	4,726,552
Quality Construction Products Plc.	Manufacture of construction materials	Thai	21.16	21.16	21.16	179,178	179,178	179,178	419,878	397,458	320,149
Home Product Center Plc.	Trading of construction materials	Thai	30.23	30.11	30.07	1,489,020	1,337,231	1,175,060	4,463,111	3,470,119	2,801,956
Asia Asset Advisory Co., Ltd.	Investment advisor	Thai	40.00	40.00	40.00	2,000	2,000	2,000	9,042	5,142	2,623
Land and Houses Property Fund	Real estate business	Thai	49.94	49.94	49.94	20,692	20,692	20,692	32,402	32,402	32,402
Land and Houses Property and Loan Fund-II	Real estate business	Thai	49.99	49.99	49.99	785,330	785,330	1,512,269	537,126	542,334	1,260,648
Quality Houses Plc.	Real estate business	Thai	24.98	24.86	24.86	3,282,682	3,252,802	3,252,802	5,179,520	4,780,100	4,187,038
Starmalls, Inc.	Real estate business	Philippines	-	-	25.00	-	-	866,849	-	-	1,148,654
						<u>10,152,928</u>	<u>9,831,241</u>	<u>11,262,858</u>	<u>15,778,178</u>	<u>14,204,280</u>	<u>14,480,022</u>

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Separate financial statements					
			Shareholding percentage			Cost		
			31	31	1	31	31	1
			December	December	January	31	December	January
			2013	2012	2012	December 2013	2012	2012
			(Percent)	(Percent)	(Percent)			
LH Financial Group Plc.	Holding company	Thai	34.14	35.07	35.43	4,394,026	4,254,008	4,254,008
Quality Construction Products Plc.	Manufacture of construction materials	Thai	21.16	21.16	21.16	179,178	179,178	179,178
Home Product Center Plc.	Trading of construction materials	Thai	30.23	30.11	30.07	1,489,020	1,337,231	1,175,060
Asia Asset Advisory Co., Ltd.	Investment advisor	Thai	40.00	40.00	40.00	2,000	2,000	2,000
Land and Houses Property Fund	Real estate business	Thai	49.94	49.94	49.94	20,692	20,692	20,692
Land and Houses Property and Loan Fund-II	Real estate business	Thai	49.99	49.99	49.99	785,330	785,330	1,512,269
Quality Houses Plc.	Real estate business	Thai	24.98	24.86	24.86	3,282,682	3,252,802	3,252,802
Starmalls, Inc.	Real estate business	Philippines	-	-	25.00	-	-	866,849
						<u>10,152,928</u>	<u>9,831,241</u>	<u>11,262,858</u>

### 13.2 Significant changes in investments in associates

#### 13.2.1 LH Financial Group Public Company Limited

During the year 2013, the warrant holders of LH Financial Group Public Company Limited exercised their rights to convert warrants to 330 million ordinary shares. As a result, the Company's shareholding percentage in that company has changed from 35.07% to 34.14%.

On 22 April 2013, the Annual General Meeting of the shareholders of LH Financial Group Plc. approved the allocation of additional ordinary shares to its existing shareholders in proportion of its shareholding in a ratio of 1 new share for each 30 existing shares at a price of Baht 1 per share. The Company invested in ordinary shares of LH Financial Group Plc. for 140 million shares with a total value of Baht 140 million and made payment for such shares in May 2013.

### **13.2.2 Home Product Center Public Company Limited**

During the year 2013, the Company additionally purchased the ordinary shares of Home Product Center Public Company Limited totaling 10 million shares or Baht 152 million and the warrant holders of Home Product Center Public Company Limited exercised their rights to convert warrants to 5 million ordinary shares. As a result, the Company's percentage shareholding in that company has changed from 30.11% to 30.23%.

On 5 April 2013, the Annual General Meeting of the shareholders of Home Product Center Public Company Limited approved the payment of dividend to its shareholders. This comprised a stock dividend at rate of 1 dividend share for every 6 existing shares, or equivalent to Baht 0.1667 per share and a cash dividend of Baht 0.0186 per share. The Company received 355 million stock dividend shares and cash dividend of Baht 40 million on 30 April 2013. 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 period.

On 22 October 2013, the Extraordinary General Meeting of the shareholders of Home Product Center Public Company Limited approved the payment of dividend to its shareholders. This comprised a stock dividend at rate of 1 dividend share for every 6 existing shares, or equivalent to Baht 0.1667 per share and a cash dividend of Baht 0.0186 per share. The Company received 414 million stock dividend shares and cash dividend of Baht 46 million on 15 November 2013. 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 period.

### **13.2.3 Quality Houses Public Company Limited**

During the year 2013, the Company additionally purchased the ordinary shares of Quality Houses Public Company Limited totaling 10.5 million shares or Baht 30 million. As a result, the Company's percentage shareholding in that company has changed from 24.86% to 24.98%.

### 13.3 Share of profit 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:

(Unit: Thousand Baht)

Company's name	Consolidated financial statements				Separate financial statements	
	Share of profit from		Share of other		Dividend received	
	investments in associates		comprehensive income of			
	during the year		associates during the year			
2013	2012	2013	2012	2013	2012	
		(Restated)	(Restated)			
LH Financial Group Plc.	288,222	234,354	(127,989)	30,861	139,878	15,041
Quality Construction Products Plc.	49,501	84,216	-	(137)	27,081	6,770
Home Product Center Plc.	927,113	803,143	(105)	7,141	85,805	304,292
Asia Asset Advisory Co., Ltd.	3,900	3,305	-	(785)	-	-
Land and Houses Property Fund <sup>(1)</sup>	-	-	-	-	-	-
Land and Houses Property and Loan Fund-II	15,963	524,621	-	-	21,171	316,335
Quality Houses Plc.	824,061	609,746	(19,984)	2,832	434,537	19,516
Starmalls, Inc. <sup>(2)</sup>	-	25,344	-	(2,344)	-	-
<b>Total</b>	<b>2,108,760</b>	<b>2,284,729</b>	<b>(148,078)</b>	<b>37,568</b>	<b>708,472</b>	<b>661,954</b>

<sup>(1)</sup> Registered its termination on 11 December 2007.

<sup>(2)</sup> The Company reclassified the type of investment from investments in associate to available-for-sale investment in June 2012.

### 13.4 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 2013 and 2012 are as follows:

(Unit: Million Baht)

Company's name	Country of listing	Fair values	
		2013	2012
LH Financial Group Plc.	Thai	5,296	5,713
Quality Construction Products Plc.	Thai	804	1,244
Home Product Center Plc.	Thai	26,961	26,715
Quality Houses Plc.	Thai	6,009	4,886
<b>Total</b>		<b>39,070</b>	<b>38,558</b>

### 13.5 Summarised financial information of associates

Financial information (after adjust the impact of using the different accounting policies) of the 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	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
				(Restated)		(Restated)		(Restated)		(Restated)
LH Financial Group Plc.	12,716	11,979	149,099	122,369	134,078	108,202	7,115	5,252	893	683
Quality Construction Products Plc.	400	400	2,402	2,219	418	340	2,282	2,176	234	398
Home Product Center Plc.	9,590	7,041	35,942	25,868	23,225	15,941	42,830	36,969	3,068	2,671
Asia Asset Advisory Co., Ltd.	5	5	44	37	25	25	68	71	8	6
Land and Houses Property and										
Loan Fund-II	1,569	1,569	2,193	1,092	6	7	84	143	29	1,197
Quality Houses Plc.	9,184	9,184	41,652	41,871	24,374	26,076	19,999	14,409	3,307	2,450

**13.6** The Company's consolidated financial statements for the years ended 31 December 2013 and 2012 included investments in the following associates accounted for under the equity method, and share of profit 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		Share of profit from	
	equity method as at		investments under the	
	31 December		equity method for the year	
	2013	2012	2013	2012
		(Restated)		(Restated)
<b>Audited by auditor and other auditors of the same firm</b>				
LH Financial Group Plc.	5,137,099	4,976,725	288,222	234,354
Home Product Center Plc.	4,463,111	3,470,119	927,113	803,143
Asia Asset Advisory Co., Ltd.	9,042	5,142	3,900	3,305
Land and Houses Property Fund <sup>(1)</sup>	32,402	32,402	-	-
Land and Houses Property and Loan Fund-II	537,126	542,334	15,963	524,621
Quality Houses Plc.	5,179,520	4,780,100	824,061	609,746
<b>Audited by other auditors</b>				
Quality Construction Products Plc.	419,878	397,458	49,501	84,216
<b>Unaudited by auditor</b>				
Starmalls, Inc. <sup>(2)</sup>	-	-	-	25,344
<b>Total</b>	<b>15,778,178</b>	<b>14,204,280</b>	<b>2,108,760</b>	<b>2,284,729</b>

<sup>(1)</sup> Registered its termination on 11 December 2007

<sup>(2)</sup> The Company reclassified the type of investment from investments in associate to available-for-sales investment in June 2012

#### 14. Other long-term investments

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
<b>Available-for-sale securities</b>				
Equity securities - Domestic	783,568	783,568	783,568	783,568
Equity securities - Overseas	2,368,704	2,368,704	2,368,704	2,368,704
Less: Changes in fair value of securities	(406,590)	(156,740)	(406,590)	(156,740)
Available-for-sale securities - net	<u>2,745,682</u>	<u>2,995,532</u>	<u>2,745,682</u>	<u>2,995,532</u>
<b>Other investments</b>				
Equity securities - Domestic	204,437	250,089	26,000	26,000
Less: Allowance for impairment	(100,500)	(37,064)	(16,000)	(16,000)
Other investments - net	<u>103,937</u>	<u>213,025</u>	<u>10,000</u>	<u>10,000</u>
Total	<u>2,849,619</u>	<u>3,208,557</u>	<u>2,755,682</u>	<u>3,005,532</u>

#### 15. Land held for development

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
Land held for development	4,929,075	4,957,913	3,741,556	3,755,806
Less: Allowance for loss on diminution in value	(802,862)	(792,850)	(691,869)	(691,869)
Land held for development - net	<u>4,126,213</u>	<u>4,165,063</u>	<u>3,049,687</u>	<u>3,063,937</u>

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 2013 and 2012, 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	
	2013	2012	2013	2012
Net book value of mortgaged land				
held for development to secure loans	3,496	2,116	2,551	1,171

During the current year, the subsidiaries transferred in inventories with net book value of Baht 31 million to land held for development and transferred out inventories with net book value of Baht 25 million.

Movements in the allowance for loss on diminution in value of land held for development during the year ended 31 December 2013 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial	Separate
	statements	financial statements
Balance as at 1 January 2013	792,850	691,869
Add: Additional set up	36,703	-
Less: Transfer to inventories	(26,691)	-
Balance as at 31 December 2013	<u>802,862</u>	<u>691,869</u>

## 16. Investment properties

The net book value as at 31 December 2013 and 2012 of investment properties, representing apartments of Land and Houses U.S.A., Inc. is presented below.

(Unit: Thousand Baht)

	Consolidated	
	financial statements	
	2013	2012
Cost	3,788,852	313,974
Less: Accumulated depreciation	(30,138)	(291)
Net book value	<u>3,758,714</u>	<u>313,683</u>

A reconciliation of the net book value of investment properties for the years 2013 and 2012 is presented below.

	(Unit: Thousand Baht)	
	Consolidated	
	financial statements	
	2013	2012
Net book value at beginning of year	313,683	386,513
Acquisition of assets	3,452,512	313,974
Depreciation charged	(28,049)	(6,012)
Disposals - net book value at disposal date	-	(380,792)
Translation adjustment	20,568	-
Net book value at end of year	3,758,714	313,683

Depreciation of investment properties for the year 2013 of Baht 28 million (2012: Baht 6 million) included in cost of rental and services.

The fair value of the investment properties as at 31 December 2013 and 2012 stated below:

	(Unit: Million Baht)	
	Consolidated	
	financial statements	
	2013	2012
Apartments	3,603 <sup>(1)</sup>	314 <sup>(2)</sup>

<sup>(1)</sup> As at 31 December 2013 fair value USD 110.25 million.

<sup>(2)</sup> As at 31 December 2012 fair value USD 10.25 million.

As at 31 December 2013, the fair values of investment properties have been determined using the following approach.

- Investment properties which are acquired in the year 2013 have been determined based on acquisition cost. The management believes that there are no material differences between the book value and its fair value.
- Investment properties which are acquired in the year 2012 have been determined by an accredited independent valuer in the year 2013 using the Market Comparison Approach.

During the years 2013 and 2012, the subsidiaries gained rental income and had direct operating expenses arising from 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

Rental and service income  
Direct operating expenses

	2013	2012
Rental and service income	92	20
Direct operating expenses	66	16

## 17. Property, plant and equipment

(Unit: Thousand Baht)

Consolidated financial statements									
	Land	Building and improvement	Office equipment	Furniture, fixture and equipment	Motor vehicles	Clubhouse and pool	Other	Assets under construction	Total
<u>Cost</u>									
1 January 2012	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
Purchase	-	-	8,548	2,061	5,758	133,985	19,076	26,897	196,325
Disposal/write-off	-	(1,891)	(1,136)	(14,339)	(5,856)	(98,850)	(18,223)	-	(140,295)
Transfer in (out)	-	4,835	-	20,454	-	5,740	-	(31,029)	-
Translation adjustment	-	-	6	24	-	-	-	-	30
31 December 2013	26,997	67,336	167,783	421,732	113,553	875,278	250,811	34,001	1,957,491
<u>Accumulated depreciation</u>									
1 January 2012	-	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
Depreciation for the year	-	2,304	20,407	31,257	18,154	105,977	32,820	-	210,919
Depreciation on disposal	-	(472)	(1,126)	(13,273)	(5,855)	(98,850)	(591)	-	(120,167)
Translation adjustment	-	-	3	7	-	-	-	-	10
31 December 2013	-	41,849	126,474	330,746	61,229	599,024	180,703	-	1,340,025
<u>Allowance for impairment</u>									
31 December 2012	-	1,178	-	-	-	-	-	-	1,178
31 December 2013	-	1,178	-	-	-	-	-	-	1,178
<u>Net book value</u>									
31 December 2012	26,997	23,197	53,175	100,777	64,721	242,506	101,484	38,133	650,990
31 December 2013	26,997	24,309	41,309	90,986	52,324	276,254	70,108	34,001	616,288
<u>Depreciation for the year</u>									
2012 (Baht 164 million included in cost of sales and cost of rental and services, and the balance in administrative expenses)									217,671
2013 (Baht 151 million included in cost of sales and cost of rental and services, and the balance in administrative expenses)									210,919

(Unit: Thousand Baht)

Separate financial statements								
	Building and improvement	Office equipment	Furniture, fixture and equipment	Motor vehicles	Clubhouse and pool	Other	Assets under construction	Total
<u>Cost</u>								
1 January 2012	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
Purchase	-	5,534	-	5,710	131,653	8,380	13,730	165,007
Disposal/write-off	(1,891)	(18)	(11,714)	(2,975)	(86,146)	(203)	-	(102,947)
Transfer in (out)	4,835	-	18,769	-	-	-	(23,604)	-
31 December 2013	49,632	117,140	190,825	108,623	766,026	59,621	23,694	1,315,561

(Unit: Thousand Baht)

Separate financial statements								
	Building and building improvement	Office equipment	Furniture, fixture and equipment	Motor vehicles	Clubhouse and pool	Other	Assets under construction	Total
<u>Accumulated depreciation</u>								
1 January 2012	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
Depreciation for the year	2,304	12,942	13,347	17,565	97,676	4,638	-	148,472
Depreciation on disposal	(472)	(18)	(10,649)	(2,974)	(86,146)	(97)	-	(100,356)
31 December 2013	25,325	97,043	149,703	57,772	493,546	46,364	-	869,753
<u>Net book value</u>								
31 December 2012	23,195	27,505	36,765	62,707	238,503	9,621	33,568	431,864
31 December 2013	24,307	20,097	41,122	50,851	272,480	13,257	23,694	445,809
<u>Depreciation for the year</u>								
2012 (Baht 92 million included in cost of sales, and the balance in administrative expenses)								136,566
2013 (Baht 98 million included in cost of sales, and the balance in administrative expenses)								148,472

As at 31 December 2013 and 2012, 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		Separate	
	financial statements	financial statements	financial statements	financial statements
	2013	2012	2013	2012
Building and equipment items have been fully depreciated but are still in use	548	536	264	261

## 18. Leasehold rights

(Unit: Thousand Baht)

Consolidated financial statements						
Project	Remaining periods of leasehold rights (years)	1 January		Disposal -		31 December 2013
		2013	Increase	net book value at disposal date	Amortisation	
Grande Centre Point Hotel Ratchadamri	24	1,856,398	3,019	-	(90,360)	1,769,057
Terminal 21 Shopping Mall and Grande Centre Point Hotel Terminal 21	27	4,563,155	6,290	-	(165,439)	4,404,006
Vacant land	13 and 33	517	106,710	-	(37)	107,190
Total		6,420,070	116,019	-	(255,836)	6,280,253

The amortisation of leasehold rights for the year 2013 of Baht 256 million (2012: Baht 257 million) included in cost of rental and services.

Leasehold rights of Grande Centre Point Hotel Ratchadamri 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 2013 of Baht 1,769 million (2012: Baht 1,856 million) as collateral for bank overdrafts and long-term loans.

## 19. Deposit for purchase of land

(Unit: Thousand Baht)

	Consolidated and Separate financial statements	
	2013	2012
Deposit for purchase of land	-	282,450
Less: Allowance for impairment	-	(84,735)
Deposit for purchase of land - net	-	197,715

As at 31 December 2012, the Company had an agreement to buy and to sell land which it 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. The Company has not yet proceeded such construction, therefore, allowance for impairment of deposit for purchase of land was recorded of Baht 85 million.

However, during the year 2013, the Company sold deposit for purchase of land and recognised gains on the sales in profit or loss.

## 20. Other intangible assets

The net book value of other intangible assets as at 31 December 2013 and 2012 is presented below.

	Consolidated financial statements			Separate financial statements	
	Right to the use of the connecting walkway	Computer software	Total	Computer software	Total
As at 31 December 2013:					
Cost	80,803	66,491	147,294	39,415	39,415
Less: Accumulated amortisation	(16,807)	(25,862)	(42,669)	(18,750)	(18,750)
Net book value	63,996	40,629	104,625	20,665	20,665

(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	72,290	45,157	117,447	23,100	23,100

A reconciliation of the net book value of intangible assets for the years 2013 and 2012 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Net book value at beginning of year	117,447	105,880	23,100	6,394
Acquisition of computer software	1,576	25,494	611	19,486
Disposal and amortised during the year				
- net book value as at disposal date	(605)	(27)	-	-
Amortisation	(13,793)	(13,900)	(3,046)	(2,780)
Net book value at end of year	104,625	117,447	20,665	23,100
Amortisation for the year charged to				
Cost of rental and services	7,689	8,269	-	-
Administrative expenses	6,104	5,631	3,046	2,780

### 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.

## 21. Bank overdrafts and short-term loans

(Unit: Thousand Baht)

	Interest rate		Consolidated		Separate	
	(Percent per annum)		financial statements		financial statements	
	2013	2012	2013	2012	2013	2012
<b><u>Bank overdrafts and short-term loans from financial institutions</u></b>						
Bank overdrafts	MOR	MOR	21,669	15,061	180	-
Promissory notes	MOR - 1.5	3.20 and MOR - 1.5	400,000	310,000	300,000	300,000
Total bank overdrafts and short-term loans from financial institutions			<u>421,669</u>	<u>325,061</u>	<u>300,180</u>	<u>300,000</u>
<b><u>Short-term loans</u></b>						
Bills of exchange	2.75 - 2.99	2.90 - 2.99	2,360,000	900,000	2,360,000	900,000
Less: Prepaid interest			(5,482)	(6,018)	(5,482)	(6,018)
Total short-term loans			<u>2,354,518</u>	<u>893,982</u>	<u>2,354,518</u>	<u>893,982</u>

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.

## 22. Trade and other payables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
Trade payables - unrelated parties	1,799,037	1,318,789	1,635,094	1,111,370
Trade payables - related parties	31,283	37,455	14,815	10,195
Other payables - related parties	20,604	14,481	420	4,578
Accrued expenses	933,882	753,302	741,866	617,979
Others	21,044	21,825	20,117	19,812
Total trade and other payables	<u>2,805,850</u>	<u>2,145,852</u>	<u>2,412,312</u>	<u>1,763,934</u>

## 23. Long-term loans

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
Long-term loans	13,374,637	10,707,662	9,507,486	6,552,345
Less: Current portion	(1,870,427)	(1,545,010)	(1,000,000)	(1,000,000)
Net	<u>11,504,210</u>	<u>9,162,652</u>	<u>8,507,486</u>	<u>5,552,345</u>

As at 31 December 2013 and 2012, long-term loans of the Company and its subsidiaries from domestic financial institutions are shown below:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Interest rate per annum	Principal repayments	Guaranteed by
	2013	2012	2013	2012			
<u>The Company</u>	2,000	2,000	2,000	2,000	Year 1-2 - 4.11% Thereafter - MLR - 1.75	Repayment within 4 years from the first drawdown date	-
	1,000	2,000	1,000	2,000	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	-
	1	1,391	1	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	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
	361	346	361	346	Year 1 - 5 - MLR - 2.25	Repayments within 5 years from the first drawdown date	Land
	1,000	-	1,000	-	3.63%	Repayments within 2 years from the first drawdown date	-
	1,000	-	1,000	-	3.62%	Repayment within 18 months from the first drawdown date	-
	3,330	-	3,330	-	Year 1 - 4 MLR - 2.25	Repayments within 4 years from the first drawdown date	Land
<u>Subsidiaries</u>							
L&H Property Co., Ltd.	668	813	-	-	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
	2,377	2,547	-	-	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 <sup>a)</sup>
L H Muang Mai Co., Ltd.	226	247	-	-	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
	385	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



(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Interest rate per annum	Principal repayments	Guaranteed by
	2013	2012	2013	2012			
Double Tree Co., Ltd.	211	214	-	-	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	13,374	10,707	9,507	6,552			
Less: Current portion	(1,870)	(1,545)	(1,000)	(1,000)			
Net	11,504	9,162	8,507	5,552			

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 2013 and 2012, there were available long-term loan facilities from financial institutions as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Undrawdown loan facilities	1,183	2,633	86	1,254

## 24. 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 2013, the Company has unissued debentures under the above mentioned approval totalling Baht 2,000 million (2012: Baht 5,000 million).

The outstanding balance of debentures as at 31 December 2013 and 2012 are detailed below.

No.	Interest rate per annum	Tenor	Repayment	Maturity	Consolidated and Separate financial statements			
					Number of debenture (Shares)		Amount (Thousand Baht)	
					2013	2012	2013	2012
<b>Unsubordinated and unsecured debentures</b>								
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
No. 2/2010	Fixed rate 3%	3 years	At maturity	29 March 2013	-	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
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	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	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	2,500,000	2,500,000
No. 1/2013	Fixed rate 3.59%	3 years	At maturity	31 March 2016	3,500,000	-	3,500,000	-
No. 2/2013	Fixed rate 4.03%	3 years	At maturity	30 September 2016	3,500,000	-	3,500,000	-
Total					<u>18,000,000</u>	<u>15,000,000</u>	<u>18,000,000</u>	<u>15,000,000</u>
Less: Current portion of debentures							<u>(3,400,000)</u>	<u>(4,000,000)</u>
Net							<u>14,600,000</u>	<u>11,000,000</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.

## 25. 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 for Housing Estate Juristic Persons	Public utilities maintenance	Guarantee income of fund	Total
As at 1 January 2012	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	51,505	211,046	50,320	312,871	150,478	206,342	22,522	379,342
Increase during the year	55,127	10,511	18,605	84,243	34,440	85,237	14,699	134,376
Transfer in (out)	-	-	17,423	17,423	-	-	(17,423)	(17,423)
Utilised	(46,310)	(657)	(38,835)	(85,802)	(32,835)	(149,272)	-	(182,107)
As at 31 December 2013	60,322	220,900	47,513	328,735	152,083	142,307	19,798	314,188

(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		Public utilities maintenance	Guarantee income of fund	Total
					Estate Juristic Persons				
As at 1 January 2012	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	
Increase during the year	47,357	10,511	18,605	76,473	32,190	79,019	14,699	125,908	
Transfer in (out)	-	-	17,423	17,423	-	-	(17,423)	(17,423)	
Utilised	(41,208)	(657)	(38,835)	(80,700)	(28,119)	(145,632)	-	(173,751)	
As at 31 December 2013	54,525	220,900	47,513	322,938	139,015	131,444	19,798	290,257	

## 26. 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	financial statements	financial statements
	2013	2012	2013	2012
Defined benefit obligation at beginning of year	181,829	131,651	172,115	126,190
Current service cost	14,226	8,486	9,987	6,971
Interest cost	6,549	5,954	6,196	5,774
Benefits paid during the year	(477)	(7,163)	(477)	(7,163)
Actuarial loss	-	42,901	-	40,342
Defined benefit obligation at end of year	202,127	181,829	187,821	172,114

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2013	2012	2013	2012
Current service cost	14,226	8,486	9,987	6,971
Interest cost	6,549	5,954	6,196	5,774
Total expenses recognised in profit or loss	20,775	14,440	16,183	12,745
Line items under which such expenses are included in profit or loss				
Cost of sales and cost of rental and services	7,899	3,598	4,066	2,359
Administrative expenses	12,876	10,842	12,117	10,386

As at 31 December 2012, the cumulative amount of actuarial loss (net of income tax) recognised in other comprehensive income and taken as part of retained earnings of the Company and its subsidiaries amounted to Baht 34 million (2013: None) (The Company only: Baht 32 million, 2013: None).

Principal actuarial assumptions at the valuation date were as follows:

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
	(Percent per annum)	(Percent per annum)	(Percent per annum)	(Percent per annum)
Discount rate	3.6 - 3.7	3.6 - 3.7	3.6	3.6
Future salary increase rate	6.0 - 7.5	6.0 - 7.5	6.5	6.5
Staff turnover rate (depending on age)	0 - 20	0 - 20	0 - 20	0 - 20

Amounts of defined benefit obligation and experience adjustments on the obligation for the current and previous four periods are as follows:

(Unit: Thousand Baht)

	Defined benefit obligation		Experience adjustments arising on the obligation	
	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements
Year 2013	202,127	187,821	-	-
Year 2012	181,829	172,114	(68,972)	(64,317)
Year 2011	131,651	126,190	-	-
Year 2010	120,256	116,132	-	-
Year 2009	116,713	113,199	-	-

## 27. Deficit on changes in value of available-for-sale investments

During the year 2013, movement of deficit on changes in value of available-for-sale investments are as follows:

(Unit: Thousand Baht)

	Consolidated and Separate financial statements	
	2013	2012
Balance as at beginning of year	(125,392)	(36,641)
Changes during the year due to		(Restated)
- Revaluation	(249,850)	(110,939)
- Income taxes	49,970	22,188
Balance as at end of year	<u>(325,272)</u>	<u>(125,392)</u>

## 28. 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.

## 29. 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. The fund, which is managed by Land and Houses Fund 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	
	2013	2012	2013	2012
Contribution to provident fund	32	29	28	26

### 30. Expenses by nature

Significant expenses by nature are as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
Purchase of land and land held for development and payment of construction in progress	19,770	14,423	18,509	13,051
Changes in land, constructions in progress and land held for development	(5,921)	(746)	(5,638)	(212)
Salary and wages and other employee benefits	1,070	807	861	761
Depreciation and amortisation expenses	509	494	152	139
Loss on impairment of other long-term investments	63	-	-	-
Loss on impairment of other asset	20	-	20	-
Loss on diminution in value of projects	43	54	-	52
Loss on diminution in value of land held for development	37	27	-	-
Loss on exchange of land	-	2	-	-
Loss on disposal of property, plant and equipment	2	-	1	1
Loss on exchange rate	-	-	69	-
Rental expenses from operating lease agreements	89	84	49	48
Expenses related to flood	5	89	4	69

### 31. Income tax

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

	(Unit: Thousand Baht)			
	Consolidated financial		Separate financial	
	statements		statements	
	2013	2012	2013	2012
		(Restated)		(Restated)
<b>Current income tax:</b>				
Current income tax charge	1,129,827	1,149,794	1,024,542	1,067,109
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(28,253)	(46,580)	(41,287)	(73,709)
Effects of changes in the applicable tax rates	-	15,911	-	10,000
<b>Income tax expenses reported in the statements of income</b>	<b>1,101,574</b>	<b>1,119,125</b>	<b>983,255</b>	<b>1,003,400</b>

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

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2013	2012 (Restated)	2013	2012 (Restated)
Deferred tax relating to loss on changes in value of available-for-sale investments	(49,970)	(22,188)	(49,970)	(22,188)
Deferred tax relating to actuarial loss	-	(8,580)	-	(8,068)
Deferred tax relating to share of other comprehensive income of associates	26,782	(4,091)	-	-
	<u>(23,188)</u>	<u>(34,859)</u>	<u>(49,970)</u>	<u>(30,256)</u>

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

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2013	2012 (Restated)	2013	2012 (Restated)
Accounting profit before tax	<u>7,689,140</u>	<u>6,836,342</u>	<u>5,941,676</u>	<u>5,283,372</u>
Applicable tax rate	20%	23%	20%	23%
Accounting profit before tax multiplied by applicable tax rate	1,537,828	1,572,359	1,188,335	1,215,176
Effects of changes in the applicable tax rates	-	15,911	-	10,000
Recognition of previously unrecognized deferred tax assets	(34,000)	-	-	-
Effects of:				
Change in value of investments accounted for the equity method	(280,058)	(373,238)	-	-
Exempt dividend income	(152,689)	(159,076)	(217,780)	(228,045)
Non-deductible expenses	21,245	66,837	12,558	10,606
Additional expense deductions allowed	(375)	(8,223)	(368)	(7,296)
Others	9,623	4,555	510	2,959
Total	<u>(402,254)</u>	<u>(469,145)</u>	<u>(205,080)</u>	<u>(221,776)</u>
Income tax expenses reported in the statement of income	<u>1,101,574</u>	<u>1,119,125</u>	<u>983,255</u>	<u>1,003,400</u>

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

(Unit: Thousand Baht)

	Statements of financial position					
	Consolidated financial statements			Separate financial statements		
	As at	As at	As at	As at	As at	As at
	31 December	31 December	1 January	31 December	31 December	1 January
	2013	2012	2012	2013	2012	2012
<b>Deferred tax assets</b>						
Allowance for diminution in value of inventories and land held for development	194,073	179,323	167,940	152,200	154,164	145,958
Loss on change in value of available-for-sale investment	81,313	45,272	9,160	81,313	45,272	9,160
Allowance for impairment of investment	54,100	7,413	7,413	3,200	3,200	3,200
Allowance for asset impairment	4,236	17,182	17,183	4,000	16,947	16,947
Accumulated depreciation - Clubhouse and pool	76,376	76,285	73,072	69,220	68,035	64,136
Short-term provisions	64,691	61,981	14,965	64,588	61,949	14,909
Advance received from customers	50,263	26,346	27,346	49,508	26,014	26,856
Provision for long-term employee benefits	31,845	27,685	26,238	29,496	26,355	25,453
Actuarial loss	8,580	8,580	-	8,068	8,068	-
Long-term provisions	31,745	5,185	1,109	30,248	4,504	-
Unused tax loss	35,385	113,525	149,750	-	-	-
<b>Total</b>	<b>632,607</b>	<b>568,878</b>	<b>494,176</b>	<b>491,841</b>	<b>414,508</b>	<b>306,619</b>
<b>Deferred tax liabilities</b>						
Gain on re-measuring available-for-sale investments	-	(13,924)	-	-	(13,924)	-
Accumulated depreciation - Leasehold rights	(14,928)	(15,499)	(16,158)	-	-	-
<b>Total</b>	<b>(14,928)</b>	<b>(29,423)</b>	<b>(16,158)</b>	<b>-</b>	<b>(13,924)</b>	<b>-</b>
<b>Deferred tax assets - net</b>	<b>617,679</b>	<b>539,455</b>	<b>478,018</b>	<b>491,841</b>	<b>400,584</b>	<b>306,619</b>

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

As at 31 December 2013, the Company and its subsidiaries have deductible temporary differences and unused tax losses totaling Baht 538 million (2012: Baht 763 million) (The Company only: Baht 90 million, 2012: Baht 90 million), on which deferred tax assets have not been recognised as the Company and its subsidiaries believe that the temporary differences and unused tax losses will not be utilised.



### 32. 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	
	2013	2012	2013	2012
		(Restated)		(Restated)
Profit for the year (Thousand Baht)	6,478,400	5,681,824	4,958,421	4,279,972
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)	0.65	0.57	0.49	0.43

### 33. Segment information

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

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

- Real estate business segment which consists of houses, townhouses and residence condominium projects for sale.
- Rental and service business segment which consists of shopping mall, hotel and apartment for rent.

The chief operating decision maker monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss and total assets and on a basis consistent with that used to measure operating profit or loss in the financial statements. However, the Company and its subsidiaries' investments in associates and income taxes are managed on a Group basis and are not allocated to operating segments.

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

The following table present revenue and profit information regarding the Company and its subsidiaries' operating segments for the year ended 31 December 2013 and 2012, respectively.

(Unit: Million Baht)

	For the year ended 31 December 2013				
	Real estate business	Rental and service business	Total reportable segments	Adjustments and eliminations	Consolidated financial statements
Revenue from external customers	23,166	2,136	25,302	-	25,302
Inter-segment revenue	62	2	64	(64)	-
Interest revenue	110	2	112	(94)	18
Interest expense	(390)	(272)	(662)	92	(570)
Depreciation and amortisation	(162)	(347)	(509)	-	(509)
Loss on diminution in value of project	(43)	-	(43)	-	(43)
Loss on diminution in value of land held for development	(37)	-	(37)	-	(37)
Loss on disposal of property, plant and equipment	(1)	(1)	(2)	-	(2)
<b>Segment profit</b>	<b>5,055</b>	<b>252</b>	<b>5,307</b>	<b>(66)</b>	<b>5,241</b>
<b>Unallocated revenue and expenses:</b>					
Other income					422
Share of profit from investments in associates					2,109
Other expenses					(83)
Income tax expenses					(1,102)
Non-controlling interests of the subsidiaries					(109)
<b>Profit for the year</b>					<b>6,478</b>

(Unit: Million Baht)

	For the year ended 31 December 2012				
	Real estate business	Rental and service business	Total reportable segments	Adjustments and eliminations	Consolidated Financial Statements
Revenue from external customers	22,493	1,797	24,290	-	24,290
Inter-segment revenue	-	2	2	(2)	-
Interest revenue	77	2	79	(53)	26
Interest expense	(268)	(273)	(541)	53	(488)
Depreciation and amortisation	(125)	(369)	(494)	-	(494)
Loss on diminution in value of project	(54)	-	(54)	-	(54)
Loss on diminution in value of land held for development	(27)	-	(27)	-	(27)
Loss on exchange of land	(2)	-	(2)	-	(2)
<b>Segment profit</b>	<b>4,347</b>	<b>90</b>	<b>4,437</b>	<b>(2)</b>	<b>4,435</b>
<b>Unallocated revenue and expenses:</b>					
Other income					116
Share of profit from investments in associates					2,285
Income tax expenses					(1,119)
Non-controlling interests of the subsidiaries					(35)
<b>Profit for the year</b>					<b>5,682</b>

The following table present assets information regarding the Company and its subsidiaries' operating segments for the year ended 31 December 2013 and 2012, respectively.

	(Unit: Million Baht)				
	Real estate business	Rental and service business	Total segments	Unallocated assets	Consolidated financial statements
Segment assets					
At 31 December 2013	43,194	10,083	53,277	22,092	75,369
At 31 December 2012	37,147	6,940	44,087	20,953	65,040

### Geographic information

The Company and its subsidiaries principally operated in Thailand. As a result, all of the revenues and assets as reflected in these financial statements pertain exclusively to this geographical reportable segment.

### Major customers

For the year 2013 and 2012, the Company and its subsidiaries have no major customer with revenue of 10% or more of an entity's revenues.

## 34. Dividend

Dividends	Approved by	Approved dividend per share	Interim dividend per share	Additional dividend paid per share	Total additional dividend paid	Portion belonging		Net dividend paid
						to shareholders not entitled to dividend		
		(Baht)	(Baht)	(Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)
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
Final dividend for 2012	Annual General Meeting of the shareholders on 23 April 2013	0.45	0.30	0.15	1,504	14		1,490
Interim dividend for 2013	Board of Director's meeting on 13 August 2013	0.25	-	0.25	2,506	20		2,486
								3,976

## 35. Commitments and contingent liabilities

### 35.1 Commitments

35.1.1 As at 31 December 2013 and 2012, the Company and its subsidiaries have commitments under construction contracts as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2013	2012	2013	2012
Commitments under construction contracts	4,316	2,904	4,206	2,772

35.1.2 As at 31 December 2013 and 2012, 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 (2013: already paid Baht 33.15 million in total (2012: already paid Baht 30.12 million))</p> <p>6th - 10th year, total rental payment of Baht 42.31 million (2013: already paid Baht 4.47 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>21st - 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 2013 and 2012 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 (2013: already paid Baht 13.44 million in total (2012: already paid Baht 9.41 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.

35.1.3 As at 31 December 2013, the Company had outstanding commitment of Baht 90 million in respect of uncalled portion of investments in L&H Property Company Limited (2012: Baht 90 million).

As at 31 December 2013, the Company had no outstanding commitments in respect of the uncalled portion of investments in Land and Houses U.S.A., Inc. (2012: USD 8.7 million).

35.1.4 As at 31 December 2013, L&H Property Company Limited are committed to pay Asia Asset Advisory Company Limited, which is an associate of the Company, totaling Baht 57.4 million (2012: Baht 66.8 million).

35.1.5 As at 31 December 2013, L&H Property Company Limited had no outstanding commitment consultant fee to Quality House Public Company Limited, which is an associate company of the Company (2012: Baht 1 million).

35.1.6 As 31 December 2013 and 2012, L&H Property Company Limited is committed to pay project management fees to the following associates.

Associate	Project	Service fee rate	Term
Quality Houses Public Company Limited	Grande Centre Point Hotel Ratchadamri	2% of total revenue plus additional 4% of net revenue (2012: 2% of total revenue plus additional 5.5% of operating income and Baht 100,000 per month of software service)	From 1 October 2010 to 31 December 2013
Q.H. International Co., Ltd.	Grande Centre Point Hotel Ratchadamri	2% of total revenue plus additional 4% of net revenue	From 1 January 2014 to 31 December 2014
Quality Houses Public Company Limited	Grande Centre Point Hotel Terminal 21	2% of total revenue plus additional 4% of net revenue (2012: 2% of total revenue plus additional 5.5% of operating income)	From 1 November 2011 to 31 December 2013
Q.H. International Co., Ltd.	Grand Centre Point Hotel Terminal 21	2% of total revenue plus additional 4% of net revenue	From 1 January 2014 to 31 December 2014

35.1.7 As at 31 December 2013 and 2012, 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.

35.1.8 As at 31 December 2013 and 2012, the Company has commitment related to purchase of land as follows.

(Unit: Million Baht)

	Consolidated and Separate	
	financial statements	
	2013	2012
Commitment to purchase of land	2,836	2,490

35.1.9 Obligation and commitment to complete projects on hand

	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
Number of projects on hand at beginning of year	54	53	46	46
Number of closed projects during year	(16)	(13)	(13)	(12)
Number of new projects during year	17	14	13	12
Number of projects on hand at end of year	55	54	46	46
Accumulative value of sales already contracted (Million Baht)	91,684	88,773	81,231	75,955
As percentage of total sales of projects on hand	66	66	65	63
Value of sales already contracted during year (Million Baht)	22,857	22,225	21,327	20,874
As percentage of total sales of projects on hand	17	16	17	17
Commitments in respect of the installation of central utilities of projects on hand (Million Baht)	1,268	1,393	1,195	1,309

35.1.10 As at 31 December 2013, the subsidiaries have servitude over land of approximately 88 rai (2012: 85 rai) of which the cost is included in the cost of projects.

35.1.11 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 2013 and 2012, the future minimum lease payments and services fee payments required under these non-cancellable contracts were as follows.

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Payable:				
In up to 1 year	35	31	35	33
In over 1 and up to 3 years	10	29	10	32

35.1.12 As at 31 December 2013, Land and Houses U.S.A., Inc. has a commitment regarding management fee paid to project manager for renovation project, which the fee rate is 20% of the total renovation cost (2012: None).

### 35.2 Bank guarantees

As at 31 December 2013 and 2012, 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 financial statements		Separate financial statements	
	2013	2012	2013	2012
Letter of guarantees for arrangement and maintenance of public utilities	2,261	2,014	2,054	1,871
Letter of guarantees for electricity usage	42	51	33	41
Other letter of guarantees	30	30	22	22
	<u>2,333</u>	<u>2,095</u>	<u>2,109</u>	<u>1,934</u>

### 35.3 Guarantees

35.3.1 As at 31 December 2013 and 2012, the Company and its subsidiaries have the following obligations in respect of guarantees.

(Unit: Million Baht)			
Guarantor	Guarantee	2013	2012
Land and Houses Plc.	Customers	<u>7</u>	<u>7</u>

35.3.2 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 2013, the subsidiary has outstanding loans related to guarantee portion of the Company as specified in the letter of comfort amounting to Baht 1,832 million (2012: Baht 2,021 million).

## **35.4 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 in 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 (2012: 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 has set aside a provision including interest of Baht 144 million (2012: Baht 136 million) for liabilities arising as a result of the cases, based on the opinion of the Company's management and its legal consultant. However, the Company had already filed an appeal against the judgment to clarify the case.

- b) As at 31 December 2013, the Company and its subsidiaries have been sued for a total of approximately Baht 534 million (2012: Baht 524 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 52 million (2012: Baht 50 million). The Company has set aside a provision of Baht 52 million (2012: Baht 50 million) for liabilities arising as a result of these cases, based on the opinion of their legal department.



## Associate

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.

### **36. Financial instruments**

#### **36.1 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 2013 and 2012 significant financial assets and liabilities classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

Consolidated financial statements							
As at 31 December 2013							
	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
	At call	Within 1 year	Over 1 - 5 years 5 years				
<u>Financial assets</u>							
Cash and cash equivalents	200	-	-	582	383	1,165	0.50 - 2.25
Trade and other receivables	-	-	-	-	136	136	-
<u>Financial liabilities</u>							
Bank overdrafts and short-term							
loans from financial institutions	-	-	-	422	-	422	Note 21
Trade and other payables	-	-	-	-	2,806	2,806	-
Short-term loans from related parties	376	-	-	-	-	376	MLR - 1.5, 5.50
Short-term loans	-	2,360	-	-	-	2,360	Note 21
Long-term loans	-	3,815	2,000	7,559	-	13,374	Note 23
Debentures	-	3,400	14,600	-	-	18,000	Note 24

(Unit: Million Baht)

Separate financial statements							
As at 31 December 2013							
	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
	At call	Within 1 year	Over 1 - 5 years 5 years				
<u>Financial assets</u>							
Cash and cash equivalents	200	-	-	343	285	828	0.50 - 2.25
Trade and other receivables	-	-	-	-	29	29	-
Short-term loans to related parties	955	-	3,131	-	-	4,086	4.00 - 5.50
<u>Financial liabilities</u>							
Bank overdrafts and short-term loans							
from financial institutions	-	-	-	300	-	300	Note 21
Trade and other payables	-	-	-	-	2,412	2,412	-
Short-term loans from related parties	129	-	-	-	-	129	3.00
Short-term loans	-	2,360	-	-	-	2,360	Note 21
Long-term loans	-	3,815	2,000	3,692	-	9,507	Note 23
Debentures	-	3,400	14,600	-	-	18,000	Note 24

(Unit: Million Baht)

Consolidated financial statements								
As at 31 December 2012								
Fixed interest rates								
At call	Within 1 year	1 - 5 years	Over 5 years	Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)	
<b>Financial assets</b>								
Cash and cash equivalents	300	150	-	-	664	348	1,462	0.625 - 3.00
Trade and other receivables	-	-	-	-	-	120	120	-
<b>Financial liabilities</b>								
<b>Bank overdrafts and short-term loans</b>								
from financial institutions	-	300	-	-	25	-	325	Note 21
Trade and other payables	-	-	-	-	-	2,146	2,146	-
Short-term loans from related parties	40	-	-	-	436	-	476	MLR - 1.5, 7.00 - 7.50
Short-term loans	-	900	-	-	-	-	900	Note 21
Long-term loans	-	1,391	4,815	-	4,501	-	10,707	Note 23
Debentures	-	4,000	11,000	-	-	-	15,000	Note 24

(Unit: Million Baht)

Separate financial statements								
As at 31 December 2012								
Fixed interest rates								
At call	Within 1 year	1 - 5 years	Over 5 years	Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)	
<b>Financial assets</b>								
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, 5.00 - 7.50
<b>Financial liabilities</b>								
<b>Bank overdrafts and short-term loans</b>								
from financial institutions	-	300	-	-	-	-	300	Note 21
Trade and other payables	-	-	-	-	-	1,764	1,764	-
Short-term loans from related parties	74	-	-	-	-	-	74	3.00
Short-term loans	-	900	-	-	-	-	900	Note 21
Long-term loans	-	1,391	4,815	-	346	-	6,552	Note 23
Debentures	-	4,000	11,000	-	-	-	15,000	Note 24

## Foreign currency risk

The Company exposure to foreign currency risk arises mainly from investment transactions and borrowings that are denominated in foreign currencies.

The balances of financial assets denominated in foreign currencies as at 31 December 2013 and 2012 are summarised below:

Foreign currency	Financial assets		Average exchange rate as at 31 December	
	2013 (Million)	2012 (Million)	2013 (Baht per 1 foreign currency unit)	2012
Philippines Peso	2,926	2,926	0.73975	0.74525
US Dollar	20	11	32.8136	30.6316

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 23. The details of the cross currency and interest rate swap agreements outstanding as at 31 December 2013 and 2012 is as follows:

As at 31 December 2013				
Currency and Interest Revenue Rate Swap agreement		Currency and Interest Expense Rate Swap agreement		Termination date
Principal amount	Interest rate	Principal amount	Interest rate	
Baht 346.0 million	Floating rate MLR-2.25%	USD 11.3 million	Floating rate LIBOR 6 month plus 3.25%	8 December 2017
Baht 3,075.0 million	Floating rate MLR-2.25%	USD 95.8 million	Floating rate LIBOR 6 month plus 3.19%	8 December 2017
Baht 15.5 million	Floating rate MLR-2.25%	USD 0.5 million	Floating rate LIBOR 6 month plus 3.19%	8 December 2017
Baht 254.4 million	Floating rate MLR-2.25%	USD 8.2 million	Floating rate LIBOR 6 month plus 3.19%	8 December 2017

As at 31 December 2012				
Currency and Interest Revenue Rate Swap agreement		Currency and Interest Expense Rate Swap agreement		Termination date
Principal amount	Interest rate	Principal amount	Interest rate	
Baht 346.0 million	Floating rate MLR-2.25%	USD 11.3 million	Floating rate LIBOR 6 month plus 3.25%	8 December 2017

As at 31 December 2013, the Company would have unrealised losses of approximately Baht 271.6 million, if it recorded the above contracts at fair value (2012: Baht 16.9 million).

## 36.2 Fair values of financial instruments

The estimated fair values of financial instruments as at 31 December 2013 and 2012, 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	
	2013	2012	2013	2012	2013	2012	2013	2012
<u>Financial assets</u>								
Cash and cash equivalents	1,165	1,462	1,165	1,462	828	1,181	828	1,181
Trade and other receivables	136	120	136	120	29	28	29	28
Loans to related parties	-	-	-	-	4,086	812	4,086	812
<u>Financial liabilities</u>								
Bank overdrafts and short-term								
loans from financial institutions	422	325	422	325	300	300	300	300
Trade and other payables	2,806	2,146	2,806	2,146	2,412	1,764	2,412	1,764
Short-term loans from related parties	376	476	376	476	129	74	129	74
Short-term loans	2,360	900	2,360	900	2,360	900	2,360	900
Long-term loans	13,374	10,707	13,129	10,421	9,507	6,552	9,262	6,266
Debentures	18,000	15,000	16,919	14,244	18,000	15,000	16,919	14,244

The estimated fair value of the derivatives is as follows:

(Unit: Million Baht)

	As at	As at
	31 December 2013	31 December 2012
	Fair value	Fair value
	Gain (loss)	Gain (loss)
Cross currency interest rate swap contracts	(271.6)	(16.9)

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.

### **37. Capital management**

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2013, the Group's debt-to-equity ratio was 1.16:1 (2012: 0.99:1) and the Company's was 1.28:1 (2012: 1.01:1).

### **38. Event after reporting period**

- 38.1 On 30 January 2014, the Extraordinary General Meeting of shareholders of Pacific Real Estate Co., Ltd., the Company's subsidiary, passed a resolution approving an increase in the registered share capital of Baht 614.19 million by issuing an additional 6,141,900 new ordinary shares at the par value of Baht 100 each. The meeting also passed a resolution approving to call up partial payment of 6,141,900 new ordinary shares at Baht 25 each, a total of Baht 153.55 million. The Company has already paid the subscription.
- 38.2 On 7 February 2014, the Board of Directors' meeting of L&H Property Co., Ltd., the Company's subsidiary passed a resolution approving the dissolution of L&H Sathon Co., Ltd., the subsidiary of L&H Property Co., Ltd. Currently, the subsidiary is in the process of dissolution.
- 38.3 On 27 February 2014, the Company issued unsubordinated and unsecured debentures for private placement by issuing 500,000 units at Baht 1,000 each, a total of Baht 500 million. The debentures have fixed interest rate at 3.63% per annum, with a maturity of 3 years starting from date of issuance.
- 38.4 On 27 February 2014, the meeting of the Company's Board of Directors passed the following resolutions to propose to Annual General Meeting of the Company's shareholders for approval:

1. To approve the payment of a dividend for the year 2013 of Baht 0.40 per share. However, since the Board of Directors previously approved an interim dividend from profit of the year 2013 amounting to Baht 0.25 per share, the Board will propose the remaining dividend payment of Baht 0.15 per share, amounting to Baht 1,504 million. The payment of such dividend shall be made within 22 May 2014.
2. To approve the issuance and offering for sale of additional revolving debenture of not exceeding Baht 20,000 million or the equivalent in any other currency. This amount will be added up to the approved revolving debenture in Annual General Meeting of the Company's shareholders of the year 2011 of Baht 20,000 million, totaling Baht 40,000 million.
3. To approve a reduction of the registered capital by canceling the 328,347,147 unissued shares.
4. To approve the allocation of 2,005,184,305 warrants free of charge to existing shareholders in a ratio of 5 shares to 1 warrant. These warrants have an exercise price of Baht 3.50 per share, an exercise ratio of 1 warrant to 1 ordinary share.
5. To approve the allocation of the aforesaid 2,005,184,305 additional shares to be reserved for the exercise of warrants to be allotted to existing shareholders.

**39. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 27 February 2014.