

**Somboon Advance Technology Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

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**Somboon Advance Technology Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors on 27 February 2013

**1 General information**

Somboon Advance Technology Public Company Limited “the Company”, is incorporated in Thailand and has its registered office at 129 Moo 2, Bangna-Trad Road, Tambon Bangchalong, Amphur Bangplee, Samutprakarn 10540.

The Company was listed on the Stock Exchange of Thailand in January 2005.

The major shareholders during the financial year were Somboon Holding Company Limited (25.50% shareholding), which incorporated in Thailand and Kitaphanich family (24.28% shareholding).

The principal businesses of the Company are the manufacture of pick-up axles and truck trunnion shafts. Details of the Company’s subsidiaries as at 31 December 2012 and 2011 are given in notes 4 and 9.

Name of the entity	Type of business	Country of incorporation	Ownership interest (%)	
			31 December 2012	31 December 2011
<b>Direct subsidiaries</b>				
Somboon Malleable Iron Industrial Company Limited	Manufacture and sale of auto parts	Thailand	100	100
Bangkok Spring Industrial Company Limited	Manufacture and sale of auto parts	Thailand	100	100
International Casting Products Company Limited	Manufacture and sale of auto parts	Thailand	100	100
SBG International Japan Company Limited	Provide marketing information support	Japan	100	100
Somboon Forging Technology Company Limited	Manufacture and sale of auto parts	Thailand	100	-

**2 Basis of preparation of the financial statements**

*(a) Statement of compliance*

The financial statements are prepared in accordance with Thai Financial Reporting Standards (TFRS) and guidelines promulgated by the Federation of Accounting Professions (“FAP”), applicable rules and regulations of the Thai Securities and Exchange Commission.

The FAP has issued a number of other new and revised TFRS which are expected to be effective for financial statements beginning on or after 1 January 2013 and have not been adopted in the preparation of these financial statements. These new and revised TFRS are disclosed in note 33.

## **Somboon Advance Technology Public Company Limited and its Subsidiaries**

### **Notes to the financial statements**

#### *(b) Basis of measurement*

The financial statements have been prepared on the historical cost basis except for the following material items in the statements of financial position:

- liabilities for cash-settled share-based payment arrangements are measured at fair value;
- present value of the defined benefit plan.

#### *(c) Presentation currency*

The financial statements are prepared and presented in Thai Baht. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest thousand unless otherwise stated.

#### *(d) Use of estimates and judgements*

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is included in the following notes:

Note 18	Measurement of defined benefit obligations
Note 19	Measurement of rights for employee stock option plan

### **3 Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### *(a) Basis of consolidation*

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates.

##### *Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

##### *Associates*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

## **Somboon Advance Technology Public Company Limited and its Subsidiaries**

### **Notes to the financial statements**

Investments in associates are accounted for in the consolidated financial statements using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

#### *Transactions eliminated on consolidation*

Intra-group balances transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### **(b) Foreign currencies**

##### *Foreign currency transactions*

Transactions in foreign currencies are translated to Thai Baht at the foreign exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Thai Baht at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to Thai Baht using the foreign exchange rates ruling at the dates of the transactions.

##### *Foreign entities*

The assets and liabilities of foreign entities are translated to Thai Baht at the foreign exchange rates ruling at the reporting date.

The revenues and expenses of foreign entities are translated to Thai Baht at rates approximating the foreign exchange rates ruling at the dates of the transactions.

Foreign exchange differences arising on translation are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity until disposal of the investment.

#### **(c) Derivative financial instruments**

Derivative financial instruments are used to manage exposure to foreign exchange, interest rate arising from operational, financing and investment activities. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

The Group is party to financial instruments that reduce exposure to fluctuations in foreign currency exchange and interest rate. These financial instruments, which mainly comprise forward foreign exchange contracts and interest swap contract are not recognised in the financial statement on inception.

**Somboon Advance Technology Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

**(d) Cash and cash equivalents**

Cash and cash equivalents in the statements of cash flows comprise cash balances, call deposits and highly liquid short-term investments. Bank overdrafts that are repayable on demand are a component of financing activities for the purpose of the statement of cash flows.

**(e) Trade and other accounts receivable**

Trade and other accounts receivable are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

**(f) Inventories**

Inventories are stated at the lower of cost and net realisable value.

Cost of finished goods and works in process are calculated using the average cost principle. Raw materials and factory supplies are calculated using the first in first out principle. Cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost is calculated using standard cost adjusted to approximate average cost including an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and to make the sale.

**(g) Investments**

*Investments in subsidiaries and associates*

Investments in subsidiaries and associates in the separate financial statements of the Company are accounted for using the cost method. Investments in associates in the consolidated financial statements are accounted for using the equity method.

*Investments in other debt and equity securities*

Debt securities and marketable equity securities held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the statement of income.

Debt securities that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are stated at amortised cost, less any impairment losses. The difference between the acquisition cost and redemption value of such debt securities is amortised using the effective interest rate method over the period to maturity.

Debt securities and marketable equity securities, other than those securities held for trading or intended to be held to maturity, where these investments are derecognised the cumulative gain or loss previously recognised directly in equity is recognised in the profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the profit or loss.

Equity securities which are not marketable are stated at cost less any impairment losses.

**Somboon Advance Technology Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

*Disposal of investments*

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognised in profit or loss.

If the Group disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

**(h) *Investment properties***

Investment properties are properties which are held to earn rental income, for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured at cost less impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, and other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalised borrowing costs.

**(i) *Property, plant and equipment***

*Recognition and measurement*

*Owned assets*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses except for land and buildings which are stated at their revalued amounts. The revalued amount is the fair value determined on the basis of the property's existing use at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains or losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss.

## Somboon Advance Technology Public Company Limited and its Subsidiaries

### Notes to the financial statements

#### *Leased assets*

Leases in terms of which the Group substantially assumes all the risk and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance leases is capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the statement of income.

#### *Revalued assets*

Revaluations are performed by independent professional valuers with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the reporting date.

Any increase in value, on revaluation, is recognised in other comprehensive income and presented in the “revaluation surplus” in equity unless it offsets a previous decrease in value recognised in the statement of income in respect of the same asset. A decrease in value is recognised in the statement of income to the extent it exceeds an increase previously recognised in other comprehensive income in respect of the same asset. The revaluation surplus is utilised by reference to the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset’s original cost and transferred directly to retained earnings. Upon disposal of a revalued asset, any remaining related revaluation surplus is transferred directly to retained earnings and is not taken into account in calculating the gain or loss on disposal.

#### *Subsequent costs*

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of income as incurred.

#### *Depreciation*

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to the statement of income on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. The estimated useful lives are as follows:

Buildings and other constructions	20 - 40 years
Machinery and equipment	5 - 18 years
Furniture, fixtures and office equipment	3 - 5 years
Vehicle	5 years

Depreciation attributed to the surplus portion is deducted against revaluation surplus in equity.

No depreciation is provided on freehold land or assets under construction.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

**Somboon Advance Technology Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

**(j) Intangible assets**

*Goodwill*

Goodwill is measured as the excess of the cost of acquisition over the fair value of the identifiable assets acquired.

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment as described in note 3 (k). Negative goodwill is recognised immediately in the statement of income.

*Other intangible assets*

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

*Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

*Amortisation*

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in statement of income on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows: □

Software licences	3 - 5 years
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Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

**(k) Impairment**

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill and intangible assets that have indefinite useful lives or are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The impairment loss is recognised in statement of income unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in the profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the statement of income is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.



## **Somboon Advance Technology Public Company Limited and its Subsidiaries**

### **Notes to the financial statements**

#### *Calculation of recoverable amount*

The recoverable amount of available-for-sale financial assets is calculated by reference to the fair value.

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing 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. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### *Reversals of impairment*

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised in profit or loss. For financial assets carried at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

An impairment loss in respect of goodwill is not reversed. Impairment losses recognised in prior periods in respect of other non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### **(l) Interest-bearing liabilities**

Interest-bearing liabilities are recognised initially at fair value less attributable transaction charges. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the profit or loss over the period of the borrowings on an effective interest basis.

#### **(m) Trade and other accounts payable**

Trade and other accounts payable are stated at cost.

#### **(n) Employee benefits**

##### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

## **Somboon Advance Technology Public Company Limited and its Subsidiaries**

### **Notes to the financial statements**

#### *Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Group recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all expenses related to defined benefit plans in profit or loss.

#### *Other long-term employee benefits*

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in profit or loss in the period in which they arise.

#### *Termination benefits*

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

#### *Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

#### *Share-based payments*

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, included considering the possibility of employees' performance will not meet the conditions.

**Somboon Advance Technology Public Company Limited and its Subsidiaries**  
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**(o) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

**(p) Revenue**

Revenue excludes value added taxes and other sales taxes and is arrived at after deduction of trade discounts.

*Sale of goods and services rendered*

Revenue is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs or the probable return of goods. Service income is recognised as services are provided.

*Rental income*

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of lease. Contingent rentals are recognised as income in the accounting period in which they are earned.

*Dividend income*

Dividend income is recognised in profit or loss on the date the Group's right to receive payments is established.

*Interest income*

Interest incomes are recognised in profit or loss as it accrues.

**(q) Finance costs**

Interest expenses and similar costs are charged to profit or loss for the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale. The interest component of finance lease payments is recognised in profit or loss using the effective interest rate method.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

**(r) Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

**Somboon Advance Technology Public Company Limited and its Subsidiaries**  
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Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

*Determining whether an arrangement contains a lease*

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

(s) **Income tax**

Income tax on the profit or loss for the year comprises current tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

**4 Related parties**

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with subsidiaries and associates are described in notes 9 and 10. Relationship with key management and other related parties were as follows:

<b>Name of entities</b>	<b>Country of incorporation/ nationality</b>	<b>Nature of relationships</b>
Somboon Malleable Iron Industrial Company Limited	Thailand	Subsidiary, 100% shareholding
Bangkok Spring Industrial Company Limited	Thailand	Subsidiary, 100% shareholding
International Casting Products Company Limited	Thailand	Subsidiary, 100% shareholding
SBG International Japan Company Limited	Japan	Subsidiary, 100% shareholding
Somboon Forging Technology Company Limited	Thailand	Subsidiary, 100% shareholding
Yamada Somboon Company Limited	Thailand	Associate, 20% shareholding
Tsuchiyoshi Somboon Coated Sand Company Limited	Thailand	Associate, 21.25% shareholding
Key management personnel	Thailand	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Group

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Significant transactions for the years ended 31 December 2012 and 2011 with related parties were as follows:

<i>Year ended 31 December</i>	<b>Pricing policies</b>	<b>Consolidated financial statements</b>	
		2012	2011
		<i>(in million Baht)</i>	
<b>Other related parties</b>			
Sales of goods	Approximates market prices	94.3	131.6
<b>Key management personnel</b>			
Key management personnel compensation			
Short-term benefits		53.5	29.3
Other long-term benefits		17.3	14.5
Expenses for employee stock option plan		1.0	-
<b>Total key management personnel compensation</b>		<b>71.8</b>	<b>43.8</b>

<i>Year ended 31 December</i>	<b>Pricing policies</b>	<b>Separate financial statements</b>	
		2012	2011
		<i>(in million Baht)</i>	
<b>Subsidiaries</b>			
Dividend income		100.4	-
Facilities income	Approximates cost	20.8	17.3
Interest income	Contractually agreed price	20.8	14.6
Management fee income	Contractually agreed price	179.4	136.6
Sales of scraps	Market prices	8.5	3.8
Purchases of goods	Approximates market prices	0.2	0.2
Facilities expense	Approximates cost	1.4	1.2
Interest expense	Approximates market price	0.5	-
<b>Other related parties</b>			
Sales of goods	Approximates market prices	2.1	1.1
<b>Key management personnel</b>			
Key management personnel compensation			
Short-term benefits		43.5	36.1
Other long-term benefits		9.3	7.0
Expenses for employee stock option plan		1.0	-
<b>Total key management personnel compensation</b>		<b>53.8</b>	<b>43.1</b>

Balances as at 31 December 2012 and 2011 with related parties were as follows:

<i>Trade accounts receivable-related parties</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
<b>Other related parties</b>				
Yongkee (1995) Company Limited	39,325	51,602	1,075	2,158
Automotive Product Import and Export Center Company Limited	-	51	-	-
<b>Total</b>	<b>39,325</b>	<b>51,653</b>	<b>1,075</b>	<b>2,158</b>

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<i>Other receivables from related parties</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
<b>Subsidiaries</b>				
Somboon Malleable Iron Industrial Company Limited	-	-	18,615	21,518
Bangkok Spring Industrial Company Limited	-	-	10,938	10,082
International Casting Products Company Limited	-	-	12,153	1,708
SBG International Japan Company Limited	-	-	219	-
Somboon Forging Technology Co., Ltd	-	-	120	-
<b>Other related party</b>				
Yongkee (1995) Company Limited	128	128	-	-
Somboon Holding Company Limited	10	-	-	-
<b>Total</b>	<b>138</b>	<b>128</b>	<b>42,045</b>	<b>33,308</b>

<i>Short-term loans to subsidiaries</i>	<b>Separate financial statements</b>	
	2012	2011
	<i>(in thousand Baht)</i>	
<b>Subsidiaries</b>		
Somboon Malleable Iron Industrial Company Limited	110,000	440,000
International Casting Products Company Limited	200,000	90,000
SBG International Japan Company Limited	30,000	10,000
<b>Total</b>	<b>340,000</b>	<b>540,000</b>

Movements during the years ended 31 December 2012 and 2011 of loans to related parties were as follows:

<i>Short-term loans to subsidiaries</i>	<b>Separate financial statements</b>	
	2012	2011
	<i>(in thousand Baht)</i>	
At 1 January	540,000	310,000
Increase	790,000	1,570,000
Decrease	(990,000)	(1,340,000)
<b>At 31 December</b>	<b>340,000</b>	<b>540,000</b>

Short-term loans to subsidiaries carry interest at MMR (Money Market Rate) per annum.

**Somboon Advance Technology Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

<i>Trade account payable - related parties</i>	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
<b>Subsidiaries</b>				
International Casting Products Company Limited	-	-	38	-
<b>Associate</b>				
Tsuchiyoshi Somboon Coated Sand Company Limited	14,060	6,140	-	-
<b>Other related party</b>				
Yongkee (1995) Company Limited	119	446	-	-
<b>Total</b>	<b>14,179</b>	<b>6,586</b>	<b>38</b>	<b>-</b>

<i>Other payables to related parties</i>	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
<b>Subsidiaries</b>				
Somboon Malleable Iron Industrial Company Limited	-	-	93	253
Bangkok Spring Industrial Company Limited	-	-	1,097	225
International Casting Products Company Limited	-	-	2	8
SBG International Japan Company Limited	-	-	2,155	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>3,347</b>	<b>486</b>

**5 Cash and cash equivalents**

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
Cash on hand	330	270	90	90
Cash at banks – current accounts	3,013	2,413	2,408	1,922
Cash at banks – savings accounts	807,461	410,873	335,245	100,538
Highly liquid short-term investments	3,826	53,663	3,826	53,663
<b>Total</b>	<b>814,630</b>	<b>467,219</b>	<b>341,569</b>	<b>156,213</b>

Cash and cash equivalents as at 31 December were as follows:

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
Thai Baht (THB)	809,823	456,684	341,569	156,213
Yen (JPY)	4,807	10,535	-	-
<b>Total</b>	<b>814,630</b>	<b>467,219</b>	<b>341,569</b>	<b>156,213</b>

**Somboon Advance Technology Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

**6 Trade accounts receivable**

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
		<i>(in thousand Baht)</i>			
Related parties	4	39,325	51,653	1,075	2,158
Other parties		1,536,802	823,501	521,139	243,950
<b>Total</b>		<b>1,576,127</b>	<b>875,154</b>	<b>522,214</b>	<b>246,108</b>
Less allowance for doubtful accounts		-	-	-	-
<b>Net</b>		<b>1,576,127</b>	<b>875,154</b>	<b>522,214</b>	<b>246,108</b>
Bad and doubtful debts expense for the year		-	-	-	-

Aging analyses for trade accounts receivable were as follows:

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
<b>Related parties</b>				
Within credit terms	39,325	51,653	1,075	2,158
Overdue:				
Less than 3 months	-	-	-	-
3-12 months	-	-	-	-
Over 12 months	-	-	-	-
	<b>39,325</b>	<b>51,653</b>	<b>1,075</b>	<b>2,158</b>
Less allowance for doubtful accounts	-	-	-	-
	<b>39,325</b>	<b>51,653</b>	<b>1,075</b>	<b>2,158</b>
<b>Other parties</b>				
Within credit terms	1,525,162	815,505	511,327	239,169
Overdue:				
Less than 3 months	11,571	7,935	9,812	4,781
3-12 months	1	61	-	-
Over 12 months	68	-	-	-
	<b>1,536,802</b>	<b>823,501</b>	<b>521,139</b>	<b>243,950</b>
Less allowance for doubtful accounts	-	-	-	-
	<b>1,536,802</b>	<b>823,501</b>	<b>521,139</b>	<b>243,950</b>
<b>Total</b>	<b>1,576,127</b>	<b>875,154</b>	<b>522,214</b>	<b>246,108</b>

The normal credit term granted by the group is 30-90 days.



**Somboon Advance Technology Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

The currency denomination of trade accounts receivable as at 31 December was as follows:

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
Thai Baht (THB)	1,548,132	853,802	505,191	239,692
United States Dollars (USD)	21,441	12,344	17,023	6,416
Yen (JPY)	6,554	9,008	-	-
<b>Total</b>	<b><u>1,576,127</u></b>	<b><u>875,154</u></b>	<b><u>522,214</u></b>	<b><u>246,108</u></b>

**7 Other receivables**

	<i>Note</i>	<b>Consolidated</b>		<b>Separate</b>	
		<b>financial statements</b>		<b>financial statements</b>	
		2012	2011	2012	2011
		<i>(in thousand Baht)</i>			
<b>Related parties</b>	<b>4</b>	<b><u>138</u></b>	<b><u>128</u></b>	<b><u>42,045</u></b>	<b><u>33,308</u></b>
<b>Other parties</b>					
Prepaid expenses		12,774	8,738	2,743	1,531
Accrued incomes		7,202	5,244	245	27
Other receivables		7,429	18,277	6,504	17,119
Account receivable – Revenue					
Department		35,727	48,544	2,567	1,902
Others		3,239	1,405	842	789
		<b><u>66,371</u></b>	<b><u>82,208</u></b>	<b><u>12,901</u></b>	<b><u>21,368</u></b>
<b>Total</b>		<b><u>66,509</u></b>	<b><u>82,336</u></b>	<b><u>54,946</u></b>	<b><u>54,676</u></b>

**8 Inventories**

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
Finished goods	201,849	325,350	61,746	116,093
Work in process	97,820	102,388	15,367	4,690
Raw materials	159,444	149,738	48,406	20,916
Factory supplies	125,407	118,827	38,037	34,298
Goods in transit	53,696	50,489	2,835	116
<b>Total</b>	<b><u>638,216</u></b>	<b><u>746,792</u></b>	<b><u>166,391</u></b>	<b><u>176,113</u></b>
Less allowance for decline in value	<u>(27,308)</u>	<u>(30,058)</u>	<u>(6,597)</u>	<u>(6,353)</u>
<b>Net</b>	<b><u>610,908</u></b>	<b><u>716,734</u></b>	<b><u>159,794</u></b>	<b><u>169,760</u></b>

**9 Investments in subsidiaries**

	<b>Separate</b>	
	<b>financial statements</b>	
	2012	2011
	<i>(in thousand Baht)</i>	
At 1 January	1,861,561	1,852,018
Acquisitions	439,994	9,543
<b>At 31 December</b>	<b><u>2,301,555</u></b>	<b><u>1,861,561</u></b>

**Somboon Advance Technology Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

Investments in subsidiaries as at 31 December 2012 and 2011, and dividend income for the years then ended were as follows:

	Ownership interest		Separate financial statements				Dividend income	
	2012	2011	Paid-up capital		Cost method		2012	2011
		(%)	2012	2011	2012	2011		
	<i>(in thousand Baht)</i>							
<b><i>Subsidiaries</i></b>								
Somboon Malleable Iron Industrial Company Limited	100	100	500,000	160,000	875,989	535,995	-	-
Bangkok Spring Industrial Company Limited	100	100	130,000	130,000	519,989	519,989	100,358	-
International Casting Products Company Limited	100	100	785,000	785,000	796,034	796,034	-	-
SBG International Japan Company Limited	100	100	9,543	9,543	9,543	9,543	-	-
Somboon Forging Technology Company Limited	100	-	100,000	-	100,000	-	-	-
<b>Total</b>					<b>2,301,555</b>	<b>1,861,561</b>	<b>100,358</b>	<b>-</b>

At the Board of Directors' meeting No. 3/2012 held on 20 April 2012, the Board of Directors approved to increase the authorised share capital of Somboon Malleable Iron Industrial Company Limited from Baht 160 million to Baht 500 million by issuing 1.36 million new ordinary shares at Baht 250 par value. The Company had registered the increase of shares capital with the Ministry of Commerce on 23 May 2012.

At the Board of Directors' meeting of the Company held on 10 November 2011, the Board of Directors approved the establishment of a new subsidiary in Thailand, named "Somboon Forging Technology Company Limited" in order to produce and distribute vehicle's part. The authorised share capital is Baht 100 million representing ordinary shares of 1 million shares with Baht 100 par value per share. The Company has registered to establish the said subsidiary during January 2012.

At the Board of Directors' meeting of the Company held on 10 May 2011, the Board of Directors approved the establishment of a new subsidiary in Japan, named "SBG International Japan Company Limited" in order to provide marketing information support of Japanese customers. The authorised share capital is Yen 25 million representing ordinary shares of 250,000 shares with Yen 100 par value per share. The Company has registered to establish the said subsidiary during July 2011.

**Somboon Advance Technology Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

**10 Investments in associates**

	<b>Consolidated financial statements</b>	
	2012	2011
	<i>(in thousand Baht)</i>	
At 1 January	144,950	140,555
Share of net profit of investments - equity method	10,515	9,966
Dividend income	<u>(2,265)</u>	<u>(5,571)</u>
<b>At 31 December</b>	<b><u>153,200</u></b>	<b><u>144,950</u></b>

**Somboon Advance Technology Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

Investments in associates as at 31 December 2012 and 2011, and dividend income for the years then ended were as follows:

	Type of business	Ownership Interest		Paid-up capital		<b>Consolidated financial statements</b>				Dividend income	
		2012	2011	2012	2011	Cost method		Equity method		2012	2011
		(%)				2012	2011	2012	2011	2012	2011
<i>Associates</i>											
Tsuchiyoshi Somboon Coated Sand Company Limited	Manufacture and sale of plastic-coated sand and dry sand	21.25	21.25	72,000	72,000	15,300	15,300	35,801	34,607	1,071	1,530
Yamada Somboon Company Limited	Manufacture and sale of auto parts	20.00	20.00	150,000	150,000	30,807	30,807	117,399	110,343	1,194	4,041
<b>Total</b>						<b>46,107</b>	<b>46,107</b>	<b>153,200</b>	<b>144,950</b>	<b>2,265</b>	<b>5,571</b>

The investment in Tsuchiyoshi Somboon Coated Sand Company Limited, accounted for under the equity method as at 31 December 2012, was calculated based on audited financial statements of that company for the year ended 31 March 2012 and unaudited/unreviewed financial statements of the Company for the nine-month period ended 31 December 2012 prepared by its management.

The investment in Yamada Somboon Company Limited, accounted for under the equity method as at 31 December 2012, was calculated based on audited financial statements of that company for the six-month period ended 30 June 2012 and unaudited/ unreviewed financial statements of the Company for the six-month period ended 31 December 2012 prepared by its management.

**Somboon Advance Technology Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

**11 Other long-term investments**

Name of the entity	Type of business	Paid-up capital	Ownership Interest		Consolidated financial statements	
			2012	2011	Cost	
			(%)		2012	2011
Nisshinbo Somboon Automotive Company Limited	Manufacture and sale of auto parts and brake systems	732,600	2.90	2.90	21,250	21,250
Somboon Somic Manufacturing Company Limited	Manufacture and sale of auto parts	300,000	1.80	1.80	5,401	5,401
<b>Total</b>					<b><u>26,651</u></b>	<b><u>26,651</u></b>

**12 Investment properties**

Investment properties represent land held by subsidiaries, which have been placed as collateral for credit facilities of the Company. The fair value was revalued on 9 August 2010 by an independent professional valuer. The appraised value was Baht 112.49 million (2010: Baht 112.49 million).

**Somboon Advance Technology Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

**13 Property, plant and equipment**

	<b>Consolidated financial statements</b>						Total
	Land	Buildings and other constructions	Machinery and factory equipment	Office furniture, fixtures and equipment	Vehicles	Assets under construction and installation	
				(in thousand Baht)			
<b>Cost / revaluation</b>							
At 1 January 2011	945,002	1,097,806	5,212,954	108,363	30,727	519,624	7,914,476
Additions	104,987	2,071	99,241	12,096	1,745	1,863,737	2,083,877
Transfers	-	346,003	1,799,593	9,828	-	(2,155,424)	-
Disposals	-	(159)	(60,114)	(711)	(3,879)	(80)	(64,943)
<b>At 31 December 2011 and 1 January 2012</b>	<b>1,049,989</b>	<b>1,445,721</b>	<b>7,051,674</b>	<b>129,576</b>	<b>28,593</b>	<b>227,857</b>	<b>9,933,410</b>
Additions	47,107	1,577	89,561	11,877	825	813,469	964,416
Transfers	-	23,559	343,547	1,066	-	(368,172)	-
Disposals	-	(5,005)	(31,346)	(1,351)	(7,459)	-	(45,161)
<b>At 31 December 2012</b>	<b>1,097,096</b>	<b>1,465,852</b>	<b>7,453,436</b>	<b>141,168</b>	<b>21,959</b>	<b>673,154</b>	<b>10,852,665</b>
<b>Depreciation</b>							
At 1 January 2011	-	320,346	2,868,038	78,904	26,727	-	3,294,015
Depreciation charge for the year	-	62,560	473,472	17,310	2,349	-	555,691
Transfers	-	-	-	-	-	-	-
Disposals	-	(102)	(56,370)	(709)	(3,879)	-	(61,060)
<b>At 31 December 2011 and 1 January 2012</b>	<b>-</b>	<b>382,804</b>	<b>3,285,140</b>	<b>95,505</b>	<b>25,197</b>	<b>-</b>	<b>3,788,646</b>
Depreciation charge for the year	-	74,883	614,076	16,108	1,659	-	706,726
Transfers	-	-	-	-	-	-	-
Disposals	-	(940)	(24,387)	(1,331)	(7,459)	-	(34,117)
<b>At 31 December 2012</b>	<b>-</b>	<b>456,747</b>	<b>3,874,829</b>	<b>110,282</b>	<b>19,397</b>	<b>-</b>	<b>4,461,255</b>
<b>Net book value</b>							
<b>At 1 January 2011</b>							
Owned assets	945,002	777,460	2,279,310	29,459	-	519,624	4,550,855
Assets under finance leases	-	-	65,606	-	4,000	-	69,606
	<b>945,002</b>	<b>777,460</b>	<b>2,344,916</b>	<b>29,459</b>	<b>4,000</b>	<b>519,624</b>	<b>4,620,461</b>
<b>At 31 December 2011 and 1 January 2012</b>							
Owned assets	1,049,989	1,062,917	3,707,984	34,071	624	227,857	6,083,442
Assets under finance leases	-	-	58,550	-	2,772	-	61,322
	<b>1,049,989</b>	<b>1,062,917</b>	<b>3,766,534</b>	<b>34,071</b>	<b>3,396</b>	<b>227,857</b>	<b>6,144,764</b>
<b>At 31 December 2012</b>							
Owned assets	1,097,096	1,009,105	3,529,362	30,886	1,475	673,154	6,341,078
Assets under finance leases	-	-	49,245	-	1,087	-	50,332
	<b>1,097,096</b>	<b>1,009,105</b>	<b>3,578,607</b>	<b>30,886</b>	<b>2,562</b>	<b>673,154</b>	<b>6,391,410</b>

**Somboon Advance Technology Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

	Separate financial statements						Total
	Land	Buildings and other constructions	Machinery and factory equipment	Office furniture, fixtures and equipment	Vehicles	Assets under construction and installation	
	<i>(in thousand Baht)</i>						
<b>Cost / revaluation</b>							
At 1 January 2011	106,598	283,373	1,750,127	42,572	19,352	29,267	2,231,289
Additions	-	347	21,496	6,473	1,746	372,928	402,990
Transfers	-	14,448	346,238	1,216	-	(361,902)	-
Disposals	-	-	(165)	(72)	(1,550)	(80)	(1,867)
<b>At 31 December 2011 and 1 January 2012</b>	<b>106,598</b>	<b>298,168</b>	<b>2,117,696</b>	<b>50,189</b>	<b>19,548</b>	<b>40,213</b>	<b>2,632,412</b>
Additions	-	339	6,784	3,743	10	241,084	251,960
Transfers	-	5,237	40,478	-	-	(45,715)	-
Disposals	-	(4,187)	(25)	(397)	(7,400)	-	(12,009)
<b>At 31 December 2012</b>	<b>106,598</b>	<b>299,557</b>	<b>2,164,933</b>	<b>53,535</b>	<b>12,158</b>	<b>235,582</b>	<b>2,872,363</b>
<b>Depreciation</b>							
At 1 January 2011	-	62,738	996,140	30,498	16,026	-	1,105,402
Depreciation charge for the year	-	14,556	163,172	8,727	2,075	-	188,530
Transfers	-	-	-	-	-	-	-
Disposals	-	-	(140)	(72)	(1,550)	-	(1,762)
<b>At 31 December 2011 and 1 January 2012</b>	<b>-</b>	<b>77,294</b>	<b>1,159,172</b>	<b>39,153</b>	<b>16,551</b>	<b>-</b>	<b>1,292,170</b>
Depreciation charge for the year	-	15,334	179,560	5,721	1,444	-	202,059
Transfers	-	-	-	-	-	-	-
Disposals	-	(121)	(25)	(393)	(7,400)	-	(7,939)
<b>At 31 December 2012</b>	<b>-</b>	<b>92,507</b>	<b>1,338,707</b>	<b>44,481</b>	<b>10,595</b>	<b>-</b>	<b>1,486,290</b>
<b>Net book value</b>							
<b>At 1 January 2011</b>							
Owned assets	106,598	220,635	753,987	12,074	-	29,267	1,122,561
Assets under finance leases	-	-	-	-	3,326	-	3,326
	<b>106,598</b>	<b>220,635</b>	<b>753,987</b>	<b>12,074</b>	<b>3,326</b>	<b>29,267</b>	<b>1,125,887</b>
<b>At 31 December 2011 and 1 January 2012</b>							
Owned assets	106,598	220,874	958,524	11,036	624	40,213	1,337,869
Assets under finance leases	-	-	-	-	2,373	-	2,373
	<b>106,598</b>	<b>220,874</b>	<b>958,524</b>	<b>11,036</b>	<b>2,997</b>	<b>40,213</b>	<b>1,340,242</b>
<b>At 31 December 2012</b>							
Owned assets	106,598	207,050	826,226	9,054	476	235,582	1,384,986
Assets under finance leases	-	-	-	-	1,087	-	1,087
	<b>106,598</b>	<b>207,050</b>	<b>826,226</b>	<b>9,054</b>	<b>1,563</b>	<b>235,582</b>	<b>1,386,073</b>

The gross amount of the Company's fully depreciated plant and equipment that was still in use as at 31 December 2012 amounted to Baht 1,279.25 million (2011: Baht 1,041.5 million).

As at 31 December 2011, land of subsidiaries valued at Baht 165.8 million (2011: Baht 123.7 million) comprises land for which the legal ownership has yet to be transferred to the subsidiaries, which is in accordance with the agreements to purchase and to sell the land.

**Somboon Advance Technology Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

As at 31 December 2012, subsidiaries have machines under sales and financial lease-back agreements with net book values totalling Baht 50.3 million (2011: Baht 58.6 million).

The Company and its subsidiaries have mortgaged a majority of their land with structures thereon and machineries as collateral for credit facilities granted by commercial banks.

During 2012, the subsidiaries capitalised interest amounting to Baht 2.6 million (2011: Baht 13.2 million) to the costs of plant construction and machinery installation. The capitalised interests were borrowing costs of loans obtained for general purposes but utilised for this specific project. The weighted average rates used to determine the amount of borrowing costs eligible for capitalisation were 5.05% - 5.09% per annum. (2011: 3.43% - 4.43% per annum).

The Company and its subsidiaries have decided to follow the FAP announcement no. 18/2554: Accounting Guidance on Revaluation of Assets. However, had the depreciation charge been calculated based on the revalued amounts, profit for the year and basic earnings per share attributable to equity holders of the parent would have been changed to the following:

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<i>For the year ended 31 December</i>				
Decrease in profit for the period (in thousand Baht)	9,820	9,941	2,202	2,196
Decrease in basic earnings per share (in Baht)	(0.03)	(0.03)	(0.01)	(0.01)

**14 Intangible assets**

	Consolidated financial statements		
	Software licences	Software under installation	Total
	<i>(in thousand Baht)</i>		
<i>Cost</i>			
At 1 January 2011	55,530	25,756	81,286
Additions	9,027	5,555	14,582
Transfers	27,164	(27,164)	-
<b>At 31 December 2011 and 1 January 2012</b>	<b>91,721</b>	<b>4,147</b>	<b>95,868</b>
Additions	7,135	1,833	8,968
Transfers	-	-	-
<b>At 31 December 2012</b>	<b>98,856</b>	<b>5,980</b>	<b>104,836</b>
<i>Amortisation</i>			
At 1 January 2011	18,767	-	18,767
Amortisation charge for the year	13,170	-	13,170
<b>At 31 December 2011 and 1 January 2012</b>	<b>31,937</b>	<b>-</b>	<b>31,937</b>
Amortisation charge for the year	13,568	-	13,568
<b>At 31 December 2012</b>	<b>45,505</b>	<b>-</b>	<b>45,505</b>
<i>Net book value</i>			
At 1 January 2011	36,763	25,756	62,519
At 31 December 2011 and 1 January 2012	59,784	4,147	63,931
At 31 December 2012	53,351	5,980	59,331



**Somboon Advance Technology Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

	<b>Separate financial statements</b>		
	Software licences	Software under installation	Total
	<i>(in thousand Baht)</i>		
<b>Cost</b>			
At 1 January 2011	16,380	13,224	29,604
Additions	4,092	4,307	8,399
Transfers	13,552	(13,552)	-
<b>At 31 December 2011 and 1 January 2012</b>	<b>34,024</b>	<b>3,979</b>	<b>38,003</b>
Additions	2,719	1,833	4,552
Transfers	-	-	-
<b>At 31 December 2012</b>	<b>36,743</b>	<b>5,812</b>	<b>42,555</b>
<b>Amortisation</b>			
At 1 January 2011	6,686	-	6,686
Amortisation charge for the year	5,589	-	5,589
<b>At 31 December 2011 and 1 January 2012</b>	<b>12,275</b>	<b>-</b>	<b>12,275</b>
Amortisation charge for the year	6,628	-	6,628
<b>At 31 December 2012</b>	<b>18,903</b>	<b>-</b>	<b>18,903</b>
<b>Net book value</b>			
<b>At 1 January 2010</b>	<b>9,694</b>	<b>13,224</b>	<b>22,918</b>
<b>At 31 December 2010 and 1 January 2011</b>	<b>21,749</b>	<b>3,979</b>	<b>25,728</b>
<b>At 31 December 2011</b>	<b>17,840</b>	<b>5,812</b>	<b>23,652</b>

**15 Interest-bearing liabilities**

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
<b>Current</b>				
Short-term loans from financial institutions				
- trust receipts				
unsecured	25,293	141,354	-	-
Current portion of long-term loans from financial institutions				
secured	531,058	373,289	170,103	155,312
Current portion of finance lease liabilities	23,069	16,841	333	334
<b>Total current liabilities</b>	<b>579,420</b>	<b>531,484</b>	<b>170,436</b>	<b>155,646</b>

**Somboon Advance Technology Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
<b>Non-current</b>				
Long-term loans from financial institutions secured	2,574,133	2,628,133	862,820	916,359
Finance lease liabilities	<u>2,644</u>	<u>25,713</u>	<u>354</u>	<u>687</u>
<b>Total non-current liabilities</b>	<b><u>2,576,777</u></b>	<b><u>2,653,846</u></b>	<b><u>863,174</u></b>	<b><u>917,046</u></b>
<b>Total</b>	<b><u>3,156,197</u></b>	<b><u>3,185,330</u></b>	<b><u>1,033,610</u></b>	<b><u>1,072,692</u></b>

The periods to maturity of interest-bearing liabilities, excluding finance lease liabilities, as at 31 December were as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
Within one year	556,351	514,643	170,103	155,312
After one year but within five years	2,232,241	1,840,124	753,684	681,217
After five years	<u>341,892</u>	<u>788,009</u>	<u>109,136</u>	<u>235,141</u>
<b>Total</b>	<b><u>3,130,484</u></b>	<b><u>3,142,776</u></b>	<b><u>1,032,923</u></b>	<b><u>1,071,670</u></b>

Short-term loans from financial institutions - trust receipts carry interest at rates of MMR (Money market rate) per annum.

Long-term credit facility of a subsidiary company contains certain covenants such as dividend payment, pertaining to matters such as there shall be no effect on the total debt to equity ratio, loan repayment ability, and other conditions stipulated by the bank.

As at 31 December 2012, the long-term credit facilities of the Company and its subsidiaries which have not yet been drawn down amounted to Baht 571.2 million (2011: Baht 133.7 million).

The agreements are mortgaged by a majority of the land with premises and machinery of the Company and its subsidiaries.

**Somboon Advance Technology Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

*Finance lease liabilities*

Finance lease liabilities as at 31 December were payable as follows:

	<b>Consolidated financial statements</b>					
	<b>2012</b>		<b>2011</b>			
	Future minimum lease payments	Interest	Present value of minimum lease payments <i>(in thousand Baht)</i>	Future minimum lease payments	Interest	Present value of minimum lease payments
Within one year	23,691	(622)	23,069	18,790	(1,949)	16,841
After one year but within five years	2,682	(38)	2,644	26,533	(820)	25,713
<b>Total</b>	<b>26,373</b>	<b>(660)</b>	<b>25,713</b>	<b>45,323</b>	<b>(2,769)</b>	<b>42,554</b>

	<b>Separate financial statements</b>					
	<b>2012</b>		<b>2011</b>			
	Future minimum lease payments	Interest	Present value of minimum lease payments <i>(in thousand Baht)</i>	Future minimum lease payments	Interest	Present value of minimum lease payments
Within one year	365	(32)	333	388	(54)	334
After one year but within five years	365	(11)	354	731	(44)	687
<b>Total</b>	<b>730</b>	<b>(43)</b>	<b>687</b>	<b>1,119</b>	<b>(98)</b>	<b>1,021</b>

Besides the machinery under sales and financial lease back agreements, the Company and its subsidiaries have entered into the finance lease agreements with leasing companies for rental of vehicles for use in their operation, whereby they are committed to pay rental on a monthly basis. The terms of the agreements are generally between 4 and 5 years. Finance lease agreements are non-cancelable.

Interest-bearing liabilities of the Group and the Company as at 31 December 2012 and 2011 were denominated entirely in Thai Baht.

**Somboon Advance Technology Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

**16 Trade accounts payable**

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
		<i>(in thousand Baht)</i>			
Related parties	4	14,179	6,586	38	-
Other parties		1,441,204	914,893	482,435	269,645
<b>Total</b>		<b>1,455,383</b>	<b>921,479</b>	<b>482,473</b>	<b>269,645</b>

The currency denomination of trade accounts receivable as at 31 December was as follows:

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
Thai Baht (THB)	1,285,494	778,207	462,322	259,535
United States Dollars (USD)	141,619	91,489	16,444	4,095
Yen (JPY)	28,270	51,783	3,707	6,015
<b>Total</b>	<b>1,455,383</b>	<b>921,479</b>	<b>482,473</b>	<b>269,645</b>

**17 Other current liabilities**

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
Accrued operating expenses	184,641	172,622	97,305	43,738
Deposits and advances received	15,319	6,727	-	-
Others	157,333	109	367	109
<b>Total</b>	<b>357,293</b>	<b>179,458</b>	<b>97,672</b>	<b>43,847</b>

**18 Employee benefit obligations**

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
<b>Statement of financial position obligations for:</b>				
Employment benefits	143,311	116,066	51,552	53,625
<b>Statement of comprehensive income:</b>				
<b>Recognised in profit or loss:</b>				
Employment benefits	15,282	14,502	7,361	7,009
<i>Year ended 31 December</i>				
<b>Statement of comprehensive income:</b>				
Recognised in other comprehensive income:				
Actuarial (gains) losses recognised in the year	21,908	-	(13)	-

**Somboon Advance Technology Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

The Group adopted TAS 19 - Employee Benefits with effect from 1 January 2011; the Group has adopted to apply the new standard retrospectively and adjust the prior year's financial statements accordingly.

The Group and the Company operate defined benefit plans based on the requirement of Thai Labour Protection Act B.E. 2541 (1998) to provide retirement benefits to employees based on pensionable remuneration and length of service.

Movement in the present value of the defined benefit obligations:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
Defined benefit obligations at 1 January	116,066	102,412	53,625	46,616
Benefits paid by the plan	(9,944)	(848)	(9,421)	-
Current service costs and interest	15,282	14,502	7,361	7,009
Actuarial (gains) losses in other comprehensive income	21,908	-	(13)	-
<b>Defined benefit obligations at 31 December</b>	<b><u>143,312</u></b>	<b><u>116,066</u></b>	<b><u>51,552</u></b>	<b><u>53,625</u></b>

*Statement of income*

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
Current service costs	9,829	9,663	4,847	4,802
Interest on obligation	5,453	4,839	2,514	2,207
<b>Total</b>	<b><u>15,282</u></b>	<b><u>14,502</u></b>	<b><u>7,361</u></b>	<b><u>7,009</u></b>

*The expense recognised in profit or loss above resulting in the following:*

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
<b>For the year ended 31 December</b>				
Cost of sales	9,243	8,629	1,851	1,646
Administrative expenses	6,039	5,873	5,510	5,363
<b>Total</b>	<b><u>15,282</u></b>	<b><u>14,502</u></b>	<b><u>7,361</u></b>	<b><u>7,009</u></b>

*Recognised in other comprehensive income:*

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
<b>For the year ended 31 December</b>				
Actuarial (gain) loss recognised during the year	21,908	-	(13)	-
<b>Total</b>	<b><u>21,908</u></b>	<b><u>-</u></b>	<b><u>(13)</u></b>	<b><u>-</u></b>

**Somboon Advance Technology Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2012	2011	2012	2011
			(%)	
Discount rate	4.00	4.75	4.00	4.75
Future salary increases	5.00	5.00	5.00	5.00
Future pension increases	2.50	2.50	2.50	2.50

Assumptions regarding future mortality are based on published statistics and mortality tables.

**19 Rights for employee stock option plan**

**Employee Stock Option Plan**

At the Annual General Meeting of Shareholders held on 19 April 2011, the shareholders approved the issue and offering of the newly issued ordinary shares to senior executives (including any senior executives who are directors) of the Group. According to the Plan, the Company shall provide benefits to the senior executives of the Group to purchase the newly issued ordinary shares of the Company. The Company communicated terms and conditions of the scheme to the employees during July 2011.

**Significant descriptions of the Employee Stock Option Plan**

Employee Stock Option Plan has a term of 4 years starting from the first offering date. The number of ordinary shares to be offered is not exceeding the total of 1,800,000 newly issued ordinary shares with the par value of Baht 1 each. The offering price per share in each period is equivalent to the Market price which represents the weighted average closing market price of ordinary shares of the Company on the Stock Exchange of Thailand during the last 15 working days before the each offering date. The condition for subscription of the newly issued shares of each employee of the Company and/or its subsidiaries as of each offering date and the number of shares which each employee receives in each years are based on performance assessment of the Key Performance Indicators (KPIs) in each year.

The Company shall offer the newly issued ordinary shares as a continuing scheme and will provide the first offering of the shares within 1 year from the date of which the Shareholders meeting approved the offering shares of the scheme. The first offering of shares shall not exceed 35% of the number of total offering shares. Moreover, the Company shall offer the remaining newly issued ordinary shares within 3 years from the first offering date. However, the employees who exercise the offering and are allocated the newly issued ordinary shares in accordance with the scheme shall be prohibited to trade the allocated shared of each offering within 1 year from the date of which they have right in the shares (Lock up period).

Since the Group's operating results for the year 2011 and performance results based on the Key Performance Indicators (KPIs) did not meet the vesting conditions, therefore, the Board of Directors did not recognise the services received as a part of employee benefit as at 31 December 2011. In addition, the circumstance affected to terminate the scheme, according to the Notification of Capital Market Supervisory Board No. 32/2551: Offer for Sale of the Newly Issued Shares to Directors or Employees.

**Somboon Advance Technology Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

However, at the annual general meeting of the Company held on 20 April 2012. The Company proposed to offering the totalling of 1,800,000 newly issued ordinary shares to senior executives of the Group and/or its subsidiaries that are incorporated in Thailand (including any senior executives who are directors). The terms and conditions were same as the previous scheme and were approved by the meeting.

As the Thai Financial Reporting Standards 2 (TFRS 2): Share-based Payment was effective for the share-based payment awards granted on or after 1 January 2011. Therefore, according to TFRS 2, ESOP has to be measured by using the fair value of the stock options on the grant date.

The compensation of “ESOP” was determined by reference to the Key Performance Indicators (KPIs) for the year 2012 and have been determined based on the performance assessments from the Group performance and the individual performance in meeting KPIs throughout the year ended 31 December 2012.

Based on the performance of the Group for the year 2012, the performance assessment met the criteria of offering the employee stock option plan. The Company recorded the expenses from the scheme for the year ended 31 December 2012 of Baht 1.0 million in the consolidated and the separate financial statements.

The inputs used in the measurement of the fair values according to “ESOP” were as follows:

Grant date: 1 June 2012	
Fair value of common stock at grant date (Baht)	27.75
Exercise price (Baht)	Market price

**20 Share capital**

	Par value per share (in Baht)	2012 Number      Baht (thousand shares / thousand Baht)		2011 Number      Baht	
<i>Authorised</i>					
At 1 January					
- Ordinary shares	1	341,723	341,723	340,000	340,000
Decrease of new shares	1	-	-	(77)	(77)
Increase of new shares	1	-	-	1,800	1,800
<b>At 31 December</b>					
- Ordinary shares	1	<u>341,723</u>	<u>341,723</u>	<u>341,723</u>	<u>341,723</u>
<i>Issued and paid-up</i>					
At 1 January					
- Ordinary shares	1	339,923	339,923	339,923	339,923
Issue of new shares	1	-	-	-	-
<b>At 31 December</b>					
- Ordinary shares	1	<u>339,923</u>	<u>339,923</u>	<u>339,923</u>	<u>339,923</u>

The Annual General Meeting of Shareholders held on 19 April 2011, approved to decrease the authorised share capital from Baht 340,000,000 to Baht 339,923,287; comprised of 76,713 ordinary shares at the par value of Baht 1 per share, totalling of Baht 76,713 in order to reduce the authorised share capital that have not been issued or sold before the increase of share capital under the Public Company Act B.E. 2535. The Company has registered to reduce the share capital with the Ministry of Commerce on 4 May 2011.

## **Somboon Advance Technology Public Company Limited and its Subsidiaries**

### **Notes to the financial statements**

The Annual General Meeting of Shareholders held on 19 April 2011, approved to increase the authorised share capital from Baht 339,923,287 to Baht 341,723,287; comprised of 1,800,000 ordinary shares at the par value of Baht 1 per share, totalling of Baht 1,800,000 for the Employee Stock Option Plan. The Company has registered the new shares with the Ministry of Commerce on 6 May 2011.

#### ***Share premium***

Section 51 of the Public Companies Act B.E. 2535 requires companies to set aside share subscription monies received in excess of the par value of the shares issued to a reserve account (“share premium”). Share premium is not available for dividend distribution.

## **21 Reserves**

#### **Legal reserve**

Section 116 of the Public Companies Act B.E. 2535 requires that a company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward, to a reserve account (“legal reserve”), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

#### ***Other components of equity***

#### **Currency translation differences**

The currency translation differences account within equity comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company’s net investment in a foreign operation.

#### **Valuation surplus**

The valuation surplus account within equity comprises the cumulative net change in the valuation of property, plant and equipment included in the financial statements at valuation until such property, plant and equipment is sold or otherwise disposed of.

## **22 Segment information**

#### ***Business segments***

Management considers that the Group operates in a single line of business, namely manufacture and sale of auto parts, and has, therefore, only one major business segment.

#### ***Geographic segments***

Management considers that the Group operates in a single geographic area, namely in Thailand, and has, therefore, only one major geographic segment.

## **23 Provident fund**

The defined contribution plan comprise provident fund established by the Group for its employees. Membership to the fund is on a voluntary basis. Contributions are made monthly by the employees at rates ranging from 3% to 5% of their basic salaries and by the Group at rates ranging from 3% to 5% of the employees’ basic salaries. The provident fund is registered with the Ministry of Finance as juristic entity and is managed by a licensed Fund Manager.



**Somboon Advance Technology Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**

**24 Expenses by nature**

The statements of income include an analysis of expenses by function. Expenses by nature disclosed in accordance with the requirements of various TFRS were as follows:

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
Salary and wages and employee benefit expenses	1,402,192	990,549	428,138	321,322
Depreciation and amortisation expense	725,275	555,312	206,585	192,026
Raw materials and consumables used	4,438,370	3,268,676	1,658,032	1,138,694
Changes in inventories of finished goods and work in process	128,069	224,994	43,669	70,531
Finance costs	160,031	119,731	54,263	44,115
Others	1,861,519	932,456	433,936	211,956
<b>Total expenses</b>	<b><u>8,715,456</u></b>	<b><u>6,091,718</u></b>	<b><u>2,824,623</u></b>	<b><u>1,978,644</u></b>

**25 Income tax expense**

*Income tax reduction*

Royal Decree No. 530 B.E. 2554 dated 21 December 2011 grants a reduction in the corporate income tax rate for the three accounting periods 2012, 2013 and 2014; from 30% to 23% for the accounting period 2012 which begins on or after 1 January 2012 and to 20% for the following two accounting periods 2013 and 2014 which begin on or after 1 January 2013 and 2014, respectively.

It is understood that the Government will proceed to amend the law in order to maintain the corporate income tax rate at not higher than 20% for the accounting period 2015 which begins on or after 1 January 2015 and onwards in order to give full effect to the Cabinet resolution dated 11 October 2011 to increase Thailand's tax competitiveness.

The current tax expense in the consolidated and separate statements of comprehensive income is less than the amount determined by applying the Thai corporation tax rate to the accounting profit for the year principally because:

- (a) a significant portion of the Company's profit was derived from promoted activities for which concessionary tax rates apply;
- (b) of the different treatment for accounting and taxation purposes of certain items of income and expenses.

**26 Promotional privileges**

By virtue of the provisions of the Industrial Investment Promotion Act of B.E. 2520, the Group has been granted privileges by the Board of Investment relating to The privileges granted significantly include:

- (a) exemption from payment of import duty on machinery approved by the Board;
- (b) exemption from payment of income tax for certain operations for a period of eight years from the date on which the income is first derived from such operations, to the extent that the amount of tax exemptions do not exceed investment capital exclusive of land and working capital;

**Somboon Advance Technology Public Company Limited and its Subsidiaries**  
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- (c) a 50% reduction in the normal income tax rate on the net profit derived from certain operations for a period of five years, commencing from the expiry date in (b) above.

As promoted companies, the Company and its subsidiaries must comply with certain terms and conditions prescribed in the promotional certificates.

Summary of revenue from promoted and non-promoted businesses:

<b>Consolidated financial statements</b>						
2012			2011			
Promoted businesses	Non-promoted businesses	Total	Promoted businesses	Non-promoted businesses	Total	
<i>(in thousand Baht)</i>						
Export sales	21,865	330,276	352,141	59,859	218,991	278,850
Local sales	5,346,386	5,700,511	11,046,897	3,568,226	3,888,480	7,456,706
Eliminate	<u>(1,427,225)</u>	<u>(562,257)</u>	<u>(1,989,482)</u>	<u>(1,092,624)</u>	<u>(222,202)</u>	<u>(1,314,826)</u>
<b>Total Revenue</b>	<b><u>3,941,026</u></b>	<b><u>5,468,530</u></b>	<b><u>9,409,556</u></b>	<b><u>2,535,461</u></b>	<b><u>3,885,269</u></b>	<b><u>6,420,730</u></b>

<b>Separate financial statements</b>						
2012			2011			
Promoted businesses	Non-promoted businesses	Total	Promoted businesses	Non-promoted businesses	Total	
<i>(in thousand Baht)</i>						
Export sales	21,387	37,878	59,625	42,481	16,388	58,869
Local sales	2,034,853	1,051,210	3,086,063	1,369,154	693,702	2,062,856
<b>Total Revenue</b>	<b><u>2,056,240</u></b>	<b><u>1,089,088</u></b>	<b><u>3,145,328</u></b>	<b><u>1,411,635</u></b>	<b><u>710,090</u></b>	<b><u>2,121,725</u></b>

**27 Basic earnings per share**

The calculations of basic earnings per share for the years ended 31 December 2012 and 2011 were based on the profit for the years attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding during the years as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>(in thousand Baht / thousand shares)</i>			
<b>Profit attributable to equity holders of the Company (basic)</b>	<b><u>815,763</u></b>	<b><u>408,164</u></b>	<b><u>682,162</u></b>	<b><u>326,740</u></b>
Number of ordinary shares outstanding	<b><u>339,923</u></b>	<b><u>339,923</u></b>	<b><u>339,923</u></b>	<b><u>339,923</u></b>
<b>Earnings per share (basic) (in Baht)</b>	<b><u>2.40</u></b>	<b><u>1.20</u></b>	<b><u>2.01</u></b>	<b><u>0.96</u></b>

***Diluted earnings per share***

The Group has not been presented diluted earnings per share since the effect of the issuance of ordinary shares provided to directors and employees of the Group would not be material.

## **28 Dividends**

At the Board of Directors' meeting of the Company held on 9 August 2012, the Board of Directors approved the payment of interim dividend for the operation from the first half of year 2012 at the rate of Baht 0.30 per share, totalling Baht 102 million from the promoted business (BOI). The dividend was paid to shareholders on 6 September 2012.

At the annual general meeting of the shareholders of the Company held on 20 April 2012, the shareholders approved the appropriation of dividend for the operation of year 2011 of Baht 0.45 per share, totally Baht 153 million from the promoted business (BOI). The interim dividend was paid to shareholders on 9 August 2011 at Baht 0.35 per share. The remaining dividend of Baht 0.10 per share, totalling to Baht 34 million was paid to shareholders on 14 May 2012.

At the Board of Directors' meeting of the shareholders of the Company held on 9 August 2011, the Board of Directors approved the appropriation of interim dividend of Baht 0.35 per share, totalling Baht 118.97 million. The dividend was paid to shareholders during September 2011.

At the annual general meeting of the shareholders of the Company held on 19 April 2011, the shareholders approved the appropriation of dividend of Baht 0.5 per share, amounting to Baht 169.96 million. The dividend was paid to shareholders during May 2011.

## **29 Financial instruments**

### ***Financial risk management policies***

The Group is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Group does not hold or issue derivative financial instruments for speculative or trading purposes.

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

### ***Capital management***

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity, excluding non-controlling interests and also monitors the level of dividends to ordinary shareholders.

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

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Group's operations and its cash flows because loan interest rates are mainly fixed. The Group is primarily exposed to interest rate risk from its borrowings (Note 15). The Group mitigates this risk by ensuring that the majority of its borrowings are at fixed interest rates and uses derivative financial instruments, principally interest rate swaps, to manage exposure to fluctuations in interest rates on specific debt securities and borrowings.

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The interest rates of loans receivable as at 31 December and the periods in which the loans receivable mature or re-price were as follows:

	Interest rate (% per annum)	Within 1 year	Separate financial statements		Total
			After 1 year but within 5 years (in thousand Baht)	After 5 years	
<b>2012</b>					
<b>Current</b>					
Short-term loans to subsidiaries	3.8 - 4.8	340,000	-	-	340,000
<b>Total</b>		<b>340,000</b>	<b>-</b>	<b>-</b>	<b>340,000</b>
<b>2011</b>					
<b>Current</b>					
Short-term loans to subsidiaries	3.0 - 4.8	540,000	-	-	540,000
<b>Total</b>		<b>540,000</b>	<b>-</b>	<b>-</b>	<b>540,000</b>

The effective interest rates of interest-bearing financial liabilities as at 31 December and the periods in which those liabilities mature or re-price were as follows:

	Interest rate (% per annum)	Within 1 year	Consolidated financial statements		Total
			After 1 year but within 5 years (in thousand Baht)	After 5 years	
<b>2012</b>					
<b>Current</b>					
Loans from financial institutions	FDR.3M + fixed	556,351	-	-	556,351
<b>Non-current</b>					
Loans from financial institutions	FDR.3M + fixed	-	2,232,241	341,892	2,574,133
<b>Total</b>		<b>556,351</b>	<b>2,232,241</b>	<b>341,892</b>	<b>3,130,484</b>
<b>2011</b>					
<b>Current</b>					
Loans from financial institutions	FDR.3M + fixed	514,643	-	-	514,643
<b>Non-current</b>					
Loans from financial institutions	FDR.3M + fixed	-	1,840,124	788,009	2,628,133
<b>Total</b>		<b>514,643</b>	<b>1,840,124</b>	<b>788,009</b>	<b>3,142,776</b>
<b>Separate financial statements</b>					
	Interest rate (% per annum)	Within 1 year	Separate financial statements		Total
			After 1 year but within 5 years (in thousand Baht)	After 5 years	
<b>2012</b>					
<b>Current</b>					
Loans from financial institutions	FDR.3M + fixed	170,103	-	-	170,103
<b>Non-current</b>					
Loans from financial institutions	FDR.3M + fixed	-	753,684	109,136	862,820
<b>Total</b>		<b>170,103</b>	<b>753,684</b>	<b>109,136</b>	<b>1,032,923</b>

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	Interest rate	Within 1 year	Separate financial statements		Total
			After 1 year but within 5 years	After 5 years	
<b>2011</b>					
<b>Current</b>					
Loans from financial institutions	FDR.3M + fixed	155,312	-	-	155,312
<b>Non-current</b>					
Loans from financial institutions	FDR.3M + fixed	-	681,217	235,142	916,359
<b>Total</b>		<b>155,312</b>	<b>681,217</b>	<b>235,142</b>	<b>1,071,671</b>

**Foreign currency risk**

The Group is exposed to foreign currency risk relating to purchases and sales which are denominated in foreign currencies. The Group primarily utilizes forward exchange contracts with maturities of less than one year to hedge such financial assets and liabilities denominated in foreign currencies. The forward exchange contracts entered into at the reporting date also relate to anticipated purchases and sales, denominated in foreign currencies, for the subsequent period.

At 31 December, the Group and the Company were exposed to foreign currency risk in respect of financial assets and liabilities denominated in the following currencies:

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
<i>(in thousand Baht)</i>					
<b>United States Dollars</b>					
Trade accounts receivable	6	21,441	12,344	17,023	6,416
Trade accounts payable	16	(141,619)	(91,489)	(16,444)	(4,095)
<b>Gross balance sheet exposure</b>		<b>(120,178)</b>	<b>(79,145)</b>	<b>579</b>	<b>2,321</b>
Currency forwards		56,127	-	3,391	-
<b>Net exposure</b>		<b>(64,051)</b>	<b>(79,145)</b>	<b>3,970</b>	<b>2,321</b>
<b>Yen</b>					
Cash and cash equivalents	5	4,807	10,535	-	-
Trade accounts receivable	6	6,554	9,008	-	-
Trade accounts payable	16	(28,270)	(51,783)	(3,707)	(6,015)
Other payables		22,617	620	-	-
Current liabilities		1,904	1,363	-	-
<b>Gross balance sheet exposure</b>		<b>7,612</b>	<b>(30,257)</b>	<b>(3,707)</b>	<b>(6,015)</b>
Currency forwards		321,666	-	62,872	-
<b>Net exposure</b>		<b>329,278</b>	<b>(30,257)</b>	<b>59,165</b>	<b>(6,015)</b>

**Credit risk**

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

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Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. However, due to the large number of parties comprising the Group's customer base, Management does not anticipate material losses from its debt collection.

***Liquidity risk***

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

***Determination of fair values***

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Since the majority of financial assets and financial liabilities of the Company and its subsidiaries are short-term in nature, interest rates of loans and borrowings are approximate to the market rate, the fair value of financial assets and financial liabilities are presented as the amount stated in the statement of financial position.

Fair value of interest swap contract is based on contractor as at the report date.

Fair value of interest swap contract as at 31 December 2012 has net value of Baht 371.88 million. (2011: 440.34 million)

**30 Commitments with non-related parties**

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
<b><i>Capital commitments</i></b>				
<i>Contracted but not provided for</i>				
Land	23.8	36.0	9.8	-
Machineries and equipments	187.9	154.8	-	-
Intangible assets	0.3	0.6	0.3	0.3
Building constructions	67.2	1.6	1.6	1.6
<b>Total</b>	<b>279.2</b>	<b>193.0</b>	<b>11.7</b>	<b>1.9</b>
<b><i>Non-cancellable operating lease commitments</i></b>				
Within one year	69.9	59.3	9.2	10.2
After one year but within five years	66.7	96.4	12.5	9.5
After five years	-	-	-	-
<b>Total</b>	<b>136.6</b>	<b>155.7</b>	<b>21.7</b>	<b>19.7</b>

**Somboon Advance Technology Public Company Limited and its Subsidiaries**  
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	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
<b><i>Other commitments</i></b>				
Bank guarantees	72.5	61.1	18.3	14.0
<b>Total</b>	<b>72.5</b>	<b>61.1</b>	<b>18.3</b>	<b>14.0</b>

The Company has entered into a technical assistance agreement with a foreign company covering the machining process, whereby the Company is to pay fees at a rate of 1.5% of the cost of the machining process minus material cost of products. The agreement is for 5 years, expiring in 2015 and is renewable for a further 5 years.

The Company has entered into a technical assistance agreement with another foreign company covering the forging process whereby the Company is to pay fees at a rate of 3% of the forging process minus material costs of products. The agreement is for 5 years, expiring in 2014 and is renewable for a further 5 years.

A subsidiary has entered into a technical assistance agreement with a foreign company regarding the process of machining, whereby the subsidiary is to pay a fee at 1.5% of the cost of the machining process minus material costs of products. The agreement is for 5 years, expiring in the year 2014, and is renewable for a further 5 years.

Another subsidiary company has entered into a technical assistance agreement with a foreign company regarding the process of casting, whereby the subsidiary is to pay a monthly fee of Yen 1 million. The agreement is for 5 years, expiring in the year 2015, and is renewable for a further 5 years.

As at 31 December 2012, the Company entered into forward contracts with several local financial institutions to hedge against the risk from payment for machinery and equipment purchased. The contracts amount of Baht 56.1 million (2011: nil). The contracts which were made in 2012 will be due within September 2013.

As at 31 December 2012, the Company had an interest rate swap agreement to maintain interest rate of long term loan amounting to Baht 371.9 million (2011: 434.4 million) by swapping from floating rate to fixed rate as stipulated by the agreement.

### **31 Contingent liabilities**

During 2011, the Company has sued 2 domestic companies for the breach of program development and license permission agreements in amount of Baht 35.6 million. One of the defendants counterclaimed against the Company in amount of Baht 50 million. As of 31 December 2012, the outcome of this arbitration has not been concluded yet, therefore, the Company has not set up any provision for damages from this case. As it believes the outcome will be favourable nor has it recognised any asset in respect of its own claim.

**Somboon Advance Technology Public Company Limited and its Subsidiaries**  
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**32 Events after the reporting period**

At the Board of Directors' meeting of the Company held on 27 February 2013, the Board of Directors approved as follows:

- 1) The appropriation of dividend for the operation for the year 2012 from the promoted business (BOI) in term of cash dividend and stock dividend, by cash dividend at the rate of Baht 0.72 per share, totalling Baht 244.76 million. The interim dividend was paid to shareholders on 9 August 2012 of Baht 0.30 per share. The remaining dividend of Baht 0.42 per share, totalling to Baht 142.78 million will be paid to shareholders in May 2013. For the stock dividend, to pay as ordinary shares to the shareholders at the rate of 4 existing shares per 1 share, totaling not exceeding Baht 84.99 million.
- 2) To decrease the authorised share capital from Baht 341,723,287 to Baht 339,958,087; comprised of 1,765,200 ordinary shares at the par value of Baht 1 per share, totalling of Baht 1,765,200 in order to reduce the authorised share capital that have not been issued or sold before the increase of share capital under the Public Company Act B.E. 2535.
- 3) To increase the authorised share capital from Baht 339, 958,087 to Baht 426,712,809; comprised of 86,754,722 ordinary shares at the par value of Baht 1 per share, totalling of Baht 86,754,722 for the stock dividend and the Employee Stock Option Plan.

**33 Thai Financial Reporting Standards (TFRS) not yet adopted**

The Group has not adopted the following new and revised TFRS that have been issued as of the reporting date but are not yet effective. The new and revised TFRS are expected to become effective for annual financial periods beginning on or after 1 January in the year indicated in the following table.

<b>TFRS</b>	<b>Topic</b>	<b>Year effective</b>
TAS 12	Income Taxes	2013
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates	2013
TAS 8	Operating Segments	2013

Management expects to adopt and apply these new TFRS in accordance with the FAP's announcement and has made a preliminary assessment of the potential initial impact on the consolidated and separate financial statements of those new standards assessed to have the greatest potential impact on the financial statements in the period of initial application. These standards are as follows:

***TAS 12 – Income taxes***

The principal change introduced by TAS 12 is the requirement to account for deferred tax liabilities and assets in the financial statements. Deferred tax liabilities and assets are the amounts of income taxes payable and recoverable, respectively, in future periods in respect of temporary differences between the carrying amount of the liability or asset in the statement of financial position and the amount attributed to that liability or asset for tax purposes; and the carry forward of unused tax losses. Currently, the Group does not recognise deferred tax in the financial statements.



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The Group will adopt TAS 12 with effect from 1 January 2013. The effects of the change will be recognised retrospectively in the financial statements and the statement of financial position as at 31 December 2012 and 2011 will be adjusted accordingly. Management estimates that the impact on the statements of financial position as at 31 December 2012 and 2011 will be as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>(in thousand Baht)</i>			
<b>Statement of financial position</b>				
Estimated changes as a result of the adoption retrospectively of TAS 12 – Income taxes:				
Increase in deferred tax assets	-	-	105	102
Increase in deferred tax liabilities	68,764	72,028	-	-
Decrease in revaluation surplus	(87,634)	(88,836)	(2,977)	(3,093)
Increase in retained earnings	18,870	16,808	3,082	3,195
Increase (decrease) in total equity	<b>(68,764)</b>	<b>(72,028)</b>	<b>105</b>	<b>102</b>

The impact on the statements of comprehensive income for 2013 and subsequent periods is not presently determinable.

**34 Reclassification of accounts**

Certain accounts in the 2011 financial statements have been reclassified to conform to the presentation in the 2012 financial statements as follows:

	<b>Consolidated financial statements</b>			<b>2011 Separate financial statements</b>		
	Before reclass.	Reclass.	After reclass.	Before reclass.	Reclass.	After reclass.
	<i>(in thousand Baht)</i>					
<b>Statement of financial position</b>						
Spare parts for machinery- Current	-	59,992	59,992	-	25,874	25,874
Spare parts for machinery- Non-current	120,301	(59,992)	60,309	50,453	(25,874)	24,579
		<b>-</b>			<b>-</b>	

The reclassifications have been made because, in the opinion of management, the new classification is more appropriate to the Group's business.