

EASY BUY Public Company Limited

Financial statements for the year ended
31 December 2013
and
Independent Auditor's Report



KPMG Phoomchai Audit Ltd.

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Independent Auditor's Report

To the shareholders of EASY BUY Public Company Limited

I have audited the accompanying financial statements of EASY BUY Public Company Limited (the "Company"), which comprise the statement of financial position as at 31 December 2013, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinion

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

A handwritten signature in black ink, appearing to read 'Siripen', followed by a long horizontal line.

(Siripen Sukcharoenyingyong)
Certified Public Accountant
Registration No. 3636

KPMG Phoomchai Audit Ltd.
Bangkok
26 February 2014

EASY BUY Public Company Limited

Statements of financial position

		31 December	
Assets	Note	2013	2012
		(in Baht)	
<i>Current assets</i>			
Cash and cash equivalents	5	567,551,562	554,290,206
Loan receivables due within one year	6	30,794,649,128	28,287,846,819
Other receivables	7	436,667,061	382,381,952
Total current assets		31,798,867,751	29,224,518,977
<i>Non-current assets</i>			
Loan receivables	6	118,685,500	251,852,433
Leasehold improvements and equipment	8	431,822,301	348,205,092
Intangible assets	9	65,198,623	34,442,826
Deferred tax assets	10	537,228,803	524,797,384
Other non-current assets		61,497,122	59,357,386
Total non-current assets		1,214,432,349	1,218,655,121
Total assets		33,013,300,100	30,443,174,098

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

EASY BUY Public Company Limited

Statements of financial position

Liabilities and equity	Note	31 December	
		2013	2012
		(in Baht)	
Current liabilities			
Short-term loans from financial institutions	4, 11	2,061,000,000	2,421,000,000
Trade accounts payable		6,343,453	13,450,949
Other payables	12	662,516,172	501,576,585
Current portion of long-term loans			
from financial institutions	4, 11	7,894,492,026	2,161,723,907
Current portion of debentures	11	498,983,105	1,498,343,274
Income tax payable		271,593,694	410,562,179
Total current liabilities		11,394,928,450	7,006,656,894
Non-current liabilities			
Long-term loans from financial institutions	4, 11	6,128,757,051	11,398,086,181
Debentures	11	7,819,228,520	6,315,300,126
Employee benefit obligations	13	29,151,734	22,151,758
Provision for demolished cost			
of leasehold improvements	14	61,470,258	46,903,291
Other non-current liabilities		6,585,913	467,358
Total non-current liabilities		14,045,193,476	17,782,908,714
Total liabilities		25,440,121,926	24,789,565,608
Equity			
Share capital:			
Authorised share capital	15	3,900,000,000	3,900,000,000
Issued and paid-up share capital		3,900,000,000	3,900,000,000
Retained earnings:			
Appropriated to legal reserve	16	237,983,558	127,380,074
Unappropriated		3,435,194,616	1,626,228,416
Total equity		7,573,178,174	5,653,608,490
Total liabilities and equity		33,013,300,100	30,443,174,098

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

EASY BUY Public Company Limited

Statements of comprehensive income

		For the years ended	
		31 December	
	<i>Note</i>	2013	2012
		<i>(in Baht)</i>	
<i>Income</i>			
Income from personal loans		8,484,143,967	7,973,892,268
Income from installment loans		34,384,215	43,546,618
Other income	18	961,534,209	899,177,368
Total income		9,480,062,391	8,916,616,254
<i>Expenses</i>			
Operating expenses	19	639,904,180	596,418,729
Administrative expenses	20	2,063,883,419	1,842,648,481
Bad debts and doubtful accounts expenses	6	2,756,513,636	2,557,659,192
Finance costs	4, 22	1,240,926,916	1,270,819,010
Total expenses		6,701,228,151	6,267,545,412
Profit before income tax expense		2,778,834,240	2,649,070,842
Income tax expense	23	566,764,556	701,469,352
Profit and total comprehensive income for the year		2,212,069,684	1,947,601,490
Basic earnings per share (Baht)	24	5.67	4.99

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

EASY BUY Public Company Limited

Statements of changes in equity

		Issued and paid-up share capital	Retained earnings		Total equity
	Note		Legal reserve	Unappropriated	
<i>(in Baht)</i>					
Year ended 31 December 2012					
Balance at 1 January 2012		300,000,000	30,000,000	3,796,007,000	4,126,007,000
Issue of ordinary shares	15	3,600,000,000	-	-	3,600,000,000
Dividend	25	-	-	(4,020,000,000)	(4,020,000,000)
Profit and total comprehensive income for the year		-	-	1,947,601,490	1,947,601,490
Transfer to legal reserve		-	97,380,074	(97,380,074)	-
Balance at 31 December 2012		3,900,000,000	127,380,074	1,626,228,416	5,653,608,490
Year ended 31 December 2013					
Balance at 1 January 2013		3,900,000,000	127,380,074	1,626,228,416	5,653,608,490
Dividend	25	-	-	(292,500,000)	(292,500,000)
Profit and total comprehensive income for the year		-	-	2,212,069,684	2,212,069,684
Transfer to legal reserve		-	110,603,484	(110,603,484)	-
Balance at 31 December 2013		3,900,000,000	237,983,558	3,435,194,616	7,573,178,174

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

EASY BUY Public Company Limited

Statements of cash flows

	For the years ended	
	31 December	
	2013	2012
	(in Baht)	
<i>Cash flows from operating activities</i>		
Profit for the year	2,212,069,684	1,947,601,490
<i>Adjustments for</i>		
Depreciation and amortisation	118,966,181	103,320,224
Finance costs	1,240,926,916	1,270,819,010
Bad debt and doubtful accounts	2,756,513,636	2,557,659,192
Reversal of allowance for decline in value of repossessed assets	-	(10,224)
Employee benefit obligation	6,999,976	3,308,699
Loss on disposal of leasehold improvements and equipment	1,946,785	712,796
Income tax expense	566,764,556	701,469,352
	6,904,187,734	6,584,880,539
<i>Changes in operating assets and liabilities</i>		
Loan receivables	(5,130,149,012)	(4,387,054,142)
Other receivable	(54,285,109)	(155,813,981)
Other non-current assets	(2,139,736)	(6,927,808)
Trade accounts payable	(7,107,496)	(497,229)
Other payables	91,895,921	87,567,433
Other non-current liabilities	(2,531,856)	(8,346,859)
Employee benefit paid	-	(1,419,509)
Finance costs paid	(1,218,347,588)	(1,313,938,753)
Cash generated from operating activities	581,522,858	798,449,691
Income tax paid	(718,164,458)	(583,106,886)
Net cash from (used in) operating activities	(136,641,600)	215,342,805
<i>Cash flows from investing activities</i>		
Purchase of leasehold improvements and equipment	(130,464,455)	(217,832,745)
Sale of equipment	2,201,115	4,351,031
Purchase of intangible assets	(18,373,704)	(5,374,896)
Net cash used in investing activities	(146,637,044)	(218,856,610)

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

EASY BUY Public Company Limited

Statements of cash flows

	For the years ended	
	31 December	
	2013	2012
	(in Baht)	
<i>Cash flows from financing activities</i>		
Increase (decrease) in short-term loans from financial institutions	(360,000,000)	785,000,000
Proceeds from long-term loans from financial institutions	2,616,310,000	4,660,730,000
Repayment of long-term loans from financial institutions	(2,167,270,000)	(4,051,710,000)
Proceeds from issuing debenture	2,000,000,000	5,340,000,000
Repayment of debenture	(1,500,000,000)	(6,335,000,000)
Dividend paid	<u>(292,500,000)</u>	<u>(420,000,000)</u>
Net cash from (used in) financing activities	<u>296,540,000</u>	<u>(20,980,000)</u>
Net increase (decrease) in cash and cash equivalents	13,261,356	(24,493,805)
Cash and cash equivalents at 1 January	<u>554,290,206</u>	<u>578,784,011</u>
Cash and cash equivalents as at 31 December	<u>567,551,562</u>	<u>554,290,206</u>

Non-cash transactions

In 2013, the Company acquired leasehold improvements and equipment totalling Baht 196.2 million (2012: Baht 211.0 million) with cash payments of Baht 130.4 million (2012: Baht 217.8 million) and acquired intangible assets totalling Baht 41.3 million (2012: Baht 5.4 million) with cash payments of Baht 18.4 million (2012: Baht 5.4 million).

In 2012, the Company paid dividend of Baht 4,020.0 million comprised stock dividend payment of Baht 3,600.0 million and cash dividend payment of Baht 420.0 million.

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

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Notes to the financial statements

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EASY BUY Public Company Limited

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 authorized for issue by the Board of Directors on 26 February 2014.

1 General information

EASY BUY Public Company Limited, the “Company”, is incorporated in Thailand and has its registered office at 5th Floor, Sathorn Square Office Tower, 98 North Sathorn Road, Silom, Bangrak, Bangkok.

The immediate parent company during the financial period was ACOM Co., Ltd. which is incorporated in Japan.

The principal businesses of the Company are consumer finance business representing personal loans and installment loans.

The Company has conducted business under the Foreign Business Act B.E. 2542 since 27 September 2012.

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); guidelines promulgated by the Federation of Accounting Professions (“FAP”); and applicable rules and regulations of the Thai Securities and Exchange Commission.

The FAP has issued the following new and revised TFRS relevant to the Company’s operations and effective for accounting periods beginning on or after 1 January 2013:

TFRS	Topic
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates
TFRS 8	Operating Segments

The adoption of these new and revised TFRS did not have any impact on accounting policies and financial position or performance of the Company.

In addition to the above new and revised TFRS, the FAP has issued a number of new and revised TFRS which are effective for financial statements beginning on or after 1 January 2014 and have not been adopted in the preparation of these financial statements. Those new and revised TFRS that are relevant to the Company’s operations are disclosed in note 28.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as stated in the accounting policies.

EASY BUY Public Company Limited

Notes to the financial statements

(c) Functional and presentation currency

The financial statements are presented in Thai Baht, which is the Company's functional currency. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest million 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 3(e)	Allowance for doubtful accounts
Note 3(l)	Employee benefits
Note 3(m)	Provision for demolished costs of leasehold improvements
Note 3(q)	Current and deferred taxation

3 Significant accounting policies

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

(a) Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency [Thai Baht] at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency 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 functional currency using the foreign exchange rates ruling at the dates of the transactions.

(b) Derivative financial instruments

Derivative financial instruments are used to manage exposure to foreign exchange and interest rate arising from financing activities.

Foreign currency liabilities hedged by cross currency swap contracts are translated to Thai Baht at such contracted exchange rates.

Interest differentials under swap arrangements are accrued and recorded as adjustments to the interest expense relating to the hedged loans.

EASY BUY Public Company Limited

Notes to the financial statements

(c) *Cash and cash equivalents*

Cash and cash equivalents in the statements of cash flow comprise cash balances, call deposits and highly liquid short-term investments.

(d) *Loan receivables*

Personal loan receivables are stated at cost including accrued interest income and accrued credit usage fee net of allowance for doubtful accounts.

Installment loan receivables are stated at cost net of unearned interest income, output tax for undue installments and allowance for doubtful accounts.

(e) *Allowance for doubtful accounts*

Allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. The Company provides allowance for doubtful accounts based on certain percentages of outstanding accounts receivable balances including accrued interest income and accrued credit usage net of unearned interest income. Allowance for doubtful accounts is made in full for receivables that are overdue more than three months.

Receivables that are overdue for more than six months are written off. Any recoveries are recognised as other income in profit or loss.

(f) *Reposessed assets*

Assets reposessed from receivables are stated at carrying value of the receivables net of allowance for decline in value of the reposessed assets by consideration of the estimated net realisable value of such assets.

Gains or losses on the disposal of reposessed assets are reflected in the statement of income when such assets are disposed of.

(g) *Leasehold improvement and equipment*

Recognition and measurement

Owned assets

Leasehold improvement and equipment are stated at cost less 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. 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 leasehold improvement and equipment have different useful lives, they are accounted for as separate items (major components) of leasehold improvement and equipment.

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

EASY BUY Public Company Limited

Notes to the financial statements

Leased assets

Leases in terms of which the Company substantially assumes all the risk and rewards of ownership are classified as finance leases. 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 profit or loss.

Subsequent costs

The cost of replacing a part of an item of leasehold improvement 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 Company, 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 profit or loss 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 profit or loss on a straight-line basis over the estimated useful lives of each component of an item of leasehold improvements and equipment. The estimated useful lives are as follows:

Leasehold improvements	5 years
Furniture, fixture and office equipment	5 years
Vehicles	5 years

No depreciation is provided on assets under installation.

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

(h) Intangible assets

Other intangible assets

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

Amortisation

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

Amortisation is recognised in profit or loss 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, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Software program licenses	5,10 years
Trade marks	10 years

EASY BUY Public Company Limited

Notes to the financial statements

(i) Impairment

The carrying amounts of the Company'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 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 profit or loss.

Calculation of recoverable amount

The recoverable amount of an 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

Impairment losses recognised in prior periods 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.

(j) 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 profit or loss over the period of the borrowings on an effective interest basis.

(k) Trade and other accounts payable

Trade and other accounts payable are stated at cost.

(l) Employee benefits

Defined contribution plans

A defined contribution plans is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity (provident fund) 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.

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Notes to the financial statements

Defined benefit plans

A defined benefit plan is a defined benefit pension plan 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. The Company's net obligation in respect of defined benefit pension plans is calculated 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. The discount rate is the yield at the reporting date on Thai Government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed 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 Company has adopted the corridor approach to the recognition of actuarial gains and losses. The amount of gains and losses recognised as income or expense in a particular year equals the excess of the unrecognised gain/loss at the start of the year over 10% of the defined benefit obligation at the start of the year, divided by the expected average remaining working life of the membership.

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 compensated absences if the Company 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.

(m) Provisions

A provision is recognised if, as a result of a past event, the Company 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.

Provision for demolished costs of leasehold improvements

Provision for demolished costs of leasehold improvements is based on discounting the expected future cash flows of provision for demolished costs of leasehold improvements. These costs are included as part of leasehold improvements.

(n) Revenue

Interest income and credit usage fee on personal loans are recognised as income on an accrual basis using the effect rate method, except in cases where customers' principal and interest are in arrears for more than six months, in which case income is recognised on a cash basis.

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Notes to the financial statements

Interest income on installment loans is recognised as income on an accrual basis over the installment period using the effective rate method, except in cases where customers' principal and interest are in arrears for more than six months, in which case income is recognised on a cash basis.

Late charge and collection fees income are recognised as income on accrual basis.

(o) Financial cost

Interest expenses and similar costs are charged to the statement of income for the period in which they are incurred. The interest component of finance lease payments is recognised in the statement of income using the effective interest rate method.

(p) Lease payment

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease.

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.

(q) Income tax

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

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

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Notes to the financial statements

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

4 Related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company 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 decision, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with related parties were as follows:

Name of entities	Country of incorporation/ nationality	Nature of relationships
ACOM Co., Ltd.	Japan	Parent company, 71% shareholding.
ACOM (U.S.A.) Inc.	The United States of America	Related party, wholly owned by the parent company.
The Bank of Tokyo-Mitsubishi UFJ, Bangkok branch	Japan	Financial institution in group of Mitsubishi UFJ Financial Group (MUFG), 40.21% shareholding in parent company.
Mitsubishi UFJ Trust and Banking Corporation, Singapore branch	Japan	Financial institution in group of Mitsubishi UFJ Financial Group (MUFG), 40.21% shareholding in parent company.
GCT Management (Thailand) Ltd.	Thailand	Shareholder, 25% shareholding
Key management personnel		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 Company.

The pricing policies for particular types of transactions are explained further below

Transactions	Pricing policy
<i>Finance costs</i>	
Interest expense	as agreed in contract
Guarantee fee	as agreed in contract

EASY BUY Public Company Limited

Notes to the financial statements

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

	2013 (in million Baht)	2012
Parent		
Guarantee fee	39	44
Other related parties		
Interest expense	370	381
Key management personnel		
Key management personnel compensation	84	98

Balances as at 31 December with related parties were as follows:

Short-term loans from financial institutions	2013 (in million Baht)	2012
Other related parties		
The Bank of Tokyo-Mitsubishi UFJ, Ltd., Bangkok branch	350	-
Long-term loans from financial institutions	2013 (in million Baht)	2012
Other related parties		
Mitsubishi UFJ Trust and Banking Corporation, Singapore branch		
- USD 17 million (2012: USD - million)	531	-
- JPY 4,350 million (2012 : JPY 6,050 million)	1,626	2,243
The Bank of Tokyo-Mitsubishi UFJ, Bangkok branch	3,900	3,900
ACOM (U.S.A.) Inc.		
- USD 52 million (2012: USD 52 million)	1,615	1,615
Less long-term loan issuance cost	(7)	(9)
Total	7,665	7,749
Less: current portion	(4,026)	(1,117)
Net	3,639	6,632

In 2013, loans from related parties bear interest at rates ranging from 2.29% per annum to 6.67% per annum (2012: 2.29% per annum to 6.67% per annum).

Movements during the years ended 31 December of loans from related parties were as follows:

	2013 (in million Baht)	2012
Short-term loans		
Other related parties		
At 1 January	-	600
Increase	460	1,200
Decrease	(110)	(1,800)
At 31 December	350	-
Long-term loans		
Other related parties		
At 1 January	7,758	8,064
Increase	1,031	3,215
Decrease	(1,117)	(3,521)
Less long - term loan issuance cost	(7)	(9)
At 31 December	7,665	7,749

EASY BUY Public Company Limited

Notes to the financial statements

<i>Accrued finance costs</i>	2013	2012
	<i>(in million Baht)</i>	
<i>Accrued interest expense</i>		
Other related parties		
The Bank of Tokyo-Mitsubishi UFJ, Bangkok branch	30	31
Mitsubishi UFJ Trust and Banking Corporation, Singapore branch	35	35
ACOM (U.S.A.) Inc.	9	9
Total	74	75
<i>Accrued guarantee fee</i>		
Parent		
ACOM Co., Ltd.	3	4
Total	77	79

Significant agreements with related parties

Guarantee Fee Agreements

The Company entered into agreements with ACOM Co., Ltd., a parent company, under which such company has guaranteed the financial institutions due performance of obligations by the Company under loan agreements and derivatives with those financial institutions. In consideration thereof, the Company is committed to pay guarantee fee based on certain percentage of the outstanding balances of loans and derivatives as stipulated in the agreements unless the Company gives prior notice in writing for termination of the agreements.

Cross currency and interest rate swap agreements

The Company entered into an agreement with The Bank of Tokyo-Mitsubishi UFJ, Bangkok branch to hedge financial liabilities denominated in foreign currencies and the volatility of interest rates by swapping the foreign currency and interest rate as specified in the agreements (*see Note 11*).

5 Cash and cash equivalents

	2013	2012
	<i>(in million Baht)</i>	
Cash on hand	280	254
Cash at banks - current accounts	225	235
Cash at banks - savings accounts	63	59
Cash at bank - fixed account	-	6
Total	568	554

The currency denomination of cash and cash equivalents as at 31 December was as follows:

	2013	2012
	<i>(in million Baht)</i>	
Thai Baht	567	554
Lao Kip	1	-
Total	568	554

EASY BUY Public Company Limited
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6 Loan receivables

	Personal loan receivables	2013 Installment loan receivables	Total <i>(in million Baht)</i>	Personal loan receivables	2012 Installment loan receivables	Total
Due within one year						
Loan receivables	32,813	201	33,014	30,172	232	30,404
Less unearned interest income	(21)	(21)	(42)	(51)	(23)	(74)
allowance for doubtful accounts	(2,171)	(6)	(2,177)	(2,032)	(10)	(2,042)
Net	30,621	174	30,795	28,089	199	28,288
Due over one year						
Loan receivables	97	58	155	295	67	362
Less unearned interest income	(7)	(7)	(14)	(38)	(8)	(46)
allowance for doubtful accounts	(20)	(2)	(22)	(62)	(2)	(64)
Net	70	49	119	195	57	252
Total	30,691	223	30,914	28,284	256	28,540
Bad debts and doubtful accounts expenses for the year	2,752	5	2,757	2,548	10	2,558

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Aging analyses for loan receivables were as follows:

	Personal loan receivables	2013 Installment loan receivables	Total (in million Baht)	Personal loan receivables	2012 Installment loan receivables	Total
Not yet due	30,672	253	30,925	28,536	291	28,827
Overdue payment periods						
Less than 3 periods	1,506	3	1,509	1,296	5	1,301
3 - 5 periods	728	3	731	634	3	637
6 - 12 periods	4	-	4	1	-	1
	<u>32,910</u>	<u>259</u>	<u>33,169</u>	<u>30,467</u>	<u>299</u>	<u>30,766</u>
Less unearned interest income	(28)	(28)	(56)	(89)	(31)	(120)
Total	<u>32,882</u>	<u>231</u>	<u>33,113</u>	<u>30,378</u>	<u>268</u>	<u>30,646</u>
Less allowance for doubtful accounts	(2,191)	(8)	(2,199)	(2,094)	(12)	(2,106)
Net	<u>32,691</u>	<u>223</u>	<u>30,914</u>	<u>28,284</u>	<u>256</u>	<u>28,540</u>

EASY BUY Public Company Limited

Notes to the financial statements

As at 31 December, personal loan receivables comprised the following:

	2013	2012
	<i>(in million Baht)</i>	
Revolving loan receivables	31,782	29,186
Minimum payment loan receivables	903	764
Term loan receivables	225	517
Total	32,910	30,467

Revolving loans are repayable at any time subject to a minimum monthly payment of from 3.5% to 8.0% of the outstanding balances, as specified in the loan agreements. The Company classifies the total balance of revolving loan receivables within current assets.

Minimum payment loans are loans which the borrowers have the option to repay in full at any time or by monthly installments of not less than the minimum payment of from 3.0% to 8.0% of the total loan amount, as specified in the loan agreements. The Company classifies the total balance of minimum payment loan receivables within current assets.

Term loan receivables are repayable by monthly installments, as specified in the loan agreements. The Company classifies the balance of term loan receivables within current and non-current assets. As 31 December 2013, this monthly repayment amount repayable within one year was Baht 128.0 million (2012: Baht 169.0 million).

As at 31 December 2013, the Company had loan receivables which were overdue for over three payment periods of Baht 734.7 million (2012: Baht 638.1 million) on which the Company has continued to recognise the interest income. The Company recognised income on such loan receivables for the year ended 31 December 2013 amounting to Baht 170.6 million (2012: Baht 132.6 million) against which full allowance for doubtful accounts has been made.

Loan receivables of the Company as at 31 December were denominated entirely in Thai Baht.

7 Other receivables

	2013	2012
	<i>(in million Baht)</i>	
Receivables from collection agencies	399	330
Prepaid expenses	30	36
Others	8	16
Total	437	382

EASY BUY Public Company Limited
Notes to the financial statements

8 Leasehold improvements and equipment

	Leasehold improvements	Furniture, fixture and office equipment	Vehicles (in million Baht)	Assets under installation	Total
<i>Costs</i>					
At 1 January 2012	290	1,005	16	33	1,344
Additions	55	52	-	104	211
Transfers	49	5	-	(54)	-
Disposals	(59)	(391)	(9)	-	(459)
At 31 December 2012 and 1 January 2013	335	671	7	83	1,096
Additions	42	62	-	92	196
Transfers	123	17	-	(140)	-
Disposals	(40)	(8)	(2)	-	(50)
At 31 December 2013	460	742	5	35	1,242
<i>Depreciation</i>					
At 1 January 2012	234	849	11	-	1,094
Depreciation charge for the year	28	62	3	-	93
Disposals	(55)	(376)	(8)	-	(439)
At 31 December 2012 and 1 January 2013	207	535	6	-	748
Depreciation charge for the year	56	51	1	-	108
Disposals	(38)	(6)	(2)	-	(46)
At 31 December 2013	225	580	5	-	810
<i>Net book value</i>					
At 1 January 2012	56	156	5	33	250
At 31 December 2012 and 1 January 2013	128	136	1	83	348
At 31 December 2013	235	162	-	35	432

The gross amount of the Company's fully depreciated equipment that was still in use as at 31 December 2013 amounted to Baht 580.82 million (2012: Baht 560.98 million).

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Notes to the financial statements

9 Intangible assets

	Software program licenses and trade marks	Software under installation (in million Baht)	Total
<i>Costs</i>			
At 1 January 2012	83	-	83
Additions	1	4	5
Disposals	(5)	-	(5)
At 31 December 2012 and 1 January 2013	79	4	83
Additions	18	23	41
Transfers	2	(2)	-
At 31 December 2013	99	25	124
<i>Amortisation</i>			
At 1 January 2012	44	-	44
Amortisation charge for the year	9	-	9
Disposals	(4)	-	(4)
At 31 December 2012 and 1 January 2013	49	-	49
Amortisation charge for the year	10	-	10
At 31 December 2013	59	-	59
<i>Net book value</i>			
At 1 January 2012	39	-	39
At 31 December 2012 and 1 January 2013	30	4	34
At 31 December 2013	40	25	65

EASY BUY Public Company Limited
Notes to the financial statements

10 Deferred tax

Movements in total deferred tax assets and liabilities during the year were as follows:

	At 1 January 2013	(Charged)/ Credited to statement of income (Note 23) (in million Baht)	At 31 December 2013
<i>Deferred tax assets</i>			
Loan receivables (<i>allowance for doubtful accounts</i>)	421	19	440
Loan receivables (<i>bad debt written-off</i>)	82	(5)	77
Employee benefit obligations	5	1	6
Provision for demolished costs of leasehold improvements	4	1	5
Long-term loans from financial institutions (<i>cross currency swap</i>)	19	(8)	11
Others	5	1	6
Total	536	9	545
<i>Deferred tax liabilities</i>			
Debenture and long-term loan issuance cost	(11)	3	(8)
Total	(11)	3	(8)
Net	525	12	537
	At 1 January 2012	(Charged)/ Credited to statement of income (Note 23) (in million Baht)	At 31 December 2012
<i>Deferred tax assets</i>			
Loan receivables (<i>allowance for doubtful accounts</i>)	436	(15)	421
Loan receivables (<i>bad debt written-off</i>)	100	(18)	82
Employee benefit obligations	5	-	5
Provision for demolished costs of leasehold improvements	6	(2)	4
Long-term loans from financial institutions (<i>cross currency swap</i>)	(41)	60	19
Others	4	1	5
Total	510	26	536
<i>Deferred tax liabilities</i>			
Debenture and long-term loan issuance cost	(11)	-	(11)
Total	(11)	-	(11)
Net	499	26	525

EASY BUY Public Company Limited
Notes to the financial statements

11 Interest-bearing liabilities

	31 December 2013				31 December 2012			
	Short-term loans from financial institutions	Long-term loans	Debenture	Total (in million Baht)	Short-term loans from financial institutions	Long-term loans	Debenture	Total
Current								
Principal	2,061	7,902	500	10,463	2,421	2,167	1,500	6,088
Less debenture and long-term loan issuance cost	-	(8)	(1)	(9)	-	(5)	(2)	(7)
Net	2,061	7,894	499	10,454	2,421	2,162	1,498	6,081
Non-current								
Principal	-	6,134	7,840	13,974	-	11,420	6,340	17,760
Less debenture and long-term loan issuance cost	-	(5)	(21)	(26)	-	(22)	(25)	(47)
Net	-	6,129	7,819	13,948	-	11,398	6,315	17,713
Total	2,061	14,023	8,318	24,402	2,421	13,560	7,813	23,794
- Secured	1,261	11,209	5,506	17,976	2,421	11,945	6,997	21,363
- Unsecured	800	2,814	2,812	6,426	-	1,615	816	2,431
Total	2,061	14,023	8,318	24,402	2,421	13,560	7,813	23,794

As at 31 December 2013, short-term loans from financial institutions included bill of exchanges amounting to Baht 300 million.

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Notes to the financial statements

The currency denomination of interest-bearing liabilities as at 31 December was as follows:

	2013	2012
	<i>(in million Baht)</i>	
Thai Baht	20,048	19,936
United States Dollars	2,728	1,615
Japanese Yen	1,626	2,243
Total	24,402	23,794

Above secured interest bearing liabilities were secured by parent company.

In 2013, above liabilities bear interest at the rates ranging from 2.29% per annum to 6.67% per annum (2012: 2.29% per annum to 6.67% per annum).

Cross currency and interest rate swap agreements

Thai Baht

As at 31 December 2013, the Company had an interest rate swap agreement with a local bank totaling Baht 1,800 million (31 December 2012: Baht 3,300 million) to hedge the volatility of interest rate by paying interest fixed rates as specified in the agreement in exchange for floating rates.

Japanese Yen

As at 31 December 2013, the Company had cross currency and interest rate swap agreements to hedge financial liabilities denominated in foreign currencies and the volatility of interest rate by paying the interest in Baht in fixed rate as specified in the agreement in exchange for interest payable in JPY semi-annually. The cross currency agreements were as follows:

- a local branch of the foreign bank totaling JPY - million by swapping to Baht - million (31 December 2012 : swapping JPY 1,700 million to Baht 617.3 million).
- various branches of the local banks JPY 4,350 million by swapping to Baht 1,626.4 million (31 December 2012: swapping JPY 4,350 million to Baht 1,626.4 million).

United States Dollars

As at 31 December 2013, the Company had cross currency and interest rate swap agreements to hedge financial liabilities denominated in foreign currencies and the volatility of interest rate and paying the interest in Baht in fixed rate as specified in the agreement in exchange for interest payable in USD semi-annually. The cross currency agreements were as follows:

- a local branch of the foreign related bank and the local banks totaling USD 69 million by swapping to Baht 2,145.6 million (31 December 2012 : swapping USD 52 million to Baht 1,614.7 million).
- a local branch of the foreign banks totaling USD 20 million by swapping to Baht 585.4 million.

EASY BUY Public Company Limited
Notes to the financial statements

Debentures

Debentures as at 31 December 2013 were as follows:

	Issuance date	Maturity date	Tranch Number	Secured/ Unsecured	Unit	Par value (in Baht)	2013 (in million Baht)	2012
1	30 September 2009	15 March 2013	1st	Secured	1,000,000	1,000	-	1,000
2	23 December 2011	23 December 2013	1st	Secured	500,000	1,000	-	500
		23 December 2014	2nd	Secured	500,000	1,000	500	500
		23 December 2015	3rd	Secured	500,000	1,000	500	500
3	30 March 2012	27 February 2015	1st	Secured	500,000	1,000	500	500
		29 February 2016	2nd	Secured	1,000,000	1,000	1,000	1,000
		27 February 2015	3rd	Unsecured	340,000	1,000	340	340
4	13 July 2012	12 June 2015	1st	Secured	1,020,000	1,000	1,020	1,020
		12 February 2016	2nd	Secured	2,000,000	1,000	2,000	2,000
		12 June 2015	3rd	Unsecured	480,000	1,000	480	480
5	14 March 2013	14 March 2016	1st	Unsecured	1,000,000	1,000	1,000	-
6	4 December 2013	2 December 2016	1st	Unsecured	1,000,000	1,000	1,000	-
							8,340	7,840
<i>Less</i> debenture issuance cost							(22)	(27)
							8,318	7,813
<i>Less</i> current portion							(499)	(1,498)
Debenture – net							7,819	6,315

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Notes to the financial statements

12 Other payables

	Note	2013	2012
		<i>(in million Baht)</i>	
Interest and guarantee fees payable - related parties	4	77	79
- other parties		102	96
Other payables		124	66
Withholding tax payable		22	19
Accrued expenses and others		338	241
Total		663	501

13 Employee benefit obligations

	2013	2012
	<i>(in million Baht)</i>	
Statement of financial position obligations for:		
Post-employment benefits	29	22
Year ended 31 December	2013	2012
	<i>(in million Baht)</i>	
Statement of comprehensive income:		
Recognised in profit or loss:		
Post-employment benefits	7	3

The statement of financial position obligation was determined as follows:

	2013	2012
	<i>(in million Baht)</i>	
Present value of unfunded obligation	40	35
Unrecognized net actuarial loss	(11)	(13)
Statement of financial position obligation	29	22

Movement in the present value of the defined benefit obligations

	2013	2012
	<i>(in million Baht)</i>	
Defined benefit obligation at 1 January	22	20
Benefits paid by the plan	-	(1)
Current service cost and interest	6	3
Amortization of net actuarial loss	1	-
Defined benefit obligation at 31 December	29	22

Expense recognised in profit or loss

	2013	2012
	<i>(in million Baht)</i>	
Current service costs	5	2
Interest on obligation	1	1
Amortization of net actuarial loss	1	-
Total	7	3

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Notes to the financial statements

The expense is recognized in the statement of income:

	2013	2012
	<i>(in million Baht)</i>	
Administrative expenses	<u>7</u>	<u>3</u>

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

	2013	2012
Discount rate (%)	4.5	4
Future salary increase (%)	4	4
Retirement age (years)	55	55

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

14 Provision for demolished costs of leasehold improvements

	2013	2012
	<i>(in million Baht)</i>	
At 1 January	47	31
Provisions made	20	24
Provisions reversed	<u>(6)</u>	<u>(8)</u>
At 31 December	<u>61</u>	<u>47</u>

15 Share capital

	Par value per share (in Baht)	2013		2012	
		Number	Amount (million shares/ million Baht)	Number	Amount
Authorised					
At 1 January					
- Ordinary shares	10	390	3,900	30	300
Increase of new shares		-	-	360	3,600
At 31 December					
- ordinary shares	10	390	3,900	390	3,900
Issued and paid-up					
At 1 January					
- Ordinary shares	10	390	3,900	30	300
Increase of new shares		-	-	360	3,600
At 31 December					
- ordinary shares	10	390	3,900	390	3,900

Issue of ordinary shares

At the extraordinary shareholders' meeting held on 18 October 2012, the shareholders unanimously approved to increase the Company's authorized share capital from Baht 300 million (30,000,000 shares at Baht 10 par value) to Baht 3,900 million (390,000,000 shares at Baht 10 par value) by the issuance of 360,000,000 new common shares at a ratio of 1 existing share to 12 stock dividend with a par value of Baht 10 per share. The Company registered the increase in share capital with the Ministry of Commerce on 31 October 2012.

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16 Legal reserve

Section 116 of the Public Companies Act B.E. 2535 requires that a public 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.

17 Segment information

Management considers that the Company operates in a single line of business, namely, consumer finance business representing personal loans and installment loans as integrated and complementary activities and has, therefore, only one reportable segment.

The Company is managed and operates principally in Thailand. There are no material revenue derived from, or assets located in, foreign countries.

18 Other income

	2013	2012
	<i>(in million Baht)</i>	
Recovery of bad debts	859	791
Operating income and others	103	108
Total	962	899

19 Operating expenses

	2013	2012
	<i>(in million Baht)</i>	
Personnel expenses	272	229
Marketing expenses	222	230
Commission expenses	146	137
Total	640	596

20 Administrative expenses

	2013	2012
	<i>(in million Baht)</i>	
Personnel expenses	867	758
Leasehold improvements and equipment expenses	419	361
Tax and duties	337	317
Other operating expenses	441	407
Total	2,064	1,843

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21 Employee benefit expenses

	2013	2012
	(in million Baht)	
Management		
Salaries and bonus	82	97
Contribution to defined contribution plan	2	1
	<u>84</u>	<u>98</u>
Other employees		
Wages, salaries and bonus	965	808
Contribution to defined contribution plan	18	14
Others	72	67
	<u>1,055</u>	<u>889</u>
Total	<u>1,139</u>	<u>987</u>

The defined contribution plan comprises a provident fund established by the Company for its employees. Membership to the fund is on a voluntary basis. Contributions are made monthly by the employees at rates not less than 3% of their basic salaries and by the Company at rate of 3% of the employees' basic salaries. The provident fund is registered with the Ministry of Finance as a juristic entity and is managed by a licensed Fund Manager.

22 Finance costs

	Note	2013	2012
		(in million Baht)	
Interest expense			
Related parties	4	370	380
Financial institutions		800	804
Guarantee fee	4	39	44
Others		32	43
Total		<u>1,241</u>	<u>1,271</u>

23 Income tax expense

Income tax recognised in profit or loss

	Note	2013	2012
		(in million Baht)	
Current tax expense			
Current year		579	727
		<u>579</u>	<u>727</u>
Deferred tax expense	10		
Movements in temporary differences		(12)	(112)
Income tax reduction - deferred		-	86
		<u>(12)</u>	<u>(26)</u>
Total		<u>567</u>	<u>701</u>

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Notes to the financial statements

Reconciliation of effective tax rate

	Rate (%)	2013 (in million Baht) 2,779	Rate (%)	2012 (in million Baht) 2,649
Profit before income tax expense				
Income tax using the Thai corporation tax rate	20.0	556	23.0	609
Income tax reduction - deferred	-	-	3.2	86
Expenses not deductible for tax purposes and others	0.4	11	0.3	6
Total	20.4	567	26.5	701

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.

24 Basic earnings per share

The calculations of basic earnings per share for the years ended 31 December 2013 and 2012 were based on the profit for the years attributable to ordinary shareholders of the Company and the number of ordinary shares outstanding during the years as follows:

	2013 (in million Baht / million shares)	2012 (in million Baht / million shares)
Profit attributable to ordinary shareholders of the Company (basic)	2,212	1,948
Number of ordinary shares outstanding at 1 January	390	30
Effect of shares issued on 31 October 2012	-	360
Number of ordinary shares outstanding (basic)	390	390
Basic earnings per share (basic) (in Baht)	5.67	4.99

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25 Dividends

At the annual general meeting of the shareholders of the Company held on 23 April 2013, the shareholders approved the appropriation of dividend of Baht 0.75 per share, amounting to Baht 292.5 million. The dividend was paid to shareholders on 30 April 2013.

At the extraordinary shareholder's meeting held on 18 October 2012, the shareholders unanimously approved to pay cash dividend payment of Baht 14 per share for 30,000,000 ordinary shares, amounting to Baht 420 million and stock dividend payment at a ratio of 1 existing share to 12 stock dividend for 30,000,000 ordinary shares, totaling stock dividend 360,000,000 shares with a par value of Baht 10 per share, amounting to Baht 3,600 million (dividend payment rate at 120 Baht per 1 share). The cash and stock dividend were paid to shareholders on 31 October 2012.

26 Financial instruments

Financial risk management policies

The Company 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 Company does not hold or issue derivative financial instruments for speculative or trading purposes.

Risk management is integral to the whole business of the Company. The Company 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 Company'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.

Interest rate risk

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Company's operations and its cash flows. The Company is primarily exposed to interest rate risk from its borrowing. The Company mitigates this risk by using derivative financial instruments principally interest rate swaps to manage exposure to fluctuations in interest rates (*see Note 11*).

Foreign currency risk

The Company is exposed to foreign currency risk relating to loans which are denominated in foreign currencies. The Company primarily utilises cross currency swaps contracts with the same maturities as the loan agreements to hedge such financial liabilities denominated in foreign currencies (*see Note 11*).

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Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Company as and when they fall due. Management has a credit policy in place and exposure to credit risk is monitored by setting up a credit approval procedure, which requires credit officers to verify information provided by applicants and vendors. The verification process includes data screening from both internal and external sources. The maximum exposure to credit risk is represented by the carrying amount of each financial asset at the reporting date.

Liquidity risk

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

Fair values

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.

The Company uses the following methods and assumptions in estimating the fair value of each class of financial instruments.

Cash and cash equivalents - the carrying values are approximate to their fair values due to the relatively short-term maturity of these financial instruments.

Loan receivables bearing varying market interest rates - the carrying value of loan receivables is net of allowance for doubtful accounts and unearned interest income, which is approximate to fair value.

Short-term loans from financial institutions and trade accounts payable - the carrying amounts of these financial liabilities are approximate to their fair values due to the relatively short-term maturity of these financial instruments.

Long-term loans from financial institutions, debentures carry floating interest rate. Loans carrying fixed interest rates-the fair values are estimated using discounted cash flows based on the current interest rate over the remaining years to maturities which do not materially differ from their carrying values.

The fair value of cross currency and interest rate swap agreements are based on counterparty's quotes at the reporting date.

Fair value of cross currency and interest rate swap agreements, together with the carrying values shown in the statement of financial position as at 31 December were as follow:

	2013		2012	
	Fair value	Carrying value	Fair value	Carrying value
	(in million Baht)			
Cross currency and interest rate swap	(5,880)	(6,157)	(6,959)	(7,158)

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27 Commitments with non-related parties

	2013	2012
	<i>(in million Baht)</i>	
Capital commitments		
Leasehold improvements	-	39
Furniture, fixtures and office equipment	15	-
Software	4	2
Total	19	41
Non-cancellable operating lease commitments		
Within one year	161	162
After one year but within five years	174	254
After five years	3	3
Total	338	419

The Company entered into several lease agreements covering office premises, vehicles and computer equipment for periods of from one to nine years. In consideration thereof, the Company is committed to pay rental fee at various annual rental rates as specified in the agreements.

28 Thai Financial Reporting Standards (TFRS) not yet adopted

The Company has not adopted the following new and revised TFRS that have been issued 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.

TFRS	Topic	Effective year
TAS 1 (revised 2012)	Presentation of financial statements	2014
TAS 7 (revised 2012)	Statement of Cash Flows	2014
TAS 12 (revised 2012)	Income Taxes	2014
TAS 17 (revised 2012)	Leases	2014
TAS 18 (revised 2012)	Revenue Recognition	2014
TAS 19 (revised 2012)	Employee Benefits	2014
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates	2014
TAS 24 (revised 2012)	Related Party Disclosures	2014
TAS 34 (revised 2012)	Interim Financial Reports	2014
TAS 36 (revised 2012)	Impairment of Assets	2014
TAS 38 (revised 2012)	Intangible Assets	2014
TFRS 8 (revised 2012)	Operating Segments	2014
TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	2014
TFRIC 4	Determining whether an Arrangement contains a Lease	2014
TFRIC 13	Customer Loyalty Programmes	2014
TIC 15	Operating Leases-Incentives	2014

Management expects to adopt and apply these new and revised TFRS in accordance with the FAP's announcement and has made a preliminary assessment of the potential initial impact on the Company's financial statements of those new and revised TFRS and expects that there will be no material impact on the financial statement in the period of initial application.

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29 Reclassification of accounts

Certain accounts in the statement of financial position as at 31 December 2012 which are included in the 2013 financial statements for comparative purposes, have been reclassified to conform to the presentation in the 2013 financial statements.

	2012		
	Before reclass.	Reclass.	After reclass.
	<i>(in million Baht)</i>		
<i>Statement of financial position as at</i>			
<i>31 December 2012</i>			
Other receivables	362	20	382
Other non-current assets	74	(15)	59
Other payables	(496)	(5)	(501)
		<u>-</u>	

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