Laguna Resorts & Hotels Public Company Limited and its subsidiaries

Notes to interim financial statements

For the three-month period ended 31 March 2013

1. Corporate information

Laguna Resorts & Hotels Public Company Limited (“the Company”, “LRH”) is a public company incorporated and domiciled in Thailand. Its major shareholder is Banyan Tree Holdings Limited, which was incorporated in Singapore.

The Company and its subsidiaries are principally engaged in the hotel business and property development. There are three hotels in Laguna Phuket, namely Angsana Laguna Phuket, Banyan Tree Phuket and Outrigger Laguna Phuket Resort and Villas, located in Phuket province and one hotel, the Banyan Tree Bangkok, located in Bangkok. The subsidiaries are also engaged in operating a golf club (Laguna Phuket Golf Club), sales of merchandise (Banyan Tree Gallery), office and shop rental and sale of holiday club memberships.

The Company and some of its subsidiaries’ registered address is 21/11, 21/12B, 21/13, 21/65 and 21/66 Thai Wah Tower I, 6th and 22nd Floor, South Sathorn Road, Tungmahamek, Sathorn, Bangkok.

**1.1 Basis for the preparation of interim financial statements**

These interim financial statements are prepared in accordance with Accounting Standard No. 34 (revised 2009) "Interim Financial Reporting", with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, income statements, comprehensive income, changes in shareholders' equity, and cash flows in the same format as that used for the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

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

**1.2 Basis of consolidation**

These consolidated financial statements include the financial statements of Laguna Resorts & Hotels Public Company Limited and its subsidiaries and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2012. There have been no changes in the composition of the subsidiaries during the current period.

**1.3 Application of new accounting standards during the period**

The Federation of Accounting Professions issued the following accounting standards, financial reporting standard, accounting standard interpretations and accounting treatment guidance that are effective for fiscal years beginning on or after 1 January 2013.

|  |  |  |
| --- | --- | --- |
| Accounting standards: | | |
| TAS 12 | | Income Taxes |
| TAS 20 (revised 2009) | | Accounting for Government Grants and Disclosure of Government Assistance |
| TAS 21 (revised 2009) | | The Effects of Changes in Foreign Exchange Rates |
| Financial Reporting Standard: | | |
| TFRS 8 | | Operating Segments |
| Accounting Standard Interpretations: | | |
| TSIC 10 | Government Assistance - No Specific Relation to Operating Activities | |
| TSIC 21 | Income Taxes - Recovery of Revalued Non-Depreciable Assets | |
| TSIC 25 | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders | |
| Accounting Treatment Guidance for Transfers of Financial Assets | | |

These accounting standards, financial reporting standard, accounting standard interpretations and accounting treatment guidance do not have any significant impact on the financial statements, except for the following accounting standard.

**TAS 12 *Income Taxes***

This accounting standard requires an entity to identify temporary differences arising from differences between the carrying amount of an asset or liability in accounting records and its tax base in order to recognise the tax effects as deferred tax assets or liabilities subjecting to certain recognition criteria. The Company and its subsidiaries have changed this accounting policy in this current quarter and restated the prior year’s financial statements, presented as comparative information, as though the Company and its subsidiaries had initially recognised the tax effects as deferred tax assets or liabilities. The cumulative effect of this change in accounting policy has been presented in Note 3 to the financial statements.

**1.4 Significant accounting policies**

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2012, except for the change in the accounting policy as a result of adoption of TAS 12 *Income Taxes* and the change of accounting policy for revalued property, plant and equipment regarding to the recognition of depreciation charged to profit or loss and the transfer of revaluation surplus as follows:

**a) Income tax**

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

**Current tax**

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

**Deferred tax**

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

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

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

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

**b) Revalued property, plant and equipment**

The depreciation charge has been calculated based on revalued amounts and recognised in the profit or loss.

The revaluation surplus presented in other components of shareholders' equity has been directly transferred to retained earnings on retirement or disposal of the assets.

**2. New accounting standards issued during the period and not yet effective**

The Federation of Accounting Professions has issued notifications, which are published in the Royal Gazette during the current period, mandating the use of financial reporting standard, accounting standard interpretation and financial reporting standard interpretations as follows:

|  |  | Effective date |
| --- | --- | --- |
| Financial Reporting Standard: | |  |
| TFRS 4 | Insurance Contracts | 1 January 2016 |
| Accounting Standard Interpretation: | |  |
| TSIC 29 | Service Concession Arrangements: Disclosures | 1 January 2014 |
| Financial Reporting Standard Interpretations: | |  |
| TFRIC 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities | 1 January 2014 |
| TFRIC 4 | Determining whether an Arrangement contains a Lease | 1 January 2014 |
| TFRIC 5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | 1 January 2014 |
| TFRIC 7 | Applying the Restatement Approach under TAS 29 *Financial Reporting in Hyperinflationary Economies* | 1 January 2014 |
| TFRIC 10 | Interim Financial Reporting and Impairment | 1 January 2014 |
| TFRIC 12 | Service Concession Arrangements | 1 January 2014 |
| TFRIC 13 | Customer Loyalty Programmes | 1 January 2014 |

The management of the Company has assessed the effect of the above financial reporting standard, accounting standard interpretation and financial reporting standard interpretations and believes that they are not relevant to the business of the Company.

**3. Cumulative effect of the change in accounting policy as a result of adoption of new accounting standard**

During the current period, the Company and its subsidiaries made the change described in Note 1.4 to the financial statements to its significant accounting policy, as a result of the adoption of TAS 12 *Income Taxes*. The cumulative effect of the change in the accounting policy has been separately presented in the statements of changes in shareholders’ equity.

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | | | | |
|  | Consolidated financial statements | | | Separate financial statements | | |
|  | As at 31 March 2013 | As at 31 December 2012 | As at 1 January 2012 | As at 31 March 2013 | As at 31 December 2012 | As at 1 January 2012 |
| **Statements of financial position** |  |  |  |  |  |  |
| Increase in deferred tax assets | 220,170 | 242,549 | 247,992 | 57,525 | 59,037 | 55,925 |
| Increase in goodwill | 26,600 | 26,600 | 26,600 | - | - | - |
| Increase in deferred tax liabilities | 2,528,790 | 2,528,082 | 2,504,426 | 140,519 | 138,283 | 122,872 |
| Decrease in unappropriated retained earnings | (569,425) | (546,412) | (519,975) | (46,597) | (42,849) | (32,191) |
| Decrease in other components of shareholders' equity - revaluation surplus on assets | (1,712,897) | (1,712,897) | (1,710,592) | (36,397) | (36,397) | (34,756) |
| Increase in equity attributable to non-controlling interests of the subsidiaries | 302 | 376 | 733 | - | - | - |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | | | | |
|  | | | | Consolidated financial statements | | Separate financial statements | |
|  | | | | For the three-month period ended 31 March 2013 | For the three-month period ended 31 March 2012 | For the three-month period ended 31 March 2013 | For the three-month period ended 31 March 2012 |
| **Income statements** | |  | |  |  |  |
| Decrease (increase) in income tax expenses | | (23,086) | | (20,908) | (3,748) | 1,486 |
| Increase (decrease) in profit attributable to equity holders of the Company | | (23,012) | | (20,655) | (3,748) | 1,486 |
| Decrease in profit attributable to non-controlling interest of the subsidiaries | | (74) | | (253) | - | - |
| Increase (decrease) in basic earnings per share (Baht) | | (0.14) | | (0.12) | (0.02) | 0.01 |

**4. Change in accounting policy for revalued property, plant and equipment**

During the current period, the Company and its subsidiaries changed their accounting policy for revaluedproperty, plant and equipment regarding to the recognition of depreciation charged to profit or loss and the transfer of revaluation surplus as described in Note 1.4 to the financial statements.

The cumulative effect of the change in accounting policy has been separately presented in the statements of changes in shareholders' equity.

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

|  |  |  |  |
| --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | |
|  | Consolidated financial statements | | |
|  | As at 31 March 2013 | As at 31 December 2012 | As at 1 January 2012 |
| **Statements of financial position** |  |  |  |
| Increase in other components of shareholders' equity - revaluation surplus on assets | 558,841 | 557,289 | 551,081 |
| Decrease in unappropriated retained earnings | (558,841) | (557,289) | (551,081) |

|  |  |  |  |
| --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | |
|  | | | Consolidated financial statements | |
|  | | | For the three-month period ended 31 March 2013 | For the three-month period ended 31 March 2012 |
| **Income statements** | |  |  |
| Increase in cost of hotel operations | | (1,557) | (1,557) |
| Decrease in profit attributable to equity holders of the Company | | (1,552) | (1,552) |
| Decrease in profit attributable to non-controlling interest of the subsidiaries | | (5) | (5) |
| Decrease in basic earnings per share (Baht) | | (0.01) | (0.01) |

**5. Cash and cash equivalents**

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | Separate financial statements | |
|  | 31 March 2013 | 31 December 2012 | 31 March 2013 | 31 December 2012 |
| Cash | 5,362 | 6,667 | 197 | 194 |
| Bank deposits | 565,721 | 565,197 | 40,495 | 53,204 |
| Total | 571,083 | 571,864 | 40,692 | 53,398 |

**6. Trade and other receivables**

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated | | Separate | |
|  | financial statements | | financial statements | |
|  | 31 March | 31 December | 31 March | 31 December |
|  | 2013 | 2012 | 2013 | 2012 |
| Trade accounts receivable |  |  |  |  |
| Trade accounts receivable - hotel operations | 274,178 | 286,227 | 2,200 | 3,386 |
| Less: Allowance for doubtful accounts | (11,646) | (12,740) | - | (51) |
| Trade accounts receivable - hotel operations, net | 262,532 | 273,487 | 2,200 | 3,335 |
| Trade accounts receivable - sales of property | 2,334 | 2,439 | - | - |
| Current portion of long-term trade |  |  |  |  |
| accounts receivable (Note 9) กำหนดชำระในหนึ่งปี (หมายเหตุ 11) | 73,705 | 90,680 | 28,203 | 25,584 |
| Trade accounts receivable - sales of property, net | 76,039 | 93,119 | 28,203 | 25,584 |
| Trade accounts receivable - sales of holiday club |  |  |  |  |
| memberships | 22,964 | 11,565 | - | - |
| Current portion of long-term trade |  |  |  |  |
| accounts receivable (Note 9) กำหนดชำระในหนึ่งปี (หมายเหตุ 11) | 29,228 | 32,961 | - | - |
| Total | 52,192 | 44,526 | - | - |
| Less: Allowance for doubtful accounts | (2,600) | (2,600) | - | - |
| Trade accounts receivable - sales of holiday club |  |  |  |  |
| memberships, net | 49,592 | 41,926 | - | - |
| Trade accounts receivable - net | 388,163 | 408,532 | 30,403 | 28,919 |
| Other receivables |  |  |  |  |
| Amounts due from related parties (Note 7) | 59,595 | 64,075 | 130,646 | 121,659 |
| Other receivables | 8,705 | 8,439 | 2,979 | 4,530 |
| Insurance claim receivable | 384 | 88 | - | - |
| Accrued other income | 3,601 | 3,557 | 2,318 | 2,503 |
| Interest receivable | 319 | 666 | 290 | 550 |
| Accrued rental | 61,882 | 37,759 | 43,313 | 25,193 |
| Total other receivables | 134,486 | 114,584 | 179,546 | 154,435 |
| Trade and other receivables, net | 522,649 | 523,116 | 209,949 | 183,354 |

The balances of trade accounts receivable - hotel operations, aged on the basis of due dates, are summarised below.

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated | | Separate | |
|  | financial statements | | financial statements | |
|  | 31 March | 31 December | 31 March | 31 December |
|  | 2013 | 2012 | 2013 | 2012 |
| **Age of receivables** |  |  |  |  |
| Not yet due | 89,184 | 131,079 | 269 | 1,304 |
| Past due |  |  |  |  |
| Up to 30 days | 107,228 | 101,983 | 890 | 1,234 |
| 31 - 60 days | 26,233 | 18,448 | 648 | 585 |
| 61 - 90 days | 6,374 | 5,698 | 88 | 123 |
| 91 - 120 days | 27,542 | 6,690 | 305 | 89 |
| Over 120 days | 17,617 | 22,329 | - | 51 |
| Total | 274,178 | 286,227 | 2,200 | 3,386 |
| Less: Allowance for doubtful accounts | (11,646) | (12,740) | - | (51) |
| Trade accounts receivable - hotel |  |  |  |  |
| operations, net | 262,532 | 273,487 | 2,200 | 3,335 |

The balances of trade accounts receivable - sales of property operations, aged on the basis of due dates, are summarised below.

(Unit: Thousand Baht)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Consolidated | | Separate | | |
|  | financial statements | | financial statements | | |
|  | 31 March | 31 December | 31 March | | 31 December |
|  | 2013 | 2012 | 2013 | | 2012 |
| **Age of receivables** |  |  |  | |  |
| Not yet due | 2,334 | 2,439 | - | | - |
| Trade accounts receivable - sales of |  |  | |  |
| property, net | 2,334 | 2,439 | - | | - |

The balances of trade accounts receivable - holiday club members, aged on the basis of due dates, are summarised below.

(Unit: Thousand Baht)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Consolidated | | | Separate | |
|  | financial statements | | | financial statements | |
|  | 31 March | | 31 December | 31 March | 31 December |
|  | 2013 | | 2012 | 2013 | 2012 |
| **Age of receivables** |  | |  |  |  |
| Not yet due | 2,043 | | - | - | - |
| Past due |  | |  |  |  |
| Up to 30 days | 1,321 | | 4,970 | - | - |
| 31 - 60 days | 788 | | 659 | - | - |
| 61 - 90 days | 13,929 | | 417 | - | - |
| 91 - 120 days | 345 | | 444 | - | - |
| Over 120 days | 4,538 | | 5,075 | - | - |
| Total | 22,964 | | 11,565 | - | - |
| Less: Allowance for doubtful accounts | (2,600) | | (2,600) | - | - |
| Trade accounts receivable - sales of holiday | |  |  |  |  |
| club members, net | 20,364 | | 8,965 | - | - |

7. Related party transactions

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

(Unit: Million Baht)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | For the three-month period ended 31 March | | | |  |
|  | | Consolidated | | Separate | |  |
|  | | financial statements | | financial statements | |  |
|  | 2013 | 2012 | 2013 | 2012 | Transfer pricing policy |
| Transactions with subsidiaries | | |  |  |  |
| (eliminated from the consolidated financial statements) | | |  |  |  |
| Inter resort payments | - | - | 4 | 1 | (1) agreed basis |
| Estate service expenses | - | - | 1 | 1 | (2) at market price |
| Guarantee fee expenses | - | - | 1 | 2 | (3) agreed basis |
| Interest income | - | - | 31 | 28 | (5) agreement |
| Interest expenses | - | - | 11 | 1 | (5) agreement |
| Purchase of gallery vouchers | - | - | - | 2 | (8) agreed basis |
| Reimbursement receipts | - | - | 3 | 11 | (11) agreed basis |
| Reimbursement payments | - | - | 6 | 4 | (11) agreed basis |

(Unit: Million Baht)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | For the three-month period ended 31 March | | | |  | |
|  | | Consolidated | | Separate | |  | |
|  | | financial statements | | financial statements | |  | |
|  | 2013 | 2012 | 2013 | 2012 | Transfer pricing policy | |
| Rental and service income | - | - | 3 | 3 | (12)(i), (iii) agreement | |
| Rental and service expenses | - | - | 3 | 4 | (12)(iv), (v) agreement | |
| Resort service expenses | - | - | 2 | 2 | (14) agreed basis | |
|  |  |  |  |  |  | |
| Transactions with associates |  |  |  |  |  |
| Inter resort receipts | 1 | 1 | - | - | (1) agreed basis |
| Reimbursement receipts | - | 3 | - | - | (11) agreed basis |
|  |  |  |  |  |  |
| Transactions with related companies | |  |  |  |  |
| Inter resort payments | 31 | 31 | - | - | (1) agreed basis |
| Management fee income | 1 | - | - | - | (7), (17), (18) agreement |
| Management fee expenses | 97 | 84 | - | - | (6), (15), (16) agreement |
| Sale of gallery vouchers | - | 6 | - | - | (8) agreed basis |
| Purchase of spa & gallery vouchers | 8 | 5 | 4 | 3 | (8) agreed basis |
| Sale of goods | 7 | 11 | - | - | (9) agreed basis |
| Reimbursement receipts | 11 | 22 | - | 1 | (11) agreed basis |
| Reimbursement payments | 9 | 18 | - | - | (11) agreed basis |
| Rental and service income | 11 | 10 | - | - | (12)(i), (ii), (iv), (vi), (vii), agreement |
| Rental return on hotel units | 1 | 1 | - | - | (13) agreement |
| Resort service income | 2 | 2 | - | - | (14) agreed basis |
| Training charges | 1 | 7 | - | 6 | (10) agreed basis |
|  |  |  |  |  |  |
| Transactions with management and directors | | |  |  |  |
| Interest income | - | 1 | - | - | (4) agreement |

The nature, pricing policy and agreements relating to the above transactions are summarised below:

(1) These charges relate to goods and services that are consumed by customers in one part of Laguna Phuket but are billed centrally to the customer at the hotel at which the customer is staying. Such charges relate to meals at restaurants, golf fees, treatments at the spa and goods purchased at shops in the resort. On receiving the funds centrally from the customer, the hotel reimburses the company in which the goods and services are consumed. Actual receipts are paid and credit card commission is charged ranging from 2% to 4% of the revenue based on the commission rate charged by the credit card companies. Such inter resort charges are also incurred at the Banyan Tree Bangkok and Banyan Tree Lijiang primarily for treatments at the spa and goods purchased at the shops.

(2) Estate maintenance and service charges by Laguna Grande Limited in respect of providing services such as pool cleaning service, gardening service, etc. to residential projects in Laguna Phuket which are charged at market price.

(3) Guarantee fee among group companies for permitting their assets to be pledged as collateral for other related companies’ bank loans by charging on 1% of proportion of value of pledged assets to total loan facilities.

(4) Financial assistance provided to employees for acquisition of a property developed by the Company or its subsidiaries. A staff advance of 10% of selling price of a property is funded by the employee’s employer and is repayable by the employee over a period of 5 years with monthly repayments consisting of both interest and principal. A loan by the developer equal to 80% of selling price is to be settled in full with the property developer within 5 years of the property completion. Both advance and loan are subject to interest at the group’s cost of funds plus 0.5% per annum.

(5) Loans to subsidiaries and between group companies are unsecured and are denominated in Thai Baht. The loans carry interest at a rate equal to the lenders’ borrowing costs per annum (based upon commercial bank’s interest rates) plus a margin of 1.1%. The loans are repayable on demand, however it is expected that those loans would not be called for repayment in the short-term. Therefore such loans are recorded as non-current assets/liabilities in the statements of financial position.

(6) The terms of the operating agreements are disclosed in Note 20 to the financial statements and consist of a royalty agreement, hotel management agreement and technical assistance agreement. The payment terms of the contracts are as follows:

Royalty fee paid for the use of “Banyan Tree” and “Angsana” trademarks and all other proprietary rights associated with it.

(i) Banyan Tree Phuket (Laguna Banyan Tree Limited) pays a royalty fee of 2% of total revenue.

(ii) Banyan Tree Bangkok (Thai Wah Plaza Limited) and Angsana Laguna Phuket (Bangtao Grande Limited) pay a royalty fee of 3% of total revenue.

(iii) Banyan Tree Gallery (Thailand) Limited and Banyan Tree Gallery (Singapore) Pte. Ltd. pay a royalty fee of 1% of total revenue.

Hotel management and technical assistance fees.

(iv) The Technical Assistance Agreement of the Banyan Tree Phuket: a technical fee is charged at 7.5% of gross operating profit.

(v) The Technical Assistance Agreement to conduct the golf business: a basic technical fee is charged at 3% of total revenue and an incentive fee of 10% of gross operating profit.

(vi) The Hotel Management Agreement of the Banyan Tree Bangkok and the Angsana Laguna Phuket: a hotel management fee is charged at 10% of gross operating profit.

(vii) In addition, pursuant to the hotel management and technical assistance agreements, expenses relating to the sharing of group marketing costs such as promotional campaigns and adverts, sales staff salaries, central reservations and international sales offices incurred by the Banyan Tree corporate and/or Angsana corporate head office shall be charged as follows:

- Group marketing services shared on a group basis are based on 1.75% of actual hotel revenues plus a share of operating cost of Regional Marketing offices.

- Group reservation fees are 1% of room revenue plus USD 12 per booking sourced through third party channels.

All management fees are consistent with industry practice and the sharing of group marketing costs incurred by Banyan Tree Phuket, Banyan Tree Bangkok and Angsana Laguna Phuket are the reimbursement of costs benefiting each of the hotels. As a result, these transactions are on normal commercial terms and conditions.

(7) The Company provides project management services, the contracted fee is set at a rate of 5% of the actual or budgets costs of the project.

(8) Purchase of Banyan Tree Spa and Banyan Tree Gallery vouchers for distribution to management to provide an additional benefit scheme. The vouchers are issued yearly to qualifying executives and are valid only within the year of issue. The voucher is priced at the face value of the voucher.

(9) These transactions relate to:

(i) Sale of goods from companies which operate galleries to related companies are priced at a 15% to 60% discount to the retail price depending on the volume purchased.

(ii) Sale of guest and spa supplies of high volume purchases from companies which operate galleries to related companies is priced at cost plus 35% to 55% margin.

(10) Training charges by Banyan Tree Resorts & Spas (Thailand) Company Limited and Banyan Tree Hotels & Resorts (Thailand) Limited in respect of providing centralised training facilities and courses for staff. The training costs are allocated to each operation based on actual cost.

(11) Costs are often incurred within the group which is reimbursed by the company to which the expense relates. Actual costs are reimbursed with no handling costs applied.

(12) Rental paid for premises and land. The rental periods are not over three years, except some transactions as stated in (12)(i).

(i) Rental and service fee is on the basis of 5% to 10% of sales revenue which is dependent on criteria such as the location, budgeted sales, term of the lease, size of area leased and type of operation.

Payee Payer Rental Period Expiry Date

BGL BTRS(T) 30 years November 2041

LBTL BTRS(T) 10 years December 2015

BGL : Bangtao Grande Limited

BTRS(T) : Banyan Tree Resorts & Spas (Thailand) Company Limited

LBTL : Laguna Banyan Tree Limited

(ii) Rental and service income for space in Banyan Tree Phuket for Banyan Tree Spa office and store is at Baht 1,105 per square metre per month.

(iii) Rental of space and service in Canal Village. The charges include rental and related service fees which are at market rate.

(iv) Rental and service income earned by Thai Wah Plaza Limited for renting the office space at Thai Wah Tower I and II. The charges include rental and related service fees which are at market rate.

(v) Rental of land and lagoon on which hotel and hotel-related operations are located are at Baht 113,908 and Baht 11,391 per rai per annum respectively.

(vi) Service income from rental of Banyan Tree Management Academy is at Baht 125,000 per month.

(vii) Rental of land on which Spa premises are located is on the basis of Baht 0.7 million per annum.

(13) This relates to a Management Agreement to manage the hotel units of Cheer Golden Limited in the Angsana Resort & Spa on Bintan Island, Indonesia under which Cheer Golden Limited receives a return of 15% per annum on the investment of the leasehold rights.

(14) Resort service charged to the operations relates to revenue of Laguna Service Company Limited which provides centralised services to each operation in the group located at Laguna Phuket at the following rates:

- Water supply : at the determined price and actual usage

- Laundry charge : at the price based on cost plus a certain margin

- Common area services, : based on actual cost

transportation charges

- Staff buses : at the price based on cost plus a certain margin

- Marketing fee : at the rate of 1% of the operations’ actual revenue

- Community service : based on actual cost

(15) This relates to architectural and interior design services by Banyan Tree Hotels & Resorts Pte. Ltd. The fees are based on construction cost at progressive rates which depend on type of services and type of constructions. The fees are consistent with industry practice. As a result, these transactions are on normal commercial terms and conditions.

(16) This relates to technical service by Banyan Tree Hotels & Resorts Pte. Ltd. for pre-construction and pre-opening of Angsana Laguna Phuket in 2011 and 2012, totaling USD 0.5 million.

(17) The Company charges a management fee to Banyan Tree Resorts & Spas (Thailand) Company Limited for providing administration services of information technology and human resources. The monthly fee is Baht 55,000.

(18) The Technical Assistance Agreement of Laguna Excursions Limited is providing management services and granting the use of leading brand for the recreation department of Banyan Tree Bintan and Angsana Bintan hotels. The technical service fees include a technical services fee at rate of 12.5% of recreation revenue, an incentive fee at the rate of 31% of earnings before interest, tax, depreciation and amortisation, and a royalty fee at the rate of 5% of revenue.

The Company has contingent liabilities in respect of letters of guarantee issued to banks to guarantee facilities of its subsidiaries as follows:

(Unit: Million Baht)

|  |  |  |
| --- | --- | --- |
|  | 31 March 2013 | 31 December 2012 |
| Overdrafts and bank guarantee facilities | 106 | 106 |

Subsidiaries have contingent liabilities in respect of letters of guarantee issued to banks to guarantee facilities of the Company and other subsidiaries as follows:

(Unit: Million Baht)

|  |  |  |
| --- | --- | --- |
|  | 31 March 2013 | 31 December 2012 |
| Short-term loan facilities | 170 | 170 |
| Overdrafts and bank guarantee facilities | 10 | 10 |

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

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated | | Separate | |
|  | financial statements | | financial statements | |
|  | 31 March | 31 December | 31 March | 31 December |
|  | 2013 | 2012 | 2013 | 2012 |
| **Amounts due from related parties** |  |  |  |  |
| Subsidiaries | - | - | 125,711 | 116,830 |
| Associated companies | 10,762 | 9,601 | 2,613 | 2,613 |
| Related companies (related by |  |  |  |  |
| common shareholders) | 48,833 | 54,474 | 2,322 | 2,216 |
| Total amounts due from related parties |  |  |  |  |
| (Note 6) | 59,595 | 64,075 | 130,646 | 121,659 |

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated | | Separate | |
|  | financial statements | | financial statements | |
|  | 31 March | 31 December | 31 March | 31 December |
|  | 2013 | 2012 | 2013 | 2012 |
| **Amounts due to related parties** |  |  |  |  |
| Subsidiaries | - | - | 14,771 | 10,439 |
| Associated companies | - | 58 | - | - |
| Related companies (related by |  |  |  |  |
| common shareholders) | 91,199 | 109,402 | 5,347 | 5,328 |
| Total amounts due to related parties |  |  |  |  |
| (Note 15) | 91,199 | 109,460 | 20,118 | 15,767 |

Long-term loans to subsidiaries and employees and long-term loans from subsidiaries

As at 31 March 2013 and 31 December 2012, the balance of loans between the Company, employees and those related companies and the movement are as follows:

Long-term loans to subsidiaries

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Separate financial statements | | | |
|  | 31 December 2012 | Addition | Repayment | 31 March 2013 |
| Laguna Banyan Tree Limited | 985,100 | 45,000 | (36,000) | 994,100 |
| Laguna Holiday Club Limited | 54,380 | - | (33,000) | 21,380 |
| Laguna Lakes Limited | 441,001 | - | - | 441,001 |
| TWR - Holdings Limited | 210,420 | 46,000 | (14,000) | 242,420 |
| Total | 1,690,901 | 91,000 | (83,000) | 1,698,901 |

**Long-term loans to employees**

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Employees of the companies | Consolidated financial statements | | | |
|  | 31 December 2012 | Addition | Repayment | 31 March 2013 |
| Laguna Resorts & Hotels Public Company Limited | 163 | - | (33) | 130 |
| Bangtao Grande Limited | 265 | - | (102) | 163 |
| Laguna Grande Limited | 453 | - | (168) | 285 |
| Laguna Holiday Club Limited | 49 | - | (44) | 5 |
| Banyan Tree Gallery (Thailand) Limited | 167 | - | (31) | 136 |
| Thai Wah Plaza Limited | 996 | - | (275) | 721 |
| Total | 2,093 | - | (653) | 1,440 |

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Employees of the company | Separate financial statements | | | |
|  | 31 December 2012 | Addition | Repayment | 31 March 2013 |
| Laguna Resorts & Hotels Public |  |  |  |  |
| Company Limited | 163 | - | (33) | 130 |

Long-term loans to employees related to loans for property purchased under the Group’s employee financing scheme and loans for flood relief. The loans for property purchased under the Group’s employee financing scheme are charged interest at the rate of the Group’s cost of funds plus a margin of 0.5%. The loans are repayable within 5 years commencing from the date on which the loan is drawn down. The loans for flood relief are for repairing employees' houses which were damaged in the 2011 Bangkok flood. These loans are interest free and repayable within 4 months to 2 years.

Long-term loans from subsidiary

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Separate financial statements | | | |
|  | 31 December 2012 | Addition | Repayment | 31 March 2013 |
| Laguna Grande Limited | 669,650 | 53,000 | (10,000) | 712,650 |

Directors and management’s benefits

During the three-month periods ended 31 March 2013 and 2012, the Company and its subsidiaries had employee benefit expenses of their directors and management as below.

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | Separate financial statements | |
|  | 2013 | 2012 | 2013 | 2012 |
| Short-term employee benefits | 27,864 | 15,964 | 18,052 | 13,843 |
| Post-employment benefits | 157 | 367 | 126 | 196 |
| Other long-term employee benefits | 7 | 7 | 5 | 5 |
| Total | 28,028 | 16,338 | 18,183 | 14,044 |

Guarantee obligations with related parties

The Company has outstanding guarantee obligations with its related parties, as described in Note 21 b) to the financial statements.

8. Property development cost

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated | | Separate | |
|  | financial statements | | financial statements | |
|  | 31 March | 31 December | 31 March | 31 December |
|  | 2013 | 2012 | 2013 | 2012 |
| Property for sale under holiday club memberships | 446,733 | 459,117 | - | - |
| Completed buildings | 878,895 | 969,408 | 217,860 | 233,256 |
| Land | 719,719 | 719,800 | 2,989 | 3,292 |
| Leasehold land | 44,041 | 44,041 | - | - |
| Property under construction | 308,438 | 286,562 | 8,795 | 8,795 |
|  | 2,397,826 | 2,478,928 | 229,644 | 245,343 |
| Less: Allowance for diminution in market value |  |  |  |  |
| of property under construction | (91,418) | (91,418) | - | - |
| Property development cost - net | 2,306,408 | 2,387,510 | 229,644 | 245,343 |

Subsidiaries have mortgaged property development cost amounting to Baht 363 million (31 December 2012: Baht 369 million) as collateral against its credit facilities received from financial institutions.

9. Long-term trade accounts receivable

Long-term trade accounts receivable consist of:

9.1 Installments receivable from property sales which bear interest at rates of 7% - 12%, MLR plus 0.5%-1% and the group’s cost of fund plus 0.5% per annum and installments are repaid over a period of 3 to 15 years.

9.2 Installments receivable from sales of holiday club memberships which bear interest at rates of 7.5% - 9% per annum and installments are repaid over a period of 2 to 5 years.

Long-term trade accounts receivable are due as follows:

(Unit: Thousand Baht)

|  |  |  |
| --- | --- | --- |
|  | Consolidated financial statements | |
|  | 31 March 2013 | 31 December 2012 |
| Current portion of long-term trade |  |  |
| accounts receivable | 102,933 | 123,641 |
| Long-term trade accounts receivable | 159,277 | 160,078 |
| Total | 262,210 | 283,719 |

(Unit: Thousand Baht)

|  |  |  |
| --- | --- | --- |
|  | Consolidated financial statements | |
|  | 31 March 2013 | 31 December 2012 |
| **Sales of property** |  |  |
| Within 1 year (Note 6) | 73,705 | 90,680 |
| Over 1 year to 5 years | 145,616 | 142,545 |
| Over 5 years | 2,283 | 5,010 |
| Long-term trade accounts receivable - |  |  |
| sales of property | 221,604 | 238,235 |
| **Sales of holiday club memberships** |  |  |
| Within 1 year (Note 6) | 29,228 | 32,961 |
| Over 1 year to 5 years | 11,378 | 12,523 |
| Long-term trade accounts receivable - |  |  |
| sales of holiday club memberships | 40,606 | 45,484 |
| Total | 262,210 | 283,719 |

(Unit: Thousand Baht)

|  |  |  |
| --- | --- | --- |
|  | Separate financial statements | |
|  | 31 March 2013 | 31 December 2012 |
| Current portion of long-term trade |  |  |
| accounts receivable | 28,203 | 25,584 |
| Long-term trade accounts receivable | 21,457 | 24,890 |
| Total | 49,660 | 50,474 |
|  |  |  |
| **Sales of property** |  |  |
| Within 1 year (Note 6) | 28,203 | 25,584 |
| Over 1 year to 5 years | 19,174 | 22,442 |
| Over 5 years | 2,283 | 2,448 |
| Long-term trade accounts receivable - |  |  |
| sales of property | 49,660 | 50,474 |

10. Investments in subsidiaries

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Company’s name | Paid-up capital | | Shareholding percentage | | Cost | |
|  | 31 March | 31 December | 31 March | 31 December | 31 March | 31 December |
|  | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
|  | Million | Million | % | % | Million | Million |
|  | Baht | Baht |  |  | Baht | Baht |
| **Subsidiaries held by the Company** | |  |  |  |  |  |
| Banyan Tree Gallery (Singapore) | SGD 0.43 | SGD 0.43 | 51 | 51 | 4.0 | 4.0 |
| Pte. Limited | Million | Million |  |  |  |  |
| Banyan Tree Gallery (Thailand) Limited | 7.8 | 7.8 | 51 | 51 | 4.0 | 4.0 |
| Laguna Banyan Tree Limited(1) | 500.0 | 500.0 | 100 | 100 | 835.1 | 835.1 |
| Laguna Holiday Club Limited | 330.0 | 330.0 | 100 | 100 | 330.0 | 330.0 |
| Laguna Grande Limited | 1,000.0 | 1,000.0 | 100 | 100 | 984.8 | 984.8 |
| Laguna Lakes Limited | 1.0 | 1.0 | 95 | 95 | 0.9 | 0.9 |
| Laguna Service Company Limited(2) | 90.5 | 90.5 | 72.9 | 72.9 | 22.4 | 22.4 |
| Laguna (3) Limited | 0.1 | 0.1 | 100 | 100 | 47.8 | 47.8 |
| TWR - Holdings Limited | 1,250.0 | 1,250.0 | 100 | 100 | 1,250.0 | 1,250.0 |
| **Subsidiaries held through TWR - Holdings Limited** | |  |  |  |  |  |
| Laguna Excursions Limited | 8.0 | 8.0 | 49 | 49 | - | - |
| Laguna Village Limited | 6.0 | 6.0 | 100 | 100 | - | - |
| Mae Chan Property Company Limited | 232.3 | 232.3 | 100 | 100 | - | - |
| Pai Samart Development Company Limited | 28.4 | 28.4 | 100 | 100 | - | - |
| Phuket Resort Development Limited | 41.4 | 41.4 | 100 | 100 | - | - |
| PT AVC Indonesia | USD 0.9  Million | USD 0.9  Million | 100 | 100 | - | - |
| Talang Development Company Limited | 251.0 | 251.0 | 50 | 50 | - | - |
| Thai Wah Plaza Limited | 2,250.0 | 2,250.0 | 100 | 100 | - | - |
| Thai Wah Tower Company Limited | 455.0 | 455.0 | 100 | 100 | - | - |
| Thai Wah Tower (2) Company Limited | 21.0 | 21.0 | 100 | 100 | - | - |
| Twin Waters Development Company Limited | 214.4 | 214.4 | 100 | 100 | - | - |
| **Subsidiaries held through Laguna Grande Limited** | |  |  |  |  |  |
| Bangtao (1) Limited | 20.9 | 20.9 | 100 | 100 | - | - |
| Bangtao (2) Limited | 19.1 | 19.1 | 100 | 100 | - | - |
| Bangtao (3) Limited | 7.8 | 7.8 | 100 | 100 | - | - |
| Bangtao (4) Limited | 14.6 | 14.6 | 100 | 100 | - | - |
| Bangtao Development Limited | 80.0 | 80.0 | 100 | 100 | - | - |
| Bangtao Grande Limited | 1,546.0 | 1,546.0 | 100 | 100 | - | - |
| Laguna Central Limited | 1.0 | 1.0 | 85 | 85 | - | - |
| **Subsidiary held through Banyan Tree Gallery (Singapore) Pte. Limited** | | |  |  |  |  |  |
| Lijiang Banyan Tree Gallery Trading | USD 75 | USD 75 | 51 | 51 | - | - |
| Company Limited | Thousands | Thousands |  |  |  |  |
| **Subsidiary held through Laguna Holiday Club Limited** | | |  |  |  |  |  |
| Cheer Golden Limited | - | - | 100 | 100 | - | - |
| **Total investments in subsidiaries** |  |  |  |  | 3,479.0 | 3,479.0 |

(1) Laguna Banyan Tree Limited is held 49% by the Company and 51% through TWR - Holdings Limited

(2) Laguna Service Company Limited is held by the Company and 2 subsidiaries

A subsidiary has a 49% shareholding in Laguna Excursions Limited. However, the subsidiary has recognised its share of the profits of this subsidiary at 100% after deducting the cumulative preferential annual dividend of 15% of the par value of the preference shares, in accordance with the income sharing percentage in the Articles of Association.

**11. Investments in associates**

(Unit: Thousand Baht)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | Consolidated financial statements | | | | | |
| Company’s name | Nature of business | Country of incorporation | Shareholding percentage | | Cost | | Carrying amounts based on equity method | |
|  |  |  | 31 March | 31 December | 31 March | 31 December | 31 March | 31 December |
|  |  |  | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
|  |  |  | (%) | (%) |  |  |  |  |
| Lijiang Banyan Tree Hotel Co. Ltd. | Hotel operations and property development | The People’s Republic of China | 49 | 49 | 348,414 | 348,414 | 484,913 | 516,305 |
| Tropical Resorts Ltd. | Holding company | Hong Kong | 26 | 26 | 17,673 | 17,673 | - | - |
| Less: Allowance for impairment of investment | |  |  |  | (17,673) | (17,673) | - | - |
|  |  |  |  |  | - | - | - | - |
| Total investments in associates - net | | |  |  | 348,414 | 348,414 | 484,913 | 516,305 |

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | | |
| Company’s name | Share of loss from investments in associate | | | |
|  | For three-month periods ended 31 March | | | |
|  | 2013 | | 2012 | |
| Lijiang Banyan Tree Hotel Co. Ltd. | | (16,771) | (24,820) |

12. Other long-term investments

(Unit: Thousand Baht)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | | | Separate financial statements | | | |
|  | 31 March | | 31 December | | 31 March | | 31 December | |
|  | 2013 | | 2012 | | 2013 | | 2012 | |
| **Investment in available-for-sale security** | |  | |  | |  | |  | |
| Universal Starch Public Company Limited | 50,830 | | 50,830 | | 31,161 | | 31,161 | |
| Less: Allowance for impairment of investment | (50,830) | | (50,830) | | (31,161) | | (31,161) | |
| **Total investment in available-for-sale security - net** | - | | - | | - | | - | |
| **Investments in other companies** |  | |  | |  | |  | |
| Bibace Investments Ltd. | 188,425 | | 188,425 | | - | | - | |
| Banyan Tree Indochina Hospitality Fund, L.P. | 389,553 | | 355,908 | | - | | - | |
| Total investments in other companies | 577,978 | | 544,333 | | - | | - | |
| **Total other long-term investments - net** | 577,978 | | 544,333 | | - | | - | |

13. Property, plant and equipment

(Unit: Thousand Baht)

|  |  |  |
| --- | --- | --- |
|  | Consolidated | Separate |
|  | financial statements | financial statements |
| **At cost / revaluation value** |  |  |
| Balance as at 31 December 2012 | 17,961,927 | 275,323 |
| Additions | 47,441 | 1,069 |
| Transfer from property development cost | 72,128 | - |
| Disposals and write off | (3,939) | (229) |
| Adjustments | (1,722) | - |
| Balance as at 31 March 2013 | 18,075,835 | 276,163 |
| **Accumulated depreciation** |  |  |
| Balance as at 31 December 2012 | (5,124,918) | (93,575) |
| Depreciation charged for the period | (73,087) | (1,745) |
| Depreciation on disposals and write off | 3,806 | 229 |
| Depreciation on adjustments | 796 | - |
| Balance as at 31 March 2013 | (5,193,403) | (95,091) |
| **Allowance for impairment loss** |  |  |
| Balance as at 31 December 2012 | (17,604) | (7,356) |
| Balance as at 31 March 2013 | (17,604) | (7,356) |
| **Net book value** |  |  |
| Balance as at 31 December 2012 | 12,819,405 | 174,392 |
| Balance as at 31 March 2013 | 12,864,828 | 173,716 |

The Company and its subsidiaries arranged for an independent professional valuer to re-appraise the value of certain assets in the report dated 30 November 2010 on an asset-by-asset basis. The basis of the revaluation was as follows:

- Land was revalued using the Fair Market Approach.

- Hotel buildings and other buildings were revalued using the Depreciated Replacement Cost Approach.

The subsidiaries have mortgaged land and hotel buildings at fair value of Baht 8,117 million (31 December 2012: Baht 8,122 million) as collateral against credit facilities received from financial institutions.

**14. Short-term loans from financial institutions**

Short-term loans from financial institutions represent promissory notes with maturity dates within 3 months, subject to interest rate of 4.88% per annum (31 December 2012: None).

These short-term loans from financial institutions are secured by the mortgage of plots of land and hotel buildings of its subsidiaries, as described in Note 13 to the financial statements and by the guarantee provided by subsidiaries.

**15. Trade and other payables**

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated | | Separate | |
|  | financial statements | | financial statements | |
|  | 31 March | 31 December | 31 March | 31 December |
|  | 2013 | 2012 | 2013 | 2012 |
| Trade accounts payable | 172,372 | 185,759 | 6,643 | 5,701 |
| Amounts due to related parties |  |  |  |  |
| (Note 7) | 91,199 | 109,460 | 20,118 | 15,767 |
| Accrued expenses | 181,596 | 224,535 | 15,910 | 24,570 |
| Other payables | 53,111 | 52,986 | 5,018 | 566 |
| Construction payables | 9,629 | 17,584 | 24 | 4,481 |
| Service charge payable to hotel staff | 28,505 | 38,575 | - | - |
| Accrued rental to villa owners | 76,000 | 62,036 | 8,570 | 9,816 |
| Total | 612,412 | 690,935 | 56,283 | 60,901 |

**16. Other current liabilities**

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated | | Separate | |
|  | financial statements | | financial statements | |
|  | 31 March | 31 December | 31 March | 31 December |
|  | 2013 | 2012 | 2013 | 2012 |
| Value added tax payable | 52,344 | 47,762 | 1,000 | 1,790 |
| Unearned income | 73,437 | 61,580 | - | - |
| Other tax payable | 33,841 | 16,809 | 2,152 | 3,868 |
| Short-term provision | 3,077 | 2,906 | 707 | 150 |
| Total | 162,699 | 129,057 | 3,859 | 5,808 |

17. Long-term loans from financial institutions

(Unit: Thousand Baht)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | | | Separate financial statements | | | |
|  | 31 March | | 31 December | | 31 March | | 31 December | |
|  | 2013 | | 2012 | | 2013 | | 2012 | |
| Secured | 3,311,439 | | 3,397,277 | | 227,500 | | 245,000 | |
| Long-term loans are repayable as follows: | |  | |  | |  | |  | |
| Within 1 year | 416,613 | | 422,951 | | 70,000 | | 70,000 | |
| Over 1 year to 5 years | 2,185,047 | | 2,165,547 | | 157,500 | | 175,000 | |
| Over 5 years | 709,779 | | 808,779 | | - | | - | |
|  | 2,894,826 | | 2,974,326 | | 157,500 | | 175,000 | |
| Total | 3,311,439 | | 3,397,277 | | 227,500 | | 245,000 | |

Movements in the long-term loans account during the three-month period ended 31 March 2013 are summarised below:

(Unit: Thousand Baht)

|  |  |  |
| --- | --- | --- |
|  | Consolidated | Separate |
|  | financial statements | financial statements |
| Balance as at 31 December 2012 | 3,397,277 | 245,000 |
| Add: Additional borrowings | 35,000 | - |
| Less: Repayments | (120,838) | (17,500) |
| Balance as at 31 March 2013 | 3,311,439 | 227,500 |

The loans are secured by mortgage of plots of land and all hotel buildings of its subsidiaries, as described in Note 13 to the financial statements.

The loan agreements contain covenants as specified in the agreements that, among other things, require the Company and its subsidiaries to maintain certain debt to equity and debt service coverage ratios according to the agreements.

As at 31 March 2013, the long-term credit facilities of the subsidiaries which have not yet been drawn down amounted to Baht 820 million (31 December 2012: Baht 855 million).

**18. Income tax**

Interim corporate income tax was calculated on profit before income tax for the period, using the estimated effective tax rate for the year.

Income tax expenses for the three-month periods ended 31 March 2013 and 2012 are made up as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit: Thousand Baht) | |
|  | Consolidated  financial statements | | Separate  financial statements | |
|  | 2013 | 2012 | 2013 | 2012 |
|  |  | (Restated) |  | (Restated) |
| **Current income tax:** |  |  |  |  |
| Interim corporate income tax charge | 15,814 | 9,085 | - | - |
| **Deferred tax:** |  |  |  |  |
| Relating to origination and reversal of temporary differences | 23,086 | 20,908 | 3,748 | (1,486) |
| **Income tax expense reported in the income statement** | 38,900 | 29,993 | 3,748 | (1,486) |

**19. Earnings per share**

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | For the three-month periods ended 31 March | | | |
|  | Consolidated  financial statements | | Separate  financial statements | |
|  | 2013 | 2012 | 2013 | 2012 |
|  |  | (Restated) |  | (Restated) |
| Profit (loss) attributable to equity holders of the Company (Thousand Baht) | 66,209 | 36,373 | (12,191) | (14,523) |
| Weighted average number of ordinary shares (Thousand shares) | 166,683 | 166,683 | 166,683 | 166,683 |
| Earnings per share (Baht/share) | 0.40 | 0.22 | (0.07) | (0.09) |

20. Commitments

Capital commitment

As at 31 March 2013, the Company and its subsidiaries have capital commitments as follows:

a) The Company and its subsidiaries have commitments in respect of constructing new and renovating existing hotel properties amounting to Baht 5 million  
(31 December 2012: Baht 9 million).

b) The Company and its subsidiaries have commitments that relate to projects to develop properties for sale amounting to Baht 34 million (31 December 2012: Baht 2 million).

c) A subsidiary entered into an Agreement to Purchase and Sale of Land, having a total land area of 237 rai 1 ngan 39.6 square wah, with a third party. The subsidiary will periodically acquire the land in accordance with terms and conditions as set forth in the aforesaid Agreement. The subsidiary initially acquired the land, having a total area of 53 rai 2 ngan 3.4 square wah. The subsidiary holds the right to acquire the remaining land, having a total area of 183 rai 3 ngan 36.2 square wah, by 1 July 2018. The subsidiary paid the deposit of Baht 65 million and the purchase price of the remaining land shall be increased at rate of 5% on every anniversary date following the date that the Agreement to Purchase and Sale of Land was executed.

Operating agreements

As at 31 March 2013, the Company and its subsidiaries have operating agreements as follows:

1. The subsidiaries have entered into operating agreements with certain companies whereby these companies are to operate the subsidiaries’ hotels and golf business. In consideration for such services, subsidiaries are committed to pay remuneration at the rates, terms and basis specified in the agreements. These agreements are summarised below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Company | Business unit | Operator | Contract period | Fees |
| Bangtao Grande Limited | Angsana Laguna Phuket | Banyan Tree Corporate Pte. Limited | 1.7.2011 - 30.6.2012 | - Royalty fee: 3% of total revenue |
|  |  | (Formerly known as Banyan  Tree Hotels & Resorts Pte. Limited) |  |  |
|  |  | Banyan Tree Hotels & | 1.7.2012 - 30.11.2031 | - Royalty fee: 3% of total revenue |
|  |  | Resorts Pte. Limited |  |  |
|  |  | Banyan Tree Resorts & Spas | 1.7.2011 - 30.6.2012 | - Management fee: 10% of gross operating profit |
|  |  | (Thailand) Company Limited |  |  |
|  |  | Banyan Tree Hotels & Resorts | 1.7.2012 - 30.11.2031 | - Management fee: 10% of gross operating profit |
|  |  | (Thailand) Limited |  |  |
| Laguna Grande Limited | Laguna Phuket Golf Club | Banyan Tree Resorts & Spas | 1.1.2009 - 30.6.2012 | - Basic technical fee: 3% of total revenue |
|  |  | (Thailand) Company Limited |  | - Incentive fee: 10% of gross operating profit |
|  |  | Banyan Tree Hotels & Resorts | 1.7.2012 - 31.12.2014 | - Basic technical fee: 3% of total revenue |
|  |  | Pte. Limited | (a) | - Incentive fee: 10% of gross operating profit |
| Laguna Banyan Tree Limited | Banyan Tree Phuket | Banyan Tree Corporate Pte. Limited | 1.1.2009 - 30.6.2012 | - Royalty fee: 2% of total revenue |
|  |  | (Formerly known as Banyan Tree  Hotels & Resorts Pte. Limited) |  |  |
|  |  | Banyan Tree Hotels & | 1.7.2012 - 31.12.2015 | - Royalty fee: 2% of total revenue |
|  |  | Resorts Pte. Limited | (a) |  |
|  |  | Banyan Tree Resorts & Spas | 1.1.2009 - 30.06.2012 | - Technical fee: 7.5% of gross operating profit |
|  |  | (Thailand) Company Limited |  |  |
|  |  | Banyan Tree Hotels & Resorts | 1.7.2012 - 31.12.2015 | - Technical fee: 7.5% of gross operating profit |
|  |  | (Thailand) Limited | (a) |  |
| Thai Wah Plaza Limited | Banyan Tree Bangkok | Banyan Tree Corporate Pte. Limited | 1.1.2009 - 30.6.2012 | - Royalty fee: 3% of total revenue |
|  |  | (Formerly known as Banyan Tree  Hotels & Resorts Pte. Limited) |  |  |
|  |  | Banyan Tree Hotels & | 1.7.2012 - 31.12.2021 | - Royalty fee: 3% of total revenue |
|  |  | Resorts Pte. Limited | (b) |  |
|  |  | Banyan Tree Resorts & Spas | 1.1.2009 - 30.6.2012 | - Management fee: 10% of gross operating profit |
|  |  | (Thailand) Company Limited |  |  |
|  |  | Banyan Tree Hotels & Resorts | 1.7.2012 - 31.12.2021 | - Management fee: 10% of gross operating profit |
|  |  | (Thailand) Limited | (b) |  |
| Laguna Village Limited | Outrigger Laguna  Phuket Resort and Villas | Outrigger Hotels (Thailand)  Limited | 29.5.2009 - 31.12.2019  (c) | - Basic management fee: 2% of total revenue for the first fiscal year, 2.5% of total revenue for the second fiscal year and 3% of total revenue for the remain fiscal years |
|  |  |  |  | - Incentive fee: 7% of gross operating profit |

(a) Operator has option to extend for 1 additional period of 10 years

(b) Operator has option to extend for 1 additional period of 20 years.

(c) Operator has option to extend for 2 additional periods of 10 years.

1. The Company and its subsidiaries have commitments in respect of cash rewards options for villa rental scheme agreements. The terms of the scheme agreements are generally 6 years.

As at 31 March 2013 and 31 December 2012, future minimum payments required under these scheme agreements were as follows:

(Unit: Million Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Consolidated | | Separate | |
|  | financial statements | | financial statements | |
|  | 31 March | 31 December | 31 March | 31 December |
|  | 2013 | 2012 | 2013 | 2012 |
| Payable within: |  |  |  |  |
| In up to 1 year | 124 | 135 | 28 | 28 |
| In over 1 and up to 5 years | 192 | 228 | 15 | 22 |
| In over 5 years | 3 | 5 | - | - |

During the three-month period ended 31 March 2013, the Company and its subsidiaries recognised rental expenses of Baht 53 million (31 March 2012: Baht 44 million) (Separate financial statements: Baht 7 million, 31 March 2012: Baht 11 million).

Investment commitment

A subsidiary entered into the Limited Partnership Agreement in respect of the Banyan Tree Indochina Hospitality Fund, L.P. (“the Fund”), an exempted limited partnership formed under the laws of the Cayman Islands. The fund is managed by Banyan Tree Indochina (GP) Company Limited and focuses mainly on hotel and resort investments in Vietnam, Cambodia and Laos. Based on the fund size of USD 283 million at closing date on 30 June 2009, the capital commitment of USD 16 million would be approximately 5.65% of the fund. The injection of funds is expected to be over in 2013. As at 31 March 2013, the subsidiary has made capital contributions of USD 12 million to the Fund (31 December 2012: USD 11 million).

Servitude over land

As at 31 March 2013, some subsidiaries have land servitude of approximately 7 rai at Phuket province.

21. Guarantees

a) As at 31 March 2013, there are bank guarantees amounting to Baht 47 million (Separate financial statements: Baht 3 million) issued to various parties on behalf of the Company and its subsidiaries, mainly provided for the usage of electricity, other utilities and telecommunication channels (31 December 2012: Baht 46 million, Separate financial statements: Baht 2 million).

b) As at 31 March 2013, the Company has the provision of a guarantee for a loan obtained by Lijiang Banyan Tree Hotel Co., Ltd. (LBTH) by issuing the letter of indemnity to its parent company, Banyan Tree Holdings Limited. The provision of the guarantee is to secure the loan of LBTH in proportion to the equity interest of 49.04 % of the Company in LBTH (through Laguna Banyan Tree Limited).

**22. Segment information**

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

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

- Hotel business segment relates to hotel and restaurant operations including other relating businesses such as golf club and sales of merchandise.

- Property development segment relates to property sales and sale of holiday club memberships.

- Office rental segment relates to rental and service from lands and buildings which managements manage for lease.

- Head office segment relates to expenses incurred by corporate office and are not allocated to other operating segments.

No operating segments have been aggregated to form the above reportable operating segments.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Income tax expenses are managed on a group basis and are not allocated to operating segments. Unallocated income comprises of other sources of income which are not directly attributable to the identified operating segments.

Transfer prices between operating segments are set out as described in Note 7 to the financial statements.

Intersegment revenues are eliminated on consolidation.

(Unit: Thousand Baht)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | For the three-month period ended 31 March 2013 | | | | |
|  | Hotel | Property | Office |  |  |
|  | Business | Development | Rental | Head Office | Total |
| Revenue:  Segment revenue |  |  |  |  |  |
| Total revenues | 1,206 | 101 | 30 | - | 1,337 |
| Intersegment revenues | (62) | (3) | (8) | - | (73) |
| Revenue from external customers | 1,144 | 98 | 22 | - | 1,264 |
| Results: |  |  |  |  |  |
| Segment results | 195 | (27) | (1) | (6) | 161 |
| Unallocated income |  |  |  |  | 4 |
| Profit from operations and other income |  |  |  |  | 165 |
| Interest income | - | 7 | - | - | 7 |
| Finance cost | (28) | (14) | - | (5) | (47) |
| Share of loss from investments in associate | (14) | (2) | - | - | (16) |
| Profit before income tax expenses |  |  |  |  | 109 |
| Income tax expenses |  |  |  |  | (39) |
| Profit for the period |  |  |  |  | 70 |

(Unit: Thousand Baht)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | For the three-month period ended 31 March 2012 | | | | |
|  | Hotel | Property | Office |  |  |
|  | Business | Development | Rental | Head Office | Total |
| Revenue:  Segment revenue |  |  |  |  |  |
| Total revenues | 979 | 161 | 27 | - | 1,167 |
| Intersegment revenues | (60) | (2) | (4) | - | (66) |
| Revenue from to external customers | 919 | 159 | 23 | - | 1,101 |
| Results: |  |  |  |  |  |
| Segment results | 108 | 8 | 10 | (1) | 125 |
| Unallocated income |  |  |  |  | 5 |
| Profit from operations and other income |  |  |  |  | 130 |
| Interest income | - | 9 | - | - | 9 |
| Finance cost | (22) | (19) | - | (2) | (43) |
| Share of loss from investments in associate | (23) | (2) | - | - | (25) |
| Profit before income tax expenses |  |  |  |  | 71 |
| Income tax expenses |  |  |  |  | (30) |
| Profit for the period |  |  |  |  | 41 |

**23. Foreign currency risk assets/liabilities**

The outstanding balances of the Company and its subsidiaries’ financial assets and liabilities denominated in foreign currencies are as follows:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Consolidated financial statements | | | | Separate financial statements | | | |  | |
|  | Financial assets as at | | Financial liabilities as at | | Financial assets as at | | Financial liabilities as at | | Average exchange rate as at | |
|  | 31 March | 31 December | 31 March | 31 December | 31 March | 31 December | 31 March | 31 December | 31 March | 31 December |
| Foreign currency | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
|  | (Million) | (Million) | (Million) | (Million) | (Million) | (Million) | (Million) | (Million) | (Baht per 1 foreign currency unit) | |
| US Dollar | 4 | 3 | - | - | 1 | 1 | - | - | 29.2593 | 30.5824 |

**24. Litigation**

A case was brought to the Phuket Provincial Court on 8 October 2009, in which 4 of LRH’s affiliated companies and 10 individual directors are the defendants. The plaintiffs referred in the plaint that they purchased units in Allamanda 1 Condominium during 1991 to 1995. The plaintiffs claim the Sale and Purchase Agreement called for common area of approximately 20 Rai. On registration of Allamanda 1 Condominium, Allamanda 1 Condominium was registered with only 9 rai 2 ngan 9 square wah. As result, the plaintiffs claim the defendants have breached the Sale and Purchase Agreement. Therefore, the plaintiffs requested the defendants to completely deliver the common area as specified by the Agreement by transfer of the land totaling 10 rai 3 ngan 97.1 square wah to Allamanda 1 Juristic Person, as the 10th plaintiff, or to be jointly liable for the compensation of Baht 132 million in case the transfer of land cannot be made. The plaintiffs also requested for additional compensation in the amount of Baht 56 million for unlawful use of the land which is supposed to be common property of Allamanda 1 Condominium. The total amount of claim is Baht 188 million with interest at the rate of 7.5% per annum from the date the claim was lodged until the defendants have made full payment. The plaintiffs also claimed that the former and current directors, totaling ten, of those subsidiaries as the 5th to 14th defendants were the representatives of the subsidiaries being the 1st to 4th defendants, and therefore must also be jointly liable with those subsidiaries.

LRH’s affiliated companies and individual directors have lodged their statement of defense and believe that the plaintiff’s claims are invalid and therefore no provision has been made in the accounts.

The plaintiffs filed a petition with the Court seeking the Court’s interim injunction of which the defendants shall not dispose and amend the status of nine plots of land in dispute with land registry office during the trial. On 20 January 2012, the Court granted the interim injunction.

This case is currently pending at the Phuket Provincial Court of First Instance.

**25. Event after the reporting period**

On 25 April 2013, the Annual General Meeting of the Company’s shareholders approved the payment of a dividend from the retained earnings as at 31 December 2012 to the Company’s shareholders of Baht 0.125 per share, totaling Baht 20.84 million.

**26. Reclassification**

Except for the change in accounting policies as described in the Note 3 and Note 4 to the financial statements, certain amounts in the income statement for the three-month period ended 31 March 2012 have been reclassified to conform to the current year’s classification but with no effect to previously reported profit (loss) or shareholders’ equity. The reclassifications are as follows:

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | For the three-month period ended 31 March 2012 | | | |
|  | Consolidated financial statements | | Separate financial statements | |
|  | As | As previously | As | As previously |
|  | reclassified | reported | reclassified | reported |
| **Income statements** |  |  |  |  |
| Revenue from hotel operations | 919,364 | 927,383 | 3,963 | 11,982 |
| Revenue from office rental operations | 23,268 | 15,249 | 10,540 | - |
| Other income | Nil | Nil | 770 | 3,291 |
| Cost of hotel operations | 384,898 | 386,706 | 1,563 | 3,371 |
| Cost of office rental operations | 8,604 | 7,413 | 1,808 | - |
| Administrative expenses | 419,488 | 418,871 | Nil | Nil |

**27. Approval of interim financial statements**

These interim financial statements were authorised for issue by the Company’s Board of Directors on 13 May 2013.