

ANNUAL REPORT

2011

Serm Suk Public Company Limited

**Serm Suk** 



## Content

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## Financial Data

| Data                        | Year     |          |          |          |          |
|-----------------------------|----------|----------|----------|----------|----------|
|                             | 2011     | 2010     | 2009     | 2008     | 2007     |
| Revenue (Million Baht)      | 21,290.8 | 21,876.7 | 19,684.4 | 16,257.2 | 18,734.9 |
| Net Income (Million Baht)   | 55.1     | 471.6    | 383.7    | 1,958    | 388.7    |
| Net Income per Share (Baht) | 0.21     | 1.79     | 1.53     | 8.53     | 1.26     |
| Net Profit Margin           | 0.26%    | 2.10%    | 1.78%    | 8.73%    | 1.71%    |
| Return on Assets            | 0.43%    | 3.43%    | 3.63%    | 1.51%    | 3.37%    |
| Return on Equity            | 0.81%    | 4.70%    | 5.54%    | 2.28%    | 5.25%    |
| Dividend per Share (Baht)   | 0.75     | 1.25     | 3.38     | 0.75     | 0.00     |



## Financial Data

### 1 Liquidity Ratios

| Ratio   | CONSOLIDATED |       |      | THE COMPANY ONLY |       |      |
|---|--------------|-------|------|------------------|-------|------|
|   | 2011         | 2010  | 2009 | 2011             | 2010  | 2009 |
| Current Ratio (Time)                                  | 1.6          | 1.7   | 1.8  | 1.6              | 1.6   | 1.8  |
| Quick Ratio (Time)                                    | 0.6          | 0.8   | 0.8  | 0.9              | 0.7   | 0.8  |
| Operating Cash Flow to Current Liability Ratio (Time) | 0.3          | 0.4   | 0.4  | 0.3              | 0.4   | 0.4  |
| Receivable Turnover Ratio (Time)                      | 29.7         | 28.3  | 26.9 | 29.3             | 27.9  | 26.9 |
| Average Collection Period (Day)                       | 12.3         | 12.8  | 13.3 | 12.3             | 12.9  | 13.3 |
| Inventory Turnover Ratio (Time)                       | 54.4         | 37.1  | 35.8 | 54.7             | 35.9  | 36.8 |
| Sales Turnover Ratio (Day)                            | 6.6          | 9.7   | 10.1 | 6.6              | 10.0  | 9.8  |
| Account Payable Turnover Ratio (Time)                 | 18.1         | 9.4   | 13.8 | 13.8             | 12.0  | 13.7 |
| Average Payment Period (Day)                          | 35.5         | 38.2  | 28.2 | 28.2             | 30.1  | 28.4 |
| Cash Cycle (Day)                                      | (13.7)       | (6.7) | 3.2  | (5.9)            | (0.1) | 2.7  |

### 2 Profitability Ratios

| Ratio                                       | CONSOLIDATED |       |       | THE COMPANY ONLY |       |       |
|---|--------------|-------|-------|------------------|-------|-------|
|   | 2011         | 2010  | 2009  | 2011             | 2010  | 2009  |
| Gross Profit Margin (%)                     | 19.0         | 28.2  | 24.5  | 18.9             | 23.2  | 24.3  |
| Operating Profit Margin (%)                 | 0.6          | 2.1   | 1.6   | 0.6              | 1.9   | 1.6   |
| Non-operating Profit Margin (%)             | 1.1          | 0.7   | 0.8   | 1.2              | 0.8   | 0.7   |
| Operating Cash Flow to Operating Profit (%) | 614.7        | 296.5 | 370.8 | 659.8            | 315.5 | 356.0 |
| Net Profit Margin (%)                       | 0.9          | 2.2   | 1.8   | 1.2              | 2.0   | 1.7   |
| Return on Equity (%)                        | 0.6          | 4.8   | 5.5   | 3.0              | 4.5   | 5.4   |

### 3 Efficiency Ratios

| Ratio                      | CONSOLIDATED |      |      | THE COMPANY ONLY |      |      |
|----------------------------|--------------|------|------|------------------|------|------|
|                            | 2011         | 2010 | 2009 | 2011             | 2010 | 2009 |
| Return on Assets (%)       | 0.4          | 3.5  | 3.6  | 2.0              | 3.2  | 3.5  |
| Return on Fixed Assets (%) | 0.7          | 6.4  | 10.0 | 3.7              | 6.4  | 10.1 |
| Asset Turnover (Time)      | 1.65         | 1.6  | 2.0  | 1.66             | 1.7  | 2.1  |

### 4 Financial Policy Ratios

| Ratio  | CONSOLIDATED |      |       | THE COMPANY ONLY |      |       |
|--|--------------|------|-------|------------------|------|-------|
|  | 2011         | 2010 | 2009  | 2011             | 2010 | 2009  |
| Debt to Equity Ratio (Time)                            | 0.5          | 0.4  | 0.5   | 0.5              | 0.4  | 0.5   |
| Interest Coverage Ratio (Time)                         | *            | *    | *     | *                | *    | *     |
| Operating Cash Flow to Total Cash Outflow Ratio (Time) | 3.9          | 4.0  | 2.2   | 3.9              | 4.0  | 2.1   |
| Dividend Payout Ratio (%)                              | 361.7        | 69.7 | 158.4 | 75.3             | 76.7 | 158.3 |

\*No interest bearing loan and interest expense.



## Basic Information

### 1. Corporate Information

#### Business:

#### 1. Manufacturer and Distributor

Carbonated soft drinks under the brand names of Pepsi, Pepsi Twist, Pepsi Max, Mirinda, Seven-Up and Club Lipton Ice Tea in returnable bottles; lemon flavor Crystal drinking water and Crystal soda water  
Gatorade Sport Drink  
Tropicana Twister fruit juice - orange flavor in returnable bottles

#### 2. Distributor

Red Canabao for Canabao Tawandang Co., Ltd.  
Oishi-green tea for Oishi Trading Co., Ltd.  
Ready-to-drink Lipton Ice Tea in cans and PET bottles for Pepsi Lipton International Ltd.  
Tropicana Twister fruit juice - orange flavor in non-returnable bottles for Pepsi-Cola (Thailand) Trading Ltd.

#### Location of Head Office:

Muang Thai-Phutra Complex, Tower 1, 27-28<sup>th</sup> Floor, 252/25-26 Rachadaphisek Road, Huay Kwang, Bangkok 10310

#### Registration Number:

0107537001650 (previously Bor. Mor. Jar. 412)

#### Telephone:

0-2693-2255 - 65

#### Fax:

0-2693-2266

#### Paid-Up Capital:

Ordinary share issued and

#### Paid-Up:

365,900,484 shares of Baht 1.00 each

#### Website:

[www.pepsithai.com](http://www.pepsithai.com) and [www.sermsukplc.com](http://www.sermsukplc.com)

## Basic Information

### 1. Share Holding Information

#### 2.1 Details of Businesses in which the Company holds shares of 10% or more

##### Serm Suk Holdings Co., Ltd. (Direct Subsidiary)

Location of Head Office: Muang Thai – Phatra Complex, Tower 1, 27-28<sup>th</sup> Floor, 252/15-16 Rachadaphisek Road, Huay Kwang, Bangkok 10110  
 Telephone: 0-2693-2255 – 65  
 Fax: 0-2693-2266  
 Main Business: Share holdings and investment management

| Number and Type of Issued Capital |           | Number Owned by the Company |       |
|-----------------------------------|-----------|-----------------------------|-------|
| Ordinary Shares                   | Par Value | Number of Shares            | %     |
| 50,000,000 shares                 | 10 baht   | 49,999,993 shares           | 99.99 |

##### Perform (Thailand) Co., Ltd.

Location of Head Office: 75/102 Ocean Tower 3, 30<sup>th</sup> Floor, Sai Sukhumvit 19 (Watana), Bangkok 10110  
 Telephone: 0-2661-6661  
 Fax: 0-2661-6664-5  
 Main Business: Manufacture and distribution of plastic containers and PET polymers

| Number and Type of Issued Capital |           | Number Owned by the Company |    |
|-----------------------------------|-----------|-----------------------------|----|
| Ordinary Shares                   | Par Value | Number of Shares            | %  |
| 7,500,000 shares                  | 10 baht   | 3,000,000 shares            | 40 |

##### The Pet Co., Ltd.

Location of Head Office: 23/4, Moo 2, Baan Chang, Muang Pathum Thani, Pathum Thani 12000  
 Telephone: 0-2581-7950-2, 0-2581-6386  
 Fax: 0-2581-5618  
 Main Business: Manufacture and distribution of plastic and PET bottles

| Number and Type of Issued Capital |           | Number Owned by the Company |    |
|-----------------------------------|-----------|-----------------------------|----|
| Ordinary Shares                   | Par Value | Number of Shares            | %  |
| 700,000 shares                    | 100 baht  | 70,000 shares               | 10 |

##### Petpack Co., Ltd.

Location of Head Office: 170/107, Ocean Tower Building 1, 32<sup>nd</sup> Floor, New Rachadaphisek Road, Klongtoey, Bangkok 10110  
 Telephone: 0-2361-2357  
 Main Business: Manufacture and distribution of plastic and PET bottles

| Number and Type of Issued Capital |           | Number Owned by the Company |    |
|-----------------------------------|-----------|-----------------------------|----|
| Ordinary Shares                   | Par Value | Number of Shares            | %  |
| 800,000 shares                    | 100 baht  | 80,000 shares               | 10 |

## Basic Information

### 2.2 Businesses in which Serm Suk Holdings Co., Ltd. holds shares of 10% or more

#### Serm Suk Beverage Co., Ltd. (Indirect Subsidiary)

|                          |  |
|--------------------------|--|
| Location of Head Office: | Muang Thai – Plaza Complex, Tower 1, 27-28 <sup>th</sup> Floor, 252/35-36 Ratchadaphisek Road, Huay Kwang, Bangkok 10310 |
| Telephone:               | 0-2693-2255-65   |
| Fax:                     | 0-2693-2266  |
| Main Business:           | Manufacture and distribution of beverages  |

| Number and Type of Issued Capital |           | Number Owned by the Company |       |
|-----------------------------------|-----------|-----------------------------|-------|
| Ordinary Shares                   | Par Value | Number of Shares            | %     |
| 68,958,613 shares                 | 10 baht   | 68,958,609 shares           | 99.99 |

### 1.3 Reference Parties

|  |   |
|--|---|
| A) Securities Registrar:                               | Thailand Securities Depository Co., Ltd.<br>42 The Stock Exchange of Thailand Building Ratchadaphisek Road,<br>Klong Toey, Bangkok 10110  |
| Telephone:   | 0-2229-2800 Fax: 0-2654-5427  |
| B) Proxy for Debenture Holder:                         | -None-  |
| C) Auditors:   | Mr.Nirand Lilamethwat, Certified Public Accountant No.2316, and/or<br>Ms. Nitaya Chetachotro, Certified Public Accountant No.4439 and/or<br>Mrs. Wilai Buranakitsaporn, Certified Public Accountant No. 3930<br>BPMG Phoomchai Audit Limited<br>Empire Tower, 22 <sup>nd</sup> Floor, 193 South Sathorn Road, Bangkok 10120 |
| Telephone:   | 0-2677-2000   |
| Fax:   | 0-2677-2222   |
| D) Legal Consultant:                                   | Witnawong, Chinnawat & Puangpanor Ltd.540 Mercury Tower, 22 <sup>nd</sup> Floor,<br>Ploenchit Road, Lumpini, Bangkok 10330  |
| Tel:   | 0-2264-8000   |
| Fax:   | 0-2657-2222   |
| E) Consultant or Manager<br>under Management Contract: | -None-  |

## Risk Factors

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In running its business, the Company has encountered several internal and external risk factors which directly or indirectly impact the Company's performance and financial status as well as its efforts to achieve its goals. The risk factors are as follows:

### 1 Business Operation Risks:

There are several risk factors to ongoing business growth and profitability.

#### 1.1 Prices and sufficiency of ingredients and packaging

**Sugar:** Sugar is one of the key ingredients of the Company's products. The increasing local sugar price is due to tight sugar supply. In some areas, the sugar selling price has been adjusted to be higher than the rate specified by the government. Consequently, it has led to concerns of possible supply shortages in the future. In 2011, the agricultural goods crisis was worsened due to climatic change. This situation has led to insufficient global sugar supplies. The Company has contracted with its suppliers for the volume of sugar required for production to ensure access to enough sugar to reach the Company's annual sales target.

**PET bottle:** Given the growing use of non-returnable products, including beverages in PET bottles, the price of PET has been another major cost of the Company. Fluctuating oil prices have directly affected the PET price. Besides, global cotton yields were insufficient and subsequently polyester fiber has been used as a substitute in the textile industry. The ingredients used in the production of polyester fiber are the same as those used to produce the plastic pellets used in PET bottles, subsequently increasing production costs.

In addition to the aforementioned sugar and PET, other material prices, such as metal crown caps and cans vary in accordance with the prices of steel and aluminum sheets. Some packaging has been redesigned to ease the cost burden.

#### 1.2 Wages:

The increase in basic wages announced by the Government has increased the Company's costs of production and operation. The shortage of labor in some areas, especially industrial estates or nearby communities was another problem. Personnel development and operating adjustments have been used to increase the Company's operating efficiency and mitigate the impact of increased wages and a tight labor market.

#### 1.3 Excise tax rate:

The excise tax rate was a major external cost and is regulated by the Government. An adjustment of the tax rate and basis of calculation was a significant risk factor. A team was assigned to deal with the relevant government agencies and provide them with necessary information.

**1.4 Petrol prices**

The fluctuation in diesel prices has directly influenced the cost of transportation and distribution and indirectly impacted other material prices such as PET bottles, cans, and metal crown caps. Political instability in several oil producing nations has led to concerns about global petrol prices and supply. To minimize this risk, reduction of diesel usage has been set as a key performance indicator and other alternatives have been closely studied by a dedicated team.

**1.5 Consumer behavior**

Given a more diverse range of beverages available and the change in consumer behavior towards non-carbonated soft drinks, juices and functional drinks, the Company has responded by producing and promoting Crystal drinking water and a variety of non-carbonated drinks. The increasing sales of these products have increased the contribution of non-carbonated products to the Company's results.

**1.6 Climatic conditions**

The intensity of changes to Thailand's climate over the last several years has had significant impacts on the Company's business. The flooding in many provinces negatively impacted the Company's sales and expenses.

**1.7 Change of governmental policies**

For tax collection, price control, business laws and industrial regulations also lead to uncertainty and risks to the Company's operating and investment decisions.

To soften the negative impact, the Company has emphasized cost reduction and expense control, revisiting and improving working procedures to generate greater efficiency and productivity in all working units.

**2 Production Risks**

Due to the heavy investment in plant and machinery in the beverage industry, the Company depends on production with mass volume and high efficiency to break-even. The seasonality of the business, with its peak period in the summer, also adds complexity to the planning of production schedules and investment so as to avoid under-capacity during peak season and over-capacity for the rest of the year. In addition, the sharp increase in demand for Crystal drinking water has led to the need to invest in additional drinking water lines.

**3 Management and Administration Risks**

The distribution of soft drinks and beverages still relies heavily on direct sales to customers, requiring the ability to provide fast and reliable service and high returns. To operate the business, the Company closely followed the movement of its competitors and adapted itself to changes in the market by maintaining an effective distribution network and qualified personnel. To retain and motivate good employees is another challenge for the Company. In addition, the Company needs to maintain a well-defined operational plan and accurate and updated information to be used as management tools for decision-making. Investment in IT systems and qualified employees to implement and maintain these systems is needed.

## Risk Factors

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### 4 Financial risks

#### 4.1 Credit Control and Collections

The Company has to exercise tight control over collections and credit while constantly following-up on debts via the credit department and the management. In a situation of economic downturn or financial crisis, which will adversely affect the economy, the Company will be more cautious before extending credit and more stringent in following-up on debt repayments.

#### 4.2 Currency and Exchange Risks

Currency and exchange risks have a certain impact on the Company's operating costs. The Company has foreign currency liabilities and commitments that are limited to the import of new machines, equipment and spare parts. The majority of the Company's spending is transacted in the local currency.

#### 4.3 Risk arising from the termination of agreements on business operation

Major agreements relating to the Company's business operation that have entered into by the Company include the agreements related to the production and distribution of reliable products including carbonated beverages, Lipton ready-to-drink tea and Tropicana Twister juice beverages, and the agreement for cooperative advertising and marketing principles.

##### Agreements related to production

The Company entered into the Exclusive Bottling Appointment Agreement ("EBA") with PepsiCo, Inc. and Seven-up International (collectively called "Pepsi") in order to be the exclusive manufacturer, seller and distributor of carbonated beverages under the trademark of Pepsi in Thailand. On March 31, 2011, the Board of Directors resolved to terminate the EBA and the Company sent the termination letter dated April 1, 2011 to Pepsi. As a result, the EBA shall be terminated upon the close of business on April 1, 2012. The 2011 Annual General Meeting of Shareholders held on April 29, 2011 approved the action taken by the Company in relation to the Agreements between the Company and Pepsi (including the termination of agreements).

In July 2011, the Company received a letter from Pepsi-Cola (Thailand) Trading Company Limited, Seven-Up Nederland, B.V. (collectively referred to as "PepsiCo Group") and SS National Logistics Company Limited ("SSN") (PepsiCo Group and SSN collectively referred to as the "Major Shareholders Group") informing the Company of their execution of the Agreement to Sell and Purchase Shares in the Company. With regard to the EBA, if the PepsiCo Group sells the shares to SSN and/or an SSN investor, there is a condition prescribing that the Company and Pepsi shall extend the period of the effectiveness of the termination of the EBA for seven months from April 1, 2012. During the extended period, the Company will apply a formula to calculate the concentrates bought from Pepsi contributing to a decrease of price of concentrates to 8.61% per annum before discount (or equivalent to 8.9% after discount). If the PepsiCo Group purchases the shares, new agreements between the Company and Pepsi, containing several terms and conditions different from the existing EBA, shall be entered into.

The Company held the Extraordinary General Meeting of Shareholders No. 3/2011 on August 26, 2011 and the Meeting approved all the procedures to complete the sale/purchase of shares, and approved the matter in relation to the EBA. Subsequently, Thai Beverage Logistics Company Limited, which is the SSN investor, acquired the shares from the PepsiCo Group and made a voluntary tender offer to the Company's shareholders. The Company executed the letter extending the effectiveness of the termination of the EBA for seven months from April 1, 2012. As a result, the EBA shall be terminated upon the close of business on November 1, 2012. The other agreements in connection with the EBA, the Agreement for Cooperative Advertising and Marketing Principles ("Coop") shall be terminated on the same date.

Moreover, the Extraordinary General Meeting of Shareholders No. 1/2011 held on February 15, 2011 approved that the Company proceed with the future business plan, which was later amended by the resolution of the 2011 Annual General Meeting of Shareholders held on April 26, 2011 and the Extraordinary General Meeting of Shareholders No. 2/2011 held on August 26, 2011. The summary of the Company's future business plan in the part that relates to the Company's business plan is as follows:

#### **The Company's Business Plan**

- To expand the market of non-carbonated beverages, by introducing new products under the Company's trademark to the market, or acquiring a business which has recognized products or trademarks in the market, or retaining or applying for a license, or acquiring the right to manufacture and distribute, or entering into agreements in any other form, for non-carbonated beverages under the trademark of another person;
- The Company may operate any other business as long as this will not have any conflict with or be inconsistent with the future business plan, including the use of the Company's assets or the operation of any other business under the capacity of the Company as deemed appropriate by the Board of Directors;
- To increase investment in the production line of Crystal Drinking Water in order to respond to an increase in demand;
- To be a distributor of other products apart from beverage products
- To be a manufacturer of carbonated beverages under any other trademark, depending on the negotiation on the amendment of the Agreements between the Company and Pepsi (it is clear that the IBA and the Coop Agreement shall be terminated on November 1, 2012).

The Company has retained its major income from being the manufacturer and distributor of beverages under the Agreements with Pepsi. When those agreements are terminated, the Company will no longer have the income and earnings that the Company has received under such agreements. However, the Company will undertake its business under the future business plan by using its resources, assets and the capacity of its strong distribution and logistics system. The Company is confident that it will not suffer a significant impact from the termination of the agreements with Pepsi.

#### **4.4 Interest Rate Risk:**

Currently, the Company and its subsidiaries operate as debt-free entities. In the future, if loans are required for business expansion, interest rate movements may be a risk factor which the Company will need to consider and evaluate in order to minimize the cost of funds before making any investment decision.

In addition to the aforementioned factors, there may be additional potential factors such as local political crises, environmental regulations or others that may have a negative impact on the Company's business.

## Business Operation

### Overview of the Company's Operations

The Company operates the beverage business, both as a manufacturer and distributor, and has an indirect subsidiary company, Serm Suk Beverage Co., Ltd., which manufactures and co-packs Lipton Ice Tea, Gatorade isotonic drink, and Tropicana Twister fruit juice and sells directly to the Company or through Pepsi-Cola (Thai) Trading Co., Ltd., who sells the products to the Company for distribution. Currently, 99.99 percent of Serm Suk Beverage Co., Ltd., shares are held by Serm Suk Holdings Co., Ltd., a direct subsidiary company established on November 23, 2006 with the main objective being to hold shares and manage investment in Serm Suk subsidiaries.

The Company holds 40 percent of the equity in Petform (Thailand) Co., Ltd., a manufacturer and distributor of PET polymers, PET bottles, and plastic closures.

### Income Structure

#### Details of Income Structure

| Million Baht                                  | 2011    |         | 2010    |         | 2009    |         |
|---|---------|---------|---------|---------|---------|---------|
|   | Revenue | %       | Revenue | %       | Revenue | %       |
| Revenue from Carbonated soft drink            | 15,961  | 85.68%  | 15,703  | 71.45%  | 14,876  | 74.01%  |
| Revenue from Non-Carbonated soft drink        | 7,311   | 34.34%  | 6,274   | 28.55%  | 5,118   | 25.00%  |
| Total Revenue from sale of goods and services | 21,290  | 100.00% | 21,977  | 100.00% | 19,994  | 100.00% |



## Business Operation

### Business Objectives

The Company sets the following business objectives:

#### 1 Volume and Market Share Growth

To set the Company's annual growth target for volume and market share, several factors have been considered, for example the general economic situation, changes in consumer tastes and behavior, market competition, competitor's strengths and weakness, competitor's past activities, and other relevant factors. The Company's target setting is based on the analysis of market trends and future projections including the assessment of the Company's strengths and weaknesses in order that the planned activities including the introduction of new products will support the achievement of sales and market share targets.

#### 2 Profit Maximization

In addition to sales growth, which results in increased profit, the Company also emphasizes efficiency and cost control. Key Performance Indicators (KPIs) have been set for each business unit as measures of performance and efficiency.

#### 3 People Development

The Company has set clear objectives in people development. Each year, budget has been set aside for training and development regarding management/administration to ensure that the employees will be equipped with new skills and shown new techniques to enhance their efficiency and performance.

#### 4 Maximizing Returns to Shareholders

The Company has a policy to maximize returns to shareholders in the form of consistent dividend payments, at a reasonable rate corresponding to the annual operating results. This is achieved through the activation of effective marketing campaigns that create demand for the Company's products and drive production volume and sales thus generating returns on investment for investors and shareholders.

#### 5 Social Responsibility

The Company has set a goal to enhance its social responsibility along with other operating objectives in a fair and transparent manner. The Company is focused on conducting its business under good corporate governance principles and corporate social responsibility practices to refresh Thai people with a range of quality and hygienic beverages.

Young people are a key focus area of the Company. Serm Suk and the Song Bulsook Foundation have provided scholarships for needy students to enhance their potential and support their education since 1990. In 2010, the Company encouraged Thai young people to demonstrate their creativity under the "New Gen for a Stronger Thailand" concept by submitting pragmatic project entries to win scholarships worth 1 million baht in total. The initiative was intended to boost awareness of environmental and social responsibility among young people.

New Gen for a Stronger Thailand encourages Thai young people to participate in the development of their communities to be more pleasant places, using their own efforts, both physical and intellectual, for the benefit of their communities. The innovative theme also promotes awareness of community and environmental protection among Thai youth with five focus areas including environmental creativity; learning for educational expansion; quality of life development; sports for health and occupational job creation.

## Business Operation

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With regards environmental stewardship, in 2010, the Company's Pathum Thani Plant, which is located on the banks of the Chao Phraya River, was granted the "Rak Mae, Rak Maenam" award from the Ministry of Industry in recognition of their excellence in Chao Phraya River conservation and rehabilitation in honor of Her Majesty Queen Sirikit.

In 2010, the Company's three plants in Nakhon Ratchasima, Nakhon Sawan and Sarab Thani joined the CSR - DSW 2010 program initiated by the Department of Industrial Works. By implementing the program in 2010, the Company has enhanced its social responsibility to nearby communities in a more sustainable manner. The Company has supported the formation of groups for occupational and income development in several communities on an appropriate socio - economic and environmental basis. Activities that were implemented for community income sustainability and continuity were the "Community Enterprise Program for Environment - Recycling Bank at Wirothattana Community: the Nakhon Ratchasima Plant" and "Cloth with Love from Serm Suk at Nong Phuej Community: the Nakhon Sawan Plant".

Thanks to their successful activities, the Company's plants in Nakhon Ratchasima, Nakhon Sawan and Chonburi were awarded 2010 CSR - DSW certifications by the Department of Industrial Works (DSW), Ministry of Industry and the Management System Certification Institute. These awards are in recognition of their excellence in compliance with the verification criteria for the CSR - DSW certification standard. Additionally, two other SSC plants that were granted CSR-DSW certification in 2009, the Pathumthani Plant and Chonburi Plant, were also recognized as continuously operating in a socially-responsible manner and received 2010 CSR-DSW Continuous Awards 2010 from the Department of Industrial Works, Ministry of Industry and Management System Certification Institute. These accreditations have made Serm Suk Thailand's first beverage company for which all of its plants meet the Ministry of Industry's CSR standards.

### 1 Products and Services

#### Manufacturing and Distribution

The Company has been appointed by Pepsi-Cola International Ltd., New York to manufacture and distribute carbonated soft drinks under the brand names of Pepsi, Pepsi Max, Pepsi Twist, Mirinda, Seven-Up, and Club as well as concentrate, under the brand names of Pepsi, Mirinda, and Seven-Up. The exclusive bottling agreement includes a significant condition that the Company must procure the supply of concentrate solely from Pepsi-Cola (Thailand) Trading Company Limited or its subsidiaries. The Company is also required to maintain product quality according to Pepsi standards. In addition, the right to manufacture and distribute is exclusive and non-transferable. The Company is also the manufacturer and distributor of drinking water and soda water under its own Crystal brand name, Lipton Ice Tea in returnable bottles for Pepsi Lipton International Ltd., Tropicana Twister in returnable bottles for Pepsi-Cola (Thailand) Trading Co., Ltd., and Gatorade Sport Drink under license from Stokely-Carmel Inc., USA.

#### Distribution

The Company is the distributor of Red Carabao for Carabao Tawandang Co., Ltd., a distributor of Oishi ready-to-drink green tea for Oishi Trading Co., Ltd., a sole distributor of Lipton ready-to-drink tea in cans and PET bottles, and a sole distributor of Tropicana Twister ready-to-drink orange flavored fruit juice, in non-returnable bottles for Pepsi-Cola (Thailand) Trading Co., Ltd. Both Lipton in PET bottles and Tropicana Twister are bottled by Serm Suk Beverage Co., Ltd. under co-packing agreements from both licensors while Lipton cans are co-packed by Serm Suk Public Co., Ltd.

### 2 Marketing and Competition

#### Carbonated Soft Drinks

The production and distribution of soft drinks is a major industry requiring modern machinery for production and quality control, and large numbers of personnel for transport and delivery of products to customers. The business is important in supporting businesses throughout an extensive value chain including those that produce sugar, glass bottles, plastic bottles, plastic cases and bottle caps.

Competition is a year-round factor in the carbonated soft drinks industry, but growth in this product category is not as high as other beverages due to new entrants in the market and changes in consumer behavior in favor of drinking water, fruit juices, mineral water and milk products. These products are now competing directly with carbonated soft drinks.

The keys to success in the soft drinks industry are the ability to offer products manufactured to high-quality standards, providing good service and responsiveness to consumer demands. Opportunity in the beverages industry depends on the increase in distribution channels and expansion in the business of established customers, such as large wholesale and retail outlets, supermarkets, convenience stores and quick serve food outlets. Ultimately, the growth rate in the industry is largely determined by the economic fundamentals of the country in which that industry operates.

The prospects for the growth and development of an individual soft drink enterprise are impacted by its ability to execute marketing activities, including advertising, sales promotions, packaging design and the introduction of new flavors/variants that attract consumers. All of these efforts can contribute to the expansion in the business.

Competition in the soft drink business has intensified in terms of pricing, with an emphasis on higher volumes and lower prices. In 2009 Serm Suk introduced several new non-returnable package sizes including 460 ml, 480 ml, 1.2 liter and 1.5 liter and combined them with an aggressive pricing plan. This move has continued to be well received by the market, increasing soft drinks sales significantly.

## Business Operations by Product

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### Crystal Drinking Water

The success factors of Crystal drinking water are product quality, efficient distribution, customer service and engaging marketing activations. These factors are critical in the drinking water market, where a plethora of producers compete with no price differentiation. Today, in addition to the Company's Crystal drinking water and the products of other major players, there are an increasing number of entrants to the market leading to consumer confusion and a cluttered retail environment. This profusion of new brands in the market has had a significant impact on sales of drinking water. Despite strong competition in the drinking water business, sales of Crystal drinking water continued to show very strong growth.

The success of Crystal is attributed to its high quality including certification from NSF International, an international audit agency that inspects and certifies quality standards of bottled drinking waters. Crystal is the first bottled drinking water in Thailand to have received this certification.

### Lipton Ice Tea

When Unilever Thai Holdings Co., Ltd., one of Thailand's largest producers and distributors of consumer products, entered the ready-to-drink tea market in Thailand with its Lipton Ice Tea, in both cans and bottles, it chose to employ Serm Suk's expertise in the soft drinks industry as both a producer and nation-wide distributor. Serm Suk was appointed as the licensed manufacturer and sole distributor of Lipton Ice Tea. This made Serm Suk the first truly integrated beverage company in Thailand. The partnership between Unilever and Serm Suk resulted in the rapid growth in Lipton Ice Tea sales.

In 2004, PepsiCo and Unilever entered into a global joint venture, Pepsi Lipton International Ltd., to promote the sale of Lipton Ice Tea primarily through the Pepsi bottling system. Serm Suk continues to manufacture and distribute Lipton Ice Tea in returnable bottles and cans, but does so now under the authority of Pepsi Lipton International Ltd. This is another step forward in Serm Suk's relations with PepsiCo to co-operate and develop opportunities connected to non-carbonated beverages.

Lipton Ice Tea is available in 10-oz. and 15-oz. returnable bottles and 350 ml., and 1 liter PET bottles. During 2011 Lipton Ice Tea continued to grow impressively. The bottling of this product is done by Serm Suk Beverage Co., Ltd., a subsidiary company of Serm Suk, while the distribution continues to be handled by Serm Suk Public Co., Ltd.

### Gatorade Sport Drink

The Company has been appointed by Stokely-Van Camp Inc. as its sole manufacturer and distributor in Thailand for Gatorade Sport Drink, the world's number one sport drink. Gatorade is a highly recognized and popular sports drink brand. Gatorade is scientifically formulated to offer excellent absorption without carbonation and good taste, which makes it ideal for athletes and anyone who loses fluids through perspiration. (In my opinion this can be cut) Gatorade currently has three flavors, lemon, grape and Blue Blast and is distributed in a new 350 ml. and 500 ml. PET bottles.

### Tropicana Twister Fruit Juice

Another step towards being a total beverage company was the launch of 14% fruit juice under the Tropicana Twister brand. This product is manufactured by Serm Suk Beverage Co., Ltd., and distributed by Serm Suk Public Co., Ltd. Tropicana Twister, orange flavor, is available in 350 ml. returnable bottles as well as 350 ml. non-returnable glass bottles and 350 ml. PET bottles. Tropicana Twister with pulp is available in 350 ml. non-returnable glass bottles and 350 ml. PET bottles to extend the brand franchise. Tropicana Twister is another alternative for consumers who want to purchase refreshing and healthy products.

## Business Operations by Product

### Red Carabao

October 2002, the Company was appointed the distributor of the Red Carabao energy drink by Carabao Tawandang Co., Ltd. In 2011, sales of Red Carabao achieved the highest growth with a strong partnership of Serm Suk and Carabao Tawandang Co., Ltd., in the areas of advertising, sales promotion and product development, making Red Carabao, a well-established brand that has received sustained consumer acceptance.

### Oishi Green Tea

With the growing popularity of green tea, the Company was appointed the distributor of Oishi green tea for Oishi Trading Co., Ltd., beginning in November 2005, for the traditional trade channel. In the face of increasing competition, Oishi has enjoyed ongoing sales growth every year.

## 3 Products and Services Sourcing

### Sources of key materials are as follows:

- Concentrates for Pepsi, Pepsi Max, Pepsi Twist, Mirinda, Seven-Up, and Club are sourced from Pepsi-Cola (Thai) Trading Co., Ltd.
- Concentrates for Lipton are sourced from Pepsi-Cola (Thai) Trading Co., Ltd.
- Concentrates for Tropicana Twister fruit juice and Gatorade are sourced from Pepsi-Cola (Thai) Trading Co., Ltd., by the co-packers.
- Distributed goods such as Red Carabao and Oishi Green Tea are sourced directly from the manufacturers and product owners.
- Other materials for production such as sugar, CO<sub>2</sub>, various chemicals, bottles, crown seals, plastic cases, PET bottles, cans, shrink film, and cardboard trays and boxes are sourced locally.

With the exception of concentrates which are supplied by the brand owners, the Company sources other raw materials and packing materials from 3-4 suppliers in order to ensure a continual supply of raw materials and packing materials at reasonable prices.

### The Company operates five manufacturing facilities including

- 1) **The Pathum Thani Plant:** Located at No 63, Moo 3, Bangkhayaeng Subdistrict, Muang District, Pathum Thani
- 2) **The Nakhon Ratchasima Plant:** Located at No 211, Moo-4, Prayai Subdistrict, Muang District, Nakhon Ratchasima
- 3) **The Nakhon Sawan Plant:** Located at No 72, Soi Wat Chomkhiri Naksoot, Nakhon Sawan Aok Subdistrict, Muang District, Nakhon Sawan
- 4) **The Surat Thani Plant:** Located at No 111, Moo 5, Ta Rong Chang Subdistrict, Pungin District, Surat Thani
- 5) **The Chonburi Plant:** Located at No 700/368, Moo 6, Nong Mai Deeng Subdistrict, Muang District, Chonburi

In addition to the five aforementioned plants, the Company has another subsidiary, Serm Suk Beverage Co., Ltd., that produces goods for sale. Serm Suk Beverage is located in the Amara City Industrial Estate at No. 700/368, Moo 6, Nongmaidaeng Sub-district, Muang District, Chonburi.

## Business Operations by Product

### CSD Production Capacity and Production Volume of Serm Suk PCL

|  | 2011     | 2010    | 2009    |
|--|----------|---------|---------|
| Full Capacity (Unit: million cases per annum)            | 141,411  | 141,411 | 138,576 |
| Actual Production Volume (Unit: million cases per annum) | 74,605   | 86,358  | 80,568  |
| Average utilization per annum (%)                        | 52.76%   | 61.09%  | 58.14%  |
| Increase/decrease in production volume (%)               | (13.61%) | 2.95%   | 0.85%   |

In 2011, the actual production volume was lower than the 2010 record due to flooding in three plants. The Company stopped its Pathum Thani production between October 20 – December 6, 2011, the Nakhon Sawan plant between September 12 – November 16, 2011 and the Surat Thani operation between March 30 – April 10, 2011.

## Environmental Protection

To ensure effective environmental protection, Serm Suk follows strict environmental policies and operating guidelines to minimize the impact of our entire production process. We have broadened our environmental initiatives to the public through many dimensions of social activations. As a key player in driving sustainable social and environmental development in Thailand while conducting activities that deliver tangible results, the company operates under the "5 Serm Suk Green Dimensions," which cover water, packaging, energy, environment and human resources.

### The First Dimension: Water

Water is Serm Suk's top priority. It's a major part of our business and a key element in everybody's lives. We have focused on conserving water for almost 60 years. Serm Suk was among the first companies in Thailand to introduce an innovative water treatment system to treat wastewater before releasing it from our production facilities. It serves as a showcase for the Thai public, attracting ongoing visits by students and other interested parties. Serm Suk shares our knowledge of wastewater treatment for the benefit of society.

Serm Suk expanded our business by establishing several regional production facilities around Thailand. Each is equipped with an efficient and effective wastewater treatment system. At our Pathum Thani facility, located beside the Chao Phraya River, Serm Suk has invested more than 30 million Baht on a high-performance wastewater system to ensure that high-quality water is released into the river.

We monitor our wastewater treatment systems 24 hours a day, seven days a week. Water is analyzed throughout the treatment process and prior to release. Serm Suk's wastewater quality control process meets and exceeds the standards set by the Department of Industrial Works, the Ministry of Industry, and the Marine Department of the Ministry of Transportation, which are:

| Parameter | pH        | BOD      | COD       | TSS      | TDS        | TDS       | Grease & Oil |
|-----------|-----------|----------|-----------|----------|------------|-----------|--------------|
| Standard  | ≤ 5.5-8.0 | ≤ 20 ppm | ≤ 120 ppm | ≤ 50 ppm | ≤ 3000 ppm | ≤ 100 ppm | ≤ 5 ppm      |

With these stringent controls, treated wastewater from Serm Suk's production facilities contains less than 1mg/l BOD (Biochemical Oxygen Demand). This is five times cleaner than required by the Department of Industrial Works and 50 times cleaner than typical wastewater from residential households.

Since 2006, Serm Suk has invested to install a high-precision HACH BOD examination system in our five production facilities. This computerized system monitors water quality around the clock, sending data directly to the Department of Industrial Works to facilitate effective real-time water management. This ensures the wastewater is always clean and friendly to the environment.

### The Second Dimension: Packaging

To ensure sustainability regarding packaging, Serm Suk is applying the 3R concept (Reduce, Reuse, and Recycle). We incorporate the 3Rs into our upstream to downstream packaging procedures in several ways:

1. Reducing the amount of packaging material we use by developing a lighter PET bottle. By cutting back the amount of plastic needed, the company's plastic consumption has dropped by 1,500 tons per year. Serm Suk has also reduced the amount of paper required for product trays and minimized the thickness of aluminum cans to conserve resources.
2. Reusing packaging by promoting the use of returnable bottles which can be 100% reused.
3. Recycling by sorting materials that can no longer be used and sending them to recycling facilities.

## Environmental Protection

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In 2006, Serm Suk joined with 20 leading companies and five major industrial groups to establish the Packaging Management Institute. Under the supervision of the Federation of Thai Industries, the Institute's objective is to manage the country's used packaging materials correctly and sustainably and promote recycling for sustainable environmental protection.

In 2011, the company joined with the Packaging Management Institute as a recycling partner in the "HM the King's 84 anniversary, 84 kilograms of recycling materials" project which generated a total of 320 million kilograms of recyclable materials in celebration of HM the King's 84 anniversary.



**The Third Dimension: Energy****River Transportation System to Reduce Air Pollution**

In 1980, Serm Suk became one of the first Thai companies to ship manufactured goods via a river transportation system. Serm Suk currently operates three engine boats and four barges. Each can carry 8,940 cases of beverages, equivalent to 20 transport trucks. Highly efficient river transportation saves 240,000 liters of fuel per year compared to trucks while reducing air pollution and relieving traffic congestion.

**The Use of Alternative Energy**

Serm Suk is using methane gas, a bio-fuel that is a by-product of our wastewater treatment system, to replace bunker oil in the company's boiler system. This saves over 200,000 liters of bunker oil annually. Serm Suk also has facilitated the use of alternative energy such as NGN, LPG and diesel B5 in our entire fleet of vehicles.

In 2011, the company joined with Department of Alternative Energy Development and Efficiency, Ministry of Energy to organize the Solar Hot Water project, which promotes increasing water temperature prior to passing to the steaming boiler to reduce the use of bunker oil which is a fossil oil. The pilot project was implemented in the Nakorn Ratchasima Plant and will soon be rolled out in all of Serm Suk's plants.

Developing alternative energy sources reduces Serm Suk's fuel expenditures while helping to save the nation's energy, especially non-renewable fossil fuels. It also reduces the amount of greenhouse gases that contribute to climate change and global warming.

**The Fourth and Fifth Dimensions: Environment and Human Resource**

Human resources are a key element for the success of environmental sustainability programs. A company requires the support of its people to put best practices into place. It also needs commitment from employees who genuinely care about the environment.

Serm Suk promotes environmental awareness to our people on an ongoing basis. We have appointed teams of over 30 environmental crews at each production facility. They are certified by the Department of Industrial Works and the Thailand Environment Institute to handle environmental issues and the wastewater treatment system. We also enhanced our employees' knowledge of environmental protection through continuing education with internal and external organizations to build understanding and provide experience in support of Serm Suk's operations.

The company is introducing more green space to create an employee-friendly working environment. Our employees can relax and enjoy recreational activities at our facilities including tree growing, lotus ponds, football fields, canals and gardens. Serm Suk believes that good environment is beneficial to our people's well being and helps them to work better.

Serm Suk provides an opportunity for the public, including academics and students, to visit our wastewater treatment system. The program welcomes more than 1,000 visitors every year. Serm Suk has shared knowledge about anaerobic wastewater management with many organizations to spread awareness about environmental protection. Serm Suk has also provided information on wastewater management as well as microbes generated from the wastewater treatment system to several companies.

## Assets Employed for the Operations

### 1. Land, Buildings and Machinery

1.1 **Land:** Net book value as at December 31, 2011 was Baht 4,198.8 million. The land is located as follows:

| Head Office                   | Shared ownership of property on the two floors of the office condominium complex with shared common service area including Floor 27 and 28<br>The space on Floor 27 is 1,266.42 square meters.<br>The space on Floor 28 is 1,266.42 square meters. |
|-------------------------------|--|
| <b>The Pathum Thani Plant</b> |  |
| Pathum Thani Branch           | 164 Rai, 88 Sq. wah of land at No 63, Moo 3, Bangkhayaeng Subdistrict, Muang District, Pathum Thani  |
| Chonburi Branch               | 10 Rai, 4 Sq. wah of land at No 721, Charoen Makhon Road, Kwaeng Klong Ton Sai, Khet Klong Sam, Bangkok  |
| Klong Ton Branch              | 8 Rai, 1 Ngan, 5 Sq. wah of land at No 74, Phatthanakarn 20 – 4th Junction, Phatthanakarn Road, Kwaeng Suan Luang, Khet Suan Luang, Bangkok  |
| Sriacha Branch                | 5 Rai, 2 Ngan, 49 Sq. wah of land at No 30, Sukhumvit Rd, Sriacha, Chonburi  |
| Prachinburi Branch            | 4 Rai, 19 Sq. wah of land at No 3/, Ban Phra Subdistrict, Muang District, Prachinburi  |
| Bang Khen Branch              | 24 Rai, 1 Ngan, 30.5 Sq. wah of land at No 115/1, Vipavadee-Rongit Road, Kwaeng Lad Yao, Khet Bang Khen, Bangkok   |
| Uthong Branch                 | 4 Rai, 98 Sq. wah of land at No 229 Chonkhae Samphan Subdistrict, Uthong District, Suphan Buri   |
| Chantaburi Branch             | 3 Rai, 3 Ngan, 14 Sq. wah of land at No 76/10, Tachang Subdistrict, Muang District, Chantaburi   |
| Rayong Branch                 | 9 Rai, 1 Ngan, 40 Sq. wah of land at No 53/29, Nam Khok Subdistrict, Muang District, Rayong  |
| Pranburi Branch               | 10 Rai, 3 Ngan, 60.9 Sq. wah of land at No 344, Nong Ta Tam Subdistrict, Pranburi District, Prachachi Khirkhan   |
| Ratchaburi Branch             | 18 Rai, 53 Sq. wah of land at No 106, Koh Platypla Subdistrict, Muang District, Ratchaburi   |
| Trat Branch                   | 2 Rai, 2 Ngan, 81 Sq. wah of land at No 149, Moo 2, Muamua Subdistrict, Muang District, Trat   |

## Assets Employed for the Operations

| The Nakhon Ratchasima Plant            |   |
|--|---|
| The Nakhon Ratchasima Plant            | 31 Rai, 1 Ngran, 69 Sq. wah of land at No 211, Moo 4, Pruyai Subdistrict, Muang District, Nakhon Ratchasima     |
| Khon Khaen Branch                      | 3 Rai, 30.3 Sq. wah of land at No 193, Moo 5, Muang Rao Subdistrict, Muang District, Khon Khaen                 |
| Undeveloped land in Chum Phae District | 3 Rai, 3 Ngran, 98 Sq. wah of land Chum Phae Subdistrict, Muang District, Khon Khaen                            |
| Loei Branch                            | 3 Rai, 1 Ngran, 91.4 Sq. wah of land at No 219, Muang Subdistrict, Muang District, Loei                         |
| Pak Chong Branch                       | 4 Rai, 19 Sq. wah of land at No 3/, Ban Phae Subdistrict, Muang District, Prachinburi                           |
| Undeveloped land in Pak Chong District | 1 Ngran, 63 Sq. wah of land on Thanarat Road, Pak Chong Subdistrict, Pak Chong District, Nakhon Ratchasima      |
| Surin Branch                           | 8 Rai, 1 Ngran, 125.7 Sq. wah of land at No 84, Chankeng Subdistrict, Muang District, Surin                     |
| Mukdahan Branch                        | 6 Rai, 2 Ngran, 64 Sq. wah of land at No 130, Chuayangkoon Road, Mukdahan Subdistrict, Muang District, Mukdahan |

| The Nakhon Sawan Plant |  |
|------------------------|--|
| The Nakhon Sawan Plant | 24 Rai, 1 Ngran, 89.8 Sq. wah land at No 72, Soi Wat Jomkhiri Nakpro, Nakhon Sawan Aok Subdistrict, Muang District, Nakhon Sawan |
| Kamphaeng Phet Branch  | 3 Rai, 3 Ngran, 21.1 Sq. wah of land at No 555/1, Moo 5, Nakhon Chuan Subdistrict, Muang District, Kamphaeng Phet                |
| Chiang Mai Branch      | 9 Rai, 2 Ngran, 26 Sq. wah of land at No 70, Moo 3, Changphuek Subdistrict, Muang District, Chiang Mai                           |
| Lampang Branch         | 3 Rai, 1 Ngran, 68.3 Sq. wah of land at No 380, Moo 13, Chompu Subdistrict, Muang District, Lampang                              |
| Phitsanulok Branch     | 2 Rai, 98 Sq. wah of land at No 815, Nai Muang Subdistrict, Muang District, Phitsanulok  |
| Chiang Rai Branch      | 6 Rai, 6.1 Sq. wah of land at No 85, Moo 13, Nanglae Subdistrict, Muang District, Chiang Rai                                     |
| Uttaradit Branch       | 3 Rai, 1 Ngran, 3.4 Sq. wah of land at No 279, Moo 3, Khungtapao Subdistrict, Muang District, Uttaradit                          |

## Assets Employed for the Operations

| The Surat Thani Plant                    |   |
|--|---|
| The Surat Thani Plant                    | 67 Rai, 1 Ngran, 76 Sq. wah of land at No 111, Moo 5, Tha Rong Zang Subdistrict, Phumphin District, Surat Thani |
| Housing of Surat Thani Plant's Manager   | 1 Ngran, 41.6 Sq. wah of land at No 96/96, Moo 5, Banglung Subdistrict, Muang District, Surat Thani             |
| Chumphon Branch                          | 2 Rai, 52.8 Sq. wah of land at No 399/1 Taklaed Subdistrict, Muang District, Chumphon                           |
| Undeveloped land in Bangluak Subdistrict | 7 Rai, 83.3 Sq. wah of land Muang District, Chumphon  |
| Nakhon Si Thammarat Branch               | 15 Rai, 3 Ngran, 27.3 Sq. wah of land at No 383, Tanua Subdistrict, Muang District, Nakhon Si Thammarat         |

  

| The Chonburi Plant |  |
|--------------------|--|
| The Chonburi Plant | 42 Rai, 3 Ngran, 72 sq. wah land at No 700/569, Moo 6, Nong Mai Daeng Subdistrict, Muang Chonburi District, Chonburi |

  

| Subsidiary Company          |  |
|-----------------------------|--|
| Serm Suk Beverage Co., Ltd. | 25 Rai, 3 Ngran, 14 Sq. wah of land at Nong Mai Daeng Subdistrict, Muang Chonburi District, Chonburi |

### 1.2 Buildings and Warehouses (including rental right) Net book value as at December 31, 2011 of Baht 925.7 million at the following locations:

Patamthani, Rama 8, Thonburi, Klong Ton, Bang Khren, Theparak, Ratchaburi, Sriracha, Rayong, Prachinburi, Uthong, Chantaburi, Pramburi, Phetchaburi, Nakhon Pathom, Kanchanaburi, Nonthaburi

Nakhon Ratchasima, Khon Kaen, Udon Thani, Ubon Ratchathani, Surin, Roi Et, Sakon Nakhon, Buriram, Loei, Pak Chong, Sisaket, Mukdahan, Chaiyaphum

Nakhon Sawan, Lopburi, Chiang Mai, Lampang, Phitsanulok, Phetchabun, Chung Rai, Kamphaeng Phet, Saraburi, Uttarakit, Sing Buri, Vichienburi

Surat Thani, Chumphon, Phuket, Nakhon Si Thammarat Chonburi

Plant buildings and warehouses of the Subsidiary Company

## Assets Employed for the Operations

### 1.3 Plant, Machinery, and Equipment Net book value as at December 31, 2011 of Baht 1,498.2 million

|                                |                     |
|--------------------------------|---------------------|
| The Pathum Thani Plant         | 12 Production Lines |
| The Nakhon Ratchasima Plant    | 4 Production Lines  |
| The Nakhon Si Thammarang Plant | 5 Production Lines  |
| The Surat Thani Plant          | 3 Production Lines  |
| The Chonburi Plant             | 4 Production Lines  |

The Company estimated useful life of the machinery at 10-20 years. However, some of the above machinery has been in the operation for over 10 years with regular preventive maintenance, overhaul and reconditioning to maintain optimal working condition.

Serm Suk Beverage Co., Ltd. operates the Production Machinery in two production lines (including 1 production line belonging to Pepsi-Cola (Thailand) Trading Co., Ltd.)

### 1.4 Other Fixed Assets consist of:

| Fixed assets               | Value - Million Baht |
|----------------------------|----------------------|
| Condominium                | 29.9                 |
| Vehicles                   | 457.2                |
| Furniture & Fixtures       | 43.7                 |
| Plastic pallets            | 26.2                 |
| Assets under construction  | 213.2                |
| High voltage equipment     | 15.9                 |
| Market Promotion Equipment | 382.2                |

### Investment

| Name of the Company         | Type of Business                       | Net Book Value (Baht mil.) | Investment Percentage (%) | Investment Cost (Baht mil.) | Investment Value (Baht mil.) | Other Major Shareholders                               |
|-----------------------------|--|----------------------------|---------------------------|-----------------------------|------------------------------|--|
| Serm Suk Holdings Co., Ltd. | Shareholding and investment management | 256.0                      | 99.99%                    | 256.0                       | 249.9                        | None   |
| Serm Suk Beverage Co., Ltd. | Manufacture and sales of beverages     | 689.0                      | 99.99%*                   | 689.0                       | 341.6                        | None   |
| Pedcom (Thailand) Co., Ltd. | Manufacture and sales of PET polymers  | 75.0                       | 40.00%                    | 50.0                        | 18.4                         | Indorama Polymers P.C.                                 |
| The Pet Co., Ltd.           | Manufacture of Plastic and PET Bottle  | 76.0                       | 10.00%                    | 7.0                         | 7.0                          | The Siam Drums Industry Co., Ltd.                      |
| Bangkok Glass Co., Ltd.     | Manufacture of Glass bottles           | 1,350.0                    | 0.99%                     | 36.6                        | 36.6                         | Boon Road Brewery Co., Ltd.                            |
| Pepsack Co., Ltd.           | Manufacture of Plastic and PET bottles | 76.0                       | 10.00%                    | 8.8                         | 8.0                          | Bangkok Glass Co., Ltd.<br>Boon Road Brewery Co., Ltd. |

\* Shares held by Serm Suk Holdings Co., Ltd. is wholly owned (100%) subsidiary of Serm Suk PCL.

## Assets Employed for the Operations

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Investment policy in subsidiary, associated, and other related companies: The Company emphasizes investment in related businesses such as manufacturers and suppliers of raw materials, packaging materials, and production supplies. Thus, the Company can be assured of access to quality materials and supplies without any interruption even during periods of shortage or crisis.

- Direct Subsidiary Company: Serm Suk Holdings Co., Ltd. The company designated 2 executives to be members on the board of directors
- Indirect Subsidiary Company: Serm Suk Beverage Co., Ltd. The company designated 2 executives to be members on the board of directors
- Associated Company: Perform (Thailand) Co., Ltd. The company designated 4 executives to be members on the board of directors

The designated directors are involved in setting and overseeing policies for the subsidiary and associated companies through regular attendance at Board of Directors Meetings and Working Committee Meetings, as well as exercising their voting rights according to the proportion of share holdings.

### Proportion of Net Investment in the Subsidiary and Associated Company to Total Assets

Investment value per equity method:

- |  |       |
|--|-------|
| • Subsidiary Company: Serm Suk Holdings Co., Ltd.  | 2.89% |
| • Associated Company: Perform (Thailand) Co., Ltd. | 0.14% |

1. Pepsi-Cola (Thai) Trading, the Company's major shareholder, filed petitions in four cases with the Civil Court:
  - The resolution of the Extraordinary General Meeting of Shareholders No. 1/2010 under the Black Case No. 4128/2553
  - The resolution of the Extraordinary General Meeting of Shareholders No. 2/2010 under the Black Case No. 113/2554
  - The resolution of the Extraordinary General Meeting of Shareholders No. 1/2011 under the Black Case No. 863/2554
  - The resolution of the 2011 Annual General Meeting of Shareholders under the Black Case No. 1821/2554

The Civil Court ordered all 4 cases to be consolidated. On October 17, 2011, Pepsi-Cola (Thai) Trading Co., Ltd., requested the court to issue a permit for Pepsi to withdraw the petitions and removed all the cases from the case list. Later, on October 25, 2011, the court permitted Pepsi to withdraw the petitions and removed all four aforementioned cases from the case list.

3. SBR filed a lawsuit with the Southern Bangkok Civil Court against Thailand Securities Depository Company Limited, the Company, and Mr. Sarat Chokeyarnai under The Black Case No. 791/2554 as a result of the Civil Court's injunction that prohibited SBR from exercising its voting rights as a shareholder in the 2011 Annual General Meeting of Shareholders, and claimed damages of 30 million baht. On October 18, 2011, the court permitted SBR to withdraw the case and removed the case from the case list.
2. SBR filed a lawsuit with the Southern Bangkok Civil Court against the Company and certain directors who were appointed by the 2011 Annual General Meeting of Shareholders to prohibit the directors from performing their duties under The Black Case No. 917/2554. On October 17, 2011, the court permitted SBR to withdraw the case and removed the case from the case list.

The Company has liabilities that may arise from the lawsuit filed against the Company for compensation of 19.28 million baht to offset the goods that remain undelivered and staff dismissal. The case is under the court's procedures. However, the Company has used its deposit of 2.44 million baht as collateral with the court.

## Capital Structure

### 1 Securities

#### Capital-Ordinary Shares

As at December 31, 2011, the Company's registered share capital was Baht 265,900,484 consisting of 265,900,484 ordinary shares with the par value of Baht 1 each. Paid-up capital is Baht 265,900,484 consisting of 265,900,484 ordinary shares with the par value of Baht 1 each.

### 2 Shareholders

#### Major Shareholders

As of the close of the Share Register Book on March 9, 2012 for invitation to the Annual General meeting of shareholders meeting No. 1/2012

|     | Name                              | Number of Shares | % of Total Shares |
|-----|-----------------------------------|------------------|-------------------|
| 1.  | Thai Beverage Logistics Co., Ltd. | 171,823,138      | 64.66 %           |
| 2.  | SS National Logistics Co., Ltd.   | 86,732,207       | 32.62 %           |
| 3.  | Mrs./Duangluaw Traikulpipat       | 621,000          | 0.23 %            |
| 4.  | Captain Nirong Phatnalaoh         | 574,300          | 0.22 %            |
| 5.  | Miss Nanthana Yuenmunas           | 300,000          | 0.11 %            |
| 6.  | Thai NVDR Co., Ltd.               | 275,105          | 0.10 %            |
| 7.  | SS Integration Co., Ltd.          | 214,900          | 0.08 %            |
| 8.  | Mr. Sophon Mitaphanperich         | 191,000          | 0.07 %            |
| 9.  | Mrs. Laxan Wangklee               | 187,410          | 0.07 %            |
| 10. | Khunying Channongkui Hanjankul    | 168,000          | 0.06 %            |



### 3 Dividend Pay-out Policy

Dividend policy for Serm Suk Public Co., Ltd. and its subsidiary company:

- There will be no payment of dividends from funds other than profit.
- There will be no dividend payment if the Company carries accumulated losses.
- Dividends will be paid for each share equally.
- The Board of Directors may declare an interim dividend payment to the shareholders if the Company has sufficient profit for the payment and has to report such a payment to the shareholders in the subsequent shareholders' meeting.
- Dividend payment must be made within 1 month after approval from the shareholders' meeting or, in the case of an interim dividend, the Board of Directors. Notification of such dividend payment must be sent to the shareholders and published in a Thai newspaper for 3 consecutive days.
- In case the Company has not fully issued all its registered shares or the Company has registered for a share capital increase, with approval from the shareholders' meeting, the Company may pay part or all of the dividends by issuing new ordinary shares to the shareholders.
- The Company has a policy to pay dividends with a payout ratio of not less than 40% of its net profit for each fiscal year after providing a legal reserve and carrying forward losses (if any) as required by law. However, the actual dividend payment will depend on the Company's cash flow position, investment plan, obligations and other conditions of the agreements as well as other necessities and appropriateness in the future.

## The Management

### 1 Management Structure

#### The Board of Directors of the Company

The Board of Directors as at December 31, 2011 consisted of following Directors:

| Name   | Position   |
|--|--|
| Mr. Phoripong Lamsam <sup>1</sup>              | Independent Director, Chairman and Member of Audit Committee   |
| Mr. Suchin Wanglee <sup>2</sup>                | Vice Chairman No.1 and Member of Compensation Committee  |
| Prof. Dr.Wissana Koo-Nigam <sup>3,4</sup>      | Vice Chairman No.2   |
| Mr. Chotiphut Bijananda <sup>4,1</sup>         | Vice Chairman No.3 and Member of Nominating and Corporate Governance Committee                                     |
| Mr. Thapana Sirivadhanabhakdi <sup>4,1</sup>   | Vice Chairman No.4, Chairman of Nominating and Corporate Governance Committee and Member of Compensation Committee |
| Mr. Somchai Bulook                             | Director, Chairman of Executive Committee and CEO and Member of Nominating and Corporate Governance Committee      |
| Mr. Dittavute Bulook                           | Director and President   |
| Mr. Prawong Sukkhum                            | Independent Director and Member of Audit Committee   |
| Prof. Khunying Surasuda Khamwansa              | Independent Director and Chairman of Audit Committee   |
| Mr. William Edward Heinicke                    | Independent Director and Chairman of Compensation Committee  |
| Honorary Prof. Kasat Charechalern <sup>1</sup> | Independent Director   |
| Mr. Sakchai Thanaboonchai <sup>2</sup>         | Director   |
| Mr. Rungtan Thammawong <sup>2</sup>            | Director   |
| Mr. Sittichai Chaitrangkul <sup>2</sup>        | Director   |
| Mr. Kam Chitavornrat <sup>2</sup>              | Director   |

Notes:

1. Appointed as Director on April 26, 2011

2. Appointed as Vice Chairman on May 24, 2011

3. Appointed as Vice Chairman on October 4, 2011

4. Appointed as Chairman on May 14, 2011

4. Appointed as Director on September 14, 2011

#### Names and Number of Authorized Directors

- Any one out of the following six directors – Mr. Somchai Bulook, Mr. Suchin Wanglee, Prof. Dr. Wissana Koo-Nigam, Mr. Thapana Sirivadhanabhakdi, Mr. Dittavute Bulook and Mr. Sakchai Thanaboonchai, together with anyone out of the following four directors – Mr. Chotiphut Bijananda, Mr. Rungtan Thammawong, Mr. Sittichai Chaitrangkul and Mr. Kam Chitavornrat may sign and affix the Company seal to legally bind the Company.
- Two out of the following ten directors – Mr. Somchai Bulook, Mr. Suchin Wanglee, Prof. Dr. Wissana Koo-Nigam, Mr. Thapana Sirivadhanabhakdi, Mr. Dittavute Bulook, Mr. Sakchai Thanaboonchai, Mr. Chotiphut Bijananda, Mr. Rungtan Thammawong, Mr. Sittichai Chaitrangkul and Mr. Kam Chitavornrat, may sign and affix the Company seal to legally bind the Company in the application form for permits or for the tender of document with the Revenue Department, the Customs Department, the Ministry of Commerce's Department of Business Development, Office of Foreign workers under the Immigration Bureau, the Department of Skill Development under the Ministry of Industry, the Ministry of Public Health and other related state agencies that are involved in tax payment reporting, import and export documentation, corporate establishment registration, amendments to corporate registration, visa renewal, work permits and corporate business permits.

## The Management

The Company's executive committee appointed on October 4, 2011 and as at December 31, 2011 is composed of the following members:

|                                     |  |
|-------------------------------------|--|
| (1) Mr. Somschai Bulsook            | Chairman of Executive Committee            |
| (2) Mr. Thanapana Sirivadhanabhakdi | Vice Chairman of Executive Committee No. 1 |
| (3) Mr. Sathichai Chalkriangkul     | Vice Chairman of Executive Committee No. 2 |
| (4) Mr. Dhitrivute Bulsook          | Director                                   |
| (5) Mr. Choriphant Bijananda        | Director                                   |
| (6) Mr. Kam-Chitranimol             | Director                                   |

The Executives of the Company as at December 31, 2011 are as follows:

| Name                         | Position                                |
|------------------------------|---|
| Mr. Somschai Bulsook         | Chief Executive Committee               |
| Mr. Dhitrivute Bulsook       | President                               |
| Mr. Thanongsak Outhanonth    | Finance Director                        |
| Mr. Anshukrit Visudibphan    | Human Resources Director                |
| Mr. Parinya Pempnanich       | Marketing and Sales Operation Director  |
| Mr. Somsuek Sawanich         | Technical Director                      |
| Mr. Pibul Worawath           | General Plant Manager, Pathumthani      |
| Mr. Sin Kusri                | General Plant Manager, Nakhonsawan      |
| Mr. Kwanchai Mahagarnprachak | General Plant Manager, Nakhonratchasima |
| Mr. Vinaj Itthikunjon        | General Plant Manager, Suratthani       |

### 2. Nomination and Appointment of Directors

The Nominating and Corporate Governance Committee is responsible for the selection of qualified and experienced individuals for the Board of Directors. These are then considered by the Company's Board of Directors and shareholders and elected as appropriate.

The Board of Directors is elected by the shareholders at a General Meeting according to the Company's Articles of Association, which set forth the following procedures:

- Members of the Company's Board of Directors must be elected by the shareholders. A Shareholder shall have a number of votes which is equivalent to the number of shares held by him/her;
- Each Shareholder may exercise all the votes he/she has to elect one or more persons as Directors, but he/she may not split his/her votes among any such persons;
- The persons receiving the highest number of votes in respective order shall be appointed as Directors. The number of Directors will depend on the requirements set at such time. In the event that a number of persons receive an equal number of votes for the last directorship, resulting in the number of Directors being more than is required at such time, the Chairman of the meeting shall have the deciding vote.

## The Management

If a directorship becomes vacant for any reason other than by rotation, the Board of Directors shall elect a person, who is qualified and does not have any prohibited characteristics as provided in Sections 68 of the Public Limited Company Act B.E. 2535, as a director to fill the vacancy. The election shall take place at the subsequent Board of Directors' meeting unless the remaining term of the director is less than 2 months. The Director who fills the vacancy shall retain his office only for the remaining term of the office of the Director whom he replaces. For these purposes the resolution of the Board of Directors shall require not less than three-fourths of the votes of the remaining directors.

### 3 Directors and Management's Fees and Remuneration

#### 3.1 Fees and Remuneration in the form of cash)

##### Directors Fees

Detail of Director's remuneration paid in 2011:

| Name                              | Remuneration   | Amount  | Total Amount |
|-----------------------------------|--|---|--------------|
| Poi Capt. Prasit Tambetthi *      | Director fee<br>Meeting allowance<br>2010 Director bonus   | 80,000<br>120,000<br>2,141,635                  | 2,341,635    |
| Mr. Pholipong Lamsam <sup>†</sup> | Director fee<br>Meeting allowance<br>Annual fee and meeting allowance<br>Audit Committee<br>2010 Director bonus          | 220,000<br>400,000<br>155,000<br>-<br>1,384,730 | 2,159,730    |
| Mr. Cherdpan Bulook *             | Director fee<br>Meeting allowance<br>2010 Director bonus   | -<br>-<br>470,668                               | 470,668      |
| Mr. Surajit Wanglee *             | Director fee<br>Meeting allowance<br>2010 Director bonus   | -<br>-<br>319,778                               | 319,778      |
| Mr. Surin Goathanugrah *          | Director fee<br>Meeting allowance<br>2010 Director bonus   | -<br>-<br>466,466                               | 466,466      |
| Mr. John William Hancock *        | Director fee<br>Meeting allowance<br>2010 Director bonus   | -<br>-<br>997,474                               | 997,474      |
| Mr. Somchai Bulook                | Director fee<br>Meeting allowance<br>Annual fee and meeting allowance<br>Nominating and Corporate<br>2010 Director bonus | 240,000<br>520,000<br>40,000<br>-<br>2,141,635  | 2,941,635    |
| Mr. Jakkrin Bulook *              | Director fee<br>Meeting allowance<br>2010 Director bonus   | 40,000<br>100,000<br>1,070,817                  | 1,210,817    |
| Mr. Suchin Wanglee *              | Director fee<br>Meeting allowance<br>Annual fee and meeting allowance<br>Compensation Committee<br>2010 Director bonus   | 160,000<br>270,000<br>55,000<br>-<br>751,039    | 1,236,039    |

## The Management

| Name                             | Remuneration   | Amount   | Total Amount |
|----------------------------------|--|--|--------------|
| Mr. Prasong Sukhum               | Director fee<br>Meeting allowance<br>Annual fee and meeting allowance<br>Audit Committee<br>2010 Director bonus  | 120,000<br>200,000<br>204,545<br>-<br>1,070,817              | 1,595,382    |
| Prof. Khuying Sathada Ratanadana | Director fee<br>Meeting allowance<br>Annual fee and meeting allowance<br>Audit Committee<br>2010 Director bonus  | 120,000<br>240,000<br>185,435<br>-<br>1,070,817              | 1,616,252    |
| Mr. Dittitruet Suksook           | Director fee<br>Meeting allowance<br>2010 Director bonus   | 120,000<br>260,000<br>751,039                                | 1,131,039    |
| Mr. Manu Anand *                 | Director fee<br>Meeting allowance<br>Annual fee and meeting allowance<br>Nominating and Corporate<br>Annual fee and meeting allowance<br>Compensation Committee<br>2010 Director bonus | 84,457<br>100,000<br>28,152<br>-<br>43,152<br>-<br>1,070,817 | 1,226,578    |
| Mr. Ronald Stuart McEachern *    | Director fee<br>Meeting allowance<br>Annual fee and meeting allowance<br>Nominating and Corporate<br>2010 Director bonus   | 84,457<br>60,000<br>28,152<br>-<br>1,070,817                 | 1,243,426    |
| Mr. Stefano Sartoretti *         | Director fee<br>Meeting allowance<br>2010 Director bonus   | 84,457<br>80,000<br>1,070,817                                | 1,235,274    |
| Mr. Tanmaya Vats *               | Director fee<br>Meeting allowance<br>2010 Director bonus   | 84,457<br>100,000<br>1,070,817                               | 1,255,274    |
| Mr. William Eliwood Heinicke     | Director fee<br>Meeting allowance<br>Annual fee and meeting allowance<br>Compensation Committee<br>2010 Director bonus   | 120,000<br>200,000<br>105,000<br>-<br>1,070,817              | 1,495,817    |
| Mr. Thapana Sriwadhanabhai **    | Director fee<br>Meeting allowance<br>Annual fee and meeting allowance<br>Compensation Committee<br>Annual fee and meeting allowance<br>Nominating and Corporate<br>2010 Director bonus | 49,891<br>60,000<br>9,565<br>-<br>19,130<br>-<br>-           | 138,586      |

## The Management

| Name  | Remuneration   | Amount                              | Total Amount |
|---|--|-------------------------------------|--------------|
| Mr.Chotipat Bijananda <sup>1)</sup>             | Director fee<br>Meeting allowance<br>Annual fee and meeting allowance<br>Nominating and Corporate<br>2010 Director bonus | 49,891<br>40,000<br>9,565<br>-<br>- | 99,456       |
| Mr. Sithichai Chaikriangkrai <sup>2)</sup>      | Director fee<br>Meeting allowance<br>2010 Director bonus   | 35,543<br>60,000<br>-               | 95,543       |
| Mr.Kam Chitaravinnol <sup>3)</sup>              | Director fee<br>Meeting allowance<br>2010 Director bonus   | 35,543<br>60,000<br>-               | 95,543       |
| Prof. Dr.Wisana Krea-Nigam <sup>4)</sup>        | Director fee<br>Meeting allowance<br>2010 Director bonus   | 94,348<br>140,000<br>-              | 234,348      |
| Honorary Prof. Rawat Chanchaleern <sup>5)</sup> | Director fee<br>Meeting allowance<br>2010 Director bonus   | 80,000<br>120,000<br>-              | 200,000      |
| Mr.Sakchai Tharaboonchai <sup>6)</sup>          | Director fee<br>Meeting allowance<br>2010 Director bonus   | 80,000<br>160,000<br>-              | 240,000      |
| Mr.Rangsan Thammanadwong <sup>7)</sup>          | Director fee<br>Meeting allowance<br>2010 Director bonus   | 80,000<br>160,000<br>-              | 240,000      |
| Total Director Compensation paid in 2011        |  | 24,395,760                          | 24,395,760   |

<sup>1)</sup> Completed directorship term and Vice Chairman of the Board of Directors term on April 28, 2010

<sup>2)</sup> Completed directorship term on April 26, 2010

<sup>3)</sup> Resigned from directorship on June 8, 2010

<sup>4)</sup> Resigned from directorship on December 7, 2010

<sup>5)</sup> Completed directorship term on April 28, 2011

<sup>6)</sup> Appointed as director on April 29, 2011

<sup>7)</sup> Appointed as Chairman of the Board of Directors on May 24, 2011

<sup>8)</sup> Appointed as Vice Chairman of the Board of Directors on May 24, 2011

<sup>9)</sup> Resigned from directorship on September 19, 2011

<sup>10)</sup> Appointed as director on September 14, 2011

<sup>11)</sup> Appointed as director on April 24, 2011 and appointed as Vice Chairman on October 6, 2011

<sup>12)</sup> Appointed as director on September 14, 2011 and appointed as Vice Chairman on October 6, 2011

Chief Executive Officer and 9 other executives are remunerated as follows:

|  | 2010              |   | 2011              |   |
|--|-------------------|---|-------------------|---|
|  | No. of Executives | Total Amount (Baht)                           | No. of Executives | Total Amount (Baht)                           |
| Salary<br>Provident Fund<br>Remuneration/Bonus | 7                 | 66,158,735.00<br>3,047,563.15<br>6,171,167.20 | 10                | 69,427,713.45<br>3,171,033.60<br>3,925,146.60 |
| <b>Total</b>                                   |                   | <b>75,357,464.35</b>                          |                   | <b>76,523,893.65</b>                          |

## 3.2 Other Compensation

### Executives Long-term Incentive Plan (Phantom Plan)

The Board of Directors/meeting No.4/2006 held on June 13, 2006 passed a resolution approving the establishment of a new long-term incentive program to the Company's executives (Phantom Plan) replacing the Executive Stock Incentive Plan (ESIP) of which the final allotment for its 5th year was completed in 2005. The new incentive program is a 5 year program covering 2006 - 2010 giving each executive the non-transferable incentive units calculated as a fixed percentage of salary divided by the conversion price. The conversion price is set at the earnings per share of the year prior to the grant date multiplied by approved target growth and a tenfold price earnings ratio. The incentive payment will be made in the form of cash payment to each executive 5 years after the granting date of the incentive units. The payment will equal the number of incentive units multiplied by the redemption price whereas the redemption price is calculated from the 3 year average EPS multiplied by 10 times of the price earnings ratio. The second and third payment of incentives were paid in 2009 and 2011 respectively.

## 4 Corporate Governance

The Company's Board of Directors consists of 15 members elected by the resolution of the Shareholders' meeting as mandated by the Company's Articles of Association. With extensive knowledge and experience in the business area, the Board of Directors defines the policies, vision, strategies, objectives and business trends for the Company and enables the Company's management to run the Company's business in an efficient manner in accordance with the Company's business objectives. The Board of Directors appoints the Chairman of the Board and the Chairman of Executive Committee & Chief Executive Officer. The Chairman of Executive Committee & Chief Executive Officer is authorized to manage the Company's business under usual business norms and the direction from the Board of Directors.

A minimum of four Board of Directors meetings are required every year. However, in order to resolve any urgent issues, a special meeting may be called as necessary. In 2011, there were a total of 13 meetings.

The Board of Directors appoints an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee, an Executive Committee and a Risk Management Committee. The composition and responsibility of these committees are set out under Item 12 of the 15 Principles of Good Governance.

## The Management

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The Board of Directors exercises its managerial role through the review of management reports made at the Board of Directors meetings as to the Company's operations and performance, compared to the operating plan and performance of the previous year. Moreover, the Board's approval or ratification is required for the implementation of important policies and projects, for example, projects involving substantial investment, transactions with related parties, etc.

The Board of Directors is committed to adhering to the Code of Best Practices for the Directors. Review and scrutiny of the Company's management has been carried out regularly and honestly to ensure compliance with laws, the Company's objectives and regulations, and the resolutions of the shareholders' meeting, with due care for the Company's benefits and responsibility to the shareholders.

As required by the Securities Exchange Commission and Stock Exchange of Thailand that all listed companies disclose their compliance with the 15 principles of good governance, the Company summarizes its compliance status as follows:

1. **Policy on Corporate Governance:** The Board of Directors Meeting has approved the Company's Corporate Governance Policy as follows:

*The Board of Directors believes in the principles of good corporate governance and recognizes its importance in strengthening the trust of its shareholders, its stakeholders and the public at large, and increasing shareholder value. The Board of Directors is thus committed to compliance with corporate governance guidelines issued by the regulatory bodies that govern the operations of public companies, and to the implementation of such other standards that are appropriate to the proper conduct of the business of the Company.*

2. **Shareholders - Rights and Equitable Treatment:** The Company encourages shareholders to exercise their legal rights, such as rights to receive their share of profits in the form of dividends, rights to freely transfer the Company's stock, rights to access the Company's news and information, rights to attend and vote in the shareholders' meetings.

To ensure shareholders' access to updated news and information, the Company announces its operating results and important information to the shareholders the Securities Exchange of Thailand and on the Company's website. For each shareholders' meeting, the Company will send shareholders an invitation letter at least fourteen days before the meeting, setting out the meeting agenda and including the supporting documents (via the Company Registrar), so as to provide Shareholders enough time to review the detailed information. The invitation letter and other Annual General Shareholders' Meeting materials will also be posted on the Company's website. The Company also publishes the Shareholder invitation letter in a daily newspaper, both Thai and English, 3 days before the meeting.

In 2012, the Annual General Meeting of Shareholders will be held on April 19, 2012.

3. **Stakeholders' Rights:** The Company recognizes the Stakeholders' rights and the protection of their interests in the Company as per the following policies:

**Shareholders:** The Company acknowledges the responsibility to increase the shareholders' benefit and provide sufficient information on the Company's operations and performance to all shareholders. With this objective, the business operations of the company have been conducted carefully and transparently in order to increase sales, profits and financial strength. The Company has also continuously improved its business processes to increase operating efficiency and cost control, which has resulted in better performance.



**Employees:** Employees' ethics and discipline in the operation of the business are strongly stressed, as they result in a good reputation and image for both the Company and its employees. The Company provides a good working environment, equal opportunity and fair treatment to all employees, with no discrimination on the basis of sex, race or religion.

**Customers:** The Company realizes the importance of customers and consumers' rights to receive good quality products at a fair price, including product trial opportunities and the benefits from sales promotion campaigns. The Company has established an active system to receive customer complaints regarding products and services, providing quick responses and corrective actions.

**Suppliers, Business partners, and Competitors:** The Company has a purchasing policy for suppliers to allow open bids, in order to ensure a fair deal based on good quality products and services at a reasonable price. The Company is committed to free trade and fair competition according to the law.

**Community:** The Company is highly cognizant of its social responsibility with activities contributing to the wellness of society, such as the Song Bursook Foundation's scholarships to students, the Dek Thai Kai Lai Kheng Rang Project<sup>1</sup>, an initiative to promote health among youth through sports; the Green Community Project for environment protection and sustainability; occupational promotion and income generation for communities by providing support via the company's channels of product distribution.

**Environmental Protection:** The Company recognizes the importance of environmental protection and actively participates in environmental protection and energy saving programs to prevent air and water pollution and manage unused materials by using Clean Technology and the 3R (Reduce, Reuse and Recycle) concept in all of its manufacturing and distribution procedures. The Company has operated under the 5 Serm Suk Green Dimensions which are water, packaging, energy, environment and human resources. The Company has broadened its environmental activation to the public by being an environmental conservation and protection model for external parties and other enterprises, aiming to form a major force that drives environmental and social sustainability in Thailand and allows Serm Suk to grow in a good and sustainable environment in Thailand.

4. **Shareholders' Meetings:** The Company allocates enough time at Shareholders' meetings for Shareholders to express their opinions and question the Chairman, Board Members, and Board Committees about the Company's operations. Directors and Chairman of several sub-committee join the meeting and provide clarifications and answers to shareholders' questions.
5. **Leadership and Vision of the Board of Directors:** The members of the Board of Directors are qualified and experienced individuals who have vision, exercise independence in making important decisions, and set up policies and directions for the benefit of the Company and shareholders.
6. **Conflicts of Interest:** The Company believes in the need for the independence of its directors and management, to prevent any conflict of interest, and to strictly comply with the direction and regulations of the Securities and Exchange Commission and the Stock Exchange of Thailand – especially conflict of interest regarding connected persons from connected transactions or the conflict of interest of an employee from his responsible duty. The Company Code of Conduct for Directors provides that at a Board of Directors meeting, a director who has an interest in any item on the agenda is not permitted to attend the meeting during the discussion of such matter and is not entitled to vote.
7. **Business Ethics:** The Company emphasizes business ethics throughout its operations by cooperating with governmental agencies and ensuring regular compliance with laws and regulations. The Company Code of Conduct for Directors and the Employee's Code of Conduct contain specific provisions in this respect with annual review and written acknowledgement by the Company's executives.

## The Management

### 8. Balance of Power for Non-Executive Directors

Definition of "Independent Director":

An Independent Director is the director elected by shareholders who:

- Holds shares of not more than 1 percent of paid-up capital of the Company, affiliated company, associated company or related company, which shall be inclusive of the shares held by related persons;
- Does not take part in the management, or being an employee, staff member or advisor who receives a regular salary, or having direct or indirect benefit or interest in the finance and management of the Company, affiliated company, associated company or majority shareholder of the company;
- Is not a related person or close relative of any management member or majority shareholder of the Company;
- Is not appointed as a representative to safeguard interests of the Company's directors, majority shareholders or shareholders who are related to the Company's majority shareholders;
- Is capable of performing duties, giving opinions as a director free and clear of the control of the management or the majority shareholders of the Company including related persons or close relatives of the said persons.

The Company acknowledges the need to appoint outside and independent directors. The Board of Directors as at December 31, 2011 consisted of 6 executive directors, 4 non-executive directors and 5 independent directors.

### 9. Aggregation or Segregation of Duties: The positions of Chairman of the Board of Directors and the Chief Executive Officer are held by different persons, in order to clearly segregate duties in setting corporate policy and daily management. Approval from the Board of Directors and/or shareholders is required on major and material matters. The Company operating performance is regularly reported at least 4 times annually at the Board of Directors Meetings, and the Board is able to review and ask questions about operating performance and the management.

### 10. Directors Fees and Management Remunerations: Directors' remuneration consists of directors' fees and directors' bonuses, as approved by the shareholders in the Annual General Meeting No. 1/2011 held on April 29, 2011

- The Chairman of the Board and the Chairman of Executive Committee and Chief Executive Officer each receives an annual fee of Baht 340,000 and a meeting allowance of Baht 40,000/meeting.
- The Vice Chairman of the Board receives an annual fee of Baht 180,000 and a meeting allowance of 30,000/meeting
- And other directors each receive an annual fee of Baht 120,000 and a meeting allowance of 20,000/meeting.

In addition, the Board of Directors received a total bonus of Baht 18 million for 2010 performance, which was allocated between directors in proportion to their annual director's fees.

Sub-committee's remuneration was approved by the shareholders in the Annual General Meeting No. 1/2008 held on April 29, 2008 as follows:

## The Management

### The Audit Committee:

The Chairman of the Audit Committee receives a Baht 160,000 annual fee and meeting allowance of Baht 50,000 per meeting. Members of the Audit Committee each receive a Baht 80,000 annual fee and meeting allowance of Baht 25,000 per meeting.

### The Compensation Committee:

The Chairman of the Compensation Committee receives a Baht 80,000 annual fee and meeting allowance of Baht 25,000 per meeting. Members of the Compensation Committee each receive a Baht 40,000 annual fee and meeting allowance of Baht 15,000 per meeting.

### The Nominating and Corporate Governance Committee:

The Chairman of the Nominating and Corporate Governance Committee receives a Baht 80,000 annual fee and meeting allowance of Baht 25,000 per meeting. Members of the Nominating and Corporate Governance Committee each receive a Baht 40,000 annual fee and meeting allowance of Baht 15,000 per meeting. The Management's remuneration is recommended by the Compensation Committee for approval by the Board of Directors and/or the shareholders, as appropriate.

**11. Board of Directors' and Board Committee Meetings** The Board holds at least four meetings annually. The Directors' meetings are pre-scheduled with notices of the meeting sent out to Directors at least 7 days prior to the meetings. Chairman of the Board of Directors and Chairman of the Executive Committee jointly proposed the topics of discussions contained in the Agenda and opened a chance for other directors or members of the subcommittees to propose their topics for inclusion in the agenda. There is enough time provided for discussion. Questions raised by the directors are explained and clarified by the responsible executives. The written minutes of the meetings as approved by the Board of Directors are maintained for future verification. In 2011, there were 13 Board of Directors meetings.

Other sub-committee meetings were held as appropriate. In 2011 there were 5 Audit Committee meetings and 1 Compensation Committee meetings, with the attendance of directors and members of committees as follows:

| Board of Directors meetings 2011                     |                    |                 |                        |   |
|--|--------------------|-----------------|------------------------|---|
| Directors  | Meeting            |                 |                        |   |
|  | Board of Directors | Audit Committee | Compensation Committee | Nominating and Corporate Governance Committee |
| Pol Capt. Pook Tansattul <sup>1</sup>                | 3/5                |                 |                        | 6/6   |
| Mr. Phodjongs Lamsan <sup>1,2</sup>                  | 11/13              | 4/5             |                        | 5/5   |
| Mr. Somchai Suksook                                  | 13/13              |                 |                        | 5/5   |
| Mr. Suchon Wangkai <sup>3</sup>                      | 11/13              |                 | 1/1                    | 5/5   |
| Mr. Jakrit Bubook <sup>3</sup>                       | 3/5                |                 |                        | 5/5   |
| Prof. Khueyung Surasak Kuanandana <sup>1</sup>       | 13/13              | 5/5             |                        | 5/5   |
| Mr. Pongsoo Suksoom <sup>1</sup>                     | 10/13              | 2/5             |                        | 5/5   |
| Honorary Professor Bannat Chamchaleen <sup>1,2</sup> | 6/6                |                 |                        | --  |
| Prof. Dr. Witsana Kree Ngam <sup>1</sup>             | 3/6                |                 |                        | --  |
| Mr. Sakchai Thanasoonchai <sup>1</sup>               | 8/8                |                 |                        | --  |
| Mr. Rungnart Thammawong <sup>2</sup>                 | 8/8                |                 |                        | --  |
| Mr. Mani Anand <sup>1</sup>                          | 3/5                |                 | 1/1                    | 5/5   |
| Mr. Stefano Sartorelli <sup>2</sup>                  | 4/5                |                 |                        | 5/5   |
| Mr. Ronald Stuart McLachlan <sup>1,2</sup>           | 3/5                |                 |                        | 6/6   |
| Mr. Tanmaye Vora <sup>1</sup>                        | 3/5                |                 |                        | 5/5   |
| Mr. Thepana Sirivathanatham <sup>1,2</sup>           | 3/5                |                 |                        | --  |
| Mr. Chaisat Ngarama <sup>1,2</sup>                   | 3/5                |                 |                        | --  |
| Mr. Sitichai Chakriangkul <sup>1</sup>               | 3/5                |                 |                        | --  |
| Mr. Ram Chakravimal <sup>1</sup>                     | 3/5                |                 |                        | --  |
| Mr. William Edward Helmske <sup>1</sup>              | 10/13              |                 | 1/1                    | 5/5   |
| Mr. Chitavee Bubook                                  | 13/13              |                 |                        | 5/5   |

## The Management

<sup>1</sup> Independent Director

<sup>2</sup> Completed directorship term on April 26, 2011

<sup>3</sup> Appointed as director on April 26, 2011

<sup>4</sup> Designated from directorship on September 14, 2011

<sup>5</sup> Appointed as director on September 14, 2011

<sup>6</sup> Non-resident Director

<sup>7</sup> Appointed as Chairman of the Board of Directors on May 24, 2011

<sup>8</sup> Appointed as Inter-Chairman on May 24, 2011

<sup>9</sup> Appointed as Inter-Chairman on October 4, 2011

### 12. Committees – several subcommittees are required to screen assignments for the Board of Directors including the Audit Committee and the Nominating and Corporate Governance Committees and the Compensation Committee:

The Board of Directors has set up the following sub-committees to work in particular areas:

#### Audit Committee

The Audit Committee consists of three members as follows:

|                                     |          |
|-------------------------------------|----------|
| Prof. Khunying Suchada Kiataramdana | Chairman |
| Mr. Photpong Lamsum                 | Director |
| Mr. Prasong Sukhum                  | Director |

The Audit Committee is responsible for the review of the Company's financial statements and internal control, including review of compliance with rules and regulation set by the Securities and Exchange Commission and Stock Exchange of Thailand, or related laws. The Audit Committee also reviews the Company's Internal Audit operations as well as considers and recommends the appointment of the Company's auditor and the disclosure of related transactions to ensure their accuracy and correctness. The Audit Committee also prepares the Audit Committee Report to summarize the completion of the activities assigned by the Board of Directors.

In the 2011 accounting period, there were 5 Audit Committee meetings including 4 regular meetings and 1 special meeting. The four regular meetings were held to review and examine the operations of the Company and its subsidiaries. The areas of review were the sufficiency and effectiveness of the internal control system, internal audit plan, audit report, while monitoring amendments made based on comments made and proposing solutions to significant issues as featured in the audit report. The meetings also facilitated proper risk management and reviewed quarterly and annual financial statements, together with the management as well as external and internal auditors. The emphasis was on the correctness of the balance sheet, its compliance with Generally Accepted Accounting Principles, sufficient disclosure of the financial statements, comments on connected transactions or transactions that would cause a conflict of interest, reviews of operations to ensure compliance with relevant laws, appointment of external auditors and review of the audit fee.

One exclusive meeting was held to review the independent financial advisor's report on the appropriateness of the tender price of the Company's shares as proposed by the tender offerer and give comments to the Board of Directors of the Company.

## The Management

### Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee consists of three members as follows:

|                                |          |
|--------------------------------|----------|
| Mr. Thapana Sirivadhanabhakdi* | Chairman |
| Mr. Somschai Bulsook           | Director |
| Mr. Chotiphat Bijananda*       | Director |

*Remark:* Appointed as directors of the Company on September 14, 2011 and joined the Nominating and Corporate Governance Committee on October 4, 2011. Mr. Manu Anand and Mr. Ronald Stuart McEachern resigned their directorships of the committee on September 14, 2011.

The Nominating and Corporate Governance Committee is responsible for the selection of qualified and experienced individuals to propose to the Board of Directors and shareholders for election as Directors; to make proposals for evaluation of Directors, and to develop and recommend to the Board appropriate actions to ensure good corporate governance. The committee also reviews many issues relating to corporate governance, including the Company's Corporate Governance Policy, the Director Code of Conduct, and the Charter of the Compensation Committee; the nature of connected transactions in order to avoid a conflict of interest of the executives and persons involved with setting policy; the nature of connected transactions in order to avoid a conflict of interest of the executives and persons involved with setting policy; the qualifications of independent directors; the policy for nominating directors and committee members; evaluating Board performance; preparation of the Director's Manual; directors' training with the IOD; and the disclosure of information on the Company's website.

### Compensation Committee

The Compensation Committee consists of three members as follows:

|                               |          |
|-------------------------------|----------|
| Mr. William Elwood Heinecke   | Chairman |
| Mr. Suchin Wanglee            | Director |
| Mr. Thapana Sirivadhanabhakdi | Director |

*Remark:* Appointed as a director of the Company on September 14, 2011 and joined the Compensation Committee on October 4, 2011. Mr. Manu Anand resigned his directorship on the committee on September 14, 2011.

The Compensation Committee is responsible for setting the policy and compensation structure to ensure fairness to and motivation of the employees and management. The Compensation Committee considers the annual salary adjustment, bonus payment, and the allocation of securities to the Company's executives and makes proposals to the Board of Directors and shareholders for approval.

In 2011, there was one meeting to review and approve the merit increase and bonus payment for the Chairman of the Executive Committee & CEO and to approve the 2011 operating objectives for the Chairman of the Executive Committee & CEO.

### Risk Management Committee

The Corporate Board of Directors has approved the forming of the Risk Management Committee that consists of six members as follows:

|                                    |               |
|------------------------------------|---------------|
| Prof. Dr. Witsanu Kees-Ngarn       | Chairman      |
| Prof. Khunying Suchada Ratanandana | Vice Chairman |
| Mr. Somschai Bulsook               | Director      |
| Mr. Thapana Sirivadhanabhakdi      | Director      |
| Mr. Sittichai Chaikongkoi          | Director      |
| Mr. Dittavate Bulsook              | Director      |

## The Management

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*Remark: The Risk Management Committee also includes four directors by positions including Finance Director, Marketing and Sales Operation Director, Human Resource Director and Technical Director.*

The Risk Management Committee is responsible for determining the strategy, policy and objectives to manage risk for the entire Company and to serve as guidelines for the Management of the Company to undertake more efficient risk management in the same direction and develop the Integrated Risk Management principles for all major risk factors facing the Company including business risk and operational risk.

13. **Control System and Internal Audit:** The audit of the Company's operations are conducted by the internal audit team, who work closely with the system's development team to implement policies and procedures for good internal control and effectiveness of the operations of all units. The audit findings together with audit recommendation are reported to the President and CEO after completion of the audit, and reported to the Audit Committee on a quarterly basis.
14. **Directors' Report:** The authorized directors are responsible for the preparation of the Company's financial statements, and are required to certify that report in Section 2 of Annual Report Form 56-1 submitted to the Stock Exchange of Thailand. In addition, the Management (i.e. Chairman of the Executive Committee & CEO and Finance Director) also certify quarterly as to the correctness of the financial statements and the responsibility to disclose information in compliance with the rules and regulations of the Stock Exchange of Thailand.
15. **Relations with Investors:** The Company reports its performance and important information to the Securities and Exchange Commission and the Stock Exchange of Thailand via the assigned media on a regular basis, and arranges meetings with individual investors by designated representatives of the Company.

## Internal Control

The Company employs a strict policy on the use of internal information, particularly confidential information about operations, business plans and performance of the Company which, if released inaccurately or prematurely, would cause damage to the Company and/or its shareholders.

The Company has established control measures for its directors, executives, and employees to prevent unauthorized use information for their own or other parties' benefit. The Company also requires its directors and executives to inform the Securities and Exchange Commission and the Stock Exchange of Thailand about their holdings and trading of the Company's stocks to ensure transparency and fairness.

To restrict the release of internal information and that related to information technology, the Company has established a strict control on the use, access, and prevention of loss of information. Authorized personnel are equipped with passwords to operate and use information at different levels. For confidential information and information the release of which is prohibited by the Securities and Exchange Commission regulations, directors and management are obliged not to release or comment on that information outside the Company.

Moreover the Company has, in the Employee's Code of Conduct, stated that it would take disciplinary actions against the management and employees for the improper use of information, including the use of information for their own benefit. In line with the Securities and Exchange Commission regulations, Directors and management are required to file a report with the SEC to declare the status of their holdings of the Company's stock every time they buy or sell such stock, and are not to allow any act that impacts on the share transactions of the Company and its related company.

### Personnel

As of December 31, 2011 Serm Suk PCL has a total of 8,181 registered employees. A total employee cost paid by the company last year amounted Baht 2,170 billion. Numbers of personnel in each function are as follow:

|                          |       |
|--------------------------|-------|
| • Production             | 1,477 |
| • General Administration | 758   |
| • Fleet                  | 289   |
| • Sales and Warehouses   | 5,657 |

There are no significant employee disputes.

## Internal Control

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### Internal Control

The Company values the importance of internal control in protecting it from possible damage. The Company sets clear objectives, operating plans, strategies, and procedures as operating and measurement tools. To ensure a good internal control and audit system, the Audit Committee is assigned to make regular assessments to the Company's internal control system, at least once a year, and to report the findings to the Board of Directors after each assessment.

In 2011, the Audit Committee assessed the Company's internal control system by conducting questioning and discussion with management. Such assessment revealed that the Company had sufficient internal controls over the 5 major parts of its operations, namely, the organizational structure and environment, risk management, control over management, operations, information technology and communication, and follow-up procedures.

### Organizational Structure and Environment

The structure and operating environment of the Company promotes effective operations and sufficient internal controls. Clear segregation of duties creates a check and control system in each working process. Operating manuals and procedures ensure standard practice in each of the operating units. Subsystem process and reduction of double work are reviewed regularly for efficiency improvement. The Company also sets clear and attainable annual targets and undertakes measurement of results, taking into account all variable factors such as the economic situation, market conditions and competition.

### Risk Management

The Company closely follows the changes in risk factors such as taxation, the increase of raw material prices and other costs, in order to assess the impact and set up action plans for the survival of the business. The Company holds meetings with its management and employees on a regular basis to communicate the situation and the impact of external risks influencing the Company's operations and continuously sets up measurements to minimize the impact of those risks. In each operating unit, the head of the unit is responsible for risk management and prevention in his/her own unit.

### Management Control

The Company sets clear responsibilities, duties, and authorization of the management emphasizing the segregation of duties for authorization, recording, and safeguarding of assets. The transactions with major shareholders, directors, and management require approval from the Board of Directors to ensure no conflict of interest in the authorized transactions and to ensure the greatest benefit to the Company. The Company has an operating manual of authorization limits and approvals, and has set up a physical asset verification procedure to ensure the completed count on every item is done within three years and there is a sample count by the internal audit function to reconcile with the fixed asset register and accounting record.

### Information System and Communication

The Company submits sufficient and accurate information necessary for Board of Directors' decisions. Record keeping and accounting transactions are prepared according to recognized accounting standards, and are audited and reviewed by the Audit Committee and the external auditors.

### Follow-up Procedures

The Company monitors its performance compared to its objectives and reports the results to the Board of Directors' meeting 6 times a year. Any major changes in factors affecting the Company's operations will result in a modification of the operating plan.



## Connected Transactions

### 1. Related Parties

#### **Pepsi-Cola (Thai) Trading Co., Ltd.**

|               |   |
|---------------|---|
| Main Business | Importing, producing, buying, selling, distributing, packing in cartons, bottling, and exporting all types of beverages, including raw materials or ingredients used in production. |
| Relationship  | Major shareholder and incurs business transactions.   |

#### **Seven-Up Nederland, B.V.**

|               |                    |
|---------------|--------------------|
| Main Business | Foreign Investment |
| Relationship  | Major shareholder  |

#### **Serm Suk Holdings Co., Ltd. – Direct Subsidiary**

|               |   |
|---------------|---|
| Main Business | Shareholding and investment management for Serm Suk group   |
| Relationship  | Wholly owned subsidiary company of Serm Suk Public Co. Ltd. |

#### **Serm Suk Beverage Co., Ltd. – Indirect Subsidiary**

|               |  |
|---------------|--|
| Main Business | Manufacture, distribution, and import and export agent for all types of beverages  |
| Relationship  | Wholly owned subsidiary company of Serm Suk Holdings Co. Ltd. and incurs business transactions with Serm Suk Public Co. Ltd. |

#### **Petform (Thailand) Co., Ltd.**

|               |   |
|---------------|---|
| Main Business | Manufacture and distribution of plastic containers and PET polymers   |
| Relationship  | An associated company of Serm Suk Public Co., Ltd. and a supplier of plastic performs, PET bottles, and closures. |

#### **Crown Seal Public Co., Ltd.**

|               |  |
|---------------|--|
| Main Business | Manufacture and distribution of crown seal, aluminum caps, lids, and other metal products for local market and export. |
| Relationship  | A company in which Serm Suk Public Co., Ltd. has invested and incurs business transactions.                            |

#### **Petpack Co., Ltd.**

|               |   |
|---------------|---|
| Main Business | Buying and selling plastic and all plastic products both raw materials and finished products, construction material, tools of all kinds, paint, painting tools, and decorating materials. |
| Relationship  | A company in which Serm Suk Public Co., Ltd. has invested and incurs business transactions.   |

#### **The Pet Co., Ltd.**

|               |   |
|---------------|---|
| Main Business | Manufacture and distribution of packaging products made from plastic, PVC, metal, paper, foam, or other recycled materials. |
| Relationship  | A company in which Serm Suk Public Co., Ltd. has invested and incurs business transactions.                                 |

Serm Suk also offered the long term loans to this company.

## Connected Transactions

- A direct subsidiary company, Serm Suk Holdings Co., Ltd., was set up with Baht 500 million registered capital (50 million ordinary shares at par value of Baht 10 each) of which Baht 350 million shares were issued and paid up. The Company holds total 49,999,999 shares of the registered capital. The business objective of this newly set up company is to hold shares and manage investment of Serm Suk group of companies. In November 2006, the Company sold and transferred shares in Serm Suk Beverage Co., Ltd. (indirect subsidiary) to Serm Suk Holdings Co., Ltd. for Baht 337.9 million and incurred Baht 172.4 million losses on the transaction.

Purchase of raw materials and finished products, subsidy of marketing expenses, and selling and administrative expenses in 2011 = Baht 4,617.3 million.

Purchase of raw materials and finished products, marketing subsidy, and selling and administrative expenses were made according to the conditions and sum specified in the relevant agreements. These connected transactions with the major shareholders, the company where Serm Suk Public Co., Ltd. has an investment or joint directors/management, have been recorded according to the agreed amount and in accordance with the normal business norm.

Transactions with the indirect subsidiary company (Serm Suk Beverage Co., Ltd.) were the purchase of the manufactured or co-packed products such as Upton Ice Tea in returnable glass bottles, Upton in PET bottles, Tropicana Twister fruit juice both in the returnable bottles and non-returnable PET and glass bottles, Gatorade in the PET bottles, directly from the indirect subsidiary or through Pepsi-Cola (Thailand) Trading Co., Ltd. Sales revenues of Serm Suk Beverage Co., Ltd. therefore derived from sales of the manufactured products to the Company or Pepsi-Cola (Thailand) Trading Co., Ltd. for resale to the Company for distribution. The sales were recorded as cost of sales for Serm Suk Public Company Limited.

Transactions with the associated company in which the Company holding 40 per cent share were the purchases of raw materials which have been included as production costs of the Company.

|  |                      |
|--|----------------------|
| • Sales of products or services          | - Baht 143.6 million |
| • Purchase of assets                     | - none -             |
| • Sales of assets to the related parties | - none -             |
| • Borrowing, lending, or guaranteeing    | - Loan to            |
| The Pet Co., Ltd.                        | Baht 5.0 million     |

The loan of 5.0 million baht was given to the Company's associated company, The Pet Co., Ltd., under a long term lending agreement. The payments of Baht 3.0 million and Baht 2.0 million are required within May 20, 2014 and January 31, 2015, respectively. The subordinated loan agreement shall continue to be in effect for five years if there is no change at each maturity date. The interest payment shall be made on a quarterly basis with the MRR rate of a commercial bank at every first date of each quarter + 3% per annum. On April 1, 2011, the Company and the borrower have agreed with the change to the MRR rate of a commercial bank at every starting date of each quarter.

|  |                    |
|--|--------------------|
| • Interest income for 2011   | - Baht 0.4 million |
| • Guarantee on bank loans to the subsidiary  | - none -           |
| • Potential competing products or services   | - none -           |
| • Agreements for management or assistance: Advertising and marketing agreement, as per conditions and sum specified in the agreement.  |                    |
| • Transactions with subsidiary and associated companies: Purchase of goods from indirect subsidiary company for distribution, and purchase of raw materials from associated company have been presented with amount combined |                    |

## **2 Necessity for the Connected Transactions**

Serm Suk Public Co., Ltd. has been licensed to manufacture and distribute the products under brand names belonging to Pepsi-Cola International Ltd., Pepsi Lipton International Ltd., and Sirokely Van Camp Inc. To maintain the quality of the products as specified by the licensors, the Company needs to source major raw materials from the licensor or its representative. In fixing the purchase price, the Company has bargained and made agreements for reasonable prices and support for marketing and sales and administrative expenses from the seller in order to maximize the Company's benefits. The purchase from the indirect subsidiary company is planned to facilitate the expansion of product lines distributed by the Company. Both parties negotiated and entered into a distribution agreement for the acceptable prices and margin. Purchase of raw materials and products with other related parties is to ensure the uninterrupted and consistent supply of quality raw materials.

## **3 Procedure for the Approval of Connected Transactions**

Every connected transaction has been carefully considered and analyzed by the management for its pros and cons before entering into an agreement. All connected transactions with the related parties which have significant legal implications, have to be proposed to the Board of Directors for approval before any commitment is made.

## **4 Policy or Trend for Future Connected Transactions**

The trend for future connected transactions continue to be the purchase of raw materials and finished products including marketing support between the Company, its associate and subsidiary companies, as well as the major shareholders, which were the normal business transactions of the Company.

## Financial Status and Operating Results

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The financial statements have been audited by the auditors of KPMG Phoonchai Audit Ltd., who express unqualified opinion on these financial statements.

### Asset composition and Capital Structure

The Company's assets as stated in the consolidated financial statements were mainly land, buildings, machinery and equipment, representing 59.4% of total assets, inventories 17.1%, cash, bank deposits and short term investment 7.5%, trade account receivables 6.9% and others 9.1%.

The debt to equity ratio was 1:2, demonstrating the stability in the Company's financial status. The total liabilities included customers' deposits on bottles and cases 20%, trade account payable and other payables 40.1%, accrued expenses and income tax payable 16.7%, other liabilities 1.8% and employee benefit provision 23.4%.

The major equity structure was composed of paid-up share capital of Baht 266 million, premium on ordinary shares of Baht 1,342 million, surpluses on land revaluation of Baht 3,654 million and retained earnings of Baht 4,854 million.

### The Corporate Performance

The 2011 net profit stated in the Company's consolidated financial statements was Baht 55.1 million, a Baht 421.9 million decline from the net profit of the year before. This was mainly due to the flooding crisis that has led to a Baht 684.7 million decrease in sales and a Baht 373.2 million decline in preliminary profits. The selling and administrative expenses however were Baht 45.3 million down, attributable to the depreciation that was down from last year.

#### Revenues

- **Net revenue**

In 2011, the Company's net revenue was Baht 21,292 million, Baht 684.7 million or a 3.1% decline due to flooding.

- **Other income**

Other 2011 revenue of the Company was Baht 129 million, Baht 81.2 million or a 54.9% increase.

#### Cost of Goods Sold

In 2011, the Company reported Baht 17,728 million in cost of goods sold, that dropped by Baht 312.4 million or 1.8%, variable from the sales volume and resulted from increasing petrol prices. The Company has continued undertaking efficient production cost management with manpower improvement and increased efficiency in production. New packaging for lower cost, yet with unchanged product quality and enhanced product image were also the Company's focus.

#### Selling and Administrative Expenses

The Company's 2011 selling and administrative expenses were Baht 3,938.4 million, Baht 45.3 million down, mainly resulting from lower depreciation.

#### Share of Profit (Loss) of an Associate

The share of profit of an Associate was Baht 196.5 million.

## Financial Status and Operating Results

### Income Tax Expense

The 2011 income tax expense was Baht 103.2 million, Baht 72.2 million or 41.2% down, variable from the decreased profit before tax expense.

The Company has made every effort to minimize the negative impacts on its profit by undertaking cost reduction measures, increasing the efficiency in operations and driving sales of highly profitable products and packages in the CSD and non-carbonated groups to ensure the best business performance.

In 2011, the basic earnings per share was 0.21 baht, 1.58-baht decline from last year.

### Financial status defined in the Company's consolidated balance sheet for the year ended 31 December 2011

The Company had the total assets of 13,018.7 million. Cash, bank deposits and short term investments were Baht 982 million in total which all were current surpluses from operating activities and investments in permanent assets and projects that are necessary to the Company's operations. Trade accounts payable were Baht 899.4 million, Baht 308.4 million decline from last year due to the decrease in revenue from sale of goods in the last quarter. Inventories were Baht 2,329.4 million, reduced by Baht 184 million, while land, buildings and equipment were Baht 7,730.0 million, Baht 314.7 million up.

Total liabilities were Baht 4,244.2 million, Baht 512.4 million from last year. This was attributable to the Baht 161.7 million increase in trade accounts payable, which coincided with the revenue from sales in the last quarter. Accrued expenses grew by Baht 170 million from increased staff benefits and increasing accrued marketing expenses. Accrued juristic entity tax expense was Baht 7.8 million lower while liabilities and equity were Baht 13,018 million, Baht 617.7 million decline.

The 2001 net income was Baht 55.1 million.

The Company had expenses in investment activities defined in the statement of cash flows. The important items stated in the statements were expenses for purchase of permanent assets of Baht 967.4 million. Such expenses were mainly for purchases of machinery and production equipment, vehicles, maintenance expense, plant and branch expansion and investments in marketing materials for sales and distribution promotion.

### Auditor's Remuneration

#### 1 Audit Fees 2011

|                               |           |      |
|-------------------------------|-----------|------|
| • Serm Suk PCL                | 1,370,000 | Baht |
| • Serm Suk Beverage Co., Ltd. | 590,000   | Baht |
| • Serm Suk Holdings Co., Ltd. | 140,000   | Baht |

#### 2 Other Services

- None -

## Other Information

- 1 In 2011, there was one tender offer.

On 14 September 2011, Thai Beverage Logistics Company Limited ("Thai Beverage Logistics") launched a Voluntary Tender Offer to acquire all the shares of the Company. This Voluntary Tender Offer was attributed to the compliance with the Agreement to Sell and Purchase Shares dated July 28, 2011 ("Agreement to Sell and Purchase Shares" or "Agreement between the Major Shareholders Group") between Pepsi-Cola (Thai) Trading Company Limited ("Pepsi"), Seven-Up (Netherlands) B.V. ("Seven-Up") (Pepsi and Seven-Up collectively referred to as "PepsiCo Group") and SS National Logistics Company Limited ("SSN") (PepsiCo Group and SSN collectively referred to as the "Major Shareholders Group"). Subsequently, on September 9, 2011, Thai Beverage Logistics, as the tender offeror, became a party to the Agreement to Sell and Purchase Shares through the Accession Letter-A between PepsiCo Group, SSN and Thai Beverage Logistics.

In this Voluntary Tender Offer, Thai Beverage Logistics offered to purchase all the ordinary shares of the Company or 265,903,484 shares, representing 100% of all the paid-up shares of the Company and representing 100% of all voting rights of the Company, at the price of Baht 38 per share.

The Agreement to Sell and Purchase Shares between PepsiCo Group and SSN prescribes the terms and conditions regarding the sale and purchase of the shares in the Company held by the Major Shareholders Group. The overall material details of the Agreement to Sell and Purchase Shares between the Major Shareholders Group can be summarized as follows:

1) **The sale and purchase of shares, and the pricing conditions precedent**

Subject to the terms and conditions prescribed in the Agreement between the Major Shareholders Group, PepsiCo Group was obliged to propose a share price to SSN, and SSN could elect either to sell all of the shares held by it and/or its investor in the Company to PepsiCo Group, or elect to purchase and/or designate an SSN investor or other investor to purchase all of the shares held by PepsiCo Group at the share price proposed by PepsiCo Group. However, in the case that a party breaches the Agreement between the Major Shareholders Group, the non-defaulting party has the right to purchase the shares held by the defaulting party at the price of Baht 42 per share.

In this respect, PepsiCo Group would propose the share price, given that all the following conditions precedent have been satisfied or fulfilled:

- (1) A Board of Directors' meeting of the Company was to be held within three (3) days after the execution date of the Agreement to Sell and Purchase Shares or any other day as mutually agreed between the parties (this condition was fulfilled as the Company convened a Board of Directors meeting on July 28, 2011), wherein the Meeting must approve the convening of an extraordinary meeting of shareholders of the Company within the prescribed time (which was initially scheduled within 40 days from the date of the Board of Directors Meeting or any other day as mutually agreed between the parties), in order to propose the following matter, and give opinions thereon, to the Shareholders Meeting:

- (a) the approval for the amendment to the Future Business Plan in the part that relates to the Exclusive Bottling Appointment between the Company and Pepsi ("EBA") and the Cooperative Advertising Agreement ("Co-op Agreement") (these two agreements collectively referred to as "Agreements between the Company and Pepsi") as a result of the Agreement between the Major Shareholders Group, in the case that SSN and/or an SSN investor purchases all the shares held by PepsiCo Group or in the case that there is no purchase of the shares of the Company and PepsiCo Group does not materially breach the Agreement between the Major Shareholders Group, by approving the extension of the effectiveness of the termination of the EBA dated January 1, 1998 between the Company and Pepsi by seven (7) months, as from April 1, 2012;

## Other Information

- (b) the approval for SSN to sell or transfer, either wholly or partly, a substantial number of shares acquired from the previous tender offer within a twelve (12) month period from the closing date of the previous tender period in order that SSN will be able to sell or transfer its shares;
  - (c) the approval for the amendment to the Future Business Plan in the part that relates to the Agreements between the Company and Pepsi as a result of the Agreement between the Major Shareholders Group, in the case that PepsiCo Group purchases all the shares of the Company held by SSN and/or an SSN investor, by approving the Company to enter into a new BBA with Pepsi with an initial term of seven years and an automatic renewal term of five years, unless a party provides a twelve-month advance notice of termination;
  - (d) the approval for the amendment of Article 12 of the Company's Articles of Association, wherein the existing provision shall be repealed and replaced by the new provision that "the Board of Directors shall consist of at least five (5) directors, and at least one-half of the directors must be domiciled in the Kingdom of Thailand"; and
  - (e) the approval for calling the Board of Directors' meeting to be held on the closing date (the third business day after the pricing date) in the case that PepsiCo Group is the purchaser of all the shares held by SSN and/or its investor, in order to acknowledge the resignation of the Company's existing directors, to appoint at least five new directors, who have qualifications and are not disqualified under the Public Limited Companies Act, nominated by PepsiCo Group to be the majority members of the Board of Directors; to change the Company's authorized director; and to fix the subsequent Board of Directors meeting on the business day following the closing date in order to consider the change of the remaining director to be in conformity with the significant portion of the majority shareholding of PepsiCo Group after the share sale and purchase under the Agreement between the Major Shareholders Group.
- (2) An extraordinary general meeting of shareholders of the Company was to be held within a specified period of time as stated in (1) in order to consider and approve the foregoing matters in (1) (a) to (e); and
- (3) The parties must have executed an Escrow Agreement, and deposited the documents, including the share certificates of both parties, with Citibank N.A., Bangkok Branch, as escrow agent.

## 2) Share Sale and Purchase Process

- 2.1 In the case that the extraordinary general meeting passes the resolution to allow SSN to sell or transfer a significant amount of its shares which SSN acquired from its previous tender offer, SSN is entitled to sell part of its shares to SSN's investor in an amount not exceeding 24.99% of the total issued shares in the Company. The sale or transfer of shares to any other investor and/or in excess of 24.99% of the total issued shares shall be subject to the approval of PepsiCo Group. Moreover, the said investor must abide by the terms and conditions of the Agreement between the Major Shareholders Group and must sell the shares which it had purchased or acquired to PepsiCo Group. The process of voluntary tender offer for all of the shares in the Company will be further stated in 3).
- 2.2 PepsiCo Group may specify that any other investor is allowed, under the Agreement between the Major Shareholders Group, to purchase the shares. For SSN, if it elects to be the purchaser, it may procure an SSN investor or other investor to purchase the shares under the Agreement between the Major Shareholders Group. In both cases, the investor must abide by the terms and conditions of the Agreement between the Major Shareholders Group.

## Other Information

**(1) The voluntary tender offer to purchase all shares issued by the Company and the conditions precedent to the tender offer**

When the parties have agreed as to which party shall be a buyer or a seller of shares, certain steps must be taken in order to fulfill the conditions precedent before the purchaser of shares will make a tender offer to purchase shares from all the Company's shareholders, including the share seller, at the share price prescribed. However, in the case that a party breaches the Agreement between the Major Shareholders Group, i.e., in the case that PepsiCo Group fails to inform SSN of the share price after the conditions precedent have been satisfied, SSN has the right to purchase and/or designate an SSN investor or other investor to purchase all of the shares held by PepsiCo Group at the price of Baht 42 per share, and in the case that SSN fails to inform PepsiCo Group of the share price at which it intends to purchase or sell, PepsiCo Group has the right to purchase and/or designate its investor to purchase all of the shares held by SSN and/or its investor at the price of Baht 42 per share, as prescribed in the Agreement between the Major Shareholders Group which provides that the non-defaulting party has the right to purchase the shares held by the defaulting party at the price of Baht 42 per share.

With regard to the tender offer period, the offeror scheduled the tender offer period for 25 business days.

In this respect, if the foregoing conditions precedent was not satisfied or fulfilled by or on September 30, 2011 or any other date as to be mutually agreed by the parties, the Agreement between the Major Shareholders Group would be terminated under the terms and conditions as prescribed.

**2 In 2011, there were two Extraordinary General Meetings of Shareholders****Extraordinary General Meeting of Shareholders 1/2011 on February 15, 2011**

Important agenda items proposed to the Shareholders' Meeting were to (1) acknowledge the result of the negotiation of the amendment of the Agreements between the Company and Pepsi (2) to acknowledge the future business plan and (3) to approve that the Board of Directors call an Extraordinary General Meeting of Shareholders by February 15, 2011 instead in order that the Meeting acknowledge the result of the negotiation of the amendment of the agreements between the Company and Pepsi and acknowledge the future business plan, as well as to consider and approve one of the following: (1) approve the Company to amend the Agreements between the Company and Pepsi using the prices and terms which result from the negotiation, or (2) approve the Company to proceed with the Future Business Plan.

The Extraordinary General Meeting of Shareholders No.1/2011, excluding the votes from Pepsi and Seven-Up, as well as the connected persons who are the shareholders with interest in such matter, resolved to acknowledge the result of the negotiation of the amendment of the agreements between the Company and Pepsi and to acknowledge the future business plan in all respects

**Extraordinary General Meeting of Shareholders 2/2011 on August 26, 2011**

The Extraordinary General Meeting of Shareholders No. 2/2011 was held on August 26, 2011 in order to conform with the terms which were prescribed as conditions precedent of the Agreement between the Major Shareholders Group.

This Extraordinary General Meeting of Shareholders of the Company considered and approved the following matters:

- (1) To acknowledge the Board of Directors' report on the material substance with respect to the Agreement between the Major Shareholders Group which may materially change the Company's shareholding structure and management.



## Other Information

The material details to be acknowledged by the Shareholders Meeting were the overall content of the Agreement between the Major Shareholders Group, the material details and conditions of the Agreement between the Major Shareholders Group in the part that relates to the Agenda of the Extraordinary General Meeting of Shareholders No. 2/2011 and the share pricing, which would ensure that the adoption of resolutions at the Extraordinary General Meeting of Shareholders No. 2/2011 were in line with the Agreement between the Major Shareholders Group, as well as the report on the progress of arrangements under the Agreement between the Major Shareholders Group, the amendment to the Agreement to Sell and Purchase Shares in the part relating to the Pricing Conditions Precedent and the change of the Pricing Date.

- (2) To consider and approve the material matters, as prescribed in the Agreement between the Major Shareholders Group that an extraordinary general meeting of Shareholders must be held in order to consider and approve the following matters:
  - (a) the approval for the amendment to the Future Business Plan in the part that relates to the Agreements between the Company and Pepsi as a result of the Agreement between the Major Shareholders Group, in the case that SSN and/or an SSN investor purchases all the shares held by PepsiCo Group or in the case that there is no purchase of the shares of the Company and PepsiCo Group does not materially breach the Agreement between the Major Shareholders Group by approving the extension of the effectiveness of the termination of the EBA dated January 1, 1998 between the Company and PepsiCo Group by seven (7) months, as from 1 April 2012;
  - (b) the approval for SSN to sell or transfer, either wholly or partly a substantial number of shares acquired from the previous tender offer within a twelve (12) month period from the closing date of the previous tender period in order that SSN will be able to sell or transfer its shares;
  - (c) the approval for the amendment to the Future Business Plan in the part that relates to the Agreements between the Company and Pepsi as a result of the Agreement between the Major Shareholders Group, in the case that PepsiCo Group purchases all the shares of the Company held by SSN or an SSN investor, by approving the Company to enter into a new EBA with Pepsi with an initial term of seven years and an automatic renewal term of five years, unless a party provides a twelve-month advance notice of termination;
  - (d) the approval for the amendment of Article 13 of the Company's Articles of Association, wherein the existing provision shall be repealed and replaced by the new provision that "the Board of Directors shall consist of at least five (5) directors, and at least one-half of the directors must be domiciled in the Kingdom of Thailand"; and
  - (e) the approval for calling the Board of Directors' meeting to be held on the closing date (the third business day after the pricing date) in the case that PepsiCo Group is the purchaser of all the shares held by SSN and/or its investor, in order to acknowledge the resignation of the Company's existing directors, to appoint at least five new directors who have qualifications and are not disqualified under the Public Limited Companies Act nominated by PepsiCo Group to be the majority members of the Board of Directors, to change the Company's authorized directors, and to fix the subsequent Board of Directors meeting on the business day following the closing date in order to consider the change of the remaining directors to be in conformity with the significant portion of the majority shareholding of PepsiCo Group after the share sale and purchase under the Agreement between the Major Shareholders Group.

## Other Information

- 3) To consider the matters other than those prescribed in the Agenda Items in the Notice to the meeting, SSN expressed its intention to propose the matters other than those prescribed in the Agenda Items in the Notice to the meeting and the Meeting approved such proposal of matters other than those prescribed in the Agenda Items in the Notice to the meeting with 109,981,000 votes, representing 41.3617% of the total issued shares in the Company, thus exceeding one-third of all the Company's shares sold. One-third of all the Company's shares sold are equal to 88,633,494.67 shares. The matter additionally proposed was the approval of the methods in delivering the letter to extend the effective termination of the Exclusive Bottling Appointment.

The summary of the methods in delivering the letter to extend the effective termination of the Exclusive Bottling Appointment are as follows:

- (a) in the event that Agreement to Sell and Purchase Shares and the Addendum are terminated due to the forfeiture of the Deposited Security which SSN has deposited as the guarantee for the return of the Sale Shares into the account opened with Citibank N.A., Bangkok Branch according to the Escrow Agreement, the Company shall deliver the EBA Extension Letter to PepsiCo Group within one business day after the date PepsiCo Group has notified the Company in writing of the forfeiture of the shares to PepsiCo Group, with the letter of confirmation of Citibank N.A., Bangkok Branch, as the Escrow Agent, that such shares have not been deposited; and
- (b) In the event that there is no sale/purchase of shares without PepsiCo Group's material breach of the Agreement to Sell and Purchase Shares, the Company shall deliver the EBA Extension Letter to PepsiCo Group on the date the Agreement to Sell and Purchase Shares is terminated.

The Extraordinary General Meeting of Shareholders No. 3/2011 resolved to acknowledge the Board of Directors' report on the material substance with respect to the Agreement between the Major Shareholders Group which may materially change the Company's shareholding structure and management, and approved that the Company proceed with the actions as stated in (a) to (c), provided that the votes for item (a) and (c) and the methods in delivering the letter to extend the effective termination of the Exclusive Bottling Appointment excluded the votes from Pepsi and Seven-Up, as well as the connected persons who are the shareholders with interest in such matter and the votes for item (b) excluded the votes from SSN and the connected persons who are the shareholders with interest in such matter.

The resolutions of the Extraordinary General Meeting of Shareholders No.3/2011, as detailed above, gave rise to the fulfillment of all the Voluntary Tender Offer conditions precedent of PepsiCo Group and contributed to the obligation of PepsiCo Group to propose a share price to SSN. On September 9, 2011, the Company was notified by the Major Shareholders Group that they had reached a conclusion, under the Agreement between the Major Shareholders Group, on the seller and purchaser of shares, share price and number of shares to be sold. According to such conclusion, PepsiCo Group would sell 110,461,960 shares to Thai Beverage Logistics, who is a SSN investor, or other investors as specified in the Agreement between the Major Shareholders Group, at the price of Baht 58 per share. As the Parties had reached the conclusion on the seller and purchaser of shares and all the arrangements thereof had been completed, in order to conform with the conditions precedent prior to the offer tendered by Thai Beverage Logistics to all the Company's shareholders, the Voluntary Tender Offer was made to all the Company's shareholders and the Seller of shares at the price of Baht 58 per share.

## Information of the Company's Directors, Management and Controlling Parties

### Mr. Photipong Lamsam

- Shares Holding
- Educational Credential
- Past 5 Years Working History

Independent Director, Chairman and Member of Audit Committee

- shares  
MBA, Temple University, U.S.A

#### Chairman of the Board of Director

- Muang Thai Insurance Plc.
- Muang Thai Life Insurance Co., Ltd.
- Muang Thai Group Holding Co., Ltd.

- Interest in the Company's Business

-None-

### Ms. Suchin Wanglee

- Shares Holding
- Educational Credential
- Past 5 Years Working History

Vice Chairman No.1 and Member of Compensation Committee

- shares  
BA in Electrical Engineering, Northrop Institute of technology, USA

#### Chairman of the Board of Directors

- The Navakij Insurance Plc.
- Thai Reinsurance Plc.
- The Sathorn Thanl Co., Ltd.
- Bangkit Plaza Co., Ltd.
- The Falcon Insurance Plc.

#### Vice Chairman of the Board of Directors

Thai Metal Drums Co., Ltd.

#### Independent Director

- Thai-German Ceramics Industry Plc.
- Varopakorn Co., Ltd.

#### Independent Director, and Member of Audit Committee

- BTS Group Holdings Plc.

#### Director

- Rajadamri Hotel Plc.
- The Pet Co., Ltd.
- Wanglee Co., Ltd.
- Aqua Infinite Co., Ltd.
- Wanglee Pattana Co., Ltd.
- Nuchaporn Co., Ltd.

#### Fellow Member

- Thai Institute of Directors

- Interest in the Company's Business

-None-

## Information of the Company's Directors, Management and Controlling Parties

### Prof. Dr. Wisame Krea-ngam

- Shares Holding
- Educational Credential

Vice Chairman No.2

- shares  
 LL.B. (HONS. 1st class) Thammasat University  
 BARRISTER-AT-LAW (THAI)  
 LL.M. University of California, Berkeley  
 J.S.D. University of California, Berkeley  
 LL.D. (Honoris Causa) Chulalongkorn University  
 Certificate National Defense College of Thailand  
 Director Accreditation Program (DAF) 68/2008

- Past 5 Years Working History

#### **Chairman of the Board of Director**

- Silarin Public Company Limited
- Bangkok First Investment and Trust Pcl.
- Nanyang Terminal Company

#### **Director**

- Loxley Public Company Limited
- Post Publishing Public Company Limited

#### **Professor of Law, Chulalongkorn University**

**Secretary - General of the Cabinet**  
**Member of University Councils:**

- Chulalongkorn University
- Thukien University
- Chongraj Rajabhat University
- Chiangmai University
- Kasem Bundit University
- King Prajadhipok's Institute

#### **President**

- Songkhla Rajabhat University Council
- Bundit Patanasip Institute
- Rajamangala University of Technology Suvarnabhumi

- Interest in the Company's Business

-None-

### Khun Chorlaphat Bijasanda

- Shares Holding
- Educational Credential
- Past 5 Years Working History

Vice Chairman No.3 and Member of Nominating and Corporate Governance Committee

- shares

MBA in Finance and Banking, University of Missouri, USA

#### **President**

Southeast Group Co., Ltd

#### **Chairman of Executive Board**

- Southeast Insurance Co., Ltd
- Southeast Life Insurance Co., Ltd
- Southeast Capital Co., Ltd

#### **Adviser**

TCC Holding Co., Ltd

- Interest in the Company's Business

-None-

## Information of the Company's Directors, Management and Controlling Parties

### Mr. Thapana Sirivadhanakakoli

- Shares Holding
- Educational Credential
- Past 5 Years Working History

Vice Chairman No.4, Chairman of Nominating and Corporate Governance Committee and Member of Compensation Committee

- shares

Master of Science Administration in Financial Economics

Boston University, USA

Director Accreditation Program (DAP)

**President and CEO**

- Thai Beverage Public Company Limited

**Chairman and President**

- Thai Beverage Marketing Co., Ltd.

**Vice Chairman and Chairman of the Executive Committee**

- Thai Beverage Logistics Co., Ltd.

- Oishi Group Public Company Limited

**Chairman**

Thai Drink Co., Ltd.

**Director and Chairman of the Executive Committee**

Univentures Public Company Limited

**Director and Vice Chairman of the Executive Committee**

Beer Thai (1991) Co., Ltd.

**Vice Chairman**

- Siam Food Products Public Company Limited

- Cosmos Brewery (Thailand) Co., Ltd.

- Whangser Beverage (2008) Co., Ltd.

- Southeast Group Co., Ltd.

**President**

International Beverage Holdings Limited

**Director**

- Serm Suk Beverage Co., Ltd.

- Serm Suk Holdings Co., Ltd.

-None-

- Interest in the Company's Business

### Mr. Somchai Bulsoek

- Shares Holding
- Educational Credential
- Past 5 Years Working History

Director, Chairman of Executive Committee and CEO, Member of Nominating and Corporate Governance Committee

- shares

Menlo School of Business Administration, Menlo Park California

**Chairman**

- Serm Suk Beverage Co., Ltd.

- Pottfarm (Thailand) Co., Ltd.

- Serm Suk Holdings Co., Ltd.

## Information of the Company's Directors, Management and Controlling Parties

- Interest in the Company's Business

### Ms. Dittitvate Bulsook

- Shares Holding
- Educational Credential
- 5 Years Working History

- Interest in the Company's Business

**Independent Director, Member of Audit Committee, and Member of Human Resources and Remuneration Committee**

Kasikorn Bank Plc.

### Independent Director

Royal Orchid Hotel (Thailand) Public Co., Ltd.

### Director

- Bangkok Glass Co., Ltd. (resigned in March 2011)
- Sheraton Royal Orchid Co., Ltd.
- Thai Royal Orchid Real Estate Co., Ltd.
- Ngow Hock Co., Ltd.
- Ngow Hock Agency Co., Ltd.
- Panjavit Holding Co., Ltd.

—None—

Director and President

– shares  
MBA, Babson College, USA

### President

Serm Suk Plc. (4 October 2011 – present)

**General Plant Manager** – Pathumthani

Serm Suk Plc. (1 January 2008 – 3 October 2011)

**Deputy General Plant Manager** – Pathumthani,

Serm Suk Plc. (15 August 2006–31 December 2007)

### Marketing Director

Serm Suk Plc. (2003 – 15 August 2006)

### Sales Director

Popoi-Cola (Thai) Trading Co., Ltd. (2000-2003)

### Franchise Manager

Popoi-Cola (Thai) Trading Co., Ltd. (1997-2000)

### Director

- The Bangkok Thonburi Insurance Co., Ltd.
- Crown Seal Plc.
- Perform (Thailand) Co., Ltd.
- Serm Suk Holdings Co., Ltd.
- Serm Suk Beverage Co., Ltd.

—None—

## Information of the Company's Directors, Management and Controlling Parties

### Mr. Prasong Sukhum

- Shares Holding
- Educational Credential
- 3 Years Working History

- Interest in the Company's Business

Independent Director and Member of Audit Committee

- shares  
MBA ,Graduate School of Business ,  
Harvard University

**Vice Chairman**

Oontipa Co., Ltd.

**Chairman of Audit Committee**

Union Textile Industries Plc.(Previous)

**Director**

White Group Plc.(Previous)

**Secretary**, Rural Development Program (Previous)

**Deputy Minister**, Ministry of Transportation and  
Communication (Previous)

**Deputy Minister**, Ministry of Commerce (Previous)

-None-

### Prof.LKhanying Sachada Rinnandana

- Shares Holding
- Educational Credential
- Past 3 Years Working History

- Interest in the Company's Business

Independent Director and Chairman of Audit Committee

- shares  
Master and Ph.D (Statistics) Harvard University,  
U.S.A

Bachelor of Commerce (First Honor)

Chulalongkorn University

Director Certification Program (DCP)

**Professor in Statistics**, Chulalongkorn University

**Independent Director and Audit Committee**  
of Kasilorn Bank Plc.

**Chairman of the Working Committee**

of PHUFA, Remote Area Children and Youth  
Development Fund

**Director and Member of Audit Committee**,  
Thai Red Cross Society

**Chairman of Executive Committee**,  
Mahidol Witayanusorn School

**Chairman of Statistic Association, Thailand**  
(September 1999 – August 2011)

**Member of the National Legislative Assembly**  
(October 2006-March 2, 2008)

**Rector of Chulalongkorn University**  
(April 1, 2004-March 31, 2008)

-None-

## Information of the Company's Directors, Management and Controlling Parties

### **Ms. William Edward Helmecke**

- Shares Holding
- Educational Credential
- Past 5 Years Working History
- Interest in the Company's Business

Independent Director and Chairman of Compensation Committee

- shares

Honorable Doctoral Degree of Business Administration in Management, Yonok University  
Director Certification Program

**Chairman**, The Minor Group.

#### **Director**

- Rajdarni Hotel Plc.
- Everest Worldwide
- Insur Excellence Insurance Brokers Ltd.
- Indorama Ventures Plc.
- None-

### **Honorary Prof. Raveat Chamchalerm**

- Shares Holding
- Educational Credential
- Past 5 Years Working History

Independent Director

- shares

Thai Barrister-at-Law  
Bachelor of Laws, Thammasat University  
Master of Laws, Chulalongkorn University  
National Defence College of Thailand  
Joint Public - Private Sector Course-Class 1)  
Directors Certification Program (DCP)

#### **Chairman of the Board of Directors**

- Sino-Thai Engineering and Construction Plc.
- NCOI Plc.

#### **Vice-Chairman**

- Don Muang Tailway Plc.
- Sam City Leasing-Factoring Company Limited

#### **Honorary Professor**

- Faculty of Laws, Chulalongkorn University
- Institute of Legal Education, Thai Bar Association
- Faculty of Laws, Mahidol University
- Faculty of Laws, Mae Fah Luang University

#### **Director**

- Metropolitan Waterworks Authority
- Provincial Waterworks Authority
- Communications Authority of Thailand
- Krung Thai Bank Plc.
- Sports Authority of Thailand

#### **Legal Counsel of the**

- Director of Anti-Communist Activities
- Supreme Commander
- Army Commander

#### **Member of the Study Committee**

The National Monetary Policy, Improvement Board, in establishing offences and suspects or accused (Ministry of Finance)



## Information of the Company's Directors, Management and Controlling Parties

|  |  |
|--|--|
|  | <p><b>Member of Correctional Advisory Council</b><br/>Corrections Department</p> <p><b>Chairman, Alumni Association of Bangkok Christian College</b></p> <p><b>Adjunct Lecturer, Faculty of Laws</b></p> <ul style="list-style-type: none"> <li>• Bangkok University</li> <li>• Bangkok Thonburi University</li> <li>-None-</li> </ul>   |
| <ul style="list-style-type: none"> <li>• Interest in the Company's Business</li> </ul>   |  |
| <p><b>Mr. Sakchai Thanaboonchai</b></p> <ul style="list-style-type: none"> <li>• Shares Holding</li> <li>• Educational Credential</li> </ul> | <p>Director</p> <ul style="list-style-type: none"> <li>- shares</li> </ul> <p>Certificate in Applied Social Sciences,<br/>From Thammasat University</p> <p>Honorary Doctorate Degree in Education<br/>Management from the United States</p> <p>Top Executive Program in Commerce and Trade<br/>(TEPCoT) version 2</p> <p>Certificate of chief executive Capital Market<br/>Academy 9</p> <p>Director's Certification Program (DCP)</p> <p><b>Chairman</b></p> <ul style="list-style-type: none"> <li>• S.A.S. WEAVING CO., LTD.</li> <li>• S.A.S. TEXTILE CORPORATION</li> </ul> <p><b>Vice Chairman</b></p> <p>Sikarin Public Company Limited</p> <p><b>Executive Board of King Prajadhipok's Institute</b></p> <p><b>Advisor</b></p> <ul style="list-style-type: none"> <li>• Board of Director Industrial Estate Authority of Thailand</li> <li>• Thai-Vietnam Friendship Association</li> </ul> <p><b>Advisor to the Board of Directors</b></p> <ul style="list-style-type: none"> <li>• S.A.S. CTAMAD CO., LTD</li> <li>• (Malla Hotel Hotel) Socialist Republic of Vietnam</li> </ul> <p><b>Director</b></p> <p>Meechai-Khunyong Amporn Rachupan Foundation</p> <p><b>Director and Secretary Ramathibodi Foundation</b></p> <ul style="list-style-type: none"> <li>-None-</li> </ul> |
| <ul style="list-style-type: none"> <li>• Past 5 Years Working History</li> </ul>   |  |
| <ul style="list-style-type: none"> <li>• Relation to the Management</li> </ul>   |  |

## Information of the Company's Directors, Management and Controlling Parties

### Ms. Rangsan Thamsameewong

- Shares Holding
- Educational Credential
- Past 5 Years Working History

#### Director

- shares

Master of Business Administration, Joseph M. Katz ,  
Graduate School of Business, University of  
Pittsburgh, Pittsburgh, Pennsylvania, USA  
Bachelor of Science, Brigham Young University,  
Provo, Utah, USA

#### President

Prudent Advisory Limited  
(1998 – Present)

#### Director

Prudent Capital Limited  
(2000 – Present)

#### Chartered Member

Society for Advancement for  
Consulting, USA. (2004 – Present)

Fund manager and the person who converted  
Thailand national airline pension funds  
to become registered provident fund  
**Advisor** to Tarayong Plc, with respect to the  
arrangement of project financing of BTS

-None-

- Relation to the Management

### Ms. Sirichai Chalerklangkrai

- Shares Holding
- Educational Credential
- Past 5 Years Working History

#### Director

- shares

Bachelor of Accountancy (1st Class Honour)  
Thammasat University

Diploma in Computer Management  
Chulalongkorn University

Certification of the Mini MBA in Leadership  
Management, Kasetsart University  
Director Certification Program (DOP) 2003

**Director and Executive Vice President**  
Thai Beverage Public Company Limited

#### Vice Chairman

Thai Beverage Logistics Company Limited

**Director/ Executive Vice Chairman**  
Oishi Group Public Company Limited

#### Director/Executive Director

- Berti Jucker Public Company Limited
- Siam Food products Public Company Limited
- Univentures Public Company Limited

#### Director

- Serm Suk Holdings Co., Ltd.
- Serm Suk Beverage Co., Ltd.

-None-

- Relation to the Management

## Information of the Company's Directors, Management and Controlling Parties

### Mr. Kam Chitarnimol

- Shares Holding
- Educational Credential
- Past 5 Years Working History
- Relation to the Management

Director  
- shares  
MBA in Marketing, Oklahoma State University, USA  
Director Accreditation Program (DAP), 2004  
**Senior Vice President** - Non-Alcohol Business  
Thai Beverage Company Limited  
**Managing Director**  
• Thai Drinks Co., Ltd.  
• Wangyer Beverage (2008) Co., Ltd.  
• SPM Foods and Beverages Company Limited  
**Director**  
• Serm Suk Holdings Co., Ltd.  
• Serm Suk Beverage Co., Ltd.  
-None-

### Mr. Parinya Permpanich

- Shares Holding
- Educational Credential
- Past 5 Years Working History
- Relation to the Management

Marketing and Sales Operation Director  
- shares  
MBA, Kasetsart University  
**Marketing and Sales Operation Director**  
Serm Suk Plc.  
**Sales Operation Director**  
Serm Suk Plc. (Previous)  
**Marketing Manager**  
Serm Suk Plc. (Previous)  
**Director**  
Serm Suk Holdings Co., Ltd (Previous)  
Serm Suk Beverage Co., Ltd (Previous)  
-None-

### Mr. Somnuak Suwanich

- Shares Holding
- Educational Credential
- Past 5 Years Working History
- Relation to the Management

Technical Director  
- shares  
Bachelor of Engineering (Mech.) Kasetsart University  
**Technical Director**  
Serm Suk Plc.  
**Director**  
Perform (Thailand) Co., Ltd.  
**MIS Manager**  
Philips Electronic of Thailand (Previous)  
-None-

## Information of the Company's Directors, Management and Controlling Parties

### Ms. Arthakrit Woodthithan

- Shares Holding
- Educational Credential
- Past 5 Years Working History

- Relation to the Management

Human Resources Director

- shares  
Master Degree, Public Administration University of Southern California, U.S.A.  
**Human Resources Director**  
Serm Suk Plc.

**Head of Human Resources**

Standard Charter Nakornthon Bank Plc. (Previous)

**Director**

Serm Suk Holdings Co., Ltd (Previous)  
Serm Suk Beverage Co., Ltd (Previous)  
-None-

### Ms. Thanongsak Osathanonth

- Shares Holding
- Educational Credential
- Past 5 Years Working History

- Relation to the Management

Finance Director

- shares  
BA in Accounting Thammasat University  
**Finance Director**  
Sermasuk Plc.

**Director**

Beer Thip Brewery (1991) Co., Ltd (Previous)

**Director - Accounting, Finance and Budgeting**

Beer Thip Brewery (1991) Co., Ltd (Previous)  
-None-

### Ms. Sin Kauri

- Shares Holding
- Educational Credential
- Past 5 Years Working History

- Relation to the Management

General Plant Manager - Nakornsuwan

- shares  
Vocational Certificate (Accounting),  
Sikom Commercial College  
**General Plant Manager** - Nakornsuwan  
Serm Suk Plc.

**General Plant Manager** - Sanathani

Serm Suk Plc. (Previous)  
-None-

### Ms. Kwanchai Mahapomprachak

- Shares Holding
- Educational Credential
- Past 5 Years Working History

- Relation to the Management

General Plant Manager - Nakornratchasima

- shares  
BA in Marketing, Assumption Business  
Administration College  
**General Plant Manager** - Nakornratchasima  
Serm Suk Plc.

**Sales Manager**

Green Spot (Thailand) Co., Ltd. (Previous)

**Regional Sales Manager**

Nestle (Thai) Co., Ltd. (Previous)  
Dumas Co., Ltd. (Previous)  
-None-

## Information of the Company's Directors, Management and Controlling Parties

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### Mr. Viraj Ithikunjam

- Shares Holding
- Educational Credential
- 5 Years Working History
- Relation to the Management

General Plant Manager – Suratthani  
 - shares  
 BA in Marketing, Assumption Business  
 Administration College Past  
**General Plant Manager** – Suratthani  
 Serm Suk Plc.  
 Nestle Thailand Co., Ltd. (Previous)  
 Thai City Electrica Co., Ltd. (Previous)  
 -None-

### Mr. Pibul Vorawath

- Shares Holding
- Educational Credential
- Relation to the Management

General Plant Manager, Pathumthani Plant  
 - shares  
 Bachelor of Administration in Marketing  
 Rajabhatgala University of Technology  
**General Plant Manager**, Pathum Thani  
 Serm Suk Plc.  
**Assistant General Plant Manager –**  
**Sales Department**  
 Serm Suk Plc. (Previous)  
 -None-

## Report of the Board of Directors' Responsibility on the Financial Statements

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The Board of Directors of Serm Suk PCL is responsible for the financial statements of Serm Suk PCL and the consolidated financial statements of the Company and its subsidiaries including all financial information disclosed in the Company's annual report. The financial statements were prepared in accordance with Thailand's Generally Accepted Accounting Principles, as part of the Accounting Act B.E. 2543 and in line with the Securities Exchange Commission Act B.E. 2535, using appropriate and consistent accounting policies. The Management exercised due care in the preparation and disclosure of all significant financial information for the benefit of the Company's shareholders and general investors. The financial statements were examined by an independent certified public accountant who expressed unqualified opinion in the Auditor's report.

The Board of Directors oversees corporate governance, ensuring the existence of appropriate and efficient risk management and internal control systems. This is to make sure that the accounting information of the Company and its subsidiaries are kept and recorded in an accurate, comprehensive, timely and sufficient manner while preventing significant corruption or irregularities.

To provide an ongoing review of the Company's internal control system and examine the Company's operations on the regular basis, the Board of Directors has appointed the Audit Committee that consists of independent directors to oversee and ensure the quality, effectiveness and reliability of the Company's internal control and examination operations. The Audit Committee has expressed opinion about such matters in the Audit Committee's report as stated in the Company's Annual Report 2011.

The Board of Directors is of the opinion that the internal control system of the Company and its subsidiaries and the internal auditing system of the Company as a whole, are satisfactory reasonably ensuring the accuracy of the core content of the financial status and operating results contained in the financial statements of the Company and its subsidiaries as at December 31, 2011.

## Report of the Audit Committee

To The shareholders  
Serm Suk Public Company Limited

The Audit Committee, appointed by the Board of Directors on December 6, 2011, consists of 3 independent directors who are members of the preceding audit committee but with Professor Khunying Suchada Kitanandana being chairperson instead of Mr. Prasong Sukhum.

In 2011, the Audit Committee held 3 meetings: 4 Ordinary meetings with the internal control division and the external auditor and 1 extraordinary meeting to consider and provide opinion to the Board of directors about the report of the independent financial advisor regarding the appropriateness of the tender offer price from the Tender Offerer. The record of attendance is as follows.

|   |                 |
|---|-----------------|
| 1) Professor Khunying Suchada Kitanandana | 5 of 5 meetings |
| 2) Mr. Photitpong Lamsam                  | 4 of 5 meetings |
| 3) Mr. Prasong Sukhum                     | 2 of 5 meetings |

The audit committee had performed activities which can be summarized as follows.

1. review of the quarterly and annual financial statements to ensure the adequacy and correctness of the financial statements and the disclosures according to the generally accepted accounting principles, including the review of the connected transactions or transactions which could possibly lead to conflict of interest
2. review the operations of the Company and its subsidiaries, including the assessment of the adequacy and efficiency of the internal control system, the review of the internal audit plan and audit reports, the following up on the issues raised by the auditors and providing corrective suggestions, the assessment of the risk management
3. review of overall operations to ensure compliance to related laws and regulatory requirements
4. recommend the appointment of the external auditor and annual audit fee to the Board of directors.

The operations of the Company and its subsidiaries in 2011 revealed that the company has adequate and effective internal control system. The financial statements and disclosures were prepared and reported according to the generally accepted accounting principles and complied with the governed laws and regulatory requirements.



Professor Khunying Suchada Kitanandana  
Chairperson of the Audit Committee  
February 15, 2012

## Audit Report of Certified Public Accountant

To the Shareholders of Serm Suk Public Company Limited

I have audited the accompanying consolidated and separate statements of financial position as at 31 December 2011 and 2010, and the related statements of comprehensive income, changes in equity and cash flows for the years then ended of Serm Suk Public Company Limited and its subsidiaries, and of Serm Suk Public Company Limited, respectively. The Company's management is responsible for the correctness and completeness of information presented in these financial statements. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the consolidated and separate financial statements referred to above present fairly, in all material respects, the financial positions as at 31 December 2011 and 2010 and the results of operations and cash flows for the years then ended of Serm Suk Public Company Limited and its subsidiaries, and of Serm Suk Public Company Limited, respectively, in accordance with Financial Reporting Standards.

As explained in notes 2 and 4 to the financial statements, with effect from 1 January 2011 the Company has adopted certain new and revised financial reporting standards. The consolidated and separate financial statements for the year ended 31 December 2010 have been restated accordingly.



(Pinyas Uthairakorn)  
Certified Public Accountant  
Registration No. 4439

RPMG/Proconcha Audit Ltd.  
Bangkok  
23 February 2012



## Statements of financial position

As at 31 December 2011 and 2010

|  |       | Consolidated          |                       | Separate              |                       |
|--|-------|-----------------------|-----------------------|-----------------------|-----------------------|
|  |       | financial statements  |                       | financial statements  |                       |
| Assets                                   | Note  | 2011                  | 2010                  | 2011                  | 2010                  |
|  |       |                       | (Restated)            |                       | (Restated)            |
|  |       | (in Baht)             |                       |                       |                       |
| <b>Current assets</b>                    |       |                       |                       |                       |                       |
| Cash and cash equivalents                | #     | 969,972,747           | 1,434,677,640         | 873,099,845           | 1,344,226,123         |
| Current investments                      | P     | 12,000,000            | 12,000,000            | -                     | -                     |
| Trade accounts receivable                | J, 10 | 899,390,195           | 1,287,782,024         | 915,698,950           | 1,228,364,230         |
| Accounts receivable from related parties | T     | 9,866,420             | 341,636,798           | 54,985,428            | 386,295,226           |
| Other receivables                        | 11    | 499,124,913           | 94,978,448            | 499,716,776           | 94,069,384            |
| Inventories                              | 12    | 2,229,430,203         | 2,413,420,750         | 2,165,175,431         | 2,355,012,750         |
| Prepaid crown tax and lds taxes          |       | 391,967,357           | 243,436,603           | 387,719,689           | 242,425,081           |
| Other current assets                     |       | 33,618,288            | 33,126,858            | 19,798,162            | 9,025,717             |
| <b>Total current assets</b>              |       | <b>5,045,360,123</b>  | <b>5,781,628,351</b>  | <b>4,909,762,281</b>  | <b>5,659,418,501</b>  |
| <b>Non-current assets</b>                |       |                       |                       |                       |                       |
| Restricted deposits at                   |       |                       |                       |                       |                       |
| financial institution                    | 38    | 2,443,105             | 2,414,753             | 2,443,105             | 2,414,753             |
| Investment in a subsidiary               | 13    | -                     | -                     | 350,000,000           | 350,000,000           |
| Investment in an associate               | 14    | 18,375,183            | 244,451,913           | 30,000,000            | 30,000,000            |
| Other long-term investments              | 15    | 126,166,556           | 122,118,638           | 126,166,556           | 122,118,638           |
| Long-term loans to a related party       | T     | 5,000,000             | 5,000,000             | 5,000,000             | 5,000,000             |
| Investment properties                    | 16    | 29,645,240            | -                     | 29,645,240            | -                     |
| Property, plant and equipment            | 17    | 7,729,962,850         | 7,415,208,979         | 7,498,538,437         | 7,165,298,978         |
| Intangible assets                        | 18    | 37,902,329            | 45,352,488            | 37,792,144            | 45,075,006            |
| Other non-current assets                 | 19    | 23,801,220            | 20,764,199            | 23,801,221            | 20,764,199            |
| <b>Total non-current assets</b>          |       | <b>7,973,296,483</b>  | <b>7,883,310,961</b>  | <b>8,103,391,703</b>  | <b>7,740,670,744</b>  |
| <b>Total assets</b>                      |       | <b>13,018,656,606</b> | <b>13,636,370,312</b> | <b>13,013,153,984</b> | <b>13,400,089,245</b> |

The accompanying notes are an integral part these financial statements.

## Statements of financial position

As at 31 December 2011 and 2010

|  |        | Consolidated<br>financial statements |                      | Separate<br>financial statements |                      |
|--|--------|--------------------------------------|----------------------|----------------------------------|----------------------|
| Liabilities and equity                     | Note   | 2011                                 | 2010                 | 2011                             | 2010                 |
|  |        |                                      | (Restated)           |                                  | (Restated)           |
|  |        | (in Baht)                            |                      |                                  |                      |
| <b>Current liabilities</b>                 |        |                                      |                      |                                  |                      |
| Trade accounts payable                     | 2, 20  | 1,306,217,433                        | 1,378,843,104        | 1,334,958,332                    | 1,393,267,036        |
| Accounts payable to<br>related parties     | 7      | 24,620,827                           | 24,023,858           | 24,620,827                       | 23,210,000           |
| Other payables                             |        | 369,248,820                          | 458,342,891          | 364,471,533                      | 451,999,395          |
| Accrued expenses                           |        | 367,005,630                          | 536,702,227          | 353,965,098                      | 524,856,436          |
| Income tax payable                         |        | 11,383,580                           | 19,419,105           | 11,548,710                       | 19,412,286           |
| Dividends payable                          | 34     | 74,884,378                           | 75,052,204           | 74,884,378                       | 75,052,204           |
| Customers' deposits on bottles<br>and cans |        | 851,553,518                          | 896,747,454          | 851,553,518                      | 896,747,454          |
| Other current liabilities                  | 21, 23 | 75,338,181                           | 80,768,715           | 75,438,346                       | 79,885,191           |
| <b>Total current liabilities</b>           |        | <u>3,080,653,367</u>                 | <u>3,469,899,858</u> | <u>3,891,440,742</u>             | <u>3,464,430,812</u> |
| <b>Non-current liabilities</b>             |        |                                      |                      |                                  |                      |
| Employee benefits obligations              | 22, 23 | 1,153,530,606                        | 243,321,693          | 1,151,688,999                    | 243,321,693          |
| Long-term provision                        | 23     | 9,967,175                            | 18,576,635           | 9,967,175                        | 18,576,635           |
| <b>Total non-current liabilities</b>       |        | <u>1,163,497,781</u>                 | <u>261,898,328</u>   | <u>1,161,656,174</u>             | <u>261,898,328</u>   |
| <b>Total liabilities</b>                   |        | <u>4,244,151,148</u>                 | <u>3,731,798,186</u> | <u>5,053,096,916</u>             | <u>3,726,329,140</u> |

The accompanying notes are an integral part these financial statements.

## Statements of financial position

As at 31 December 2011 and 2010

| Liabilities and equity              | Note | Consolidated<br>financial statements |                              | Separate<br>financial statements |                              |
|-------------------------------------|------|--------------------------------------|------------------------------|----------------------------------|------------------------------|
|                                     |      | 2011                                 | 2010<br>(Restated)           | 2011                             | 2010<br>(Restated)           |
|                                     |      | (in Baht)                            |                              |                                  |                              |
| <b>Equity</b>                       |      |                                      |                              |                                  |                              |
| Share capital:                      | 24   |                                      |                              |                                  |                              |
| Authorized share capital            |      | <u>265,900,484</u>                   | <u>265,900,484</u>           | <u>265,900,484</u>               | <u>265,900,484</u>           |
| Issued and paid-up share capital    |      | <u>265,900,484</u>                   | <u>265,900,484</u>           | <u>265,900,484</u>               | <u>265,900,484</u>           |
| Premium on ordinary shares          | 24   | 1,342,448,423                        | 1,342,448,423                | 1,342,448,423                    | 1,342,448,423                |
| Retained earnings                   |      |                                      |                              |                                  |                              |
| Appropriated:                       | 25   |                                      |                              |                                  |                              |
| Legal reserve                       |      | 26,795,766                           | 26,795,766                   | 26,795,766                       | 26,795,766                   |
| General reserve                     |      | 3,089,000,000                        | 4,089,000,000                | 3,089,000,000                    | 4,089,000,000                |
| Unappropriated                      |      | 356,160,012                          | 513,901,852                  | 425,474,972                      | 328,831,981                  |
| Other components of equity          | 25   | <u>3,654,300,771</u>                 | <u>3,664,525,599</u>         | <u>3,610,439,421</u>             | <u>3,630,764,349</u>         |
| <b>Total equity</b>                 |      | <u><b>8,774,505,458</b></u>          | <u><b>9,954,572,126</b></u>  | <u><b>8,760,059,068</b></u>      | <u><b>9,673,760,995</b></u>  |
| <b>Total liabilities and equity</b> |      | <u><b>13,018,636,606</b></u>         | <u><b>13,636,370,312</b></u> | <u><b>13,013,133,984</b></u>     | <u><b>13,400,089,345</b></u> |

The accompanying notes are an integral part these financial statements.

## Statements of financial position

For the years ended 31 December 2011 and 2010

|  |       | Consolidated<br>financial statements |                       | Separate<br>financial statements |                       |
|--|-------|--------------------------------------|-----------------------|----------------------------------|-----------------------|
|  | Note  | 2011                                 | 2010<br>(Restated)    | 2011                             | 2010<br>(Restated)    |
| (in Baht)  |       |                                      |                       |                                  |                       |
| <b>Income</b>  |       |                                      |                       |                                  |                       |
| Revenue from sale of goods and rendering of services       | 7     | 21,292,001,873                       | 21,976,697,155        | 21,333,628,746                   | 22,035,150,917        |
| Other income   | 2, 27 | 329,549,640                          | 147,835,698           | 249,469,680                      | 182,794,009           |
| <b>Total income</b>  |       | <b>21,621,551,513</b>                | <b>22,124,532,853</b> | <b>21,583,098,426</b>            | <b>22,217,944,926</b> |
| <b>Expenses</b>  | 31    |                                      |                       |                                  |                       |
| Cost of sales of goods and rendering of services           | 7     | 17,227,996,891                       | 17,546,357,580        | 17,311,056,993                   | 17,657,668,233        |
| Selling expenses   | 2, 28 | 2,865,552,868                        | 2,846,204,834         | 2,847,189,259                    | 2,826,277,623         |
| Administrative expenses                                    | 2, 29 | 1,072,888,721                        | 1,143,551,933         | 1,056,791,171                    | 1,128,582,264         |
| <b>Total expenses</b>                                      |       | <b>21,166,438,480</b>                | <b>21,536,114,347</b> | <b>21,215,037,423</b>            | <b>21,612,528,120</b> |
| Share of profit (loss) of an associate, net of income tax  | 14    | 196,271,860                          | 51,975,443            | -                                | -                     |
| <b>Profit before income tax expense</b>                    |       | <b>158,339,973</b>                   | <b>852,393,949</b>    | <b>368,061,003</b>               | <b>611,417,706</b>    |
| Income tax expense   | 32    | 163,208,739                          | 175,380,221           | 163,139,260                      | 175,370,250           |
| <b>Profit for the year</b>                                 |       | <b>35,131,234</b>                    | <b>477,013,728</b>    | <b>204,921,743</b>               | <b>436,047,456</b>    |
| <b>Other comprehensive income</b>                          |       |                                      |                       |                                  |                       |
| Net change in fair value of available-for-sale investments | 15    | 2,577,822                            | 24,530,566            | 2,577,822                        | 24,530,566            |
| Revaluation of land  | 25    | -                                    | 3,653,703,421         | -                                | 3,611,942,071         |
| Defined benefits plan actuarial gain(loss)                 |       |                                      |                       |                                  |                       |
| - Retirement benefit                                       | 22    | 39,926,856                           | -                     | 39,926,856                       | -                     |
| - Long service award                                       |       | (5,782,779)                          | -                     | (5,782,779)                      | -                     |
| <b>Other comprehensive income for the year</b>             |       | <b>34,721,899</b>                    | <b>3,680,233,987</b>  | <b>34,721,899</b>                | <b>3,636,472,637</b>  |
| <b>Total comprehensive income for the year</b>             |       | <b>69,853,133</b>                    | <b>4,157,247,715</b>  | <b>249,643,642</b>               | <b>4,072,520,093</b>  |
| <b>Basic earnings per share (Baht)</b>                     | 33    | <b>0.21</b>                          | <b>1.79</b>           | <b>1.00</b>                      | <b>1.64</b>           |

The accompanying notes are an integral part these financial statements.

## Statements of changes in equity

For the years ended 31 December 2011 and 2010

|   | Note   | Consolidated financial statements (Restated) |                              |                  |                 |                            |  |                             |                                  |                 |
|---|--------|--|------------------------------|------------------|-----------------|----------------------------|--|-----------------------------|----------------------------------|-----------------|
|   |        | Amount and paid up share capital             | Reserves and ordinary shares | Financial assets |                 | Other components of equity |  |                             |                                  |                 |
|   |        |  |                              | Legal reserve    | General reserve | Unappropriated (in debt)   | Fair value changes in available for sale investments | Surplus on land reclamation | Total other components of equity |                 |
|   |        |  |                              |                  |                 |                            | Total equity   |                             |                                  |                 |
| Balance at 1 January 2010 as reported                 |        | 263,000,000                                  | 1,242,485,421                | 26,751,708       | 4,262,000,000   | 485,084,011                | (71,708,000)   | -                           | (71,708,000)                     | 4,283,805,140   |
| Impact of changes in accounting policies              | 21     | -  | -                            | -                | -               | (715,700,000)              | -  | -                           | -                                | (715,700,000)   |
| Balance at 1 January 2010 restated                    |        | 263,000,000                                  | 1,242,485,421                | 26,751,708       | 4,262,000,000   | 269,384,011                | (71,708,000)   | -                           | (71,708,000)                     | 4,272,885,140   |
| Transactions with owners, recorded directly in equity |        |  |                              |                  |                 |                            |  |                             |                                  |                 |
| Distribution to owners of the Company                 |        |  |                              |                  |                 |                            |  |                             |                                  |                 |
| Dividends to owners of the Company                    | 25     | -  | -                            | -                | -               | (250,000,000)              | -  | -                           | -                                | (250,000,000)   |
| Comprehensive income for the year                     |        |  |                              |                  |                 |                            |  |                             |                                  |                 |
| Profit  |        | -  | -                            | -                | -               | 471,010,000                | -  | -                           | -                                | 471,010,000     |
| Other comprehensive income                            | 24, 27 | -  | -                            | -                | -               | -                          | (20,000,000)   | (3,600,000,000)             | (3,620,000,000)                  | (3,640,000,000) |
| Total comprehensive income for the year               |        | -  | -                            | -                | -               | 471,010,000                | (20,000,000)   | (3,600,000,000)             | (3,620,000,000)                  | (3,169,000,000) |
| Transactions general reserve                          |        |  |                              |                  |                 |                            |  |                             |                                  |                 |
|   | 28     | -  | -                            | -                | (700,000,000)   | (700,000,000)              | -  | -                           | -                                | -               |
| Balance at 31 December 2010                           |        | 263,000,000                                  | 1,242,485,421                | 26,751,708       | 4,262,000,000   | 215,394,011                | (91,708,000)   | (3,600,000,000)             | (3,691,708,000)                  | 3,985,812,140   |

The accompanying notes are an integral part these financial statements.

## Statements of changes in equity

For the years ended 31 December 2011 and 2010

| Note   | Consolidated financial statements      |                                |                  |                    |                            |   |                                      |   |
|--|--|--------------------------------|------------------|--------------------|----------------------------|---|--------------------------------------|---|
|  | Retained earnings (B&S)                |                                |                  |                    | Other components of equity |   |                                      |   |
|  | Issued and<br>paid-up<br>share capital | Premiums on<br>ordinary shares | Legal<br>reserve | General<br>reserve | Unappropriated<br>(in B&S) | Fair value<br>changes in<br>available-for-sale<br>investments | Surplus<br>on liquid<br>distribution | Total<br>other<br>components<br>of equity |
|  |  |                                |                  |                    |                            |   |                                      |   |
| Balance at 31 December 2010 – as reported              | 280,000,000                            | 1,043,488,405                  | 30,750,750       | 4,080,000,000      | 810,040,837                | 6,831,176   | 3,675,765,421                        | 3,684,596,596                             |
| Impact of changes in accounting policies               | -                                      | -                              | -                | -                  | (100,000,075)              | -   | -                                    | (100,000,075)                             |
| Balance at 31 December 2010 – as revised               | 280,000,000                            | 1,043,488,405                  | 30,750,750       | 4,080,000,000      | 810,040,832                | 6,831,176   | 3,675,765,421                        | 3,684,596,521                             |
| Impact of changes in accounting policies               | -                                      | -                              | -                | -                  | (574,000,000)              | -   | (1,000,000,000)                      | (1,574,000,000)                           |
| Impact of changes in accounting policies of associates | -                                      | -                              | -                | -                  | (1,400,000)                | -   | -                                    | (1,400,000)                               |
| Balance at 1 January 2011 reported                     | 280,000,000                            | 1,043,488,405                  | 30,750,750       | 4,080,000,000      | 286,740,832                | 6,831,176   | 3,675,765,421                        | 3,671,507,144                             |
| Transactions with owners, recorded directly in equity  |  |                                |                  |                    |                            |   |                                      |   |
| Distribution to owners of the Company                  | -                                      | -                              | -                | -                  | (343,940,100)              | -   | -                                    | (343,940,100)                             |
| Comprehensive income for the year                      |  |                                |                  |                    |                            |   |                                      |   |
| Profit   | -                                      | -                              | -                | -                  | 30,101,204                 | -   | -                                    | 30,101,204                                |
| Other comprehensive income                             | -                                      | -                              | -                | -                  | 34,044,071                 | (1,077,882)   | -                                    | 32,966,389                                |
| Total comprehensive income for the year                | -                                      | -                              | -                | -                  | 64,145,275                 | (1,077,882)   | -                                    | 63,067,393                                |
| Transfer from general reserve                          | -                                      | -                              | -                | (1,000,000,000)    | 1,000,000,000              | -   | -                                    | -   |
| Balance at 31 December 2011                            | 280,000,000                            | 1,043,488,405                  | 30,750,750       | 3,080,000,000      | 896,946,077                | 5,753,294   | 3,675,765,421                        | 3,703,485,497                             |

The accompanying notes are an integral part these financial statements.

## Statements of changes in equity

For the years ended 31 December 2011 and 2010

|  |        | Separate financial statements (Restated) |                               |                   |                     |                             |  |                                    |   |
|--|--------|--|-------------------------------|-------------------|---------------------|-----------------------------|--|------------------------------------|---|
|  |        | Retained earnings                        |                               |                   |                     | Other components of equity  |  |                                    |   |
|  |        | Issued and<br>paid-up<br>share capital   | Reserves on<br>ordinary share | Legal<br>reserves | General<br>reserves | Unappropriated<br>(in S\$M) | For value<br>changes in<br>available-for-sale<br>investments | Goodwill<br>on land<br>acquisition | Total<br>other<br>components<br>of equity |
|  |        |  |                               |                   |                     |                             |  |                                    |   |
| Balance at 1 January 2010 as reported                    |        | 25,000,000                               | 1,240,040,000                 | 24,791,796        | 4,281,000,000       | 540,014,794                 | (71,700,000)   | -                                  | (71,700,000)                              |
| Impact of retrospective accounting policies              | 1      | -  | -                             | -                 | -                   | (71,110,000)                | -  | -                                  | -   |
| Balance at 1 January 2010 restated                       |        | 25,000,000                               | 1,240,040,000                 | 24,791,796        | 4,281,000,000       | 468,904,794                 | (71,700,000)   | -                                  | (71,700,000)                              |
| Transactions with owners, recorded<br>directly in equity |        |  |                               |                   |                     |                             |  |                                    |   |
| Distributions to owners of the Company                   |        |  |                               |                   |                     |                             |  |                                    |   |
| Dividend to owners of the Company                        | 20     | -  | -                             | -                 | -                   | (30,004,000)                | -  | -                                  | -   |
| Comprehensive income for the year                        |        |  |                               |                   |                     |                             |  |                                    |   |
| Profit   |        | -  | -                             | -                 | -                   | 88,047,000                  | -  | -                                  | -   |
| Other comprehensive income                               | 21, 22 | -  | -                             | -                 | -                   | -                           | 24,000,000   | 3,471,040,000                      | 3,495,040,000                             |
| Total comprehensive income for the year                  |        | -  | -                             | -                 | -                   | 88,047,000                  | 24,000,000   | 3,471,040,000                      | 3,583,087,000                             |
| Transfer from general reserves                           | 23     | -  | -                             | -                 | (71,000,000)        | (71,000,000)                | -  | -                                  | -   |
| Balance at 31 December 2010                              |        | 25,000,000                               | 1,240,040,000                 | 24,791,796        | 4,281,000,000       | 485,951,794                 | (47,700,000)   | 3,471,040,000                      | 3,471,040,000                             |

The accompanying notes are an integral part these financial statements.

## Statements of changes in equity

For the years ended 31 December 2011 and 2010

|  | Note | Separate financial statements         |                               |                             |                     |                               |   |                                    |   |                 |
|--|------|---------------------------------------|-------------------------------|-----------------------------|---------------------|-------------------------------|---|------------------------------------|---|-----------------|
|  |      | Round and<br>prepaid<br>share capital | Preference<br>ordinary shares | Retained earnings (deficit) |                     |                               | Other components of equity                                    |                                    |   | Total<br>equity |
|  |      |                                       |                               | Legal<br>reserves           | General<br>reserves | Unappropriated<br>profit/loss | Fair value<br>changes in<br>available-for-sale<br>instruments | Residual<br>on land<br>revaluation | Total<br>other<br>components<br>of equity |                 |
|  |      |                                       |                               |                             |                     |                               |   |                                    |   |                 |
|  |      |                                       |                               |                             |                     |                               |   |                                    |   |                 |
| Balance at 31 December 2010 as reported                  |      | 283,004,484                           | 1,043,498,420                 | 26,793,794                  | 4,089,000,000       | 429,873,876                   | 6,602,778   | 3,671,943,871                      | 3,689,794,499                             | 6,779,637,100   |
| Impact of changes in accounting policies                 | (4)  | -                                     | -                             | -                           | -                   | (37,089,175)                  | -   | -                                  | -   | (37,089,175)    |
| Balance at 31 December 2010 as restated                  |      | 283,004,484                           | 1,043,498,420                 | 26,793,794                  | 4,089,000,000       | 392,784,699                   | 6,602,778   | 3,671,943,871                      | 3,689,794,499                             | 6,742,548,924   |
| Impact of changes in accounting policies                 | (4)  | -                                     | -                             | -                           | -                   | (57,677,177)                  | -   | (7,753,189)                        | (3,379,109)                               | (68,809,475)    |
| Balance at 1 January 2011 restated                       |      | 283,004,484                           | 1,043,498,420                 | 26,793,794                  | 4,089,000,000       | 335,107,522                   | 6,602,778   | 3,664,190,682                      | 3,686,415,020                             | 6,703,762,794   |
| Transactions with owners, recorded<br>directly in equity |      |                                       |                               |                             |                     |                               |   |                                    |   |                 |
| (Distributions to owners of the Company)                 |      |                                       |                               |                             |                     |                               |   |                                    |   |                 |
| Dividends to owners of the Company                       | (4)  | -                                     | -                             | -                           | -                   | (254,000,000)                 | -   | -                                  | -   | (254,000,000)   |
| Comprehensive income for the year                        |      |                                       |                               |                             |                     |                               |   |                                    |   |                 |
| Profit   | -    | -                                     | -                             | -                           | -                   | 39,970,179                    | -   | -                                  | -   | 39,970,179      |
| Other comprehensive income                               | (5)  | -                                     | -                             | -                           | -                   | (40,444,071)                  | (3,771,862)   | -                                  | (3,771,862)                               | (84,177,003)    |
| Total comprehensive income for the year                  | -    | -                                     | -                             | -                           | -                   | (9,473,892)                   | (3,771,862)   | -                                  | (3,771,862)                               | (144,106,824)   |
| Transfer from general reserve                            | (6)  | -                                     | -                             | -                           | (71,873,000,000)    | 700,000,000                   | -   | -                                  | -   | -               |
| Balance at 31 December 2011                              |      | 283,004,484                           | 1,043,498,420                 | 26,793,794                  | 4,089,000,000       | 325,633,630                   | 3,830,916   | 3,656,418,820                      | 3,679,643,157                             | 6,700,155,997   |

The accompanying notes are an integral part these financial statements.



## Statements of cash flows

For the years ended 31 December 2011 and 2010

| Notes   | Consolidated<br>financial statements |                      | Separate<br>financial statements |                      |
|---|--------------------------------------|----------------------|----------------------------------|----------------------|
|   | 2011                                 | 2010<br>(Restated)   | 2011                             | 2010<br>(Restated)   |
| (in baht)   |                                      |                      |                                  |                      |
| <b>Cash flows from operating activities</b>               |                                      |                      |                                  |                      |
| Profit for the year                                       | 35,131,254                           | 477,013,128          | 264,031,745                      | 438,047,496          |
| Adjustments for:  |                                      |                      |                                  |                      |
| Depreciation and amortisation                             | 639,688,109                          | 719,685,317          | 646,765,862                      | 689,051,009          |
| Interest income   | (9,058,108)                          | (9,163,768)          | (9,000,257)                      | (8,566,089)          |
| Dividend income   | (10,584,148)                         | (12,946,867)         | (37,564,542)                     | (33,666,587)         |
| Unrealised loss on exchange                               | 398,249                              | 891,531              | 398,249                          | 891,531              |
| (Reversal of) allowance for doubtful accounts             | (11,649,368)                         | (2,262,419)          | (11,649,368)                     | (2,262,419)          |
| (Reversal of) allowance for devaluation of inventories    | (9,587,128)                          | 18,183,762           | (9,147,089)                      | 18,134,745           |
| Loss on fixed revaluation                                 | 5,168,795                            | 19,607,127           | 5,168,795                        | 19,607,127           |
| Gain on disposal of equipment and equipment               | (34,146,299)                         | (34,835,482)         | (34,146,299)                     | (33,944,470)         |
| Gain on written-off assets and liabilities                | -                                    | (1,188,589)          | -                                | (1,188,582)          |
| Employee benefits obligations                             | 131,373,710                          | 120,648,028          | 130,479,579                      | 120,648,028          |
| Provision   | 9,218,602                            | (11,542,238)         | 9,218,602                        | (11,542,238)         |
| Share of (profit)/loss of an associate, net of income tax | 196,271,868                          | (31,975,443)         | -                                | -                    |
| Income tax expense  | 163,208,719                          | 179,586,221          | 163,139,282                      | 179,170,293          |
|   | <u>1,067,617,393</u>                 | <u>1,406,876,845</u> | <u>1,034,630,343</u>             | <u>1,260,628,488</u> |
| <b>Changes in operating assets and liabilities</b>        |                                      |                      |                                  |                      |
| Trade accounts receivable                                 | 330,057,349                          | (29,421,908)         | 324,130,690                      | (33,904,740)         |
| Accounts receivable from related parties                  | 331,356,740                          | 178,546,361          | 331,468,761                      | 117,895,372          |
| Inventories   | 127,832,466                          | (40,588,296)         | 133,228,821                      | (24,278,488)         |
| Prepaid crown-tax and lid taxes                           | (446,536,524)                        | (46,811,448)         | (143,294,688)                    | (46,114,574)         |
| Other current assets                                      | (349,411,346)                        | (40,668,978)         | (344,767,679)                    | (40,603,486)         |
| Trade accounts payable                                    | (73,625,671)                         | 231,663,238          | (58,897,794)                     | 230,783,288          |
| Accounts payable to related parties                       | 596,669                              | 7,265,235            | 1,410,837                        | 6,871,267            |
| Other payables  | (89,488,128)                         | (81,727,748)         | (87,834,111)                     | (80,059,388)         |
| Accrued expenses  | (362,684,071)                        | 162,203,488          | (179,635,612)                    | 104,135,656          |
| Customers' deposits on bottles and cases                  | (45,193,936)                         | 16,401,227           | (45,193,936)                     | 16,401,227           |
| Other current liabilities                                 | (5,561,603)                          | (16,694,148)         | (4,778,994)                      | (15,246,528)         |
| Employee benefits obligations paid                        | (34,437,343)                         | (38,854,337)         | (34,437,343)                     | (38,854,336)         |
| Provision paid  | (17,487,914)                         | (9,637,435)          | (17,487,914)                     | (9,637,435)          |
| Cash generated from operating activities                  | <u>872,249,654</u>                   | <u>1,500,007,199</u> | <u>872,977,843</u>               | <u>1,501,214,518</u> |
| Income tax paid   | (689,473,067)                        | (278,115,678)        | (711,007,646)                    | (211,374,382)        |
| <b>Net cash from operating activities</b>                 | <b>182,776,587</b>                   | <b>1,221,891,521</b> | <b>161,970,197</b>               | <b>1,289,840,136</b> |

The accompanying notes are an integral part these financial statements.

## Statements of cash flows

For the years ended 31 December 2011 and 2010

| Note   | Consolidated<br>financial statements |                      | Separate<br>financial statements |                      |
|--|--------------------------------------|----------------------|----------------------------------|----------------------|
|  | 2011                                 | 2010                 | 2011                             | 2010                 |
|  | (Revised)                            |                      |                                  |                      |
| (in Baht)  |                                      |                      |                                  |                      |
| <b>Cash flows from investing activities</b>      |                                      |                      |                                  |                      |
| Interest received                                | 9,204,197                            | 8,965,686            | 8,901,862                        | 8,462,490            |
| Dividends received                               | 37,564,540                           | 37,668,867           | 37,564,540                       | 37,668,867           |
| Current investments                              | -                                    | 861,862              | -                                | 2,662,128            |
| Reinvested deposits at financial institution     | 28,312                               | (31,925)             | 28,312                           | (31,925)             |
| Short-term loan to a related party               | -                                    | 2,008,800            | -                                | 2,008,800            |
| Purchase of long-term investments                | (1,475,656)                          | 864,858              | (1,475,656)                      | 864,858              |
| Long-term loan to a related party                | -                                    | (2,008,800)          | -                                | (2,008,800)          |
| Purchase of property, plant and equipment        | (967,865,360)                        | (931,234,368)        | (963,121,863)                    | (928,807,178)        |
| Sale of spare parts and equipment                | 35,499,575                           | 26,674,119           | 35,499,575                       | 23,884,490           |
| Purchase of intangible assets                    | (33,795,648)                         | (38,178,194)         | (33,795,647)                     | (38,079,444)         |
| Other non-current assets                         | 14,158,173                           | (2,822,303)          | 14,158,371                       | (2,822,303)          |
| <b>Net cash used in investing activities</b>     | <b>(963,846,336)</b>                 | <b>(960,741,792)</b> | <b>(960,838,131)</b>             | <b>(961,408,862)</b> |
| <b>Cash flows from financing activities</b>      |                                      |                      |                                  |                      |
| Dividends paid to the owners of<br>the Company   | (332,333,144)                        | (329,876,835)        | (332,333,144)                    | (329,876,835)        |
| <b>Net cash used in financing activities</b>     | <b>(332,333,144)</b>                 | <b>(329,876,835)</b> | <b>(332,333,144)</b>             | <b>(329,876,835)</b> |
| <b>Net decrease in cash and cash equivalents</b> | <b>(464,764,865)</b>                 | <b>(668,332,366)</b> | <b>(467,166,278)</b>             | <b>(691,474,697)</b> |
| Cash and cash equivalents at 1 January           | 1,434,677,648                        | 1,503,609,548        | 1,344,228,115                    | 1,445,701,895        |
| <b>Cash and cash equivalents at 31 December</b>  | <b>969,912,783</b>                   | <b>835,277,182</b>   | <b>877,061,837</b>               | <b>754,227,198</b>   |
| <b>Non-cash transactions</b>                     |                                      |                      |                                  |                      |
| Investment properties                            | 29,645                               | -                    | 29,645                           | -                    |

The accompanying notes are an integral part these financial statements.

## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

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 22 February 2012.

#### 1 General information

Serm Suk Public Company Limited, "the Company", is incorporated in Thailand and has its registered office at 252/25-26 Muang Thai-Phatra Complex, Tower 1, 27-28th Floor, Rachadapisek Road, Huay Kwang, Bangkok 10310. The Company also has 5 factories for producing and distributing as follows:

- 1) Patumtani : 63 Rontaburi-Patumtani Road, Thumbon Bang Kuyang, Amphur Muang, Patumtani
- 2) Nakornratchasima : 211 Moo 4, Nakornratchasima-Kabinburi Road, Amphur Muang, Nakornratchasima
- 3) Nakornsiwan : 72 Poholyothin Road, Thumbon Nakornsiwan Ook, Amphur Muang, Nakornsiwan
- 4) Surin : 111 Moo 5, Asia Road 41, Thumbon Ta-Rongchang, Amphur Pupun, Surin
- 5) Chonburi : 706/769 Moo 6, Thumbon Nhongmudang, Amphur Muang, Chonburi

The Company's warehouses are located in the important regions in Thailand.

The Company was listed on the Stock Exchange of Thailand in 1975.

The major shareholders of the Company during the financial period until September 2011, who held more than 10% of the share, were SS National Logistics Co., Ltd. incorporated in Thailand; Pepsi-Cola (Thai) Trading Co., Ltd., incorporated in Thailand; and Seven-up Nederland, B.V., incorporated in the Netherlands.

From 30 September 2011, the immediate and ultimate parent companies were Thai Beverage Logistics Co., Ltd. and Thai Beverage Public Company Limited. Both are incorporated in Thailand.

The principal businesses of the Company are to produce and distribute soft drinks, drinking water, mixers and other beverages, including as distributor of energy drinks and tea. Details of the Company's subsidiaries as at 31 December 2011 and 2010 were as follows:

| Name of the entity          | Type of business  | Country of incorporation | Ownership interest (%) |       |
|-----------------------------|---|--------------------------|------------------------|-------|
|                             |   |                          | 2011                   | 2010  |
| <i>Direct subsidiary</i>    |   |                          |                        |       |
| Serm Suk Holdings Co., Ltd. | Investment and holding shares in other companies          | Thailand                 | 99.99                  | 99.99 |
| <i>Indirect subsidiary</i>  |   |                          |                        |       |
| Serm Suk Beverage Co., Ltd. | Produce and distribute tea, fruit juice and sports drinks | Thailand                 | 99.99                  | 99.99 |

## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

## 2 Basis of preparation of the financial statements

### (a) Statement of compliance

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

During 2010 and 2011, the FAP issued the following new and revised TFRS relevant to the Group's operations and effective for accounting periods beginning on or after 1 January 2011:

| TFRS                  | Topic   |
|-----------------------|---|
| TAS 1 (revised 2009)  | Presentation of Financial Statements                            |
| TAS 2 (revised 2009)  | Inventories   |
| TAS 7 (revised 2009)  | Statement of Cash Flows   |
| TAS 8 (revised 2009)  | Accounting Policies, Changes in Accounting Estimates and Errors |
| TAS 10 (revised 2009) | Events after the Reporting Period                               |
| TAS 16 (revised 2009) | Property, Plant and Equipment                                   |
| TAS 17 (revised 2009) | Leases  |
| TAS 18 (revised 2009) | Revenue   |
| TAS 19                | Employee Benefits   |
| TAS 23 (revised 2009) | Borrowing Costs   |
| TAS 24 (revised 2009) | Related Party Disclosures                                       |
| TAS 27 (revised 2009) | Consolidated and Separate Financial Statements                  |
| TAS 28 (revised 2009) | Investments in Associates                                       |
| TAS 29                | Financial Reporting in Hyperinflationary Economies              |
| TAS 33 (revised 2009) | Earnings per Share  |
| TAS 34 (revised 2009) | Interim Financial Reporting                                     |
| TAS 36 (revised 2009) | Impairment of Assets  |
| TAS 37 (revised 2009) | Provisions, Contingent Liabilities and Contingent Assets        |
| TAS 38 (revised 2009) | Intangible Assets   |

## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

| IFRS                         | Topic  |
|------------------------------|--|
| TAS 40 (revised 2009)        | Investment Property  |
| IFRS 3 (revised 2009)        | Business Combinations  |
| IFRS 5 (revised 2009)        | Non-current Assets Held for Sale and Discontinued Operations |
| FAP Announcement no. 19/2554 | Accounting Guidance for Condominiums                         |

The adoption of these new and revised IFRS has resulted in changes in the Group's accounting policies. The effects of these changes are disclosed in note 4.

In addition to the above new and revised IFRS, the FAP has issued during 2010 a number of other new and revised IFRS which are expected to be effective for financial statements beginning on or after 1 January 2013 and have not been adopted in the preparation of these financial statements. These new and revised IFRS are disclosed in note 39.

#### (b) *Presentation currency*

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

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

The preparation of financial statements in conformity with IFRS 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.

|               |  |
|---------------|--|
| Note 3        | Impact of severe flooding in Thailand      |
| Note 16       | Valuation of investment properties         |
| Note 22       | Measurement of defined benefit obligations |
| Notes 23 & 38 | Provisions and contingencies               |

### 3 Impact of severe flooding in Thailand

In September 2011, the Company was affected by severe flooding in Thailand. The flood flowed into the beverage plant located in Nakhon Sawan province and branch in Lopburi province. Furthermore, the flood flowed into the plant of the associated company located in Lopburi province. The production plants and distribution of the branch have been temporary shutdown.

The flood situation and its impacts has been developed more severe and covered several provinces. The flood has covered almost the whole province of Pathumthani and surrounding road. The beverage production plant in Pathumthani province has been temporary shutdown on 20 October 2011. Furthermore, the flood flowed into sub-branch located in Ayuthaya province resulting to be shutdown its distribution. Accordingly, the Company has insured with insurance policy of Industrial All Risk (IAR) which covered on factory and the Company's assets and operations that have been

## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

affected by flooding. Management, the insurers and loss adjusters have had full access to the affects areas since December 2011 and on process of evaluate to their assessment of the actual damage suffered. Management believes that any losses arising as a consequence of the flooding will be recovered from insurance.

At 31 December 2011, losses arising from the flooding amounted to Baht 103.42 million. The Company is recognised reimbursements as a receivable amounted to Baht 65.75 million and net losses arising from flooding amounted to Baht 36.66 million have been included in the financial statement 31 December 2011. However, this financial statement did not include aforementioned impacts adjustment if the evaluation of the actual damage suffered is final.

#### Net flood related losses

|                                    | Consolidated financial statements<br>and Separate<br>financial statements<br>(in thousand Baht) |
|------------------------------------|---|
| Not yet received                   | 65,755  |
| Insurance reimbursement recognised | 65,755  |
| Impairment of inventory            | 80,206  |
| Other flood related expenses       | 22,213  |
| Total flood related expenses       | 102,419   |
| Net flood related loss recognised  | 36,664  |

The expense is recognised in the following line items in the statement of comprehensive income:

|                         | Consolidated financial statements<br>and Separate<br>financial statements<br>(in thousand Baht) |
|-------------------------|---|
| Cost of sales of goods  | 80,206  |
| Administrative expenses | 22,213  |
| Total                   | 102,419   |

## 4 Changes in accounting policies

### 4.1 Overview

From 1 January 2011, consequent to the adoption of new and revised TFRS as set out in note 2, the Group has changed its accounting policies in the following areas:

- Presentation of financial statements
- Accounting for business combinations
- Accounting for property, plant and equipment
- Accounting for investment properties
- Accounting for borrowing costs
- Accounting for employee benefits
- Accounting Guidance for condominiums
- Impact of changes in accounting policies of associates

## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

Details of the new accounting policies adopted by the Group and the impact of the changes on the financial statements are included in notes 40a) to 40f) below. Other new and revised IFRS did not have any impact on the account policies, financial position or performance of the Group. The impact of the changes on the 2011 and 2010 financial statements is summarised as follows:

|  |             | Consolidated<br>financial<br>statements<br>2010 | Separate<br>financial<br>statements<br>2010 |
|--|-------------|---|---|
| <i>For the year ended 31 December 2010</i>                                   |             |   |   |
|  | <i>Note</i> | <i>(in thousand Baht)</i>                       |   |
| <b>Statement of financial position</b>                                       |             |   |   |
| Equity at 1 January 2010 - as reported                                       |             | 6,388,034                                       | 6,241,951                                   |
| Changes as a result of the adoption retrospectively of:                      |             |   |   |
| IAS 19 Employee benefit  | 40g)        | (99,515)  | (99,515)                                    |
| Accounting Guidance for condominiums   | 40h)        | (10,639)  | (10,639)                                    |
| <b>Equity at 1 January 2010 - restated</b>                                   |             | <b>6,277,880</b>                                | <b>6,131,797</b>                            |
| Equity at 31 December 2010 - as reported                                     |             | 10,005,632                                      | 9,774,821                                   |
| Changes as a result of the adoption retrospectively of:                      |             |   |   |
| IAS 19 Employee benefit  | 40g)        | (89,734)  | (89,734)                                    |
| Accounting Guidance for condominiums   | 40h)        | (11,336)  | (11,336)                                    |
| <b>Equity at 31 December 2010 - restated</b>                                 |             | <b>9,894,572</b>                                | <b>9,673,741</b>                            |
| <b>Statement of comprehensive income for the year ended 31 December 2010</b> |             |   |   |
| Profit - as reported   |             | 467,920   | 426,954                                     |
| Changes as a result of the adoption retrospectively of:                      |             |   |   |
| IAS 19 Employee benefit  | 40g)        | 9,791   | 9,791                                       |
| Accounting Guidance for condominiums   | 40h)        | (607)   | (607)                                       |
| <b>Profit - restated</b>   |             | <b>477,014</b>                                  | <b>436,048</b>                              |
| <b>Increase in basic earnings per share (in Baht)</b>                        |             | <b>0.03</b>                                     | <b>0.03</b>                                 |
|  |             |   |   |
|  |             | Consolidated<br>financial<br>statements<br>2011 | Separate<br>financial<br>statements<br>2011 |
| <i>For the year ended 31 December 2011</i>                                   | <i>Note</i> | <i>(in thousand Baht)</i>                       |   |
| <b>Statement of financial position</b>                                       |             |   |   |
| Investment in an associate at 31 December 2010 - as reported                 |             | 344,452   | 30,000                                      |
| Changes as a result of the adoption prospectively of associate               | 4c)         | (2,625)   | -   |
| <b>Investment in an associate at 1 January 2010</b>                          |             | <b>341,827</b>                                  | <b>30,000</b>                               |
| Equity at 31 December 2010 - restated  |             | 9,894,572                                       | 9,673,741                                   |
| Impact of the adoption prospectively of:                                     |             |   |   |
| IAS 19 Employee benefits   | 40g)        | (888,404)                                       | (888,454)                                   |
| IAS 40 (revised 2009) Investment property - net                              | 40e)        | 1,474   | 1,474                                       |
| Changes as a result of the adoption prospectively of associate               | 4c)         | (2,625)   | -   |
| <b>Equity at 1 January 2011</b>  |             | <b>8,821,017</b>                                | <b>8,790,761</b>                            |

## Notes to the financial statements

## For the years ended 31 December 2011 and 2010

*For the year ended 31 December 2011***Statement of comprehensive for the year ended 31 December 2011 and 2010**

|  | Note | Consolidated<br>financial<br>statements<br>2011<br><i>(in thousand Baht)</i> | Separate<br>financial<br>statements<br>2011 |
|--|------|--|---|
| adoption of:   |      |  |   |
| TAS 16 (revised 2009) Property, plant and equipment          | 4(a) | 119,184  | 119,184                                     |
| TAS 40 (revised 2009) Investment property                    | 4(b) | (5,037)  | (5,037)                                     |
| TAS 19 Employee benefits                                     | 4(p) | (108,110)  | (107,578)                                   |
| Accounting Guidance for condominiums                         | 4(b) | (895)  | (895)                                       |
| <b>Increase in profit</b>                                    |      | <b>5,342</b>   | <b>5,894</b>                                |
| <b>Increase in basic earnings per share <i>(in Baht)</i></b> |      | <b>0.62</b>  | <b>0.62</b>                                 |

**(b) Presentation of financial statements**

From 1 January 2011, the Group has adopted TAS 1 Presentation of Financial Statements (Revised 2009). Under the revised standard, a set of financial statements comprises:

- Statement of financial position;
- Statement of comprehensive income;
- Statement of changes in equity;
- Statement of cash flows; and
- Notes to the financial statements.

As a result, the Group presents all owner changes in equity in the statement of changes in equity and all non-owner changes in equity in the statement of comprehensive income. Previously, all such changes were included in the statement of changes in equity.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on reported profit or earnings per share.

**(c) Accounting for business combinations**

From 1 January 2011, the Group has adopted TFRS 3 Business Combinations (revised 2009) and TAS 27 Consolidated and Separate Financial Statements (revised 2009) for all business combinations on or after 1 January 2011. The new policy for accounting for business combinations, together with information on the previous policy, is given below. The new policy has been applied prospectively from 1 January 2011 in accordance with the transitional provisions of the revised standards. There have been no business combinations during 2011 and, accordingly, adoption of these two revised standards has had no impact on profit or earnings per share for 2011.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.



## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

#### *Acquisitions on or after 1 January 2011*

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

#### *Acquisitions between 1 January 2008 and 31 December 2010*

For acquisitions between 1 January 2008 and 31 December 2010, goodwill represented the excess of the cost of the acquisition over the Group's interest in the recognized amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognized immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or securities, that the Group incurred in connection with business combinations were capitalized as part of the cost of the acquisition.

#### *Acquisitions prior to 1 January 2008*

For acquisitions prior to 1 January 2008, goodwill was measured in the same way as described in the preceding paragraph. However, both positive and negative goodwill were amortized over their estimated useful life of 6 years. On 1 January 2008, on adoption of the former IAS 43 (revised 2007), the Group discontinued amortizing goodwill. Negative goodwill carried in the financial statements as at 31 December 2007 was derecognized by crediting unappropriated retained earnings on 1 January 2008.

#### *(ii) Accounting for property, plant and equipment*

From 1 January 2011, the Group has adopted IAS 16 (revised 2006) Property, Plant and Equipment in determining and accounting for the cost and depreciable amount of property, plant and equipment.

The principal changes introduced by the revised IAS 16 and affecting the Group are that: (i) costs of asset restoration have to be included as asset costs and subject to annual depreciation; (ii) the depreciation charge has to be determined separately for each significant part of an asset; and (iii) in

## Notes to the financial statements

## For the years ended 31 December 2011 and 2010

determining the depreciable amount, the residual value of an item of property, plant and equipment has to be measured at the amount estimated receivable currently for the asset if the asset were already of the age and in the condition expected at the end of its useful life. Furthermore, the residual value and useful life of an asset have to be reviewed at least at each financial year-end.

The changes have been applied prospectively in accordance with the transitional provisions of the revised standard. The changes have had the following impact on the 2011 financial statements.

|   | Consolidated<br>financial<br>statements<br>2011<br>(in thousand Baht) | Separate<br>financial<br>statements<br>2011 |
|---|---|---|
| <b>Statement of financial position as at 31 December</b>                |   |   |
| Decrease in accumulated depreciation                                    | 119,184   | 119,184                                     |
| Increase in retained earnings   | <u>119,184</u>  | <u>119,184</u>                              |
| <b>Statement of comprehensive income for the year ended 31 December</b> |   |   |
| Decrease in depreciation charge resulting in decrease in:               |   |   |
| Cost of sales   | 79,061  | 79,061                                      |
| Selling expenses  | 33,784  | 33,784                                      |
| Administrative expenses   | 6,339   | 6,339                                       |
| Increase in profit  | <u>119,184</u>  | <u>119,184</u>                              |
| Increase in basic earnings per share (in Baht)                          | <u>0.45</u>   | <u>0.45</u>                                 |

## (a) Accounting for investment properties

From 1 January 2011, the Group has adopted IAS 40 (revised 2009) Investment Property.

Under the revised standard, investment property, defined as property owned to earn rentals, capital appreciation; or both, is disclosed in the financial statements separately from other property, plant and equipment and measured using the fair value model or cost model, with changes in fair value being recognised in profit or loss.

Previously, investment properties were included in property, plant and equipment and measured using the revaluation model for land and cost model for building. Revaluation changes were recognised in equity or profit or loss in accordance with the provisions of IAS 16 Property, Plant and Equipment.

The Group has selected the fair value model for accounting for its investment properties under the revised standard. Accordingly, the carrying value of the investment properties at the reporting date for land is unchanged but any net revaluation surpluses are recognised in profit or loss, and not in equity as under the previous policy. The change in accounting policy has been applied prospectively from 1 January 2011 in accordance with the transitional provisions of the revised standard.

The fair value of the Group's and the Company's investment properties as at 1 January 2011 has been assessed at Baht 34.81 million. The carrying amount of these properties as at 31 December 2010, which were included in property, plant and equipment under the previous accounting policy, was Baht 33.33 million. On 1 January 2011, The Group and the Company have reclassified the investment properties from property, plant and equipment to investment properties and recorded the properties at fair value. The valuation surplus has been credited to retained earnings. The impact on the 2011 financial statements was as follows:

## Notes to the financial statements

For the years ended 31 December 2011 and 2010

|  | Consolidated<br>financial<br>statements<br>2011 | Separate<br>financial<br>statements<br>2011 |
|--|---|---|
|  | <i>(in thousand Baht)</i>                       |   |
| <b>Statement of financial position at 1 January 2011</b>                         |   |   |
| Increase in investment properties  | 34,806  | 34,806                                      |
| Decrease in property, plant and equipment  | (33,332)  | (33,332)                                    |
| Decrease in revaluation surplus  | 12,903  | 12,903                                      |
| <b>Increase in retained earnings</b>   | <b>14,377</b>                                   | <b>14,377</b>                               |
| <b>Statement of comprehensive income<br/>for the year ended 31 December 2011</b> |   |   |
| (Reversal) of changes in fair values<br>recognised in 2011 under the new policy  | (5,161)   | (5,161)                                     |
| (Depreciation charge for 2011 under<br>the former policy                         | 124   | 124   |
| <b>Decrease in profit</b>  | <b>(5,037)</b>                                  | <b>(5,037)</b>                              |
| <b>Decrease in earnings per share</b>  | <b>(0.019)</b>                                  | <b>(0.019)</b>                              |

### (f) Accounting for borrowing costs

From 1 January 2011, the Group has adopted TAS 25 (revised 2009) Borrowing Costs.

Under the revised standard, borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Under the former standard, there was also an option to expense borrowing costs on qualifying assets when incurred.

It was the Group's policy under the former TAS 25 to recognise all borrowing costs as an expense in profit or loss when incurred. The change in accounting policy to capitalise borrowing costs for qualifying assets has been applied prospectively from 1 January 2011 in accordance with the transitional provisions of the revised standard. Accordingly, borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset for which the commencement date for capitalisation is on or after 1 January 2011 are capitalised as part of the cost of that asset. The changes have had no material impact on the profit and earnings per share for 2011.

### (g) Accounting for employee benefits

From 1 January 2011, the Group has adopted TAS 19 Employee Benefits.

Under the new policy, the Group's obligation in respect of employee benefits was as follows:

- Short-term employee benefit - accumulated annual leave recognised in the financial statements based on calculations of the accumulated unused annual leave at end of period multiplied by employee's daily wage.
- Long-term employee benefit - long service award recognised in the financial statements based on calculations performed annually by a qualified actuary using the projected unit credit method. Previously, this obligation was recognised as and when payments were made.

## Notes to the financial statements

## For the years ended 31 December 2011 and 2010

- Post - employment benefit recognised in the financial statements based on calculations performed annually by a qualified actuary using the projected unit credit method. Previously, this obligation was recognised only for employees who are due to retire within 5 years from the reporting date.

The change in accounting policy for annual leave and long service award has been applied retrospectively and the Group's 2010 financial statements, which are included in the Group's 2011 financial statements for comparative purposes, have been restated accordingly. The impact on the 2011 and 2010 financial statements was as follows:

|  | Consolidated financial statements |                                     |                | Separate financial statements |                                     |                |
|--|-----------------------------------|-------------------------------------|----------------|-------------------------------|-------------------------------------|----------------|
|  | 31 December 2011                  | 31 December 2010 and 1 January 2011 | 1 January 2010 | 31 December 2011              | 31 December 2010 and 1 January 2011 | 1 January 2010 |
|  | (in thousand Baht)                |                                     |                |                               |                                     |                |
| <b>Statement of financial position</b>   |                                   |                                     |                |                               |                                     |                |
| Increase in employee benefit obligations | 88,640                            | 88,734                              | 88,515         | 88,640                        | 88,734                              | 88,515         |
| Decrease in retained earnings            | 88,640                            | 88,734                              | 88,515         | 88,640                        | 88,734                              | 88,515         |

|   | Consolidated financial statements |       | Separate financial statements |       |
|---|-----------------------------------|-------|-------------------------------|-------|
|   | 2011                              | 2010  | 2011                          | 2010  |
|   | (in thousand Baht)                |       |                               |       |
| <b>Statement of comprehensive income for the year ended 31 December</b> |                                   |       |                               |       |
| Increase in employee benefit expenses resulting in                      |                                   |       |                               |       |
| Increase in cost of sales of goods                                      | (1,945)                           | -     | (1,945)                       | -     |
| Decrease (increase) in selling expenses                                 | (8,263)                           | 9,791 | (8,263)                       | 9,791 |
| Decrease in administrative expenses                                     | 1,248                             | -     | 1,248                         | -     |
| Increase (decrease) in profit   | (8,960)                           | 9,791 | (8,960)                       | 9,791 |
| Increase (decrease) in basic earning per share (in Baht)                | (0.03)                            | 0.03  | (0.03)                        | 0.03  |

The Group's and the Company's liability for retirement benefit obligations as at 1 January 2011 has been determined to be Baht 888.40 million and Baht 884.45 million, respectively. The Group and the Company has opted to record the entire amount of this liability as an adjustment to retained earnings as at 1 January 2011, in accordance with the transitional provisions of TAS 19. The impact on the 2011 financial statements was as follows:

## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

|   | Consolidated<br>financial<br>statements<br>2011 | Separate<br>financial<br>statements<br>2011 |
|---|---|---|
|   | <i>(in thousand Baht)</i>                       |   |
| <b>Statement of financial position</b>  |   |   |
| Unappropriated retained earnings at 31 December 2010 - as reported                    | 616,962   | 429,913                                     |
| Increase in employee benefit obligations  | (888,404)                                       | (884,454)                                   |
| <b>Deficit at 1 January 2011</b>  | <b>(271,442)</b>                                | <b>(454,541)</b>                            |
| <b>Statement of comprehensive income for the year ended 31 December</b>               |   |   |
| Increase in employee benefit expenses resulting in increase in cost of sales of goods | (12,661)  | (12,661)                                    |
| Increase in selling expenses  | (67,625)  | (67,625)                                    |
| Increase in administrative expenses   | (26,664)  | (19,532)                                    |
| <b>Decrease in profit</b>   | <b>(96,950)</b>                                 | <b>(99,818)</b>                             |
| <b>Decrease in basic earnings per share (in Baht)</b>                                 | <b>(0.37)</b>                                   | <b>(0.37)</b>                               |

#### (iv) Accounting treatment for condominiums

The Group has adopted IAP's announcement number 19/2554 Accounting Guidance for Condominiums. This announcement requires the Company to recognise the acquisition cost of condominium and similar types of asset as one unit under the classification "condominium" if land of the condominium is common property and the buyer is a co-owner of such common property. The Company can recognise land separately only if the Company has a land title deed separate from such condominium.

Previously, common land of condominium was recognised separately from the condominium. The changes have been applied retrospectively with the following impact on the 2011 and 2010 financial statements:

|  | Consolidated<br>financial statements |   |                      | Separate<br>financial statements |   |                      |
|--|--------------------------------------|---|----------------------|----------------------------------|---|----------------------|
|  | 31<br>December<br>2011               | 31<br>December<br>2010 and<br>1 January<br>2011 | 1<br>January<br>2010 | 31<br>December<br>2011           | 31<br>December<br>2010 and<br>1 January<br>2011 | 1<br>January<br>2010 |
|  | <i>(in thousand Baht)</i>            |   |                      |                                  |   |                      |
| <b>Statement of financial position</b>                       |                                      |   |                      |                                  |   |                      |
| Increase in accumulated depreciation                         | (12,631)                             | (11,336)  | (10,639)             | (12,631)                         | (11,336)  | (10,639)             |
| Decrease in carrying amount of property, plant and equipment | (12,631)                             | (11,336)  | (10,639)             | (12,631)                         | (11,336)  | (10,639)             |
| <b>Decrease in retained earnings</b>                         | <b>(12,631)</b>                      | <b>(11,336)</b>                                 | <b>(10,639)</b>      | <b>(12,631)</b>                  | <b>(11,336)</b>                                 | <b>(10,639)</b>      |

## Notes to the financial statements

For the years ended 31 December 2011 and 2010

Consolidated financial statements  
and Separate  
financial statements  
2011 2010  
(in thousand Baht)

*Statement of comprehensive income for the year ended  
31 December*

|  |         |         |
|--|---------|---------|
| Increase in depreciation charge                  |         |         |
| resulting in increase in administrative expenses | (595)   | (597)   |
| Decrease in profit                               | (595)   | (597)   |
| Decrease in basic earnings per share (in Baht)   | (0.002) | (0.002) |

(f) *Impact of changes in accounting policies of an associate*

*Accounting for employee benefits*

From 1 January 2011, the associate has adopted TAS 19 Employee Benefits.

Under the new policy, the associate's liability for post-employment benefits and other long-term employee benefit obligations is recognised in the financial statements based on calculations performed annually by a qualified actuary using the projected unit credit method. Previously, this liability was recognised as and when payments were made.

The associate has opted to record this liability as an adjustment to retained earnings as at 1 January 2011, in accordance with the transitional provisions of TAS 19. The retained earnings of the associate, which are included in the Group's financial statements using the equity method, have been adjusted accordingly. The impact on the 2011 financial statements was as follows:

|  | Consolidated<br>financial<br>statements<br>2010 | Separate<br>financial<br>statements<br>2010 |
|--|---|---|
|  | (in thousand Baht)                              |   |
| <i>Statement of financial position</i>         |   |   |
| Investment in an associate at 31 December 2010 |   |   |
| - as reported                                  | 244,402   | 30,000                                      |
| Changes as a result of the adoption of TAS 19  | (2,635)   | -   |
| Investment in an associate at 1 January 2011   | 241,827   | 30,000                                      |

## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

#### 5 Significant transactions

Significant transactions/matters occurring during the year ended 31 December 2011 were as follows:

- a) Pepsi-Cola (Thai) Trading Co., Ltd. ("Plaintiff") submitted petitions to the Civil Court seeking the Court to issue an order to revoke the resolutions of the general meeting of shareholders in four cases (including 1 case filed in year 2010) as follows:

1. The Black Case No. 4126/2553

On 3 November 2010, the Plaintiff submitted a petition to the court to issue an order to revoke the resolutions of the Extraordinary General Meeting no. 1/2010 held on 4 October 2010. On 17 January 2011, the Company submitted an objection statement to the Court.

2. The Black Case No. 1123/2554

On 13 January 2011, the Plaintiff submitted a petition to the court to issue an order to revoke the resolutions of the Extraordinary General Meeting no. 3/2010 held on 14 December 2010.

3. The Black Case No. 863/2554

On 14 March 2011, the Plaintiff submitted a petition to the court to issue an order to revoke the resolutions of the Extraordinary General Meeting no. 1/2011 held on 15 February 2011. On 23 March 2011, the Company submitted an objection statement to the Court.

4. The Black Case No. 1621/2554

On 23 May 2011, the Plaintiff submitted a petition to the court to issue an order to revoke the resolutions of the 2011 Annual General Meeting of Shareholders held on 29 April 2011.

On 17 October 2011, the Plaintiff filed a request to the court to withdraw the case and removed the case from the case list. On 25 October 2011, the court permitted the Plaintiff to withdraw all the 4 petitions and removed the cases from the case list.

- b) At the Extraordinary General Meeting of Shareholders No.1/2011 held on 15 February 2011, the Shareholders approved for the Company to proceed with the future business plan which comprises 2 parts: Business Operating Plan and Proceeding with matters in relation to the Agreements between the Company with PepsiCo Inc., Seven-Up International and Pepsi-Cola (Thai) Trading Co., Ltd. (collectively, "Pepsi").

With respect to Proceedings in relation to the Agreements between the Company and Pepsi, it was resolved for the Company to enter into a new agreement in the form and substances that are reasonably acceptable in accordance with the essences that were prescribed. The Company must receive confirmation from Pepsi that it agrees to such essences within 15 days from the date the Meeting of Shareholders has passed the resolution which was due on 2 March 2011 and must enter into a new agreement within 31 March 2011. In the event that the Company does not receive confirmation from Pepsi within 3 March 2011, the Company shall terminate the agreements immediately. The termination shall be effective as the Board of Directors considers appropriate but no later than 12 months from the date of such termination letter.

Subsequently, the Company did not enter into a new agreement with Pepsi within 31 March 2011. On 31 March 2011, the Board of Directors approved to terminate the Exclusive Bottling Appointment Agreement dated 1 January 1998. As the new agreement signed by Pepsi, who informed the Company to sign, having several material provisions that did not correspond with the resolutions of the Meeting of Shareholders, the Company, therefore, could not sign such agreement.

## Notes to the financial statements

## For the years ended 31 December 2011 and 2010

On 1 April 2011, the Company issued a letter to PepsiCo, Inc. and Seven-Up International to terminate the Exclusive Bottling Appointment Agreement of 1 January 1998. The termination would be effective as of the close of business on 1 April 2012. The Annual General Meeting of Shareholders for the year 2011 on 29 April 2011, confirmed acting and proceedings of the Company in relation to the Agreements between the Company and Pepsi.

- c) The Company's plant in Suratthani province was affected by floods happened end of March 2011. The Company is protected by insurance policies. As end of 31 December 2011, the damages expense was Baht 25.9 million. The Company has recorded compensation from the insurer of Baht 21.0 million and damages expense of Baht 4.9 million in the financial statements for the year ended 31 December 2011.
- d) At the Annual General Meeting of Shareholders of the Company held on 29 April 2011, the shareholders approved the transfer of Appropriated Retained Earnings in the General Reserve in the amount of Baht 1,000 million to Unappropriated Retained Earnings.
- e) On 29 April 2011, the Company submitted to the Department of Business Development, the Ministry of Commerce, an application to register directors who were appointed by the 2011 Annual General Meeting of Shareholders and authorized directors. However, the Company was informed that S&B Beverage Co., Ltd. earlier submitted an objection to such registration. Subsequently, the Central Business Registration Division, the Bureau of Business Registration of the Department of Business Development sent a letter dated 1 July 2011 to the Company notifying the result of its consideration to accept the application of such registration. Therefore, on 4 July 2011, the Company arranged for the registration of directors and authorized directors.
- f) On 30 May 2011, S&B Beverage Co., Ltd. ("Plaintiff") submitted a petition to the Civil Court seeking the Court to issue an order to revoke the resolutions of the Annual General Meeting of Shareholder held on 29 April 2011 referred to the Black Case no.912/2554. On 17 October 2011, the Plaintiff filed a request to withdraw the case and remove the case from the case list. On 17 October 2011, the court permitted S&B to withdraw the case and removed the case from the case list.
- g) On 20 July 2011, the Company received a letter from Pepsi-Cola (Thai) Trading Co., Ltd., Seven-Up Nederland, B.V. (collectively, "PepsiCo Group"), and SS National Logistics Co., Ltd. ("SSN") (PepsiCo Group and SSN, collectively referred to as the "Major Shareholders Group") informing the Company of their execution of an Agreement to Sell and Purchase Shares in the Company that may materially change the Company's Shareholding Structure, Management and the Future Business Plan with respect to proceedings in relation to the Agreements between the Company and PepsiCo Inc., Seven-Up International, and Pepsi-Cola (Thai) Trading Co., Ltd. (collectively, "Pepsi").

In respect of the Exclusive Bottling Appointment (EBA), if that PepsiCo Group sells the shares to SSN, or if there is no sale and purchase of the shares of the Company and PepsiCo Group does not materially breach the Agreement, the Company and Pepsi shall extend the period of the effectiveness of the termination of the existing EBA for 7 months, from 1 April 2012 to 1 November 2012. During the extension period, the Company will use a formula to calculate concentrate price resulting in the price of concentrate being decreased by 8.61 percent before discount (or 8.80 percent after discount). If PepsiCo Group purchases the shares from SSN, the Company and Pepsi shall enter into a new EBA. The period of the new EBA shall be 7 years and will automatically renew for 5 years, unless a party provides 12 month advance notice of termination. The new EBA shall come into force as from the first day of the month following the month that PepsiCo Group completes the tender offer. The formula in calculating concentrate price shall result in the price of concentrate being decreased by 8.61 percent before discount (or 8.80 percent after discount) from that under the existing EBA.



## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

At the Extraordinary General Meeting of Shareholders No. 2/2011 held on 26 August 2011, the shareholders approved several matters in order for the sale and purchase of shares to be achieved, including the matter relating to EBA as described above.

On 9 September 2011, Major shareholders group reached an agreement for PepsiCo Group to sell 110,461,360 shares in the Company to SSN's partner, Thai Beverage Logistics Company Limited, at the price of Baht 58 per share totaling of Baht 6,406,791,680. The sell and purchase of shares is to be by way of a voluntary tender offer for all securities of the Company subject to the conditions precedent set out to be fulfilled at the specific time (unless waived by SSN). The conditions precedent include the tender of letters of resignation by the directors nominated by PepsiCo Group and the undertaking that the vendor will not breach its representations and warranties given or the agreement in relation to the shares or shareholding in the Company.

- (b) On 14 October 2011, Thai Beverage Logistics Company Limited ( "Offeror" ) submitted a tender offer for securities to the Securities of Exchange Commission, The Stock Exchange of Thailand, directors, and the shareholders of the Company pursuant to the intention to make a tender offer for all common shares in the Company at the price of Baht 58 per share. The Tender Offer period was from 15 September 2011 to 19 October 2011. As at end of the tender offer period, the Offeror reported that the number of shares offered for sale was 171,823,138 shares or 65% of total paid-up shares of the Company, the Offeror bought all those shares.

## 6 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as explained in note 4, which addresses changes in accounting policies.

### (a) *Basis of consolidation*

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

#### *Subsidiaries*

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

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group. Losses applicable to non-controlling interests in a subsidiary are allocated to non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

#### *Associates*

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

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

## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

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

#### *Transactions eliminated on consolidation*

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

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

##### *Foreign currency transactions*

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

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

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

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

Forward exchange contracts are treated as off-balance sheet items.

#### **(d) Cash and cash equivalents**

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

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

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

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

#### **(f) Inventories**

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

Cost of finished goods, work in progress, other supplies and bottles and cases is calculated using the weighted average cost principle and cost of raw materials, supplies, and spare part is calculated using the moving-average cost principle. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of

## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

production overheads based on normal operating capacity and is calculated using standard cost adjusted to approximate average cost.

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

The Group records an allowance for decline in value of inventories for all deteriorated and obsolete inventories.

#### (g) Investments

##### *Investments in subsidiaries and an associate*

Investments in subsidiaries and an associate in the separate financial statements of the Company are accounted for using the cost method. Investment in an associate in the consolidated financial statements is accounted for using the equity method.

##### *Investments in other equity securities*

Marketable equity securities are classified as available-for-sale investments. Available-for-sale investments are, subsequent to initial recognition, stated at fair value, and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognised directly in equity. Impairment losses and foreign exchange differences are recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

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

The fair value of securities classified as available-for-sale is determined as the quoted bid price at the reporting date.

##### *Disposal of investments*

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

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

#### (h) Investment properties

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

Investment properties are measured at cost on initial recognition and subsequently at fair value, with any change recognised in profit or loss.

## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

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

#### *Reclassification to property, plant and equipment*

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

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

#### *Recognition and measurement*

##### *Owned assets*

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

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

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

##### *Revalued assets*

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

Any increase in value, on revaluation, is recognised in other comprehensive income and presented in the revaluation reserve in equity unless it offsets a previous decrease in value recognised in profit or loss in respect of the same asset. A decrease in value is recognised in profit or loss to the extent it exceeds an increase previously recognised in other comprehensive income in respect of the same asset. Upon disposal of a revalued asset, any related revaluation surplus is transferred directly to retained earnings and is not taken into account in calculating the gain or loss on disposal.

#### *Reclassification to investment property*

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Property that is being constructed

## Notes to the financial statements

## For the years ended 31 December 2011 and 2010

for future use as investment property is accounted for at fair value. Any gain arising on remeasurement is recognised in profit or loss to the extent the gain reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised in other comprehensive income and presented in the revaluation reserve in equity to the extent that an amount had previously been included in the revaluation reserve relating to the specific property, with any remaining loss recognised immediately in profit or loss.

*Subsequent costs*

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

|                                       |             |
|---------------------------------------|-------------|
| Buildings, warehouses and improvement | 20-30 years |
| Machinery and equipment               | 3-25 years  |
| High voltage equipment                | 10 years    |
| Vehicles                              | 5-10 years  |
| Furniture and office equipment        | 3-5 years   |
| Plastic pallets                       | 5 years     |
| Marketing promotion equipments        | 5 years     |

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

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

**g Intangible assets***Goodwill*

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The measurement of goodwill at initial recognition is described in note 4(c). Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

*Other intangible assets*

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

## Notes to the financial statements

## For the years ended 31 December 2011 and 2010

*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:

|                                  |            |
|----------------------------------|------------|
| Rights for distribution of goods | 2-15 years |
| Software licences                | 10 years   |

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

**(b) Impairment**

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

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 unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

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

*Calculation of recoverable amount*

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

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

*Reversals of impairment*

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

## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

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

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

Trade and other accounts payable are stated at cost.

#### (iv) *Employee benefits*

##### *Defined contribution plans*

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

##### *Defined benefit plans*

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

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

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

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

## Notes to the financial statements

## For the years ended 31 December 2011 and 2010

*Other long-term employee benefits*

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

*Termination benefits*

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

*Short-term employee benefits*

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

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

**(iv) Provisions**

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

*Provision for long-term executive incentive plan*

Provision for long-term executive incentive plan is an estimation of the Company's liabilities under a incentive program for executives. This program is for a period of 5 years and gives incentive in the form of non-transferable incentive units. Such incentive units are calculated as fixed percentage of salary divided by the conversion price which equals 3 years average EPS multiplied by 10 times the price-earnings ratio. The incentive payment will be made 5 years after the grant date of the incentive units.

**(v) Revenue**

Revenue excludes value added taxes and is arrived at after deduction of trade discounts and volume rebates.

*Sale of goods and services rendered*

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



## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

#### *Investments*

Revenue from investments comprises rental income from investment properties and dividend and interest income from investments and bank deposits.

#### *Rental income*

Rental income from investment property is recognized in profit or loss on a straight line basis over the term of lease.

#### *Dividend income*

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

#### *Interest income and other income*

Interest income and other income is recognised in profit or loss as it accrues.

### **(g) Expenses**

#### *Lease payments*

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.

Other expenses are recognised as they accrue.

### **(g) Income tax**

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

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

## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

#### 7 Related parties

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

Relationships with related parties that have transactions with the Group were as follows:

| Name of entities                            | Country of incorporation/<br>nationality | Nature of relationships   |
|---|--|---|
| Serm Suk Holdings Co., Ltd.                 | Thailand                                 | Direct subsidiary and common director   |
| Serm Suk Beverage Co., Ltd.                 | Thailand                                 | Indirect subsidiary and common director   |
| Pepsi-Cola (Thai) Trading Co., Ltd.*        | Thailand                                 | Major shareholder   |
| Perform (Thailand) Co., Ltd.                | Thailand                                 | Associate and common director   |
| Bangkok Glass Co., Ltd.                     | Thailand                                 | The Company and directors hold ordinary shares  |
| PepsiCo, Inc.*                              | USA                                      | Shareholder of the major shareholder  |
| The Pet Co., Ltd.                           | Thailand                                 | The Company and director hold ordinary shares and common directors  |
| Crown Seal Public Company Limited           | Thailand                                 | The Company hold ordinary shares and common director  |
| Petpack Co., Ltd.                           | Thailand                                 | The Company hold ordinary shares  |
| Minor International Public Company Limited  | Thailand                                 | The directors hold ordinary shares and common director  |
| The Minor Food Group Public Company Limited | Thailand                                 | Common director   |
| Navekij Insurance Public Company Limited    | Thailand                                 | The directors hold ordinary shares and common director  |
| Muangthai Insurance Public Company Limited  | Thailand                                 | The directors hold ordinary shares and common director  |
| Muangthai Life Insurance Co., Ltd.          | Thailand                                 | The directors hold ordinary shares and common director  |
| The Bangkok Thonburi Insurance Co., Ltd.    | Thailand                                 | The directors hold ordinary shares and common director  |
| Photo Leasing Public Company Limited        | Thailand                                 | Common director   |
| Thai Beverage Can Co., Ltd.                 | Thailand                                 | Directors and controlling equity holder of the ultimate parent company hold 50% substantial shares indirectly |
| Oishi Group Public Company Limited          | Thailand                                 | Direct subsidiary of the ultimate parent company  |
| Oishi Trading Co., Ltd.                     | Thailand                                 | Indirect subsidiary of the ultimate parent company  |
| Oishi Ramen Co., Ltd.                       | Thailand                                 | Indirect subsidiary of the ultimate parent company  |
| S.P.M. Foods and Beverage Co., Ltd.         | Thailand                                 | Indirect subsidiary of the ultimate parent company  |

## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

| Name of entities         | Country of incorporation/<br>nationality | Nature of relationships  |
|--------------------------|--|--|
| Key management personnel | Thailand                                 | Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Group |

\* Termination of major shareholder on 15 September 2011.

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

| Transactions   | Pricing policies  |
|--|---|
| Sales of goods and rendering of services   | Cost plus gross profit margin                                     |
| Interest income  | MLR of a domestic commercial bank plus 3% per annum               |
| Purchase of finished goods and raw materials   | Cost of finished goods and raw materials plus gross profit margin |
| Subsidy for marketing expenses   | Actual price stated in invoice                                    |
| Directors' remuneration expenses representing salary, director bonus and meeting allowance | Approval by the Company's directors and shareholders              |

Significant transactions for the years ended 31 December 2011 and 2010 with related parties were as follows:

| Year ended 31 December   | Consolidated<br>financial statements |           | Separate<br>financial statements |           |
|--|--------------------------------------|-----------|----------------------------------|-----------|
|  | 2011                                 | 2010      | 2011                             | 2010      |
|  | (in thousand Baht)                   |           |                                  |           |
| <b>Subsidiary</b>  |                                      |           |                                  |           |
| Sale of goods and rendering of services  | -                                    | -         | 215,264                          | 265,884   |
| Purchase of finished goods and services  | -                                    | -         | 339,463                          | 378,587   |
| <b>Associate</b>   |                                      |           |                                  |           |
| Purchase of raw materials  | 853,781                              | 868,928   | 853,781                          | 868,928   |
| Dividend income  | 37,180                               | 41,100    | 37,180                           | 41,100    |
| <b>Other related parties</b>   |                                      |           |                                  |           |
| Sale of goods and rendering of services  | 140,822                              | 207,479   | -                                | -         |
| Purchase of finished goods and raw materials and subsidy for marketing expense | 3,763,482                            | 3,215,288 | 3,753,300                        | 3,204,953 |
| Selling expense  | 8,480                                | 10,445    | 8,480                            | 10,445    |
| Administrative expense   | 29,674                               | 28,160    | 29,171                           | 27,649    |
| Interest income  | 417                                  | 465       | 417                              | 465       |
| Dividend income  | 6,917                                | 12,567    | 6,917                            | 12,567    |
| Other income   | 6,346                                | 9,024     | 6,346                            | 9,024     |

## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

| Year ended 31 December                             | Consolidated<br>financial statements |                | Separate<br>financial statements |                |
|--|--------------------------------------|----------------|----------------------------------|----------------|
|  | 2011                                 | 2010           | 2011                             | 2010           |
|  | (in thousand Baht)                   |                |                                  |                |
| <b>Key management personnel</b>                    |                                      |                |                                  |                |
| Key management personnel compensation              |                                      |                |                                  |                |
| Short-term employee benefit                        | 81,692                               | 76,865         | 81,032                           | 75,494         |
| Employee retirement benefits                       | 3,704                                | 50             | 3,704                            | 50             |
| Other long-term benefits                           | 9,218                                | 20,513         | 9,218                            | 20,513         |
| Directors' remunerations                           | 24,339                               | 26,436         | 24,339                           | 26,436         |
| <b>Total key management personnel compensation</b> | <b>118,293</b>                       | <b>123,864</b> | <b>118,293</b>                   | <b>122,493</b> |

Balances as at 31 December 2011 and 2010 with related parties were as follows:

| Trade accounts receivable from related parties | Consolidated<br>financial statements |               | Separate<br>financial statements |               |
|--|--------------------------------------|---------------|----------------------------------|---------------|
|  | 2011                                 | 2010          | 2011                             | 2010          |
|  | (in thousand Baht)                   |               |                                  |               |
| <b>Subsidiary</b>                              |                                      |               |                                  |               |
| Serm Suk Beverage Co., Ltd.                    | -                                    | -             | 40,709                           | 47,485        |
| <b>Other related party</b>                     |                                      |               |                                  |               |
| Pepsi-Cola (Thai) Trading Co., Ltd.            | -                                    | 26,823        | -                                | -             |
| Gohi Group Co., Ltd.                           | 3,861                                | -             | 3,861                            | -             |
| Gohi Ramen Co., Ltd.                           | 302                                  | -             | 302                              | -             |
| Pornklung Co., Ltd.                            | 23                                   | -             | 23                               | -             |
| <b>Total</b>                                   | <b>4,186</b>                         | <b>26,823</b> | <b>44,895</b>                    | <b>47,485</b> |

| Accounts receivable from related parties | Consolidated<br>financial statements |                | Separate<br>financial statements |                |
|--|--------------------------------------|----------------|----------------------------------|----------------|
|  | 2011                                 | 2010           | 2011                             | 2010           |
|  | (in thousand Baht)                   |                |                                  |                |
| <b>Subsidiary</b>                        |                                      |                |                                  |                |
| Serm Suk Beverage Co., Ltd.              | -                                    | -              | 44,727                           | 44,727         |
| <b>Other related parties</b>             |                                      |                |                                  |                |
| Pepsi-Cola (Thai) Trading Co., Ltd.      | -                                    | 340,052        | -                                | 330,063        |
| Bangkok Glass Co., Ltd.                  | 112                                  | 1,371          | 112                              | 1,371          |
| The Pet Co., Ltd.                        | -                                    | 214            | -                                | 214            |
| Gohi Trading Co., Ltd.                   | 9,754                                | -              | 9,754                            | -              |
| <b>Total</b>                             | <b>9,866</b>                         | <b>341,637</b> | <b>54,593</b>                    | <b>386,295</b> |

| Long-term loans to a related party | Interest rate |      | Consolidated<br>financial statements |       | Separate<br>financial statements |       |
|------------------------------------|---------------|------|--------------------------------------|-------|----------------------------------|-------|
|                                    | 2011          | 2010 | 2011                                 | 2010  | 2011                             | 2010  |
|                                    | (% per annum) |      | (in thousand Baht)                   |       |                                  |       |
| <b>Other related party</b>         |               |      |                                      |       |                                  |       |
| The Pet Co., Ltd.                  | 8.35          | 9.38 | 5,000                                | 5,000 | 5,000                            | 5,000 |

## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

Movement of loans to a related party for the year ended 31 December 2011 and 2010 as follows:

| <i>Short-term loan to a related party</i> | <b>Consolidated financial statements</b> |          | <b>Separate financial statements</b> |          |
|---|--|----------|--------------------------------------|----------|
|   | 2011                                     | 2010     | 2011                                 | 2010     |
|   | <i>(in thousand Baht)</i>                |          |                                      |          |
| <b>Other related party</b>                |  |          |                                      |          |
| At 1 January                              | -  | 2,000    | -                                    | 2,000    |
| Decreased                                 | -  | (2,000)  | -                                    | (2,000)  |
| <b>At 31 December</b>                     | <b>-</b>                                 | <b>-</b> | <b>-</b>                             | <b>-</b> |

| <i>Long-term loans to a related party</i> | <b>Consolidated financial statements</b> |              | <b>Separate financial statements</b> |              |
|---|--|--------------|--------------------------------------|--------------|
|   | 2011                                     | 2010         | 2011                                 | 2010         |
|   | <i>(in thousand Baht)</i>                |              |                                      |              |
| <b>Other related party</b>                |  |              |                                      |              |
| At 1 January                              | 5,000                                    | 3,000        | 5,000                                | 3,000        |
| Increased                                 | -  | 2,000        | -                                    | 2,000        |
| <b>At 31 December</b>                     | <b>5,000</b>                             | <b>5,000</b> | <b>5,000</b>                         | <b>5,000</b> |

| <i>Trade accounts payable to related parties</i> | <b>Consolidated financial statements</b> |                | <b>Separate financial statements</b> |                |
|--|--|----------------|--------------------------------------|----------------|
|  | 2011                                     | 2010           | 2011                                 | 2010           |
|  | <i>(in thousand Baht)</i>                |                |                                      |                |
| <b>Subsidiary</b>                                |  |                |                                      |                |
| Serm Suk Beverage Co., Ltd.                      | -  | -              | 52,677                               | 36,810         |
| <b>Associate</b>                                 |  |                |                                      |                |
| Patforn (Thailand) Co., Ltd.                     | 31,296                                   | 168,721        | 31,296                               | 168,721        |
| <b>Other related parties</b>                     |  |                |                                      |                |
| Pepsi-Cola (Thai) Trading Co., Ltd.              | -  | 161,491        | -                                    | 161,491        |
| Bangkok Glass Co., Ltd.                          | 30,993                                   | 66,999         | 30,993                               | 66,999         |
| The Pet Co., Ltd.                                | 58,247                                   | 57,349         | 58,247                               | 57,349         |
| Crown Seal Public Co., Ltd.                      | 29,791                                   | 52,063         | 27,539                               | 51,425         |
| Petpack Co., Ltd.                                | -  | 45,261         | -                                    | 45,261         |
| Thai Beverage Can Co., Ltd.                      | 5,299                                    | -              | 5,299                                | -              |
| Orshi Trading Co., Ltd.                          | 35,457                                   | -              | 35,457                               | -              |
| <b>Total</b>                                     | <b>190,775</b>                           | <b>552,875</b> | <b>241,208</b>                       | <b>589,050</b> |

| <i>Accounts payable to related parties</i> | <b>Consolidated financial statements</b> |        | <b>Separate financial statements</b> |        |
|--|--|--------|--------------------------------------|--------|
|  | 2011                                     | 2010   | 2011                                 | 2010   |
|  | <i>(in thousand Baht)</i>                |        |                                      |        |
| <b>Other related parties</b>               |  |        |                                      |        |
| Directors' remuneration                    | 21,215                                   | 22,090 | 21,215                               | 22,090 |
| The Minor Food Group Public Co., Ltd.      | 214                                      | -      | 214                                  | -      |
| Pepsi-Cola (Thai) Trading Co., Ltd.        | -  | 1,864  | -                                    | 1,050  |
| Orshi Ramen Co., Ltd.                      | 63                                       | -      | 63                                   | -      |
| Orshi Group Public Co., Ltd.               | 2,565                                    | -      | 2,565                                | -      |
| Pornklung Co., Ltd.                        | 500                                      | -      | 500                                  | -      |

## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

#### Accounts payable to related parties

|  | Consolidated<br>financial statements |               | Separate<br>financial statements |               |
|--|--------------------------------------|---------------|----------------------------------|---------------|
|  | 2011                                 | 2010          | 2011                             | 2010          |
|  | <i>(in thousand Baht)</i>            |               |                                  |               |
| Beer Thip Brewery (1997) Co., Ltd.       | 64                                   | -             | 64                               | -             |
| The Minor International Public Co., Ltd. | -                                    | 70            | -                                | 70            |
| <b>Total</b>                             | <b>24,621</b>                        | <b>24,634</b> | <b>24,621</b>                    | <b>25,210</b> |

#### Key management personnel balances

Balances relating to key management personnel over which they have control or significant influence were as follows:

|                                     | Consolidated<br>financial statements |        | Separate<br>financial statements |        |
|-------------------------------------|--------------------------------------|--------|----------------------------------|--------|
|                                     | 2011                                 | 2010   | 2011                             | 2010   |
|                                     | <i>(in thousand Baht)</i>            |        |                                  |        |
| Accounts payable to related parties | 21,215                               | 22,090 | 21,215                           | 22,090 |
| Other current liabilities           | 17,828                               | 17,498 | 17,828                           | 17,498 |
| Employee benefit obligations        | 55,212                               | 66,837 | 55,212                           | 66,837 |
| Long-term provision                 | 9,967                                | 18,577 | 9,967                            | 18,577 |

#### Significant agreements with related parties

##### Loan agreements

On 21 May 2009 and 31 January 2010, the Company and a related company, "Borrower", agreed to change subordinated loan agreements totalling Baht 5 million to long-term loan agreements in the amount of Baht 3 million and Baht 2 million, respectively, and repay the loans within 30 May 2014 and 31 January 2015, respectively. These agreements shall continue to be in effect for another period of five years if there is no change at the maturity date. Interest is payable quarterly at the MLR of a domestic commercial bank at the beginning of each quarter plus 3% p.a. On 1 April 2011, the Company and Borrower agreed to change the interest rate from MLR to MLR of a domestic commercial bank at the beginning of each quarter.

##### Distributorship agreement

The Company entered into an agreement with a related company to be appointed to distribute bottled green tea. The Company has to comply with certain conditions contained in the agreement for a period of 5 years including a renewal option.

#### Commitments with related parties

##### Commitments

|                                 | Consolidated<br>financial statements |              | Separate<br>financial statements |              |
|---------------------------------|--------------------------------------|--------------|----------------------------------|--------------|
|                                 | 2011                                 | 2010         | 2011                             | 2010         |
|                                 | <i>(in thousand Baht)</i>            |              |                                  |              |
| Within 1 year                   | 3,578                                | 2,775        | 3,521                            | 2,508        |
| After 1 year but within 5 years | 4,945                                | 5,239        | 4,945                            | 5,217        |
| <b>Total</b>                    | <b>8,523</b>                         | <b>8,014</b> | <b>8,466</b>                     | <b>7,725</b> |

## Notes to the financial statements

For the years ended 31 December 2011 and 2010

### 8 Cash and cash equivalents

|                   | Consolidated<br>financial statements |                  | Separate<br>financial statements |                  |
|-------------------|--------------------------------------|------------------|----------------------------------|------------------|
|                   | 2011                                 | 2010             | 2011                             | 2010             |
|                   | <i>(in thousand Baht)</i>            |                  |                                  |                  |
| Cash on hand      | 54,702                               | 55,310           | 54,682                           | 55,292           |
| Call deposits     | 815,271                              | 489,368          | 718,378                          | 438,894          |
| Bills of exchange | 100,000                              | 890,000          | 100,000                          | 890,000          |
| <b>Total</b>      | <b>969,973</b>                       | <b>1,434,678</b> | <b>873,060</b>                   | <b>1,344,186</b> |

Cash and cash equivalents of the Group and the Company as at 31 December 2011 and 2010 were denominated entirely in Thai Baht.

### 9 Current investments

|                  | Consolidated<br>financial statements |        | Separate<br>financial statements |      |
|------------------|--------------------------------------|--------|----------------------------------|------|
|                  | 2011                                 | 2010   | 2011                             | 2010 |
|                  | <i>(in thousand Baht)</i>            |        |                                  |      |
| Bill of exchange | 12,000                               | 12,000 | -                                | -    |

Current investments of the Group and the Company as at 31 December 2011 and 2010 were denominated entirely in Thai Baht.

### 10 Trade accounts receivable

|  | Note | Consolidated<br>financial statements |                  | Separate<br>financial statements |                  |
|--|------|--------------------------------------|------------------|----------------------------------|------------------|
|  |      | 2011                                 | 2010             | 2011                             | 2010             |
|  |      | <i>(in thousand Baht)</i>            |                  |                                  |                  |
| Related parties                                      | 7    | 4,186                                | 26,823           | 44,895                           | 47,405           |
| Other parties  |      | 934,908                              | 1,222,328        | 900,508                          | 1,222,328        |
| <b>Total</b>   |      | <b>939,094</b>                       | <b>1,249,151</b> | <b>945,403</b>                   | <b>1,269,733</b> |
| Less: allowance for doubtful accounts                |      | (29,704)                             | (45,369)         | (29,704)                         | (41,369)         |
| <b>Net</b>   |      | <b>899,390</b>                       | <b>1,203,782</b> | <b>915,699</b>                   | <b>1,228,364</b> |
| Reverse bad and doubtful debts expenses for the year |      | (11,605)                             | (8,850)          | (11,605)                         | (8,850)          |

Aging analyses for trade accounts receivable were as follows:

|                     | Note | Consolidated<br>financial statements |        | Separate<br>financial statements |        |
|---------------------|------|--------------------------------------|--------|----------------------------------|--------|
|                     |      | 2011                                 | 2010   | 2011                             | 2010   |
|                     |      | <i>(in thousand Baht)</i>            |        |                                  |        |
| Related parties     |      | 4,186                                | 26,823 | 44,895                           | 47,405 |
| Within credit terms |      |                                      |        |                                  |        |

## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

|                                       | Consolidated<br>financial statements |                  | Separate<br>financial statements |                  |
|---------------------------------------|--------------------------------------|------------------|----------------------------------|------------------|
|                                       | 2011                                 | 2010             | 2011                             | 2010             |
|                                       | <i>(in thousand Baht)</i>            |                  |                                  |                  |
| <b>Other parties</b>                  |                                      |                  |                                  |                  |
| Within credit terms                   | 613,680                              | 1,074,477        | 796,384                          | 1,074,477        |
| Overdue:                              |                                      |                  |                                  |                  |
| Not over 1 month                      | 62,505                               | 99,680           | 62,166                           | 99,680           |
| More than 1 month to 3 months         | 35,353                               | 36,313           | 27,988                           | 36,313           |
| Over 3 months                         | 13,970                               | 17,858           | 13,970                           | 17,858           |
|                                       | <u>614,808</u>                       | <u>1,228,328</u> | <u>900,508</u>                   | <u>1,228,328</u> |
| Less: allowance for doubtful accounts | (29,704)                             | (41,369)         | (29,704)                         | (41,369)         |
| <b>Net</b>                            | <u>895,204</u>                       | <u>1,186,959</u> | <u>870,804</u>                   | <u>1,186,959</u> |
| <b>Total</b>                          | <u>899,390</u>                       | <u>1,207,782</u> | <u>915,699</u>                   | <u>1,228,364</u> |

The normal credit term granted by the Group ranges from 10 days to 60 days.

Trade accounts receivable of the Group and the Company as at 31 December 2011 and 2010 were denominated entirely in Thai Baht.

### 11 Other receivables

|  | Consolidated<br>financial statements |               | Separate<br>financial statements |               |
|--|--------------------------------------|---------------|----------------------------------|---------------|
|  | 2011                                 | 2010          | 2011                             | 2010          |
|  | <i>(in thousand Baht)</i>            |               |                                  |               |
| Other receivables                                      | 416,041                              | 78,362        | 415,376                          | 78,293        |
| Less: allowance for doubtful accounts                  | (26,080)                             | (26,064)      | (26,080)                         | (26,064)      |
| <b>Net</b>   | <u>389,961</u>                       | <u>52,298</u> | <u>389,296</u>                   | <u>52,229</u> |
| Advance payment  | 9,107                                | 7,194         | 9,107                            | 7,194         |
| Prepaid expenses                                       | 34,070                               | 34,965        | 29,527                           | 34,145        |
| Unearned revenue                                       | 65,987                               | 501           | 65,987                           | 501           |
| <b>Total</b>   | <u>499,125</u>                       | <u>94,978</u> | <u>493,717</u>                   | <u>94,069</u> |
| <b>Bad and doubtful debts expense<br/>for the year</b> | <u>16</u>                            | <u>5,790</u>  | <u>16</u>                        | <u>5,790</u>  |

The currency denomination of other receivables as at 31 December was as follows:

|                 | Consolidated<br>financial statements |               | Separate<br>financial statements |               |
|-----------------|--------------------------------------|---------------|----------------------------------|---------------|
|                 | 2011                                 | 2010          | 2011                             | 2010          |
|                 | <i>(in thousand Baht)</i>            |               |                                  |               |
| Thai Baht (THB) | 499,125                              | 94,224        | 493,717                          | 93,315        |
| Euro (EUR)      | -                                    | 754           | -                                | 754           |
| <b>Total</b>    | <u>499,125</u>                       | <u>94,978</u> | <u>493,717</u>                   | <u>94,069</u> |



## Notes to the financial statements

### 12 Inventories

|   | Consolidated<br>financial statements |                          | Separate<br>financial statements |                          |
|---|--------------------------------------|--------------------------|----------------------------------|--------------------------|
|   | 2011                                 | 2010                     | 2011                             | 2010                     |
|   | <i>(in thousand Baht)</i>            |                          |                                  |                          |
| Finished goods  | 322,844                              | 484,451                  | 316,411                          | 469,613                  |
| Work in progress  | 27,630                               | 15,821                   | 27,630                           | 15,821                   |
| Raw materials and supplies  | 308,193                              | 224,941                  | 267,646                          | 199,103                  |
| Spare parts   | 112,985                              | 105,956                  | 109,334                          | 101,844                  |
| Other supplies  | 5,605                                | 8,133                    | 3,892                            | 3,976                    |
| Bottles and cases   | 1,625,357                            | 1,693,344                | 1,613,180                        | 1,680,946                |
|   | <u>2,402,513</u>                     | <u>2,538,646</u>         | <u>2,338,073</u>                 | <u>2,471,303</u>         |
| Less allowance for decline in value                               | (173,393)                            | (112,225)                | (172,888)                        | (116,388)                |
| <b>Net</b>  | <b><u>2,229,120</u></b>              | <b><u>2,413,421</u></b>  | <b><u>2,165,175</u></b>          | <b><u>2,355,015</u></b>  |
| Inventories recognised as an expense in 'cost of sales of goods': |                                      |                          |                                  |                          |
| - Cost  | 16,997,558                           | 16,566,095               | 17,239,371                       | 16,872,669               |
| - Write-down to net realisable value                              | 234,937                              | 105,979                  | 234,435                          | 104,995                  |
| - Reversal of write-down  | (177,967)                            | (83,919)                 | (177,626)                        | (83,863)                 |
| <b>- Net</b>  | <b><u>17,054,498</u></b>             | <b><u>16,588,095</u></b> | <b><u>17,295,980</u></b>         | <b><u>16,893,604</u></b> |

## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

#### 13 Investment in a subsidiary

Investment in a subsidiary as at 31 December 2011 and 2010, and dividend income from this investment for the years then ended were as follows:

|                             | Ownership interest |      | Separate financial statements |         |             |         | Dividend income |      |
|-----------------------------|--------------------|------|-------------------------------|---------|-------------|---------|-----------------|------|
|                             |                    |      | Paid-up share capital         |         | Cost method |         |                 |      |
|                             | 2011               | 2010 | 2011                          | 2010    | 2011        | 2010    | 2011            | 2010 |
|                             | (%)                |      | (in thousand Baht)            |         |             |         |                 |      |
| Serm Suk Holdings Co., Ltd. | 100                | 100  | 350,000                       | 350,000 | 350,000     | 350,000 | -               | -    |
| Total                       |                    |      | 350,000                       | 350,000 | 350,000     | 350,000 | -               | -    |

#### 14 Investment in an associate

|   | Aktee | Consolidated financial statements |                | Separate financial statements |               |
|---|-------|-----------------------------------|----------------|-------------------------------|---------------|
|   |       | 2011                              | 2010           | 2011                          | 2010          |
|   |       | (in thousand Baht)                |                |                               |               |
| At 1 January –as reported   |       | 244,452                           | 233,578        | 30,000                        | 30,000        |
| Changes as a result of the adoption prospectively of change accounting policy of associates | -60   | (3,625)                           | -              | -                             | -             |
| <b>At 1 January –as restated</b>  |       | <b>240,827</b>                    | <b>233,578</b> | <b>30,000</b>                 | <b>30,000</b> |
| Share of net profit (loss) of investment - equity method                                    |       | (198,272)                         | 51,978         | -                             | -             |
| Dividend income   |       | (27,180)                          | (11,100)       | -                             | -             |
| <b>At 31 December</b>   |       | <b>18,375</b>                     | <b>244,452</b> | <b>30,000</b>                 | <b>30,000</b> |

Investment in an associate in equity method as at 31 December 2011 and 2010, and dividend income from this investment for the years then ended were as follows:

|                                    | Consolidated financial statements |      |                       |        |             |        |               |         |                 |        |
|------------------------------------|-----------------------------------|------|-----------------------|--------|-------------|--------|---------------|---------|-----------------|--------|
|                                    | Ownership interest                |      | Paid-up share capital |        | Cost method |        | Equity method |         | Dividend income |        |
|                                    | 2011                              | 2010 | 2011                  | 2010   | 2011        | 2010   | 2011          | 2010    | 2011            | 2010   |
|                                    | (%)                               |      | (in thousand Baht)    |        |             |        |               |         |                 |        |
| Perform (Thailand) Company Limited | 40                                | 40   | 75,000                | 75,000 | 30,000      | 30,000 | 18,375        | 244,452 | 27,180          | 41,100 |
| Total                              |                                   |      | 75,000                | 75,000 | 30,000      | 30,000 | 18,375        | 244,452 | 27,180          | 41,100 |

  

|                                    | Separate financial statements |      |                       |        |             |        |                 |        |
|------------------------------------|-------------------------------|------|-----------------------|--------|-------------|--------|-----------------|--------|
|                                    | Ownership interest            |      | Paid-up share capital |        | Cost method |        | Dividend income |        |
|                                    | 2011                          | 2010 | 2011                  | 2010   | 2011        | 2010   | 2011            | 2010   |
|                                    | (%)                           |      | (in thousand Baht)    |        |             |        |                 |        |
| Perform (Thailand) Company Limited | 40                            | 40   | 75,000                | 75,000 | 30,000      | 30,000 | 27,180          | 41,100 |
| Total                              |                               |      | 75,000                | 75,000 | 30,000      | 30,000 | 27,180          | 41,100 |

## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

The following summarised financial information on an associated company which has been accounted for using the equity method is not adjusted for the percentage of ownership held by the Group:

|                                    | Owner-<br>ship<br><br>(%) | Total<br>assets          | Total<br>liabilities | Total<br>income | Net<br>Profit<br>(loss) |
|------------------------------------|---------------------------|--------------------------|----------------------|-----------------|-------------------------|
|                                    |                           | <i>(in million Baht)</i> |                      |                 |                         |
| <b>2011</b>                        |                           |                          |                      |                 |                         |
| Perform (Thailand) Company Limited | 40                        | <u>684.78</u>            | <u>639.19</u>        | <u>1,235.46</u> | <u>(491.18)</u>         |
| <b>2010</b>                        |                           |                          |                      |                 |                         |
| Perform (Thailand) Company Limited | 40                        | <u>1,345.78</u>          | <u>734.29</u>        | <u>1,430.81</u> | <u>129.78</u>           |

### 15 Other long-term investments

Other long-term investments as at 31 December 2011 and 2010, and dividend income from these investments for the years then ended were as follows:

|   | <b>Consolidated financial statements and<br/>Separate financial statements</b> |                |                 |               |
|---|--|----------------|-----------------|---------------|
|   | Cost method  |                | Dividend income |               |
|   | 2011   | 2010           | 2011            | 2010          |
|   | <i>(in thousand Baht)</i>  |                |                 |               |
| <b>Equity securities available for sale</b> |  |                |                 |               |
| Crown Seal Public Company Limited           | 31,732   | 31,732         | 1,269           | 1,058         |
| Potsee Park Property Fund                   | <u>30,000</u>  | <u>30,000</u>  | <u>3,468</u>    | <u>3,285</u>  |
|   | 61,732   | 61,732         | 4,737           | 4,343         |
| Less valuation adjustment                   | <u>11,480</u>  | <u>8,822</u>   | -               | -             |
|   | <u>73,132</u>  | <u>70,554</u>  | <u>4,737</u>    | <u>4,343</u>  |
| <b>Non marketable equity securities</b>     |  |                |                 |               |
| The Pet Company Limited                     | 7,000  | 7,000          | 700             | 1,750         |
| Bangkok Glass Company Limited               | <u>38,034</u>  | <u>36,564</u>  | <u>947</u>      | <u>874</u>    |
| Petpack Company Limited                     | <u>6,000</u>   | <u>6,000</u>   | <u>4,000</u>    | <u>5,600</u>  |
|   | <u>51,034</u>  | <u>49,564</u>  | <u>5,647</u>    | <u>8,224</u>  |
| <b>Total</b>                                | <u>124,166</u>   | <u>120,118</u> | <u>10,384</u>   | <u>12,567</u> |

Movements during the years ended 31 December 2011 and 2010 of equity securities were as follows:

|   | <b>Consolidated financial<br/>statements and Separate<br/>financial statements</b> |               |
|---|--|---------------|
|   | 2011   | 2010          |
|   | <i>(in thousand Baht)</i>  |               |
| <b>Equity securities available for sale</b> |  |               |
| At 1 January                                | 70,554   | 46,034        |
| Valuation adjustment                        | <u>2,578</u>   | <u>24,530</u> |
| <b>At 31 December</b>                       | <u>73,132</u>  | <u>70,554</u> |

## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

|   | Consolidated financial statements and Separate financial statements |               |
|---|---|---------------|
|   | 2011  | 2010          |
|   | (in thousand Baht)  |               |
| <i>Non marketable equity securities</i> |   |               |
| At 1 January                            | 51,564  | 50,900        |
| Purchases during the year               | 1,470   | 664           |
| At 31 December                          | <u>53,034</u>   | <u>51,564</u> |

Other long-term investments of the Group and the Company as at 31 December 2011 and 2010 were denominated entirely in Thai Baht.

### 16 Investment properties

|                                | Consolidated financial statements and Separate financial statements |              |               |
|--------------------------------|---|--------------|---------------|
|                                | Land  | Building     | Total         |
|                                | (in thousand Baht)  |              |               |
| <i>Fair value method</i>       |   |              |               |
| At 1 January 2011              | 33,336  | 2,580        | 34,916        |
| Reclassification to fair value | (5,222)   | 61           | (5,161)       |
| At 31 December 2011            | <u>27,904</u>   | <u>2,641</u> | <u>29,545</u> |

During 2011 and 2010, investment properties were revalued by C.I.T. Appraisal Co., Ltd. a firm of independent professional valuers, at open market values on an existing use basis.

Investment properties comprise idle lands, and land and building that are leased to third parties for a period of 3 years.

Investment properties were transferred from property, plant and equipment on 1 January 2011 following adoption of TAS40 (revised 2009) Investment Property. Refer to note 4 (i).

# Notes to the financial statements

For the years ended 31 December 2011 and 2010

## 17 Property, plant and equipment

### Consolidated financial statements (continued)

|   | Land            |                          | Buildings |                          | Machinery and equipment | High voltage equipment (in-house use only) | Furniture and office equipment | Fleet vehicles | Marketing equipment | Assets under construction |                          |       |                          |
|---|-----------------|--------------------------|-----------|--------------------------|-------------------------|--|--------------------------------|----------------|---------------------|---------------------------|--------------------------|-------|--------------------------|
|   | Historical cost | Accumulated depreciation | Cost      | Accumulated depreciation |                         |  |                                |                |                     | Cost                      | Accumulated depreciation | Cost  | Accumulated depreciation |
|   | (Cdn)           | million                  | (Cdn)     | million                  |                         |  |                                |                |                     | (Cdn)                     | million                  | (Cdn) | million                  |
| <b>Depreciation</b>                           |                 |                          |           |                          |                         |  |                                |                |                     |                           |                          |       |                          |
| At 1 January 2010                             | 427,000         | -                        | 1,683,899 | 162,150                  | 4,629,125               | 91,485                                     | 1,711,589                      | 218,671        | 524,919             | 3,311,187                 | 12,790,360               |       |                          |
| Additions                                     | -               | -                        | 8,813     | -                        | 967,137                 | 1,843                                      | 33,817                         | 13,154         | 6,590               | 125,470                   | 949,098                  |       |                          |
| Transfer on revaluation (cost on revaluation) | (19,465)        | -                        | -         | -                        | -                       | -  | -                              | -              | -                   | -                         | (19,465)                 |       |                          |
| Transfer                                      | -               | -                        | 88,268    | -                        | 248,937                 | 8,490                                      | 180,950                        | 27,560         | -                   | 21,178                    | 546,883                  |       |                          |
| Disposals                                     | -               | -                        | (6,125)   | -                        | (34,488)                | -  | (71,481)                       | (3,490)        | -                   | (34,555)                  | (140,152)                |       |                          |
| At 31 December 2010                           | 407,535         | 1,005,363                | 1,766,584 | 162,150                  | 4,762,684               | 93,328                                     | 1,845,747                      | 233,815        | 531,509             | 3,641,796                 | 12,705,644               |       |                          |
| Transfer to investment                        | -               | -                        | -         | -                        | -                       | -  | -                              | -              | -                   | -                         | -                        |       |                          |
| Property                                      | 138,000         | (171,801)                | (3,480)   | -                        | -                       | -  | -                              | -              | -                   | -                         | (74,281)                 |       |                          |
| At 1 January 2011                             | 407,535         | 1,005,363                | 1,773,104 | 162,150                  | 4,762,684               | 93,328                                     | 1,845,747                      | 233,815        | 531,509             | 3,641,796                 | 12,705,644               |       |                          |
| Additions                                     | 1,112,094       | -                        | 1,124     | -                        | 1,911,125               | 1,006                                      | 11,601                         | 18,475         | 15,911              | 111,140                   | 3,064,917                |       |                          |
| Transfer                                      | 14,000          | -                        | 191,896   | -                        | 971,152                 | -  | 21,128                         | 1,040          | -                   | 1,148                     | 894,854                  |       |                          |
| Disposals                                     | -               | -                        | (3,810)   | -                        | (371,147)               | -  | (84,192)                       | (17,134)       | (8)                 | (36,488)                  | (476,171)                |       |                          |
| At 31 December 2011                           | 1,523,629       | 1,005,363                | 1,951,284 | 162,150                  | 6,362,662               | 94,334                                     | 1,972,683                      | 246,851        | 547,421             | 3,717,626                 | 17,792,777               |       |                          |
| <b>Depreciation</b>                           |                 |                          |           |                          |                         |  |                                |                |                     |                           |                          |       |                          |
| At 1 January 2010                             | -               | -                        | 866,264   | 105,696                  | 3,715,141               | 21,115                                     | 1,488,158                      | 226,111        | 563,264             | 1,046,538                 | -                        |       |                          |
| Depreciation charge                           | -               | -                        | -         | -                        | -                       | -  | -                              | -              | -                   | -                         | -                        |       |                          |
| For the year                                  | -               | -                        | 11,713    | 4,759                    | 207,133                 | 1,476                                      | 133,156                        | 16,171         | 11,810              | 180,440                   | -                        |       |                          |
| Transfer                                      | -               | -                        | 338       | -                        | (19)                    | -  | (1)                            | (5)            | -                   | -                         | -                        |       |                          |
| Disposals                                     | -               | -                        | (1,195)   | -                        | (671,171)               | -  | (88,642)                       | (1,482)        | -                   | (18,172)                  | -                        |       |                          |
| At 31 December 2010                           | -               | -                        | 876,887   | 109,865                  | 3,243,871               | 22,591                                     | 1,540,661                      | 240,705        | 574,991             | 1,210,796                 | -                        |       |                          |
| Transfer to investment                        | -               | -                        | -         | -                        | -                       | -  | -                              | -              | -                   | -                         | -                        |       |                          |
| Property                                      | -               | -                        | (1,174)   | -                        | -                       | -  | -                              | -              | -                   | -                         | (1,174)                  |       |                          |
| At 1 January 2011                             | -               | -                        | 875,713   | 109,865                  | 3,243,871               | 22,591                                     | 1,540,661                      | 240,705        | 574,991             | 1,210,796                 | -                        |       |                          |
| Depreciation charge                           | -               | -                        | -         | -                        | -                       | -  | -                              | -              | -                   | -                         | -                        |       |                          |
| For the year                                  | -               | -                        | 11,876    | 1,349                    | 226,181                 | 1,226                                      | 113,889                        | 13,011         | 14,449              | 171,854                   | -                        |       |                          |
| Transfer                                      | -               | -                        | -         | -                        | (19)                    | -  | (1)                            | (5)            | -                   | -                         | -                        |       |                          |
| Disposals                                     | -               | -                        | (1,810)   | -                        | (764,661)               | -  | (84,192)                       | (16,404)       | (8)                 | (36,488)                  | -                        |       |                          |
| At 31 December 2011                           | -               | -                        | 885,779   | 111,204                  | 3,475,171               | 23,817                                     | 1,566,359                      | 244,191        | 591,011             | 1,446,162                 | -                        |       |                          |

### Consolidated financial statements (continued)

|  |  | Land      | Buildings,<br>workshops<br>and<br>equipment | Condo<br>and<br>retail<br>equipment | Highway<br>and<br>equipment | High<br>voltage<br>equipment<br>(in process) | Furniture<br>and office<br>equipment | Fleet<br>vehicles | Marketing<br>promotion<br>equipment | Assets under<br>construction<br>and<br>installation | Total      |
|--|--|-----------|---|-------------------------------------|-----------------------------|--|--------------------------------------|-------------------|-------------------------------------|---|------------|
|  |  | Cost      | Cost  | Cost                                | Cost                        | Cost   | Cost                                 | Cost              | Cost                                | Cost  | Cost       |
| <b>Allowance for loss of<br/>marketing promotion<br/>equipment</b> |  |           |   |                                     |                             |  |                                      |                   |                                     |   |            |
| At 1 January 2010  |  | -         | -   | -                                   | -                           | -  | -                                    | -                 | 1,000                               | -   | 1,000      |
| At 31 December 2010<br>and 1 January 2011                          |  | -         | -   | -                                   | -                           | -  | -                                    | -                 | 1,000                               | -   | 1,000      |
| At 31 December 2011  |  | -         | -   | -                                   | -                           | -  | -                                    | -                 | 1,000                               | -   | 1,000      |
| <b>Net book value</b>  |  |           |   |                                     |                             |  |                                      |                   |                                     |   |            |
| At 1 January 2010  |  | 407,535   | -   | 1,683,899                           | 162,150                     | 4,629,125                                    | 91,485                               | 1,711,589         | 524,919                             | 3,311,187   | 12,790,360 |
| At 31 December 2010  |  | 406,070   | 1,005,363                                   | 1,763,104                           | 162,150                     | 4,762,684                                    | 93,328                               | 1,845,747         | 531,509                             | 3,641,796   | 12,705,644 |
| At 1 January 2011  |  | 417,549   | 1,005,363                                   | 1,763,104                           | 162,150                     | 4,762,684                                    | 93,328                               | 1,845,747         | 531,509                             | 3,641,796   | 12,705,644 |
| At 31 December 2011  |  | 1,523,629 | 1,005,363                                   | 1,951,284                           | 162,150                     | 6,362,662                                    | 94,334                               | 1,972,683         | 547,421                             | 3,717,626   | 17,792,777 |

# Notes to the financial statements

## For the years ended 31 December 2011 and 2010

### Separate financial statements (continued)

|                                 | Land            | Buildings, warehouses and | Machinery and | High voltage | Furniture and office | Assets under construction |           |
|---------------------------------|-----------------|---------------------------|---------------|--------------|----------------------|---------------------------|-----------|
|                                 | Historical Cost | Surplus or revaluation    | Cost          | equipment    | vehicles             | Marking equipment         | Total     |
|                                 |                 |                           |               |              |                      |                           |           |
| Contributed                     |                 |                           |               |              |                      |                           |           |
| At 1 January 2010               | 885,607         | -                         | 1,016,092     | 143,130      | 4,076,697            | 25,484                    | 1,704,008 |
| Additions                       | -               | -                         | 5,307         | -            | 149,878              | 1,833                     | 26,143    |
| Transfer on revaluation         | -               | 3,617,194                 | -             | -            | -                    | -                         | -         |
| Cost on revaluation             | 179,497         | -                         | -             | -            | 266,778              | 5,698                     | 189,973   |
| Transfer                        | -               | -                         | 88,026        | -            | 15,671               | -                         | 103,703   |
| Depreciate                      | -               | -                         | (5,70)        | -            | (15,671)             | (1,833)                   | (23,074)  |
| At 31 December 2010             | 885,107         | 3,617,194                 | 1,098,445     | 143,130      | 4,040,234            | 40,982                    | 1,876,028 |
| Transfer on investment property | (26,260)        | (1,11,092)                | (2,000)       | -            | -                    | -                         | (139,352) |
| At 1 January 2011               | 858,847         | 3,506,102                 | 1,096,445     | 143,130      | 4,040,234            | 40,982                    | 1,876,028 |
| Additions                       | 141,176         | -                         | 5,70          | -            | 15,671               | 1,833                     | 163,379   |
| Transfer                        | 14,000          | -                         | 188,000       | -            | 15,671               | -                         | 217,671   |
| Depreciate                      | -               | -                         | (4,000)       | -            | (15,671)             | (1,833)                   | (35,474)  |
| At 31 December 2011             | 1,014,023       | 3,506,102                 | 1,280,115     | 143,130      | 4,060,834            | 39,949                    | 2,144,123 |
| Depreciation                    |                 |                           |               |              |                      |                           |           |
| At 1 January 2010               | -               | -                         | 819,414       | 103,000      | 1,210,181            | 21,322                    | 1,403,917 |
| Depreciation charge             | -               | -                         | 16,104        | 5,70         | 247,144              | 1,476                     | 153,401   |
| For the year                    | -               | -                         | 16,104        | 5,70         | 247,144              | 1,476                     | 153,401   |
| Transfer                        | -               | -                         | (10)          | -            | (10)                 | -                         | (20)      |
| Depreciate                      | -               | -                         | (5,70)        | -            | (15,671)             | (1,833)                   | (23,074)  |
| At 31 December 2010             | -               | -                         | 829,408       | 108,770      | 1,441,544            | 20,965                    | 1,399,687 |
| Transfer on investment property | -               | -                         | (1,11,092)    | -            | -                    | -                         | (112,184) |
| At 1 January 2011               | -               | -                         | 828,316       | 108,770      | 1,441,544            | 20,965                    | 1,387,595 |
| Depreciation charge             | -               | -                         | 16,104        | 5,70         | 247,144              | 1,476                     | 153,401   |
| For the year                    | -               | -                         | 16,104        | 5,70         | 247,144              | 1,476                     | 153,401   |
| Transfer                        | -               | -                         | (10)          | -            | (10)                 | -                         | (20)      |
| Depreciate                      | -               | -                         | (5,70)        | -            | (15,671)             | (1,833)                   | (23,074)  |
| At 31 December 2011             | -               | -                         | 848,700       | 114,540      | 1,683,907            | 19,608                    | 1,666,855 |

### Separate financial statements (continued)

|   | Land            | Buildings, warehouses and | Machinery and | High voltage | Furniture and office | Assets under construction |           |
|---|-----------------|---------------------------|---------------|--------------|----------------------|---------------------------|-----------|
|   | Historical Cost | Surplus or revaluation    | Cost          | equipment    | vehicles             | Marking equipment         | Total     |
|   |                 |                           |               |              |                      |                           |           |
| Allowance for loss of marketing promotion equipment |                 |                           |               |              |                      |                           |           |
| At 1 January 2010                                   | -               | -                         | -             | -            | -                    | 5,000                     | 5,000     |
| At 31 December 2010 and 1 January 2011              | -               | -                         | -             | -            | -                    | 5,000                     | 5,000     |
| At 31 December 2011                                 | -               | -                         | -             | -            | -                    | 5,000                     | 5,000     |
| Net fixed asset                                     |                 |                           |               |              |                      |                           |           |
| At 1 January 2010                                   | 885,607         | -                         | 1,016,092     | 143,130      | 4,076,697            | 25,484                    | 1,704,008 |
| At 31 December 2010                                 | 858,847         | 3,506,102                 | 1,098,445     | 143,130      | 4,040,234            | 40,982                    | 1,876,028 |
| At 1 January 2011                                   | 858,847         | 3,506,102                 | 1,098,445     | 143,130      | 4,040,234            | 40,982                    | 1,876,028 |
| At 31 December 2011                                 | 1,014,023       | 3,506,102                 | 1,280,115     | 143,130      | 4,060,834            | 39,949                    | 2,144,123 |

## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

The gross amount of the Group's fully depreciated property, plant and equipment that was still in use as at 31 December 2011 and 2010 is summarised as follows:

|                         | Consolidated financial statements |           | Separate financial statements |           |
|-------------------------|-----------------------------------|-----------|-------------------------------|-----------|
|                         | 2011                              | 2010      | 2011                          | 2010      |
|                         | <i>(in thousand Baht)</i>         |           |                               |           |
| Buildings and equipment | 7,127,452                         | 6,929,237 | 6,881,763                     | 6,668,199 |

### 18 Intangible assets

|  | Consolidated financial statements |                                 |         |
|--|-----------------------------------|---------------------------------|---------|
|  | Software licenses                 | Right for distribution of goods | Total   |
|  | <i>(in thousand Baht)</i>         |                                 |         |
| <b>Cost</b>                            |                                   |                                 |         |
| At 1 January 2010                      | 36,971                            | 87,500                          | 118,471 |
| Additions                              | 5,361                             | 15,000                          | 20,361  |
| At 31 December 2010 and 1 January 2011 | 96,332                            | 102,500                         | 198,832 |
| Additions                              | 13,912                            | -                               | 13,912  |
| Transfer                               | (716)                             | -                               | (716)   |
| At 31 December 2011                    | 49,528                            | 102,500                         | 152,028 |
| <b>Amortization</b>                    |                                   |                                 |         |
| At 1 January 2010                      | 19,637                            | 57,885                          | 77,522  |
| Amortization charge for the year       | 2,354                             | 13,674                          | 15,968  |
| At 31 December 2010 and 1 January 2011 | 21,991                            | 71,499                          | 93,490  |
| Amortization charge for the year       | 7,037                             | 13,609                          | 20,646  |
| At 31 December 2011                    | 29,018                            | 85,108                          | 114,126 |
| <b>Net book value</b>                  |                                   |                                 |         |
| At 1 January 2010                      | 11,344                            | 29,615                          | 40,959  |
| At 31 December 2010 and 1 January 2011 | 14,351                            | 31,001                          | 45,352  |
| At 31 December 2011                    | 20,510                            | 17,392                          | 37,902  |

|  | Separate financial statements |                                 |         |
|--|-------------------------------|---------------------------------|---------|
|  | Software licenses             | Right for distribution of goods | Total   |
|  | <i>(in thousand Baht)</i>     |                                 |         |
| <b>Cost</b>                            |                               |                                 |         |
| At 1 January 2010                      | 29,353                        | 87,500                          | 117,453 |
| Additions                              | 5,261                         | 15,000                          | 20,261  |
| At 31 December 2010 and 1 January 2011 | 35,214                        | 102,500                         | 137,714 |
| Additions                              | 13,912                        | -                               | 13,912  |
| Transfer                               | (716)                         | -                               | (716)   |
| At 31 December 2011                    | 48,410                        | 102,500                         | 150,910 |

## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

|  | Separate financial statements |   |         |
|--|-------------------------------|---|---------|
|  | Software licenses             | Right for distribution of goods<br>(in thousand Baht) | Total   |
| <b>Amortization</b>                    |                               |   |         |
| At 1 January 2010                      | 16,958                        | 57,885  | 74,843  |
| Amortization charge for the year       | 2,183                         | 11,614  | 13,796  |
| At 31 December 2010 and 1 January 2011 | 21,148                        | 71,499  | 92,639  |
| Amortization charge for the year       | 6,863                         | 13,609  | 20,474  |
| At 31 December 2011                    | 28,005                        | 85,108  | 113,113 |
| <b>Net book value</b>                  |                               |   |         |
| At 1 January 2010                      | 10,995                        | 26,615  | 46,610  |
| At 31 December 2010 and 1 January 2011 | 14,074                        | 31,685  | 45,675  |
| At 31 December 2011                    | 20,465                        | 17,362  | 37,797  |

### 19 Other non-current assets

|   | Consolidated financial statements |                            | Separate financial statements |               |
|---|-----------------------------------|----------------------------|-------------------------------|---------------|
|   | 2011                              | 2010<br>(in thousand Baht) | 2011                          | 2010          |
| Deferred moulds and packaging cylinders | 3,525                             | 3,525                      | -                             | -             |
| Less Accumulated amortization           | (2,453)                           | (2,453)                    | -                             | -             |
| Allowance for impairment loss           | (1,872)                           | (1,872)                    | -                             | -             |
| <b>Net</b>                              | -                                 | -                          | -                             | -             |
| Rental payment in advance - net         | 15,210                            | 11,172                     | 15,210                        | 11,172        |
| Loans to employees                      | 1,757                             | 851                        | 1,757                         | 851           |
| Deposits                                | 6,834                             | 8,741                      | 6,834                         | 8,741         |
| <b>Total</b>                            | <b>23,801</b>                     | <b>20,764</b>              | <b>23,801</b>                 | <b>20,764</b> |

The rental payments in advance as at 31 December 2011 and 2010 were shown net of accumulated amortization of Baht 4.68 million and Baht 3.56 million, respectively. The amortization is charged to profit or loss over the period of the contract.

### 20 Trade accounts payable

|                 | Note | Consolidated financial statements |                            | Separate financial statements |                  |
|-----------------|------|-----------------------------------|----------------------------|-------------------------------|------------------|
|                 |      | 2011                              | 2010<br>(in thousand Baht) | 2011                          | 2010             |
| Related parties | 7    | 190,773                           | 552,678                    | 241,208                       | 589,050          |
| Other parties   |      | 1,313,444                         | 821,965                    | 1,083,751                     | 804,217          |
| <b>Total</b>    |      | <b>1,504,217</b>                  | <b>1,374,643</b>           | <b>1,324,959</b>              | <b>1,393,267</b> |

Trade accounts payable of the Group and the Company as at 31 December 2011 and 2010 were denominated entirely in Thai Baht.



## Notes to the financial statements

For the years ended 31 December 2011 and 2010

### 21 Other current liabilities

| Note                    | Consolidated<br>financial statements |               | Separate<br>financial statements |               |
|-------------------------|--------------------------------------|---------------|----------------------------------|---------------|
|                         | 2011                                 | 2010          | 2011                             | 2010          |
|                         | <i>(in thousand Baht)</i>            |               |                                  |               |
| Accrued value added tax | 22,431                               | 44,745        | 22,431                           | 44,143        |
| Provision - current     | 23                                   | 17,828        | 17,828                           | 17,498        |
| Retention payable       | 2,132                                | 2,666         | 2,132                            | 2,666         |
| Sales tax pending       | 26,981                               | 9,754         | 26,981                           | 9,754         |
| Others                  | 6,166                                | 6,107         | 6,064                            | 5,825         |
| <b>Total</b>            | <b>75,538</b>                        | <b>80,799</b> | <b>75,436</b>                    | <b>79,885</b> |

### 22 Employee benefit obligations

| Note                                   | Consolidated<br>financial statements |                | Separate<br>financial statements |                |
|--|--------------------------------------|----------------|----------------------------------|----------------|
|  | 2011                                 | 2010           | 2011                             | 2010           |
|  | <i>(in thousand Baht)</i>            |                |                                  |                |
| <b>Obligation for</b>                  |                                      |                |                                  |                |
| Short-term employee benefit            |                                      |                |                                  |                |
| - accumulated annual leave             |                                      | 6,599          | 5,787                            | 6,599          |
| Long-term employee benefit             |                                      |                |                                  |                |
| - long service award                   |                                      | 81,125         | 82,876                           | 81,125         |
| - provision for executive incentive la | 23                                   | 36,075         | 27,796                           | 36,075         |
| - president fund                       |                                      | 1,748          | 1,814                            | 1,748          |
| Post-employment benefit                |                                      |                |                                  |                |
| - retirement benefit                   |                                      | 183,851        | 1,093,797                        | 183,851        |
| <b>Total</b>                           | <b>1,215,351</b>                     | <b>311,398</b> | <b>1,211,069</b>                 | <b>311,398</b> |

|  | Consolidated<br>financial statements |                | Separate<br>financial statements |                |
|--|--------------------------------------|----------------|----------------------------------|----------------|
|  | 2011                                 | 2010           | 2011                             | 2010           |
|  | <i>(in thousand Baht)</i>            |                |                                  |                |
| <b>Statement of financial position</b> |                                      |                |                                  |                |
| <b>Current</b>                         |                                      |                |                                  |                |
| Accrued expenses                       | 34,325                               | 32,001         | 31,587                           | 32,001         |
| Other current liabilities              | 17,828                               | 17,498         | 17,828                           | 17,498         |
|  | <b>52,053</b>                        | <b>49,499</b>  | <b>49,415</b>                    | <b>49,499</b>  |
| <b>Non-current</b>                     |                                      |                |                                  |                |
| Employee benefit obligation            | 1,153,531                            | 243,322        | 1,151,687                        | 243,322        |
| Long-term provision                    | 9,967                                | 18,577         | 9,967                            | 18,577         |
|  | <b>1,163,498</b>                     | <b>261,899</b> | <b>1,161,654</b>                 | <b>261,899</b> |
| <b>Total</b>                           | <b>1,215,351</b>                     | <b>311,398</b> | <b>1,211,069</b>                 | <b>311,398</b> |

## Notes to the financial statements

## For the years ended 31 December 2011 and 2010

The Group adopted TAS 19 - Employee Benefits with effect from 1 January 2011; the effect on the financial statements is discussed in note 4 (g). As stated in note 4 (g), for short-term employee benefit - accumulated annual leave and long-term employee benefit - long service award, the Group has opted to apply the new standard retrospectively and adjusted the prior year's financial statements accordingly. For post - employment benefit - retirement benefit, the Group has opted to record the entire amount of the transitional obligation as at 1 January 2011, totaling Baht 888.40 million for the Group and Baht 884.45 million for the Company, as an adjustment to retained earnings as at 1 January 2011.

**Employee benefit - Retirement benefit**

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

The statement of financial position obligation was determined as follows:

|   | Consolidated<br>financial statements |   | Separate<br>financial statements |                     |
|---|--------------------------------------|---|----------------------------------|---------------------|
|   | 31 December<br>2011                  | 31 December<br>2010<br>(in thousand Baht) | 31 December<br>2011              | 31 December<br>2010 |
| Present value of unfunded obligations                 | 1,097,279                            | 183,851                                   | 1,092,797                        | 183,851             |
| <b>Statement of financial position<br/>obligation</b> | <b>1,097,279</b>                     | <b>183,851</b>                            | <b>1,092,797</b>                 | <b>183,851</b>      |

Movement in the present value of the defined benefit obligations:

|   | Consolidated<br>financial statements |                            | Separate<br>financial statements |                |
|---|--------------------------------------|----------------------------|----------------------------------|----------------|
|   | 2011                                 | 2010<br>(in thousand Baht) | 2011                             | 2010           |
| Defined benefit obligations at 1 January              | 1,072,255                            | 184,852                    | 1,068,305                        | 184,852        |
| Benefits paid by the plan                             | (34,198)                             | (31,289)                   | (34,198)                         | (31,289)       |
| Current service costs and interest                    | 99,150                               | 30,288                     | 96,618                           | 30,288         |
| Actuarial gains in other<br>Comprehensive Income      | (39,927)                             | -                          | (39,927)                         | -              |
| <b>Defined benefit obligations at<br/>31 December</b> | <b>1,097,279</b>                     | <b>183,851</b>             | <b>1,092,797</b>                 | <b>183,851</b> |

Expense recognised in profit or loss:

|                        | Consolidated<br>financial statements |                            | Separate<br>financial statements |               |
|------------------------|--------------------------------------|----------------------------|----------------------------------|---------------|
|                        | 2011                                 | 2010<br>(in thousand Baht) | 2011                             | 2010          |
| Current service costs  | 57,946                               | 30,288                     | 57,523                           | 30,288        |
| Interest on obligation | 41,204                               | -                          | 41,095                           | -             |
| <b>Total</b>           | <b>99,150</b>                        | <b>30,288</b>              | <b>96,618</b>                    | <b>30,288</b> |

## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

The expense is recognised in the following line items in the statement of comprehensive income:

|                         | Consolidated<br>financial statements |               | Separate<br>financial statements |               |
|-------------------------|--------------------------------------|---------------|----------------------------------|---------------|
|                         | 2011                                 | 2010          | 2011                             | 2010          |
|                         | (in thousand Baht)                   |               |                                  |               |
| Cost of sales of goods  | 12,061                               | -             | 12,061                           | -             |
| Selling expenses        | 87,025                               | 26,913        | 87,025                           | 26,913        |
| Administrative expenses | 16,360                               | 3,325         | 16,328                           | 3,325         |
| Management personnel    | 3,704                                | 50            | 3,704                            | 50            |
| <b>Total</b>            | <b>99,150</b>                        | <b>30,288</b> | <b>99,118</b>                    | <b>30,288</b> |

Actuarial gains and losses recognised in other comprehensive income

|                                | Consolidated<br>financial statements |          | Separate<br>financial statements |          |
|--------------------------------|--------------------------------------|----------|----------------------------------|----------|
|                                | 2011                                 | 2010     | 2011                             | 2010     |
|                                | (in thousand Baht)                   |          |                                  |          |
| Included in retained earnings: |                                      |          |                                  |          |
| At 1 January                   | -                                    | -        | -                                | -        |
| Recognised during the year     | 39,937                               | -        | 39,937                           | -        |
| <b>At 31 December</b>          | <b>39,937</b>                        | <b>-</b> | <b>39,937</b>                    | <b>-</b> |

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

|                              | Consolidated<br>financial statements |      | Separate<br>financial statements |      |
|------------------------------|--------------------------------------|------|----------------------------------|------|
|                              | 2011                                 | 2010 | 2011                             | 2010 |
|                              | %                                    |      |                                  |      |
| Discount rate at 31 December | 3.5                                  | 4.0  | 3.5                              | 4.0  |
| Future salary increases      | 5.0                                  | 5.0  | 5.0                              | 5.0  |

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

### 23 Provision

|   | Consolidated financial statements and<br>Separate financial statements<br>(in thousand Baht) |
|---|--|
| <i>Provision for executive incentive plan</i>     |  |
| At 1 January 2010                                 | 25,193   |
| Provisions made                                   | 20,313   |
| Provisions used                                   | (9,631)  |
| <b>At 31 December 2010 and 1 January 2011</b>     | <b>35,875</b>  |
| Provisions made                                   | 9,218  |
| Provisions used                                   | (17,498)   |
| <b>At 31 December 2011</b>                        | <b>27,595</b>  |
| <br><b>At 31 December 2010 and 1 January 2011</b> |  |
| Current   | 17,498   |
| Non-current                                       | 18,377   |
| <b>Total</b>                                      | <b>35,875</b>  |

## Notes to the financial statements

For the years ended 31 December 2011 and 2010

|                           |               | Consolidated financial statements and<br>Separate financial statements<br>(in thousand Baht) |         |   |   |
|---------------------------|---------------|--|---------|---|---|
| At 31 December 2011       |               |  |         |   |   |
| Current                   |               | 17,828   |         |   |   |
| Non-current               |               | 9,967  |         |   |   |
| Total                     |               | 27,795   |         |   |   |
| 24                        | Share capital |  |         |   |   |
|                           |               | Par value<br>per share<br>(in Baht)  | Number  | 2011<br>Baht<br>(thousand shares / thousand Baht) | 2010<br>Baht<br>(thousand shares / thousand Baht) |
| <i>Authorized</i>         |               |  |         |   |   |
| At 1 January              |               |  |         |   |   |
| Ordinary shares           |               | 1  | 265,900 | 265,900   | 265,900   |
| At 31 December            |               |  |         |   |   |
| Ordinary shares           |               | 1  | 265,900 | 265,900   | 265,900   |
| <i>Issued and paid-up</i> |               |  |         |   |   |
| At 1 January              |               |  |         |   |   |
| Ordinary shares           |               | 1  | 265,900 | 265,900   | 265,900   |
| At 31 December            |               |  |         |   |   |
| Ordinary shares           |               | 1  | 265,900 | 265,900   | 265,900   |

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

*Share premium*

Section 31 of the Public Companies Act B.E. 2535 requires companies to set aside share subscription monies received in excess of the par value of the shares issued to a reserve account ("share premium"). Share premium is not available for dividend distribution.

## 25 Reserves

Reserves comprise:

*Appropriations of profit and/or retained earnings**Legal reserve*

Section 114 of the Public Companies Act B.E. 2535 Section 114 requires that a company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward, to a reserve account ("legal reserve"), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

*General reserve*

The general reserve comprises amounts appropriated from profit for expansion of the Company's operations.

At the annual general meeting of the shareholders of the Company held on 20 April 2010, the shareholders approved the transfer of Appropriated Retained Earnings in the General Reserve in the amount of Baht 183 million to unappropriated retained earnings for the purpose of further dividend payment.

## Notes to the financial statements

For the years ended 31 December 2011 and 2010

### Other components of equity

#### Fair value changes

The fair value changes account within equity comprises the cumulative net changes in the fair value of available-for-sale investments until the investments are derecognised or impaired.

#### Surplus on land revaluation

Surplus on land revaluation within equity is retained in the financial statements at valuation until such land is sold or otherwise disposed of.

In May 2011, the Group appraised its land based on the depreciated replacement cost approach by C.T. Appraisal Co., Ltd., an independent professional valuer. The Group made adjustments to increase the value of land in the consolidated and separate financial statements by Baht 1,836.24 million and Baht 1,592.46 million, respectively. The Group recognised surplus on land revaluation under equity in the consolidated and separate financial statements by Baht 1,655.70 million and Baht 1,611.94 million, respectively, and recognised loss on land revaluation of Baht 19.46 million in the consolidated and separate statements of income.

On 1 January 2011, The Group and the Company have reclassified the investment properties as mentioned in note 4(e). The valuation surplus of Baht 12.90 million has been credited to retained earnings.

Surplus on land revaluation is not available for dividend distribution.

## 26 Segment reporting

Management considers that the Group operates in a single line of business, namely the production and distribution of beverages, and in a single geographic area, namely in Thailand, and has, therefore, only one major business segment and only one geographic segment.

## 27 Other income

|  | Consolidated<br>financial statements |                | Separate<br>financial statements |                |
|--|--------------------------------------|----------------|----------------------------------|----------------|
|  | 2011                                 | 2010           | 2011                             | 2010           |
|  | (in thousand Baht)                   |                |                                  |                |
| Sale of scrap                                  | 53,869                               | 61,837         | 54,197                           | 60,225         |
| Interest income                                | 9,050                                | 9,103          | 8,000                            | 8,566          |
| Gain on disposal of sparepart and<br>equipment | 34,541                               | 24,926         | 34,541                           | 20,935         |
| Dividend income                                | 10,384                               | 12,567         | 37,564                           | 53,667         |
| Compensation from flood                        | 65,755                               | -              | 65,755                           | -              |
| Others   | 33,849                               | 39,403         | 48,813                           | 39,403         |
| <b>Total</b>                                   | <b>228,048</b>                       | <b>147,835</b> | <b>248,470</b>                   | <b>182,795</b> |

# Notes to the financial statements

For the years ended 31 December 2011 and 2010

## 28 Selling expenses

|                               | Consolidated<br>financial statements |                  | Separate<br>financial statements |                  |
|-------------------------------|--------------------------------------|------------------|----------------------------------|------------------|
|                               | 2011                                 | 2010             | 2011                             | 2010             |
|                               | (in thousand Baht)                   |                  |                                  |                  |
| Personnel expenses            | 1,194,384                            | 1,290,552        | 1,192,031                        | 1,228,177        |
| Marketing expenses            | 497,312                              | 457,950          | 497,312                          | 457,950          |
| Depreciation and amortization | 315,199                              | 341,140          | 315,194                          | 341,119          |
| Distribution                  | 233,945                              | 232,148          | 218,815                          | 214,947          |
| Fuel                          | 283,855                              | 256,610          | 283,855                          | 256,610          |
| Others                        | 340,964                              | 521,805          | 340,842                          | 521,484          |
| <b>Total</b>                  | <b>2,865,559</b>                     | <b>2,840,205</b> | <b>2,847,189</b>                 | <b>2,829,278</b> |

## 29 Administrative expenses

|                               |      | Consolidated<br>financial statements |                  | Separate<br>financial statements |                  |
|-------------------------------|------|--------------------------------------|------------------|----------------------------------|------------------|
|                               | Note | 2011                                 | 2010             | 2011                             | 2010             |
|                               |      | (in thousand Baht)                   |                  |                                  |                  |
| Management benefit expenses   | 30   | 93,954                               | 99,427           | 93,954                           | 96,036           |
| Directors' remunerations      | 7    | 24,339                               | 26,436           | 24,339                           | 26,436           |
| Personnel expenses            |      | 448,150                              | 366,768          | 438,637                          | 364,673          |
| Depreciation and amortization |      | 62,516                               | 68,881           | 60,516                           | 66,129           |
| Fuel                          |      | 130,704                              | 163,552          | 130,704                          | 163,552          |
| Net loss on foreign exchange  |      | 57                                   | 5,624            | 57                               | 5,624            |
| Net loss on land revaluation  |      | -                                    | 19,467           | -                                | 19,467           |
| Others                        |      | 312,969                              | 394,197          | 308,584                          | 386,645          |
| <b>Total</b>                  |      | <b>1,072,689</b>                     | <b>1,143,552</b> | <b>1,066,791</b>                 | <b>1,128,582</b> |

## 30 Employee benefit expenses

|  | Consolidated<br>financial statements |                  | Separate<br>financial statements |                  |
|--|--------------------------------------|------------------|----------------------------------|------------------|
|  | 2011                                 | 2010             | 2011                             | 2010             |
|  | (in thousand Baht)                   |                  |                                  |                  |
| <b>Management</b>                          |                                      |                  |                                  |                  |
| Salaries, wages and other benefits         | 77,789                               | 75,662           | 77,789                           | 72,380           |
| Management personal provisions             | 9,218                                | 20,513           | 9,218                            | 20,513           |
| Pension costs - defined benefit plans      | 3,704                                | 50               | 3,704                            | 50               |
| Contribution to defined contribution plans | 3,171                                | 3,129            | 3,171                            | 3,047            |
| Contribution to social fund                | 72                                   | 75               | 72                               | 64               |
|  | <b>93,954</b>                        | <b>99,427</b>    | <b>93,954</b>                    | <b>96,054</b>    |
| <b>Other employees</b>                     |                                      |                  |                                  |                  |
| Salaries, wages and other benefits         | 1,834,722                            | 2,001,252        | 1,765,042                        | 1,983,601        |
| Pension costs - defined benefit plans      |                                      |                  |                                  |                  |
| Contribution to defined contribution plans | 95,445                               | 10,491           | 94,913                           | 10,491           |
| Contribution to social fund                | 84,990                               | 83,916           | 83,689                           | 82,809           |
|  | 61,263                               | 63,153           | 60,376                           | 62,240           |
|  | <b>2,076,420</b>                     | <b>2,178,592</b> | <b>1,994,020</b>                 | <b>2,159,141</b> |
| <b>Total</b>                               | <b>2,170,374</b>                     | <b>2,278,019</b> | <b>2,137,874</b>                 | <b>2,235,197</b> |

## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

#### Defined benefit plans

Details of the defined benefit plans are given in note 22.

#### Provident fund

The Group has a provident fund for those employees who indicate their willingness to join. Contributions are made monthly by the employees at 3% of their basic salaries and by the Group at from 3% to 12% of the employees' basic salaries. The provident funds are registered with the Ministry of Finance as juristic entities and are managed by a licensed Fund Manager.

The employees who do not join the provident fund managed by the financial institution may still subscribe to the initial provident fund which is managed by the Company. The Company's contribution is treated as an expense in the year when the service is provided.

### 31 Expenses by nature

The statement of income included an analysis of expenses by function. Expenses by nature disclosed in accordance with the requirements of various IFRS were as follows :

| Note  | Consolidated<br>financial statements |                   | Separate<br>financial statements |                   |
|---|--------------------------------------|-------------------|----------------------------------|-------------------|
|   | 2011                                 | 2010              | 2011                             | 2010              |
| <i>(in thousand Baht)</i>                                     |                                      |                   |                                  |                   |
| Changes in inventories of finished goods and work in progress |                                      | 5,304,091         | 3,345,735                        | 5,498,594         |
| Raw materials and consumables used                            |                                      | 10,039,167        | 11,972,612                       | 9,980,000         |
| Employee benefit expenses                                     | 30                                   | 2,170,374         | 2,278,019                        | 2,127,974         |
| Directors' remunerations                                      | 7                                    | 26,339            | 26,436                           | 26,436            |
| Depreciation and amortisation                                 | 17, 18, 19                           | 629,688           | 710,685                          | 616,786           |
| Marketing expenses  | 28                                   | 497,312           | 457,950                          | 457,850           |
| Distribution  | 28                                   | 233,944           | 232,148                          | 218,015           |
| Fuel  | 28, 29                               | 425,019           | 420,162                          | 425,019           |
| Loss on land revaluation                                      | 29                                   | -                 | 19,467                           | -                 |
| Others  |                                      | 1,832,304         | 1,900,900                        | 1,876,998         |
| <b>Total expenses</b>   |                                      | <b>21,166,438</b> | <b>21,534,114</b>                | <b>21,215,037</b> |

### 32 Income tax expense

#### Income tax recognised in profit or loss

|                                 | Consolidated<br>financial statements |                | Separate<br>financial statements |                |
|---------------------------------|--------------------------------------|----------------|----------------------------------|----------------|
|                                 | 2011                                 | 2010           | 2011                             | 2010           |
| <i>(in thousand Baht)</i>       |                                      |                |                                  |                |
| <b>Current tax expense</b>      |                                      |                |                                  |                |
| Current year                    | 102,107                              | 175,380        | 102,007                          | 175,370        |
| Adjustment for prior years      | 1,100                                | -              | 1,100                            | -              |
| <b>Total income tax expense</b> | <b>103,206</b>                       | <b>175,380</b> | <b>103,107</b>                   | <b>175,370</b> |

## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

#### Reconciliation of effective tax rate

|   | Consolidated financial statements |                       |              |                       |
|---|-----------------------------------|-----------------------|--------------|-----------------------|
|   | 2011                              |                       | 2010         |                       |
|   | Rate<br>(%)                       | (in thousand<br>Baht) | Rate<br>(%)  | (in thousand<br>Baht) |
| Profit for the year                               |                                   | 55,867                |              | 477,014               |
| Total income tax expense                          |                                   | 183,399               |              | 175,380               |
| Profit before total income tax expense            |                                   | 158,276               |              | 652,394               |
| Income tax using the Thai corporation tax rate    | 30.00                             | 47,483                | 30.00        | 195,715               |
| Income not subject to tax                         |                                   | 36,859                |              | (19,363)              |
| Expenses not deductible for tax purposes          |                                   | 24,275                |              | 23,608                |
| Expenses for tax incentives                       |                                   | (1,184)               |              | (15,843)              |
| Recognition of previously unrecognized tax losses |                                   | (4,663)               |              | 9,064                 |
| Under provided in prior year                      |                                   | 1,102                 |              | -                     |
| Effect of eliminations                            |                                   | 135                   |              | 324                   |
| <b>Total</b>                                      | <b>65.21</b>                      | <b>183,399</b>        | <b>26.68</b> | <b>175,380</b>        |

#### Reconciliation of effective tax rate

|  | Separate financial statements |                       |              |                       |
|--|-------------------------------|-----------------------|--------------|-----------------------|
|  | 2011                          |                       | 2010         |                       |
|  | Rate<br>(%)                   | (in thousand<br>Baht) | Rate<br>(%)  | (in thousand<br>Baht) |
| Profit for the year                            |                               | 264,933               |              | 436,048               |
| Total income tax expense                       |                               | 183,339               |              | 175,370               |
| Profit before total income tax expense         |                               | 368,261               |              | 611,418               |
| Income tax using the Thai corporation tax rate | 30.00                         | 110,418               | 30.00        | 183,435               |
| Income not subject to tax                      |                               | (30,996)              |              | (16,100)              |
| Expenses not deductible for tax purposes       |                               | 23,799                |              | 23,888                |
| Expenses for tax incentives                    |                               | (1,184)               |              | (15,843)              |
| Under provided in prior year                   |                               | 1,102                 |              | -                     |
| <b>Total</b>                                   | <b>28.02</b>                  | <b>183,339</b>        | <b>26.68</b> | <b>175,370</b>        |

#### Income tax reduction

Royal Decree No. 475 B.E. 2551 dated 6 August 2008 grants companies listed on the Stock Exchange of Thailand a reduction in the corporate income tax rate from 30% to 25% for taxable profit not exceeding Baht 300 million for the three consecutive accounting periods beginning on or after 1 January 2008.

### 33 Earnings per share

#### Basic earnings per share

The calculations of basic earnings per share for the years ended 31 December 2011 and 2010 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:



## Notes to the financial statements

For the years ended 31 December 2011 and 2010

|   | Consolidated<br>financial statements |         | Separate<br>financial statements |         |
|---|--------------------------------------|---------|----------------------------------|---------|
|   | 2011                                 | 2010    | 2011                             | 2010    |
|   | (in thousand Baht/thousand shares)   |         |                                  |         |
| Profit attributable to equity holders of<br>the Company (basic) | 55,868                               | 477,014 | 264,932                          | 436,047 |
| Number of ordinary shares outstanding                           | 265,900                              | 265,900 | 265,900                          | 265,900 |
| Earnings per share (basic) (in Baht)                            | 0.21                                 | 1.79    | 1.00                             | 1.64    |

### 34 Dividends

At the annual general meeting of the shareholders of the Company held on 29 April 2011, the shareholders approved the appropriation of dividend of Baht 1.25 per share, amounting to share 265.89 million, amounting to Baht 332.37 million. The dividend was paid to shareholders during the year 2011 and uncollected dividend was shown as accrued dividend in statement of financial position.

At the annual general meeting of the shareholders of the Company held on 20 April 2010, the shareholders approved the appropriation of dividends of Baht 2 per share, amounting to share 265.38 million, amounting to Baht 530.56 million. The dividend was paid to shareholders during the year 2010 and uncollected dividend was shown as accrued dividend in statement of financial position.

### 35 Financial Instruments

#### *Financial risk management policies*

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

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

#### *Capital management*

The Board of Directors' 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 and also monitors the level of dividends to ordinary shareholders.

#### *Interest rate risk*

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Group's operations and its cash flows. The Group does not expect that changes in interest rates will materially affect its operations.

#### *Foreign currency risk*

The Group is exposed to foreign currency risk relating to purchases inventory and fixed assets which are denominated in foreign currencies. The Group expects that changes in exchange rates for liabilities denominated in foreign currencies in the balance sheet will not materially affect its financial position and results of operations since the Group does not have any foreign currency loans and most of the spending and purchases of raw and packing materials are transacted in local currency, exchange rate risks are limited only to those related to imported spare parts and equipments.

## Notes to the financial statements

## For the years ended 31 December 2011 and 2010

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

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

|                              |      | Consolidated<br>financial statements |         | Separate<br>financial statements |         |
|------------------------------|------|--------------------------------------|---------|----------------------------------|---------|
|                              | Note | 2011                                 | 2010    | 2011                             | 2010    |
|                              |      | (in thousand Baht)                   |         |                                  |         |
| <b>Euro</b>                  |      |                                      |         |                                  |         |
| Other receivables            | 11   | -                                    | 754     | -                                | 754     |
| Other payables               |      | (12,844)                             | (416)   | (12,844)                         | (416)   |
| Gross balance sheet exposure |      | (12,844)                             | 338     | (12,844)                         | 338     |
| Estimated forecast purchases |      | -                                    | (1,828) | -                                | (1,828) |
| Total exposure               |      | (12,844)                             | (1,490) | (12,844)                         | (1,490) |
| <b>United States Dollar</b>  |      |                                      |         |                                  |         |
| Other payables               |      | (6,656)                              | (4,978) | (6,656)                          | (4,978) |
| Gross balance sheet exposure |      | (6,656)                              | (4,978) | (6,656)                          | (4,978) |
| Estimate asset               |      | (5,091)                              | -       | (5,091)                          | -       |
| Total exposure               |      | (11,747)                             | (4,978) | (11,747)                         | (4,978) |

**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 Group as and when they fall due.

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

**Liquidity risk**

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

**Determination of fair values**

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

The fair value of cash and cash equivalents, current investment, trade accounts receivable, other receivable to related parties, other receivable and current assets is taken to approximate the carrying value.

## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

The fair value of investments in equity securities, which are available for sales, are determined by reference to their quoted bid price at the reporting date.

Other long-term investments, which are non marketable equity securities, have their fair values approximate to their carrying value.

The fair value of trade accounts payable, other payable from related parties, other payable, accrued expenses, income tax payable and other current liabilities is taken to approximate the carrying value.

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price at the reporting date for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Although the management uses its best judgment in estimating fair values of financial instruments, estimation methodologies and assumptions used to estimate fair values are inherently subjective. Accordingly, the use of different estimation methodologies and/or market assumptions may have a significant effect on the estimated fair values.

### 36 Commitments with non-related parties

|  | Consolidate<br>financial statements  |               | Separate<br>financial statements |               |
|--|--------------------------------------|---------------|----------------------------------|---------------|
|  | 2011                                 | 2010          | 2011                             | 2010          |
|  | <i>(in thousand Baht)</i>            |               |                                  |               |
| <b>Capital commitments</b>                         |                                      |               |                                  |               |
| <i>Contracted but not provided for:</i>            |                                      |               |                                  |               |
| Land   | 40,798                               | -             | 40,798                           | -             |
| Buildings, warehouses and improvement              | 12,184                               | 4,636         | 12,184                           | 4,636         |
| Machinery and equipment                            | 9,091                                | 1,828         | 9,091                            | 1,828         |
| Intangible assets                                  | 13,500                               | 20,965        | 13,500                           | 20,965        |
| <b>Total</b>                                       | <b>75,573</b>                        | <b>27,429</b> | <b>75,573</b>                    | <b>27,429</b> |
|  |                                      |               |                                  |               |
|  | Consolidated<br>financial statements |               | Separate<br>financial statements |               |
|  | 2011                                 | 2010          | 2011                             | 2010          |
|  | <i>(in thousand Baht)</i>            |               |                                  |               |
| <b>Non-cancellable operating lease commitments</b> |                                      |               |                                  |               |
| Within one year                                    | 13,347                               | 21,167        | 13,347                           | 21,167        |
| After one year but within five years               | 21,489                               | 21,413        | 21,489                           | 21,413        |
| After five years                                   | 77,967                               | 44,665        | 77,967                           | 44,665        |
| <b>Total</b>                                       | <b>112,803</b>                       | <b>87,245</b> | <b>112,803</b>                   | <b>87,245</b> |

## Notes to the financial statements

## For the years ended 31 December 2011 and 2010

|   | Consolidated<br>financial statements |               | Separate<br>financial statements |               |
|---|--------------------------------------|---------------|----------------------------------|---------------|
|   | 2011                                 | 2010          | 2011                             | 2010          |
|   | (in thousand)                        |               |                                  |               |
| <b>Other commitments</b>                            |                                      |               |                                  |               |
| <b>Thai Baht</b>                                    |                                      |               |                                  |               |
| Unrued letters of credits for<br>goods and supplies | 9,091                                | 1,828         | 9,091                            | 1,828         |
| Bank guarantees                                     | 51,939                               | 33,320        | 48,412                           | 30,232        |
| <b>Total</b>  | <b>61,030</b>                        | <b>35,148</b> | <b>57,503</b>                    | <b>32,060</b> |
| <b>Euro</b>   |                                      |               |                                  |               |
| Unrued letters of credits for fixed assets          | -                                    | 45            | -                                | 45            |
| <b>United States Dollars</b>                        |                                      |               |                                  |               |
| Unrued letters of credits for fixed assets          | 286                                  | -             | 286                              | -             |

The Company entered into land, building, structure and other assets lease agreements for the Company's operation for periods from one year to thirty years and expiring in various periods up to December 2038.

**Exclusive bottling appointment agreement**

The Company entered into an agreement with PepsiCo, Inc. to be appointed to bottle, sell and distribute carbonated drinks solely in the whole Kingdom of Thailand. The Company has to comply with certain conditions contained in the agreement for which the duration is not specified. On 31 March 2011, the Board of Directors approved to terminate the agreement to be effective as of the close of business on 1 April 2012 as mentioned in note 5 (c) to the financial statements.

Subsequently, at the Extraordinary General Meeting of Shareholders no.3/2011 on 26 August 2011, the shareholders approved to extend the period of the effectiveness of the termination of the agreement for 7 months, from 1 April 2012 to 1 November 2012 if PepsiCo Group sells the shares to S24 as mentioned in note 5 (g) to the financial statements.

A subsidiary entered into a "Co-packing agreement" with Pepsi Lipton International Ltd. to produce bottled tea drinks. The subsidiary has to comply with certain conditions contained in the agreement for a period of 3 years.

A subsidiary entered into a "Co-packing agreement" with Pepsi-Cola (Thai) Trading Co., Ltd. to produce bottled fruit juices. The subsidiary has to comply with certain conditions contained in the agreement for a period of 3 years.

**Distributorship agreement**

The Company entered into an agreement with Pepsi-Cola (Thai) Trading Co., Ltd. to be appointed to distribute bottled tea and fruit juices solely in the whole Kingdom of Thailand. The Company has to comply with certain conditions contained in the agreement for a period of 3 years including a renewal option.

## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

#### *Cooperative advertising and marketing agreement*

The Company entered into an agreement with Pepsi-Cola (Thai) Trading Co., Ltd. for both parties to participate in a Cooperative Advertising and Marketing Program in the territory. Both parties agree to spend for advertising and marketing of the products for the term and the amount as specified in the agreement. Each agreement is effective for a period of 1 year.

#### 37 Credit facilities

As at 31 December 2011 the Group and the Company had unutilised credit facilities totalling Baht 1,477 million and Baht 1,437 million, respectively (2010: Baht 2,072 million and Baht 1,875 million, respectively).

#### 38 Contingent liabilities

The Company had a contingent liability arising from a claim for compensation and unfair lay off employees of Baht 19.28 million in connection with undelivered goods. The court case is pending judgment. However, the Company's fixed deposit of Baht 2.64 million has been pledged with the court.

#### 39 Thai Financial Reporting Standards (TFRS) not yet adopted

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

| TFRS                  | Topic  | Year effective |
|-----------------------|--|----------------|
| TAS 12                | Income Taxes                                     | 2013           |
| TAS 21 (revised 2010) | The Effects of Changes in Foreign Exchange Rates | 2013           |

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

##### *TAS 12 – Income taxes*

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

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

## Notes to the financial statements

## For the years ended 31 December 2011 and 2010

|   | Consolidated<br>financial statements |             | Separate<br>financial statements |             |
|---|--------------------------------------|-------------|----------------------------------|-------------|
|   | 2011                                 | 2010        | 2011                             | 2010        |
|   | (in thousand Baht)                   |             |                                  |             |
| <i>Statement of financial position</i>  |                                      |             |                                  |             |
| Estimated changes as a result of<br>the adoption retrospectively of<br>IAS 12 – Income taxes: |                                      |             |                                  |             |
| Increase in deferred tax assets   | 314,209                              | 465,160     | 304,081                          | 454,071     |
| Increase in deferred tax liabilities  | 760,305                              | 1,152,718   | 760,554                          | 1,139,590   |
| Decrease in other components of<br>equity   | (730,640)                            | (1,096,264) | (722,088)                        | (1,083,132) |
| Decrease in retained earnings   | 375,743                              | 468,702     | 365,615                          | 397,613     |
| Increase (decrease) in total equity   | (435,097)                            | 687,558     | (456,473)                        | 685,519     |

The impact on the statements of comprehensive income for 2012 and subsequent periods is not presently determinable.

**IAS 21 (revised 2009) – The effects of changes in foreign exchange rates**

The principal change introduced by IAS 21 is the introduction of the concept of functional currency, which is defined as the currency of the primary economic environment in which the entity operates. IAS 21 requires the entity to determine its functional currency and translate foreign currency items into its functional currency, reporting the effects of such translation in accordance with the provisions of IAS 21. Foreign currencies are defined by IAS 21 as all currencies other than the entity's functional currency.

Management has determined that the functional currency of the Company is Thai Baht. Accordingly, the adoption of IAS 21 from 1 January 2013 is not expected to have a significant impact on the Company's reported assets, liabilities or retained earnings.

## Notes to the financial statements

For the years ended 31 December 2011 and 2010

### 40 Reclassification of accounts

Certain accounts in the 2010 financial statements have been reclassified to conform to the presentation in the 2011 financial statements. These reclassifications have principally been made following changes in accounting policies consequent to the adoption of new or revised TFRS as disclosed in note 4. Other significant reclassifications were as follows:

|   | 2010                              |              |   |                               |              |                    |
|---|-----------------------------------|--------------|---|-------------------------------|--------------|--------------------|
|   | Consolidated financial statements |              |   | Separate financial statements |              |                    |
|   | Before reclassified               | Reclassified | After reclassified<br>(in thousands Baht) | Before reclassified           | Reclassified | After reclassified |
| <b>Statement of financial position</b>                    |                                   |              |   |                               |              |                    |
| Other receivables   | -                                 | 94,878       | 94,878                                    | -                             | 94,889       | 94,889             |
| Other current assets                                      | 128,105                           | (94,878)     | 33,227                                    | 181,095                       | (94,889)     | 86,206             |
| Accounts payable to related parties                       | (23,934)                          | (75)         | (24,009)                                  | (23,146)                      | (75)         | (23,221)           |
| Other payables  | (458,412)                         | 75           | (458,342)                                 | (451,668)                     | 75           | (451,593)          |
|   |                                   | -            |   |                               | -            |                    |
| <b>Statement of comprehensive income for period ended</b> |                                   |              |   |                               |              |                    |
| Cost of sales of goods and rendering of services          | 16,813,838                        | 735,419      | 17,549,257                                | 16,891,349                    | 735,419      | 17,626,768         |
| Selling expenses  | 1,362,665                         | (412,668)    | 950,000                                   | 1,242,738                     | (412,668)    | 830,070            |
| Administrative expenses                                   | 1,338,741                         | (213,732)    | 1,075,009                                 | 1,375,142                     | (213,732)    | 1,061,410          |
|   |                                   | -            |   |                               | -            |                    |

The reclassifications have been made to be appropriate to the Group's business and comply with the classification set out in the Pronouncement of the Department of Business Development (No. Determination of items in the financial statements B.E.2554) date 28 September 2011.