



Fulfill Happiness

# ANNUAL REPORT 2014

Sermasuk Public Company Limited

MOVING FORWARD TOGETHER





Fulfill Happiness





## Message from Chief Executive Officer

### "Message from Chief Executive Officer to Shareholders"

The last year has been highly dynamic to say the least. The Thai market was roiled by political disturbances for much of the first half of the year, which impacted local consumer confidence and foreign tourist arrivals. The global economy has been stagnant, with weak demand for Thailand's exports and generally soft agricultural commodity prices. Domestic demand for consumer goods was also weaker than we would like and this has impacted Sermsuk along with the rest of the market.

The local beverage market has continued to be marked by intense competitive pressures across all product categories. This has been driven in large part by the struggle for market share among several established brands, combined with the entrance of new players and new products. In this market environment Sermsuk has been able to either hold its position or grow its market share in several key product categories, which demonstrates the Company's competitive capabilities in the face of well financed rivals.

An important advantage that Sermsuk has in the market is a well-defined strategy and the ability to execute to advance our primary objectives. An important element of Sermsuk's long-term plan is to maintain leadership in our core competencies of manufacturing and distributing beverage products in Thailand while establishing a best-in-class sales capability.

In line with this objective Sermsuk undertook the sale of its 'est' brand. This move offered multiple benefits to the company in that it allowed for a reduction in marketing and brand building expenses, it provided a significant amount of capital that can be used to invest in bolstering our core competencies and it provides us with the opportunity to continue manufacturing and distributing est. Thus, we have cut costs and raised capital while still being in a position to benefit from increased revenues as est volume grows.

Another demonstration of Sermsuk's clear focus on its long-term strategic aims is the sale of its Thonburi warehouse facility, which monetized one of our assets.



#### **Mr. Somchai Bulsook**

Director, Chairman of Executive Committee  
and CEO, Member of Nominating and Corporate  
Government Committee and  
Member of Risk Management Committee



Sermsuk is also committed to enhancing operational efficiency and effectiveness. We will ensure that we maximize value and minimize waste across our entire business. Some early successes in this initiative have already been achieved including an appreciable reduction in aggregate PET packaging costs through relatively minor adjustments in package design and operating processes.

There were also cost savings related to our distribution operations through improved transportation efficiency. This was achieved by optimizing the routing of each vehicle in our nationwide fleet. We also began deploying GPS tracking on our route trucks to provide the company with the data necessary to continue fine-tuning our distribution system. Of course, we have also been helped by the general decline in the price of oil, though we cannot assume that the current low prices will remain in place in the future.

Additionally, Sermsuk is committed to developing and growing our own portfolio of products in a profitable manner for the long-term. For example, our Crystal bottled water brand has achieved an impressive 16% growth during 2014 in a highly challenging market environment. Going forward we will continue to invest in Crystal, Ranger and Power Plus while remaining open to launching new brands if, and when, we see the right opportunity.

During 2014 Sermsuk has also worked to align its operations with the ThaiBev Group's Vision 2020 strategy. This alignment has been made based on our current market position and long-term strategy in order to create sustainable value for both organizations. Examples of how we have embraced core elements of Vision 2020 include the enhancement of our route-to-market expertise in line with the Reach pillar, which we will use to drive both revenue and profitability, or achieve the Growth objective. We currently have a strong Brand portfolio including Crystal, Ranger, Oishi, Lipton, Gatorade, est and starting in 2015, 100 Plus. Lastly, we are also making progress in deepening the overall Professionalism of our employees at all levels of the organization in order to ensure our continued ability to compete in a 21st century marketplace.

Looking back over 2014 we can say that we benefit by having the ThaiBev Group as our partner. I am fully confident in our ability to compete, and our ability to win in the Thai beverage market. This confidence is based on the outstanding brands in our portfolio, the core competencies we have developed over many decades in this market, the commitment of our management team and staff, and our solid distribution capability.

In closing I would like to thank all of our shareholders for their continued belief in Sermsuk, our management team and staff for their unwavering dedication to our company and vision, and to our valued partners in the ThaiBev Group who have demonstrated again and again the truth in the statement that, sometimes the whole is more than the sum of its parts.



## Board of Directors



**Mr. Photipong Lamsam**  
Chairman and Independent Director



**Mr. Suchin Wanglee**  
Vice Chairman No.1, Independent Director,  
Chairman of Compensation Committee  
and Member of Audit Committee



## **Board of Directors**



### **Mr. Chotiphat Bijananda**

Vice Chairman No.2, Executive Director,  
Member of Compensation Committee and  
Member of Nominating and  
Corporate Governance Committee



### **Mr. Thapana Sirivadhanabhakdi**

Vice Chairman No.3,  
Vice Chairman of Executive Committee No.1,  
Chairman of Nominating and Corporate Governance  
Committee, Member of Compensation Committee and  
Member of Risk Management Committee



## Board of Directors



### **Mr. Somchai Bulsook**

Director, Chairman of Executive Committee  
and CEO, Member of Nominating and Corporate  
Government Committee and  
Member of Risk Management Committee



### **Mr. Dhitivute Bulsook**

Director, Executive Director, Member of  
Risk Management Committee and President



## **Board of Directors**



**Prof. Dr. Khunying Suchada Kiranandana**

Independent Director, Chairman of Audit Committee  
and Chairman of Risk Management Committee



**Mr. Pramoad Phornprapha**  
Director



## Board of Directors



**Honorary Prof. Rawat Chamchalerm**  
Independent Director



**Mr. Sakchai Thanaboonchai**  
Director



## Board of Directors



**Mr. Rangsang Thammaneeuwong**  
Director



**Mr. Sithichai Chaikriangkrai**  
Director, Vice Chairman of Executive  
Committee No.2 and Member of  
Risk Management Committee



## Board of Directors



**Mr. Marut Buranasetkul**  
Director and Executive Director



**Mrs. Siripen Sitasuwan**  
Independent Director,  
Member of Audit Committee and  
Member of Risk Management Committee



## Executives



**Mr. Somchai Bulsook**  
Chief Executive Officer



**Mr. Dhitivute Bulsook**  
Managing Director



## Executives

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**Ms. Tienthip Narach**  
Finance Director



**Mr. Arthakrit Visudtibhan**  
Human Resources Director



## Executives



**Mr. Parinya Permpanich**  
Sales Operations Director



**Mr. Piya Smutkochorn**  
Marketing Director



## Executives

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**Mr. Peerapong Krinchai**  
Operations Director



**Mr. Pibul Voravath**  
General Group Manager and  
General Plant Manager, Pathum Thani

## Executives

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**Mr. Kwanchai Mahapornprachak**  
General Plant Manager-Nakornratchasima



**Mr. Viraj Ithikumjorn**  
General Plant Manager-Suratthani



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## 1. Policy and Business Overview

### Business Overview and Development

Sermsuk Public Company Limited was established to operate the beverage business by a group of 7 founders who tendered an application to register the company with start-up capital of eight million baht. The Company was opened on April 18, 1952 with the "Pepsi" beverage product, which was first produced at Silom Plant and available in the Thai market on March 18, 1953.

On March 31, 2011, the Board of Directors resolved to terminate the Exclusive Bottling Appointment Agreement ("EBA") with Pepsi in Thailand. 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 PepsiCo (including the termination of agreements). In July 2011, the Company received a letter from Pepsi-Cola (Thai) Trading Company Limited, Seven-Up Nederland, B.V. (collectively referred to as "**PepsiCo Group**") and SS National Logistics Company Limited ("**SSN**") informing the Company that PepsiCo Group and SSN (collectively referred to as the "**Major Shareholders Group**") executed an Agreement to Sell and Purchase Shares in the Company. With regards to the EBA, if the PepsiCo Group sold the shares to SSN and/or an SSN investor, there was a condition prescribing that the Company and Pepsi shall extend the period of the EBA for seven months from April 1, 2012.

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 the EBA for seven months from April 1, 2012. As a result, the EBA was terminated at the close of business on November 1, 2012. The other agreement in connection with the EBA, the Agreement for Cooperative Advertising and Marketing Principles ("COOP") was terminated on the same date. Since the termination of the EBA on November 1, 2012, the Company has been the producer and distributor of the products under the "est" trademark.

Currently, the Company operates under its future business plan utilizing a variety of resources and assets as well as its strong product distribution and delivery network to enhance steady and sustainable growth.

### 1.1 Vision, Business Objectives, Goals and Strategies of the Company

#### Vision

Sermsuk Public Company Limited has its new corporate vision to be Thailand's '**Quality Products Producer and Distributor**'

#### Mission

The Company's mission is "To Fulfill Happiness" with high quality food and beverage products for Thai consumers in order to enhance the stability and sustainability in its business growth.

### Business Objectives and Plan

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 29, 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 is as follows:

#### The Company's Business Plan with a Focus on Four Business Pillars

**1<sup>st</sup> Business Pillar:** To expand the non-carbonated beverage market, 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 operations of any other business under the capacity of the Company, as deemed appropriate by the Board of Directors.



**2<sup>nd</sup> Business Pillar:** To increase investment in the production line of Crystal Drinking Water in order to respond to increased demand.

**3<sup>rd</sup> Business Pillar:** To be a distributor of other products apart from beverage products.

**4<sup>th</sup> Business Pillar:** To be a manufacturer of carbonated beverages under any other trademark.

Since the termination of the EBA on November 1, 2012, the Company has been the producer and distributor of the products under the “est” trademark.

## Business Objectives

The Company sets the following business objectives:

### Volume and Market Share Growth Target

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, market share and volume targets.

### Profit Maximization Target

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 measurers of performance and efficiency.

### People Development Target

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 employees will be equipped with new skills and shown new techniques to enhance their efficiency and performance. The development of its people via on-the-job training is also a Company focus area and this utilizes advice and instructions by supervisors.

### Returns to Shareholders Target

The Company has a policy to return profit 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.

### Social Responsibility

The Company is committed to providing happiness to Thai people through a comprehensive range of quality and hygienic beverages that meet international quality standards. Our company has set a goal to enhance our corporate social responsibility along with other operational objectives in a fair and transparent manner. Our corporate citizenship efforts are extended to the public through a diverse range of social activations. Ultimately, Sermasuk aims to drive sustainable social and environmental development among Thai communities.



## 1.2 Major Corporate Change and Development

### Investment

Beginning with the initial start-up capital in 1952, the Company has increased its capital sequentially:

1952	The registered capital of 8 million baht; 100 baht per share
1953	The registered capital increased to 15 million baht; 100 baht per share
1966	The registered capital doubled to 30 million baht; 100 baht per share
1969	The registered capital grew to 45 million baht; 100 baht per share
1986	The registered capital of 105 million baht; 100 baht per share
1991	The par value was changed from 100 baht per share to 10 baht per share
1994	Sermsuk became a listed company with a registered capital of 260 million baht
1997	The registered capital of 265 million baht; 10 baht per share
2001	With 542,340 baht in lower registered capital (54,234 shares), the Company's registered capital was 264,457,660 baht (26,445,766 shares). Later the Company's capital increased by 3.5 million baht to 267,957,660 baht (26,795,766 shares)
2003	The par value of the Company's ordinary shares was changed from 10 baht per share to 1 baht Per share.
2009	The value of the Company's registered capital was 2,057,176 million baht lower to reach 265,900,484 baht (265,900,484 shares).

### Business Expansion

1952	The Company's Silom Plant started operations
1967	The Sermsuk Bangkhen Plant was opened on a 24 rai, 1 ngan and 30 5/10 square wah site with the relocation of equipment from the Silom Plant to the Bangkhen facility
1969	The Nakhon Ratchasima Plant was opened on a 31 rai, 1 ngan and 69 square wah site while the land on Silom was sold
1973	The Nakhonsawan Plant opened on a 24 rai, 1 ngan and 89 8/10 square wah site
1975	Being a listed company in Thailand
1978	The Pathum Thani Plant was opened on a 164 rai and 88 square wah site
1985	Appointed as the distributor of "M-100" and "M-150" products for Osothsapha Co., Ltd.
1993	Appointed as the distributor of Volvic mineral water for France-based BSN Group
1993	Began the production of drinking water under the "Crystal" brand
1995	Provide the distribution for "M Sport" and "M Coffee" beverage for Osothsapha Co., Ltd.
1997	The producer and distributor of "Lipton" tea beverage for Unilever Thai Holdings Co., Ltd.
1997	The opening of a plastic blow molding plant at its Pathum Thani Plant
1998	The Surat Thani Plant was opened on a 67 rai, 1 ngan and 78 square wah site
1999	The distributor of "Yo" beverage products for Sermsuk YHS Beverage Co., Ltd. (Currently known as Sermsuk Beverage Co., Ltd.)
2002	The Chon Buri Plant was opened on a 42 rai, 3 ngan and 72 square wah site
2002	The Company returned its distributorship rights for the "M" products to Osothsapha Co., Ltd., and reached an agreement to be the distributor of Carabao Daeng drinks for Carabao Tawandaeng Co., Ltd.
2003	The authorized producer and distributor of "Gatorade" sport drinks for Stokely Van Camp Inc, USA.



## Policy and Business Overview

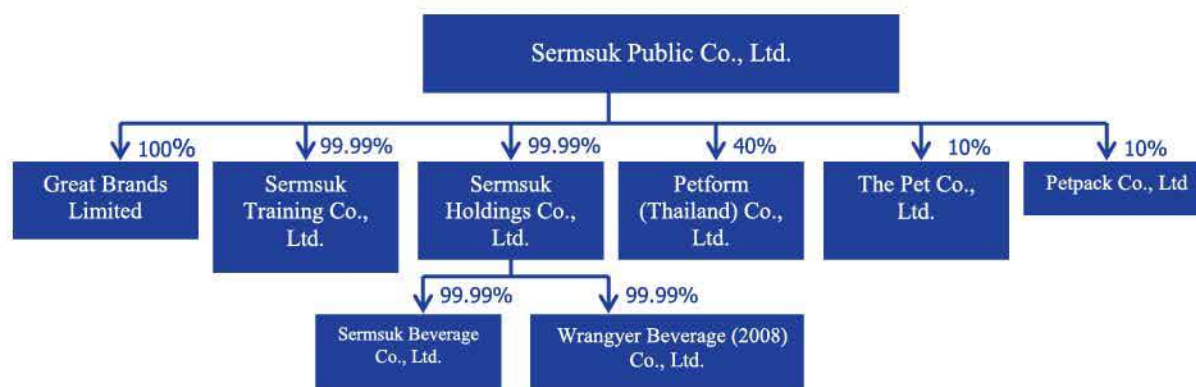
2004	Terminated the distribution of Yo soya milk product
2005	Signed an agreement to sell "Oishi" beverage products for Oishi Trading Co., Ltd.
2006	Signed an agreement to sell "Tropicana Twister" juice beverages in bottles for Pepsi Cola (Thai) Trading Co., Ltd.
2012	Terminated the distribution of Carabao Daeng and other beverage products under Pepsi Cola (Thai) Trading Co., Ltd., including Pepsi, Mirinda, Seven-Up and Tropicana Twister. Started the production and distribution of "est" products on November 2, 2012 Sermasuk Holdings Co., Ltd., took over Wrangyer Beverage (2008) Co., Ltd. to produce and sell beverage products under the Wrangyer, Power Plus and other brands
2013	Added two new packages for "est" include 250 ml. can and 850 ml. glass bottle Began producing and distributing "est" orange, strawberry, cream soda and lemon lime flavours. Added 1L PET bottle packaging for drinking water "Crystal" The distributor of "Wrangyer" energy beverage The distributor of fried seaweed "Onori"
2014	Launched 2 innovative packages in a 16-ounce glass bottle and a 1.6-litre PET bottle respectively. Also, rolled out 3 new packages for est, the "325-ml est Sleek can", "250-ml est sleek can" and "non-returnable 250-ml glass bottle". Started manufacturing and distributing sugar-free "est free"
The sale transaction of "est" brand and trademark to Super Brands Company Pte. Ltd., On 23 December 2015	

### 1.3 The Company's Shareholding Structure

Sermasuk PCL is primarily owned by two companies which are Thai Beverage Logistic Co., Ltd., and SS National Logistics Co., Ltd.

The Company has an indirect subsidiary company, Sermasuk Beverage Co., Ltd., which manufactures and co-packs Lipton Ice Tea, 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 Sermasuk Beverage Co., Ltd., shares are held by Sermasuk Holdings Co., Ltd., a direct subsidiary company established on November 23, 2006 with the main objectives being to hold shares and manage investments in Sermasuk 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. Additionally, Sermasuk Holdings Co., Ltd., (direct subsidiary), acquired Wrangyer Beverage (2008) Co., Ltd., to produce and sell "Wrangyer" energy drink, "Power Plus" sports drink and others for Sermasuk's distribution.



**Details of Businesses in which the Company holds shares of 10% or more**
**Sermsuk Holdings Co., Ltd.** (Direct Subsidiary)

Location of Head Office: Muang Thai – Phatra Complex, Tower 1, 27-28<sup>th</sup> Floor, 252/35-36 Rachadaphisek Road, Huay Kwang, Bangkok 10310  
 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 50,000,000	Par Value 10 baht	Number of Shares 49,999,993	% 99.99

**Sermsuk Training Co., Ltd.** (Direct Subsidiary)

Location of Head Office: Muang Thai – Phatra Complex, Tower 1, 27-28<sup>th</sup> Floor, 252/35-36 Rachadaphisek Road, Huay Kwang, Bangkok 10310  
 Telephone: 0-2693-2255-65  
 Fax: 0-2693-2266  
 Main Business: Human resource development

Number and Type of Issued Capital		Number Owned by the Company	
Ordinary Shares 1,000,000	Par Value 10 baht	Number of Shares 999,980	% 99.99

**Great Brands Limited** (Direct Subsidiary)

Location of Head Office: Room 90-12, Silvercord, Tower 1, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong  
 Telephone: 852 2375 6648  
 Fax: 852 2375 6188  
 Main Business: Brand management

Number and Type of Issued Capital		Number Owned by the Company	
Ordinary Shares 1,000,000	Par Value HKD 1	Ordinary Shares 1,000,000	% 100

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

Location of Head Office: 75/102, Ocean Tower 2, 35<sup>rd</sup> Floor, Sukhumvit 19, 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 7,500,000	Par Value 10 baht	Number of Shares 3,000,000	% 40



## Policy and Business Overview

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

Location of Head Office: 23/4, Moo 2, Baan Chang, Muang Pathumthani, Pathumthani 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 700,000	Par Value 100 baht	Ordinary Shares 70,000	% 10

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

Location of Head Office: 170/87, Ocean Tower Building 1, 32<sup>nd</sup> Floor, New Rachadapisek Road, Klongtoey, Bangkok 10110  
 Telephone: 0-2261-2357  
 Main Business: Manufacture and distribution of plastic and PET bottles

Number and Type of Issued Capital		Number Owned by the Company	
Ordinary Shares 1,400,000	Par Value 100 baht	Ordinary Shares 140,000	% 10

## **Businesses in which Sermsuk Holdings Co., Ltd., holds shares of 10% or more**

### **Sermsuk Beverage Co., Ltd.** (Indirect Subsidiary)

Location of Head Office: Muang Thai – Phatra Complex, Tower 1, 27-28<sup>th</sup> Floor, 252/35-36 Rachadaphisek 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 68,958,615	Par Value 10 baht	Ordinary Shares 68,958,609	% 99.99

### **Wrangyer Beverage (2008) Co., Ltd.** (Indirect Subsidiary)

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

Number and Type of Issued Capital		Number Owned by the Company	
Ordinary Shares 20,000,000	Par Value 10 baht	Ordinary Shares 19,999,980	% 99.99

#### 1.4 Related parties of the Company and its subsidiaries

The related parties of the Company and its subsidiaries are;

##### 1. ***Petform Co., Ltd., (Sermasuk PCL owns a 40% stake)***

Main Business: Manufacture and distribution of plastic containers and PET polymers

Relationship: The Company has reached deals with Petform for the following purchase volume of plastic perform and PET bottles

- Plastic cap accounting for 50% of total annual purchases that had a value of 46 million baht
- PET bottles accounting for 50% of total annual purchases that had value a of 678 million baht

The purchasing approach: The Company has reviewed the price structure in comparison with market prices and purchases were made in volume and maintained at the mutually agreed prices.

##### 2. ***Thai Beverage Can Co., Ltd., (With a stake owned by a subsidiary of TCC)***

Main Business: Distribution of aluminum cans

Relationship: With the aluminum cans that are used for packaging, the Company has made purchases accounting for 100% of the total annual purchases that had a value of 191 million baht

The purchasing approach: The Company has reviewed the price structure in comparison with market prices and purchases were made in volume and maintained at the mutually agreed prices for 6 - 12 months.

##### 3. ***The Southeast Insurance Public Company Limited (With a stake owned by a subsidiary of TCC)***

Main Business: A professional insurance service provider

Relationship: The Company has insured its assets and vehicles with the Southeast Insurance PCL

The purchasing approach: The Company has reviewed the price in comparison with several competitive offers. The Southeast Insurance is considered as an insurance service provider and the bidding will be held once annually.



## 2. Business Operations

### Income Structure

#### Details of Income Structure

Unit: million baht

Revenues	2014		2013		2012	
	Revenue	%	Revenue	%	Revenue	%
Revenue from carbonated soft drinks	4,671	44.98%	5,814	52.04%	14,672	64.30%
Revenue from non-carbonated drinks	5,714	55.02%	5,358	47.96%	8,149	35.70%
<b>Total</b>	<b>10,385</b>	<b>100.00%</b>	<b>11,172</b>	<b>100.00%</b>	<b>22,821</b>	<b>100.00%</b>

### 2.1 Business Operations by Product

The Company's products and services are clustered around 4 business pillars as follows:

#### 1. Manufacturer and distributor of drinking water

Drinking water and soda water under the "Crystal" trademark

#### 2. Manufacturer and distributor of non-carbonated beverages

Ready-to-drink green tea in returnable bottles: honey lemon flavor under the "Oishi" trademark

Ready-to-drink black tea in returnable bottles: lemon flavor under the "Lipton" trademark

Sport drinks under the "Gatorade" trademark

Energy drinks under the "Wrangyer" trademark

Sport drinks under the "PowerPlus" trademark

#### 3. Food and beverage distributor

Ready-to-drink green tea in cans and PET bottles under the "Oishi" trademark

Ready-to-drink black tea in cans and PET bottles: lemon flavor under the "Lipton" trademark for Pepsi Lipton International Company Limited

#### 4. Manufacturer and distributor of carbonated beverages

Carbonated soft drinks under the "est" trademark

## **2.2 Marketing and Competition**

### **(A) Competition and distribution policies**

#### **Target group**

The Company strives to penetrate the consumer food and beverage segment with over 200,000 eateries and retail stores nationwide.

The Company operates on four business pillars including

- 1) Expanding in the drinking water market under the Crystal brand;
- 2) Expanding its line of non-carbonated drinks with Oishi Green Tea in returnable bottles; Lipton tea in glass bottles, Wrangyer energy drinks and Power Plus sport drinks
- 3) Distributing both food and beverage products; and
- 4) Manufacturing and distributing carbonated soft drink products under the "est" brand

#### **Distributor of the products**

The Company is the distributor of many products that will be supplied to eateries and retail stores for consumers nationwide via its solid network of 1,000 trucks.

### **(B) Marketing and Competition**

#### **Overview of carbonated soft drink market**

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 rapid responsiveness to consumer demands. Opportunity in the beverages industry depends on increases 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 the 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 of the business.

The carbonated soft drink competition is very intense particularly in terms of pricing with the selling focus on more volume at lower prices.



## Overview and market competition

### "est" Carbonated Drink

The company has rolled out ongoing marketing campaigns and sales promotions throughout 2014 in order to remain brand recognition among consumers. Currently, it has achieved a large number of loyal consumers by introducing est in two new packages which are called "est burm" and "est yak", together with adding 3 new package sizes for est and the launch of "est free", the first Thai developed sugar-free carbonated drink. The company also introduced a new est logo of and a set of "est color" in cans and PET (plastic) bottles.

### "Crystal" Drinking Water

The success factors of Crystal drinking water are product quality, efficient distribution, excellent 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. There continues to be a profusion of new brands in the market and this has 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. Additionally, Crystal received the FDA Quality Award for three consecutive years (2011 - 2013).

In 2014, the company has run ongoing marketing campaigns and supported a number of music events to maintain its reputation as the country's favorite drink. The sponsored concerts included "Crystal presents the Palace and Friends Concert" and "Crystal presents Yesterday Once More Retro Music Festival".

### "Oishi" Green Tea

The Company has maintained and deepened its ongoing relationship with Oishi Trading Co., Ltd., by winning the right to bottle as well as distribute Oishi Green Tea in returnable bottles in addition to its previous role as distributor for Oishi green tea products in the traditional trade channel. In the face of increasing competition, Oishi has enjoyed ongoing sales growth every year.

### "Lipton" Ice Tea

In 2014, the Company continued to manufacture and distribute Lipton Ice Tea in returnable bottles, PET and cans. The Company added new Lipton Ice Green Tea Honey Lemon flavor in 250 ml and 325 ml cans, 350 ml PET bottles and 15 ounce returnable glass bottles under the authority of Pepsi Lipton International 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 currently has three flavors, lemon, grape and Blue Blass and is distributed in 350 ml. and 500 ml. PET bottles.

### "Wrangyer" Energy Drink

Following its acquisition of Wrangyer Beverage (2008) Co., Ltd., in 2012, the Company launched a new 150ml size of Wrangyer energy drink in the first quarter of 2013. As a new entry in a highly competitive market segment which features a number of strong players, Wrangyer has received a positive consumer response. In 2014, it launched the "Ruai Sud Rang" promotional campaign with a total prize value of 10 million-baht.

## 2.3 Products and Services Sourcing

Sources of key materials are as follows:

- Concentrates for est Cola, Orange, Cream Soda, Strawberry and Lemon Lime are sourced from local distributors who have imported the finished concentrates
- Concentrates for Warngyer energy drink are sourced from local distributors who have imported the finished concentrates
- Concentrates for Lipton are sourced from Pepsi-Cola (Thai) Trading Co., Ltd., an importer

## Business Operations

- Concentrates for Oishi Green Tea in returnable bottles are sourced directly from Oishi Group Pcl., a local producer
- Concentrates for Gatorade are sourced from Pepsi-Cola (Thai) Trading Co., Ltd., an importer
- Distributed goods such as Oishi Green Tea are sourced directly from the manufacturers and product owners
- Other materials for production such as sugar, CO2, various chemicals, glass bottles, crown seals, screw caps, plastic cases, PET bottles, cans, and cardboard boxes are sourced locally

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

### The Company operates five manufacturing facilities which are:

- 1) **The Pathumthani Plant:** Located at No. 63, Moo 3, Bangkhayaeng Subdistrict, Muang District, Pathum Thani
- 2) **The Nakhon Ratchasima Plant:** Located at No. 211, Moo 4, Pruyai Subdistrict, Muang District, Nakhon Ratchasima
- 3) **The Nakhon Sawan Plant:** Located at No. 72, Soi Wat Chomkhiri Nakprot, Nakhon Sawan Aok Subdistrict, Muang District, Nakhon Sawan
- 4) **The Surat Thani Plant:** Located at No. 111, Moo 5, Ta Rong Chang Subdistrict, Punpin District, Surat Thani
- 5) **The Chonburi Plant:** Located at No. 700/369, Moo 6, Nong Mai Daeng Subdistrict, Muang District, Chon Buri

In addition to the five plants, the Company has two subsidiaries with manufacturing facilities, which are Sermasuk Beverage Co., Ltd., located in the Amata City Industrial Estate at No. 700/368, Moo 6, Nongmaidaeng Sub-district, Muang District, Chonburi and Wrangyer Beverage (2008) Co., Ltd., located at No. 63, Moo 3, Phrapratone-Baanpaew Rd., Thanonkhad Subdistrict, Muang District, Nakhon Pathom.



### 3. Risk Factors

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:

#### 3.1 Business Operation Risks:

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

##### 3.1.1 Prices and sufficiency of ingredients and packaging

**Sugar:** Sugar is one of the main ingredients of the Company's products. In previous year, the sugar selling price has not been adjusted to be higher than the rate specified by the government. The sugar volume produced continued to be enough to serve domestic consumption requirements but there might be risk in climatic changes that would affect the sufficiency in sugar available to the production. The Company has committed 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. Last year, the price for bottles was lower due to intense pricing competition. Moreover, the Company has co-developed the bottles to be lighter with reduced resin use and this has helped lower the price of bottles.

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. However, the purchasing strategy has been changed and now involves establishing a pricing structure based on high volume which subsequently lowers prices.

##### 3.1.2 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. Automation was leveraged to replace human labor and alien workers were employed in some necessary areas.

##### 3.1.3 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.

##### 3.1.4 Petrol price:

Fuel was directly purchased from more than one large producer and measures to control diesel usage were executed together with GPS installation to control the speed and fuel use of all trucks.

Alternative energy was leveraged under close supervision by an assigned team. Ongoing studies were conducted to determine fuel use reduction measures.

##### 3.1.5 Consumer behavior:

Given the enhanced focus on health among consumers and subsequent change in consumer behavior towards non-carbonated beverages, juice and functional drinks, the Company has responded by producing and promoting a variety of beverages to completely meet all customer demands, including Crystal drinking water, Oishi, Lipton and other non-carbonated drinks. The increasing sales of these products have increased the contribution of non-carbonated products to the Company's results.



## Risk Factors

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### **3.1.6 Change of government policies**

Potential changes in the government's policies regarding tax collection, price controls, business laws and industrial regulations also lead to uncertainty and risks to the Company's operating and investment decisions.

To reduce the 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.

### **3.2 Production Risks:**

Due to the heavy investment in plant and machinery in the beverage industry, the Company depends on high-volume production and high efficiency to break-even. In addition, the sharp increase in demand for Crystal drinking water has led to the need to invest in additional drinking water lines to address 2014 market needs. The flood prevention installations for the Company's three major plants that were affected by the 2011 flooding were fully completed, in order to protect their production lines and ensure continuous production in the event this type of incident should reoccur.

#### **3.2.1 New Product Launch Risk**

Regarding new product launches, the Company has recognized the risk and prepared four dimensions of risk prevention including people, equipment, raw materials and production control measures. These attributes were all in place before the new product launch was executed.

### **3.3 Management and Administration Risks**

The distribution of soft drinks and carbonated 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. The company has continued to invest in IT systems and staff training programs to maximize working efficiency to meet the Company's requirements and respond to the changes in the market competition.

### **3.4 Financial Risks**

#### **3.4.1 Credit Control and Collection:**

The Company has to exercise tight control over collections and credit while constantly following-up on debts via the credit department and the management. The credit line for customers is regularly reviewed every six months. 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 collection.

#### **3.4.2 Stability of the Baht and foreign exchange risk:**

Currency fluctuations 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.



**3.4.3 Interest Rate Risk:**

Currently, the Company has short term loans for business expansion and enhanced liquidity. 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.

**3.5 Risks that affect shareholders' rights or investment**

**3.5.1 Risk for the company that is more than 50% owned by a major shareholder**

As of 31 December 2014, Thai Beverage Logistics PCL held 171,923,138 company shares or 64.66% of total shares outstanding. As a result, Thai Beverage Logistics PCL has almost total control of the resolutions at each meeting.

**3.6 Other risks:**

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

#### 4. Basic Information

Location of Head Office:	Muang Thai-Phatra Complex, Tower 1, 27-28 <sup>th</sup> Floor, 252/35-36 Rachadaphisek Road, Huay Kwang, Bangkok 10310
Registration Number:	0107537001650 (previously Bor. Mor. Jor. 412)
Telephone:	0-2693-2255 - 65
Fax:	0-2693-2266
Paid-Up Capital:	Ordinary shares
Issued and Paid-Up:	265,900,484 shares of Baht 1.00 each
Website:	www.sermsukplc.com

#### Reference Parties

A) Securities Registrar:	Thailand Securities Depository Co., Ltd. 62 The Stock Exchange of Thailand Building Rachadaphisek Road, Klong Toey, Bangkok 10110 Telephone: 0-2229-2800 Fax: 0-2359-1259
B) Proxy for Debenture Holder:	-None-
C) Auditors:	Mr. Nirand Lilamethwat, Certified Public Accountant No. 2316 or Mrs. Wilai Buranakittisophon, Certified Public Accountant No. 3920 or Mr. Bunyarit Thanomcharoen, Certified Public Accountant No. 7900 or KPMG Phoomchai Audit Limited Empire Tower, 50th Floor, 1 South Sathorn Road, Bangkok 10120 Telephone: 0-2677-2000 Fax: 0-2677-2222
D) Legal Consultant:	Weerawong, Chinnavat & Peangpanor Ltd. 22 <sup>nd</sup> Floor, 540 Mercury Tower, Ploenchit Road, Lumpini, Bangkok 10330 Tel: 0-2264-8000 Fax: 0-2657-2222
E) Consultant or Manager under Management Contract:	-None-
F) Investors Relations:	Please contact the Finance Department Muang Thai-Phatra Complex, Tower 1, 27-28th Floor, 252/35-36 Rachadaphisek Road, Huay Kwang, Bangkok 10310 Telephone: 0-2693-2255 ext. 704 E-mail: IR@sermsukplc.com



## 5. Shareholders

### 5.1 Paid-up capital investment

Capital investment – ordinary shares

As of December 31, 2014, the company had a registered capital of 265,900,484 baht with 265,900,484 ordinary shares valued at 1 baht per share and paid-up capital of 265,900,484 baht with 265,900,484 baht ordinary shares valued at 1 baht.

### 5.2 Major Shareholders:

As of the close of the Share Register Book on March 11, 2015 for invitation to the Annual General Meeting of shareholders No. 1/2015:

Name	Number of Shares	% of Total Shares
1.Thai Beverage Logistics Co., Ltd.	171,923,138	64.66 %
2.SS National Logistics Co., Ltd.	56,199,807	21.13 %
3.DBS BANK A/C DBS NOMINEES-PB Clients	12,500,000	4.70 %
4.UBS AG SINGAPORE BRANCH	10,800,000	4.06 %
5.UOB KAY HIAN (HONG KONG) LIMITED - Client Account	7,200,000	2.71 %
6. Mrs. Duangkaew Trakulpipat	576,500	0.22 %
7. Captain Narong Phatralaoha	508,600	0.19 %
8. Miss Nanthana Yaemmanas	300,000	0.11 %
9. SS Integration Co., Ltd.	214,900	0.08 %
10.Thanatip Co., Ltd.	187,500	0.07%

### 5.3 Issuance of other instruments

Neither convertible securities nor debt instruments were issued for the third parties.

## 6. Dividend Pay-out Policy

Dividend policy for Sermsuk Public Co., Ltd., and its subsidiaries:

- 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 consolidated 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.



## 7. Management Structure

### 7.1 The Board of Directors of the Company

The Board of Directors as at December 31, 2014 consisted of the following Directors:

Name	Position
Mr. Photipong Lamsam	Chairman and Independent Director
Mr. Suchin Wanglee	Vice Chairman No.1, Independent Director and Chairman of Compensation Committee and Member of Audit Committee
Prof. Dr. Wissanu Krea-Ngam <sup>1</sup>	Vice Chairman No.2 and Chairman of Risk Management Committee
Mr. Chotiphat Bijananda <sup>2</sup>	Vice Chairman No.2, Executive Director, Member of Compensation Committee and Member of Nominating and Corporate Governance Committee
Mr. Thapana Sirivadhanabhakdi <sup>3</sup>	Vice Chairman No.3, Vice Chairman of Executive Committee No.1, Chairman of Nominating and Corporate Governance Committee, Member of Compensation Committee and Member of Risk Management Committee
Mr. Somchai Bulsook	Director, Chairman of Executive Committee and CEO, Member of Nominating and Corporate Governance Committee and Member of Risk Management Committee
Mr. Dhitivute Bulsook	Director, Executive Director, Member of Risk Management Committee and President
Prof. Dr. Khunying Suchada Kiranandana <sup>4</sup>	Independent Director, Chairman of Audit Committee and Chairman of Risk Management Committee
Mr. Pramoad Phornprapha	Director
Honorary Prof. Rawat Chamchalerm	Independent Director
Mr. Sakchai Thanaboonchai	Director
Mr. Rangsan Thammanee Wong	Director
Mr. Sithichai Chaikriangkrai	Director, Vice Chairman of Executive Committee No.2 and Member of Risk Management Committee
Mr. Marut Buranasetkul	Director and Executive Director
Mrs. Siripen Sitasuwan <sup>5</sup>	Independent Director, Member of Audit Committee and Member of Risk Management Committee

Remark: <sup>1</sup>Resigned as Vice Chairman No.2 and Chairman of Risk Management Committee on August 29, 2014

<sup>2</sup>Appointed as Vice Chairman No.2 on March 26, 2015

<sup>3</sup>Appointed as Vice Chairman No.3 on March 26, 2015

<sup>4</sup>Appointed as Chairman of Risk Management Committee on February 24, 2015

<sup>5</sup>Appointed as a member of Risk Management Committee on February 24, 2015

### Names and Number of Authorized Directors

(1) Anyone out of the following four directors – Mr. Somchai Bulsook, Mr. Thapana Sirivadhanabhakdi, Mr. Dhitivute Bulsook and Mr. Sakchai Thanaboonthai, together with anyone out of the following four directors – Mr. Chotiphat Bijananda, Mr. Rangsan Thammanee Wong, Mr. Sithichai Chaikriangkrai and Mr. Marut Buranasetkul may sign and affix the Company seal to legally bind the Company.

(2) Two out of the following eight directors – Mr. Somchai Bulsook, Mr. Thapana Sirivadhanabhakdi, Mr. Dhitivute Bulsook, Mr. Sakchai Thanaboonthai, Mr. Chotiphat Bijananda, Mr. Rangsan Thammanee Wong, Mr. Sithichai Chaikriangkrai and Mr. Marut Buranasetkul, may sign and affix the Company seal to legally bind the Company in an application form for permits or for the tender of documents 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, amendments to corporate registration, visa renewal, work permits and corporate business permits.

### Executive Committee

The Company's executive committee as appointed on December 31, 2014 is composed of the following members:

(1) Mr. Somchai Bulsook	Chairman of Executive Committee
(2) Mr. Thapana Sirivadhanabhakdi	Vice Chairman of Executive Committee No 1
(3) Mr. Sithichai Chaikriangkrai	Vice Chairman of Executive Committee No 2
(4) Mr. Dhitivute Bulsook	Executive Director
(5) Mr. Chotiphat Bijananda	Executive Director
(6) Mr. Marut Buranasetkul	Executive Director



**Board of Directors Meetings 2014**
**The Board of Directors**

Name	Positions	Number of Board of Directors Meetings	Number of meetings attended
Mr. Photipong Lamsam	Chairman and Independent Director	13	10
Mr. Suchin Wanglee	Vice Chairman No.1, Independent Director and Chairman of Compensation Committee and Member of Audit Committee	13	12
Prof. Dr. Wissanu Krea-Ngam <sup>1</sup>	Vice Chairman No.2 and Chairman of Risk Management Committee	13	4
Mr. Chotiphat Bijananda <sup>2</sup>	Vice Chairman No.2, Executive Director, Member of Compensation Committee and Member of Nominating and Corporate Governance Committee	13	7
Mr. Thapana Sirivadhanabhakdi <sup>3</sup>	Vice Chairman No.3, Vice Chairman of Executive Committee No.1, Chairman of Nominating and Corporate Governance Committee, Member of Compensation Committee and Member of Risk Management Committee	13	8
Mr. Somchai Bulsook	Director, Chairman of Executive Committee and CEO, Member of Nominating and Corporate Governance Committee and Member of Risk Management Committee	13	13
Mr. Dhitivute Bulsook	Director, Executive Director, Member of Risk Management Committee and President	13	13
Prof. Dr. Khunying Suchada Kiranandana <sup>4</sup>	Independent Director, Chairman of Audit Committee and Chairman of Risk Management Committee	13	12
Mr. Pramoad Phornprapha	Director	13	12
Honorary Prof. Rawat Chamchalerm	Independent Director	13	13
Mr. Sakchai Thanaboonthai	Director	13	12
Mr. Rangsarn Thammaneeuwong	Director	13	12
Mr. Sithichai Chaikriangkrai	Director, Vice Chairman of Executive Committee No.2 and Member of Risk Management Committee	13	11
Mr. Marut Buranasetkul	Director and Executive Director	13	10
Mrs. Siripen Sitasuwan <sup>5</sup>	Independent Director, Member of Audit Committee and Member of Risk Management Committee	13	10

## Management Structure

*The meeting exclusively held among the company's directors (excluding directors who are management team) in line with the principle of good corporate governance is taken place on Tuesday, September 9, 2014.*

Remark: <sup>1</sup>Resigned as Vice Chairman No.2 and Chairman of Risk Management Committee on August 29, 2014

<sup>2</sup>Appointed as Vice Chairman No.2 on March 26, 2015

<sup>3</sup>Appointed as Vice Chairman No.3 on March 26, 2015

<sup>4</sup>Appointed as Chairman of Risk Management Committee on February 24, 2015

<sup>5</sup>Appointed as a member of Risk Management Committee on February 24, 2015

### 7.2 The Company Executives

**The disclosure of the names and positions of the Company's Executive Committee and its management structure.**

**The ten executives of the company as at December 31, 2014 are as follows:**

Names	Positions
1.Mr. Somchai Bulsook	Chief Executive Officer
2. Mr. Dhitivute Bulsook	President
3. Ms. Tienthip Narach <sup>1</sup>	Finance Director
4. Mr. Arthakrit Visudtibhan	Human Resources Director
5. Mr. Parinya Permpnich	Sales Director
6. Mr. Piya Smutkochorn <sup>2</sup>	Marketing Director
7. Mr. Peerapong Krinchai	Operations Director
8. Mr. Pibul Voravath <sup>3</sup>	General Group Manager, General Plant Manager, Pathum Thani
9. Mr. Kwanchai Mahapornprachak	General Plant Manager, Nakhon Ratchasima
10. Mr. Viraj Ithikumjorn	General Plant Manager, Surat Thani

Remark: <sup>1</sup>Appointed as Finance Director on November 3, 2014

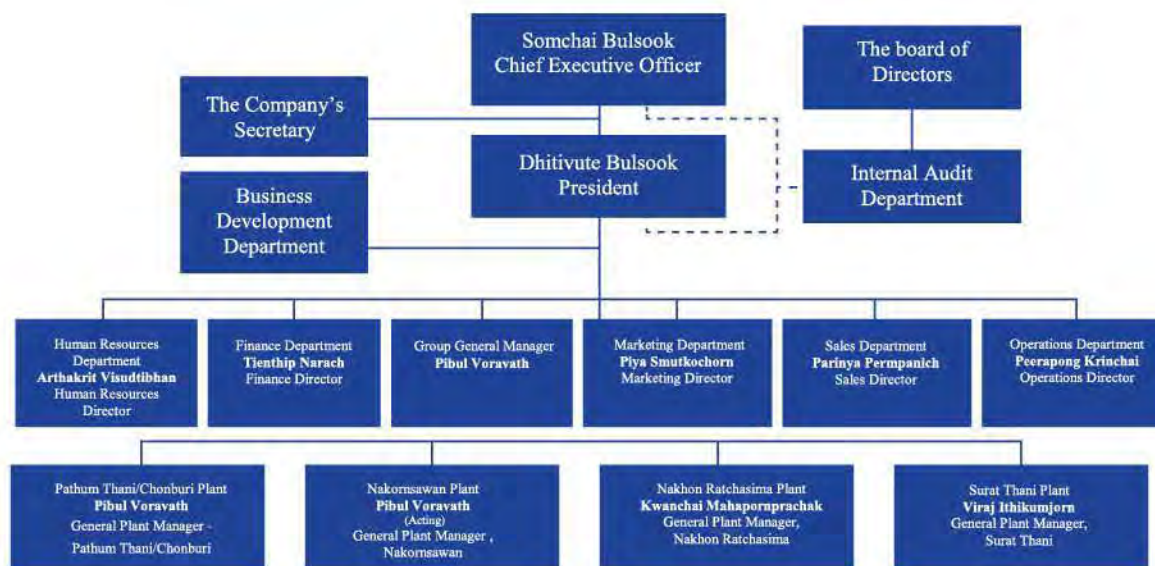
<sup>2</sup>Appointed as Marketing Director on November 18, 2014

<sup>3</sup>Appointed as General Group Manager on September 16, 2014



## Management Structure

### Management Structure of Sermsuk Public Company Limited



### 7.3 The Company Secretary

The Company's committee had appointed Ms. Aroonrat Tangthiraphatrakij as the Company's secretary effective from 13 August 2013.

### 7.4 Fees and Remuneration

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

#### 7.4.1 Fees and Remuneration in the form of cash

##### a) Directors Fees

The directors' fees include the annual fee, meeting allowances and director's bonus upon the approval by the Company's shareholders, as detailed under Item 10 of the 15 Principles of Good Governance.

Remuneration	2014		2013	
	No. of Executives	Total Amount (Baht)	No. of Executives	Total Amount (Baht)
Annual fee		9,961,935		7,570,537
Director's bonus	15*	-	17**	23,000,000
Total		9,961,935		30,570,537

\* Inclusive of one director who resigned from directorship during the year

\*\* Inclusive of two directors who completed their directorship terms and resigned from directorship during the year

## Management Structure

Detail of Directors' remuneration paid in 2014:

Names	Positions	Remuneration (Baht)								
		Director Fee	Meeting Allowance	2013 Director Bonus	Audit Committee	Compensation Committee	Risk Management Committee	Nominating Committee	Executive Committee	Total
Mr. Photipong Lamsam	Chairman and Independent Director	240,000	400,000	-	-	-	-	-	-	640,000
Mr. Somchai Bulsook	Director, Chairman of Executive Committee and CEO, Member of Nominating and Corporate Governance Committee and Member of Risk Management Committee	240,000	520,000	-	-	-	100,000	55,000	355,000	1,270,000
Mr. Suchin Wanglee	Vice Chairman No.1, Independent Director and Chairman of Compensation Committee and Member of Audit Committee	180,000	360,000	-	280,000	180,000	-	-	-	1,000,000
Prof. Dr. Khunying Suchada Kiranandana <sup>1</sup>	Independent Director, Chairman of Audit Committee and Chairman of Risk Management Committee	120,000	240,000	-	560,000	-	140,000	-	-	1,060,000
Mr. Dhitivute Bulsook	Director, Executive Director, Member of Risk Management Committee and President	120,000	260,000	-	-	-	100,000	-	220,000	700,000
Mr. Pramoad Phornprapha	Director	120,000	240,000	-	-	-	-	-	-	360,000
Mr. Thapana Sirivadhanabhakdi <sup>2</sup>	Vice Chairman No.3, Vice Chairman of Executive Committee No.1, Chairman of Nominating and Corporate Governance Committee, Member of Compensation Committee and Member of Risk Management Committee	180,000	240,000	-	-	100,000	100,000	105,000	240,000	965,000
Mr. Chotiphat Bijananda <sup>3</sup>	Vice Chairman No.2, Executive Director, Member of Compensation Committee and Member of Nominating and Corporate Governance Committee	180,000	210,000	-	-	85,000	-	55,000	130,000	660,000
Mr. Sithichai Chaikriangkrai	Director, Vice Chairman of Executive Committee No.2 and Member of Risk Management Committee	120,000	220,000	-	-	-	100,000	-	300,000	740,000
Prof. Dr. Wissanu Krea-Ngam <sup>4</sup>	Vice Chairman No.2 and Chairman of Risk Management Committee	119,032	120,000	-	-	-	127,903	-	-	366,935
Honorary Prof. Rawat Chamchalerm	Independent Director	120,000	260,000	-	-	-	-	-	-	380,000



## Management Structure

Names	Positions	Remuneration (Baht)								
		Director Fee	Meeting Allowance	2013 Director Bonus	Audit Committee	Compensation Committee	Risk Management Committee	Nominating Committee	Executive Committee	Total
Mr. Sakchai Thanaboonchai	Director	120,000	240,000	-	-	-	-	-	-	360,000
Mr. Rangsan Thammaneeuwong	Director	120,000	240,000	-	-	-	-	-	-	360,000
Mr. Marut Buranasetkul	Director and Executive Director	120,000	200,000	-	-	-	-	-	205,000	525,000
Mrs. Siripen Sitasuwan <sup>5</sup>	Independent Director, Member of Audit Committee and Member of Risk Management Committee	120,000	200,000	-	255,000	-	-	-	-	575,000
										9,961,935

<sup>1</sup> Appointed as Chairman of Risk Management Committee on February 24, 2015

<sup>2</sup> Appointed as a Vice Chairman No.3 on on March 26, 2015

<sup>3</sup> Appointed as a Vice Chairman No.2 on on March 26, 2015

<sup>4</sup> Resigned as Vice Chairman No.2 and Chairman of Risk Management Committee on August 29, 2014

<sup>5</sup> Appointed as a member of Risk Management Committee on on February 24, 2015

## b) Executive remuneration and compensation

Chief Executive Officer and 10 other executives were remunerated as follows:

Remuneration	2014		2013	
	No. of Executives	Total Amount (Baht)	No. of Executives	Total Amount (Baht)
Salary	10	67,157,795.12	10	64,687,743.45
Provident Fund		3,883,854.00		3,728,030.20
Remuneration/Bonus		4,355,280		42,083,312.58
<b>Total</b>		<b>75,396,929.12</b>		<b>110,499,086.23</b>

### 7.4.2 Other Compensation

-None-

## 7.5 Personnel

As of December 31, 2014, Sermsuk Plc., had a total of 6,105 registered employees. The total employee cost paid by the company last year was Baht 2,048 million. Numbers of personnel in each function were as follows:

o Production	1,070
o General Administration	683
o Fleet	194
o Sales and Warehouses	4,158

There are significant employee disputes.

In 2014, 45 employees who were laid off by the Company have filed lawsuits against the Company for unfair termination. The total amount of claim is approximately of Baht 466.60 million. Before filing the lawsuits, the employees requested the Pathumthani Provincial Labour Protection and Welfare Office to seek for additional compensation from the Company. The Pathumthani Provincial Labour Protection and Welfare Office informed that the Company has already complied with the Labour Protection Law. The court case is pending judgement.



## **8. Corporate Governance**

### **8.1 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.

### **8.2 The Sub-committees**

The Company's Board of Directors consists of 14 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 and the President. 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 three Board of Directors meetings are required every month. However, in order to resolve any urgent issues, a special meeting may be called as necessary. In 2014, there were a total of 13 meetings which each was beforehand dated and informed to each member of the committee throughout the year.

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 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.

The company has been committed to supporting shareholders and institutional investors and facilitating their participation in the shareholders meeting. As such the venue of the meeting will be chosen by the company with a focus on its location being easily accessible to for the members.

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 2015, the Annual General Meeting of Shareholders will be held on April 23, 2015.

## 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 disciplines 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 Green Community Project for environmental protection and sustainability; occupational promotion and income generation for communities by providing support via the company's channels of product distribution, as well as relief efforts for people in need and victims of natural disasters.



#### **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 3Rs (Reduce, Reuse and Recycle) concept in all of its manufacturing and distribution procedures. The Company has operated under the 5 Sermasuk Green Dimensions which are water, packaging, energy, environment and human resources. The Company has broadened its environmental activation to the public by being a model of environmental conservation and protection for external parties and other enterprises, aiming to form a major force that drives environmental and social sustainability in Thailand and allows Sermasuk to grow in a good and sustainable environment.

#### **4. Shareholders' Meeting**

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.

#### **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 its 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 area of responsibility. 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 that 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 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 reviews and written acknowledgement by the Company's executives.

The Company has set itself an obligation to clearly show transparency in the organization and respect for the law by implementing anti-corruption measures including support activities to encourage Directors and all employees to comply with legislation and relevant terms and conditions. The Company is obliged to not only prohibit the use of any fraudulent measures to make a profit, but also to reject any success resulting from any illegal or corrupt actions. Consequently, the company has introduced the following anti-corruption measures:

1. Risk Management: The effective process of identifying, quantifying and managing the risks that the company faces. In addition, the company is committed to acting professionally and consistently in accordance with anti-corruption measures.
2. Enhancing reliability by acting professionally to ensure bribery and corruption does not take place, and making a strong commitment to anti-corruption prevention policies.
3. Promoting standards, awareness, values and attitudes to employees to act fairly and with integrity.
4. Enhancing and maintaining the effectiveness of anti-corruption measures. Supporting effective checks and balances as well as providing communication channels for disclosing corruption, measures for protecting informants and fair investigation of suspected corruption.
5. Facilitating employees, business partners and stakeholders in exposing any illegal or unjust practices via the company's channel of disclosure.



6. Commitment to anti-corruption efforts by supporting or forming alliances with other anti-corruption prevention activities, bodies and approaches.

### 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, 2014 consisted of 6 executive directors, 3 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's operating performance is regularly reported at least on a quarterly basis 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 Remuneration

Directors' remuneration consists of directors' fees and directors' bonuses as approved by the shareholders in the Annual General Meeting No. 1/2014 held on April 29, 2014.

Composition of the compensation policy	2014 (proposed year)	2013
<b>Executives' remuneration</b> 1.Fee and meeting allowance	<b>Unchanged</b> <ul style="list-style-type: none"> <li>• The Chairman of the Board and the Chairman of the Executive Committee &amp; Chief Executive Officer each receives an annual fee of Baht 240,000 and a meeting allowance of Baht 40,000/meeting.</li> <li>• The Vice Chairman of the Board receives an annual fee of Baht 180,000 and a meeting allowance of Baht 30,000/meeting</li> <li>• And other directors each receive an annual fee of Baht 120,000 and a meeting allowance of Baht 20,000/meeting.</li> <li>• No fringe benefits</li> </ul>	<ul style="list-style-type: none"> <li>• The Chairman of the Board and the Chairman of the Executive Committee &amp; Chief Executive Officer each receives an annual fee of Baht 240,000 and a meeting allowance of Baht 40,000/meeting.</li> <li>• The Vice Chairman of the Board receives an annual fee of Baht 180,000 and a meeting allowance of Baht 30,000/meeting</li> <li>• And other directors each receive an annual fee of Baht 120,000 and a meeting allowance of Baht 20,000/meeting.</li> <li>• No fringe benefits</li> </ul>
<b>Sub-committees' remuneration</b> <b>The Audit Committee</b>	<b>Unchanged</b> <ul style="list-style-type: none"> <li>• The Chairman of the Audit Committee receives a Baht 160,000 annual fee and meeting allowance of Baht 50,000 per</li> </ul>	<ul style="list-style-type: none"> <li>• The Chairman of the Audit Committee receives a Baht 160,000 annual fee and meeting allowance of Baht 50,000 per</li> </ul>



Composition of the compensation policy	2014 (proposed year)	2013
	<ul style="list-style-type: none"> <li>meeting.</li> <li>Members of the Audit Committee each receive a Baht 80,000 annual fee and meeting allowance of Baht 25,000 per meeting.</li> <li>No fringe benefits</li> </ul>	<ul style="list-style-type: none"> <li>meeting.</li> <li>Members of the Audit Committee each receive a Baht 80,000 annual fee and meeting allowance of Baht 25,000 per meeting.</li> <li>No fringe benefits</li> </ul>
<b>The Compensation Committee</b>	<p><b>Unchanged</b></p> <ul style="list-style-type: none"> <li>The Chairman of the Compensation Committee receives a Baht 80,000 annual fee and meeting allowance of Baht 25,000 per meeting.</li> <li>Members of the Compensation Committee each receive a Baht 40,000 annual fee and meeting allowance of Baht 15,000 per meeting.</li> <li>No fringe benefits</li> </ul>	<ul style="list-style-type: none"> <li>The Chairman of the Compensation Committee receives a Baht 80,000 annual fee and meeting allowance of Baht 25,000 per meeting.</li> <li>Members of the Compensation Committee each receive a Baht 40,000 annual fee and meeting allowance of Baht 15,000 per meeting.</li> <li>No fringe benefits</li> </ul>
<b>The Nominating and Corporate Governance Committee</b>	<p><b>Unchanged</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>No fringe benefits</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>No fringe benefits</li> </ul>
<b>Risk Management Committee</b>	<p><b>Unchanged</b></p> <ul style="list-style-type: none"> <li>The Chairman of the Risk Management Committee receives a Baht 80,000 annual fee and meeting allowance of Baht 25,000 per meeting.</li> <li>The Vice Chairman of the Risk Management Committee receives a Baht 60,000 annual fee and meeting allowance of Baht 20,000 per meeting.</li> <li>Members of the Risk Management Committee each receive a Baht 40,000 annual fee and meeting allowance of Baht 15,000 per meeting.</li> <li>No fringe benefits</li> </ul>	<ul style="list-style-type: none"> <li>The Chairman of the Risk Management Committee receives a Baht 80,000 annual fee and meeting allowance of Baht 25,000 per meeting.</li> <li>The Vice Chairman of the Risk Management Committee receives a Baht 60,000 annual fee and meeting allowance of Baht 20,000 per meeting.</li> <li>Members of the Risk Management Committee each receive a Baht 40,000 annual fee and meeting allowance of Baht 15,000 per meeting.</li> <li>No fringe benefits</li> </ul>
<b>Executive Committee</b>	<p><b>Unchanged</b></p> <ul style="list-style-type: none"> <li>The Chairman of the Executive Committee receives a Baht 80,000 annual fee and meeting allowance of Baht 25,000 per meeting.</li> </ul>	<ul style="list-style-type: none"> <li>The Chairman of the Executive Committee receives a Baht 80,000 annual fee and meeting allowance of Baht 25,000 per meeting.</li> </ul>



Composition of the compensation policy	2014 (proposed year)	2013
	<ul style="list-style-type: none"> <li>The Vice Chairman of the Executive Committee receives a Baht 60,000 annual fee and meeting allowance of Baht 20,000 per meeting.</li> <li>Members of the Executive Committee each receive a Baht 40,000 annual fee and meeting allowance of Baht 15,000 per meeting.</li> <li>No fringe benefits</li> </ul> <p>The executives' compensation approved by the committee and/or shareholders is in line with the compensation committee's policy</p>	<ul style="list-style-type: none"> <li>The Vice Chairman of the Executive Committee receives a Baht 60,000 annual fee and meeting allowance of Baht 20,000 per meeting.</li> <li>Members of the Executive Committee each receive a Baht 40,000 annual fee and meeting allowance of Baht 15,000 per meeting.</li> <li>No fringe benefits</li> </ul> <p>The executives' compensation approved by the committee and/or shareholders is in line with the compensation committee's policy</p>

## 11. Board of Directors' and Board Committee Meetings

The Board holds at least three 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. The Chairman of the Board of Directors and Chairman of the Executive Committee jointly proposed the topics of discussion 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 2014, there were 13 Board of Directors meetings. Other sub-committee meetings were held as appropriate. In 2014, there were 8 Audit Committee meetings, 4 compensation Committee meetings, 2 Nominating and Corporate Governance Committee meeting, 4 Risk Management Committee meetings and 12 Executive Committee meetings with the attendance of directors and members of committees.

Before a meeting can conduct business a minimum quorum - which is two-thirds of voters - must be present at the meeting for business to be legally transacted.

## 12. Sub-committees – several subcommittees are required to screen assignments for the Board of Directors including the Audit Committee, 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 Kiranandana	Chairman
Mr. Suchin Wanglee	Director
Mrs. Siripen Sitasuwan	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 regulations 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 auditors 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 2014 accounting period, there were 8 Audit Committee meetings including 4 regular meetings and 4 special meetings. The 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.

The reviews of operations include the effective systems of internal control and internal audit and independency of the internal audit department as well as reviews of appointing, transferring and, dismissing the head of internal audit department or other departments involved in the processes of internal audit, recruitment, appointment, compensation, and demotion of the auditors.

The Audit Chairman, Professor Dr. Khunying Suchada Kiranandana, Mr. Suchin Wanglee and Mrs Siripen Sitasuwan have extensive expertise and experience in reviewing the Company's financial statements.

### **Nominating and Corporate Governance Committee**

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

Mr. Thapana Sirivadhanabhakdi	Chairman
Mr. Somchai Bulsook	Director
Mr. Chotiphat Bijananda	Director

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 Directors 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 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.

The committee has the specification for the director's qualification in line with the principle of diversity. The selected directors tend to be persons whose qualification fulfill the committee's diversity in terms of skills, expertise and gender.

The committee will be responsible for selecting 2 of female independent directors for the sake of a diverse committee structure.

In 2014, two meetings for the Nominating and Corporate Governance Committee were held.

### **Compensation Committee**

The Compensation Committee consists of three members as follows:

Mr. Suchin Wanglee	Chairman
Mr. Thapana Sirivadhanaphakdi	Director
Mr. Chotiphat Bijananda	Director

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 2014, there were four meetings to review and approve the merit increase and bonus payment for the Chairman of the Executive Committee & CEO and to review and approve the annual bonus payment for employees.



### 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. Wissanu Krea-Ngam <sup>1</sup>	Chairman
Prof. Dr. Khunying Suchada Kiranandana <sup>2</sup>	Chairman
Mr. Somchai Bulsook	Director
Mr. Thapana Sirivadhanabhakdi	Director
Mr. Sithichai Chaikriangkrai	Director
Mr. Dhitivute Bulsook	Director
Mrs. Siripen Sitasuwan <sup>3</sup>	Director

<sup>1</sup> Resigned as Vice Chairman No.2 and Chairman of Risk Management Committee on August 29, 2014

<sup>2</sup> Appointed as Chairman of Risk Management Committee on February 24, 2015

<sup>3</sup> Appointed as Risk Management Committee Member on February 24, 2015

Remark: The Risk Management Committee also includes five directors by positions including Finance Director, Sales Director, Marketing Director, Human Resources Director and Operations Director.

The Risk Management Committee is responsible for determining the strategy, policy and objectives to manage risk for the entire Company and to provide 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.

In 2014, there were four meetings.

### Executive Committee

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

Mr. Somchai Bulsook	Chairman
Mr. Thapana Sirivadhanabhakdi	Chairman No.1
Mr. Sithichai Chaikriangkrai	Vice Chairman No.2
Mr. Chotiphat Bijananda	Director
Mr. Dhitivute Bulsook	Director
Mr. Marut Buranasetkul	Director

The Executive Committee is responsible for

- Implementing the corporate board of directors' policy that is in accordance with the Company's by-laws, terms, rules and regulations, except the items that legitimately require prior approval by the shareholders
- Preparing, proposing and defining the Company's business policy and strategy to the Company's board of directors
- Determining the Company's business plan, management authority, annual business budget and annual expenditure budget for further presentation to the Company's board of directors for approval and following the Company's business plan and strategy in compliance with the policies and business directions as informed to the Company's board of directors
- Overseeing the operations of the Company and its subsidiaries to ensure compliance with the Company's business policy, goals, action plan, business strategy, budgeting and authorities as approved by the Company's board of directors for the Company's benefit, as well as undertaking activities that are related to the Company's general administration and performing other duties as assigned by the Company's board of directors. In 2014, there were 12 meetings.



### 13. Control System and Internal Audit

The audits of the Company's operations are conducted by the internal audit team, that works 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 recommendations are reported to the President and CEO after completion of the audit, and reported to the Audit Committee on a quarterly basis.

Other duties of the audit team are to evaluate the internal control run by many departments and propose recommendations on what needs further improvement to related agencies. Moreover, the Company's system's development and management team is responsible for improving operating procedures to enhance the efficiency in coordination and cross-checking assignments among departments in the Company.

### 14. Directors' Report

The authorized directors are responsible for the preparation of the Company's financial statements, and are required to certify that report individually in Section 3 of Annual Report Form 56-1 submitted to the Securities and Exchange Commission and 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. Investor Relations

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.

## 8.3 Nomination and Appointment of Directors and CEO

### 1. Independent Director

#### Requirements:

- 1) Hold no more than 0.5% of the shares with voting rights in the company, subsidiaries, affiliates, or other juridical persons that may potentially lead to conflicts of interest. This shareholding also includes shares held by related persons.  
(Related persons refer to the person as described in Article 258 of the Stock and Exchange Act)
- 2) Not currently be an executive director / employee / worker / salaried consultant or controlling person of the company, parent company, subsidiary, or affiliate of equal level, or juridical person that may potentially lead to conflicts of interest. (For the present period and two years prior to appointment)
- 3) Have no relations by blood or by the registration as parents, spouse, siblings, or children of an executive, major shareholder, controlling person, person going to be nominated as executive or authorized person of the company or subsidiary.
- 4) Business relations with the company
  - a) Type of relation
    - Having a relation as a provider of a professional service
- 5) Hold no more than one percent of shares with voting rights of the company, parent company, subsidiary, affiliate, major shareholder, or controlling person. This includes the shareholding of persons related to this director.
- 6) Not currently hold position or used to be an executive director, employee, worker, salaried consultant, or controlling person of the company, parent company, subsidiary, or affiliate of equal level, major shareholder or controlling person of company, except for that the position has ended for no less than two years prior to the date of application submission to the Security and Exchange Commission.
- 7) Have no relations by blood or by legal registration as parents, spouse, siblings, as well as children's spouse of other executives, major shareholders, controlling persons, persons going to be nominated as director, executive or controlling person of the company or subsidiary.



- 8) Have no current or past business relations with the company, parent company, subsidiary, or affiliate, major shareholder, controlling person, in a way that may obstruct independent judgment. Also, the person shall not be or used to be a significant shareholder or controlling person over the person with business relation to the company, parent company, subsidiary, or affiliate, major shareholder, or controlling person, except for that the position has ended for no less than two years prior to the date of application submission to the Security and Exchange Commission (SEC).
- 9) Not currently or previously have been an auditor of the company, parent company, subsidiary, or affiliate, major shareholder, controlling person. Also, the person shall not be or used to be a significant shareholder, controlling person, or shareholder of the audit agency in which the auditor for the company, parent company, subsidiary, affiliate, major shareholder, or controlling person, is employed, except for a position has ended not less than two years prior to the date of application submission to the SEC.
- 10) Not currently be or used to be a provider of any professional services including legal or financial consultancy, with more than two million baht fee per annum from the company, parent company, subsidiary, affiliate, major shareholder, or controlling person of the company. Also, the person shall not be or used to be a significant shareholder, controlling person, or shareholder of the service provider except for that the position has ended for no less than two years prior to the date of application submission to the SEC.
- 11) Not currently an appointed director who represents the company's director, major shareholder, or shareholder related to the major shareholder.
- 12) Not operating a similar business and significantly competing with the applicant business or subsidiary, or not currently a significant partner in a partnership company, not currently an executive director, worker, employee, salaried consultant, or hold more than one percent of shares with voting rights of other companies operating a similar business and significantly competing with the company or subsidiary.
- 13) Have no other conditions that may prevent the person from expressing independent views towards the company's operations.

**Nomination process:** The Nominating and Corporate Governance Committee will nominate and select persons as qualified by the Board of Director's requirements, which are in line with the SET and SEC guidelines. Afterwards the Committee shall seek approval at the Shareholders' Meeting.

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

## 2. Nomination of directors and top executives:

### Nomination and appointment of the directors

The company's directors will delegate the Nominating and Corporate Governance Committee to lay out the policy and requirements on selecting directors for the company and its subsidiaries. The factors taken into account will be the number of directors, the board structure, and composition. The Committee will determine the director qualifications, select and nominate qualified persons for the director position that has been expired and/or made vacant and/or been added. The Committee may propose to the Board of Directors for appointment and/or seek approval at the Shareholders' Meetings depending on the case. The Committee shall provide sufficient details for the company's directors and shareholders to make informed decisions.

### Selection and appointment of top executive

The selection and appointment of the company's top executive must be in line with rules on approval and processing as follows:

- Employment and appointment of Chief Executive Officer and/or Managing Director must be proposed to the Board of Directors for approval.



To appoint the director, the appointment should be made individually. The company's articles require that the director election be done at the Shareholders' Meeting as follows:

- 1) One shareholder has one voting right. One share per one vote
- 2) Each shareholder will exercise their votes as per (1) to elect one or several directors, but cannot cast more or less votes to a particular person
- 3) The person receiving the highest votes and runners up will be elected as per the required number of directors for that election event.  
In case persons receiving equal votes are more than the number of directors required, the meeting chairman will make the final decision.

How to vote:

- 1) At the meeting, the shareholders will have voting rights equal to the shares held. One share per one vote.
- 2) When there are shareholders with objections or abstentions, the votes for approval will be counted as voting agreement on the proposed agenda.

#### **8.4 Oversight of Subsidiaries and Associated Companies' Operations**

1. Oversee the operations of the Company and its subsidiaries to ensure compliance with the Company's business policy, goals, action plan, business strategy, budgeting and authorities as approved by the Company's board of directors for the Company's benefits
2. The Executive Committee has the authority to approve the following transactions and items of the Company's subsidiaries;
  - Requests for loans or borrowings from financial institutes, surety, payments in support of the Company's regular operations, such as payments for investment, branch expansion and others
  - the annual budgets for the Company's subsidiaries
3. Approve the appointment of the Company's representatives to assume directorship in the committees and/or subcommittees of the Company's subsidiaries to oversee and ensure the greatest efficiency in, and optimum benefits of, all initiatives as approved by the Company

#### **8.5 Control of Internal Information**

The Company has announced the schedule during which share trading is prohibited before the quarterly and annual financial statements are announced and this was in accordance with the Stock Exchange of Thailand's regulations.

##### **Buying and selling shares using insider information, and the disclosure of information affecting stock trading**

**Trading shares using insider information** refers to the use of information which is not publicly and widely known, and relevant to the share prices, for the sake of personal interest.

The company will take all legal actions relevant to the protection of investment in the public company on the stock exchange due to the disclosure of significant information.

Significant information refers to the information which investors deem important to their decisions in buying, selling, or holding of shares. For example, the company's sales forecast that has significantly increased or decreased, major organizational restructuring, change in executives or management, or the buying or selling major business units or assets.

The employees shall not take any action which may affect the transactions to trade shares of the company or other related companies, when possessing significant information that has not yet been publicly disclosed.

The Company values the importance of internal controls 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 2014, the Audit Committee assessed the Company's internal control system by questioning and having discussions 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. Sub-system 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, changes in 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. 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 at the Board of Directors' meetings 6 times a year. Any major changes in factors affecting the Company's operations will result in a modification of the operating plan.

### **8.6 Auditor's Remuneration**

#### **Audit Fee**

##### **8.6.1 Audit Fee 2014**

▪ Sermasuk Plc.	1,370,000 baht
▪ Sermasuk Beverage Co., Ltd.	590,000 baht
▪ Sermasuk Holdings Co., Ltd.	93,000 baht
▪ Sermasuk Training Co., Ltd.	142,000 baht



## Corporate Governance

- Wrangyer Beverage (2008) Co., Ltd. 560,000 baht
- Great Brands Limited 48,000 HKD

### 8.6.2 Non-audit Fee

-None-

### 8.7 Other activities in compliance with Good Corporate Governance principles

Details of company directors' attendance at sub-committee meetings in compliance with good corporate governance

#### Board of Directors Meetings

Directors (number of meetings attended /number of total meetings)	Audit Committee	Compensation Committee	Risk Management Committee	Nominating and Corporate Governance Committee	Executive Committee	Annual General Shareholders
Mr. Photipong Lamsam	-	-	-	-	-	1/1
Mr. Somchai Bulsook	-	-	4/4	2/2	11/12	1/1
Mr. Suchin Wanglee	8/8	4/4	-	-	-	1/1
Prof. Dr. Khunying Suchada Kiranandana	8/8	-	4/4	-	-	1/1
Mr. Dhitivute Bulsook	-	-	4/4	-	12/12	1/1
Mr. Pramoad Phornprapha	-	-	-	-	-	1/1
Mr. Thapana Sirivadhanabhakdi	-	4/4	4/4	2/2	9/12	1/1
Mr. Chotiphat Bijananda	-	3/4	-	2/2	6/12	1/1
Mr. Sithichai Chaikriangkrai	-	-	4/4	-	12/12	1/1
Prof. Dr. Wissanu Krea-Ngam <sup>1</sup>	-	-	3/4	-	-	1/1
Honorary Professor Rawat Chamchalerm	-	-	-	-	-	1/1
Mr. Sakchai Thanaboonthai	-	-	-	-	-	1/1
Mr. Rangsak Thammaneeuwong	-	-	-	-	-	1/1
Mr. Marut Buranasetkul	-	-	-	-	11/12	1/1
Mrs. Siripen Sitasuwan	7/8	-	-	-	-	1/1

Remark: <sup>1</sup>Resigned as Vice Chairman No.2 and Chairman of Risk Management Committee on August 29, 2014



## 9. Corporate Social Responsibilities (CSR)

### 9.1 CSR Policy

Sermsuk Public Company Limited has complied with good corporate governance principles in its management policy for the Company & its subsidiaries to ensure that the business is conducted effectively and with transparency, accountability and fairness to all stakeholders, as well as being socially and environmentally responsible. Together this promotes the Company's and Thai society's sustainability under the "Sermsuk Fulfill Happiness" concept.

The Company's committees have incorporated social, environmental and stakeholder responsibility policies into the Company's & subsidiaries' code of conduct under eight CSR principles as follows;

#### 1. Fair Operating Practices

Sermsuk has continued to incorporate good corporate governance practices into its business conduct to ensure efficiency, transparency and accountability across all operating process.

#### 2. Anti-Corruption Practices

##### Anti-corruption Gifts and financial support in business

The company's business decisions are based on business logic guided by appropriate ethical and legal principles. The company will therefore avoid giving or offering any valuable items to customers or public officers, directly or indirectly, as a motive or reward for an inappropriate action. Also, the company will avoid any form of giving for the sake of business advantage that may cause a negative image to the company.

However the employees may provide receptions or gifts to customers or potential customers as deemed appropriate in some cases or circumstances. Giving gifts must be reasonable and not against the law.

Additionally, the Company has become a member of the Thai Chamber of Commerce, Thai Listed Companies Association and The Federation of Thai Industries, one of the leading private sector partner organizations that actively participates in Thailand's Private Sector Collective Action Coalition Against Corruption ("CAC"), which is an operation supported by the government and the Office of the National Anti-Corruption Commission.

Furthermore, the company is obligated to position itself clearly to implement bribery and corruption-prevention policies and is committed to collaborating with other government authorities on appropriate anti-corruption measures. In addition, the company encourages all employees including Committees and Directors to not engage in any corruption, make offers or bribes to any official in both the public and private sectors, either directly or indirectly, to obtain, remain or take advantage in business competition. Also, charitable activities conducted with regard to corruption are totally prohibited.

Herewith, the Company promotes clear and constant communications and standards for anti-corruption compliance policies and procedures. This includes an audit process that is designed primarily to reduce legal risk, as well as follow-up that is designed according to the anti-corruption and bribery policies to ensure the company and its employees compliance with these policies.

##### Conflicts of interest

The company's policy on conflicts of interest is clear and straightforward. The employees are prohibited from operating the business or take any actions that may conflict or compete with the company, directly and indirectly. Also, employees are prohibited from taking action in the name of the company or subsidiaries or the company's joint venture, directly or indirectly, for the sake of their own interests, family, or partisan.

Examples of a conflict of interests that must be disclosed:

- The employee's own or family's interest is involved in a company transaction:
  - Mutual benefits with competitors, suppliers, or customers of the company



- Mutual benefits with enterprises or organizations that has an intention to do business with the company

- Joint investing in companies that the company intends to invest in

- Receiving gifts and support e.g. loans, special services, debt payments, special treatment in any form from individuals or organizations that currently deal or intend to deal with the company or compete with the company. The following are gifts and support that are not subject to conflicts of interest:

- An act that is in line with good governance practices
- An act that is not deemed to be motivated by business
- Gifts of little value or inappropriate to the employee's status
- An act that does not damage the company's good image if such transaction is disclosed to the public.

- Work for or provide consulting to an individual, group of individuals, or juridical persons operating similar business or related business, and/or gain a reward either in the form of money or objects.

### 3. Respect For Human Rights

Sermsuk has conducted its business with respect for the human rights of all stakeholders including employees, customers, suppliers and consumers. The Company has also adhered to international human rights principles and ethical practices.

**Employees' Rights:** Employees are the key resource to drive our business to successfully achieve the Company's goals. The Company has recognized employees as the most important resource and provided fundamental rights to our employees as follows;

- The Company has provided a diverse range of training programs for employees including in-house training, external training, fam trips abroad, and assignment of teamwork practices in order to develop knowledge and skills.
- Fair hiring rights include the right to take leave and transfer. Channels for communication between employees and high-level executives have been established to allow executives to understand and directly listen to problems and suggestions from employees.
- The Company also provided employees' welfare including hospital fees for employees, life and health insurance for employees, provident fund, scholarships for employees and their children, and home loans. Caring for the safety of its employees, the Company organizes regular fire drills, accident prevention systems, and activities related to safety.

**Shareholder's Rights:** The Company gives importance to and recognizes the rights of all shareholders equally. The Company will not perform any duties that are considered as preferential treatment or which will lead to unfair treatment of shareholders under related laws and regulations. Sermsuk is committed to conducting its business effectively with transparency, prudence, good operating results and sustainable growth, in order to increase shareholder value in the long run.

### 4. Fair and equitable employee treatment

Employees are the Company's most important asset. In addition to undertaking staff development initiatives to enhance their knowledge, skills and capabilities, treating its employees with fairness and equity in all of its employment practices is the Company's focus. The Company is committed to providing equal pay for work of equal value by determining wages and other benefits in accordance with appropriate laws, regulations and general employment requirements, providing job assignments in a fair and unbiased manner and giving equal opportunity in the employees' career growth that is influenced by their particular abilities. All employees are equitably treated as members of the organization and given freedom to show their different ideas in a creative manner. To ensure equitable treatment for employees, clear written procedures are incorporated into the corporate rules and regulations. The employees have freedom to tender their complaints about unfair and inequitable treatments they have received via their superiors, the employee committee or the call for fairness channel. The complaints can be delivered at a cross sectional level or directly to the Human Resource Development Department and they will receive a rapid response and solutions with high concentration and consideration.



**5. Customers' Rights:** The Company cares for customers with the highest responsibility in providing high quality products, value for money, fast and effective distribution and development of new products to provide the greatest **customer** satisfaction as well as building sustainable relations with **customers**. The Company also has many contact channels for consumers to search for related information, business contact, and complaint through its corporate website and call center.

#### **6. Environmental Protection**

To ensure effective environmental protection, Sermsuk 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 Sermsuk Green Dimensions," which cover water, packaging, energy, environment and human resources.

#### **The First Dimension: Water**

Water is Sermsuk'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. Sermsuk 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. Sermsuk shares our knowledge of wastewater treatment for the benefit of society.

Sermsuk expanded our business by establishing several regional production facilities around Thailand. Each is equipped with an efficient and effective wastewater treatment system. At our Pathumthani facility, located beside the Chao Phraya River, Sermsuk has invested more than 50 million Baht on a high-performance wastewater system to ensure that high-quality water is released into the river.

In 2014, the Company invested in a new high performance water treatment solution to be used in the manufacturing process at the company's Chonburi plant and Sermsuk Beverage Company Limited's plants. This system significantly improves the industrial wastewater treatment capabilities of these plants making the quality of water after the treatment to be higher than the standards set by Department of Industrial Works and Amata Nakhon Industrial Estate. Moreover, it helps reduce the environmental impact on neighboring areas of the estate as well as decrease the funds spent on wastewater treatment from Amata Water Co., Ltd.

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. Sermsuk'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	TKN	Grease & Oil
Standard	5.5 - 9.0	≤ 20 ppm	≤ 120 ppm	≤ 50 ppm	≤ 3000 ppm	≤ 100 ppm	≤ 5 ppm

With these stringent controls, treated wastewater from Sermsuk's production facilities contain less than 5mg/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, Sermsuk has invested to install a high-precision BOD online examination system in our 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. This was attributable to the Company's determination and commitment to social responsibility and sustainable environmental protection.



### **The Second Dimension: Packaging**

To ensure sustainability regarding packaging, Sermsuk 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

In 2014, the company proceeded in changing the Convenient CAN to the Sleek CAN, which has helped reduce aluminum usage by over 170 tons per year. This ensures the sustainable and appropriate use of natural resources and also responds to the new trend in beverage packaging.

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.

In 2006, Sermsuk joined with leading companies and major industrial groups to establish the **Thailand Institute of Packaging and Recycling Management for Sustainable Environment**. 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. The institute has successfully reduced the used packages

According to the Institute's study, the recycling ratio from total waste in 2014 was 85.54%. The recyclable materials include glass, paper, plastic, steel and other metals, aluminum, and Beverage Carton.

The recycle learning centers were established in all four regions of Thailand to serve as models for waste and recycling management and became the ideal site for study tours and further learning about sustainability in waste management and recycling. This has driven state agencies to be aware of the importance of used packages and recycled materials management and the achievements made via stringent implementations. This marked the notable social achievement Sermsuk PCL has contributed via the institute for quality communities and people in Thailand.

### **The Third Dimension: Energy**

Sermsuk has launched a number of energy saving programs relating every division of the company, particularly its plants. The result in 2014 when compared to 2013 shows that the company has achieved a reduction in energy-usage of 1.6%, which includes the uses of electric energy, fossil fuels and steam. Moreover, the company has always paid attention in implementing innovations that will help reduce energy usage such as energy-saving LED lights used in the company's manufacturing plants and offices, the use of liquid sucrose that helps reduce fuel-usage during the boiling process.

### **The Development of Water Transportation to Reduce Pollution**

The company has been a pioneer in developing water transportation since 1980. At present, Sermsuk owns 3 tug boats, 4 cargo boats each of which can carry up to 8,400 crates. The tug's capacity is equivalent to 20 cargo trucks. That means it helps reduce fuel consumption by approximately 240,000 liters of gasoline per one year. On top of that, it helps decrease pollution, traffic congestion and depletion of the nation's energy reserves.

### **The Use of Alternative Energy**

Sermsuk 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 litres of bunker oil annually. Sermsuk also has facilitated the use of alternative energy such as NGV, LPG and diesel B5 in our entire fleet of vehicles.

### **Renewable Energy**

The Company joined with Department of Alternative Energy Development and Efficiency, Ministry of Energy to organize the Solar Hot Water project, which uses the thermal energy that is left over from the air pressure system as the renewable energy source that replaces bunker oil. It also promotes increasing water temperature prior to it passing to the steaming boiler which further reduces the use of bunker oil by approximately 180,000 liters annually. The initiative has reduced Sermsuk's fuel expenditures while helping to sustainably reduce the amount of greenhouse gases that contribute to climate change and global warming.



### **The Fourth and Fifth Dimensions: Environment and Human Resources**

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.

Sermsuk promotes environmental awareness among our people on an ongoing basis. We have appointed teams of over 30 environmental crews. 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 about environmental protection through continuing education with internal and external organizations to build understanding and provide experience in support of Sermsuk'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. Sermsuk believes that good environment is beneficial to our people's well being and helps them to work better.

Sermsuk 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. Sermsuk has shared knowledge about anaerobic wastewater management with many organizations to spread awareness about environmental protection. Sermsuk has also provided information on wastewater management as well as microbes generated from the wastewater treatment system to several companies.

### **7. Contribution to community/social development**

Sermsuk operates its business with efficiency and ethics. As a good corporate citizen, the Company is focused on supporting the development of communities and society while promoting well-beings for needy people by implementing philanthropic initiatives on a tangible and continual basis. The Company's employees are encouraged to undertake activations via several volunteer initiatives.

Sermsuk has a policy that is committed to business development along with social responsibility. The company operates with high trust in good governance principles and placing importance on the promotion of stakeholder's benefits. Also, benefits to the community and society will be driven in line with the ultimate goal of developing the quality Thai society.

Sermsuk operates with efficiency and integrity and has demonstrated its good citizenship by taking part in the development of communities next to its plants nationwide. This also extends to an improvement of the underprivileged's quality of life. Sermsuk has been hosting several public projects in various areas e.g. community involvement, education and culture, job creation and skills development, technology development and access, income creation and community economy, healthcare, and social investment.

Sermsuk provides opportunities for employees to take part in community and society development by supporting several volunteer projects. This is to encourage more involvement and enhance awareness in public contributions, hence strengthening the community and society and leading eventually to sustainable development.

### **8. Innovations and promotion**

#### **Innovation and its distribution as a result of being a responsible organization towards society, the environment and stakeholders**

Sermsuk's energy innovation initiative has been a key business process and the company has transferred this know-to externally as a model of a socially responsible business as follows:

**Energy:** Sermsuk has collaborated with the Department of Alternative Energy Development and Efficiency (DEDE), Ministry of Energy, in the 'Solar Hot Water' project, and a project to recycle the residual heat from air compressors in the plant's boiler to be used instead of the fuel oil. This can be processed by increasing the water temperature (by +20°C) before it enters the boiler system. The recycled energy can replace 160,000



liters of fuel oil a year. The project not only reduced energy costs, but also helps reduce carbon emissions, an important factor to climate change or global warming.

**CSR – DIW: Corporate Social Responsibility – Department of Industrial Works:** Sermsuk has collaborated with the Department of Industrial Works and Management System Certification Institute (Thailand) in the project “Standard of Social Responsibility for Industry Operators”, in line with “ISO 26000” standards. These standards comprise 7 major topics: corporate governance, human rights, labor treatment, environment, fair operation, consumer issues, and involvement in community development. Sermsuk has been initiating the CSR-DIW project since 2009, and has been awarded for five consecutive years. On 11 September 2013, Sermsuk representatives from headquarters and five plants, received the plaque in recognition for its CSR – DIW standard from the Deputy Permanent Secretary, Ministry of Industries. Sermsuk is the only drinks operators receiving constant certification of CSR-DIW standards which apply to all five plants. This prize shows that Sermsuk has been operating based on the sustainable path which include economic, social, and environmental aspects. The path is sought to lead to mutual acceptance and peaceful living.

## 9.2 Operations and reporting

### (1) Reporting process

Sermsuk includes its social responsibility report in its annual report every year. The company has analyzed and prioritized its stakeholders, internally and externally. and the company in collaboration with the Thaipat Institute initiated the “CSR DAY” and “CSR Coaching Course (56-1)” trainings for the company's employees. The process includes identification of stakeholders, issue prioritization, keeping records, and assesses the advantages and effects in line with company's activities, products, services, and value chain. The practice is based on respect for stakeholder benefits and demands, sustainable development, and potential effects of company decisions in the view of the stakeholders.

Additionally Sermsuk has produced a Self Assessment Report as per the Corporate Social Responsibility standard issued by the Department of Industrial Works (CSR-DIW). The report is in line with international standard, ISO 26000 – Social Responsibility. The Sermsuk report has been reviewed by specialists and certified as per CSR – DIW standard from 2009 to present.

### (2) Business operations in line with the policies that the Company has announced

Sermsuk has written a policy on social responsibility and has been communicating about this to its stakeholders as well as the public. Its socially responsible operation is in line with social responsibility principles: Accountability, Transparency, Ethical Behaviour, Respect for Stakeholder Interests, Respect for the Rule of Law, Respect for International Norms of Behaviour, Respect for Human Rights. These principles have been applied to company's policy and practices, and have been constantly reviewed to ensure that the company always operates with social responsibility.

Sermsuk has adopted socially responsible practices covering 7 areas: corporate governance, human rights, labor treatment, environment, fair operation, consumer issues, and involvement in community development. The company has appointed a Social Responsibility Committee with members from all departments, so as to create fair treatment, constant review and improvement, and finally lead to measurable outcomes for its CSR initiatives.

## 9.3 Business operations that have adverse impacts on social responsibility – None

### 9.4 Activities for social and environmental benefit

Sermsuk has conducted its business in line with corporate social responsibility. In addition to regular working processes, the Company had initiated and implemented many CSR activities and programs to reflect its policy of participation in community, social and environmental development. In 2013, the Company had undertaken a wide range of CSR initiatives between headquarters and production plants nationwide in partnership with community and society. The initiatives are as follows:



## Internal Control and Risk Management

- Sermsuk's five plants received the CSR - DIW award
- Sermsuk PLC was awarded the IP Innovator & Creator Awards 2014 in the category of 'Recognized Brand'
- Sermsuk's Pathumthani plant received the certificate of "Good Corporate Governance for Knowledge Management for Sustaining the Organizational Productivity Movement"
- Sermsuk received the Quality Award from Food and Drug Administration for the 3rd time in a row.
- Sermsuk received Thailand's Top Corporate Brand Rising Star 2013 Award
- Sermsuk made support to Thailand Institute of Packaging and Recycling Management for Sustainable Environment.
- Sermsuk in collaboration with Highway Police launched the campaign of Driving Home Safely during Songkran Festival".
- Sermsuk held the activity of Happiness Sharing to Children in the Three Southernmost of Thailand
- Sermsuk's Pathumthani Plant paid a visit to give support to those rangers on duty in the Thai - Cambodia border.
- Sermsuk held the lunch program for underprivileged kids in Baan Nonthapoom Yim.
- Sermsuk donated Crystal's water for those people affected in the flash flood via the Ministry of Energy.
- Sermsuk's Nakhon Ratchasima plant joined in establishing the community enterprise for environmental issue (Recyclable Waste Bank) Sermsuk's Nakhon Ratchasima plant joined in the reforestation program in honor of HM the Queen Sirikit.
- Sermsuk's Nakhonsawan plant held the activity of Water Conservation and Rehabilitation. Sermsuk's Chonburi plant joined in planting 800 million seedlings through the mangrove reforestation on the auspicious occasion of HM the Queen Sirikit's 80th year birthday.
- Sermsuk donated blankets and sport gears for those people affected in cold spells.
- Sermsuk helped keeping warm to those underprivileged hilltribe and Tai Yai's kids living in Chaing Mai.

## 10. Internal Control and Risk Management

### 10.1 Opinions about the Company's Internal Control System

The Audit Committee has examined the sufficiency in the Company's internal control system and stated that the Company had an adequate, sufficient and efficient internal control system. The financial statements were prepared and reported accurately according to the generally accepted accounting principles. The disclosures of information and connected transactions are adequately clear and the operations of the Company and its subsidiaries complied with the appropriate laws and regulatory requirements.

### 10.2 Opinions that are different from those given by the Company's Board of Directors and the Audit

There are no different opinions in relation to the internal control system as stated in the report of the Audit Committee enclosed at the end of the annual report.

### 10.3 Internal Audit Executive

1) Name of the Company's Internal Audit

Mrs. Panida Suesakulchokechai assumed the position of Internal Audit Manager.

2) Opinions of the Audit Committee about the qualifications of the executive who assumes such position

The person is qualified to assume the position with adequate and sufficient expertise and experience to perform such duties.

3) Appointment, removal and transfer of the person who assumes the position

This needs prior approval from the Audit Committee.



## 11. Connected Transactions

### 11.1 Related Parties

- **Thai Beverage Logistics Co., Ltd.**

Main Business	Transportation and distribution
Relationship	Major shareholder and incurs space rental transactions with Sermsuk Plc.

- **Sermsuk Holdings Co., Ltd. – Direct Subsidiary**

Main Business	Shareholding and investment management for Sermsuk group
	Wholly owned subsidiary company of Sermsuk Public Co., Ltd.
Relationship	99.99% owned subsidiary company of Sermsuk Public Co., Ltd.

- **Sermsuk Training Co., Ltd. – Direct Subsidiary**

Main Business	Human resources and corporate development
Relationship	99.99% owned subsidiary company of Sermsuk Public Co., Ltd.

- **Great Brands Limited – Direct Subsidiary**

Main Business	Brand management
Relationship	Wholly owned subsidiary company of Sermsuk Public Co., Ltd., and Great Brands Limited's brand was used by Sermsuk Plc*

*\* Sale transaction of Trademark 'est' to Super Brands Company Pte., Ltd. on 23 December 2014*

- **Sermsuk 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 Sermsuk Holdings Co., Ltd., and incurs business transactions with Sermsuk Public Co., Ltd.

- **Wrangyer Beverage (2008) Co., Ltd. – Indirect Subsidiary**

Main Business	Manufacture and distribution of energy drinks
Relationship	99.99% owned subsidiary company of Sermsuk Public Co., Ltd.

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

Main Business	Manufacture and distribution of plastic containers and PET polymers
	An associated company of Sermsuk Public Co., Ltd., and a supplier of plastic performs, PET bottles, and closures.
Relationship	A company in which Sermsuk Public Co., Ltd., has invested 40% and incurs business transactions.

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

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



## Connected 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 Sermasuk Public Co., Ltd. has invested and incurs business transactions.

Sermasuk also offered long term loans to this company.

### Details of connected transactions

- A direct subsidiary company, Sermasuk 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 a total of 49,999,993 shares of the registered capital. The business objective of this company is to hold shares and manage investment of the Sermasuk group of companies. In November 2006, the Company sold and transferred shares in Sermasuk Beverage Co., Ltd. (indirect subsidiary) to Sermasuk Holdings Co., Ltd., for Baht 337.9 million and incurred Baht 172.4 million losses on the transaction.
- On November 8, 2012, Sermasuk Holdings Co., Ltd., (a direct subsidiary company), reached an agreement to acquire 19,999,980 shares of Wrangyer Beverage (2008) Co., Ltd., owned by Thai Beverage PCL at the price of Baht 12.40 apiece with a total value of Baht 248 million.

The ownership of the shares that were sold was transferred on November 30, 2012.

At the Board of Directors meeting of Sermasuk Holding Co.,Ltd., a subsidiary of the company, held on 14 January 2014, the Board of Directors approved for shareholders to pay up the remaining unpaid portion of shares of Baht 3 per share, amounting to Baht 150 million. The unpaid portion of shares was paid in Mar 2014.

At the Board of Directors meeting of the Company held on 11 August 2014, the Board of Directors approved to subscribe for the additional share capital in Sersuk Holdings Co.,Ltd., a subsidiary of the Company, of 10 million ordinary shares with a Baht 10 par value, amounting to Baht 100 million. The additional share capital was paid in September 2014.

- Purchase of raw materials and finished products, subsidy of marketing expenses, and selling and administrative expenses in 2014 equaled Baht 3,349.7 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 Sermasuk Public Co., Ltd. has an investment or joint directors/management, have been recorded according to the agreed amount and in accordance with the regular business norms.
  - The fee for use of the trademark of a subsidiary – Great Brands Limited was recorded as mutually agreed in the contract.
  - Transactions with the indirect subsidiary company (Sermasuk Beverage Co., Ltd.) were the purchase of the manufactured or co-packed products such as Lipton Ice Tea in returnable glass bottles, Lipton 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 (Thai) Trading Co. Ltd. Sales revenues of Sermasuk Beverage Co., Ltd., therefore derived from sales of the manufactured products to the Company or Pepsi-Cola (Thai) Trading Co., Ltd., for resale to the Company
  - 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 483.46 million
- Purchase of assets - none –



## Connected Transactions

- Sales of assets to related parties - none -
- Borrowing, lending, or guaranteeing

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 MLR 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. Subsequently on 1 January 2013, the Company and Borrower agreed to change the interest rate from MRR to Money Market Rate of financial institution at the beginning of each quarter. On 1 April 2013, the borrower repaid the aforesaid loan to the Company of Baht 2 million.

On December 12, 2012, the Company agreed to Wrangyer (2008) Co., Ltd., (a direct subsidiary company), borrowing Baht 125 million via a loan agreement with the interest of 3.1% per annum. The Company is eligible to ask for the repayment of the loan at any time via written notification seven days in advance. The payment will be made every three months on the 25<sup>th</sup> of March, June, September and December.

On 18 December 2014, the Company entered into a short-term loan agreement with Great Brands Limited for a loan facility of Baht 1,700 million. Interest is at rate as stipulated in the agreement or further agreed which is repayable in full on the first anniversary of the first drawdown date or such other date which the lender specifies. As at 31 December 2014, the Company had utilised short-term loan facility totalling Baht 1,530.97 million

- Interest income for 2014 Baht 7.44 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 companies for distribution, and purchase of raw materials from associated company have been presented with amounts combined.

### 11.2 Necessary connected transactions

As Sermsuk Public Co., Ltd., received copyrights to produce and distribute products under the trademarks of, Pepsi-Lipton International Ltd., and Stokely Van Camp Inc., the production of licensed products in line with quality standards requires partial purchasing of materials from copyrights owners via companies or representatives specified by them. Concerning pricing, the company has negotiated with as well as gained support on marketing and sales & administrative expenses, so as to maximize benefits based on the agreement. As for indirect purchase via subsidiaries for future distribution, it is a way to maximize subsidiaries' production capacity. The prices and distribution profits are clear and been agreed upon. Material and product purchasing from other related companies are to identify resources for quality materials, and constant supply even in times of crisis.

### 11.3 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.

### 11.4 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.



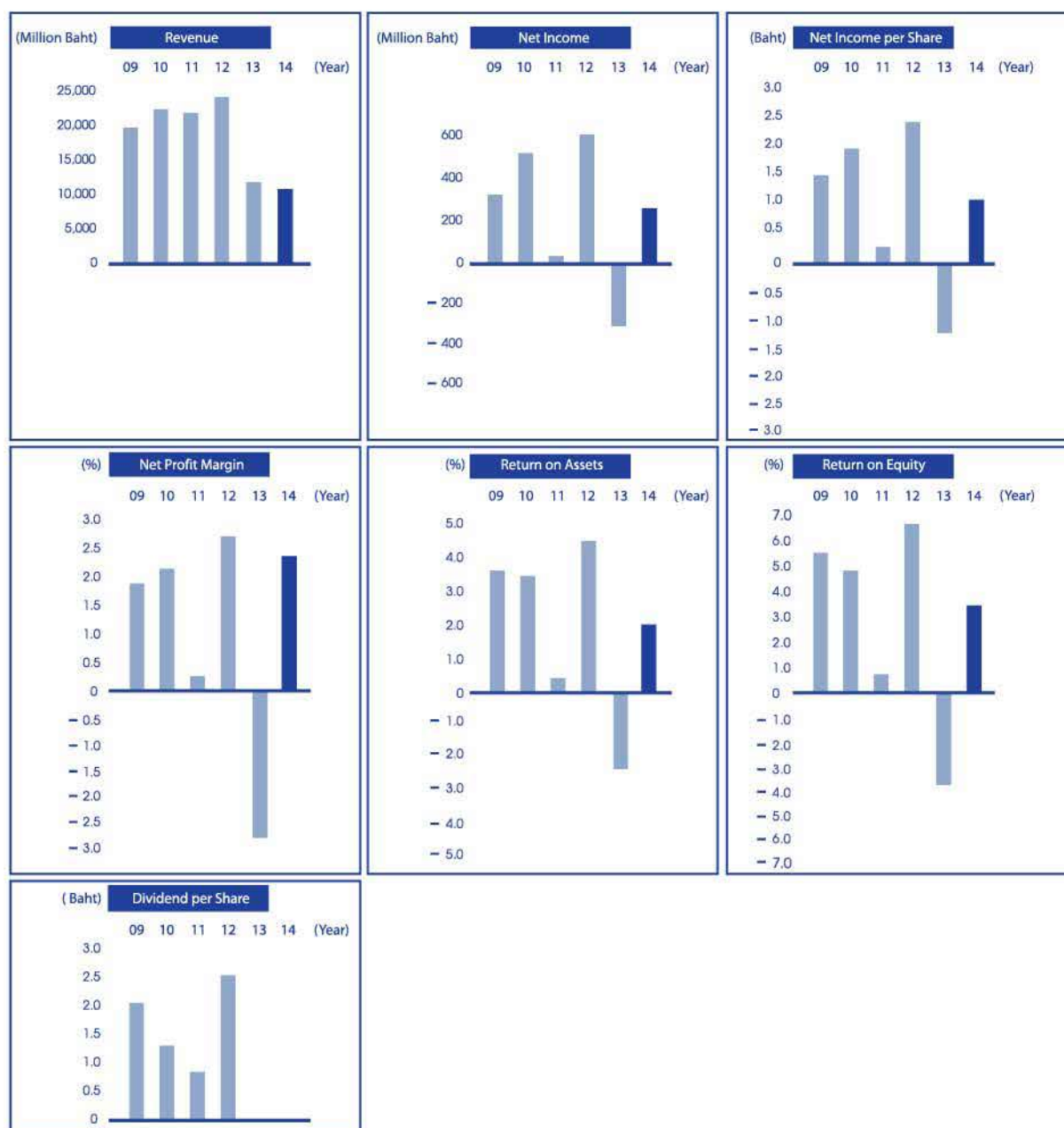
## Financial Information and Financial Statements

### 12. Financial Information and Financial Statements

The Financial Statements have approved by KPMG Poomchai Audit Ltd, which without qualifying opinion

#### 12.1 Financial Information

Data	Year					
	2014	2013	2012	2011	2010	2009
Revenue (Million Baht)	10,384.8	11,171.9	22,820.7	21,430.5	21,976.7	19,694.4
Net Income (Million Baht)	288.0	(328.53)	600.2	55.1	477.0	353.7
Net Income per Share (Baht)	1.08	(1.24)	2.27	0.21	1.79	1.33
Net Profit Margin	2.44%	(2.87%)	2.59%	0.25%	2.16%	1.78%
Return on Assets	2.16%	(2.50%)	4.41%	0.41%	3.50%	3.62%
Return on Equity	3.36%	(3.84%)	6.95%	0.68%	4.82%	5.54%
Dividend per Share (Baht)	—	—	2.50	0.75	1.25	2.00





## 12.2 Financial Ratio

### 12.2.1 Liquidity Ratio

Ratio	CONSOLIDATED			THE COMPANY ONLY		
	2014	2013	2012	2014	2013	2012
Current Ratio (Time)	1.4	1.1	1.5	1.0	1.1	1.6
Quick Ratio (Time)	0.3	0.2	0.7	0.2	0.2	0.6
Operating Cash Flow to Current Liability Ratio (Time)	(0.3)	(0.3)	0.5	(0.3)	(0.2)	0.5
Receivable Turnover Ratio (Time)	16.0	17.9*	26.3*	15.3	18.2*	27.4*
Average Collection Period (Day)	22.8	20.4*	13.9*	23.9	20.1*	13.3*
Inventory Turnover Ratio (Time)	18.8	22.4*	52.6*	20.5	24.7*	54.1*
Sales Turnover Ratio (Day)	19.4	16.3*	6.9*	17.8	14.8*	6.7*
Account Payable Turnover Ratio (Time)	9.3	7.9*	13.9*	8.0	8.0*	14.1*
Average Payment Period (Day)	39.2	46.2*	26.3*	45.6	45.6*	25.9*
Cash Cycle (Day)	3.0	(9.5)*	(5.5)*	(3.9)	(10.7)*	(5.9)*

### 12.2.2 Profitability Ratio

Ratio	CONSOLIDATED			THE COMPANY ONLY		
	2014	2013	2012	2014	2013	2012
Gross Profit Margin (%)	24.7	27.3	20.2	23.1	25.6	19.9
Operating Profit Margin (%)	(15.4)	(8.3)	0.7	(16.6)	(9.1)	0.5
Non-operating Profit Margin (%)	2.5	3.9	2.4	1.8	3.1	1.6
Operating Cash Flow to Operating Profit (%)	60.7	93.1	1,038.2	72.2	74.6	1,333.9
Net Profit Margin (%)	2.4	(2.8)	2.6	(11.4)	(4.3)	1.6
Return on Equity (%)	3.4	(3.8)	6.9	(16.4)	(6.1)	4.4

### 12.2.3 Efficiency Ratio

Ratio	CONSOLIDATED			THE COMPANY ONLY		
	2014	2013	2012	2014	2013	2012
Return on Assets (%)	2.2	(2.5)	4.4	(9.4)	(3.9)	2.7
Return on Fixed Assets (%)	3.6	(3.9)	7.5	(16.0)	(6.4)	4.8
Asset Turnover (Time)	0.8	0.9	1.7	0.8	0.9	1.7

### 12.2.4 Financial Policy Ratio

Ratio	CONSOLIDATED			THE COMPANY ONLY		
	2014	2013	2012	2014	2013	2012
Debt to Equity Ratio (Time)	0.5	0.5	0.5	0.9	0.5	0.5
Interest Coverage Ratio (Time)	0.30	(49.1)*	133.7	(37.9)	(67.3)*	—**
Operating Cash Flow to Total Cash Outflow Ratio (Time)	(0.9)	(0.6)	8.4	(1.2)	(0.5)	8.2
Dividend Payout Ratio (%)	-	-	110.7	-	-	179

\* Restated

\*\*No interest bearing loan and interest expense



## **To the Shareholders of Sermasuk Public Company Limited**

I have audited the accompanying consolidated and separate financial statements of Sermasuk Public Company Limited and its subsidiaries (the "Group") and of Sermasuk Public Company Limited (the "Company"), respectively, which comprise the consolidated and separate statements of financial position as at 31 December 2014, the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated and Separate Financial Statements*

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

### *Auditor's Responsibility*

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

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

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



## Independent Auditor's Report

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### *Opinion*

In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group and the Company, respectively, as at 31 December 2014 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

### *Emphasis of matter*

Without qualifying my audit opinion, I draw attention to note 2 to the financial statements describing the financial position and operating plan.



(Nirand Lilamethwat)  
Certified Public Accountant  
Registration No. 2316

KPMG Phoomchai Audit Ltd.  
Bangkok  
24 February 2015



## Statement of financial Position

Assets	Note	Consolidated financial statements		Separate financial statements	
		31 December		31 December	
		2014	2013	2014	2013
		(in Baht)			
<b>Current assets</b>					
Cash and cash equivalents	6	225,534,056	186,256,297	185,824,569	139,683,614
Trade accounts receivable	5, 7	787,833,525	489,729,373	846,440,880	511,062,789
Other receivables from related parties	5	50,342,423	23,069,357	95,084,836	65,917,526
Other receivables	8	111,564,000	147,703,894	109,016,655	144,854,372
Short-term loans to related parties	5	-	-	125,000,000	384,600,000
Inventories	9	2,328,355,394	2,226,289,983	2,216,145,423	2,034,331,092
Prepaid excise taxes		85,926,702	92,173,879	73,682,622	80,254,863
Other current assets		169,149,091	164,809,085	144,304,706	135,222,421
Non-current assets held for sale	4, 10	1,290,504,838	-	1,290,504,838	-
<b>Total current assets</b>		<b>5,049,210,029</b>	<b>3,330,031,868</b>	<b>5,086,004,529</b>	<b>3,495,926,677</b>
<b>Non-current assets</b>					
Restricted deposits at financial institution	35	495,815	830,263	495,815	830,263
Investment in an associate	11	379,709,851	276,307,785	30,000,000	30,000,000
Investments in subsidiaries	12	-	-	606,634,068	356,634,074
Other long-term investments	13	171,273,089	174,446,315	171,273,089	174,446,315
Long-term loan to a related party	5	3,000,000	3,000,000	3,000,000	3,000,000
Investment properties	14	270,301,300	232,148,400	270,301,300	232,148,400
Property, plant and equipment	15	7,426,844,023	8,636,645,339	6,927,720,568	8,108,076,860
Intangible assets	16	18,047,560	21,317,623	16,017,125	16,504,125
Deferred tax assets	17	10,433,632	3,966,372	-	-
Other non-current assets		17,633,269	22,287,345	17,598,830	22,252,905
<b>Total non-current assets</b>		<b>8,297,738,539</b>	<b>9,370,949,442</b>	<b>8,043,040,795</b>	<b>8,943,892,942</b>
<b>Total assets</b>		<b>13,346,948,568</b>	<b>12,700,981,310</b>	<b>13,129,045,324</b>	<b>12,439,819,619</b>

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



## Statement of financial Position

Liabilities and equity	Note	Consolidated financial statements		Separate financial statements	
		31 December		31 December	
		2014	2013	2014	2013
		(in Baht)			
<b>Current liabilities</b>					
Trade accounts payable	5, 18	875,505,100	766,244,851	1,126,164,517	860,160,641
Other payables to related parties	5	92,456,649	24,658,795	126,748,428	194,056,966
Other payables		410,062,983	331,437,356	399,838,112	324,257,768
Short-term loan from a related party	5	-	-	1,530,968,165	-
Short-term loans from financial institutions	19	1,000,000,000	700,000,000	1,000,000,000	700,000,000
Income tax payable		3,473,726	-	-	-
Accrued expenses		585,927,377	447,801,724	571,454,226	438,103,416
Dividends payable	31	73,470,803	73,586,615	73,470,803	73,586,615
Customers' deposits on bottles and cases		436,650,910	522,184,823	436,650,910	522,184,823
Other current liabilities		26,242,831	43,468,561	20,045,484	23,925,627
<b>Total current liabilities</b>		<b>3,503,790,379</b>	<b>2,909,382,725</b>	<b>5,285,340,645</b>	<b>3,136,275,856</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities	17	152,834,651	463,455,429	136,446,241	446,951,428
Employee benefit obligations	20	945,652,584	925,548,183	939,367,263	920,935,876
<b>Total non-current liabilities</b>		<b>1,098,487,235</b>	<b>1,389,003,612</b>	<b>1,075,813,504</b>	<b>1,367,887,304</b>
<b>Total liabilities</b>		<b>4,602,277,614</b>	<b>4,298,386,337</b>	<b>6,361,154,149</b>	<b>4,504,163,160</b>

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

## Statement of financial Position

Liabilities and equity	Note	Consolidated financial statements		Separate financial statements	
		31 December		31 December	
		2014	2013	2014	2013
		(in Baht)			
Equity					
Share capital:	21				
Authorised share capital		264,900,484	265,900,484	265,900,484	265,900,484
Issued and paid-up share capital		265,900,484	265,900,484	265,900,484	265,900,484
Premium on ordinary shares	21	1,342,448,425	1,342,448,425	1,342,448,425	1,342,448,425
Retained earnings (Deficit)					
Appropriated	22				
Legal reserve		26,795,766	26,795,766	26,795,766	26,795,766
General reserve		2,285,000,000	2,785,000,000	2,285,000,000	2,785,000,000
Unappropriated		1,380,341,107	555,950,971	(501,735,576)	163,491,127
Other components of equity	22	2,423,428,048	3,426,499,327	2,328,724,952	3,352,020,657
Recognised in other comprehensive income in equity related to non-current assets held for sale	10	1,020,757,124	-	1,020,757,124	-
Total equity		8,744,670,954	8,402,594,973	6,767,891,175	7,935,656,459
Total liabilities and equity		13,346,948,568	12,700,981,310	13,129,045,324	12,439,819,619

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



## Statement of Comprehensive Income

		Consolidated		Separate	
		financial statements		financial statements	
		Year ended 31 December		Year ended 31 December	
	Note	2014	2013	2014	2013
		(in Baht)			
Income	5, 23				
Revenue from sale of goods and rendering of services		10,384,808,947	11,171,987,254	10,366,234,037	11,233,666,481
Revenue from sale of trademark	4	1,280,810,294	-	-	-
Other income	24	132,943,155	285,538,200	195,366,229	369,904,865
Total income		11,798,562,396	11,457,525,454	10,561,600,266	11,603,571,346
Expenses					
Cost of sales of goods and rendering of services	5	7,822,291,246	8,114,736,550	7,973,061,857	8,357,713,164
Selling expenses	5, 25	3,091,281,604	2,949,971,598	3,076,197,466	2,927,097,886
Administrative expenses	5, 26	1,035,993,570	1,024,899,437	994,486,089	961,944,996
Finance costs		39,125,326	9,563,452	39,125,326	9,563,230
Total expenses		11,988,691,746	12,099,171,037	12,082,870,738	12,256,319,276
Share of profit of an associate, net of income tax	11	161,422,066	162,240,656	-	-
Loss before income tax expense		(28,707,284)	(479,404,927)	(1,521,270,472)	(652,747,930)
Income tax benefit	29	316,791,000	150,872,391	319,105,187	145,995,158
Profit (loss) for the year		288,083,716	(328,532,536)	(1,202,165,285)	(506,752,772)
Other comprehensive income					
Foreign currency translation differences for foreign operations		20,224,426	11,010,602	-	-
Net change in fair value of available-for-sale investments	13	(3,173,226)	(26,350,235)	(3,173,226)	(26,350,235)
Revaluation of land	22	-	641,651,521	-	565,850,521
Defined benefit plan actuarial gain	20	45,427,788	203,996,014	46,173,227	203,330,284
Income tax on other comprehensive income		(8,486,723)	(163,859,461)	(8,600,000)	(148,566,114)
Other comprehensive income for the year, net of income tax		53,992,265	666,448,441	34,400,001	594,264,456
Total comprehensive income (loss) for the year		342,075,981	337,915,905	(1,167,765,284)	87,511,684
Basic earnings (losses) per share (in Baht)	30	1.08	(1.24)	(4.52)	(1.91)

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

## Statement of Changes in Equity

Consolidated financial statements												
Note	Retained earnings					Other components of equity						Total equity
	Issued and paid-up share capital	Share premium	Legal reserve	General reserve	Unappropriated	Currency translation differences	Fair value changes in available-for-sale investments	Revaluation surplus	Share premium from business combination under common control	Total other components of equity		
(in Baht)												
Year ended 31 December 2013												
Balance at 1 January 2013	265,900,484	1,342,448,425	26,795,766	3,089,000,000	1,081,414,867	(218,396)	41,811,931	2,914,610,116	(32,332,915)	2,923,870,736	8,729,430,278	
Transactions with owners, recorded directly in equity												
Distribution to owners of the Company												
Dividends to owners of the Company	31	-	-	-	-	(664,751,210)	-	-	-	-	-	(664,751,210)
Comprehensive income for the year												
Loss	-	-	-	-	(328,532,536)	-	-	-	-	-	(328,532,536)	
Other comprehensive income	-	-	-	-	163,196,810	11,010,602	(21,080,188)	513,321,217	-	503,251,631	666,448,441	
Total comprehensive income for the year	-	-	-	-	(165,335,726)	11,010,602	(21,080,188)	513,321,217	-	503,251,631	337,915,905	
Transfer to unappropriated retained earnings	-	-	-	(304,000,000)	304,000,000	-	-	-	-	-	-	
Transfer surplus on disposal of land revaluation to retained earnings	-	-	-	-	623,040	-	-	(623,040)	-	(623,040)	-	
Balance at 31 December 2013	265,900,484	1,342,448,425	26,795,766	2,785,000,000	555,950,971	10,792,206	20,731,743	3,427,308,293	(32,332,915)	3,426,499,327	8,402,594,973	

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



## Statement of Changes in Equity

Consolidated financial statements												
Note	Retained earnings					Other components of equity						
	Issued and paid-up share capital	Share premium	Legal reserve	General reserve	Unappropriated	Currency translation differences	Fair value changes in available-for-sale investments	Revaluation surplus	Revaluation surplus on land related to non-current assets held for sale	Share premium from business combination under common control	Total other components of equity	Total equity
	(in Baht)											
Year ended 31 December 2014												
Balance at 1 January 2014	265,900,484	1,342,448,425	26,795,766	2,785,000,000	555,950,971	10,792,206	20,731,743	3,427,308,293	-	(32,332,915)	3,426,499,327	8,402,594,973
Comprehensive income for the year												
Profit	-	-	-	-	288,083,716	-	-	-	-	-	-	288,083,716
Other comprehensive income	-	-	-	-	36,306,420	20,224,426	(2,538,581)	-	-	-	17,685,845	53,992,265
Total comprehensive income for the year	-	-	-	-	324,390,136	20,224,426	(2,538,581)	-	-	-	17,685,845	342,075,981
Transfer to unappropriated retained earnings	-	-	-	(500,000,000)	500,000,000	-	-	-	-	-	-	-
Transfer to revaluation surplus on land related to non-current assets held for sale	-	-	-	-	-	-	-	(1,020,757,124)	1,020,757,124	-	-	-
Balance at 31 December 2014	265,900,484	1,342,448,425	26,795,766	2,285,000,000	1,380,341,107	31,016,632	18,193,162	2,406,551,169	1,020,757,124	(32,332,915)	3,444,185,172	8,744,670,954

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

## Statement of Changes in Equity

Note	Separate financial statements								
	Retained earnings					Other components of equity			
	Issued and paid-up share capital	Share premium	Legal reserve	General reserve	Unappropriated (in Baht)	Fair value changes in available-for-sale investments	Revaluation surplus	Total other components of equity	Total equity
<b>Year ended 31 December 2013</b>									
Balance at 1 January 2013	265,900,484	1,342,448,425	26,795,766	3,089,000,000	867,707,842	41,811,931	2,879,231,537	2,921,043,468	8,512,895,985
<b>Transactions with owners, recorded directly in equity</b>									
<i>Distributions to owner of the Company</i>									
Dividends to owners of the Company 31	-	-	-	-	(664,751,210)	-	-	-	(664,751,210)
<b>Comprehensive income for the year</b>									
Loss	-	-	-	-	(506,752,772)	-	-	-	(506,752,772)
Other comprehensive income	-	-	-	-	162,664,227	(21,080,188)	452,680,417	431,600,229	594,264,456
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(344,088,545)</b>	<b>(21,080,188)</b>	<b>452,680,417</b>	<b>431,600,229</b>	<b>87,511,684</b>
Transfer to unappropriated retained earnings	-	-	-	(304,000,000)	304,000,000	-	-	-	-
Transfer surplus on disposal of land revaluation to retained earnings	-	-	-	-	623,040	-	(623,040)	(623,040)	-
<b>Balance at 31 December 2013</b>	<b>265,900,484</b>	<b>1,342,448,425</b>	<b>26,795,766</b>	<b>2,785,000,000</b>	<b>163,491,127</b>	<b>20,731,743</b>	<b>3,331,288,914</b>	<b>3,352,020,657</b>	<b>7,935,656,459</b>

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



## Statement of Changes in Equity

Note	Separate financial statements										Total equity
	Retained earnings (Deficit)					Other components of equity					
	Issued and paid-up share capital	Share premium	Legal reserve	General reserve	Unappropriated (Deficit)	Fair value changes in available-for-sale investments	Revaluation surplus		Total other components of equity		
							Revaluation surplus	on land related to non-current assets held for sale			
(in Baht)											
Year ended 31 December 2014											
Balance at 1 January 2014	265,900,484	1,342,448,425	26,795,766	2,785,000,000	163,491,127	20,731,743	3,331,288,914	-		3,352,020,657	7,935,656,459
Comprehensive income for the year											
Loss	-	-	-	-	(1,202,165,285)	-	-	-		-	(1,202,165,285)
Other comprehensive income	-	-	-	-	36,938,582	(2,538,581)	-	-		(2,538,581)	34,400,001
Total comprehensive income for the year	-	-	-	-	(1,165,226,703)	(2,538,581)	-	-		(2,538,581)	(1,167,765,284)
Transfer to unappropriated retained earnings	-	-	-	(500,000,000)	500,000,000	-	-	-		-	-
Transfer to revaluation surplus on land related to non-current assets held for sale	-	-	-	-	-	-	(1,020,757,124)	1,020,757,124		-	-
Balance at 31 December 2014	265,900,484	1,342,448,425	26,795,766	2,285,000,000	(501,735,576)	18,193,162	2,310,531,790	1,020,757,124		3,349,482,076	6,767,891,175

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

## Statement of Cash Flows

	Note	Consolidated		Separate	
		financial statements		financial statements	
		Year ended 31 December		Year ended 31 December	
		2014	2013	2014	2013
(in Baht)					
<b>Cash flows from operating activities</b>					
Profit (loss) for the year		288,083,716	(328,532,536)	(1,202,165,285)	(506,752,772)
<b>Adjustments for</b>					
Depreciation and amortisation		563,178,699	570,958,006	511,962,276	520,478,332
Interest income		(2,284,435)	(9,365,486)	(9,124,637)	(18,487,517)
Finance costs		39,125,326	9,563,452	39,125,326	9,563,230
Dividends income		(4,059,243)	(22,738,005)	(62,079,243)	(103,738,005)
Unrealised (gain) loss on exchange		(2,559,312)	12,714,298	(2,561,299)	12,714,298
(Reversal of) allowance for doubtful accounts		23,874,319	(17,920,848)	23,874,319	(17,920,848)
Allowance for decline in value of inventories		169,999,930	57,546,693	164,068,394	58,085,691
Fair value changes in investment properties		(38,152,900)	(33,425,730)	(38,152,900)	(33,425,730)
Reversal of recognised loss on land revaluation		-	(9,659,809)	-	(9,659,809)
Gain on sale of trademark		(1,280,810,294)	-	-	-
Gain on disposal of property, plant and equipment		(19,995,102)	(61,521,582)	(19,366,178)	(61,194,750)
Loss on write-off equipment and intangible assets		2,769,238	-	-	-
Gain on sale of other long-term investment		-	(24,746,559)	-	(24,746,559)
Employee benefit expenses		96,233,010	88,906,733	95,259,807	88,138,337
Reversal of provision		-	(3,358,523)	-	(3,358,523)
Share of profit of an associate, net of income tax	11	(161,422,066)	(162,240,656)	-	-
Income tax benefit	29	(316,791,000)	(150,872,391)	(319,105,187)	(145,995,158)
		(642,810,114)	(84,692,943)	(818,264,607)	(236,299,783)
<b>Changes in operating assets and liabilities</b>					
Trade accounts receivable		(321,595,745)	248,553,011	(358,867,696)	216,709,573
Other receivables from related parties		(27,273,066)	41,877,797	(29,851,847)	44,304,253
Other receivables		(279,565,341)	273,344,245	(353,382,725)	273,818,589
Inventories		6,247,176	(265,063,854)	6,572,241	(212,526,913)
Prepaid excise taxes		36,035,814	96,350,474	35,733,636	103,456,097
Other current assets		11,135,834	4,294,628	3,842,804	(1,137,232)
Other non-current assets		4,876,322	7,952,666	4,876,322	7,952,665
Trade accounts payable		109,260,248	(471,267,839)	266,003,876	(362,536,816)
Other payables to related parties		67,797,854	(25,589,071)	(67,308,538)	106,895,713
Other payables		67,822,362	(100,175,285)	59,800,496	(93,566,279)
Accrued expenses		145,441,180	(305,142,120)	140,692,915	(299,043,126)
Customers' deposits on bottles and cases		(85,533,913)	(169,644,688)	(85,533,913)	(169,644,688)
Other current liabilities		(17,225,729)	1,902,528	(3,880,143)	(15,827,886)
Employee benefit paid		(27,455,969)	(67,387,089)	(27,436,919)	(67,206,201)
Provision paid		-	(14,512,578)	-	(14,512,578)
Provident fund paid		-	(1,125,009)	-	(1,125,009)
Cash used in operating activities		(952,843,087)	(830,325,127)	(1,227,004,098)	(720,289,621)
Income tax paid		(20,785,876)	(24,302,382)	(12,925,090)	(17,468,829)
<b>Net cash used in operating activities</b>		<b>(973,628,963)</b>	<b>(854,627,509)</b>	<b>(1,239,929,188)</b>	<b>(737,758,450)</b>

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



## Statement of Cash Flows

	Consolidated		Separate	
	financial statements		financial statements	
	Year ended 31 December		Year ended 31 December	
Note	2014	2013	2014	2013
	(in Baht)			
<b><i>Cash flows from investing activities</i></b>				
Interest received	2,284,435	9,732,601	9,809,174	18,932,605
Dividends received	62,079,243	103,738,005	62,079,243	103,738,005
Short-term loans to related parties	-	-	259,600,000	(15,600,000)
Long-term loan to a related party	-	2,000,000	-	2,000,000
Payment of shares to a subsidiary	-	-	(249,999,994)	(7)
Advance payment to a related party	-	86,465	-	-
Sale of other long-term investments	-	60,448,959	-	60,448,959
Purchase of other long-term investments	-	(22,399,780)	-	(22,399,780)
Purchase of plant and equipment	(631,604,391)	(758,211,476)	(604,858,038)	(735,589,479)
Sale of property, plant and equipment	22,069,552	72,647,121	21,428,430	72,226,772
Purchase of intangible assets	(989,767)	(12,567,308)	(989,767)	(9,337,611)
Sale of trademark	1,280,810,294	-	-	-
Restricted deposits at financial institution	334,448	1,664,046	334,448	1,664,046
<b>Net cash from (used in) investing activities</b>	<b>734,983,814</b>	<b>(542,861,367)</b>	<b>(502,596,504)</b>	<b>(523,916,490)</b>
<b><i>Cash flows from financing activities</i></b>				
Interest paid	(42,185,705)	(5,609,032)	(42,185,705)	(5,608,810)
Dividend paid to the owners of the Company	(115,813)	(666,195,006)	(115,813)	(666,195,006)
Proceeds from short-term loan from a related party	-	-	1,530,968,165	-
Proceeds from short-term loans from financial institutions	2,150,000,000	1,500,000,000	2,150,000,000	1,500,000,000
Repayment of short-term loans from financial institutions	(1,850,000,000)	(800,000,000)	(1,850,000,000)	(800,000,000)
<b>Net cash from financing activities</b>	<b>257,698,482</b>	<b>28,195,962</b>	<b>1,788,666,647</b>	<b>28,196,184</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>19,053,333</b>	<b>(1,369,292,914)</b>	<b>46,140,955</b>	<b>(1,233,478,756)</b>
Cash and cash equivalents at 1 January	186,256,297	1,544,538,609	139,683,614	1,373,162,370
Foreign currency translation difference for foreign operation	20,224,426	11,010,602	-	-
<b>Cash and cash equivalents at 31 December</b>	<b>225,534,056</b>	<b>186,256,297</b>	<b>185,824,569</b>	<b>139,683,614</b>
<b><i>Non-cash transactions</i></b>				
Increase (decrease) in payables for acquisition of machinery and equipment	9,568,848	(19,698,417)	14,545,430	(25,501,022)

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

## Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors on 24 February 2015.

### 1 General information

Sermsuk Public Company Limited, “the Company”, is incorporated in Thailand and has its registered office at 252/35-36, Muang Thai-Phatra Complex, Tower 1, 27-28th Floor, Rachadapisek Road, Huay Kwang, Bangkok. The Company has its factories and warehouses in the important regions in Thailand.

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

The immediate and ultimate parent companies during the financial year were Thai Beverage Logistics Co., Ltd. and Thai Beverage Public Company Limited. Both were incorporated in Thailand.

The principal activities 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 2014 and 2013 were as follows:

Name of the entities	Type of business	Country of incorporation	Ownership interest (%)	
			2014	2013
<i>Direct subsidiaries</i>				
Great Brands Limited	Manage brands	Hong Kong	100.00	100.00
Sermsuk Holdings Co., Ltd.	Investment and holding shares in other companies	Thailand	99.99	99.99
Sermsuk Training Co., Ltd.	Human resources development and organisation	Thailand	99.99	99.99
<i>Indirect subsidiaries</i>				
Serm Suk Beverage Co., Ltd.	Produce and distribute tea, fruit juice and sports drinks	Thailand	99.99	99.99
Wranger Beverage (2008) Co., Ltd.	Produce and distribute energy drink	Thailand	99.99	99.99

### 2 Basis of preparation of the financial statements

#### (a) Statement of compliance

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



## Notes to the financial statements

The FAP has issued the following new and revised TFRS relevant to the Group's operations and effective for annual accounting periods beginning on or after 1 January 2014:

<b>TFRS</b>	<b>Topic</b>
TAS 1 (revised 2012)	Presentation of financial statements
TAS 7 (revised 2012)	Statement of Cash Flows
TAS 12 (revised 2012)	Income Taxes
TAS 17 (revised 2012)	Leases
TAS 18 (revised 2012)	Revenue
TAS 19 (revised 2012)	Employee Benefits
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates
TAS 24 (revised 2012)	Related Party Disclosures
TAS 28 (revised 2012)	Investments in Associates
TAS 34 (revised 2012)	Interim Financial Reporting
TAS 36 (revised 2012)	Impairment of Assets
TAS 38 (revised 2012)	Intangible Assets
TFRS 5 (revised 2012)	Non-current Assets held for Sale and Discontinued Operations
TFRS 8 (revised 2012)	Operating Segments
TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4	Determining whether an Arrangement contains a Lease
TFRIC 10	Interim Financial Reporting and Impairment
TFRIC 13	Customer Loyalty Programmes
TIC 15	Operating Leases-Incentives
TIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease

The initial application of these new and revised TFRS has resulted in changes in certain of the Group's accounting policies. These changes have no material effect on the financial statements.

In addition to the above new and revised TFRS, the FAP has issued a number of other new and revised TFRS which are effective for annual financial periods beginning on or after 1 January 2015 and have not been adopted in the preparation of these financial statements. Those new and revised TFRS that are relevant to the Group's operations are disclosed in note 37.

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

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

- available-for-sale financial assets are measured at fair value;
- investment properties are measured at fair value;

### **(c) Functional and presentation currency**

The financial statements are presented in Thai Baht, which is the Company's functional currency. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest thousand unless otherwise stated.



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

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

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

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

Note 3(s)	Current and deferred taxation
Note 14	Valuation of investment properties
Note 17	Utilisation of tax losses
Note 20	Measurement of defined benefit obligations
Note 35	Provisions and contingencies

**(e) Financial position and operating plan**

The consolidated financial statements of the Company incurred a net profit of Baht 288.08 million for the year ended 31 December 2014 (2013: net loss of Baht 328.53 million) and the separate financial statements incurred a net loss of Baht 1,202.17 million for the year ended 31 December 2014 (2013: Baht 506.75 million). And as of that date, the Company had net current liabilities of Baht 199.34 million (2013: net current assets of Baht 359.65 million). The Company's management has given careful consideration to the Company's financial and liquidity position and has taken various measures to improve its financial position, liquidity, cash flows and operating results. The measures include the new brand and flavour production as well as using technology to manage operations effectively and undertake effective promotional activities to broaden customer bases and reach target customers by group collaboration in terms of production, distribution and brand building. However, in 2015 the Company will have proceeds from sale of the land and buildings of Thonburi branch approximately Baht 1,700 million, an increase in retained earnings, net of income tax, of Baht 1,020.76 million and also proceeds from service fee of Consultancy Services Agreement in amount of Baht 130 million per year in 2015 and 2016.

**3 Significant accounting policies**

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

**(a) Basis of consolidation**

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

*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.



## Notes to the financial statements

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The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

### *Associate*

Associate is that entity 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.

Investment in an associate is accounted for in the consolidated financial statements using the equity method (equity-accounted investees) and is recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of profit or loss and other comprehensive income of equity accounted investees 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 equity accounted investee, the Group's carrying amount of that interest is reduced to zero and recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

### *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 associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## **(b) Foreign currencies**

### *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

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

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the functional currency at the exchange rates at the dates of the transactions.

Foreign currency differences are generally recognised in profit or loss.

### *Foreign operation*

The assets and liabilities of foreign operation is translated to Thai Baht at the exchange rates at the reporting date.

The revenues and expenses of foreign operation is translated to Thai Baht at rates average approximating the foreign exchange rates at the dates of the transactions.

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



When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity until disposal of the investment.

**(c) Cash and cash equivalents**

Cash and cash equivalents in the statements of cash flows comprise cash balances and call deposits. Bank overdrafts that are repayable on demand are a component of cash and cash equivalents for the purpose of the statement of cash flows.

**(d) 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.

**(e) 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 are calculated using the weighted average cost principle and cost of raw materials, supplies, and spare part are 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 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.

**(f) Non-current assets held for sale**

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. The assets (or disposal group) are measured at the lower of their carrying value and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and investment properties. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.



## Notes to the financial statements

### **(g) Investments**

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

Investments in an associate and subsidiaries 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 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 are recognised directly in equity. Impairment losses 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 financial instruments 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.

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

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, allowance for loss of marketing equipment and impairment losses except for land which is stated at its revalued amounts.



## Notes to the financial statements

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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 any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of 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. 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.



## Notes to the financial statements

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
Condominium	30 years
Machinery, equipment and tools	5 - 20 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.

### (j) *Intangible assets*

#### *Trademarks*

Trademarks that are acquired by the Group and have infinite useful lives are measured at cost.

#### *Other intangible assets*

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

#### *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

#### *Amortisation*

Amortisation is based on 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 from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Software licenses	10 years
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Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

**(k) Impairment**

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit 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.

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

**(l) Interest-bearing liabilities**

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



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

Trade and other accounts payable are stated at cost.

**(n) Employee benefits***Defined contribution plans*

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

*Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. 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 benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

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

*Other long-term employee benefits*

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on 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.

### **(o) Provisions**

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

### **(p) Revenue**

Revenue excludes value added taxes and 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.

### *Loyalty programmes*

The Group has a customer loyalty programme whereby customers are awarded credits (Points) entitling customers to the right to purchase products from the Group at a discount or qualify for a free gift. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the Points and the other components of the sale. The amount allocated to the Points is estimated by reference to the fair value of the right to purchase products at a discount or fair value of the free gift. The fair value is estimated based on the amount of the discount adjusted to take into account the expected forfeiture rate. Such amount is deferred and revenue is recognised only when the Points are redeemed and the Group has fulfilled its obligations to supply the products. The amount of revenue recognised in those circumstances is based on the number of Points that have been redeemed in exchange for discounted products, relative to the total number of Points that is expected to be redeemed. Deferred revenue is also released to profit or loss when it is no longer considered probable that the Points will be redeemed.



## Notes to the financial statements

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### *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 recognised 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 are recognised in profit or loss as it accrues.

## **(q) Finance costs**

Finance costs comprise interest expense on borrowings.

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

## **(r) Lease payments**

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

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.

## **(s) Income tax**

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

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



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

In determining the amount of current and deferred tax, the 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.

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

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

**(t) Segment reporting**

Segment results that are reported to the Group's CEO (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

**4 Significant transactions**

**(a) Sale of the trademark "est" and formulae**

At the Board of Directors' meeting held on 27 October 2014, the Board of Directors approved that the Group enter into a conditional sale transaction of "est" trademark with International Beverage Holdings Limited, the Company's related party, and to appoint an independent financial advisor to provide an opinion on the entry into the disposal of assets transaction to the shareholders of the Company.

At the Board of Directors' meeting held on 20 November 2014, the Board of Directors approved the amendment of the resolution of the Board of Directors' meeting held on 27 October 2014, relating to the material substance of the sale transaction of the trademark by altering the purchaser to Super Brands Company Pte Ltd., the Company's related party, and entering into the sale transaction of trademark which is not a conditional sale. The purchaser will make payment for the trademark in the amount of Baht 1,300 million as at the execution date of the sale and purchase agreement, and the purchaser will pay the Company for its technical support and know-how in the second and third years after the execution date of such agreement in the amount of Baht 130 million per annum, totalling Baht 1,560 million.

In addition, the Board of Directors approved that the Company would enter into a manufacturing and distribution agreement with the purchaser or its designed person in exchange for a consideration based on actual distribution volume. The terms and conditions are on an arm's length basis and in the same manner that the Company contracts with other companies or contractual parties.



## Notes to the financial statements

At the Extraordinary General Meeting of the shareholders held on 23 December 2014, the shareholders approved the entry into the sales transaction of trademark “est” between the Group and Super Brands Company Pte Ltd. and related transactions. On the same day, Great Brands Limited, the Company’s subsidiary, entered into sale agreement of trademark “est” and formulae with Super Brands Company Pte Ltd. amounting to Baht 1,300 million and arranged registration for transfer of ownership of trademark “est” and formulae. The said subsidiary received full payment for the trademark and formulae on 24 December 2014. Revenue was recognised from sale of trademark “est” by the Group as follows:

	<b>Consolidated financial statements 2014 (in million Baht)</b>
<i>Year ended 31 December</i>	
Revenue from sale of trademark “est”	1,299.69
Foreign currency translation differences for foreign operation	(18.88)
<b>Net</b>	<b><u>1,280.81</u></b>

### *Consultancy Services Agreement*

On 23 December 2014, the Company entered into a Consultancy Services Agreement with a related company to manage warehouse, product distribution, and supply chain especially overseas market. The Company has to comply with certain conditions contained in the agreement for a period of two years from 1 January 2015 to 31 December 2016.

### *(b) Classification of land and buildings of Thonburi branch to non-current assets held for sale*

At the Board of Directors’ meeting held on 27 May 2014, the Board of Directors approved in principle for the plan to sell land and buildings of Thonburi branch of the Company, appointed C.I.T. Property Consultants Company Limited as its agent and determined the land sale procedure would be by public auction and the minimum price was Baht 1,550 million. Subsequently, on 19 September 2014, Kasemsapsiri 4 Co., Ltd., the Company’s related party, was the winner bidder of the land and buildings amounting to Baht 1,809.81 million.

At the Board of Directors’ meeting held on 29 September 2014, the Board of Directors approved the Company to sell its land and buildings of Thonburi branch to Kasemsapsiri 4 Co., Ltd., and to appoint an independent financial advisor to provide an opinion on the entry into the disposal of assets transaction to the shareholders of the Company.

At the Extraordinary General Meeting of the shareholders held on 23 December 2014, the shareholders approved that the Company shall enter into the sales of the land and buildings of Thonburi branch to Kasemsapsiri 4 Co., Ltd. The Group expects to receive net profit from the transaction in 2015 approximately to Baht 356 million.



## 5 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 the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with subsidiaries and an associate are described in notes 1, 11 and 12. Relationships with key management and other related parties that have transactions with the Group were as follows:

Name of entities	Country of incorporation/ 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.
Thai Beverage Can Co., Ltd.	Thailand	Directors and controlling equity holder of the ultimate parent company hold 50% substantial shares indirectly
Sang Som Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Krittayabun Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Modern Trade Management Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Beer Thai (1991) PCL.	Thailand	Direct subsidiary of the ultimate parent company
Beer Thip Brewery (1991) Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Thai Beverage Recycle Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Thai Beverage Marketing Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Dhospaak Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Thai Drinks Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Sura Bangyikhan Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Num Thurakij Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Num Muang Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Num Nakorn Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Num Palang Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Num Kijjakarn Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Numrunrod Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Numthip Co., Ltd.	Thailand	Direct subsidiary of the ultimate parent company
Oishi Group PLC.	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
Chang International Co., Ltd.	Thailand	Indirect subsidiary of the ultimate parent company
InterBev (Singapore) Limited	Singapore	Indirect subsidiary of the ultimate parent company
Super Brands Company Pte Ltd.	Singapore	Indirect subsidiary of the ultimate parent company
Dhanasindhi Co., Ltd.	Thailand	Directors and controlling equity holder of the ultimate parent company hold substantial shares indirectly.
The Southeast Insurance PLC.	Thailand	Directors and controlling equity holder of the ultimate parent company hold substantial shares indirectly.
The Southeast Capital Co., Ltd.	Thailand	Directors and controlling equity holder of the ultimate parent company hold substantial shares indirectly.
F & B International Co., Ltd.	Thailand	Directors and controlling equity holder of the ultimate parent company hold substantial shares indirectly.



## Notes to the financial statements

Name of entities	Country of incorporation/ nationality	Nature of relationships
T.C.C. Technology Co., Ltd.	Thailand	Directors and controlling equity holder of the ultimate parent company hold substantial shares indirectly.
Plaza Athenee Hotel (Thailand) Co., Ltd.	Thailand	Directors and controlling equity holder of the ultimate parent company hold substantial shares indirectly.
The Pet Co., Ltd.	Thailand	The Company and directors hold ordinary shares and common directors
Crown Seal PLC.	Thailand	The Company hold ordinary shares and common director
Muangthai Insurance PLC.	Thailand	The directors hold ordinary shares and common director
Muangthai Life Insurance PLC.	Thailand	The directors hold ordinary shares and common director
The Bangkok Thonburi Insurance Co., Ltd.	Thailand	The directors hold ordinary shares and common director
Bangkok Glass PLC.	Thailand	The Company and directors hold ordinary shares
Petpack Co., Ltd.	Thailand	The Company hold ordinary shares
Phatra-leasing PLC.	Thailand	Common director
Berli Jucker PLC.	Thailand	Common directors
Thai Malaya Glass Co., Ltd.	Thailand	Common directors
Gaew Grung Thai Co., Ltd.	Thailand	Controlling equity holder of the ultimate parent company holds substantial shares indirectly
F&N Beverages Manufacturing Sdn Bhd	Singapore	Affiliated company in associate of the ultimate parent company
F&N Interflavine Pte Ltd.	Singapore	Affiliated company in associate of the ultimate parent company

The pricing policies for transactions with related parties are explained further below:

Transactions	Pricing policies
Sales of goods and rendering of services	Cost plus gross profit margin
Interest income and interest expense	Rate as mutually agreed with reference to interest rate quoted by domestic commercial bank
Purchase of finished goods and raw materials	Cost of finished goods and raw materials plus gross profit margin
Trademark fee	Contractual prices
Subsidy for marketing expenses	Actual price stated in invoice
Directors' remuneration representing salary, director bonus and meeting allowance	Approval by the Company's directors and shareholders

## Notes to the financial statements

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

<i>Year ended 31 December</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
<b>Parent</b>				
Dividend paid	-	429,808	-	429,808
<b>An associate</b>				
Purchase of raw materials	730,166	617,295	730,166	617,295
Dividend income	58,020	81,000	58,020	81,000
<b>Subsidiaries</b>				
Sale of goods and rendering of services	-	-	184,800	263,769
Purchase of finished goods and services	-	-	626,798	628,062
Trademark fee	-	-	116,191	141,101
Interest income	-	-	7,442	11,309
Selling and administrative expenses	-	-	11,119	6,891
<b>Key management personnel</b>				
Key management personnel compensation				
Short-term employee benefit	75,480	70,597	75,480	70,597
Post-employment benefits	5,337	4,968	5,337	4,968
Other long-term benefits	3	4	3	4
Directors' remunerations	9,962	7,571	9,962	7,571
Total key management personnel compensation	90,782	83,140	90,782	83,140
<b>Other related parties</b>				
Sale of goods and rendering of services	483,458	44,407	483,458	32,897
Purchase of finished goods and raw materials	2,314,509	2,098,952	2,230,895	1,996,133
Purchase of machinery	-	4,000	-	4,000
Subsidy for marketing expense	158,603	69,692	158,603	67,735
Selling expenses	111,214	32,105	111,214	32,105
Administrative expenses	35,169	38,803	34,833	38,254
Dividend income	4,059	22,402	4,059	22,402
Other income	1,284,249	9,534	3,418	9,161

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

<i>Trade accounts receivable from related parties</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Ultimate Parent Company	1	18	1	18
Subsidiaries	-	-	88,338	44,285
Other related parties	361,632	8,353	361,632	8,353
<b>Total</b>	<b>361,633</b>	<b>8,371</b>	<b>449,971</b>	<b>52,656</b>



## Notes to the financial statements

### Other receivables from related parties

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	(in thousand Baht)			
Subsidiaries	-	-	44,754	45,517
An associate	1,527	-	1,527	-
Other related parties	48,815	23,069	48,804	20,401
<b>Total</b>	<b>50,342</b>	<b>23,069</b>	<b>95,085</b>	<b>65,918</b>

### Loans to related parties

	Interest rate		Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013	2014	2013
	)% per annum(		)in thousand Baht(			
<b>Short-term loans</b>						
<b>Subsidiaries</b>						
Sermsuk Holdings Co., Ltd.	3.20	3.20	-	-	-	244,000
Wranger Beverage (2008) Co., Ltd.	3.10	3.10	-	-	125,000	140,600
<b>Total</b>			<b>-</b>	<b>-</b>	<b>125,000</b>	<b>384,600</b>

### Long-term loan Other related party

The Pet Co., Ltd.	4.50	5.25	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>
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### Summary of loans to related parties

Short-term loans	-	-	125,000	384,600
Long-term loan	3,000	3,000	3,000	3,000
<b>Total</b>	<b>3,000</b>	<b>3,000</b>	<b>128,000</b>	<b>387,600</b>

Movement during the years ended 31 December of loans to related parties were as follows:

### Short-term loans to related parties

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	)in thousand Baht(			
<b>Subsidiaries</b>				
At 1 January	-	-	384,600	369,000
Increased	-	-	-	15,600
Decreased	-	-	(259,600)	-
<b>At 31 December</b>	<b>-</b>	<b>-</b>	<b>125,000</b>	<b>384,600</b>

### Long-term loan to a related party

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	)in thousand Baht(			
<b>Other related party</b>				
At 1 January	3,000	5,000	3,000	5,000
Decreased	-	(2,000)	-	(2,000)
<b>At 31 December</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>

## Notes to the financial statements

### *Trade accounts payable to related parties*

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Subsidiaries	-	-	293,869	137,897
An associate	127,693	72,364	127,693	72,364
Other related parties	346,362	307,205	323,221	289,524
<b>Total</b>	<b>474,055</b>	<b>379,569</b>	<b>744,783</b>	<b>499,785</b>

### *Other payables to related parties*

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Subsidiaries	-	-	34,316	174,989
Other related parties	92,457	24,659	92,432	19,068
<b>Total</b>	<b>92,457</b>	<b>24,659</b>	<b>126,748</b>	<b>194,057</b>

### *Short-term loan from a subsidiary*

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Great Brands Limited	-	-	1,530,968	-

Movement during the years ended 31 December of short-term loan from a subsidiary were as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
At 1 January	-	-	-	-
Increased	-	-	1,530,968	-
<b>At 31 December</b>	<b>-</b>	<b>-</b>	<b>1,530,968</b>	<b>-</b>

### *Balances with key management personnel*

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

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Employee benefit obligations	77,497	69,910	77,497	69,910



*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 within 20 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. Interests are payable quarterly at the MRR of a financial institution at the beginning of each quarter. Subsequently on 1 January 2013, the Company and Borrower agreed to change the interest rate from MRR to Money Market Rate of a financial institution at the beginning of each quarter. On 1 April 2013, the borrower repaid the aforesaid loan to the Company of Baht 2 million.

On 12 December 2012, the Company entered into a short-term loan agreement with Wranger Beverage (2008) Co., Ltd. of Baht 125 million which is repayable at call. Interest is payable quarterly at rate as stipulated in the agreement.

On 18 December 2014, the Company entered into a short-term loan agreement with Great Brands Limited for a loan facility of Baht 1,700 million. Interest is at rate as stipulated in the agreement or further agreed which is repayable in full on the first anniversary of the first drawdown date or such other date which the lender specifies. As at 31 December 2014, the Company had utilised short-term loan facility totalling Baht 1,530.97 million.

*Appointment 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 three years including a renewal option.

*Co-packing and distribution agreement*

The Company and its subsidiary entered into a “Co-packing and Distribution” agreement with a related company to produce and distribute returnable glass bottled tea drinks. The Company and its subsidiary have to comply with certain conditions contained in the agreement for a period of five years which ends on 31 July 2017.

*Trademark license agreement*

The Company entered into a trademark license agreement with a subsidiary for the right to use trademark in producing, packaging, selling and distributing the products as stipulated in the agreement. The Company has to comply with certain conditions contained in the agreement for which the duration is not specified. This agreement was effective from 2 November 2012. The Company is committed to pay a trademark fee at the rate as stipulated in the agreement. Subsequently on 24 December 2014, the Company terminated the agreement, effective from 31 December 2014 onwards.

## Notes to the financial statements

### *Commitments with related parties*

#### *Operating lease commitments*

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Within one year	12,056	8,144	11,804	7,868
After one year but within five years	19,838	13,529	19,838	13,277
<b>Total</b>	<b>31,894</b>	<b>21,673</b>	<b>31,642</b>	<b>21,145</b>

#### *Other commitment*

As at 31 December 2014, the Company has no commitment for purchase orders for goods with related parties (2013: Baht 174.45 million).

## 6 Cash and cash equivalents

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Cash on hand	22,964	63,334	22,934	56,528
Call deposits	202,570	122,922	162,891	83,156
<b>Total</b>	<b>225,534</b>	<b>186,256</b>	<b>185,825</b>	<b>139,684</b>

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

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Thai Baht (THB)	219,928	179,480	185,825	139,684
Hong Kong Dollars (HKD)	5,606	6,776	-	-
<b>Total</b>	<b>225,534</b>	<b>186,256</b>	<b>185,825</b>	<b>139,684</b>



## Notes to the financial statements

### 7 Trade accounts receivable

	<i>Note</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
		2014	2013	2014	2013
		<i>(in thousand Baht)</i>			
Related parties	5	361,633	8,371	449,971	52,656
Other parties		466,255	497,924	436,524	474,973
<b>Total</b>		<b>827,888</b>	<b>506,295</b>	<b>886,495</b>	<b>527,629</b>
<i>Less</i> allowance for doubtful accounts		(40,054)	(16,566)	(40,054)	(16,566)
<b>Net</b>		<b>787,834</b>	<b>489,729</b>	<b>846,441</b>	<b>511,063</b>
(Reversal of) bad and doubtful debts expenses for the year		23,488	(2,667)	23,488	(2,667)

Aging analyses for trade accounts receivable were as follows:

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
<i>(in thousand Baht)</i>				
<b>Related parties</b>				
Within credit terms	299,463	8,371	387,801	52,656
Overdue:				
Less than 1 month	62,170	-	62,170	-
	<b>361,633</b>	<b>8,371</b>	<b>449,971</b>	<b>52,656</b>
<b>Other parties</b>				
Within credit terms	180,698	405,676	159,511	386,019
Overdue:				
Less than 1 month	88,174	53,316	79,671	50,270
1 - 3 months	169,954	29,484	169,954	29,236
Over 3 months	27,429	9,448	27,388	9,448
	<b>466,255</b>	<b>497,924</b>	<b>436,524</b>	<b>474,973</b>
Less allowance for doubtful accounts	(40,054)	(16,566)	(40,054)	(16,566)
<b>Net</b>	<b>426,201</b>	<b>481,358</b>	<b>396,470</b>	<b>458,407</b>
<b>Total</b>	<b>787,834</b>	<b>489,729</b>	<b>846,441</b>	<b>511,063</b>

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

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

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
<i>(in thousand Baht)</i>				
Thai Baht (THB)	787,554	489,729	846,161	511,063
United States Dollars (USD)	280	-	280	-
<b>Total</b>	<b>787,834</b>	<b>489,729</b>	<b>846,441</b>	<b>511,063</b>

## Notes to the financial statements

### 8 Other receivables

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Other receivables	62,457	93,514	62,417	93,502
Less allowance for doubtful accounts	(22,101)	(21,715)	(22,101)	(21,715)
<b>Net</b>	<b>40,356</b>	<b>71,799</b>	<b>40,316</b>	<b>71,787</b>
Prepaid expenses	61,931	68,790	59,946	66,495
Advance payment	8,930	6,907	8,408	6,364
Unearned revenue	347	208	347	208
<b>Total</b>	<b>111,564</b>	<b>147,704</b>	<b>109,017</b>	<b>144,854</b>
 (Reversal of) bad and doubtful debts expenses for the year	 <b>386</b>	 <b>(15,253)</b>	 <b>386</b>	 <b>(15,253)</b>

### 9 Inventories

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Finished goods	461,444	351,362	452,415	325,953
Work in progress	5,327	4,366	5,327	4,366
Raw materials and supplies	187,677	260,835	115,803	132,057
Spare parts	117,050	120,432	111,508	114,292
Other supplies	4,054	3,816	4,054	3,816
Bottles and cases	1,747,839	1,566,906	1,716,212	1,535,146
	<b>2,523,391</b>	<b>2,307,717</b>	<b>2,405,319</b>	<b>2,115,630</b>
Less allowance for decline in value	(195,036)	(81,427)	(189,174)	(81,299)
<b>Net</b>	<b>2,328,355</b>	<b>2,226,290</b>	<b>2,216,145</b>	<b>2,034,331</b>
 Inventories recognised as an expense in 'cost of sales of goods':				
- Cost	7,524,560	7,837,665	7,852,573	8,257,526
- Write-down to net realisable value	197,948	272,900	191,899	272,388
- Reversal of write-down	(27,948)	(215,353)	(27,831)	(214,303)
<b>Net</b>	<b>7,694,560</b>	<b>7,895,212</b>	<b>8,016,641</b>	<b>8,315,611</b>



## 10 Non-current assets held for sale

The Company's land and buildings of Thonburi branch are presented as non-current assets held for sale according to the resolution of the Extraordinary General Meeting of the shareholders held on 23 December 2014 to approve for the Company to entry into the sales transaction with the Company's related party. Actions to commence the transaction have already started, and the completion of the transfer transaction is expected by April 2015.

Details of the group of assets classified as non-current assets held for sale as at 31 December 2014 was as follows:

	Note	Consolidated and separated financial statements (in thousand Baht)
<b>Assets</b>		
Land	15	1,281,280*
Buildings, warehouses and improvement		9,225
		<u><b>1,290,505</b></u>

\* Amount of Baht 1,275.95 million which related to assets is recognised in other comprehensive income and accumulated in equity.

## 11 Investment in an associate

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	(in thousand Baht)			
At 1 January	276,308	195,067	30,000	30,000
Share of net profit of equity				
- accounted investment	161,422	162,241	-	-
Dividend income	(58,020)	(81,000)	-	-
<b>At 31 December</b>	<u><b>379,710</b></u>	<u><b>276,308</b></u>	<u><b>30,000</b></u>	<u><b>30,000</b></u>

## Notes to the financial statements

Investment in an associate as at 31 December 2014 and 2013, and dividend income from this investment for the years then ended, were as follows:

	Consolidated financial statements									
	Ownership interest		Paid-up capital		Cost		Equity		Dividend income	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	(%)									
							(in thousand Baht)			
Petform (Thailand) Limited	40	40	75,000	75,000	<u>30,000</u>	<u>30,000</u>	<u>379,710</u>	<u>276,308</u>	<u>58,020</u>	<u>81,000</u>

	Separate financial statements							
	Ownership interest		Paid-up capital		Cost		Dividend income	
	2014	2013	2014	2013	2014	2013	2014	2013
	(%)							
							(in thousand Baht)	
Petform (Thailand) Limited	40	40	75,000	75,000	<u>30,000</u>	<u>30,000</u>	<u>58,020</u>	<u>81,000</u>

Petform (Thailand) Limited produce and distribute perform, bottle caps, and bottles for the carbonated and non-carbomated soft drink, water and edible oil industries in Thailand.



## Notes to the financial statements

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:

	Reporting date	Owner-ship (%)	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Total income	Total expense	Net profit
<i>(in million Baht)</i>											
<b>2014</b>											
Petform (Thailand) Limited	31 December	40	<u>706.75</u>	<u>1,596.40</u>	<u>2,303.15</u>	<u>881.28</u>	<u>472.75</u>	<u>1,354.03</u>	<u>2,874.53</u>	<u>2,470.97</u>	<u>403.56</u>
<b>2013</b>											
Petform (Thailand) Limited	31 December	40	<u>485.46</u>	<u>1,619.41</u>	<u>2,014.87</u>	<u>947.42</u>	<u>466.17</u>	<u>1,413.59</u>	<u>2,186.79</u>	<u>1,781.35</u>	<u>405.44</u>

## 12 Investments in subsidiaries

	Separate financial statements	
	2014	2013
	<i>(in thousand Baht)</i>	
At 1 January	356,634	356,634
Payment of the remaining unpaid portion of shares	150,000	-
Acquisitions	100,000	-
<b>At 31 December</b>	<b>606,634</b>	<b>356,634</b>

At the Board of Directors meeting of Sermsuk Holdings Co., Ltd., a subsidiary of the Company, held on 14 January 2014, the Board of Directors approved for shareholders to pay up the remaining unpaid portion of shares of Baht 3 per share, amounting to Baht 150 million. The unpaid portion of shares was paid in March 2014.

At the Board of Directors meeting of the Company held on 11 August 2014, the Board of Directors approved to subscribe for the additional share capital in Sermsuk Holdings Co., Ltd., a subsidiary of the Company, of 10 million ordinary shares with a Baht 10 par value, amounting to Baht 100 million. The additional share capital was paid in September 2014.



## Notes to the financial statements

Investments in subsidiaries as at 31 December 2014 and 2013, and dividend income from those investments for the years then ended, were as follows:

Subsidiaries	Type of business	Separate financial statements							
		Ownership interest		Paid-up capital		Cost		Dividend income	
		2014	2013	2014	2013	2014	2013	2014	2013
		(%)		(in thousand Baht)					
<i>Direct subsidiaries</i>									
Sermsuk Holdings Co., Ltd.	Investment and holding shares in other companies	99.99	99.99	600,000	350,000	600,000	350,000	-	-
Great Brands Limited	Manage brands	100.00	100.00	HKD 1,000	HKD 1,000	4,134	4,134	-	-
Sermsuk Training Co., Ltd.	Human resources development and organisation	99.99	99.99	2,500	2,500	2,500	2,500	-	-
<b>Total</b>						<b>606,634</b>	<b>356,634</b>	<b>-</b>	<b>-</b>

All subsidiaries were incorporate in Thailand, except Great Brands Limited which was incorporated in Hong Kong.

## Notes to the financial statements

### 13 Other long-term investments

Other long-term investments as at 31 December 2014 and 2013, and dividend income from those investments for the years then ended, were as follows:

	Consolidated and Separate financial statements			
	Cost method 2014	2013	Dividend income 2014	2013
	(in thousand Baht)			
<b>Equity securities available for sale</b>				
Crown Seal Public Company Limited	31,732	31,732	1,851	1,586
Future Park Property Fund	-	-	-	336
	31,732	31,732	1,851	1,922
Add valuation adjustment	22,742	25,915	-	-
	<b>54,474</b>	<b>57,647</b>	<b>1,851</b>	<b>1,922</b>
<b>Non marketable equity securities</b>				
The Pet Company Limited	7,000	7,000	700	700
Bangkok Glass Public Company Limited	74,799	74,799	1,508	20,116
Petpack Company Limited	35,000	35,000	-	-
	<b>116,799</b>	<b>116,799</b>	<b>2,208</b>	<b>20,816</b>
<b>Total</b>	<b>171,273</b>	<b>174,446</b>	<b>4,059</b>	<b>22,738</b>

Movements during the years ended 31 December of other long-term investments were as follows:

	Consolidated and Separate financial statements	
	2014	2013
	(in thousand Baht)	
<b>Equity securities available for sale</b>		
At 1 January	57,647	119,700
Selling during the year	-	(35,703)
Valuation adjustment	(3,173)	(26,350)
<b>At 31 December</b>	<b>54,474</b>	<b>57,647</b>
<b>Non marketable equity securities</b>		
At 1 January	116,799	94,399
Purchases during the year	-	22,400
<b>At 31 December</b>	<b>116,799</b>	<b>116,799</b>
<b>Total</b>	<b>171,273</b>	<b>174,446</b>

Other long-term investments of the Group and the Company as at 31 December 2014 and 2013 were denominated entirely in Thai Baht.



## 14 Investment properties

		Consolidated and Separate financial statements		
	Note	Land	Building	Total
		(in thousand Baht)		
<b>Fair value method</b>				
At 1 January 2013		30,676	2,481	33,157
Transfer from property, plant and equipment	15	165,566	-	165,566
Fair value adjustments		33,324	102	33,426
<b>At 31 December 2013 and 1 January 2014</b>		<b>229,566</b>	<b>2,583</b>	<b>232,149</b>
Fair value adjustments		35,635	2,517	38,152
<b>At 31 December 2014</b>		<b>265,201</b>	<b>5,100</b>	<b>270,301</b>

Investment properties were revalued as at 31 December 2014 and 2013 by Thai Property Appraisal Lynn Philips Co., Ltd. and C.I.T. Appraisal Co., Ltd., respectively, firms of independent professional valuers, at open market values on an existing use basis.

Investment properties comprise lands which are held for business operations in the future but not yet utilised and land and building that are leased to third parties for a period of three years.

## Notes to the financial statements

### 15 Property, plant and equipment

	Consolidated financial statements											Total
	Land		Buildings, warehouses and improvement	Condo-miniums	Machinery, equipment and tools	High voltage equipment	Vehicles	Furniture and office equipment	Plastic pallets	Marketing promotion equipments	Assets under construction and installation	
	Historical cost	Surplus on revaluation										
<i>(in thousand Baht)</i>												
<b>Cost/revaluation</b>												
At 1 January 2013	653,044	3,644,204	2,123,265	142,150	5,262,214	41,849	2,018,853	282,898	338,638	3,711,660	361,829	18,580,604
Additions	-	651,311	15,711	-	86,394	39	3,842	15,103	-	105,249	513,078	1,390,727
Transfers	-	-	147,508	29,333	271,883	-	12,312	1,116	-	-	(462,152)	-
Transfer to investment property	(165,566)	-	-	-	-	-	-	-	-	-	-	(165,566)
Disposals	(1,345)	(779)	(6,015)	-	(25,245)	-	(213,120)	(10,378)	(6,354)	(69,911)	(372)	(333,519)
<b>At 31 December 2013</b>												
<b>and 1 January 2014</b>	<b>486,133</b>	<b>4,294,736</b>	<b>2,280,469</b>	<b>171,483</b>	<b>5,595,246</b>	<b>41,888</b>	<b>1,821,887</b>	<b>288,739</b>	<b>332,284</b>	<b>3,746,998</b>	<b>412,383</b>	<b>19,472,246</b>
Additions	-	-	14,817	-	37,953	1,065	5,457	37,919	21,120	130,278	392,585	641,194
Transfers	-	-	115,735	360	166,775	-	2,835	658	-	1,891	(288,254)	-
Transfer to non-current assets held for sale	(5,334)	(1,275,946)	(45,257)	-	-	-	-	-	-	-	-	(1,326,537)
Disposals	-	-	(228)	-	(17,448)	-	(53,301)	(5,897)	(1,003)	(39,821)	-	(117,698)
<b>At 31 December 2014</b>	<b>480,799</b>	<b>3,018,790</b>	<b>2,365,536</b>	<b>171,843</b>	<b>5,782,526</b>	<b>42,953</b>	<b>1,776,878</b>	<b>321,419</b>	<b>352,401</b>	<b>3,839,346</b>	<b>516,714</b>	<b>18,669,205</b>



## Notes to the financial statements

### Consolidated financial statements

	Land		Buildings, warehouses and improvement	Condo- miniums	Machinery, equipment and tools	High voltage equipment	Vehicles	Furniture and office equipment	Plastic pallets	Marketing promotion equipments	Assets under construction and installation	Total
	Historical cost	Surplus on revaluation					(in thousand Baht)					
<b>Depreciation</b>												
At 1 January 2013	-	-	1,133,303	114,562	3,693,028	27,681	1,617,467	238,765	321,087	3,446,014	-	10,591,907
Depreciation charge for the year	-	-	72,186	3,490	258,955	2,231	75,686	20,094	7,642	119,567	-	559,851
Transfers	-	-	(10,877)	10,877	56	-	-	(55)	-	(1)	-	-
Disposals	-	-	(3,851)	-	(23,755)	-	(207,301)	(10,338)	(6,352)	(69,890)	-	(321,487)
<b>At 31 December 2013 and 1 January 2014</b>	-	-	<b>1,190,761</b>	<b>128,929</b>	<b>3,928,284</b>	<b>29,912</b>	<b>1,485,852</b>	<b>248,466</b>	<b>322,377</b>	<b>3,495,690</b>	-	<b>10,830,271</b>
Depreciation charge for the year	-	-	79,223	3,847	270,521	2,180	61,454	20,651	6,610	113,931	-	558,417
Transfers	-	-	-	-	32	-	-	17	-	(49)	-	-
Transfer to investment property	-	-	(36,032)	-	-	-	-	-	-	-	-	(36,032)
Disposals	-	-	(228)	-	(16,095)	-	(52,659)	(5,822)	(1,003)	(39,818)	-	(115,625)
<b>At 31 December 2014</b>	-	-	<b>1,233,724</b>	<b>132,776</b>	<b>4,182,742</b>	<b>32,092</b>	<b>1,494,647</b>	<b>263,312</b>	<b>327,984</b>	<b>3,569,754</b>	-	<b>11,237,031</b>
<b>Allowance for loss of marketing promotion equipments</b>												
At 1 January 2013	-	-	-	-	-	-	-	-	-	5,330	-	5,330
At 31 December 2013 and 1 January 2014	-	-	-	-	-	-	-	-	-	5,330	-	5,330
At 31 December 2014	-	-	-	-	-	-	-	-	-	5,330	-	5,330
<b>Net book value</b>												
At 1 January 2013	653,044	3,644,204	989,962	27,588	1,569,186	14,168	401,386	44,133	17,551	260,316	361,829	7,983,367
At 31 December 2013 and 1 January 2014	486,133	4,294,736	1,089,708	42,554	1,666,962	11,976	336,035	40,273	9,907	245,978	412,383	8,636,645
At 31 December 2014	480,799	3,018,790	1,131,812	39,067	1,599,784	10,861	282,231	58,107	24,417	264,262	516,714	7,426,844

## Notes to the financial statements

### Separate financial statements

	Land		Buildings, warehouses and	Condo- miniums	Machinery and equipment	High voltage equipment	Vehicles	Furniture and office equipment	Plastic pallets	Marketing promotion equipments	Assets under construction and installation	Total
	Historical cost	Surplus on revaluation	improvement									
	(in thousand Baht)											
Cost/revaluation												
At 1 January 2013	528,541	3,599,981	1,826,833	142,150	4,741,271	41,849	2,008,330	274,618	314,778	3,711,660	361,009	17,551,020
Additions	-	575,510	14,476	-	83,374	39	3,842	14,507	-	105,249	488,599	1,285,596
Transfers	-	-	146,981	29,333	252,377	-	12,312	824	-	-	(441,827)	-
Transfer to investment property	(165,566)	-	-	-	-	-	-	-	-	-	-	(165,566)
Disposals	(1,345)	(779)	(6,015)	-	(24,530)	-	(212,646)	(10,378)	(6,354)	(69,911)	-	(331,958)
At 31 December 2013 and 1 January 2014	361,630	4,174,712	1,982,275	171,483	5,052,492	41,888	1,811,838	279,571	308,424	3,746,998	407,781	18,339,092
Additions	-	-	11,103	-	34,362	1,065	4,441	37,471	21,120	130,278	379,568	619,408
Transfers	-	-	114,912	360	151,483	-	2,835	658	-	1,891	(272,139)	-
Transfer to non-current assets held for sale	(5,334)	(1,275,946)	(45,257)	-	-	-	-	-	-	-	-	(1,326,537)
Disposals	-	-	(228)	-	(16,553)	-	(50,136)	(5,880)	(1,003)	(39,821)	-	(113,621)
At 31 December 2014	356,296	2,898,766	2,062,805	171,843	5,221,784	42,953	1,768,978	311,820	328,541	3,839,346	515,210	17,518,342



## Notes to the financial statements

	Separate financial statements											
	Land		Buildings, warehouses		Machinery	High		Furniture		Marketing	Assets under	
	Historical	Surplus on	and	Condo-	and	voltage	Vehicles	and office	Plastic	promotion	construction	
	cost	revaluation	improvement	miniums	equipment	equipment		equipment	pallets	equipments	and	Total
						(in thousand Baht)						
<b>Depreciation</b>												
At 1 January 2013	-	-	989,315	114,562	3,320,688	27,681	1,609,716	231,598	297,228	3,446,014	-	10,036,802
Depreciation charge												
for the year	-	-	57,180	3,490	225,326	2,231	74,719	19,653	7,644	119,569	-	509,812
Transfers	-	-	(10,877)	10,877	56	-	-	(55)	-	(1)	-	-
Disposals	-	-	(3,851)	-	(23,668)	-	(206,826)	(10,338)	(6,354)	(69,892)	-	(320,929)
<b>At 31 December 2013 and 1 January 2014</b>	<b>-</b>	<b>-</b>	<b>1,031,767</b>	<b>128,929</b>	<b>3,522,402</b>	<b>29,912</b>	<b>1,477,609</b>	<b>240,858</b>	<b>298,518</b>	<b>3,495,690</b>	<b>-</b>	<b>10,225,685</b>
Depreciation charge												
for the year	-	-	64,066	3,847	236,002	2,180	60,415	20,147	6,610	113,931	-	507,198
Transfers	-	-	-	-	32	-	-	17	-	(49)	-	-
Transfer to investment												
property	-	-	(36,032)	-	-	-	-	-	-	-	-	(36,032)
Disposals	-	-	(228)	-	(15,213)	-	(49,493)	(5,804)	(1,003)	(39,818)	-	(111,559)
<b>At 31 December 2014</b>	<b>-</b>	<b>-</b>	<b>1,059,573</b>	<b>132,776</b>	<b>3,743,223</b>	<b>32,092</b>	<b>1,488,531</b>	<b>255,218</b>	<b>304,125</b>	<b>3,569,754</b>	<b>-</b>	<b>10,585,292</b>
<b>Allowance for loss of marketing promotion equipments</b>												
At 1 January 2013	-	-	-	-	-	-	-	-	-	5,330	-	5,330
<b>At 31 December 2013 and 1 January 2014</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,330</b>	<b>-</b>	<b>5,330</b>
<b>At 31 December 2014</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,330</b>	<b>-</b>	<b>5,330</b>
<b>Net book value</b>												
At 1 January 2013	528,541	3,599,981	837,518	27,588	1,420,583	14,168	398,614	43,020	17,550	260,316	361,009	7,508,888
<b>At 31 December 2013 and 1 January 2014</b>	<b>361,630</b>	<b>4,174,712</b>	<b>950,508</b>	<b>42,554</b>	<b>1,530,090</b>	<b>11,976</b>	<b>334,229</b>	<b>38,713</b>	<b>9,906</b>	<b>245,978</b>	<b>407,781</b>	<b>8,108,077</b>
At 31 December 2014	356,296	2,898,766	1,003,232	39,067	1,478,561	10,861	280,447	56,602	24,416	264,262	515,210	6,927,720

## Notes to the financial statements

The gross amount of the Group's fully depreciated buildings and equipments that was still in use as at 31 December 2014 and 2013 are summarised as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Buildings and equipments	<u>8,482,895</u>	<u>8,102,238</u>	<u>8,185,701</u>	<u>7,825,475</u>

## 16 Intangible assets

	<b>Consolidated financial statements</b>		
	Trademark	Software licenses	Total
	<i>(in thousand Baht)</i>		
<b>Cost</b>			
At 1 January 2013	2,000	55,452	57,452
Additions	3,188	563	3,751
Transfers in	-	8,817	8,817
<b>At 31 December 2013 and 1 January 2014</b>	<b>5,188</b>	<b>64,832</b>	<b>70,020</b>
Additions	-	3,796	3,796
Transfers in	-	990	990
Disposals	(3,188)	-	(3,188)
<b>At 31 December 2014</b>	<b>2,000</b>	<b>69,618</b>	<b>71,618</b>
<b>Amortisation</b>			
At 1 January 2013	-	38,387	38,387
Amortisation for the year	419	9,896	10,315
<b>At 31 December 2013 and 1 January 2014</b>	<b>419</b>	<b>48,283</b>	<b>48,702</b>
Amortisation for the year	-	5,287	5,287
Disposals	(419)	-	(419)
<b>At 31 December 2014</b>	<b>-</b>	<b>53,570</b>	<b>53,570</b>
<b>Net book value</b>			
At 1 January 2013	2,000	17,065	19,065
At 31 December 2013 and 1 January 2014	4,769	16,549	21,318
At 31 December 2014	2,000	16,048	18,048



## Notes to the financial statements

	Separate financial statements Software licenses (in thousand Baht)
<b>Cost</b>	
At 1 January 2013	54,318
Additions	521
Transfers in	8,817
<b>At 31 December 2013 and 1 January 2014</b>	<b>63,656</b>
Additions	3,796
Transfers in	990
<b>At 31 December 2014</b>	<b>68,442</b>
<b>Amortisation</b>	
At 1 January 2013	37,275
Amortisation for the year	9,877
<b>At 31 December 2013 and 1 January 2014</b>	<b>47,152</b>
Amortisation for the year	5,273
<b>At 31 December 2014</b>	<b>52,425</b>
<b>Net book value</b>	
At 1 January 2013	17,043
<b>At 31 December 2013 and 1 January 2014</b>	<b>16,504</b>
<b>At 31 December 2014</b>	<b>16,017</b>

## 17 Deferred tax

Deferred tax assets and liabilities as at 31 December were as follows:

	Consolidated financial statements			
	Assets		Liabilities	
	2014	2013	2014	2013
	(in thousand Baht)			
Total	828,787	483,276	(971,188)	(942,765)
Set off of tax	(818,353)	(479,310)	818,353	479,310
<b>Net deferred tax assets (liabilities)</b>	<b>10,434</b>	<b>3,966</b>	<b>(152,835)</b>	<b>(463,455)</b>

	Separate financial statements			
	Assets		Liabilities	
	2014	2013	2014	2013
	(in thousand Baht)			
Total	810,736	471,808	(947,182)	(918,759)
Set off of tax	(810,736)	(471,808)	810,736	471,808
<b>Net deferred tax liabilities</b>	<b>-</b>	<b>-</b>	<b>(136,446)</b>	<b>(446,951)</b>

## Notes to the financial statements

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

	Consolidated financial statements		
	(Charged) / Credited to:		
	At 1	Profit	Other
	January	or loss	comprehensive
	2014	(Note 29)	income
		(in thousand Baht)	
<b>Deferred tax assets</b>			
Inventories	17,014	23,213	-
Employee benefit obligations	204,929	13,740	(9,121)
Loss carry forward	250,404	314,404	-
Others	10,929	3,275	-
<b>Total</b>	<b>483,276</b>	<b>354,632</b>	<b>(9,121)</b>

	Consolidated financial statements		
	(Charged) / Credited to:		
	At 1	Profit	Other
	January	or loss	comprehensive
	2014	(Note 29)	income
		(in thousand Baht)	
<b>Deferred tax liabilities</b>			
Property, plant and equipment	(856,828)	-	-
Investment properties	(9,042)	7,631	635
Long-term investments	(5,183)	-	-
Others	(71,712)	(21,427)	-
<b>Total</b>	<b>(942,765)</b>	<b>(29,058)</b>	<b>635</b>
<b>Net</b>	<b>(459,489)</b>	<b>325,574</b>	<b>(8,486)</b>

	Consolidated financial statements		
	(Charged) / Credited to:		
	At 1	Profit	Other
	January	or loss	comprehensive
	2013	(Note 29)	income
		(in thousand Baht)	
<b>Deferred tax assets</b>			
Inventories	68,428	(51,414)	-
Employee benefit obligations	244,975	753	(40,799)
Loss carry forward	3,735	246,669	-
Others	22,641	(11,712)	-
<b>Total</b>	<b>339,779</b>	<b>184,296</b>	<b>(40,799)</b>



## Notes to the financial statements

	Consolidated financial statements		
	(Charged) / Credited to:		
	At 1 January 2013	Profit or loss (Note 29)	Other comprehensive income
		(in thousand Baht)	
<b>At 31 December 2013</b>			
<i>Deferred tax liabilities</i>			
Property, plant and equipment	(728,653)	155	(128,330)
Investment properties	(2,357)	(6,685)	-
Long-term investments	(10,453)	-	5,270
Others	(49,005)	(22,707)	-
<b>Total</b>	<b>(790,468)</b>	<b>(29,237)</b>	<b>(123,060)</b>
<b>Net</b>	<b>(450,689)</b>	<b>155,059</b>	<b>(163,859)</b>

	Separate financial statements		
	(Charged) / Credited to:		
	At 1 January 2014	Profit or loss (Note 29)	Other comprehensive income
		(in thousand Baht)	
<b>At 31 December 2014</b>			
<i>Deferred tax assets</i>			
Inventories	16,459	21,575	-
Employee benefit obligations	204,138	13,572	(9,235)
Loss carry forward	240,282	309,741	-
Others	10,929	3,275	-
<b>Total</b>	<b>471,808</b>	<b>348,163</b>	<b>(9,235)</b>

	Separate financial statements		
	(Charged) / Credited to:		
	At 1 January 2014	Profit or loss (Note 29)	Other comprehensive income
		(in thousand Baht)	
<b>At 31 December 2014</b>			
<i>Deferred tax liabilities</i>			
Property, plant and equipment	(832,822)	-	-
Investment properties	(9,042)	(7,631)	-
Long-term investments	(5,183)	-	635
Others	(71,712)	(21,427)	-
<b>Total</b>	<b>(918,759)</b>	<b>(29,058)</b>	<b>635</b>
<b>Net</b>	<b>(446,951)</b>	<b>319,105</b>	<b>(8,600)</b>

## Notes to the financial statements

	At 1 January 2013	Separate financial statements (Charged) / Credited to:		At 31 December 2013
		Profit or loss (Note 29) (in thousand Baht)	Other comprehensive income	
<b>Deferred tax assets</b>				
Inventories	67,610	(51,151)	-	16,459
Employee benefit obligations	244,037	767	(40,666)	204,138
Loss carry forward	-	240,282	-	240,282
Others	22,641	(11,712)	-	10,929
<b>Total</b>	<b>334,288</b>	<b>178,186</b>	<b>(40,666)</b>	<b>471,808</b>
	At 1 January 2013	Separate financial statements (Charged) / Credited to:		At 31 December 2013
		Profit or loss (Note 29) (in thousand Baht)	Other comprehensive income	
<b>Deferred tax liabilities</b>				
Property, plant and equipment	(719,808)	156	(113,170)	(832,822)
Investment properties	(2,357)	(6,685)	-	(9,042)
Long-term investments	(10,453)	-	5,270	(5,183)
Others	(49,005)	(22,707)	-	(71,712)
<b>Total</b>	<b>(781,623)</b>	<b>(29,236)</b>	<b>(107,900)</b>	<b>(918,759)</b>
<b>Net</b>	<b>(447,335)</b>	<b>148,950</b>	<b>(148,566)</b>	<b>(446,951)</b>

### 18 Trade accounts payable

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013 (in thousand Baht)	2014	2013
Related parties	5	474,055	379,569	744,783	499,785
Other parties		401,450	386,676	381,382	360,376
<b>Total</b>		<b>875,505</b>	<b>766,245</b>	<b>1,126,165</b>	<b>860,161</b>

Trade accounts payable of the Group and the Company as at 31 December 2014 and 2013 were denominated entirely in Thai Baht.

### 19 Short-term loans from financial institutions

As at 31 December 2014 and 2013, the Group has short-term loan facilities from several financial institutions totalling Baht 3,565 million with interest rate quoted by financial institutions. In 2014, the Group had utilised loan facilities totalling Baht 1,000 million (2013: Baht 700 million).



## Notes to the financial statements

## 20 Employee benefit obligations

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	(in thousand Baht)			
<b>Statement of financial position obligations for:</b>				
Short-term employee benefit				
- accumulated annual leave	11,005	9,335	10,978	9,335
Long-term employee benefit				
- long service award	50,077	51,960	49,995	51,895
Post-employment benefit				
- retirement benefit	987,606	964,005	981,403	959,458
<b>Total</b>	<b>1,048,688</b>	<b>1,025,300</b>	<b>1,042,376</b>	<b>1,020,688</b>
<b>Statement of financial position</b>				
<b>Current</b>				
Accrued expenses	103,035	99,752	103,009	99,752
<b>Non-current</b>				
Employee benefit obligations	945,653	925,548	939,367	920,936
<b>Total</b>	<b>1,048,688</b>	<b>1,025,300</b>	<b>1,042,376</b>	<b>1,020,688</b>
<b>Year ended 31 December</b>				
	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	(in thousand Baht)			
<b>Statement of comprehensive income:</b>				
<b>Recognised in profit or loss:</b>				
Short-term employee benefit				
- accumulated annual leave	1,734	709	1,707	709
Post-employment benefit				
- retirement benefit	86,714	97,566	85,803	96,798
Long-term employee benefits				
- long service award	7,524	9,420	7,514	9,420
- Actuarial (gains) losses	261	(18,015)	235	(18,015)
- Reversal provision for executive incentive	-	(3,359)	-	(3,359)
- Reversal provident fund	-	(775)	-	(775)
<b>Total</b>	<b>96,233</b>	<b>85,546</b>	<b>95,259</b>	<b>84,778</b>
<b>Recognised in other comprehensive income:</b>				
Actuarial gains recognised in the year	(45,428)	(203,996)	(46,173)	(203,330)
Cumulative actuarial gains recognised	(281,046)	(235,618)	(281,102)	(234,929)

## Notes to the financial statements

### 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 financial statements		Separate financial statements	
	2014	2013	2014	2013
	(in thousand Baht)			
Present value of unfunded obligations	987,606	964,005	981,403	959,458

Movement in the present value of the defined benefit obligations:

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	(in thousand Baht)			
Defined benefit obligations at 1 January	964,005	1,130,710	959,458	1,125,959
Benefits paid by the plan	(17,685)	(60,275)	(17,685)	(59,379)
Current service costs and interest	86,714	97,566	85,803	96,798
Transferred to subsidiary	-	-	-	(590)
Actuarial gains in other comprehensive income	(45,428)	(203,996)	(46,173)	(203,330)
<b>Defined benefit obligations at 31 December</b>	<b>987,606</b>	<b>964,005</b>	<b>981,403</b>	<b>959,458</b>

Expense recognised in profit or loss

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	(in thousand Baht)			
Current service costs	49,399	58,591	48,681	57,983
Interest on obligation	37,315	38,975	37,122	38,815
<b>Total</b>	<b>86,714</b>	<b>97,566</b>	<b>85,803</b>	<b>96,798</b>

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

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	(in thousand Baht)			
Cost of sales	10,718	11,965	10,493	11,838
Selling expenses	58,316	65,789	58,316	65,789
Administrative expenses	12,343	14,840	11,657	14,199
Managements remunerations	5,337	4,972	5,337	4,972
<b>Total</b>	<b>86,714</b>	<b>97,566</b>	<b>85,803</b>	<b>96,798</b>



## Notes to the financial statements

Actuarial gains and losses recognised in other comprehensive income:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Included in retained earnings:				
At 1 January	235,618	31,622	234,929	31,599
Recognised during the year	45,428	203,996	46,173	203,330
<b>At 31 December</b>	<b>281,046</b>	<b>235,618</b>	<b>281,102</b>	<b>234,929</b>

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

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2014	2013	2014	2013
	<i>(%)</i>			
Discount rate	3.00	4.25	3.00	4.25
Future salary increases	5.00	5.00	5.00	5.00

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

## 21 Share capital

	Par value per share (in Baht)	2014		2013	
		Number	Baht	Number	Baht
		<i>(thousand shares / thousand Baht)</i>			
<b>Authorised</b>					
At 1 January					
- ordinary shares	1	265,900	265,900	265,900	265,900
<b>At 31 December</b>					
- ordinary shares	1	265,900	265,900	265,900	265,900
<b>Issued and paid-up</b>					
At 1 January					
- ordinary shares	1	265,900	265,900	265,900	265,900
<b>At 31 December</b>					
- ordinary shares	1	265,900	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 51 of the Public Companies Act B.E. 2535 requires companies to set aside share subscription monies received in excess of the par value of the shares issued to a reserve account ("share premium"). Share premium is not available for dividend distribution.

## 22 Reserves

Reserves comprise:

### *Appropriations of profit and/or retained earnings*

#### **Legal reserve**

Section 116 of the Public Companies Act B.E. 2535 Section 116 requires that a public company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward (if any), 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.

### *Other components of equity*

#### **Currency translation differences**

The currency translation differences account within equity comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

#### **Fair value changes in available-for-sale investments**

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

#### **Valuation surplus**

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

In November 2013, the Group appraised its land based on the sale comparison approach by C.I.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 651.31 million and Baht 575.51 million, respectively. The Group recognised surplus on land revaluation under equity in the consolidated and separate financial statements by Baht 641.65 million and Baht 565.85 million, respectively, and recognised reversal of loss on land revaluation of Baht 9.66 million in the consolidated and separate statements of comprehensive income.

Valuation surplus is not available for dividend distribution.



## 23 Segment information

The Group has two reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the chief operating decision maker (CODM) reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments.

- Segment 1 Carbonated soft drink: Produce and distribute soft drinks
- Segment 2 Non-Carbonated soft drink: Produce and distribute drinking water, mixers, and other beverages, including as distributor of energy drinks and tea

None of the other operations segments meets the quantitative thresholds for determining reportable segments in 2014 or 2013.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's CODM. Segment profit before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

### Information about reportable segments

	Carbonated soft drink		Non-Carbonated soft drink		Consolidated financial statements	
<i>Year ended 31 December</i>	2014	2013	2014	2013	2014	2013
			<i>(in million Baht)</i>			
External revenue	4,671	5,814	5,714	5,358	10,385	11,172
<b>Total revenue</b>	<b>4,671</b>	<b>5,814</b>	<b>5,714</b>	<b>5,358</b>	<b>10,385</b>	<b>11,172</b>
Segment profit before income tax	1,144	1,763	1,419	1,294	2,563	3,057
Depreciation and amortisation recorded in Selling and Administrative expenses	168	190	75	79	243	269
Selling expenses	1,727	1,716	1,184	1,034	2,911	2,750

## Notes to the financial statements

### Reconciliations of reportable segment revenues, profit or loss, and other material items

	2014	2013
	(in million Baht)	
<b>Profit or loss</b>		
Profit for reportable segments	2,563	3,057
Depreciation and amortisation recorded in Selling and Administrative expenses	(243)	(269)
Selling expenses	(2,911)	(2,750)
	<b>(591)</b>	<b>38</b>
Unallocated revenue and expenses		
- Other income	1,413	286
- Administrative expenses	(972)	(956)
- Finance costs	(39)	(10)
Share of profit of an associate, net of income tax	161	162
<b>Consolidated loss before income tax</b>	<b>(29)</b>	<b>(480)</b>

### Geographical segments

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

## 24 Other income

		Consolidated financial statements		Separate financial statements	
	Note	2014	2013	2014	2013
		(in thousand Baht)			
Fair value adjustments on investment properties	14	38,152	33,426	38,152	33,426
Sale of scrap		30,368	103,169	28,590	101,186
Gain on disposal of property, plant and equipment		19,995	61,522	19,366	61,195
Dividend income	11, 13	4,059	22,738	62,079	103,738
Interest income		2,284	9,365	9,125	18,488
Gain on disposal of investments		-	24,747	-	24,747
Reversal of recognised loss on land revaluation	22	-	9,659	-	9,659
Others		38,085	20,912	38,054	17,466
<b>Total</b>		<b>132,943</b>	<b>285,538</b>	<b>195,366</b>	<b>369,905</b>



## Notes to the financial statements

### 25 Selling expenses

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Personnel expenses	1,116,447	1,065,020	1,115,275	1,063,124
Marketing expenses	1,042,249	1,020,220	1,042,249	1,018,486
Distribution	266,300	209,248	253,297	190,722
Fuel	210,410	209,205	210,410	209,205
Depreciation and amortisation	180,459	201,141	180,347	201,046
Others	275,417	245,138	274,619	244,515
<b>Total</b>	<b>3,091,282</b>	<b>2,949,972</b>	<b>3,076,197</b>	<b>2,927,098</b>

### 26 Administrative expenses

		Consolidated financial statements		Separate financial statements	
	Note	2014	2013	2014	2013
		<i>(in thousand Baht)</i>			
Personnel expenses		473,635	434,487	457,178	420,174
Fuel		104,185	103,630	103,911	103,267
Management benefit expenses	27	80,820	75,569	80,820	75,569
Depreciation and amortisation		64,230	67,992	62,305	65,666
Directors' remunerations	5	9,962	7,571	9,962	7,571
Net loss on foreign exchange		2	12,132	-	12,132
Others		303,160	323,518	280,310	277,566
<b>Total</b>		<b>1,035,994</b>	<b>1,024,899</b>	<b>994,486</b>	<b>961,945</b>

### 27 Employee benefit expenses

		Consolidated financial statements		Separate financial statements	
	Note	2014	2013	2014	2013
		<i>(in thousand Baht)</i>			
Salaries, wages and other benefits		1,811,915	1,690,762	1,752,081	1,631,840
Pension costs - defined benefit plans		86,713	97,566	85,803	96,798
Pension costs - defined contribution plans		82,696	87,020	80,963	85,074
Directors' remunerations	5	9,962	7,751	9,962	7,751
Others		61,360	55,288	59,658	53,846
<b>Total</b>		<b>2,052,646</b>	<b>1,938,207</b>	<b>1,988,467</b>	<b>1,875,129</b>

#### Defined benefit plans

Details of the defined benefit plans are given in note 20.

#### Defined contribution plans

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 5% 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.

## Notes to the financial statements

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.

### 28 Expenses by nature

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

		Consolidated financial statements		Separate financial statements	
	Note	2014	2013	2014	2013
		(in thousand Baht)			
Changes in inventories of finished goods and work in progress		1,757,252	1,365,965	2,286,636	1,941,420
Raw materials and consumables used		4,215,846	5,038,410	3,940,138	4,774,532
Employee benefit expenses	27	2,052,646	1,938,207	1,988,467	1,875,129
Depreciation and amortisation		563,179	570,958	511,962	520,478
Marketing expenses	25	1,042,249	1,020,220	1,042,249	1,018,486
Distribution	25	266,300	209,248	253,297	190,722
Fuel		315,746	314,230	315,395	313,867
Others		1,775,474	1,641,933	1,744,727	1,621,685
Total expenses		11,988,692	12,099,171	12,082,871	12,256,319

### 29 Income tax benefit

*Income tax recognised in profit or loss*

		Consolidated financial statements		Separate financial statements	
	Note	2014	2013	2014	2013
		(in thousand Baht)			
<b>Current tax expense</b>					
Current year		8,783	1,221	-	-
Adjustment for prior years		-	2,966	-	2,955
		<u>8,783</u>	<u>4,187</u>	<u>-</u>	<u>2,955</u>
<b>Deferred tax expense</b>	17				
Movements in temporary differences		<u>(325,574)</u>	<u>(155,059)</u>	<u>(319,105)</u>	<u>(148,950)</u>
<b>Income tax benefit</b>		<u>(316,791)</u>	<u>(150,872)</u>	<u>(319,105)</u>	<u>(145,995)</u>



## Notes to the financial statements

### Income tax recognised in other comprehensive income

	Consolidated financial statements					
	2014			2013		
	Before tax	Tax (expense) benefit	Net of tax (in thousand Baht)	Before tax	Tax (expense) benefit	Net of tax
Net change in fair value of available-for-sale investments	(3,173)	635	(2,538)	(26,350)	5,270	(21,080)
Revaluation of land	-	-	-	641,652	(128,330)	513,322
Defined benefit plan actuarial gains	45,428	(9,121)	36,307	203,996	(40,799)	163,197
<b>Total</b>	<b>42,255</b>	<b>(8,486)</b>	<b>33,769</b>	<b>819,298</b>	<b>(163,859)</b>	<b>655,439</b>

	Separate financial statements					
	2014			2013		
	Before tax	Tax (expense) benefit	Net of tax (in thousand Baht)	Before tax	Tax (expense) benefit	Net of tax
Net change in fair value of available-for-sale investments	(3,173)	635	(2,538)	(26,350)	5,270	(21,080)
Revaluation of land	-	-	-	565,851	(113,170)	452,681
Defined benefit plan actuarial gains	46,173	(9,235)	36,938	203,330	(40,666)	162,664
<b>Total</b>	<b>43,000</b>	<b>(8,600)</b>	<b>34,400</b>	<b>742,831</b>	<b>(148,566)</b>	<b>594,265</b>

### Reconciliation of effective tax rate

	Consolidated financial statements			
	2014		2013	
	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)
Loss before total income tax expense		(28,707)		(479,405)
Income tax using the Thai corporation tax rate	20.00	(5,741)	20.00	(95,881)
Income not subject to tax		(313,379)		(60,298)
Expenses for tax incentives		(2,291)		(1,813)
Expenses not deductible for tax purposes		4,128		4,310
Under provided in prior year		-		2,966
Effect of eliminations		492		(156)
<b>Total</b>	<b>(1,103.53)</b>	<b>(316,791)</b>	<b>(31.47)</b>	<b>(150,872)</b>

## Notes to the financial statements

### Reconciliation of effective tax rate

	Separate financial statements			
	2014		2013	
	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)
Loss before total income tax expense		(1,521,270)		(652,748)
Income tax using the Thai corporation tax rate	20.00	(304,254)	20.00	(130,550)
Income not subject to tax		(15,987)		(20,748)
Expenses for tax incentives		(2,289)		(1,806)
Expenses not deductible for tax purposes		3,425		4,154
Under provided in prior year		-		2,955
<b>Total</b>	<b>(20.98)</b>	<b>(319,105)</b>	<b>(22.37)</b>	<b>(145,995)</b>

### Income tax reduction

Royal Decree No. 530 B.E. 2554 dated 21 December 2011 grants a reduction in the corporate income tax rate for the three accounting periods 2012, 2013 and 2014; from 30% to 23% for the accounting period 2012 which begins on or after 1 January 2012 and to 20% for the following two accounting periods 2013 and 2014 which begin on or after 1 January 2013 and 2014, respectively. Royal Decree No. 577 B.E. 2557 dated 10 November 2014 extends the reduction to 20% for the accounting period 2015 which begins on or after 1 January 2015.

The Group has applied the reduced tax rate of 20% in measuring deferred tax assets and liabilities as at 31 December 2014 and 2013 in accordance with the clarification issued by the FAP in 2012.

### 30 Basic earnings (loss) per share

The calculations of basic earnings (loss) per share for the years ended 31 December 2014 and 2013 were based on the profit (loss) for the years attributable to ordinary shareholders of the Company and the number of ordinary shares outstanding during the years as follows:

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	(in thousand Baht/thousand shares)			
Profit (loss) attributable to ordinary shareholders of the Company (basic)	288,084	(328,533)	(1,202,165)	(506,753)
Number of ordinary shares outstanding	265,900	265,900	265,900	265,900
<b>Earnings (loss) per share (basic) (in Baht)</b>	<b>1.08</b>	<b>(1.24)</b>	<b>(4.52)</b>	<b>(1.91)</b>

### 31 Dividends

At the annual general meeting of the shareholders of the Company held on 29 April 2013, the shareholders approved the appropriation of dividend of Baht 2.50 per share on 265.90 million shares, amounting to Baht 664.75 million. The dividend was paid to shareholders during the year 2013 and uncollected dividend was shown as accrued dividend in the statement of financial position.



## 32 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, excluding non-controlling interests and also monitors the level of dividends to ordinary shareholders.

### *Interest rate risk*

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Group's operations and its cash flows because loan rates are mainly fixed. The Group is primarily exposed to interest rate risk from its borrowings and interest-bearing financial liabilities (see Note 5, 19). The Group mitigates this risk by ensuring that the majority of its borrowings are at fixed interest rates.

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

Consolidated financial statements				
	Effective interest rate (% per annum)	Within 1 year	After 5 years (in thousand Baht)	Total
<b>2014</b>				
<b>Non-current</b>				
Long-term loan to a related party	4.50	-	3,000	3,000
<b>2013</b>				
<b>Non-current</b>				
Long-term loan to a related party	5.25	-	3,000	3,000

## Notes to the financial statements

	Effective interest rate (% per annum)	Separate financial statements		
		Within 1 year	After 5 years (in thousand Baht)	Total
<b>2014</b>				
<b>Current</b>				
Short-term loan to a related party	3.10	125,000	-	125,000
<b>Non-current</b>				
Long-term loan to a related party	4.50	-	3,000	3,000
<b>Total</b>		<u>125,000</u>	<u>3,000</u>	<u>128,000</u>
<b>2013</b>				
<b>Current</b>				
Short-term loans to related parties	3.10 - 3.20	384,600	-	384,600
<b>Non-current</b>				
Long-term loan to a related party	5.25	-	3,000	3,000
<b>Total</b>		<u>384,600</u>	<u>3,000</u>	<u>387,600</u>

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

	Consolidated and separate financial statements	
	Effective interest rate (% per annum)	Within 1 year (in thousand Baht)
<b>2014</b>		
<b>Current</b>		
Short-term loans from financial institutions	2.45 - 3.16	<u>1,000,000</u>
<b>2013</b>		
<b>Current</b>		
Short-term loans from financial institutions	2.65 - 3.15	<u>700,000</u>

### Foreign currency risk

The Group is exposed to foreign currency risk relating to sales of goods and purchases of assets which are denominated in foreign currencies. The Group expects that changes in exchange rates for assets and liabilities denominated in foreign currencies in the statement of financial position 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.

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:



## Notes to the financial statements

	Note	Consolidated and Separate financial statements	
		2014	2013
		(in thousand Baht)	
<b>United States Dollars</b>			
Trade accounts receivable	7	280	-
Other payables		-	(920)
<b>Gross balance sheet exposure</b>		<b>280</b>	<b>(920)</b>
Estimated forecast purchases of assets		(719)	-
<b>Total exposure</b>		<b>(439)</b>	<b>(920)</b>
<b>Euro</b>			
Other payables		(25,855)	(24,187)
<b>Gross balance sheet exposure</b>		<b>(25,855)</b>	<b>(24,187)</b>
Estimated forecast purchases of assets		(1,183)	-
<b>Total exposure</b>		<b>(27,038)</b>	<b>(24,187)</b>
<b>Malaysian Ringgit</b>			
Other payables		(1,668)	-
<b>Gross balance sheet exposure</b>		<b>(1,668)</b>	<b>-</b>
<b>Pound Sterling</b>			
Other payables		-	(4,727)
<b>Gross balance sheet exposure</b>		<b>-</b>	<b>(4,727)</b>

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
		(in thousand Baht)			
<b>Hong Kong Dollars</b>					
Cash and cash equivalents	6	5,606	6,776	-	-
Short-term loan from a subsidiary	5	-	-	(1,530,968)	-
Other payables to related party	5	-	-	(29,753)	-
<b>Gross balance sheet exposure</b>		<b>5,606</b>	<b>6,776</b>	<b>(1,560,721)</b>	<b>-</b>

### 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.

## Notes to the financial statements

### *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 trade accounts receivable, accounts receivable from related parties, other receivables and other current assets is taken to approximate the carrying value.

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 payables to related parties, other payables, accrued expenses, income tax payable and other current liabilities is taken to approximate the carrying value.

## 33 Commitments with non-related parties

	Consolidate financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
<i>Capital commitments</i>				
<i>Contracted but not provided for:</i>				
Buildings, warehouses and improvement	28,239	82,009	28,239	82,009
Machinery, equipment and tools	9,255	16,481	9,255	5,436
Intangible assets	-	4,104	-	4,104
<b>Total</b>	<b>37,494</b>	<b>102,594</b>	<b>37,494</b>	<b>91,549</b>

	Consolidate financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
<i>Non-cancellable operating lease commitments</i>				
Within one year	50,858	46,147	50,407	45,696
After one year but within five years	117,559	145,026	116,789	143,805
After five years	78,132	83,848	78,132	83,848
<b>Total</b>	<b>246,549</b>	<b>275,021</b>	<b>245,328</b>	<b>273,349</b>



## Notes to the financial statements

	Consolidate financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand)</i>			
<b>Other commitments</b>				
<b>Thai Baht</b>				
Unused letters of credit for goods and supplies	28,814	-	28,814	-
Bank guarantees	30,951	34,633	27,319	30,934
<b>Total</b>	<b>59,765</b>	<b>34,633</b>	<b>56,133</b>	<b>30,934</b>
<b>Euro</b>				
Unused letters of credit for assets	714	-	714	-

The Company entered into land, buildings, 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 agreements**

The Company entered into an agreement with Pepsi Lipton International Ltd. ("the parties") to be appointed to bottle, sell and distribute bottled tea drink in Thailand. The Company has to comply with certain conditions contained in the agreement which was ended 30 September 2011, including a renewal option. Subsequently on 1 June 2012, the parties made an amendment to set the termination date on 31 December 2015.

The Company entered into an agreement with Stoke-Van Camp, Inc. ("the parties") to be appointed to bottle, sell and distribute energy drink in Thailand. The Company has to comply with certain conditions contained in the agreement which was ended 30 June 2008, including a renewal option. Subsequently on 1 July 2013, the parties made an amendment to set the termination date on 31 December 2014.

### **Co-packing agreement**

A subsidiary entered into a "Co-packing agreement" with Pepsi Lipton International Ltd. and Pepsi-Cola (Thai) Trading Co., Ltd. ("the parties") to produce bottled tea drink. The subsidiary has to comply with certain conditions contained in the agreement for a period of three years from 22 December 2005 to 21 December 2008 with renewal additional terms of three years each if not less than six months' prior written notice is given by any one party to the other as stipulated in the agreement. Subsequently, the parties made an amendment to set the termination date on 31 March 2015.

### **Distribution agreement**

The Company entered into an agreement with Pepsi-Cola (Thai) Trading Co., Ltd. ("the parties") to be appointed to distribute bottled tea and fruit juices solely in Thailand. The Company has to comply with certain conditions contained in the agreement for a period of three years including a renewal option. Subsequently, the parties made an amendment to set the termination date on 31 March 2015.

## **34 Credit facilities**

As at 31 December 2014 the Group and the Company had unutilised credit facilities totalling Baht 7,413 million and Baht 7,363 million, respectively (2013: Baht 7,648 million and Baht 7,598 million, respectively).



### 35 Contingent liabilities

The Company had a contingent liability arising from a claim for compensation and unfair lay off employees of Baht 8.64 million. The court case is pending judgment. However, the Company's fixed deposit of Baht 0.50 million has been pledged with the court.

In 2014, 45 employees who were laid off by the Company have filed lawsuits against the Company for unfair termination. The total amount of claim is approximately of Baht 46.60 million. Before filing the lawsuits, the employees requested the Pathumthani Provincial Labour Protection and Welfare Office to seek for additional compensation from the Company. The Pathumthani Provincial Labour Protection and Welfare Office informed that the Company has already complied with the Labour Protection Law. The court case is pending judgement.

### 36 Events after the reporting period

#### *Memorandum of Understanding – production and distribution*

On 24 February 2015, the Company entered into a Memorandum of Understanding – production and distribution with a related company to produce and distribute carbonated soft drink. The Company has to comply with conditions contained in the Memorandum of Understanding for a period of three years from 1 January 2015 to 31 December 2017.

### 37 Thai Financial Reporting Standards (TFRS) not yet adopted

A number of new and revised TFRS have been issued but are not yet effective and have not been applied in preparing these financial statements. Those new and revised TFRS that may be relevant to the Group's operations, which become effective for annual financial periods beginning on or after 1 January in the year indicated, are set out below. The Group does not plan to adopt these TFRS early.

TFRS	Topic	Year effective
TAS 1 (revised 2014)	Presentation of Financial Statements	2015
TAS 2 (revised 2014)	Inventories	2015
TAS 7 (revised 2014)	Statement of Cash Flows	2015
TAS 8 (revised 2014)	Accounting Policies, Changes in Accounting Estimates and Errors	2015
TAS 10 (revised 2014)	Events after the Reporting Period	2015
TAS 12 (revised 2014)	Income Taxes	2015
TAS 16 (revised 2014)	Property, Plant and Equipment	2015
TAS 17 (revised 2014)	Leases	2015
TAS 18 (revised 2014)	Revenue	2015
TAS 19 (revised 2014)	Employee Benefits	2015
TAS 21 (revised 2014)	The Effects of Changes in Foreign Exchange Rates	2015
TAS 23 (revised 2014)	Borrowing Costs	2015
TAS 24 (revised 2014)	Related Party Disclosures	2015
TAS 27 (revised 2014)	Separate Financial Statements	2015
TAS 28 (revised 2014)	Investments in Associates and Joint Ventures	2015
TAS 33 (revised 2014)	Earnings per Share	2015
TAS 34 (revised 2014)	Interim Financial Reporting	2015
TAS 36 (revised 2014)	Impairment of Assets	2015
TAS 37 (revised 2014)	Provisions, Contingent Liabilities and Contingent Assets	2015



## Notes to the financial statements

<b>TFRS</b>	<b>Topic</b>	<b>Year effective</b>
TAS 38 (revised 2014)	Intangible Assets	2015
TAS 40 (revised 2014)	Investment Property	2015
TFRS 3 (revised 2014)	Business Combinations	2015
TFRS 5 (revised 2014)	Non-current Assets Held for Sale and Discontinued Operations	2015
TFRS 8 (revised 2014)	Operating Segments	2015
TFRS 10	Consolidated Financial Statements	2015
TFRS 12	Disclosure of Interests in Other Entities	2015
TFRS 13	Fair Value Measurement	2015
TSIC 15 (revised 2014)	Operating Leases - Incentives	2015
TSIC 25 (revised 2014)	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	2015
TSIC 27 (revised 2014)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	2015
TFRIC 1(revised 2014)	Changes in Existing Decommissioning, Restoration and Similar Liabilities	2015
TFRIC 4 (revised 2014)	Determining whether an Arrangement contains a Lease	2015
TFRIC 10 (revised 2014)	Interim Financial Reporting and Impairment	2015
TFRIC 13 (revised 2014)	Customer Loyalty Programmes	2015

The Group has made a preliminary assessment of the potential initial impact on the Company's financial statements of these new and revised TFRS and expects that there will be no material impact on the financial statements in the period of initial application.

### 13. Management Discussion and Analysis: MD&A

This discussion was prepared to enhance the understanding of Sermasuk Plc's Financial statements.

#### **Overview**

Currently, the Company operates under its new business plan utilizing its strong product distribution and delivery network to enhance steady and sustainable growth. The Company has the following four key business groups.

#### **1. Manufacturer and Distributor of drinking water**

Drinking water and soda water under the "Crystal" trademark

#### **2. Manufacturer and Distributor of non-carbonated soft drinks**

Ready-to-drink green tea in returnable bottles: Honey lemon flavor under the "Oishi" trademark

Ready-to-drink black tea in returnable bottles: lemon flavor under the "Lipton" trademark

Sport drink under the "Gatorade" trademark

Energy drink under the "Wrangyer" trademark

Sport drink under the "PowerPlus" trademark

#### **3. Distributor of food and beverages**

Ready-to-drink green tea in cans and PET bottles under the "Oishi" trademark

Crispy fried seaweed under the "Onori" trademark for Oishi Trading Co., Ltd.

Ready-to-drink ice tea in cans and PET bottles under the "Lipton" trademark for Pepsi Lipton International Ltd.

#### **4. Manufacturer and Distributor of carbonated soft drinks**

Carbonated soft drinks under the "est" trademark

Additionally, the Company is committed to becoming a producer and distributor of wide portfolio of beverages based on efficiency in production cost management and enhanced satisfaction that meets customer and consumer needs.

#### **The 2014 overview**

The Company believes in the favorable growth potential of its carbonated and non-carbonated soft drinks lines, given the market entry of its new carbonated soft drink products under the 'est' trademark since November 2, 2012, its strength in high potential distribution coverage and growing sales of its highly trusted Crystal drinking water. The Company continues to launch a variety of new products, new sizes into the Thai market via a wide range of distribution channels to enhance customer reach and ensure successful market share growth.



### Annual Performance

(Unit : Million Baht)

Transactions	2014	2013	Change	%
Total revenue	11,799	11,458	341	3.0%
Cost of goods sold	7,822	8,115	(293)	-3.6%
Gross profit	3,977	3,343	634	19.0%
Selling and administrative expenses	4,127	3,975	152	3.8%
Profit (Loss) from operation	(150)	(632)	481	76.1%
Finance cost	39	10	29	290.0%
Income tax benefit	317	151	166	109.9%
Net income (loss)	288	(328)	616	187.8%
Earnings (Losses) per share (Baht)	1.08	(1.24)	2.32	187.1%

Sermsuk Public Company Limited's operating results for the year ended December 31, 2014 as reported in the consolidated financial statements shown net profit of Baht 288 million which has been impacted on the profit increased by Baht 616 million compared to the same period of prior year. The significant factors are as follows:

1. Revenue decreased by Baht 341 million or 3.0 percent, derived by revenue from sale of Brand "est" in the amount of Baht 1,280.8 million.
2. Cost of sales decreased by Baht 293 million or 3.6 percent. Cost of sales decreased in line with Revenue from sale.
3. Selling and administrative expenses increased by Baht 152 million or 3.8 percent which was higher than sale growth of the year. The main factor of such increase was mainly from promotional sale and marketing expenses for relaunching new taste, new size and new packaging into market.

The operating results for the year ended December 31, 2014 reflected to the basic earnings per share of Baht 1.08, increased of Baht 2.32 per share compared to the same period of prior year.

#### Dividend policy

The Company has a policy to pay dividends with a payout ratio of not less than 40% of consolidated 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.

### Financial status

Transactions	2014	2013	Change	%
<b><u>Assets</u></b>				
Current assets	5,049	3,330	1,719	51.62%
Non – current assets	8,298	9,371	(1,073)	-11.45%
<b>Total assets</b>	<b>13,347</b>	<b>12,701</b>	<b>646</b>	<b>5.09%</b>
<b><u>Liabilities</u></b>				
Current liabilities	3,504	2,909	595	20.45%
Non – current liabilities	1,098	1,389	(291)	-20.95%
<b>Total liabilities</b>	<b>4,602</b>	<b>4,298</b>	<b>304</b>	<b>7.07%</b>
<b><u>Equity</u></b>				
<b>Total equity</b>	<b>8,743</b>	<b>8,403</b>	<b>342</b>	<b>4.07%</b>
<b>Total liabilities and equity</b>	<b>13,347</b>	<b>12,701</b>	<b>646</b>	<b>5.09%</b>
<b>Liabilities/Equity</b>	<b>0.53</b>	<b>0.51</b>	<b>0.02</b>	

The financial position of the Company as at December 31, 2014 has been continually strong to support the business expansion in the future. The cash flow for the year ended December 31, 2014 of the Company had inadequate due to loss from operation. Then, the Company has utilized finance facility from the finance institution for dividend payment and fixed assets investment.

### Forward looking

Vision of the Company focus on four business pillars as following;

1. To expand the water drink market (Crystal)
2. To be a manufacturer and distributor of non-carbonated beverage
3. To be a distributor of food and beverage products
4. To be a manufacturer and distributor of carbonated beverages

To deliver as per company mission and to align its operations with the ThaiBev Group's vision 2020 strategy, we must respond to the competitive factors, investment in brand building, looking for new channel including OEM, export market. Moreover our costing of product and distribution are subject to company result due to the resource utilization. Change in the economic and political environment do effect consumer confidence. Thus our financial success will depend on our ability to address global, regional and local political and economic uncertainties.

Thus our financial success will depend on our ability to address global, regional and local political and economic uncertainties.



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

### 14. Information of the Company's Directors, Management and Company Secretary

#### 14.1 Information of the Company's Directors, Management, Controlling Parties (if applicable) and Company Secretary

14.1.1 Details of the Company's Directors, Management, Controlling Parties and the Company's Secretary are presented in the following table:

Name / Positions / Date Appointed (1)	Age	Educational Credentials (2)	Share Holding (%) (3)	Relation to the Management (4)	Working History (5)		
					Year	Positions	Company / Business Type
<b>Mr. Photipong Lamsam</b> Independent Director and Chairman Date Appointed : 20 November 1998	80	MBA, Temple University, U.S.A	- shares	-None-		Chairman of the Board of Directors	Muang Thai Life Insurance Pcl Muang Thai Insurance Pcl Muang Thai Group Holding Co., Ltd.
<b>Mr. Suchin Wanglee</b> Vice Chairman No.1, Independent Director and Chairman of Compensation Committee and Member of Audit Committee Date Appointed : 20 April 2010	79	BA in Electrical Engineering, Northrop Institute of technology, USA Role of the Chairman Program (RCP) 2001, Thai Institute of Directors Director Accreditation Program (DAP) 2013, Thai Institute of Directors	- shares	- None-	2014-Present 2010-Present 2010-Present Other listed companies in Thailand 2013-Present 2012-Present 2011-Present 2010-2011 2010-Present 2009-Present 1989-2011 2001-Present 1999-Present 2007-Present	Advisor Independent committee, and Member of Audit Committee Nomination and Remuneration Committee Audit Director Chairman of Nomination and Remuneration Committee Vice Chairman of Independent Committee Member of Independent Director Vice Chairman Committee Chairman of Nomination and Remuneration Committee Director Chairman Chairman Independent Director	The Falcon Insurance Pcl. BTS Group Holdings Pcl. BTS Group Holdings Pcl. Sermsuk Plc. Sermsuk Plc. Sermsuk Plc. Sermsuk Plc. Thai Metal Drums MFG Co., Ltd. Thai Metal Drums MFG Co., Ltd. Thai Metal Drums MFG Co., Ltd. The Navadji Insurance Pcl. Thai Reinsurance Pcl. Varopakorn Public Co., Ltd.

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

Name / Positions / Date Appointed (1)	Age	Educational Credentials (2)	Share Holding (%) (3)	Relation to the Management (4)	Working History (5)		
					Year	Positions	Company / Business Type
					1978-Present	Chairman of Independent Director	Thai Reinsurance Pcl.
					1969-2013	Independent Director	Thai - German Ceramic Industry
					Other Companies		
					2007-2013	Chairman	The Falcon Insurance Pcl.
					2007-Present	Director	Aqua Infinite
					2006-Present	Director	Wanglee Co., Ltd.
					2005-Present	Director	Rajadamri Hotel Pcl.
					1991-Present	Chairman	Rangsit Plaza Co., Ltd.
					1990-Present	Director	Nuchapon Co., Ltd.
					1988-Present	Director	The Pet Co., Ltd.
					1982-Present	Chairman	The Sathom Thani Co., Ltd.
					1968-Present	Director	Wanglee Co., Ltd.
					1988-2010	Director	Thai Phetchaboon
					Other Companies		
					1971-2010	Director	Thai General Insurance Association
					2007-2009	President	Thai General Insurance Association
<b>Mr. Chotiphat Bijananda</b>  Vice Chairman No.2, Executive Director, Member of Compensation Committee and Member of Nominating and Corporate Governance Committee  Date Appointed : 14 September 2011	51	MBA in Finance And Banking University of Missouri, USA	- shares	-None-	2008	President	Southeast Group Co., Ltd.
					2008	Chairman of Executive Board	Southeast Insurance Pcl.
					2008	Chairman of Executive Board	Southeast Life Insurance Pcl.
					2008	Chairman of Executive Board	Southeast Capital Co., Ltd.
					2007	Advisor	TCC Holding Co., Ltd.
<b>Mr. Thapana Sirivadhanabhakdi</b>  Vice Chairman No.3, Vice Chairman of Executive Committee No.1, Chairman of Nominating and Corporate Governance Committee, Member of Compensation Committee and Member of Risk Management Committee  Date Appointed : 14 September 2011	39	- Master of Science Administration in Financial Economics, Boston University, USA  - Director Accreditation Program (DAP)	- shares	-None-	2008-Present	President and CEO	Thai Beverage Public Company Limited
					2004-Present	Vice Chairman and Chairman of the Executive Committee	Thai Beverage Logistics Co., Ltd.
					2014-Present	Chairman	Gishi Group Pcl.



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

Name / Positions / Date Appointed (1)	Age	Educational Credentials (2)	Share Holding (%) (3)	Relation to the Management (4)	Working History (5)		
					Year	Positions	Company / Business Type
					2012 - Present	Chairman	Modern Trade Management Co., Ltd.
					2010 - Present	Chairman	Thai Beverage Training
					2006 - Present	Chairman	Oishi Ramen Co. Ltd.
					2006 - Present	Chairman	Oishi Trading Co. Ltd.
					2004 - Present	Chairman	Thai Cooperage Co., Ltd.
					2004 - Present	Chairman	Thai Beverage Energy Co. Ltd.
					2004 - Present	Chairman	Charun Business 52 Co., Ltd.
					2004 - Present	Chairman	Feed Addition Co., Ltd.
					2004 - Present	Chairman	Thai Beverage Recycle Co. Ltd.
					2003 - Present	Chairman	Thai Molasses Co., Ltd.
					2003 - Present	Chairman	Thai Beverage Marketing Co. Ltd.
					2008 - Present	Chairman	Thai Drinks Co. Ltd.
					2009 - Present	Vice Chairman	International Beverage Holdings (China) Limited
					2008 - Present	Vice Chairman	Southeast Group Co., Ltd.
					2007 - Present	Vice Chairman	Siam Food Products Pcl.
					2006 - Present	Vice Chairman	Oishi Group Pcl
					2003 - Present	Vice Chairman	Cosmos Brewery (Thailand) Co., Ltd.
					2004 - Present	Vice Chairman	Red Bull Distillery Group of Companies
					2004 - Present	Vice Chairman	Dhospeak Co., Ltd.
					2011 - Present	Chairman	Oishi Group Pcl
					Present	Director	Univentures Public Company Limited
					2004 - Present	Director and Deputy Chairman of Executive Director	Beer Thai (1991) Co., Ltd.

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

Name / Positions / Date Appointed (1)	Age	Educational Credentials (2)	Share Holding (%) (3)	Relation to the Management (4)	Working History (5)		
					Year	Positions	Company / Business Type
					2013-Present	Director	Fraser and Neave, Limited
					2013-Present	Director	Time Publishing Limited
					2012-Present	Director	InterBev Investment Limited
					2012-Present	Director	Great Brands Limited
					2012-Present	Director	Sermsuk Training Co., Ltd.
					2011-Present	Director	Sermsuk Holdings Co., Ltd.
					2011-Present	Director	Sermsuk Beverage Co., Ltd.
					2010-Present	Director	Best Spirits Company Limited
					2010-Present	Director	Super Brands Company Limited Pte. Ltd.
					2006-Present	Director	InterBev Malaysia Sdn. Bhd.
					2005-Present	Director	InterBev (Singapore) Limited
					2004-Present	Director	Wangyer (2008) Co., Ltd.
					2002-Present	Director	Chang Beer Co., Ltd.
					2001-Present	Director	Thai Beverage Brand Co., Ltd.
					2001-Present	Director	Blairmhor Distillers Limited
					2001-Present	Director	Blairmhor Limited
					2001-Present	Director	International Beverage Holdings (UK) Limited
					2001-Present	Director	Inver House Distillers Limited
					2001-Present	President	Berli Jucker Ptd.
					2003-Present	1st Vice Chairman/ Chairman of Executives	International Beverage Holdings Limited
					2004-Present	Chairman	Pan International (Thailand) Chang International
					2014	Chairman	Chang International Co., Ltd.
					2014-Present	Chairman	SPM Foods & Beverages Co., Ltd.
					2014-Present	Chairman	CAC Co., Ltd.
					2013-Present	Chairman	Horeca Management



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

Name / Positions / Date Appointed (1)	Age	Educational Credentials (2)	Share Holding (%) (3)	Relation to the Management (4)	Working History (5)		
					Year	Positions	Company / Business Type
<b>Mr. Somchai Bulsook</b>  Director, Chairman of Executive Committee and CEO, Member of Nominating and Corporate Government Committee and Member of Risk Management Committee  Date Appointed : 3 January 1996	72	- Menlo School of Business Administration, Menlo Park California  - Director Certification Program (DCP), Class 37/2003, Thai Institute of Directors  - Certificate of Chief Executive, Class 15 (2012), Capital Market Academy	- shares	Relative of President	2014-Present	1st Deputy Chairman	Thai Drinks Co., Ltd.
					2011-Present	Chairman of Executive Committee and CEO	Sermsuk PLC.
					1996 - 2011	Chairman of Executive Committee	Sermsuk PLC.
					1983-Present	Director	Sermsuk PLC.
					2011-Present	Member of Risk Management Committee	Sermsuk PLC.
					2002-Present	Member of Nominating and Corporate Government Committee	Sermsuk PLC.
					2013-Present	Chairman	Wangyer (2008) Co., Ltd.
					2006-Present	Director	Sermsuk Holdings Co., Ltd.
					2002-Present	Chairman	Petform (Thailand) Co., Ltd.
					1997-Present	Director	Sermsuk Beverage Co., Ltd.
					2003-Present	Vice Chairman	Kasikorn Bank Public Company Limited
					2003-Present	Chairman of the Board of Independent Directors	Kasikorn Bank Public Company Limited
					2011-Present	Chairman of Human Resources and Remuneration Committee	Kasikorn Bank Public Company Limited
					1998-Present	Member of Audit Committee	Kasikorn Bank Public Company Limited
					1993 - 2013	Director	Kasikorn Bank Public Company Limited
					2009-2011	Director of Human Resources and Remuneration Committee	Kasikorn Bank Public Company Limited
					2009-Present	Independent Director	Royal Orchid Hotel (Thailand) Public Co., Ltd.

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

Name / Positions / Date Appointed (1)	Age	Educational Credentials (2)	Share Holding (%) (3)	Relation to the Management (4)	Working History (5)		
					Year	Positions	Company / Business Type
					2003-Present	Director	Sheraton Royal Orchid Co., Ltd.
					2003-Present	Director	Thai Royal Orchid Real Estate Co., Ltd.
					1995-Present	Director	Ngow Hock Co., Ltd.
					1995-Present	Director	Ngow Hock Agency Co., Ltd.
					1995-Present	Director	Panjabir Holding Co., Ltd.
					1992-2011	Director	Bangkok Glass, Co., Ltd.
<b>Mr. Dhitvute Bulsook</b>  Director, Executive Director, Member of Risk Management Committee and President Date Appointed : 20 April 2010	45	MBA, Babson College, USA	- shares	Relative of CEO	4 October 2011 – present	Managing Director	Sermsuk Plc.
					1 January 2008 – 3 October 2011	General Plant Manager – Pathumthani	Sermsuk Plc.
					15 August 2006-31 December	Deputy General Plant Manager –	Sermsuk Plc.
					2007	Pathumthani, Sermsuk Plc.	
					2013-15 August 2006	Marketing Director	Sermsuk Plc.
					2000-2003	Sales Director	Pepsi-Cola (Thai) Trading Co., Ltd.
					1997-2000	Franchise Manager	Pepsi-Cola (Thai) Trading Co., Ltd.
<b>Prof. Dr. Khunying Suchada Kienandana</b>  Independent Director, Chairman of Audit Committee and Chairman of Risk Management Committee Date Appointed : 5 February 2008	69	Master and Ph.D (Statistics) Harvard University, U.S.A  Bachelor of Commerce (First Honor), Chulalongkorn University  Directors Certification Program (DCP), Thai Institute of Directors	- shares	-None-	February 2012 - Present	Chairperson	Chulalongkorn University Council
					April 2000 – November 2001	Independent Director and Member of Audit Committee	Kasikorn Bank Pd.
					November 2011- Present	Independent Director and Chairman of Audit Committee	Kasikorn Bank Pd.
					2008 – December 2011	Independent Director and Member of Audit Committee	Sermsuk Plc.
					2008 – December 2011	Independent Director and Vice Chairman of Risk Management	Sermsuk Plc.



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

Name / Positions / Date Appointed (1)	Age	Educational Credentials (2)	Share Holding (%) (3)	Relation to the Management (4)	Working History (5)		
					Year	Positions	Company / Business Type
					December 2011 – Present	Committee Chairman of Audit Committee	Sermsuk Plc.
					August 2001 – Present	Chairman of the Working Committee	PHUFA, Remote Area Children and Youth Development Fund
					2006 – Present	Director and Member of Audit Committee	Thai Red Cross Society
					October 2013 – Present	Chairman of Human Resources Committee	Thai Red Cross Society
					July 2009 – July 2013	Chairman of Executive Committee	Mahidol Wittayanusorn School
					September 1999 – August 2011	Chairman	Statistics Association, Thailand
					October 2006 – 2 March 2008		Member of the National Legislative Assembly
					1 April 2004 – 31 March 2008		Rector of Chulalongkorn University
<b>Mrs. Siripen Sitasuwan</b>  Independent Director, Member of Audit Committee and Member of Risk Management Committee  Date Appointed : 13 August 2013	65	BBA Chulalongkorn University  Certificate, Audit Committee Program (ACP), Class 32/2010, Thai Institute of Directors  Certificate, Role of the Compensation Committee (RCC), Class 4/2007, Thai Institute of Directors  Certificate, Directors Certification Program (DCP), Class 33/2003, Thai Institute of Directors  Listed Company Director Essential – Understanding the Regulatory Environment in Singapore: What Every Director Ought to Know, Singapore Institute of Directors	- shares	-None-	2000 – Present	Director	Thanachart Capital Public Company Limited.
					2009 – Present	Chairman of Audit Committee	Thanachart Capital Public Company Limited.
					2009 – Present	Member of Nominating Committee and Compensation Committee	Thanachart Capital Public Company Limited.
					May 2013 – Present	Director	Fraser and Neave, Limited (Singapore)
					June 2013 – Present	Member of Compensation Committee	Fraser and Neave, Limited (Singapore)
					Jan 2014 – Present	Chairman of Audit Committee	Fraser and Neave, Limited (Singapore)
					Jan 2014 – Present	Member of Nominating Committee	Fraser and Neave, Limited (Singapore)
					August 2013 – Present	Director and Chairman of Audit Committee	Thai Solar Energy Public Company Limited
					2008 – Present	Chairman	Solaris Asset Management Co., Ltd., (Changed name from Seamco Securities Public Company Limited)

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

Name / Positions / Date Appointed (1)	Age	Educational Credentials (2)	Share Holding (%) (3)	Relation to the Management (4)	Working History (5)		
					Year	Positions	Company / Business Type
					August 2013 - Present	Director, Member of Audit Committee and Member of Risk Management Committee	Sermsuk Plc.
<b>Mr. Pramod Phornprapha</b> Director Date Appointed : 19 April 2012	49	Master of Marketing Kellogg School of Management, Northwestern University  Master of Public Administration Kennedy School of Government, Harvard University	- shares	-None-	2005-Present	Managing Director	Carls Co., Ltd.
					2011-Present	Managing Director	myDNA Co., Ltd.
						Director	Sermsuk Plc.
						Director	Siam Motors Co., Ltd.
						Independent Director and Audit Director	Thai Summit Harness Ptd.
						Director	The Progress Watch Co., Ltd.
<b>Honorary Prof. Rawat Chamchaleern</b> Director Date Appointed : 29 April 2011	71	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), Thai Institute of Directors	- shares	-None-	2010-Present	Chairman	Sino-Thai Engineering & Construction Public Company
					2004-Present	Honorary Professor	Faculty of Laws, Chulalongkorn University
						Honorary Professor	Honorary Professor, Institute of Legal Education, Thai Bar Association
						Honorary Professor	Faculty of Laws, Mahidol University
						Honorary Professor	Faculty of Laws, Mae Fah Luang University
						Speaker	Office of Justice Affairs, Ministry of Justice
						Speaker	Department of Special Investigation
						Speaker	Institute of Administration Development, Ministry of Interior
						Speaker	Office of The Attorney General
						Vice Chairman	Don Muang Tollway Ptd
						Vice-Chairman	Siam City Leasing-Factoring Company Limited
						Specialized Committee Member	Ministry of Public Health
						Specialized Committee Member	the Office of Small and Medium Enterprises Promotion
						Executive Director	National Science and Technology Development Agency



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

Name / Positions / Date Appointed (1)	Age	Educational Credentials (2)	Share Holding (%) (3)	Relation to the Management (4)	Working History (5)		
					Year	Positions	Company / Business Type
						Advisor	Athletic Association of Thailand
						Member	Council of State
						Member of the Special Council of State	Office of the Council of State
						Director, Council of State	
						Specialized Committee Member	Government Association Ministry of Justice Ministry of Agriculture and Cooperatives
						Chairman	MCOT PCL
						Director	National Bureau Of Agricultural Commodity and Food Standards
						Director	True Corporation Co., Ltd.
						Director	Sermak Plc.
						Advisor	Bangkok Airways Public Company Limited
					2003-2004	Advisor	Bureau of Academic Affairs and Educational Standards
					2000-2003	Attorney General	Office of The Attorney General
					1996-2000	Deputy Attorney General	Office of The Attorney General
					1996	Attorney General for Academic Affairs	Office of The Attorney General
						Director General	Training and Development Institute Office of the Attorney General
<b>Mr. Sakchai Thanaboonchai</b> Director Date Appointed : 29 April 2011	58	Certificate in Applied Social Sciences, Thammasat University  Honorary Doctorate Degree in Education Management from the United States  (2009) Top Executive Program Class 2, Commerce and Trade (TEPCoT)  (2009) Certificate of Chief Executive, Class 9 Capital Market Academy  (2004) Directors Certification Program (DCP) Thai Institute of Directors	- shares	-None-	Working Experience	Chairman of Executive Committee	S.A.S WEAVING Co., Ltd.
						Chairman	S.A.S.Trading Co., Ltd.
						Chairman	S.A.S. CTAMAD Co., Ltd. (Mala Hanoi Hotel) Socialist Republic of Vietnam
					Current Position	Director	Executive Board of King Prajadhipok's Institute
						Vice Chairman of Executive Committee	Sikarin Public Company Limited
						Advisor	The Thai-Vietnam Friendship Association
						Advisor	S.A.S. CTAMAD Co., Ltd. (Mala Hanoi Hotel) Socialist Republic of Vietnam

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

Name / Positions / Date Appointed (1)	Age	Educational Credentials (2)	Share Holding (%) (3)	Relation to the Management (4)	Working History (5)		
					Year	Positions	Company / Business Type
						CEO	S.A.S. WEAVING CO., LTD.
						CEO	Textile Corporation
						Director	Neechal-Khunying Amporn Ruchapan Foundation
						Director and Secretary	Ramathibodi Foundation
						Director	Sermsuk Plc.
						Director	MILLCON STEEL PLC.
<b>Mr. Rangsan Thammaneeuwong</b> Director Date Appointed : 29 April 2011	53	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	- shares	-None-	1998-Present	President	Prudent Advisory Limited
					2000 – Present	Director	Prudent Capital Limited (2000 – Present)
					2004 – Present	Chartered Member	Society for Advancement for Consulting, USA
					2014-Present	Director	PATKOL PUBLIC COMPANY LIMITED
					1995	Advisor	Tanayong Pcl. with respect to the arrangement of project financing of the BTS
					1987-1990		Fund manager and the person who converted Thailand's national airline pension funds into a registered provident fund
<b>Mr. Sithichai Chalkriangkral</b> Director, Vice Chairman of Executive Committee No.2 and Member of Risk Management Committee Date Appointed : 14 September 2011	60	Bachelor of Accountancy (1st Class Honours), Thammasat University  Diploma in Computer Management, Chulalongkorn University  Certification of the Mini MBA in Leadership Management Kasetsart University  Director Certification Program (DCP) Class 26/2003, Thai Institute of Directors DCP Refresher Course (DCP-Rc), Class 2/2006, Thai Institute of Directors	- shares	-None-	<u>Working experience from 2000-Present</u>		
					August 2013-Present	Director	Fraser Centrepont Limited
					February 2013-Present	Director	Fraser and Neave, Limited
					December 2012-Present	Director and Executive Director	Golden Land Property Development Pcl.
					October 2011-Present	Director and Executive Vice President (the2nd)	Sermsuk Plc.
					May 2010-Present	Director and Executive Vice President	Thai Beverage Public Company Limited
					September 2007-Present	Director	Eastern Seaboard Industrial Estate (Rayong)
					July 2007-Present	Director and Executive Director	Univentures Pcl.



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

Name / Positions / Date Appointed (1)	Age	Educational Credentials (2)	Share Holding (%) (3)	Relation to the Management (4)	Working History (5)		
					Year	Positions	Company / Business Type
					April 2007-Present	Director and Executive Director	Siam Food Products Pcl.
					January 2006-Present	Director/ Executive Vice Chairman	Oishi Group
					March 2004-Present	Director/ Executive Vice Chairman	Beer Thip Brewery (1991) Co., Ltd.
					December 2001-Present	Director/ Executive Director/Risk Management	Berli Jucker Pcl.
					October 2003-May 2010	Executive Chairman	Thai Beverage Public Company Limited
					<u>Current position as the director of other listed companies</u>		
						Director	Fraser's Centrepoint Limited (Singapore)
						Director	Fraser's and Neave Limited (Singapore)
						Director and Executive Director	Golden Land Property Development Pcl.
						Director and Vice Chairman of Executive Director Committee	Sermsuk Plc.
						Director and Executive Vice President	Thai Beverage Pcl. (Singapore)
						Director and Executive Director	Siam Food Products Pcl.
						Director and Vice Chairman	Oishi Group Pcl.
						Director	Eastern Seaboard Industrial Estate (Rayong)
					<u>Non-listed Companies</u>	Director	Beer Thip Brewery (1991)
						Senior Vice President	Thai Beverage Public Company Limited

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

Name / Positions / Date Appointed (1)	Age	Educational Credentials (2)	Share Holding (%) (3)	Relation to the Management (4)	Working History (5)		
					Year	Positions	Company / Business Type
<b>Mr. Marut Buranasetkul</b> Director and Executive Director Date Appointed : 13 August 2013	47	Director Certification Program (DCP) Class 180, Thai Institute of Directors  Senior Level Executive Program Class13, Capital Market Academy  Executive Development Program 2, Capital Market Academy  B.Sc. in Computer Science (Applied Statistics in Business), Chulalongkorn University  MBA, Marketing and General Management, Cleveland University, USA  Certificate, Business and Administration Extension School, Harvard University, USA	- shares	-None-	October 2014 - present	Vice-President/ Vice-Chairman	Orega (Management) Limited
					August 2013 - Present	Company Director	Thai Drink Co., Ltd.
					August 2013 - Present	Company Director/ Executive Director	Sermsuk Plc.
					August 2013 - Present	Company Director	Oishi Ramen Co., Ltd.
					August 2013 - Present	Company Director	Oishi Trading Co., Ltd.
					August 2013 - Present	Company Director/ Managing Director	Oishi Group Pcl.
					September 2012 - Present	Vice Chairman / Chairman of Executive Board / Managing Director	Thai Beverage Marketing Co., Ltd.
					September 2012 - Present	Executive Director and Senior Vice President, Marketing Management	Thai Beverage Public Company Limited
					October 2012 - Present	Director and Chairman of Executive Board	Dhosapaak Co., Ltd.
					December 2012 - Present	Vice Chairman	Modern Trade Management Co., Ltd.
					December 2011 - Present	Specialized Committee Member	Member of the SMEs Promotion Committee
					2011 - April 2013	Deputy Chairman of the Membership Expansion Committee	The Thai Chamber of Commerce and Board of Trade of Thailand
					May 2010 - August 2012	Assistant President & CEO for Support	Thai Beverage Public Company Limited
					January 2009 - June 2012	Director, the President & CEO Office	Thai Beverage Public Company Limited
					May 2009 - February 2011	Director and Managing Director	Thai Drink Co., Ltd.



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

Name / Positions / Date Appointed (1)	Age	Educational Credentials (2)	Share Holding (%) (3)	Relation to the Management (4)	Working History (5)		
					Year	Positions	Company / Business Type
					January 2009 – January 2011	Deputy Managing Director	Thai Beverage Marketing Co., Ltd.
					2005 – 2009	Vice President, Business Marketing and Sale	CAT Telecom Public Company Limited
					2007 – 2008	Director	CAT BUZZ TV Co., Ltd.
					2006 – 2008	Director	Hutchison CAT wireless MultiMedia Ltd
					2004 – 2005	Marketing Manager, Digital Business	GMM Grammy Public Company Limited
					2001 – 2004	Marketing Manager, Channel Distribution Management	Advanced Info Service PLC
					1999 – 2001	Business Planning Manager, ASEAN Business Office	Ford Motor Company (Thailand) Ltd.
					1996 – 1999	Marketing Manager, Automobile Sales & Marketing	ASIAN HONDA MOTOR CO., LTD.
					1993 – 1995	Marketing Executives, Corporate Account Relationship	IBC Co., Ltd.
					1990 – 1991	Assistant to the Marketing Section - Research & Development	Siam Cement Group
<b>Mr. Parinya Permpanich</b> <b>Sales Operations Director</b> Date Appointed : 1 January 1997	57	MBA, Kasetsart University	- shares	-None-	16 Sep 2014-Present	Sales Operations Director	Sermsuk Plc.
					27 Nov 2007-15 Sep 2014	Marketing and Sales Operations Director	Sermsuk Plc.
						Sales Operations Director (previous)	Sermsuk Plc.
						Marketing Manager (Previous)	Sermsuk Plc.

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

Name / Positions / Date Appointed (1)	Age	Educational Credentials (2)	Share Holding (%) (3)	Relation to the Management (4)	Working History (5)		
					Year	Positions	Company / Business Type
<b>Mr. Piya Smutkochoom</b> Marketing Director Date Appointed : 18 November 2014	45	MBA, Marketing, California State University	- shares	-None-	18 November - Present 2007-2014	Marketing Director Marketing Director	Sermasuk Plc. Samitivej Hospital
<b>Mr. Arthakrit Visudtibhan</b> Human Resources Director Date Appointed : 26 November 2002	58	Master Degree, Public Administration University of Southern California, U.S.A.	- shares	-None-	November 26, 2003 - Present May 21, 2012 - Present	Human Resources Director Director	Sermasuk Plc. Sermasuk Training Co., Ltd.
<b>Ms. Tientip Narech</b> Finance Director Date Appointed: November 3, 2014	39	University of Michigan-Stephen M. Ross School of Business	- shares	-None-	November 3, 2014 - present 2544-2551 2001-2008	Finance Director Senior Vice President, Multi-Corporate Banking Relationship Management Vice President, Global Business Acquisition and Sales Management, 2551 Vice President, Corporate Client Relationship 2544-2551	Sermasuk PCL Thai Military Bank PCL (TMB) Kasikorn Bank PCL
<b>Mr. Peerapong Krinchai</b> Operations Director Date Appointed : 23 April 2012	49	Master of Engineering, Cornell University	- shares	-None-	23 April 2012 - Present Feb 2011 - March 2012 Feb 2006 - Jan 2011 March 2000 - March 2006	Operations Director Factory & Supply Chain Director Director-QA/KOS Operations Manager	Sermasuk Plc. DSG International (Thailand) Pcl. (Previous) Kohler Asia Pacific Co., Ltd. (Previous) Mars Petcare Thailand (Previous)
<b>Mr. Kwanchai Mahapornprachak</b> General Plant Manager - Nakhomratchasima Date Appointed : 1 January 2009	55	BA in Marketing Assumption Business Administration College	- shares	-None-	1 Jan 2009 - Present 1 Jan - Dec 2008 1 Jan - Dec 2003 1 Jan - Dec 2000	General Plant Manager - Nakhomratchasima Sales Manager Regional Sales Manager Regional Sales Manager	Sermasuk Plc. Green Spot (Thailand) Co. Ltd. Nestle (Thal) Co. Ltd. Dumex Co., Ltd.
<b>Mr. Viraj Ehlukumjorn</b> General Plant Manager - Suratthani	54	BA in Marketing, Assumption Business Administration College	- shares	-None-	March 2011 - Present	General Plant Manager - Suratthani	Sermasuk Plc.



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

Name / Positions / Date Appointed (1)	Age	Educational Credentials (2)	Share Holding (%) (3)	Relation to the Management (4)	Working History (5)		
					Year	Positions	Company / Business Type
Date Appointed : 16 April 2011					June 2003 - Feb 2011	Regional Sales Manager	Nestle Thailand Co., Ltd. (Previous)
					Nov 1994 - May 2003	Product Group Manager	Thai City Electrics Co., Ltd. (Previous)
<b>Mr. Pibul Voravath</b>  <b>Group General Manager and General Plant Manager, Pathumthani</b>  <b>Date Appointed : 16 September 2014</b>	53	Bachelor of Administration in Marketing, Rajamangala Institute of Technology	- shares	-None-	16 Sep 2014 - Present	Group General Manager and General Plant Manager, Pathumthani	Sermsuk Plc.
					1 Dec 2011 - 2014	General Plant Manager, Pathumthani	Sermsuk Plc.
					1 Dec 1996 - 2011	Assistant General Plant Manager - Sales Department (Previous)	Sermsuk Plc.
<b>Miss Arunrat Tangthiraphatrakij</b>  Secretary  Date Appointed : 13 August 2013  <b>Responsibilities:</b> Prepare and collect the following documents; - Registration of directors - Invitation letters for board meetings, meeting minutes and the Company's annual report - Invitation letters for shareholder meetings and minutes of shareholder meetings  The Company Secretary also performs other duties as assigned by the Company (or the Company's Board of Directors), as follows: - Provide legal advice and other information on related regulations and corporate governance practices and ensure the operation of the Board of Directors in compliance with the law - Arrange the meetings for the board of directors and shareholders - Work with internal sections to ensure the compliance of the Board of Directors' and Shareholder Meetings' resolutions - Work with oversight organizations such as the Securities and Exchange Commission and oversee the information disclosure and information reporting to the oversight organizations and the public in a legally accurate and complete manner - Undertake other duties as assigned by the Company.	39	2543-2544 Case Western Reserve School of Law Cleveland Ohio, USA Master of Laws (LL.M.)  2536-2540 Assumption University, Bachelors of Laws (LL.B.) -The Rector's Certificate of Honors	- shares	-None-	16 October 2013	Legal Manager and Company Secretary	Sermsuk Plc.
					1 December 2005	Senior Legal Counsel	Sermsuk Plc.
					2006	Legal Unit, Manager of General Contact Division	Total Access Communication Public Co., Ltd. (DTAC)
					2002-2006	Litigation and Intellectual Property Department	Dej-Udom & Associates Co., Ltd.

**15. Report of the Board of Directors' Responsibility on the financial Statements**

The Board of Directors of Sermasuk Plc. is responsible for the financial statements of Sermasuk Plc. 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.

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, 2014.



**16. REPORT OF THE AUDIT COMMITTEE**

(Translation)

To: The shareholders  
Sermasuk Public Company Limited

The Audit Committee appointed by the Board of Directors consists of three independent directors, Professor Dr. Khunying Suchada Kiranandana, Mr. Suchin Wanglee and Mrs. Siripen Sitasuwan. The record of meeting attendance is as follows:

1) Prof. Dr. Khunying Suchada Kiranandana	8 of 8 meetings
2) Mr. Suchin Wanglee	8 of 8 meetings
3) Mrs. Siripen Sitasuwan	7 of 8 meetings

In 2014, the Audit Committee held 8 meetings that consisted of 4 ordinary meetings and 4 extraordinary meetings. The four ordinary meetings reviewed 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, following-up on issues raised by the auditors and providing corrective suggestions; ensuring adequate risk management; approving the quarterly and annual financial statements by working with the management, the auditor and the internal auditor, to ensure the adequacy and correctness of the financial statements and the disclosures according to the generally accepted accounting principles, including the review of connected transactions or transactions which could possibly lead to conflict of interest; the execution to consider overall operations to ensure compliance with related laws and regulatory requirements; and recommended the appointment of the external auditor and annual audit fee to the Board of Directors.

The four extraordinary meetings involved the consideration and approval of the committee in operations including selling the premises of the Thonburi branch, the consideration and selection of financial advisors for the sale of the premises, the review of the independent financial advisors' viewpoints regarding the sale of the premises of the Thonburi branch, and the consideration of the business development project and the review of the financial advisors' viewpoints about the license of the "est" registered trademark.

The operations of the Company and its subsidiaries in 2014 revealed that the company had an adequate internal control system in accordance with the Statements of Thai Financial Reporting Standards. The financial statements and disclosures were prepared and reported according to the generally accepted accounting principles and complied with the appropriate laws and regulatory requirements.

*Professor Dr. Khunying Suchada Kiranandana*  
Chairman of Audit Committee  
February 20, 2015

## **17. REPORT OF THE RISK MANAGEMENT COMMITTEE**

(Translation)

To: The shareholders

Sermsuk Public Company Limited

The Risk Management Committee appointed by the Board of Directors Meeting Resolution consists of five directors and four directors by position including Finance Director, Sales Director, Human Resources Director and Operations Director.

The Risk Management Committee performed the duties assigned by the Company's Board of Directors. In 2014, the Risk Management Committee held four meetings, developed the principles and guidelines to undertake more efficient risk management on a continual basis and reviewed risk factors and external and internal risk levels as well as followed up on the operations in parallel to the risk management principles and made appropriate adjustments to strategic planning for sustainable management.

Given the operations of the Company and its subsidiaries in 2014, the Risk Management Committee reported that the Company has prepared a risk management plan and implemented a policy to manage risk more efficiently and continually in line with good corporate governance requirements while undertaking adequate internal controls that best suited the Company's businesses.

*Professor Dr. Khunying Suchada Kiranandana*

Chairman of Risk Management Committee



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