

# ANNUAL REPORT 2011

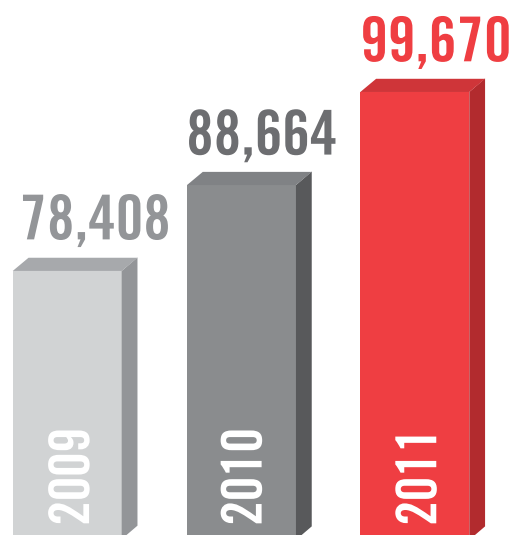
SIAM MAKRO PUBLIC COMPANY LIMITED



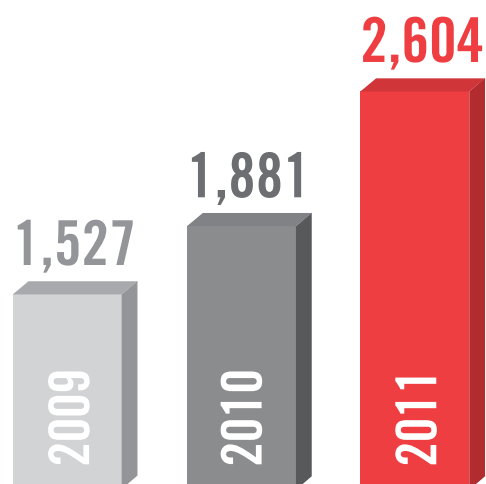
# SUSTAINABLE GROWTH

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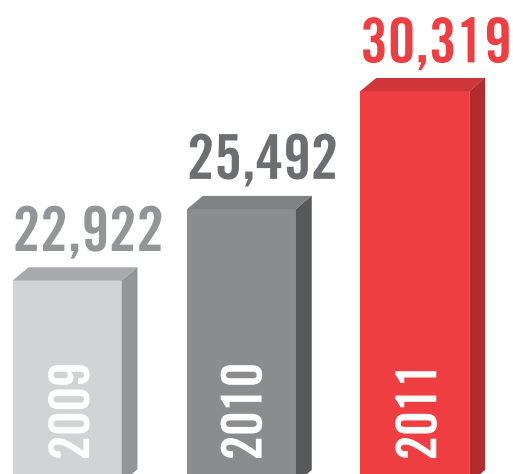
**2011 Total Consolidated Revenues**  
**+12.4%**  
over 2010



**2011 Net Profit**  
**+38.5%**  
over 2010



**2011 Total Assets**  
**+18.9%**  
over 2010



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# CONTENTS

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Message from the Chairman and Chief Executive Officer	10
Makro Cash & Carry	12
Makro Foodservice	14
Siam Frozen Shop	16
Operations Excellence	
• Distribution Center	17
• Customer Development	18
• Health & Safety	20
• People Development	21
• Business Continuity Management (BCM)	22
Makro Retailer Alliance (MRA)	24
CSR & Contributing to Society	26
Annual Events	28
Siam Food Services	30
Company Profile	33
Financial Highlights	34
Audit Committee's Report	36
Management Discussion and Analysis	38
Industry and Competitive Environment	40
Looking to the Future	41
Risk Factors	42
History and Major Development	44
Other Information	46
Report of the Board of Directors' Responsibilities for Financial Statements	83
Financial Statements	85
Makro, Makro Foodservice, Siam Frozen and Siam Food Services Locations	135



# CORPORATE PHILOSOPHY



Keep Things Simple



Go for Niche and Market Share



Manage Change



Listen, Learn and React

Look for the Unusual



Growth through Performance



Invest in People





# VISION

Makro, partner for your business...

Makro, partner for your business  
providing the best solution to  
Food Professional Customers  
through complete range,  
quality, price and services.







# MISSION

To be the 1<sup>st</sup> Choice  
Supplier to our Registered  
Food Professionals





## MESSAGE FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER



**Mr. Arsa Sarasin**  
Chairman



**Mrs. Suchada Ithijarukul**  
Chief Executive Officer

The continuing favourable economic and business environments from late 2010 were sustained into 2011 by strong exports demands, continued dynamic growth of the tourism sector and very positive consumer sentiments, all of which enabled Thailand's GDP to remain on a positive track with GDP year-on-year growth for Quarter 1 to Quarter 3 of 3.8%, 2.7% and 3.2% respectively. But then Quarter 4 proved to be a seriously challenging period, as many Central Region provinces were impacted by the most devastating floods Thailand has experienced for more than 50 years. The extensive flood crisis spread from the Central Region towards the Greater Bangkok Area, causing widespread damage to agricultural land, urban communities and numerous business facilities located within the many industrial estates situated around Phra Nakhon Siayutthaya and Pathum Thani provinces. Extensive damage was caused to the overall Thai economy, which suffered a considerable contraction of 9.0% year-on-year during Quarter 4, resulting in a Full Year 2011 GDP marginal growth of 0.1% compared to the previous year.

As with many other businesses in these locations, the widespread flood affected 3 Makro stores (in Nakhon Sawan and Phra Nakhon Siayutthaya provinces and in Rangsit District of Greater Bangkok) together with the sole Distribution Center located in Wang Noi, which became inaccessible to suppliers and had to be closed temporarily. However, through the commitment and dedication of our employees, who took initiative in minimising damages to the Company's facilities and in working closely with key suppliers to facilitate ongoing replenishment of inventories at the flood affected stores, uninterrupted customer services in these stores was maintained. This ensured that flood-affected communities and consumers were still able to have access to essential goods and products throughout the flood crisis.

The flood situation also proved to be a unique opportunity for Makro to test and activate its Business Continuity Management (BCM) Plan. The readily available BCM Plan facilitated Management in taking speedy, proactive and decisive actions to relocate key Head Office functions to a temporary site situated at the Makro Chonburi store and to identify alternative distribution hubs located at the larger Makro outlets from which other stores' inventory replenishment was undertaken. Thus, throughout the flood situation, the Company was able to maintain uninterrupted service for its customers at every Makro stores.

Further, the flood crisis afforded Makro added opportunities to undertake additional CSR-related activities to help distribute basic necessities, food and monetary donations throughout the severe flood situation. In the immediate post-flood period Makro and its staff also undertook various flood-relief activities and assistance programs to help the many flood-affected communities and small retailers customers to quickly rehabilitate their homes and business. These flood-relief activities were undertaken in addition to the annual CSR-related initiatives normally undertaken by the Company through various Company organised activities as well as through joint initiatives in close cooperation with the Rajaprapanugroh Foundation under the Royal Patronage and the "Royal Initiated" Agricultural Development Projects, all of which activities are aimed at helping and benefiting specific local communities or Thai society as a whole.

Despite the very challenging final months, 2011 was another outstanding year for Makro. The Company achieved break though operating performance when compared to the previous year, with all key performance indicators (KPIs) showing significant year-on-year increases. Total consolidated revenues increased 12.4% to a total record breaking Baht 99,670 million, driven by an overall 12.4% increase in total sales. Net Profit after Tax increased 38.5% compared to the previous year and totaled Baht 2,604 million, which resulted in an Earnings per Share of Baht 10.85 compared to Baht 7.84 for Full Year 2010.

Because of the above outstanding performance results, the Company's financial position as at the end of 2011 has been further strengthen. The operational achievements and performance results were made possible through continued expansion of Makro stores (in Ratchaburi, Mae Rim-Chiang Mai, Phra Nakhon Siayutthaya and Lampang) which now total 52 plus 2 Siam Frozen Shops, and through the implementation of various new and continuing strategic customer development initiatives. Additionally, the sustained positive financial performance was also the result of ongoing operational excellence-related initiatives including the adoption of a customer-centric organisation, new store formats and design,

## MESSAGE FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

products assortment and product sales mix improvements that aim to address specific core customers requirements, and various internal business process improvements, as well as continuing employees career development and skills training programs.

One result of the stores format development initiative is the creation of the Makro Foodservice Store, a new specialty food service retailing concept designed to targeting the key HoReCa and Food Services customers, which was launched in Hua Hin in mid January 2012. The Makro Retailer Alliance program continue to be proactive in its goal of helping the small retailer customers becoming a more sustainable small business in local communities. And during 2011 the Company again organised two key annual marketing events - the 6<sup>th</sup> Makro HoReCa Event and the 4<sup>th</sup> Retail Expo, both of which were well-attended and well-received as in previous years. All of the above customer-oriented and internal operational improvement initiatives are aimed at enabling Makro to

realise its mission "To be the 1<sup>st</sup> Choice Supplier to our Registered Food Professionals".

Finally, we would like to thank our customers for their continued loyalty, support and valued patronage; our various business partners and suppliers for their close cooperation - especially during the recent floods; all the Directors and Shareholders for their continuing support during 2011. And, lastly the Company and the Board of Directors wish to express our thanks and great appreciation to the Management as well as all our valued employees, whose hard work and unswerving dedication, especially during the flood crisis at the end of 2011 that enabled the Company to maintain uninterrupted customer service as well as to achieve an outstanding operational performance for 2011. With such great continuing support and commitment from all our Stakeholders, we are confident that the Company will be able to continue to "go and grow" in order to achieve further business success on a sustainable basis.



Mr. Arsa Sarasin  
Chairman



Mrs. Suchada Ithijarakul  
Chief Executive Officer



# MAKRO CASH & CARRY

## Stores Formats

Makro made a strategic move in mid-2010 by adopting a new customer-centric structure and new organisation that focuses on its core target customers groups rather than being products or stores formats oriented and strengthen the organisation to accelerate in growing food service business. This will enable the Company to both understand its core customers groups much better in order to be able to serve their respective but varying specific requirement more effectively in terms of designing stores format and layout. It enables the Company to have more relevant products assortment and offerings, and implementing other sales and marketing related activities.

Currently, as at the end of 2011, there are 52 Makro stores and 2 Siam Frozen Shops, with various formats and specific design layouts aimed at serving the respective target customers groups as follows :

**Classic Store :** Typical cash & carry structure designed to serve professional customers with a selling area ranging between 5,500-12,000 sq.m. The focused customer groups are small retailers, HoReCa and Services.

**Eco Store :** This type of store is designed to serve HoReCa customers located in tourist cities like Phuket, Samui and Krabi. The majority of the selling space is dedicated to food products, with both products assortment and display being tailored for the specific HoReCa customer requirements.

**Eco Plus Store :** In line with the ongoing Company's development strategy on customer groups, this type of store is designed to serve food professionals both HoReCa and small food retailers. Most of the selling space is dedicated to food products for the HoReCa and small food retailers. This will be the main concept for future expansion in order to differentiate Makro from its competitors.

**Siam Frozen Shop :** a newly developed small store format (with selling area of approximately 100-150 sq.m.) launched in November 2010 with a pilot store in Chiang Mai. More details can be referred to page 16.

**Makro Foodservice store :** This newly developed specialty store concept, with a small to medium sized footprint, is geared to provide specific food service solutions for the full spectrum of HoReCa customers - ranging from small street vendors, fine dining restaurants and all the way up to 5-star hotels.

## Core Makro Customers

**Small Retailers :** They are small traditional retailers selling basic consumer goods located throughout the country, such as general grocery stores, as well as community mom & pop (or sho huay) stores and minimarts etc.

**HoReCa :** They are Hotels, Restaurants and Caterers as well as Food Stalls, the majority of which are medium to small food service operators serving a wide range of cuisine.

**Service :** They are service businesses and government organisations, including corporate and Government offices, schools, hair salons, printing shops, laundry shops, and other general services providers etc.

## Assortment and Price Competitiveness

Products assortment is a key to our ability to attract and retain our core customer base. Our customers must be satisfied that our stores carry the required products at the right price. Our target customer groups have special and differing buying requirements. Through close observation of customer's buying patterns and constant communications with them, we are able to be responsive to the different demands of our core customer base. As we expand more into new areas, we can adapt our product offerings to the specific needs of the customer base situated in each location.

Based on the new store design layouts and formats, product assortment has to be developed as well in order to fulfill the concept. Ongoing refinements will be undertaken to enable



## MAKRO CASH & CARRY

the Company to offer a more diverse up-market products range specifically targeting the HoReCa and food service professional customer groups; namely, a range of wine, cocktail and mixer, a specialty-coffee solution, a sashimi counter, both imported and top grade local beef counter, a wide selection of international food products, a deli and cheese counter, and full line of frozen food products.

Price competitiveness is vital to our success and to our ability to attract and stay the supplier of choice for our core customer base. The ability to price competitively is achieved through a variety of factors including price surveys, improved internal cost management, and our ability to work with our suppliers.

### Low Cost Structure

The Company aims at maintaining a low cost structure by actively searching for additional cost optimisation and improvements in operational efficiencies. Initiatives from previous years continue to be implemented; namely effective margin management, efficient inventory management, stock aging system, cost-effective stock financing, usage of energy savings and environmental friendly energy-efficient lighting systems and equipments.





## MAKRO FOODSERVICE

Makro Foodservice Store is a new format for Siam Makro Plc. It is a first-mover specialty food retailing format outlet in Thailand, targeting the growing food services industry with the first location being opened on January 11, 2012 in the key and popular local as well as international tourism destination of Hua Hin.



Makro Foodservice is a membership only wholesale concept providing a “one stop” solution, with a full range and assortment primarily for the Hotels and Resorts, Restaurants, Caterers and Institutional businesses - including a full range of national, local and private label products as well as a variety of fresh, frozen, dry food products, beverages, paper products, disposable products, together with cleaning supplies and equipments.

This innovative Makro Foodservice Store format has been designed for customer convenience. It includes walk-in fruit and vegetable cold-rooms for case sale of local and import products; an expanded seafood section with live fish/shell fish, fresh fish, and quality fish fillet for sashimi. It provides an expanded butchery with a selection of local and import meats and also with a walk-in butchery chill room for case and bulk



• Wines cellar display and sales counter



• Meat & Butchery products display and sale counter

## MAKRO FOODSERVICE

purchases; a gourmet deli and cheese products section; and an in-house bakery providing finished baked goods as well as a range of bakery ingredients. Also available is a full range of international spices and ingredients, frozen foods and products, wine & spirits and cocktail mixers, as well as various restaurant and food service equipments that include all the needed accessories for professional food preparation, cooking, serving and storage.



The Makro Foodservice Store selling space is approximately 5,700 m<sup>2</sup>, together with back-of-the-house cold rooms and frozen drive-in storage facilities. Close attention is also given on managing the food quality supply chain; and the store makes use of environmental friendly energy-efficient lighting and air conditioning systems.

Our customer service is staffed with fully experienced personnel, providing in-store assistance every day throughout the day. We also employ foodservice specialists, who are available to give in-store support and assistance in solving our food service professional customer's problems and requirements.



## SIAM FROZEN SHOP



Siam Frozen Shop is a new format that the Company developed with an aim of capitalising on our market leadership in frozen food products, which is a fast growing segment, in order to expand our market coverage and increase our customer base.

It is positioned as a frozen food specialist shop selling mostly frozen products to the HoReCa customer group, who seek convenience and good quality products. Also, other food service professional customers, living further away from the larger Makro stores, can now have easier access to quality frozen food products that are available throughout the year regardless of the season.

Following the success of the pilot shop located in Chiang Mai, in December 2011 the Company opened a second outlet in Udonthani, and plans to open more outlets in other parts of the country during in 2012.



• Grand opening ceremony of the Siam Frozen Shop in Udonthani on December 15, 2011



• Atmosphere inside the Siam Frozen Shop on opening day



## OPERATIONS EXCELLENCE - DISTRIBUTION CENTER

As part of ongoing operational infrastructure improvements, during the first part of 2011, docking facilities and handling capacity within Makro's Distribution Center for Dry and Non food products, located at Wang Noi, Phra Nakhon Siayutthaya province, were expanded to cope with the significantly increased volume of products for distribution to stores.

In late 2011, as a result of the extensive flooding, roads to Makro's Distribution Center became inaccessible and because many suppliers to Makro themselves also faced logistic and supply chain problems from their supply sources, they were not able to deliver goods to the Distribution Center. It was then forced to temporarily close down for a few weeks. With the BCM framework, the Company was able to react speedily

and take decisive measures to resume normal operation by renting two temporary DC's for Dry / Non food, F&V and frozen food. A temporary DC for butchery was supported by our major pork products supplier. This prompt start up of new DC together with our capable commercial team enabled us to get stocks of necessity products to customers during this difficult period. Those resulted in all Makro stores remaining open to give uninterrupted customer service-although at some flood affected outlets operating conditions were considerably difficult.

However, as soon as the flood waters receded, the Distribution Center at Wang Noi restarted its operations as of December 5, 2011.





## OPERATIONS EXCELLENCE - CUSTOMER DEVELOPMENT



Since Makro adopted a customer-centric structure in mid-2010, both the Operations and Marketing groups have undertaken various customer-centric strategic initiatives which aim to enable the Company to gain more in depth insight about its target customer groups' purchasing decision drivers as well as their perception of Makro's ability to deliver on its brand promise.

Customer Development is a core business success factor for Makro. By making more effective use of the existing extensive customer database of over 2 million members, the Company will be able to gain specific and valuable knowledge about its core target customer groups. This will then enable Makro to develop and implement more customer-focused marketing programs designed to increase its customer base, together with more effective promotion campaigns and customer-loyalty programs as well as more responsive ongoing customer communications and customer relationship management related activities.

Additionally, having more in-depth insights into its customers' mindset will facilitate Makro to undertake further development of stores formats and design layout as well as further refinements of its products assortment and offerings, inclusive of its successful in-house brands. These key marketing mix components will be more responsive to the specific but diverse requirements of



- Training for Makro staff to use the new database application software for analysing buying behavior and comments of Makro member customers

each respective target customers groups. It will also enable the Company to work more closely with key suppliers in order to be able to source competitively-priced products and to be well-positioned to provide more relevant food service business solutions-oriented products for its core target food service professional groups and food retailers. Additionally, food services specialists, enable Makro to be more effectively meet the key Food Service Professional customer groups. During the year, the Company has relaunched 3 stores with new store layout and displays in order to serve our customers more efficiently, (namely: Lardprao store, Chonburi store, and Samui store).



## OPERATIONS EXCELLENCE - CUSTOMER DEVELOPMENT



Another major CRM initiative is the “Lovemark” campaign, with the primarily objective of making Makro’s front line staff to be more closely connected with customers at the store level in order to get to know their specific requirements so as then to do whatever is needed to satisfy them. This campaign is embedded into all Makro stores during 2010 and 2011. Launching of the “Lovemark” campaign to all Makro customers will be continued during 2012.



- Customer Development staff visiting Makro member-customers



## OPERATIONS EXCELLENCE - HEALTH & SAFETY



• Source from only High Standard Manufacturer



• Training Chemical Residue Test

Continued and proactive focus on food product safety and health aspects remains a critical part of the Company's core operational process, inclusive of ongoing in-store operational safety procedures together with undertaking regular quality assurance and control measures in concert with our suppliers. This is in order to ensure continuing compliance to the health and food safety standards required by various Government agencies and by the various certifications received by the Company, i.e. Q, GMP, GLP, HACCP. Those certificates are all especially important since Makro is placing more emphasis in targeting food service professional who also have to maintain strict and high health food-safety standards in their own operations.

Additionally, in order that the Company's health and safety standards meet internationally accepted levels, Makro's QA Team gives great importance in undertaking health and safety related initiatives and in achieving high food safety standards by working closely with Government and international agencies as well with our business partners and suppliers. For example, the QA team worked to upgrading the food safety quality standard of agricultural products from the locally accepted Q standard (as set by the Ministry of Agriculture and Cooperatives) to become the international GAP or Thai GAP standard for food safety quality.

Training of business partners and suppliers is also undertaken by the QA team to ensure that food safety and proper health and safety measures are undertaken in all aspects of their operations, whereby this will enable Makro to comply with all required health and safety regulations as well as to protect the consumers.



**HACCP**



Further the QA team also does quality checks and import inspections of all raw materials as well as finished food imported for use and for retailing by the Company, in order to ensure all products retailed by Makro meet all the required health and safety standards and that the Company is able, if needed, to tracked back all the way to the original import sources.

### In-store Operations Safety

Throughout 2011, Makro continued its focus on conducting ongoing training and workshops within the Company as well as on improving operations relating to environmental protection and in-house safety procedures and standards for customer areas of Makro stores, in back room area or in the Distribution Center.



## OPERATIONS EXCELLENCE - PEOPLE DEVELOPMENT



• English language skills training as part of ongoing people development programs for Makro staff

Makro firmly believes that all employees are critical to every aspect of the Company's operations, and that they form the foundation for our past, current and ongoing successes.

Empowerment within their respective job responsibilities is important aspect of people development for the Company, whereby considerable emphasis is given to actual "on-the-job

training" and experience together with constant opportunities for employees to exercise their initiatives as well as to develop problem-solving and decision making capabilities or to learn new skills. Towards this end, all employees are given exposure to cross functional skills development opportunities in order to learn new skills and capabilities, so that employees can prepare themselves. All those are given to prepare them to be able to take on other roles at the same lateral level or to perform even better in their current responsibilities.



• Safety training for Makro staff



• Products knowledge training to enable Makro staff to then effectively assist customers in the stores

Continual training and development of its people is also a key success factor for Makro. An intensive "Star Program" was undertaken during 2011 after the first program launched in 2010. The program is designed to give high potential Assistant Store General Managers and Customer Development Managers the opportunity for team work skills development and cross functional skills training in order to prepare them for further career advancement. Most of the two "Star Programs" participants have now promoted to Store General Managers.

The Company will also cooperate with the renowned Sasin Management College, during 2012, in developing and undertaking the "Star-Plus Program" intensive senior-level management development program designed for Senior Managers and Stores General Managers with high potential and outstanding performance records for further advancement, in order to further develop their general management capabilities and skills. Thus, they are well-prepared for promotion and succession to top management roles with the Company.



## OPERATIONS EXCELLENCE - BUSINESS CONTINUITY MANAGEMENT (BCM)



### Impact from the 2011 floods and Employees Commitment and Dedication

From late September through to December 2011, one of the most severe floods for over 50 years, caused by an unexpected and unusual amount of rainfall within a short period of time, spread downwards from Nakhon Sawan towards the Greater Bangkok Area. This catastrophe caused extensive and devastating damage to agricultural and urban communities as well as to business facilities located in the Central provinces of Nakhon Sawan, Ang Thong, and Phra Nakhon Siayutthaya together with much of the neighbouring northern and western suburban areas of the Greater Bangkok Area.

As with many other business operators located in the numerous industry estates and light industry manufacturing zones located in these flooded areas, Makro was adversely affected. Roads leading to several Makro stores located in Nakhon Sawan, Phra Nakhon Siayutthaya, and Rangsit, as well as to its Distribution Center located in Wang Noi, Phra Nakhon Siayutthaya province were severely flooded and became virtually inaccessible, except by boats or other means of transport that could wade through the deep flood waters.

Frontline store operation staff in these severely flood affected locations demonstrated their dedication and commitment in proactively undertaking various initiatives, often under considerable stressful and difficult conditions. Their dedication and commitment allowed the affected Makro stores to remain operating, and thus ensuring undisrupted customer services so that customers in these flooded locations were still able to buy basic supplies and essential goods. The Company and its employees also

## OPERATIONS EXCELLENCE - BUSINESS CONTINUITY MANAGEMENT (BCM)



### Activation of Makro's Business Continuity Management (BCM) Plan

However, the extensive flood situation provided Makro with the unique opportunity to deploy its Business Continuity Management (BCM) Plan and Framework that was originally developed during 2010 together with external business continuity planning consultants but primarily for non-flood related situations, and put it to a real life crisis test.

With the BCM framework readily available on hand and required actions already well-defined, the Company was able to proactively and immediately take various decisive measures in identifying an alternative distribution center as well as in stocking up Makro stores with additional inventory to ensure continued availability of essential products for our customers. This included a relocation of 300 Head Office (HO) staff to a makeshift alternative HO facility located at the Makro Chonburi store, which remained in operation for approximately 5 to 6 weeks between early October and late November.

These critical and proactive responses to the flood crisis situation enabled the vital HO functions as well as stores inventory replenishments to continue operating effectively during the flood crisis without any significant disruptions.



- Providing transport services for customers to an affected Makro outlet during the 2011 flooding

work closely with key suppliers to ensure sufficient replenishment of inventory items essential for the survival and livelihood of flood victims directly to selected Makro stores. We undertook steps to minimise possible flood damages within the flooded Makro stores and the Distribution Center although some inventories as well as machinery and equipment were damaged by the floods. Since many key suppliers to Makro had to discontinue their production and delivery, Makro's Distribution Center was, therefore, out of service for only a limited period.



- Temporary HO facilities, located at Makro Chonburi, during the prolonged flood crisis situation in 2011



## MAKRO RETAILER ALLIANCE (MRA)



- Traveling “retailers promotions” event, in order to get to know MRA members

MAKRO RETAILER ALLIANCE (MRA) activities continued to focus on helping small Thai retail shops to develop and grow its business through conducting training on effective small retail shops management for the owners and operators of such small retailer shops throughout Thailand. This is in accordance with the original objectives of the MRA project to facilitate small retailers to expand their business knowledge, retailing know-how and capabilities as well as to learn more about available associated technology systems, in order that their businesses can become more efficient, competitive and be expanded to its full potential. The MRA project is also designed to establish a network of small retail shops as well as to facilitate ongoing business activities and networking within their respective local communities.

### Activities during 2011

During 2011, the MRA project continued to conduct workshops to give advice on effective managements and operations to small retailer shop owners and operators through use of a variety of communication media. Makro also organised the 4<sup>th</sup> Retail Expo, in September 2011, for the small retail shop owners and operators, showcasing a mockups of 4 typical small retail outlet designs and layouts, with each one becoming a different live exhibit of how to select the right goods to sell, how to effectively display goods and products being sold, as well as how to be creative in designing a store layout and in decorating store outlets attractively.



- Vocational students join Makro staff in activities to promote and develop local communities-based small retailers.

## MAKRO RETAILER ALLIANCE (MRA)

During this Expo a photo competition was held to select the winner of “My Ideal Retailer” Photo Contest, which is intended to support the small retail shops businesses and to make consumers more aware of their activities within their local communities. It is also intended that, through this contest, the consumers themselves can show their personal relationship with, appreciation of, and loyalty to the small retailer who treats them as a close friend in their local neighborhood.

A “new generation of the small retailer” competition was held for the second time, which was again well-received, with the objective of selecting the best “new generation small retailer”, who has inherited the business from the older generation and who not only applies innovative business management ideas but also undertakes CSR-related activities to help others within the local community.

Makro also organised “Food Retailer day” event in all Makro stores to promote the small retailing business activities with our food retailer customers. By this activity, Makro can connect with many small retailers, who are also MRA members, operating in various parts of Thailand, whereby they were able to meet up and share small retail management ideas or success stories that can then be applied in their own outlets.

Lastly, for the third consecutive year, Makro and various students joined together in a project to help develop small retail stores in their respective local communities. Up to now, through this activity, over 47 colleges and universities together with over 9,000 students have participated and formed a network of contacts, and a total of 1,700 small retailers have had the opportunity to develop their own businesses.



- Visiting a flood-affected Makro MRA member to give moral support during the 2011 flood crisis



- Post-flood relief and assistance activities by Makro staff, helping MRA members to rehabilitate their small retail outlets and business



## CSR & CONTRIBUTING TO SOCIETY



### The 2011 Flood Crisis : Initiating Customer Care and Employee Care Activities

The extensive and devastating floods during late 2011 was a challenging time for everyone, especially the many flood affected communities located on the outskirts of Greater Bangkok Area and the immediate neighbouring Central Region provinces. At the same time, it was also a unique opportunity for many companies, including Makro, to contribute towards the well-being of many affected communities in which they operated and where people's businesses and normal daily life were very badly disrupted.

The prolonged crisis enabled Makro to act on its CSR policy of "taking care" others in their time of need. The Company undertook various activities to offer support and assistance to flood victims and families living in the flood-affected local communities. Both during and after the flood crisis, the Company's activities were including distributing bags with essential necessities and basic living supplies and cooked food boxes; and together with its staff made direct flood-relief donations as well as implemented a special cooperative flood-relief contribution campaign during October 20 to November 20. For every sales invoice, the Company issued a one-baht donation to flood victims and the communities. In addition, the Company also cooperated in Royal-sponsored flood-relief initiatives undertaken by the Rajaprajanugroh Foundation, under the Royal Patronage.

In the many areas severely affected by the floods, the Company and its dedicated staff also undertook various innovative initiatives, often under difficult conditions, that ensured customer services and store operations remained undisrupted. In order that customers in these flooded locations were still able to have access to basic essential supplies to live on.



Once the flood water receded, Makro Retailer Alliance (MRA) team provided active assistance to clean up and rehabilitate many of our customers' flood-affected small retail outlets, in order to the revive their businesses as quickly as possible.

Additionally, both during the flood situation and the immediate post-flood period, apart from the flood-relief activities undertaken for the affected external communities, the Company implemented several measures to look after the safety and well-being of those employees and their immediate dependents that were affected by the extensive flooding. The Company has offered various employee support activities during the flood and also in-house assistance schemes to enable them to quickly rehabilitate their homes or to alleviate their personal situations as a result of the flood situation. The Company also took care to ensure that those staff, who willingly relocated from their homes to work at the temporary Head Office site in Chonburi, as well as their dependents were all well-looked after.



## CSR & CONTRIBUTING TO SOCIETY

### Ongoing CSR Activities

Makro has a policy in actively participating in the economic development of the immediate local communities in which it operates in terms of remitting all the required taxes to these communities, hiring local resources, and cooperating with any related important projects or activities undertaken by the local communities - especially those that seek to promote their standards of education and good health.

During the previous year, Makro joined up with the Rotary Club and our business partner, Satien Stainless Steel Plc. in “Unleaded Thai Noodle Pot, Thai Strong, Thailand Strong” as a consequence of health-hazard warnings made by the Department of Health, the Ministry of Public Health relating to the use of noodle cooking pots that may be contaminated with lead residues and hence unsafe due to risks of being paralyzed. Thus, people should use those stainless steel noodle cooking pots certified as having safe-health standards set by the Thai Industrial Standards Institute (TISI). As part of this “Unleaded Thai Noodle Pot, Thai Strong, Thailand Strong” project, Makro and the Rotary Club selected local noodle shops to join in the program and allowed them to trade in their existing noodle cooking pots for brand new lead-free pots. So far this project has been undertaken in Bangkok, Nakhon Sawan and Ratchaburi. Makro very much hopes that this project will be beneficial in helping to create widespread awareness as to the health-hazards associated with lead-contaminated cooking utensils and in promoting the use of lead-free utensils instead for the sake of better health standards of all Thais.

With regard to promoting educational standards, Makro has also undertaken various ongoing projects, including donating scholarships and school equipments as well as joining schools in local communities in the education of children and elevating the overall standards of education of Thais.



• “Unleaded Thai Noodle Pot, Thai Strong, Thailand Strong” project



• Donating educational scholarships and sports equipments to Klai Kangwon School, Prachuap Khiri Khan province



• Providing a school lunch and giving out gifts to students at Wat Ban Run, Buri Ram province



## ANNUAL EVENTS



### 6<sup>th</sup> Makro HoReCa Event

As with the previous 5 years, Makro again organised the 6<sup>th</sup> Makro HoReCa Show at the Muang Thong Thani Complex in March 2011, under the concept of "Adding Business Value with Thai Ideas" and aimed at promoting sustainable business competitiveness of HoReCa operators through adopting traditional Thai culinary arts that will enhance their businesses and to prepare them to effectively compete in the international markets. The event showcased products and services relevant to the food service and hospitality industries together with cooking demonstrations and workshops, with the highlight being a cooking competition targeted to attract contestants from all over Thailand. The winner of this competition will be then selected to participate in the FHA Culinary Challenge 2012 that will take place in Singapore. This annual event was once again a great success, attracting more than 53,000 visitors during the 4-day period.





## ANNUAL EVENTS



# ตลาดนัดโชห่วยครั้งที่ ๔

ถนนสายโชห่วย จากรุ่น...สู่รุ่น



## 4<sup>th</sup> Retail Expo

The 4<sup>th</sup> Retail Expo is another important event within the Company's "Makro Retailer Alliance (MRA)" project, the primary objective of which is to support and promote the capability and potential of the many "sho huay" shops and small retail shops operating in Thailand, so that they may have a viable and sustainable business going forward. This annual retailers' event seeks to establish a forum for exchanging retailing ideas and know how as well as to showcase new trends and developments in the retailing business. This 4<sup>th</sup> Retail Expo was undertaken under the concept "Retailer Road...From Generation to Generation" whereby its key activity was the 2<sup>nd</sup> "Thai Retailer Legacy" Business Plan Contest to find the best next-generation retailers who carry on their family business. Over 100 contestants participated in sending their plans to be judged.



- Khun Siriluck Yimprasartporn, winner of the 2<sup>nd</sup> "Thai Retailer Legacy" Business Plan Contest



- Photos showing 3 of the top 10 contenders for the "My Ideal Retailer" Photo Contest



## SIAM FOOD SERVICES

# SIAM FOOD SERVICES



SIAM FOOD SERVICES LIMITED (SFS), a fully-owned subsidiary of Makro, is a leading B2B provider of premium food products together with value-added services to the food service and hospitality industry or HoReCa customers - namely, hotels, Full Service Restaurants (FSR), catering services providers, and Quick Service Restaurants (QSR) chains. SFS is able to attract a loyal, regular and growing customer base due to its extensive experience as well as deep knowledge and understanding of the food services and HoReCa businesses, and the specific requirements in terms of products offerings and associated services of its targeted customers.

SFS has its own temperature-controlled facilities together with a fleet of refrigerated delivery trucks and is, thus, well-gearred and well-positioned to be the leading and reliable premium quality food products supplier. SFS is effectively serving its food services professional customers, who are located in the four key Thai tourism and travel destinations-namely Bangkok, Ko Samui, Pattaya and Phuket.

During 2011, SFS had been achieving excellent operating performances with increased year-on-year revenues, bottom-lines



## SIAM FOOD SERVICES



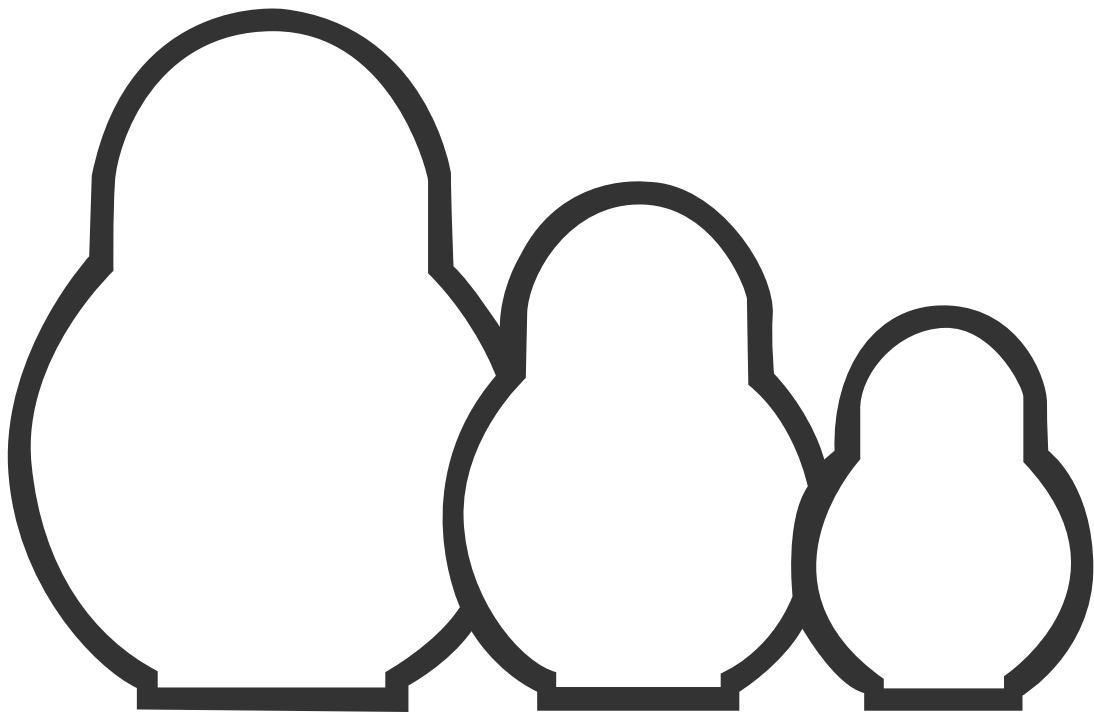
The Company managed to perform well and achieved a 24% growth in total sales (Baht 1,214 million) when compared to the previous year with the profit growth by 22% year-on-year.

and market expansion in both the FSR and QSR segments up to when the flooding crisis occurred. However, while SFS and its facilities were not directly impacted by the flooding, many of its core food service professionals and HoReCa customers were directly impacted from the decline in tourists as well as local people dining out, which resulted in a considerable food service business downturn. This, in turn, affected SFS's business performance during the last 2 months of the year.

2012 will be a year of development for SFS including the development of new product categories, fresh marketing initiatives, and concerted staff development and training. Both SFS's product and service offerings will take into consideration the latest dining-out trends towards more healthy eating and Japanese food, as well as the changing profile of the tourist arrival mix that now consists of more visitors from the Asian countries as opposed to the US or Europe.







▲ go and grow

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## COMPANY PROFILE

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The principal business of Siam Makro Public Company Limited ("the Company") is the operation of membership-based Cash & Carry trade centres, registered under the name of "Makro", that are located throughout Thailand.

The Company was established in Thailand in May 1988, and its shares were listed on the Stock Exchange of Thailand in August 1994 with a total registered share capital of 240 million shares at a par value of Baht 10 - each being fully paid-up.

As at the end of 2011, there was a total of 52 Makro stores of varying formats and sizes, with 9 stores located within the Greater Bangkok area and 43 stores in the provinces, together with 2 Siam Frozen Shops located in Chiang Mai and Udonthani. All stores offer a product range and assortment designed specifically for their members' needs and expectations; and each store is well-positioned geographically to be easily accessible by all its target customers.

With a large registered members-base distributed throughout Thailand, the Company continues to successfully operate its principal business of providing various retail solutions to a multitude of customers operating in a wide range of industries, with the main focus being small to medium size businesses who are predominantly small retailers, as well as the HoReCa (Hotel, Restaurant and Catering) customer segment and institutional professional services sector customers.

The Company has one (99.9% owned) subsidiary company, Siam Food Services Limited ("SFS"), which is a leading nationwide provider of premium food products together with other value-added and logistics services to the hospitality and food service professionals industry sectors, operating from 4 locations: Bangkok, Pattaya, Ko Samui, and Phuket. SFS specialises in supplying high quality specialty frozen and chilled products i.e. meats, seafood, poultry products, potato, dairy, as well as a range of food seasonings, etc.

### Contact details :

**Head Office Address :** 3498 2<sup>nd</sup> Floor, Lardprao Road, Klongchan, Bangkok 10240  
Telephone 0-2723-1000; Facsimile 0-2375-2927  
Website : [www.siammakro.co.th](http://www.siammakro.co.th)



# FINANCIAL HIGHLIGHTS

## Siam Makro Public Company Limited

As at 31 December

Unit : Baht Million				Change (%)	
	2011	2010	2009	2011/2010	2010/2009
Total assets	30,104	25,347	23,421	18.8	8.2
Total liabilities	20,506	16,227	14,781	26.4	9.8
Share capital	2,400	2,400	2,400	0.0	0.0
Shareholders' equity	9,598	9,120	8,640	5.2	5.6
Sales	96,131	85,673	75,768	12.2	13.1
Total revenues	98,623	87,921	79,513	12.2	10.6
Gross profit	7,551	6,136	4,963	23.1	23.6
Net profit for the year	2,578	1,920	3,210 **	34.3	(40.2)
Earnings per share for the year (Baht)	10.74	8.00	13.37	34.3	(40.2)
Par value per share (Baht)	10.00	10.00	10.00	0.0	0.0
Book value per share (Baht)	39.99	38.00	36.00	5.2	5.6
Dividend per share (Baht)	10.50 *	7.00	5.75	50.0	21.7
Net profit margin for the year (%)	2.6	2.2	4.0		
Return on equity (%)	27.5	21.6	41.7		
Return on total assets (%)	9.3	7.9	15.2		
Dividend pay out ratio (%)	97.7	87.5	43.0		

### Remark :

\* Dividend per share include the followings :

- 1) Interim dividend of Baht 3.25 per share and Baht 1.75 per share were fully paid on September 7, 2011 and December 8, 2011 respectively.
- 2) Proposed final dividend of Baht 5.50 per share for shareholders' approval on April 27, 2012 bringing total dividend for 2011 to Baht 10.50 per share.

\*\* 2009 Net profit included dividend income from a subsidiary in the Company's income statements of Baht 1,774 million.

# FINANCIAL HIGHLIGHTS

## Siam Makro Public Company Limited and its subsidiaries

As at 31 December

Unit : Baht Million				Change (%)	
	2011	2010	2009	2011/2010	2010/2009
Total assets	30,319	25,492	22,922	18.9	11.2
Total liabilities	20,639	16,316	14,187	26.5	15.0
Share capital	2,400	2,400	2,400	0.0	0.0
Shareholders' equity	9,680	9,176	8,735	5.5	5.0
Sales	97,154	86,459	76,423	12.4	13.1
Total revenues	99,670	88,664	78,408	12.4	13.1
Gross profit	7,751	6,311	5,081	22.8	24.2
Net profit for the year	2,604	1,881	1,527	38.5	23.2
Earnings per share for the year (Baht)	10.85	7.84	6.36	38.5	23.2
Par value per share (Baht)	10.00	10.00	10.00	0.0	0.0
Book value per share (Baht)	40.34	38.23	36.40	5.5	5.0
Dividend per share (Baht)	10.50 *	7.00	5.75	50.0	21.7
Net profit margin for the year (%)	2.6	2.1	1.9		
Return on equity (%)	27.6	21.0	17.7		
Return on total assets (%)	9.3	7.8	7.0		
Dividend pay out ratio (%)	96.8	89.3	90.4		

### Remark :

\* Dividend per share include the followings :

- 1) Interim dividend of Baht 3.25 per share and Baht 1.75 per share were fully paid on September 7, 2011 and December 8, 2011 respectively.
- 2) Proposed final dividend of Baht 5.50 per share for shareholders' approval on April 27, 2012 bringing total dividend for 2011 to Baht 10.50 per share.



# AUDIT COMMITTEE'S REPORT

Siam Makro Public Company Limited's Audit Committee comprises of three independent Directors who have the required qualifications and are independent in compliance with the SET's requirements. The members of the Audit Committee are Mr. Athaporn Khaimarn, Chairman, Mr. Chavalit Uttasart and Mr. Thira Wipuchanin.

During the year 2011, the Audit Committee had totaling 4 meetings. A summary of the attendance of each member of the Audit Committee was as follows:

Name	Number of Attendance
1. Mr. Athaporn Khaimarn	4
2. Mr. Chavalit Uttasart	4
3. Mr. Thira Wipuchanin	4

The management and external auditors were invited to attend each meeting to discuss various issues of concerns. The major matters discussed are as follows:

## Preparation of Financial Statements

1. Review the quarterly and annual financial statements and consolidated financial statements of the Company and its subsidiary for the year 2011 with executives and auditors to ensure that financial statements of both the Company and its subsidiary were in accordance with generally accepted accounting principles and that information was adequately and completely disclosed in a reliable manner.
2. Review the disclosure of related party transactions between the Company and its subsidiary to ensure that the Company complied with business criteria required by the Stock Exchange of Thailand.

## Internal Control System

3. Review the Company's internal control systems and internal audit system to ensure that they are suitable and efficient, and to determine an independent of the internal audit unit.
4. Review internal audit plan and audit findings for the year 2011 reported by Internal Audit Department.
5. Jointly with the external auditors, the internal auditor and the Company's management, review material issues relating to internal controls and operations procedures of the Company.

## AUDIT COMMITTEE'S REPORT

### Related Party Transactions

6. Review related party transactions that may cause a conflict of interest to the Company and found that they were real and carried out during a normal course of business and the Company carried them out according to a good corporate governance policy.

### Selection of the Company's external auditors

7. Consider, select and nominate independent persons to be the Group external auditors and consider proposed audit fees together with the Company's Board of Directors, as well as to attend a non-management meeting with the external auditors once a year.

### Law and Regulations compliance

8. Review the Company's compliance according to laws governing securities and exchange, regulations of the Stock Exchange of Thailand and other legislations relating to its business and found that they were fully complied.

The Audit Committee, having reviewed the operations, is of the opinion that the Company diligently pursued the good corporate governance policy, resulting in an adequate internal control system with no significant weakness. Related party transactions which may lead to conflict of interest were actual transactions found during a normal course of business carried out for the Company's maximum benefit. No unusual item with material essence was found. The Company also fully complied with all the rules and regulations. For the financial statements during the accounting period that ended 31 December 2011 were properly done. Information was adequately disclosed and in line with the accounting standards and there was no incident that depicted items with financial impacts.



(Mr. Athaporn Khaimarn)  
Chairman of the Audit Committee  
Siam Makro Public Company Limited



# MANAGEMENT DISCUSSION AND ANALYSIS

## Revenues

Consolidated sales was Baht 97,154 million, which is an increase from last year by 12.4%. This growth was contributed by continued increases in sales at Makro stores by 12.2% year-on-year (YoY) together with a 30.3% increase in sales (net of intertransaction sales) by its subsidiary, Siam Food Services Limited. This consolidated sales growth was derived from the 10.4% growth in sales at the existing 48 stores and sales at the 4 new stores opened during the year. The sales growth was also contributed by continuing improvements in various operational areas of the Company; such as, customer development, products assortment development, stores layout redesign and the ability to have stocks availability in stores throughout the severe flooding period due to the dedication and commitment of Makro's staff during that difficult situation. At the end of 2011, there was a total of 52 Makro stores of various formats plus 2 Siam Frozen Shops.

Total consolidated revenues were a record-breaking Baht 99,670 million, an increase of 12.4%YoY when compared to Baht 88,664 million for Full Year 2010. This was contributed by a 12.4% increase in sales together with a 12.7% increase in services income and a 19.4% increase in other income.

## Gross Profit

The average Full Year 2011 gross profit percentage to total sales improved to 8.0% (compared to 7.3% for last year) or an increase of 22.8% in absolute amount. This was achieved through having a better products offering mix, resulting from both ongoing customer and products assortment developments that are now more focused towards the food services customers, as well as from a higher sales participation of Makro's own brand products.

## Selling & Administrative Expenses

Selling and Administrative expenses totaled Baht 6,076 million (excluding flood-related expenses amounting to Baht 238 million) compared to Baht 5,641 million in 2010, an increase of Baht 436 million or 7.7% YoY. Selling expenses increased by 4.6% as a result of the additional costs relating to eight new stores being opened since 2010. Administrative costs increased by 23.1% partly as a result of the adoption of new organisation which focuses on the development of our member customers and emphasises on business expansion, assortment development, more products and service offering, in order to better serve our core target food service professionals customers as well as to further strengthen to achieve our mission "To be the 1<sup>st</sup> Choice Supplier to our Registered Food Professionals".

## Flood crisis-related Expenses

Total expenses incurred by Makro directly as a result of the extensive flood crisis, during late Quarter 3 and Quarter 4 of 2011, totaled Baht 238 million and is a one-time special cost item. The associated insurance claims to recover these costs are now being processed.

## Finance Costs

Total finance cost was Baht 63 million compared to Baht 35 million for 2010, which is an increase of almost 81% YoY, primarily due to the additional loans and related interest costs during the year; whereby these new loans are for stores expansion financing and required increases in inventory levels.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Net Profit after Tax

Total net profit after tax was Baht 2,604 million, representing an increase of 38.5% over 2010. The 2011 net profit after tax included the impact from flood-related expenses of Baht 192 million, which is in the process of being claimed from the insurance company. Excluding flood-related expenses in 2011, income after tax would be Baht 2,796 million or equal to an increase of 48.6% YoY.

## Earnings per Share (EPS)

Full Year 2011 EPS was Baht 10.85 compared to Baht 7.84 for 2010, which is a direct result of considerable higher sales, improved gross margin, and more effective overall costs management activities undertaken by the Company during 2011.

## Financial Status

**Consolidated Total Assets :** increased by Baht 4,828 million (or 18.9% YoY) to Baht 30,319 million, partly contributed by a cash increase of Baht 995 million, increases in property, plant and equipments totaling Baht 2,418 million, and the increase in inventory levels of Baht 1,314 million. The increases in property, plant and equipments resulted from the addition of 4 new stores as well as the remodeling of existing stores and equipments replacement costs of Baht 3,418 million. The increase in inventory levels was in line with the additional new stores operating as at the end of the year. The cash increase was generated from the achieved higher Net Profit after Tax.

**Current Liabilities :** increased by Baht 4,300 million or a 27.0% YoY from 2010, resulting from additional trade payables totaling Baht 2,784 million, the increase in short term loans totaling Baht 852 million, and other current liabilities totaling Baht 659 million. The Baht 2,784 million increased in trade payables was in line with the increased number of stores as at the end of 2011 and the usually required inventory buildup for the yearend festive season as well as for the Chinese New Year holidays occurring in late January 2012. The Baht 852 million increase in short term loans was used for financing facilities expansion and increased inventory levels.

**Share Capital :** No increase in share capital took place during 2011, with total share capital remaining unchanged at Baht 2,400 million, comprising of 240 million ordinary shares at a par value of Baht 10.00 each, which are all fully paid up.

**Debt to Equity (D/E) ratio :** increased from 1.8 in 2010 to 2.1 in 2011, which is a direct result of the increased trade payables and short term loans together with the dividend payment during the year of Baht 2,100 million, which was higher than 2010 dividend payment of Baht 1,440 million. However, as at the end of 2011, the Company has sufficient cash as well as credit facilities still available to meet further investments and other cash requirements during 2012.

**Total Shareholders' Equity :** increased by Baht 504 million as at the end of 2011, mainly due to the Full Year 2011 earnings after tax being in excess of total dividend payments of Baht 2,100 million during the year.

## Dividend Payments

On 23 February 2012, the Board of Directors of the Company has unanimously resolved to propose a final dividend in respect of 2011 of Baht 5.50 per share amounting to Baht 1,320 million to the Annual General Shareholders' Meeting for approval and to be paid on 25 May 2012. The said amount of the final dividend is in addition to that of the interim dividend of Baht 3.25 per share and Baht 1.75 per share which were fully paid in the third quarter and the fourth quarter of 2011 respectively.



## INDUSTRY AND COMPETITIVE ENVIRONMENT

During the first three Quarters of 2011, Thailand's wholesale and retail business sector grew by approximately 8.0% year-on-year (YoY). However, with the flood crisis becoming more widespread in Quarter 4, disrupting access to retail outlets and seriously affecting supply chain and logistics operations; and in spite of October and November peak sales resulting from anxious consumers stocking up on essential supplies and basic necessities, overall Quarter 4 sales did not grow by more than 2.0%YoY. This was because many stores were cleaned out of stocks or were inaccessible because of the flooding. Therefore, full year 2011 growth for the wholesale and retail sector was only approximately 4.0%-5.0%YoY.

Competition will remain strong among the major operators, as the smaller number of operators vie for the same consumer spending power through continued stores expansion - especially so in key provincial urban centres. Continued aggressive expansion is also expected for the small retail formats of the large retail chain operators, e.g. Tesco Lotus Express, 7-Eleven, Mini Big C, which might impact Makro's small retailer customer groups. However, since Makro already has in place the Makro Retailer Alliance (MRA) project that facilitate small retailer customers to enhance their business competitiveness and efficiencies, while at the same time Makro is also proactively growing its business with its other core target HoReCa customer group, these factors should minimise any possible adverse effects from the expected expansion of small stores formats by major modern trade players.

As at the end of 2011, major operators of both large trading and small retailers format and their number of stores in this sector are as follows - Large trading formats : Makro 52 + 2 Siam Frozen Shops; Tesco Lotus 134 ; Big C/ Big C Extra/ Big C Jumbo 107; and Small retail formats : Tesco Lotus Express/ Talad Lotus 652; Mini Big C 64; 7-Eleven 6,276; CP Fresh Mart 738; Family Mart 665; TOPS Deli 112; and 108 Shop 1,055.

Ongoing intense marketing as well as aggressive sales promotional campaigns are expected throughout the year. Not only will competition be fierce at the stores and outlets, but many operators will also compete strongly in terms of trying to acquire qualified, experienced and well-trained human resources, which is a key success factor for their customer services and selling activities. Thus the need for operators to focus on effectively being able to retain their most capable and experienced employees will be even more critical.

As a major fallout from the extensive 2011 flood crisis, apart from implementing their normal ongoing internal costs efficiency initiatives in order to remain as competitively positioned as possible, all wholesale and retail business sector's operators will be forced to rethink and reconfigure their vital supply chain and logistics operations, in order to avoid being a victim of any future prolonged flood-related situation again in having their customer service activities seriously curtailed or disrupted. This will result in some increased competition relating to products as well as logistic services procurement activities among the sector's business operators.

Lastly, overall competition within this sector will grow even more intense in the event that the imminent Retail and Wholesale Businesses Act, which will place various restrictions and limitations on future business operations, becomes law.

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## LOOKING TO THE FUTURE

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For most of 2011 the economic and business environments were positive, facilitating Makro in reaping the benefits of its various ongoing or new customer-focused projects implemented since 2010 as well as throughout the year. These strategic initiatives are in line with the Company's vision "Makro, partner for your business... Makro, partner for your business providing the best solution to Food Professional Customers through complete range, quality, price and services". However, during the last quarter, severe and extensive flooding occurred, affecting business and normal life for much of the central provinces of Thailand as well as the Greater Bangkok Area - including Makro's sole Distribution Center and some stores. But through taking various proactive measures, Makro was able to maintain its operations, although at times under some difficult situations, and give uninterrupted service to its customers. Thus for the full year 2011 period, the Company was able to deliver another year of outstanding operating performance results.

2012 will be more challenging, especially during the first quarter as those companies and individuals affected by the floods revive their businesses, homes and lives. Therefore, by late Quarter 1, when overall business revival is fully achieved together with further Government stimulus actions, the Thai economy is expected to regain a positive growth trend; and hopefully, the tourism and hotels industry sectors will also quickly return to its normal and traditional high season level by end January, which will indirectly boost Makro's sales to its key HoReCa customers. Towards this end, a new store format concept, the Makro Foodservice Store that is dedicated to the HoReCa segment, was launched in Hua Hin in mid-January.

Further, both during 2012 and the immediate years beyond, in order to take Makro towards the full realisation of its stated vision, the Company will continue to maintain its focus on being able to more effectively serve its core targeted food retailers and food service customer base, through implementing other customer-centric strategic initiatives - including existing stores layout enhancements, stores expansion and ongoing development of new store formats, together with ongoing improvement to its products assortments and offerings that will be in line with market demand trends. The Company will also actively explore potential opportunities and business benefits to be derived from the impending AEC establishment in 2015, in order to be well-positioned to expand its market base within the ASEAN Region.

While, internally, the Company will also undertake further strategic organisational improvements programs that will enable it to achieve its "operational excellence" objective, such as further enhancement of its internal business processes and information technology systems, ongoing environmental care oriented projects relating to the usage of more energy efficient facilities and equipments, as well as continuing CSR programs that aim to take good care of the communities in which Makro operates.

At the same time, the Company will continue to invest in the development of its peoples' capabilities, knowledge, and services competencies as well as continue to offer competitive career advancement opportunities at all levels throughout the Company. Particular emphasis will be given on effective succession planning activities through identifying a new generation of well-qualified and high potential senior level managers, who will then undergo unique senior management development programs to prepare them to be well-capable of dealing with future business trends and issues.

All of these planned activities are aimed at the Company being able to effectively achieve the overall vision and ongoing growth and development of Makro on a sustainable basis.



# RISK FACTORS

Risks to a business can be related to strategic and financial aspects, regulatory and legal compliances, natural disasters as well as to operational, business and economic environments, or technology systems. The majority of such risks currently faced by Makro include those deriving from the external environment including economic turbulence, political unrest, natural disasters and legislations and regulations, as well as from internal factors relating to products, people, operations and technology systems.

## Economic & Political, and Natural Disasters

Cash & Carry and food service businesses are impacted to changes in the external environment to varying degrees. The continuing global and regional economic volatility as experienced since 2009, the Thai political unrest situation during Q2/2010, as well as the drought and severe floods that occurred in 2010 and most recently during late 2011 all have negative effects on both local consumer confidence and, of indirect importance to the Company, the tourism industry. The impact of these incidents was far reaching and adversely affected a wide range of industry sectors. Makro was also impacted to a certain extent. However, given that the majority of our offerings consists of basic necessities together with fresh food products, and because of the widely distributed locations of Makro stores throughout the country, the Company was, thus, partly shielded from such potentially extensive adverse factors.

## Legislations & Regulations

As part of the “retail and wholesale business sector”, Makro’s operations is subjected to more than 30 industry-specific legislation, and may become increasingly more regulated in the future as more related legislations are in the process of being issued.

The growth of the modern wholesale and retail sector in Thailand during the last decade, while overall benefiting the Thai consumers, has been perceived to have significant impact on small retailers. Thus, Zoning Laws and the Building Controls Act together with associated notifications or regulations were issued in 2003, whereby these various legislations have significantly curtailed the operators’ ability to grow through expansion within existing built-up urban areas.

The re-enforcement of the Competition Act in 2003 focuses on market domination; and guidelines determining ongoing trade practices between Wholesale-Retail Business operators and Manufacturers or Distributors have also created further barriers for the Company’s business operations.

The Ministry of Commerce imposed strict regulations on prices of consumer goods through the Prices of Goods and Services Act B.E. 2542, which it continuously applied throughout 2011 despite significant fluctuations in commodity prices that occurred during the year.

The Alcohol Beverage Control Act, by the Ministry of Health, came into effect in February 2008 with the objective of reducing social problems caused by alcohol intake. This legislation places limitations on the ability to advertise alcohol-related products as well as on organising any sales promotion campaigns for these products.

The Product Liability Act, enforceable since February 2009 by the Consumer Protection Board, stipulates that business operators must be liable for any damages resulting from unsafe products.

The possible enforcement of the Retail and Wholesale Business Act is another risk factor for the Company’s operations. If this legislation becomes law, the operation of the wholesale and retail businesses may be specifically affected and severely restricted - especially in regard to stores expansion, limited business hours, etc.

Thus, given the abovementioned industry-specific legislation and regulations, the Company will have to be more prudent in ensuring complete compliance in order to avoid any potential risks; and this will increase both the level of complexity in its operational processes and the overall cost of doing business.

# RISK FACTORS

## Products

The increasing attention, by customers and regulators, on food safety and food hygiene is becoming more evident and significant for the Company. As the majority of the Company's product offerings are food-related, Makro is exposed to potential food contamination as well as any potential negative sentiments from food related scares or anxieties, such as the avian flu, or contaminated foods from natural disasters, etc.

To mitigate and manage these possible risks, the Company has put in place quality assurance and quality control procedures and processes, as well as sources product from reliable and certified suppliers and imposes strict cleanliness and hygiene standards within its Distribution Center, all Makro stores and on selling-related staff activities.

## People

Makro continually trains its employees and invests in human resources; while it also must compete against other employers in the same industry to secure the best and most capable potential employees out of a relatively small pool of skilled labour. This difficulty is especially applicable in key provincial locations. Thus, there is a risk that the Company will not be able to recruit and retain employees, who possess the specifically required high caliber skills and capabilities.

However, the Company believes that the meritocratic environment offered, the ongoing employees support and training programs provided, and the feeling of teamwork together with the family-oriented environment that exists among the staff and within Makro as a whole will all help to maximise staff retention and loyalty. Thus, these factors should help reduce such potential people-related risks.

## Business Operating Systems

Makro makes use information technology systems throughout the organisation, whereby this system is both vital and fundamental to the Company's ability to operate its business effectively. The core operations and business processes are all fully computerised; thus, the Company is considerably exposed to potential adverse impacts in the event that its information system becomes corrupted with computer viruses, or fails because of electricity-grid downtime or natural disasters occurring. Our Information Technology Department, therefore, is proactive in defining measures and responses that aim to ensure that the Company is properly and effectively safeguarded against such potential information technology systems related risks.

Further, the Business Continuity Management (BCM) project launched and completed in 2010 -11 was designed to ensure that all critical business functions can continue under various potentially adverse situations that may occur, as well as to prevent possible disruptions to the Company's vital operational processes.



## HISTORY AND MAJOR DEVELOPMENT

- 1988** : Set up the Company with the registered capital of Baht 750 million.
- 1989** : Opened 1<sup>st</sup> Makro store in Lardprao.
- 1990** : Opened 3 Makro stores in Chaengwattana, Srinakarin and Bangbon.  
: Set up a subsidiary company called Makro Properties Ltd.
- 1993** : Opened 2 Makro stores in Chonburi and Chiang Mai.
- 1994** : Increased registered capital to Baht 2,400 million.  
: Opened 3 Makro stores in Nakhon Ratchasima, Rangsit and Hat Yai.  
: Listed on the Stock Exchange of Thailand.
- 1995** : Opened 1 Makro store in Udonthani.
- 1996** : Opened 4 Makro stores in Phitsanulok, Khon Kaen, Surat Thani and Ubol Ratchathani.
- 1997** : Opened 1 Makro store in Rayong.
- 1998** : Opened 1 Makro store in Nakhon Sawan.
- 1999** : Opened 1 Makro store in Charansanitwongse.
- 2000** : Opened 2 Makro stores in Sathorn and Nakhon Pathom.
- 2001** : Opened 1 Makro store in Surin.
- 2002** : Opened 1 Makro store in Samsen.
- 2003** : Opened 2 Makro stores in Nakhon Si Thammarat and Chiang Rai.  
: Remodeled 3 existing stores (Lardprao, Chaengwattana and Srinakarin) to new format to focus on a wholesale Cash and Carry business and a one-stop shop for food service.
- 2004** : Opened 6 Makro stores in Sakon Nakhon, Suphan Buri, Chanthaburi, Phuket, Roi Et and Trang.  
: Remodeled 7 existing stores (Bangbon, Chonburi, Chiang Mai, Hat Yai, Nakhon Sawan, Sathorn and Samsen) to new format.
- 2005** : Acquired 99.9% shares of Siam Food Services Limited.  
: Remodeled 9 existing stores (Charansanitwongse, Surat Thani, Nakorn Pathom, Phisanulok, Udonthani, Rangsit, Nakhon Ratchasima, Khon Kaen and Rayong) to new format.

## HISTORY AND MAJOR DEVELOPMENT

- 2006** : Remodeled 2 existing stores (Ubol Ratchathani and Surin) to new format.
- 2007** :
- : Opened 12 Makro stores in Sakaeo, Ko Samui, Buri Ram, Sisaket, Lamphun, Krabi, Phetchaburi, Chaiyaphum, Saraburi, Pran Buri, Chachoengsao and Chiang Mai.
  - : Remodeled non-food area in 3 stores (Sathorn, Chaengwattana and Bangbon) to have new assortment and display to cope with our strategy in wholesale Cash and Carry business.
  - : Installed air conditioning and reviewed assortment and display in 3 stores (Sakon Nakhon, Suphan Buri and Roi Et) to enhance customers' satisfaction.
  - : Launched "Makro Retailer Alliance" (MRA) project to continuously develop our member customers to improve their competitiveness.
- 2008** :
- : Remodeled non-food area in 4 stores (Chonburi, Chiang Mai, Rangsit and Charansanitwongse) to have new assortment and display to cope with our strategy in wholesale Cash and Carry business.
  - : Installed air conditioning and reviewed assortment and display in 4 stores (Nakhon Si Thammarat, Chiang Rai, Chanthaburi and Trang) to enhance customers' satisfaction.
  - : Continued to run "Makro Retailer Alliance" (MRA) project activities by opening a MRA Centre at Makro Lardprao branch as well as organised Retail Expo, training sessions and seminars for small retailers and their successors to improve their competitiveness.
- 2009** :
- : Opened 3 Makro stores in Ram Inthra, Chumphon and Pattaya.
  - : Installed air conditioning and reviewed assortment and display in Phuket stores to enhance customers' satisfaction.
  - : Under "Makro Retailer Alliance" (MRA) project, cooperated with 12 business alliances and 32 leading universities to jointly assist and support small food retailers.
  - : Entire business transfer of Makro Properties Ltd. to Siam Makro Public Company Limited.
- 2010** :
- : Opened 4 Makro stores in Kamphangphet, Kanchanaburi, Lop Buri and Nong Khai.
  - : Launched the first pilot frozen shop under the name "Siam Frozen" in Chiang Mai.
  - : Remodeled Store Hang Dong (Chiang Mai 2) to Eco Plus format.
- 2011** :
- : Opened 4 Makro stores in Ratchaburi, Mae Rim (Chiang Mai), Phra Nakhon Siayutthaya and Lampang and also opened the second Siam Frozen Shop in Udonthani, as well as remodeled 2 existing Makro outlets (at Lardprao and Chonburi) to become Eco Classic store formats and the existing Ko Samui outlet to more effectively meet and serve specific requirements of key target customer groups.
  - : Initiated and built building a pilot Makro Foodservice Store, which is a new store format dedicated to the HoReCa customers group that was opened on January 11, 1012.



## OTHER INFORMATION

### 1. General Information for the Company, its Subsidiary and Associated Company :

#### 1.1 Siam Makro Public Company Limited

Company registration No.	:	0107537000521 (Former no. Bor Mor Jor. 299)
Date of incorporation	:	May 10, 1988
Head office	:	3498 2 <sup>nd</sup> Floor, Lardprao Road, Klongchan, Bangkok, Bangkok 10240 Tel. 0-2723-1000 Fax. 0-2375-2927 Website : <a href="http://www.siammakro.co.th">www.siammakro.co.th</a>
Type of business	:	Operating a cash and carry wholesale business, selling both food and non-food products to registered members
Type and No. of shares	:	Registered ordinary shares, totaling 240,000,000 shares
Registered capital	:	Baht 2,400,000,000, with 240,000,000 shares at a par value of Baht 10.00 each
Issued and paid-up capital	:	Baht 2,400,000,000, with 240,000,000 shares at a par value of Baht 10.00 each

#### 1.2 Subsidiary and Associated Company

##### Subsidiary Company

##### (1) Siam Food Services Limited

Company registration No.	:	0105527032739 (Former no. 3276/2527)
Date of incorporation	:	September 7, 1984
Head office	:	2439 Old Paknam Railway Road, Prakhonong, Klongtoey, Bangkok 10110 Tel. 0-2620-6000 Fax. 0-2620-6001 Website : <a href="http://www.siamfoodservices.com">www.siamfoodservices.com</a>
Type of business	:	Specialising in the import and distribution of value added, temperature controlled, high quality specification meats, seafood, poultry, potato, dairy and both international and domestic ethnic food brand products. Distribution reach is to all provinces of Thailand.
Type and No. of shares	:	Registered ordinary shares, totaling 450,000 shares
Registered capital	:	Baht 45,000,000, with 450,000 shares at a par value of Baht 100 each
Issued and paid-up capital	:	Baht 45,000,000, with 450,000 shares at a par value of Baht 100 each

##### Associated Company

- None -

## OTHER INFORMATION

### 1.3 Referrals :

Share Registrar	: Thailand Securities Depository Co., Ltd. The Stock Exchange of Thailand Building, 62 Ratchadaphisek Road, Klongtoey, Klongtoey, Bangkok 10110 Tel. 0-2229-2800, 0-2654-5599 Fax. 0-2359-1259
External Auditors	: Mr. Prasan Chuapanich CPA Reg. No. 3051  Ms. Nangnoi Charoenthaveesub CPA Reg. No. 3044  Mr. Somchai Jinnovart CPA Reg. No. 3271  PricewaterhouseCoopers ABAS Ltd. 15 <sup>th</sup> Floor, Bangkok City Tower, 179/74-80 South Sathorn Road, Tung Mahamek, Sathorn, Bangkok 10120 Tel. 0-2286-9999, 0-2344-1000 Fax. 0-2286-5050
Legal Counsel	: Siam City Law Offices Limited 20 <sup>th</sup> Floor, Rajanakarn Building, 183 South Sathorn Road, Yannawa, Sathorn, Bangkok 10120 Tel. 0-2676-6667-8 Fax. 0-2676-6188-9  Chavalit & Associates Limited 20 <sup>th</sup> Floor, Rajanakarn Building, 183 South Sathorn Road, Yannawa, Sathorn, Bangkok 10120 Tel. 0-2676-6667-8 Fax. 0-2676-6188-9



## OTHER INFORMATION

### 2. Nature of Business

#### Revenue Structure of Company Group (Revenue net of inter-group transactions)

Activities/Products/Services	Operate by	Shareholding of Company (%)	2011		2010		2009	
			Mil. Baht	%	Mil. Baht	%	Mil. Baht	%
Makro Cash and Carry								
Sales of consumer goods and other income	Siam Makro Public Company Limited	-	98,592	98.9	87,841	99.1	77,716	99.1
Total			98,592	98.9	87,841	99.1	77,716	99.1
Property Rental <sup>(1)</sup>								
Property rental and services and other income	Makro Properties Ltd.	99.99	-	-	-	-	3	-
Total			-	-	-	-	3	-
Importing and trading frozen foods								
Sales of goods and services and other income <sup>(2)</sup>	Siam Food Services Limited	99.99	1,078	1.1	823	0.9	689	0.9
Total			1,078	1.1	823	0.9	689	0.9
Grand total			99,670	100	88,664	100	78,408	100

#### Remark :

- (1) Pursuant to the resolution at the Annual General Shareholders' Meeting No.16 (after conversion into a public company limited) of Siam Makro Public Company Limited held on April 29, 2009, approval of the entire business transfer of Makro Properties Ltd. to Siam Makro Public Company Limited on May 31, 2009 ("Business Transfer Date") and the dissolution of Makro Properties Ltd. as well as the registration of the dissolution of Makro Properties Ltd. within December 31, 2009 have been adopted.
- (2) After elimination of sales to Siam Makro Public Company Limited.

## OTHER INFORMATION

### 3. Shareholding Structure and Management

#### 3.1 Shareholders

##### Major Shareholders

Major shareholders of the Company as at the latest book closing date (November 25, 2011)

Name	No. of shares	% of all shares
1) Siam Makro Holding (Thailand) Ltd.	132,015,140	55.006
2) Orkam Holding Asia N.V.	22,414,360	9.339
3) Social Security Fund (2 case)	6,737,100	2.807
4) BNP Paribas Securities Services Luxembourg	6,522,800	2.718
5) Chase Nominees Limited	4,690,200	1.954
6) HSBC (Singapore) Nominees PTE Ltd.	4,449,581	1.854
7) State Street Bank and Trust Company	3,355,780	1.398
8) BNP Paribas Securities Services, London Branch	3,160,200	1.317
9) Thai NVDR Company Limited	3,102,616	1.293
10) Krungsri Dividend Stock LTF	2,814,500	1.173

##### Major Shareholder Groups

The major Shareholder groups as stated on the latest book closing date on November 25, 2011 are as follows :

Name	No. of shares	% of all shares
1. SHV Group - Orkam Holding Asia N.V.	22,414,360	9.339
2. Joint venture among SHV Group and other shareholders - Siam Makro Holding (Thailand) Ltd.	132,015,140	55.006

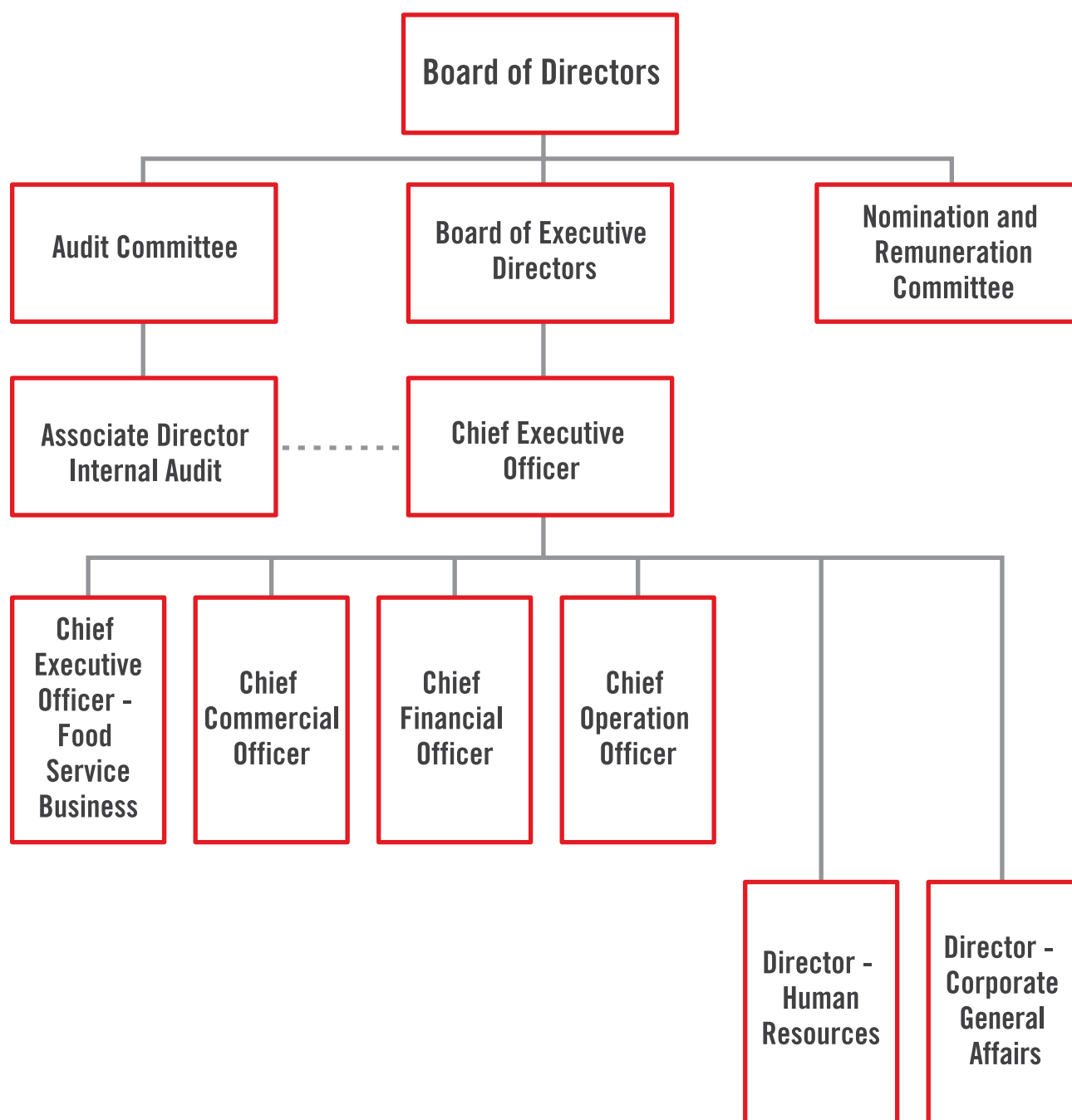
##### Remark :

1. SHV Group is a major shareholder and has appointed its representatives to be Directors of the Company.
2. Investors can visit the Company's website ([www.siammakro.co.th](http://www.siammakro.co.th)) for more update information prior to the Annual General Shareholders' Meeting.



## OTHER INFORMATION

### Siam Makro Public Company Limited Organisation Structure as at 31 December 2011



## OTHER INFORMATION

### 3.2 Management

#### (1) Management Structure

The Company's management structure comprises of the Board of Directors, the Executive Board, together with the Audit Committee and the Nomination and Remuneration Committee.

##### Board of Directors

Members of the Board of Directors as at December 31, 2011

1. Mr. Arsa Sarasin	Independent Director and Chairman
2. Mrs. Suchada Ithijarukul	Vice Chairman
3. Mrs. Saowaluck Thithapant	Director
4. Mr. Stephan Ronald Nanninga	Director
5. Mr. Loic Arthur Bernard Marie Driebeek	Director
6. Mr. Wouter van der Woerd	Director
7. Dr. Prasert Jarupanich	Director
8. Mr. Athaporn Khaimarn	Independent Director
9. Mr. Chavalit Uttasart	Independent Director
10. Mr. Thira Wipuchanin	Independent Director

##### Remark :

1. Independent Director means a Director who is not concurrently an executive and does not involve in the day-to-day operations of the Company, as well as who is not major shareholder of the Company and is qualified in accordance with the criteria prescribed by the Capital Market Supervisory Board.
2. In the case of Mr. Chavalit Uttasart, Independent Director and Member of the Audit Committee, he is the Managing Director of Siam City Law Offices Ltd. and Chavalit and Associates Ltd., which firms provide legal services to the Company at an annual fee exceeding Baht 2.0 million, resulting in Mr. Chavalit Uttasart having one qualification that does not meet the required qualifications prescribed by the Capital Market Supervisory Board. However, at the Company's Board of Directors' Meeting No.1/2010 on February 23, 2010, it was unanimously resolved to waive this qualification of Mr. Chavalit Uttasart based on the following reasons:
  - (a) Since Mr. Chavalit Uttasart has extensive knowledge of the Company's business as well as the various official rules and regulations that relate to the Company's business or may affect the Company and/or its operations. Therefore, it was considered necessary to have Mr. Chavalit Uttasart remain as an Independent Director, so that the Company is able to be well-prepared to properly and immediately comply with all such rules and regulations as well as to implement any preventive measures which will mitigate any possible negative effects that may occur.
  - (b) The Board of Directors is also of the opinion that the appointment of Mr. Chavalit Uttasart does not affect the performance of his duty and the independent rendering of his opinions.

In this regard, included in the invitation notice for the Annual General Shareholders' Meeting No.17 on April 29, 2010, the Company disclosed this information as part of the proposed Agenda to consider the re-election of Mr. Chavalit Uttasart as an Independent Director.



## OTHER INFORMATION

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### Functions and Responsibilities of the Directors

1. To comply with all laws and regulations, the Articles of Association and objectives of the Company; and to discharge their duties in line with the resolutions of Shareholders' Meetings in good faith and with care so as to protect the interests of the Company and to ensure the Management's accountability to the Company's Shareholders.
2. To define, direct and implement the Company's policies; as well as to monitor and supervise the Company's operations.
3. To follow and continuously monitor the business performance and operations of the Company, in order to ensure that they are in accordance with its by-laws and regulations; and to be notified by Management of any significant matters relating to the Company's business.
4. To maintain the effectiveness of the Company's established internal control and the internal audit function.

## OTHER INFORMATION

### Company Secretary

The Board of Directors has appointed Miss Nilobon Tangprasit as the Company Secretary, responsible for the undertaking the following activities on behalf of the Company or the Board of Directors:

1. Preparing, updating and keeping on file the following documents:
  - (a) a register of the Directors;
  - (b) notices calling for Directors' Meetings, Minutes of the Board of Directors' Meetings, and the Annual Reports;
  - (c) notices calling for the Shareholders' Meetings and Minutes of the Shareholders' Meetings.
2. Keeping a record of all points of interest as reported by Directors and Executives.
3. Performing any other activities as prescribed in the Notification of the Capital Market Supervisory Board.
4. Submitting a copy of the report on points of interest (as reported by Directors/ Executives/ related parties) to the Chairman of the Board and the Chairman of the Audit Committee within 7 days from the date on which the Company has received such report.
5. Performing the duties as described above in good faith and with care and responsibility as well as in full compliance with the laws and regulations, the Articles of Association, objectives of the Company and the Resolutions of the Board of Directors and of the Shareholders' Meetings.

### Biographical Information of the Company Secretary

#### Miss Nilobon Tangprasit

<b>Position</b>	Company Secretary
<b>Shareholding</b>	None
<b>Relationship with Executives</b>	None
<b>Age</b>	52

#### Education

- LL.B (Honours), Chulalongkorn University
- Barrister-at-Law (The Institute of Legal Education, Thailand)
- Certificate in Attorney Assistant Training Program, Litigation/ Corporation, UCLA Extension, School of Law, Los Angeles, California, U.S.A.
- LL.M, Temple University, School of Law, at Philadelphia, Pennsylvania, U.S.A.

#### Working Experience

- **1986-1989**  
Lawyer (In house), B.Grimm&Co
- **1989-2004**  
Partner, International Legal Counsellors Thailand Ltd.
- **2005-present**  
Director/ Partner, Siam City Law Offices Ltd.
- **2008-present**  
Company Secretary, Siam Makro Plc.

## OTHER INFORMATION

### Executive Board

Members of the Executive Board as at December 31, 2011

1.	Mrs. Suchada Ithjarukul	Executive Director and Chief Executive Officer
2.	Mrs. Saowaluck Thithapant	Executive Director
3.	Mr. Stephan Ronald Nanninga	Executive Director
4.	Mr. Loic Arthur Bernard Marie Driebeek	Executive Director

### Functions and Responsibilities of the Executive Board

1. To determine the Company's strategy and annual business plans of each business unit, including required investments, human resources planning, as well as performance appraisals and remunerations criteria.
2. To prepare annual budgets and investment projects of each business unit, and to submit them to the Board of Directors for approval.
3. To follow up on and monitor the operating performance as well as progress of the approved investment projects in each business unit, and to regularly report on the performance results and any problems or issues encountered by the Company together with possible solutions for submitting to the Board of Directors.
4. To follow up on as well as monitor developments in the overall management activities and risks management system of each business unit.
5. To follow up on and monitor the overall human resources development activities together with any management position promotions and rotation in each business unit in accordance with the Company's plans.
6. Act as 'authorised' Directors, whose signatures can legally commit the Company, whereby signatures of any two of the 'authorised' Directors together with the Company seal are required.



## OTHER INFORMATION

### Audit Committee

Members of the Audit Committee as at December 31, 2011

1.	Mr. Athaporn Khaimarn	Chairman of the Audit Committee
2.	Mr. Chavalit Uttasart	Member of the Audit Committee
3.	Mr. Thira Wipuchanin	Member of the Audit Committee

### Remark :

Mr. Athaporn Khaimarn, Chairman of the Audit Committee, has the expertise and experience to review the correctness and completeness of the Financial Statements of the Company, whereby his professional experience is shown on page 62.

### Functions and Responsibilities of the Audit Committee

1. To review the Company's financial reporting process to ensure that it is accurate and adequate;
2. To review the Company's internal control system and internal audit system to ensure that they are suitable and efficient, and to determine an independent of the internal audit unit, as well as to approve the appointment, transfer and dismissal of the chief of an internal audit unit or any other unit in charge of an internal audit;
3. To review the Company's compliance with the law on Securities and Exchange, the SET's regulations, and the laws relating to the Company's business;
4. To consider, select and nominate independent persons to be the Company's auditors, and to propose such persons' remuneration, as well as to attend a non-management meeting with the auditors at least once a year;
5. To consider the Connected Transactions, or the transactions that may lead to conflicts of interests, to ensure that they are in compliance with the laws and the SET's regulations, to be ensured that the said transactions are reasonable and made for the highest benefit of the Company;
6. To prepare the Audit Committee's report which must be signed by the Audit Committee's Chairman and consist of at least the following information to be disclosed in the Company's annual report:
  - (a) an opinion on the accuracy, completeness and creditability of the Company's financial report,
  - (b) an opinion on the adequacy of the Company's internal control system,
  - (c) an opinion on the compliance with the law on Securities and Exchange, the SET's regulations, or the laws relating to the Company's business,
  - (d) an opinion on the suitability of an auditor,
  - (e) an opinion on the transactions that may lead to conflicts of interests,
  - (f) the number of the Audit Committee meetings, and the attendance of such meetings by each member of the Audit Committee,
  - (g) an opinion or overview comment received by the Audit Committee from its performance of duties in accordance with the charter, and
  - (h) other transactions which, according to the Audit Committee's opinion, should be known to the shareholders and general investors, subject to the scope of duties and responsibilities assigned by the Company's Board of Directors; and
7. To perform any other act as assigned by the Company's Board of Directors, with the approval of the Audit Committee.

## OTHER INFORMATION

### Nomination and Remuneration Committee

Members of the Nomination and Remuneration Committee as at December 31, 2011

1.	Mr. Thira Wipuchanin*	Chairman of the Nomination and Remuneration Committee
2.	Dr. Prasert Jarupanich	Member of the Nomination and Remuneration Committee
3.	Mr. Loic Arthur Bernard Marie Driebeek	Member of the Nomination and Remuneration Committee

### Remark :

\* Also an Independent Director

### Functions and Responsibilities of the Nomination and Remuneration Committee

1. Select and nominate suitable and qualified persons to be members of Board Committees so that their respective composition and qualifications are as prescribed by the law and all relevant regulations, and present its recommendation to the Board of Directors for consideration and approval or further proposal to the Shareholders' Meeting for consideration and approval (as the case may be);
2. Consider the criteria for and the determination of the remuneration for the Company's Directors as well as the Committees appointed by the Board of Directors, which are in line and appropriate with the Company's performance and their responsibilities in comparison with the remuneration of other companies in the same industry. In the event that the Nomination and Remuneration Committee considers that there should be any changes in any resolutions previously adopted at the Shareholders' Meeting, the Committee must present its any such changes to the Board of Directors for consideration and approval for further proposal to the Shareholders' Meeting for consideration and approval;
3. Undertake any other activities as assigned by the Board of Directors.

### Criteria for selecting an Independent Director

#### Qualifications of an Independent Director

An Independent Director must possess such qualifications in accordance with the established criteria as follows:

1. Holding shares not exceeding one percent of the total number of shares with voting rights of the Company, its parent company, subsidiary companies, associated companies, major shareholder or controlling person of the Company, which shall be inclusive of the shares held by related persons of such independent director;
2. Neither being nor used to being a director who takes part in the management, employee, staff member, advisor who receives a regular salary, or controlling person of the Company, its parent company, subsidiary companies, associated companies, same-level subsidiary companies, major shareholder or of the controlling person of the Company, unless the foregoing status has ended not less than two years. However, such prohibited characteristic shall not include the case where the independent director used to be a government official or advisor of a government unit which is a major shareholder or controlling person of the Company;
3. Not being a person related by blood or by legal registration as father, mother, spouse, sibling, and child, including spouse of child, of the executive, major shareholder, controlling person, or person to be nominated as executive or controlling person of the Company or its subsidiary companies;
4. Neither having nor used to having a business relationship with the Company, its parent company, subsidiary companies, associated companies, major shareholder or controlling person of the Company, in the manner which may interfere with his independent judgement, and neither being nor used to being a significant shareholder or controlling person of any person having a business relationship with the Company, its parent company, subsidiary companies, associate companies, major shareholder or controlling person of the Company, unless the foregoing relationship has ended not less than two years.

## OTHER INFORMATION

The term ‘business relationship’ under the first paragraph shall include any normal business transaction, rental or lease of immovable property, transaction relating to assets or services or granting or receipt of financial assistance through receiving or extending loans, guarantee, providing assets as collateral, and any other similar actions, which result in the Company or its counterpart being subject to indebtedness payable to the other party in the amount of three percent or more of the net tangible assets of the Company or twenty million Baht or more, whichever is lower. The amount of such indebtedness shall be calculated according to the method for calculation of value of connected transactions under the Notification of the Capital Market Supervisory Board governing rules on connected transactions mutatis mutandis. The consideration of such indebtedness shall include indebtedness occurred during the period of one year prior to the date on which the business relationship with the person commences;

5. Neither being nor used to being an auditor of the Company, its parent company, subsidiary companies, associated companies, major shareholder or controlling person of the Company, and not being a significant shareholder, controlling person, or partner of the audit firm which employs auditors of the Company, its parent company, subsidiary companies, associated companies, major shareholder or controlling person, unless the foregoing relationship has ended not less than two years;
6. Neither being nor used to being any professional service provider including a legal counselor or financial advisor who receives service fee of exceeding two million Baht per year from the Company, its parent company, subsidiary companies, associated companies, major shareholder or controlling person of the Company, and not being a significant shareholder, controlling person or partner of the aforementioned professional service provider, unless the foregoing relationship has ended not less than two years;
7. Not being a director appointed as representative of directors of the Company, major shareholder or shareholder who is related to major shareholder;
8. Not undertaking any business of the same nature as and competing with that of the Company or its subsidiary companies or not being a significant partner in a partnership or being a director who takes part in the management, employee, staff member, advisor who receives regular salary or holding shares exceeding one percent of the total number of shares with voting rights of other companies which undertake businesses of the same nature as and competing with that of the Company or its subsidiary companies;
9. Not having any other characteristics which cause the inability to render independent opinions with regard to the Company’s business operations.

Independent Director with qualifications described in 1-9 above may be empowered by the Board of Directors to make decision for the business operation of the Company, its parent company, subsidiary companies, associated companies, the same-level subsidiary companies, major shareholder or the controlling person of the Company in the form of collective decision.

In case the person appointed by the Company as the Independent Director is person having or used to having business relationship or providing professional service with value of exceeding those prescribed in item 4 or item 6, the Board of Directors may consider waiving this disqualification if the Board opines that the appointment of the said person does not affect his duty performance and his rendering of independent opinion and the Company has disclosed the following information in the notice calling for the shareholders’ meeting on agenda regarding the appointment of the said Independent Director:

- (a) Manner of business relationship or professional service causing the said person not being qualified under the prescribed criteria;
- (b) Reason and necessity to maintain or to appoint the said person as the independent director;
- (c) Opinion of the Company’s Board of Directors to nominate the said person as the independent director.

### Nominations of Independent Directors

The nominating procedure for proposed Independent Directors of the Company is as described in the section on “Nomination of Directors” as shown on page 67.



## OTHER INFORMATION

### Biographical Information of the Company's Directors



**Mr. Arsa  
Sarasin**

<b>Position</b>	Independent Director and Chairman
<b>Shareholding</b>	18,900 shares (no change)
<b>Relationship with Executives</b>	None
<b>Age</b>	75
<b>Education</b>	<ul style="list-style-type: none"> <li>• B.A. in Business Administration, Boston University, U.S.A.</li> <li>• Certificate in Director Accreditation Program initiated by the Thai Institute of Directors</li> <li>• Certificate in Finance for Non-Finance Director initiated by the Thai Institute of Directors</li> <li>• Certificate in Audit Committee Program initiated by the Thai Institute of Directors</li> </ul>
<b>Working Experience</b>	<ul style="list-style-type: none"> <li>• 1994-1999 Independent Director and Honorary Chairman, Siam Makro Plc.</li> <li>• 1999-2007 Chairman, Siam Makro Plc.</li> <li>• 1993-present Chairman, Thai-Asia Pacific Brewery Co., Ltd.</li> <li>• 1998-present Chairman, Padaeng Industry Plc.</li> <li>• 1999-present Independent Director and Member of the Audit Committee, Charoen Pokphand Foods Plc.</li> <li>• 2001-present Director, The Siam Cement Plc.</li> <li>• 2007-present Independent Director and Chairman, Siam Makro Plc.</li> </ul>

## OTHER INFORMATION



**Mrs. Suchada  
Ithijarukul**

<b>Position</b>	Vice Chairman, Executive Director and Chief Executive Officer
<b>Shareholding</b>	None
<b>Relationship with Executives</b>	None
<b>Age</b>	59

### Education

- Bachelor Degree in Accountancy (Second Class Honours), Chulalongkorn University
- Certificate in Director Certification Program initiated by the Thai Institute of Directors

### Working Experience

- **1995-2001**  
Finance Director,  
Siam Makro Plc.
- **1996-present**  
Executive Director,  
Siam Makro Plc.
- **2001-2010**  
President,  
Siam Makro Plc.
- **2001-present**  
Vice Chairman,  
Siam Makro Plc.
- **2005-present**  
Director,  
Siam Food Services Limited
- **2010-present**  
Chief Executive Officer,  
Siam Makro Plc.



**Mrs. Saowaluck  
Thithapant**

<b>Position</b>	Executive Director and Chief Financial Officer
<b>Shareholding</b>	None
<b>Relationship with Executives</b>	None
<b>Age</b>	56

### Education

- Bachelor Degree in Accountancy (Second Class Honours), Thammasat University
- Bachelor Degree in Laws, Thammasat University
- Master Degree in Accountancy, Thammasat University
- Certificate in Director Accreditation Program initiated by the Thai Institute of Directors

### Working Experience

- **1997-1999**  
Vice President-Accounting and Finance,  
Premier Enterprise Plc.
- **1999-2002**  
Senior Vice President-Accounting and Finance,  
Premier Group of Companies
- **2002-2010**  
Finance Director,  
Siam Makro Plc.
- **2004-present**  
Executive Director,  
Siam Makro Plc.
- **2005-present**  
Director,  
Siam Food Services Limited
- **2010-present**  
Chief Financial Officer,  
Siam Makro Plc.

## OTHER INFORMATION



**Mr. Stephan  
Ronald Nanninga**

**Position** Executive Director  
**Shareholding** None  
**Relationship with Executives** None  
**Age** 54

### Education

- Master Degree in Law (Rotterdam)
- Master Degree in Business Administration (Delft)

### Working Experience

- **1993**  
Branch Manager/ Member of the Board,  
Technische Unie B.V.
- **1999**  
Group Managing Director Distribution Europe,  
CRH Nederland B.V.
- **2007-present**  
Member of the Executive Board of Directors,  
SHV Holdings N.V.
- **2008-present**  
Executive Director,  
Siam Makro Plc.



**Mr. Loic Arthur  
Bernard Marie  
Driebeek**

**Position** Executive Director and Member of  
the Nomination and Remuneration  
Committee  
**Shareholding** None  
**Relationship with Executives** None  
**Age** 60

### Education

- M.B.A. Economics, University of Rotterdam

### Working Experience

- **2000-2003**  
Executive Board,  
Van Leeuwen Pipe and Tube Group, the Netherlands
- **2003-2004**  
Senior Vice President,  
SHV Gas, the Netherlands
- **2004-present**  
Chief Executive Officer,  
SHV Gas, the Netherlands
- **2010-present**  
Executive Director and Member of the Nomination and  
Remuneration Committee,  
Siam Makro Plc.  
Senior Vice President,  
SHV Energy, the Netherlands



## OTHER INFORMATION



**Mr. Wouter  
van der Woerd**

**Position** Director  
**Shareholding** None  
**Relationship with Executives** None  
**Age** 53

### Education

- Human Resources Management, VNO - de Baak, Noordwijk
- Business Economics (post Bachelor), NIVE, Utrecht

### Working Experience

- **1998-2007**  
Director/ shareholder, Mandev Benelux B.V.
- **2007-present**  
Human Resources Director, SHV Holdings N.V.
- **2010-present**  
Director, Siam Makro Plc.



**Dr. Prasert  
Jarupanich**

**Position** Director and Member of the Nomination and Remuneration Committee  
**Shareholding** 10 shares (no change)  
**Relationship with Executives** None  
**Age** 63

### Education

- Ph. D. in Industrial Engineering and Management, Oklahoma State University
- Certificate in Director Certification Program initiated by the Thai Institute of Directors

### Working Experience

- **1988-2007**  
Director, Siam Makro Plc.
- **1988-present**  
Director, CP ALL Plc.
- **2007-2010**  
Independent Director, Siam Makro Plc.
- **2008-2009**  
Chairman of the Nomination and Remuneration Committee, Siam Makro Plc.
- **2010-present**  
Director and Member of the Nomination and Remuneration Committee, Siam Makro Plc.

## OTHER INFORMATION



**Mr. Athaporn  
Khaimarn**

**Position** Independent Director and  
Chairman of the Audit Committee

**Shareholding** None

**Relationship with Executives** None

**Age** 67

### Education

- Associate member of the Institute of Chartered Accountants in Australia
- Associateship in Accounting from Western Australia Institute of Technology (Now, Curtin University of Technology)
- Certificate in Director Accreditation Program initiated by the Thai Institute of Directors
- Certificate in Director Certification Program initiated by the Thai Institute of Directors

### Working Experience

- **1992-1996**  
Managing Director,  
Price Waterhouse, Bangkok
- **Present**  
Independent Director and  
Chairman of the Audit Committee,  
Goodyear (Thailand) Plc.
- **1999-present**  
Independent Director and  
Chairman of the Audit Committee,  
Siam Makro Plc.



**Mr. Chavalit  
Uttasart**

**Position** Independent Director and  
Member of the Audit Committee

**Shareholding** None

**Relationship with Executives** None

**Age** 63

### Education

- LL.B. (Second Class Honours),  
Chulalongkorn University
- Barrister-At-Law, The Institute of Legal Education
- Barrister-At-Law, Gray's Inn, London
- Certificate in Director Accreditation Program initiated by the Thai Institute of Directors
- Certificate in Director Certification Program initiated by the Thai Institute of Directors

### Working Experience

- **1977-2005**  
Director,  
International Legal Counsellors Thailand Ltd.
- **2005-present**  
Managing Director,  
Siam City Law Offices Limited  
Managing Director,  
Chavalit & Associates Limited
- **1999-present**  
Independent Director and  
Member of the Audit Committee,  
Siam Makro Plc.
- **2009-present**  
Independent Director and  
Member of the Audit Committee,  
Internet Thailand Plc.

## OTHER INFORMATION



**Mr. Thira  
Wipuchanin**

<b>Position</b>	Independent Director, Member of the Audit Committee, and Chairman of the Nomination and Remuneration Committee	
<b>Shareholding</b>	None	
<b>Relationship with Executives</b>	None	
<b>Age</b>	62	
<b>Education</b>	<ul style="list-style-type: none"> <li>• B.Sc. in Economic and Business Administration, University of Wisconsin-Stevens Point, U.S.A.</li> <li>• Certificate in Director Certification Program initiated by the Thai Institute of Directors</li> <li>• Certificate in Audit Committee Program initiated by the Thai Institute of Directors</li> </ul>	
<b>Working Experience</b>	<ul style="list-style-type: none"> <li>• 1990-1994 Thailand Representative, Prudential Asset Management Asia Ltd.</li> <li>• 1995-1997 Senior Vice President, Premier Group of Companies</li> <li>• 1998-2004 Senior Executive Vice President, Export - Import Bank of Thailand</li> <li>• Present Independent Director and Chairman, Interhides Plc.</li> <li>• Present Independent Director and Chairman, Precious Shipping Plc.</li> <li>• Present Independent Director and Chairman of the Audit Committee, Bangkok First Investment &amp; Trust Plc.</li> <li>• Present Independent Director, Chairman and Chairman of the Audit Committee, United Palm Oil Industry Plc.</li> <li>• 2003-present Independent Director and Member of the Audit Committee, Siam Makro Plc.</li> <li>• 2008-2009 Member of the Nomination and Remuneration Committee, Siam Makro Plc.</li> <li>• 2010-present Chairman of the Nomination and Remuneration Committee, Siam Makro Plc.</li> </ul>	



## OTHER INFORMATION

### Biographical Information of the Company's Executives



**Mr. Lin,  
Chi-Lung**

<b>Position</b>	Chief Executive Officer - Food Service Business
<b>Shareholding</b>	None
<b>Relationship with Executives</b>	None
<b>Age</b>	48

#### Education

- Business Manager Courses, Chung-Shin University
- Certificate in Director Certification Program initiated by the Thai Institute of Directors

#### Working Experience

- **1990-2001**  
Fresh Food Manager,  
Wellcome Taiwan Dairy Farm
- **2001-2003**  
Commercial Director (Food),  
Makro Taiwan
- **2003-2010**  
Commercial Director (Fresh Food),  
Siam Makro Plc.
- **2007-present**  
Executive Director,  
Siam Food Services Limited
- **2010-present**  
Chief Executive Officer - Food Service Business,  
Siam Makro Plc.



**Mr. Jean-Michel  
de Geyer**

<b>Position</b>	Chief Commercial Officer
<b>Shareholding</b>	None
<b>Relationship with Executives</b>	None
<b>Age</b>	53

#### Education

- Master Degree in Business Administration,  
Institut Supérieur de Gestion (ISG, Paris)

#### Working Experience

- **1996-2005**  
Marketing and Merchandise Director,  
Carrefour
- **2005-2007**  
CEO Giant Hypermarket,  
Dairy Farm
- **2009-2010**  
Offer Director,  
Kingfisher Group
- **2010-present**  
Chief Commercial Officer,  
Siam Makro Plc.

## OTHER INFORMATION



**Mr. Thomas  
Leslie Hammer**

**Position** Chief Operation Officer  
**Shareholding** None  
**Relationship with Executives** None  
**Age** 57

### Education

- Business Administration, San Diego College

### Working Experience

- **2000-2003**  
Executive Vice President,  
Price Smart China Enterprises, China
- **2003-2005**  
Vice President and Business Unit General Manager,  
China Resource Vanguard Co., Ltd., China
- **2006-2008**  
Executive Director/  
Retail Business Unit General Manager,  
Great Dreams Cartoon Group Ltd., China
- **2009-2010**  
Sales & Operation Director,  
Siam Makro Plc.
- **2011-present**  
Chief Operation Officer,  
Siam Makro Plc.



**Mrs. Boonsin  
Srilertchaipanij**

**Position** Corporate General Affairs Director  
**Shareholding** None  
**Relationship with Executives** None  
**Age** 58

### Education

- B.A. Faculty of Arts (First Class Honours),  
Chulalongkorn University
- Certificate in Director Certification Program initiated  
by the Thai Institute of Directors
- Certificate in Finance for Non-Finance Director initiated  
by the Thai Institute of Directors

### Working Experience

- **1992-1997**  
Vice President - Administration & Personnel  
Christiani & Nielsen (Thai) Plc.
- **1998-2010**  
Human Resources Director,  
Siam Makro Plc.
- **2001-2004**  
Director,  
Siam Makro Plc.
- **2005-present**  
Director,  
Siam Food Services Limited
- **May-Dec 2007**  
Director,  
Siam Makro Plc.
- **2010-present**  
Corporate General Affairs Director,  
Siam Makro Plc.
- **Aug 2011-present**  
Acting Human Resources Director,  
Siam Makro Plc.

## OTHER INFORMATION

### Details of the Board of Directors and Executives in the Company and its Subsidiary and/ or Related Company as at December 31, 2011

Company Name	Siam Makro Plc.	Subsidiary Company	Related Company
Name		A	B
Mr. Arsa Sarasin	1, 6		
Mrs. Suchada Ithjarukul	2, 3, 5	4	
Mrs. Saowaluck Thithapant	5, 11	4	
Mr. Stephan Ronald Nanninga	4, 5		5
Mr. Loic Arthur Bernard Marie Driebeek	4, 5, 10		
Mr. Wouter van der Woerd	4		
Dr. Prasert Jarupanich	4, 10		
Mr. Athaporn Khaimarn	6, 7		
Mr. Chavalit Uttasart	6, 8		
Mr. Thira Wipuchanin	6, 8, 9		
Mr. Lin, Chi-Lung	12	4	
Mr. Thomas Leslie Hammer	13	4	
Mrs. Boonsin Srilertchaipanij	14	4	

#### Remark : Positions

- 1 = Chairman
- 2 = Vice Chairman
- 3 = Chief Executive Officer
- 4 = Director
- 5 = Executive Director
- 6 = Independent Director
- 7 = Chairman of the Audit Committee

- 8 = Member of the Audit Committee
- 9 = Chairman of the Nomination and Remuneration Committee
- 10 = Member of the Nomination and Remuneration Committee
- 11 = Chief Financial Officer
- 12 = Chief Executive Officer - Food Service Business
- 13 = Chief Operation Officer
- 14 = Corporate General Affairs Director and Acting Human Resources Director

#### Subsidiary Company

A = Siam Food Services Limited

#### Related Company

B = SHV Holdings N.V.



## OTHER INFORMATION

### Details of Directors of Subsidiary Company as at December 31, 2011

Subsidiary Company	Siam Food Services Limited
Directors Name	
Mrs. Suchada Ithjarukul	Director
Mrs. Saowaluck Thithapant	Director
Mr. Lin, Chi-Lung	Director
Mr. Lin, Boey Fook Choy	Director
Mr. Thomas Leslie Hammer	Director
Mrs. Boonsin Srilertchaipanij	Director
Miss Thanyamas Vorachart	Director

### (2) Nomination of Directors

The Company gives minority Shareholders an opportunity to nominate suitable and qualified persons to be considered for selection as Directors of the Company in accordance with the Company's established criteria in advance of the Annual General Shareholders' Meeting for 2012.

The Nomination and Remuneration Committee is responsible for the selection and nomination of suitable and qualified persons as Directors or Independent Directors of the Company, details of which are presented to the Board of Directors for consideration. The Board of Directors then presents its opinion to the Shareholders' Meeting for consideration and approval. The resolution on the election of the Directors must be adopted by an affirmative majority vote from the total number of votes of those Shareholders attending and present at the Meeting as well as entitled to vote in accordance with the following criteria and procedures prescribed in the Company's Articles of Association:

- A shareholder shall have a number of votes which is equivalent to the number of shares held by him;
- Each shareholder may exercise all the votes he has under clause a), to elect one or more persons as directors but he may not split his votes among any such persons;
- The persons receiving the highest number of votes in the respective order of the votes shall be elected as directors up to the total number of directors required or to be elected at such time. In the event that a number of persons receiving an equal number of votes for the last directorship exceed the number of directors the Company required or to be elected at such time, the chairman of the meeting shall have a casting vote.

If the directorship become vacant for any reason other than by rotation, the board of directors shall elect a person who is qualified and not having a prohibited characteristics as provided in Section 68 of the Public Limited Company Act B.E. 2535 as director to fill the vacancy at the subsequent board of directors meeting unless the remaining term of the director is less than 2 months. The director who fills the vacancy shall retain his office only for the remaining term of the office of the director whom he replaces. The resolution of the board of directors shall consist of not less than three-fourth of the votes of the remaining number of directors.

## OTHER INFORMATION

### (3) Remuneration of Directors and Executives for 2011

#### Financial Remuneration

- (a) The 10 Directors of the Company received Directors fees totaling Baht 10.68 million. Individual Director's remuneration rates for 2011 are as follows.

Name	Remuneration Rate
1. Mr. Arsa Sarasin	120,000 Baht/ Month
2. Mrs. Suchada Ithijarukul	80,000 Baht/ Month
3. Mrs. Saowaluck Thithapant	80,000 Baht/ Month
4. Mr. Stephan Ronald Nanninga	80,000 Baht/ Month
5. Mr. Loic Arthur Bernard Marie Driebeek	80,000 Baht/ Month
6. Mr. Wouter van der Woerd	80,000 Baht/ Month
7. Dr. Prasert Jarupanich	80,000 Baht/ Month
8. Mr. Athaporn Khaimarn	110,000 Baht/ Month
9. Mr. Chavalit Uttasart	90,000 Baht/ Month
10. Mr. Thira Wipuchanin	90,000 Baht/ Month
Other types of remuneration for Directors	None

- (b) The 4 Executive Directors received remuneration in their capacity as a member of the Board of Directors, details of which are included in clause (a) above.
- (c) The 7 Executives (including those who resigned during the year) received remuneration in the form of salaries and bonus totaling Baht 103.47 million.

#### Other Remuneration

In 2011 the Company paid 7 Executives (including those who resigned during the year) other remuneration totaling Baht 30.56 million, consisting of the Company's contribution to the provident fund (equal to 3 % of salary) together with expatriate executives' expenses, i.e. house rent, utility bills, telephone expenses, income tax payable, life insurance premium, and travelling expenses etc.

The above remuneration for Executives is based on actual payments made during 2011, which amount differs from the total amount as stated in the Consolidated and Company Financial Statements, in compliance with the Thai Generally Accepted Accounting Principles, under the Accounting Act of B.E. 2543.

## OTHER INFORMATION

### Directors' and Executives' Shareholding Status in the Company and Affiliated Company as at December 31, 2011

Name and Position	Company/Affiliated Company	No. of shares held	Increase/ Decrease
1) Mr. Arsa Sarasin Independent Director and Chairman	Siam Makro Plc.	18,900	No change
2) Dr. Prasert Jarupanich Director	Siam Makro Plc.	10	No change

### (4) Compliance with established Best Practices and Code of Conduct for Directors of listed Companies

The Board of Directors complies with the Best Practices and Code of Conduct for Directors of listed Companies of the Stock Exchange of Thailand. It has also performed its duties in compliance with all legal requirements and regulations relating to the role and responsibilities of Directors as well as in accordance to the stated objectives and the Articles of Association of the Company and resolutions of the Shareholders' Meetings, with honesty and due care, in order to protect the interests of the Company, and with accountability to the Shareholders. The Board of Directors determines the direction and policies of the Company, supervises and closely monitors that Management follows all agreed policies and procedures as well as complies with all legal or regulatory requirements. The Board of Directors also continuously follow-up on the achieved operating performance results of the Company. Additionally, the Board of Directors has established adequate internal control together with an internal audit function, in order to ensure ongoing effectiveness of the Company's operations.

### (5) Supervision on the Use of Inside Information

In order to prevent purchase or sale of Company shares through using inside information and knowledge and also in order to avoid any criticisms on the propriety of people within the Company purchasing or selling of Company shares, the Company has in place controls and limitations on the use of the inside information of the Company for personal gain and for the purchase or sale of the Company's shares. The Company will keep confidential any material information which has not yet been disclosed, and will reveal such information only to the responsible senior Executives. Those senior Executives who have access to material and confidential information, not yet disclosed to the public, must report any purchase and sale of the Company's shares on their part in accordance with the regulations of the Securities Exchange Commission (SEC) relating to the Rules, Regulations and Procedures Governing the Preparation of Disclosure Reports on Shareholdings. Further, the preparation and distribution of documents relating to any confidential information are undertaken only by the appropriate and responsible Officers of the Company.

Additionally, the Company has a policy to regularly announce to the public and notify internally to its Executives, Officers and Employees details regarding the core values of the Company relating to required lawful and ethical conduct on their part. In such internal communications, specific and special references are made to the need to keep confidential any material inside information which may potentially impact both the price and trading of the Company's shares as well as to the need to prevent gaining of personal benefits when trading Company shares, whereby making use of as well as revealing any material and confidential inside information of the Company for any personal gain is strictly prohibited. According to the Company's policy, both Management and employees are prohibited from making use of any inside confidential information or knowledge for personal gain or for business benefits, whereby it is stipulated that each employee should avoid any misuse of inside information that may result in a possible conflict of interest situation. Further, they are duty bound to strictly maintain confidential any and all such inside information.



## OTHER INFORMATION

### **(6) The Opinion of the Board of Directors regarding Internal Control of the Company and its Subsidiary**

The Company's Board of Directors, which includes the Audit Committee, is of the opinion that the financial system, financial reports and accounts audit are reliable within the existing internal control system and framework that are considered adequate and appropriate for the business activities and operations of Company and its Subsidiary. The Company has an Internal Audit Department that continuously monitors the internal control system and regularly reviews any major transactions. The Internal Audit Department has a procedure to periodically assess whether the existing internal control is sufficient and adequate, as well as constantly evaluates operational activities to ensure that they are in accordance with stated policies of the Company.

### **(7) Dividend Payment Policy**

Unless it is otherwise required due to other considerations, the Company's Board of Directors intends to propose at the Annual General Shareholders' Meeting for approval that the Company pay dividends that is not less than 40 percent of its annual Net Profit after Tax, whereby this has been effective as from 1994 onwards.

Additionally, with regard to the dividend payment policy for its Subsidiary, the Board of Directors of the Subsidiary Company shall consider and propose payment of dividends on a case by case basis.

## OTHER INFORMATION

### 4. Related Transactions with Connected Parties and Those who may have a Conflict of Interest

During fiscal year 2011 the Company undertook various related transactions with connected Parties and those who may have a conflict of interest as described below. Further, these related transactions are also shown on page 112 in clause 9 “Related Party Transactions” of the Notes to the Consolidated and Company Financial Statements for the year ending 31 December 2011 and 2010 which is audited by the certified public accountant.

#### Nature of the Relationship and Related Transactions :

##### 1. Purchase of intangible assets

The Company has been granted the rights to use application software from an overseas affiliated company, which is a member of the SHV Group as follows:

Company Name	Nature of Relationship	Amount (Baht Mil.)
Orkam Asia Trademark AG	Affiliated company	0.8
<b>Total</b>		<b>0.8</b>

##### 2. Service expenses

The Company has been granted the rights to use software and trademarks, together with maintenance services for application software, and also the rights to use the virtual private network that is shared among the SHV Group of Companies, from overseas affiliated companies which are members of SHV Group as follows:

Company Name	Nature of Relationship	Amount (Baht Mil.)
1. Orkam Asia Trademark AG	Affiliated company	162.2
2. SHV Holdings N.V.	Affiliated company	0.9
<b>Total</b>		<b>163.1</b>

#### Pricing Policy of Related Transactions

- The purchase of intangible assets consists of the software license fees for the use of an application software, for which a fee of EUR 17,850 is charged, as specified in the Purchase Agreement. The Company considered this transaction to be appropriate and reasonable.
- Service expenses includes software license fees and royalty fees for the use of such trademarks as well as maintenance service fees for application software and virtual private network usage service fees that is shared among the SHV Group of Companies, and are as specified in the Service Agreement. The Company considered the fees, as described below, to be reasonable.

## OTHER INFORMATION

- a) Royalty fee for the use of trademarks is 0.5 percent of sales volume of the first-10 stores of the Company subtracted by value of goods return and VAT. The Agreement is valid for 1 year. However, the Company reserves the right to renew the Agreement every year and have the right to use such trademarks and service marks in business operations.
- b) Software license fee is EUR 22,689 for each Makro new store. The payment is made once a new store is opened. The Agreement is valid for 1 year and is renewable annually. Regarding the benefit from this license, the Company obtains specific IT software which is necessary to its business operations.
- c) Maintenance fee regarding business intelligence application is charged at actual charged amount in 2011 and at EUR 750 per user and annual maintenance fee is 25% of the total user license fee in 2010. The Agreement is for unlimited period of time, unless party shall terminate the Agreement by written notice. Regarding the benefit from this Service Agreement, the Company receives maintenance services for the application software.
- d) Virtual private networking service fee is EUR 22,000 and 20,000 for the year 2011 and 2010, respectively. The Agreement is for unlimited period of time, unless party shall terminate the Agreement by written notice. Benefit from this service is data transfer security among the SHV Group of Companies.

### Necessity and Reasons for these Related Transactions

1. The purchase of intangible assets represents software license fees for the use of application software, with the benefit from this Agreement being that the Company is able to use the application software for processing data from all stores and Head Office for the purpose of preparing a report in a standard format to be used for timely analysis and decision making as well as for comparison with pre-established goals so as to be able to evaluate actual performance against set targets which will facilitate the achievement of the Company's objectives.
2. As for the service expenses, i.e. software license fees, royalty fees for the use of such trademarks, as well as maintenance service fees for application software and shared virtual private network usage service fees and the associated benefits derived by the Company i.e. the technical services support relating to the management for the Company's core business operations by overseas affiliated companies, these costs relating to the usage of both the system and the application software are less than costs for a local system and for own software development.



## OTHER INFORMATION

### Procedures for Approving Related Transactions and Policies for Future Transactions

Related transactions should occur only when required as part of the normal course of doing business and purely for the benefit of the Company as a whole. The purchase of intangible assets and the use of software licenses and trademarks, the maintenance services for the application software together with the rights to use the virtual private network shared among SHV Group of companies are considered necessary for the Company's normal business operations. Such related transactions are reviewed by the Audit Committee of the Board, which Committee is of the opinion that these transactions undertaken between the Parties are fair and reasonable. These related transactions are also approved by the Board of Directors in accordance with the Company's Articles of Association, before they are undertaken. The Company and its Subsidiary have a policy for future related transactions that all related transactions will only be undertaken when required by normal business operations. Further, the terms and conditions of all such related transactions will be treated in the exact same manner as any other transactions undertaken with third-parties. Nevertheless, any related transaction must be approved or ratified by the Board of Directors.

In addition, the Company's Board of Directors has also unanimously approved, in principle, that the Company and its Subsidiary will be approved to enter into related transactions with a Company Director, an Executive or any other related Party only if such transactions consist of the same commercial considerations and terms as well as shall be undertaken under similar circumstances as those which an ordinary non-related counterparty would agree to and on the basis of normal commercial negotiation without any associated or special considerations being given because of the status of the Director, Executive or any other related Party. Details of such internal regulations are as follows :

#### 1. Purchase of Goods

In the event that the Company and its Subsidiary purchase goods from a related Company through having the same or shared Director(s) and/ or the same group of shareholders, such transactions shall be fully in accordance with normal business conditions as well as in line with normal market prices applicable at the time, and shall be treated in the same manner as any other transactions undertaken with any other unrelated Parties.

#### 2. Use of Service

In the event that the Company and its Subsidiary make use of legal consulting services from Siam City Law Offices Co., Ltd. and Chavalit & Associates Limited, both of which companies have shared co-directors, such transactions shall be specified in an Agreement and shall be based on a reasonable terms and conditions for the Company and its Subsidiary.

#### 3. Sale of Goods

In the event that the Company and its Subsidiary agree to sell any goods to its Directors and/or Executives, such transaction shall be treated and made under normal business conditions as well as in line with normal market prices applicable at the time and in the exact same manner as those similarly undertaken with any other unrelated Parties.

Additionally, the purchase of intangible assets, i.e. software licenses and the use of services including the usage of software license and trademarks, maintenance services for application software, and rights granted to use virtual private network shared among the SHV Group of Companies from overseas affiliated companies that are part of the SHV Group, shall be documented and specified in relevant Agreements, which shall also be undertaken on a fair and reasonable basis.

## OTHER INFORMATION

### 5. CORPORATE GOVERNANCE

#### 5.1 Rights of Shareholders

- (1) The Board of Directors acknowledges the importance of the rights of Shareholders and has established a policy regarding good corporate governance principles and practices, which focuses on the protection of basic rights of the Shareholders as well as equitable, fair and transparent treatment of all Shareholders under the regulatory framework for public listed companies and the code of conduct of the Company. The Company also gives importance to the appropriate and efficient management that will facilitate economic value creation for its Shareholders.
- (2) The Company emphasises and respects the basic rights of Shareholders through complying with the criteria as prescribed by the law. During 2011, the Annual General Shareholders' Meeting was held on April 20, 2011 held at Bu-Nga Room, Golden Tulip Sovereign Hotel, 92, Rama 9 Road, Bangkok Subdistrict, Huay Kwang District, Bangkok. For the year 2011, the Company gave minority Shareholders the opportunity to propose any additional agenda points in advance before the 2012 Annual General Shareholders' Meeting (AGM) as well as to nominate, in advance between November 15 through to December 20, 2011, any suitable and qualified persons to be considered for selection as Directors of the Company, whereby associated details and selection criteria were posted on the Company's website ([www.siammakro.co.th](http://www.siammakro.co.th)). The Company also notified these rights to all Shareholders through the online news system of the Stock Exchange of Thailand.
- (3) The Company authorised the Thailand Securities Depository Co., Ltd., in its capacity as the Company's Share Registrar, to send out to the Shareholders 15 days in advance, invitation notices for the 2011 Annual General Shareholders' Meeting (AGM) together with all relevant supporting information for all of the proposed agenda items together with the opinion of the Board of Directors' relating to each proposed agenda item.
- (4) The Company also published the notices for the AGM on the Company's website ([www.siammakro.co.th](http://www.siammakro.co.th)) 15 days prior to the 2011 Annual General Shareholders' Meeting date; and again notified through the online news system of the Stock Exchange of Thailand about the AGM notice that appeared on the Company's website. Minutes of the AGM was also published on this website 14 days after the AGM took place.
- (5) The 2011 Annual General Shareholders' Meeting was attended by the Company's 9 Directors, including members of the Audit Committee, the Company's external Auditor and legal counselor. At the start of the AGM, the Chairman of the AGM announced to the meeting the number and proportion of Shareholders, their proxies attending the AGM, the voting and votes counting procedures for each of the proposed agenda items in the order as announced in the AGM notice. There was no "other agenda item" tabled during the AGM, which proceeded in accordance with the Company's Articles of Association. Minutes were completely and accurately recorded for reference and review by Shareholders. The Company provided equal opportunity to all Shareholders to ask questions, to make enquiries or to express their opinions relating to any of the agenda items discussed or the proposals tabled, for which the Company gave satisfactorily answers to all the questions raised during the AGM.
- (6) Shareholders attending the AGM were then given the opportunity to cast their votes for all the agenda items considered not yet voted on, in order to arrive at an official resolution.

## OTHER INFORMATION

### 5.2 Equitable Treatment of Shareholders

- (1) Again, for 2011 the Company gave the opportunity for minority Shareholders to propose any additional agenda items in advance before the 2012 Annual General Shareholders' Meeting (AGM) as well as to nominate, in advance between November 15, 2011 to December 20, 2011, suitable and qualified persons to be considered for selection as Directors of the Company, whereby associated details and selection criteria were posted on the Company's website ([www.siammakro.co.th](http://www.siammakro.co.th)).
- (2) The Company has already delivered the AGM together with all the supporting documents relating to the proposed agenda items. The Company has also encouraged Shareholders to make use of the proxy forms as supplied that will enable them to determine the direction of the voting for the agenda items being considered as well as to exercise their vote relating to the election of the proposed individual Directors in regard to the agenda relating to the appointment of the Company's Directors.
- (3) Shareholders are able to appoint any other person or any one of the Company's Independent Directors to be their proxy in attending the AGM. The Company recommended that Shareholders appoint those Independent Directors who are also members of the Audit Committee as their proxy. Details relating to the Audit Committee members were provided together with the AGM notices. And for the Annual General Shareholders' Meeting for 2011, a total of 168 shareholders appointed the Chairman of the Audit Committee and other members of the Audit Committee, who were also Independent Directors, as their proxies. Additionally, during the AGM for 2011, the Company provided equal assistance and treatment to all Shareholders alike.
- (4) The Company regularly issues announcements and regulations to the Management, Officers and other relevant persons in regard to the Company's principles on the legal conduct and proper business ethics to be applied both within the Company and towards the third parties, especially in regard to the maintenance of confidentiality of sensitive information as well as protection against the possible use of inside information, whereby relevant details are provided in the section on "Supervision on the Use of Inside Information" on page 69.

### 5.3 Role of Stakeholders

- (1) The Company emphasises the maintenance of the rights of every group of Stakeholders, whereby the Company complies with all legal regulations and provisions, in order to maintain these basic rights of any group of Stakeholders and to properly coordinate the realisation of mutual benefits as follows :

#### Shareholders

The Company will transparently operate the business, and aims to consistently build up long-term stability, growth and economic value, in order to achieve good financial returns for its Shareholders.

#### Customers

The Company aims to continuously search for and increase the variety of products and services that are relevant to and meet Customers' needs, in order to achieve the highest level of customer satisfaction, trust and loyalty as well as ensuring the best quality products are provided together with sustained improvements to its standards of services.

#### Employees

The Company has as a core policy to emphasise the importance of continuous training and development of its human resources and of providing opportunities for career advancement. In order to achieve this policy, the Company cooperates closely with the Institute for Skill Development of the Ministry of Labour to arrange training for the purpose of upgrading the capabilities of its employees at every level, so that they will become more qualified and efficient and be ready for further promotion to higher levels of responsibilities. Moreover, the Company also has a policy to offer remunerations that are based on the job-value and work performance together with fair welfare benefits to its employees. The Company's overall remuneration and welfare schemes

## OTHER INFORMATION

are equal to or higher than those available in the market for the same industry sector. In addition, the Company also has a policy regarding Occupational Safety and Workplace Environmental Management; and has set up the Occupational Safety and Working Environmental Section, comprising the Committee of Occupational Safety and Working Environmental, an Occupational Safety Officer at the Supervisory Level, and also an Occupational Safety Officer at the Executive Level. The Company has also implemented adequate and appropriate Occupational Safety and Workplace Environmental procedures, in order to be saved possible work-related loss of life, injuries from accidents, and illnesses, as well as continually promotes various work safety related activities together with associated official or Government organisations.

### Trading Partners and Creditors

The Company aims to treat all trading partners equally and equitably based on the fundamental principles of fairness and taking into consideration the mutual benefits of all parties, as well as strict complying to the agreements made. Additionally, the Company also strictly complies with the arrangements made with its creditors, and ensures that all accounts payables are settled under the agreed terms and conditions.

### Competitors

The Company operates its business within the framework of international rules and regulations relating to trade competition principles and practices. It does not commit any confidential infringements or any fraudulent acquisition of competitors' trade secrets. It also does not destroy competitors through any dishonest means. In this regard, during the past year, the Company has not had any disputes of any kind relating to its trade competitors.

### Society and Environment

The Company realises the importance of the society and environment in which we live. The Company, therefore, actively encourages and ensures that every store to always be jointly responsible to society by proactively cooperating in any community or public activities including the ongoing development of education, society and the environment. Further details are given in the section of "CSR & Contributing to Society" on page 26. Moreover, the Company has established a firm policy and guidelines relating to energy conservation and energy usage through promoting the most efficient level of energy consumption in order to facilitate and assist in reducing the global warming crisis.

- (2) The Company provides various channels of communications for employees and/or any other persons to be able to directly and securely inform those responsible within the Company of any information or issues relating to performance or non-compliance in accordance the established Company's policies or business ethics framework.
- (3) The Company has policies on anti-corruption within the following framework.
  - a) Executives and Employees of the Company must act within the business ethic framework and refrain from any actions that may be fraudulent or illegal and which will affect their work;
  - b) Executives and Employees of the Company shall not offer or accept money or other benefits that are deemed unlawful.
- (4) The Company has policies in regard to non-infringement of intellectual property (IP) as follows:
  - a) The Company discourages any actions that may or will violate the IP or copyright as prescribed by the IP laws. In the event that the Company finds any infringements of IP, the Company will proceed promptly and appropriately to remove or disable any access to the alleged IP infringements;
  - b) The Company will promptly proceed with various steps as appropriate in accordance with disciplinary actions of the employees of the Company, and will inform the Party whose IP has been infringed accordingly.



## OTHER INFORMATION

### 5.4 Disclosure and Transparency

- (1) In addition to disclosing information, as specified and required by law or regulations, through the Stock Exchange of Thailand and within its Annual Statements (Form 56-1) and Annual Reports, the Company also discloses information, both in Thai and English, through other channels such as the Company's website, whereby such information is regularly updated.
- (2) With regard to the relationship with investors, the Board of Directors emphasises the need for transparent, accurate and complete disclosure of information to investors - both its Shareholders and any related Parties - by authorising the Chief Financial Officer to communicate with institutional investors, Shareholders, financial analysts and other relevant authorities or organisations. In addition, the Company regularly organises investors and analysts meetings every quarter after disclosing the Company's quarterly operating performance results to the Stock Exchange of Thailand.
- (3) The Board of Directors provides, within the Company's Annual Report, the Report of the Board of Directors' Responsibilities for Financial Statements as shown on page 83 together with the Auditor's Report.
- (4) Details regarding the roles, duties and responsibilities of the Board of Directors of the Company, the Executive Board, the Audit Committee and the Nomination and Remuneration Committee, together with details of the Directors' terms, the Board of Directors' meetings, and the policy on the remuneration of its Directors and Executives are all described in item 5.5 "Responsibilities of the Board".

### 5.5 Responsibilities of the Board

#### (1) Board Structure

- (1.1) The Board of Directors comprises of 10 Directors, which is deemed suitable for the size of the Company's business and operations, whereby the Chairman is an Independent Director with no relationships with any Executives and who is also not the Chief Executive Officer. This is in order to separate the respective duties of determining policies relating to good Corporate Governance from the routine operational and management responsibilities of the Company. Additionally, a good balance between Non-Executive and Executive Directors has been established, whereby the Board of Directors consists of the following :
 

a) Executive Directors (who are authorised signatories)	4	persons
b) Executive Director (who is not an authorised signatory)	1	person
c) Non-Executive Directors :	5	persons
- Director (who is not an Audit Committee member)	1	person
- Independent Director (who is not an Audit Committee member)	1	person
- Independent Directors (who are also Audit Committee members)	3	persons

It is the opinion of the Board of Directors that the 4 Independent Directors (including the Chairman of the Board), accounting for 40 percent of all Directors, are all duly qualified, as per the details shown on page 56. In this regard, the Board of Directors, also believe that Mr. Athaporn Khaimarn, an Independent Director, has the required extensive accounting and financial management knowledge and expertise, and have therefore appointed him to be the Chairman of the Audit Committee.

- (1.2) The Board of Directors has also appointed Miss Nilobon Tangprasit as the Company Secretary, with details of this role described in the section on "Company Secretary" on page 53.
- (1.3) In order to ensure the effectiveness of the Directors' performances, each Director of the Company has strictly complied with the requirement that a Director of listed companies will not be a Director of more than 5 companies at any given time.

## OTHER INFORMATION

### (2) Committees

The Board of Directors has established these Board Committees to assist in the Company's good corporate governance practices as follows:

- (2.1) Audit Committee, comprising of 3 Independent Directors as members; namely, Mr. Athaporn Khaimarn, Chairman of the Audit Committee; Mr. Chavalit Uttasart; and Mr. Thira Wipuchanin together with the Associate Director - Internal Audit as the Audit Committee Secretary. Additional details are shown in the section on the "Audit Committee Report" on page 36 and on the "Audit Committee" on page 55.
- (2.2) Nomination and Remuneration Committee, as described in the section on "Nomination and Remuneration Committee" on page 56.

### (3) Roles and Responsibilities of the Board of Directors

- (3.1) The Board of Directors has established a policy on Corporate Governance practices with an intention of performing its duties in accordance with good Corporate Governance principles. In this regard, the Company's operational policy and direction together the supervisory procedures of Management were established and implemented, in order ensure that all policies relating to legal regulations and business ethics are strictly adhered to effectively achieve the highest benefits for the Company's Shareholders as well as transparent and fair treatment. Additionally, the Board of Directors gives importance to the establishment as well as use of the Company's internal control and audit systems.
- (3.2) The Company's Board of Directors actively participates in the determining the Company's vision, business plans and annual budgets together with continuous supervision of the Management's operational activities, in order to ensure effective and efficient implementation of agreed business plans and budgets and to maximise the economic value of the business as well as stability for its Shareholders. The roles, duties and responsibilities of the Board of Directors, the Executive Board as well as both the Audit Committee and Nomination and Remuneration Committee are described in detail in the section on "Management Structure" on page 51. The Board of Directors also approves all financial transactions relating to any investments by the Company except those transactions that require approval of Shareholders in accordance with regulations of the SEC, SET and the Public Limited Companies Act B.E. 2535.
- (3.3) With regard to the term of service of the Directors, the Company dictates that one third of its Directors must retire by rotation at each Annual General Shareholders' Meeting held by the Company, whereby those Directors with the longest service shall retire first, but they can be nominated for reelection.
- (3.4) A Business Ethics Guideline has also been established by the Company for strict compliance by the Management and employees, in order to ensure that they conduct their duties towards the Company, interested parties, the public and society in an honest, equitable and unprejudiced manner. The Company closely monitors actual compliances with this Business Ethics Guideline and imposes strict disciplinary actions for any violations.
- (3.5) Transactions having potential conflict of interest are described in the section on "Related Transactions with Connected Parties and Those who may have a Conflict of Interest" on page 71. Such transactions are also disclosed in the notes to the Quarterly and Annual Financial Statements under "Related Party Transactions", whereby such Financial Statements have been reviewed by the Audit Committee and also approved by the Board of Directors.
- (3.6) Transactions falling under the category of the Company's interconnected transactions must be reviewed and approved by the Board of Directors, and must be in compliance with all relevant SEC and SET regulations.
- (3.7) The Board of Directors gives importance to having an efficient system of internal control both at the Management as well as at the operational level. Therefore, it has defined and documented the duties and operational authorities of employees and Management, and closely monitors the use of the Company's properties to ensure that the highest benefit is derived. It also separates the duties of the operational level and of the supervisory level staff, who monitors and evaluates their activities in order to ensure proper balanced and effective supervision exists. The Company also has internal control for its financial system through having regular financial reports prepared and presented to the responsible

## OTHER INFORMATION

Management members, together with an internal audit function in order to ensure that the Company's core operations performance outputs and important financial transactions have been effectively implemented in full accordance with prescribed guidelines and procedures, whereby the Internal Audit Division reports directly to the Audit Committee.

- (3.8) The Company's Board of Directors gives great importance to risks management as well as determines and regularly evaluates various risks factors relating to the Company's business operations. The Company provides a questionnaire on the management of risks of each respective business area of its operations. The management of each department acts as the evaluator of the various possible risks, and the external auditor reviews the questionnaires to see whether or not the answers are correct and relevant. Such preventive risks management measures are defined in order to ensure the continued stability of the Company's operations and existence.

#### (4) Board of Directors' Meetings

Meetings of the Board of Directors are regularly held every 3 months together with any other required extraordinary meetings as may be required. The agenda for these meetings are clearly specified in advance, with consideration of the Audit Committee Report and financial statements being regular agenda items. In this regard, the Company arranges that notices of Board meetings together with proposed agenda and any supporting documents are delivered to the Directors 7 days in advance, so as to allow Directors to have sufficient time to review the information before attending the meeting. During 2011, there was a total of 7 Board of Directors' Meetings - both ordinary and extraordinary. A summary of the attendance record of each Director for these 7 meetings is given below :

Name	Position	Term of Service	Number of Attendance
1. Mr. Arsa Sarasin	Independence Director and Chairman	Apr 2011 - Apr 2014	7
2. Mrs. Suchada Ithjarukul	Vice Chairman	Apr 2009 - Apr 2012	6
3. Mrs. Saowaluck Thithapant	Director	Apr 2011 - Apr 2015	7
4. Mr. Stephan Ronald Nanninga	Director	Apr 2010 - Apr 2013	2
5. Mr. Loic Arthur Bernard Marie Driebeek	Director	May 2010 - Apr 2012	2
6. Mr. Wouter van der Woerd	Director	Nov 2010 - Apr 2012	4
7. Dr. Prasert Jarupanich	Director	Apr 2011 - Apr 2014	7
8. Mr. Athaporn Khaimarn	Independent Director	Apr 2010 - Apr 2013	7
9. Mr. Chavalit Uttasart	Independent Director	Apr 2010 - Apr 2013	7
10. Mr. Thira Wipuchanin	Independent Director	Apr 2010 - Apr 2013	7

Minutes of all Board Meetings were recorded and certified by the Board of Directors; and they are maintained for review by members of the Board of Directors or other Stakeholders.

Further, during 2011, the Board's Audit Committee, comprising of three Independent Directors, also attended non-management meeting with the Company's external auditors.

## OTHER INFORMATION

### (5) Board of Directors Self Assessment

The Board of Directors arranges a self-assessment of its performance at least once a year, in order to evaluate the performance and any issues and to assess their efficiency and effectiveness as well as to then explore and determine possible solutions and areas for improvement.

### (6) Remuneration for Directors and the Management

#### a) Directors' Remuneration

The Company has clearly and transparently determined Directors' remuneration to be consistent with and appropriate for the Company's operations and their responsibilities, whereby comparisons are made with similar remuneration schemes of other companies within the same industry. Once determined, the remuneration scheme is proposed for approval by Shareholders at the AGM.

#### b) Management's Remuneration

The Company has determined Management's remuneration in accordance with the principles and policies of the Company, taking into considering the Company's overall operating performance results as well as those of each individual Management team member.

#### c) Remuneration of Directors and Management for 2011

Details are given in the section on "Remuneration of Directors and Executives for 2011" on page 68.

### (7) Board of Directors and Management Training

The Board of Directors realises the importance of continual training of Directors and the Management team in regard to the principles and practices of good Corporate Governance, whereby they attend various seminars and training courses held by the Thai Institute of Directors (Thai-IOD). The Company also invites outside specialists to give lectures and presentations on the principles and practices of good Corporate Governance to the Company's Directors, in order to continuously improve their performance and application of this knowledge within the Company.



## OTHER INFORMATION

### 6. AUDITOR'S REMUNERATION IN 2011

#### Audit fees

The Company and its Subsidiary paid to the Audit Firm the following fees during in the fiscal year 2011 :

Company	Audit Firm	Audit Fee (Baht)
Siam Makro Plc.	PricewaterhouseCoopers ABAS Ltd.	4,688,270*
Subsidiary Company	PricewaterhouseCoopers ABAS Ltd.	765,769

#### Remark :

\* Excluding remuneration of Baht 917,168 of the auditor's staff attending and observing stock count during the year at each outlets of the Company. The above fee does not include the auditing fee and the stock count attendance fee for new 4 stores opened in 2011 in the amount of Baht 160,000.

## OTHER INFORMATION

### Non-audit fees

The Company and its Subsidiary also paid to the Audit Firm during fiscal year 2011 non-audit fees, namely, for risks assessment and other consulting engagements not related to audit services, tax & legal consulting services, actuarial consulting services, and other engagements to review and observe specifically agreed procedures and activities as per the following details.

Company	Non-Audit Service	Service Providers	Paid (Baht)	Contingent Expenses (Baht)
Siam Makro Plc.	Risks Assessment	PricewaterhouseCoopers ABAS Ltd.	190,000	-
Siam Makro Plc.	Other consulting Engagement not related to Audit Services <sup>(1)</sup>	PricewaterhouseCoopers ABAS Ltd.	890,000	210,000
Siam Makro Plc.	Tax & Legal Consulting Services <sup>(2)</sup>	PricewaterhouseCoopers Legal & Tax Consultants Ltd. **	280,000	70,000
Siam Makro Plc.	Actuarial Consulting Services	PricewaterhouseCoopers FAS Ltd. **	-	611,000
Siam Makro Plc.	Engagement to review and observe specifically agreed procedures and activities <sup>(3)</sup>	PricewaterhouseCoopers ABAS Ltd.	20,000	-
Siam Food Services Limited	Engagement to review and observe specifically agreed procedures and activities <sup>(4)</sup>	PricewaterhouseCoopers ABAS Ltd.	30,000	-
Siam Food Services Limited	Actuarial Consulting Services	PricewaterhouseCoopers FAS Ltd. **	-	50,000
<b>Total</b>			<b>1,410,000</b>	<b>941,000</b>

### Remark :

- (1) Accounting advice on International Financial Reporting Standards ("IFRS") conversion for the Financial Statements of Siam Makro Public Company Limited, which is an on-going service as from 2009
- (2) This service is an on-going activity from 2010
- (3) Attendance to observe inventory destruction of Siam Makro Public Company Limited during 2011
- (4) Attendance to observe inventory destruction of Siam Food Services Limited during 2011

\*\* These service providers are in the same Group as with the Audit firm

## REPORT OF THE BOARD OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Board of Directors of Siam Makro Public Company Limited has provided the Financial Statements showing the Company's financial status and operational performance results for the fiscal year 2011 in compliance with the requirements of the Public Companies Act B.E. 2535 (A.D. 1992) as well as the Rules and Regulations of the Stock Exchange of Thailand. The Board of Directors is responsible for the Consolidated and the Company financial statements as presented in this Annual Report; and hereby confirms that these full year 2011 financial statements are prepared in accordance with the Thai Generally Accepted Accounting Principles, using appropriate accounting policies consistently employed by the Company as well as applying careful judgement and best estimates. Further, all important and relevant information is adequately disclosed within the notes to the financial statements.

The Board of Directors has provided and maintained efficient internal control system to ensure that the accounting records are accurate, complete and sufficiently adequate to protect its assets as well as to uncover any weaknesses in order to prevent possible fraud or materially irregular operations.

The Board of Directors has appointed an Audit Committee, consisting of Independent Directors, which is responsible for the quality of these financial statements, the internal control system and any required legal compliances, whereby its comments relating to these issues are readily included in the Audit Committee's Report - as shown in this Annual Report.

The Board of Directors is of the opinion that the Company's overall internal control system has functioned satisfactorily and, thus, has provided credibility as well as reliability to the Consolidated and the Company financial statements for the fiscal year ending December 31, 2011.



Mr. Arsa Sarasin  
Chairman



Mrs. Suchada Ithijarukul  
Chief Executive Officer

**makro** แม็คโคร  
สินค้าครบ บริการดี ราคาถูก  
เปิด 6.00น.-22.00น. ทุกวัน

**aro** ไร

สินค้าคุณภาพ  
เพื่อมืออาชีพ

**Savepak**

ยังไงก็...คุ้มกว่า

**Q-BIZ** คิวบิซ

คู่คิดธุรกิจคุณ

**M&K** เอ็มแอนด์เค  
ตราเอ็มแอนด์เค

อร่อย...ถึงใจ



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**SIAM MAKRO PUBLIC COMPANY LIMITED**

**CONSOLIDATED AND COMPANY  
FINANCIAL STATEMENTS**

**31 DECEMBER 2011**

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# AUDITOR'S REPORT

## To the Shareholders of Siam Makro Public Company Limited

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

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

In my opinion, the consolidated and company financial statements referred to above present fairly, in all material respects, the consolidated and company financial position as at 31 December 2011 and 2010, and the consolidated and company results of operations, and cash flows for the years then ended of Siam Makro Public Company Limited and its subsidiary, and of Siam Makro Public Company Limited, respectively, in accordance with generally accepted accounting principles.



Prasan Chuaphanich  
Certified Public Accountant (Thailand) No. 3051  
PricewaterhouseCoopers ABAS Ltd.

Bangkok  
23 February 2012

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2011 and 2010

		Consolidated		Company	
		2011	2010	2011	2010
Notes		Baht	Baht	Baht	Baht
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	7	6,288,326,236	5,293,591,135	6,272,871,845	5,243,541,382
Trade accounts receivable, net	8	174,916,818	144,484,815	6,951,535	4,949,321
Advances and short-term loans to a related party	9.4	-	-	136,614,471	137,232,822
Inventories, net	10	7,212,129,370	5,898,395,429	6,973,841,084	5,745,187,429
Purchase discounts receivable		544,550,101	464,525,486	544,550,101	464,525,486
Current portion of leasehold right	15	31,423,179	30,104,241	31,423,179	30,104,241
Other current assets, net	11	334,118,637	396,040,243	331,863,538	391,863,049
<b>Total Current Assets</b>		<b>14,585,464,341</b>	<b>12,227,141,349</b>	<b>14,298,115,753</b>	<b>12,017,403,730</b>
<b>Non-Current Assets</b>					
Investments in subsidiaries	12	-	-	269,764,379	269,764,379
Property, plant and equipment, net	13	14,824,003,980	12,406,377,236	14,807,908,866	12,386,008,188
Investments property, net	14	119,200,000	135,500,000	119,200,000	135,500,000
Leasehold right, net	15	555,400,233	502,710,889	555,400,233	502,710,889
Goodwill, net	16	167,384,412	167,384,412	-	-
Other intangible assets, net	17	55,657,239	45,016,538	43,410,871	29,516,320
Other non-current assets		12,335,962	7,536,777	10,197,040	5,614,492
<b>Total Non-Current Assets</b>		<b>15,733,981,826</b>	<b>13,264,525,852</b>	<b>15,805,881,389</b>	<b>13,329,114,268</b>
<b>Total Assets</b>		<b>30,319,446,167</b>	<b>25,491,667,201</b>	<b>30,103,997,142</b>	<b>25,346,517,998</b>

The notes to the consolidated and company financial statements form an integral part of these financial statements.

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2011 and 2010

	Notes	Consolidated		Company	
		2011	2010	2011	2010
		Baht	Baht	Baht	Baht
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Short-term loans from financial institutions	18	2,052,043,835	1,200,000,000	2,000,000,000	1,200,000,000
Trade accounts payable					
Third parties		15,595,914,528	12,812,074,184	15,527,689,482	12,735,155,464
Related party	9.3	-	-	25,254,308	26,581,913
Total trade accounts payable		15,595,914,528	12,812,074,184	15,552,943,790	12,761,737,377
Advances from related parties	9.5	80,860,599	76,119,267	80,860,599	76,075,202
Other current liabilities					
Other accounts payable		699,329,119	495,398,693	685,632,175	479,656,126
Income tax payable		634,472,734	448,444,056	628,431,672	443,301,552
Accrued expenses		993,425,172	679,566,471	982,818,260	667,996,653
Current portion of liabilities under financial lease, net	19	22,521,959	19,413,985	22,521,959	19,413,985
Others		170,007,838	217,834,356	167,700,802	214,710,115
Total Current Liabilities		20,248,575,784	15,948,851,012	20,120,909,257	15,862,891,010
Non-Current Liabilities					
Liabilities under financial lease, net	19	127,150,138	135,401,360	127,150,138	135,401,360
Provision for employee benefits	20	226,993,441	194,444,441	221,773,401	191,507,065
Other non-current liabilities		36,197,021	36,877,543	36,143,291	36,823,813
Total Non-Current Liabilities		390,340,600	366,723,344	385,066,830	363,732,238
Total Liabilities		20,638,916,384	16,315,574,356	20,505,976,087	16,226,623,248

The notes to the consolidated and company financial statements form an integral part of these financial statements.



# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2011 and 2010

	Notes	Consolidated		Company	
		2011	2010	2011	2010
		Baht	Baht	Baht	Baht
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (Cont'd)</b>					
<b>Shareholders' Equity</b>					
Share capital	22				
Authorised share capital					
Ordinary shares, 240,000,000 shares of par Baht 10 each		2,400,000,000	2,400,000,000	2,400,000,000	2,400,000,000
Issued and paid-up share capital					
Ordinary shares, 240,000,000 shares of paid-up Baht 10 each		2,400,000,000	2,400,000,000	2,400,000,000	2,400,000,000
Premium on share capital		3,290,152,068	3,290,152,068	3,290,152,068	3,290,152,068
Retained earnings					
Appropriated					
Legal reserve	23	240,000,000	240,000,000	240,000,000	240,000,000
Unappropriated		3,750,377,715	3,245,940,777	3,667,868,987	3,189,742,682
<b>Total Shareholders' Equity</b>		<b>9,680,529,783</b>	<b>9,176,092,845</b>	<b>9,598,021,055</b>	<b>9,119,894,750</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>30,319,446,167</b>	<b>25,491,667,201</b>	<b>30,103,997,142</b>	<b>25,346,517,998</b>

The notes to the consolidated and company financial statements form an integral part of these financial statements.

# INCOME STATEMENTS

For the years ended 31 December 2011 and 2010

	Notes	Consolidated		Company	
		2011	2010	2011	2010
		Baht	Baht	Baht	Baht
<b>Revenues</b>					
Sales	9.1	97,153,848,727	86,459,272,667	96,131,162,225	85,672,664,003
Service income	9.1	1,947,707,331	1,728,312,929	1,930,048,018	1,716,810,255
Other income	9.1	568,459,196	476,027,844	562,158,469	469,037,355
Capital gain from liquidation of a subsidiary	12	-	-	-	62,410,445
<b>Total revenues</b>		<u>99,670,015,254</u>	<u>88,663,613,440</u>	<u>98,623,368,712</u>	<u>87,920,922,058</u>
<b>Expenses</b>					
Cost of sales	9.2	89,402,408,032	80,148,344,238	88,579,931,674	79,536,810,853
Selling expenses	9.2	4,747,494,826	4,538,437,981	4,688,567,227	4,488,578,857
Administrative expenses	9.2	1,152,281,755	935,719,370	1,030,326,309	831,090,333
Management benefit expenses	9.6, 27	176,457,775	166,469,905	176,457,775	166,469,905
Other operating expenses					
in relation to floods	28	238,069,733	-	237,030,423	-
<b>Total expenses</b>		<u>95,716,712,121</u>	<u>85,788,971,494</u>	<u>94,712,313,408</u>	<u>85,022,949,948</u>
Profit before finance costs and income tax	24	3,953,303,133	2,874,641,946	3,911,055,304	2,897,972,110
Finance costs		(63,253,210)	(34,981,546)	(60,489,155)	(32,086,836)
Profit before income tax		<u>3,890,049,923</u>	<u>2,839,660,400</u>	<u>3,850,566,149</u>	<u>2,865,885,274</u>
Income tax		(1,285,612,985)	(958,627,067)	(1,272,439,844)	(946,165,503)
<b>Net profit for the year</b>		<u>2,604,436,938</u>	<u>1,881,033,333</u>	<u>2,578,126,305</u>	<u>1,919,719,771</u>
<b>Basic earnings per share</b>					
Net profit for the year	25	<u>10.85</u>	<u>7.84</u>	<u>10.74</u>	<u>8.00</u>

The notes to the consolidated and company financial statements form an integral part of these financial statements.

# STATEMENTS OF COMPREHENSIVE INCOME

For the years ended 31 December 2011 and 2010

	Consolidated		Company	
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
Net profit for the year	2,604,436,938	1,881,033,333	2,578,126,305	1,919,719,771
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>2,604,436,938</b>	<b>1,881,033,333</b>	<b>2,578,126,305</b>	<b>1,919,719,771</b>

The notes to the consolidated and company financial statements form an integral part of these financial statements.

# STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended 31 December 2011 and 2010

		Consolidated			
Note		Issued	Premium on	Retained	Total
		and paid-up	share capital	earnings	
		share capital	share capital		
		Baht	Baht	Baht	Baht
<b>2010</b>					
	Opening balance	2,400,000,000	3,290,152,068	3,044,907,444	8,735,059,512
	Net profit for the year	-	-	1,881,033,333	1,881,033,333
	Dividends	-	-	(1,440,000,000)	(1,440,000,000)
	Closing balance	2,400,000,000	3,290,152,068	3,485,940,777	9,176,092,845
<b>2011</b>					
	Opening balance	2,400,000,000	3,290,152,068	3,485,940,777	9,176,092,845
	Net profit for the year	-	-	2,604,436,938	2,604,436,938
	Dividends	-	-	(2,100,000,000)	(2,100,000,000)
	Closing balance	2,400,000,000	3,290,152,068	3,990,377,715	9,680,529,783
		Company			
Note		Issued	Premium on	Retained	Total
		and paid-up	share capital	earnings	
		share capital	share capital		
		Baht	Baht	Baht	Baht
<b>2010</b>					
	Opening balance	2,400,000,000	3,290,152,068	2,950,022,911	8,640,174,979
	Net profit for the year	-	-	1,919,719,771	1,919,719,771
	Dividends	-	-	(1,440,000,000)	(1,440,000,000)
	Closing balance	2,400,000,000	3,290,152,068	3,429,742,682	9,119,894,750
<b>2011</b>					
	Opening balance	2,400,000,000	3,290,152,068	3,429,742,682	9,119,894,750
	Net profit for the year	-	-	2,578,126,305	2,578,126,305
	Dividends	-	-	(2,100,000,000)	(2,100,000,000)
	Closing balance	2,400,000,000	3,290,152,068	3,907,868,987	9,598,021,055

The notes to the consolidated and company financial statements form an integral part of these financial statements.



# STATEMENTS OF CASH FLOWS

For the years ended 31 December 2011 and 2010

	Notes	Consolidated		Company	
		2011	2010	2011	2010
		Baht	Baht	Baht	Baht
Cash flows from operating activities					
Profit before income tax		3,890,049,923	2,839,660,400	3,850,566,149	2,865,885,274
Adjustments for :					
Depreciation	13	958,292,455	983,726,333	949,328,971	975,751,125
Amortisation of intangible assets	17	22,179,605	16,096,401	18,522,256	12,985,874
Amortisation of leasehold right	15	31,336,399	30,104,241	31,336,399	30,104,241
Write-off building and equipment	13	6,435,977	6,975,230	6,435,977	6,975,230
Write-off intangible assets	17	5,967,570	-	5,967,570	-
Interest income		(69,067,216)	(16,713,670)	(72,819,292)	(17,176,174)
Finance costs					
- interest expenses from borrowings		49,783,740	19,755,578	47,019,685	16,860,868
- interest expenses under finance lease		13,469,470	15,225,968	13,469,470	15,225,968
(Gain) loss on disposals of property, plant and equipment		6,077,417	(4,771,623)	6,444,442	(3,823,034)
Capital gain from liquidation of a subsidiary	12	-	-	-	(62,410,445)
Allowance for loss from write-off of fixed assets	13	21,226,923	31,750,000	21,226,923	31,750,000
Allowance for impairment loss of investment property		16,300,000	-	16,300,000	-
Allowance for obsolete and shrinkage inventories		106,616,079	(6,693,903)	105,088,557	(6,215,202)
Allowance (reversal) for inventory cost in excess of net realizable value		(202,401)	18,693	-	-
Provision for employee benefits	20	42,247,908	81,530,950	39,945,244	78,863,011
Others		77,886	9,704,135	1,205,131	13,593,023
Changes in operating assets and liabilities					
Trade accounts receivable		(29,304,758)	(15,547,854)	(2,002,214)	(240,347)
Advances to a related party		-	-	618,351	(1,447,991)
Inventories		(1,420,147,619)	39,948,566	(1,333,742,212)	58,296,252
Purchase discounts receivable		(80,024,615)	45,537,824	(80,024,615)	45,537,824
Other current assets		62,396,829	(114,791,403)	60,474,733	(111,831,350)
Other non-current assets		(4,799,185)	7,339,664	(4,582,548)	6,655,697
Trade accounts payable - third parties		2,783,840,344	1,462,859,235	2,792,534,018	1,462,890,089

The notes to the consolidated and company financial statements form an integral part of these financial statements.

# STATEMENTS OF CASH FLOWS (CONTINUED)

For the years ended 31 December 2011 and 2010

	Note	Consolidated		Company	
		2011	2010	2011	2010
		Baht	Baht	Baht	Baht
Cash flows from operating activities (Cont'd)					
Changes in operating assets and liabilities (Cont'd)					
Trade accounts payable - related party		-	-	(1,327,605)	(5,972,781)
Advances from related parties		4,741,332	3,838,449	4,785,397	3,693,721
Other accounts payable		5,389,678	63,905,245	5,816,177	56,798,189
Accrued expenses		290,632,970	149,556,418	291,776,730	150,160,685
Other current liabilities		(49,456,702)	74,094,493	(48,639,497)	71,458,755
Other non-current liabilities		(680,522)	(2,417,363)	(680,522)	(2,417,363)
Employee benefits paid	20	(9,698,908)	(20,625,598)	(9,678,908)	(20,625,598)
Cash generated from operating activities		6,653,680,579	5,700,066,409	6,715,364,767	5,671,325,541
Interest received		69,017,046	16,704,885	72,769,123	17,167,388
Interest paid		(26,558,009)	(16,063,262)	(23,974,808)	(13,137,534)
Income tax paid		(1,099,584,307)	(849,983,306)	(1,087,309,724)	(840,855,351)
Net cash generated from operating activities		5,596,555,309	4,850,724,726	5,676,849,358	4,834,500,044

The notes to the consolidated and company financial statements form an integral part of these financial statements.

# STATEMENTS OF CASH FLOWS (CONTINUED)

For the years ended 31 December 2011 and 2010

		Consolidated		Company	
		2011	2010	2011	2010
	Notes	Baht	Baht	Baht	Baht
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(3,218,021,337)	(1,466,415,384)	(3,213,331,399)	(1,458,005,639)
Purchase of other intangible assets		(24,763,017)	(24,014,585)	(22,740,715)	(17,438,800)
Purchase of leasehold right		(85,344,681)	-	(85,344,681)	-
Cash received from disposals of property, plant and equipment		8,725,875	9,458,057	8,358,783	8,487,289
Net payments loans to a related party	9.4	-	-	-	(135,000,000)
<b>Net cash used in investing activities</b>		<b>(3,319,403,160)</b>	<b>(1,480,971,912)</b>	<b>(3,313,058,012)</b>	<b>(1,601,957,150)</b>
<b>Cash flows from financing activities</b>					
Net short-term loans from financial institutions		852,043,835	387,421,784	800,000,000	500,000,000
Payments on finance lease payable		(34,460,883)	(31,427,442)	(34,460,883)	(31,427,442)
Dividends paid	26	(2,100,000,000)	(1,440,000,000)	(2,100,000,000)	(1,440,000,000)
<b>Net cash used in financing activities</b>		<b>(1,282,417,048)</b>	<b>(1,084,005,658)</b>	<b>(1,334,460,883)</b>	<b>(971,427,442)</b>
<b>Net increase in cash and cash equivalents</b>		<b>994,735,101</b>	<b>2,285,747,156</b>	<b>1,029,330,463</b>	<b>2,261,115,452</b>
Cash and cash equivalents, opening balance		5,293,591,135	3,007,843,979	5,243,541,382	2,982,425,930
<b>Cash and cash equivalents, closing balance</b>		<b>6,288,326,236</b>	<b>5,293,591,135</b>	<b>6,272,871,845</b>	<b>5,243,541,382</b>
<b>Non cash transactions</b>					
Investing activities:					
Purchase of property, plant and equipment unpaid		338,555,920	154,040,031	338,526,173	154,009,963
Purchase of other intangible assets unpaid		18,363,109	4,338,250	18,084,909	2,441,247
Purchase of equipment under finance lease		15,848,165	1,819,574	15,848,165	1,819,574
Net transactions of the returned capital from subsidiary dissolution	12	-	-	-	773,051,745

The notes to the consolidated and company financial statements form an integral part of these financial statements.

# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

## 1 General information

Siam Makro Public Company Limited (“The Company”) was incorporated in Thailand on 10 May 1988, changed its status to a public company on 11 February 1994 and was subsequently listed on the Stock Exchange of Thailand on 11 August 1994. For reporting purposes, the Company and its subsidiary are referred to as the Group.

The Company’s principal business is the operation of Cash and Carry Trade Centres throughout Thailand, under the name “Makro”, selling food and non-food products to registered members, predominantly small and medium size businesses, retailers, caterers, professional and service sectors and institutions.

The Company has two subsidiaries:-

- a) Siam Food Services Limited is an importing and trading frozen foods company and providing services such as freight, delivery, rental and storage.
- b) Makro Properties Limited is a land investment company, purchasing the land and leases them to Makro to build stores. According to the resolution of the Annual General Meeting of shareholders on 29 April 2009, the Company completed the entire business transfer of Makro Properties Limited on 31 May 2009 and on 27 May 2010, the liquidator of Makro Properties Limited has registered the completed liquidation with the Department of Business Development, Ministry of Commerce, as disclosed in Note 12.

The registered head office of the Company is located at 3498 2<sup>nd</sup> Floor, Lard Prao Road, Klongchan, Bangkok, Bangkok 10240.

As at 31 December 2011, the Company operates 52 Makro stores (2010 : 48 stores) and 2 Frozen shops (2010 : 1 shop).

The consolidated and company financial statements have been approved for issue by the board of directors on 23 February 2012.



# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

## 2 Accounting policies

The principal accounting policies adopted in the preparation of these consolidated and company financial statements are set out below.

### 2.1 Basis of preparation

The consolidated and company financial statements have been prepared in accordance with Thai generally accepted accounting principles under the Accounting Act B.E. 2543, being those Thai Financial Reporting Standards issued under the Account Professions Act B.E. 2547, and the financial reporting requirements by the Securities and Exchange Commission under the Securities and Exchange Act.

The consolidated and company financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The Group discloses the critical accounting estimates, assumption and management judgements which are significant to the consolidated and company financial statements in Note 4.

An English version of the consolidated and company financial statements has been prepared from the statutory financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

Comparative figures have been adjusted to conform to the presentation in the current year (Note 29).

# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

## 2 Accounting policies (Cont'd)

### 2.2 New accounting standards, new financial reporting standards, new interpretation financial reporting standards and amendments to accounting standards

- a) New accounting standards, new financial reporting standards, new interpretation financial reporting standards and amendments to accounting standards are effective for the accounting periods beginning on or after 1 January 2011 and the Group has adopted them:

TAS 1	(Revised 2009)	Presentation of Financial Statements
TAS 2	(Revised 2009)	Inventories
TAS 7	(Revised 2009)	Statement of Cash Flows
TAS 8	(Revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10	(Revised 2009)	Events after the Reporting Period
TAS 11	(Revised 2009)	Construction Contracts
TAS 16	(Revised 2009)	Property, Plant and Equipment
TAS 17	(Revised 2009)	Leases
TAS 18	(Revised 2009)	Revenue
TAS 19		Employee Benefits
TAS 23	(Revised 2009)	Borrowing Costs
TAS 24	(Revised 2009)	Related-Party Disclosures
TAS 26		Accounting and Reporting by Retirement Benefit Plans
TAS 27	(Revised 2009)	Consolidated and Separate Financial Statements
TAS 28	(Revised 2009)	Investments in Associates
TAS 29		Financial Reporting in Hyperinflationary Economies
TAS 31	(Revised 2009)	Interests in Joint Ventures
TAS 33	(Revised 2009)	Earnings per Share
TAS 34	(Revised 2009)	Interim Financial Reporting
TAS 36	(Revised 2009)	Impairment of Assets
TAS 37	(Revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38	(Revised 2009)	Intangible Assets
TAS 40	(Revised 2009)	Investment Property
TFRS 2		Share-based Payment
TFRS 3	(Revised 2009)	Business Combination
TFRS 5	(Revised 2009)	Non-current Assets Held-for-sale and Discontinued Operations
TFRS 6		Exploration for and Evaluation of Mineral Resources
TFRIC 15		Agreements for the Construction of Real Estate
TSIC 31		Revenue - Barter Transactions Involving Advertising Services

The above accounting standards do not have any significant impact on the financial statements for the current year, except for the following accounting standards.

## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

### 2 Accounting policies (Cont'd)

#### 2.2 New accounting standards, new financial reporting standards, new interpretation financial reporting standards and amendments to accounting standards (Cont'd)

- a) New accounting standards, new financial reporting standards, new interpretation financial reporting standards and amendments to accounting standards are effective for the accounting periods beginning on or after 1 January 2011 and the Group has adopted them: (Cont'd)

2.2.a.1) TAS 1 (Revised 2009), the revised standard prohibits the presentation of income and expense items in the statements of changes in shareholders' equity. The Group chose to present the statements of comprehensive income in two statements (the income statements and statements of comprehensive income).

2.2.a.2) TAS 16 (Revised 2009), the revised standard requires the Group to include in cost of assets, an initial estimate of the costs of dismantling, moving and restoring the site on which it is located, when the Group has obligation to do so. Components of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. However, the impact of these items is immaterial for the Group. The revised standard also requires the Group to review useful life, residual value and depreciation method at least at each financial year-end. During 2011, the Group changed the estimated useful life and residual value of buildings. The details are as follows:

#### Change in the useful life and residual value of buildings

The Group has changed the useful life of the buildings from 20 years to 30 years because the Group renovates the buildings regularly, which increases economic benefits of the buildings. In addition, the Group has revised the residual value to reflect the expected value. Therefore, the Group applied this change in accounting estimate to the calculation of depreciation of the carrying amounts of buildings as at 1 January 2011 and thereafter.

The net carrying value of the buildings as at 31 December 2011 was Baht 3,905.9 million. The change in the useful life and residual value of buildings decreased the depreciation charge for the year ended 31 December 2011 by Baht 105.7 million. The Group's management considered that this change in accounting estimate presented fairly the economic substance and benefits expected to flow from the use of the buildings.

# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

## 2 Accounting policies (Cont'd)

### 2.2 New accounting standards, new financial reporting standards, new interpretation financial reporting standards and amendments to accounting standards (Cont'd)

- a) New accounting standards, new financial reporting standards, new interpretation financial reporting standards and amendments to accounting standards are effective for the accounting periods beginning on or after 1 January 2011 and the Group has adopted them: (Cont'd)

2.2.a.3) TAS 19 deals with accounting for employee benefits. The standard classifies employee benefits into 4 categories: a) short-term employee benefits b) post-employment benefits (including defined contribution plan and defined benefit plan) c) other long-term employee benefits and d) termination benefits. The standard requires the Group to measure the defined benefit plan and other long-term employee benefits by using the Projected Unit Credit method (PUC). The Group chose to recognise any actuarial gain or loss for defined benefit plans in the income statements.

2.2.a.4) TAS 40 (Revised 2009), the standard has specific presentation and measurement requirements for investment property. The Group is required to present investment property separately in the statements of financial position. The Group has chosen to measure by cost method and disclosed the fair value in Note 14. The effect of the adoption this accounting standard is to reclassify the assets as described in Note 29.

- b) The following new accounting standards, new interpretation financial reporting standards and amendments to accounting standards are mandatory for the accounting periods beginning on or after 1 January 2013, but the Group has not early adopted them:

TAS 12	Income Taxes
TAS 20 (Revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (Revised 2009)	The Effects of Changes in Foreign Exchange Rates
TSIC 10	Government Assistance - No Specific Relation to Operating Activities
TSIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
TSIC 25	Income Taxes - Changes in the Tax Status of an Entity of its Shareholders

The Group's management has determined that the new accounting standards, new interpretation financial reporting standards and amended to accounting standards will not significantly impact the financial statements being presented, except for TAS 12 Income Taxes, which deals with taxes on income, comprising current tax and deferred tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, using tax rates and tax law that have been enacted or substantively enacted by the end of the reporting period. Deferred taxes are measured based on the temporary difference between the tax base of an asset or liability and its carrying amount in the financial statements and using the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax law that have been enacted or substantively enacted by the end of the reporting year. The Group will apply this standard from 1 January 2013 retrospectively. The application of this standard will effect deferred tax account, retained earnings and income tax expenses. The Group's management is currently assessing the impact of applying this standard.



## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

### 2 Accounting policies (Cont'd)

#### 2.3 Investments in a subsidiary

Subsidiaries are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intercompany transactions and balances between group companies are eliminated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Investments in a subsidiary in the company financial statements are presented by the cost method of accounting.

A list of the Group's principal subsidiary is shown in Note 12.

#### 2.4 Foreign currency translation

Items included in the financial statements of each entity in the Group are measured using Thai Baht. The consolidated financial statements are presented in Thai Baht.

Foreign currency transactions in the Group are accounted for at the exchange rates prevailing at the date of the transactions. The outstanding monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the statement of financial position date. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. The Group has limited exposure to foreign currency transactions by using forward exchange contracts and such balances are translated at year end exchange rates.

## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

### 2 Accounting policies (Cont'd)

#### 2.5 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities not over three months, but not include deposits with bank which held to maturities.

#### 2.6 Trade accounts receivable

Trade accounts receivable are carried at original invoice amount and subsequent measurement is based on the remaining amount less allowance for doubtful receivables by reviewing outstanding amounts at the year end. The amount of the allowance is the difference between the carrying amount of the receivable and the amount expected to be collectible. Bad debts are written off during the year in which they are identified and recognised in the income statement as administrative expenses.

#### 2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in first-out basis. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts, allowances or rebates. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Allowance is made, where necessary, for obsolete, slow-moving and shrinkage inventories.

#### 2.8 Investments

The Group classifies its investments in debt securities as held-to-maturity securities. Those investments with fixed maturity that the management has the intent and ability to hold to maturity are included in current assets when the maturity date is less than 12 months from the statement of financial position date and included in non-current assets when the maturity date is longer than 12 months.

Investments in debt securities which are classified as held-to-maturity securities are carried at amortised cost.

A test for impairment is carried out when there is a factor indicating that an investment might be impaired. If the carrying value of the investment is higher than its recoverable amount, the impairment loss is charged to the income statement.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged to the income statement.

# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

## 2 Accounting policies (Cont'd)

### 2.9 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property of the Group is land currently held and future use is undetermined. The Group has not determined that it will use the land as owner-occupied property or for sale in short term.

Investment property is measured initially at its cost including related transaction costs. After initial recognition, investment property is carried at cost less accumulated impairment losses (if any).

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

### 2.10 Property, plant and equipment

All property, plant and equipment are initially recorded at cost, and are stated at cost less accumulated depreciation.

Depreciation is calculated on the straight-line method to write-off the cost of each asset, except for land which is considered to have an indefinite life, to its residual value over the estimated useful life as follows:

	2011 Years	2010 Years
Leasehold improvement	30	30
Building and building improvement	3 - 30	10, 20
Equipment	3 - 10	3 - 10
Computer	3	3
Vehicle	5	5

## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

### 2 Accounting policies (Cont'd)

#### 2.10 Property, plant and equipment (Cont'd)

At the end of each reporting period, the assets' residual values and useful lives are reviewed, and adjusted if appropriate.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are recognised in the income statements.

#### 2.11 Leasehold right

Leasehold right is initially recorded at cost, and are stated at cost less accumulated amortisation. The amortisation is calculated on the straight-line method over the period of lease agreements (25 - 30 years).

#### 2.12 Intangible assets

##### 2.12.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary undertaking at the date of acquisition. Goodwill on acquisition of subsidiary is reported in the consolidated statement of financial position as an intangible asset.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses (if any). Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash generating units or group of cash generating units that are expected to benefit from the business combination in which the goodwill arose.

##### 2.12.2 Other intangible assets

Other intangible assets represent computer software for internal use. The cost includes cost of software development and software license fee. Other intangible assets are amortised using the straight-line method over their estimated useful lives, which range from 2 - 10 years.



## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

### 2 Accounting policies (Cont'd)

#### 2.13 Impairment of assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Property, plant and equipment and other non-financial assets, including investment property and other intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount which is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the smallest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

#### 2.14 Leases - where the Group is the lessee

Leases of equipment which substantially transfer all the risks and rewards of ownership are classified as finance leases. Finance leases also include service agreements which involve dedicated assets solely used by the Group and having commitment in case the agreement is prematurely terminated. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated to the principal and to the finance charges so as to achieve a constant rate on the finance balance outstanding. The outstanding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The equipment acquired under finance lease concept is depreciated over the useful life of the assets.

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

#### 2.15 Leases - where the Group is the lessor

Assets leased out under operating leases are included as land in the statement of financial position. Rental income (net of any incentives given to lessee) is recognised on a straight-line basis over the lease term.

#### 2.16 Income taxes

The Group calculates income taxes according to the Revenue Code and records them on accrual basis. The Group does not recognise income taxes payable or receivable in future periods in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

### 2 Accounting policies (Cont'd)

#### 2.17 Employee benefits

##### a) Short-term employee benefits

Short-term employee benefit obligations, which include salaries, wages, bonuses, contributions to the social security fund and others, are measured on an undiscounted basis and are expensed when they are incurred.

##### b) Post-employment benefits

The Group provides post-employment benefits through a defined contribution plan (under the Provident Fund Act B.E. 2530) and defined benefit plans. The details are as follows:

##### - Defined contribution plan

###### *Provident fund*

The Group operates a provident fund, being a defined contribution plan, the assets for which are held in a separate trust fund and managed by a fund manager. The provident fund is funded by payments from employees and by the Group. The Group's contributions to the provident fund are charged to the income statement in the years to which they relate.

##### - Defined benefit plans

###### *Pension fund benefit*

The Group operates a pension scheme for employees who joined the Company before the 1<sup>st</sup> of January 2003 and choose to retain the benefits of the original scheme. Employees, upon resignation or retirement from the Group after having completed 3 years of service, shall be entitled to receive cash payment equivalent to their prevailing salary multiplied by the number of years of service, but not exceeding the equivalent of 10 months of final salary.

###### *Severance benefit*

Under Labour Laws applicable in Thailand and Group's employment policy, all employees completing 120 days of service are entitled to severance pay on termination or retrenchment without cause or upon retirement age of 60. The severance pay will be at the rate according to number of years of service as stipulated in the Labor Law which is currently at a maximum rate of 300 days of final salary.

###### *Additional benefit related to provident fund*

The Company operates an employee benefit scheme under which employees who are members of the Company's provident fund, being a defined contribution plan, for at least 9 years are entitled to receive additional contribution from the Company on their resignation or retirement from employment with the Company. Employees, who are member of the provident fund for at least 9 years, shall be entitled to receive an additional 50% of the contributions made by the Company on their behalf.

## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

### 2 Accounting policies (Cont'd)

#### 2.17 Employee benefits (Cont'd)

##### c) Other long-term employee benefits

The Group provides for long-service award as a lump sum payment to employee who works for the specified year of service. The amount payable in the future depend on the year of service of the respective employees.

##### d) Termination benefits

The Group recognises termination benefits when it is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits are expensed when they arise.

The Group recognises liabilities in respect of these defined benefit plans and other long-term employee benefits at the present value of the benefit obligations at the statement of financial position date adjusted for actuarial gains/losses. These benefit obligations are calculated every year by independent actuaries using the projected unit credit method. The present value of the benefit obligations is determined by the estimated future cash outflows using interest rates of government bonds which have terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), changes in actuarial assumptions and amendments to employee benefits plans are charged as expenses or credited to the income statement in the year in which they arise.

## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

### 2 Accounting policies (Cont'd)

#### 2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

#### 2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and service net of output tax, rebates and discounts, and after eliminating sales within the Group for the consolidated financial statements.

Revenue from sales of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

Revenue from rendering services is recognised in the accounting period in which the services are rendered.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group. Dividends are recognised when the right to receive payment is established.

#### 2.20 Dividends

Dividends are recorded in the consolidated and Company's financial statements in the period when declared by the board of directors and/or approved by the shareholders of related companies.

#### 2.21 Segment reporting

Segmental information is presented by the business segment and geographical area of the Group's operations.

# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

## 3 Financial risk management

### 3.1 Financial risk factors

#### 3.1.1 Interest rate risk

The Group encounters interest rate risk through its exposure to interest rate fluctuations on its cash and short-term investments but such risks do not carry significant impact.

#### 3.1.2 Foreign currency exchange risk

The Group has limited exposure to foreign currency exchange fluctuations on purchasing of goods and services and these purchases are not significant in the ordinary course of business. The Group manages this risk through forward exchange contracts. Foreign currency exchange trading for speculative purpose is prohibited.

#### 3.1.3 Credit risk

The Group has no significant concentrations of credit risk relating to its cash, short-term investments, trade receivables, amounts due from a related party and loans to a related party as the Group primarily operates on cash and carry basis in which most transactions are cash sales. In addition, the Group places its cash and short-term investments with high quality financial institutions. The Group's policies are designed to limit exposure with any one financial institution and to invest excess cash in low risk investment instruments. The Group has not experienced any losses on such accounts. The subsidiary has in place credit policies not to provide credit for any companies considered high risk of collections.

#### 3.1.4 Liquidity risk

The Group manages its liquidity risk by holding sufficient cash and short-term investments for operating expenses.

### 3.2 Accounting for financial instruments

Financial instruments carried on the statement of financial position include cash and cash equivalents, trade receivables and payables, amounts due from/to related parties, loans to a related party, and short-term loans from financial institutions. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Foreign currency forward contracts establish the exchange rate at which the Group will pay foreign currency amounts on a predetermined future date. The foreign currency amount receivables under these contracts are translated at the year end exchange rate. Unrealised gains or losses that result from the translation are recognised in the income statement. Any premium or discount equal to the difference between the spot exchange rate and the forward rate arising at the inception of the contract is amortised over the life of the contract.

### 3.3 Fair value

Fair values of financial instruments are accounted for at their carrying amounts because of the short maturities of these instruments, therefore, they are not considered a significant risk in the Group's future cash flows.



## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

### 4 Critical accounting estimates, assumption and judgements

Estimates, assumption, and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### 4.1 Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of management's estimates.

#### 4.2 Property, plant and equipment and intangible assets

Management determines the estimated useful life and residual value for the Group's property, plant and equipment and intangible assets. Management will revise the depreciation charge where useful life and residual value are different to previously estimated annually, or it will write off or write down technically obsolete assets or idle assets that have been abandoned or sold.

#### 4.3 Employee benefits

The Group has commitment on pension fund benefit, severance benefit, additional benefit related to provident fund, and other long-term employee benefits. The present value of employee benefit liabilities recognised in the statement of financial position is determined on an actuarial basis utilising various assumptions. The assumptions used in determining the net year cost for employee benefits include discounted rate, future basis salary increase, service years, employee turnover rate, and others. Any changes in these assumptions will impact the net periodic cost recorded for employee benefits.

On an annual basis, the Group determines the appropriate discount rate, which represents the interest rate that should be used to determine the present value of future cash flows currently expected to be required to settle the employee benefits. In determining the appropriate discount rate the Group considers the current yields on high quality corporate fixed-income investments in Thailand.

# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

## 5 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

## 6 Segment information

The Group's operations are in a single industry segment of wholesale and retail and are carried out in the single geographic area of Thailand. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned industry segment and geographic area.

## 7 Cash and cash equivalents

	Consolidated		Company	
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
Cash in hand	904,573,313	902,339,905	904,527,902	902,312,886
Deposits held at call with banks	2,984,544,853	1,092,164,788	2,969,135,873	1,042,142,054
Central bank bond	2,399,208,070	3,299,086,442	2,399,208,070	3,299,086,442
	<u>6,288,326,236</u>	<u>5,293,591,135</u>	<u>6,272,871,845</u>	<u>5,243,541,382</u>

The weighted average effective interest rates of deposits held at call with banks were 0.10% - 1.50% per annum (2010: 0.10% - 1.00% per annum).

Investments in debt securities represent central bank bond having weighted average effective interest rates of 1.82% - 3.46% per annum (2010: 0.96% - 1.91% per annum), having a maturity of three months or less when purchased.

During the year, other income includes interest income from investments in debt securities as follows:

	Consolidated		Company	
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
<b>Investments in debt securities</b>				
Interest income	41.8	12.6	41.8	12.6

## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

### 8 Trade accounts receivable, net

	Consolidated		Company	
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
Gross trade accounts receivable	175,158,430	145,853,672	6,951,535	4,949,321
<u>Less</u> allowance for doubtful accounts	(241,612)	(1,368,857)	-	-
Trade accounts receivable, net	174,916,818	144,484,815	6,951,535	4,949,321

Outstanding trade accounts receivable as at 31 December can be analysed as follows:

	Consolidated		Company	
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
Up to 3 months	174,226,425	144,189,278	6,951,535	4,847,442
3 - 6 months	723,174	249,312	-	101,879
6 - 12 months	208,831	400,732	-	-
Over 12 months	-	1,014,350	-	-
Total	175,158,430	145,853,672	6,951,535	4,949,321
<u>Less</u> allowance for doubtful accounts	(241,612)	(1,368,857)	-	-
Trade accounts receivable, net	174,916,818	144,484,815	6,951,535	4,949,321

### 9 Related party transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

SHV Group has certain control over the plan and the policies of the Company and its subsidiary through the nomination to the board of directors and the shareholders' meeting for approval of the appointment of 5 directors from the Company's total number of 10 persons, 4 of whom are executive directors and 1 is non-executive director. Therefore, members of the SHV Group are considered to be related parties.

## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

### 9 Related party transactions (Cont'd)

#### Feature of relationships and related transactions

##### Transactions with a subsidiary

Trading transactions with and services from a subsidiary are carried out under commercial terms and conditions. They are treated in the same manner as unrelated parties and are presented at market price.

The rental income charges in respect of buildings as specified in the agreement between the Company and subsidiary are based on the cost of the buildings plus related expenses which can be compared to the available market price. Cost of the buildings means acquisition cost and related expenses mean other related expenses incurred in bringing them into working condition for their intended use.

Management services provided by the Company are charged at agreed price upon the actual service rendered to a subsidiary on the basis of an agreed annual fee.

The Company has entered into a trading agreement with a subsidiary to collect discount and services based on goods purchased on the basis of an agreed annual fee. The agreement is valid for 1 year and renewed annually.

The Company has entered into a distributorship agreement to grant discount to a subsidiary, as a distributor. The fee is charged at fixed rate. The agreement is valid for 1 year until 31 March 2012. The agreement is renewed annually, unless any party shall terminate the agreement by written notice.

##### Transactions with other related parties

##### Purchase of intangible assets

During 2011, the Company has been granted rights to use computer application software from overseas affiliated company, being members of the SHV Group, which is Orkam Asia Trademark AG. The licence fee is EUR 17,850. Regarding the benefit from this service, the Company has a right to use the application software.

During 2010, the Company has been granted rights to use anti virus software from overseas affiliated company, being members of the SHV Group, which is SHV Holding N.V. The anti virus software license fee is EUR 17,447.88. Regarding the benefit from this agreement, the Company is able to use the anti virus software at a lower cost than acquiring the software directly from the licensor.

##### Service expenses

The Company has been granted rights to use software and trademarks, management services and technical assistance in auction purchasing, maintenance services for application software and granted the rights to use virtual private networking among group of SHV companies from overseas affiliated companies within the SHV Group, which are Orkam Asia Management AG, Orkam Asia Trademark AG, Orkam South America Management AG and SHV Holding N.V., respectively.

## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

### 9 Related party transactions (Cont'd)

#### Transactions with other related parties (Cont'd)

##### Service expenses (Cont'd)

Software license fees, royalty fees for the use of such trademarks, management fees with regard to auction purchasing and maintenance service fees and virtual private networking service fees used among group of SHV companies and are as specified in the agreements. The Company considered the fees to be on a reasonable basis and they are as follows:

- a) Royalty fee for the use of trademarks represents a percentage of its sales. The agreement is valid for 1 year. However, the Company reserve the right to renew the agreement every year and have the right to use such trademarks and service marks in business operations.
- b) Software license fee is NLG 50,000 (or EUR 22,689 in equivalent) for each Makro new store. The payment is made once a new store is open. The agreement is valid for 1 year and is renewable annually. Regarding the benefit from this license, the Company obtains specific IT software which is necessary to its business operations.
- c) Annual membership fees in relation to cost sharing for the shared use of auction tools were charged proportionally to the auction volumes made by the Company amounting to USD 7,000. The agreement is for unlimited period of time, unless party shall terminate the agreement by written notice. Regarding the benefit from this service agreement, the Company receives auction purchasing services. The agreement is terminated during 2011.
- d) Maintenance fee regarding business intelligence application is charged at actual amount in 2011 and at EUR 750 per user and annual maintenance fee is 25% of the total user license fee in 2010. The agreement is for unlimited period of time, unless party shall terminate the agreement by written notice. Regarding the benefit from this service agreement, the Company receives maintenance services for the application software.
- e) Virtual private networking service fee is EUR 22,000 and 20,000 for the year 2011 and 2010, respectively. The agreement is for unlimited period of time, unless party shall terminate the agreement by written notice. Benefit from this service is data transfer security among group of SHV companies.



# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

## 9 Related party transactions (Cont'd)

The following material transactions were carried out with related parties:

### 9.1) Sales of goods, service income and other income

For the years ended 31 December	Consolidated		Company	
	2011	2010	2011	2010
	Million Baht	Million Baht	Million Baht	Million Baht
<b>Sales of goods:</b>				
Subsidiary	-	-	20.9	14.5
<b>Service income and other income:</b>				
Subsidiary	-	-	10.7	7.0

### 9.2) Purchases of goods, intangible assets and service expenses

For the years ended 31 December	Consolidated		Company	
	2011	2010	2011	2010
	Million Baht	Million Baht	Million Baht	Million Baht
<b>Purchases of goods:</b>				
Subsidiary	-	-	170.8	179.9
<b>Purchases of intangible assets:</b>				
Other related parties	0.8	0.7	0.8	0.7
<b>Service expenses:</b>				
Other related parties	163.1	156.6	163.1	156.6

## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

### 9 Related party transactions (Cont'd)

The following material transactions were carried out with related parties: (Cont'd)

#### 9.3) Outstanding balances arising from purchases of goods

	Consolidated		Company	
	2011	2010	2011	2010
	Million Baht	Million Baht	Million Baht	Million Baht
<b>Trade accounts payable to a related party</b>				
Subsidiary	-	-	25.3	26.6

#### 9.4) Advances and short-term loans to a related party

	Consolidated		Company	
	2011	2010	2011	2010
	Million Baht	Million Baht	Million Baht	Million Baht
<b>Advances to</b>				
Subsidiary	-	-	1.6	2.2
<b>Short-term loans to a related party</b>				
Subsidiary	-	-	135.0	135.0
<b>Total advances and short-term loans to a related party</b>	-	-	136.6	137.2
<b>Movements of short-term loans to subsidiaries are as follows:</b>				
Opening balance	-	-	135.0	-
Increase during the year	-	-	35.0	135.0
Repayments during the year	-	-	(35.0)	-
Closing balance	-	-	135.0	135.0

As at 31 December 2011, short-term loans to a subsidiary were Baht 135.0 million promissory notes which are due within 22 October 2012. The interest rate charged was referenced to the borrowing loan's interest rate of the Company from financial institutions plus management charge.

As at 31 December 2010, short-term loans to a subsidiary were Baht 135.0 million promissory notes. Baht 100.0 million was due as at 21 October 2011 and Baht 35.0 million was due at call. The interest rate charged was referenced to the borrowing loan's interest rate of the Company from financial institutions plus management charge.

# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

## 9 Related party transactions (Cont'd)

The following material transactions were carried out with related parties: (Cont'd)

### 9.5) Advances from related parties

	Consolidated		Company	
	2011	2010	2011	2010
	Million Baht	Million Baht	Million Baht	Million Baht
<b>Advances from related parties</b>				
Other related parties	80.9	76.1	80.9	76.1

### 9.6) Management benefit expenses

	Consolidated		Company	
	2011	2010	2011	2010
	Million Baht	Million Baht	Million Baht	Million Baht
Short-term benefits	153.8	144.3	153.8	144.3
Other long-term benefits	20.0	5.0	20.0	5.0
Post-employment benefits	2.7	17.2	2.7	17.2
<b>Total</b>	<b>176.5</b>	<b>166.5</b>	<b>176.5</b>	<b>166.5</b>

## 10 Inventories, net

	Consolidated		Company	
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
Finished goods	7,457,300,251	6,010,601,884	7,230,021,706	5,896,279,494
Goods-in-transit	23,087,730	49,638,478	-	-
	7,480,387,981	6,060,240,362	7,230,021,706	5,896,279,494
<u>Less</u> allowance for obsolete and shrinkage inventories	(268,110,974)	(161,494,895)	(256,180,622)	(151,092,065)
allowance for inventory cost in excess of net realisable value	(147,637)	(350,038)	-	-
<b>Inventories, net</b>	<b>7,212,129,370</b>	<b>5,898,395,429</b>	<b>6,973,841,084</b>	<b>5,745,187,429</b>

# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

## 11 Other current assets, net

	Consolidated		Company	
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
Accrued income	223,873,835	249,494,955	223,873,835	249,494,955
Other receivables	35,445,560	36,867,852	35,133,272	36,670,114
Others	83,596,029	118,899,276	81,653,218	114,919,820
Total	342,915,424	405,262,083	340,660,325	401,084,889
<u>Less</u> allowance for doubtful accounts of other receivables	(8,796,787)	(9,221,840)	(8,796,787)	(9,221,840)
Other current assets, net	334,118,637	396,040,243	331,863,538	391,863,049

## 12 Investments in a subsidiary

Company			Investment value under			
Subsidiary	Business	Relationship	Paid-up capital (Baht'000)	Ownership Interest (%)	cost method	
					31 December 2011	31 December 2010
					(Baht'000)	(Baht'000)
Siam Food Services Limited	Importing and trading frozen foods, provide services such as freight, delivery, rental and storage	Being shareholder and management participation	45,000	99.99	269,765	269,765
					269,765	269,765

# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

## 12 Investments in a subsidiary (Cont'd)

### Entire business transfer of a subsidiary - Makro Properties Limited

The Annual General Meeting of Shareholders on 29 April 2009, adopted a resolution to approve the entire business transfer of Makro Properties Ltd, a subsidiary, to the Company on 31 May 2009 and dissolution of Makro Properties Limited by 31 December 2009. During 2010, the subsidiary returned the capital by offsetting with the debts arisen from the entire business transfer, and the Company has recorded capital gain from liquidation of a subsidiary amounting to Baht 62.4 million in the income statements of the Company. The details of the net transactions were as follows:

	<b>Company</b>
	<b>Baht'000</b>
Net transferred assets as at 31 May 2009	770,199
<u>Add</u> Increase in shareholders' equity during 1 June 2009 to 2 March 2010 (the date of returned capital)	2,852
Total returned capital from liquidation of a subsidiary	773,051
Investment in a subsidiary	710,641
Capital gain from liquidation of a subsidiary	62,410

In addition, there was a special resolution adopted at the Extraordinary General Meeting of Shareholders of the transferor on 30 September 2009 approving the dissolution of the transferor and the appointment of the liquidator with the remuneration of Baht 100,000. The liquidator has already proceeded with the dissolution registration of the transferor on 30 September 2009. The Company proposed the name of the said liquidator at the said Extraordinary General Meeting of Shareholders of the transferor since the Company is a shareholder holding 99.99% shares. In addition, since the liquidator has to be liable under the law regarding the liabilities of the transferor and the distribution of the capital refund to the shareholders for 2 years period as from the registration date of liquidation completion. The liquidator therefore requested the Company as a shareholder of the transferor holding 99.99% shares of the transferor for agreeing to pay the liquidator the damages if there is any claim by any person against the liquidator as a result of his act as the transferor's liquidator. The Company has already issued a letter dated 30 September 2009 on its agreement to pay the said damages to the liquidator pursuant to an approval from the Company's Board of Directors' Meeting on 7 August 2009 which authorised the executive directors to negotiate and agree with the liquidator on the said liability of the liquidator.

On 27 May 2010, the liquidator of Makro Properties Limited has registered the completed liquidation with the Department of Business Development, Ministry of Commerce.



# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

## 13 Property, plant and equipment, net

	Consolidated						
	Building &						Total
	Leasehold	building	Equipments &		Construction		
	Land improvement	improvement	computer	Vehicle	in progress		
	Baht	Baht	Baht	Baht	Baht	Baht	Baht
<b>At 31 December 2009</b>							
Cost	5,599,606,942	57,539,727	6,841,214,214	7,077,052,153	49,799,353	248,770,288	19,873,982,677
Less accumulated depreciation	-	(31,356,609)	(2,947,403,987)	(4,714,672,229)	(28,277,054)	-	(7,721,709,879)
Net book value	5,599,606,942	26,183,118	3,893,810,227	2,362,379,924	21,522,299	248,770,288	12,152,272,798
<b>For the year ended 31 December 2010</b>							
Opening net book value	5,599,606,942	26,183,118	3,893,810,227	2,362,379,924	21,522,299	248,770,288	12,152,272,798
Additions	84,163,148	-	57,570,052	355,787,908	22,042,445	763,348,285	1,282,911,838
Reclassification, net	-	(9,062,349)	9,062,349	(1,669,403)	-	-	(1,669,403)
Transfer in (out)	148,880	-	521,204,457	480,905,671	-	(1,002,259,008)	-
Write-off, net	-	-	(1,955,753)	(5,019,477)	-	-	(6,975,230)
Disposals, net	(580,094)	-	(1,177,899)	(2,928,432)	(9)	-	(4,686,434)
Depreciation charge (Note 24)	-	(758,276)	(314,966,395)	(659,613,337)	(8,388,325)	-	(983,726,333)
Allowance for loss from write-off fixed assets	-	-	(20,000,000)	(11,750,000)	-	-	(31,750,000)
Closing net book value	5,683,338,876	16,362,493	4,143,547,038	2,518,092,854	35,176,410	9,859,565	12,406,377,236
<b>As at 31 December 2010</b>							
Cost	5,683,338,876	18,316,223	7,440,989,743	7,429,632,602	64,299,801	9,859,565	20,646,436,810
Less accumulated depreciation	-	(1,953,730)	(3,277,442,705)	(4,899,789,748)	(29,123,391)	-	(8,208,309,574)
allowance for loss from write-off fixed assets	-	-	(20,000,000)	(11,750,000)	-	-	(31,750,000)
Net book value	5,683,338,876	16,362,493	4,143,547,038	2,518,092,854	35,176,410	9,859,565	12,406,377,236

# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

## 13 Property, plant and equipment, net (Cont'd)

	Consolidated						
	Building &						
	Leasehold	building	Equipments &		Construction		
	Land improvement	improvement	computer	Vehicle	in progress		Total
	Baht	Baht	Baht	Baht	Baht	Baht	Baht
For the year ended 31 December 2011							
Opening net book value	5,683,338,876	16,362,493	4,143,547,038	2,518,092,854	35,176,410	9,859,565	12,406,377,236
Additions	1,456,575,623	10,920,293	290,482,278	740,304,333	2,253,647	917,849,217	3,418,385,391
Transfer in (out)	267,778	58,850	353,705,368	199,764,067	-	(553,796,063)	-
Write-off, net	-	-	(147,293)	(6,288,684)	-	-	(6,435,977)
Disposals, net	-	-	(3,335,348)	(11,467,941)	(3)	-	(14,803,292)
Depreciation charge (Note 24)	-	(716,775)	(228,960,870)	(717,665,453)	(10,949,357)	-	(958,292,455)
Allowance for loss from write-off fixed assets	-	-	(14,188,923)	(7,038,000)	-	-	(21,226,923)
Closing net book value	7,140,182,277	26,624,861	4,541,102,250	2,715,701,176	26,480,697	373,912,719	14,824,003,980
As at 31 December 2011							
Cost	7,140,182,277	29,295,366	8,069,809,603	8,167,945,910	63,139,581	373,912,719	23,844,285,456
Less accumulated depreciation allowance for loss from write-off fixed assets	-	(2,670,505)	(3,494,518,430)	(5,433,456,734)	(36,658,884)	-	(8,967,304,553)
	-	-	(34,188,923)	(18,788,000)	-	-	(52,976,923)
Net book value	7,140,182,277	26,624,861	4,541,102,250	2,715,701,176	26,480,697	373,912,719	14,824,003,980

# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

## 13 Property, plant and equipment, net (Cont'd)

	Company						
	Building &						
	Leasehold		building Equipments &		Construction		
	Land	improvement	improvement	computer	Vehicle	in progress	Total
	Baht	Baht	Baht	Baht	Baht	Baht	Baht
At 31 December 2009							
Cost	5,599,606,942	57,539,727	6,816,638,524	7,053,650,966	40,381,587	243,983,192	19,811,800,938
Less accumulated depreciation	-	(31,356,609)	(2,930,791,756)	(4,697,559,338)	(21,075,344)	-	(7,680,783,047)
Net book value	5,599,606,942	26,183,118	3,885,846,768	2,356,091,628	19,306,243	243,983,192	12,131,017,891
For the year ended 31 December 2010							
Opening net book value	5,599,606,942	26,183,118	3,885,846,768	2,356,091,628	19,306,243	243,983,192	12,131,017,891
Additions	84,163,148	-	57,570,052	353,274,873	16,852,014	763,348,285	1,275,208,372
Reclassification, net	-	(9,062,349)	9,062,349	(1,077,465)	-	-	(1,077,465)
Transfer in (out)	148,880	-	521,204,457	476,118,575	-	(997,471,912)	-
Write-off, net	-	-	(1,955,753)	(5,019,477)	-	-	(6,975,230)
Disposals, net	(580,094)	-	(1,177,899)	(2,906,259)	(3)	-	(4,664,255)
Depreciation charge (Note 24)	-	(758,276)	(311,963,585)	(655,640,106)	(7,389,158)	-	(975,751,125)
Allowance for loss from write-off fixed assets	-	-	(20,000,000)	(11,750,000)	-	-	(31,750,000)
Closing net book value	5,683,338,876	16,362,493	4,138,586,389	2,509,091,769	28,769,096	9,859,565	12,386,008,188
As at 31 December 2010							
Cost	5,683,338,876	18,316,223	7,416,414,052	7,399,708,577	53,032,143	9,859,565	20,580,669,436
Less accumulated depreciation	-	(1,953,730)	(3,257,827,663)	(4,878,866,808)	(24,263,047)	-	(8,162,911,248)
allowance for loss from write-off fixed assets	-	-	(20,000,000)	(11,750,000)	-	-	(31,750,000)
Net book value	5,683,338,876	16,362,493	4,138,586,389	2,509,091,769	28,769,096	9,859,565	12,386,008,188

# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

## 13 Property, plant and equipment, net (Cont'd)

	Company						
	Building &						
	Leasehold	building	Equipments &		Construction		
	Land improvement	improvement	computer		Vehicle	in progress	Total
	Baht	Baht	Baht	Baht	Baht	Baht	Baht
For the year ended 31 December 2011							
Opening net book value	5,683,338,876	16,362,493	4,138,586,389	2,509,091,769	28,769,096	9,859,565	12,386,008,188
Additions	1,456,575,623	10,920,293	289,563,647	736,579,757	2,253,647	917,802,807	3,413,695,774
Transfer in (out)	267,778	58,850	353,658,958	199,764,067	-	(553,749,653)	-
Write-off, net	-	-	(147,293)	(6,288,684)	-	-	(6,435,977)
Disposals, net	-	-	(3,335,348)	(11,467,876)	(1)	-	(14,803,225)
Depreciation charge (Note 24)	-	(716,775)	(225,889,892)	(713,377,434)	(9,344,870)	-	(949,328,971)
Allowance for loss from write-off fixed assets	-	-	(14,188,923)	(7,038,000)	-	-	(21,226,923)
Closing net book value	7,140,182,277	26,624,861	4,538,247,538	2,707,263,599	21,677,872	373,912,719	14,807,908,866
As at 31 December 2011							
Cost	7,140,182,277	29,295,366	8,044,268,872	8,136,344,978	52,358,790	373,912,719	23,776,363,002
Less accumulated depreciation allowance for loss from write-off fixed assets	-	(2,670,505)	(3,471,832,411)	(5,410,293,379)	(30,680,918)	-	(8,915,477,213)
	-	-	(34,188,923)	(18,788,000)	-	-	(52,976,923)
Net book value	7,140,182,277	26,624,861	4,538,247,538	2,707,263,599	21,677,872	373,912,719	14,807,908,866

As at 31 December 2011, certain plant and equipment items have been fully depreciated but are still in use. The original cost before deducting accumulated depreciation of those assets amounted to Baht 3,183 million (2010: Baht 3,586 million) in the consolidated financial statements, and Baht 3,158 million (2010: Baht 3,560 million) in the company financial statements.

## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

### 13 Property, plant and equipment, net (Cont'd)

As at 31 December 2011 and 2010, "Additions" shown above includes leased assets where the Company is a lessee under a finance lease recognition as following details:

	Consolidated / Company	
	2011	2010
	Baht	Baht
Leased assets under a finance lease recognition	192,831,106	178,377,906
<u>Less</u> accumulated depreciation	(54,994,811)	(32,221,239)
Net book value	<u>137,836,295</u>	<u>146,156,667</u>

### 14 Investment property, net

Investment property is land, net of the allowance for impairment loss as follows:

	Consolidated		Company	
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
Investment property	308,572,549	308,572,549	135,500,000	135,500,000
<u>Less</u> allowance for impairment loss	(189,372,549)	(173,072,549)	(16,300,000)	-
Investment property, net	<u>119,200,000</u>	<u>135,500,000</u>	<u>119,200,000</u>	<u>135,500,000</u>

As at 31 December 2011, the fair value of an investment property was Baht 119.2 million (2010: Baht 135.5 million).

### 15 Leasehold right, net

	Consolidated / Company
	Baht
<b>As at 31 December 2009</b>	
Cost	830,186,827
<u>Less</u> accumulated amortisation	(267,267,456)
Net book value	562,919,371
<u>Less</u> current portion of leasehold right	(30,104,241)
Leasehold right, net	<u>532,815,130</u>



# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

## 15 Leasehold right, net (Cont'd)

	<b>Consolidated / Company Baht</b>
<b>Transactions during the year ended 31 December 2010</b>	
Opening net book value	562,919,371
Amortisation (Note 24)	<u>(30,104,241)</u>
Closing net book value	<u>532,815,130</u>
<b>As at 31 December 2010</b>	
Cost	830,186,827
<u>Less</u> accumulated amortisation	<u>(297,371,697)</u>
Net book value	532,815,130
<u>Less</u> current portion of leasehold right	<u>(30,104,241)</u>
Leasehold right, net	<u>502,710,889</u>
<b>Transactions during the year ended 31 December 2011</b>	
Opening net book value	532,815,130
Additions	85,344,681
Amortisation (Note 24)	<u>(31,336,399)</u>
Closing net book value	<u>586,823,412</u>
<b>As at 31 December 2011</b>	
Cost	915,531,508
<u>Less</u> accumulated amortisation	<u>(328,708,096)</u>
Net book value	586,823,412
<u>Less</u> current portion of leasehold right	<u>(31,423,179)</u>
Leasehold right, net	<u>555,400,233</u>

## 16 Goodwill, net

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>Baht</b>	<b>Baht</b>
Cost	196,922,838	196,922,838
<u>Less</u> accumulated amortisation	<u>(29,538,426)</u>	<u>(29,538,426)</u>
Net book value	<u>167,384,412</u>	<u>167,384,412</u>

# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

## 17 Other intangible assets, net

	Consolidated		
	Computer software	Computer software under installation	Total
	Baht	Baht	Baht
<b>As at 31 December 2009</b>			
Cost	100,144,503	12,876,881	113,021,384
<u>Less</u> accumulated amortisation	(81,256,369)	-	(81,256,369)
Net book value	18,888,134	12,876,881	31,765,015
<b>Transactions during the year ended 31 December 2010</b>			
Opening net book value	18,888,134	12,876,881	31,765,015
Additions	18,451,109	9,227,412	27,678,521
Reclassification, net	1,669,403	-	1,669,403
Transfer in (out)	14,860,081	(14,860,081)	-
Amortisation (Note 24)	(16,096,401)	-	(16,096,401)
Closing net book value	37,772,326	7,244,212	45,016,538
<b>As at 31 December 2010</b>			
Cost	136,310,591	7,244,212	143,554,803
<u>Less</u> accumulated amortisation	(98,538,265)	-	(98,538,265)
Net book value	37,772,326	7,244,212	45,016,538
<b>Transactions during the year ended 31 December 2011</b>			
Opening net book value	37,772,326	7,244,212	45,016,538
Additions	18,307,327	20,480,549	38,787,876
Transfer in (out)	19,461,651	(19,461,651)	-
Write-off, net	(5,967,570)	-	(5,967,570)
Amortisation (Note 24)	(22,179,605)	-	(22,179,605)
Closing net book value	47,394,129	8,263,110	55,657,239
<b>As at 31 December 2011</b>			
Cost	165,615,646	8,263,110	173,878,756
<u>Less</u> accumulated amortisation	(118,221,517)	-	(118,221,517)
Net book value	47,394,129	8,263,110	55,657,239

# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

## 17 Other intangible assets, net (Cont'd)

	Company		Total Baht
	Computer software Baht	Computer software under installation Baht	
<b>As at 31 December 2009</b>			
Cost	96,074,554	3,330,874	99,405,428
<u>Less</u> accumulated amortisation	(77,186,432)		(77,186,432)
Net book value	18,888,122	3,330,874	22,218,996

### Transactions during the year ended 31 December 2010

Opening net book value	18,888,122	3,330,874	22,218,996
Additions	10,426,063	8,779,670	19,205,733
Reclassification, net	1,077,465	-	1,077,465
Transfer in (out)	6,485,254	(6,485,254)	-
Amortisation (Note 24)	(12,985,874)	-	(12,985,874)
Closing net book value	23,891,030	5,625,290	29,516,320

### As at 31 December 2010

Cost	114,798,169	5,625,290	120,423,459
<u>Less</u> accumulated amortisation	(90,907,139)	-	(90,907,139)
Net book value	23,891,030	5,625,290	29,516,320

### Transactions during the year ended 31 December 2011

Opening net book value	23,891,030	5,625,290	29,516,320
Additions	18,173,173	20,211,204	38,384,377
Transfer in (out)	17,842,729	(17,842,729)	-
Write-off, net	(5,967,570)	-	(5,967,570)
Amortisation (Note 24)	(18,522,256)	-	(18,522,256)
Closing net book value	35,417,106	7,993,765	43,410,871

### As at 31 December 2011

Cost	142,350,154	7,993,765	150,343,919
<u>Less</u> accumulated amortisation	(106,933,048)	-	(106,933,048)
Net book value	35,417,106	7,993,765	43,410,871

## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

### 17 Other intangible assets, net (Cont'd)

As at 31 December 2011, certain intangible asset items have been fully amortised but are still in use. The original cost before deducting accumulated amortisation of those assets are amounted to Baht 85 million (2010: Baht 62 million) in the consolidated financial statements, and Baht 80 million (2010: Baht 57 million) in the company financial statements.

### 18 Short-term loans from financial institutions

	Consolidated		Company	
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
Promissory notes	2,050,000,000	1,200,000,000	2,000,000,000	1,200,000,000
Trust receipts	2,043,835	-	-	-
	<u>2,052,043,835</u>	<u>1,200,000,000</u>	<u>2,000,000,000</u>	<u>1,200,000,000</u>

As at 31 December 2011, promissory notes represent promissory notes issued to banks denominated in Thai Baht. The short-term loans bear a fixed interest rates of 2.78% - 3.75% per annum (2010: 1.76% - 2.00% per annum) and due within October 2012.

As at 31 December 2011, trust receipts are contracted with domestic banks to convert purchases in foreign currency to be short-term loans in Baht. The trust receipts bear interest at the rates of 3.72% per annum.

### 19 Liabilities under finance lease, net

As at 31 December 2011 and 2010, the Company has recognised equipment under finance lease. The future minimum lease payments, to which the Company is committed, are as follows:

	Consolidated / Company	
	2011	2010
	Baht	Baht
Not later than 1 year	35,061,230	32,559,502
Later than 1 year but not later than 5 years	109,043,227	108,869,413
Later than 5 years	54,873,696	71,459,925
	<u>198,978,153</u>	<u>212,888,840</u>
<u>Less</u> future finance charges on finance lease	<u>(49,306,056)</u>	<u>(58,073,495)</u>
Net present value - liabilities under finance lease	<u>149,672,097</u>	<u>154,815,345</u>
Liabilities under finance lease		
- current	22,521,959	19,413,985
- non-current	127,150,138	135,401,360
	<u>149,672,097</u>	<u>154,815,345</u>

# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

## 20 Provision for employee benefits

	Consolidated		Company	
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
Statements of financial position				
- Defined benefit plans	206,637,892	194,081,969	201,773,401	191,507,065
- Other long-term employee benefits	20,355,549	362,472	20,000,000	-
	<u>226,993,441</u>	<u>194,444,441</u>	<u>221,773,401</u>	<u>191,507,065</u>
Income statements				
- Defined benefit plans	22,234,831	76,168,478	19,945,244	73,863,011
- Other long-term employee benefits	20,013,077	5,362,472	20,000,000	5,000,000
	<u>42,247,908</u>	<u>81,530,950</u>	<u>39,945,244</u>	<u>78,863,011</u>

The movements of the employee benefits obligation in the statement of financial position are as follows:-

	Consolidated		Company	
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
Beginning balance	194,444,441	133,539,089	191,507,065	133,269,652
Current service cost	28,531,825	12,280,978	28,014,034	12,276,118
Interest cost	7,352,162	5,355,319	7,208,865	5,345,444
Actuarial (gains)/losses	6,363,921	63,894,653	4,722,345	61,241,449
Benefit paid	(9,698,908)	(20,625,598)	(9,678,908)	(20,625,598)
Ending balance	<u>226,993,441</u>	<u>194,444,441</u>	<u>221,773,401</u>	<u>191,507,065</u>

The amounts of the employee benefits obligation have been recognised in the income statement under selling and administrative expenses as follows:

	Consolidated		Company	
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
Current service cost	28,531,825	12,280,978	28,014,034	12,276,118
Interest cost	7,352,162	5,355,319	7,208,865	5,345,444
Actuarial (gains)/losses	6,363,921	63,894,653	4,722,345	61,241,449
Total	<u>42,247,908</u>	<u>81,530,950</u>	<u>39,945,244</u>	<u>78,863,011</u>



## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

### 20 Provision for employee benefits (Cont'd)

Provision for employee benefits are determined by the principal actuarial assumptions as follows:

	Consolidated		Company	
	2011	2010	2011	2010
	%	%	%	%
Discount rate	3.5	3.8, 4.3	3.5	3.8
Future salary increases	4.0	4.0	4.0	4.0

### 21 Contingencies and commitments

As at 31 December 2011 and 2010, the Company and its subsidiary have contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. In the ordinary course of business, the Company and its subsidiary have provided guarantees to third parties as follows:

#### Bank guarantees

As at 31 December 2011 and 2010, banks have provided guarantees on behalf of the Company and its subsidiary, primarily in respect of electricity and rental and service agreement as follows:

	Consolidated		Company	
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
Bank guarantees	109,418,716	105,114,512	108,415,316	104,111,112

#### Operating lease agreements

The future minimum payments under operating lease agreements as at 31 December are as follows:

	Consolidated		Company	
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
Not later than 1 year	200,064,760	167,153,117	190,788,810	159,140,388
Later than 1 year and not later than 5 years	724,897,055	634,615,309	723,241,790	624,902,047
Later than 5 years	1,440,223,516	1,356,920,546	1,440,223,516	1,356,920,546
	<u>2,365,185,331</u>	<u>2,158,688,972</u>	<u>2,354,254,116</u>	<u>2,140,962,981</u>

# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

## 21 Contingencies and commitments (Cont'd)

### Capital commitments

Capital expenditure contracted for at the statement of financial position date but not recognised in the financial statements is as follows:

	Consolidated		Company	
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
Property, plant and equipment	734,983,138	1,197,963,832	734,983,138	1,197,963,832
Computer software	12,227,674	9,171,329	12,227,674	9,171,329

The consolidated and company capital commitments as at 31 December 2011 amounting to Baht 747.2 million are mainly related to the purchase of land, fixed assets and intangible assets.

## 22 Share capital and premium on share capital

As at 31 December 2011 and 2010, the total authorised number of ordinary shares is 240,000,000 shares with a par value of Baht 10 per share. All issued shares are fully paid-up.

	Number of shares	Ordinary shares Baht	Share premium Baht	Total Baht
At 31 December 2009	240,000,000	2,400,000,000	3,290,152,068	5,690,152,068
Issue of shares	-	-	-	-
At 31 December 2010	240,000,000	2,400,000,000	3,290,152,068	5,690,152,068
Issue of shares	-	-	-	-
At 31 December 2011	240,000,000	2,400,000,000	3,290,152,068	5,690,152,068

## 23 Legal reserve

	Consolidated		Company	
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
Opening balance	240,000,000	240,000,000	240,000,000	240,000,000
Appropriation during the year	-	-	-	-
Closing balance	240,000,000	240,000,000	240,000,000	240,000,000

Under the Public Companies Act, the Company is required to set aside as a statutory reserve at least 5% of its net profit after accumulated deficit brought forward (if any) until the reserve is not less than 10% of the registered capital. The legal reserve is non-distributable as dividends.

## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

### 24 Expenses by nature

The following expenditure items, classified by nature, have been charged in arriving at profit before finance costs and income tax:

	Notes	Consolidated		Company	
		2011	2010	2011	2010
		Baht	Baht	Baht	Baht
Employee costs		2,170,269,970	1,865,353,133	2,102,274,212	1,806,810,324
Depreciation on property, plant and equipment	13	958,292,455	983,726,333	949,328,971	975,751,125
Establishment expenses		931,270,797	893,416,070	919,198,782	883,033,884
Sales promotion expenses		539,219,053	616,762,376	530,353,510	614,354,286
Royalty expenses		172,233,851	163,605,113	172,233,851	163,605,113
Repair and maintenance expenses		159,696,689	138,246,297	157,409,583	136,088,951
Computer expenses		80,178,942	67,244,683	78,498,678	66,184,329
Land rental expenses		53,810,174	50,072,826	53,810,174	50,072,826
Amortisation of leasehold right	15	31,336,399	30,104,241	31,336,399	30,104,241
Amortisation of other intangible assets	17	22,179,605	16,096,401	18,522,256	12,985,874

### 25 Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year, that is 240,000,000 shares in the year 2011 (2010: 240,000,000 shares). There are no dilutive instruments in issue.

	Consolidated		Company	
	2011	2010	2011	2010
Net profit (Baht)	2,604,436,938	1,881,033,333	2,578,126,305	1,919,719,771
Weighted average number of ordinary shares (Shares)	240,000,000	240,000,000	240,000,000	240,000,000
Basic earnings per share (Baht)	10.85	7.84	10.74	8.00

## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

### 26 Dividends

A 2011 interim dividend from current net profit after tax for the nine-month period ended on 30 September 2011 of Baht 1.75 per share amounting to a total of Baht 420 million was approved at the Board of Directors' meeting on 9 November 2011 and fully paid in the fourth quarter of 2011.

A 2011 interim dividend from current net profit after tax for the six-month period ended on 30 June 2011 of Baht 3.25 per share amounting to a total of Baht 780 million was approved at the Board of Directors' meeting on 10 August 2011 and fully paid in the third quarter of 2011.

A dividend in respect of 2010 of Baht 3.75 per share amounting to a total of Baht 900 million was approved at the annual shareholders' meeting on 20 April 2011 and fully paid in the second quarter of 2011.

A 2010 interim dividend from current net profit after tax for the nine-month period ended on 30 September 2010 of Baht 1.25 per share amounting to a total of Baht 300 million was approved at the Board of Directors' meeting on 11 November 2010 and fully paid in the fourth quarter of 2010.

A 2010 interim dividend from current net profit after tax for the six-month period ended on 30 June 2010 of Baht 2.00 per share amounting to a total of Baht 480 million was approved at the Board of Directors' meeting on 6 August 2010 and fully paid in the third quarter of 2010.

A dividend in respect of 2009 of Baht 2.75 per share amounting to a total of Baht 660 million was approved at the annual shareholders' meeting on 29 April 2010 and fully paid in the second quarter of 2010.

### 27 Management benefit expenses

Management benefit expenses represent remuneration paid to the Company's directors in accordance with Section 90 of the Public Limited Company Act, and was approved by the shareholders in the Annual General Meeting. In addition, these expenses also include salaries and related benefits payable to the management who are defined under the Notification of the Capital Market Supervisory Board as the managers or persons with managerial authority who are among the top four ranked individuals in the Company after the manager, all other persons who occupy a position equivalent to a top four ranking and also included persons with managerial authority in accounting or finance department which is equivalent or upper to department manager.

## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

For the years ended 31 December 2011 and 2010

### 28 Other operating expenses in relation to floods

According to the flood situation which widely affected many provinces in the north and the central of Thailand, including Bangkok and perimeter area, the Group has been affected from the flooding situation as follows.

	<b>Consolidated</b>	<b>Company</b>
	<b>2011</b>	<b>2011</b>
	<b>Baht</b>	<b>Baht</b>
Loss from write-off/allowance for damaged inventories	111,049,500	111,049,500
Distribution centre expenses	50,209,330	50,209,330
Allowance for loss from write-off fixed assets/repair and maintenance of damaged fixed assets	24,799,389	24,799,389
Flood prevention-related expenses	19,972,204	19,972,204
Other expenses	32,039,310	31,000,000
<b>Total</b>	<b>238,069,733</b>	<b>237,030,423</b>

The Company is, however, on the process of claim request from the insurance company. The Company's management believed that the recovery from the insurance policy might cover the losses of the Company's assets.

### 29 Reclassification of accounts

Certain accounts in the consolidated and company statements of financial position as at 31 December 2010 have been reclassified to conform with the presentation in the 2011 financial statements as follows:

	<b>Consolidated / Company</b>		
	<b>Before reclassification</b>	<b>Reclassified items</b>	<b>After reclassification</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Land held for sale or future development, net	135,500,000	(135,500,000)	-
Investment property, net	-	135,500,000	135,500,000

The above reclassification in the consolidated and company statements of financial position has been made to comply with TAS 40 (Revised 2009) Investment Property. The Group has adopted this TAS in the 2011 financial statements.

### 30 Subsequent events

The Board of Directors' meeting of the Company on 23 February 2012 has unanimously resolved to propose to the Annual General Shareholders' Meeting of the Company for approval Siam Makro Public Company Limited to declare the final dividend payment for the year 2011 at the rate of Baht 5.50 per share. Such declaration of final dividend payment must be approved by the shareholders' meeting.



# MAKRO / MAKRO FOODSERVICE / SIAM FROZEN / SIAM FOOD SERVICES LOCATIONS

## MAKRO CASH & CARRY

### Siam Makro Public Company Limited, Head Office

3498 2<sup>nd</sup> Fl., Lardprao Rd., Klongchan,  
Bangkapi, Bangkok 10240  
Tel : 0-2723-1000 Fax : 0-2375-2927

#### 1. Makro Lardprao Branch

3498 Lardprao Rd., Klongchan,  
Bangkapi, Bangkok 10240  
Tel : 0-2375-2781-9 Fax : 0-2375-9162

#### 2. Makro Chaengwattana Branch

34/54 Moo 1, Chaengwattana Rd., Klongklear,  
Pakkred, Nonthaburi 11120  
Tel : 0-2574-0670 Fax : 0-2574-6045

#### 3. Makro Srinakarin Branch

422 Moo 5, Srinakarin Rd., Samrongnua,  
A.Muang Samutprakan, Samutprakan 10270  
Tel : 0-2383-4104 Fax : 0-2383-4441

#### 4. Makro Bangbon Branch

40/8 Moo 10, Ekachai Ring Road-Petchkasem,  
Bangbon, Bangbon, Bangkok 10150  
Tel : 0-2416-8080-90 Fax : 0-2416-5974

#### 5. Makro Chonburi Branch

55/3 Moo 2, Sukhumvit Rd., T.Samed,  
A.Muang Chonburi, Chonburi 20000  
Tel : (038) 279-201 Fax : (038) 279-200

#### 6. Makro Chiang Mai Branch

152 Moo 6, T.Nong-Pa-Krung,  
A.Muang Chiang Mai, Chiang Mai 50000  
Tel : (053) 116-200-10 Fax : (053) 116-217

#### 7. Makro Nakhon Ratchasima Branch

523 Mittraphap-Nongkai Rd., T.Naimuang,  
A.Muang Nakhon Ratchasima, Nakhon Ratchasima 30000  
Tel : (044) 230-477-90 Fax : (044) 230-471

#### 8. Makro Rangsit Branch

189 Phaholyothin Rd., T.Prachathipat,  
A.Thanyaburi, Pathumthani 12130  
Tel : 0-2992-1011-21 Fax : 0-2992-2213

#### 9. Makro Hat Yai Branch

345 Moo 5, Kanjanavanit Rd., T.Kho-Hong,  
A.Hat Yai, Songkhla 90110  
Tel : (074) 428-320-37 Fax : (074) 210-969

#### 10. Makro Udonthani Branch

207/3 Moo 14, T.Makkhang, A.Muang Udonthani,  
Udonthani 41000  
Tel : (042) 322-922 Fax : (042) 322-944

#### 11. Makro Phitsanulok Branch

1199 Boromtriokkanart 2 Rd., T.Naimuang,  
A.Muang Phitsanulok, Phitsanulok 65000  
Tel : (055) 218-765 Fax : (055) 218-764

#### 12. Makro Khon Kaen Branch

195 Moo 17, Mittraphap, T.Naimuang,  
A.Muang Khon Kaen, Khon Kaen 40000  
Tel : (043) 325-050 Fax : (043) 325-065

#### 13. Makro Surat Thani Branch

216 Moo 4, Chonkasem Rd., T.Makamtey,  
A.Muang Surat Thani, Surat Thani 84000  
Tel : (077) 219-877 Fax : (077) 219-866

#### 14. Makro Ubol Ratchathani Branch

333 Moo 15, T.Khamyai,  
A.Muang Ubol Ratchathani, Ubol Ratchathani 34000  
Tel : (045) 281-670-80 Fax : (045) 281-688

#### 15. Makro Rayong Branch

8/2 Moo 3, T.Tubma,  
A.Muang Rayong, Rayong 21000  
Tel : (038) 875-290-300 Fax : (038) 875-301

#### 16. Makro Nakhon Sawan Branch

67/15 Moo 6, T.Nakhon Sawan East,  
A.Muang Nakhon Sawan, Nakhon Sawan 60000  
Tel : (056) 325-200-9 Fax : (056) 325-210

# MAKRO / MAKRO FOODSERVICE / SIAM FROZEN / SIAM FOOD SERVICES LOCATIONS

## 17. Makro Charansanitwongse Branch

521, 521/27 Charansanitwongse Rd.,  
Bangkhunsri, Bangkoknoi, Bangkok 10700  
Tel : 0-2864-5714-32 Fax : 0-2864-5713

## 18. Makro Sathorn Branch

1 Narathiwasratchanakarin Rd.,  
Thungwatdon, Sathorn, Bangkok 10120  
Tel : 0-2676-0676 Fax : 0-2676-1676

## 19. Makro Nakhon Pathom Branch

86 Moo 13, T.Prongmadua,  
A.Muang Nakhon Pathom, Nakhon Pathom 73000  
Tel : (034) 200-711-23 Fax : (034) 200-729

## 20. Makro Surin Branch

4/3 Lukmuang Rd., T.Naimuang  
A.Muang Surin, Surin 32000  
Tel : (044) 531-759-66 Fax : (044) 531-777

## 21. Makro Samsen Branch

935/11 Samsem Rd., Thanonnakornchaisri,  
Dusit, Bangkok 10300  
Tel : 0-2241-8400-8 Fax : 0-2241-8409

## 22. Makro Nakhon Si Thammarat Branch

93/7 Moo 2, Garome Rd., T.Posadet, A.Muang  
Nakhon Si Thammarat, Nakhon Si Thammarat 80000  
Tel : (075) 316-680-90 Fax : (075) 316-698

## 23. Makro Chiang Rai Branch

12 Moo 17, T.Bandoo,  
A.Muang Chiang Rai, Chiang Rai 57000  
Tel : (053) 703-688 Fax : (053) 703-679

## 24. Makro Sakon Nakhon Branch

459 Moo 3, Bankoksomhong Rd., T.Thatchoengchum,  
A.Muang Sakon Nakhon, Sakon Nakhon 47000  
Tel : (042) 731-078-97 Fax : (042) 731-076-7

## 25. Makro Suphan Buri Branch

290/2 Moo 4, T.Sanam-Chai,  
A.Muang Suphan Buri, Suphan Buri 72000  
Tel : (035) 547-250-65 Fax : (035) 547-271

## 26. Makro Chanthaburi Branch

21/11 Moo 11, T.Plubpla,  
A.Muang Chanthaburi, Chanthaburi 22000  
Tel : (039) 355-240-54 Fax : (039) 355-257

## 27. Makro Phuket Branch

77 Moo 5, T.Vichit,  
A.Muang Phuket, Phuket 83000  
Tel : (076) 249-791-800 Fax : (076) 249-801

## 28. Makro Roi Et Branch

32/1 Taewapiban Rd., T.Naimuang,  
A.Muang Roi Et, Roi Et 45000  
Tel : (043) 525-680-90 Fax : (043) 525-692-3

## 29. Makro Trang Branch

89 Moo 2, T.Khok-Lo,  
A.Muang Trang, Trang 92000  
Tel : (075) 228-050-60 Fax : (075) 228-061

## 30. Makro Sakaeo Branch

1000 Suwannasorn Rd., T.Sa Kaeo,  
A.Muang Sa Kaeo, Sa Kaeo 27000  
Tel : (037) 220-801-18 Fax : (037) 220-822-3

## 31. Makro Ko Samui Branch

115/52 Moo 6, T.Bo Phut,  
A.Ko Samui, Surat Thani 84320  
Tel : (077) 960-140-60 Fax : (077) 960-161-2

## 32. Makro Buri Ram Branch

151 Moo 7, T.Isan,  
A.Muang Buri Ram, Buri Ram 31000  
Tel : (044) 690-300-28 Fax : (044) 690-329

## 33. Makro Sisaket Branch

112 Moo 6 T.Po,  
A.Muang Sisaket, Sisaket 33000  
Tel : (045) 613-838 Fax : (045) 617-648

## 34. Makro Lamphun Branch

204 Moo 4, T.Banklang,  
A.Muang Lamphun, Lamphun 51000  
Tel : (053) 581-285 Fax : (053) 581-333-4

# MAKRO / MAKRO FOODSERVICE / SIAM FROZEN / SIAM FOOD SERVICES LOCATIONS

## 35. Makro Krabi Branch

119 Moo 1, T.Saitai, A.Muang Krabi,  
Krabi 81000

Tel : (075) 700-100 Fax : (075) 700-122

## 36. Makro Phetchaburi Branch

103 Moo 1, T.Huasaphan,  
A.Muang Phetchaburi, Phetchaburi 76000

Tel : (032) 771-616 Fax : (032) 771-612-3

## 37. Makro Chaiyaphum Branch

999 Moo 1, T.Bungkhal,  
A.Muang Chaiyaphum, Chaiyaphum 36000

Tel : (044) 818-288 Fax : (044) 818-292

## 38. Makro Saraburi Branch

66/3 Moo 2, T.Talingchan,  
A.Muang Saraburi, Saraburi 18000

Tel : (036) 731-100 Fax : (036) 731-111

## 39. Makro Pran Buri Branch

567 Moo 3, T.Wangpong,  
A.Pran Buri, Prachuap Khiri Khan 77120

Tel : (032) 630-100 Fax : (032) 630-000-1

## 40. Makro Chachoengsao Branch

21/4 Moo 5, T.Wangtakhean,  
A.Muang Chachoengsao, Chachoengsao 31000

Tel : (038) 511-518 Fax : (038) 515-174

## 41. Makro Chiang Mai 2 Branch

191 Moo 7, T.Maehia,  
A.Muang Chiang Mai, Chiang Mai 50100

Tel : (053) 447-799 Fax : (053) 447-804-5

## 42. Makro Ram Inthra Branch

904 Ram Inthra Rd., Kannayao,  
Kannayao, Bangkok 10230

Tel : 0-2540-7171 Fax : 0-2540-7756

## 43. Makro Chumphon Branch

199 Moo 5, T.Wangpai,  
A.Muang Chumphon, Chumphon 86000

Tel : (077) 658-700 Fax : (077) 658-706-7

## 44. Makro Pattaya Branch

22/24 Moo 11, T.Nong Prue,  
A.Bang Lamung, Chonburi 20150

Tel : (038) 053-400 Fax : (038) 053-427

## 45. Makro Kamphangphet Branch

889 Ratchadamnoen 1 Rd., T.Naimuang,  
A.Muang Kamphangphet, Kamphangphet 62000

Tel : (055) 717-777 Fax : (055) 717-912

## 46. Makro Kanchanaburi Branch

102 Moo 2, T.Tha Lor,  
A.Tha Muang, Kanchanaburi 71000

Tel : (034) 699-609 Fax : (034) 699-629

## 47. Makro Lop Buri Branch

227 Moo 5, T.Tha Sala,  
A.Muang Lop Buri, Lop Buri 15000

Tel : (036) 784-884 Fax : (036) 784-908-9

## 48. Makro Nong Khai Branch

232 Moo 12, T.Pho Chai,  
A. Muang Nong Khai, Nong Khai 43000

Tel : (042) 990-818 Fax : (042) 990-553

## 49. Makro Ratchaburi Branch

249 Moo 11, T.Jadeehak,  
A.Muang Ratchaburi, Ratchaburi 70000

Tel : (032) 332-249 Fax : (032) 325-349

## 50. Makro Mae Rim Branch

212 Moo 4, T.Mae Sa,  
A.Mae Rim, Chiang Mai 50180

Tel : (053) 298-212 Fax : (053) 298-928

## 51. Makro Ayutthaya Branch

222 Moo 2, T.Kan Ham, A.Uthai,  
Phra Nakhon Siayutthaya 13210

Tel : (035) 706-406 Fax : (035) 706-404

## 52. Makro Lampang Branch

110/3 Highway Lampang-Ngao Rd., T.Phra Bat,  
A.Muang Lampang, Lampang 52000

Tel : (054) 230-111 Fax : (054) 231-767

# MAKRO / MAKRO FOODSERVICE / SIAM FROZEN / SIAM FOOD SERVICES LOCATIONS

## MAKRO FOODSERVICE

### 1. Makro Hua Hin Branch

58/164 Soi Moobaan Bor Fai, T.Hua Hin,  
A.Hua Hin, Prachuap Khiri Khan 77110  
Tel : (032) 522-255 Fax : (032) 522-235

## SIAM FROZEN

### 1. Siam Frozen, Talad Muang Mai Branch

1 Soi 3, Muang Samut Rd., T.Chang Moi,  
A.Muang Chiang Mai, Chiang Mai 50300  
Tel : (053) 235-536 Fax : (053) 235-537

### 2. Siam Frozen, Udonthani Branch

64, 66 Surakarn Rd., T.Makkhang,  
A.Muang Udonthani, Udonthani 41000  
Tel : (042) 241-822 Fax : (042) 241-826

## SIAM FOOD SERVICES

### 1. Siam Food Services Limited. Head Office

2439 Old Paknam Railway Rd., Prakhanong,  
Klongtoey, Bangkok 10110  
Tel : 0-2620-6000 Fax : 0-2620-6001

### 2. Siam Food Services, Ko Samui Branch

115/52 Moo 6, T.Bo Phut, A.Ko Samui,  
Surat Thani 84320  
Tel : (077) 960-420-2 Fax : (077) 960-423

### 3. Siam Food Services, Pattaya Branch

22/24 Moo 11, T.Nong Prue,  
A.Bang Lamung, Chonburi 20150  
Tel : (038) 053-430-2 Fax : (038) 053-433





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