

MK Restaurant Group Public Company Limited  
(Formerly known as “MK Restaurant Company Limited”),  
its subsidiaries and its jointly controlled entity  
Report and financial statements  
31 December 2012

**Report of Independent Auditor**

To the Shareholders of MK Restaurant Group Public Company Limited  
(Formerly known as “MK Restaurant Company Limited”)

I have audited the accompanying consolidated financial statements of MK Restaurant Group Public Company Limited, its subsidiaries and its jointly controlled entity which comprise the consolidated statement of financial position as at 31 December 2012, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of MK Restaurant Group Public Company Limited for the same period.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

## **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MK Restaurant Group Public Company Limited, its subsidiaries and its jointly controlled entity and of MK Restaurant Group Public Company Limited as at 31 December 2012, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

Wichart Lokatekrawee

Certified Public Accountant (Thailand) No. 4451

Ernst & Young Office Limited

Bangkok: 26 February 2013

**MK Restaurant Group Public Company Limited (Formerly known as “MK Restaurant Company Limited”)**

its subsidiaries and its jointly controlled entity

**Statement of financial position**

**As at 31 December 2012**

(Unit: Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2012	2011	2012	2011
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	786,839,559	440,873,025	658,370,669	336,524,145
Short-term investments	8	200,959,731	131,256,372	155,731,223	131,256,372
Trade and other receivables	9	59,640,478	68,400,485	119,873,853	108,297,293
Short-term loan to related party	6	-	-	200,000,000	170,000,000
Inventories	10	202,821,005	177,648,203	192,929,344	170,821,238
Other current assets	11	83,068,938	56,857,663	60,192,180	48,501,440
<b>Total current assets</b>		<b>1,333,329,711</b>	<b>875,035,748</b>	<b>1,387,097,269</b>	<b>965,400,488</b>
<b>Non-current assets</b>					
Advance for building construction		11,852,736	-	11,852,736	-
Investments in subsidiaries	12	-	-	101,479,872	101,479,872
Investment in joint venture	13	-	-	66,082,500	66,082,500
Other long-term investment	14	-	-	-	-
Property, plant and equipment	15	2,992,827,491	2,243,548,339	2,413,765,612	1,826,320,327
Intangible assets	16	50,129,023	46,584,966	47,447,392	44,841,683
Leasehold rights	17	408,227,336	453,553,353	383,288,531	426,832,198
Deposits		244,864,491	185,001,178	196,367,401	155,945,491
<b>Total non-current assets</b>		<b>3,707,901,077</b>	<b>2,928,687,836</b>	<b>3,220,284,044</b>	<b>2,621,502,071</b>
<b>Total assets</b>		<b>5,041,230,788</b>	<b>3,803,723,584</b>	<b>4,607,381,313</b>	<b>3,586,902,559</b>

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

..... Director  
Rit Thirakomen

..... Director  
Somchai Hanjitkasem

**MK Restaurant Group Public Company Limited (Formerly known as “MK Restaurant Company Limited”)**

its subsidiaries and its jointly controlled entity

**Statement of financial position (continued)**

As at 31 December 2012

(Unit: Baht)

		Consolidated		Separate	
		financial statements		financial statements	
	<u>Note</u>	2012	2011	2012	2011
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Short-term loan from financial institution	18	850,000,000	900,000,000	850,000,000	900,000,000
Trade and other payables	19	1,639,754,849	887,830,705	1,488,656,646	807,734,037
Short-term loan from related party	6	-	45,000,000	-	-
Income tax payable		298,157,375	367,758,007	290,077,911	362,898,464
Dividend payable		439,200,000	-	439,200,000	-
Current portion of deferred income of membership fee		28,957,526	25,309,595	24,412,917	21,921,910
Other current liabilities	20	183,822,179	158,261,002	162,674,284	141,981,503
<b>Total current liabilities</b>		<b>3,439,891,929</b>	<b>2,384,159,309</b>	<b>3,255,021,758</b>	<b>2,234,535,914</b>
<b>Non-current liabilities</b>					
Deferred income of membership fee, net of current portion		9,195,545	8,936,742	7,648,564	7,191,535
Provision for long-term employee benefits	21	165,835,594	112,960,950	157,787,515	108,135,556
<b>Total non-current liabilities</b>		<b>175,031,139</b>	<b>121,897,692</b>	<b>165,436,079</b>	<b>115,327,091</b>
<b>Total liabilities</b>		<b>3,614,923,068</b>	<b>2,506,057,001</b>	<b>3,420,457,837</b>	<b>2,349,863,005</b>

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

..... Director  
Rit Thirakomen

..... Director  
Somchai Hanjirkasem

**MK Restaurant Group Public Company Limited (Formerly known as “MK Restaurant Company Limited”)**

**its subsidiaries and its jointly controlled entity**

**Statement of financial position (continued)**

**As at 31 December 2012**

(Unit: Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2012	2011	2012	2011
<b>Shareholders' equity</b>					
Share capital	22				
Registered					
920,000,000 ordinary shares of Baht 1 each					
(31 December 2011: 41,036,270 ordinary shares					
of Baht 10 each)		920,000,000	410,362,700	920,000,000	410,362,700
Issued and fully paid					
720,000,000 ordinary shares of Baht 1 each					
(31 December 2011: 41,036,270 ordinary shares					
of Baht 10 each)		720,000,000	410,362,700	720,000,000	410,362,700
Retained earnings					
Appropriated-statutory reserve	24	72,000,000	41,036,270	72,000,000	41,036,270
Unappropriated		631,591,196	845,284,791	394,923,476	785,640,584
Other component of shareholders' equity		2,716,524	982,822	-	-
<b>Total shareholders' equity</b>		<b>1,426,307,720</b>	<b>1,297,666,583</b>	<b>1,186,923,476</b>	<b>1,237,039,554</b>
<b>Total liabilities and shareholders' equity</b>		<b>5,041,230,788</b>	<b>3,803,723,584</b>	<b>4,607,381,313</b>	<b>3,586,902,559</b>
		-	-	-	-

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

..... Director  
Rit Thirakomen

..... Director  
Somchai Hanjitkasem

**MK Restaurant Group Public Company Limited (Formerly known as “MK Restaurant Company Limited”)**

its subsidiaries and its jointly controlled entity

**Income statement**

**For the year ended 31 December 2012**

(Unit: Baht)

		Consolidated		Separate	
		financial statements		financial statements	
	Note	2012	2011	2012	2011
<b>Revenues</b>					
Sales and service income		12,987,168,099	10,707,579,903	11,968,228,199	10,087,364,586
Other income	25	153,959,212	116,686,556	173,823,996	142,168,252
<b>Total revenues</b>		<b>13,141,127,311</b>	<b>10,824,266,459</b>	<b>12,142,052,195</b>	<b>10,229,532,838</b>
<b>Expenses</b>					
Cost of sales and services		4,239,577,356	3,661,291,668	4,290,403,684	3,696,182,069
Selling expenses		5,529,830,293	4,297,175,962	4,793,813,341	3,837,743,207
Administrative expenses		743,304,880	593,973,863	638,240,919	540,790,733
<b>Total expenses</b>		<b>10,512,712,529</b>	<b>8,552,441,493</b>	<b>9,722,457,944</b>	<b>8,074,716,009</b>
<b>Profit before finance cost and</b>					
<b>income tax expenses</b>		2,628,414,782	2,271,824,966	2,419,594,251	2,154,816,829
Finance cost		(23,091,803)	(15,332,231)	(22,371,187)	(14,543,806)
<b>Profit before income tax expenses</b>		2,605,322,979	2,256,492,735	2,397,223,064	2,140,273,023
Income tax expenses	27	(564,810,412)	(638,567,075)	(533,734,010)	(626,662,125)
<b>Profit for the year</b>		<b>2,040,512,567</b>	<b>1,617,925,660</b>	<b>1,863,489,054</b>	<b>1,513,610,898</b>
<b>Basic earnings per share</b>					
Profit for the year	28	4.13	3.94	3.77	3.69
Weighted average number of ordinary share		493,753,624	410,362,700	493,753,624	410,362,700

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

..... Director  
Rit Thirakomen

..... Director  
Somchai Hanjitkasem

**MK Restaurant Group Public Company Limited (Formerly known as “MK Restaurant Company Limited”)**

its subsidiaries and its jointly controlled entity

**Statement of comprehensive income**

**For the year ended 31 December 2012**

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
<b>Profit for the year</b>	<u>2,040,512,567</u>	<u>1,617,925,660</u>	<u>1,863,489,054</u>	<u>1,513,610,898</u>
<b>Other comprehensive income:</b>				
Exchange differences on translation of				
financial statements in foreign currency	<u>1,733,702</u>	<u>982,822</u>	<u>-</u>	<u>-</u>
<b>Other comprehensive income for the year</b>	<u>1,733,702</u>	<u>982,822</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>	<u><u>2,042,246,269</u></u>	<u><u>1,618,908,482</u></u>	<u><u>1,863,489,054</u></u>	<u><u>1,513,610,898</u></u>

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

..... Director  
Rit Thirakomen

..... Director  
Somchai Hanjitkasem



**MK Restaurant Group Public Company Limited (Formerly known as “MK Restaurant Company Limited”)**

**its subsidiaries and its jointly controlled entity**

**Cash flow statement**

**For the year ended 31 December 2012**

(Unit: Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2012	2011	2012	2011
Cash flows from operating activities					
Profit before tax		2,605,322,979	2,256,492,735	2,397,223,064	2,140,273,023
Adjustments to reconcile profit before					
tax to net cash provided by (paid from)					
operating activities:					
Gain on sales of short-term investments	8	(2,142,635)	(13,593)	(2,122,581)	(13,593)
Gain on revaluation of					
short-term investment	8	(439,055)	(95,671)	(242,600)	(95,671)
Loss on damage inventories		165,810	19,430,732	165,810	19,146,211
Amortisation of prepaid expense		16,926,515	9,069,436	16,144,023	8,656,447
Depreciation and amortisation	15,16,17	518,922,715	457,986,540	426,774,650	387,094,413
Provision for impairment loss of equipment	15	7,875,230	-	7,875,230	-
Gain on disposals of property, plant and					
equipment and leasehold right	25	(1,460,528)	(10,207,415)	(1,451,243)	(10,050,591)
Loss on write-off of property, plant and					
equipment and intangible assets		8,702,804	11,116,808	5,180,164	10,141,084
Provision for long-term employee benefits	21	65,576,068	15,650,869	62,083,383	14,743,440
Realisation of gift voucher, net of sales and					
cash received during the year		(16,081,173)	(28,947,431)	(15,867,573)	(28,857,731)
Realisation of deferred income of					
membership fee, net of sales					
and cash received during the year		(25,309,595)	(22,835,114)	(21,921,910)	(20,993,778)
Unrealised gain on exchange rate		-	(40,345)	-	(40,345)
Interest income	25	(5,248,072)	(15,683,456)	(10,843,725)	(20,615,725)
Interest expenses		23,091,803	15,332,231	22,371,187	14,543,806
Profit from operating activities before					
changes in operating assets and liabilities		3,195,902,866	2,707,256,326	2,885,367,879	2,513,930,990

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

Director

Rit Thirakomen

Director

Somchai Hanjikasem

**MK Restaurant Group Public Company Limited (Formerly known as “MK Restaurant Company Limited”)**

its subsidiaries and its jointly controlled entity

**Cash flow statement (continued)**

**For the year ended 31 December 2012**

(Unit: Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2012	2011	2012	2011
<b>Cash flows from operating activities (continued)</b>					
Operating assets (increase) decrease					
Trade and other receivables		9,094,258	1,115,629	(11,242,053)	22,614,840
Inventories		(25,338,612)	(70,892,320)	(22,273,916)	(68,407,239)
Other current assets		(31,918,750)	6,544,529	(18,478,233)	8,008,390
Deposits		(59,863,314)	(16,806,628)	(40,421,910)	(11,629,908)
Operating liabilities increase (decrease)					
Trade and other payables		617,863,458	(75,028,546)	575,607,517	4,589,156
Dividend payable		439,200,000	-	439,200,000	-
Other current liabilities		(397,557,650)	38,913,551	(402,639,646)	34,039,723
Deferred income		29,216,329	26,858,643	24,869,945	22,305,615
Provision for long-term employee benefits	21	(12,701,424)	(19,866,721)	(12,431,424)	(19,866,721)
Cash flows from operating activities		3,763,897,161	2,598,094,463	3,417,558,159	2,505,584,846
Cash received from interest income		4,913,821	16,134,737	10,509,217	18,894,125
Cash paid for interest expenses		(23,039,841)	(14,957,458)	(22,317,132)	(14,169,033)
Cash paid for corporate income tax		(634,411,044)	(569,471,456)	(606,554,563)	(557,584,017)
<b>Net cash flows from operating activities</b>		<b>3,111,360,097</b>	<b>2,029,800,286</b>	<b>2,799,195,681</b>	<b>1,952,725,921</b>

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

..... Director  
Rit Thirakomen

..... Director  
Somchai Hanjirkasem

**MK Restaurant Group Public Company Limited (Formerly known as “MK Restaurant Company Limited”)**

**its subsidiaries and its jointly controlled entity**

**Cash flow statement (continued)**

**For the year ended 31 December 2012**

(Unit: Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2012	2011	2012	2011
<b>Cash flows from investing activities</b>					
Increase in short-term loan					
to related party	6	-	-	(30,000,000)	(10,000,000)
Increase in short-term investments	8	(67,121,670)	(110,930,000)	(22,109,670)	(110,930,000)
Advance for building construction		(11,852,736)	-	(11,852,736)	-
Cash paid for investments in subsidiaries	12	-	-	-	(101,479,872)
Cash paid for investment in joint venture	13	-	-	-	(66,082,500)
Cash paid for purchases of property, plant and equipment		(1,125,770,478)	(641,684,692)	(897,339,814)	(473,809,909)
Cash paid for purchases of software		(11,446,886)	(15,961,084)	(10,010,308)	(15,737,769)
Cash paid for acquires of leasehold rights		(111,099)	-	(111,099)	-
Proceeds from disposals of property, plant and equipment		18,580,736	303,224,790	18,479,602	302,977,305
Proceeds from disposals of leasehold rights		-	3,935,922	-	3,935,922
<b>Net cash flows used in investing activities</b>		<b>(1,197,722,133)</b>	<b>(461,415,064)</b>	<b>(952,944,025)</b>	<b>(471,126,823)</b>
<b>Cash flows from financing activities</b>					
Increase (decrease) in short-term loan from financial institution	18	(50,000,000)	900,000,000	(50,000,000)	900,000,000
Increase (decrease) in short-term loan from related party	6	(45,000,000)	45,000,000	-	-
Cash paid for repayment of long-term loan from financial institution		-	(9,210,000)	-	(9,210,000)
Cash received from increase ordinary shares capital	22	309,637,300	-	309,637,300	-
Dividend paid		(1,784,042,432)	(3,040,331,000)	(1,784,042,432)	(2,948,456,000)
<b>Net cash flows used in financing activities</b>		<b>(1,569,405,132)</b>	<b>(2,104,541,000)</b>	<b>(1,524,405,132)</b>	<b>(2,057,666,000)</b>
<b>Increase in translation adjustment</b>		<b>1,733,702</b>	<b>982,822</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>345,966,534</b>	<b>(535,172,956)</b>	<b>321,846,524</b>	<b>(576,066,902)</b>
Cash and cash equivalents at beginning of year		440,873,025	976,045,981	336,524,145	912,591,047
<b>Cash and cash equivalents at end of year</b>		<b>786,839,559</b>	<b>440,873,025</b>	<b>658,370,669</b>	<b>336,524,145</b>

**Supplement disclosure of cash flows information**

Non-cash items

Increase in accounts payable for purchase

    of plant and equipment

122,789,684

45,828,805

95,904,505

430,884

Dividend payable

439,200,000

-

439,200,000

-

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

Director

Director

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Rit Thirakomen

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Somchai Hanjitasem

**MK Restaurant Group Public Company Limited (Formerly known as “MK Restaurant Company Limited”)**

**its subsidiaries and its jointly controlled entity**

**Statement of changes in shareholders' equity**

**For the year ended 31 December 2012**

(Unit: Baht)

	Consolidated financial statements				
	Issued and fully paid-up share capital	Retained earnings		Other component of equity	Total
		Appropriated	Unappropriated	Transalation	
				adjustment	
<b>Balance as at 1 January 2011</b>	410,362,700	41,036,270	1,554,339,073	-	2,005,738,043
Cumulative effect of change in accounting policy for employee benefits	-	-	(117,176,802)	-	(117,176,802)
Dividend paid (Note 30)	-	-	(2,209,803,140)	-	(2,209,803,140)
Total comprehensive income for the year	-	-	1,617,925,660	982,822	1,618,908,482
<b>Balance as at 31 December 2011</b>	<u>410,362,700</u>	<u>41,036,270</u>	<u>845,284,791</u>	<u>982,822</u>	<u>1,297,666,583</u>
<b>Balance as at 1 January 2012</b>	410,362,700	41,036,270	845,284,791	982,822	1,297,666,583
Share capital issued (Note 22)	309,637,300	-	-	-	309,637,300
Dividend paid (Note 30)	-	-	(2,223,242,432)	-	(2,223,242,432)
Unappropriated retained earnings transferred to statutory reserve (Note 24)	-	30,963,730	(30,963,730)	-	-
Total comprehensive income for the year	-	-	2,040,512,567	1,733,702	2,042,246,269
<b>Balance as at 31 December 2012</b>	<u>720,000,000</u>	<u>72,000,000</u>	<u>631,591,196</u>	<u>2,716,524</u>	<u>1,426,307,720</u>

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

Director

Rit Thirakomen

Director

Somchai Hanjitkasem

**MK Restaurant Group Public Company Limited (Formerly known as “MK Restaurant Company Limited”)**

**its subsidiaries and its jointly controlled entity**

**Statement of changes in shareholders' equity (continued)**

**For the year ended 31 December 2012**

(Unit: Baht)

	Separate financial statements			
	Issued and fully paid-up share capital	Retained earnings		Total
		Appropriated	Unappropriated	
<b>Balance as at 1 January 2011</b>	410,362,700	41,036,270	1,595,091,663	2,046,490,633
Cumulative effect of change in accounting policy for employee benefits	-	-	(113,258,837)	(113,258,837)
Dividend paid (Note 30)	-	-	(2,209,803,140)	(2,209,803,140)
Total comprehensive income for the year	-	-	1,513,610,898	1,513,610,898
<b>Balance as at 31 December 2011</b>	<u>410,362,700</u>	<u>41,036,270</u>	<u>785,640,584</u>	<u>1,237,039,554</u>
<b>Balance as at 1 January 2012</b>	410,362,700	41,036,270	785,640,584	1,237,039,554
Share capital issued (Note 22)	309,637,300	-	-	309,637,300
Dividend paid (Note 30)	-	-	(2,223,242,432)	(2,223,242,432)
Unappropriated retained earnings transferred to statutory reserve (Note 24)	-	30,963,730	(30,963,730)	-
Total comprehensive income for the year	-	-	1,863,489,054	1,863,489,054
<b>Balance as at 31 December 2012</b>	<u>720,000,000</u>	<u>72,000,000</u>	<u>394,923,476</u>	<u>1,186,923,476</u>

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

..... Director  
Rit Thirakomen

..... Director  
Somchai Hanjitikasem

**MK Restaurant Group Public Company Limited**  
**(Formerly known as “MK Restaurant Company Limited”),**  
**its subsidiaries and its jointly controlled entity**  
**Notes to consolidated financial statements**  
**For the year ended 31 December 2012**

**1. General information**

MK Restaurant Group Public Company Limited (“the Company”) is a limited company incorporated and domiciled in Thailand and subsequently transformed to be a public limited company under Thai law. The Company is principally engaged in sale of foods and beverages through restaurants, under the trademark “MK Restaurants”. The registered office of the Company is at 589/164 Central City Tower, Bangna-trad Road, Bangna, Bangkok.

As at 31 December 2012, the Company operates 360 branches (2011: 317 branches).

The Company registered with the Ministry of Commerce for the change of the status of the Company to be a public limited company under the Public Limited Companies Act and also registered for the change of its name from “MK Restaurant Company Limited” to “MK Restaurant Group Public Company Limited” on 23 August 2012.

**2. Basis of preparation**

- 2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

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

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the notes on accounting policies.

## 2.2 Basis of consolidation

- a) The consolidated financial statements include the financial statements of MK Restaurant Group Public Company Limited ("the Company"), its subsidiaries ("the subsidiaries") and its jointly controlled entity ("the jointly controlled entity") as follows:

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2012	2011
			Percent	Percent
<b><u>Investments in subsidiaries (held by the Company)</u></b>				
MK Interfood Company Limited	Restaurant	Thailand	100	100
MK Service Training Center Company Limited	Training service provider	Thailand	100	100
<b><u>Equity interest in jointly controlled entity (proportionate consolidation)</u></b>				
Plenus & MK PTE LTD	Restaurant	Singapore	50	50

- b) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- c) Jointly controlled entity is fully consolidated applying the proportionate consolidation method as from being the date on which the Company assumed joint control, and continue to be consolidated until the date when such control ceases.
- d) The financial statements of the subsidiaries and the jointly controlled entity are prepared using the same significant accounting policies as the Company.
- e) The assets and liabilities in the financial statements of the overseas jointly controlled entity are translated to Baht using the exchange rate prevailing on the end of reporting period, and revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of "Exchange differences on translation of financial statements in foreign currency" in the statements of changes in shareholders' equity.



- f) Material balances and transactions between the Company, its subsidiaries and its jointly controlled entity have been eliminated from the consolidated financial statements.
- g) The financial statements of the overseas jointly controlled entity for the year ended 31 December 2012 included in the consolidated financial statements was prepared by the management of the jointly controlled entity and have not been reviewed by its auditor. Its aggregate assets as at 31 December 2012 were approximately Baht 68 million or 1.3 percent of the consolidated assets (2011: approximately Baht 60 million or 1.8 percent of the consolidated assets) and its aggregate revenue for the year 2012 were approximately Baht 49 million or 0.37 percent of the consolidated revenue (2011: approximately Baht 3 million or 0.02 percent of the consolidated revenue).

2.3 The separate financial statements, which present investments in subsidiaries and joint venture under the cost method, have been prepared solely for the benefit of the public.

### 3. New accounting standards issued during the years not yet effective

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting standards:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

Financial Reporting Standard:

TFRS 8	Operating Segments
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Accounting Standard Interpretations:

SIC 10	Government Assistance - No Specific Relation to Operating Activities
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

The Group Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standards.

## **TAS 12 Income Taxes**

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognize deferred tax assets and liabilities under the stipulated guidelines. The management of the Company expects the adoption of this accounting standard to have the effect of increasing the Company and its subsidiaries' brought-forward retained earnings and other components of shareholders' equity of the year 2013 by approximately Baht 45 million in total (the Company only: approximately Baht 43 million).

In addition, the Federation of Accounting Professions has issued Notification No. 30/2555 - 34/2555, published in the Royal Gazette on 17 January 2013, mandating the use of accounting treatment guidance and accounting standard interpretations as follows.

		<u>Effective date</u>
Accounting Treatment Guidance for Transfers of Financial Assets		1 January 2013
Accounting Standard Interpretation:		
SIC 29	Service Concession Arrangements: Disclosures	1 January 2014
Financial Reporting Standard Interpretations:		
TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 12	Service Concession Arrangements	1 January 2014
TFRIC 13	Customer Loyalty Programmes	1 January 2014

The management of the Company has assessed the effect of these standards and believes that Accounting Treatment Guidance for Transfers of Financial Assets, SIC 29, TFRIC 4 and TFRIC 12 are not relevant to the business of the Company. Management is still evaluating the first-year impact to the financial statements of the adoption of TFRIC 13 and has yet to reach a conclusion.

#### **4. Significant accounting policies**

##### **4.1 Revenue recognition**

###### *Sales and service income*

These mainly represent revenues from sales of foods and beverages through the restaurants which are recognised upon goods being delivered and services being rendered. Sales and service income are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

###### *Membership fee*

Income from membership cards is recognised on a straight-line basis over the membership period.

###### *Interest income*

Interest income is recognised on an accrual basis based on the effective interest rate.

##### **4.2 Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

##### **4.3 Trade accounts receivable**

Trade accounts receivable are stated at their net realisable value.

##### **4.4 Inventories**

Inventories of finished goods and work in process are valued at the lower of cost (FIFO method) and net realisable value. Cost is defined as all the costs of production including labour cost and attributable factory overheads.

Raw materials and packing materials are valued at the lower of cost (FIFO method) and net realisable value, and are charged to production costs whenever consumed.

#### 4.5 Investments

- a) Investments in securities held for trading are stated at fair value. Changes in the fair value of these securities are recorded in profit or loss.
- b) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for loss on diminution in value (if any).
- c) Investments in subsidiaries and joint venture are accounted for in the separate financial statements using the cost method.

The fair value of unit trusts is determined from their net asset value.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

#### 4.6 Property, plant and equipment and depreciation

Land is stated at cost. Plant and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation of plant and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives:

Land improvement	-	5 years
Building	-	20 years
Leasehold improvement	-	Lease term
Utility system	-	10 years
Kitchen utensils and operating equipment	-	5 years
Machinery and equipment	-	5 years and 8 years
Furnitures and fixtures and office equipment	-	3 years and 5 years
Motor vehicles	-	5 years

Depreciation is included in determining income.

No depreciation is provided for land, equipment under installation and construction in progress.

#### 4.7 Intangible assets

Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

A summary of intangible assets with finite useful lives is as follow:

	<u>Useful lives</u>
Computer software	5 years and 10 years

#### 4.8 Leasehold rights and amortisation

Leasehold rights are stated at cost less accumulated amortisation and allowance for loss on impairment of assets (if any).

Amortisation of leasehold rights is calculated by reference to their costs on the straight-line basis over the lease period and included in determining income.

#### 4.9 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors, and officers with authority in the planning and direction of the Company's operations.

#### 4.10 Operating lease

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 statements 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.

#### **4.11 Foreign currencies**

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

#### **4.12 Impairment of assets**

At the end of each reporting period, the Company, its subsidiaries and its jointly controlled entity perform impairment reviews in respect of the property, plant and equipment, intangible assets and leasehold rights whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

An impairment loss is recognised in profit or loss.

#### **4.13 Employee benefits**

##### *Short-term benefits*

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

##### *Defined benefit plans and other long-term employee benefits*

The Company, its subsidiaries and its jointly controlled entity have obligations in respect of the severance payments they must make to employees upon retirement under labor law and other employee benefit plans. The Company, its subsidiaries and its jointly controlled entity treat these severance payment obligations as a defined benefit plan. In addition, the Company, its subsidiaries and its jointly controlled entity provide other long-term employee benefit plan, namely long service awards.

The obligation under the defined benefit plan and other long-term employee benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits and other long-term employee benefits are recognised immediately in profit or loss.

The defined benefits liability and other long-term benefit liabilities comprise the present value of the defined benefit obligation less unrecognised past service cost and unrecognised actuarial gains or losses.

For the first-time adoption of TAS 19 Employee Benefits in 2011, the Company, its subsidiaries and its jointly controlled entity elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in 2011.

#### **4.14 Provisions**

Provisions are recognised when the Company, its subsidiaries and its jointly controlled entity have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

#### **4.15 Income tax**

Income tax is provided in the accounts of the Company and its subsidiaries in Thailand at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

Oversea jointly controlled entity calculates its corporate income tax based on taxable profits determined in accordance with tax rate regulated in tax law at that country.

### **5. Significant accounting judgments and estimates**

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ from these estimates. Significant judgments and estimates are as follows:

#### **Leases**

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

### **Impairment of other investment**

The Company, its subsidiaries and its jointly controlled entity treat other investments as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment.

### **Property, plant and equipment/Depreciation**

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of plant and equipment and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

### **Intangible assets**

The initial recognition and measurement of intangible assets, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

### **Post-employment benefits under defined benefit plans and other long-term employee benefits**

The obligation under the defined benefit plan and other long-term employee benefit plans is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.



## 6. Related party transactions

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

(Unit: Million Baht)

	Consolidated		Separate		
	financial statements		financial statements		Transfer pricing policy
	2012	2011	2012	2011	
<u>Transactions with subsidiaries</u>					
(Eliminated from the consolidated financial statements)					
Sales of goods	-	-	608	413	Cost plus margin at the rate of 7%
Sublease and subservice income	-	-	18	16	At the rate stipulated in the agreements
Management service income	-	-	12	12	At the rates of 5% of sales and service income (after output VAT deduction) with a maximum of Baht 1 million per annum
Interest income	-	-	6	6	At the rate of one year fixed deposit rate of a Commercial bank plus 0.5% per annum
Sales of fixed assets	-	-	17	3	Net book value plus margin
Training expenses	-	-	109	85	Market price
<u>Transactions with related companies</u>					
Royalty fee income	5	4	5	4	At the rate of 0.5% of gross sales per month
Sales of fixed assets	1	296	1	296	Net book value plus margin
Royalty fee expenses	32	21	-	-	At the rate of 2% of net sales per month
Rental expenses from operating equipment	30	25	23	21	Market price
Purchases of fixed assets	2	2	2	2	Market price
Rental expenses from land and construction	3	-	3	-	At the rate stipulated in the agreement
Interest expenses	1	1	-	-	At the rate of one year fixed deposit rate of a Commercial bank plus 0.5% per annum

As at 31 December 2012 and 2011, the balances of the accounts between the Company, its subsidiaries and its jointly controlled entity and those related companies are as follows:

		(Unit: Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
		2012	2011	2012	2011
<b>Trade and other receivables - related parties (Note 9)</b>					
Subsidiary		-	-	70,718,345	51,340,335
Related companies (related by directors)		1,106,341	1,675,713	1,106,341	1,675,713
Total trade and other receivables - related parties		<u>1,106,341</u>	<u>1,675,713</u>	<u>71,824,686</u>	<u>53,016,048</u>
<b>Other accounts payable - related parties (Note 19)</b>					
Subsidiaries		-	-	10,556,673	3,572,352
Related companies (related by directors)		9,492,440	7,241,245	4,381,737	3,670,985
Total other accounts payable - related parties		<u>9,492,440</u>	<u>7,241,245</u>	<u>14,938,410</u>	<u>7,243,337</u>

#### Loans to related parties and loan from related party

As at 31 December 2012 and 2011, the balance of loans between the Company, its subsidiaries and its jointly controlled entity and those related companies and the movement are as follows:

		(Unit: Baht)			
		Consolidated financial statements			
Loan to related party	Related by	Balance as at 31 December 2011	Increase during the year	Decrease during the year	Balance as at 31 December 2012
MK Global Co., Ltd.	Related company (related by shareholders)	-	310,000,000	(310,000,000)	-
Total		<u>-</u>	<u>310,000,000</u>	<u>(310,000,000)</u>	<u>-</u>
Loan from related party	Related by	Balance as at 31 December 2011	Increase during the year	Decrease during the year	Balance as at 31 December 2012
MK Worldwide Co., Ltd.	Related company (related by shareholders)	45,000,000	650,000,000	(695,000,000)	-
Total		<u>45,000,000</u>	<u>650,000,000</u>	<u>(695,000,000)</u>	<u>-</u>

.....Director  
Rit Thirakomen

.....Director  
Somchai Hanjikasem

(Unit: Baht)

		Separate financial statements			
Loans to related parties	Related by	Balance as at			Balance as at
		31 December	Increase during	Decrease during	31 December
		2011	the year	the year	2012
MK Interfood Co., Ltd.	Subsidiary	170,000,000	75,000,000	(45,000,000)	200,000,000
MK Global Co., Ltd.	Related company				
	(related by				
	shareholders)	-	310,000,000	(310,000,000)	-
Total		170,000,000	385,000,000	(355,000,000)	200,000,000

  

Loans from related party	Related by	Balance as at			Balance as at
		31 December	Increase during	Decrease during	31 December
		2011	the year	the year	2012
MK Worldwide Co., Ltd.	Related company				
	(related by				
	shareholders)	-	650,000,000	(650,000,000)	-
Total		-	650,000,000	(650,000,000)	-

- a) As at 31 December 2011, MK Interfood Company Limited, a subsidiary, has a loan in form of promissory note of Baht 45 million from MK Worldwide Company Limited, a related company. The loan is unsecured, carrying interest at the rate of one year fixed deposit rate of a commercial bank plus 0.5% per annum. It will be renewed each time there is a change in interest rate and is to be repaid at call.

During the year 2012, a subsidiary repaid a loan of Baht 45 million to MK Worldwide Company Limited, a related company.

- b) During the year, the Company had a loan in form of promissory note from MK Worldwide Company Limited, a related company. The loan is unsecured, carrying interest at the rate of one year fixed deposit rate of a commercial bank plus 0.5% per annum and repaid at call. However, the Company repaid such loan in full on 6 December 2012.

- c) As at 31 December 2012, the Company gave a loan in the form of promissory note of Baht 200 million (2011: Baht 170 million) to MK Interfood Company Limited, a subsidiary. The loan is unsecured, carries interest rate at the rate as stipulated on promissory note of a commercial bank (2011: one year fixed deposit rate of a commercial bank plus 0.5% per annum) and repaid at call.
- d) During the year, the Company gave a loan in form of promissory note of Baht 310 million to MK Global Company Limited, a related party. The loan was unsecured, carrying interest at the rate of one year fixed deposit rate of a commercial bank plus 0.5% percent per annum and was to be repaid at call.

However, the loan was fully repaid to the Company on 18 June 2012.

### **Significant agreements with related parties**

#### Franchise agreement for use of trademark, servicemark and license to operate

On 10 February 1994, the Company entered into a franchise agreement with Plenus-MK Limited, a related party in Japan, in order to grant the latter the right to use the trademark and the servicemark of “MK Restaurants” in its operating of the Thai-style Sukiyaki restaurants in Japan. An initial franchise fee was Yen 25 million which was fully paid to the Company in 2002. A monthly royalty fee is charged at a rate of 0.5% of gross sales. The agreement shall continue for a term of three years, and thereafter shall be automatically renewed on a three-year basis until terminated by either party by giving a written notice 180 days prior to the expiration of such contract.

#### Management service agreement

On 1 March 2006, the Company entered into a management service agreement with MK Interfood Company Limited (“MKI”), whereby the Company agreed to provide management service to MKI in areas of branch operations, business development, engineering, procurement, marketing, accounting and finance, human resources and quality assurance. MKI agreed to pay management fees to the Company at a rate of 5% of sales and service income (after output VAT deduction) with a maximum of Baht 1 million per month. The agreement is effective for the period of two years and shall be automatically extended for another two years until MKI gives a written notice of termination three months prior to its expiration.

### Sublease and subservice agreements

The Company has entered into several sublease and subservice agreements, granting six leasehold rights to MK Interfood Company Limited ("MKI"). Sublease and subservice fees are charged according to the terms of the agreements. The agreements are effective for a period of three years and will be renewed automatically for another three years unless MKI has breached them.

### Land, building and warehouse lease agreement

The Company has entered into a lease agreement for land, building and warehouse with MK Global Co., Ltd., whereby the latter agrees to rent land and construction thereon under six title deeds to the Company and the Company agrees to pay the rental fee to MK Global Co., Ltd. in a total amount of Baht 1,467,438 per month, effective from 1 January 2012 to 31 December 2014. The agreement states that the Company shall begin to pay the monthly rent from 1 November 2012 onwards. In addition, the Company shall give a written notice to extend the agreement at least 90 days prior to the expiry date.

### Directors and management's benefits

During the years ended 31 December 2012 and 2011, the Company, its subsidiaries and its jointly controlled entity had employee benefit expenses of their directors and management as below.

	(Unit: Million Baht)	
	Consolidated financial statements / Separate financial statements	
	<u>2012</u>	<u>2011</u>
Short-term employee benefits	112	123
Post-employment benefits	2	2
Total	<u>114</u>	<u>125</u>

During the year 2012, the Company paid post-employment benefits to its directors and managements by approximately Baht 3 million (2011: Baht 18 million).

## 7. Cash and cash equivalents

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Cash on hand	155,105,304	129,024,496	139,184,111	111,421,709
Current deposits and saving deposits	631,734,255	131,848,529	519,186,558	45,102,436
Bills of exchange	-	180,000,000	-	180,000,000
Total	<u>786,839,559</u>	<u>440,873,025</u>	<u>658,370,669</u>	<u>336,524,145</u>

As at 31 December 2012, bank deposits in saving accounts and bills of exchange carried interests between 0.60 and 0.63 percent per annum (2011: between 0.30 and 4.10 percent per annum).

## 8. Short-term investment

(Unit: Baht)

	Consolidated financial statements			
	2012		2011	
	Cost value	Fair value	Cost value	Fair value
Asset Plus Fixed Income Dividend Fund 2	20,000,000	20,437,049	20,000,000	20,313,747
Krungsri Cash Management Fund	71,112,867	71,309,639	59,519,590	59,519,090
SCB Treasury Money Open End Fund	109,062,042	109,180,230	51,410,000	51,409,524
K Money Market Fund	32,020	32,813	14,003	14,011
Total short-term investment in trading security	<u>200,206,929</u>	<u>200,959,731</u>	<u>130,943,593</u>	<u>131,256,372</u>
Add: allowance for change in value	<u>752,802</u>		<u>312,779</u>	
<b>Total short-term investment in trading security - net</b>	<u>200,959,731</u>		<u>131,256,372</u>	

(Unit: Baht)

	Separate financial statements			
	2012		2011	
	Cost value	Fair value	Cost value	Fair value
Asset Plus Fixed Income Dividend Fund 2	20,000,000	20,437,049	20,000,000	20,313,747
Krungsri Cash Management Fund	26,080,813	26,081,131	59,519,590	59,519,090
SCB Treasury Money Open End Fund	109,062,042	109,180,230	51,410,000	51,409,524
K Money Market Fund	32,020	32,813	14,003	14,011
Total short-term investment in trading security	<u>155,174,875</u>	<u>155,731,223</u>	<u>130,943,593</u>	<u>131,256,372</u>
Add: allowance for change in value	<u>556,348</u>		<u>312,779</u>	
<b>Total short-term investment in trading security - net</b>	<u>155,731,223</u>		<u>131,256,372</u>	

Movements of short-term investment in trading security account during the year ended 31 December 2012 and 2011 are summarised below.

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Balance at beginning year</b>	131,256,372	20,217,108	131,256,372	20,217,108
Purchases	6,082,220,581	194,130,000	6,012,186,528	194,130,000
Sales	(6,015,098,912)	(83,200,000)	(5,990,076,858)	(83,200,000)
Gain on sales of investments	2,142,635	13,593	2,122,581	13,593
Gain on change in value	439,055	95,671	242,600	95,671
<b>Balance at end of year</b>	<u>200,959,731</u>	<u>131,256,372</u>	<u>155,731,223</u>	<u>131,256,372</u>

## 9. Trade and other receivables

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<u>Trade accounts receivable - related parties</u>				
Aged on the basis of due dates				
Not yet due	-	-	64,651,005	46,061,877
Total trade accounts receivable - related parties	<u>-</u>	<u>-</u>	<u>64,651,005</u>	<u>46,061,877</u>
<u>Trade accounts receivable - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	32,720,559	25,662,571	24,889,496	22,209,761
Total trade accounts receivable - unrelated parties	<u>32,720,559</u>	<u>25,662,571</u>	<u>24,889,496</u>	<u>22,209,761</u>
Total trade accounts receivable	<u>32,720,559</u>	<u>25,662,571</u>	<u>89,540,501</u>	<u>68,271,638</u>
<u>Other receivables</u>				
Other accounts receivable - related parties	1,106,341	1,675,713	7,173,681	6,954,171
Advances	9,686,570	13,711,593	8,563,634	10,984,642
Others	16,127,008	27,350,608	14,596,037	22,086,842
Total other receivables	<u>26,919,919</u>	<u>42,737,914</u>	<u>30,333,352</u>	<u>40,025,655</u>
Total trade and other receivables	<u>59,640,478</u>	<u>68,400,485</u>	<u>119,873,853</u>	<u>108,297,293</u>

.....Director  
Rit Thirakomen

.....Director  
Somchai Hanjikasem

## 10. Inventories

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Finished goods	128,819,803	109,026,351	120,838,052	103,543,272
Raw materials	11,091,247	7,215,116	11,091,247	7,215,116
Supplies	62,008,625	60,807,553	60,098,715	59,463,667
Work in process	901,330	599,183	901,330	599,183
Total	<u>202,821,005</u>	<u>177,648,203</u>	<u>192,929,344</u>	<u>170,821,238</u>

## 11. Other current assets

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Bank receivable - cash transferred to bank for payment of goods	30,133,034	13,507,489	15,282,763	10,450,535
Prepaid expenses	15,953,052	18,113,078	12,812,090	17,318,832
Undue input VAT	28,386,850	20,052,006	23,751,930	16,104,185
Others	8,596,002	5,185,090	8,345,397	4,627,888
Total	<u>83,068,938</u>	<u>56,857,663</u>	<u>60,192,180</u>	<u>48,501,440</u>

## 12. Investments in subsidiaries

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

	(Unit: Baht)					
Company's name	Paid-up capital		Shareholding percentage		Cost	
	2012	2011	2012	2011	2012	2011
			(%)	(%)		
MK Interfood Company Limited	150,000,000	150,000,000	100	100	49,049,977	49,049,977
MK Service Training Center Company Limited	35,000,000	35,000,000	100	100	52,429,895	52,429,895
Total					<u>101,479,872</u>	<u>101,479,872</u>

.....Director  
Rit Thirakomen

.....Director  
Somchai Hanjikasem



On 26 June 2011, a meeting of the Company's Board of Directors passed a resolution approving an acquisition of the ordinary shares of MK Interfood Company Limited and MK Service Training Center Company Limited from MK Worldwide Company Limited, the ultimate parent company. The agreement to sell and to buy was signed on 30 June 2011. The acquisition of those companies were considered to be business combination under common control, with an investment value of Baht 101 million which was their net book value as at 30 June 2011 which the Company fully paid for the investments on 5 October 2011.

### 13. Investment in joint venture

		(Unit: Baht)			
		Separate financial statements			
Jointly controlled entity's name	Nature of business	Shareholding percentage		Cost	
		2012	2011	2012	2011
		(%)	(%)		
Plenus and MK PTE LTD	Restaurant	50	50	66,082,500	66,082,500
Total				66,082,500	66,082,500

On 22 February 2011, a meeting of the Board of Directors of the Company passed a resolution approving the co-investment with its foreign related party to establish a new jointly controlled entity named "Plenus & MK PTE LTD" which was incorporated in Singapore on 25 February 2011, with registered capital comprising 5.5 million ordinary shares of SGD 1 each, or a total of SGD 5.5 million. The Company has held 50 percent of share capital and fully paid for it on 21 March 2011.

### 14. Other long-term investment

		(Unit: Baht)	
		Consolidated financial statements/ Separate financial statements	
		2012	2011
<u>Other investment</u>			
Oversea non-marketable securities - cost		7,278,275	7,278,275
Less: Allowance for loss on diminution in value		(7,278,275)	(7,278,275)
Other investment - net		-	-
<b>Other investment - net</b>		<b>-</b>	<b>-</b>

.....Director  
Rit Thirakomen

.....Director  
Somchai Hanjitkasem

## 15. Property, plant and equipment

(Unit: Baht)

	Consolidated financial statements											
	Land	Land improvement	Building	Leasehold improvement	Utility systems	Kitchen utensils and operating equipment	Machinery and equipment	Furniture and fixtures	Office equipment	Motor vehicles	Equipment under installation and construction in process	Total
<b>Cost:</b>												
1 January 2012	230,050,308	6,323,226	400,656,633	923,696,695	988,725,357	867,699,735	10,217,643	1,349,147,416	380,536,434	140,775,147	104,297,334	5,402,125,928
Additions	-	364,050	2,966,523	36,080,027	55,587,818	148,021,427	483,300	25,205,443	37,943,171	18,412,871	923,495,532	1,248,560,162
Transfers in (out)	-	-	13,030,965	225,424,485	208,897,188	82,579,006	(41,500)	115,593,475	46,207,122	20,610,182	(712,300,923)	-
Disposals/write-off	-	-	-	(11,176,703)	(8,963,058)	(11,996,167)	-	(6,865,354)	(11,809,560)	(747,664)	(9,022,920)	(60,581,426)
31 December 2012	230,050,308	6,687,276	416,654,121	1,174,024,504	1,244,247,305	1,086,304,001	10,659,443	1,483,080,980	452,877,167	179,050,536	306,469,023	6,590,104,664
<b>Accumulated depreciation:</b>												
1 January 2012	-	2,533,432	174,527,897	312,316,884	525,185,464	571,262,657	7,032,670	1,181,350,880	241,928,599	108,498,591	-	3,124,637,074
Depreciation for the year	-	1,205,791	20,296,396	72,634,328	90,844,954	125,302,960	1,588,340	73,335,456	64,284,258	16,148,443	-	465,640,926
Transfers in (out)	-	-	-	-	(21,170)	360,167	(41,499)	(7,437,934)	6,847,640	292,796	-	-
Depreciation on disposals/write off	-	-	-	(6,059,255)	(6,848,705)	(4,180,408)	-	(5,747,619)	(11,232,922)	(747,663)	-	(34,816,572)
31 December 2012	-	3,739,223	194,824,293	378,891,957	609,160,543	692,745,376	8,579,511	1,241,500,783	301,827,575	124,192,167	-	3,555,461,428
<b>Allowance for impairment loss:</b>												
1 January 2012	-	-	-	-	-	33,940,515	-	-	-	-	-	33,940,515
Increase	-	-	-	-	-	7,875,230	-	-	-	-	-	7,875,230
31 December 2012	-	-	-	-	-	41,815,745	-	-	-	-	-	41,815,745
<b>Net book value:</b>												
31 December 2011	230,050,308	3,789,794	226,128,736	611,379,811	463,539,893	262,496,563	3,184,973	167,796,536	138,607,835	32,276,556	104,297,334	2,243,548,339
31 December 2012	230,050,308	2,948,053	221,829,828	795,132,547	635,086,762	351,742,880	2,079,932	241,580,197	151,049,592	54,858,369	306,469,023	2,992,827,491
<b>Depreciation for the year</b>												
2011 (Baht 41.8 million included in producing cost, and the balance in selling and administrative expenses)												403,032,019
2012 (Baht 49.6 million included in producing cost, and the balance in selling and administrative expenses)												465,640,926

.....Director  
Rit Thirakomen

.....Director  
Somchai Hanjtkasem

(Unit: Baht)

	Consolidated financial statements											
	Land	Land improvement	Building	Leasehold improvement	Utility systems	Kitchen utensils and operating equipment	Machinery and equipment	Furniture and fixtures	Office equipment	Motor vehicles	Equipment under installation and construction in process	Total
<b>Cost:</b>												
1 January 2011	452,909,517	6,323,226	413,819,843	807,994,492	880,615,627	733,429,751	9,245,773	1,318,984,134	331,406,247	127,615,463	31,312,991	5,113,657,064
Additions	-	-	1,152,181	22,602,789	19,755,692	110,708,551	1,148,905	13,572,672	14,092,232	16,734,548	487,745,927	687,513,497
Transfers in (out)	19,513,543	-	35,830,399	101,549,001	102,988,839	31,908,263	-	50,269,304	72,702,235	-	(414,761,584)	-
Disposals/write-off	(242,372,752)	-	(50,145,790)	(8,449,587)	(14,634,801)	(8,346,830)	(177,035)	(33,678,694)	(37,664,280)	(3,574,864)	-	(399,044,633)
31 December 2011	230,050,308	6,323,226	400,656,633	923,696,695	988,725,357	867,699,735	10,217,643	1,349,147,416	380,536,434	140,775,147	104,297,334	5,402,125,928
<b>Accumulated depreciation:</b>												
1 January 2011	-	1,311,160	159,049,507	255,077,078	454,226,809	461,876,514	5,293,648	1,156,384,854	222,725,858	99,580,731	-	2,815,526,159
Depreciation for the year	-	1,222,272	19,107,580	60,461,493	82,206,615	108,766,317	1,831,457	62,412,724	54,539,342	12,484,219	-	403,032,019
Translation adjustment	-	-	-	(31)	-	(4)	-	-	(29)	-	-	(64)
Transfers in (out)	-	-	-	(50,922)	(17,159)	3,551,210	-	(4,864,176)	1,381,047	-	-	-
Depreciation on disposals/write off	-	-	(3,629,190)	(3,170,734)	(11,230,801)	(2,931,380)	(92,435)	(32,582,522)	(36,717,619)	(3,566,359)	-	(93,921,040)
31 December 2011	-	2,533,432	174,527,897	312,316,884	525,185,464	571,262,657	7,032,670	1,181,350,880	241,928,599	108,498,591	-	3,124,637,074
<b>Allowance for impairment loss:</b>												
1 January 2011	-	-	-	-	-	33,940,515	-	-	-	-	-	33,940,515
31 December 2011	-	-	-	-	-	33,940,515	-	-	-	-	-	33,940,515
<b>Net book value:</b>												
31 December 2010	452,909,517	5,012,066	254,770,336	552,917,414	426,388,818	237,612,722	3,952,125	162,599,280	108,680,389	28,034,732	31,312,991	2,264,190,390
31 December 2011	230,050,308	3,789,794	226,128,736	611,379,811	463,539,893	262,496,563	3,184,973	167,796,536	138,607,835	32,276,556	104,297,334	2,243,548,339
<b>Depreciation for the year</b>												
2010 (Baht 39.2 million included in producing cost, and the balance in selling and administrative expenses)												379,933,379
2011 (Baht 41.8 million included in producing cost, and the balance in selling and administrative expenses)												403,032,019

.....Director  
Rit Thirakomen

.....Director  
Somchai Hanjtkasem

(Unit: Baht)

Separate financial statements												
	Land	Land improvement	Building	Leasehold improvement	Utility systems	Kitchen utensils and operating equipment	Machinery and equipment	Furniture and fixtures	Office equipment	Motor vehicles	Equipment under installation and construction in process	Total
<b>Cost:</b>												
1 January 2012	208,311,198	6,323,226	342,917,258	803,977,006	862,909,476	711,224,125	10,217,643	1,273,929,360	316,848,755	140,775,147	88,960,058	4,766,393,252
Additions	-	364,050	2,966,523	15,829,950	46,017,533	101,577,002	483,300	20,272,651	19,679,983	18,412,871	767,640,456	993,244,319
Transfers in (out)	-	-	13,030,965	172,837,453	155,810,263	54,179,118	(41,500)	90,641,475	38,639,285	20,610,182	(545,707,241)	-
Disposals/write-off	-	-	-	(9,195,408)	(6,046,151)	(11,620,584)	-	(5,950,104)	(10,386,868)	(747,664)	(9,022,920)	(52,969,699)
31 December 2012	208,311,198	6,687,276	358,914,746	983,449,001	1,058,691,121	855,359,661	10,659,443	1,378,893,382	364,781,155	179,050,536	301,870,353	5,706,667,872
<b>Accumulated depreciation:</b>												
31 December 2011	-	2,533,432	168,931,740	291,385,678	491,844,453	489,665,069	7,032,670	1,141,742,441	204,498,336	108,498,591	-	2,906,132,410
Depreciation for the year	-	1,205,791	17,409,431	60,662,314	75,286,145	93,103,719	1,588,340	58,585,758	51,783,499	16,148,443	-	375,773,440
Transfers in (out)	-	-	-	-	-	2,278,007	(41,499)	(7,043,567)	4,514,263	292,796	-	-
Depreciation on disposals/write off	-	-	-	(5,428,154)	(5,712,614)	(3,851,123)	-	(5,058,059)	(10,021,722)	(747,663)	-	(30,819,335)
31 December 2012	-	3,739,223	186,341,171	346,619,838	561,417,984	581,195,672	8,579,511	1,188,226,573	250,774,376	124,192,167	-	3,251,086,515
<b>Allowance for impairment loss:</b>												
31 December 2011	-	-	-	-	-	33,940,515	-	-	-	-	-	33,940,515
Increase	-	-	-	-	-	7,875,230	-	-	-	-	-	7,875,230
31 December 2012	-	-	-	-	-	41,815,745	-	-	-	-	-	41,815,745
<b>Net book value:</b>												
31 December 2011	208,311,198	3,789,794	173,985,518	512,591,328	371,065,023	187,618,541	3,184,973	132,186,919	112,350,419	32,276,556	88,960,058	1,826,320,327
31 December 2012	208,311,198	2,948,053	172,573,575	636,829,163	497,273,137	232,348,244	2,079,932	190,666,809	114,006,779	54,858,369	301,870,353	2,413,765,612
<b>Depreciation for the year</b>												
2011 (Baht 41.8 million included in producing cost, and the balance in selling and administrative expenses)												334,182,939
2012 (Baht 42.9 million included in producing cost, and the balance in selling and administrative expenses)												375,773,440

.....Director  
Rit Thirakomen

.....Director  
Somchai Hanjtkasem

(Unit: Baht)

Separate financial statements												
	Land	Land improvement	Building	Leasehold improvement	Utility systems	Kitchen utensils and operating equipment	Machinery and equipment	Furniture and fixtures	Office equipment	Motor vehicles	Equipment under installation and construction in process	Total
<b>Cost:</b>												
1 January 2011	442,659,457	6,323,226	379,605,951	718,064,437	790,673,734	612,534,402	9,245,773	1,255,997,914	280,835,132	127,615,463	27,854,226	4,651,409,715
Additions	-	-	942,830	13,676,310	14,179,677	89,208,288	1,148,905	11,303,717	1,751,329	16,734,548	361,482,418	510,428,022
Transfers in (out)	8,024,493	-	12,514,267	79,904,230	72,690,866	17,492,265	-	38,908,513	70,841,952	-	(300,376,586)	-
Disposals/write-off	(242,372,752)	-	(50,145,790)	(7,667,971)	(14,634,801)	(8,010,830)	(177,035)	(32,280,784)	(36,579,658)	(3,574,864)	-	(395,444,485)
31 December 2011	208,311,198	6,323,226	342,917,258	803,977,006	862,909,476	711,224,125	10,217,643	1,273,929,360	316,848,755	140,775,147	88,960,058	4,766,393,252
<b>Accumulated depreciation:</b>												
1 January 2011	-	1,311,160	155,381,306	241,366,528	431,314,930	406,651,006	5,293,648	1,128,332,244	194,105,195	99,580,731	-	2,663,336,748
Depreciation for the year	-	1,222,272	17,179,624	53,071,426	71,777,483	82,130,897	1,831,457	49,700,431	44,785,130	12,484,219	-	334,182,939
Transfers in (out)	-	-	-	(50,922)	(17,159)	3,551,210	-	(4,864,176)	1,381,047	-	-	-
Depreciation on disposals/write off	-	-	(3,629,190)	(3,001,354)	(11,230,801)	(2,668,044)	(92,435)	(31,426,058)	(35,773,036)	(3,566,359)	-	(91,387,277)
31 December 2011	-	2,533,432	168,931,740	291,385,678	491,844,453	489,665,069	7,032,670	1,141,742,441	204,498,336	108,498,591	-	2,906,132,410
<b>Allowance for impairment loss:</b>												
1 January 2011	-	-	-	-	-	33,940,515	-	-	-	-	-	33,940,515
31 December 2011	-	-	-	-	-	33,940,515	-	-	-	-	-	33,940,515
<b>Net book value:</b>												
31 December 2010	442,659,457	5,012,066	224,224,645	476,697,909	359,358,804	171,942,881	3,952,125	127,665,670	86,729,937	28,034,732	27,854,226	1,954,132,452
31 December 2011	208,311,198	3,789,794	173,985,518	512,591,328	371,065,023	187,618,541	3,184,973	132,186,919	112,350,419	32,276,556	88,960,058	1,826,320,327
<b>Depreciation for the year</b>												
2010 (Baht 39.2 million included in producing cost, and the balance in selling and administrative expenses)												322,280,083
2011 (Baht 41.8 million included in producing cost, and the balance in selling and administrative expenses)												334,182,939

.....Director  
Rit Thirakomen

.....Director  
Somchai Hanjtkasem

As at 31 December 2012 and 2011, certain equipment items of the Company and its subsidiaries have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation and allowance for impairment loss) of those assets amounted to approximately Baht 2,227 million and Baht 1,829 million (separate financial statements: Baht 2,137 million and Baht 1,780 million), respectively.

The Company has mortgaged land with aggregate net book value of approximately Baht 108 million (2011: Baht 108 million) as collateral to secure long-term loan facilities. As at 31 December 2012 and 2011, the Company has no outstanding balance of long-term loan from bank.

## 16. Intangible assets

Details of intangible assets which are computer software are as follows:

	(Unit: Baht)	
	Consolidated financial statements	Separate financial statements
<b>Cost:</b>		
1 January 2011	55,139,702	52,674,232
Additions	15,961,084	15,737,769
Disposals	(88,428)	(88,428)
31 December 2011	71,012,358	68,323,573
Additions	11,446,886	10,010,309
Disposals	(183,726)	(183,726)
31 December 2012	82,275,518	78,150,156
<b>Accumulated amortisation:</b>		
1 January 2011	18,302,812	17,618,070
Amortisation for the year	6,178,770	5,917,985
Amortisation on disposals	(54,165)	(54,165)
Translation adjustment	(25)	-
31 December 2011	24,427,392	23,481,890
Amortisation for the year	7,844,674	7,346,445
Amortisation on disposals	(125,571)	(125,571)
31 December 2012	32,146,495	30,702,764
<b>Net book value:</b>		
31 December 2011	46,584,966	44,841,683
31 December 2012	50,129,023	47,447,392
<b>Amortisation for the year</b>		
2011	6,178,770	5,917,985
2012	7,844,674	7,346,445

.....Director  
Rit Thirakomen

.....Director  
Somchai Hanjirkasem

## 17. Leasehold rights

	(Unit: Baht)	
	Consolidated financial statements	Separate financial statements
<b>Cost:</b>		
1 January 2011	1,125,294,816	1,090,795,411
Disposals	(5,826,100)	(5,826,100)
31 December 2011	1,119,468,716	1,084,969,311
Additions	111,099	111,099
Disposals	(33,389,708)	(33,389,708)
31 December 2012	1,086,190,107	1,051,690,702
<b>Accumulated amortisation:</b>		
1 January 2011	620,053,374	614,057,475
Amortisation for the year	48,775,840	46,993,489
Amortisation on disposals	(2,913,851)	(2,913,851)
31 December 2011	665,915,363	658,137,113
Amortisation for the year	45,437,115	43,654,765
Amortisation on disposals	(33,389,707)	(33,389,707)
31 December 2012	677,962,771	668,402,171
<b>Net book value:</b>		
31 December 2011	453,553,353	426,832,198
31 December 2012	408,227,336	383,288,531
<b>Amortisation for the year</b>		
2011	48,775,840	46,993,489
2012	45,437,115	45,654,765

As at 31 December 2012, leasehold right of the Company with aggregate net book value of Baht 39 million (2011: Baht 41 million) was mortgaged to a secure long-term loan facility granted by a commercial bank. However, as at 31 December 2012 and 2011, the Company has no outstanding balance of long-term loan from bank.

**18. Short-term loan from financial institution**

(Unit: Baht)

	Consolidated financial statements/ Separate financial statements	
	2012	2011
Promissory note	850,000,000	900,000,000
Total	850,000,000	900,000,000

The promissory note bearing interest at the rate as stipulated in the agreements and has been guaranteed by the Company's directors.

**19. Trade and other payables**

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Trade accounts payable - unrelated parties	518,469,250	308,731,160	510,584,904	304,180,755
Other accounts payable - related parties	9,492,440	7,412,245	14,938,410	7,243,337
Other accounts payable - unrelated parties (purchases of fixed assets)	238,005,633	103,996,909	187,936,072	82,675,036
Accrued expenses	846,412,299	451,294,762	749,294,183	397,804,858
Others	27,375,227	16,395,629	25,903,077	15,830,051
Total trade and other payables	1,639,754,849	887,830,705	1,488,656,646	807,734,037

**20. Other current liabilities**

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Property tax payable	68,856,888	67,431,442	59,939,995	59,088,439
Value added tax payable	59,966,958	48,785,435	53,708,554	44,221,558
Unearned income - gift voucher	16,681,349	15,211,904	16,406,549	15,018,804
Others	38,316,984	26,832,221	32,619,186	23,652,702
Total	183,822,179	158,261,002	162,674,284	141,981,503

.....Director  
Rit Thirakomen

.....Director  
Somchai Hanjirkasem



## 21. Provision for long-term employee benefits

Provision for long-term employee benefits which is compensations on employees' retirement and long service awards, was as follows:

(Unit: Baht)

	Consolidated financial statements		
	Retirement benefits plan	Long service awards plan	Total
<b>As at 31 December 2010</b>	-	-	-
Cumulative effect of change in accounting policy for employee benefits adjusted against beginning balance of retained earnings	92,694,521	24,482,281	117,176,802
Current service cost	7,903,496	3,244,084	11,147,580
Interest cost	3,582,048	921,241	4,503,289
Benefits paid during the year	(19,866,721)	-	(19,866,721)
<b>As at 31 December 2011</b>	84,313,344	28,647,606	112,960,950
Current service cost	7,281,763	3,078,707	10,360,470
Interest cost	3,574,953	904,610	4,479,563
Benefits paid during the year	(5,491,424)	(7,210,000)	(12,701,424)
Actuarial losses	49,636,428	1,099,607	50,736,035
<b>As at 31 December 2012</b>	139,315,064	26,520,530	165,835,594

(Unit: Baht)

	Separate financial statements		
	Retirement benefits plan	Long service awards plan	Total
<b>As at 31 December 2010</b>	-	-	-
Cumulative effect of change in accounting policy for employee benefits adjusted against beginning balance of retained earnings	89,793,656	23,465,181	113,258,837
Current service cost	7,426,167	2,974,534	10,400,701
Interest cost	3,460,201	882,538	4,342,739
Benefits paid during the year	(19,866,721)	-	(19,866,721)
<b>As at 31 December 2011</b>	80,813,303	27,322,253	108,135,556
Current service cost	6,763,086	2,788,945	9,552,031
Interest cost	3,427,956	860,728	4,288,684
Benefits paid during the year	(5,491,424)	(6,940,000)	(12,431,424)
Actuarial losses	47,238,907	1,003,761	48,242,668
<b>As at 31 December 2012</b>	132,751,828	25,035,687	157,787,515

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Somchai Hanjirkasem

Long-term employee benefit expenses included in the profit or loss was as follows:

	(Unit: Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Current service cost	10,360,470	11,147,580	9,552,031	10,400,701
Interest cost	4,479,563	4,503,289	4,288,684	4,342,739
Actuarial losses	50,736,035	-	48,242,668	-
<b>Total expense recognised in profit or loss</b>	<b>65,576,068</b>	<b>15,650,869</b>	<b>62,083,383</b>	<b>14,743,440</b>

Such expenses are under selling and administrative expenses included in profit or loss.

Total actuarial gains and losses recognized in the profit or loss of the Company and its subsidiaries as at 31 December 2012 amounted to Baht 50.7 million (2011: Nil) (separate financial statements: Baht 48.2 million (2011: Nil)).

Principal actuarial assumptions at the valuation date were as follows:

	Consolidated financial statements/ Separate financial statements	
	2012	2011
	(percent per annum)	(percent per annum)
Discount rate	4.1	4.2
Future salary increase rate (depending on age of employee)	4.0 - 6.0	4.0 - 6.0
Inflation rate	3.5	3.5
Staff turnover rate (depending on age of employee)	4.0 - 16.0	4.0 - 16.0

Amounts of defined benefit obligation for the current and previous year are as follows:

	(Unit: Baht)			
	Retirement benefits plan		Long service awards plan	
	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements
Year 2012	139,315,064	132,751,828	26,520,530	25,035,687
Year 2011	84,313,344	80,813,303	28,647,606	27,322,253

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.....Director  
Somchai Hanjirkasem

.....Director  
Rit Thirakomen

.....Director  
Somchai Hanjitkasem

## **22. Share capital**

22.1 On 7 March 2012, the Extraordinary Meeting of Shareholders of the Company passed a special resolution to increase its registered share capital from Baht 410.4 million (41.04 million ordinary shares, at Baht 10 per share) to Baht 414.5 million (41.45 million ordinary shares, at Baht 10 per share). The Company registered such increase share capital with the Ministry of Commerce on 19 March 2012.

22.2 On 18 September 2012, the Extraordinary Meeting of Shareholders of the Company passed a special resolution as the follows:

22.2.1 To change the par value of the Company's ordinary shares from Baht 10 per share to Baht 1 per share, resulting in an increase in the number of ordinary shares from 41,450,800 shares to 414,508,000 shares. The Company registered the change in the par value of the Company's ordinary shares with the Ministry of Commerce on 25 September 2012.

22.2.2 To increase the Company's registered share capital from Baht 414.5 million (414.5 million ordinary shares, at Baht 1 per share after the par value is changed as discussed in Note 22.2.1) to Baht 920 million (920 million ordinary shares, at Baht 1 per share) by issuing 505,492,000 new ordinary shares with a par value of Baht 1 per share. The Company registered the increase of its share capital and paid up share capital with the Ministry of Commerce on 27 September 2012.

22.2.3 To allocate 505,492,000 new ordinary shares as follows:

- 1) 305,492,000 shares to be offered to existing shareholders in proportion to their shareholding in the Company (rights offering) with a subscription ratio of 1 new share for every 1.35685386196 existing shares with an offer price of Baht 1 per share as a par value. The period for subscription and payment was from 19 to 25 September 2012.

During such period, the Company received payment amounting to Baht 305,492,000 for 305,492,000 shares of additional share capital. As a result, issued and paid-up share capital of the Company equaled Baht 720 million (720 million ordinary shares, at Baht 1 per share). The Company registered the increase in its paid-up share capital with the Ministry of Commerce on 27 September 2012.

- 2) 180,000,000 shares reserved to be offered to the public for the first time and assigned to a committee which is authorized to determine conditions and other details relevant to the allocation of shares including the authority to take any actions necessary or incidental to the sale of shares in all respects, including the appointment of a distributor and underwriter. The committee is also responsible for the preparation of requests and supporting documents which are to be submitted to the Securities and Exchange Commission and other agencies involved as well as other agreements that are relevant to such operations.
- 3) 20,000,000 shares to be reserved for the exercise of warrant that the Company issued and offered to the management (including the management in the director position) and employees of the Company and/or employees of subsidiaries of the Company.

### **23. Warrants**

On 18 September 2012, the Extraordinary Meeting of Shareholders of the Company passed a special resolution to issue and offer 20,000,000 registered warrants (the warrants are exercisable within 5 years after the warrants are issued with the exercise price of Baht 1 per 1 ordinary share) to the management including the management in the director position and employees of the Company and/or employees of subsidiaries of the Company at free of charge. Such warrants identify the name of the holder and are non-transferable unless transferred as inheritance or transferred to heirs or legal representatives or transferred in any case deemed appropriate by a committee. The warrants are to be a reward for the work of the management and staff as well as for the warrant holders to take part in the Company's ownership. The Company will allocate the warrants to its owners within one year from the date of approval for issuance of warrants from shareholders of the Company.

As at 31 December 2012, the Company has not yet allocated the warrants to the management and employees of the Company.

## 24. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

## 25. Other income

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Income from flood insurance	38,477,943	-	34,496,506	-
Gain on disposals of property, plant and equipment and leasehold rights	1,460,528	10,207,415	1,451,243	10,050,591
Member card fees	36,134,835	31,817,377	31,494,729	28,913,425
Salvage and scrap sales	26,438,819	20,348,070	22,127,244	16,943,689
Sublease and subservice income	-	-	17,937,978	16,068,921
Management service income	-	-	12,000,000	12,000,000
Interest income	5,248,072	15,683,456	10,843,725	20,615,725
Others	46,199,015	38,630,238	43,472,571	37,575,901
Total	<u>153,959,212</u>	<u>116,686,556</u>	<u>173,823,996</u>	<u>142,168,252</u>

## 26. Expenses by nature

Significant expenses by nature are as follows:

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Salary, wages and other employee benefits	3,596,492,879	2,621,683,468	3,168,145,334	2,379,827,163
Raw material and consumables used	1,493,256,706	1,249,037,521	1,447,519,490	1,216,303,050
Rental and service expenses from operating lease agreements	946,342,744	782,225,567	818,856,381	699,466,369
Depreciation and amortisation expenses	518,922,715	457,986,540	426,774,650	387,094,413
Utilities expenses	569,083,262	475,350,781	491,242,672	424,896,093
Advertising expenses	258,793,922	206,638,814	179,780,664	155,887,542
Repair and maintenance expenses	138,791,911	131,044,927	128,430,534	123,304,151
Travelling expenses	57,926,849	42,947,075	48,814,224	37,267,821
Property taxes expenses	45,532,989	43,549,807	40,917,201	38,388,348
Training expenses	614,400	1,364,685	109,476,815	77,439,672
Changes in inventories of finished goods and work in progress	20,095,599	28,278,317	17,596,927	26,288,914
Loss from flood	-	26,487,769	-	25,268,859

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The Company and its subsidiary assessed the damage caused by the flood between October and November 2011 and recorded damages as the loss from flood in the income statement for the year 2011 amounting to approximately Baht 26 million (separate financial statements: Baht 25 million). Loss from the flood comprised the followings:

	(Unit: Baht)	
	Consolidated financial statements	Separate financial statements
Loss from damaged inventories	19,260,697	18,976,176
Loss from damaged machinery and equipment	7,227,072	6,292,683
Total	26,487,769	25,268,859

However, the Company has insurance coverage for all risks, which also covers its assets.

During the year 2012, the Company and its subsidiary received cash compensation from insurance company totaling amount of Baht 38.5 million (separate financial statements: Baht 34.5 million) and presented as other income in the income statement.

## 27. Corporate income tax

Corporate income tax is calculated on profit for the years after adding back expenses which are disallowed and deducting expenses that are tax-deductible for addition deduction for tax computation purposes.

Income tax for the year ended 31 December 2012 was calculated at the rate of 23 percent (2011: 30 percent) on taxable net profit.

## 28. Basic earnings per share

Basic earnings per share is calculated by dividing profit for the years (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year, after adjusting the number of ordinary shares in proportion to the change in the number of shares as a result of the change in par value from Baht 10 each to Bath 1 each as discussed in Note 22 to the financial statements. The number of ordinary shares is adjusted as if the changes in number of shares and per value had occurred at the beginning of the earliest period reported.

	For the years ended 31 December			
	Consolidated		Separate financial	
	financial statements		statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Profit for the year (Baht)	2,040,512,567	1,617,925,660	1,863,489,054	1,513,610,898
Number of ordinary shares after reflecting the result of change in par value (shares)	720,000,000	410,362,700	720,000,000	410,362,700
Weighted average number of ordinary shares (shares)	493,753,624	410,362,700	493,753,624	410,362,700
Earnings per share (Baht/share)	4.13	3.94	3.77	3.69

## 29. Segment information

The Company, its subsidiaries and its jointly controlled entity' business operations involve two principal segments: (1) restaurant (Thailand and Singapore) and (2) training service provider. These operations are carried on in domestic and oversea. Below is the consolidated financial information of the Company, its subsidiaries and its jointly controlled entity for the years ended 31 December 2012 and 2011 by segment.

(Unit: Million Baht)

	For the years ended 31 December									
	Thailand				Singapore		Elimination of		Consolidation	
	Restaurant		Training Service provider		Restaurant		inter-segment revenues			
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Sales and service income										
- Third parties	12,938	10,704	-	-	49	3	-	-	12,987	10,707
- Related parties	626	414	124	85	-	-	(750)	(499)	-	-
Total sales and service income	13,564	11,118	124	85	49	3	(750)	(499)	12,987	10,707
Cost of sales and services	4,854	4,075	44	30	14	1	(672)	(445)	4,240	3,661
Gross profit	8,710	7,043	80	55	35	2	(78)	(54)	8,747	7,046
Unallocated income and expenses:										
Other income									154	117
Selling expenses									(5,530)	(4,297)
Administrative expenses									(743)	(594)
Financial cost									(23)	(15)
Corporate income tax									(565)	(639)
Net income									2,040	1,618

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(Unit: Million Baht)

Consolidated statements of financial position as at 31 December												
	Thailand				Singapore							
	Restaurant		Training Service provider		Restaurant		Total		Eliminated transactions		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Property, plant and equipment - net	<u>2,917</u>	<u>2,179</u>	<u>66</u>	<u>69</u>	<u>23</u>	<u>7</u>	3,006	2,255	(13)	(12)	2,993	2,243
Unallocated assets							<u>2,495</u>	<u>1,952</u>	<u>(447)</u>	<u>(392)</u>	<u>2,048</u>	<u>1,560</u>
Total assets							<u>5,501</u>	<u>4,207</u>	<u>(460)</u>	<u>(404)</u>	<u>5,041</u>	<u>3,803</u>

Transfer prices between business segments are as set out in Note 6 to the financial statements.

### 30. Dividends

Dividend declared during the years ended 31 December 2012 and 2011 consist of the following:

(Unit: Baht)			
		Consolidated financial statements/ Separate financial statements	
Dividends	Approved by	Total dividends	Dividend per share
<u>2012</u>			
First interim dividend for 2012	Board of Directors' Meeting on 7 June 2012	1,284,145,784	30.98
Second interim dividend for 2012	Board of Directors' Meeting on 7 September 2012	499,896,648	12.06
Third interim dividend for 2012	Board of Directors' Meeting on 19 December 2012	<u>439,200,000</u>	0.61
Total		<u>2,223,242,432</u>	
<u>2011</u>			
Interim dividend for 2011	Board of Directors' Meeting on 28 June 2011	<u>2,209,803,140</u>	53.85
Total		<u>2,209,803,140</u>	

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## 31. Commitments and contingent liabilities

### 31.1 Capital commitments

As at 31 December 2012, the Company had capital commitments of approximately Baht 45.2 million, relating to the agreements to construct an office building and to construct and renovate a distribution center.

### 31.2 Operating lease commitments

The Company and its subsidiaries have entered into several lease agreements in respect of the lease of building space and equipment and other service agreements. The terms of the agreements are generally between 3 and 20 years.

Future minimum lease payments required under these non-cancellable operating leases contracts and service contracts were as follows.

	(Unit: Million Baht)	
	As at 31 December	
	<u>2012</u>	<u>2011</u>
Payable within:		
Less than 1 year	917	716
1 to 5 years	1,108	847
More than 5 years	290	289

### 31.3 Guarantees

As at 31 December 2012 and 2011, there were outstanding bank guarantees issued by the banks on behalf of the Company and its subsidiaries of approximately Baht 6.5 million and 5.2 million (separate financial statements: Baht 6.3 million and 4.9 million) respectively, in respect of electric use as required in the normal course of business.

## 32. Financial instruments

### 32.1 Financial risk management

The Group company's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, loans, investments, and short-term and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

.....Director  
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.....Director  
Somchai Hanjirkasem

### **Credit risk**

The Group company is exposed to credit risk primarily with respect to trade accounts receivable, loans, notes and other receivable. The Group company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Group company does not have high concentrations of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables, loans, other receivables and notes receivable as stated in the statement of financial position.

### **Interest rate risk**

The Group company's exposure to interest rate risk relates primarily to its cash at banks, bank overdrafts, and long-term borrowings. However, since most of the Group Company's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities classified by type of interest rate are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

	(Unit: Million Baht)				
	Consolidated financial statements as at 31 December 2012				
	Fixed interest rates				
	Within 1 year	Floating interest rate	Non- interest bearing	Total	Effective interest rate (% per annum.)
<b>Financial Assets</b>					
Cash and cash equivalent	-	565	222	787	0.60 - 0.63
Current investments - Trading securities	-	-	201	201	-
Trade and other receivables	-	-	60	60	-
	-	565	483	1,048	
<b>Financial liabilities</b>					
Short-term loan from financial institution	850	-	-	850	3.7
Trade and other payables	-	-	1,640	1,640	-
	850	-	1,640	2,490	

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(Unit: Million Baht)

## Consolidated financial statements as at 31 December 2011

	Fixed interest rates				
	Within	Floating	Non- interest		Effective
	1 year	interest rate	bearing	Total	interest rate
					(% per annum.)
<u>Financial Assets</u>					
Cash and cash equivalent	180	134	127	441	0.30 - 4.10
Current investments - Trading securities	-	-	131	131	-
Trade and other receivables	-	-	68	68	-
	180	134	326	640	
<u>Financial liabilities</u>					
Short-term loan from financial institution	900	-	-	900	4.10
Trade and other payables	-	-	888	888	-
	900	-	888	1,788	

(Unit: Million Baht)

## Separate financial statements as at 31 December 2012

	Fixed interest				
	rates				
	Within	Floating	Non- interest		Effective
	1 year	interest rate	bearing	Total	interest rate
					(% per annum.)
<u>Financial Assets</u>					
Cash and cash equivalent	-	487	171	658	0.60 - 0.63
Current investments - Trading					
securities	-	-	156	156	-
Trade and other receivables	-	-	120	120	-
Short-term loan to related party	-	200	-	200	3.5 - 3.8
	-	687	447	1,134	
<u>Financial liabilities</u>					
Short-term loan from financial					
institution	850	-	-	850	3.7
Trade and other payables	-	-	1,489	1,489	-
	850	-	1,489	2,339	

.....Director  
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.....Director  
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(Unit: Million Baht)

## Separate financial statements as at 31 December 2011

	Fixed interest rates				Effective interest rate (% per annum.)
	Within 1 year	Floating interest rate	Non- interest bearing	Total	
<b>Financial Assets</b>					
Cash and cash equivalent	180	46	111	337	0.30 - 4.10
Current investments - Trading securities	-	-	131	131	-
Trade and other receivables	-	-	108	108	-
Short-term loan to related party	-	170	-	170	2.40 - 4.10
	<u>180</u>	<u>216</u>	<u>350</u>	<u>746</u>	
<b>Financial liabilities</b>					
Short-term loan from financial institution	900	-	-	900	4.10
Trade and other payables	-	-	808	808	-
	<u>900</u>	<u>-</u>	<u>808</u>	<u>1,708</u>	

**Foreign currency risk**

The Group company's exposure to foreign currency risk arises mainly from trading transactions that are denominated in foreign currencies.

The balances of financial assets and liabilities denominated in foreign currencies as at 31 December 2012 and 2011 are summarised below.

## As at 31 December 2012

	Financial assets		Average exchange rate as at 31 December 2012 (Baht per 1 foreign currency unit)
	Consolidated financial statements	Separate financial statements	
Japanese yen	1.5	1.5	0.3500
US dollar	0.01	0.01	30.3873
	Financial liabilities		Average exchange rate as at 31 December 2012 (Baht per 1 foreign currency unit)
	Consolidated financial statements	Separate financial statements	
Japanese yen	8.5	0.5	0.3580

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.....Director  
Somchai Hanjirkasem

As at 31 December 2011

Financial assets			
Foreign currency	Consolidated financial statements	Separate financial statements	Average exchange rate as at 31 December 2011
	(Million)	(Million)	(Baht per 1 foreign currency unit)
Japanese yen	4.1	4.1	0.4032
US dollar	0.04	0.04	31.4525
Financial liabilities			
Foreign currency	Consolidated financial statements	Separate financial statements	Average exchange rate as at 31 December 2011
	(Million)	(Million)	(Baht per 1 foreign currency unit)
Japanese yen	5.6	-	0.4124

## 32.2 Fair values of financial instruments

Since the majority of the Group company's financial instruments are short-term in nature or bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in statements of financial position.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instruments or by using an appropriate valuation technique, depending on the nature of the instrument.

## 33. Capital management

The primary objective of the Group Company's capital management is to ensure that it has an appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2012, the Group's debt-to-equity ratio was 2.5:1 (2011: 1.9:1) and the Company was 2.9:1 (2011: 1.9:1).

.....Director  
Rit Thirakomen

.....Director  
Somchai Hanjirkasem

### **34. Subsequent events**

34.1 On 3 January 2013, the Extraordinary Meeting of Shareholders of the Company passed a special resolution as the follows:

34.1.1 Decrease its share capital by decrease its registered share capital from Baht 920 million (920 million ordinary shares, at Baht 1 per share) to Baht 720 million (Baht 720 million ordinary shares, at Baht 1 per share) in order to cut registered shares that have not been issued or cannot be issued before the capital increase.

34.1.2 To increase the Company's registered share capital from Baht 720 million to Baht 925.85 million (925.85 million ordinary shares, at Baht 1 per share) by issuing 205,850,000 new ordinary shares with a par value of Baht 1 per share. The Company registered the increase of its share capital and paid up share capital with the Ministry of Commerce on 8 January 2013.

34.1.3 To allocate 205,850,000 new ordinary shares as follows:

- 1) 185,850,000 shares reserved to be offered to the public for the first time and assigned to a committee which is authorized to determine conditions and other details relevant to the allocation of shares including the authority to take any actions necessary or incidental to the sale of shares in all respects, including the appointment of a distributor and underwriter. The committee is also responsible for the preparation of requests and supporting documents which are to be submitted to the Securities and Exchange Commission and other agencies involved as well as other agreements that are relevant to such operations.
- 2) 20,000,000 shares to be reserved for the exercise of warrant that the Company issued and offered to the management (including the management in the director position) and employees of the Company and/or employees of subsidiaries of the Company.

34.2 On 26 February 2013, the Board of Directors' Meeting of the Company passed a resolution to approve an increase in share capital of Plenus and MK PTE LTD. for the part of the Company of SGD 3,500,000. The payment period for the additional share capital is within March 2013.

### **35. Approval of financial statements**

These financial statements were authorised for issue by the authorised directors of the Company on 26 February 2013.

.....Director  
Rit Thirakomen

.....Director  
Somchai Hanjirkasem