

## **CITY SPORTS AND RECREATION PUBLIC COMPANY LIMITED**

### **1. General Information**

#### **Registered Office**

The City Sports and Recreation Public Company Limited Address 22 Navatane Rd., Kannayao, Bangkok, 10230. Registration no. 0107536000552 (Previous no. Bor Mor Chor 129) Telephone 0-2376-1693-5, 0-2376-1034-6  
Fax 0-2376-1685 E-Mail : [info@navatane.com](mailto:info@navatane.com) , [www.navatane.com](http://www.navatane.com)

#### **Business Operation**

To operate tourism and entertainment which is golf course service under the name of the Navatane golf course and provide other services and facilities, i.e. the restaurant, locker rooms, conference rooms and the golf shop in clubhouse building and caddy service.

#### **Registered share capital**

20,500,000 ordinary shares of Baht 10 each, in total amount of Baht 205,000,000 has issued and paid-up share capital

#### **Share Registrar**

Thailand Securities Depository Co., Ltd. No. 62 The Stock Exchange of Thailand Building, 4th, 6th - 7th Floor, Ratchadapisek Road, Klongtoey, Bangkok 10110  
Telephone : 0-2229-2800 Facsimile : 0-2359-1262-3

#### **Certified Public Accountants**

The S.K. Accountant Service Co., Ltd. Subsidiaried Mr. Ampol Chamnongwat Certified Public Accountant no. 4663 or Miss. Waranya Puttasatien, Certified Public Accountant no. 4387 or Mr. Naris Saowalagsakul, the authorized auditor no. 5369. No.128/150-153 Phayathai Plaza Building, 14th floor, Phayathai road, Thung-Phayathai, Ratchthevee, Bangkok, 10400 Telephone : 0-2214-6465-70 Facsimile : 0-2215-4772

For the year 2009, the auditor was Miss. Waranya Puttasatienan with fee Baht 272,000 and no other payment.

#### **Advisor or manager of management contract**

- Dusit Princess (Dusit Thani Group) Address at 583 Srinakarin Road, Nongbond, Pravej, Bangkok 10250 Telephone : 0-2721-8400 Facsimile : 0-2721-8432
- Future Fitness Address at 35 Soi Chan 16 Sub 2, Tungwatdorn, Sathorn, Bangkok 10120, Tel: 287-4839 Facsimile: 0-2721-8432

## LETTER OF BOARD OF DIRECTORS

In 2011 it was likely that the number of golfers would increase more than the last 2-3 years. However, the flood had some impacts on the income of the golf course because fewer golfers came to play and guests from abroad cancelled trips. However, since Navatane Golf Course mainly services members and can manage water, the course was still open as normal. The total revenue for the year was 140.75 million baht, down 13.23 million baht from the previous year, because of the decrease in income from golf course service and dividends. The total expenditure was 81.90 million baht. Therefore, the profit before tax was 58.85 million baht. With a tax of 17.18 million baht, the net profit after tax was 41.67 million baht, 17.88 million baht less than a year ago. The earnings per share was 2.03 baht, which was considered satisfactory compared to other golf courses.

The Board of Directors and staff would like to thank the shareholders for their endless trust and support of the business of the company not only for the operation of the golf course business and protection of the image of an international golf course under the good governance principle but also the fair preservation of the interests of minor shareholder as well as the interests of the community by continuing to preserve plant species to be a large lung of Bangkok.

(Mr. Sukum Navapan)  
Chairman

## REPORT OF THE AUDIT COMMITTEE

The Audit Committee of City Sports & Recreation Public Company consists of 3 independent directors, namely; Mr. Chackchai Panichapat, Mr. Nibhond Charanvas, and General Paiboon Kanchanapiboon, which Mr. Chackchai Panichapat is the person who has adequate expertise and experience to review the reliability of this Company's financial statements.

The Committee had performed its duties as the Charter of the Audit Committee which approved by the Board of Directors of the Company, summarized as follows:

1. To review the Company's financial reporting process to ensure that it is accurate and adequate.
2. To review the Company's internal control system and internal audit system to ensure that they are suitable and efficient, to determine an internal audit unit's independence, as well as to approve the appointment, transfer and dismissal of the chief of an internal audit unit or other unit in charge of an internal audit.
3. To review the Company's compliance with the law on securities and exchange, the Exchange's regulations, and the laws relating to the Company's business.
4. To consider, select and nominate an independent person to be the Company's auditor, and to propose such person's remuneration, as well as to attend a non-management meeting with an auditor at least once a year.
5. To review the Connected Transactions, or the transactions that may lead to conflicts of interests, to ensure that they are in compliance with the laws and the Exchange's regulations, and are reasonable and for the highest benefit of the Company.
6. To prepare, and to disclose in the Company's annual report, an audit committee's report which must be signed by the audit committee's chairman and consist of the information at least as the Notification of the Stock Exchange of Thailand.
7. To perform any other act as assigned by the Company's board of directors, with the approval of the audit committee.

During 2011, the Committee held 5 meetings with the internal auditor, the management and other units of the Company which a meeting was held with the Company's audit as follows:

The Audit Committee Member	The number of Meeting	Attendance/Total Meeting
1. Mr. Chackchai Panichapat		5/5
2. Mr. Nibhond Charanvas		5/5
3. General Paiboon Kanchanapiboon		5/5

The Committee had considered the quarterly and annual financial statements relating to the process of financial statements preparation to obtain that they were accurate, complete, reliable, adequate disclosure, and timely with the Company's auditor, so as to ensure that the Company had prepared the financial statements in accordance with the Generally Accepted Accounting Principles; and reviewed the Connected Transactions or the transactions that may lead to conflicts of interests between the Company with related company, so as to ensure that such transactions were reasonable and for the highest benefit of the Company. In the Committee's opinion, the Company's auditor is the independent person who performs the audit properly, and the Company's financial statements are accurate, complete, and reliable.

In addition, the Committee had reviewed and revised the internal control system with the internal auditor, so as for the Company obtained the adequate internal control system for its business, and achieves the objectives of internal control as far as efficiency and effectiveness of operation, utilization of resources which includes due care of assets, prevention or reduce the potential error, damage, leakage, waste or fraud; the reliability of the financial reports; and the compliance with the laws on securities and exchange, the Exchange's regulations, and the laws relating to the Company's business. The Committee also had oversight the internal audit by reviewed the Company's risk-based annual internal audit plan, and reviewed its monthly result by recommendations given and follow up the Company's corrections on the significant findings as the internal audit report, so as to bring about the good corporate governance and adequate internal control system. In the Committee's opinion, the Company has adequate internal control system and compliance with the laws on securities and exchange, the Exchange's regulations, and the laws relating to the Company's business.

The Committee had performed its duties as the Charter of the Audit Committee by exercising independence and applying its collective commercial expertise and experience, and emphasizes on the internal control system and risk management, so as for the Company to obtain the good corporate governance which value added it and due care of the interests of the Company's shareholders and other stakeholders.

(Mr. Chackchai Panichapat)  
Chairman of the Audit Committee

## 2. Financial information

Significant financial ratios on 31st December for 3 former years

Financial Ratio	Unit	2011	2010	2009
<b><u>Liquidity Ratio</u></b>				
Liquidity Ratio	time	3	1	1
Quick Liquidity Ratio	time	3	1	2
Quick Liquidity Ratio of cash flow	time	3	4	5
Receivable Turnover	time	663	678	638
Average Collection Period	day	0.5	0.5	0.6
Inventory Turnover	time	32	31	30
Average Selling Period	day	11	12	12
Payable Turnover	time	53	39	41
Selling Debt	day	7	9	9
Cash cycle	day	5	3	4
<b><u>Profitability Ratio</u></b>				
Gross Profit Margin	%	59.57	62.46	64.33
Operating Profit Margin	%	44.26	53.77	55.03
Other Margins	%	5.54	8.62	8.80
Ratio of Cash to Profitability	%	96.03	95.44	103.26
Quality of Income Ratio	%	83.31	78.69	85.16
Net Profit Margin	%	29.60	38.67	39.38
Return on Equity	%	2.27	3.26	3.42
<b><u>Efficiency Ratio</u></b>				
Rate of Return on Assets	%	2.25	3.23	3.39
Return on Fixed Assets	%	3.07	4.32	4.47
Asset Turnover	time	0.07	0.08	0.08
<b><u>Financial Policy Ratio</u></b>				
Debt to Equity Ratio	time	0.010	0.009	0.009
Ratio of the Ability to pay interest	Time	-	-	-
Dividend Payment	%	68.97	62.07	62.91
Earnings Per Share	Per share	2.03	2.90	3.02
Dividend Per Share	Per share	1.40	1.80	1.80
Book Value Per Share	Per share	89.51	89.23	88.18

### 3. Nature of Business

The company limited was registered as in 1970, in regard to registered share capital is total amount of Baht 20 Million, by Dr. Sukum Navapan, the chairman of Navatane group. The founder's vision of Navatane golf course has 18 holes, 72 pars approximated area 400 rais. Robert Trent Jones, Junior is world-renowned Architect and its grand opening was in 1973. In 1975, Navatane was selected by the International Golf Federation to be honorary venue for the 23rd Golf World Cup. In 1992, Navatane was granted in the Securities in the Stock Exchange of Thailand under monogram "CSR" which is current in the tourism and entertainment category. The company provides the service business in Navatane Golf Course's name in accompany with several other facilities, such as a golf cart & a caddy service and the clubhouse which are composed of a restaurant, a locker room, a conference room and golf shop. The daily operating hours is 05.30-18.00 hrs. (time is flexible according to climate & seasons) The service for members and their family are first priority and our policy is also keep going on the international standard of ideal golf course's quality and wonderful service.

#### 3.1 Nature of products or service (from revenue structure)

The golf course service which is identified by the revenue structure is related to business operation. The weather which will be generally influenced through operation more or less depends on its location. Navatane golf course is mostly affected in rainy season. Therefore, if during few days deluged rain, the players cannot play golf, it can unfortunately predict the decrease of the green fee package. However, rainy season in Bangkok would not be impacted to our service since it is short raining period and quite good drainage. For the relating revenue structure composed of golf course fee (Green fee), membership fee, golf cart rental, restaurant revenue, and other incomes. The result in past 2 years is followed

Unit : thousand Baht

<i>m</i>	2011		2010	
	Revenue	%	Revenue	%
Green Fee	47,151	33.50	50,886	33.05
Membership Due	37,975	26.98	39,023	25.34
Revenue from Rental of Golf Cart	22,812	16.21	24,497	15.91
Others	2,964	2.11	2,753	1.79
Revenue from Golf Course Service	110,902	78.79	117,159	76.08
Restaurant Income	22,060	15.67	23,549	15.29
Interest and Dividend Income	6,763	4.80	12,544	8.15
Others	1,031	0.73	733	0.48
TOTAL REVENUES	140,756	100.00	153,985	100.00

#### 3.2 Marketing and competitive position

The impacts of the economic downturn and domestic political problems in the last 2-3 years were starting to improve in the first three quarters of 2011 until the last quarter, which was likely to have more golf players. Because the flood started to affect both directly and indirectly to the golf course business, especially those located in Bangkok and its perimeter, since October and even though the severe flood already started to subside since the end of November several golf courses in the area still cannot restart the operation because they have been damaged and still need time to recover, or even though some golf courses have been able to open, the number of players has decreased significantly. As a result, it has affected the income of the golf courses in that area inevitably.

As for Navatanee, the course mainly focuses on sales and marketing through members, family of members, and guests of members, and most of the members reside in the country and were affected during the flood like in many golf courses. In early December 2011, more golfers came to use the service but the number was still less than the previous year, resulting in a decrease of 5% of the income from the service of the golf course in 2011 compared to the previous year. It is expected that, after situations has become better for a while, golfers will return as usual. In addition, with the superbly maintained golf courses, the quality of services as well as the golfers' convenience and comfort will be our confident standpoints of services. In particular, a limitation on the number of golfers can play a round of 18 holes within time limit of 4 hours, while many other golf courses in Bangkok and boundaries may spend about 5-6 hours, and the convenient location for traveling will make Navatanee Golf Course be the golf course that the golfers feel confident as in the past.

### **3.3 Significant change from previous year**

- None -

## **4. Risk Factors**

The golf course service business has huge amount of investment in the beginning referring to the figure of exceed debt to equity and loaded payment of borrowings' interest. Navatanee golf course which has being run this business for many years, has the stable financial security. This evidence is to maintain equalized ratio of capital structure. Moreover, the company was registered by Thai major shareholders, no other associated & subsidiary companies, which is convenient for operation and there has been dividend paid to the shareholders since 1998. In conclusion, the risk factors which mainly impact to company business are classified accordingly.

### **4.1 Operating income risk**

In golf course business, yearly revenue has relied on several factors, one of them is the guests' favor, time for going a round of golf, climate, economic condition, and politics.

Because of the flooding, several golf courses have been affected both directly and indirectly since last October from the flooding in the industrial estates in Ayutthaya that started to affect golfers, especially when it was likely that water would flow in and flood Bangkok. It caused a lot of golfers to temporarily stop playing golf and golfers from abroad to cancel a trip. For or Navatanee Golf Course, we have prepared in advance. Therefore, we were able to manage water without causing a major damage as in many golf courses. However, even though the golf course was still open as normal, in the final quarter, which is normally a quarter that has many golfers, the number of golfers declined. Consequently, instead of having more golfers than the previous year as expected, the number of golfers was down by 5%.

To reduce the risk of flooding, the course has initially constructed a permanent levee between the 5<sup>th</sup>, 6<sup>th</sup>, 7<sup>th</sup>, and 8<sup>th</sup> holes along the canal to block water from entering the course and removed barriers in the canal so that water can flow effectively. Therefore, the course could ride out the crisis, resulting in good image of the course.

## 4.2 Operating expense risk

To maintain the international standard in quality of the course, the golf course operation has to order the imported fertilizers and chemical supplies which also get influenced from foreign exchange rates. Furthermore, in Thailand there are a small number of dealers themselves who set the fertilizer and chemical supply prices more than depending on the customer demand from the market. In 2011 the company also continually put an emphasis on the eradication of weeds with a policy to avoid using chemicals like in the past to maintain the balance and the environment. Nevertheless, the course still had more expense for fuel cost because the oil price continues to rise as well as the renovation and repair of the irrigation system because the existing system was damaged, which resulted in an increase of 2% for the maintenance costs of the course compared to a year ago.

## 4.3 Financial risk

As in 1996, the company has increased the capital amount at 172.2 million Baht with one purpose of the sports complex plan. The company has set up the budget at 110 million Baht. In order that support the service business for the regular guests which causes of revenue increased as well. But the economy from 1997 waited for recovering, the company had postponed investment.

Afterwards, during in 1999-1991, the company gained the much lower amount of interest income since the interest rates in general market trending to be decreased. However, to redeem interest which has gone from its income, the company managed the risk with investment in the securities and low risk funds. In 2011, the company has invested more in open-end fund. The average return in investment is 1.5% caused from affected from economic fluctuation.

## 4.4 Administrative and management risk

At 30 December 2011, the group of Mr. Sukum Navapan, the shareholder and the related person pursuant to the section 258 hold 15,344,865 company's shares or equivalent to 74.85 % of the total shares sold. Dr. Sukum Navapan's group can control most approvals in the shareholders meeting, for example remuneration of directors or asking for other approvals which need to be voted by majority of the shareholders. Except, the approvals which the laws or the company's rules fixed to get vote amount of 3 from 4 parts in the shareholders meeting or any others which the group of Dr. Sukum Navapan and the related persons get benefit involved, in compliance with the requirements of the Securities and Exchange Commission and the Stock Exchange of Thailand, they will never have gotten right of any votes.

## 5. Shareholding and management structure

The major shareholders structure on the 7 April 2011 when the register book has stopped signing, the share transfer breaking.

Names	share held	%
1. Mr. Sukum Navapan and related persons	15,344,865	74.85
2. Ms. Prim Guna-Kasem and related persons	824,599	4.02
3. Mr. Phornsake Karnjanajaree	602,000	2.94
4. Miss Siripetch Thaveewong	233,400	1.13
5. Uahwattanasakul Co., Ltd.	199,998	0.98
6. Mr. Chatree Sophonpanich	141,750	0.69
7. Mr. Taweesak Jayananda	121,000	0.59

The company organization structure in 2011 is composed of the board of directors, the executive board of directors, the audit committee, the nomination committee & the remuneration committee and the management

## 1. The board of directors

1. Mr. Sukum Navapan	Chairman
2. H.E. ACM. Kamthon Sindhavananda	Director
3. Mr. Chalermphan Srivikorn	Director (passed away on 30 May 2011)
4. Mr. Chackchai Panichapat	Director
5. Mr. Nibhond Charanvas	Director
6. Gen. Paiboon Kanchanapiboon	Director
7. Mrs. Maevadi Navapan	Director
8. Ms. Prim Guna-Kasem	Director
9. Mr. Kittidej Charusathiara	Director
10. Mr. Sukuma Jayananda	Managing Director

**Term given to the direct:** in every 3 years (directors' detail has shown on page 30-38)

**Authorized directors related to the company** is Mr. Sukum Navapan who signed and stamped the significant company brand or other two directors co-signed and stamped the significant company brand

### The company secretary

The board of directors meeting No.1/2008 on the 6<sup>th</sup> March 2008 has appointed Mrs. Patcharaporn Julothai, Administrative Manager, as a company secretary in order to look after the directors' activities, coordinate all to follow the board's policy, to advise the directors regarding the basis of the company rules and regulations, to prepare regularly the shareholders and the board of directors' meetings in concordance with their minutes taken, the document preparation, follow up the meeting issues, to expose information according to rules & regulations of the Stock Exchange of Thailand, the office of the Securities and Exchange Commission and to communicate among the shareholders.

### Composition and election of board directors

1. The board of directors is minimum 5 persons and there are directors not lower than a half amount of total directors in the kingdom of Thailand. For the purpose of business operation, the directors can be appointed from outsource who are not our shareholders.

2. The shareholder meeting will vote the directors according to this regulation and methodology

(1) Offering one share-one vote

(2) Each shareholder has one share per vote on no. (1) and each shareholder use all votes (no split) in appointing one or more person to be a director.

(3) The candidates are ranked in descending order from the highest score of votes to the lowest, and are appointed as directors in that order until those positions are filled. Where the votes for candidates are tied, or cause the exceeded number of directors, the Chairman has the casting vote.

### Duties and responsibilities of directors

According to the company regulation, the board of directors has authorization and duty to perform the responsibility in with the laws, the objectives, the regulation and the articles as well as the resolutions of the shareholders' meetings, join the opportunity to propose the agenda of the company business, manage and power the operation side followed through efficiently the meeting agenda. The meeting has arranged in one year term in advance and at least 3 months a time. All of the board of directors usually participated the meeting all the time excluding on their necessary & respective works, and the board of directors joining in this year 2011 meeting as follows:

<b>Board member</b>	<b>Board meeting Attendance</b>
1. Mr. Sukum Navapan	5
2. H.E. ACM. Kamthon Sindhavananda	4
3. Mr. Chalermphan Srivikorn	-
4. Mr. Chackchai Panichapat	5
5. Mr. Nibhond Charanvas	5
6. Gen. Paiboon Kanchanapiboon	5
7. Mrs. Maevadi Navapan	5
8. Ms. Prim Guna-Kasem	5
9. Mr. Kittidej Charusathiara	2
10. Mr. Sukuma Jayananda	5

## **2. The executive board of directors**

1. Mr. Sukum Navapan	CEO
2. Mrs. Maevadi Navapan	Executive Director
3. Ms. Prim Guna-Kasem	Executive Director
4. Mr. Sukuma Jayananda	Managing Director

Duties: to process jobs according to the board of directors' assignment, for example, planning, operating the business and nominating the management etc... the majority of the budget approved for the operation is for the course maintenance & improvement up to the international quality standard. The annual capital expenditure always has been set by the former year necessary & appropriated expenses, except the urgent items beyond what are mentioned needed to be implement immediately and will be monitored by the managing director. The budget that the managing director can approve and that is a running expense is up to 400,000 baht. He also keeps watching on its expense and will review and approve the addition if the rest items are necessary and the money is insufficient. Some cases related and needed to get approval from the shareholders' meeting, the company has followed in compliance with the condition of the Office of the Securities and Exchange Commission's procedure and regulation all along.

The executive directors' meeting has not been planed since the current business operation has directed up to the specific quantitative purposes and the management has arranged the report which always is sent to the Executive Board of Directors. However, the extraordinary meeting if required with the specific agenda in order to report the necessary growth or improvement.

**Term of the positions:** the position held in the term of the company's directors.

## **3. Audit committee**

According to the rules of the Stock Exchange of Thailand, the board of directors has appointed the audit committee in order to take care of finance, internal system and business organization achieving the targets. And on the 1st December 2011, the board of directors No. 5/2011 has re-appointed the audit committee who will retire by term on the 23<sup>rd</sup> December 2011 with Mr. Chakchai Panichapat, chairman of the audit committee, having sufficient knowledge and experience to audit the credibility of the budget. However, the members of the board have re-appointed more than 3 terms since they have the qualifications required by the SET. The audit committee consist 3 independent directors. On the 1<sup>st</sup> December 2011, they had a meeting with the Auditor without any management in order to have an information regarding the financial statement for the year 2011. The Auditor conducted with generally accepted auditing standards and present fairly, in all material respects. The following were 5 meetings organized in 2011.

<b>Board member</b>	<b>Rank</b>	<b>Meeting Attendance</b>
Mr. Chackchai Panichapat	Chairman	5
Mr. Nibhond Charanvas	Audit Committee Member	5
Gen. Paiboon Kanchanapiboon	Audit Committee Member	5

As the audit committee's definition is the procedure according to the Notification of The Capital Market Supervisory Board Re: the qualification and the performance of the audit committee B.E. 2008.

**Term given to the directors:** in every 3 years and they can be re-appointed as the following duties effective from 24 December 2011

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

### **The Nominating of Independent Director**

In order to follow the Notification of The Capital Market Supervisory Board B.E. 2008, the board of directors meeting No. 5/2008 on the 4th December 2008, had nominated the independent from the board of director since they have the qualification of 5 independent directors. However, since in 2011 a member of the board of director passed away, Mr. Chalermphan Srivikorn, the company now has 4 independent directors. from 9

directors and one of the independent director held stocks 0.49% and others 3 independent directors have no stocks which were stronger than the definition.

**Independent Directors Definition (Which the requirement of SEC)**

(A) Holding shares not over one percent of the total shares with voting right of the company holding company, subsidiary, affiliation, major shareholder or authorized person of the company, however, it includes shareholding by related persons of the independent director also.

(B) Not being or has been a director with management participation employees, consultant with regular salary or authorized person of the company, holding company, subsidiary, affiliation, subsidiary in same level, major shareholder or of authorized person of the company, except relieved from aforesaid characteristic at not less than two years before submitting permission to the Office. However, the prohibited characteristics do not include an independent director who has been a governmental officer or an advisor of a government authority, which is the major shareholder of the company or the authorized person of the company.

(C) Not being person by blood related or registration by law in the manner of being father or mother, spouse, brotherhood and offspring including spouse of the offspring of the management, major shareholder, authorized person or person designated to be management or authorized person of the company for license or subsidiary.

(D) Do not have or has been in business relation with the applicant, company's parent, holding company, subsidiary, affiliation, major shareholder or authorized person of the company, in the manner that may obstruct the independent exercise of discretion including in not being or has been a significant shareholder or authorized person of the person with business relation with the company, holding company, subsidiary, affiliation, major shareholder or authorized person of the applicant, except relieved from aforesaid characteristics at not less than two years before the date of submission for permission from the Office.

The business relation in paragraph one includes trade transactions in normal business, rent or lease on items related to asset or service or in giving or receiving financial assistance through acceptance or lending, guarantee, granting asset as debt security including similar behavior resulting in the applicant or contract party with debt burden to be settled with another party from 3% of net tangible asset of the applicant or from twenty million baht up, as which amount is lower. However, the debt burden calculation shall be in value calculation on related items as announced by the Securities Exchange Commission on Rules of Related Items, by mutatis mutandis. But the consideration of such debt burden shall include debt burdens incurred at one previous year before the date of business relation with the same person.

(E) Not being or has been auditor of the applicant, holding company, subsidiary, affiliation, major shareholder or authorized person of the applicant and shall not be significant shareholder, authorized person or partner of auditing office with the auditor of the applicant, holding company, subsidiary, affiliation, major shareholder or authorized person of the applicant in attachment, except relieved from such characteristic at not less than two years before the date of submission for permission from the Office.

(F) Not being or has been any professional provider which includes legal consulting or financial consulting with service fee over two million baht a year from the applicant, holding company, subsidiary, affiliation, major shareholder or authorized person of the applicant, and not being a significant shareholder, authorized person or partner of the professional provider, except relieved from such characteristic at not less than two years before the date of submission for permission from the Office.

(G) Not being a director appointed to be agent of the director of the applicant, major shareholder or shareholder with relation with the major shareholder.

(H) Not operating similar or significant competitive business to the business of the applicant or subsidiary or not being significant partner in the partnership or directorship with management participation on employees, consultant with regular salary or holding shares over one percent of the total shares with voting right in other company, operating business similar or competing with business of the applicant or subsidiary.

(I) Not having other characteristics that will hinder free independent opinion in relation with the operation of the applicant.

After the appointment to be independent director with the characteristics as stated in paragraph one (a) to (i), the independent director may be assigned from the committee to make decision on the business operation of the applicant, holding company, subsidiary, affiliation, subsidiary of same level, major shareholder or authorized person of the applicant under the method of collective decision.

The name list of the Independent Director are:

1. H.E. ACM. Kamthon Sindhavananda
  2. Mr. Chackchai Panichapat
  3. Mr. Nibhond Charanvas
  4. Gen. Paiboon Kanchanapiboon
- (detail has shown on page 31-34)

#### **4. Nomination committee and remuneration**

The nomination and remuneration committee has been set up in accordance with rules and regulation of good corporate governance. With a long experience, knowledge in manage golf course, and reputation of good governance and ethic, the company directors were nominated by the shareholder. In 2011 the Nomination and Remuneration Committee held 2 meetings to review the role and consider remuneration, meeting allowance, and the renewal of the Audit Committee. The nomination and remuneration committee are consist 3 independent directors as below:-

Board member	Rank
1. Mr. Nibhond Charanvas	Chairman, Nomination committee and remuneration
2. Mr. Chackchai Panichapat	Board member
3. Gen. Paiboon Kanchanapiboon	Board member

Term given to the direct: The position held in the term of the company's directors.

#### **5. Name of Management**

1. Mr. Sukum Navapan	CEO
2. Mrs. Maevadi Navapan	Executive Director
3. Ms. Prim Guna-Kasem	Executive Director
4. Mr. Sukuma Jayananda	Managing Director
5. Mr. Pracha Boonsomphong	Superintendent
7. Mrs. Patcharaporn Jultothai	Administrative Manager/Company Secretary
8. Mrs. Chutima Soonthornmonthol	Financial Manager

(detail has shown on page 39)

In 2011, the management's remuneration paid as the salary & bonus at total amount of 6,440,519 Baht

#### **Nomination of directors and management**

Referring to the company regulations, the board of directors may have been appointed from the externals who are not the shareholders and that appointment will be approved by the shareholders meeting according to principles and procedures. However, the management will be scanned for their experience and competence in the responsible & relevant management, if they are not ready to get that position yet, then we will look for the external

management which also will be mainly scanned and employed from their experience and competence. Nevertheless, no directors and management who have ever had the illegal personal information for 10 years.

### **Duties of management (division manager)**

Because the chains of command of all divisions are not complex and there are not many employees, the company has divided the chain of management into 5 chains including

1. Course Maintenance Division – responsible for maintaining the golf course to meet the standards according to the policy;
2. Administration and Secretarial Division – responsible for the registration of membership and secretarial duty such as organizing the board of directors and shareholders' meeting, etc.;
3. Accounting and Finance Division – responsible for monitoring and accounting of all transactions, preparing financial information, and managing personnel;
4. Service Division – responsible for providing services to golfers;
5. Club House and Restaurant Division – responsible for providing services at the club house and restaurant.

For 4-5, they are currently supervised by the managing director.

### **Improvement of directors and management**

The company has encouraged the board of directors and the management participated in training courses of the Thai Institute of Directors according to their responsibilities but the new directors are assigned and respond as the basis of working of the implementation of good corporate governance, the other obligations such as the securities received & sold for one's own or relatives etc...

### **Human resources**

It is the company policy to restrict the staff number being compatible with the job description of each field. For the purpose of efficient operation in 2011, the company has totally 107 staff, 6 fields of work, they are management, course maintenance administration and the company secretary, finance and accounting, the clubhouse and the restaurant with the remuneration paid as the salary, bonus, intensive and social security depending on the job. There is no significant staff movement during 3 years and no critical conflict of labor issue.

### **Training**

As the golf course is the service business, we need the staff who have golf knowledge and experience, including as well as the important service in clubhouse. According to the policy of maintaining the golf course and service standard, each field of work has to get the related competent manager who looks after the business to achieve in every year target and policy. The company has encouraged all sections to participate in proposing their opinion for business operation and in training about the golf course and the service. But the clubhouse has been organized by Dusit Princess (Dusit Tani Group) to take care of the staff training and also being an advisor for the restaurant operation.

### **Shareholders: right and equitable treatment**

In 2011, the company has organized the general shareholders meeting on 26th April 2011 at the company office. 9 from 10 directors of the board of directors joined the meeting and 27 shareholders, which are included proxies, joined the meeting at the amount of 16,983,728 shares or 82.85% increasing 0.12% when was compared to 2010.

The company has sent out the invitation letter to all the shareholders including information and documents for each agenda to be considered in advance. Those of documents are specified for information or for approval with the board of directors' opinion and suggestion. However, this invitation letter including information and documents for each agenda disclosed on the company website [www.navatanee.com](http://www.navatanee.com) on 27 March 2011, and was sent to the shareholders at post on 20 April 2011, and was also advertised on the newspapers as public law stated. Besides, the minutes of the shareholders' annual general meeting has been promptly submitted to the Stock Exchange of Thailand and the Ministry of Commerce, and has been exposed on the company website since on 10 May 2011.

On the meeting date, the shareholders and the proxies started to register at 09.30 hrs. in order to check the documents and give opportunities to the shareholders who would like to get more information or to ask for some advice or ask for some questions among each others. Because there were no many shareholders, the communication between the company and the shareholders has run smooth through the entire meeting process. The chairman of the board of directors is the chairman of the meeting, he conducted the meeting completely in all agendas and replied the questions as well as the shareholders satisfied through the end of the meeting. For the election of the directors' agenda, the company has prepared the ballot form for voting each director individually.

### **Right and equitable treatment**

For an option of the shareholders, the company allowed the shareholders either send the proxies attending the meeting, or give authorization to the independent director. In the 2011 shareholders' meeting, 5 shareholders give proxy to the Independent director or equivalent to 177,333 shares or 1.044% of the total attending 16,983,728 shares.

In the 2011 shareholders' annual general meeting, the company gave opportunity to the minor shareholders to propose their requirement for the agenda and nominate the directors. However, the preparation of the 2012 shareholders' annual meeting also offers opportunity to the minor shareholders to propose their requirement for putting on the list of agenda and to nominate the directors in company with procedure, principle and how to propose it. The shareholders can suggest the requests at [info@navatanee.com](mailto:info@navatanee.com) or facsimile or registered mail to the company as former year. The time to propose from on the 14 January 2012 to 13 February 2012, which the company has informed these following topics and details to the Stock Exchange of Thailand.

As the preventive measures in dishonestly using internal data for yourself and oneself benefits. The company has prepared the ethnic handbook for directors, management and staff which are reviewed every year before and after the 2011 financial statement through the public. Nothing founded that using the data is for any side's benefit.

### **Rules of Stakeholders**

The company has always reviewed the policy of good corporate governance in order to look after the right for the stakeholder groups regarding to the ethnic principles and advised regulations. In 2011, the business was in good operation and the problem didn't affect to any groups since the golf course has been operated a long time and the management operated business according to the policy which always response the interest throughout the stakeholders, separated as follows.

- The shareholders: the company has operated according to the board of directors' policy with open & above-board management, loyal financial & accounting system, the satisfied benefit comparing to the similar businesses and good dividend paid to the shareholder for several years continually.

- The staff: the company gives priority to the safety as the some staff always work under the environment of equipments and machinery, and support the additional learns of training and career development according the their positions, for example, knowledge of the course & plant maintenance and good environment. Moreover, there are trainings of finance/accounting and the company secretary without any discrimination of religion or gender. Each position will get an appropriated prize and welfare which is salary, bonus, service charge, provident fund, social insurance with other assistance as appropriate.

. The customers: the most guest's satisfaction is to maintain the international standard of golf course and the first class course in the country. In Thailand although has presently many golf course emerged and also heavy quality and price competition. Navataneer golf course where still keep continuing the course quality, is one of the best course member in Thailand. In addition, the members and the customers are always confident and continually support Navataneer gold course.

- The Suppliers: the Company always ensures that laws and conditions for suppliers are based on industry norms and practices. No other method is above rules and Navataneer therefore operate business with no doubt and always maintaining the course image.

- The social responsibility to the community: the company has policy and aim towards the plants protection and reservation since the course was built. It therefore make Navataneer golf course and Navataneer village nearby, which is a partner, develop the area around with over ten thousand big several trees. Besides, this Navataneer characteristic made the area of Navataneer golf course and village being shady, cool and lovely from numerous standing and flowering plants, where also is hardly see a big factory of the fresh air productivity taking huge space of Navataneer and its neighborhood, where additional has the perfect environment & safety place from the chemicals for the various animals' residence and primary producer which the company prefers to use the natural fertilizers in stead of the chemical ones, that effect make the animals alive.

- The government offices and the related organizations: the company strictly follows laws, the tax and finance arrangement is included.

### **Information disclosure and transparency**

The company has disclosed the information according to all regulations and conditions of the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand, i.e. the directors' approval which impacted to the shareholders, the shareholders meeting's approval, each quarter of financial statement, and all directors and management are required to report the changes of stock holding to the Office of the Securities and Exchange Commission etc...

### **Leadership and vision**

The board of directors is composed of the directors who have vision, knowledge, competence and experience on business operation regarding independent decision, internal control, internal audit, and who follow up the operation for the company & the shareholders' benefit. The management has a duty of the business operation to achieve the policy and to report the operation result to the board of directors

### **Business ethnics**

The company's policy is to maintain the first class Thailand golf course and to concentrate on the stakeholders about the ethnic principles and advised regulations for directors, management staff and owners' regulation (the persons who hold the company shares at high figure and may affect to the decision of the directors/ management/ staff) in order to be the responsibility direction and frame, and to review usually those mentioned regulation.

### **Balance of power for the board of directors**

According to the rules of the Stock Exchange of Thailand, the board of directors have to appointed the independent director at least 1 of 3 of the board of directors. The board of Director No. 5/2008 on the 4th December has appointed 2 more independent directors as the qualifications required by SEC B.E. 2008. (there was 1 member who passed away, Mr. Chalermphan Srivikorn). Thus, the company has 4 independent directors from total 9 directors. From the remaining of 5 directors, 4 directors are management directors and 1 directors are not management directors. This is make it counter balanced and independent in giving an opinion and an efficient performance.

### **Aggregation or Segregation of Positions**

The chairman of the board of directors is the chairman of the executive board and the main shareholder. For the chairman of the audit committee is not concerned in the management position and is independent enough to perform according to the duty and responsibility.

### **Conflict of interests**

In order to avoid the benefit conflict, the board of directors looks carefully after the risky occasions of benefit conflict or the audit committee, who are independent, will always investigate and manage in the relative incidents of the policy setup according the regulation of the Stock Exchange of Thailand.

### **Directors' remuneration**

The board of directors receive the directors' remuneration for attending the meeting and the directors' pension from the shareholders' approval only, as the following detail:

#### **Meeting allowance / directors' remuneration**

1. Director	Meeting allowances at 10,000 Baht/meeting
2. Member of audit committee	Meeting allowances at 12,000 Baht/meeting
3. Chairman of audit committee	Meeting allowances at 15,000 Baht/meeting
4. Chairman	Meeting allowances at 20,000 Baht/meeting

### **The directors' pension**

The 2011 shareholders meeting approved the directors' pensions at amount of 480,000 Baht. In 2011, the board of directors received the remuneration and pension as follows

Board member	Meeting allowance / remuneration
1. Mr. Sukum Navapan	180,000
2. H.E. ACM. Kamthon Sindhavananda	80,000
3. Mr. Chalermphan Srivikorn	40,000
4. Mr. Chackchai Panichapat	115,000
5. Mr. Nibhond Charanvas	100,000
6. Gen. Paiboon Kanchanapiboon	100,000
7. Mrs. Maevadi Navapan	90,000
8. Ms. Prim Guna-Kasem	90,000
9. Mr. Kittidej Charusathiara	60,000
10. Mr. Sukuma Jayananda	90,000

### **Board of directors' self evaluation**

The board of directors meeting No. 5/2011 on the 1<sup>st</sup> December, the chairman of the audit committee proposed to the meeting about the directors' self-evaluation to motivate the board of directors increasing their effective performance correspondence with the corporate government.

### **Audit committees' opinion**

The audit committees' who are the system and internal audit controller, are the approver an audit plan and appraise internal systems appropriated and corresponded with the settled objectives and directions. They are independent auditors and reported to the board of directors meeting, the 5th/2011, on the 1<sup>st</sup> December 2011, that they had a meeting with the Auditor without any management in order to have an information regarding the financial statement for the year 2011. The Auditor conducted with generally accepted auditing standards and present fairly, in all material respects.

### **Dividend policy**

The company has the policy of dividend higher and equivalent to 60% of the net profit.

### **Quality of audited financial statement**

The company financial statement was considered and approved by the Board of Director on 16 February 2012 and the financial auditors who is certified from the Securities and Exchange Commission and the Stock Exchange of Thailand is the S.K. Accountant Service Co., Ltd. by Miss. Waranya Puttasatien, Certified Public Accountant no. 4387 who signs for approval before spreading out to the related organizations. In 2011 the company financial statement has been undoubted, managed and revealed the appropriated and trustful financial information, and enough internal control system. The auditors signed for approval without any notices and the directors, the management or the staff didn't bring any financial information without faithfulness for their own benefit, their family and relatives or others according to their handbooks, and the internal auditors always follow it up and check it over.

### **The investor relations**

In 2011, the company has arranged a responsible officer to basically communicate between the interested persons and the investors and also has often disclosed the diverse and important information which may have effect to the company stocks' price, to acknowledge the investors according to the requirement of the Stock Exchange of Thailand, i.e. the financial statement, the board of directors' approval and the shareholders meeting's approval etc... In 2012, in order to be practical and convenient to the shareholders, the company gives an option for information inquiries through the company website at [info@navatanee.com](mailto:info@navatanee.com).

## **6. Related parties and connected transactions / Inter-transactions**

The Company constitutes the contract performance with Navatanee Co., Ltd. we both are in the same group and development by the founder Mr. Sukum Navapan, the chairman of Navatanee group, including his close relatives who are stakeholder. For benefit & transaction are formed two versions as follows:

### **1. The contract dated on December 31, 1980**

All members of the City Sports and Recreation Public Co., Ltd. have the right to use assets of Navatanee Co., Ltd., as if City Sports and Recreation Public Co., Ltd. is one of the owners by the following conditions

The City Sports and Recreation Public Co., Ltd. has only to pay the deposit to insure damage to Navatane Co., Ltd. for contingent damage at Baht 25 million. There is no other fees will be paid to Navatane Co., Ltd.

1.1 Refer to repairs and maintenance's expense, especially swimming pool, having increased. Navatane Co., Ltd. consents the members of City Sports and Recreation Public Co., Ltd. use club facilities whenever it is open for non-member joined. If it is restrict for members the maintenance expense will be fairly divined and allocated.

1.2 The City Sports and Recreation Public Co., Ltd. consents that Navatane Co., Ltd. or juristic person or any other persons operates in field of pro-soft, restaurant, and clubhouse without any expenses or other remuneration.

The contract period is 30 years from on the 31st December 1980 to 31st December 2010, the contract's right is able to continue in every 10 years which is not over than 2 times. The partners agreed and/or if the City Sports and Recreation Public Co., Ltd. is the landlord and its buildings.

### **The 1<sup>st</sup> extension the period of contract**

The Board of Director Meeting on 15 October 2009 has agreed to extend the period of contract as Navatane Ltd. has agreed upon to other period of 10 years from 31 December 2010 without any other changes in the contract or any other compensation between both party until 31 December 2020.

## **2. The contract dated on June 1, 1997**

The inter-advantage of the contract is to use the land and building as follows:

2.1 The Navatane Co., Ltd., own the title deed of No. 1555, 1556 and 1436 combining area of 24 Rai 2 Ngan 58.3 Square Wah, is located at Kannayao, Bangkok District, Bangkok consents the City Sports and Recreation Public Co., Ltd. to capitalize on land and other parts mentioned on the title deed, to operate business in respect of clubhouse, restaurant, sport club and golf activity. Moreover, the City Sports and Recreation Public Co., Ltd. holds the right to improve such area by their own expenses.

2.2 The City Sports and Recreation Public Co., Ltd., own the title deed of No. 1557 (partial), is located at Kannayao, Bangkok District, Bangkok consents the Navatane Co., Ltd. to capitalize on land and other parts to develop commercial operation according to the Navatane Co., Ltd.'s approval on their on expenses too.

2.3 This contract period is 30 years from 1st June 1997 to 30 May 2027. Each partner has right to continue the contract in every 10 years under conditions and regulations by written notice to another partner within 30 days in advance before the current contract terminated.

2.4 In case of one partner requires changing the purpose of land use. That one has to ask for approval from another partner. In order that another one will give suitable reasons for disapproval as well.

2.5 Both partners agree to look after the area as good as their condition, to take case of repair & maintenance expenses occurred from normal operation and to pay taxes regarding to their responsible areas.

2.6 Both partners have not to use the specific land and other parts for rent or making benefit apart from this agreement, except asking for permission and get the written confirmation from another partner

2.7 Both partners agreed to not sell their own property to other persons, except asking for permission and get the written confirmation from another partner

2.8 Every partner can propose for conveyance from another. The selling prices for register have agreed even and lower than 1 million Baht with the official document. The transferred benefit contract is the disclosure list which can refer to buying or selling assets of the Asset Plus Securities Co., Ltd. as the Independent Financial Advisor. They will share opinion of reasonable list and its value for that land benefit. Moreover, the Thai Property Appraisal Co., Ltd. is responsible for rental appraisal for 30 years on the part of the company will get land benefit from the Navatane Co., Ltd. at total 128,880,000 Baht which has been estimated cost for rent that the Navatane will get land benefit from the company at total 100,800,000 Baht which also is the specified condition for land benefit for proposal offered further to the independent committee, the independent financial advisor and the independent committee bring forward to the shareholders and both lines have same final decision that the mentioned inter-transactions are reasonable as follows

1. The appraisal comparison during 30 years, the getting benefit values over than being bartered.

2. The becoming land right is free of charge from any expense, it doesn't cause of the company's responsibility on the land cost and the company can profit and the investment is worth for the contract session over 30 years.

3. The land right can give the profit to the company. The achieved target is partial use for beautiful golf course & decoration and golf games & players' challenge. Moreover, the mentioned land is also an additional car park (formerly, be short of parking space), the caddies' resting area and some part of the land right is connected to the clubhouse which is the company advantage. There are plans of sport center and health center for further additional golf course business and future increasing revenue. The inter-transaction was approved by common consent in the 1<sup>st</sup> shareholders meeting 1/1997 on 18th April 1997. The shareholders related to gain & loss is no voting right.

In 2010, The board of Director has approved the transactions with Navatane Ltd. which is supporting the normal business with general trading terms as follow:

The company has exchanged the rights to the land with Navatane Ltd. for some related transactions, which have been done since 2540 B.E., because the executives and major shareholders are the same individuals. This exchange of rights is effective for 30 years with 2-time extensions of 10 years each time. The objectives have been to utilize some part of the land to create 6 new holes and to develop the other part to presently accommodate gymnasium, swimming pool and parking lots, which the company considers that this part of the land can be developed to increase revenues for golf courses. In the preliminary consideration, it considers investing in services corresponding to the golf courses such as Sport Complex, Spa, etc. However, the previous economic situations have not been in favor of investment. Moreover, demands of the market have changed. Therefore, the company has to prolong its investment. Also, Navatane Ltd. currently wishes to have a modern sports club to accommodate the landowners of Navatane Village because the old sports club has extremely fallen into decay. It hence proposes to be the investor to renovate all of the areas as well as all the facilities to become attractive and modern, which are suitable for serving customers in the same levels as the golf courses. In return, Navatane Ltd. would like to acquire the membership for the landowners of Navatane Village at the same rates and conditions as available to the public.

Date of the transaction: On July 29, 2010 after the Board of Directors approved the investment of Navatane limited. The construction expected within Sep. 2010 and will be completed in Mar. 2011. Originally, it was expected that the revenue could be known by April 2011, but the design and renovation of the old building that had to avoid the original

structure, therefore, it was delayed and because of the 2011 flood, it was further delayed. It is expected that the building could be open for services in mid-2012.

Total value of the transactions : Navataneer Ltd. will be the investor in renovating and constructing all the buildings as well as providing equipments of the total approximate value of 90-100 million baht in the condition of transactions supporting the normal business similar to general trading. The value of investment capitals may be adjustable, depending on the suitability and demands for services that are currently in the stage of blue-print improvement, which the company will not be the contract signer with the contractor.

Description of the connected persons. (Did not vote this time)

1. Mr. Sukum Navapan major shareholder/CEO
2. Mrs. Maevadi Navapan shareholder/director
3. Miss Prim Guna-kasem shareholder/director

Opinions of the Independent and Audit Committee: Independent and Audit Committee have determined that the transaction is reasonable because the conditions support normal business with general trading terms, which are compatible with those available to the public.

Reasons and necessity of the transactions: The company intends to utilize the areas as a modern sports club to serve golfers and landowners of Navataneer Village, which are deemed as the majority of its clients, as well as the public. In his operation, the contract to exchange rights between City Sports & Recreation Plc. and Navataneer Ltd. will last for only 17 years (excluding the extension of the exchange of rights). When the contract expires, the renovated buildings must be the properties of Navataneer Ltd. Regarding the conditions of the investment proposal that Navataneer Ltd. would grant membership of the sports club to the landowners of Navataneer Village, the company has considered that such investments are in accordance with the objectives and the company need not invest with its capitals. Furthermore, Navataneer Ltd. can also draw a large target group of the sports club's members. Therefore, it is allowed to grant membership to Navataneer Ltd. in the amount of the actual investment and in accordance with the rate specified by the company. Also, any further charges at the rates and terms available to the public, which can be obviously compared with the actual prizes without transferring of any benefits.

In December 2011, Mr. Sukum Navapan is a major shareholder and the chairman of the executive board of directors in both The City Sports and Recreation Public Co., Ltd., and the Navataneer Co., Ltd.

The policy and direction for future inter-transaction None

## **7. Explanation and analysis of financial position and operating result Operating result (of previous year)**

The company revenue is significantly such as the golf course revenue decreased 6.26 million Baht from 2010 at 5.34 % because of flooding caused the number of golf player decreasing and the restaurant revenue decreased 1.49 million Baht which cause of decreasing the business revenue 7.75 million Baht and the company received the dividend income which decreased from last year 5.93 million Baht but interest and other income increased 0.45 million Baht Thus, the total revenue decreased 13.23 million Baht at 8.59%.

The golf course expense increased from the year 2010 amount of 0.60 million Baht due to the accounting for post employment benefits, wage, fuel, and the increased of cost of Sales-Restaurant 0.33 million Baht due to the accounting for post employment benefits.

For the sales and management expense increased from the year 2010 amount of 2.63 million Baht from cost of Sales decreased 0.09 million Baht and management expenses increased 2.11 million Baht and directors remuneration increased 0.61 million Baht

For the company profit, the gross profit margin has decreased from last year amount of 8.68 million Baht at 9.88% from the main income decreased and cost increased. For net profit decreased mainly from dividend income decreased. Thus, it makes profit decreased 17.88 million Baht at 30.02%.

### **Financial Position**

#### **Assets**

The company owns the total assets increased from 2010 at 0.47% because of:

- The total current assets increased 23.71 million Baht because of cash and cash equivalent items increased 6.55 million Baht. Short term investment increased 20.00 million Baht whereas and other current assets decreased 2.84 million Baht.
- The total non current assets decreased 14.97 million Baht because of the long-term investment decreased 4.80 million Baht and the increasing from purchasing Fixed Assets 1.36 million Baht and depreciation decreased 11.96 million Baht and other increased 0.43 million Baht

## **Additional information of The board of directors as of 31 December 2011**

### **1. MR. SUKUM NAVAPAN (The director's who retired by term and re-appoint)**

Positions in the Company	Chairman, CEO
Age	86 years old
Nationality	Thai
Education	Special Lecturer, Thammasat University Member of Executive Board, Wharton School, University of Pennsylvania National Defense College, 1989
Director training program	Director Accreditation Program (DAP)
Experience	-Chairman, ASEAN Banking Council -Chairman, Thai Bankers Association -Chairman, Ideal Standard (Thailand) Co., Ltd. -Chairman, Siam Ready Food Co., Ltd. -Chairman, Hyatt Rama Hotel -President, Thai Military Band -Managing Director, The General Insurance Co., Ltd. -Managing Director, The United Insurance Co., Ltd. -Board member, Goldenland Plc. -Board member, Bangkok Intercontinental Hotel Co., Ltd. -Board member, Bangna Central Property Co., Ltd. -Board member, Klay and Mineral Co., Ltd. -Board member, Siam Food Plc. -Board member, American Standard Sanitaryware (Thailand) PLC.
Positions in other listed Companies	None
Positions in non-listed companies	-Chairman, Navanatee Group of Companies -Board member, Siam Piwat Co., Ltd. -Advisor, Eastern Seaboard Industrial Estate (Rayong) Co., Ltd.
No. of years on the board	41 years
CSR shareholding	14,536,532 shares or 70.91%
Meeting attendance in 2011	Board of Directors Meeting, 5 of 5 Meeting
Other information	No legal dispute over the past 5 years No conflict of interest transaction with the company in 2011

## 2. ACM. KAMTHON SINDHVANANDA

Positions in the Company	Independent Director
Age	85 years old
Nationality	Thai
Education	<ul style="list-style-type: none"><li>-B. Eng-EE, Chulalongkorn University</li><li>-Honorary Degree, Doctor of Engineering, King Mongkut's Institute of Technology North Bangkok</li><li>-Honorary Degree, Doctor of Engineering, Kasetsart University</li><li>-Honorary Degree, Doctor of Engineering, Chulalongkorn University</li><li>-Honorary Degree, Doctor of Engineering, Prince of Songkha University</li><li>-Honorary Degree, Doctor of Engineering, Siam University</li><li>-Honorary Degree, Doctor of Philosophy (Public Administration), The National Institute of Development Administration</li><li>-Honorary Degree, Doctor of Arts, Southeast Bangkok College</li><li>-Honorary Degree, Doctor of Engineering, Eastern Asia University</li></ul>
Director training program	<ul style="list-style-type: none"><li>-Chairman 2000 Program, Thai Institute of Directors Association</li><li>-Finance for Non-Finance Directors, Thai Institute of Directors Association</li><li>-Director Accreditation Program (DAP)</li></ul>
Previous Experience	<ul style="list-style-type: none"><li>-Member of National Legislative Assembly</li><li>-Founder and Chairman of The Institute of Electrical and Electronics Engineer Inc. Thailand Section</li><li>-Senator</li><li>-Governor, Electricity Generating Authority of Thailand</li><li>-Chairman, The Executive Committee, Suan Luang Rama IX Park Foundation</li><li>-President, The Engineering Institute of Thailand Under H.M. The King's Patronage</li></ul>
Other Current Positions	<ul style="list-style-type: none"><li>-Chairman of Advisors to the Board of Directors, Petroleum Institute of Thailand</li><li>-Vice Chairman, Sai Jai Thai Foundation Under Royal Patronage</li><li>-Privy Councillor</li><li>-Chairman, Foundation for Petroleum Institute of Thailand</li><li>-Vice Chairman, The Royal Project Foundation</li><li>-Chairman, Suan Luang Rama IX Park Foundation</li><li>-Chairman and Director, Tapasa Foundation</li><li>-Chairman, The Royal Scholarship for Thai Prioat Project</li></ul>
No. of years on the board	14 years
CSR shareholding	None
Positions in rival companies/ Related companies	None
Meeting attendance in 2011	Board of Directors Meeting 4 of 5 Meeting
Other information	<p>No legal dispute over the past 5 years</p> <p>No conflict of interest transaction with the company in 2011</p>

#### 4. MR. CHACKCHAI PANICHAPAT

Positions in the Company	Independent Director, Audit Committee, The Nomination and Remuneration Committee
Age	73 years old
Nationality	Thai
Education	-B.E.(Electrical Engineering), Chulalongkorn University -M.E. (Electrical Engineering), University of Texas, Austin, U.S.A. -Certificate, Defense College
Director training program	-Director Accreditation Program (DAP) -Finance for Non-Finance Director (FN) -Director Certification Program (DCP) -Role o Compensation Committee (RCC)
Experience	Deputy Secretary General of the Board of Investment
Positions in other listed Companies	-Director and Executive Director, Amata Corporation Pcl. -Independent Director, Saha Union Pcl. -Independent Director , Chairman Magnecomp Precision Technology Pcl. -Independent Director and member of the Audit Committee, Kang Yong Electric Pcl.
Positions in non-listed companies	-Chairman, Precipart Co.,Ltd. -Chairman, Amata Water Co.,Ltd. -Chairman, Amata Vienam Co.,Ltd. -Chairman of the Executive Board, Amata City Co.,Ltd. -Director, Union Energy Co.,Ltd. -Director, San Miguel Beer (Thailand) Co.,Ltd. -Director, San Miguel Marketing (Thailand) Co.,Ltd.
No. of years on the board	14 years
CSR shareholding	None
Positions in rival companies/ Meeting attendance in 2011	Related companies None Board of Directors Meeting, 5 of 5 Meeting Audit Committee Meeting 5 of 5 Meeting The Nomination and Remuneration Committee Meeting 2 of 2 Meeting
Other information	No legal dispute over the past 5 years No conflict of interest transaction with the company in 2011

## 5. MR. NIBHOND CHARANVAS

Positions in the Company	Independent Director , Audit Committee , The Nomination and Remuneration Committee
Age	81 years old
Nationality	Thai
Education	Bachelor Degree in Business Administration Temple University Philadelphia, USA
Director training program	Director Accreditation Program (DAP) year 2004
Experience	Branch Manager – TMB Bank
Positions in other listed companies	Honorary Chairman, Thai Metal Drum Mfg. Public Co.,Ltd.
Positions in non-listed companies	President of Pimalai Resort & Spa Co., Ltd.
No. of years on the board	21 years
CSR shareholding	100,831 shares or 0.49%
Positions in rival companies/	Related companies None
Meeting attendance in 2011	Board of Directors Meeting 5 of 5 Meeting Audit Committee Meeting 5 of 5 meeting The Nomination and Remuneration Committee 2of 2 meeting
Other information	No legal dispute over the past 5 years No conflict of interest transaction with the company in 2011

**6. GEN. PAIBOON KANCHANAPIBOON** (The director's who retired by term and re-appoint)

Positions in the Company	Independent Director, Audit Committee, The Nomination and Remuneration Committee
Age	65 years old
Nationality	Thai
Education	MBA, NIDA
Director training program	Director Accreditation Program (DAP) Director Certification Program (DCP)
Experience	Nida Development Fund Manager ( Jan. 2010 to present) Artillery center commander (1995-1999) Former Commanding General, Army Weapon Production Center (1999-2000) Senior Advisor Office of the Under-Secretary of Ministry - of Defense (2004) Former Special Expert, Royal Thai Army (2000-2005)
Positions in other listed companies	None
Positions in non-listed companies	None
No. of years on the board	14 years
CSR shareholding	None
Positions in rival companies//Related companies	None
Meeting attendance in 2011	Board of Directors Meeting 5 of 5 Meeting Audit Committee Meeting 5 of 5 Meeting The Nomination and Remuneration Committee Meeting 2 of 2 Meeting
Other information	No legal dispute over the past 5 years No conflict of interest transaction with the company in 2011

## 7. MRS. MAEVADI NAVAPAN (The director's who retired by term and re-appoint)

Positions in the Company	Executive Director
Age	68 years old
Nationality	Thai
Education	Barrister-at-law, Middle Temple, England, 1964 Barrister-at-law, Thailand, 1976 National Defense College, 1989 Director training program Director Accreditation Program (DAP)
Experience	-Founder and Chairman of Siew-Matsushita Foundation -Chairman of Savita Foundation -Director of Sukumo Foundation -Director of John F. Kennedy Foundation in Thailand -President of Women Lawyers' Association of Thailand Under The Royal Patronage of HM The Queen -President of Thailand Amateur Ladies Golf Association -Director of Thai Chamber of Commerce -Member of Law Reform Commission -Member of the National Legislative Assembly -Member of the Compensation Fund Committee -Member of the Kasetsart University Council -Executive Director of the Federation of Thai Industries -Executive Director of the International Federation of Women Lawyers
Positions in other listed Companies	None
Positions in non-listed companies	-Founder and Board Chairman of Siew-National Co., Ltd., -Chairman Emeritus of National Thai Co., Ltd., -Chairman of Siew Co., Ltd.
No. of years on the board	27 years
CSR shareholding	14,536,532 shares or 70.91%
Positions in rival companies/Related companies	None
Meeting attendance in 2011	Board of Directors Meeting, 5 of 5 Meeting
Other information	No legal dispute over the past 5 years No conflict of interest transaction with the company in 2011

## 8. MS. PRIM GUNA-KASEM

Positions in the Company	Executive Director
Age	47 years old
Nationality	Thai
Education	MBA, SASIN GRADUATE INSTITUTE OF BUSINESS ADMINISTRATION
Director training program	Director Accreditation Program (DAP)
Experience	Asst.Manager, Project Department (AVP), Bangkok Bank Public Company Limited
Positions in other listed Companies	None
Positions in non-listed companies	Director, Navatanee Ltd. Director, Unity Development Co.Ltd. Director, Navapanich Co.,Ltd. Director, Navasin Co.,Ltd. Director, Navawattana Co.,Ltd. Director, Sarapa Co.,Ltd. Partnership Manager, Ramintra Ltd. Part.
No. of years on the board	18 years
CSR shareholding	824,599 shares or 4.02%
Positions in rival companies/Related companies	None
Meeting attendance in 2011	Board of Directors Meeting, 5 of 5 Meeting
Other information	No legal dispute over the past 5 years No conflict of interest transaction with the company in 2011

## **9. MR. KITTIDEJ CHARUSATHIARA**

Positions in the Company	Director
Age	37 years old
Nationality	Thai
Education	MBA, Leadership Management Lavern University, California, USA
Director training program	Director Accreditation Program (DAP)
Experience	The Executive Management of North Star World Ltd.
Positions in other listed companies	None
Positions in non-listed companies	Managing Director of North Star World Ltd.
No. of years on the board	5 years
CSR shareholding	1,500 shares or 0.00%
Positions in rival companies/Related companies	None
Meeting attendance in 2011	Board of Directors Meeting 2 of 5 Meeting
Other information	No legal dispute over the past 5 years No conflict of interest transaction with the company in 2011

## 10. MR. SUKUMA JAYANANDA

Positions in the Company	Managing Director
Age	32 years old
Nationality	Thai
Education	- Bachelor of Science, Chulalongkorn University - PROFESSIONAL GOLF MANAGEMENT, From PROFESSIONAL GOLFERS CAREER COLLEGE, CA, USA
Director training program	- Successful Formulation and Execution (SFE) - Role of the Compensation Committee (RCC) - Audit Committee Program (ACP) - Director Accreditation Program (DAP) - Financial Statements for Director (FSD) - Director Certification Program (DCP)
Experience	- Executive Director/Acting Managing Director, City Sports & Recreation Plc. (appointed on 29 July 2010) - Director of golf, City Sports & Recreation Plc. (Aug. 2004-28 July 2010) - BEAR CREEK GOLF COURSE, CA, USA (2003-2004)
Positions in other listed companies	None
Positions in non-listed companies	None
No. of years on the board	1 year 5 months
CSR shareholding	144,500 shares or 0.70%
Positions in rival companies/Related companies	None
Meeting attendance in 2011	Board of Directors Meeting, 5 of 5 Meeting
Other information	No legal dispute over the past 5 years No conflict of interest transaction with the company in 2011

## **Additional information of The executive management as of 31 December 2011**

<b>1. Mr. Sukum Navapan</b>	CEO	details has shown on page 30
<b>2. Mrs. Maevadi Navapan</b>	Executive Director	details has shown on page 35
<b>3. Ms. Prim Guna-Kasem</b>	Executive Director	details has shown on page 36
<b>4. Mr. Sukuma Jayananda</b>	Managing Director	details has shown on page 38

### **5. Mr. Pracha Boonsomphong**

Rank: Superintendent  
Age: 60 years old  
Nationality: Thai  
Education: MS Corp. Science MPS. Community & Rural Development, Central Luzon State University, Philippines  
Experience: Golf Course Manager/Superintendent, Taimuang Beach Resort  
No. of years: 13 years  
CSR shareholding: -none-  
Position in listed-non listed company -none-  
Positions in Rival companies/Related company -none-

### **6. Mrs. Patcharaporn Julothai**

Rank: Administrative manager/Company secretary  
Age: 51 years old  
Nationality: Thai  
Education: B.A. (Management), The Institute of Technology & Vocational Education  
Experience: Office Secretary  
No. of years: 27 years  
CSR shareholding: 11,500 shares or 0.06%  
Position in listed-non listed company -none  
Positions in Rival companies/Related company -none

### **7. Mrs. Chutima Sunthornmonthol**

Rank: Financial Manager  
Age: 48 years old  
Nationality: Thai  
Education: BA (Accounting), Dhurakijpundit University  
Experience: Chief accountant  
No. of years: 19 years  
CSR shareholding: -none-  
Position in listed-non listed company -none  
Positions in Rival companies/Related company -none

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**(TRANSLATION)**

**AUDIT REPORT OF CERTIFIED PUBLIC ACCOUNTANT**

To the Board of Directors and Shareholders of CITY SPORTS AND RECREATION PUBLIC COMPANY LIMITED

I have audited the accompanying statements of financial position as of December 31, 2011 and 2010, the statements of comprehensive incomes, the statements of changes in shareholders' equity, and the statements of cash flow for the year then ended of CITY SPORTS AND RECREATION PUBLIC COMPANY LIMITED. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position as of December 31, 2011 and 2010, the results of its operation and cash flow for the year then ended of CITY SPORTS AND RECREATION PUBLIC COMPANY LIMITED in accordance with generally accepted accounting principle.

As mentioned in note to financial statements No 3.1, for the year ended December 31, 2011, the Company applied the newly and revised financial reporting standards issued by the Federation of Accounting Professions, which are effective for accounting periods beginning on or after January 1, 2011, onward, for applied them in its preparation and presentation of the accompanying financial statement. The financial statements for the year ended December 31, 2010, have been new format presented in accordance with the financial statements for the year ended December 31, 2011.

S.K. ACCOUNTANT SERVICES COMPANY LIMITED

(Wanraya Puttasatian)

Authorized Auditor No. 4387

Bangkok,

February 13, 2012

**CITY SPORTS AND RECREATION PUBLIC COMPANY LIMITED**

**STATEMENTS OF FINANCIAL POSITION**

As of December 31, 2011 and 2010

		December 31, 2011	December 31, 2010
		Baht	Baht
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalent	(Note 7)	17,575,769.87	11,018,735.42
Temporary Investment	(Note 9)	20,000,000.00	-
Accounts Receivable	(Note 8)	220,530.72	180,646.07
Inventories		525,181.47	504,380.46
Other Current Assets			
Accrued Interest Receivable		443,353.25	302,110.61
Accrued Interest Dividends		-	3,004,059.43
Others		157,793.75	200,335.57
<b>TOTAL CURRENT ASSETS</b>		<b>38,922,629.06</b>	<b>15,210,267.56</b>
<b>NON - CURRENT ASSETS</b>			
Loans to Employees		534,000.00	513,300.00
Long - Term Investment	(Note 9)	416,449,571.18	421,245,584.15
Investment Property	(Note 10)	9,060,000.00	9,060,000.00
Property, Plant and Equipment - Net	(Note 11)	1,357,817,367.89	1,368,421,442.62
Other Non - Current Assets			
Pledged Fixed Account	(Note 12)	5,129,518.00	5,121,126.42
Security Deposit	(Note 13)	25,000,000.00	25,000,000.00
Others		528,750.00	123,750.00
<b>TOTAL NON - CURRENT ASSETS</b>		<b>1,814,519,207.07</b>	<b>1,829,485,203.19</b>
<b>TOTAL ASSETS</b>		<b>1,853,441,836.13</b>	<b>1,844,695,470.75</b>

Note to financial statements are an integral part of these statement.

**CITY SPORTS AND RECREATION PUBLIC COMPANY LIMITED**

**STATEMENTS OF FINANCIAL POSITION**

As of December 31, 2011 and 2010

	December 31, 2011	December 31, 2010
	Baht	Baht
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	1,134,045.86	890,857.95
Other Current Liabilities		
Accrued Corporate Income Tax Payable	5,314,849.45	6,789,416.86
Deferred Memberships Due Revenue	2,229,759.24	2,415,522.78
Others	6,047,011.82	5,436,721.06
<b>TOTAL CURRENT LIABILITIES</b>	<b>14,725,666.37</b>	<b>15,532,518.65</b>
<b>NON - CURRENT LIABILITIES</b>		
Provision of Employee Benefit (Note 14)	3,862,083.19	-
<b>TOTAL NON - CURRENT LIABILITIES</b>	<b>3,862,083.19</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>18,587,749.56</b>	<b>15,532,518.65</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital (Note 15)		
Authorized Share Capital		
20,500,000 Ordinary Shares @ Baht 10	205,000,000.00	205,000,000.00
Issued and Paid - Up Share Capital		
20,500,000 Ordinary Shares @ Baht 10	205,000,000.00	205,000,000.00
Premiums on Share Capital	93,200,000.00	93,200,000.00
Retained Earnings		
Appropriated		
Legal Reserve	20,500,000.00	20,500,000.00
Unappropriated	183,877,602.10	179,109,254.95
Other Components of Equity	1,332,276,484.47	1,331,353,697.15
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,834,854,086.57</b>	<b>1,829,162,952.10</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,853,441,836.13</b>	<b>1,844,695,470.75</b>

Note to financial statements are an integral part of these statement.

**CITY SPORTS AND RECREATION PUBLIC COMPANY LIMITED**

**STATEMENTS OF COMPREHENSIVE INCOME**

For the year ended December 31, 2011 and 2010

	December 31, 2011	December 31, 2010
	Baht	Baht
Revenue from Golf Course		
Service	110,901,877.30	117,158,655.18
Restaurant Income	22,059,907.62	23,549,346.85
<b>TOTAL INCOME</b>	<b>132,961,784.92</b>	<b>140,708,002.03</b>
Golf Course Cost	(37,032,919.40)	(36,428,985.46)
Cost of Sales-Restaurant	(16,721,173.46)	(16,388,057.17)
<b>TOTAL COST</b>	<b>(53,754,092.86)</b>	<b>(52,817,042.63)</b>
<b>GROSS PROFIT</b>	<b>79,207,692.06</b>	<b>87,890,959.40</b>
Dividend Income	5,185,382.55	11,120,464.51
Interest Income	1,577,547.93	1,423,196.78
Others Income	1,030,885.13	733,459.11
<b>PROFIT BEFORE EXPENSES</b>	<b>87,001,507.67</b>	<b>101,168,079.80</b>
Selling Expenses	(1,865,229.11)	(1,951,823.46)
Administrative Expenses	(18,815,415.23)	(16,705,745.99)
Management Benefit Expense (Note 17)	(7,466,918.87)	(6,854,905.00)
<b>TOTAL EXPENSES</b>	<b>(28,147,563.21)</b>	<b>(25,512,474.45)</b>
<b>PROFIT BEFORE INCOME</b>		
<b>TAX</b>	<b>58,853,944.46</b>	<b>75,655,605.35</b>
Income Tax (Note 18)	(17,185,597.31)	(16,108,401.47)
<b>PROFIT FOR THE PERIOD</b>	<b>41,668,347.15</b>	<b>59,547,203.88</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Unrealized Gain of Securities Available for Sale	922,787.32	888,878.21
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>922,787.32</b>	<b>888,878.21</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>42,591,134.47</b>	<b>60,436,082.09</b>
BASIC EARNINGS PER SHARE	2.03	2.90

Note to financial statements are an integral part of these statement.

## CITY SPORTS AND RECREATION PUBLIC COMPANY LIMITED

## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2011 and 2010

	Issued and Paid-up Share Capital	Premiums on Share Capital	Retained Earnings		Other Components of Equity		Total
			Appropriated Legal Reserve	Unappropriated	Surplus on Land Revaluation	Unrealized Gain (Loss) of Securities Available for Sale	
	Baht	Baht	Baht	Baht	Baht	Baht	Baht
<b>Balance as of December 31,</b>							
<b>2009</b>	<b>205,000,000.00</b>	<b>93,200,000.00</b>	<b>20,500,000.00</b>	<b>158,512,051.07</b>	<b>1,335,699,440.09</b>	<b>(5,234,621.15)</b>	<b>1,807,676,870.01</b>
(Note Dividend Payment 16.1)	-	-	-	(38,950,000.00)	-	-	(38,950,000.00)
Total Comprehensive Income for the Period	-	-	-	59,547,203.88	-	888,878.21	60,436,082.09
<b>Balance as of December 31,</b>							
<b>2010</b>	<b>205,000,000.00</b>	<b>93,200,000.00</b>	<b>20,500,000.00</b>	<b>179,109,254.95</b>	<b>1,335,699,440.09</b>	<b>(4,345,742.94)</b>	<b>1,829,162,952.10</b>
(Note Dividend Payment 16.2)	-	-	-	(36,900,000.00)	-	-	(36,900,000.00)
Total Comprehensive Income for the Period	-	-	-	41,668,347.15	-	922,787.32	42,591,134.47
<b>Balance as of December 31,</b>							
<b>2011</b>	<b>205,000,000.00</b>	<b>93,200,000.00</b>	<b>20,500,000.00</b>	<b>183,877,602.10</b>	<b>1,335,699,440.09</b>	<b>(3,422,955.62)</b>	<b>1,834,854,086.57</b>

Note to financial statements are an integral part of these statement.

**CITY SPORTS AND RECREATION PUBLIC COMPANY LIMITED**

**STATEMENTS OF CASH FLOW**

**For the year ended December 31, 2011 and 2010**

	<b>December 31, 2011</b>	<b>December 31, 2010</b>
	<b>Baht</b>	<b>Baht</b>
<b>CASH FLOW FROM OPERATION ACTIVITIES</b>		
Profit before Income Tax	58,853,944.46	75,655,605.35
Adjustment to Profit before Income Tax		
for Cash Received (Paid) from		
Operations		
Depreciation	11,959,657.76	13,015,181.85
(Gain) Loss from Disposal of		
Long - Term Investment	(444,061.26)	(135,303.74)
(Gain) Loss from Disposal of		
Fixed Assets	-	960.10
Loss from Write off of Fixed		
Assets	34.00	-
Dividend Income	(5,185,382.55)	(11,120,464.51)
Interest Income	(1,577,547.93)	(1,423,196.78)
Provision of Employee Benefit	3,932,083.19	-
Profit from Operation Activities before Changes in		
Operating Assets and Liabilities	67,538,727.67	75,992,782.27
(Increase)Decrease in Accounts Receivable	(39,884.65)	53,563.62
(Increase)Decrease in Inventories	(20,801.01)	49,337.49
(Increase)Decrease in Other Current Assets	42,541.82	(37,069.48)
(Increase)Decrease in Loans to Employees	(20,700.00)	(35,800.00)
(Increase) Decrease in Other Non-Current		
Assets	(405,000.00)	(2,000.00)
Increase(Decrease) in Accounts Payable	243,187.91	(948,246.75)
Increase(Decrease) in Deferred Memberships Due Revenue	(185,763.54)	(537,265.69)
Increase(Decrease) in Other Current Liabilities	610,290.76	1,538,454.09
Increase(Decrease) in Provision of Employee		
Benefit	(70,000.00)	-
Cash Received(Paid) from Operation		
Activities	67,692,598.96	76,073,755.55
Cash Paid for Income Tax	(18,660,164.72)	(16,539,799.06)
<b>Net Cash Provided (Used) from Operating Activities</b>	<b>49,032,434.24</b>	<b>59,533,956.49</b>

**Note to financial statements are an integral part of these statement.**

**CITY SPORTS AND RECREATION PUBLIC COMPANY LIMITED**

**STATEMENTS OF CASH FLOW**

**For the year ended December 31, 2011 and 2010**

	<b>December 31, 2011</b>	<b>December 31, 2010</b>
	<b>Baht</b>	<b>Baht</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Cash Received from Sale of Long - Term Investment	10,162,861.55	45,297,859.46
Cash Paid for Purchase Long - Term Investment	(24,000,000.00)	(78,002,399.95)
Cash Received from Sale of Fixed Assets	-	2,024.00
Cash Paid for Purchase of Fixed Assets	(1,355,617.03)	(6,699,014.62)
(Increase)Decrease in Pledged Fixed Account	(8,391.58)	(8,498.26)
Cash Received from Dividend Income	8,189,441.98	10,119,111.37
Cash Received from Interest Income	1,436,305.29	1,424,590.31
<b>Net Cash Provided (Used) from Investing Activities</b>	<b>(5,575,399.79)</b>	<b>(27,866,327.69)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Cash Payment for Dividends	(36,900,000.00)	(38,950,000.00)
<b>Net Cash Provided (Used) from Financing Activities</b>	<b>(36,900,000.00)</b>	<b>(38,950,000.00)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalent</b>	<b>6,557,034.45</b>	<b>(7,282,371.20)</b>
<b>Cash and Cash Equivalent at the Beginning Balance</b> (Note 7)	<b>11,018,735.42</b>	<b>18,301,106.62</b>
<b>Cash and Cash Equivalent at the Ending Balance</b> (Note 7)	<b>17,575,769.87</b>	<b>11,018,735.42</b>

**Note to financial statements are an integral part of these statement.**

# CITY SPORTS AND RECREATION PUBLIC COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS

As of December 31, 2011 and 2010

### 1. General Information

The Company was registered as a corporate entity under the Civil and Commercial code on December 22, 1970, and was registered as a public company on June 22, 1993, the Company registration number 0107526000552. Its office is situated at 22 Navatanee Road, Ramindra, Kannayao Subdistrict, Ramindra, Bangkok. Its main business activity is a golf course and restaurant.

### 2. The Basis of Financial Statements Preparation

- 2.1 The Company had prepared the financial statements in accordance with accounting standards, financial reporting standards including related interpretations and guidelines promulgated by the Federation of Accounting Professions, applicable rules and regulation of the Securities and Exchange Commission and with generally accepted accounting principles in Thailand.
- 2.2 The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies.
- 2.3 In order to prepare the financial statements to comply with generally accepted accounting standards, the Company's management had to make some estimates and suppositions which may have an effect on the amount shown for revenues, expenses, assets and liabilities and also on the disclosures concerning assets and contingent liabilities, therefore the actual result may differ from the estimated amount.
- 2.4 For the convenience of the user, and English translation of the financial statements has been prepared from the statutory financial statements that are issued in the Thai language.
- 2.5 The financial statement of the Company have been reclassified in order to facilitate comparative analysis as of December 31, 2010, with those financial statement as present period which has not effect to profit for the period or shareholder's equity as follows:

<u>Reclassification of Accounts</u>	As of December 31, 2010		
	Before	Reclassification	After
	Reclassification	Reclassification	Reclassification
	Baht	Baht	Baht
<b>Statement of Financial Position</b>			
Cash and Cash Equivalent	11,248,259.60	(229,524.18)	11,018,735.42
Bank Overdrafts	229,524.18	(229,524.18)	-

### **3. Adoption of New Accounting Standards, Financial Reporting Standards, Interpretation Accounting Standards and Financial Reporting Standards and Amendments to Accounting Standards**

3.1 The Company adopted the new accounting standards, financial reporting standards, interpretation accounting standards, interpretation financial reporting standards and amendments to accounting standard by the Federation of Accounting Professions has issued Notification No. 17/2010, No. 50 to No. 55/2010 and No. 8/2011. These are effective for accounting periods beginning on or after January 1, 2011, as follows :

Framework for Preparation and Presentation of Financial Statements (revised 2009)

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

3.2 New accounting standard, interpretation accounting standard and amendments to accounting standards by the Federation of Accounting Professions has issued Notification No. 16/2009, No. 17/2010, No. 51/2010 and No. 5 to No. 7/2011. These are effective for accounting periods beginning on or after January 1, 2012 and 2013, the Company does not early adopted, as follows:

Accounting Standard effective as of January 1, 2012

TAS 20	Accounting for Government Grants and Disclosure of Government Assistance
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Accounting Standard effective as of January 1, 2013

TAS 12	Income Taxes
TAS 20 (Revise 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (Revise 2009)	The Effects of Changes in Foreign Exchange Rates
SIC 10	Government Assistance – No Specific Relation to Operation Activities
SIC 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
SIC 25	Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholder

The management of the Company has assessed the effects of new accounting standards, and interpretation accounting standards believes that these standards will not have any significant impact on the financial statements for the year in which they are initially applied.

#### **4. Summary of Significant Accounting Policies**

##### **4.1 Recognition of Revenues**

- Revenue from goft course service and revenue from rental of golf cart are recongnized when service have been provided to customer.
- Revenue from sales is recognized when are delivered.
- Memberships due are recognized in accordance with the period of time.
- Revenue from interest income is recognized over the term of borrowing and calculate from the outstanding principal.
- Dividend income for investment is recognized when have right to receive dividend.

##### **4.2 Recognition of Expenses**

- Expenses are recognized on an accrual basis.

##### **4.3 Cash and Cash Equivalent**

Cash and cash equivalent are included cash at banks in saving accounts, current accounts and fixed accounts not over than 3 months and free from any guarantees.

#### 4.4 Trade Accounts Receivable, Other Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable and other accounts receivable are stated at the net realizable value, Allowance for doubtful accounts estimate from those accounts receivable which are likely to be uncollectible.

#### 4.5 Inventories

Inventories are valued at the lower of first-in first-out cost or net realizable value.

#### 4.6 Long-term Investment

- Investment in marketable security which the Company treated as available for sale securities which is investment in mutual fund at fair value and calculation of net asset value per on measurement investments. The Company are recognized change to value as separated items under shareholders' equity and recorded under statements of comprehensive income when the Company had disposed such investments.
- Held to maturity debt instrument stated at cost.

#### 4.7 Investment Property

The Company's investment property is their owned land without specific purpose of use in the future and/or exploiting for appreciation of the asset. The Company measures the investment property by the cost value, deducted the allowance for impairment, (if any).

#### 4.8 Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and calculated on a straight-line method over their approximate useful-life as follows:

- |   |               |
|---|---------------|
| - Road of golf course                     | 10 years      |
| - Accessories and golf course improvement | 5 – 20 years  |
| - Buildings and constructions             | 10 – 20 years |
| - Building improvements                   | 10 years      |
| - Equipment and vehicles                  | 5 years       |

Land is revalued, accounted by arranged values which the Company holds policy that appraisal is arranged to revalue of assets every 3-5 years. During the period if there are any other factors which materially affect the value of assets, the Company arranges for new appraisal in that year. Any increase of new appraised price is regarded as surplus from assets appraisal in the caption of shareholders' equity and any decrease of new appraised price that more increase appraisal is regarded as loss from decrease in assets value in the statement of comprehensive income.

#### 4.9 Impairment

The carrying amounts of the Company's assets are reviewed at each the statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Impairment with cost, if an asset's carrying amount or cash-generating unit exceeds its recoverable amount, the Company will recognize an impairment loss in the statement of comprehensive income.

##### Calculation of recoverable amount

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

##### Reversals of impairment

- An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.
- An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. All reversals of impairment losses are recognized in the statement of comprehensive income.

#### 4.10 Accounts Payable and Others Payable

Accounts payable and others payable were shown in cost method.

#### 4.11 Employee Benefit

- The Company recognized salary, bonus and social security fund as expense on date the transaction occurs.
- The Company recognized post employment benefits to or retirement indemnity employees under the labor laws applicable in Thailand. The Company has recorded the liabilities in respect of employee benefits which are the present value of the defined benefit obligations calculated by an independent actuary in accordance with the actuarial technique, and discounted benefit by the projected unit credit method. The present value of the defined benefit obligations are determined by discounting estimated future cash flows using yields on the government bonds which have terms to maturity approximating the terms of related liability. The estimated future cash flows shall reflect employee salaries, turnover rate, mortality, length of service and other. The Company recorded

provision of employee benefit is non – current liabilities. The costs associated with providing these benefits are charged to the statements of comprehensive income so as to spread the cost over the employment period during which the entitlement to benefits is earned.

#### 4.12 A Provision of Liabilities

The Company provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

#### 4.13 Earnings per Share

Primary earnings per share are calculated by dividing the profit for the period with the weighted averaged number of issued and paid-up shares. The Company did not calculate the fully diluted earnings per share since it has no ordinary share equivalents.

#### 4.14 Appropriation of Retained Earnings

The appropriation of retained earnings is attributable to the Public Company Act B.E. 2535 (1992). The Company will appropriate legal reserve when approved by the Annual General Shareholders' Meeting.

#### 4.15 Financial Instrument

Financial instrument, Financial assets reflected in the statement of financial position are composed of cash and bank deposit, investment, trade account receivable. Financial liabilities reflected in the statement of financial position are composed of accounts payable. Related accounting policies of financial assets and liabilities were disclosed in each section.

## 5. Effect from First Time Adoption of Thai Financial Reporting Standards

From January 1, 2011, consequent to the adoption of new and revise accounting standards and financial reporting standards according to note 3.1, the Company has changes its accounting policy as follows:

5.1 The Company applied the Accounting Standard No. 19 regarding employee benefits. In respect of the changes of accounting policy, the Company recognized the additional liabilities under the employee benefits incurred in the past the accumulated until December 31, 2010, amount of Baht 3,435,965.07, the recognition as an expense in full amount through the statement of comprehensive income to be conform to the requirement of that accounting standards, which there is affected result to the financial statements as follows:

<u>Adjustment of Financial Statements</u>	Baht
<b>Statement of Financial Position as of December 31, 2011</b>	
Non – Current Liabilities	
Increase in Provision of Employee Benefit	3,435,965.07
<b>Statement of Comprehensive Income for the year ended December 31, 2011</b>	
Increase in Golf Course Cost	1,506,331.81
Increase in Cost of Sales-Restaurant	697,113.99
Increase in Administrative Expenses	1,232,519.27
Decrease in Primary earnings per share	(0.17)

5.2 The Company applied the Accounting Standards No. 40 (revised 2009) regarding investment property. In respect of the changes of accounting policy, while there is affected result to the financial statements as follows:

<u>Reclassification of Accounts</u>	As of December 31, 2010		
	Before Reclassification	Reclassification	After Reclassification
	Baht	Baht	Baht
<b>Statement of Financial Position</b>			
Investment Property	-	9,060,000.00	9,060,000.00
Land Not Used for Operation	9,060,000.00	(9,060,000.00)	-

## 6. Inter-transactions

During the period, the Company had significant business transactions with the related company. Such transactions, which have been concluded on commercial terms and bases agreed upon between the Company and these companies are in ordinary course of business are summarized as follows:

### 6.1 Inter Revenue and Expenses

	Pricing Policy	For the year ended	
		December 31, 2011 Baht	December 31, 2010 Baht
<b>Transactions with related company</b>			
Revenue from sale	Price that comparable with outsiders	214,384.29	236,198.32

### 6.2 Inter - Assets and Liabilities

		As of	
		December 31, 2011 Baht	December 31, 2010 Baht
<b><u>Inter - Assets</u></b>			
Trade account receivable			
Related company			
Navatanee Co., Ltd.		20,261.25	15,098.75
Security Deposit			
Related company			
Navatanee Co., Ltd.		25,000,000.00	25,000,000.00

6.3 The Company constitutes the contract performance with Navatanee Co., Ltd. amount 2 versions as follows:

6.3.1 Contract to the right exercise to use asset dated on December 31, 1980, carried the period of 30 years and hold the right to renew the contract by 2 times each of which is 10 years. On October 15, 2009, the Company has considered to renew the contract life to the right exercise to use asset with Navatanee Co., Ltd. for another ten years commenced from the date that such contract will be matured in the first period on December 31, 2010 to be the date the contract is matured on December 31, 2020 while there is inter-commitment as follows:

City Sports and Recreation Public Co., Ltd.

1. City Sports and Recreation Public Co., Ltd. consents that Navatanee Co., Ltd. or juristic person or any other person operates in field of prosoft, restaurant, or creation service without any other remuneration.
2. City Sports and Recreation Public Co., Ltd. has placed deposit so as to insure damage at Navatanee Co., Ltd. for contingent damage from the use of car parking, swimming pool and locker rooms by Baht 25 million throughout the contract life.

Navatanee Co., Ltd.

1. Navatanee Co., Ltd. consents the members of City Sports and Recreation Public Co., Ltd. (membership of golf and family) use every service which related to sport and swimming pool, car parking, locker rooms as if City Sports and Recreation Public Co., Ltd. is the owner without any remuneration to repay to Navatanee Co., Ltd.
- 6.3.2 The contract to exchange exercise right to use the land and building dated on June 1, 1997, carried the period of 30 years commenced from June 1, 1997 to May 30, 2027 and hold the right to renew the contract by another 10 years each while there is inter-commitment as follows:

City Sports and Recreation Public Co., Ltd.

- City Sports and Recreation Public Co., Ltd. agrees to consent that Navatanee Co., Ltd., to exploit land in the title deed of No. 1557 (some part) which is located at Kunnayao Subdistrict, Bangkok District, Bangkok. It constitutes the area of 24 Rais 2 Ngan 58.3 Square Wa and equipped land so as for develop in commercial field in accordance with Navatanee Co., Ltd. consent by expense of Navatanee Co., Ltd. itself.

Navatanee Co., Ltd.

- Navatanee Co., Ltd. agrees to consent that City Sports and Recreation Public Co., Ltd., to exploits land in the title deed of No. 1555, 1556 and 1436 which is located at Kannayao Subdistrict, Bangkok District, Bangkok. It constitutes the area of 24 Rais 2 Ngan 58.3 Square Wa and equipped land so as to operate business in respect of club, restaurant, sporting activity and golf yard and consent that City Sports and Recreation Public Co., Ltd. holds the right to improve such area by expense of City Sports and Recreation Public Co., Ltd. itself.

Given such contract, the Company and Navatanee Co., Ltd. do not charge any inter expense which are complied with mutually agreed in accordance with the contract.

Apart from this, the land title deed of No. 1394, in the area of 27-3-36 rais in cost price of Baht 0.70 million which is the entrance and exit of village and that golf yard, the Company consents that the community in the Navatane Village use as entrance – exit and the pathway of other public utility; however, the Company has used such land of Navatane Co., Ltd. which is the entrance and exit road of golf yard while the use of such land is not carried any inter-expense.

In accordance with the minute of the board of directors meeting no. 3/2010 on July 29, 2010, it resolves that according to the Navathanee Co., Ltd., has proposed to develop sport club on the piece of land of the City Sports and Recreation Public Co., Ltd., in accordance with the land and property exploitation right exchange contract dated on June 1, 1997 which utilizes investment fund by approximately Baht 90-100 million while the Navathanee Co., Ltd., will receive remuneration fee as sport club membership right for the landowner in the Navathanee Village at the same rates and conditions as available to the public whereas the City Sports and Recreation Public Co., Ltd., will enter management regarding revenue and expense.

#### 6.4 Key Management Personnel Compensation

	For the year ended	
	December 31, 2011	December 31, 2010
	Baht	Baht
Short-term Employee Benefits	7,400,519.00	6,854,905.00
Post-Employment Benefits	66,399.87	-
Total	<u>7,466,918.87</u>	<u>6,854,905.00</u>

#### 6.5 Relationship among the Companies

<u>Company's Name</u>	<u>Relationship</u>
Navatane Co., Ltd.	A related company by major shareholders and common director

#### 7. Cash and Cash Equivalent

Consist of:

	As of	As of
	December 31, 2011	December 31, 2010
	Baht	Baht
Cash	493,016.19	803,193.63
Cash Deposit – Current Account	5,000.00	(38,053.93)
Cash Deposit – Savings Account	14,506,426.49	7,992,938.73
Cash Deposit – Fixed Account 3 months	2,571,327.19	2,260,656.99
Total	<u>17,575,769.87</u>	<u>11,018,735.42</u>

## 8. Accounts Receivable

Consist of:

	As of December 31, 2011 Baht	As of December 31, 2010 Baht
Accounts Receivable were classified by aging as followings		
Within Credit Term	220,530.72	180,646.07
Total	220,530.72	180,646.07

## 9. Temporary Investment / Long - Term Investment

Consist of:

	As of December 31, 2011		As of December 31, 2010	
	<u>Cost Value</u>	<u>Fair Value</u>	<u>Cost Value</u>	<u>Fair Value</u>
	Baht	Baht	Baht	Baht
Debt Securities Held to Maturity	29,500,000.00	29,500,000.00	27,500,000.00	27,500,000.00
<u>Less</u> Current Portion	(20,000,000.00)	(20,000,000.00)	-	-
Long Term - Debt Securities Held to Maturity	9,500,000.00	9,500,000.00	27,500,000.00	27,500,000.00
Investment in Mutual Fund	410,372,526.80	406,949,571.18	398,091,327.09	393,745,584.15
Total Long - Term Investment	419,872,526.80	416,449,571.18	425,591,327.09	421,245,584.15

For the year ended December 31, 2011 and 2010, the movement of long – term investment was as follows:

	For the year ended December 31, 2011 Baht	For the year ended December 31, 2010 Baht
Beginning Book Value - Net	421,245,584.51	387,516,861.71
<u>Add</u> Purchase Long - Term Investment	24,000,000.00	78,002,399.95
<u>Less</u> Sale of Long - Term Investment	(9,718,800.29)	(45,162,555.72)
<u>Less</u> Transfer from Long – Term Investment to Temporary Investment	(20,000,000.00)	-
Changes in Fair Value	922,787.32	888,878.21
Ending Book Value - Net	416,449,571.18	421,245,584.51

As of December 31, 2011 and 2010, the whole debt securities held to maturity in number of 3 and 2 versions respectively, are debentures name holders are specified, non security, unsubordinated and there is debenture holders representatives carried the life of 4 years. Interest rate are 4.15-4.50 % per annum and 4.15-4.25 % per annum, respectively.

## 10. Investment Property

The Company's investment property is their owned land without specific purpose of use in the future. The Company did appraise the investment property by an independence appraiser on May 22, 2007, by market comparison approach method which provides the fair value of land of Baht 15.86 million.

## 11. Property, Plant and Equipment-Net

Consist of:

	Balance as of December 31, 2010 Baht	Purchase Baht	Sale Baht	Balance as of December 31, 2011 Baht
<b>Revaluation :</b>				
Land - Cost	10,001,559.91	-	-	10,001,559.91
<u>Add</u> Increase in Land Value	1,335,699,440.09	-	-	1,335,699,440.09
<u>Less</u> Decrease in Land Value	(701,000.00)	-	-	(701,000.00)
Total Land Revaluation	<u>1,345,000,000.00</u>	<u>-</u>	<u>-</u>	<u>1,345,000,000.00</u>
<b>Cost :</b>				
Road of Golf Course	20,129,853.70	-	-	20,129,853.70
Accessories and Golf Course Improvements	124,322,283.83	-	-	124,322,283.83
Buildings and Construction	13,691,490.58	-	-	13,691,490.58
Building Improvements	29,998,147.60	-	-	29,998,147.60
Equipment	93,438,897.44	986,347.03	(541,252.48)	93,883,991.99
Vehicles	15,238,407.95	-	-	15,238,407.95
Work in Construction	90,000.00	369,270.00	-	459,270.00
Total Cost	<u>296,909,081.10</u>	<u>1,355,617.03</u>	<u>(541,252.48)</u>	<u>297,723,445.65</u>
<b>Accumulated Depreciation:</b>				
Road of Golf Course	(16,140,836.48)	(760,308.00)	-	(16,901,144.48)
Accessories and Golf Course Improvements	(117,152,525.27)	(6,701,049.51)	-	(123,853,574.78)
Buildings and Construction	(13,315,112.49)	(68,083.62)	-	(13,383,196.11)
Building Improvements	(29,998,140.60)	-	-	(29,998,140.60)
Equipment	(82,584,186.10)	(4,027,576.34)	541,218.48	(86,070,543.96)
Vehicles	(14,296,837.54)	(402,640.29)	-	(14,699,477.83)
Total Accumulated Depreciation	<u>(273,487,638.48)</u>	<u>(11,959,657.76)</u>	<u>541,218.48</u>	<u>(284,906,077.76)</u>
Net	<u>1,368,421,442.62</u>			<u>1,357,817,367.89</u>

### Depreciation was shown in Statements of Comprehensive Income

#### For the year ended December 31,

2011	11,959,657.76
2010	13,015,181.85

On December 22, 2007, the Company have newly appraised the land by Independent Appraiser with the Income Approach Method. It is the appraised price from Income Approach of Baht 1,345 million from the former appraised price by the Land Department using the official held on July 4, 2005, amount of Baht 1,926.24 million, the Company has recorded the diminution value surplus from land appraisal Baht 581.24 million.

As of December 31, 2011 and 2010, the Company have assets with the depreciation fully calculated but still operate which had a cost value of Baht 266.68 million and Baht 150.84 million respectively. The net book value was Baht 1,369.00 and Baht 1,323.00 respectively.

## **12. Pledged Fixed Account**

As of December 31, 2011 and 2010, the Company pledges the fixed deposit of commercial banks which is fixed deposit value of Baht 5.05 million and Baht 5.09 million respectively, carried the period of 3 months and 12 months, interest rate in the rate of 1.25-2.75 % per annum both two years to guarantee for bank overdrafts and letters of guarantee issued by the bank, so that the Company the interest of fixed deposit can be withdrawn.

## **13. Security Deposit**

The whole amount was a security deposit pledged against indemnity with Navatane Company Limited, related company, to cover any contingent damages arising from the use for car park, sports club, swimming pool and locker rooms as per agreement allowed for the right to use the assets between the Company and Navatane Co., Ltd., dated December 31, 1980 for the period of 30 years, extendable twice for a period of 10 years each time. On October 15, 2009, the Company has considered to renew the contract life to the right exercise to use asset with Navatane Co., Ltd. for another ten years commenced from the date that such contract will be matured in the first period on December 31, 2010 to be the date the contract is matured on December 31, 2020.

#### 14. Provision of Employee Benefit

The Company applied the accounting for post employment benefits to employees or retirement indemnity following the accounting standard No. 19 “Employee Benefits”. The provision of employee benefit will be paid to employees upon retirement from the Company. The retirement indemnity is calculated annually by a qualified actuary using the projected unit credit method in order to determine the present value of the obligation and the current service cost. Based on the actuarial valuation report issued by an independent actuary dated March 31, 2011, the provision of employee benefit incurred in the past the accumulated until December 31, 2010, amount of Baht 3,435,965.07, the recognition as an expense in full amount through the statement of comprehensive income.

Provision of Employees Benefit as follows:

	Baht
Present value of the obligation as of January 1, 2011	3,435,965.07
Current service cost	358,679.52
Interest expenses	137,438.60
Total	<u>3,932,083.19</u>
<u>Less</u> Employee benefit paid for the period	<u>(70,000.00)</u>
Present value of the obligation as of December 31, 2011	<u><u>3,862,083.19</u></u>

The principal assumptions used for the purposes of the actuarial valuation were as follows:

Discount rate	4.00 % per annum
Salary increase rate	3.00 % per annum
Mortality rate	60.00 % of mortality from table of mortality
Disability rate	5.00 % of mortality
Employee turnover rate	1.00 % – 5.00 %
Retirement age	60 years old

## 15. Share Capital

	For the year			For the year	
	Par Value	ended December 31, 2011		ended December 31, 2010	
		Number of	Amount	Number of	Amount
	Share		Share		
	Baht	Shares	Baht	Shares	Baht
Authorized Share Capital					
- Ordinary Shares of Beginning	10.00	20,500,000	205,000,000.00	20,500,000	205,000,000.00
- Ordinary Shares of Ending	10.00	20,500,000	205,000,000.00	20,500,000	205,000,000.00
Issued and Paid-up Share Capital					
- Ordinary Shares of Beginning	10.00	20,500,000	205,000,000.00	20,500,000	205,000,000.00
- Ordinary Shares of Ending	10.00	20,500,000	205,000,000.00	20,500,000	205,000,000.00

## 16. Dividend Payment

16.1 The Annual General Shareholders' Meeting for year 2010, held on April 29, 2010, resolved to appropriate net profit for the 2009 to dividend payment for shareholders in amount Shares 20.50 million as per share Baht 1.90 in amount of Baht 38.95 million. The shareholders who have the rights, their names should be appeared in the registrar book dated April 30, 2010, which such dividend payment has fully paid and without legal reserve because the amount of that legal reserve is completely according to compiles with law.

16.2 The Annual General Shareholders' Meeting for year 2011, held on April 28, 2011, resolved to appropriate net profit for the 2010 to dividend payment for shareholders in amount Shares 20.50 million as per share Baht 1.80 in amount of Baht 36.90 million. The shareholders who have the rights, their names should be appeared in the registrar book dated April 30, 2011, which such dividend payment has fully paid and without legal reserve because the amount of that legal reserve is completely according to compiles with law.

## 17. Management Benefit Expenses

Management benefit expenses represent the benefits paid to the Company's management and directors such as salaries, related benefit and directors' remuneration, including the benefit paid by other means. The Company's management is the persons who are defined under the Securities and Exchange Act.

## 18. Income Tax

For the year ended December 31, 2011, the Company calculates corporate income tax at 30% of net profit after adjustment in accordance with the revenue code. And for the years ended December 31, 2010, the Company calculates corporate income tax at 25 %, which complies with royal decree No.475 to reduce corporate income tax from 30% to 25 % of net profit not over Baht 300 million for the 3 consecutively accounting periods commenced from the first accounting period which commenced within or after January 1, 2009. The significant less and plus or minus of the adjustment transactions are dividend income has been excluded by the Revenue Code etc.

## 19. Expenses by Nature

Consist of:

	For the year ended December 31, 2011	For the year ended December 31, 2010
	Baht	Baht
Changes in Inventories	(20,801.01)	49,337.49
Raw Materials and Cost of Other Service	27,906,058.07	29,628,567.41
Employee Benefit Expenses	22,760,009.15	18,517,153.42
Depreciation	11,959,657.76	13,015,181.85
Management Benefit Expenses	7,466,918.87	6,854,905.00
Other Expenses	11,829,813.23	10,264,371.91
Total	<u>81,901,656.07</u>	<u>78,329,517.08</u>

## 20. Presentation of Financial Data Segregated by Business Sector

City Sports and Recreation Public Co., Ltd., operates 2 principal activities: the golf course business and restaurant business and operates only in Thailand. Details of the Company's business sectors for the year ended December 31, 2011 and 2010, are as follows :

	Golf Course Business		Restaurant Business		Total	
	2011	2010	2011	2010	2011	2010
	<u>'000 Baht</u>	<u>'000 Baht</u>	<u>'000 Baht</u>	<u>'000 Baht</u>	<u>'000 Baht</u>	<u>'000 Baht</u>
Revenue from Sales and Service	110,902	117,159	22,060	23,549	132,962	140,708
Gross Profit	73,869	80,730	5,339	7,161	79,208	87,891
Other Income					7,794	13,277
Common Expenses					(28,148)	(25,512)
Income Tax					(17,186)	(16,109)
Profit for the Period					41,668	59,547
Fixed Assets					1,357,817	1,368,421
Other Assets					495,625	476,274
Total Assets					1,853,442	1,844,695

## 21. Financial Instruments

### 21.1 Policy on Financial Risk Management

The Company holds risk in respect of the change of interest rates. The Company will consider to apply appropriate financial instrument so as to protect such risk. However, the Company does not have policy to hold or issue financial instrument for speculating or for trading.

### 21.2 Risk on Interest Rates

The interest rate risk is the risk from the future movements in market interest rates which will be affected the results of the Company operations and their cash flows. The Company had assets which it may have risk on interest rate as follows:

	Amount		Interest Rate	
	As of December 31,		As of December 31,	
	2011	2010	2011	2010
	Baht	Baht	%	%
Cash Deposit - Saving Accounts	14,506,426.49	7,992,938.73	0.75	0.50
Cash Deposit - Fixed Deposits	2,571,327.19	2,260,656.99	1.90-3.00	1.20-2.25
Loans to Employees	534,000.00	513,300.00	5.00	5.00
Debt Securities Held to Maturity	29,500,000.00	27,500,000.00	4.15-4.50	4.15-4.25
Pledged Fixed Account	5,129,518.00	5,121,126.42	1.25-2.75	1.25-2.75

### 21.3 Foreign Currency Risk

The Company has no risk of exchange rate fluctuations in foreign currency. Because of the transactions of the Company, operated business in the country.

### 21.4 Risks on Credit Term

The Company constitutes risk of credit provision related to general trading account receivable. However, since the Company will mainly provide credit facility to accounts receivable who have ability in debt repayment, as a result, the Company does not anticipate to receive damage that is materiality from debt collection from those accounts receivable apart from portion that already set up allowance for doubtful debt.

### 21.5 Fair Value

Due to the fact that financial assets and liabilities are mainly short term type. The Company's management believes that book values of assets and liabilities do not significantly differ from their fair values.

## 22. Contingent Liabilities

22.1 In addition to the liabilities show on the statements of financial position, the Company had other contingent liabilities as follows:

	As of December 31, 2011 <u>Million Baht</u>	As of December 31, 2010 <u>Million Baht</u>
Letters of Guarantee	0.55	0.59

22.2 The Company has commitment under the management of sport club with a company, It has the period of June 1, 2011 to December 31, 2014, the minimum amount to be paid Baht 0.10 million per month, the commitment to be paid until contract termination as of December 31, 2011, amount of Baht 3.60 million.

## 23. Capital Management

The primary objectives of the Company's capital management are to maintain their abilities to continue as a going concern and to maintain an appropriate capital structure.

As of December 31, 2011 and 2010, debt to equity ratio in the financial statements is 0.01 : 1 the same both years.

#### **24. Approval of the Financial Statements**

The financial statements have been approved to issued by the authorized directors'the company on February 13, 2012.

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