



บริษัท ลีพัฒนาผลิตภัณฑ์ จำกัด (มหาชน)  
LEE FEED MILL PUBLIC COMPANY LIMITED



รายงานประจำปี 2553  
**ANNUAL REPORT**  
**2010**

Annual Report 2010  
Lee Feed Mill Public Company Limited

Topic	Page
Message from the Chairman	2
Report of the Audit Committee	3
1. General Information	
1.1 Lee Feed Mill Public Company Limited	4
1.2 Shareholding Exceeding 10 Percent of Juristic Persons	5
1.3 Other References Persons	6
2. Financial Highlights	
2.1 Important Financial Information	7
2.2 Key Financial Ratios	7
3. Business Operations	
3.1 Business Overview	8
3.2 Marketing and the Competitive Environment	10
4. Risk Considerations	16
5. Shareholders and Management	
5.1 Shareholders and Executive Management	18
5.2 Organization Structure and Management	26
6. Corporate Governance	30
7. Connected Transactions	39
8. Management Discussion and Analysis	43
9. Financial Statement	49

## Message from the Chairman

Business operation nowadays involves with various factors which face with significant change which are associated between each other because of rapid accessing to news and information with modern technology. All events can be clearly and instantly seen simultaneously at the present time. Business sector, including Lee Feed Mill Public Company Limited, has to improve and develop work process to keep pace with the change.

As global and national changes are associated in all systems, especially natural disaster. Volatile climate condition immediately affects agricultural products, the Company's major raw material. Sometimes it results in shortage of the products. It causes more difficulty in cost management. In addition, the selling prices have still been under the government sector control with fierce competition. However, the Company still regularly maintains high standard of its production process. Universality has caused standard of production, to be available with care for environment, and impact towards consumers and society. These factors are more clearly governed in order by law which are emphasized by the Company's executives. They, consequently, have developed and provided standard system relating to international standard. This results in the Company being awarded with ISO 9001:2008, ISO 14001:2004, GMP, HACCP, certifying quality management system.

Regarding performance in 2010, the Company earned total income amounting to Baht 3,333 million, with net profit at Baht 261 million, or Baht 0.35 per share. As of 31 December 2010, the Company's total assets were Baht 2,333 million, total liabilities of Baht 239 million, and total shareholders' equity of Baht 2,094 million.

Although global change cannot be definitely forecast, it needs to be closely monitored all the time so as to adapt to the situation to ensure the business' continuity. The Company's executives also adhere to risk reduction principle, maintain financial stability, run high quality feed mill business. The Company also plans to simultaneously develop other potential agricultural products so as to create confidence among all related groups that they will receive worthwhile return and maintain satisfactory performance as the case in the past. The Company would like to express appreciation every shareholder, government agencies, commercial banks, financial institutions, customers, agriculturalists and every employee, who devote themselves in terms of wisdom, capability, sacrifice, to produce quality work for the Company. Moreover, the Company also pays attention gives supports creates the public benefit as well as jointly and continuously take care and is responsible for society to ensure sustainable bright future for the country as a whole.



Mr. Visit Leelasithorn

Chairman

## Report of the Audit Committee

The Audit Committee has performed its oversight duties set forth in the Audit Committee Charter in line with the regulatory requirements of the Stock Exchange of Thailand, namely, review of financial statements to ensure that they are accurate and adequate, review of internal control to have an adequate system that can achieve its objectives efficiently. The Audit Committee also investigated the compliance with laws, rules and regulations and reviewed of external auditor and its fee.

In year 2010, the Audit Committee performed and was responsible for their duties assigned by the Company's Board of Directors for having the internal control system and business to be fairly supervised as well as the preparation the financial statements and disclosure of information in the Company's financial statements, overall financial statement of the Company and the subsidiary to be done properly and completely according to the generally certified accounting standards. The Audit Committee would be met on quarterly basis together with the Company's Board of Directors to supervise all department works to be performed in accordance with the Company's Articles of Association and regulations of the Stock Exchange of Thailand, law on Securities and Stock Exchange or other laws that may be related to the Company's business operation.

The Audit Committee had considered to select the auditor for the fiscal year of 2011 from his/her business knowledge and experiences as well as the reasonable remuneration and resolved to propose to the Company's Board of Directors for obtaining the approval from the general ordinary meeting of shareholders in 2011 and resolved to appoint Ms. Supunnee Triyanuntakul and / or Mr. Supachai Phanyawattano and / or Ms. Thipawan Nananuwat, the auditors from Ernst and Young Office Limited, as the Company's auditors for 2011 fiscal year. The audit fee of Baht 535,000 for examination of the annual financial statements and Baht 155,000 each of the 3 quarters for review of the interim financial statements, totaling is Baht 1,000,000.



Associate Professor Dr. Somjai Phagaphasvivat  
Chairman of the Audit Committee

## 1. General Information

### 1.1 Lee Feed Mill Public Company Limited

Company Registration No.	: 0107537000718
Head Office Location	: 28 <sup>th</sup> Floor , Wall Street Tower, 33/137 Surawong Road, Bangrak, Bangkok 10500
Feedmill Plant Location	: 65 Moo 2, Huay Ta Chang Sub-district, Khoa Yoi District, Phetchaburi
Aquatic Feedmill Plant Location	: 62 Moo 2, Huay Ta Chang Sub-district, Khoa Yoi District, Phetchaburi
Dong Kui Farming Location	: 33 Moo 14 Dong Kui Sub-district, Chon Dan District, Phetchabun
Chon Dan Farming Location	: 246 Moo 5 Ban Kluay Sub-district, Chon Dan District, Phetchabun
Research and Development Animal Farming Location	: 40 Moo 11 Huay Hang Sub-district, Kang Koi District, Saraburi
Telephone	: 0 - 2632 - 7300 (Automatic)
Fax.	: 0 - 2236 - 7751
Web Site	: <a href="http://www.leepattana.com">http://www.leepattana.com</a>
Type of Business	: Complete animal feed production and distribution, animal farming
Authorized Shares Capital	: Common shares 1,029,070,000 shares, Baht 1 par value
Paid-up Shares Capital	: Common shares 742,628,600 shares, Baht 1 par value
Paid-up Amount Capital	: 742,628,600 Baht

## 1.2 Shareholding Exceeding 10 Percent of Juristic Persons

### Lee Pattana Feed Mill Company Limited

Head Office Location	: 33/137 Surawong Road, Bangrak, Bangkok 10500
Feedmill Plant Location	: 33/1 Moo 7, Phaholyothin Road, Dao Rueng Sub-district, Muang District, Saraburi
Type of Business	: Complete animal feed production and distribution.
Percents of Holding	: 95% of authorized share capital and paid-up share capital 200 million baht Common shares 20 million shares, Baht 10 par value

### Lee Pattana Agro Silo Company Limited

Head Office Location	: 33/137 Surawong Road, Bangrak, Bangkok 10500
Silo Plant Location	: 33/1 Moo7, Phaholyothin Road, Dao Rueng Sub-district, Muang District, Saraburi
Type of Business	: Silo business and distributing of raw materials for animal feed.
Percents of Holding	: 95.00% of authorized shares capital and paid-up share capital 150 million baht Common shares 15 million shares, Baht 10 par value

### Pattana Agro Futures Company Limited

Head Office Location	: 33/84 Surawong Road, Bangrak, Bangkok 10500
Type of Business	: The Agricultural Futures Trading Broker
Percents of Holding	: 44.50% of authorized shares capital and paid-up share capital 80 million baht Common shares 8 million shares, Baht 10 par value

### 1.3 Other References Persons

Share registrar	: Thailand Security Depository Co.,Ltd. 62 The Stock Exchange of Thailand Building, Ruchadaphisek Road, Klongtoey, Bangkok 10110 Tel. 0-2229 – 2800 Fax. 0-2395 – 1259
Auditors	: Ernst & Young Office Limited 33 <sup>rd</sup> Floor, Lake Rajada Office Complex 193/136-137 Rajadapisek Road, Bangkok 10110 Tel. 0 – 2264 - 077 Fax. 0 - 2264 – 0789 - 90 Name of Auditor, Ms. Supanee Triyanantakul Certified Public Accountant Registration (Thailand) Number 4498
Legal advisor	: Chamnong Chanprasit Attorney At Law 26/7-8 Sukhumvit 65, Sukhumvit Road, Phrakanong, Bangkok 10110 Tel. 0-2391 - 6488 Fax. 0-2391 - 4996
Financial advisor	: None
Management advisor	: None

## 2. Financial Highlights ( From the Consolidated Financial Statements )

### 2.1 Important Financial Information

Particulars / Years	2008	2009	2010
Total Assets (Million Baht)	2,107	2,329	2,333
Total Liabilities (Million Baht)	282	253	239
Total Shareholders' Equity (Million Baht)	1,825	2,076	2,094
Revenues From Sales (Million Baht)	3,912	3,590	3,306
Total Revenues (Million Baht)	3,934	3,615	3,333
Gross Profit (Million Baht)	383	487	456
Net Profit (Million Baht)	132	294	261

### 2.2 Key Financial Ratios

Financial ratios / Years	2008	2009	2010
Net Profit Margin (%)	3.36	8.17	7.92
Return on Equity (%)	7.21	15.29	12.66
Return on Assets (%)	6.38	13.32	11.30
Earning Per Share (Baht)	0.18	0.40	0.35
Cash Dividend Per Share (Baht)	0.12	0.36	0.21
Book Value Per Share (Baht)	2.48	2.80	2.79



### 3. Business Operations

#### 3.1 Business Overview

Lee Feed Mill Public Co., Ltd., was established on 16 August 1983, with initial registered capital of 20 million baht. The Leelasithorn group is the Company's major shareholder. The Company was listed on the Stock Exchange of Thailand on 26 January 1990 and became a limited public company on 7 March 1994. Current paid-up registered capital is 742.63 million baht. Its first feed mill was located in Muang District, Nakhon Pathom. Subsequently in 1988 and 1990, a second feed mill and silo were built, both in Muang District, Saraburi, under Lee Pattana Feed Mill Co., Ltd., and Lee Pattana Silo Co., Ltd. Both of these are subsidiaries with shares of 95 and 99.5 percent, respectively, held by Lee Feed Mill Public Co., Ltd.; both were granted investment promotion, and in the next four years, the Company expanded its parent stock-chicken farm and chick hatchery for the production of broiler chicks for the market. Investment promotion was also granted to the hatchery, located in Chon Dan District, Phetchabun.

Due to the limited area available for expansion of the first feed mill in Nakhon Pathom, as well as its leased status, the first feed mill was closed in 1996, and investment promotion requested for the new feed mill opened in the same year, in Kao Yoi District, Phetchaburi. In 2002, an aquaculture feed mill was opened on the same land as the feed mill in Kao Yoi, under the name of Lee Feed Mill Public Co., Ltd. And Lee Pattana Feed Mill Company limited Investment promotion was also received. In the past, all four feed mills have a combined production capacity of 504,000 tons of animal feed per annum, with actual production at approximately 50 percent of capacity, while the silo's capacity is 38,500 tons for storage of plant seed throughout the year.

The Company obtained from the Department of Livestock a Certificate of Good Manufacturing Practices (GMP) and Hazard Analysis and Critical Control Point (HACCP) in the category of animal-feed manufacturing, in order to ensure hygienic products. Our factories and farming received ISO 9001:2008 certification for the entire system. This reflects our effective selection of raw materials, production processes, quality inspections, and health management, as well as our international-standard product quality and our responsibility to society, since good animal feed means quality and safe food for consumers. The Company has its strong concerns and awareness of environmental protection and its impacts (such as wastewater, dust, and air pollution) on the communities and the society, as well as energy conservation and effective use of resources; and has therefore determined its policy of environmental management system under ISO14001:2004 for both of its manufacturing plants.

The Lee Pattana Group operates its business principal activities are (1) the manufacturer of animal feed (2) crop drying, silo (3) experimental farming and (4) crop farming. Substantially all sales, operating profits and assets are related to the manufacture of animal feed business.

– Lee Feed Mill Public Co., Ltd., is the core company, involved in processing the production and distribution of animal feed for both livestock and aquaculture in concentrated pellet and powder forms, as well as concentrated feed for swine, chickens, ducks, cattle, fish, and shrimp, under the brand names of “Lee” “Win” “Max” and “Pro-grade”. The Company also breeds broiler chicks and has a feed mill in Phetchaburi Province. The Company’s parent-stock broiler farm and broiler-egg hatchery are located in Phetchabun Province.

– Lee Pattana Feed Mill Co., Ltd., is a subsidiary, conducting business along the lines of that of the parent company. However, this subsidiary concentrates on feed production for livestock and domestic animals, such as swine, chickens, ducks, cattle, and dogs. Its mill is located in Saraburi Province.

– Lee Pattana Agro Silo Co., Ltd., is a subsidiary with in silo grain storage and the purchase and sale of animal-feed materials to associated companies within the group.

- Pattana Agro Futures Co.,Ltd. has change from a subsidiary to an associated company, its operations as a future broker (Registration No.12) of agricultural trading in The Agricultural Futures Exchange of Thailand (AFET)

Animal-feed mills of the Lee Pattana Group are divided into geographic regions for sales purposes, so as to attain maximum cost efficiency in regard to transportation and distribution costs. The mill in Phetchaburi is in charge of sales for Nakhon Pathom, Ratchaburi, and all provinces in the South from Phetchaburi on down; while the mill in Saraburi handles all sales in the Central, Northern, Northeastern, and Eastern Seaboard regions of Thailand.

#### Revenue Structure of the Lee Pattana Group (2008-2010)

Revenue from Sales	2008		2009		2010	
	Million Baht	%	Million Baht	%	Million Baht	%
Complete animal feed	3,898	99.64	3,580	99.72	3,293	99.61
Livestock / crop farming	14	0.36	10	0.28	13	0.39
<b>Total</b>	<b>3,912</b>	<b>100</b>	<b>3,590</b>	<b>100</b>	<b>3,306</b>	<b>100</b>

Remarks: Revenues from sales of Complete animal feeds for the year 2010 came from land and aquatic animal feeds at the rate of 40 percent and 60 percent, respectively.

## 3.2 Market and Competition

### 3.2.1 Customers, Targeted Customers, and Distribution Channels

Our customers and targeted customers comprise animal-raising farmers and sale agents, at the rate of 45 percent and 55 percent, respectively. Our top product is pig feed to large-scale and standard farms with adequate and consistent purchasing power, and our sale agents cover specific sale areas and are able to establish and manage subagents in said areas or external sales teams. Sales agents have the financial strength and a sound understanding of our sales terms and conditions. Since our customers strongly to products quality utilization, we focus on the production and distribution of diverse feed formulas to keep up with customer . We have forged excellent ties with customers and sales agents. Thanks to confidence in our product quality, we have more than 700 customers, the top 10 of which have accounted for 20 percent of total sales over the past 3 years.

### 3.2.2 Competition Strategy

After more than 26 years in this business, the Company is well known and regarded. Our R&D for feed formulas and customized products have differentiated our stance. The Company also has the production capacity to meet increases in market demand. We have forged good relations with customers through academic seminars, sales rewards, and a stock-management system that can cushion against fluctuations in raw-materials prices. Moreover, we have researched substitute raw materials, in case of raw-materials shortages.

### 3.2.3 Pricing Strategy

Animal feed is subject to price controls by the Department of Internal Trade, Ministry of Commerce, whereby central-price ceilings have been prescribed. Producers may adjust actual selling prices in accordance with production costs and other competitive costs, such as sales promotions, but not to higher than the prescribed central price. The Company offers reasonable prices by means of effective cost management; e.g., acquisitions and stocks of raw materials at appropriate prices, particularly soybean refuse, Fish meal, maize, or, through our research, substitute raw materials of equivalent quality.

### 3.2.4 Competition

Competition in the animal-feed market is divided into 2 main markets, as follows:

1. Free market, or the direct sale of animal feed to customers. Customers may use the feed themselves or resell it to farmers raising livestock.
2. Contract farming, or the sale of animal feed to members participating in animal-breeding or animal culture projects. Members are guaranteed livestock prices and required to own their own farms. In addition to animal feed, animals like piglets and chicks are available to farmers, as well as information regarding modern farm-management techniques.

The overall animal-feed industry offers profits and average growth rates at moderate levels about 10 percent and faces demand fluctuations in certain years, hinging mostly on export. Nevertheless, the industry experiences less fluctuation compared with other processed agricultural products, since sales are limited only within the country and free from fierce international competition.

According to the Association of Thai Animal-Feed Producers, there are 57 member animal-feed factories, representing 90 percent of the market. Medium and large-scale factories focus on production of pig, chicken, and aquatic animal feeds, while small-scale factories are more specialized. The small market size results in fierce competition; large-scale producers benefit from economies of scale with supplies to their own farms and member farms.

Sales by the Company and its subsidiaries are made in independent local markets. Of the total animal-feed demand of 12.85 million tons per year, the Company accounts for 3 percent, 70 percent are supplied by factories, and the remaining 30 percent are mixed by farmers. Supplies from animal-feed factories goes to independent markets at the rate of 35 percent, to integrated business lines at the rate of 65 percent. Our share in independent markets equals 8 percent, likely in fifth place of independent markets (projected by our Management and only for land and aquatic animal feeds).

Competition in the form of integrated business lines poses both pros and cons. Adverse raising conditions and prices of specific animals may create a domino effect for business. On the other hand, a bright outlook for specific animals will directly benefit our field and related ones. If the Company were to focus only on animal feeds, the Company could be more flexible, such as by increasing production of certain animal feeds that show promise and are profitable, thereby lowering business risk; however, such a focus may have low growth prospects compared with integrated business lines.

Our executives anticipate that only a few players in the market can apply the integrated-business-line approach, which is suitable for large-scale companies with hefty investment capital. Note that players in the agricultural industry are mostly SMEs.

## 3.2.5 Animal Feed Demand in 2010 and 2011

Table: A Comparison of Animal Feed Consumption Volumes in Thailand (2009 and 2010)

Type of Animal Feed	Animal Feed Consumption					
	2010		2011		Increase (Decrease)	
	Volume (tons)	%	Volume (tons)	%	Volume (tons)	%
Broiler chicken feed	3,904,956	30.39	4,303,728	30.06	398,772	10.21
Parent chicken stock	608,328	4.73	670,320	4.68	61,992	10.19
Layer chicken (small)	659,967	5.14	765,483	5.35	105,516	15.99
Layer chicken (egg)	1,452,400	11.30	1,684,800	11.77	232,400	16.00
Parent layer-chicken stock	18,800	0.15	22,000	0.15	3,200	17.02
Swine	3,245,000	25.25	3,717,000	25.96	472,000	14.55
Swine breeder	790,500	6.15	818,400	5.72	27,900	3.53
Duck feed	252,000	1.96	252,000	1.76	0	0
Duck breeder	21,900	0.17	21,900	0.15	0	0
Layer duck	130,000	1.01	162,500	1.14	32,500	25.00
Cattle	474,500	3.69	498,225	3.48	23,725	5.00
Shrimp	720,000	5.60	800,000	5.59	80,000	11.11
Fish	571,860	4.45	600,453	4.19	28,593	5.00
<b>Total</b>	<b>12,850,211</b>	<b>100</b>	<b>14,316,809</b>	<b>100</b>	<b>1,466,598</b>	<b>11.41</b>

(Source: The Thai Feed Mill Association)

In 2011 the animal feeds consumption inside the country is estimated at the total amount of 14.32 million tons, increasing from 2010 of about 1.47 million tons. The amount of major animal feeds consumption such as 4.30 million tons of chicken meat, 3.14 million tons of eggs and parental breeding stocks, 3.72 million tons of raised pigs, 0.82 million tons of breeding pigs, 0.44 million tons of ducks, 0.50 million tons of milk cows, 0.80 million tons of shrimps and 0.60 million tons of fishes are available in 2011 estimation.

2010 was the year witnessing improvement of overall economy with increased consumption. Prices of livestock were favorable. In 2011, consumption is expected to further pick up because economy is anticipated to continue uptrend. If quantity of livestock production does not increase so significantly, its price should still be favorable for another year, benefitting herdsmen.

Meanwhile, broiler's industry experienced slump price during the middle of last year. The price improved late last year due to decreased number of chicken. It resulted in the improved overall situation for the industry. Broilers are mainly raised for export. Its sales last year was increased. Problem affecting the industry is labour shortage for chicken slaughterhouse, charge in value of Baht adversely affecting exporters' income. While producers experienced escalated cost of raw materials. However, the situation is expected to improve this year, particularly processed chicken.

Regarding pork, it is still troublesome for Thai people who are consuming pork at quite fewer amount compared to our neighboring countries'. While pig raisers, especially small raisers, were decreasing in number because of significantly higher cost of pig raising, particularly prices of animal feed and oil. During the past couple of years, pigs' price decreased due to oversupply of the animal in the market as pig raising was beyond related parties' control. Outbreaks of disease among pigs in 2010 also caused damage to both porklings and mother pigs. It caused number of pigs to be decreased. In 2011, if animal feed is still expensive, animal raising will further decrease. However, consumers' purchasing power may increase this year because the domestic consumption is expected to be increased due to anticipated uptrend of local economy which may result in higher price of porks.

Regarding laying hens, the past 2010 was regarded as favorable year for the poultry. Eggs' price was significantly increased resulted in the authorities' stepping in to control the price. The significant price hike was due to less eggs available in the market because of reduced import of breeders during the last 2 years due to eggs' oversupply situation, which has been adversely affecting the market up until now. However, if the price improves, chicken raisers will flock to raise laying hens to produce and distribute eggs, resulting in declining prices again. Unbalance between demand and supply of eggs results in instability of eggs' prices, which adversely affects agriculturalists. While production costs have been increasing all along. Whereas diseases in chicken must be monitored as they result in both significant declining of the products and costs. In 2011, policy of free import of breeders is expected to increase eggs which will definitely adversely affect eggs' prices in the future.

Regarding shrimps, last year the business was significantly improved. The favorable situation for the industry is expected to continue this year if there is no outbreaks of diseases and contagious diseases in shrimps, as in the cases of competitors, including Indonesia and South America, which currently have not been recovered. Although global production of shrimps is still on the uptrend, supply of the product is still short of demand. This is particular the case for importing countries in Europe, US, China and Japan, where shrimp products are very popular, witnessing from ratio of import of the product from Thailand compared to those of its competitors. It reflects the quality of Thai shrimps to be well accepted. Our efficient production and diseases' prevention, as well as suitable production costs result in the success of shrimp raisers in the past

year up until this year. Distributing prices have been favorable with supply responding well to demand of the product. Whereas several shrimps' producing countries are facing declining product, Thai shrimp products are expected to be increased continuously increasing this year from last year.

Another interesting economic animal is fish, which currently is significantly improving both in terms of fish farming and management. Consumption demand of the marine animal is ever-increasing. While catching trend of fish from natural sources, particularly from the seas, is declining. Consequently, fish farming is increasing. Prices of fish in recent year were quite favorable, although prices' change still existed in some cases due to the natural condition, such as during dry season or flooding. Fishery business still needs to be further developed, similar to chicken and shrimps businesses, which have been much further developed.

Meanwhile, prices of animal feed this year is expected to definitely be increased from last year due to higher costs of raw materials, followed by drought and floods in the recent year, as well as shortage of some raw materials, such as plants, which are used to produce alternative energy. Currently, significant uptrend of oil prices, climate change which adversely affect the whole world recently, as well as more and more excessive natural disaster, increased demand for raw materials, escalated consumption due to fast expansion of China's economy, these factors may adversely affect costs to climb up both this year and in the future.

### 3.2.6 Provision of important raw materials for use in producing animal feed.

Operation of the Company's purchasing department which complies with international standard practice, including quality management system (ISO9001) environmental management system (ISO 14001), Good Manufacturing Practice (GMP) system and Hazard Analysis and Critical Control Point (HACCP), the purchasing department, consequently, runs operation in accordance with the Company's policy to select good quality raw materials from all standard sources. Under efficient screening process of distributors, the Company gets raw materials with suitable quality and prices to be used to produce animal feed for delivering to our customers, which can ensure our customers that animal feed produced by our Company use only the best quality of raw materials.

Regarding flour group of animal feed in 2010, prices of the raw material are increased from 2009, due to following factors: change of global climate, for both drought and flood problems as well as pests, all of which have the significant effect against plantation and agricultural products. While demand of the products, to be used as both animal feed and alternative energy, has been increasing. It results in the supply of the products is unlikely to meet the requirement, particularly raw materials in the following groups: maize, cassava and rice products. Regarding raw materials in protein group, in 2010, prices of the products were decreased from previous year due to the increased global production and drought problem which adversely affected domestic animal raising.

Prices of raw materials in 2011 are expected to still be rising due to anticipated improvement in both global and Thai economies. This is coupled with the expected changes of oil prices which will adversely affect inflation of major countries. This will result in the change of commodity prices. While planting condition and agricultural products are expected to decrease, especially in such groups as maize, cassava, soybean, and protein from animal group, which are expected to be adversely affected by global warming which results in the decrease in overall products.



#### 4. Risk Considerations

Risk considerations that may affect the business include:

##### Risk from Raw-Material Prices

The Company's main raw materials are maize, soybean meal, fish meal, rice bran, and broken rice, the prices of which fluctuate greatly, and they account for 80 percent of total raw materials. Raw-material prices change in accordance with demand and production volume in each period and season. Raw materials are normally purchased in high volume, thus lowering prices. In certain seasons, production of certain raw materials is low, pushing up prices. Nevertheless, the Company manages to adjust sales prices for animal feeds in keeping with raw-material costs, by requesting approval for upward price adjustments from the Department of Internal Trade. Since animal feeds are subject to price controls, price adjustments may not keep pace with raw-material prices. The Company has effectively set up a plan for raw-materials purchases; i.e., making purchases during periods of excessive raw-material production at cheap prices. The Company can substitute more expensive raw materials with cheaper one. At the same time, the Company is seeking new foreign raw-materials producers who offer competitive price compared with local suppliers.

##### Foreign Exchange Rate Risk

Our business involves local sales of animal feeds and (meat) chicks, while raw materials like soybean meal and milk powder are imported, representing 35 percent of raw-material costs for animal-feed production. Exchange-rate risk arises, as our revenues are in baht, while certain expenditures are in U.S. dollars. The Company cushions such risk by means of forward forex contracts and continuous currency monitoring, allowing control over forex risk to a certain extent.

##### Management risks

The Leelasithorn family is the Company's major shareholder, holding 50 percent of the Company's paid-up registered capital. As such, the Group also controls voting at each Shareholders' Meeting, whether in regard to the appointment or removal of directors or voting on shareholders' resolutions requiring a majority of shareholders' votes. Other shareholders may therefore face a risk of not possessing sufficient votes to review and query the management of the Company. To be as the balance of power for management, the company appointed 4 persons as independent directors of 8 directors.

### Risk in Regard to the Time Value of Warrants

Resolution of the Annual General Shareholders' Meeting Year 2010, 29 April 2010, approved the allocation of warrants covering 294,018,771 unit investment units to existing shareholders whose names appeared in the Share Registration Book as of 11 May 2010. The resolution allowed warrant holders to purchase 1 new ordinary share per 1 warrant at 2.50 baht per share (a par value of 1 baht). The Company would amend the exercise price and exercise rate as set in accordance with the rights and obligations of the issuer of the warrants, and holders of warrants. Note that the amendment procedure takes into account the exercise price and exercise rate as of the amendment date, not the time value of a warrant that may decrease upon a reduced exercise period. Should the Company sell warrants or newly issued convertible securities in the future, warrant holders after the amendment may be entitled to fewer rights and benefits.

## 5. Shareholders and management

### 5.1 Shareholders and Executive Management

Name of the first 10 major shareholders of the Company

(As of the share register closing date at December 30, 2010)

Shareholders' Name	No. of Shares Held	%
1. Mr.Nipon Leelasithorn	189,001,600	25.45
2. Mr.Preecha Leelasithorn	104,000,000	14.00
3. Alliance Co.,Ltd.	53,550,000	7.21
4. Ms. Rungvilai Leesombatpaiboon	35,277,000	4.75
5. Ms. Pornpen Leesombatpaiboon	35,000,000	4.71
6. Wall Street Tower Co.,Ltd.	21,445,000	2.89
7. Ms. Krongporn Duriyaporn	18,550,000	2.50
8. Mr. Chaicharn Lhupaiboon	16,400,000	2.21
9. Lee Kong Jin Holdings Co.,Ltd.	15,600,000	2.10
10. LEE JOO CHEW	9,000,000	1.21
11. Others (2,581) persons	244,805,000	32.97
<b>Total 2,591 persons</b>	<b>742,628,600</b>	<b>100</b>

As of 30 December 2010, the latest date of Share Registration Book closure, the Company's NVDR represents 3.48 percent of paid-up capital, or 742,628,600 baht (par value of 1 baht). Investors may obtain information on NVDR from [www.set.or.th](http://www.set.or.th).

#### The Company's Securities comprise:

##### Ordinary Shares

Registered and paid-up capital as of 31 December 2010:

Registered capital : 1,029,070,000 baht, consisting of 1,029,070,000 ordinary shares at a par value of 1 baht.

Paid-up capital : 742,628,600 baht, consisting of 742,628,600 ordinary shares at a par value of 1 baht.

Warrants

As of 31 December 2010, the Company's warrants for purchases of ordinary shares of Lee Feed Mill Public Company Limited (LEE-W2) :

Remaining warrants	:	286,440,771 units
Issuance date	:	20 May 2010
Maturity period	:	3 years from the issuance date (the last exercise date is 17 May 2013)
Offer price per unit	:	0 baht
Exercise rate	:	1 warrant for the purchase of 1 ordinary share, except any amendment thereto
Exercise price	:	2.50 baht per share, except any amendment thereto
Commencement date of SET trade	:	8 June 2010
Other details	:	As appear in the LEE-W2 prospectus

Company Obligations in Regard to Future Share Issuance

Resolution of the Annual General Shareholders' Meeting for the year 2010, 29 April 2010, approved an increase in the registered capital of 735,050,000 baht, to 1,029,070,000 baht. The capital increase of 294,020,000 shares for issuance and an offer for the sale of LEE-W2.

## Management

### Board of Directors

Name : Mr. Visith Leelasithorn

Position in the Company : Chairman of the Board of Directors

Education : Secondary School

No. of securities increased/  
decreased during 2010 : -

### Experience

1984–Present : Chairman of the Board of Directors  
Lee Feed Mill Pcl. and Subsidiaries

1983–Present : Chairman  
Wall Street Tower Co.,Ltd.

1980–Present : Chairman  
Alliance Co.,Ltd.

2004–Present : Chairman  
Pattana Agro Fuures Co.,Ltd.

Name : Mr. Nipon Leelasithorn

Position in the Company : Chairman of the Executive Director /  
Managing Director

Education : Master of Management at Sasin Graduate Institute  
of Business Administration of Chulalongkorn University

No. of securities increased  
decreased during 2010 : 1,600 shares

Training Courseed : - Directors Certification Program by  
Thai Institute of Directors Association (IOD)

## Experience

- 1999–Present : Chairman of the executive Director  
Lee Feed Mill Pcl. and Subsidiaries
- 1989–Present : Managing Director  
Lee Feed Mill Pcl. and Subsidiaries
- 1983–Present : Director  
Wall Street Tower Co.,Ltd.
- 1996–Present : Director  
N.C.C. Management & Development Co.,Ltd.
- 2004–Present : Managing Director  
Pattana Agro Futures Co.,Ltd.

Name : Mr. Karoon Chanmingporn

Position in the Company : Executive Director / Deputy Managing Director

Education : Department of Animal Husbandry National Chung  
Hsing University (Taiwan)

No. of securities increased/  
decreased during 2010 : -

## Experience

- 1987–Present : Executive Director / Deputy Managing Director  
Lee Feed Mill Pcl. and Subsidiaries

Name : Mrs. Supaporn Chongvilaiwan

Position in the Company : Asst. Managing Director

Education : Bachelor degree of Accounting  
Chulalongkorn University

Training Coursed : - Directors Accreditation Program by  
Thai Institute of Directors Association (IOD)

No. of securities increased/  
decreased during 2010 : -

Experience

1984-Present : Director / Asst. Managing Director  
Lee Feed Mill Pcl. and Subsidiaries

2004-Present : Director  
Pattana Agro Futures Co.,Ltd.

Name : Assoc. Prof. Dr. Somjai Phagaphasvivat

Position in the Company : Independent Director

Education : PH.D in Political Science University of Madrid, Spain

No. of securities increased/  
decreased during 2010 : -

Experience

1994-Present : Independent Director  
Lee Feed Mill Pcl.

2008-Present : Chairman of the Audit Committee  
Lee Feed Mill Pcl.

Present : Independent Academician  
Political and Economic Analyst

Present : Associated Professor  
Thammasat University / Chulalongkorn University  
Kasetsart University and others.

Present : Independent Director and Audit Committee  
Thanachart Bank Public Company Limited.  
Siam City Bank Public Company Limited.

Present : Independent Director and Chairman of the Audit Committee  
Seafo Pcl.

Present : Independent Director and Audit Committee  
Amarin Printing & Publishing Pcl.

Name : Mrs. Sununta Subhapholsiri

Position in the Company : Member of the Audit Committee /  
Independent Director

Education : Bachelor degree (Business Administration) at  
Pine Mauor College, U.S.A

Training Coursed : - Directors Accreditation Program (DAP) and  
Audit Committee Program by  
Thai Institute of Directors Association (IOD)

No. of securities increased/  
decreased during 2010 : -

Experience

1999-Present	: Member of the Audit Committee Lee Feed Mill Pcl.
1989-Present	: Independent Director / Director Lee Feed Mill Pcl.
1989-Present	: Managing Director Leather Mine Co.,Ltd.

Name : Mr. Busarin Vanaswas

Position in the Company : Member of the Audit Committee /  
Independent Director

Education : MBA Peperdine University, U.S.A

Training Coursed : Directors Accreditation Program (DAP) and  
Audit Committee Program by  
Thai Institute of Directors Association (IOD)

No. of securities increased/  
decreased during 2010 : -



# Experience

1999-Present	:	Member of the Audit Committee Independent Director Lee Feed Mill Pcl.
Present	:	Deputy Managing Director Atlantic Laboratories Corp.,Ltd.
Present	:	Deputy Managing Director Atlantic Pharmaceutical Co.,Ltd.
Present	:	Deputy Managing Director Vana Corporation Ltd.
Present	:	Secretary General Thai Pharmaceutical Manufacturers Association (T.P.M.A)
Present	:	President of the Board of Director of The Pharmaceutical Industry Club (PIC) The Ferdraton of Thai Industries (FTI)

Name : Pol. Lt. Gen. Adisorn Nonsee

Position in the Company : Independent Director

Education : Public administration / Royal Police cadet Academy

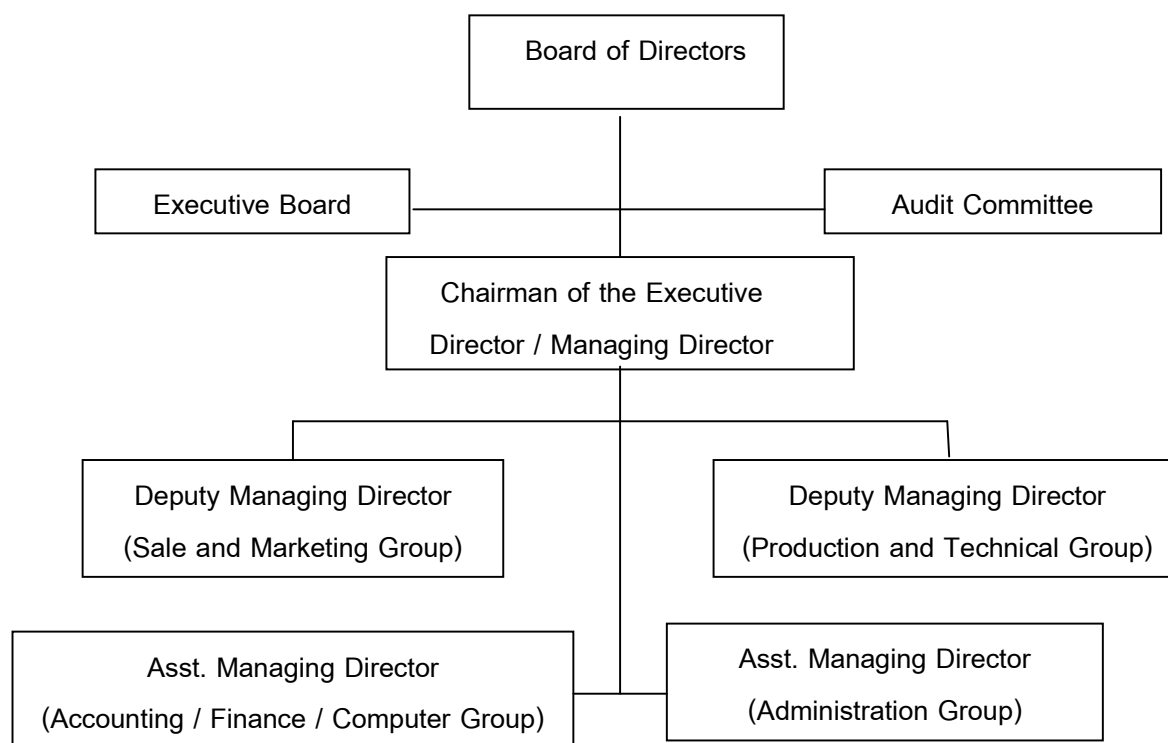
No. of securities increased/  
decreased during 2010 : -

# Experience

2006	:	Commissioner of the Provincial Police Region 6 Bureau
2007	:	Commissioner of the Metropolitan Police Bureau
2007	:	Commissioner of the Central Investigation Bureau
2008	:	Commissioner of the Office of Inspector General (Level 8)
March 12, 2010	:	Independent Director / Director Lee Feed Mill Pcl.

Name	:	<u>Mr. Somsak Tiensriyuka</u>
Position in the Company	:	Secretary of the Audit and Executive Committee / Accounting Manager
Education	:	MBA, Kasetsart University
Training Coursed	:	- Directors Accreditation Program (DAP) by Thai Institute of Directors Association (IOD)
No. of securities increased/ decreased during 2010	:	-
Experience		
1999-Present	:	Secretary of The Audit Committee / Secretary of The Executive Committee / Lee Feed Mill Pcl. and Subsidiaries
1984-Present	:	Accounting Manager Lee Feed Mill Pcl. and Subsidiaries

## 5.2 Organization Structure



- (1) The Company's management structure, on a strategy and policy level, comprises of 3 committees namely the Board of Directors, the Executive Directors and the Audit Committee as 31 December 2010 as follow :

The Board of Directors of Lee Feed Mill Public Company Limited . Details are as follows :

- |                            |                |  |
|----------------------------|----------------|--|
| 1. Mr. Visith              | Leelasithorn   | Chairman of the Board of Director                        |
| 2. Mr. Nipon               | Leelasithorn   | Chairman of the Executive Director and Managing Director |
| 3. Mr. Karoon              | Chanmingporn   | Executive Director / Deputy Managing Director            |
| 4. Mrs. Supaporn           | Chongvilaiwan  | Director / Asst. Managing Director                       |
| 5. Assoc. Prof. Dr. Somjai | Phagaphasvivat | Chairman of the Audit Committee / Independent Director   |
| 6. Mr. Busarin             | Vanaswas       | Member of the Audit Committee / Independent Director     |
| 7. Mrs. Sununta            | Subhapholsiri  | Member of the Audit Committee / Independent Director     |
| 8. Pol. Lt. Gen. Adisorn   | Nonsee         | Independent Director                                     |

Directors empowered to act as signatories with the authority to commit the Company consist of Mr. Visith Leelasithorn, Mr. Nipon Leelasithorn, Mr. Karoon Chanmingporn, Mrs. Supaporn Chongvilaiwan; two directors of four directors as signatories, along with the Company Seal.

#### **Roles and Responsibilities of Directors**

1. Directors shall perform duties in accordance with specified laws, objectives, and Company regulations, as well as operate in accordance with shareholders' resolutions.
2. Directors shall establish business goals and management policies.
3. The Board of Directors has the authority to determine and change which directors are authorized to act as signatories empowered to commit the Company.
4. The Board of Directors has the authority to appoint any director or external person to act on behalf of the Board, as in the case of the Executive Director and Audit Committee. The delegation of such tasks must remain within the scope of the Board's powers, and the duties and responsibilities of the delegate must be clearly stipulated.
5. The Board of Directors is required to hold meetings should important matters arise that may affect Company operations. This includes requests for credit lines from financial institutions, loans, guarantees, business expansion, investments, or sales of investments in other businesses.
6. Directors shall review and approve quarterly financial reports prior to submitting same to the Stock Exchange of Thailand.
7. Directors shall ensure that financial and other information disclosed to shareholders is complete, correct, and transparent.

#### **Executive Directors' Committee**

The Executive Directors' Committee consists of 2 executives, as follows:

- |                            |   |
|----------------------------|---|
| 1. Mr. Nipon Leelasithorn  | Chairman of the Executive Director Committee<br>and Managing Director |
| 2. Mr. Karoon Chanmingporn | Executive Director  |
| ( Mr. Somsak Tiensriyuka   | Secretary of the Executive Director )                                 |

#### **Roles and Responsibilities of the Executive Directors' Committee**

1. The Executive Directors' Committee shall be responsible for the Company's day-to-day management, in accordance with Board policy, and authorized not more than 100 million Baht per times
2. The Executive Directors' Committee shall set forth the Company's organizational structure and planning; and monitor and evaluate the Company's performance for presentation to the Board for approval.

3. The Executive Directors' Committee shall review, monitor, and report on Company performance, in accordance with set business plans for quarterly reporting to the Board.
4. The Executive Directors' Committee shall conduct other duties as mandated by the Board.

#### **Audit Committee**

The Committee consists of three independent directors as follows :

- |   |                                    |
|---|------------------------------------|
| 1. Assoc. Prof. Dr. Somjai Phagaphasvivat | Chairman of the Audit Committee    |
| 2. Mr. Busarin Vanaswas                   | Member of the Audit Committee      |
| 3. Mrs. Sununta Subhapholsiri             | Member of the Audit Committee      |
| ( Mr. Somsak Tiensriyuka                  | Secretary of the Audit Committee ) |

#### **Authority and duty of Audit Committee :**

1. Auditing the Company's financial statements to ensure accuracy in accordance with accounting principles and sufficient information disclosure.
2. Ensuring that the Company has appropriate and effective internal control and internal audit procedures.
3. Auditing Company operations to comply with the Securities Act, Stock Exchange of Thailand regulations, or other laws pertaining to Company operations.
4. Selecting and proposing an auditor, as well as proposing the auditor's remuneration.
5. Ensuring correct and complete information disclosure in the event of connected transactions or transactions involving conflicts of interests.
6. Preparing the Audit Committee Report to be included in the Company's Annual Report and signed by the Chairman of the Audit Committee.
7. Conducting other duties as mandated by the Board.

#### **Managements**

- |                                |   |
|--------------------------------|---|
| 1. Mr. Nipon Leelasithorn      | Managing Director   |
| 2. Mr. Karoon Chanmingporn     | Deputy Managing Director<br>(Production and Technical Groups)       |
| 3. Mrs. Supaporn Chongvilaiwon | Asst. Managing Director<br>(Accounting / Finance / Computer Groups) |

#### **Authority and Duties of the Managing Director**

1. Prescribe policy, direction, strategy, and administrative structure in line with economic and competitive conditions, to be presented for approval by the Board of Directors.
2. Map out business plans, budgets, and investments of all types, as well as examine and monitor the implementation of policies and administrative guidelines in accordance with policies presented to and approved by the Board of Directors. Undertake other actions as assigned by the Board of Directors on a case-by-case basis. Present any transactions that may conflict with benefits or other types of interest of the Company or its subsidiaries for consideration and approval by the Board of Directors.

Any related transaction or any transaction related to the acquisition or disposal of assets of the Company or its subsidiaries, as the case may be, must receive approval from a Shareholders' Meeting and/or proceed as per governing criteria and procedures, in line with the SET's prescription for the same.

#### **5.2.2 Nomination of Directors and Executives**

The Company does not have a Nominating Committee to nominate directors to the Board. Instead, directors are voted into office. Directors must receive over half of the total number of votes by shareholders with the right to vote and participating in a Shareholders' Meeting. Should the number of votes be equal, the Chairman of the Meeting shall cast the deciding vote.

Company regulations stipulate that the Board must consist of at least five directors, of whom at least half of the total number must reside in the Kingdom.

At the annual General Meeting, one third of the directors shall retire from office. If the number of directors is not a multiple of three, the number of retiring directors should be as close to one third as possible. Directors retiring under this clause may be reelected.

Should a directorship become vacant due to reasons other than rotation, a qualified person not possessing any of the prohibited characteristics stipulated in Clause 68 of the Public Limited Companies Act of B.E. 2535 may fill the vacancy at the next Meeting. Such a person may retain this office only for the remaining term of the director he/she is replacing. The Board of Directors' resolution in this regard must also consist of at least three fourths of the remaining directors' votes.

## 6. Corporate Governance

### Corporate Governance Policy

Recognizing the importance of corporate governance to Company operations and continued growth, the Board has formulated and is committed to following its corporate governance policy. Guidance is provided for the Company's direction, and the importance of internal-control and -audit procedures is emphasized. In addition, management performance is stressed, in order to ensure that shareholders' long-term interests are protected and in compliance with the law, business ethics considerations, and the Code of Best Practices for listed company directors, as issued by the Stock Exchange of Thailand.

### Shareholders' Rights

The Company held its annual General Meeting at Company headquarters. Meeting notifications and supporting information in accordance with the Meeting's agenda was sent to all shareholders approximately 10 working days beforehand. Each item on the agenda included the Board of Directors' opinions, and a complete report of the Meeting was available for review by the shareholders, the Company has provided a further option for shareholders by enabling independent directors to serve as proxies for shareholders who are unable to attend the Meeting.

### Stakeholders' Rights

Importance is ascribed to all stakeholder groups, as follows:

Employees – The Company is an Equal Opportunity Employer to all of its employees, and remuneration is equitable. Knowledge development and training is provided to staff at all levels.

Trading and Business Partners – The Company has purchased goods and services from business partners in accordance with relevant trade conditions. It has also behaved equitably to all trading and business partners in its business agreements.

Creditors – The Company has followed the conditions of its loan agreements.

Customers – The Company ascribes importance to and is responsible in its relations with clients. It provides quality products and maintains the confidentiality of its clients. A unit or staff member is assigned to receive customers' complaints and address them as quickly as possible. Quality standards like ISO, GMP, and HACCP are all used to support the production process, in order to ensure quality products that meet international standards.

Competitors – The Company conducts business within the framework of fair competition and avoids dishonest methods aimed at destroying competitors.

Community – The Company behaves responsibly toward and the community by environmental management system under ISO 14001 : 2004 for both of manufacturing plants.

#### **Shareholders' Meeting**

At the annual Shareholders' Meeting for 2010, seven directors attended. The Chairman of the Meeting gave shareholders equal opportunity in regard to reviewing Company performance, raising queries, and voicing their views. Queries raised and important views were noted in the minutes.

#### **Leadership and Vision**

The Board has played a role in determining the vision, mission, strategy, target, business plan, and budget of the Company. The Board has also mandated that management conduct business effectively in accordance with the Company's business plan and budget, so as to attain the highest value for the Company and ensure maximum stability for shareholders.

#### **Conflicts of Interest**

The Board has been informed of both conflicts of interest and connected transactions. These have been carefully considered and are in accordance with the Stock Exchange of Thailand's guidelines. The prices and conditions involved have been transacted on an arm's-length basis, and details, value, partners, reasons, and necessity are disclosed in the Annual Report and Form 56-1.

The Company has a clear policy in regard to the use of inside information and the prevention of management using inside information for their own benefit. Management, including spouses and offspring not yet of legal age, are not allowed to use inside information not yet disclosed to the public for the purchase, sale, transfer, or acceptance of transfer of any securities issued by the Company. Such practice is in accordance with the regulations of the securities industry and the Stock Exchange of Thailand. All transactions involving such purchases, sales, transfers, or acceptance of transfer must be reported to the Securities and Exchange Commission within three workdays of the transaction date. A copy of the documentation must also be made available for review.



### Business Ethics

The Company has informed the Board, management, and staff of its ethics policy in conducting business. Honesty and straightforwardness must be an integral part of all practices involving the Company, stakeholders, the public, and society. All relevant parties are aware of these practices, and communication with staff and subsequent monitoring have been consistent.

### Corporate Social and Environmental Responsibility

Trends in sharing the social responsibility has become more and more distinct. This is attributed to following factors: impact from production business, change of global environment, dirty air, toxic contaminated foods, polluted water, smell irritating respiratory system, high frequency noise, all are mixed and spreaded all over. The accumulation has caused the damage in long term. The world community has begun to realize for survival from these dangers. To ensure good quality of life and happy living, they gathered together and established the community, national institution, global organization, as well as paid attention to the study to seriously find the way for the prevention.

As polluted environment has caused by the production process, original sources of problem should be resolved. However, problem of population growth follows, former community is located far from factories, economic expansion has come closed to the factories. The community then has no choice as it cannot relocate itself to be far away from factories. The community needs to be managed by providing waste disposal system, which is regarded as standard facility and needs to be strictly examined by related agencies. Nevertheless, the accepted system may have the defect due to nature. This may have some affects against the nearby communities, which is normal fore majeure and is difficult to prevent. Consequently, production department needs to create relationship, disseminate information to communities outside of the factories, try to make new communities surrounding the factories to understand the Company, so as to ease communities' uneasiness. So they can commonly stay together in the areas. This impact does not only happen in any particular area, but it is the natural change from the development of the expanding society. All concerned parties have to accept and understand the change, and to cooperate for the responsibility of the society as a whole.

Activity contributing to society, which the Company has been continuously running for long period of time, concentrates on education. As the Company believes that it is the important foundation for the society to help developing the nation When the youths, who are the nation's future, are offered with access to good education system, the society's quality will improve likewise. The Company's executives, consequently, has allocated budget to education institutions located nearby the Company's factories and farm where the

employees' children can study together with local community's students. During the latest academic year, the Company constructed library and provided financial aid education to 4 schools in Saraburi province, 2 schools in Petchaburi province, and a school in Petchabun province, with a combined budget amounting to as much as Baht 1,000,000 (one million Baht). The Company's executives regard the move as sincere responsibility to the society without expecting any result from public relations or advertisement on such move at all.

#### Composition of the Board of Directors

The Board of Directors consists of 8 persons, as follows:

–Directors from management	3 persons
–Directors not from management	1 person
–Independent directors	4 persons

#### Consolidation or Separation of Positions

The Chairman of the Board is not the same person as the CEO. However, both persons are representatives of the same major shareholder group. There are four independent directors, allowing for balance and the review of operational management.

#### Remuneration of Directors and Executives

The Company's remuneration policy for directors is in accordance with the Board of Directors' policy and thus linked to Company performance. Appropriate remuneration is paid in accordance with business size and industry type and must be approved by a Shareholders' Meeting prior to payment.

At present, the Company does not have a subcommittee for determining remuneration, but remuneration-consideration procedures exist to determine appropriate remuneration. Such procedures take into account remuneration from other companies in the same industry and of similar size, as well as Company performance at the time of consideration. Such information is presented to the Shareholders' Meeting for final approval.

#### Monetary remuneration

–As Company directors, the eleven directors received a stipend for 2009 and 2010 totaling 1,000,000 Baht and 916,900 Baht per year as follows :

Name		Position	Amount (Baht)	
			2009	2010
1. Mr. Visith	Leelasithorn	Chairman of the Board of Directors	313,000	320,000
2. Mr. Suthep	Sutheparuk	Vice Chairman / Directors	88,000	-
3. Mr. Nipon	Leelasithorn	Chairman of Executive Director / Managing Director	88,000	98,000
4. Mr. Karoon	Chanmingporn	Deputy Managing Director / Executive Director	73,000	73,000
5. Mr. Mongkol	Musanyaluk	Deputy Managing Director / Executive Director	73,000	60,900
6. Mrs. Supaporn	Chongvilaiwan	Asst. Managing Director	73,000	73,000
7. Assoc. Prof. Dr. Somjai	Phagaphasvivat	Chairman of the Audit Committee / Independent Director	73,000	73,000
8. Mr. Busarin	Vanaswas	Member of the Audi Committee / Independent Director	73,000	73,000
9. Mrs. Sununta	Subhapholsiri	Member of the Audi Committee / Independent Director	73,000	73,000
10. Dr Somkiat	Leelasithorn	Director	73,000	-
11. Pol. Lt. Gen Adisorn	Nonsee	Independent Director	-	73,000
Total			1,000,000	916,900

–The directors and five executive directors receive compensation for their management of the Company in the form of salaries, bonuses social security and provident fund. This amounted to 19.17 million baht for 2010.

– Meeting allowance for the three Audit Committee for 2010 totaling 129,000 Baht.

#### Other remuneration

–None.

### Meetings of the Board of Directors

The Board of Directors meets regularly every quarter, with additional meetings held as necessary. The meeting agenda is clearly specified in advance, and consideration of Company performance is regularly included. The corporate secretary's department sends a meeting invitation letter, the agenda, and related documents seven days prior to the meeting, in order to allow directors sufficient time to review all information. During 2010, the Board met four times for its regular meetings and an additional two times for special meetings, totaling six meetings in all, with the participation of each director as follows :

Name		Meeting of the Board of Directors					
		General		Extraordinary		Total	
		2009	2010	2009	2010	2009	2010
1. Mr. Visith	Leelasithorn	4/4	3/4	2/2	2/2	6/6	5/6
2. Mr. Suthep	Sutheparuk	4/4	2/4	2/2	1/2	6/6	3/6
3. Mr. Nipon	Leelasithorn	4/4	4/4	2/2	2/2	6/6	6/6
4. Mr. Karoon	Chanmingporn	3/4	4/4	2/2	2/2	5/6	6/6
5. Mr. Mongkol	Musanyaluk	4/4	3/4	2/2	1/2	6/6	4/6
6. Mrs. Supaporn	Chongvilaiwan	4/4	4/4	2/2	2/2	6/6	6/6
7. Assoc. Prof. Dr. Somjai	Phagaphasvivat	4/4	4/4	1/2	1/2	5/6	5/6
8. Mr. Busarin	Vanaswas	4/4	4/4	1/2	2/2	5/6	6/6
9. Mrs. Sununta	Subhapholsiri	4/4	4/4	1/2	1/2	5/6	5/6
10. Dr. Somkiat	Leelasithorn	4/4	0/4	2/2	1/2	6/6	1/6
11. Pol. Lt. Gen Adisorn	Nonsee	-	3/4	-	0/2	-	3/6

Remark : No. 2) Mr. Suthep Sutheparuk Passing away on October 25, 2010

No. 5) Mr. Mongkol Musanyaluk Resignation on November 1, 2010

No. 10) Dr. Somkiat Leelasithorn Resignation on May 24, 2010

No. 11) Pol.Lt. Gen Adisorn Nonsee Appointment on March 12, 2010

Minutes of the meetings that have been endorsed by the directors and related parties may be examined. Directors' terms follow Company guidelines, as noted in the section "Nomination of Directors and Executives." Each term is for a three-year period.

### Subcommittees

The Company has appointed an Audit Committee to assist the Board with the Company's governance. Each director's term is for two years. This Committee consists of three independent directors and a committee secretary, as follows:

1. Assoc. Prof. Dr. Somjai Phagaphasvivat	Chairman of the Audit Committee
2. Mr. Busarin Vanaswas	Member of the Audit Committee
3. Mrs. Sununta Subhapholsiri	Member of the Audit Committee
( Mr. Somsak Tiensriyuka	Secretary of the Audit Committee )

The Audit Committee held regular meetings in 2010, a total of four, and reported the results to the Board of Directors. The Audit Committee's responsibilities and powers include:

1. Auditing the Company's financial statements to ensure accuracy in accordance with accounting principles and sufficient information disclosure.
2. Ensuring that the Company has appropriate and effective internal control and internal audit procedures.
3. Auditing Company operations to comply with the Securities Act, Stock Exchange of Thailand regulations, or other laws pertaining to Company operations.
4. Selecting and proposing an auditor, as well as proposing the auditor's remuneration.
5. Ensuring correct and complete information disclosure in the event of connected transactions or transactions involving conflicts of interests.
6. Preparing the Audit Committee Report to be included in the Company's Annual Report and signed by the Chairman of the Audit Committee.
7. Conducting other duties as mandated by the Board.

### Internal Control and Audit Procedures

The Company ascribes importance to internal-control procedures to protect against any liability that may occur to it as a whole. A written policy and practical guidelines have been laid out, and staff are also trained to ensure that they understand and are able to perform their duties correctly. To ensure maximum efficiency and transparency, staff are also provided with a handbook and code of conduct that outline punishments for conduct violations.

The Company monitors its performance against set targets on a monthly basis. In the event performance deviates significantly from set targets, measures are taken to address the problem immediately. Importance is placed upon development of Company communications and information systems, in order to ensure that Company data are accurate, timely, and sufficient to support decision making by management and the Board of Directors. In particular, the data-management system and documents supporting the preparation of financial statements are classified by category in accordance with accounting line items or accounting standards. The review of documents from various departments can be systemically carried out by the internal auditor for purposes of evaluating internal controls at any time.

The Audit Committee has mandated a review of effectiveness and efficiency, with an emphasis on review of internal-control procedures. Operations that do not comply with relevant laws and regulations must be reported to the responsible executive. Any material changes to or recommendations for procedures are proposed directly to the CEO for consideration. The Audit Committee may also propose recommendations or any weaknesses in internal-control procedures to the Board of Directors, so that further action can be taken.

The Board of Directors views that the Company's internal-control procedures are sufficient and suitable for its operations, protecting Company assets and those of subsidiaries from liability due to abuse by persons in authority or management for unlawful gain. The Company also ascribes importance to the recommendations and opinions of the auditor in regard to the development of internal-control procedures, the monitoring of performance to ensure maximum efficiency, and transparency in all operations conducted by management and staff at all levels throughout the organization.

During 2010, the Audit Committee held four joint meetings with the Executive Directors' Committee, attended by all the members of both Committees. The meeting enabled the exchange of views and recommendations for the further development and enhancement of the effectiveness of internal control procedures.

#### **Reports of the Board of Directors**

The Board of Directors is responsible for the financial statements of the Company and its subsidiaries. Financial statements are prepared in accordance with Thai GAAP. Suitable accounting principles have been applied in a consistent manner, and the utmost care has been taken in the preparation of the statements and related projections. Sufficient material information has been disclosed in the Notes to the Financial Statements.

The Board of Directors has mandated effective internal-control procedures, to ensure that the preparation of financial statements is carried out correctly, thoroughly, and sufficiently for the protection of assets from any mismanagement.

The Board of Directors has appointed an Audit Committee consisting of directors who are not representatives from management. This Committee is responsible for the quality of the financial statements and for internal-control procedures. The Committee's opinion in this regard is noted in the Audit Committee's Report included in the Annual Report.

The Board of Directors deems that overall, Company internal-control procedures are sufficient and able to build reasonable confidence in regard to the financial statements of the Company and its subsidiaries as of 31 December 2010.

#### **Relations with Shareholders**

The Board of Directors realizes that information pertaining to the Company, financial or otherwise, plays an important role in the decisions of both shareholders and stakeholders. The Board has therefore mandated that management ensures that the disclosure of information is complete, correct, consistent, and timely. Management has consistently ascribed importance in this regard, and information disclosure has been conducted accordingly. The Company has not yet established an Investor Relations unit, as there are still few activities in this area. However, the Head of Accounting has been assigned to communicate with institutional investors, shareholders, analysts, and related government entities. Investors may contact the Company for information by calling 02-632-7300 (extension 301 or 314), visiting the Company website at <http://www.leepattana.com>, or sending e-mail to [acct@leepattana.com](mailto:acct@leepattana.com).

## 7. Connected Transactions

During the years, the Company and its subsidiaries had significant business transactions with related parties, which have been concluded on commercial terms and bases agreed upon in the ordinary course of businesses between the Company and those companies. Below is a summary of those transactions.

	<u>Consolidated</u>		<u>The Company Only</u>		(Unit: Million Baht) Transfer pricing policy
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	
<b><u>Transactions with subsidiaries</u></b>					
(Eliminated from the consolidated financial statements)					
Sales of goods	-	-	82	83	Market price
Interest income	-	-	23	29	MOR
Purchase of goods	-	-	52	187	Market price
<b><u>Transactions with related companies</u></b>					
Rental and service expenses	14	14	7	7	Contract price

The balances of the accounts as at 31 December 2010 and 2009 between the Company and its subsidiary company are as follows:

	<u>The Company Only</u>	
	<u>2010</u>	<u>2009</u>
<b><u>Trade accounts and notes receivable</u></b>		
Lee Pattana Feed Mill Co., Ltd.	0.63	2.29
<b><u>Advance to and interest receivable from subsidiary</u></b>		
Lee Pattana Feed Mill Co., Ltd.	0.37	6.65
<b><u>Short-term loan to subsidiary</u></b>		
Lee Pattana Feed Mill Co., Ltd.	353.00	412.50
<b><u>Trade accounts payable</u></b>		
Lee Pattana Feed Mill Co., Ltd.	5.39	1.92



1) Reasons for and necessity of connected transactions are as follows:

i. All connected transactions involve the purchase and sale of animal feed products and raw ingredients. Company policy stipulates that transaction prices are fixed in accordance with market prices, normal business practices, and as with sales to external parties (see the auditor's Notes to the Financial Statements Numbers 5 – Transactions with Connected Businesses). These connected transactions result from the fact that subsidiary operations are similar to those of the Company (involving the production of animal feed). As such, a feed mill may urgently require a certain type of raw ingredient, due to insufficient production, or a feed mill may acquire raw ingredients at lower cost (for example, the Saraburi feed mill is located close to corn supplies, while the Phetchaburi feed mill is located near fishmeal sources). All connected transactions in this capacity are the result of strategic planning to maximize performance and attain the highest profits for the Company.

ii. The Company's policy on interest rates for connected loans is based on banks' MOR rate. Connected loans are carried out only when working capital is urgently required on a temporary basis. The borrowing company must pay back the loan to the lending company as soon as an external lending source is found.

iii. The Company and its subsidiaries have signed a lease with Alliance Company, Ltd., renting the entire 28<sup>th</sup> floor of the Wall Street Tower Building, serving as headquarters since January 1987. Due to business expansion and the rapid increase in the number of Company employees, additional floor space was rented from Wall Street Tower Company, Ltd., and Alliance Company, Ltd. The space includes all of the 1<sup>st</sup> floor and parts of the 20<sup>th</sup> and 29<sup>th</sup> floors from March 2002, February 1995, and July 1999, respectively.

2) Major shareholders conducting connected transactions with persons having mutual interests with the Company are as follows:

Alliance Co., Ltd. Core business: Asset leasing.

(Paid-up registered capital of 233 million baht as of 31 December 2010.)

Wall Street Tower Co., Ltd. Core business: Sales and leasing of property.

(Paid-up registered capital of 60 million baht as of 31 December 2009.)

3) A review of connected transactions between the Company and its subsidiaries with persons having mutual interests, as detailed above, has been conducted. As such, the independent directors and Audit Committee members regard product purchases and sales, loan interest rates, and existing property rental rates (including related amenities) as regular business transactions and in accordance with market prices.

- 4) As per Note 24.2 of the financial statements, As at 31 December 2010, the Company and its subsidiaries had outstanding bank guarantees of approximately Baht 9.0 million (the Company only: Baht 4.4 million) issued by banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the ordinary course of their businesses.

The Company and its subsidiaries have been granted various types of credit facility, by several financial institutions of which Baht 1,384.8 million (The Company Only: Baht 1,259.5 million) has not been utilized. Most of the facilities have been cross-guaranteed by the Company and its subsidiaries.

- 5) the Company and its subsidiaries have provided guarantees to each other in cases where separate credit lines are requested; or conducted inter company guarantees in the event joint credit lines are requested. Such guarantees provide collateral for requests for credit lines from financial institutions in lieu of using Company assets or securities as collateral, thereby avoiding the necessity for pledges and mortgages. All guarantees are conducted on an inter company basis within the Group only and are not extended to external parties.
- 5) Previous measures or procedures on approval for inter company transactions. Inter company transactions involve product sales/purchases, credit extensions, and leasing of office space and facilities, which are not different from normal trading transactions at normal market rates. Conditions do not differ from transactions entered into with a third party. Normally, intercompany transactions are approved by an executive or authorized officer within his/her scope of authority and duties.
- 6) Policies for or the outlook of intercompany transactions. Intercompany transactions are likely to continue in the future, such as the leasing of office space of persons with conflicts of interest or with any interest under normal terms and conditions, and at fair, reasonable, and examinable prices, comparable with those offered to a third party. Terms and conditions shall be presented for consideration by the Audit Committee. The Company may appoint the Audit Committee or an independent expert to consider and comment on the appropriateness of the price of a transaction.

In the event of a transaction with a person with a conflict of interest or with any interest, the Company shall assign the Audit Committee to comment on the price, rate of return, necessity, and propriety of the transaction, provided that a director with a conflict of interest is not allowed to vote in that particular meeting.

7. Investor protection measures. In the event of a transaction with a person with a conflict of interest or with any interest, the Company shall assign the Audit Committee to comment on the price, rate of return, necessity, and propriety of the transaction, in order to ensure fairness and a reasonable price. In the event the Audit Committee does not possess expertise in a given issue, the Company shall assign an independent expert or auditor to provide comments for decision-making by the Board of Directors or shareholders, as the case may be. The Board of Directors shall comply with laws governing securities and the stock market and rules, notifications, instructions, or prescriptions of the Stock Exchange of Thailand, as well as regulations governing the disclosure of information of inter company transactions and acquisitions or the disposal of assets of the Company or its subsidiaries. The Company shall also disclose intercompany transactions on notes to the audited financial statements.

## 8. Management Discussion and Analysis

Operational Results and the Financial Status of Lee Feed Mill Public Company Limited and its Subsidiaries during 2009 and 2010 are summarized below:

### Operational Results

#### **Revenues**

Revenues from product sales during 2009 and 2010 amounted to 3.590 and 3.306 billion baht, respectively. The main revenue derived from sales of ready-mixed animal feeds, accounting for 99.61 percent, with the remaining 0.39 percent coming from sales business farm.

Revenues from ready-mixed animal feeds can be broken down into land and aquatic animal feeds, representing 40 percent and 60 percent, respectively, in 2010.

2010 the revenue from sale decrease by 8 percent, the sales volume ton of animal feed decrease 14 percent, while the sale price per ton increase by 6 percent. The Company had others income amounting baht 3 million and baht 5 million, respectively, while other income from sale by products amounting baht 22 million each year.

#### **Costs**

The Company has its increasing cost of sales per ton; whereas, in 2009 and 2010, the cost of sales was totally 3,103 million Baht and 2,850 million Baht, respectively, equal to 86.43% and 86.20% of the gross sales, respectively. The Company's sales decreased volume of animal feed products.

#### **Selling and Administrative Expenses**

Selling and administrative expenses amounting 202 million baht and 206 million baht, respectively, in 2009 and 2010, representing 5.63 percent and 6.22 percent, respectively.

In 2009 and 2010 the company had financial expenses amounting 3.54 million baht and 2.92 million baht respectively. The Company applied excess liquidity for debt servicing to financial institutions and may later exercise its credit line if in need of a funding source or is short of working capital.

### Net Profit

The Company financial statements for the year ended December 31, 2010 of which the business operation results for the year of 2010, the company had a net profit of 260.88 million baht for the year of 2010, compared to a net profit of 294.18 million baht for the same period in the previous year, representing a total decrease in profit of 33.30 million baht or 11.32% from the same period of last year.

The Company's profit was increased because the Company recognized the allowance for diminution in value of inventories (Corn) at 60 million baht in the previous year. In 2009 the Company has recognized the reversal of allowance in value of inventories (Corn) at 60 million baht. Moreover, the gross profit margin of animal feeds was higher than the previous year due to the efficiency improvement of production cost management.

Net profits margin in 2009 and 2010 totaled 8.17 percent and 7.92 percent, respectively. The decrease has resulted the major factors was due to the Company's decreased sale volume from animal feeds.

### Returns to Shareholders

Returns to shareholders in 2009 and 2010 stood at 15.29 percent and 12.66 percent, respectively. Due to a net profit decreased from the previous year amounting Baht 33.30 million. Moreover the Company's rates of returns from assets have decreased from 13.32% in 2009 to 11.30% in 2010 due to decreases of net profits from operations when compared to the previous year,

## Financial Status

### Assets

Total assets in 2009 and 2010 registered at 2,329 million baht and 2,333 million baht, respectively, with current and non current assets at a similar rate 60 : 40 and 62 : 38 in 2009 and 2010, respectively.

Assets are inventories, Cash on hand and Cash at Bank, Account and Notes Receivables, and Short-term Investments, totaled 62 percent of total assets..

### Inventories

In 2009 and 2010, inventories were registered after the allowance for diminution in inventory at 724 million baht and 698 million baht, respectively, or 31 percent and 30 percent, respectively, of total assets. The inventory storage period increased from 85 days to 90 days. Inventories mostly comprised soybean meal and maize, stored in order to cushion against price rises and supply shortages. Inventory storage does not pose any depreciation or decomposition problems. The raw materials were dried and can be stored for a lengthy period of time.

### Trade and Notes Receivable

In 2009 and 2010, trade and notes receivables stood at 172 million baht and 176 million baht, respectively, or 7 percent and 8 percent of total assets, respectively. The collection periods were 19 days and 20 days in 2009 and 2010.

The policy in regard to the reserve for doubtful debts is based on the financial status of customers, collateral, and repayment histories. In the event of a trade receivable in default for more than 3 months, the Company will set the reserve, less collateral value. Defaulting customers have always made repayment. The Company is confident in the adequacy of the reserve for doubtful debts, which are overdue for at least 6 months from the outstanding balance as of December 31<sup>st</sup>, 2010.

### Short-Term Investment

In 2009 and 2010, short-term investment amounted to 42 million baht and 69 million baht, respectively. The Company invests in assets of reasonable returns with due attention to risk factors. Investment may be in securities of the government, state enterprises, or listed securities with the SET. Each and every investment must receive approval from the Board of Directors and/or the Executive Board.

### Fixed Assets

Fixed assets include land, buildings, and equipment, there no invest any projects in 2010. As of 2010, before accumulated depreciation costs, totaled 1,872 million baht.

Sources of Funding**Liabilities**

Total liabilities in 2009 and 2010 stood at 253 million baht and 239 million baht, respectively, or 11 percent and 10 percent, respectively, of total assets. Most liabilities are current liabilities, consist of loan from banks, trust receipts and trades payable from purchases of raw materials under normal credit terms.

The Company and its subsidiaries have never guaranteed in favor of any third party or been subject to other arising obligations or been obliged to invest in any project or any other obligation of a similar nature that could affect the financial status or operational results of the Company or its subsidiaries, except for guarantee against cross obligation. In other words, the parent company guarantees against obligation of the subsidiaries, and the subsidiaries guarantee against obligation of the parent company, and joint guarantee has been entered under a credit line. The Company and its subsidiaries have been granted various types of credit facility, by several financial institutions of which 1,473 million baht and 1,385 million baht in 2009 and 2010 respectively.

The above guarantee obligation does not affect the financial status and operational results of the Company and its subsidiaries, since the obligation arises under a loan agreement under normal trading practices of the Company and its subsidiaries. At present, most of the credit line has not been exercised, and the Company and its subsidiaries still have sound liquidity. Note that the credit line does not require any collateral.

**Shareholders' Equity**

As of 31 December 2010, shareholders' equity totaled 2,094 million baht, and Resolution of the Board of Directors No. 3/2010, 11 March 2010, appropriate the earnings for the year 2009 for the additional dividend payment at the rate of Baht 0.36 per share and will be paid on May 18, 2010. The total amount 264.62 million baht or 96% of net profit of the Company's separated financial statements.

Appropriateness of the Capital Structure

As of 31 December 2010, the ratio of liabilities to shareholders' equity stood at 0.11, which is relatively low compared with other companies in the industry. The Company mobilized investment funds mainly from shareholders and its operations. A focus on cash sales and appropriate profit generating rates have allowed adequate working capital and lessened reliance on loans. As a result, the Company is able to pay interest and dividends to shareholders. The Company's present capital structure is thus appropriate and financially stable. Should the Company in the future need capital or face a shortage of working capital, there remains an unexercised credit line with a financial institution.

### Liquidity Conditions

#### Cash Flow from Operations

Cash flow from operations during the year 2009, and for the year 2010 amounting at 454 million baht, and 322 million baht, respectively. The decrease was due to a net profit decreased and management of inventories, trades receivable, and notes receivable. Inventories change in accordance with market demand for products and supplies of raw materials. In regard to trades and notes receivable, the Company has policies governing cash sales and debt acceleration, as well as a reserve for doubtful debts.

#### Cash Flow from Investment Activities

In 2010, the Company's cash flow from investment activities by 36 million baht. The total investments of 20 million baht were spent in short term investment and another 16 million baht was spent in the purchase office equipment.

#### Cash Flow from Financial Activities

Cash flow from financial activities decrease was negative during the year 2009 and 2010 at 117 million baht and 227 million baht respectively. In 2010 the Company paid cash dividends of approximately 265 million baht and cash received from exercise of warrants.

#### Liquidity Ratio

The ratio of current assets to current liabilities in 2009, and 2010 was 5.46 and 6.05, respectively. Sound liquidity conditions are a result from net profit in 2010.



Audit fee of The Lee Feed Mill Public Company Limited and its subsidiaries for the year 2009 and 2010 to Ernst & Young Office Limited as follow :

Audit fee for the year 2010

Detail	Company Payment	Name of Audit	Audit fee
1	Lee Feed Mill Public Company Limited	Mrs. Supunnee Triyanantakul	920,000
2	Lee Pattana Feed Mill Company Limited	Mrs. Supunnee Triyanantakul	350,000
3	Lee Pattana Agro Silo Company Limited	Mrs. Supunnee Triyanantakul	120,000
Total of Audit Fee			1,390,000

Audit fee for the year 2009

Detail	Company Payment	Name of Audit	Audit fee
1	Lee Feed Mill Public Company Limited	Mr. Narong Puntawong	920,000
2	Lee Pattana Feed Mill Company Limited	Mr. Narong Puntawong	350,000
3	Lee Pattana Agro Silo Company Limited	Mr. Narong Puntawong	120,000
Total of Audit Fee			1,390,000

## Report of Independent Auditor

### To the Shareholders of Lee Feed Mill Public Company Limited

I have audited the accompanying consolidated balance sheet of Lee Feed Mill Public Company Limited and its subsidiaries as at 31 December 2010, the related consolidated statements of income, changes in shareholders' equity and cash flows for the year ended, and the separate financial statements of Lee Feed Mill Public Company Limited for the same year. These financial statements are the responsibility of the management of the Company and its subsidiaries as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The consolidated financial statements and the separate financial statements of Lee Feed Mill Public Company Limited as at 31 December 2009 and for the year then ended, as presented herein for comparative purposes, were audited in accordance with generally accepted auditing standards by another auditor of our firm who, under his report dated 24 February 2010, expressed an unqualified opinion on those financial statements.

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 material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my 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 of Lee Feed Mill Public Company Limited and its subsidiaries and of Lee Feed Mill Public Company Limited as at 31 December 2010, the results of their operations, and cash flows for the year ended in accordance with generally accepted accounting principles.



Supanee Triyanantakul

Certified Public Accountant (Thailand) No. 4498

Ernst & Young Office Limited

Bangkok: 25 February 2011

## Balance Sheets

As at 30 December 2010 and 2009

LEE FEED MILL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	494,843,264	435,795,778	480,408,714	419,686,396
Current investments - fixed deposits		52,454,001	3,952,862	52,454,001	3,952,862
Current investments - marketable securities		16,373,951	38,713,067	16,373,951	38,713,067
Trade accounts and notes receivable					
Related party	6	-	-	633,154	2,290,105
Unrelated parties		184,738,745	184,492,626	112,277,502	134,692,943
Less: Allowance for doubtful accounts		(8,553,752)	(12,180,715)	(6,547,699)	(7,467,523)
Trade accounts and notes receivable - net	8	176,184,993	172,311,911	106,362,957	129,515,525
Advance to and interest receivable from related party	6	-	-	373,447	6,648,888
Short-term loans to related party	6	-	-	353,000,000	411,500,000
Inventories - net	9	698,071,013	723,982,444	323,424,841	359,021,995
Other current assets		8,441,254	5,974,107	6,927,662	4,366,818
<b>Total current assets</b>		<b>1,446,368,476</b>	<b>1,380,730,169</b>	<b>1,339,325,573</b>	<b>1,373,405,551</b>
<b>Non-current assets</b>					
Investment in subsidiary	10	-	-	190,000,000	190,000,000
Investment in associated company	11	46,094,442	43,148,073	35,600,000	35,600,000
Other long-term investments	12	12,530,017	12,530,017	12,530,017	12,530,017
Lands awaiting future development		16,627,987	1,018,987	16,627,987	1,018,987
Property, plant and equipment - net	13	806,803,466	885,838,330	348,247,751	392,679,220
Other non-current assets		5,041,341	5,846,419	1,708,248	1,642,887
<b>Total non-current assets</b>		<b>887,097,253</b>	<b>948,381,826</b>	<b>604,714,003</b>	<b>633,471,111</b>
<b>Total assets</b>		<b>2,333,465,729</b>	<b>2,329,111,995</b>	<b>1,944,039,576</b>	<b>2,006,876,662</b>

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

## Balance sheets (continued)

As at 30 December 2010 and 2009

LEE FEED MILL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2010	2009	2010	2009
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts		742,906	-	-	-
Trust receipts payable		64,331,482	46,787,395	23,185,577	23,393,697
Trade accounts payable					
Related parties	6	-	-	5,392,811	1,922,922
Unrelated parties		128,023,360	160,680,636	74,479,354	90,757,099
Total trade accounts payable		128,023,360	160,680,636	79,872,165	92,680,021
Other current liabilities					
Accrued expenses		36,046,601	39,143,850	17,453,120	21,184,717
Corporate income tax payable		7,416,841	4,477,951	7,090,927	4,477,951
Others		2,453,778	1,946,519	2,281,488	1,829,875
Total current liabilities		239,014,968	253,036,351	129,883,277	143,566,261
Shareholders' equity					
Share capital	14				
Registered					
1,029,070,000 ordinary shares of Baht 1 each					
(31 December 2009: 1,225,000,00 ordinary shares					
of Baht 1 each)		1,029,070,000	1,225,000,000	1,029,070,000	1,225,000,000
Issued and fully paid					
742,628,600 ordinary shares of Baht 1 each					
(31 December 2009: 735,050,000 ordinary shares					
of Baht 1 each)		742,628,600	735,050,000	742,628,600	735,050,000
Share premium		262,017,915	250,650,015	262,017,915	250,650,015
Unrealised gain					
Revaluation surplus on land	15	246,424,171	246,424,171	83,617,198	83,617,198
Retained earnings					
Appropriated - statutory reserve	16	142,500,000	142,500,000	122,500,000	122,500,000
Unappropriated		678,001,051	681,734,420	603,392,586	671,493,188
Equity attributable to the Company's shareholders		2,071,571,737	2,056,358,606	1,814,156,299	1,863,310,401
Minority interest - equity attributable to minority					
shareholders of subsidiaries		22,879,024	19,717,038	-	-
Total shareholders' equity		2,094,450,761	2,076,075,644	1,814,156,299	1,863,310,401
Total liabilities and shareholders' equity		2,333,465,729	2,329,111,995	1,944,039,576	2,006,876,662

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

## Income statements

For the years ended 31 December 2010 and 2009

LEE FEED MILL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
<b>Revenues</b>					
Sales		3,306,403,893	3,589,815,827	1,838,706,313	2,386,799,572
Other income					
Interest income		4,902,659	2,961,081	27,854,778	31,491,320
Others		22,082,037	21,886,322	15,047,751	15,230,700
<b>Total revenues</b>		<b>3,333,388,589</b>	<b>3,614,663,230</b>	<b>1,881,608,842</b>	<b>2,433,521,592</b>
<b>Expenses</b>					
Cost of sales		2,850,078,359	3,102,659,284	1,556,277,667	2,030,555,525
Selling expenses		67,169,335	74,538,033	35,143,445	41,190,914
Administrative expenses		118,418,269	109,369,429	69,791,298	62,542,753
Directors and management's remuneration		20,216,359	17,803,159	9,167,685	8,110,480
<b>Total expenses</b>		<b>3,055,882,322</b>	<b>3,304,369,905</b>	<b>1,670,380,095</b>	<b>2,142,399,672</b>
<b>Income before share of income from investment in associated company</b>		<b>277,506,267</b>	<b>310,293,325</b>	<b>211,228,747</b>	<b>291,121,920</b>
Share of income from investment in associated company	11	2,946,369	2,709,608	-	-
<b>Income before financial cost and corporate income tax</b>		<b>280,452,636</b>	<b>313,002,933</b>	<b>211,228,747</b>	<b>291,121,920</b>
Finance cost		(2,915,881)	(3,543,961)	(1,570,812)	(2,274,723)
<b>Income before corporate income tax</b>		<b>277,536,755</b>	<b>309,458,972</b>	<b>209,657,935</b>	<b>288,847,197</b>
Corporate income tax	18	(13,491,218)	(14,114,169)	(13,141,617)	(14,114,169)
<b>Net income for the year</b>		<b>264,045,537</b>	<b>295,344,803</b>	<b>196,516,318</b>	<b>274,733,028</b>
<b>Net income attributable to:</b>					
Equity holders of the parent		260,883,551	294,177,736	196,516,318	274,733,028
Minority interests of the subsidiaries		3,161,986	1,167,067		
		<b>264,045,537</b>	<b>295,344,803</b>		
<b>Earnings per share</b>	20				
Basic earnings per share					
Net income attributable to equity holders of the parent		0.35	0.40	0.27	0.37
Weighted average number of ordinary shares (shares)		735,070,763	735,041,369	735,070,763	735,041,369
Diluted earnings per share					
Net income attributable to equity holders of the parent		0.33	0.40	0.25	0.37
Weighted average number of ordinary shares (shares)		798,305,661	735,041,369	798,305,661	735,041,369

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

# Statements of changes in shareholders' equity

For the years ended 31 December 2010 and 2009

LEE FEED MILL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

(Unit: Baht)

Consolidated financial statements								
Equity attributable to the parent's shareholders								
Note	Issued and fully paid share capital	Share premium	Revaluation surplus on land	Retained earnings		Total equity attributable to the parent's shareholders	Minority interest - equity attributable to minority shareholders of subsidiaries	Total
				Appropriated	Unappropriated			
<b>Balance as of 31 December 2008</b>	734,999,995	250,500,000	246,424,171	134,800,000	439,356,684	1,806,080,850	18,549,971	1,824,630,821
Net income for the year	-	-	-	-	294,177,736	294,177,736	-	294,177,736
Annual dividend payment	23	-	-	-	(44,100,000)	(44,100,000)	-	(44,100,000)
Unappropriated retained earnings transferred to statutory reserve	-	-	-	7,700,000	(7,700,000)	-	-	-
Share subscription received from exercise of warrants	14	50,005	150,015	-	-	200,020	-	200,020
Minority interest - equity attributable to minority shareholders of subsidiaries	-	-	-	-	-	-	1,167,067	1,167,067
<b>Balance as of 31 December 2009</b>	<u>735,050,000</u>	<u>250,650,015</u>	<u>246,424,171</u>	<u>142,500,000</u>	<u>681,734,420</u>	<u>2,056,358,606</u>	<u>19,717,038</u>	<u>2,076,075,644</u>
<b>Balance as of 31 December 2009</b>	735,050,000	250,650,015	246,424,171	142,500,000	681,734,420	2,056,358,606	19,717,038	2,076,075,644
Net income for the year	-	-	-	-	260,883,551	260,883,551	-	260,883,551
Annual dividend payment	23	-	-	-	(264,616,920)	(264,616,920)	-	(264,616,920)
Share subscription received from exercise of warrants	14	7,578,600	11,367,900	-	-	18,946,500	-	18,946,500
Minority interest - equity attributable to minority shareholders of subsidiaries	-	-	-	-	-	-	3,161,986	3,161,986
<b>Balance as of 31 December 2010</b>	<u>742,628,600</u>	<u>262,017,915</u>	<u>246,424,171</u>	<u>142,500,000</u>	<u>678,001,051</u>	<u>2,071,571,737</u>	<u>22,879,024</u>	<u>2,094,450,761</u>

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

## Statements of changes in shareholders' equity (continued)

For the years ended 31 December 2010 and 2009

LEE FEED MILL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

(Unit: Baht)

Separate financial statements						
Note	Issued and fully paid		Revaluation	Retained earnings		Total
	share capital	Share premium	surplus on land	Appropriated	Unappropriated	
<b>Balance as at 31 December 2008</b>	734,999,995	250,500,000	83,617,198	114,800,000	448,560,160	1,632,477,353
Net income for the year	-	-	-	-	274,733,028	274,733,028
Annual dividend payment	23	-	-	-	(44,100,000)	(44,100,000)
Unappropriated retained earnings transferred to statutory reserve	-	-	-	7,700,000	(7,700,000)	-
Share subscription received from exercise of warrants	14	50,005	150,015	-	-	200,020
<b>Balance as at 31 December 2009</b>	735,050,000	250,650,015	83,617,198	122,500,000	671,493,188	1,863,310,401
<b>Balance as at 31 December 2009</b>	735,050,000	250,650,015	83,617,198	122,500,000	671,493,188	1,863,310,401
Net income for the year	-	-	-	-	196,516,318	196,516,318
Annual dividend payment	23	-	-	-	(264,616,920)	(264,616,920)
Share subscription received from exercise of warrants	14	7,578,600	11,367,900	-	-	18,946,500
<b>Balance as at 31 December 2010</b>	742,628,600	262,017,915	83,617,198	122,500,000	603,392,586	1,814,156,299

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

## Cash flow statements

For the years ended 31 December 2010 and 2009

LEE FEED MILL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Cash flows from operating activities</b>				
Net income before tax	277,536,755	309,458,972	209,657,935	288,847,197
Adjustments to reconcile net income before tax to net cash provided by (paid from) operating activities:				
Unrealised gain on current investments	(473,469)	(5,957,478)	(473,469)	(5,957,478)
(Gain) loss on sales of current investments	(1,098,758)	4,084,408	(1,098,758)	4,084,408
Depreciation	98,432,182	101,220,862	54,756,516	55,898,582
Bad debts	493,362	71,821	107,155	4,000
Allowance for doubtful accounts (reversal)	(3,626,963)	(1,783,798)	(919,824)	2,275,475
Reversal allowance for diminution in value of inventories	(18,024)	(61,106,102)	(2,302,410)	(2,022,403)
Share of income from investment in associated company	(2,946,369)	(2,709,608)	-	-
Gain on sales of equipment	(3,826,997)	(8,582,066)	(2,614,923)	(4,647,772)
Unrealised loss on exchange	186,741	109,934	67,375	58,495
Interest income	(4,902,659)	(2,961,081)	(27,854,778)	(31,491,320)
Interest expenses	152,504	553,347	66,689	414,516
Income from operating activities before changes in operating assets and liabilities	359,908,305	332,399,211	229,391,508	307,463,700
Operating assets (increase) decrease				
Trade accounts and notes receivable	(739,481)	14,895,176	23,965,237	480,628
Advance to subsidiary	-	-	(22,302)	116,710
Inventories	25,929,455	76,296,451	37,899,564	(39,478,339)
Other current assets	(2,155,715)	348,588	(2,291,832)	86,216
Other non-current assets	(14,803,922)	447,728	(15,674,361)	201,099
Operating liabilities increase (decrease)				
Trade accounts payable	(32,657,276)	55,448,618	(12,807,856)	11,302,027
Other current liabilities	(2,678,526)	(8,930,396)	(3,368,520)	(4,386,162)
Cash flows from operating activities	332,802,840	470,905,376	257,091,438	275,785,879
Cash paid for interest expenses	(152,504)	(673,090)	(66,689)	(534,259)
Cash paid for corporate income tax	(10,592,342)	(16,379,120)	(10,528,641)	(16,320,083)
<b>Net cash flows from operating activities</b>	<b>322,057,994</b>	<b>453,853,166</b>	<b>246,496,108</b>	<b>258,931,537</b>

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



## Cash flow statements (continued)

For the years ended 31 December 2010 and 2009

LEE FEED MILL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
<b>Cash flows from investing activities</b>				
Increase in current investments - fixed deposits	(48,501,139)	(2,816,613)	(48,501,139)	(2,816,613)
(Increase) decrease in current investments - marketable securities	23,911,343	(35,494,997)	23,911,343	(35,494,997)
Decrease in short-term loans to subsidiary	-	-	58,500,000	142,500,000
Acquisition of equipment	(20,316,353)	(24,190,725)	(10,926,054)	(12,645,180)
Proceeds from sales of equipment	4,746,032	10,913,628	3,215,930	5,649,315
Interest income	4,631,241	2,944,622	33,883,509	27,228,708
<b>Net cash flows from (used in) investing activities</b>	<b>(35,528,876)</b>	<b>(48,644,085)</b>	<b>60,083,589</b>	<b>124,421,233</b>
<b>Cash flows from financing activities</b>				
Increase (decrease) in bank overdrafts and short-term loans from banks	742,906	(60,000,000)	-	(60,000,000)
Increase (decrease) in trust receipts payable	17,357,346	(13,122,748)	(275,495)	7,378,047
Cash received from exercise of warrants	18,946,500	200,020	18,946,500	200,020
Dividend payment	(264,528,384)	(44,205,252)	(264,528,384)	(44,205,252)
<b>Net cash flows used in financing activities</b>	<b>(227,481,632)</b>	<b>(117,127,980)</b>	<b>(245,857,379)</b>	<b>(96,627,185)</b>
<b>Net increase in cash and cash equivalents</b>	<b>59,047,486</b>	<b>288,081,101</b>	<b>60,722,318</b>	<b>286,725,585</b>
Cash and cash equivalents at beginning of year	435,795,778	147,714,677	419,686,396	132,960,811
<b>Cash and cash equivalents at end of year</b>	<b>494,843,264</b>	<b>435,795,778</b>	<b>480,408,714</b>	<b>419,686,396</b>

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

## Notes to consolidated financial statements

For the years ended 31 December 2010 and 2009

LEE FEED MILL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

### 1. Corporate information

Lee Feed Mill Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in (1) the manufacturer of animal feed (2) crop drying, silo business and the distribution of raw materials for animal feed manufacture (3) experimental farming and (4) crop farming. The Company’s registered address is 33/137 Surawong Road, Suriyawong, Bangrak, Bangkok.

### 2. Basis of preparation

- 2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 30 January 2009, issued under the Accounting Act B.E. 2543.

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

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

## 2.2 Basis of consolidation

- a) The consolidated financial statements include the financial statements of Lee Feed Mill Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”):

Company's name	Nature of business	Country of incorporation	Percentage of shareholding		Assets as a percentage to the consolidated total assets as at 31 December		Revenues as a percentage to the consolidated total revenues for the year ended 31 December	
			2010	2009	2010	2009	2010	2009
			Percent	Percent	Percent	Percent	Percent	Percent
Lee Pattana Feed Mill Co., Ltd.	Producing animal feed, and distribution of raw materials for animal feed manufacture	Thailand	95.0	95.0	31	33	42	35
Lee Pattana Agro Silo Co., Ltd. (99.99% held by Lee Pattana Feed Mill Co., Ltd.)	Crop drying, Silo business and distribution of raw materials for animal feed	Thailand	95.0	95.0	6	7	7	-

- b) Subsidiaries are fully consolidated as from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- c) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- d) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- e) Minority interests represent the portion of net income or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet.

- 2.3 The separate financial statements, which present investments in subsidiary and associated company presented under the cost method, have been prepared solely for the benefit of the public.

### 3. Adoption of new accounting standards

During the current year, the Federation of Accounting Professions issued a number of revised and new accounting standards as listed below.

- a) Accounting standards that are effective for fiscal years beginning on or after 1 January 2011 (except Framework for the Preparation and Presentation of Financial Statements, which is immediately effective):

Framework for the 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 Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property
TFRS 2	Share-Based Payment
TFRS 3 (revised 2009)	Business 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

- b) Accounting standards that are effective for fiscal years beginning on or after 1 January 2013:

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

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

#### **TAS 19 Employee Benefits**

This accounting standard requires employee benefits to be recognised as expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment benefits using actuarial techniques. Currently, the Company accounts for such employee benefits when they are incurred.

At present, the management is evaluating the impact on the financial statements in the year when this standard is adopted.

#### **TAS 12 Income Taxes**

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognise deferred tax assets and liabilities under the stipulated guidelines.

At present, the management is evaluating the impact on the financial statements in the year when this standard is adopted.

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

#### **4.1 Revenue recognition**

##### *Sales of goods*

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

##### *Interest income*

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

## 4.2 Cash and cash equivalents

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

## 4.3 Trade accounts receivable

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debt aging.

## 4.4 Inventories

Finished goods and work in process are valued at the lower of average cost, except for swine and breeders which are valued at cost less amortisation on the straight-line method over the estimated periods of 36 months, and net realisable value.

Raw materials, packing materials and factory supplies are valued at the lower of average cost and net realisable value and are charged to production costs whenever consumed.

Allowance for diminution in inventory value and stock obsolescence will be set up for old, obsolete, slow-moving or deteriorated inventories.

## 4.5 Investments

- a) Investments in securities held for trading are stated at fair value. Changes in the fair value of these securities are recorded as gains or losses in the income statement.
- b) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for loss on diminution in value (if any).
- c) Investment in associated company is accounted for in the consolidated financial statements using the equity method.
- d) Investments in subsidiary and associated company are accounted for in the separate financial statements using the cost method. The Company performs impairment reviews in respect of the investment whenever there is an indication that it may be impaired.

The fair value of marketable securities is based on the latest bid price of the last working day of the year. The fair value of unit trusts is determined from their net asset value.

The weighted average method is used for computation of the cost of investments.

In the event the Company reclassifies investments in securities, such investments are adjusted to their fair value as at the reclassification date. Differences between the carrying amount of the investments and their fair value on that date are included in determining income or recorded as surplus (deficit) from changes in the value of investments in shareholders' equity, depending on the type of investment which is reclassified.

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

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

Land are initially recorded at cost on the acquisition date, and subsequently revalued by an independent professional appraiser to their fair value. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value at the balance sheet date.

Differences arising from the revaluation are dealt with in the financial statements as follows:

- When an asset's carrying amount is increased as a result of a revaluation of the Company and its subsidiary's assets, the increase is credited directly to equity under the heading of "Revaluation surplus on land". However, a revaluation increase will be recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense.
- When an asset's carrying amount is decreased as a result of a revaluation of the Company and its subsidiary's assets, the decrease is recognised as an expense in the income statement. However, a revaluation decrease is to be charged directly against the related "Revaluation surplus on land" to the extent that the decrease does not exceed the amount held in the "Revaluation surplus on land" in respect of those same assets. Any excess amount is to be recognised as an expense in the income statement.

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

Building and construction	-	10 - 20 years
Machinery and equipment	-	5 - 15 years
Furniture and office equipment	-	5 years
Motor vehicles	-	5 years

Depreciation is included in determining income.

No depreciation is provided for land and assets under installation.

#### 4.7 Related party transactions

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

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

#### 4.8 Long-term leases

Leases of buildings which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, while the interest element is charged to the income statements over the lease period. The buildings acquired under finance leases is depreciated over the useful life of the asset.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

#### 4.9 Foreign currencies

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

Gains and losses on exchange are included in determining income.

#### 4.10 Impairment of assets

At each reporting date, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company and its subsidiaries could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.



An impairment loss is recognised in the income statement. However in cases where property was previously revalued and the revaluation was taken to equity, a part of such impairment is recognised in equity up to the amount of the previous revaluation.

#### **4.11 Employee benefits**

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

#### **4.12 Provisions**

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

#### **4.13 Income tax**

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

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

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

#### **Allowance for doubtful accounts**

In determining an allowance for doubtful accounts, the management needs to make judgment and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

#### **Impairment of equity investments**

The Company treats other investments as impaired when the management judges that the recoverable amount is less than the carrying amount. The management is required to make estimates of expected return from such investment.

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

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

The Company and its subsidiary measure land at revalued amounts. Such amounts are determined by the independent valuer using the market approach for land. The valuation involves certain assumptions and estimates.

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

## 6. Related party transactions

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

	(Unit: Million Baht)				
	Consolidated		Separate		
	financial statements		financial statements		Pricing policy
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	
<u>Transactions with subsidiaries</u>					
(eliminated from the consolidated financial statements)					
Sales of goods	-	-	82	83	Market price
Interest income	-	-	23	29	At the rate of MOR
Purchase of goods	-	-	52	187	Market price
<u>Transactions with related company</u>					
Rental and service expenses	14	14	7	7	Contract price

As at 31 December 2010 and 2009, the balances of the accounts between the Company and those related companies are as follows:

(Unit: Baht)				
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<u>Trade accounts receivable - related party</u>				
<b>Subsidiary company</b>				
Lee Pattana Feed Mill Co., Ltd.	-	-	633,154	2,290,105

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2010	2009	2010	2009
<b><u>Advance to and interest receivable from related party</u></b>				
<b>Subsidiary company</b>				
Lee Pattana Feed Mill Co., Ltd.	-	-	373,447	6,648,888
<b><u>Short-term loan to related party</u></b>				
<b>Subsidiary company</b>				
Lee Pattana Feed Mill Co., Ltd.	-	-	353,000,000	411,500,000
<b><u>Trade accounts payable - related party</u></b>				
<b>Subsidiary company</b>				
Lee Pattana Feed Mill Co., Ltd.	-	-	5,392,811	1,922,922

During the year 2010, movements of short-term loans to related party were as follows:

(Unit: Baht)

	Balance as at	During the year		Balance as at
	1 January 2010	Increase	Decrease	31 December 2010
<b><u>Short-term loans to related company</u></b>				
<b>Subsidiary company</b>				
Lee Pattana Feed Mill Co., Ltd.	411,500,000	312,000,000	(370,500,000)	353,000,000

#### Directors and management's remuneration

In 2010 the Company and subsidiaries had salaries, bonus, meeting allowances and gratuities of their directors and management recognised as expenses totaling Baht 20.2 million (the Company only: Baht 9.1 million) (2009: Baht 17.8 million, the Company only: Baht 8.1 million).

#### Guarantee obligations with related parties

The Company has outstanding guarantee obligations with its related parties, as described in Note 24.2 to the financial statements.

## 7. Cash and cash equivalents

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Cash	610,000	620,000	330,000	340,000
Bank deposits	54,174,217	35,163,911	40,019,667	19,334,530
Bills of exchange	440,059,047	400,011,867	440,059,047	400,011,866
Total	494,843,264	435,795,778	480,408,714	419,686,396

As at 31 December 2010, bank deposits in saving accounts, fixed deposits and bills of exchange carried interests between 0.25 and 2.00 percent per annum (2009: between 0.25 and 1.25 percent per annum).

## 8. Trade accounts and notes receivable

The balances of trade accounts and notes receivable as at 31 December 2010 and 2009, aged on the basis of due dates, are summarised below.

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b><u>Age of receivables</u></b>				
Not yet due	108,285,631	84,867,004	55,025,428	62,821,035
Past due				
Up to 3 months	65,825,640	72,433,364	50,062,164	53,160,348
3 - 6 months	1,483,365	16,037,079	1,307,465	13,945,911
6 - 12 months	871,511	2,380,378	284,024	1,859,266
Over 12 months	8,272,598	8,774,801	6,231,575	5,196,488
Total	184,738,745	184,492,626	112,910,656	136,983,048
Less: Allowance for doubtful accounts	(8,553,752)	(12,180,715)	(6,547,699)	(7,467,523)
Trade accounts and notes receivable - net	176,184,993	172,311,911	106,362,957	129,515,525

## 9. Inventories

(Unit: Baht)

Consolidated financial statement								
Allowance of diminution in value of inventory								
Reduction cost to								
	Cost		net realisable value		Stock obsolescence		Inventories - net	
	2010	2009	2010	2009	2010	2009	2010	2009
Finished goods	92,850,591	120,431,391	-	-	-	-	92,850,591	120,431,391
Work in process	3,818,360	5,204,320	-	-	-	-	3,818,360	5,204,320
Raw materials	474,749,631	453,694,873	(3,135,614)	-	-	-	471,614,017	453,694,873
Packing materials	41,790,533	46,087,110	-	-	-	(3,376,245)	41,790,533	42,710,865
Spare parts and factory supplies	43,881,522	36,137,848	-	-	-	-	43,881,522	36,137,848
Raw materials in transit	37,960,945	58,322,402	-	-	-	-	37,960,945	58,322,402
Breeding livestock and raw materials used in farming	6,917,238	8,020,332	(762,193)	(539,587)	-	-	6,155,045	7,480,745
Total	701,968,820	727,898,276	(3,897,807)	(539,587)	-	(3,376,245)	698,071,013	723,982,444

(Unit: Baht)

Separate financial statement								
Allowance of diminution in value of inventories								
Reduction cost to								
	Cost		net realisable value		Stock obsolescence		Inventories - net	
	2010	2009	2010	2009	2010	2009	2010	2009
Finished goods	48,844,144	77,670,141	-	-	-	-	48,844,144	77,670,141
Work in process	2,301,488	2,844,154	-	-	-	-	2,301,488	2,844,154
Raw materials	202,370,989	195,832,118	-	-	-	-	202,370,989	195,832,118
Packing materials	20,382,501	21,504,604	-	-	-	(2,525,016)	20,382,501	18,979,588
Spare parts and factory supplies	28,514,229	22,775,578	-	-	-	-	28,514,229	22,775,578
Raw materials in transit	14,856,445	33,439,671	-	-	-	-	14,856,445	33,439,671
Breeding livestock and raw materials used in farming	6,917,238	8,020,332	(762,193)	(539,587)	-	-	6,155,045	7,480,745
Total	324,187,034	362,086,598	(762,193)	(539,587)	-	(2,525,016)	323,424,841	359,021,995

## 10. Investment in subsidiary

Details of investment in subsidiary as presented in separate financial statements are as follows:

(Unit: Million Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost	
	<u>2010</u>	<u>2009</u>	<u>2010</u> (%)	<u>2009</u> (%)	<u>2010</u>	<u>2009</u>
Lee Pattana Feed Mill Company Limited	200	200	95	95	190	190

## 11. Investment in associated company

### 11.1 Details of associated company:

(Unit: Million Baht)

Company's name	Nature of business	Country of incorporation	Consolidated financial statements					
			Shareholding percentage		Cost		Carrying amounts based on equity method	
			<u>2010</u> (%)	<u>2009</u> (%)	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Pattana Agro Futures Company Limited	A Futures Broker of Agricultural Trading	Thailand	44.5	44.5	35.6	35.6	46.1	43.1

### 11.2 Share of income and dividend received

During the year, the Company has recognised its share of net income from investment in associated company in the consolidated financial statements and dividend income in the separate financial statements as follows:

(Unit: Million Baht)

Company's name	Consolidated financial statements		Separate financial statements	
	Share of income from investment in associated company during the year		Dividend received during the year	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Pattana Agro Futures Company Limited	2.9	2.7	-	-

## 11.3 Summarised financial information of associated company

Financial information of the associated company is summarised below:

(Unit: Million Baht)

Company's name	Paid-up capital		Total assets		Total liabilities		Total revenues		Net income for	
	as at		as at		as at		for the year		the year ended	
	31 December		31 December		31 December		31 December		31 December	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Pattana Agro Futures										
Company Limited	80	80	250	176	146	79	26	31	7	6

## 12. Other long-term investments

(Unit: Baht)

Company's name	Shareholding percentage		Value of investments	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	(%)	(%)	Baht	Baht
M.N. Inter Holding Co., Ltd.	3.64	3.64	10,880,000	10,880,000
Wall Street Tullett Liberty Ltd.	9.00	9.00	945,000	945,000
Others			705,017	705,017
Total other long-term investments			<u>12,530,017</u>	<u>12,530,017</u>

## 13. Property, plant and equipment

(Unit: Baht)

	Consolidated financial statements						
	Revaluation basis	Cost basis					
	Land and land improvements	Buildings and buildings improvements	Machinery and equipment	Office equipment, furniture and fixtures	Motor vehicles	Assets under installation	Total
<b>Cost / Revalued amount:</b>							
At 31 December 2009	331,864,100	457,771,648	805,608,331	132,830,219	133,762,928	2,465,740	1,864,302,966
Additions	-	-	695,500	3,010,418	10,570,319	6,040,116	20,316,353
Disposals	-	-	(1,937,138)	(795,831)	(9,951,088)	-	(12,684,057)
Transfers	-	-	380,410	-	-	(380,410)	-
At 31 December 2010	331,864,100	457,771,648	804,747,103	135,044,806	134,382,159	8,125,446	1,871,935,262
<b>Accumulated depreciation:</b>							
At 31 December 2009	-	248,597,672	527,731,367	123,255,350	78,880,247	-	978,464,636
Depreciation for the year	-	20,169,882	54,113,728	4,454,245	19,694,327	-	98,432,182
Depreciation on disposals	-	-	(1,937,135)	(794,797)	(9,033,090)	-	(11,765,022)
At 31 December 2010	-	268,767,554	579,907,960	126,914,798	89,541,484	-	11,765,022
<b>Net book value:</b>							
31 December 2009	331,864,100	209,173,976	277,876,964	9,574,869	54,882,681	2,465,740	885,838,330
31 December 2010	331,864,100	189,004,094	224,839,143	8,130,008	44,840,675	8,125,446	1,065,131,796
<b>Depreciation for the year</b>							
2009 (Baht 80.21 million included in manufacturing cost, and the balance in selling and administrative expenses)							101,220,862
2010 (Baht 78.77 million included in manufacturing cost, and the balance in selling and administrative expenses)							98,432,182



(Unit: Baht)

## Separate financial statements

	Revaluation basis	Cost basis					
	Land and land improvements	Buildings and buildings improvements	Machinery and equipment	Office equipment, furniture and fixtures	Motor vehicles	Assets under installation	Total
<b>Cost / Revalued amount:</b>							
At 31 December 2009	133,218,600	274,405,953	409,533,070	83,391,658	82,404,799	-	982,954,080
Additions	-	-	371,290	1,684,151	7,095,000	1,775,613	10,926,054
Disposals	-	-	(1,888,346)	(793,049)	(7,045,445)	-	(9,726,840)
Transfers	-	-	-	-	-	-	-
At 31 December 2010	133,218,600	274,405,953	408,016,014	84,282,760	82,454,354	1,775,613	984,153,294
<b>Accumulated depreciation:</b>							
At 31 December 2009	-	163,086,669	299,602,642	78,518,580	49,066,969	-	590,274,860
Depreciation for the year	-	12,200,032	28,116,857	2,266,435	12,173,192	-	54,756,516
Depreciation on disposals	-	-	(1,888,344)	(793,020)	(6,444,469)	-	(9,125,833)
At 31 December 2010	-	175,286,701	325,831,155	79,991,995	54,795,692	-	635,905,543
<b>Net book value:</b>							
31 December 2009	133,218,600	111,319,284	109,930,428	4,873,078	33,337,830	-	392,679,220
31 December 2010	133,218,600	99,119,252	82,184,859	4,290,765	27,658,662	1,775,613	348,247,751
<b>Depreciation for the year</b>							
2009 (Baht 43.41 million included in manufacturing cost, and the balance in selling and administrative expenses)							55,898,582
2010 (Baht 42.54 million included in manufacturing cost, and the balance in selling and administrative expenses)							54,756,516

In January 2009, the Company and its subsidiary arranged for an independent professional valuer to reappraise the value of their land using the market approach. The Company and its subsidiary recorded the increment in appraised value in the financial statements under revaluation surplus on land in shareholders' equity.

Had the land been presented at cost in the financial statements, the book value as of 31 December 2010 and 2009 on the cost basis would have been as follows:

(Unit: Baht)

<u>As at</u>	<u>Consolidated financial statements</u>	<u>Separate financial statements</u>
31 December 2010	78,089,153	50,819,414
31 December 2009	78,089,153	50,819,414

As at 31 December 2010, certain plant and equipment items have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation) of those assets amounted to approximately Baht 466 million (2009: Baht 426 million) (The Company only: Baht 241 million, 2009: Baht 213 million).

#### 14. Warrants

On 17 March 2004, the Stock Exchange of Thailand approved the listing of 244,999,995 units of the Company's warrants as securities (LEE-W1). The warrants are exercisable for a period of 5 years at an exercise ratio of 1 warrant for 1 ordinary share at a price of Baht 4 per share, with the first exercising date being 30 June 2005.

On 5 March 2009, the Company received subscription to 50,005 ordinary shares at Baht 4 each from the exercise of warrants (LEE-W1), a total of Baht 200,020. Subsequently, on 20 March 2009, the Company registered a called up share capital of Baht 735,050,000 with the Ministry of Commerce.

After the exercise of the warrants, 244,949,990 warrants remained unexercised and these warrants are expired on 3 March 2009.

At the Annual General Meeting of the shareholders held on 29 April 2010, it was resolved the following resolutions:-

- a) To approve the 2009 final dividend payment of Baht 0.36 per share to be paid to the shareholders. In this regard, a dividend is calculated based on 735,050,000 registered and fully paid ordinary shares, totaling dividend of Baht 264,618,000. The dividend of Baht 0.27 per share, totaling Baht 198,463,500, was paid from the BOI promoted operations and the remaining dividend of Baht 0.09 per share. The dividend of Baht 0.05 per share, totaling Baht 36,752,500, was paid from the fifty percent reduction of normal rate of corporate income tax on net earnings derived from the promoted promotions. The dividend of Baht 0.04 per share, totaling Baht 66,154,500, was paid from the non-BOI promoted operations. The dividend was paid in May 2010.
- b) To decrease its registered and paid-up share capital from 1,225,000,000 shares with a par value of Baht 1 each, amounting to Baht 1,225,000,000, to 735,050,000 shares with a par value of Baht 1 each, amounting to Baht 735,050,000. The Company registered its share capital reduction with the Ministry of Commerce on 11 May 2010.
- c) To approve the issuance of 294,020,000 warrants for offering to the Company's existing shareholders in a ratio of 5 ordinary shares per 2 warrants, with no cost. Any fractions will be discarded. The warrants entitle the holders to subscribe to the Company's ordinary shares in a ratio of 1 warrant per 1 ordinary share at a price of Baht 2.50 each, and are exercisable for 3 years from the issue date.
- d) To approve the increase of its registered capital of the Company from 735,050,000 ordinary shares of Baht 1 each, amounting to Baht 735,050,000 to 1,029,070,000 ordinary shares of Baht 1 each, amounting to Baht 1,029,070,000. The additional shares are to be reserved for the exercise of warrants. The Company registered its share capital increase with the Ministry of Commerce on 12 May 2010.

The Company issued the warrants described in c) to existing shareholders of the Company on 20 May 2010. On 8 June 2010, the Stock Exchange of Thailand accepted the listing of 294,018,771 of the warrants as securities (LEE-W2). The warrants can be exercised to subscribe to newly issued ordinary shares in a ratio of 1 warrant per 1 ordinary share, at an exercise price of Baht 2.50 each, with the exercise periods commencing on the last business days of each June and December. The exercise period starts on 30 December 2010.

On 31 December 2010, the Company received subscription to 7,578,600 ordinary shares at Baht 2.50 each from the exercise of warrants (LEE-W2), a total of Baht 18,946,500. Subsequently, on 13 January 2011, the Company registered a called up share capital of Baht 742,628,600 with the Ministry of Commerce.

#### 15. Revaluation surplus on land

The revaluation surplus on land can neither be offset against deficit nor used for dividend payment.

#### 16. Statutory reserve

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

#### 17. Expenses by nature

Significant expenses by nature are as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	2010	2009	2010	2009
Salary, wages and other employee benefits	242,309,947	244,163,382	123,414,754	126,572,168
Depreciation	98,432,182	101,220,862	54,756,516	55,898,582
Rental expenses	13,019,506	12,697,371	6,167,861	5,860,431
Raw materials and consumables used	2,197,717,449	2,400,935,957	1,297,350,892	1,703,800,338
Purchases of finished goods	230,546,375	120,750,328	6,755,463	63,596,097
Changes in inventories of finished goods and work in process	15,934,553	95,219,544	29,368,663	3,976,558

(Unit: Baht)

#### 18. Corporate income tax

Corporate income tax for the year 2010 and 2009 was calculated at rate of 25 percent of earnings derived from non-BOI promoted operations and a fifty percent of earnings derived from the BOI promoted operations, after adding back provisions and certain expenses which are disallowed for tax computation purposes. For tax purpose, provisions are treated as expenses when loss is actually incurred.

## 19. Promotional privileges

The Company and its subsidiaries have been granted promotional privileges under the Investment Promotion Act B.E. 2520 by the Board of Investment under certain significant conditions. Significant privileges of the Company and its subsidiaries are as follows:

	Lee Feed Mill Public Company Limited				Lee Pattana Feed Mill Company Limited	Lee Pattana Agro Silo Company Limited
1. Certificate No.	1427/2537	1271/2537	1577/2544	1217(4)/2549	2086(4)/2548	1903(3)/2547
2. Promoted operations	Breeding	Manufacture of animal feeds	Manufacture of animal feeds	Manufacture of animal feeds and feed mix	Manufacture of animal feeds and feed mix	Crop drying and silo business
3. Significant privileges:						
3.1 Exemption of corporate income tax for earnings derived from the promoted operation and exemption of income tax on dividends paid from the profit of the promoted operation throughout the period in which the corporate income tax is exempted.	8 years (Expired)	8 years (Expired)	8 years	8 years	8 years	8 years
3.2 A fifty percent reduction of the normal rate of corporate income tax on net earnings derived from the promoted operations for a period of five years after the expiration of the above corporate income tax exemption period.	Eligible (Expired)	Eligible (Expired during the year 2009)	Eligible	Not eligible	Not eligible	Not eligible
3.3 Two-fold deduction of transportation, electricity and water supply, for corporate income tax computation purpose, for a period of ten years commencing as from the date of earning operating income.	Eligible (Expired)	Eligible (Expired)	Eligible	Not eligible	Not eligible	Not eligible
4. Date of first earning operating income	7 December 1994	2 September 1996	24 July 2002	Not yet started	4 January 2007	3 August 2005



The Company's operating revenues for the years are below shown divided according to BOI promoted and non-BOI promoted operations.

(Unit: Baht)

Consolidated financial statements						
2010			2009			
	BOI promoted operations	Non-BOI promoted operations	Total		BOI promoted operations	Non-BOI promoted operations
Sales - local	2,328,218,849	1,303,590,078	3,631,808,927	2,936,055,623	1,054,205,065	3,990,260,688
Interest income	-	30,936,517	30,936,517	-	34,080,656	34,080,656
Other income	2,120,436	20,201,601	22,322,037	17,894	22,108,429	22,126,323
Total revenues	2,330,339,285	1,354,728,196	3,685,067,481	2,936,073,517	1,110,394,150	4,046,467,667
Less: Eliminated transactions			(351,678,892)			(431,804,437)
Total			3,333,388,589			3,614,663,230

(Unit: Baht)

Separate financial statements						
2010			2009			
	BOI promoted operations	Non-BOI promoted operations	Total		BOI promoted operations	Non-BOI promoted operations
Sales - local	1,277,134,901	561,571,412	1,838,706,313	2,058,610,179	328,189,393	2,386,799,572
Interest income	-	27,854,777	27,854,777	-	31,491,320	31,491,320
Other income	736,733	14,311,019	15,047,752	43,750	15,186,950	15,230,700
Total revenues	1,277,871,634	603,737,208	1,881,608,842	2,058,653,929	374,867,663	2,433,521,592

## 21. Earnings per share

Basic earnings per share is calculated by dividing net income for the period by the weighted average number of ordinary shares in issued during the period.

Diluted earnings per share is calculated by dividing net income for the period by the weighted average number of ordinary shares in issue during the period plus the weighted average number of ordinary shares which would need to be issued to convert all dilutive potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the period or on the date the potential ordinary shares were issued.

Reconciliation between basic earnings per share and diluted earnings per share is presented below.

Consolidated financial statements						
	Net income		Weighted average number of ordinary shares		Earnings per share	
	2010	2009	2010	2009	2010	2009
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
<b>Basic earnings per share</b>						
Net income attributable to equity holders of the parent	260,884	294,178	735,071	735,041	0.35	0.40
<b>Effect of dilutive potential ordinary shares</b>						
Warrants issued to existing shareholders	-	-	63,235	-		
<b>Diluted earnings per share</b>						
Net income of ordinary shareholders assuming the conversion of warrants to ordinary shares	260,884	294,178	798,306	735,041	0.33	0.40
Separate financial statements						
	Net income		Weighted average number of ordinary shares		Earnings per share	
	2010	2009	2010	2009	2010	2009
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
<b>Basic earnings per share</b>						
Net income attributable to equity holders of the parent	195,516	274,733	735,071	735,041	0.27	0.37
<b>Effect of dilutive potential ordinary shares</b>						
Warrants issued to existing shareholders	-	-	63,235	-		
<b>Diluted earnings per share</b>						
Net income of ordinary shareholders assuming the conversion of warrants to ordinary shares	195,516	274,733	798,306	735,041	0.25	0.37

**21. Segment information**

The Company and its subsidiaries' business operations involve four principal segments: (1) the manufacture of animal feed (2) crop drying, silo business and the distribution of raw materials for animal feed manufacture (3) experimental farming and (4) crops farming. These operations are mainly carried on in Thailand. Substantially all sales, operating profits and assets are related to the manufacture of animal feed business.

**22. Provident fund**

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contribute to the fund monthly at the rates of 3 to 5 percent of basic salary. The fund, which is managed by MFC Asset Management Public Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2010, the Company contributed Baht 2.7 million (2009: Baht 2.5 million) to the fund.



### 23. Dividends

Dividends declared in 2010 and 2009 consist of the following: -

(Unit: Baht)

Dividends	Approved by	Dividends from BOI promoted activities		Dividends from non-BOI promoted activities	Total dividends	Dividend per share
		Exemption from corporate income tax	50% reduction of corporate income tax rate			
Final dividends for 2008	Annual General Meeting of the shareholders on 29 April 2009	44,100,000	-	-	44,100,000	0.06
Total for 2009		44,100,000	-	-	44,100,000	0.06
Final dividends for 2009	Annual General Meeting of the shareholders on 29 April 2010	198,462,690	36,752,350	29,401,880	264,616,920	0.36
Total for 2010		198,462,690	36,752,350	29,401,880	264,616,920	0.36

## 24. Commitments and contingent liabilities

### 24.1 Operating lease commitments

The Company and its subsidiaries had entered into lease agreements in respect of the lease of office buildings space.

As at 31 December 2010, future minimum rentals payable under these leases were as follows.

	(Unit: Million Baht)	
Payable within:	Consolidated financial statements	Separate financial statements
1 year	12.4	5.9
2 - 3 years	10.0	4.4

During the year 2010, the Company and its subsidiaries recognised rental expenses of Baht 13.9 million (the Company only: Baht 6.7 million).

### 24.2 Guarantees

As at 31 December 2010, the Company and its subsidiaries had outstanding bank guarantees of approximately Baht 9.0 million (the Company only: Baht 4.4 million) issued by banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the ordinary course of their businesses.

The Company and its subsidiaries have been granted various types of credit facility, by several financial institutions of which Baht 1,384.8 million (the Company only: Baht 1,259.5 million) has not been utilized. Most of the facilities have been cross-guaranteed by the Company and its subsidiaries.

## 25. Financial instruments

### 25.1 Financial risk management

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, current investments, trade accounts, notes receivable, investments, bank overdrafts and short-term loans from banks. The financial risks associated with these financial instruments and how they are managed is described below.

**Credit risk**

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade accounts and notes receivable and loans. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company and its subsidiaries do not have high concentration of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of trade accounts and notes receivables and loans as stated in the balance sheet.

**Interest rate risk**

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

**Foreign currency risk**

The Company's exposure to foreign currency risk arises mainly from trading transactions that are denominated in foreign currencies. The Company may seek to reduce this risk by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.

**25.2 Fair value of financial instruments**

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

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

### 25.3 Capital management

The primary objective of the Company's capital management is to ensure that it has an appropriate financial structure and preserves the ability to continue its business as a going concern.

According to the balance sheet as at 31 December 2010, the Group's debt-to-equity ratio was 0.12:1 (2009: 0.12:1) and the Company's was 0.07:1 (2009: 0.08:1).

### 26. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 25 February 2011.



บริษัท ลีพัฒนาผลิตภัณฑ์ จำกัด (มหาชน)

LEE FEED MILL PUBLIC COMPANY LIMITED

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