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ANNUAL REPORT 2013



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

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“มุ่งมั่นพัฒนา สู่มาตรฐานสากล
ร่วมรับผิดชอบต่อสังคม
และสิ่งแวดล้อม

Message from the Chairman

Change happening in modern global society stems from development of society, economy, politics, environment and international communication system which is swiftly accessible by everybody. All of us have been affected in accordance with cause and effect. When change occurs, people will learn it for their survival, risks' reduction and prevention. Natural disasters, particularly, clearly affect agriculture sector.

The Lee Pattana Group's businesses relate to agricultural products. Because they are major raw materials to produce feed mill. The Company's executives, consequently, have been closely monitoring situation of the natural disasters. Although they are external factor which is difficult to be controlled and anticipated, with the Company's experiences for over 30 years, the Company can satisfactory maintain stability of the agriculture sector. In addition, the Company has been trying to create opportunity of its business expansion to be prepared for Asean Economic Community's growth.

Regarding the Company's performance in accordance to consolidate financial statements for the year ending December 31, 2013, net earning was Baht 233.87 million, reducing Baht 30.85 million or 11.65 per cent from corresponding period of previous year which recorded net earning of Baht 264.72 million. The reduced profit was attributed to gross profit rate of feed mill industry due to revenues from sale of marine products in term of shrimp's food compared with the same period of previous year because of early mortality syndrome (EMS) in shrimp, resulting in significant reduction of domestically raised shrimp.

Continuously maintaining security is challenging for every business. Important factor for real sustainability and existence is quality of products and services. The Company's products are produced through international standard production procedures which are certified by ISO (International Organization for Standardization), GMP (Good Manufacturing Practice), HACCP (Hazard Analysis and Critical Control Point) and environmental control system. The Company's every brand of feed mill product is consequently equipped with high quality and having been continuously well accepted and for a long time by customers and agriculturalists. Moreover, the Company's mission is jointly responsible for society, which will be clearly specified as clear policy concentrating on education because it is basic factor and the life's major principle so as to help creating quality personnel in the future. The mission also includes continuously taking care of environment within community every year to ensure the community's higher quality of life and happiness with conscience and paying attention towards society and overall country.

The Company's Executives pay attention to management based on principle of good governance and realization towards the business' responsibility to society by cooperating with other parts of the society to launch campaign resisting corruption so as to create fairness and happiness for the society. The Company would like to take this opportunity to express gratitude to shareholders, customers, agriculturalists, financial institutions, government agencies, local agencies, the Company's all executives and employees who have been playing parts to support and devote themselves constructively leading the Company and the country towards growth and prosperity.

Mr. Visith 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 2013, 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 2014 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 2014 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 2014 fiscal year. The audit fee of Baht 590,000 for examination of the annual financial statements and Baht 170,000 each of the 3 quarters for review of the interim financial statements, totaling is Baht 1,100,000.

Associate Professor Dr. Somjai Phagaphasvivat

Chairman of the Audit Committee

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 773.63 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 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. And in 2555. The company has invested in Bodhi Ngarm Sea Farms Co.,Ltd in 2012. The objective is the experimental farming for the aquaculture business to support the research and development of aquatic animal feed on the high quality and standards to be sustainable.

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)



Business operations

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.

1. Revenue Structure of the Lee Pattana Group (2011-2013)

Revenue from Sales	2011		2012		2013	
	Million Baht	%	Million Baht	%	Million Baht	%
Complete animal feed	3,754	99.60	4,060	99.71	3,935	99.62
Livestock / crop farming	15	0.40	12	0.29	15	0.38
Total	3,769	100	4,072	100	3,950	100

Remarks: Revenues from sales of Complete animal feeds for the year 2013 came from land and aquatic animal feeds at the rate of 61 percent and 39 percent, respectively

2. Market and Competition

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.

2.2 Competition Strategy

After more than 28 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.

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.

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 56 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 16.47 million tons per year, the Company accounts for 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 20 percent, to integrated business lines at the rate of 45 percent. Our share in independent markets likely in top ten 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.

2.5 Animal Feed Demand in 2012 and 2013

Table: A Comparison of Animal Feed Consumption Volumes in Thailand (2013 and 2014)

Type of Animal Feed	Animal Feed Consumption					
	2013		2014		Increase (Decrease)	
	Volume (tons)	%	Volume (tons)	%	Volume (tons)	%
Broiler chicken feed	5,428,566	32.95	5,328,037	32.38	(100,529)	(1.85)
Parent chicken stock	747,432	4.54	733,824	4.46	(13,608)	(1.82)
Layer chicken (small)	794,950	4.83	794,950	4.83	-	-
Layer chicken (egg)	1,840,000	11.17	1,840,000	11.18	-	-
Parent layer-chicken stock	26,800	0.16	26,800	0.16	-	-
Swine	4,336,500	26.32	4,720,000	28.68	383,500	8.84
Swine breeder	855,600	5.19	883,500	5.37	27,900	3.26
Duck feed	252,000	1.53	264,600	1.61	12,600	5.00
Duck breeder	21,900	0.13	22,995	0.14	1,095	5.00
Layer duck	169,000	1.03	169,000	1.03	-	-
Cattle	591,300	3.59	620,865	3.77	29,565	5.00
Shrimp	810,000	4.92	450,000	2.73	(360,000)	(44.44)
Fish	600,453	3.64	600,453	3.66	-	-
Total	16,474,501	100.00	16,455,024	100.00	(19,477)	(0.12)

(Source: The Thai Feed Mill Association)

Although overall situation of agriculture sector in 2013 expanded a mere 1.1 per cent compared with 2012, due to long drought situation. It resulted in declining of many important agricultural products since late 2012 continuously until mid-2013. Moreover, inundation problem occurred late 2013 in some parts of agriculture sector areas. But overall situation did not adversely and so significantly affect agriculture products. Regarding production of important livestock, such as chicken, pig, eggs and raw milk, were uptrend. Production in fishery sector, meanwhile, was continuously shrinking owing to problem of Early Mortality Syndrome: (EMS). Agriculture sector in 2014 is expected to grow at 3.0-4.0 per cent due to important driving forces in agriculture, livestock as well as fishery sectors which are expected to resume normal situation in mid 2014.

Fishery sector in 2013 decreased 7.2 per cent.

Shrimp is regarded as one of the most popular seafood products globally. Thailand's shrimp industry is the country's major export industry which is very crucial to Thailand's economic situation. As shrimp brings income to the country worth tens of thousands of Baht each year. Since late 2011 until now, Thailand's shrimp industry had faced with epidemic of EMS. It resulted in the country's shrimp product decreasing 54 per cent compared with previous year. The situation also adversely affected export of Thai shrimp, in term of quantity and value which decreased 38 per cent and 29 per cent respectively. Moreover, other factors obstructing export of shrimp products, such as trade barrier measure, labour allegation and revoking Generalized System of Preferences (GSP) etc.

Overall situation of quantity of raised shrimp globally in 2013 decreased from previous year 11 per cent to about 1.8 million tons. But shrimp's price doubled. It resulted in current Thai shrimp's prices much higher than the world market's prices. Buyers, as a result, have been increasingly turning to buy other products or buy shrimps from other countries. Thai shrimps' higher prices have affected global shrimps' prices, moving the world's prices of the product on the uptrend as well. Moreover, various countries' shrimps raisers have expanded areas of shrimps' raising, resulting in more choices of the product among buyers. In 2013, shrimps' product and export substantially decreased. (During the first 9 months of 2013, Thailand exported shrimps' product worth 1,508 million dollars, minus 29.4 per cent compared to corresponding period of previous year.) It was coupled with shrimps' raisers were not confident in the situation of shrimp industry. It resulted in shrimps' product quite substantially declining. Pacific white shrimp's price sold by raisers increased almost 50 per cent compared with 2012 due to decreased quantity of the product because of epidemic. Whereas quantity and value of exported important fishery products mostly decreased. Because Thailand's major sources of production of the product faced EMS, resulting in decreased product in the market. In addition, weather condition for entire past year was not suitable to raise shrimp. The weather was cold. While in the South, wind wave was strong, scattered rain, cold weather, resulting in much spread out of white spot disease. Survival rate was about 50 per cent. While continuous demand for the product of consumers in major import markets, including the United States, European Union and Japan, existed. Regarding products from fishery, quantity of marine animals docking at shipping port in the South also decreased as well.

Due to drought in many Provinces in the North and Northeast, there was insufficient water to raise fish during the first two quarters and inundation occurred in central plain area and in the Northeast during the third quarter. Moreover, fish raising encountered fluctuation of weather condition all along, higher weather temperature, longer hot season, which adversely affected fry's survival rate. In addition, long period cold weather covering late 2013 until early 2014 resulted in Nile tilapia's decreased growth rate, weak, and sick. Because the fish ate less food. It resulted in the fish's longer raising period. The fish was smaller in size. While costs of raising Nile tilapia increased due to increased price of fish food and minimum wage rate being effective in all Provinces of the country. Farm front price of the fish sold by the fisher's raiser in 2013 was uptrend. Because demand of the fish increased for both domestic and foreign markets, whereas fish product decreased.

It is expected that shrimp production in 2014 will increase from 2013. Because production of bred lobster recovered from EMS as Department of Fisheries cooperated with private sector to implement measures solving the problem, such as taking care of and cleaning fish pond, cleaning up breeding and hatching house of baby shrimp. In the meantime, measure controlling import of lobster's breeders from the United States was implemented. United States was approved by the Department of Fisheries as free zone of bacteria which caused diseases. Other measures included controlling colour of water to be suitable and balanced. And nursing baby shrimp was implemented before they are released into big pond. Moreover, Department of Fisheries cooperated with importers of lobster's breeders seeking additional sources of importing other qualitative breeders. Export of shrimps from Thailand in 2014 is expected not to be worsening than in 2013. Moreover, shrimps' raisers sought help from Government to allocate budget amounting to Baht 200 million to import new species of shrimps with EMS immunity from the United States for breeding by Department of Fisheries before distributing the new species to shrimps' raisers later. Regarding shrimps' prices, they are still on continuously increasing trend, especially small size shrimps (80-100 shrimps per kilogramme.) They are regarded as crucial and persuasive factors to an extent for shrimps' raisers. It resulted in shrimps' raisers still fond of raising small size shrimp because of high market demand of the product. Regarding raising big size lobster, It is quite time consuming with very high risks to do so.

Regarding situation of Thailand's shrimp industry in 2013, it surpassed the lowest point. It is expected that shrimps' production and export in 2014 will be slowly improving from the third quarter of the year. Shrimp products for the whole 2014 are expected to be 300,000-320,000 tons. Quantity of the product may be at a record high level of 500,000 tons in 2015. However, EMS is anticipated to still affect the industry. But based on all related parties' cooperation to continuously solving problem arising from EMS, it is expected that the situation will be gradually improving.

However, worrisome problems in 2014 are issues of child labour and forced labour. Currently, Thailand's status is tier 2 watch list which was in February 2014. All concerned parties must pay attention to the United States whether Washington will adjust Thailand into tier 3 group. If Thailand falls into tier 3 group, it will adversely affect export. Because importers will reject import of the product. And the situation will be very severe. Entrepreneurs of fishery industry may have to relocate their production base to other countries.

Regarding problem of European Union (EU)'s revoking generalized system of preference (GSP) from Thailand, which will result in Thai shrimps' tax rate increasing from seven per cent to 20 per cent in 2013. However, Thailand sent a letter to EU representatives in the country clarifying that currently, Thai shrimps have faced problem of EMS' spread out which has resulted in declining of Thai shrimps' product. If EU revokes GSP, it will further dampen situation of Thai shrimps. In addition, EU has announced to ease GSP for Ecuador by additional one year. While Thailand belongs to this group. Consequently, EU should consider to implement similar measure to Thailand which will result in the country having one additional year to await for the Thai Government to negotiate framework of free trade area (FTA) with EU later. If the negotiation is successful, it will result in Thailand being not necessary to rely on GSP any longer.

Weakening value of Baht in certain intervals compared with other currencies in this region, has been attributed to foreign nations' factors. In case, particularly, that the United States' Federal Reserve has reduced scope of economic stimulating measure. Also, domestic political factor was attributed to weakened value of Baht. While Bank of Thailand (BOT) has been monitoring local currency not to be fluctuating so much so as to reflect Thailand's economic fundamentals. BOT's policy of monitoring Baht value is still flexible so as to allow importers and exporters to adjust themselves.

Recent adjustment up of Baht 300 daily minimum wage nationwide was regarded as crucial factor affecting entrepreneurs' cost. Because shrimp industry is labour intensive industry which needs significant number of labours. It was particularly the case for entrepreneurs in the East and the South. Because prior to adjustment up of minimum daily wage rate to Baht 300, average wage rate was less than Baht 300.

Anyhow, in 2014, all sectors related to Thailand's shrimp industry must cooperate among themselves and accelerate for adjustment through seeking new markets so as to reduce the country's reliance on current major markets. Cost management of production and transportation sectors must also be implemented so as to help boosting the sectors' efficiency. Other sectors must also be improved, including foreign exchange's management, paying attention to products' development, adding value to the products as well as brand's creation to be increasingly remembered by consumers.

Regarding production of inland fisheries, it is on the uptrend. Because production situation of the product is normal. While demand of local consumption is still continuously existing.

Regarding livestock, it expanded 1.3 per cent in 2013. Because the country adopts standard production system and has been continuously beware of epidemic in the industry. It results in increasing production of quantity of vital livestock, including broilers, pig, egg and raw milk. The increased broilers are attributed to implementation of farms' standard management and expansion of raising the product to be prepared for increased demand of the markets, especially EU market which allows import of Thai foreign chicken since July 2012. While farm management improvement for pig raising was implemented which results in better disease control among pigs. Regarding egg, production of the product has been increasing due to import of egg chicken species during 2010-2011 which has resulted in significant increased number of hen. It has resulted in significant increased number of new generation layer cage hen. Regarding raw milk, production of the product has been increasing. Regarding increased production of raw milk, it is attributed to increased number of milk cow and higher rate of cow yielding more milk on average.

Livestock is expected to expand. Production of broiler, egg, pig and milk cow is on the uptrend because of more development of more standardized raising system and management. There have been continuous procedures to control and monitor epidemic situation. Moreover, expansion of raising livestock has been under way to be prepared for uptrend of demand for consumption of the product, both domestic and foreign markets. However, monitoring epidemics must still be adopted. Other factors which may adversely affect livestock production are risks of volatility of weather condition, natural disasters, and still relatively high production costs. In addition, measure controlling livestock raising to ensure enough quantity of the product compared with market demand of the product. It is expected that next year, prices of both living pig and pork in

fresh pork market will not face so severe volatility and is expected to affect consumers not so significantly. While prices of domestic fresh chicken in local market must be closely watched, as export of chicken is still favorable. If export of chicken is still favorable, chicken's price in domestic market may be higher, depending on demand and supply. Regarding egg's price in 2014, it is favorable trend. Because demand for construction is uptrend. However, prices of the product have been distorted. Agriculturalist could not get favorable prices as they should be for next year. It resulted in agriculturalists not being able to get better prices for the product as they should be. It is expected that front farm prices of mixed up eggs. It is expected that next year, front farm prices of mixed eggs will be the same as this year at Baht 3.40-3.50 per egg on average. It is the only agricultural product of which prices moved very limit compared with other types of agriculture products.

Growth rate of gross domestic product of agriculture sector

Unit : Per cent

Sector	2013	2014
Agriculture sector	1.1	3.0 – 4.0
Plants	3.0	3.2 - 4.2
Livestock	1.3	2.0 – 3.0
Fishery	-7.2	2.2 - 3.2
Agriculture service	1.1	0.8 – 1.8
Forestry	3.8	3.0 – 4.0

Source: : Forecast by Bureau of Agricultural Development Policy and Planning, Office of Agricultural Economics

2.6 Providing crucial raw materials for feed mill production

Undertaking to purchase raw materials has abided by international quality standards, including quality management system (ISO 9001), environmental management system (ISO 14001), Good Manufacturing Practice (GMP) and Hazard Analysis and Critical Control Point (HACCP) system, Operating to purchase has clung to international quality standardization, including quality management system (ISO 9001), environment management system (ISO 14001) GMP system and HACCP. Purchasing, consequently, is aimed at operating in accordance with the Company's policy in seeking raw materials from all standard sources under efficient sellers' screening process. It results in the Company being able to get raw materials in accordance with standardization of raw materials with proper prices so that using products in procedure of feed mill production so as to deliver good quality of the products to customers.

Situation of pricing of raw materials in 2012 was due to major drought of sources of plants of major raw materials. Both flour and soybean products were adversely affected by the situation. It resulted in prices of raw materials being sustained at high prices for the whole year. While raw materials from source of protein from animals, such as fishmeal, was also adversely affected by the sustained high prices of the products. But overall

situation in 2013 of prices of raw materials decreased by about seven per cent. Consideration classified by group, they were as follow:

Raw materials of flour group In 2013, it was downtrend about 10% compared with 2012 due to increased plantation which was due to increased plantation stemmed from high pricing situation of the product earlier. It was motive for farmers to planting plants, which resulted in more flowing into the market of raw materials, especially maize and rice product.

Raw materials of soybean product In 2013, it was sustained and steady in high level near that happened in 2012. Price of the product was sustained in high level in 2012. similar to the situation in 2013 which was sustained in high level. Main cause was due to drought in 2012 which resulted in demand of soybean product continuously until 2013. And although the product is expected to increase this year, And although this year, the product is expected to increase, overall demand globally also significantly increase as well. In addition, delay of products' delivery in South America is expected to adversely affect the products' prices as well.

Raw materials of protein from animals, such as fish meal. Its pricing situation in 2013 decreased about 10% from 2012. Due to shrimps' raising situation in the country which faced problem of significant epidemic of shrimp disease situation, resulting in deceased demand of source of protein from animals.

Regarding situation of major raw materials in 2014, demand of the products in the market and livestock export sector which was increasing in the world's market still adversely affected the products' prices. It was expected that prices of the products would be sustainable compared with 2013, especially raw materials of flour and soybean product of which demand of the products was expected to increase. While demand of protein from animals, such as fishmeal, was not so significant due to situation of raising marine animals which faced problems of shrimp's disease and weak species of shrimp.

Global cereal and oilseed plants products groups of agricultural products are increasingly used to feed demand in livestock sector, production of alternative energy and consumption of various industries, volatility of prices of raw materials due to natural environment which impacts production of various plants, as well as various internal and external situations and events, such as global economy, domestic political situation, foreign exchange situation which are still being vital risk factors for purchase. As a result, the Company implements direction to be prepared for these changes, emphasizing situation monitoring, planning and direction of risks' prevention, seeking replacement sources of raw materials with proper costs and maintaining quality standard of raw materials for production.

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.

Company Information

Lee Feed Mill Public Company Limited

Company Registration No.	: 0107537000718
Head Office Location	: 28 th 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	: 40 Moo 11 Huay Hang Sub-district, Kang Koi District, Saraburi
Animal Farming Location	
Telephone	: 0 - 2632 - 7300 (Automatic)
Fax.	: 0 - 2236 - 7751
Web Site	: http://www.leepattana.com
Type of Business	: Complete animal feed production and distribution, animal farming
Authorized Shares Capital	: Common shares 929,070,000 shares, Baht 1 par value
Paid-up Shares Capital	: Common shares 922,180,251 shares, Baht 1 par value
Paid-up Amount Capital	: 922,180,251 Baht

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

Bodhi Ngarm Sea Fram Company Limited

Head Office Location	:	1/3 Moo 7 Nongbua Sub-district, Muang District, Chanthaburi
Type of Business	:	Research and development of aquatic feed farming.
Percents of Holding	:	99.96% of authorized shares capital and paid-up share capital 0.50 million baht Common shares 5,000 shares, Baht 100 par value

Pattana Agro Futures Company Limited

Head Office Location : 33/19 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

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
33rd 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

Major Shareholders

Major Shareholders

1. The Company's Securities comprise: (To see details the Notes of the Financial Statements No. 18)

Ordinary Shares

Registered and paid-up capital as of 31 December 2013 : (View the Notes to the Financial Statements 18)

Registered capital : 929,070,000 baht, consisting of 929,070,000 ordinary shares at a par value of 1 baht.

Paid-up capital : 929,180,251 baht, consisting of 922,180,251 ordinary shares at a par value of 1 baht.

2 Shareholders and Executive Management

Name of the first 10 major shareholders of the Company

(As of the share register closing date at December 31, 2013)

Shareholders' Name	No. of Shares Held	%
1. Mr. Nipon Leelasithorn	222,000,000	24.07
2. Mr. Preecha Leelasithorn	113,500,000	12.31
3. Alliance Co., Ltd.	70,200,000	7.61
4. Wall Street Tower Co., Ltd.	27,000,000	2.93
5. Ms. Rungvilai Leesombatpaiboon	22,500,000	2.44
6. Ms. Krongporn Duriyaporn	20,051,687	2.17
7. Lee Kong Jin Holdings Co., Ltd.	18,665,790	2.02
8. Mr. Chaicharn Lhupaiboon	17,750,000	1.92
9. Ms. Pornpen Leesombatpaiboon	16,000,000	1.74
10. Mr. Lee Joo Chew	13,838,321	1.50
11. Others (3,975) persons.	380,674,453	41.29
Total 3,985 persons	922,180,251	100.00

Remark ; The Leelasithorn family is the major shareholder of the Lee Feed Mill Public Company Limited with total holding of 46.92%, including of No. 1-4 The representative of the Leelasithorn family is Mr. Nipon Leelasithorn.

As of 31 December 2013, the latest date of Share Registration Book closure, the Company's NVDR represents 2.61 percent of paid-up capital, or 922,180,251 baht (par value of 1 baht). Investors may obtain information on NVDR from www.set.or.th.

3. Warrants (To see details the Note of the Financial Statements No.18)

The total amount of the unexercised warrants (LEE-W2) 6,888,520 units will be deemed to be expired on 17 May 2013, the final exercise date and invalid, and also will duly cease to be considered as listed securities from 18 May 2013 onward.

Dividend Payment Policy

The dividend payment policy of Lee Feed Mill Public Company Limited and its subsidiaries will pay dividend at the rate of not less than 50% of net profit of the Company's separate financial statement after deduction of corporate income tax and subject to the Company's cash flow, future investment plans of the company including economic situation.



Orgaization Structure and Management

1. Board of Directors

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.

Details for 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 2013 : -

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 2013 : 58,551,547 shares

Training Course : - 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.

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 2013 : 63,000 shares

Experience

1987-Pesent : 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 2013 : -

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 : Chairman of the Audit Committee / Independent Director

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

No. of securities increased/
(decreased) during 2013 : -

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.
Present	:	Independent Director and Chairman of the Audit Committee Seafco 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 2013 : -

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 Pepperdine 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 2013 : -

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 Ferdration 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 2013 : -

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)
2010-Present	:	Independent Director / Director Lee Feed Mill Pcl.

Name : Mr. Somsak Tiensriyuka

Position in the Company : Secretary of the Audit and Executive Committee /
Accounting Manager

Education : MBA, Kasetsart University

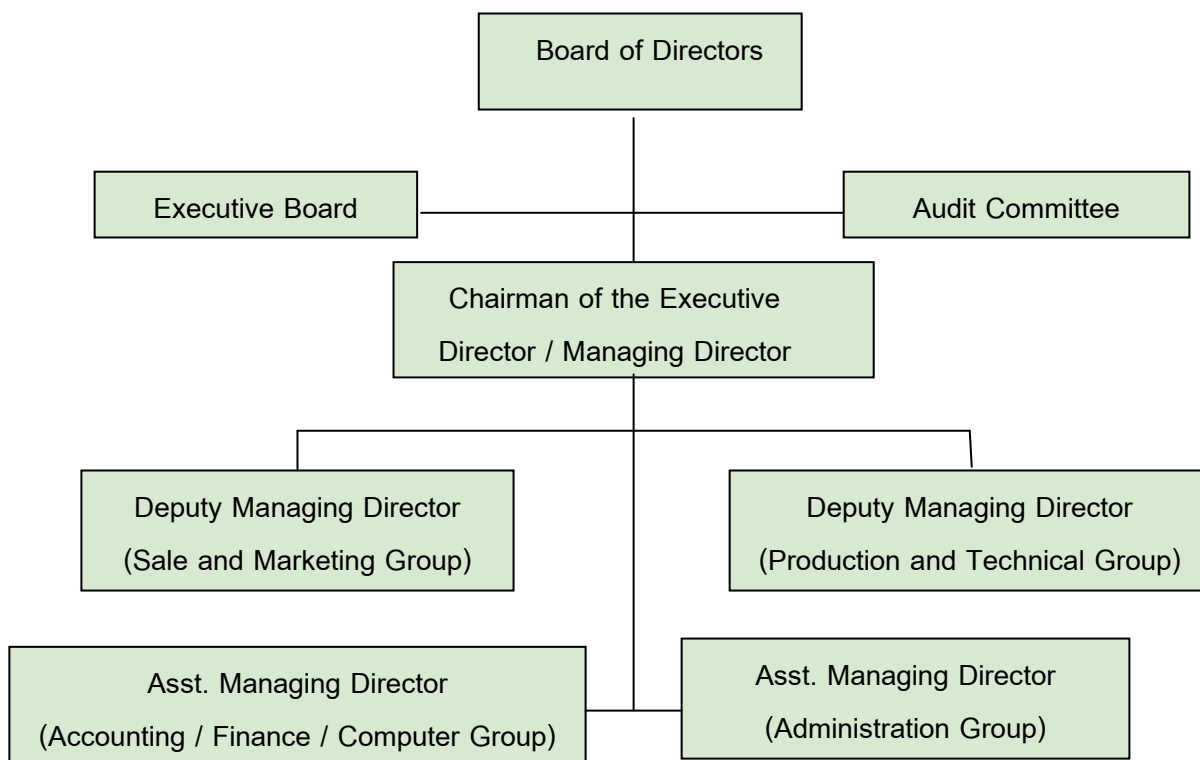
Training Coursed : - Directors Accreditation Program (DAP) by
Thai Institute of Directors Association (IOD)

No. of securities increased/
(decreased) during 2013 : 30,000 shares

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

2. Organization Structure



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 2013 as follow :

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

- | | |
|----------------------------|---|
| 1. Mr. Nipon Leelasithorn | Chairman of the Executive Director Committee
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

Managements

- | | |
|--------------------------------|---|
| 1. Mr. Nipon Leelasithorn | Managing Director |
| 2. Mr. Karoon Chanmingporn | Deputy Managing Director
(Production and Technical Groups) |
| 3. Mrs. Supaporn Chongvilaiwon | Asst. Managing Director
(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

3. Company's Secretary

Company's Board of Directors ruled to appoint Mr. Suparoj Buasri, current Manager of Legal and Public Administration Department, Lee Feed Mill Public Company Limited. He is qualified both in terms of qualification and seniority. He has been performing his duty as the Company's Secretary since August 31, 2008 with duties and responsibilities as being specified in Section 89/15 and Section 89/16 of Securities and Exchange Act (Issue 4) B.E. 2551 (2008) He performed his job with responsibility, prudence and honesty as well as has had to perform the duty in accordance with laws, objectives, regulations of the Company, resolutions of the Board of Directors as well as resolutions of the Company's shareholders. Duties of the Company's Secretary as being stipulated by laws, are as follow:

1. Provide and maintain following documents:
 - A. Directors' registration
 - B. Letter of invitation for meeting of Board of Directors, Board of Directors' minutes of meeting and the Company's annual report.
 - C. Letter of invitation for meeting of shareholders and shareholders' minutes of meeting.
2. Keep report of stakeholding provided by Directors or Executives and submit copy of stakeholding report according to Section 89/14 to Chairman and Audit Committee Chairman within seven working days from the day that the Company receives the report.

3. Undertake other performances as being stipulated by Capital Market Supervision Committee.
4. Make suggestion for laws and related regulations and practices on supervision operation of the Board of Directors to be in line with laws.
5. Other duties as being assigned by the Company.

4. 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.

1) Monetary remuneration

– As Company directors, the nine directors received a stipend for 2012 and 2013 totaling 940,000 Baht and 940,000 Baht per year as follows :

Name		Position	Amount (Baht)	
			2012	2013
1. Mr. Visith	Leelasithorn	Chairman of the Board of Directors	335,000	335,000
2. Mr. Nipon	Leelasithorn	Chairman of Executive Director / Managing Director	125,000	125,000
3. Mr. Karoon	Chanmingporn	Deputy Managing Director / Executive Director	80,000	80,000
4. Mrs. Supaporn	Chongvilaiwan	Asst. Managing Director	80,000	80,000
5. Assoc. Prof. Dr. Somjai	Phagaphasvivat	Chairman of the Audit Committee / Independent Director	80,000	80,000
6. Mr. Busarin	Vanaswas	Member of the Audi Committee / Independent Director	80,000	80,000
7. Mrs. Sununta	Subhapholsiri	Member of the Audi Committee / Independent Director	80,000	80,000
8. Pol. Lt. Gen Adisorn	Nonsee	Independent Director	80,000	80,000
Total			940,000	940,000

– The directors and four executive directors receive compensation for their management of the Company in the form of salaries, bonuses social security and provident fund. This amounted to 16.91 million baht and 13.40 million baht for 2012 and 2013 respectively.

– Meeting allowance for the four Audit Committee for 2012 and 2013 totaling 192,000 Baht and 212,000 Baht respectively.

2) Other remuneration None

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.

Shareholders' Meeting

At the annual Shareholders' Meeting for 2013, five 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.

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.

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 2013, the Board met four times for its regular meetings and an additional one time for special meetings, totaling five meetings in all, with the participation of each director as follows :

Name		Meeting of the Board of Directors					
		General		Extraordinary		Total	
		2012	2013	2012	2013	2012	2013
1. Mr. Visith	Leelasithorn	4/4	4/4	5/5	1/1	9/9	5/5
2. Mr. Nipon	Leelasithorn	4/4	4/4	5/5	1/1	9/9	5/5
3. Mr. Karoon	Chanmingporn	4/4	4/4	5/5	1/1	9/9	5/5
4. Mrs. Supaporn	Chongvilaiwan	4/4	4/4	5/5	1/1	9/9	5/5
5. Assoc. Prof. Dr. Somjai	Phagaphasvivat	4/4	4/4	3/5	1/1	7/9	5/5
6. Mrs. Sununta	Subhapholsiri	4/4	3/4	3/5	1/1	7/9	4/5
7. Mr. Busarin	Vanaswas	4/4	4/4	3/5	1/1	7/9	5/5
8. Pol. Lt. Gen Adisorn	Nonsee	4/4	4/4	4/5	1/1	8/9	5/5

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.

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 2013.

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.

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. To review that the company's financial reporting process to ensure accuracy and adequacy.
2. To review that the company has risk management system and to provide recommendations to ensure that it is always up-to date.
3. To review and ensure that the company has adequate and effective internal control systems and internal audit systems.
4. To review and ensure that the company complies with all the securities and exchange law, regulations of the Stock Exchange, and laws relating to business the company.
5. To consider, select, nominate and recommend remuneration of the company's external auditor.
6. To review the disclosure of the company's information in case that there is a connected transaction that may be lead to conflict of interest so as to ensure reasonableness of such translations and maximum benefit of the company.
7. To prepare a report an monitoring activities of the Audit Committee, signed by the chairman of the Audit Committee and disclose it in the annual report of the company.
8. To perform any other activities assigned by the Board of Directors, in accordance with the consent of the Audit Committee.

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.

Audit fee of The Lee Feed Mill Public Company Limited and its subsidiaries for the year 2012 and 2013 to Ernst & Young Office Limited as follow :

Detail	Company Payment	Name of Audit	Year 2012	Year 2013
1	Lee Feed Mill Public Company Limited	Ms. Supunnee Triyanantakul	1,050,000	1,050,000
2	Lee Pattana Feed Mill Company Limited	Ms. Supunnee Triyanantakul	400,000	400,000
3	Lee Pattana Agro Silo Company Limited	Ms. Supunnee Triyanantakul	145,000	145,000
4	Bodhi Ngarm Sea Farm Company Limited	Ms. Supunnee Triyanantakul	50,000	50,000
Total of Audit Fee			1,645,000	1,595,000

Non-audit fee)

The company and its subsidiaries paid the non-audit fee the agree-upon procedures-Compliance with conditions stipulated in the investment promotion certificate for the year 2012 and 2013 in amount of Baht 100,000 each, as shown in the following detail :

- Lee Feed Mill Public Company Limited in amount of 100,000 Baht.
- Lee Pattana Feed Mill Company Limited in amount of 100,000 Baht.

Corporate Social Responsibility Activities

Responsibility to society

Lee Feed Mill (Public) Company Limited has been undertaking for over 30 years. The Company produces high quality feed mill. The Company's production procedures have been certified in term of standardization and taking care of environment as well as society near Establishments which are the Company's factories in Saraburi and Petchburi Provinces, and demonstration farms in Saraburi, Petchabun and Chanthaburi Provinces.

The Company's Executives pay attention to expression of responsibility to society continuously and annually, with additional occasion as deems appropriate. Although principle of building up business security needs to concentrate on earning maximum profit so as to satisfy relevant parties, the real sustainability of the business must, on the contrary, pay attention to overall society. Because currently, environment is highly affected from change beyond being able to recover to normal level in short term. The society is exposed to communication and swift exchanging of information with learning from the real situation, adaptability, openly expression of viewpoint, which under democracy, the society accepts different views so as to select good and acceptable things for development.

Thailand's development has been happening swiftly. In some case, it was worrisome that personnel development may not be able to keep pace with change of external world which is exposed to severe competition, resources' snatching, intruding nature, creating damages to environment and everybody's way of life. As a result, scarcity and insufficiency unavoidably happen. Every party is troublesome, beginning to ask for responsibility to overall society. Campaigning to maintain environment was launched, openly resisting intrusion for damaging in many channels.

Response by government sector and global civil society through issuance of regulations, laws, protection, internal standardization for inspection, certification. Almost all activities which cause impacts to environment must show responsibility to avoiding damages to overall society.

The Company's responsibility to society begins from screening for good and qualitative raw materials to be used in production process to produce high quality products for every brand of the Company's products. Then, deliver the products to customers and agriculturalists for their use with worthiness of productivity and return. Because the Company believes that this way is original point getting through consumers who are human being like us who must obtain value of nutrition and free of poison. Moreover, plants have process of prevention for undesirable impact being emitted to nearby environment. They have teamwork going out to survey community's living to let them understand and cooperate with us through continuously launching community relations and ready to listen to community's suggestions.

All parties are necessary to be adaptable to ensure normal way of life of people in community. Moreover, they have to support the community's activities as well. The Company's Executives have been emphasizing on continuously supporting education. Many education institutions have been improving and developing because they faced shortage and incompleteness. In so doing, they have become education institutions with beginning phase of readiness. Children and youths who are the nation's future, are given opportunity of learning with modern learning tools and equipment. Surrounding places are hygienic. Many places are as if being resurrected. They can manage their schools to be ready and efficiently prepared for teaching.

Between 2013 and 2014 education year, the Company has allocated budget worth Baht 1.7 million to be given to a total eight schools in Chanthaburi, Petchburi, Saraburi and Petchchaboon. Provinces as follow:

1. Wat Noen Pho School, Muang District, Chanthaburi Province.
The Company helped improve floors of study building and construct concrete wall to prevent landslide by donating. 428,000.00 Baht
2. Wat Nong Khuang School, Muang District, Petchburi Province.
The Company helped improve computer rooms and playfield by donating 214,000.00 Baht
3. Wat Cokekrathonkittiwutthi vitthaya, Muang District, Saraburi Province.
The Company helped improve library by donating 25,000.00 Baht
4. Wat Huai Khongkha Warawat School, Kaengkhroi District, Saraburi Province.
Tiling in front of study building and modifying frame of steel roof by donating 230,000.00 Baht
5. Wat Burinkaram, Kaeng Khoi District, Saraburi Province.
The Company helped improve study rooms by donating 67,000.00 Baht
6. Cham Pak Paeng School, Kaengkoi District, Saraburi Province
The Company helped constructing roof covering cement playfield by donating 300,000.00 Baht
7. Ban Kluai Municipal School, Chondaen District, Petchabun Province
The Company helped improve and repair study building and canteen by donating 226,000.00 Baht
8. Ban Wang Ruak School, Chondaen District, Petchabun Province
The Company helped building fence, entrance and the school sign by donating 192,000.00 Baht



This real picture clearly appearing here reflects the Company's intention to jointly, seriously and continuously express intention of social responsibility in a manner creating full and worthwhile result without aiming to regain result in a manner of advertisement and public relations.

Moreover, there is other important issue due to social change as every institution has begun to realize importance of undertaking business based on principle of good governance and transparency. In addition, business sector should increasingly help eliminating corruption practice by launching campaign opposing corruption. The Company's Executives have expressed intention to fully cooperate with the move. What is clear for the Company is its selection of high quality raw materials. The Company has never implemented policy reducing quality of its products. Nor cost compensation policy and create price advantage over competitors. Because the Company believe that honesty to quality of products is the Company's credibility. Which has to maintain value and dignity.

In addition, the Company's Board of Directors also ruled to acknowledge that the Company and its subsidiaries implementing a policy which distance the Company and its subsidiaries from corruption practices, either by demand or pay bribe so as to get job or business in a manner of unfairness.

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.

Controlling System and Risk Management

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.

Connected Transactions

1. Value of 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.

(Unit: Million Baht)

	Consolidated		The Company Only		Transfer pricing policy
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	
<u>Transactions with subsidiaries</u>					
(Eliminated from the consolidated financial statements)					
Sales of goods	-	-	269	144	Comparable market price
Interest income	-	-	21	20	7.25 - 7.50 % per annum
Dividend income	-	-	48	76	
Purchase of goods	-	-	176	111	Comparable market price
<u>Transactions with related companies</u>					
Rental and service expenses	14	14	7	7	Contract price

The balances of the accounts as at 31 December 2013 and 2012 between the Company and its subsidiary company are as follows:

(Unit : thousand Baht)

	Consolidated		The Company Only	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<u>Trade accounts and notes receivable</u>				
Subsidiary Company	-	-	3,783	4,457
<u>Short-term loan to subsidiary</u>				
Subsidiary Company	-	-	336,135	431,502
<u>Trade accounts payable</u>				
Subsidiary Company	-	-	20,039	3,545

2. Reasons for and necessity of connected transactions are as follows:

1) 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.

2) 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.

3) The Company and its subsidiaries have signed a lease with Alliance Company, Ltd., renting the entire 28th 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 1st floor and parts of the 20th and 29th floors from March 2002, February 1995, and July 1999, respectively.

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 2013.)

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

(Paid-up registered capital of 60 million baht as of 31 December 2013.)

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.

As per Note 29.3 of the financial statements, As at 31 December 2013, the Company and its subsidiaries had outstanding bank guarantees of approximately Baht 9.0 million (the Company only: Baht 5 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 1,728 million (The Company Only: Baht 1,930 million) has not been utilized. Most of the facilities have been cross-guaranteed by the Company and its subsidiaries.

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.

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.

3. 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.

4. 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.

1) 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.

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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.

Financial Highlights

(Consolidated Financial Statement)

Particulars / Years	2013	2012	2011
Statement of comprehensive income (Million Baht)			
Revenues From Sales	3,950	4,072	3,769
Total Revenues	3,994	4,118	3,807
Gross Profit	438	486	503
Profit before finance cost and income tax expenses	256	314	336
Net Profit	237	269	313
Statement of financial position (Million Baht)			
Total Assets	2,914	2,491	2,616
Total Liabilities	340	361	325
Total Shareholders' Equity	2,574	2,130	2,291
Financial ratios / Years (%)			
Gross Profit Margin	11.09	11.93	13.34
Net Profit Margin	5.95	6.71	8.22
Return on Equity	10.10	12.36	14.42
Return on Assets	8.79	10.82	12.64
Earnings per share (Baht)			
Earning Per Share	0.27	0.37	0.41
Book Value Per Share	2.77	2.72	2.88
Cash Dividend Per Share	0.22	0.21	0.21

Management Discussion and Analysis

Operational Results and the Financial Status of Lee Feed Mill Public Company Limited and its Subsidiaries during 2012 and 2013 are summarized below:

1. Operational Results

1.1 Revenues

Revenues from product sales during 2012 and 2013 amounted to 4.072 and 3.950 billion baht, respectively. The main revenue derived from sales of ready-mixed animal feeds, accounting for 99.65 percent, with the remaining 0.35 percent coming from sales business farm.

Revenues from ready-mixed animal feeds can be broken down into land and aquatic animal feeds, representing 46 percent and 53 percent, respectively, in 2013.

2013 the revenue from sale decrease by 3 percent, the sales volume ton of animal feed decrease 4 percent, while the sale price per ton increase by 1 percent. The Company had others income from interest and dividend receipt amounting baht 19 million and baht 23 million, respectively, while other income from sale by products amounting baht 27 million and baht 20 million, respectively.

1.2 Costs

The Company has its decreasing cost of sales per ton; whereas, in 2012 and 2013, the cost of sales was totally 3,586 million Baht and 3,512 million Baht, respectively, equal to 88.07% and 88.91% of the gross sales, respectively. The Company's sales decreased volume and cost of aquatic animal feed products.

1.3 Selling and Administrative Expenses

Selling and administrative expenses amounting 216 million baht and 223 million baht, respectively, in 2012 and 2013, representing 5.31 percent and 5.47 percent, respectively.

In 2012 and 2013 the company had financial expenses amounting 3.14 million baht and 3.12 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.

1.4 Net Profit

For the year ended December 31, 2013 and 2012, of which the business operation results for the year of 2013, the company had a net profit of 233.87 million baht, compared to a net profit of 264.72 million baht for the same period in the previous year, representing a total decrease in net profit of 30.85 million baht or 11.65%. The main factors of the Company's performance for the year of 2013 was decreased because the gross profit of animal feeds was lower than the previous year. The decrease resulted from the decreasing of the revenue from shrimp feed sales had decreased comparing the same period of the previous year, due to the outbreak of the

Early Mortality Syndrome (EMS) which was causing effect to domestic shrimp farmers have reduced the production in the shrimp farming industry in Thailand.

Net profits margin in 2012 and 2013 totaled 6.71 percent and 5.95 percent, respectively. The decrease has resulted the major factors was due to the Company's decreased of gross profit margin from animal feed. However, a revaluation surplus on land increase is recognized as income and equity under the comprehensive income amount 25.06 million baht.

1.5 Returns to Shareholders

Returns to shareholders in 2012 and 2013 stood at 12.36 percent and 10.10 percent, respectively. Due to a net profit decreased from the previous year amounting Baht 30.85 million. Moreover the Company's rates of returns from assets have decreased from 10.82% in 2012 to 8.79% in 2013 due to decreases of net profits from operations when compared to the previous year,

2. Financial Status

Assets

Total assets in 2012 and 2013 registered at 2,490 million baht and 2,914 million baht, respectively, with current and non current assets at a similar rate 65 : 35 and 70 : 30 in 2012 and 2013, respectively.

Assets are inventories, Cash on hand and Cash at Bank, Account and Notes Receivables, and Short-term Investments, totaled 70 percent of total assets..

Inventories

In 2012 and 2013, inventories were registered after the allowance for diminution in inventory at 819 million baht and 688 million baht, respectively, or 32.89 percent and 23.62 percent, respectively, of total assets. The inventory storage period decreased from 81 days to 77 days. Inventories mostly comprised soybean meal fish 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 2012 and 2013, trade and notes receivables stood at 252 million baht and 223 million baht, respectively, or 7.65 percent and 7.64 percent of total assets, respectively. The collection periods were 20 days and 22 days in 2012 and 2013.

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, 2013.

Short-Term Investment

In 2012 and 2013, short-term investment amounted to 72 million baht and 292 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, acquisition of equipment for the aquatic animal feed plant under installation in 2013 amount 25 million baht and shrimp farming investment amount 9 million baht. As of December 31, 2013, before accumulated depreciation costs, totaled 2,048 million baht.

3. Sources of Funding

3.1 Liabilities

Total liabilities in 2012 and 2013 stood at 360 million baht and 340 million baht, respectively, or 14.48 percent and 11.68 percent, respectively, of total assets. Most liabilities are current liabilities, consist of accrued expenses and trades payable from purchases of raw materials under normal credit terms.

Provision for Long-term, which is compensations on employees' retirement as at December 31, 2012 and 2013 amounted to 46.88 million baht and 51.51 million baht, respectively.

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 1,881 million baht and 1,685 million baht in 2012 and 2013 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.

3.2 Shareholders' Equity

As of 31 December 2013 shareholders' equity totaled 2,574 million baht, and Resolution of the Board of Directors No. 2/2014, 13 March 2014, appropriate the earnings for the year 2014 for the additional dividend payment at the rate of Baht 0.22 per share and will be paid on May 21, 2014. The total amount 202.88 million baht or 93% of net profit of the Company's separated financial statements. (or 87% of net profit of the Consolidated Financial Statement).

3.3 Appropriateness of the Capital Structure

As of 31 December 2013, the ratio of liabilities to shareholders' equity stood at 0.13, 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.

On 26 January 2012, the meeting of the Board of Directors of the Company passed a resolution to hold the Extraordinary General Meeting of shareholders No. 1/2012 on 6 March 2012 to consider a program to repurchase up to 100 million ordinary shares at a price of Baht 5 per share, with a budget of Baht 500 million, for liquidity surplus management purposes. The shares are to be repurchased through a general offering to shareholders, between 23 March 2012 and 4 April 2012.

Reference is made to the purchase of treasury stocks by Lee Feed Mill Public Company Limited from its shareholders on April 4, 2012. The Company was required to dispose off the said stocks during the period from October 5, 2012 to November 5, 2012. (after 6 months from the completion date of the repurchase of shares and not more than 3 years from this time)

The Company did not dispose off all of the said treasury stocks within the specified period as mentioned above due to the market share price was lower than the repurchase price. There are 100,000,000 unsold shares that remain with the Company. Ministerial Regulation issued by the Ministry of Commerce, Re : Rules and Procedures for Purchase, Disposal and Writing off of Treasury Stocks of Companies, B.E. 2544 provides that a company shall reduce its registered capital by way of writing off of the treasury stocks that have not been disposed of if all the treasury stocks so purchased have not been disposed off.

Accordingly, the Board of Directors' Meeting No.9/2012, on December 18, 2012 unanimously resolved that the Company decrease the registered and paid-up capital by writing off the 100,000,000 unsold treasury stocks as detailed in the completed form for writing off of treasury stocks and capital decrease. .

After the capital decrease the registered shares of the Company will amount to 929,070,000 shares and paid-up capital amount to 773,629,940 shares.

On 17 May 2013, the final exercise date of LEE-W2, amount of money received from the share sale 371.38 million baht

4. Liquidity Conditions

4.1 Cash Flow from Operations

Cash flow from operations during the year 2012, and for the year 2013 amounting at 257 million baht, and 424 million baht, respectively. The increase 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.

4.2 Cash Flow from Investment Activities

In 2013, the Company's cash flow from investment activities by 268 million baht. Cash received from interest income on short term investment amount 20 million baht, while the Company has invested amount 68 million baht was spent in the acquisition office equipment.

4.3 Cash Flow from Financial Activities

Cash flow from financial activities increase during the year 2013 at 206 million baht. In 2013 approximately 162 million baht for dividend payment, and cash received from the capital increase by the final exercise of the LEE-. W2 to be amount 371 million baht.

4.4 Liquidity Ratio

The ratio of current assets to current liabilities in 2012, and 2013 were 6.15 and 8.55, respectively. Sound liquidity conditions are a result from net profit in 2012 and 2013.

Independent Auditor's Report

To the Shareholders of Lee Feed Mill Public Company Limited

I have audited the accompanying consolidated financial statements of Lee Feed Mill Public Company Limited and its subsidiaries, which comprise the consolidated statements of financial position as at 31 December 2013, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of Lee Feed Mill Public Company Limited for the same period.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lee Feed Mill Public Company Limited and its subsidiaries and of Lee Feed Mill Public Company Limited as at 31 December 2013, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

Emphasis of matter

I draw attention to Note 3 to the financial statements regarding the change in accounting policy due to the adoption of Thai Accounting Standard 12 Income Taxes. The Company has restated the consolidated and separate financial statements for the year ended 31 December 2012, presented herein as comparative information, to reflect the adjustments resulting from such change. The Company has also presented the consolidated and separate statements of financial position as at 1 January 2012 as comparative information, using the newly adopted accounting policy for income taxes. My opinion is not qualified in respect of this matter.



Supanee Triyanantakul
Certified Public Accountant (Thailand) No. 4498

Ernst & Young Office Limited
Bangkok: 26 February 2014

Statement of financial position

Lee Feed Mill Public Company Limited and its subsidiaries

As at 31 December 2013

(Unit: Baht)

		Consolidated financial statements			Separate financial statements		
		As at	As at	As at	As at	As at	As at
	Note	31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
			(Restated)			(Restated)	
Assets							
Current assets							
Cash and cash equivalents	8	821,276,966	459,357,495	676,201,525	791,370,837	440,480,779	657,685,154
Current investments - fixed deposits		188,311,247	18,225,320	27,438,156	188,311,247	18,225,320	27,438,156
Current investments - marketable securities		103,805,791	53,871,017	85,399,698	103,805,791	53,871,017	85,399,698
Trade and other receivables	9	222,766,715	252,040,480	200,086,681	114,171,422	149,749,877	110,690,936
Short-term loans to related parties	7	-	-	-	336,134,697	431,501,840	411,000,000
Inventories	10	688,483,389	818,965,572	787,282,510	275,040,491	345,180,277	309,286,518
Other current assets		11,656,386	8,124,581	6,515,448	9,404,132	5,625,348	4,705,738
Total current assets		2,036,300,494	1,610,584,465	1,782,924,018	1,818,238,617	1,444,634,458	1,606,206,200
Non-current assets							
Investment in associated company	11	52,326,875	56,078,421	49,051,557	44,500,000	44,500,000	35,600,000
Investment in subsidiaries	12	-	-	-	190,499,800	190,499,800	190,000,000
Other long-term investments	13	12,530,017	12,530,017	12,530,017	12,530,017	12,530,017	12,530,017
Investment properties	14	20,071,493	20,284,396	17,240,296	19,822,087	19,822,087	16,777,987
Property, plant and equipment	15	788,618,231	784,844,522	750,856,650	362,578,146	344,855,566	320,603,627
Other non-current assets		4,375,871	6,184,136	3,748,598	2,255,332	1,773,220	1,784,305
Total non-current assets		877,922,487	879,921,492	833,427,118	632,185,382	613,980,690	577,295,936
Total assets		2,914,222,981	2,490,505,957	2,616,351,136	2,450,423,999	2,058,615,148	2,183,502,136

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

Statement of financial position (continued)

Lee Feed Mill Public Company Limited and its subsidiaries

As at 31 December 2013

(Unit: Baht)

	Consolidated financial statements			Separate financial statements		
	As at	As at	As at	As at	As at	As at
	Note 31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
		(Restated)			(Restated)	
Liabilities and shareholders' equity						
Current liabilities						
Bank overdrafts	-	170,590	6,110,194	-	-	409,021
Trust receipts payable	-	-	26,791,685	-	-	26,570,388
Trade and other payables	16	226,928,775	248,690,941	104,812,360	141,036,869	119,811,125
Income tax payable		7,954,372	13,054,237	5,178,793	5,845,588	12,866,049
Other current liabilities		3,397,285	2,362,576	3,379,535	2,490,939	2,326,456
Total current liabilities		238,280,432	285,602,489	113,370,688	149,373,396	161,983,039
Non-current liability						
Deferred tax liability	23	50,579,328	37,510,782	19,639,298	20,599,985	12,681,556
Provision for long-term employee benefits	17	51,513,861	39,594,887	26,402,429	24,152,730	20,587,118
Total non-current liability		102,093,189	77,105,669	46,041,727	44,752,715	33,268,674
Total liabilities		340,373,621	362,708,158	159,412,415	194,126,111	195,251,713
Shareholders' equity						
Share capital	18					
Registered						
929,070,000 ordinary shares of Baht 1 each						
(1 January 2012: 1,029,070,000						
ordinary shares of Baht 1 each)		929,070,000	1,029,070,000	929,070,000	929,070,000	1,029,070,000
Issued and fully paid						
922,180,251 ordinary shares of Baht 1 each						
(31 December 2012: 773,629,940						
ordinary shares of Baht 1 each)		773,629,940	774,044,100	922,180,251	773,629,940	774,044,100
(1 January 2012: 774,044,100						
ordinary shares of Baht 1 each)		773,629,940	774,044,100	922,180,251	773,629,940	774,044,100
Share premium		681,345,392	309,141,165	681,345,392	458,519,925	309,141,165
Retained earnings						
Appropriated - statutory reserve	20	142,500,000	142,500,000	122,500,000	122,500,000	122,500,000
Unappropriated		582,372,706	808,786,398	473,138,062	417,991,293	715,671,400
Other components of shareholders' equity	21	222,196,049	197,139,397	91,847,879	91,847,879	66,893,758
Equity attributable to owners of the Company		2,550,594,398	2,231,611,060	2,291,011,584	1,864,489,037	1,988,250,423
Non-controlling interests of the subsidiaries		23,254,962	22,031,918	-	-	-
Total shareholders' equity		2,573,849,360	2,253,642,978	2,291,011,584	1,864,489,037	1,988,250,423
Total liabilities and shareholders' equity		2,914,222,981	2,616,351,136	2,450,423,999	2,058,615,148	2,183,502,136

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

Statement of comprehensive income

Lee Feed Mill Public Company Limited and its subsidiaries

For the year ended 31 December 2013

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2013	2012 (Restated)	2013	2012 (Restated)
Profit or loss:					
Revenues					
Sales		3,950,055,357	4,071,717,728	1,900,843,581	2,092,481,244
Other income					
Interest income		20,077,688	12,869,848	42,139,055	32,015,387
Dividend income		3,291,700	6,010,600	50,791,700	82,010,600
Others		20,591,392	27,042,000	11,667,730	18,512,103
Total revenues		3,994,016,137	4,117,640,176	2,005,442,066	2,225,019,334
Expenses					
Cost of sales		3,511,829,435	3,585,872,058	1,653,564,741	1,813,216,025
Selling expenses		81,853,851	71,601,180	43,467,059	38,063,851
Administrative expenses		141,026,847	144,545,180	80,878,718	81,484,415
Total expenses		3,734,710,133	3,802,018,418	1,777,910,518	1,932,764,291
Profit before share of loss from investment in associated company, finance cost and income tax expenses		259,306,004	315,621,758	227,531,548	292,255,043
Share of loss from investment in associated company	11	(3,751,546)	(1,873,136)	-	-
Profit before finance cost and income tax expenses		255,554,458	313,748,622	227,531,548	292,255,043
Finance cost		(3,122,364)	(3,144,231)	(1,055,889)	(1,486,320)
Profit before income tax expenses		252,432,094	310,604,391	226,475,659	290,768,723
Income tax expenses	23	(14,935,934)	(41,781,597)	(8,866,603)	(25,899,569)
Profit for the year		237,496,160	268,822,794	217,609,056	264,869,154
Other comprehensive income:					
Gain on revaluation of land	21	-	31,323,504	-	31,192,651
Income tax effect	23	-	(6,264,701)	-	(6,238,530)
Other comprehensive income for the year		-	25,058,803	-	24,954,121
Total comprehensive income for the year		237,496,160	293,881,597	217,609,056	289,823,275

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

Statement of comprehensive income (continued)

Lee Feed Mill Public Company Limited and its subsidiaries

For the year ended 31 December 2013

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
Note	2013	2012 (Restated)	2013	2012 (Restated)
Profit attributable to:				
Equity holders of the Company	233,874,254	264,723,602	217,609,056	264,869,154
Non-controlling interests of the subsidiaries	3,621,906	4,099,192		
	<u>237,496,160</u>	<u>268,822,794</u>		
Total comprehensive income attributable to:				
Equity holders of the Company	233,874,254	289,780,254	217,609,056	289,823,275
Non-controlling interests of the subsidiaries	3,621,906	4,101,343		
	<u>237,496,160</u>	<u>293,881,597</u>		
Earnings per share	25			
Basic earnings per share				
Profit attributable to equity holders of the Company	<u>0.27</u>	<u>0.37</u>	<u>0.25</u>	<u>0.37</u>
Diluted earnings per share				
Profit attributable to equity holders of the Company	<u>0.27</u>	<u>0.33</u>	<u>0.25</u>	<u>0.33</u>

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

Cash flow statement

Lee Feed Mill Public Company Limited and its subsidiaries

For the year ended 31 December 2013

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
		(Restated)		
Cash flows from operating activities				
Profit before tax	252,432,094	310,604,391	226,475,659	290,768,723
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Unrealised (gain) loss on current investments	2,922,074	(1,483,721)	2,922,074	(1,483,721)
Gain on sales of current investments	(2,491,542)	(1,627,576)	(2,491,542)	(1,627,576)
Depreciation	73,050,293	82,415,619	33,108,159	41,831,507
Allowance for doubtful accounts (reversal)	4,739,378	(537,592)	3,745,139	365,676
Reduction of inventory to net realisable value (reversal)	(4,395,898)	4,863,590	(268,997)	699,293
Share of loss from investment in associated company	3,751,546	1,873,136	-	-
Loss on the write-off of the difference between the cost of business combination and the net book value of the subsidiary's equity (Note 12)	-	1,009,916	-	-
Gain on sales of equipment	(8,419,130)	(6,880,959)	(4,461,263)	(2,505,570)
Gain on sales of investment properties	(187,097)	-	-	-
Gain on a fair value adjustment of investment properties	-	(2,235,500)	-	(2,235,500)
Provision for long-term employee benefits	5,086,226	8,090,863	2,595,308	4,022,813
Unrealised (gain) loss on exchange	22,154	(897,388)	22,154	(867,507)
Dividend received from investment in subsidiary	-	-	(47,500,000)	(76,000,000)
Dividend received from other long-term investments	(3,291,700)	(6,010,600)	(3,291,700)	(6,010,600)
Interest income	(20,077,688)	(12,869,848)	(42,139,055)	(32,015,387)
Interest expenses	521,767	416,533	27,479	161,411
Profit from operating activities before changes in operating assets and liabilities	303,662,477	376,730,864	168,743,415	215,103,562
Operating assets (increase) decrease				
Trade and other receivables	27,626,589	(50,991,338)	32,840,024	(35,705,967)
Inventories	134,878,081	(36,546,652)	70,408,783	(36,593,052)
Other current assets	(3,512,528)	(2,065,432)	(3,778,784)	(1,498,247)
Other non-current assets	1,808,265	(2,435,538)	(482,112)	11,085
Operating liabilities increase (decrease)				
Trade and other payables	(21,784,320)	11,407,144	(36,246,663)	21,225,744
Other current liabilities	962,941	(1,553,824)	802,718	122,686
Cash flows from operating activities	443,641,505	294,545,224	232,287,381	162,665,811
Cash paid for long-term employee benefits	(449,889)	(808,226)	(345,609)	(457,201)
Cash paid for interest expenses	(720,877)	(416,533)	(27,479)	(161,411)
Cash paid for corporate income tax	(18,701,128)	(36,254,475)	(10,494,085)	(31,240,131)
Net cash flows from operating activities	423,769,611	257,065,990	221,420,208	130,807,068

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

Cash flow statement (continued)

Lee Feed Mill Public Company Limited and its subsidiaries

For the year ended 31 December 2013

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012 (Restated)	2013	2012
Cash flows from investing activities				
(Increase) decrease in current investments - fixed deposits	(170,085,927)	9,212,836	(170,085,927)	9,212,836
(Increase) decrease in current investments -				
marketable securities	(50,365,306)	34,639,978	(50,365,306)	34,639,978
(Increase) decrease in short-term loans to subsidiaries	-	-	95,911,794	(20,501,840)
Cash paid for additional share in associated company	-	(8,900,000)	-	(8,900,000)
Cash paid for investment in subsidiary (Note 12)	-	(492,363)	-	(499,800)
Acquisition of equipment	(79,576,933)	(85,855,873)	(51,990,632)	(36,086,034)
Proceeds from sales of equipment	11,172,061	7,837,089	5,621,156	2,892,209
Proceeds from sales of investment properties	400,000	-	-	-
Dividend received from investment in subsidiary	-	-	47,500,000	76,000,000
Dividend received from other long-term investments	3,291,700	6,010,600	3,291,700	6,010,600
Interest income	16,985,486	13,014,478	40,587,696	28,875,374
Net cash flows from (used in) investing activities	(268,178,919)	(24,533,255)	(79,529,519)	91,643,323
Cash flows from financing activities				
Decrease in bank overdrafts	(170,590)	(5,939,604)	-	(409,021)
Decrease in trust receipts payable	-	(25,894,297)	-	(25,702,881)
Cash paid for treasury shares	-	(500,000,000)	-	(500,000,000)
Cash received from exercise of warrants	371,375,778	248,964,600	371,375,778	248,964,600
Dividend paid	(162,376,409)	(162,507,464)	(162,376,409)	(162,507,464)
Dividend of the subsidiary paid to non-controlling interest	(2,500,000)	(4,000,000)	-	-
Net cash flows from (used in) financing activities	206,328,779	(449,376,765)	208,999,369	(439,654,766)
Net increase (decrease) in cash and cash equivalents	361,919,471	(216,844,030)	350,890,058	(217,204,375)
Cash and cash equivalents at beginning of year	459,357,495	676,201,525	440,480,779	657,685,154
Cash and cash equivalents at end of year	821,276,966	459,357,495	791,370,837	440,480,779
	-	-	-	-

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

Statement of changes in shareholders' equity

Lee Feed Mill Public Company Limited and its subsidiaries

For the year ended 31 December 2013

Consolidated financial statements										
Equity attributable to owners of the Company										
Note	Issued and fully paid share capital	Share premium	Treasury share	Retained earnings		Other components of equity		Total equity attributable to shareholders of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total shareholders' equity
				Statutory reserve	Appropriated Treasury share reserve	Revaluation surplus on land	Income			
Balance as at 31 December 2011 - as previously reported										
Cumulative effect of change in accounting policy for deferred tax	774,044,100	309,141,165	-	142,500,000	-	246,424,171	-	2,267,798,102	23,273,440	2,291,071,542
Balance as at 31 December 2011 - as restated	774,044,100	309,141,165	-	142,500,000	-	(49,284,774)	-	(36,187,042)	(1,241,522)	(37,428,564)
Share subscription received from exercise of warrants	99,585,840	149,378,780	-	-	-	197,139,397	-	2,231,611,060	22,031,918	2,253,642,978
Total comprehensive income for the year (Restated)	-	-	-	-	-	-	-	248,964,600	-	248,964,600
Decrease in equity attributable to non-controlling interests of the subsidiary due to acquisition of new subsidiary	-	-	-	-	-	25,056,652	-	289,780,254	4,101,343	293,881,597
Treasury shares purchased during the year	-	-	(500,000,000)	-	-	-	-	(500,000,000)	(205)	(500,000,000)
Transfer unappropriated retained earnings to treasury share reserve	-	-	-	-	500,000,000	-	-	-	-	-
Reduce paid-up share capital by writing off treasury shares	(100,000,000)	-	500,000,000	-	(500,000,000)	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	(162,549,261)	-	(162,549,261)
Dividend of subsidiary paid to non-controlling interest	-	-	-	-	-	-	-	-	(4,000,000)	(4,000,000)
Balance as at 31 December 2012 - as restated	773,629,940	458,519,925	-	142,500,000	-	222,196,049	-	2,107,806,653	22,133,056	2,129,939,709
Balance as at 31 December 2012 - as previously reported										
Cumulative effect of change in accounting policy for deferred tax	773,629,940	458,519,925	-	142,500,000	-	277,744,994	-	2,157,470,548	23,694,479	2,181,165,027
Balance as at 31 December 2012 - as restated	773,629,940	458,519,925	-	142,500,000	-	(55,548,945)	-	(49,683,895)	(1,561,423)	(51,225,318)
Share subscription received from exercise of warrants	148,550,311	222,825,467	-	-	-	222,196,049	-	2,107,806,653	22,133,056	2,129,939,709
Total comprehensive income for the year	-	-	-	-	-	-	-	371,375,778	-	371,375,778
Dividend paid	-	-	-	-	-	-	-	233,874,254	3,621,906	237,496,160
Dividend of subsidiary paid to non-controlling interest	-	-	-	-	-	-	-	(162,462,287)	-	(162,462,287)
Balance as at 31 December 2013	922,180,251	681,345,392	-	142,500,000	-	222,196,049	-	2,550,594,398	23,254,962	2,573,849,360

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

Statement of changes in shareholders' equity (continued)

Lee Feed Mill Public Company Limited and its subsidiaries

For the year ended 31 December 2013

(Unit: Baht)

Separate financial statements												
Note		Issued and fully paid share capital	Share premium	Treasury share	Retained earnings			Other components of equity			Total shareholders' equity	
					Share premium	Treasury share	Unappropriated	Revaluation surplus on land	Other comprehensive income			
										Statutory reserve		Treasury share reserve
	Balance as at 31 December 2011 - as previously reported											
	Cumulative effect of change in accounting policy for deferred tax											
4		774,044,100	309,141,165	-	122,500,000	-	711,629,516	83,617,198			2,000,931,979	
	Balance as at 31 December 2011 - as restated											
19	Share subscription received from exercise of warrants	774,044,100	309,141,165	-	122,500,000	-	715,671,400	66,893,758			1,988,250,423	
	Total comprehensive income for the year (Restated)	99,585,840	149,378,760	-	-	-	-	-			248,964,600	
18	Treasury shares purchased during the year	-	-	-	-	-	264,869,154	24,954,121			289,823,275	
	Transfer unappropriated retained earnings to treasury share reserve	-	-	(500,000,000)	-	-	-	-			(500,000,000)	
18	Reduce paid-up share capital by writing off treasury shares	-	-	-	-	500,000,000	(500,000,000)	-			-	
18	Dividend paid	(100,000,000)	-	500,000,000	-	(500,000,000)	100,000,000	-			-	
28		773,629,940	458,519,925	-	122,500,000	-	(162,549,261)	-			(162,549,261)	
	Balance as at 31 December 2012 - as restated											
	Cumulative effect of change in accounting policy for deferred tax											
4		773,629,940	458,519,925	-	122,500,000	-	415,629,308	114,809,849			1,885,089,022	
	Balance as at 31 December 2012 - as previously reported											
	Cumulative effect of change in accounting policy for deferred tax											
19	Share subscription received from exercise of warrants	773,629,940	458,519,925	-	122,500,000	-	417,991,293	91,847,879			1,864,489,037	
	Total comprehensive income for the year	148,550,311	222,825,467	-	-	-	-	-			371,375,778	
28	Dividend paid	-	-	-	-	-	217,609,056	-			217,609,056	
	Balance as at 31 December 2013											
		922,180,251	681,345,392	-	122,500,000	-	473,138,062	91,847,879			2,291,011,584	

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

Notes to consolidated financial statements

Lee Feed Mill Public Company Limited and its subsidiaries

For the year ended 31 December 2013

1. General 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 Thai Financial Reporting enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

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

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the 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	
			<u>2013</u>	<u>2012</u>
			(%)	(%)
Lee Pattana Feed Mill Co., Ltd.	Producing animal feed, and distribution of raw materials for animal feed manufacture	Thailand	95	95
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	95
Bodhi Ngarm Sea Farm Co., Ltd.	Experimental farming	Thailand	100	100

- b) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
 - c) 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) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.
- 2.3 The separate financial statements, which present investments in subsidiaries and associated company presented under the cost method, have been prepared solely for the benefit of the public.

3. New accounting standards

Below is a summary of accounting standards that became effective in the current accounting year and those that will become effective in the future.

(a) Accounting standards that became effective in the current accounting year

Accounting standards:

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

Financial Reporting Standard:

TFRS 8	Operating Segments
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Accounting Standard Interpretations:

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

Accounting Treatment Guidance for Transfers of Financial Assets

These accounting standards, financial reporting standard, accounting standard interpretations and accounting treatment guidance do not have any significant impact on the financial statements, except for the following accounting standard.

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base and recognise the tax effects as deferred tax assets or liabilities subjecting to certain recognition criteria. The Company and its subsidiaries have changed this accounting policy in this current year and restated the prior year's financial statements, presented as comparative information, as though the Company and its subsidiaries had initially recognised the tax effects as deferred tax assets or liabilities. The cumulative effect of this change in accounting policy has been presented in Note 4 to the financial statements.

(b) Accounting standards that will become effective in the future

		<u>Effective date</u>
Accounting Standards:		
TAS 1 (revised 2012)	Presentation of Financial Statements	1 January 2014
TAS 7 (revised 2012)	Statement of Cash Flows	1 January 2014
TAS 12 (revised 2012)	Income Taxes	1 January 2014
TAS 17 (revised 2012)	Leases	1 January 2014
TAS 18 (revised 2012)	Revenue	1 January 2014
TAS 19 (revised 2012)	Employee Benefits	1 January 2014
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates	1 January 2014
TAS 24 (revised 2012)	Related Party Disclosures	1 January 2014
TAS 28 (revised 2012)	Investments in Associates	1 January 2014
TAS 31 (revised 2012)	Interests in Joint Ventures	1 January 2014
TAS 34 (revised 2012)	Interim Financial Reporting	1 January 2014
TAS 38 (revised 2012)	Intangible Assets	1 January 2014
Financial Reporting Standards:		
TFRS 2 (revised 2012)	Share-based Payment	1 January 2014
TFRS 3 (revised 2012)	Business Combinations	1 January 2014
TFRS 4	Insurance Contracts	1 January 2016
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations	1 January 2014
TFRS 8 (revised 2012)	Operating Segments	1 January 2014
Accounting Standard Interpretations:		
TSIC 15	Operating Leases - Incentives	1 January 2014
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1 January 2014

		<u>Effective date</u>
TSIC 29	Service Concession Arrangements: Disclosures	1 January 2014
TSIC 32	Intangible Assets - Web Site Costs	1 January 2014
Financial Reporting Standard Interpretations:		
TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 January 2014
TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2014
TFRIC 7	Applying the Restatement Approach under TAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>	1 January 2014
TFRIC 10	Interim Financial Reporting and Impairment	1 January 2014
TFRIC 12	Service Concession Arrangements	1 January 2014
TFRIC 13	Customer Loyalty Programmes	1 January 2014
TFRIC 17	Distributions of Non-cash Assets to Owners	1 January 2014
TFRIC 18	Transfers of Assets from Customers	1 January 2014

The management of the Company and its subsidiaries has assessed the effect of the above accounting standards, financial reporting standard, accounting standard interpretations and financial reporting standards interpretations and believes that they will not have any significant impact on the financial statements of the year in when they are initially applied.

4. Cumulative effect of changes in accounting policies due to the adoption of new accounting standard

During the current year, the Company and its subsidiaries made the changes described in Note 3 to the financial statements to its significant accounting policies, as a result of the adoption of Thai Accounting Standard 12 Income Taxes. The cumulative effect of the changes in the accounting policies has been separately presented in the statements of changes in shareholders' equity.

The amounts of adjustments affecting the statements of financial position and the statements of comprehensive income are summarised below.

(Unit: Thousand Baht)

	As at 31 December 2013		As at 31 December 2012		As at 1 January 2012	
	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements
Statements of financial position						
Increase in investment in associated company	1,180	-	603	-	83	-
Increase in deferred tax liabilities	(50,579)	(19,639)	(51,828)	(20,600)	(37,511)	(12,681)
Increase in unappropriated retained earnings	(7,698)	(3,323)	(5,885)	(2,362)	(13,098)	(4,042)
Decrease in other components of shareholders' equity	55,549	22,962	55,549	22,962	49,285	16,723
Decrease in non-controlling interests of the subsidiaries	1,548	-	1,561	-	1,241	-

(Unit: Thousand Baht)

	For the year ended 31 December 2013		For the year ended 31 December 2012	
	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements
Statements of comprehensive income				
Profit or loss:				
Increase (decrease) in income tax expenses	(1,249)	(961)	8,053	1,680
Decrease in share of loss from investment in associated company	(577)	-	(520)	-
Increase (decrease) in profit attributable to equity holders of the Company	1,826	961	(7,533)	(1,680)
Increase (decrease) in basic earnings per share (Baht)	0.0021	0.0011	(0.0106)	(0.0024)
Increase (decrease) in diluted earnings per share (Baht)	0.0021	0.0011	(0.0095)	(0.0021)
Other comprehensive income:				
Decrease in gain on revaluation of land	-	-	(6,264)	(6,239)

5. Significant accounting policies

5.1 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.

Dividends

Dividends are recognised when the right to receive the dividends is established.

5.2 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.

5.3 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.

5.4 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. Average cost includes all production costs and attributable factory overheads.

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

5.5 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 profit or loss.
- b) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for impairment loss (if any).
- c) Investment in associated company is accounted for in the consolidated financial statements using the equity method.
- d) Investments in subsidiaries 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 from one type to another, such investments will be readjusted to their fair value as at the reclassification date. The difference between the carrying amount of the investments and their fair value on the date of reclassification are recorded in profit or loss or recorded as other components of shareholders' equity, depending on the type of investment that is reclassified.

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

5.6 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Any gains or losses arising from changes in the value of investment properties are recognised in profit or loss when incurred.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period when the asset is derecognised.

5.7 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 end of reporting period.

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 subsidiaries' assets, the increase is credited directly to the other comprehensive income and the cumulative increase is recognised equity under the heading of "Revaluation surplus on land". However, a revaluation increase is recognised as income to the extent that it reverses a revaluation decrease in respect 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 subsidiaries' assets, the decrease is recognised in profit or loss. However, the revaluation decrease is charged to the other comprehensive income to the extent that it does not exceed an amount already held in "Revaluation surplus on land" in respect of the same assets.

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

Buildings and constructions	-	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 on land and assets under installation and construction.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

5.8 Related party transactions

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

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

5.9 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 profit or loss over the lease period. The assets acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease period.

Leases of property, plant or equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

5.10 Treasury shares

Treasury shares are stated at cost and presented as a deduction from shareholders' equity. Gains on disposal of treasury shares are determined by reference to the carrying amount and are presented as premium on treasury shares. Losses on disposal of treasury shares are determined by reference to the carrying amount and are netted with premium on treasury shares, and retained earnings, consecutively.

5.11 Foreign currencies

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency. Items included in the consolidated financial statements of each entity are measured using that functional currency.

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

Gains and losses on exchange are included in determining income.

5.12 Impairment of assets

At the end of each reporting period, 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 profit or loss. 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.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company and its subsidiaries estimate the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal which exceeds the carrying amount that would have been determined, is treated as a revaluation increase.

5.13 Employee benefits

Short-term employee benefits

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

Post-employment benefits

Defined contribution plans

The Company and its subsidiaries, and their employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company and its subsidiaries.

The fund's assets are held in a separate trust fund and contributions of the Company and its subsidiaries are recognised as expenses when incurred.

Defined benefit plans

The Company and its subsidiaries have obligations in respect of the severance payments they must make to employees upon retirement under labor law. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan.

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

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

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

5.14 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.

5.15 Income tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

Current tax

Current 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.

Deferred tax

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future

taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company and its subsidiaries record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

6. Significant accounting judgments and estimates

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

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 investments

The Company and its subsidiaries treat other investments as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" required judgment of the management.

Investment property

The Company and its subsidiaries present investment property at the fair value estimated by an independent appraiser, and recognise changes in the fair value in profit or loss. The independent appraiser valued the investment property using the market approach. The key assumptions used in estimating the fair value are described in Note 14.

Property plant and equipment/Depreciation

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

The Company and its subsidiaries 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.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

Post-employment benefits under defined benefit plans

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

7. 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 its subsidiaries and those related parties.

(Unit: Million Baht)

	Consolidated		Separate		
	financial statements		financial statements		Pricing policy
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	
<u>Transactions with subsidiary companies</u>					
(eliminated from the consolidated financial statements)					
Sales of goods	-	-	269	144	Comparable market price
Interest income	-	-	21	20	7.25 - 7.50% per annum
Dividend income	-	-	48	76	
Purchase of goods	-	-	176	111	Comparable market price
<u>Transactions with related companies</u>					
Rental and service expenses	14	14	7	7	Contract price

As at 31 December 2013 and 2012, the balances of the accounts between the Company and its subsidiaries and those related companies are as follows:

		(Unit: Thousand Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
		<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<u>Trade and other receivables - related parties (Note 9)</u>					
Subsidiaries		-	-	3,783	4,457
<u>Short-term loans to related parties</u>					
Subsidiaries		-	-	336,133	431,502
<u>Trade and other payables - related parties (Note 16)</u>					
Subsidiaries		-	-	20,039	3,545

Short-term loans to related parties

As at 31 December 2013 and 2012, the balance of loans between the Company and the subsidiaries and the movement are as follows:

		(Unit: Thousand Baht)			
		Separate financial statements			
Loans to related parties	Related by	Balance as at 31 December 2012	Increase during the year	Decrease during the year	Balance as at 31 December 2013
Lee Pattana Feed Mill Co., Ltd.	Subsidiary	424,000	592,000	(688,000)	328,000
Bodhi Ngarm Sea Farm Co., Ltd.	Subsidiary	7,502	633	-	8,135
Total		431,502	592,633	(688,000)	336,135

Directors and management's benefits

During the year ended 31 December 2013 and 2012, the Company and its subsidiaries had employee benefit expenses of their directors and management as below.

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Short-term employee benefits	13,225	16,170	8,432	7,874
Post-employment benefits	172	736	83	313
Total	13,397	16,906	8,515	8,187

(Unit: Million Baht)

Guarantee obligations with related parties

The Company and its subsidiaries have outstanding guarantee obligations with its related parties, as described in Note 29.3 to the financial statements.

8. Cash and cash equivalents

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Cash	761	650	480	370
Bank deposits	49,716	248,230	20,091	229,634
Bills of exchange	770,800	210,477	770,800	210,477
Total	821,277	459,357	791,371	440,481

(Unit: Thousand Baht)

As at 31 December 2013, bank deposits in saving accounts and bills of exchange carried interests between 0.4 and 3.1 percent per annum (2012: between 0.5 and 3.0 percent per annum).

9. Trade and other receivables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<u>Trade receivables - related parties</u>				
Age on the basis of due dates				
Not yet due	-	-	1,175	132
Past due up to 3 months	-	-	1,135	725
Total trade receivable - related parties	-	-	2,310	857
<u>Trade receivables - unrelated parties</u>				
Age on the basis of due dates				
Not yet due	141,450	165,346	55,383	84,957
Past due				
Up to 3 months	71,489	84,539	45,863	58,562
3 - 6 months	5,273	1,885	4,510	1,723
6 - 12 months	5,135	1,357	4,814	1,095
Over 12 months	7,847	5,666	6,043	4,610
Total	231,194	258,793	116,613	150,947
Less: Allowance for doubtful debts	(12,057)	(7,318)	(9,851)	(6,106)
Total trade receivables - unrelated parties, net	219,137	251,475	106,762	144,841
Total trade receivables - net	219,137	251,475	109,072	145,698
<u>Other receivables</u>				
Advances - related party	-	-	44	53
Interest receivable - related parties	-	-	1,429	3,547
Interest receivable	3,550	425	3,550	425
Accrued income	80	27	76	27
Other receivables	-	113	-	-
Total other receivables	3,630	565	5,099	4,052
Total trade and other receivables - net	222,767	252,040	114,171	149,750

10. Inventories

(Unit: Thousand Baht)

Consolidated financial statements

	Cost		Reduce cost to net realisable value		Inventories - net	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Finished goods	100,076	90,727	(37)	-	100,039	90,727
Work in process	2,768	6,507	-	-	2,768	6,507
Raw materials	475,753	539,173	-	(4,164)	475,753	535,009
Packing materials	38,410	44,509	-	-	38,410	44,509
Spare parts and factory supplies	49,697	44,686	-	-	49,697	44,686
Raw materials in transit	12,664	88,569	-	-	12,664	88,569
Breeding livestock and raw materials used in farming	10,091	10,167	(939)	(1,208)	9,152	8,959
Total	689,459	824,338	(976)	(5,372)	688,483	818,966

(Unit: Thousand Baht)

Separate financial statements

	Cost		Reduce cost to net realisable value		Inventories - net	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Finished goods	42,266	50,757	-	-	42,266	50,757
Work in process	1,351	4,519	-	-	1,351	4,519
Raw materials	162,264	179,680	-	-	162,264	179,680
Packing materials	18,638	22,690	-	-	18,638	22,690
Spare parts and factory supplies	30,113	28,543	-	-	30,113	28,543
Raw materials in transit	11,256	50,032	-	-	11,256	50,032
Breeding livestock and raw materials used in farming	10,091	10,167	(939)	(1,208)	9,152	8,959
Total	275,979	346,388	(939)	(1,208)	275,040	345,180

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>2013</u> (%)	<u>2012</u> (%)	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Pattana Agro Futures Company Limited	A Futures Broker of Agricultural Trading	Thailand	44.5	44.5	45	45	52	56

(Unit: Million Baht)

Company's name	Nature of business	Country of incorporation	Separate financial statements					
			Shareholding percentage		Cost		Carrying amounts based on cost method	
			<u>2013</u> (%)	<u>2012</u> (%)	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Pattana Agro Futures Company Limited	A Futures Broker of Agricultural Trading	Thailand	44.5	44.5	45	45	45	45

On 15 August 2012, Pattana Agro Futures Company Limited increased its registered share capital from Baht 80 million to Baht 100 million through the issuance of 2 million new ordinary shares of Baht 10 each, with such new shares to be allocated to the existing shareholders in proportion to their shareholding and full payment to be called up in August 2012. The Company has already made payment for the shares of such company in proportion to its shareholding, amounting to Baht 9 million.

11.2 Share of profit/loss from investment in associated company and dividend received

During the year, the Company has recognised its share of loss 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 loss from investment in associated company during the year		Dividend received during the year	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Pattana Agro Futures Company Limited	(4)	(2)	-	-

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		Loss for the	
	as at		as at		as at		for the year		year ended	
	31 December		31 December		31 December		31 December		31 December	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Pattana Agro Futures Company Limited	100	100	313	269	196	144	13	20	(8)	(5)

12. Investment in subsidiaries

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

(Unit: Million Baht)

Company's name	Paid-up capital		Shareholding		Cost		Dividend received	
			percentage				during the year	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
			(%)	(%)				
Lee Pattana Feed Mill Co., Ltd.	200	200	95	95	190	190	48	76
Bodhi Ngarm Sea Farm Co., Ltd.	1	1	100	100	1	1	-	-
Total investment in subsidiaries					<u>191</u>	<u>191</u>	<u>48</u>	<u>76</u>

Investment in Bodhi Ngarm Sea Farm Co., Ltd.

On 25 January 2012, the Company purchased 4,998 ordinary shares of Bodhi Ngarm Sea Farm Co., Ltd. at a price of Baht 100 each, totaling Baht 0.5 million. This represents a 99.96 percent shareholding. The Company made payment in full. Therefore, the Company considers Bodhi Ngarm Sea Farm Co., Ltd. to be its subsidiary since 25 January 2012.

Net book values of acquired assets and liabilities of Bodhi Ngarm Sea Farm Co., Ltd. as at the acquisition date were summarised below.

	(Unit: Thousand Baht)
Cash and cash equivalents	8
Property, plant and equipment - net	989
Short-term loans	(1,500)
Other current liabilities	(7)
Net liabilities over assets	(510)
Less: Loss on the write-off of the difference between the cost of business combination and the net book value of the subsidiary's equity	1,010
Cash payment for purchase of investment in subsidiary	500
Less: Cash and cash equivalents of subsidiary	(8)
Net cash payment for purchase of investment in subsidiary	492

13. Other long-term investments

(Unit: Thousand Baht)						
Consolidated and separate financial statements						
Company' s name	Shareholding		Dividend received			
	percentage		Value of investments		during the year	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	(%)	(%)				
M.N. Inter Holding Co., Ltd.	3.64	3.64	10,880	10,880	1,959	5,114
Wall Street Tullett Liberty Ltd.	9.00	9.00	945	945	1,296	756
Others			705	705	37	141
Total other long-term investments			12,530	12,530	3,292	6,011

14. Investment properties

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Net book value at beginning of year	20,284	17,240	19,822	16,778
Disposals - net book value	(213)	-	-	-
Transfer from property, plant and equipment	-	809	-	809
Net gain from a fair value adjustment	-	2,235	-	2,235
Net book value at end of year	<u>20,071</u>	<u>20,284</u>	<u>19,822</u>	<u>19,822</u>

The investment property is a land awaiting for sales. The fair value of the investment property has been determined based on valuations performed by an accredited independent valuer, using the market approach.

15. Property, plant and equipment

(Unit: Thousand 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 installations and constructions	Total
Cost / Revalued amount:							
As at 1 January 2012	342,771	459,551	808,438	135,817	139,524	9,305	1,895,406
Additions	7	-	1,865	4,137	26,798	53,048	85,855
Disposals	-	-	(51)	(396)	(18,190)	-	(18,637)
Transfers	-	3,774	3,761	-	-	(7,535)	-
Transfers to investment properties	(809)	-	-	-	-	-	(809)
Revaluations	31,324	-	-	-	-	-	31,324
Acquisition of subsidiary during the year	989	419	-	387	-	-	1,795
As at 31 December 2012	374,282	463,744	814,013	139,945	148,132	54,818	1,994,934
Additions	10,678	973	11,018	3,037	28,033	25,837	79,576
Disposals	-	-	(676)	(1,618)	(24,498)	-	(26,792)
Transfers	-	706	69	17	-	(792)	-
As at 31 December 2013	384,960	465,423	824,424	141,381	151,667	79,863	2,047,718
Accumulated depreciation:							
As at 1 January 2012	-	288,413	630,131	128,940	97,065	-	1,144,549
Depreciation for the year	-	18,836	42,750	3,120	17,710	-	82,416
Depreciation on disposals	-	-	(51)	(396)	(17,235)	-	(17,682)
Acquisition of subsidiary during the year	-	419	-	387	-	-	806
As at 31 December 2012	-	307,668	672,830	132,051	97,540	-	1,210,089
Depreciation for the year	-	18,439	33,589	2,939	18,083	-	73,050
Depreciation on disposals	-	-	(676)	(1,618)	(21,745)	-	(24,039)
As at 31 December 2013	-	326,107	705,743	133,372	93,878	-	1,259,100
Net book value:							
As at 31 December 2012	374,282	156,076	141,183	7,894	50,592	54,818	784,845
As at 31 December 2013	384,960	139,316	118,681	8,009	57,789	79,863	788,618
Depreciation for the year							
2012 (Baht 64 million included in manufacturing cost, and the balance in selling and administrative expenses)							82,416
2013 (Baht 54 million included in manufacturing cost, and the balance in selling and administrative expenses)							73,050

(Unit: Thousand 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 installations and constructions	Total
Cost / Revalued amount:							
As at 1 January 2012	144,125	276,186	409,959	83,924	86,023	1,219	1,001,436
Additions	7	-	1,212	2,350	14,692	17,825	36,086
Disposals	-	-	(51)	(351)	(6,546)	-	(6,948)
Transfers to investment properties	(809)	-	-	-	-	-	(809)
Revaluations	31,193	-	-	-	-	-	31,193
As at 31 December 2012	174,516	276,186	411,120	85,923	94,169	19,044	1,060,958
Additions	10,678	-	3,256	1,861	16,101	20,095	51,991
Disposals	-	-	(476)	(988)	(12,678)	-	(14,142)
Transfers	-	706	69	3	-	(778)	-
As at 31 December 2013	185,194	276,892	413,969	86,799	97,592	38,361	1,098,807
Accumulated depreciation:							
As at 1 January 2012	-	187,546	350,445	80,663	62,178	-	680,832
Depreciation for the year	-	12,309	17,740	1,600	10,183	-	41,832
Depreciation on disposals	-	-	(51)	(351)	(6,160)	-	(6,562)
As at 31 December 2012	-	199,855	368,134	81,912	66,201	-	716,102
Depreciation for the year	-	12,017	9,488	1,539	10,064	-	33,108
Depreciation on disposals	-	-	(476)	(987)	(11,518)	-	(12,981)
As at 31 December 2013	-	211,872	377,146	82,464	64,747	-	736,229
Net book value:							
As at 31 December 2012	174,516	76,331	42,986	4,011	27,968	19,044	344,856
As at 31 December 2013	185,194	65,020	36,823	4,335	32,845	38,361	362,578
Depreciation for the year							
2012 (Baht 31 million included in manufacturing cost, and the balance in selling and administrative expenses)							41,832
2013 (Baht 22 million included in manufacturing cost, and the balance in selling and administrative expenses)							33,108

During 2012, the Company and its subsidiaries arranged for an independent professional valuer to reappraise the value of their land using the market approach. The Company and its subsidiaries 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 2013 and 2012 on the cost basis would have been as follows:

(Unit: Thousand Baht)		
As at	Consolidated financial statements	Separate financial statements
31 December 2013	98,643	70,384
31 December 2012	87,965	59,706

As at 31 December 2013, 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 797 million (2012: Baht 776 million) (The Company only: Baht 501 million, 2012: Baht 472 million).

16. Trade and other payables

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Trade payables - related parties	-	-	20,039	3,523
Trade payables - unrelated parties	162,867	198,705	59,451	118,806
Other accounts payable - related parties	-	-	-	22
Other accounts payable - unrelated parties	20,464	11,703	3,378	539
Accrued expenses	43,598	38,283	21,944	18,147
Total trade and other payables	226,929	248,691	104,812	141,037

17. Provision for long-term employee benefits

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Provisions for long-term employee benefits				
at beginning of year	46,878	39,595	24,153	20,587
Current service cost	6,153	4,215	3,116	2,157
Interest cost	2,002	1,623	1,031	844
Benefits paid during the year	(450)	(808)	(346)	(457)
Actuarial (gain) loss	(3,069)	2,253	(1,552)	1,022
Provisions for long-term employee benefits				
at end of year	<u>51,514</u>	<u>46,878</u>	<u>26,402</u>	<u>24,153</u>

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current service cost	6,153	4,215	3,116	2,157
Interest cost	2,002	1,623	1,031	844
Actuarial (gain) loss recognised during the year	(3,069)	2,253	(1,552)	1,022
Total expense recognised in profit or loss	<u>5,086</u>	<u>8,091</u>	<u>2,595</u>	<u>4,023</u>
Line items under which such expenses are included in profit or loss				
Cost of sales	2,056	3,900	1,055	1,946
Selling and administrative expenses	3,030	4,191	1,540	2,077

Principal actuarial assumptions at the valuation date were as follows:

	Consolidated financial statements		Separate financial statements	
	<u>2013</u> (% per annum)	<u>2012</u> (% per annum)	<u>2013</u> (% per annum)	<u>2012</u> (% per annum)
Discount rate	4.27	4.10	4.27	4.10
Future salary increase rate (depending on employee types)	4.60 - 5.30	4.40 - 5.10	4.60 - 5.30	4.40 - 5.10
Staff turnover rate (depending on age and employee types)	1.50 - 2.00	1.50 - 35.00	1.50 - 2.00	1.50 - 35.00

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

(Unit: Thousand Baht)

	Defined benefit obligation		Experience adjustments on the obligation	
	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements
Year 2013	51,514	26,402	(3,966)	(2,051)
Year 2012	46,878	24,153	387	(251)
Year 2011	39,595	20,587	-	-
Year 2010	36,367	19,026	-	-

18. Share capital/ Treasury shares/ Appropriated retained earnings for treasury shares

On 6 March 2012, the Extraordinary General Meeting of the Company's shareholders No.1/2555 approved a program to repurchase up to 100 million share (par value of Baht 5 each), or 12.92 percent of the total number of shares in issue, with a budget of Baht 500 million, for liquidity surplus management purposes. The shares are to be repurchased through a general offering to shareholders, between 23 March 2012 and 4 April 2012. The Company has purchased back 100 million ordinary shares, or 12.92 percent of the total number of share in issue, at a price of 5 Baht per share. The total value of the repurchased shares is Baht 500 million. In addition, there are related parties proposed to sell their shares to this program approximately to 57 million shares at Baht 5 each, a total of Baht 285 million.

In addition, under this resolution, the Company was to dispose all of its repurchased shares between 5 October 2012 and 5 November 2012 and if the Company was unable to sell any shares within the resale period, the Company was to reduce its capital by writing off the unsold registered shares.

According to letter No. Gor Lor Tor. Chor Sor. (Vor) 2/2548 of the Office of the Securities and Exchange Commission, dated 14 February 2005, concerning the acquisition of treasury shares, a public limited company may buy back treasury shares in an amount not exceeding the amount of its retained earnings and is to appropriate an equal amount of retained earnings to a reserve for treasury shares, which must be maintained until the Company either sells the treasury shares or reduces its paid-up share capital by an amount equal to the value of the treasury shares which it was unable to sell. The Company has already appropriated the full required amount of retained earnings to a reserve for the treasury shares amounting to Baht 500 million.

On 18 December 2012, a meeting of the Company's board of directors passed a resolution to approve a reduction in the paid-up share capital by cancelling the 100 million unsold treasury shares with a par value of Baht 5 each under the share repurchase scheme, or a total of Baht 500 million. The Company registered the reduction of its registered share capital from Baht 1,029 million to Baht 929 million with the Ministry of Commerce on 26 December 2012. Moreover, the Company already written off the amount of the treasury shares and reversed the treasury stocks reserve to the unappropriated - retained earnings account amounting to Baht 400 million and Baht 500 million, respectively.

19. Warrants

At the Annual General Meeting of the shareholders held on 29 April 2010, it was resolved to approve the issuance of 294 million 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.

The Company issued the warrants to existing shareholders of the Company on 20 May 2010. On 8 June 2010, the Stock Exchange of Thailand accepted the listing of 294 million 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.

The warrant exercises of the holders are as follows: -

Exercise date	Number of exercised rights (Million Units)	Received subscription (Million Baht)	Issued and paid- up share capital (Million Baht)	Registration date with the Ministry of Commerce
30 December 2010	8	19	743	13 January 2011
30 June 2011	5	13	748	13 July 2011
30 December 2011	26	66	774	12 January 2012
30 June 2012	13	34	788	11 July 2012
30 December 2012	86	215	774	9 January 2013
17 May 2013	149	371	922	31 May 2013

On 17 May 2013, the final exercise date, 7 million warrants expired because they had not been exercised.

20. Statutory reserve

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

21. Other components of shareholders' equity

Other components of shareholders' equity comprise the revaluation surplus on land. This revaluation surplus on land can neither be offset against deficit nor used for dividend payment.

22. Expenses by nature

Significant expenses by nature are as follows:

	Consolidated financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Salary, wages and other employee benefits	286	271	142	135
Depreciation	73	82	33	42
Rental expenses	12	13	5	6
Raw materials and consumables used	2,546	3,008	1,248	1,497
Purchases of finished goods	-	-	8	23
Changes in inventories of finished goods and work in process	6	33	(12)	5

(Unit: Million Baht)

23. Corporate income tax

Income tax expenses for the years ended 31 December 2013 and 2012 are made up as follows:

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u> (Restated)	<u>2013</u>	<u>2012</u> (Restated)
Current income tax:				
Current income tax charge	16,185	25,728	9,827	16,260
Adjustment in respect of current income tax of previous year	-	8,001	-	7,960
Deferred tax:				
Relating to origination and reversal of temporary differences	(1,249)	8,278	(961)	1,871
Effects of changes in the applicable tax rates	-	(225)	-	(191)
Income tax expense reported in the statement of comprehensive income	14,936	41,782	8,866	25,900

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2013 and 2012 are as follows:

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u> (Restated)	<u>2013</u>	<u>2012</u> (Restated)
Deferred tax relating to gain on revaluation of land	-	6,264	-	6,239
	-	6,264	-	6,239

Reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2013 and 2012

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u> (Restated)	<u>2013</u>	<u>2012</u> (Restated)
Accounting profit before tax	252,002	310,604	226,476	290,769
Applicable tax rate	20%	23%	20%	23%
Accounting profit before tax multiplied by applicable tax rate	50,400	71,439	45,295	66,877
Adjustment in respect of current income tax of previous year	-	8,001	-	7,960
Effects of changes in the applicable tax rates	-	(225)	-	(191)
Effects of:				
Promotional privileges (Note 24)	(43,167)	(41,577)	(27,165)	(31,523)
Income exempt for tax purpose	(652)	(1,382)	(10,152)	(18,862)
Non-deductible expenses	479	434	325	339
Additional expense deductions allowed	(626)	(1,171)	(274)	(780)
Others	8,502	6,263	838	2,080
Total	(35,464)	(37,433)	(36,428)	(48,746)
Income tax expenses reported in the statement of comprehensive income	14,936	41,782	8,867	25,900

The components of deferred tax assets and deferred tax liabilities are as follows:

(Unit: Thousand Baht)

	Statements of financial position					
	Consolidated financial statements			Separate financial statements		
	As at	As at	As at	As at	As at	As at
	31 December	31 December	1 January	31 December	31 December	1 January
	2013	2012	2012	2013	2012	2012
		(Restated)			(Restated)	
Deferred tax liabilities						
Gain on re-measuring available-for-sale investments	548	(36)	300	548	(36)	300
Allowance for diminution in value of inventories	188	229	-	188	229	-
Revaluation surplus on land	(57,263)	(57,263)	(50,999)	(22,962)	(22,962)	(16,723)
Revaluation surplus on investment properties	(203)	(203)	-	(203)	(203)	-
Provision for long-term employee benefits	6,126	5,431	7,091	2,790	2,372	3,742
Unused tax loss	25	14	6,097	-	-	-
Total	(50,579)	(51,828)	(37,511)	(19,639)	(20,600)	(12,681)

In October 2011, the cabinet passed a resolution to reduce the corporate income tax rate from 30 percent to 23 percent in 2012, and then to 20 percent from 2013. In addition, in order to comply with the resolution of the cabinet, in December 2011, the decreases in tax rates for 2012 - 2014 were enacted through a royal decree. The Company and its subsidiaries have reflected the changes in the income tax rates in its deferred tax calculation, as presented above.

As at 31 December 2013 the Company and its subsidiaries have deductible temporary differences and unused tax losses totaling Baht 39 million (2012: Baht 65 million), on which deferred tax assets have not been recognised as the Company and its subsidiaries have believe future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses.

24. 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	
	1577/2544	1217(4)/2549	2086(4)/2548	1903(3)/2547		
1. Certificate No.	Manufacture of animal feeds	Manufacture of animal feeds and feed mix	Manufacture of animal feeds and feed mix	Crop drying and silo business		
2. Promoted operations	8 years (Expired)	8 years	8 years	8 years (Expired)		
3. Significant privileges:						
3.1 Exemption of corporate income tax for earnings derived from the BOI promoted operation and exemption of income tax on dividends paid from the profit of the BOI promoted operation throughout the period in which the corporate income tax is exempted.	Eligible	Not eligible	Not eligible	Not eligible		
3.2 A fifty percent reduction of the normal rate of corporate income tax on net earnings derived from the BOI promoted operations for a period of five years after the expiration of the above corporate income tax exemption period.	Eligible (Expired)	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.	24 July 2002	Not yet started	4 January 2007	3 August 2005		
4. Date of first earning operating income						

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

	Consolidated financial statements					(Unit: Thousand Baht)
	2013		2012			
	BOI promoted operations	Non-BOI promoted operations	Total	BOI promoted operations	Non-BOI promoted operations	
Sales - local	2,258,482	2,278,530	4,537,012	2,201,831	2,448,317	4,650,148
Interest income	-	46,210	46,210	11	35,555	35,566
Other income	-	73,909	73,909	867	110,369	111,236
Total revenues	2,258,482	2,398,649	4,657,131	2,202,709	2,594,241	4,796,950
Less: Eliminated transactions			(633,115)			(679,310)
Total			3,994,016			4,117,640

	Separate financial statements						(Unit: Thousand Baht)
	2013			2012			
	BOI promoted operations	Non-BOI promoted operations	Total	BOI promoted operations	Non-BOI promoted operations	Total	
Sales - local	1,202,474	698,370	1,900,844	1,144,082	948,399	2,092,481	
Interest income	-	42,139	42,139	-	32,015	32,015	
Other income	-	62,459	62,459	520	100,003	100,523	
Total revenues	1,202,474	802,968	2,005,442	1,144,602	1,080,417	2,225,019	

25. Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issued during the year.

Diluted earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year 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						
Profit for the year		Weighted average number of ordinary shares		Earnings per share		
<u>2013</u>	<u>2012</u> (Restated)	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u> (Restated)	
(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)	
Basic earnings per share						
Profit attributable to equity holders of the Company		233,874	264,724	866,423	707,533	0.27 0.37
Effect of dilutive potential ordinary shares						
Warrants issued to existing shareholders		-	-	-	89,084	
Diluted earnings per share						
Profit of ordinary shareholders assuming the conversion of warrants to ordinary shares		<u>233,874</u>	<u>264,724</u>	<u>866,423</u>	<u>796,617</u>	<u>0.27 0.33</u>
Separate financial statements						
Profit for the year		Weighted average number of ordinary shares		Earnings per share		
<u>2013</u>	<u>2012</u> (Restated)	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u> (Restated)	
(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)	
Basic earnings per share						
Profit attributable to equity holders of the Company		217,609	264,869	866,423	707,533	0.25 0.37
Effect of dilutive potential ordinary shares						
Warrants issued to existing shareholders		-	-	-	89,084	
Diluted earnings per share						
Profit of ordinary shareholders assuming the conversion of warrants to ordinary shares		<u>217,609</u>	<u>264,869</u>	<u>866,423</u>	<u>796,617</u>	<u>0.25 0.33</u>

26. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance. The chief operating decision maker has been identified as the Board of Directors.

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) crop 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. Therefore, the one main reportable operating segment of the Company and its subsidiaries is manufacture and distribution of animal feed and the single geographical area of their operations is Thailand.

Major customers

For the year 2013 and 2012, the Company and its subsidiaries have no major customer with revenue of 10 per cent or more of an entity's revenues.

27. Provident fund

The Company and its subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company and its subsidiaries 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 2013, the Company and its subsidiaries contributed Baht 6 million (2012: Baht 6 million) to the fund (Separate financial statements: Baht 3 million, 2012: Baht 3 million).

28. Dividends

Dividends declared in 2013 and 2012 consist of the following:

Dividends	Approved by	Dividends from		Total dividends	Dividend per share (Baht)
		BOI promoted activities	Dividends from non-BOI promoted activities		
Final dividends for 2011	Annual General Meeting of the shareholders on 26 April 2012	Exemption from corporate income tax			
		93	70	163	0.21
Total dividend paid for 2012		93	70	163	0.21
Final dividends for 2012	Annual General Meeting of the shareholders on 26 April 2013	116	46	162	0.21
Total for dividend paid for 2013		116	46	162	0.21

(Unit: Million Baht)

29. Commitments and contingent liabilities

29.1 Capital commitments

As at 31 December 2013, the Company and its subsidiaries had capital commitments of approximately Baht 13 million, relating to the construction of factory buildings, acquisition of machinery, software license and installation of software system (2012: Nil).

29.2 Operating lease commitments

The Company and its subsidiaries had entered into lease agreements in respect of the leases of office building spaces.

Future minimum rentals payable under these leases were as follows.

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Payable				
In up to 1 year	13	9	6	4
In over 1 and up to 5 years	10	11	5	6

29.3 Guarantees

As at 31 December 2013, the Company and its subsidiaries had outstanding bank guarantees of approximately Baht 9 million (2012: Baht 9 million) (Separate financial statements: Baht 5 million (2012: Baht 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 facilities, by several financial institutions of which Baht 1,728 million (2012: Baht 1,881 million) (Separate financial statements: Baht 1,930 million (2012: Baht 1,685 million)) has not been utilised. Most of the facilities have been cross-guaranteed by the Company and its subsidiaries.

30. Financial instruments

30.1 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 and other receivables, loans, investments, bank overdrafts, trust receipts payables and trade and other payables. 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 receivable and loans. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do 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 receivables and loans as stated in the statement of financial position.

Interest rate risk

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

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

(Unit: Million Baht)

Consolidated financial statements

As at 31 December 2013

	Fixed interest rates		Floating interest rate	Non- interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1-5 years				
<u>Financial Assets</u>						
Cash and cash equivalents	772	-	39	10	821	0.40 - 3.10
Current investments - fixed deposits	188	-	-	-	188	2.36 - 3.35
Current investments - marketable securities	-	-	-	104	104	-
Trade and other receivables	-	-	-	223	223	-
	960	-	39	337	1,336	
<u>Financial liabilities</u>						
Trade and other payables	-	-	-	227	227	-
	-	-	-	227	227	

(Unit: Million Baht)

Consolidated financial statements

As at 31 December 2012

	Fixed interest rates		Floating interest rate	Non- interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1-5 years				
<u>Financial Assets</u>						
Cash and cash equivalents	211	-	244	4	459	0.50 - 3.00
Current investments - fixed deposits	18	-	-	-	18	2.75 - 3.50
Current investments - marketable securities	-	-	-	54	54	-
Trade and other receivables	-	-	-	252	252	-
	229	-	244	310	783	
<u>Financial liabilities</u>						
Trade and other payables	-	-	-	249	249	-
	-	-	-	249	249	

(Unit: Million Baht)

Separate financial statements

As at 31 December 2013

	Fixed interest rates		Floating interest rate	Non- interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1-5 years				
<u>Financial Assets</u>						
Cash and cash equivalents	772	-	13	6	791	0.40 - 3.10
Current investments - fixed deposits	188	-	-	-	188	2.36 - 3.35
Current investments - marketable securities	-	-	-	103	103	-
Trade and other receivables	-	-	-	114	114	-
Short-term loans to related party	336	-	-	-	336	7.375
	1,296	-	13	223	1,532	
<u>Financial liabilities</u>						
Trade and other payables	-	-	-	105	105	-
	-	-	-	105	105	

(Unit: Million Baht)

Separate financial statements

As at 31 December 2012

	Fixed interest rates		Floating interest rate	Non- interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1-5 years				
<u>Financial Assets</u>						
Cash and cash equivalents	211	-	224	5	440	0.50 - 3.00
Current investments - fixed deposits	18	-	-	-	18	2.75 - 3.50
Current investments - marketable securities	-	-	-	54	54	-
Trade and other receivables	-	-	-	150	150	-
Short-term loans to related party	432	-	-	-	432	7.25
	661	-	224	209	1,094	
<u>Financial liabilities</u>						
Trade and other payables	-	-	-	141	141	-
	-	-	-	141	141	

Foreign currency risk

The Company and its subsidiaries' exposure to foreign currency risk arise mainly from purchase of goods that are denominated in foreign currencies. The Company and its subsidiaries may seek to reduce this risk by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.

As at 31 December 2013 and 2012, the Company and its subsidiaries had no financial instruments in foreign currencies.

30.2 Fair value of financial instruments

Since the majority of the Company and its subsidiaries' 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 statements of financial position.

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

31. Capital management

The primary objective of the capital management of the Company and its subsidiaries is to ensure that they have appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2013, the Group's debt-to-equity ratio was 0.13:1 (2012: 0.17:1) and the Company's was 0.07:1 (2012: 0.10:1).

32. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 26 February 2014.



บริษัทลีพัฒนาผลิตภัณฑ์จำกัด(มหาชน)
LEE FEED MILL PUBLIC COMPANY LIMITED

สำนักงาน : 33/137 อาคารวอลล์สตรีททาวเวอร์ ชั้น 28 ถนนสุขุมวิท บางรัก กรุงเทพฯ 10500
โทรศัพท์ : 0 2632 7232, 0 2632 7300, โทรสาร : 0 2236 7751, 0 2237 6020-1
www.leepattana.com