



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



รายงานประจำปี 2557  
ANNUAL REPORT 2014

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## MESSAGE FROM THE CHAIRMAN

The society of the new technological age has caused development of concepts and innovations rapidly. It has impacted on the lives of all levels that is clear is the knowledge base in the network on international communications via the equipment with high efficiency. So the opportunity to access the information source is unlimited. The business operations have to adjust and keep up with the change and to be able to choose and use the resources to coincide with the demand.

The demand of every business is no different is growth and stability in the midst of high competition. The resources start to be limited, so the society starts to see impact on the damage to the environment. It has created a new breed of epidemic, all demand and campaign to have sufficiency and balance. In this situation, the management of the Company has followed up and given priority trying to keep the level of status quo to maintain stability and investment to adjust to new technologies, seek out the opportunity and channel on support of expansion of economics in the ASEAN region and reduce the uncontrollable risks in all factors. Also we confirm the policy of producing feed of high quality all along, because it is the upstream of the life cycle and the thing that the society seeks is the goods and service quality at the international standard level, which we have been certified on ISO, GMP, HACCP and the standard on environmental conservation. It includes the policy on corporate social responsibility, which has been implemented continuously for a long time. It has caused changes in the guidelines on development and promotion of quality in the local education, community life quality and our employees worth the budget, because we do not perform the social activities just for the sake of donations or expect the advertising results and public relations.



The operation results of Lee Development Product PCL in the past year according to the consolidated financial statement for the year ended on 31 December 2014 had the net profit of 177 million baht compared with the same period of the previous year with the net profit of 234 million baht, or the net profit reduced by 57 million baht, or 24 percent. The reason for the operation of this year is decreased due to the main factor is the gross profit from the feed production business is reduced by 65 million baht, or 15 percent, compared with the same period of the year before, a result from the income from the sales reduced by 170 million baht from the turnover on the aquatic feed, compared with the same period of the previous year. However, there is a cause from the situation of cultivation of shrimps in Thailand in the overall picture has not recovered from the epidemic of early mortality syndrome (EMS) that spread in shrimp farms. As a result, the shrimp productivity is still adjusted downwards continuously and some main raw material cost used in the feed production still adjusted upwards, so the cost of feed production overall increased in this year.

The issue that the management has given priority in the business is adhering to the good governance, accountability for transparency and cooperation on the campaign against corruption seriously. However, it can only occur by the cooperation from all sectors. So I would like to take this opportunity to show the appreciation to the supporters, shareholders, public sector, financial institution, customers, farmers and all of the employees all determined to build the overall society and the country to have sustainable happiness.

Mr. Visith Leelasithorn  
Chairman



## REPORT OF THE AUDIT COMMITTEE

The Company's Audit Committee is appointed by the Board of Directors and consists of 3 independent directors who are acknowledged as experts from several fields such as management and administration, accounting, finance etc. They can independently perform their functions within the scope as assigned from the Board. Their term of office shall be 2 years which will, for the current Audit Committee expire on 28 November 2015. Members of the Audit Committee are as follows.

- |  |                                 |
|--|---------------------------------|
| 1. Assoc.Prof.Dr.Somjai Phagaphasvivat | Chairman of The Audit Committee |
| 2. Mr.Busarin Vanaswas                 | Member of the Audit Committee   |
| 3. Ms.Sununta Subhapholsiri            | Member of the Audit Committee   |

For the last 2014, the Audit Committee regularly held the meeting, totaling 4 times and also considered and reviewed several matters as guided by the Charter of the Audit Committee as follows.

### 1. Accuracy, Completeness and Reliability of Financial Reports

The Audit Committee has reviewed the Company's financial statements either quarterly or annual one to verify correctness of financial report, adequacy of information disclosure according to generally accepted accounting standards and also review observations made by the auditors based on their inspection and audit in order to submit to the Board of Directors Meeting were periodically held with the auditors.

### 2. Adequacy of Internal Control

The Audit Committee has reviewed the Company's internal control system based on annual audit plan developed by the company, provide suggestions from audit results and follow up report and audit results; to ensure that the Company's internal control system is appropriate and adequate for business operation and to evaluate such adequacy for the Board's consideration.

### 3. Suitability of Auditors, Consideration, Selection and Proposals to appoint auditors

The Audit Committee met with auditors once without the attendance of the management to request the auditors' opinions regarding operation and coordination with related management departments. Overall independence and performance of 2014, was assessed and found to be satisfactory and done with independency.

In considering the selection of auditors and setting appropriate remuneration for 2015, as comparison of audit service fee was done in 2014, the Audit Committee considered the evaluations of auditors' performance, scope of work, and work quantity compared to audit service fee, which is quoted for 2015, and proposed to Board of Directors Meeting for its resolution to make approval for an appointment.

- |                              |                                   |
|------------------------------|-----------------------------------|
| 1. Ms.Krongkaew Limkittikul  | Auditor License No.5874 and / or, |
| 2. Mr.Narong Puntawong       | Auditor License No.3315 and / or, |
| 3. Mr.Supachai Phanyawattano | Auditor License No.3930           |



EY office Limited is the auditor for the company and its subsidiaries in 2015 with auditor's remuneration in 2015, set according to the audited financial statements for specific businesses, the annual financial statement and the financial statements of the company's subsidiaries with review of the aforementioned quarterly financial statements. The total audit fee and certification of compliance is complied with the conditions set forth by the BOI at no more than 1,880,000 baht, not including other expenses such as expenses for vehicles required for travelling to other provinces.

#### **4. Compliance with Laws on Securities and Stock Exchanges, regulations of the Stock Exchange of Thailand, and Laws Related to the Company's Business**

The Audit Committee has reviewed the Company's operations to ensure that they are adequately in compliance with rules and regulations prescribed by the regulating agencies, the Securities and Exchange Act, the Public Company Limited Act and other related legislations and to ensure that the Company is well aware of and appropriately implement those rules and regulations.

#### **5. Related transaction or transaction potentially leading to conflict of interest**

The Audit Committee has considered the related transaction or transaction potentially leading to conflict of interest in accordance with the provisions of applicable laws, the principle of adequate disclosure, good corporate governance fairly and could maximize benefits of the Company and its shareholders.

#### **6. Good corporate governance**

The Audit Committee has reviewed and proposed comments regarding good corporate governance which are consistent to the guidelines provided by regulating agencies and the Company's business approach and also promote compliance with such principles.

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 922.18 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.

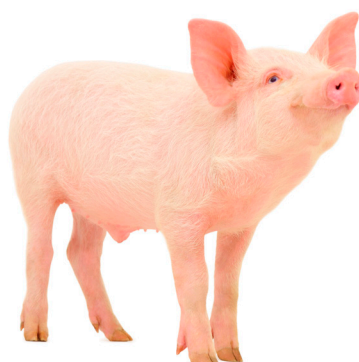
Due to the limited area available for expansion of the first feed mill in Nakhon Pathom, as well as its leased status, the first feed mill was closed in 1996, and investment promotion requested for the new feed mill opened in the same year, in Kao Yoi District, Phetchaburi. In 2002, an aquaculture feed 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 492,000 tons of animal feed per annum, with actual production at approximately 44 percent of capacity, while the silo's capacity is 38,500 tons for storage of plant seed throughout the year. 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 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 material to associated companies within the inter company group.
- \_ Bodhi Ngarm Sea Farm Co.,Ltd. Is a subsidiary company operates its business as a rental farming.
- 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 (2012 - 2014)

Revenue from Sales	2012		2013		2014	
	Million Baht	%	Million Baht	%	Million Baht	%
Complete animal feed	4,060	99.71	3,935	99.62	3,761	99.50
Livestock / crop farming	12	0.29	15	0.38	19	0.50
<b>Total</b>	<b>4,072</b>	<b>100</b>	<b>3,950</b>	<b>100</b>	<b>3,780</b>	<b>100</b>

Remarks: Revenues from sales of complete animal feeds for the year 2014 came from land and aquatic animal feeds at the rate of 52 percent and 48 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 40 percent and 60 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 600 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 30 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 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 16.75 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 2014 and 2015

Table: A Comparison of Animal Feed Consumption Volumes in Thailand (2014 and 2015)

Type of Animal Feed	Animal Feed Consumption					
	2014		2015		Increase (Decrease)	
	Volume (tons)	%	Volume (tons)	%	Volume (tons)	%
Broiler chicken feed	5,494,500	32.79	6,095,520	34.02	601,020	10.94
Parent chicken stock	772,632	4.61	854,784	4.77	82,152	10.63
Layer chicken (small)	927,622	5.54	977,383	5.45	49,761	5.36
Layer chicken (egg)	2,040,000	12.18	2,149,600	12.00	109,600	5.37
Parent layer-chicken stock	28,800	0.17	30,400	0.17	1,600	5.56
Swine	4,720,000	28.17	4,867,500	27.16	147,500	3.13
Swine breeder	883,500	5.27	920,700	5.14	37,200	4.21
Duck feed	264,600	1.58	264,600	1.48	-	-
Duck breeder	22,995	0.14	22,995	0.13	-	-
Layer duck	169,000	1.01	195,000	1.09	26,000	15.38
Cattle	620,865	3.71	620,865	3.46	-	-
Shrimp	300,000	1.79	375,000	2.09	75,000	25.00
Fish	509,980	3.04	544,000	3.04	34,020	6.67
<b>Total</b>	<b>16,754,494</b>	<b>100.00</b>	<b>17,918,347</b>	<b>100.00</b>	<b>1,163,853</b>	<b>6.95</b>

(Source: The Thai Feed Mill Association)

Referring to the agricultural economics in 2014 had the expansion at 1.2 percent compared with 2013 may caused by the drought problem in the lower northern region and the lower central region since the end of 2013 up to 2014, and several areas had the rain shortages, as well as the end of 2014 the main crop planting source faced with the flood in some area. While the situation on livestock products such as broilers, pigs, chicken eggs and milk cows had the trend to increase. While the situation on the epidemic of the early mortality syndrome (EMS) in the sea shrimps started to be mitigated and expected the shrimp production shall adjust better and increase the productivity gradually in 2015. Moreover, the economic recovery of the main trading countries such as the U.S.A. and the European Union (EU), including the ASEAN market and the emerging

markets can make the agricultural goods export to have the good direction. Nevertheless, the agricultural production in 2015 still has a high risk from the drought situation, which starts to send the signal from the end of 2014 with the water volume in the main dams had been less and insufficient for planting.

It is expected the growth of the agricultural economics in 2015 to expand within the range of 2.0 -3.0 percent of the important drive in both plant and livestock fields, including the fishery field expected to expand in the positive way in 2015.

***Fishery in 2014 was shrunk by 1.8 Percent***

Product volume of sea shrimp farming in Thailand in 2014 had just 200,000 tons, with the volume is rather small is the result of the early mortality syndrome (EMS). Although the farmers have changed from the white shrimps to the giant tiger prawns, especially at around the Andaman Coast, but the overall picture of the ratio of raising white shrimps is 94 percent against the giant tiger prawns at 6 percent of the entire sea shrimps. In this disease situation, the numerous shrimp farmers were not confident in the situation of the EMS affected the shrimp farming industry, so there is a trend of delaying the production of shrimps by suspending or reducing the farming.

However, in the overall picture of world production of sea shrimps in 2014 at 1.95 million tons, with the increasing trend from 1.85 million tons in 2013 is 5.41 percent due to the producers of some countries like Vietnam, India and Indonesia had increased shrimp production. So the price of the shrimps on the average spiked, supplemented by the economic crisis of the main importer did not adjust to the normal situation, e.g. the U.S.A., the EU and Japan, so the purchasing power of the consumers decreased. Also some consumers adjusted the behavior on consuming substitute foods with a cheaper price. As for India, Indonesia and Ecuador did not face with the EMS problem, so they had the increased market share to replace Thailand, which is reduced to the number five after India, China, Ecuador and Indonesia.

***In 2015 is expected to have the trend of increased expansion*** over 2014. Since the production of sea shrimp farming has the trend of recovery from the problem of the EMS epidemic. It is due to the address of the EMS problem by the Department of Fisheries saw the clear results both on the improvement of the farming ponds and the improvement of the baby shrimp breeds to be healthy with the production of the effective microorganisms (EM) for use in farming. It is considered as the interesting success. Also the National Council for Peace and Order (NCPO) approved a special budget of 200 million for the Department of Fisheries immediately upon learning of the problem. So the Department of Fisheries could import the shrimp breeds during past September-October to produce the quality baby shrimp breeds to distribute to the farmers. Meanwhile, the government also supported guidelines and measures for the Ministry of Agriculture and Cooperatives (Department of Fisheries) can solve the shrimp problems with effectiveness. It can be seen clearly that the rate of shrimp survival from farming is higher from the reference of the statistics of August of Department of Fisheries with the shrimp raw material from the catch to the market higher. It is the point that the

farmers turned to be interested in it and was confident to raise the shrimps. It is expected in 2015 the farmers can increase the rate of shrimp farming and its survival.

Nonetheless, the problem in 2015 to be worried is the lack of raw material shrimps due to the impact from the EMS, including the raw material catch from the sea has the limited quantity. It has the cause from the fishing resource started to be reduced and the EU is strict on the enforcement of the IUU measures, so the raw material caught from the sea inside and outside the waters has a shortage.

The EU canceled the help for Thailand by starting to cut the generalized system of preferences (GSP) for the fishing goods in the chapter 0306 from 1 January 2014 onwards. While the neighboring countries in the ASEAN region, including the competing countries in other regions still received the GSP, as a result the competing potential of Thailand was reduced clearly in the EU market. It includes the money value factor in the trade partner country in the EU and Japan was also weakened, so it affected the selling price of the aquatic animals.

The labor problem, the Thai Frozen Foods Association and the Thai Fishing Producers Coalition, arose from the eight associations that cooperated and intended to solve the labor problem by starting since the NCPO came to power and have a full role on the support and promotion in the management of illegal labor into the system. It includes the determination to solve the problem on Trips report of the U.S.A. and the cooperation among the relevant government sector such as the Ministry of Labor, Ministry of Justice and Ministry of Foreign Affairs, etc. jointly with the agencies of the private sector to report the remedial plans to the U.S.A., which it is expected to remove Thailand out of the list in 2015. Meanwhile, the U.S.A. still has confidence on the quality/standard of the aquatic animals of Thailand. While the Thai Frozen Foods Association of Thailand has prepared a road map with the National Fisheries Institute (NFI) to buy goods from the Thai producers, who used legal labor.

In the remedy of the illegally unreported and unregulating fishing (IUU) and the labor problem in the fishing boats as pressured by the EU on Thailand, now has passed the Fisheries Act to the National Legislative Assembly (NLA) and it is expected it to come into law. This Fisheries Act is the law that is modern and consistent with the situation that can solve the IUU problems, and it is expected the IUU situation can be eased during the second quarter of 2015.

However, the exporters have adjusted by producing processed goods to add more value with the development on marketing due to the opportunity and demand of the consumers in the fishing goods in the secondary market such as Russia, the Middle East and Africa, including China still have a demand for aquatic animals from Thailand.

#### ***Livestock in 2014 Expanded by 1.9 Percent***

Since the production of the Thai livestock goods on the overall is in the increased criteria, the demand for consumption and export with continuity with adjustment of the production system that meet the standards. It



has the watch and control of epidemic, including the expansion of farming to support the increased demand of the market. The increased volume of the livestock production such as broilers and chicken eggs while the production of pigs reduced due to the fluctuated weather and the epidemic problem, while the number of milk cows decreased, resulted in the reduced milk production.

The broilers have the standard of farming systematically. The operators have expanded the farming to support the increased demand for broilers both in the domestic and international markets, especially the main market like the EU and Japan have increased their imports from Thailand.

Egg chickens and chicken egg products entered the market increasingly and continuously resulted from the revocation of the quota limits on the import of egg chicken breed parents in 2010, resulted in the free import of breeding chicken parents, in turn the increased chicken egg production.

Pigs are reduced a little due to the discovery of the porcine epidemic diarrhea (PED) disease in some areas, which reduced the piglets, but the situation was not severe and could be controllable.

Milk cows and raw milk production are reduced due to the number of milk cows decreased, resulted from the beef price increased and motivated the farmers to remove the milk cows for sale as the beef cows, resulted in the reduced raw milk volume overall.

Trend of the livestock in 2015 is expanding in the range of 1.5-2.5 percent due to the production of livestock goods has good planning, with the standardized production system, having a continuous watch and control of the epidemic. As a result, the livestock products increased such as the *broilers, pigs and milk cows have a trend to increase*. It has a risk from the epidemic that can happen and result in damage to the livestock; including the situation of the feed raw materials have the trend to adjust higher, with the direct impact on the cost of livestock production. The pig price may be adjusted downwards from the previous year by 5-10 percent due to the impact from the competing situation in the market is high, and the domestic production has increased, as a result the price adjusted downwards. It reflects through the pig price index that is reduced continuously in 2014. Moreover, it still has the risk factors such as the porcine epidemic diarrhea (PED) in pig and the porcine reproductive and respiratory syndrome (PRRS), which had impact on the pig parent and piglet breeds to reduce the pork products to the market. Moreover, the cost of production that increased following the raw materials due to the demand for the broilers has increased; especially in the foreign countries from the trend on the chicken export value of Thailand in 2015 expected to increase the export total in 2014 by 17 percent. It is the result from the food price with chicken as the raw material in the overseas market to have a cheaper price than the goods with pork and beef as ingredients, so the foreign consumers turned to consume more chicken. So they had increased the purchase orders of chicken in the various forms from Thailand, also from the situation of Russia that prohibited the import of chicken from the EU and the U.S.A. Moreover, Japan has cancelled the prohibition of importing chicken from Thailand, while the Philippines allowed importing cooked chicken from Thailand to feed the fast food industry in the country. These factors sent good results to the operators could increase the export of chicken, as well as the chicken consumption in the country had the

increased trend over the previous year by about 5 percent. On the egg chickens have the stable or reduced trend compared with 2014 due to the chicken egg production increased during the end of 2014, resulted in the farmers accelerated removing the hens, jointly with the push for export of chicken eggs to overseas to pop up the chicken egg price in the country.

#### Growth rate of gross domestic product of agriculture sector

Unit : Per cent

Sector	2014	2015
Agriculture sector	1.2	2.0 – 3.0
Plants	1.5	2.2 - 3.2
Livestock	1.9	1.5 – 2.5
Fishery	-1.8	1.0 – 2.0
Agriculture service	-0.5	(-3.0) – (-2.0)
Forestry	2.8	2.5 – 3.5

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

#### 2.6 Providing crucial raw materials for feed mill production

The Companies in the Lee Pattana group have been certified for the quality standards by the ISO 9100, ISO 14001, the GMP and the HACCP. Thus, the operations on the purchasing aims to respond to the policy of the Company to select raw materials with good quality from the good ingredient source at the suitable price to produce feed with quality and maximum satisfaction to the customers.

As for the raw material situation in 2014, it had fluctuations from the domestic and foreign factors such as the political situation, the public sector policy in the send half of the year had no intervention of the agricultural goods. The Department of Fisheries reorganized the structure of the fishing industry of Thailand in the fishing that is sustainable and use legal labor. Also the baht currency value was weakened from 2013 by about 6 percent compared with the U.S. dollar, supplemented by the fluctuations of the commodity goods market, so the main ingredient in the protein group such as soy bean product and fish meal value adjusted higher over 2013 by about 2.5 percent. Meanwhile, the value of the raw material of the flour products adjusted lower from 2013 by about 5 percent, so the overall picture of the main raw materials adjusted lower by 2.5 percent.

The situation in 2015 still had fluctuations from the world economic factor of slowdown, the baht value that is weakened while the crop product volume and oil plants of the world increased, including corn, wheat and soy bean products. It is supplemented by the direction of the crude oil price in the world weakened in 2014, but

the situation in the fish meal had the trend of decreased product from the changing environmental condition in the world, and the stringent enforcement of the sustainable fisheries resulted in the price to be higher, so the overall picture of the raw ingredients have the trend to be weakened.

The Company has planned to purchase and procure raw ingredients for feed by considering the raw ingredients source with the quality meeting the established standards, as well as there is planning on the purchase by following up the market situation and trend closely. It includes the adjustment in the selection of alternative raw ingredients to substitute the old raw ingredients that are in shortages, or have the trend to adjust higher to create the competitive capability of the Company.





## 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 exchange rate contracts and continuous currency monitoring, allowing control over exchange rate risk to a certain extent.

### Interest Rate Risk

The Company and its subsidiaries exposure to interest rate risk relates primarily to its cash at banks, current investments and short-term loan with interest. 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.

### Credit Control 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.

#### Management Risk

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

Registration of the Company	: 0107537000718
Head Office Location	: 28 <sup>th</sup> Floor, Wall Street Tower, 33/137 Surawong Road, Bangrak, Bangkok 10500
Feedmill Plant Location	: 65 Moo 2, Huay Ta Chang Sub-district, Khoa Yoi District, Phetchaburi
Aquatic Feedmill Plant Location	: 62 Moo 2, Huay Ta Chang Sub-district, Khoa Yoi District, Phetchaburi
Dong Kui Farming Location	: 33 Moo 14 Dong Kui Sub-district, Chon Dan District, Phetchabun
Chon Dan Farming Location	: 246 Moo 5 Ban Kluay Sub-district, Chon Dan District, Phetchabun
Research and Development Animal Farming Location	: 40 Moo 11 Huay Hang Sub-district, Kang Koi District, Saraburi
Telephone	: 0 - 2632 - 7300 (Automatic)
Fax	: 0 - 2236 - 7751
Web Site	: <a href="http://www.leepattana.com">http://www.leepattana.com</a>
Type of Business	: Complete animal feed production and distribution, animal farming
Authorized Shares Capital	: Common shares 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	:	Rental 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 : EY Office Limited  
33<sup>rd</sup> Floor, Lake Rajada Office Complex  
193/136-137 Rajadapisek Road, Bangkok 10110  
Tel 0 – 2264 - 077 Fax. 0 - 2264 – 0789 - 90  
Name of Auditor, Ms. Supanee Triyanantakul  
Certified Public Accountant Registration (Thailand)  
Number 4498

Legal advisor : Chamnong Chanprasit Attorney At Law  
26/7-8 Sukhumvit 65, Sukhumvit Road,  
Phrakanong, Bangkok 10110  
Tel 0-2391 - 6488 Fax. 0-2391 - 4996

Financial advisor : None

Management advisor : None

## MAJOR SHAREHOLDERS

**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 2014

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

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

### Shareholders and Executive Management

Name of the first 10 major shareholders of the Company

(As of the share register closing date at December 31, 2014)

Shareholders' Name	No. of Shares Held	%
1. Mr.Nipon Leelasithorn	222,000,000	24.07
2. Mr.Preecha Leelasithorn	120,000,000	13.01
3. Alliance Co.,Ltd.	82,000,000	8.89
4. Wall Street Tower Co.,Ltd.	35,000,000	3.80
5. Ms. Krongporn Duriyaporn	20,051,687	2.17
6. Lee Kong Jin Holdings Co.,Ltd	18,665,790	2.02
7. Mr. Chaicharn Lhupaiboon	16,400,000	1.78
8. Mr. Lee Joo Chew	13,838,321	1.50
9. Mr. Wasin Patikulsate	9,952,830	1.08
10. Mr. Somkait Limsong	7,535,000	0.82
11. Others (4,127) persons	376,736,623	40.86
<b>Total 4,137 persons</b>	<b>922,180,251</b>	<b>100.00</b>

Remark ;The Leelasithorn family is the major shareholder of the Lee Feed Mill Public Company Limited with total holding of 49.77%, including of No.1- 4 The representative of the Leelasithorn family is Mr. Nipon Leelasithorn.

As of 31 December 2014, the latest date of Share Registration Book closure, the Company's NVDR represents 3.36 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](http://www.set.or.th).

**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.

## ORGANIZATION 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's 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	:	<u>Mr. Visith Leelasithorn</u>
Position in the Company	:	Chairman of the Board of Directors
Education	:	Secondary School
No. of securities increased/ (Decreased) during 2014	:	-
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 Futures Co.,Ltd.
Name	:	<u>Mr. Nipon Leelasithorn</u>
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 Degree,The National Defence College of Thailand (NDC)
No. of securities increased (Decreased) during 2014	:	-
Training Coursed	:	- 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	: <u>Mr. Karoon Chanmingporn</u>	
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 2014	: -	
Experience		
1987-Pesent	: Executive Director / Deputy Managing Director	
	Lee Feed Mill Pcl. and Subsidiaries	
Name	: <u>Mrs. Supaporn Chongvilaiwan</u>	
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 2014	: -	
Experience		
1984-Present	: Director / Asst. Managing Director	
	Lee Feed Mill Pcl. and Subsidiaries	
2004-Present	: Director	
	Pattana Agro Futures Co.,Ltd.	
Name	: <u>Assoc. Prof. Dr.Somjai Phagaphasvivat</u>	
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/	: -	

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 : Chairman of the Board of Directors and Independent Director  
Seafco Pcl.
- Present : Chairman of the Audit Committee and Independent Director  
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 2014 : -

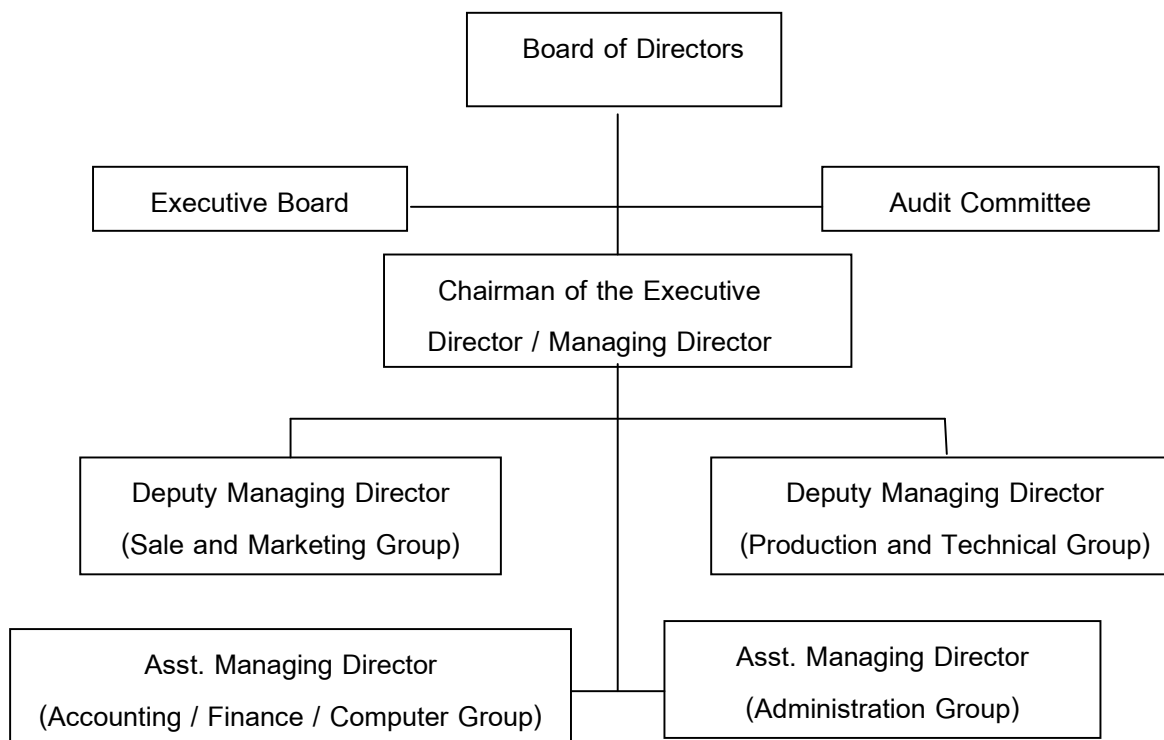
Experience

- 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	:	<u>Mr. Busarin Vanaswas</u>
Position in the Company	:	Member of the Audit Committee / Independent Director
Education	:	MBA Pepperdine University, U.S.A
Training Course	:	Directors Accreditation Program (DAP) and Audit Committee Program by Thai Institute of Directors Association (IOD)
No. of securities increased/ (Decreased) during 2014	:	-
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	:	Director / Thai Pharmaceutical Manufacturers Association (T.P.M.A)
Present	:	Director /The Pharmaceutical Industry Club (PIC) : Director /The Federation of Thai Industries (FTI)
Name	:	<u>Pol. Lt. Gen. Adisorn Nonsee</u>
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		:	<u>Mr.Somsak Tiensriyuka</u>
Position in the Company		:	Secretary of the Audit and Executive Committee / Accounting Manager
Education		:	MBA, Kasetsart University
Training Coursed		:	Directors Accreditation Program (DAP) by Thai Institute of Directors Association (IOD)
No. of securities increased/ (Decreased) during 2013		:	-
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<br>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<br>(Production and Technical Groups)       |
| 3. Mrs. Supaporn Chongvilaiwon | Asst. Managing Director<br>(Accounting / Finance / Computer Groups) |

### Authority and Duties of the Managing Director

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

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

### 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 2013 and 2014 totaling 940,000 Baht and 940,000 Baht per year as follows :

Name		Position	Amount (Baht)	
			2013	2014
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 12.46 million baht and 12.49 million baht for 2013 and 2014 respectively.

- The allowance of meeting for the four the Audit Committee for 2013 and 2014 totaling Baht 212,000 respectively, at the same rate of the previous year, and the meeting allowance for the Chairman of the Audit Committee has received Baht 25,000 per quarter, each the Audit Committees have received Baht 10,000 per quarter and the Independent director Baht 8,000 per quarter.

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 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 2014, 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	
		2013	2014	2013	2014	2013	2014
1. Mr. Visith	Leelasithorn	4/4	4/4	1/1	1/1	5/5	5/5
2. Mr. Nipon	Leelasithorn	4/4	4/4	1/1	1/1	5/5	5/5
3. Mr. Karoon	Chanmingporn	4/4	4/4	1/1	1/1	5/5	5/5
4. Mrs. Supaporn	Chongvilaiwan	4/4	4/4	1/1	1/1	5/5	5/5
5. Assoc. Prof. Dr. Somjai	Phagaphasvivat	4/4	4/4	1/1	1/1	5/5	5/5
6. Mrs. Sununta	Subhapholsiri	3/4	3/4	1/1	1/1	4/5	4/5
7. Mr. Busarin	Vanaswas	4/4	2/4	1/1	1/1	5/5	3/5
8. Pol. Lt. Gen Adisorn	Nonsee	4/4	4/4	1/1	1/1	5/5	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 over all, the 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 2014.

#### Relations with Shareholders

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

#### **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 2013 and 2014 to Ernst & Young Office Limited as follow :**

Detail	Company Payment	Name of Audit	Year 2013	Year 2014
1	Lee Feed Mill Public Company Limited	Ms. Supunnee Triyanantakul	1,050,000	1,100,000
2	Lee Pattana Feed Mill Company Limited	Ms. Supunnee Triyanantakul Ms. Krongkaew Limkittikul	400,000	420,000
3	Lee Pattana Agro Silo Company Limited	Ms. Supunnee Triyanantakul Ms. Krongkaew Limkittikul	145,000	150,000
4	Bodhi Ngarm Sea Farm Company Limited	Ms. Supunnee Triyanantakul Ms. Krongkaew Limkittikul	50,000	50,000
Total of Audit Fee			1,645,000	1,720,000

**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 2013 and 2014 in amount of Baht 100,000 each, as shown in the following details.

- Lee Feed Mill Public Company Limited in amount of 100,000 Baht.
- Lee Pattana Feed Mill Company Limited in amount of 100,000 Baht.
- The above nominated auditors and EY Office Limited do not have any relationship or interest with or in the company or any of its executives, major shareholders or their affiliates. The company's audited financial statements were certified by Ms. Supunnee Triyanantakul for the five consecutive financial years ended 31 December 2010 to 2014.

## CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

Lee Feed Mill Public Company Limited has studied, developed and improved all the working processes to comply with the concept of *"Feed is Free from Diseases, and Food is Safe."* Nevertheless, it has developed and improved the working methods, machinery and tools continuously, including applying the various quality systems in the production process, so the operations and products have the quality meeting the international standards. It is aware by the society as a whole on the epidemic in animals, which our management gave priority and considered as the corporate social responsibility utmost. It is to focus on production of quality feed to the trust of the customers and trade partners on international quality to be developed to sustainability later.

Communication is the important matter that the management shall communicate with its employees and all the relevant persons via multiple channels to build confidence in the process and product of the Company. It is from the research and development of the products to invent the formulas that used the quality raw ingredients, select good raw ingredients meeting the standards, safety, transparency and correctness according to the various requirements to be used in the production of quality goods production. They are controlled by the various quality systems such as the GMP, HACCP and ISO 9001 and considering the impact on the communities, surrounding societies with the management of the possible impact on the environment to comply with the environmental management system (ISO 14001) and energy management to use energy with efficiency for the customers to have confidence in the goods before delivery.

Management of Community and Society: The Company has appointed the working group on social responsibility to study and prepare the concept for practice on social responsibility leading to sustainability of the organization later. It has communicated, made understanding and given good feeling as a member in the community. It has gone to listen to opinions, recommendations, and complaints and invitation of community members to view the production process and environment inside the factory. Cooperation with the locality in building good relations it is because most employees are local people. Participation in local community activities, opening an opportunity for the students and customers to view the internal management process, other than building good relations still provide knowledge on management, production of feed to the community and society can be applied in making feed to raise their animals in the household. Moreover, the management or company has realized and given priority on education to the local community. So it has set the policy on the annual donation to education, especially the school or education place in the community, which has been

implemented continuously for decades. In 2014 it donated 2,017,500 baht and there is a follow-up on the results from the donation, support on equipment for learning, teaching, repairing the school building, including the facilities in the school. It was found the students could improve on the ordinary national education test (O-NET), received the award on the learning competition resulted from the education and computer. As a result, the community has sent their children to study more until the school is not closed due to a few numbers of students such as Wat Kunchon Wachiraram School, Khao Yoi district, Phetchaburi province, at present it has been honored as a sub-district model school.

Moreover, the Company still has a team of technologists on feed and veterinarians to provide knowledge, give information and method to the animal farmers, customers, sales representatives and the general people in the various areas on the subjects about husbandry of various types and precautions, etc. So it make the husbandry farmers can reduce the risk from raising animals partly and increased the channel of receiving complaints and recommendations on the products of the Company by another channel as well.

On the part of the employees, the Company has developed its personnel in parallel, while it supports the development of the production process with efficiency and also development to increase potential to employees. Other than coaching and assignment, the Company has arranged the format of training such as the training according to the role/duty of its employees, training to develop potential on the quality and job systems, and training according to the level of employees for progress in the occupation.

As for the management of human resources, it has emphasized on building obligations in the organization, unity, life quality, good livelihood to its employees and family via the various tools such as the activities of the 5 things, activity of the happy workplace, activity on teamwork, providing direct knowledge, teaching supplemental occupations, the project to make merits for the employees and their families. In case of death, the project community banking shall joint the Government Savings Bank, etc.

In the consideration for the reward on its employees each year the Company has prepared its salary structure to be able to compete with the market and manage the remuneration for fairness inside. The Company supports the savings for use in the retirement age. It provides the knowledge on the daily spending, setting up the provident fund and providing knowledge before the selection or changing the investment plans by themselves in the provident fund and the project housing loans jointly with the Government Housing Bank.

There is an improvement of the welfare system to its employees, including its visitors according to the recommendation of the welfare committee at the workplace, which the committee is chosen from our employees as their representatives.

On occupational health, safety and the environment on working, other than complying with the law strictly, it also has the follow-up, analysis and investigation in case there is an accident for communication, repair and training to prevent from recurring, including providing personal protective equipment and support equipment for working at the risk area to the operators, which found the rate of accident happening has the trend of reducing continuously.

Participation as a member in the various associations both in the same or different industries is the important thing that the Company has practiced and kept the precedence on the practice in participating in competition with integrity. It does not intend to destroy or deviate from the designated competition pact.

Moreover, the Company also gives priority on virtue and ethics, with a campaign to build conscience for its employees in the various forms such as the support and invitation of employees to donate blood every three months at the workplace at all branches. Participation in the activity to inherit the local culture and traditions, joining to make merits in various festivals and inviting experts for narrations, resulted in the employees are aware on this, have transparency in all processes. It has the policy on trade integrity, loyalty and honesty with all the stakeholders to make the Company to gain the trust from all the relevant persons all along. As the board of directors of the Company resolved to acknowledge that the Company and its subsidiaries are to have the policy of not getting involved with corruption, no kickbacks or bribery to acquire the job or business in the form that not equitable.

In 2014 the Company was acting as a host in giving support to the fund for the construction of “ 100 years Ruenpae Library ” which is the conferring name in honor of the royal beneficence commemorating Somdej Phra Nyanasamvara, the Supreme Patriarch, chief of the Buddhist Order of Thailand, on an occasion of his 100 birthday anniversary on October 3, 2013. Such library shall be located at Mae Ping River, Ban Kor Sub-district, Li District, Lamphun Province, as a source of the research making for the group of teachers and instructors, students as well as general public under the budget of 1,600,000 baht. The construction is expected to be completed at the beginning of 2015 in which, after the completion, it shall be delivered to Ban Kor Chad San, Ruenpae Branch, Li District, Lamphun Province, as a caretaker for further use and also is considered as an opportunity to show hospitality in honor of HRH Princess Maha Chakri Sirindhorn's 60 Birthday Anniversary on April 2, 2015. Moreover, the Company also donated to education as follow :

- |  |                |
|--|----------------|
| 1. Ban Kor Chad San, Li District, Lamphun Province.                          | 1,000,000 Baht |
| The Company helped construction of “100 years Ruenpae Library”               |                |
| 2. Wat Noen Pho School, Muang District, Chanthaburi Province.                | 360,000 Baht   |
| The Company helped constructing rain roof and awning canteen.                |                |
| 3. Wat Kunchorn Wachira Ram School, Khoa Yoi District, Phetchaburi Province. | 288,000 Baht   |
| The Company helped improve and repair study building.                        |                |
| 4. Wat Tawuo School, Chalermprakiet District, Saraburi Province.             | 33,700 Baht    |
| The Company helped improve and repair computer room.                         |                |
| 5. Wat Buri Karam School, Kang Koi District, Saraburi Province.              | 335,350 Baht   |
| The Company helped improve and repair library by donating.                   |                |



Ban Kor Chad San, Li District, Lamphun Province.  
"To support the fund for the construction of "100  
years Ruenpae Library"



Wat Noen Pho School, Muang District, Chanthaburi Province.  
"To build the rain roof and awning canteen"



Wat Kunchorn Wachira Ram School,  
Khoa Yoi District, Phetchaburi Province.  
"To improve and repair for the studying building"

Wat Tawuo School, Chalermprakiet District, Saraburi  
Province.

“To improve and repair for the computer room”



#### 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 ISO14001: 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 the staffs are also trained to ensure that they understand and are able to perform their duties correctly. To ensure maximum efficiency and transparency, the staffs 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 TRANSACTION

### 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.

	Consolidated		The Company Only		(Unit: Million Baht)
	2014	2013	2014	2013	Transfer pricing policy
<u>Transactions with subsidiaries</u>					
(Eliminated from the consolidated financial statements)					
Sales of goods	-	-	254	269	Comparable market price
Interest income	-	-	16	21	7.25 - 7.50 % per annum
Dividend income	-	-	67	48	
Purchase of goods	-	-	255	176	Comparable market price
Rental expenses			1	-	
<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:

	Consolidated		The Company Only		(Unit s: Thousand Baht)
	2014	2013	2014	2013	
<u>Trade accounts and notes receivable</u>					
Subsidiary Company	-	-	10,724	3,783	
<u>Short-term loan to subsidiary</u>					
Subsidiary Company	-	-	262,000	336,135	
<u>Trade accounts payable</u>					
Subsidiary Company	-	-	14,919	20,039	

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). For example, 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 sources, while the Phetchaburi feed mill is located near fishmeal sources). All connected transactions in this category 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. Rental the entire 28<sup>th</sup> floor of the Wall Street Tower Building, serving as headquarters since January 1987. Due to business expansion and the rapid increase in the number of Company employees, additional floor space was rented from Wall Street Tower Company, Ltd., and Alliance Company, Ltd. The space includes all of the 1<sup>st</sup> floor and parts of the 20<sup>th</sup> and 29<sup>th</sup> floors from March 2002, February 1995, and July 1999, respectively.

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 2014)

Wall Street Tower Co., Ltd.                      Core business: Sales and leasing of property.  
(Paid- up registered capital of 60 million baht as of 31 December 2014)

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 28.3 of the financial statements, As at 31 December 2014, 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 intercompany 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 intercompany transactions involve product sales and 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 intercompany 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 intercompany transactions.

Intercompany 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.

2) 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.

## FINANCIAL HIGHLIGHTS

Particulars / Years	2014	2013	2012
<b>Statement of comprehensive income (Million Baht)</b>			
Revenues From Sales	3,780	3,950	4,072
Total Revenues	3,835	3,994	4,118
Gross Profit	373	438	486
Profit before share of loss from investment in associated company, finance cost and income tax expense	207	259	316
income tax expenses			
Net Profit	182	237	269
<b>Statement of financial position (Million Baht)</b>			
Total Assets	2,887	2,914	2,491
Total Liabilities	338	340	361
Total Shareholders' Equity	2,550	2,574	2,130
<b>Financial ratios / Year (%)</b>			
Gross Profit Margin	9.86	11.09	11.93
Net Profit Margin	4.75	5.95	6.71
Return on Equity	7.11	10.10	12.36
Return on Assets	6.28	8.79	10.82
<b>Earnings per share (Baht)</b>			
Earnings Per Share	0.19	0.27	0.37
Book Value Per Share	2.74	2.77	2.72
Cash Dividend Per Share	0.17	0.22	0.21



## MANAGEMENT DISCUSSION AND ANALYSIS

Operational Results and the Financial Status of Lee Feed Mill Public Company Limited and its Subsidiaries during 2013 and 2014 are summarized below:

### 1. Operational Results

#### 1.1 Revenues

Revenues from product sales during 2013 and 2014 amounted to 3.950 and 3.780 billion baht, respectively. The main revenue derived from sales of ready-mixed animal feeds, accounting for 99.50 percent, with the remaining 0.50 percent coming from sales business farm.

Revenues from ready-mixed animal feeds can be broken down into land and aquatic animal feeds, representing 52 percent and 48 percent, respectively, in 2014.

2014 the revenue from sale decrease by 4 percent, the sales volume ton of aquatic animal feed decrease 8 percent, while the sale price per ton decrease by 5 percent. The Company had others income from interest and dividend receipt amounting baht 23 million and baht 30 million for the year of 2013 and 2014 respectively, while other income from sale by products amounting baht 21 million and baht 25 million, respectively.

#### 1.2 Cost of sales

The Company has its decreasing cost of sales per ton; whereas, in 2013 and 2014, the cost of sales was totally 3,512 million Baht and 3,407 million Baht, respectively, equal to 88.91% and 90.13% 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 223 million baht and 221 million baht, respectively for the years 2013 and 2014, representing 5.64 percent and 5.85 percent, respectively.

In 2013 and 2014 the company had financial expenses amounting 3.12 million baht and 2.77 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, 2014 and 2013, of which the business operation results for the year of 2014, the company had a net profit of 233.87 million baht, compared to a net profit of 177.44 million baht for the same period in the previous year, representing a total decrease in net profit of 56.43 million baht or 24.13%. The main factors of the Company's performance for the year of 2014 were decreased because the gross profit of animal feeds was lower than the previous year. The decrease resulted from the decreasing of the revenue from aquatic 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 2013 and 2014 totaled 5.95 percent and 4.75 percent, respectively. The decrease has resulted the major factors was due to the Company's decreased of gross profit margin from animal feeds was lower than of 65 million baht or 15%, compared to the same period in the previous year.

### 1.5 Returns to Shareholders

Returns to shareholders in 2013 and 2014 stood at 10.10 percent and 7.11 percent, respectively. Due to a net profit decreased from the previous year amounting Baht 56.43 million. Moreover the Company's rates of returns from assets have decreased from 8.79% in 2013 to 6.28% in 2014 due to decreases of net profits from operations when compared to the previous year.

## 2. Financial Status

### Assets

Total assets in 2013 and 2014 registered at 2,914 million baht and 2,887 million baht, respectively, with current and noncurrent assets at a similar rate 70:30 in 2013 and 2014.

Assets are inventories, Cash on hand and Cash at Bank, Account and Notes Receivables, and Short-term Investments, total 69 and 70 percent of total assets in 2013 and 2014, respectively.

### Inventories

In 2013 and 2014, inventories were registered after the allowance for diminution in inventory at 688 million baht and 614 million baht, respectively, or 23.62 percent and 21.26 percent, respectively, of total assets. The inventory storage period decreased from 77 days to 66 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 2013 and 2014, trade and notes receivables outstanding balance at 223 million baht and 261 million baht, respectively, or 7.65 percent and 9.04 percent of total assets, respectively. The collection periods were 22 days and 23 days in 2013 and 2014.

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, 2014.

### Short-Term Investment

In 2013 and 2014, short-term investment amounted to 292 million baht and 510 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 2014 amount 36 million baht as of December 31, 2014, before accumulated depreciation costs, totaled 1,797 million baht.

## **3. Sources of Funding**

### **3.1 Liabilities**

Total liabilities in 2013 and 2014 outstanding balance at 340 million baht and 33 million baht, respectively, or 11.68 percent and 11.69 percent of total asset, respectively, the 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 of retirement as at December 31, 2013 and 2014 amounted to 51.51 million baht and 47.79 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 1,930 million baht and 2,005 million baht in 2013 and 2014 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 2014 shareholders' equity totaled 2,550 million baht, and Resolution of the Board of Directors No. 2/2015, 12 March 2015, appropriate the earnings for the year 2014 for the additional dividend payment at the rate of Baht 0.17 per share and will be paid on May 18, 2015. The total amount 156.77 million baht or 96% of net profit of the Company's separated financial statements or 86% of net profit of the Consolidated Financial Statements.



### **3.3 Appropriateness of the Capital Structure**

As of 31 December 2014, 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 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 2013, and for the year of 2014 amounting at 424 million baht, and 246 million baht, respectively. The decrease was due to a net profit decreased and management of inventories, trades receivable, and notes receivable. Inventories change in accordance with market demand for products and supplies of raw materials. In regard to trades and notes receivable, the Company has policies governing cash sales and debt acceleration, as well as a reserve for doubtful debts.

### **4.2 Cash Flow from Investment Activities**

In 2014, the Company's cash flow from investment activities by 237 million baht. Cash received from interest income on short term investment amount 29 million baht, while the Company has invested amount 55 million baht was spent in the acquisition office equipment and software license.

### **4.3 Cash Flow from Financial Activities**

Cash flow from financial activities decrease during the year 2014 at 413 million baht. In 2014 approximately 206 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 for the year 2013.

### **4.4 Liquidity Ratio**

The ratio of current assets to current liabilities in 2013, and 2014 were 8.55 and 8.47, respectively, the liquidity of cash flow conditions are a result from net profit in 2013 and 2014.

## 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 2014, 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 judgement, 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 2014, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.



Supanee Triyanantakul  
Certified Public Accountant (Thailand) No. 4498

EY Office Limited  
Bangkok: 26 February 2015

## STATEMENT OF FINANCIAL POSITION

Lee Feed Mill Public Company Limited and its subsidiaries  
As at 31 December 2014

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	623,896,130	821,276,966	611,793,850	791,370,837
Current investments - fixed deposits		463,799,836	188,311,247	463,799,836	188,311,247
Current investments - marketable securities	8	46,337,046	103,805,791	46,337,046	103,805,791
Trade and other receivables	9	261,258,219	222,766,715	119,480,783	114,171,422
Short-term loans to related parties	6	-	-	262,000,000	336,134,697
Inventories	10	613,872,835	688,483,389	237,946,299	275,040,491
Other current assets		8,808,253	11,656,386	4,914,514	9,404,132
<b>Total current assets</b>		<b>2,017,972,319</b>	<b>2,036,300,494</b>	<b>1,746,272,328</b>	<b>1,818,238,617</b>
<b>Non-current assets</b>					
Investment in associated company	11	47,805,627	52,326,875	44,500,000	44,500,000
Investment in subsidiaries	12	-	-	190,499,800	190,499,800
Other long-term investments	13	12,530,017	12,530,017	12,530,017	12,530,017
Investment properties	14	20,071,493	20,071,493	19,822,087	19,822,087
Property, plant and equipment	15	774,102,235	788,618,231	363,427,748	362,578,146
Other non-current assets		14,698,604	4,375,871	12,851,159	2,255,332
<b>Total non-current assets</b>		<b>869,207,976</b>	<b>877,922,487</b>	<b>643,630,811</b>	<b>632,185,382</b>
<b>Total assets</b>		<b>2,887,180,295</b>	<b>2,914,222,981</b>	<b>2,389,903,139</b>	<b>2,450,423,999</b>

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 2014

		Consolidated financial statements		Separate financial statements	
	<u>Note</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Trade and other payables	16	225,507,161	226,928,775	87,520,738	104,812,360
Income tax payable		9,911,887	7,954,372	2,778,599	5,178,793
Other current liabilities		2,886,485	3,397,285	2,868,735	3,379,535
<b>Total current liabilities</b>		<b>238,305,533</b>	<b>238,280,432</b>	<b>93,168,072</b>	<b>113,370,688</b>
<b>Non-current liability</b>					
Deferred tax liability	22	51,443,999	50,579,328	20,330,675	19,639,298
Provision for long-term employee benefits	17	47,791,795	51,513,861	25,082,757	26,402,429
<b>Total non-current liability</b>		<b>99,235,794</b>	<b>102,093,189</b>	<b>45,413,432</b>	<b>46,041,727</b>
<b>Total liabilities</b>		<b>337,541,327</b>	<b>340,373,621</b>	<b>138,581,504</b>	<b>159,412,415</b>
<b>Shareholders' equity</b>					
Share capital	18				
Registered					
929,070,000 ordinary shares of Baht 1 each		929,070,000	929,070,000	929,070,000	929,070,000
Issued and fully paid					
922,180,251 ordinary shares of Baht 1 each		922,180,251	922,180,251	922,180,251	922,180,251
Share premium		681,345,392	681,345,392	681,345,392	681,345,392
Retained earnings					
Appropriated - statutory reserve	19	142,500,000	142,500,000	122,500,000	122,500,000
Unappropriated		556,929,136	582,372,706	433,448,113	473,138,062
Other components of shareholders' equity	20	222,196,049	222,196,049	91,847,879	91,847,879
Equity attributable to owners of the Company		2,525,150,828	2,550,594,398	2,251,321,635	2,291,011,584
Non-controlling interests of the subsidiaries		24,488,120	23,254,962	-	-
<b>Total shareholders' equity</b>		<b>2,549,638,968</b>	<b>2,573,849,360</b>	<b>2,251,321,635</b>	<b>2,291,011,584</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,887,180,295</b>	<b>2,914,222,981</b>	<b>2,389,903,139</b>	<b>2,450,423,999</b>

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 2014

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
<b>Profit or loss:</b>					
<b>Revenues</b>					
Sales		3,779,611,744	3,950,055,357	1,591,102,203	1,900,843,581
Other income					
Interest income		24,698,923	20,077,688	40,774,308	42,139,055
Dividend income		5,588,800	3,291,700	72,088,800	50,791,700
Others		24,840,355	20,591,392	21,197,421	11,667,730
<b>Total revenues</b>		<b>3,834,739,822</b>	<b>3,994,016,137</b>	<b>1,725,162,732</b>	<b>2,005,442,066</b>
<b>Expenses</b>					
Cost of sales		3,406,952,210	3,511,829,435	1,425,804,514	1,653,564,741
Selling expenses		78,756,479	81,853,851	45,298,711	43,467,059
Administrative expenses		142,262,885	141,026,847	82,905,295	80,878,718
<b>Total expenses</b>		<b>3,627,971,574</b>	<b>3,734,710,133</b>	<b>1,554,008,520</b>	<b>1,777,910,518</b>
<b>Profit before share of loss from investment in associated company, finance cost and income tax expenses</b>		<b>206,768,248</b>	<b>259,306,004</b>	<b>171,154,212</b>	<b>227,531,548</b>
Share of loss from investment in associated company	11	(4,521,248)	(3,751,546)	-	-
<b>Profit before finance cost and income tax expenses</b>		<b>202,247,000</b>	<b>255,554,458</b>	<b>171,154,212</b>	<b>227,531,548</b>
Finance cost		(2,773,170)	(3,122,364)	(1,195,324)	(1,055,889)
<b>Profit before income tax expenses</b>		<b>199,473,830</b>	<b>252,432,094</b>	<b>169,958,888</b>	<b>226,475,659</b>
Income tax expenses	22	(17,304,567)	(14,935,934)	(6,769,182)	(8,866,603)
<b>Profit for the year</b>		<b>182,169,263</b>	<b>237,496,160</b>	<b>163,189,706</b>	<b>217,609,056</b>
<b>Other comprehensive income:</b>					
<b>Other comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>182,169,263</b>	<b>237,496,160</b>	<b>163,189,706</b>	<b>217,609,056</b>

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 2014

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2014	2013	2014	2013
Profit attributable to:					
Equity holders of the Company		177,436,085	233,874,254	163,189,706	217,609,056
Non-controlling interests of the subsidiaries		4,733,148	3,621,906		
		182,169,263	237,496,160		
Total comprehensive income attributable to:					
Equity holders of the Company		177,436,085	233,874,254	163,189,706	217,609,056
Non-controlling interests of the subsidiaries		4,733,148	3,621,906		
		182,169,263	237,496,160		
Earnings per share					
24					
Basic earnings per share					
Profit attributable to equity holders of the Company		0.19	0.27	0.18	0.25

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 2014

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
<b>Cash flows from operating activities</b>				
Profit before tax	199,473,830	252,432,094	169,958,888	226,475,659
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Unrealised (gain) loss on current investments	(68,070)	2,922,074	(68,070)	2,922,074
Gain on sales of current investments	(6,776,234)	(2,491,542)	(6,776,234)	(2,491,542)
Depreciation	75,428,770	73,050,293	34,615,717	33,108,159
Bad debts	630,685	-	623,788	-
Allowance for doubtful accounts	1,402,510	4,739,378	958,980	3,745,139
Reversal reduction of inventory to net realisable value	(669,423)	(4,395,898)	(640,066)	(268,997)
Share of loss from investment in associated company of the subsidiary's equity	4,521,248	3,751,546	-	-
Gain on sales of equipment	(5,998,280)	(8,419,130)	(5,107,584)	(4,461,263)
Gain on sales of investment properties	-	(187,097)	-	-
Provision for long-term employee benefits	3,091,613	5,086,226	2,806,008	2,595,308
Unrealised (gain) loss on exchange	(17,324)	22,154	(17,324)	22,154
Dividend received from investment in subsidiary	-	-	(66,500,000)	(47,500,000)
Dividend received from other long-term investments	(5,588,800)	(3,291,700)	(5,588,800)	(3,291,700)
Interest income	(24,638,923)	(20,077,688)	(40,774,308)	(42,139,055)
Interest expenses	555,651	521,767	336,547	27,479
Profit from operating activities before changes in operating assets and liabilities	241,347,253	303,662,477	83,827,542	168,743,415
Operating assets (increase) decrease				
Trade and other receivables	(39,677,765)	27,626,589	(6,047,479)	32,840,024
Inventories	75,279,977	134,878,081	37,734,258	70,408,783
Other current assets	3,574,876	(3,512,528)	4,489,618	(3,778,784)
Other non-current assets	(10,322,733)	1,808,265	(10,595,827)	(482,112)
Operating liabilities increase (decrease)				
Trade and other payables	(1,403,674)	(21,784,320)	(17,274,298)	(36,246,663)
Other current liabilities	(525,732)	962,941	(525,732)	802,718
Cash flows from operating activities	268,272,202	443,641,505	91,608,082	232,287,381
Cash paid for long-term employee benefits	(6,813,679)	(449,889)	(4,125,680)	(345,609)
Cash paid for interest expenses	(556,267)	(720,877)	(336,547)	(27,479)
Cash paid for corporate income tax	(15,209,124)	(18,701,128)	(8,477,999)	(10,494,085)
<b>Net cash flows from operating activities</b>	<b>245,693,132</b>	<b>423,769,611</b>	<b>78,667,856</b>	<b>221,420,208</b>

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 2014

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
<b>Cash flows from investing activities</b>				
Increase in current investments - fixed deposits	(275,488,589)	(170,085,927)	(275,488,589)	(170,085,927)
Decrease (increase) in current investments - marketable securities	64,313,049	(50,365,306)	64,313,049	(50,365,306)
Decrease in short-term loans to subsidiaries	-	-	74,134,697	95,911,794
Acquisition of equipment	(61,436,835)	(79,576,933)	(35,989,358)	(51,990,632)
Proceeds from sales of equipment	6,522,341	11,172,061	5,631,623	5,621,156
Proceeds from sales of investment properties	-	400,000	-	-
Dividend received from investment in subsidiary	-	-	66,500,000	47,500,000
Dividend received from other long-term investments	5,588,800	3,291,700	5,588,800	3,291,700
Interest income	23,791,989	16,985,486	39,929,658	40,587,696
<b>Net cash flows used in investing activities</b>	<b>(236,709,245)</b>	<b>(268,178,919)</b>	<b>(55,380,120)</b>	<b>(79,529,519)</b>
<b>Cash flows from financing activities</b>				
Decrease in bank overdrafts	-	(170,590)	-	-
Cash received from exercise of warrants	-	371,375,778	-	371,375,778
Dividend paid	(202,864,723)	(162,376,409)	(202,864,723)	(162,376,409)
Dividend of the subsidiary paid to non-controlling interest	(3,500,000)	(2,500,000)	-	-
<b>Net cash flows from (used in) financing activities</b>	<b>(206,364,723)</b>	<b>206,328,779</b>	<b>(202,864,723)</b>	<b>208,999,369</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(197,380,836)</b>	<b>361,919,471</b>	<b>(179,576,987)</b>	<b>350,890,058</b>
Cash and cash equivalents at beginning of year	821,276,966	459,357,495	791,370,837	440,480,779
<b>Cash and cash equivalents at end of year</b>	<b>623,896,130</b>	<b>821,276,966</b>	<b>611,793,850</b>	<b>791,370,837</b>

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 2014

Consolidated financial statements										(Unit: Baht)		
Equity attributable to owners of the Company												
	Note	Issued and fully paid share capital	Share premium	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
				Appropriated	Statutory reserve	Unappropriated	Other comprehensive income	Revaluation surplus on land				
<b>Balance as at 1 January 2013</b>												
Profit for the year		773,629,940	458,519,925	142,500,000	510,960,739	222,196,049	-	22,133,056	2,129,939,709			
Other comprehensive income for the year		-	-	-	233,874,254	-	-	3,621,906	237,496,160			
Total comprehensive income for the year		-	-	-	233,874,254	-	-	3,621,906	237,496,160			
Share subscription received from exercise of warrants	18	148,550,311	222,825,467	-	-	-	-	-	371,375,778			
Dividend paid	27	-	-	-	(162,462,287)	-	-	-	(162,462,287)			
Dividend of subsidiary paid to non-controlling interest		-	-	-	-	-	-	(2,500,000)	(2,500,000)			
<b>Balance as at 31 December 2013</b>		922,180,251	681,345,392	142,500,000	582,372,706	222,196,049	-	23,254,962	2,573,849,360			
<b>Balance as at 1 January 2014</b>												
Profit for the year		922,180,251	681,345,392	142,500,000	582,372,706	222,196,049	-	23,254,962	2,573,849,360			
Other comprehensive income for the year		-	-	-	177,436,085	-	-	4,733,178	182,169,263			
Total comprehensive income for the year		-	-	-	177,436,085	-	-	4,733,178	182,169,263			
Dividend paid	27	-	-	-	(202,879,655)	-	-	-	(202,879,655)			
Dividend of subsidiary paid to non-controlling interest		-	-	-	-	-	-	(3,500,000)	(3,500,000)			
<b>Balance as at 31 December 2014</b>		922,180,251	681,345,392	142,500,000	556,929,136	222,196,049	-	24,488,140	2,549,638,968			

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 2014

	Separate financial statements							(Unit: Baht)
	Issued and fully paid share capital	Share premium	Retained earnings		Other components of equity			
			Appropriated	Unappropriated	Other comprehensive	Revaluation surplus on land		
			Statutory reserve		income			
			Total shareholders' equity					
<b>Balance as at 1 January 2013</b>		773,629,940	458,519,925	122,500,000	417,991,293	91,847,879	1,864,489,037	
Profit for the year		-	-	-	217,609,056	-	217,609,056	
Other comprehensive income for the year		-	-	-	-	-	-	
Total comprehensive income for the year		-	-	-	217,609,056	-	217,609,056	
Share subscription received from exercise of warrants	18	148,550,311	222,825,467	-	-	-	371,375,778	
Dividend paid	27	-	-	-	(162,462,287)	-	(162,462,287)	
<b>Balance as at 31 December 2013</b>		922,180,251	681,345,392	122,500,000	473,138,062	91,847,879	2,291,011,584	
<b>Balance as at 1 January 2014</b>		922,180,251	681,345,392	122,500,000	473,138,062	91,847,879	2,291,011,584	
Profit for the year		-	-	-	163,189,706	-	163,189,706	
Other comprehensive income for the year		-	-	-	-	-	-	
Total comprehensive income for the year		-	-	-	163,189,706	-	163,189,706	
Dividend paid	27	-	-	-	(202,879,655)	-	(202,879,655)	
<b>Balance as at 31 December 2014</b>		922,180,251	681,345,392	122,500,000	433,448,113	91,847,879	2,251,321,635	

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 2014

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

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

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the 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>2014</u>	<u>2013</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.	Rental 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 financial reporting standards

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

#### (a) Financial reporting standards that became effective in the current accounting year

Conceptual Framework for Financial Reporting (revised 2014)

Accounting Standards:

TAS 1 (revised 2012)	Presentation of Financial Statements
TAS 7 (revised 2012)	Statement of Cash Flows
TAS 12 (revised 2012)	Income Taxes
TAS 17 (revised 2012)	Leases
TAS 18 (revised 2012)	Revenue
TAS 19 (revised 2012)	Employee Benefits
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates
TAS 24 (revised 2012)	Related Party Disclosures
TAS 28 (revised 2012)	Investments in Associates
TAS 31 (revised 2012)	Interests in Joint Ventures
TAS 34 (revised 2012)	Interim Financial Reporting
TAS 36 (revised 2012)	Impairment of Assets
TAS 38 (revised 2012)	Intangible Assets

## Financial Reporting Standards:

TFRS 2 (revised 2012)	Share-based Payment
TFRS 3 (revised 2012)	Business Combinations
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (revised 2012)	Operating Segments

## Accounting Standard Interpretations:

TSIC 15	Operating Leases - Incentives
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29	Service Concession Arrangements: Disclosures
TSIC 32	Intangible Assets - Web Site Costs

## Financial Reporting Standard Interpretations:

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

## Accounting Treatment Guidance for Stock Dividend

These financial reporting standards were amended primarily to align their content with the corresponding International Financial Reporting Standards. Most of the changes were directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of the accounting standards. These financial reporting standards do not have any significant impact on the financial statements.

## **(b) Financial reporting standards that will become effective in the future**

The Federation of Accounting Professions has issued a number of revised and new financial reporting standards that become effective for fiscal years beginning on or after 1 January 2015. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of accounting standards. The management of the Company and its subsidiaries believes they will not have any significant impact on the financial statements in the year in which they are adopted. However, some of these financial reporting standards involve changes to key principles, as discussed below:

### **TAS 19 (revised 2014) Employee Benefits**

This revised standard requires that the entity recognise actuarial gains and losses immediately in other comprehensive income while the existing standard allows the entity to recognise such gains and losses immediately in profit or loss, or in other comprehensive income, or to recognise them gradually in profit or loss.

At present, the Company and its subsidiaries immediately recognise actuarial gains and losses in profit or loss in the period in which they occur. The assessment of the management of the Company and its subsidiaries is that when the revised standard is applied in 2015 and the method of recognising those gains and losses is changed to immediately recognise them in other comprehensive income, there will be no impact to provision for long-term employee benefit liabilities and retained earnings in the financial statements.

### **TFRS 10 Consolidated Financial Statements**

TFRS 10 prescribes requirements for the preparation of consolidated financial statements and replaces the part dealing with consolidated financial statements as included in TAS 27 *Consolidated and Separate Financial Statements*. This standard changes the principles used in considering whether control exists. Under this standard, an investor is deemed to have control over an investee if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns, even if it holds less than half of the shares or voting rights. This important change requires the management to exercise a lot of judgement when reviewing whether the Company and its subsidiaries have control over the investees and determine which entities have to be included for preparation of the consolidated financial statements.

The management of the Company and its subsidiaries believes that this standard will not have any significant impact on the Company and its subsidiaries' financial statements.

**TFRS 11 Joint Arrangements**

TFRS 11 supersedes TAS 31 *Interests in Joint Ventures*. This standard requires an entity to account for an investment in a jointly controlled entity using the equity method, while TAS 31 allows the entity to apply either the proportionate consolidation method or the equity method to account for such an investment.

The management of the Company and its subsidiaries believes that this standard is not relevant to their business.

**TFRS 12 Disclosure of Interests in Other Entities**

This standard stipulates disclosures relating to an entity's interests in subsidiaries, joint arrangements and associates, including structured entities. This standard therefore has no financial impact to the financial statements of the Company and its subsidiaries.

**TFRS 13 Fair Value Measurement**

This standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurements. Entities are to apply the guidance under this standard if they are required by other financial reporting standards to measure their assets or liabilities at fair value. The effect of the change from the adoption of this standard is to be recognised prospectively.

Based on the preliminary analysis, the management of the Company and its subsidiaries believes that this standard will not have any significant impact on the Company and its subsidiaries' financial statements.

**4. Significant accounting policies****4.1 Revenue recognition***Sales of goods*

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

*Interest income*

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

*Dividends*

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



## **4.2 Cash and cash equivalents**

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

## **4.3 Trade accounts receivable**

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

## **4.4 Inventories**

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

## **4.5 Investments**

- a) Investments in securities held for trading are stated at fair value. Changes in the fair value of these securities are recorded as gains or losses in 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.

#### **4.6 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.

#### **4.7 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.

#### **4.8 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.

#### **4.9 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.

#### 4.10 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.

#### 4.11 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.

#### **4.12 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.

#### **4.13 Provisions**

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

#### **4.14 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.

**5. Significant accounting judgments and estimates**

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

**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.

## 6. Related party transactions

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

(Unit: Million Baht)

	Consolidated		Separate		Pricing policy
	financial statements		financial statements		
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	
<u>Transactions with subsidiary companies</u>					
(eliminated from the consolidated financial statements)					
Sales of goods	-	-	254	269	Comparable market price
Interest income	-	-	16	21	7.25 - 7.50% per annum
Dividend income	-	-	67	48	
Purchase of goods	-	-	255	176	Comparable market price
Rental expenses	-	-	1	-	Contract price
<u>Transactions with related companies</u>					
Rental and service expenses	14	14	7	7	Contract price

As at 31 December 2014 and 2013, 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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Trade and other receivables - related parties (Note 9)</u>				
Subsidiaries	-	-	10,724	3,783
<u>Short-term loans to related parties</u>				
Subsidiaries	-	-	262,000	336,135
<u>Trade and other payables - related parties (Note 16)</u>				
Subsidiaries	-	-	14,919	20,039



### **Short-term loans to related parties**

As at 31 December 2014 and 2013, the balance of loans between the Company and the subsidiaries and the movement are as follows:

(Unit: Thousand Baht)

Loans to related parties	Related by	Separate financial statements			Balance as at 31 December 2014
		Balance as at 31 December 2013	Increase during the year	Decrease during the year	
Lee Pattana Feed Mill Co., Ltd.	Subsidiary	328,000	466,000	(540,000)	254,000
Bodhi Ngarm Sea Farm Co., Ltd.	Subsidiary	8,135	-	(135)	8,000
Total		336,135	466,000	(540,135)	262,000

### **Directors and management's benefits**

During the year ended 31 December 2014 and 2013, the Company and its subsidiaries had employee benefit expenses of their directors and management as below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Short-term employee benefits	13,248	13,225	8,612	8,432
Post-employment benefits	178	172	86	83
Total	13,426	13,397	8,698	8,515

### **Guarantee obligations with related parties**

The Company and its subsidiaries have outstanding guarantee obligations with its related parties, as described in Note 28.3 to the financial statements.

## **7. Cash and cash equivalents**

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Cash	790	761	510	480
Bank deposits	520,755	49,716	508,933	20,091
Bills of exchange	102,351	770,800	102,351	770,800
Total	623,896	821,277	611,794	791,371

As at 31 December 2014, bank deposits in saving accounts and bills of exchange carried interests between 0.3 and 2.6 percent per annum (2013: between 0.4 and 3.1 percent per annum).

**8. Current investments - marketable securities**

As at 31 December 2014 and 2013, the balance of marketable securities are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements / Separate financial statements			
	2014		2013	
	Cost	Fair value	Cost	Fair value
<b><u>Trading securities</u></b>				
Equity securities	23,072	23,036	7,547	4,733
Open-end money market funds	23,197	23,301	99,001	99,073
Less: Unrealised gain (loss) on change in values of current investments	68	-	(2,742)	-
Total securities - net	46,337	46,337	103,806	103,806

During the year, the movement of marketable securities are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements / Separate financial statements			
	Equity securities		Open-end money market funds	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Net book value at beginning of year	4,733	1,420	99,073	52,451
Purchases	85,481	39,029	745,000	1,127,000
Disposals	(69,957)	(32,805)	(820,803)	(1,080,367)
Change in fair value of current investments	2,779	(2,911)	31	(11)
Net book value at end of year	23,036	4,733	23,301	99,073

## 9. Trade and other receivables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Trade receivables - related parties</u>				
Age on the basis of due dates				
Not yet due	-	-	3,482	1,175
Past due up to 3 months	-	-	5,066	1,135
Total trade receivable - related parties	-	-	8,548	2,310
<u>Trade receivables - unrelated parties</u>				
Age on the basis of due dates				
Not yet due	173,360	141,450	47,667	55,383
Past due				
Up to 3 months	68,014	71,489	40,903	45,863
3 - 6 months	5,343	5,273	4,750	4,510
6 - 12 months	5,981	5,135	5,703	4,814
Over 12 months	8,808	7,847	7,332	6,043
Total	261,506	231,194	106,355	116,613
Less: Allowance for doubtful debts	(13,460)	(12,057)	(10,810)	(9,851)
Total trade receivables - unrelated parties, net	248,046	219,137	95,545	106,762
Total trade receivables - net	248,046	219,137	104,093	109,072
<u>Other receivables</u>				
Advances - related party	-	-	749	44
Interest receivable - related parties	-	-	1,427	1,429
Interest receivable	4,397	3,550	4,397	3,550
Accrued income	58	80	58	76
Other receivables	8,757	-	8,757	-
Total other receivables	13,212	3,630	15,388	5,099
Total trade and other receivables - net	261,258	222,767	119,481	114,171

**10. Inventories**

(Unit: Thousand Baht)

## Consolidated financial statements

	Cost		Reduce cost to net realisable value		Inventories - net	
	2014	2013	2014	2013	2014	2013
Finished goods	114,667	100,076	(38)	(37)	114,629	100,039
Work in process	2,912	2,768	-	-	2,912	2,768
Raw materials	279,865	475,753	-	-	279,865	475,753
Packing materials	44,727	38,410	-	-	44,727	38,410
Spare parts and factory supplies	56,805	49,697	-	-	56,805	49,697
Raw materials in transit	102,845	12,664	-	-	102,845	12,664
Breeding livestock and raw materials used in farming	12,358	10,091	(268)	(939)	12,090	9,152
<b>Total</b>	<b>614,179</b>	<b>689,459</b>	<b>(306)</b>	<b>(976)</b>	<b>613,873</b>	<b>688,483</b>

(Unit: Thousand Baht)

## Separate financial statements

	Cost		Reduce cost to net realisable value		Inventories - net	
	2014	2013	2014	2013	2014	2013
Finished goods	50,590	42,266	(30)	-	50,560	42,266
Work in process	973	1,351	-	-	973	1,351
Raw materials	119,330	162,264	-	-	119,330	162,264
Packing materials	25,829	18,638	-	-	25,829	18,638
Spare parts and factory supplies	27,755	30,113	-	-	27,755	30,113
Raw materials in transit	1,409	11,256	-	-	1,409	11,256
Breeding livestock and raw materials used in farming	12,358	10,091	(268)	(939)	12,090	9,152
<b>Total</b>	<b>238,244</b>	<b>275,979</b>	<b>(298)</b>	<b>(939)</b>	<b>237,946</b>	<b>275,040</b>

**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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
			(%)	(%)				
Pattana Agro Futures Company Limited	A Futures Broker of Agricultural Trading	Thailand	44.5	44.5	45	45	48	52

(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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
			(%)	(%)				
Pattana Agro Futures Company Limited	A Futures Broker of Agricultural Trading	Thailand	44.5	44.5	45	45	45	45

**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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Pattana Agro Futures Company Limited	(4)	(4)	-	-

**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 as at		Total assets as at		Total liabilities as at		Total revenues for the year ended		Loss for the year ended	
	31 December		31 December		31 December		31 December		31 December	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Pattana Agro Futures Company Limited	100	100	235	313	127	196	15	13	(9)	(8)

**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 percentage		Cost		Dividend received during the year	
	2014	2013	2014 (%)	2013 (%)	2014	2013	2014	2013
Lee Pattana Feed Mill Co., Ltd.	200	200	95	95	190	190	67	48
Bodhi Ngarm Sea Farm Co., Ltd.	1	1	100	100	1	1	-	-
<b>Total investment in subsidiaries</b>					<b>191</b>	<b>191</b>	<b>67</b>	<b>48</b>

**13. Other long-term investments**

(Unit: Thousand Baht)

Company' s name	Consolidated and separate financial statements					
	Shareholding percentage		Value of investments		Dividend received during the year	
	2014 (%)	2013 (%)	2014	2013	2014	2013
M.N. Inter Holding Co., Ltd.	3.64	3.64	10,880	10,880	3,917	1,959
Wall Street Tullett Liberty Ltd.	9.00	9.00	945	945	1,620	1,296
Others			705	705	52	37
<b>Total other long-term investments</b>			<b>12,530</b>	<b>12,530</b>	<b>5,589</b>	<b>3,292</b>

**14. Investment properties**

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Net book value at beginning of year	20,071	20,284	19,822	19,822
Disposals - net book value	-	(213)	-	-
<b>Net book value at end of year</b>	<b>20,071</b>	<b>20,071</b>	<b>19,822</b>	<b>19,822</b>

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					
		Buildings	Machinery	Office		Assets under	
	Land and land	and buildings	and	equipment,	Motor	installations	
	improvements	improvements	equipment	furniture and	vehicles	and	Total
				fixtures		constructions	
<b>Cost / Revalued amount:</b>							
As at 1 January 2013	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
Additions	451	-	9,319	12,334	25,150	14,182	61,436
Disposals	-	(408)	(4,636)	(2,021)	(18,638)	-	(25,703)
Transfers	-	23,839	12,629	175	-	(36,643)	-
As at 31 December 2014	385,411	488,854	841,736	151,869	158,179	57,402	2,083,451
<b>Accumulated depreciation:</b>							
As at 1 January 2013	-	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
Depreciation for the year	-	19,015	33,348	3,994	19,071	-	75,428
Depreciation on disposals	-	(408)	(4,636)	(2,021)	(18,114)	-	(25,179)
As at 31 December 2014	-	344,714	734,455	135,345	94,835	-	1,309,349
<b>Net book value:</b>							
As at 31 December 2013	384,960	139,316	118,681	8,009	57,789	79,863	788,618
As at 31 December 2014	385,411	144,140	107,281	16,524	63,344	57,402	774,102
<b>Depreciation for the year</b>							
2013 (Baht 54 million included in manufacturing cost, and the balance in selling and administrative expenses)							73,050
2014 (Baht 55 million included in manufacturing cost, and the balance in selling and administrative expenses)							75,428

(Unit: Thousand Baht)

## Separate financial statements

	Revaluation basis	Cost basis					Total
	Land and land improvements	Buildings and buildings improvements	Machinery and equipment	Office equipment, furniture and fixtures	Motor vehicles	Assets under installations and constructions	
<b>Cost / Revalued amount:</b>							
As at 1 January 2013	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
Additions	451	-	3,114	10,737	11,307	10,381	35,990
Disposals	-	-	-	-	(16,272)	-	(16,272)
Transfers	-	15,679	7,943	116	-	(23,738)	-
As at 31 December 2014	185,645	292,571	425,026	97,652	92,627	25,004	1,118,525
<b>Accumulated depreciation:</b>							
As at 1 January 2013	-	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
Depreciation for the year	-	12,277	8,965	2,566	10,808	-	34,616
Depreciation on disposals	-	-	-	-	(15,748)	-	(15,748)
As at 31 December 2014	-	224,149	386,111	85,030	59,807	-	755,097
<b>Net book value:</b>							
As at 31 December 2013	185,194	65,020	36,823	4,335	32,845	38,361	362,578
As at 31 December 2014	185,645	68,422	38,915	12,622	32,820	25,004	363,428
<b>Depreciation for the year</b>							
2013 (Baht 22 million included in manufacturing cost, and the balance in selling and administrative expenses)							33,108
2014 (Baht 22 million included in manufacturing cost, and the balance in selling and administrative expenses)							34,616



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 2014 and 2013 on the cost basis would have been as follows:

As at	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
31 December 2014	99,094	70,835
31 December 2013	98,643	70,384

As at 31 December 2014, 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 818 million (2013: Baht 797 million) (The Company only: Baht 521 million, 2013: Baht 501 million).

#### 16. Trade and other payables

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Trade payables - related parties	-	-	14,919	20,039
Trade payables - unrelated parties	173,941	162,867	52,505	59,451
Other accounts payable - unrelated parties	11,136	20,464	125	3,378
Accrued expenses	40,430	43,598	19,972	21,944
Total trade and other payables	<u>225,507</u>	<u>226,929</u>	<u>87,521</u>	<u>104,812</u>

**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>2014</u>	<u>2013</u>
<b>Provisions for long-term employee benefits</b>			
<b>at beginning of year</b>		51,514	26,402
Current service cost		3,867	1,801
Interest cost		2,292	1,175
Benefits paid during the year		(6,814)	(4,125)
Actuarial gain		(3,067)	(170)
<b>Provisions for long-term employee benefits</b>			
<b>at end of year</b>		47,792	25,083

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

		(Unit: Thousand Baht)	
		Consolidated	Separate
		financial statements	financial statements
		<u>2014</u>	<u>2013</u>
Current service cost		3,867	1,801
Interest cost		2,292	1,175
Actuarial gain recognised during the year		(3,067)	(170)
<b>Total expenses recognised in profit or loss</b>		3,092	2,806
Line items under which such expenses are included in profit or loss			
Cost of sales		2,752	1,313
Selling and administrative expenses		340	1,493

Principal actuarial assumptions at the valuation date were as follows:

	Consolidated financial statements		Separate financial statements	
	2014 (% per annum)	2013 (% per annum)	2014 (% per annum)	2013 (% per annum)
Discount rate	4.45	4.27	4.45	4.27
Future salary increase rate (depending on employee types)	4.50 - 5.40	4.60 - 5.30	4.50 - 5.40	4.60 - 5.30
Staff turnover rate (depending on age and employee types)	1.50 - 35.00	1.50 - 35.00	1.50 - 35.00	1.50 - 35.00

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

	(Unit: Thousand Baht)			
	Defined benefit obligation		Experience adjustments on the obligation	
	Consolidated	Separate	Consolidated	Separate
	financial statements	financial statements	financial statements	financial statements
Year 2014	47,792	25,083	(3,126)	(332)
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. 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.

#### 19. 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.

#### 20. 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.

#### 21. Expenses by nature

Significant expenses by nature are as follows:

	Consolidated		(Unit: Million Baht)	
	financial statements		Separate	
	2014	2013	2014	2013
Salary, wages and other employee benefits	288	286	145	142
Depreciation	75	73	35	33
Rental expenses	13	12	7	5
Raw materials and consumables used	2,805	2,546	1,100	1,248
Purchases of finished goods	-	-	6	8
Changes in inventories of finished goods and work in process	15	6	8	(12)

## 22. Income tax

Income tax expenses for the years ended 31 December 2014 and 2013 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Current income tax:</b>				
Current income tax charge	16,440	16,185	6,078	9,827
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	865	(1,249)	692	(961)
<b>Income tax expense reported in the statement of comprehensive income</b>	<u>17,305</u>	<u>14,936</u>	<u>6,769</u>	<u>8,866</u>

The reconciliation between accounting profit and income tax expense is shown below.

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Accounting profit before tax	<u>199,474</u>	<u>252,432</u>	<u>169,959</u>	<u>226,476</u>
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by applicable tax rate	39,895	50,486	33,992	45,295
Effects of:				
Promotional privileges (Note 23)	(20,122)	(43,167)	(13,788)	(27,165)
Income exempt for tax purpose	(1,109)	(652)	(14,409)	(10,152)
Non-deductible expenses	560	479	375	325
Additional expense deductions allowed	(737)	(626)	(191)	(274)
Others	(1,182)	8,416	790	837
Total	<u>(22,590)</u>	<u>(35,550)</u>	<u>(27,223)</u>	<u>(36,429)</u>
Income tax expenses reported in the statement of comprehensive income	<u>17,305</u>	<u>14,936</u>	<u>6,769</u>	<u>8,866</u>

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
	31 December	31 December	31 December	31 December
	2014	2013	2014	2013
<b>Deferred tax liabilities</b>				
Unrealised (gain) loss on change in values of current investments	(14)	548	(14)	548
Allowance for diminution in value of inventories	60	188	60	188
Revaluation surplus on land	(57,263)	(57,263)	(22,962)	(22,962)
Revaluation surplus on investment properties	(203)	(203)	(203)	(203)
Provision for long-term employee benefits	5,962	6,126	2,788	2,790
Unused tax loss	14	25	-	-
<b>Total</b>	<b>(51,444)</b>	<b>(50,579)</b>	<b>(20,331)</b>	<b>(19,639)</b>

As at 31 December 2014 the Company and its subsidiaries have deductible temporary differences and unused tax losses totaling Baht 130 million (2013: Baht 116 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.

## 23. 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	
	Certificate No.					
1. Certificate No.	1577/2544	1217(4)/2549	2086(4)/2548	1903(3)/2547		
2. Promoted operations	Manufacture of animal feeds	Manufacture of animal feeds and feed mix	Manufacture of animal feeds and feed mix	Crop drying and silo business		
3. Significant privileges:						
3.1 Exemption of corporate income tax for earnings derived from the 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.	8 years (Expired)	8 years	8 years	8 years		(Expired)
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	Not eligible	Not eligible	Not eligible		Not eligible
3.3 Two-fold deduction of transportation, electricity and water supply, for corporate income tax computation purpose, for a period of ten years commencing as from the date of earning operating income.	Eligible (Expired)	Not eligible	Not eligible	Not eligible		Not eligible
4. Date of first earning operating income	24 July 2002	3 July 2010	4 January 2007	3 August 2005		

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)
	2014		2013			
	BOI promoted operations	Non-BOI promoted operations	Total	BOI promoted operations	Non-BOI promoted operations	
Sales - local	1,772,673	2,940,490	4,713,163	2,258,482	2,278,530	4,537,012
Interest income	-	44,760	44,760	-	46,210	46,210
Other income	7	98,182	98,189	-	73,909	73,909
Total revenues	1,772,680	3,083,432	4,856,112	2,258,482	2,398,649	4,657,131
Less: Eliminated transactions			(1,021,372)			(633,115)
Total			3,834,740			3,994,016

	Separate financial statements					(Unit: Thousand Baht)
	2014		2013			
	BOI promoted operations	Non-BOI promoted operations	Total	BOI promoted operations	Non-BOI promoted operations	
Sales - local	969,174	621,929	1,591,103	1,202,474	698,370	1,900,844
Interest income	-	40,774	40,774	-	42,139	42,139
Other income	1	93,285	93,286	-	62,459	62,459
Total revenues	969,175	755,988	1,725,163	1,202,474	802,968	2,005,442



## 24. 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.

	Consolidated financial statements		Separate financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Profit for the year (Thousand Baht)	177,436	233,874	163,190	217,609
Weighted average number of ordinary shares (Thousand shares)	922,180	866,423	922,180	866,423
Earnings per share (Baht/share)	0.19	0.27	0.18	0.25

## 25. 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 2014 and 2013, the Company and its subsidiaries have no major customer with revenue of 10 per cent or more of an entity's revenues.

## 26. 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 2014, the Company and its subsidiaries contributed Baht 7 million (2013: Baht 6 million) to the fund (Separate financial statements: Baht 4 million, 2013: Baht 3 million).

**27. Dividends**

Dividends declared in 2014 and 2013 consist of the following:

Dividends	Approved by	(Unit: Thousand Baht)			
		Dividends from BOI promoted activities	Dividends from non-BOI promoted activities	Total dividends	Dividend per share
		Exemption from corporate income tax	50% reduction of corporate income tax rate		(Baht)
Final dividends for 2012	Annual General Meeting of the shareholders on 26 April 2013	116,044	-	162,462	0.21
Total dividend paid for 2013		116,044	-	162,462	0.21
Final dividends for 2013	Annual General Meeting of the shareholders on 26 April 2014	110,662	27,665	202,880	0.22
Total dividend paid for 2014		110,662	27,665	202,880	0.22

## 28. Commitments and contingent liabilities

### 28.1 Capital commitments

As at 31 December 2014, the Company and its subsidiaries had capital commitments of approximately Baht 8 million, relating to the construction of factory buildings, acquisition of machinery, software license and installation of software system (2013: Baht 13 million).

### 28.2 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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Payable				
In up to 1 year	13	13	6	6
In over 1 and up to 5 years	10	10	5	5

### 28.3 Guarantees

As at 31 December 2014, the Company and its subsidiaries had outstanding bank guarantees of approximately Baht 9 million (2013: Baht 9 million) (Separate financial statements: Baht 5 million (2013: 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 facilities, by several financial institutions of which Baht 2,005 million (2013: Baht 1,930 million) (Separate financial statements: Baht 1,772 million (2013: Baht 1,728 million)) has not been utilised. Most of the facilities have been cross-guaranteed by the Company and its subsidiaries.

## **29. Financial instruments**

### **29.1 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 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 and short-term loan with interest. 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 2014					
	Fixed interest rates		Floating	Non-		
	Within		interest	interest		
	1 year	1-5 years	rate	bearing	Total	Interest rate
						(% p.a.)
<u>Financial Assets</u>						
Cash and cash equivalents	603	-	17	4	624	0.30 - 2.60
Current investments - fixed deposits	464	-	-	-	464	1.75 - 3.20
Current investments - marketable securities	-	-	-	46	46	-
Trade and other receivables	-	-	-	261	261	-
	1,067	-	17	311	1,395	
<u>Financial liabilities</u>						
Trade and other payables	-	-	-	226	226	-
	-	-	-	226	226	

(Unit: Million Baht)

	Consolidated financial statements					
	As at 31 December 2013					
	Fixed interest rates		Floating	Non-		
	Within		interest	interest		
	1 year	1-5 years	rate	bearing	Total	Interest rate
						(% p.a.)
<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)

## Separate financial statements

As at 31 December 2014

	<u>Fixed interest rates</u>		Floating	Non-		
	Within		interest	interest		
	<u>1 year</u>	<u>1-5 years</u>	<u>rate</u>	<u>bearing</u>	<u>Total</u>	<u>Interest rate</u>
						(% p.a.)
<u>Financial Assets</u>						
Cash and cash equivalents	603	-	7	2	624	0.30 - 2.60
Current investments - fixed deposits	464	-	-	-	464	1.75 - 3.20
Current investments - marketable securities	-	-	-	46	46	-
Trade and other receivables	-	-	-	119	119	-
Short-term loans to related parties	262	-	-	-	262	7.50
	<u>1,329</u>	<u>-</u>	<u>7</u>	<u>167</u>	<u>1,503</u>	
<u>Financial liabilities</u>						
Trade and other payables	-	-	-	88	88	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>88</u>	<u>88</u>	

(Unit: Million Baht)

## Separate financial statements

As at 31 December 2013

	<u>Fixed interest rates</u>		Floating	Non-		
	Within		interest	interest		
	<u>1 year</u>	<u>1-5 years</u>	<u>rate</u>	<u>bearing</u>	<u>Total</u>	<u>Interest rate</u>
						(% p.a.)
<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 parties	336	-	-	-	336	7.375
	<u>1,296</u>	<u>-</u>	<u>13</u>	<u>223</u>	<u>1,532</u>	
<u>Financial liabilities</u>						
Trade and other payables	-	-	-	105	105	-
	-	-	-	105	105	

### **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 2014 and 2013, the Company and its subsidiaries had no financial instruments in foreign currencies.

### **29.2 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.

### **30. 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 2014, the Group's debt-to-equity ratio was 0.13:1 (2013: 0.13:1) and the Company's was 0.06:1 (2013: 0.07:1).

### **31. Events after the reporting period**

On 5 February 2015, Bodhi Ngarm Sea Farm Company Limited, a subsidiary, resolved to approve an increase in its capital from Baht 0.5 million to Baht 5 million, by issuing of 45,000 ordinary shares at a par value of Baht 100 each. The Company already paid for these shares of the additional capital.

### **32. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 26 February 2015.



ภูเขา ป่าไม้ แหล่งทรัพยากรธรรมชาติที่สำคัญของทุกสิ่งมีชีวิต  
เป็นที่อยู่อาศัยของ สัตว์ และมนุษย์ สร้างผลผลิตทางการเกษตร  
ก่อเกิดการพัฒนาและความเจริญเติบโตทางเศรษฐกิจ  
เราจึงตระหนักถึงคุณค่า ป่าไม้ ต้นน้ำลำธาร  
แสดงเจตนารมณ์ร่วมรับผิดชอบต่อสังคมและสิ่งแวดล้อม  
รณรงค์รักษาทรัพยากรธรรมชาติเหล่านี้ไว้  
ให้เป็นสมบัติของแผ่นดิน



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

สำนักงาน 33/137 อาคารวอลล์สตรีททาวเวอร์ ชั้น 28 ถนนสุขุมวิท บางรัก กรุงเทพฯ 10500  
โทร. 0 2632 7232, 0 2632 7300 โทรสาร 0 2236 7751, 0 2237 6021-1  
[www.leepattana.com](http://www.leepattana.com)